



**GOVERNMENT OF SIKKIM**

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

**FOR THE YEAR ENDED  
31 MARCH 1996**



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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 1995-96 together with other points arising from audit of financial transaction of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1995-96.*

*The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1995-96 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1995-96 have also been included, wherever considered necessary.*



## OVERVIEW

*This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 1995-96 and six other chapters, comprising 5 reviews and 37 paragraphs, based on the audit of certain selected programmes and activities of the Government. A synopsis of the important findings contained in the Report is presented in this Overview.*

### *1. Accounts of the State Government*

*The liabilities of State Government increased from Rs. 170.13 crores as at the end of March 1992 to Rs. 309.57 crores as at the end of March 1996, while the assets increased from Rs. 434.12 crores to Rs. 719.04 crores during the same period.*

*The receipts of the State Government increased to Rs. 941.21 crores in 1995-96 from Rs. 182.44 crores in 1991-92 i.e. an increase of 416 per cent. The non-tax revenue raised by the State Government increased from Rs. 28.64 crores in 1991-92 to Rs. 626.73 crores in 1995-96, while the State's own tax revenue increased from Rs. 15.44 crores to Rs. 27.28 crores during the same period.*

*The aggregate of the amounts received by the State Government on account of State's share of Union Excise Duties and grants-in-aid increased from Rs. 138.36 crores to Rs. 287.20 crores between 1991-92 and 1995-96, an increase of 108 per cent. The percentage of revenue raised by the State to the total revenue receipts increased to 69 per cent in 1995-96 from 22 per cent in 1993-94.*

*While the revenue expenditure increased from Rs. 155.10 crores to Rs. 881.18 crores over the period 1991-92 to 1995-96, the plan expenditure increased from Rs. 53.23 crores to Rs. 109.61 crores and the non-plan expenditure from Rs. 101.87 crores to Rs. 771.57 crores during the same period.*

*Public Debt had increased from Rs. 144.96 crores at the end of 1991-92 to Rs. 233.12 crores at the end of 1995-96 i.e. an increase of 61 per cent. The other liabilities on account of small savings, provident funds etc. increased considerably*

from Rs. 19.42 crores in 1991-92 to Rs. 43.50 crores in 1995-96 i.e an increase of 124 per cent.

The repayment of Central Government loans and interest thereon aggregating Rs. 17.79 crores during 1995-96 constituted 89 per cent of the Central Government loans (Rs. 20.08 crores) received during the year.

Government paid interest totalling Rs. 28.99 crores on debt and other obligations during 1995-96, while the interest received on all accounts was Rs. 1.12 crore only, leaving a net interest burden of Rs. 27.87 crores.

(Paragraph 1.1 to 1.11)

## 2. Appropriation audit and control over expenditure

Against the total budget provision of Rs. 1040.60 crores (including supplementary) the actual expenditure was Rs. 1001.60 crores. The overall saving of Rs. 39.00 crores was the net effect of saving of Rs. 39.98 crores in 45 cases of grants and 4 cases of appropriations and excess of Rs. 0.98 crore in 24 cases of grants and 3 case of appropriations. The excess required regularisation by the Legislature under Article 205 of the Constitution of India. Besides the excess expenditure of Rs. 5.81 crores pertaining to the years 1991-92 to 1994-95 was yet to be regularised.

The supplementary provision of Rs. 356.28 crores obtained during 1995-96 constituted 52 per cent of the original budget provision. In 9 grants supplementary provision aggregating Rs. 10.61 crores obtained during the year was unnecessary.

In 10 grants the expenditure during the year in each case fell short of the provision by more than Rs. 10 lakhs and also by more than 10 percent of the total provision.

(Paragraphs 2.1 to 2.3)

## 3. Government commercial and trading activities

The Companies Act, 1956 is not extended to Sikkim. The companies in Sikkim are registered under 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the Statutory Auditors directly ap-

*pointed by the Board of Directors of the respective companies. The audit of these companies is taken up by the Comptroller and Auditor General of India at the request of the State Government. As on 31 March 1996, the total investment was Rs. 25.14 crores in 6 companies. The accounts of 5 companies were in arrears ranging from 1 to 2 years. One company had incurred a loss of Rs. 3.09 crores and 3 companies earned a profit of Rs. 0.32 crore. The remaining companies run on no profit no loss basis. Out of 3 statutory corporations as of 31 March 1996 involving investment of Rs. 2.73 crores, 2 corporations had finalised their accounts upto 1994-95 and 1 corporation upto 1993-94. The Sikkim Mining Corporation and the State Bank of Sikkim incurred a loss of Rs. 2.60 crores and the State Trading Corporation had earned a profit of Rs. 0.05 crore. Sikkim Nationalised Transport(SNT) and Temi Tea Board, both departmentally managed units had finalised their accounts upto 1993-94 and 1994-95 respectively. The SNT suffered a loss of Rs. 0.36 crore and the Temi Tea Board earned a profit of Rs.0.62 crore.*

*( Paragraph 8.1 to 8.3 )*

#### *4. Audit Reviews*

##### *(a) Employment Assurance Scheme*

*The main objective of the Employment Assurance Scheme was to provide assured employment for 100 days to rural people residing mainly in drought prone areas, desert areas, tribal areas and hill areas during the lean agricultural season. The secondary objective was to create economic infrastructure for sustained employment and socio-economic development of the area. The scheme was launched in the State during October 1993.*

*Although projects prepared by the District Collector were to be taken up, no shelf of projects was prepared. The works recommended by the Divisional Engineer/ Assistant Engineer or by peoples' representatives were taken up for execution.*

*Rupees 1041.62 lakhs was reported to have been utilised during 1993-94 to 1995-96, though the actual expenditure recorded in the district was only Rs. 528.54*

*lakhs. Rs. 30 lakhs earmarked for 'Dry Land Development' under Agriculture Department were diverted to this scheme. As against 12,851 agricultural labourers reported by census, 43,928 labourers were registered. Due to non-maintenance of family card, the assurance of employment for 100 days to each beneficiary remained unascertained. The mandays of work reported to have been generated were theoretically worked out by dividing 60 per cent of the funds released to the districts by minimum wage rates without taking into account, the actual wages paid based on muster roll figures. Though the entire funds were to be spent during the lean agricultural period, only 7 and 35 per cent of the funds were utilised during the years 1994-95 and 1995-96.*

*Funds allotted for this scheme were to be spent for the following types of work i) 40 per cent for water and soil conservation, agro-horticulture and afforestation ii) 20 per cent on minor irrigation iii) 20 per cent on rural link roads and iv) 20 per cent on primary schools and anganwadis. This classification was not adhered to. Instead of constructing rural link roads which cost less, jeepable roads were constructed for which there was a separate state plan provision. Further, a large part of funds allotted for construction of primary school buildings and anganwadis was used for construction/ repair/renovation of playgrounds.*

*Periodical reports/returns were not regularly sent by the districts and no evaluation study was conducted to ascertain the qualitative and quantitative achievement of the objectives of the scheme.*

*( Paragraph 3.8 )*

*(b) Development of district and other roads*

*The roadways being the only system of transportation in the State, development of the road communication sector was initiated by the Public Works Department (Roads and Bridges) with a view to (i) upgrade low cost roads, (ii) construct new roads and bridges and (iii) strengthen weak pavements and bridges.*

*Although the entire funds allocated for these works were spent during 1991-*

92 to 1995-96, the physical achievement was only 35 to 91 per cent of the target fixed in all but 2 sub-sectors.

Works valued Rs. 72.14 lakhs were awarded without calling for tenders. During 1991-92 to 1995-96, materials valued Rs. 178 lakhs were not received although a total advance of Rs. 770.68 lakhs was paid to the STCS.

The delay in awarding of contracts caused extra financial burden of Rs. 13.74 lakhs to State exchequer. A contract was terminated without checking departmental lapses and this led to extra expenditure of Rs. 16.40 lakhs. Execution of a work without detailed geological investigation resulted in infructuous expenditure of Rs. 8.77 lakhs.

(Paragraph 4.1)

(c) *Materials management*

Rural Development Department is engaged in implementation of various State and Central schemes. A review of the management of stores covering the period from 1991-92 to 1995-96 revealed that no assessment/ planning was made while purchasing stock materials. Under the stock suspense head there was huge savings aggregating Rs. 101.70 lakhs during the period 1991-92 to 1995-96. The savings in 1994-95 alone was Rs. 75.68 lakhs which constituted 95 per cent of the budget provision for that year.

By accepting supply of heavy class of GI pipes as against the requirement of medium class, the Department had incurred unnecessary expenditure of Rs. 33.77 lakhs. The Department paid enhanced rates on supplies made beyond the stipulated period of supply leading to excess payment of Rs. 12.35 lakhs. Even the stipulated penalty of Rs. 3.99 lakhs was not recovered from the supplier. Acceptance of higher rates for supply of GI pipes resulted in a loss of Rs. 48.82 lakhs to Government during 1992-93 to 1993-94.

Norms laid down for efficient management of stores were not followed.

(Paragraph 5.3)

*(d) Control of Power Receipts*

*The Power system comprises the component of generation, transformation, transmission and distribution which is controlled by the Power Department. The sale of energy is the main source of revenue of the Department. A review of the control of power receipts covering the period 1991-92 to 1995-96 was conducted by Audit. There were persistent losses on the sale of electricity during 5 years upto 1995-96. The losses mounted to Rs. 7.88 crores during 1995-96 from Rs. 4.19 crores during 1993-94. Outstanding arrears towards the end of 1995-96 assumed alarming proposition of Rs. 326.61 lakhs. Also there was irrecoverable arrears of Rs. 43.08 lakhs as at 31 March 1996. No legal action was taken against the defaulters. Demand charges on the 4 industrial units, where the transformers were installed by the Power Department at Government expenses, were not levied as per the installed capacity of the transformers at the respective units. This led to short levy of demand charges and energy charges amounting to Rs. 52.73 lakhs. Irregular grant of rebate and incorrect imposition of surcharge resulted in loss of revenue of Rs. 5.18 lakhs.*

*(Paragraph 6.8)*

*(e) Sikkim Industrial Development and Investment Corporation Limited - working thereof*

*Sikkim Industrial Development Corporation (SIDICO) was incorporated in 1977 under Sikkim Companies Act, to assist and aid development of Industries in the State of Sikkim. The review of the working of the unit covering 5 years upto 1995-96 revealed that the investment made by the Company could not generate expected income and accumulated loss constituted 87 per cent of paid up capital (1995-96). Dependence on borrowed fund resulted heavy interest burden to the tune of Rs. 4.75 crores during the five years ended 1995-96. Economic viability of projects was not scrutinised properly. As a result 88 per cent of assisted units were economically unviable and they became chronic defaulters in repaying the loan instalments. The percentage of recovery sharply declined from 11.69 per cent to 8.58 per cent in 1995-96. The changes in repayment policy and waiving of partial/penal interest resulted in reduction in income. Besides outstanding recoverable of Rs. 559.05 lakhs became unrealisable. Injudicious investment in 6 units led to blockage of Rs. 242.23 lakhs.*

*Despite unsatisfactory performance of all the 31 assisted printing presses, fresh loans of Rs. 15 lakhs were released without investigating the requisite condition for scope of expansion of Printing Industry.*

*(Paragraph 8. 9 )*

5. *Other points of interest*

(a) *Civil Departments*

*Funds to the tune of Rs. 82.36 lakhs received for implementing a scheme were not utilised by the Co-operation Department resulting in interest liability of Rs. 8.63 lakhs.*

*(Paragraph 3.1)*

*The failure of the Industries Department to safeguard Government interest by incorporating appropriate penalty clause for delay in payment of rent by the lessee led to non-realisation of lease rent amounting to Rs. 20.28 lakhs.*

*(Paragraph 3.2)*

*Irregular grant of financial assistance by Tourism Department to a producer for producing Hindi feature film resulted in a loss of Rs.3.79 lakhs to the Government.*

*(Paragraph 3.3)*

*During April 1993 to July 1995, the Tourism Department spent Rs. 32.49 lakhs on transport fleet as against the earnings of Rs. 8.85 lakhs leading to huge operational loss of Rs. 23.64 lakhs.*

*(Paragraph 3.4)*

*Rupees 40.60 lakhs being the cost of rock climbing equipment remained blocked for more than 2 years as the equipment were not put to use. Besides value of shortage of equipment noticed (Rs.1.44 lakhs) was not recovered from the concerned staff.*

*(Paragraph 3.5)*

*The failure in implementation of two projects on water sports by the Tourism*

*Department led to loss of revenue of Rs. 11.05 lakhs besides blockage of funds of Rs. 8.85 lakhs for over a period of 3 years.*

*(Paragraph 3.6)*

*Of the 448 utilisation certificates due in respect of grants and loans sanctioned to autonomous bodies and authorities, aggregating Rs. 11.70 crores paid during 1995-96, only 184 utilisation certificates for Rs. 278.82 lakhs had been furnished by 30 September 1996 and 264 certificates for an aggregate amount of Rs. 891.36 lakhs were in arrears.*

*(Paragraph 7.2)*

*Sikkim Khadi and Village Industries Board established a Centre for Computer and Communication Technology at a cost of Rs. 20.55 lakhs by diverting funds meant for the economic development of rural people and artisans.*

*(Paragraph 7.7)*

*(b) Revenue receipts*

*Issue of permits for the vehicles by the Motor Vehicles Department at rates lower than the prescribed rates led to revenue loss of Rs. 1.51 lakhs.*

*(Paragraph 6.7.)*

*Sales tax arrears of Rs. 7.32 lakhs for the period from 1985-86 to 1993-94 alongwith interest of Rs. 0.81 lakh accrued thereon upto 31 October 1995 remained unrealised.*

*(Paragraph 6.10.)*

*(c) Commercial and Trading Activities*

*Fresh overdraft facilities were extended by the State Bank of Sikkim to the defaulters despite loss of interest of Rs. 40.96 lakhs accrued on the accounts of those borrowers.*

*(Paragraph 8.7)*

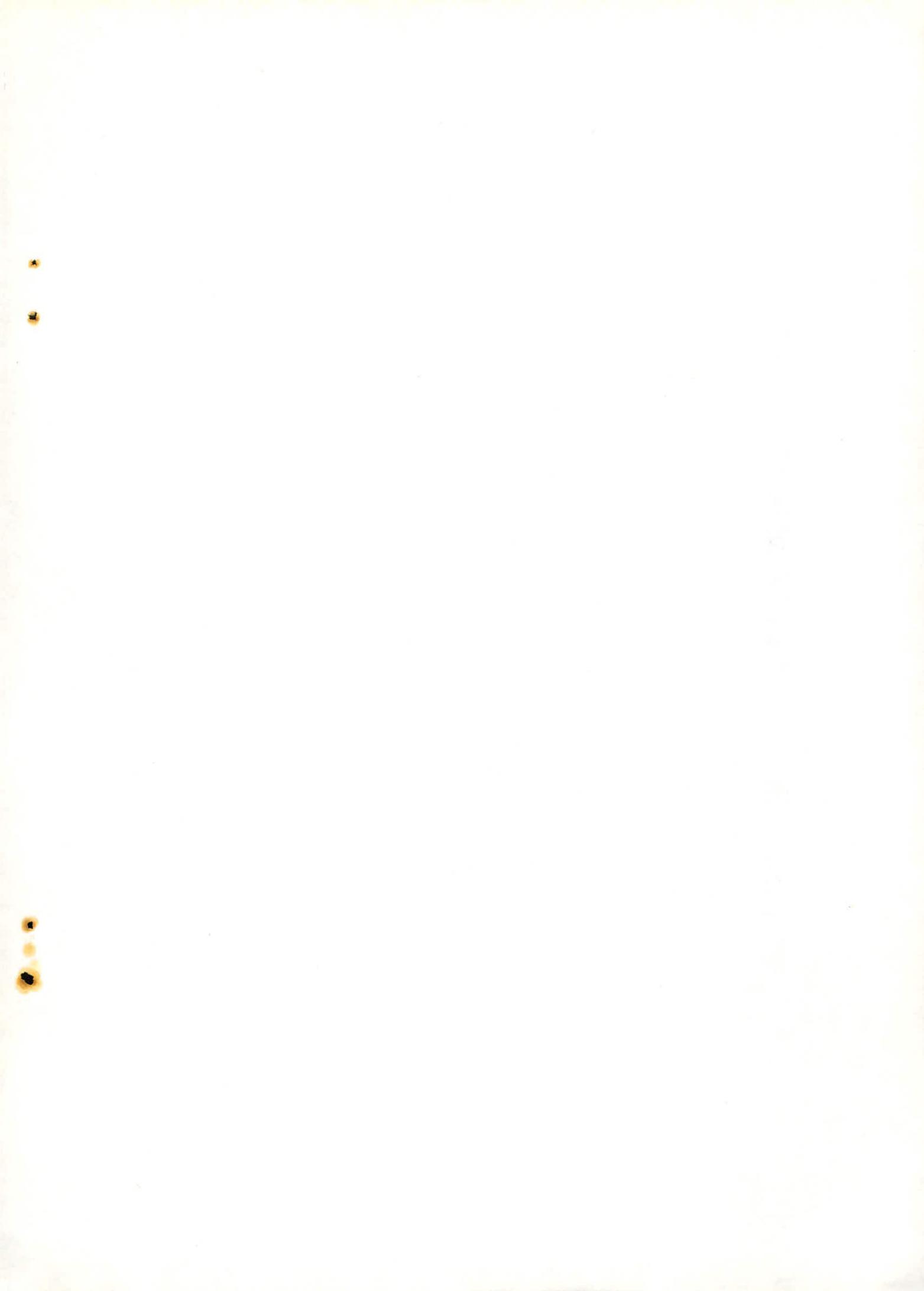
*Unplanned production of the Sikkim Time Corporation resulted in locking up of fund of Rs. 63.84 lakhs and consequential loss of interest of Rs. 12.45 lakhs.*

*(Paragraph 8.10)*

1  
**CHAPTER I**

**ACCOUNTS OF THE STATE  
GOVERNMENT**

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<i>1.3</i>	<i>Revenue surplus</i>	<i>13-14</i>
<i>1.4</i>	<i>Revenue receipts</i>	<i>14-17</i>
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## **CHAPTER I**

### **ACCOUNTS OF THE STATE GOVERNMENT**

#### **1.1 Summarised financial position**

The financial position of the State Government as on 31 March 1996 emerging from the Appropriation Accounts and the Finance Accounts for the year 1995-96, the Abstract of Receipts and Disbursements and the sources and application of funds for the year are detailed in statements I, II and III.

**I- Summarised financial position of the**

As on 31 March 1995	Liabilities (Rupees in crores)	As on 31 March 1996
<b>92.59</b>	<b>Internal Debt</b>	<b>104.81</b>
	Market Loan	62.80
	Loans from Life Insurance Corporation of India	2.67
	Loans from National Cooperative Development Corporation	0.87
	Loans from General Insurance Corporation of India	0.55
	Loans from other Institutions	37.92
<b>113.60</b>	<b>Loans and Advances from the Central Government</b>	<b>128.31</b>
	Pre 1984-85 Loans	10.43
	Non-Plan loans	27.93
	Loans for State Plan scheme	80.92
	Loans for Central and Centrally sponsored Plan schemes	7.88
	Ways and Means Advances	1.15
<b>10.83</b>	<b>Suspense and Miscellaneous Balances</b>	<b>7.12</b>
<b>12.81</b>	<b>Remittance Balance</b>	<b>16.83</b>
<b>37.48</b>	<b>Small Savings, Provident Funds etc.</b>	<b>43.50</b>
<b>4.49</b>	<b>Deposits</b>	<b>5.06</b>
<b>3.21</b>	<b>Reserve Funds</b>	<b>3.44</b>
<b>0.50</b>	<b>Contingency Fund</b>	<b>0.50</b>
<b>349.44</b>	<b>Surplus on Government Account</b>	<b>409.47</b>
	Last Year's balance	349.44
	Add Revenue surplus during the year	60.03
<hr/> <b>624.95</b> <hr/>		<hr/> <b>719.04</b> <hr/>

**Government of Sikkim as on 31 March 1996**

<b>Assets</b>		
As on 31 March 1995	(Rupees in crores)	As on 31 March 1996
595.28✈	<b>Gross Capital Outlay</b>	<b>696.45</b>
	Investment in shares of Companies, Corporations, etc	28.90
	Other Capital Outlay	667.55
9.22✈	<b>Loans and Advances</b>	<b>8.17</b>
	Development Loans	4.68
	Loans to Government Servants and Miscellaneous Loans	3.49
0.15	<b>Other Advances</b>	<b>0.15</b>
19.84	<b>Cash</b>	<b>13.81</b>
	Cash balance deposits with other banks	13.29
	Departmental Cash Balance including Permanent Advance and Cash Balance Investment	0.52
0.46	<b>Earmarked funds invested</b>	<b>0.46</b>
<hr/> <b>624.95</b> <hr/>		<hr/> <b>719.04</b> <hr/>

✈ Difference of Rs. 8.00 lakhs is due to proforma correction because of conversion of loan into investment

**II. Abstract of Receipts and  
Section A-****RECEIPTS**

(Rupees in crores)

<b>I.</b>	<b>Revenue receipts -</b>	<b>941.21</b>
(i)	Tax revenue	27.28
(ii)	Non-tax revenue	626.73
(iii)	State's Share of Union Excise Duties	45.10
(iv)	Non-Plan grants	51.38
(v)	Grants for State Plan Schemes	162.35
(vi)	Grants for Central and Centrally Sponsored Plan Schemes	28.37

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**941.21**

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**Disbursements for the year 1995-96**

**Revenue**

**DISBURSEMENTS**

(Rupees in crores)

	Non-Plan	Plan	Total
<b>I. Revenue Expenditure - Sector</b>			
(i) General Services	664.22	1.63	665.85
(ii) Social Services	55.65	49.86	105.51
(iii) Agriculture and Allied Activities	12.46	34.80	47.26
(iv) Rural Development	0.29	10.54	10.83
(v) Irrigation and Flood Control	0.57	2.76	3.33
(vi) Energy	11.51	1.83	13.34
(vii) Industry and Minerals	1.54	2.38	3.92
(viii) Transport	23.81	1.72	25.53
(ix) Science, Technology and Environment	—	1.03	1.03
(x) General Economic Services	1.52	3.06	4.58
	<u>771.57</u>	<u>109.61</u>	<u>881.18</u>
<b>II. Revenue surplus carried over to Section B</b>			60.03
			<u>941.21</u>

## SECTION B

<b>II.</b>	<b>Opening Cash Balance including permanent advance and cash balance investment</b>	<b>19.84</b>
<b>III.</b>	<b>Recoveries of Loans and Advances</b>	<b>2.02</b>
	(i) From Government Servants	0.46
	(ii) From Others	1.56
<b>IV.</b>	<b>Revenue Surplus brought down</b>	<b>60.03</b>
<b>V.</b>	<b>Contingency Fund</b>	<b>Nil</b>
<b>VI.</b>	<b>Public Debt receipts</b>	<b>36.11</b>
	(i) Internal Debt other than ways and Means Advances	16.03
	(ii) Loans and Advances from Central Government	20.08
<b>VII.</b>	<b>Public Account Receipts</b>	<b>475.62</b>
	(i) Small Savings, Provident Funds, etc.	12.37
	(ii) Suspense and Miscellaneous	260.72
	(iii) Remittances	187.13
	(iv) Deposits and Advances	9.50
	(v) Reserve Funds	5.90

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**593.62**

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**- OTHERS**

<b>III</b>	<b>Capital Outlay - Sector</b>		<b>101.17</b>
(i)	General Services	5.18	
(ii)	Social Services	32.20	
(iii)	Agriculture and Allied Services	1.86	
(iv)	Industry and Minerals	5.53	
(v)	Energy	30.44	
(vi)	Transport	25.18	
(vii)	General Economic Services	0.78	
<b>IV.</b>	<b>Loans and Advances disbursed</b>		<b>0.96</b>
(i)	To Government Servants	0.96	
(ii)	To others	Nil	
<b>V.</b>	<b>Contingency Fund</b>		<b>Nil</b>
<b>VI.</b>	<b>Repayment of Public Debt</b>		<b>9.19</b>
(i)	Internal Debt other than Ways and Means Advances	3.81	
(ii)	Repayment of Loans and Advances to Central Government	5.38	
<b>VII.</b>	<b>Public Account Disbursements</b>		<b>468.49</b>
(i)	Small Savings, Provident Funds, etc.	6.36	
(ii)	Suspense and Miscellaneous	264.43	
(iii)	Remittances	183.11	
(iv)	Deposits and Advances	8.93	
(v)	Reserve Funds	5.66	
<b>VIII.</b>	<b>Cash Balance at end</b>		<b>13.81</b>
(i)	Cash Balance deposits with other banks	13.29	
(ii)	Departmental cash balance including permanent advance & Cash Balance Investment	0.52	
			<b>593.62</b>

**Statement III - Sources and Application****Sources**

(Rupees in crores)

1.	Revenue receipts	941.21
2.	Increase in Public Debt	26.92
3.	Effect on Contingency Fund	—
4.	Recoveries from Loans and Advances	2.02
5.	Net receipts from Public Account	7.13
	Increase in Small Savings	6.01
	Decrease in Suspense and Miscellaneous balances	3.71
	Effect on Remittance Balances	4.02
	Increase in Deposits and Advances	0.57
	Increase in Reserve Fund	0.24
6.	Decrease in closing cash balance including permanent advance, departmental cash balance and cash balance investment	6.03
		<u>983.31</u>

**of Funds for 1995-96****Application**

(Rupees in crores)

1.	Revenue expenditure	<b>881.18</b>
2.	Capital Outlay	<b>101.17</b>
3.	Lending for development and other programmes	<b>0.96</b>

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**983.31**

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**Explanatory notes**

1. The summarised financial statement is based on the statements of the Finance Accounts and Appropriation Accounts of the State Government and are subject to the notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Thus, items payable or receivable or items like depreciation or variation in stock, fixtures etc. do not figure in the accounts.
3. Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of the State Government remains unaffected by end use.
4. There was an unreconciled difference of Rs. 10.52 crores (net debit) between the figures reflected in the accounts and those reported by the State Bank of Sikkim under cash balance. The discrepancy was under reconciliation.
5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that the cumulative position of such surplus or deficit is not ascertainable. The balancing figure of Rs. 49.70 crores as on 31 March 1983 was, therefore, treated as surplus for drawing up the first statement of financial position for 1983-84 which took the place of a Balance Sheet.

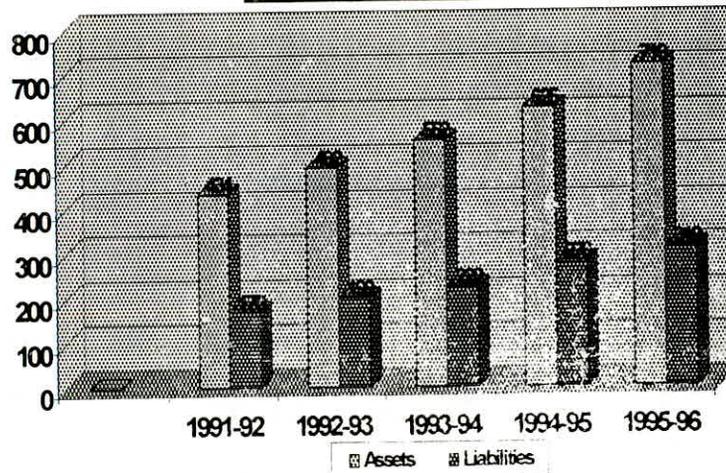
Based on the foregoing statements and other supporting data, the following paragraphs present an analysis of the management of the finances of the State Government during the year 1995-96.

**1.2 Assets and liabilities of the State Government**

The assets, comprising capital investments and loans and advances and the total liabilities of the State Government during 1991-96 were as under :-

Year	Assets (Rupees in crores)	Liabilities
1991-92	434.12	170.13
1992-93	492.28	198.70
1993-94	552.04	222.44
1994-95	624.95	275.51
1995-96	719.04	309.57

**Assets and Liabilities  
(Rs. in crores)**



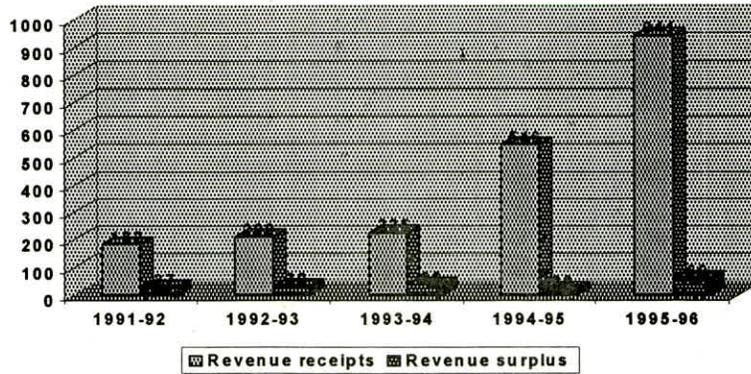
While the assets have grown by 66 per cent during the five years ending 1995-96, the increase in liabilities during the same period was 82 per cent.

### 1.3 Revenue surplus

The revenue receipts, revenue expenditure and surplus during the last five years were as under:-

Year	Revenue receipts	Revenue expenditure	Revenue surplus
( Rupees in crores )			
1991-92	182.44	155.10	27.34
1992-93	209.32	179.73	29.59
1993-94	224.93	188.91	36.02
1994-95	546.26	526.42	19.84
1995-96	941.21	881.18	60.03

**Revenue receipts and revenue surplus  
(Rs. in crores)**



By the end of 1995-96, the revenue receipts had increased by 416 per cent over 1991-92 as against the growth of 468 per cent in revenue expenditure during the same period.

The revenue surplus as envisaged in the budget estimates and revised estimates and the actuals during the period from 1991-92 to 1995-96 are given below:-

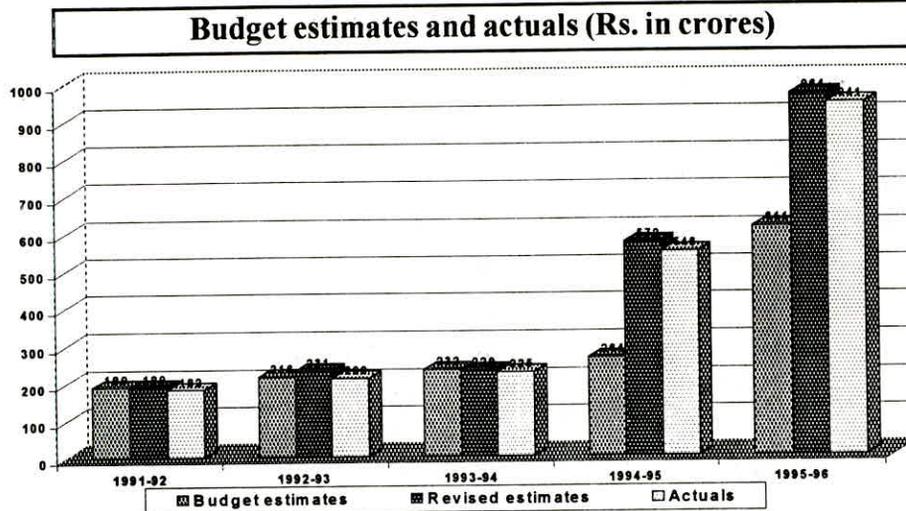
Year	Revenue surplus		Actuals
	Budget estimates	Revised estimates	
	(Rupees in crores)		
1991-92	39.05	29.39	27.34
1992-93	47.52	46.01	29.59
1993-94	45.60	28.30	36.02
1994-95	48.67	36.32	19.84
1995-96	45.40	76.62	60.03

#### 1.4 Revenue receipts

##### (a) Budget estimates and actuals

The budget estimates and actual revenue receipts during the last five years ending 1995-96 are given below :-

Year	Budget estimates	Revised estimates	Actuals	Percentage increase(+)/ shortfall(-) in revenue receipts over the previous year
(Rupees in crores)				
1991-92	189.20	188.70	182.44	(+) 14
1992-93	215.55	230.59	209.32	(+) 15
1993-94	232.04	229.32	224.93	(+) 7
1994-95	263.73	572.38	546.26	(+) 143
1995-96	610.83	964.41	941.21	(+) 72



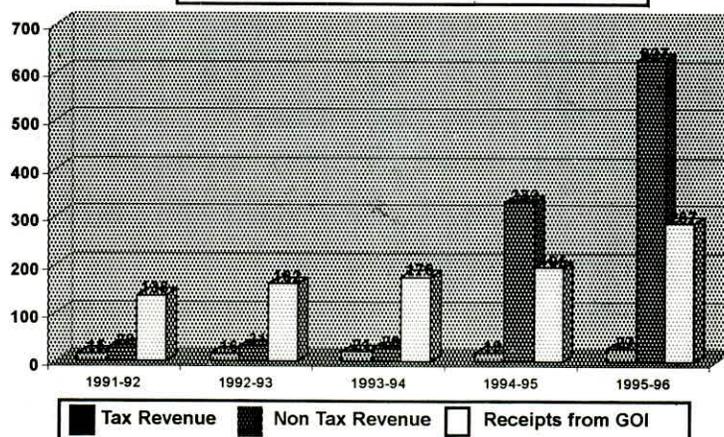
The sharp increase in revenue receipts during the year 1995-96 was on account of gross amount of lottery receipt of Rs. 602.27 crores.

(b) The position of revenue raised by the State and of the State's share of Union Excise Duties and grants received from the Government of India was as under:

	1991-92	1992-93	1993-94	1994-95	1995-96
(Rupees in crores)					
<b>I. Revenue raised by the State Government</b>					
(a) Tax revenue	15.44	16.27	20.89	18.93	27.28
(b) Non-tax revenue	28.64	30.92	27.55	332.16	626.73
<b>Total:</b>	<b>44.08</b>	<b>47.19</b>	<b>48.44</b>	<b>351.09</b>	<b>654.01</b>

<b>II. Receipts from Government of India</b>					
(a) State's share of Union Excise duties	25.49	36.06	36.03	36.62	45.10
(b) Grants-in-aid	112.87	126.07	140.46	158.55	242.10
<b>Total:</b>	<b>138.36</b>	<b>162.13</b>	<b>176.49</b>	<b>195.17</b>	<b>287.20</b>
<b>III. Total receipts of the State - Government (I+II)</b>					
(Revenue Account)	182.44	209.32	224.93	546.26	941.21
IV. Percentage of revenue raised to the total receipts	24	23	22	64	69
V. Percentage of receipts from Government of India to revenue receipt	76	77	78	36	31
VI. Percentage of receipt from Government of India to total revenue expenditure	89	90	93	37	33

**Analysis of Revenue Receipts  
(Rs. in crores)**



The revenue receipts of the State Government increased by 416 per cent from Rs. 182.44 crores in 1991-92 to Rs. 941.21 crores in 1995-96. While tax revenue raised by the State Government increased by 77 per cent from Rs. 15.44 crores in 1991-92 to Rs. 27.28 crores in 1995-96, the non-tax revenue (after excluding the expenditure towards lotteries) increased by 21 per cent from Rs. 28.64 crores in 1991-92 to Rs. 34.81 crores in 1995-96.

As in previous years, a part of the amounts released by the Government of India towards grant-in-aid and State's share of Union Excise Duties was not credited to Government Account during 1995-96 by the State Government. The amount held back during 1995-96 was Rs. 3.95 crores. Rs.7.39 crores pertaining to the previous year were credited during the year 1995-96.

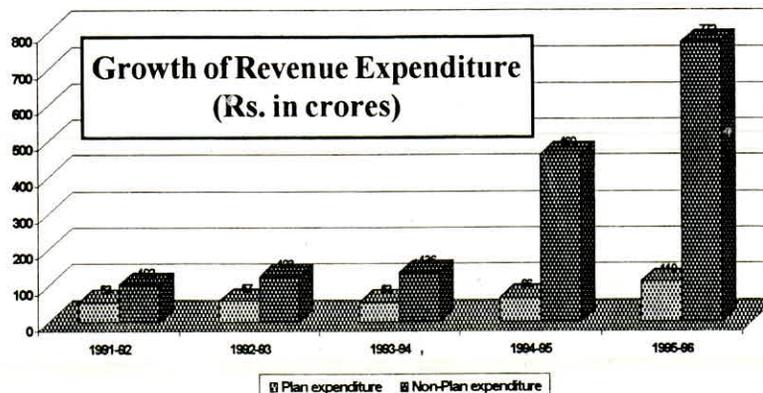
### 1.5 Revenue expenditure

(a) The revenue expenditure (Plan) during 1995-96 was Rs.109.61 crores against the budget provision of Rs.118.53 crores (revised) disclosing a shortfall of Rs.8.92 crores in Plan expenditure. The non-Plan revenue expenditure was Rs.771.57 crores against the budget provision of Rs.769.25 crores (revised) disclosing excess of Rs. 2.32 crores. The main reasons for the variations in expenditure are given in Chapter II of this Report. Further details wherever furnished by the State Government, are available in the Appropriation Accounts of the State Government for 1995-96.

(b) The following table gives the expenditure under Plan and non-Plan during the five years from 1991-92 to 1995-96.

Year	Total revenue expenditure	Plan expenditure	Percentage to the total revenue expenditure	Non-Plan expenditure	Percentage to the total revenue expenditure
	(Rupees in crores)			(Rupees in crores)	
1991-92	155.10	53.23	34	101.87	66
1992-93	179.73	56.68	32	123.05	68
1993-94	188.91	52.96	28	135.95	72
1994-95	526.42	66.22	13	460.20	87
	(219.86)	—	(30)	(153.66)	(70)
1995-96	881.18	109.61	12	771.57	88
	(289.09)	—	(38)	(179.48)	(62)

(Figures in brackets indicate the position after adjustment of expenditure on lotteries.)



It would be seen that the Plan expenditure had declined from 34 per cent of the total revenue expenditure during 1991-92 to 12 per cent during 1995-96. The expenditure under non-Plan had, however, increased by 22 per cent during the last five years.

(d) The following table shows the details of non-Plan revenue expenditure other than interest payments, where the increase over the period of five years had been significant:

Department	1991-92	1995-96	Percentage of age increase in 1995-96 over 1991-92
(Rupees in lakhs)			
1. Income Tax and Sales Tax	20.21	39.73	97
2. Excise	33.50	301.76	801
3. Urban Development	33.99	92.99	174
4. Public Works	177.69	318.81	79
5. General Education	1652.39	2929.05	77
6. Medical and Public Health	624.46	1026.23	64
7. Social Security and Welfare	29.35	54.32	85
8. Animal Husbandry	112.57	182.48	62
9. Labour and Labour Employment	6.67	28.14	322
10. Police	914.93	1641.31	79

#### 1.6 Capital expenditure

The capital expenditure during the period from 1991-92 to 1995-96 was as under:

Year	Capital expenditure	Percentage of growth over the previous year
( Rupees in crores )		
1991-92	68.31	36
1992-93	63.64	(-) 7
1993-94	67.28	6
1994-95	66.78	(-) 1
1995-96	101.17	51

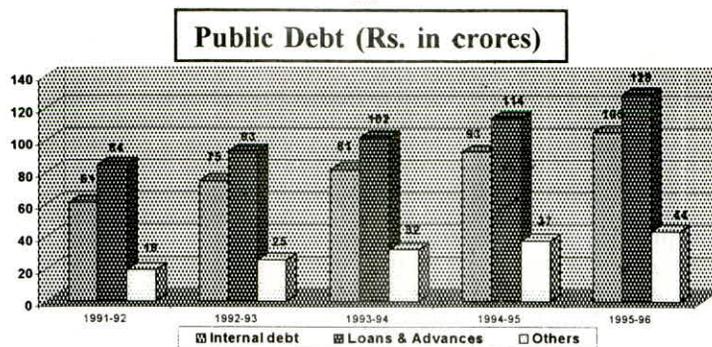
There was an increase in capital expenditure by 51 per cent during 1995-96; the same fell short by Rs.26.02 crores (20 per cent) of the budget provision of Rs.127.19 crores (revised).

### 1.7 (a) Public Debt and other liabilities

Under Article 293(I) of the Constitution, a State may borrow within the territory of India, upon the security of its Consolidated Fund within such limits as may from time to time be fixed by the Act of the Legislature of State. No Law had been passed by the State Legislature laying down such a limit.

Public Debt of the State Government consists of internal debt and loans and advances from the Central Government. Internal debt comprises long-term loans raised in the open market and loans received from financial institutions, etc. This also includes ways and means advances and bonds issued by the State Government. Loans and advances from the Central Government represent loans received from the Government of India for execution of various Plan and non-Plan schemes. Besides, the Government has other liabilities on account of funds raised through small savings, provident funds etc. The details of total liabilities of the State Government during the five years ending March 1996 are given below:

Year	Internal debt	Loans and Advances from the Central Government	Total Public Debt	Small Savings Provident Funds etc	Total liabilities
(Rupees in crores)					
1991-92	60.56	84.40	144.96	19.42	164.38
1992-93	74.54	92.68	167.22	25.20	192.42
1993-94	81.27	101.82	183.09	31.84	214.93
1994-95	92.59	113.60	206.19	37.48	243.67
1995-96	104.81	128.31	233.12	43.50	276.62



It would be seen that while the total liabilities of Government had increased by 68 per cent from Rs.164.38 crores in 1991-92 to Rs.276.62 crores in 1995-96, internal debt had increased by 73 per cent from Rs. 60.56 crores to Rs.104.81 crores during the same period.

#### (b) Debt service

The outflow of funds on account of payment of interest during the five years ending 1995-96 are indicated below :

Year	Interest payments	Opening balance of				Percentage of interest payments to total	
		Internal debt	Small Savings, Provident funds, etc.	Loans and advances from the Central Govt.	Total	obligation	revenue expenditure
( Rupees in crores )							
1991-92	14.88	48.63	15.62	76.23	140.48	11	10
1992-93	18.92	60.56	19.42	84.40	164.38	12	11
1993-94	21.72	74.54	25.20	92.68	192.42	11	12
1994-95	26.13	81.28	31.84	101.82	214.94	11	5(12)@
1995-96	28.99	92.59	37.48	113.60	243.67	12	3(10)@

(Figures in brackets take into account percentage of revenue expenditure after adjustment on lotteries.)

Thus the outflow of funds for payment of interest decreased from 10 per cent in 1991-92 to 3 per cent in 1995-96.

The interest received on all accounts was Rs. 1.12 crore while the interest paid on debt and other obligations was Rs. 28.99 crores leaving a net interest burden of Rs. 27.87 crores.

The repayment of Government of India loans and payment of interest thereon during last

five years was as below :

Year	Repayment of principal	Interest paid	Total	Loans received during the year	Percentage of repayment to loans received
(Rupees in crores)					
1991-92	3.30	7.56	10.86	11.48	95
1992-93	3.54	8.81	12.35	11.82	104
1993-94	3.92	9.38	13.30	13.05	102
1994-95	4.30	10.71	15.01	16.09	93
1995-96	5.38	12.41	17.79	20.08	89

It would be seen that an amount equivalent to 89 per cent of the loans received in 1995-96 was utilised for discharge of the previous years' liabilities towards principal and interest thereon.

### 1.8 Ways and means advances

An amount of Rs.1.15 crores received from the Central Government towards Ways and Means advances in the year 1983-84 could not be adjusted in the accounts for want of advice from the State Government.

### 1.9 Investment and returns

The total investment of the Government in statutory corporations, Government companies and public sector undertakings was Rs28.90. crores at the end of 1995-96. The details of amounts invested and the dividend received during the last five years are given below :-

Year	Amount invested during the year	Total investment upto the end of the year	Dividend received	Percentage of dividend/ interest to total investment
( Rupees in Crores )				
1991-92	1.98	16.17	0.96	6
1992-93	1.99	18.16	0.57	3
1993-94	2.52	20.68	0.15	1
1994-95	2.48	23.16	0.67	3
1995-96	5.66	28.90@	0.20	1

@ Difference of Rs.0.08 crore is due to conversion of loan into investment.

During the year 1995-96, only Rs. 0.20 crore was received towards dividends. While the total investment rose by 79 per cent over the years from 1991-92 to 1995-96, the dividend earned decreased sharply from 6 per cent in 1991-92 to 1 per cent in 1995-96.

### 1.10 Loans and Advances by the State Government

The State Government has been advancing loans to Government companies, corporations, autonomous bodies, co-operatives, non-Government institutions etc. for developmental and non-developmental activities. The position of such loans during the five years 1991-96 is given below:

Year	Opening balance	Advanced during the year	Recovery during the year	Closing balance	Net addition	Interest received	Net receipts from long-term borrowings
( Rupees in crores )							
1991-92	10.85	0.42	0.30	10.97	0.12	nil	19.94
1992-93	10.97	2.39	2.29	11.06	0.10	nil	22.27
1993-94	11.06	0.63	1.15	10.54	(-)0.52	nil	15.87
1994-95	10.54	0.92	2.16	9.30	(-)1.24	nil	23.10
1995-96	*9.22	0.96	2.02	8.17	(-)1.13	nil	26.92

(\* Difference is due to conversion of loan into investment and proforma correction thereto.)

The net loans and advances disbursed during each of the two years 1991-92 and 1992-93 constituted 1 and 0.4 per cent respectively of the net receipts from long term borrowings of the State Government. During 1993-96, however, the recoveries were more than the disbursements of loans.

### 1.11 Guarantees given by Government

Guarantees upto a maximum of Rs.10 lakhs each were given by the State Government to the State Bank of Sikkim in August 1975 and July 1976 in respect of advances (overdraft) made by the Bank to the Sikkim Mining Corporation and Sikkim Consumers' Co-operative Society respectively. Further guarantee for Rs.363 lakhs was given to Sikkim Vanaspati Ltd. No guarantee was invoked during the year.

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

## CHAPTER II

<b>APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE</b>		
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2.2	<i>Results of Appropriation Audit</i>	25-28
2.3	<i>Unutilised provisions and persistent savings</i>	28-29
2.4	<i>Trend of recoveries and credits</i>	30
2.5	<i>Injudicious/irregular/ inadequate reappropriations</i>	30
2.6	<i>Non receipt of explanations savings/excess</i>	30-31
2.7	<i>Reconciliation of expenditure</i>	31



## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2.1 General.

The summarised position of actual expenditure during 1995-96 against grants/appropriations is given below :-

	Original grant/ appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving
(Rupees in Crores)					
<b>I. Revenue</b>					
Voted	541.38	329.03	870.41	860.03	10.38
Charged	31.90	0.17	32.07	30.25	1.82
<b>II Capital</b>					
Voted	101.28	26.58	127.86	101.17	26.69
<b>III. Public Debt</b>					
Charged	9.30	—	9.30	9.19	0.11
<b>IV. Loans and Advances</b>					
Voted.	0.46	0.50	0.96	0.96	—
	<b>684.32</b>	<b>356.28</b>	<b>1040.60</b>	<b>1001.60</b>	<b>39.00</b>

#### 2.2 Results of appropriation audit.

The overall saving of Rs 39.00 crores was the net result of saving in 49 cases of grants/appropriations and excess in 27 cases of grants appropriations as shown below :-

↪ In a demand, the grants are voted and appropriations are charged

	Savings		Excess		Net Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
	(Rupees in crores)					
Voted	11.26 (in 36 gants)	26.70 (in 9 grants)	0.89 (in 17 grants)	0.01 (in 7 grants)	10.37	26.69
Charged	1.90 (in 3 appropriations)	0.11 (in 1 appropriations)	0.08 (in 3 appropriations)	-	1.82	0.11
<b>Total savings</b>						<b>Rs. 39.00 crores (approx.)</b>

The supplementary grants/appropriation of Rs 356.28 crores obtained during 1995-96 constituted 52.00 percent of the original grant/appropriation as against 108 percent in the preceding year.

### 2.2.1(a) Excess over grants/appropriations.

According to the provisions of the Financial rules, no expenditure should be incurred which might have the effect of exceeding the total grants or appropriation authorised by the State Legislature by law for a financial year even after obtaining a supplementary grant or an advance from the Contingency Fund. It was however observed that in the Revenue Section, there was an excess of Rs 88,59,087 in 17 grants and Rs 8,08,472 in 3 appropriations while the excess in the capital section was Rs.1,27,736 in 7 grants as detailed below:-

	Number and name of the grant/appropriation.	Amount of grant/appropriation	Actual expenditure	Excess
	Revenue Voted	Rs.	Rs.	Rs.
2.	Council of Ministers	2,35,75,000	2,38,79,947	3,04,947
5.	Income Tax and Sales Tax	36,15,000	39,72,860	3,57,860
8.	Excise	3,01,45,000	3,01,76,986	31,986
9.	Taxes on Vehicles	10,35,000	10,77,381	42,381
11.	Secretariat General Services	2,91,07,000	2,98,00,375	6,93,375
15.	Jails	22,50,000	22,99,797	49,797
17.	Public Works (Building)	20,78,30,000	20,97,71,883	19,41,883
19.	Pension & other Retirement benefits	3,64,00,000	3,66,15,689	2,15,689
23.	Art and Culture	98,80,000	98,97,267	17,267
25.	Water Supply and Sanitation.	6,38,10,000	6,50,35,856	12,25,856
26.	Urban Development	3,14,60,000	3,28,71,933	14,11,933
30.	Nutrition	2,56,10,000	2,56,61,542	51,542
37.	Dairy Development	2,39,00,000	2,39,33,914	33,914
38.	Fisheries	67,45,000	68,39,246	94,246
41.	Food storage and Warehousing	1,74,25,000	1,74,51,420	26,420

		27		
43.	Rural Development	10,60,70,000	10,82,78,161	22,08,161
49.	Road Transport Services	13,75,70,000	13,77,21,830	1,51,830
	<b>Total</b>	<b>75,64,27,000</b>	<b>76,52,86,087</b>	<b>88,59,087</b>
	<b>Revenue Charged</b>			
1.	State Legislature	5,50,000	8,89,981	3,39,981
3.	Administration of Justice	56,26,000	60,51,710	4,25,710
10.	Public Service Commission	15,20,000	15,62,781	42,781
	<b>Total</b>	<b>76,96,000</b>	<b>85,04,472</b>	<b>8,08,472</b>
	<b>Capital Voted</b>			
28.	Social Security and Welfare.	5,00,000	5,05,385	5,385
36.	Animal Husbandry	36,00,000	36,96,673	96,673
38.	Fisheries	19,00,000	19,00,503	503
39.	Forestry and Wild life	24,00,000	24,03,559	3,559
41.	Food Storage and Warehousing	26,00,000	26,05,219	5,219
49.	Road Transport.	1,82,00,000	1,82,06,647	6,647
54.	Loans to Govt. Servants	96,10,000	96,19,750	9,750
	<b>Total</b>	<b>3,88,10,000</b>	<b>3,89,37,736</b>	<b>1,27,736</b>
	<b>Grand total</b>	<b>80,29,33,000</b>	<b>81,27,28,295</b>	<b>97,95,295</b>

Reasons for the excess were as under:-

- (i) Excess of Rs.2.15 lakhs under grant No. 2 - Council of Ministers was due to creation of new posts. Reasons for the balance amount had not been intimated (September 1996).
- (ii) Excess of Rs.3.50 lakhs under grant No.5 - Income Tax and Sales Tax was attributed to non -availability of supplementary demands for grants applied for and in anticipation of which expenditure was incurred earlier on payment of arrears of increment and dearness allowance etc.
- (iii) Excess of Rs.2.92 lakhs under grant No. 11 - Secretariat General services was attributed to the payment of arrear bills of leave encashment and dearness allowances. The excess of Rs. 1.39 lakhs was due to appointment of Chairman, Law Commission. Reasons for the balance amount had not been intimated.
- (iv) Excess under grant No. 17 - Public works (Buildings) was attributed to the payment of dearness allowance, travelling allowance, funding of maintenance works of other departments and for the procurement of furniture and crockery for VIP quarters.
- (v) Excess under grant No. 19 - Pension and other Retirement Benefits was stated to be due to payment of interim relief and retirement benefits.

(vi) Excess under grant No. 37 - Dairy Development had been stated to be due to payment of interim relief, dearness allowance, leave encashment and medical reimbursement.

Reason for the remaining excess under grants/appropriation had not been intimated (September 1996) by the concerned departments.

The cases of excess expenditure mentioned above require regularisation under Article 205 of the Constitution.

**(b) Delay in regularisation of excess of earlier years**

The excess incurred in grants/appropriations during the year from 1991-92 to 1994-95 amounting to Rs.5.81 † crores mentioned in the Reports of the Comptroller and Auditor General of India for the respective years had not been regularised as of September 1996. Explanatory notes for such excess had not been received from the Government.

**2.2.2** Supplementary provision of Rs.10.61 crores obtained in 9 grants as detailed in Appendix 1, proved wholly unnecessary since the actual expenditure during the year was less than even the original provision.

**2.3(a) Unutilised provisions.**

In the following grants the expenditure fell short by more than Rs.10 lakhs in each case and also by more than 10 percent of the total provision.

Number and name of the grant/appropriation	Amount of saving (Percentage of saving to total provision)	Reason for savings
(Rupees in lakhs)		
<b>Revenue - Voted</b>		
3. Administration of Justice	11.78 (11)	Not intimated (September 1996).
22. Sports & Youth Services	41.15 (27)	Not intimated
42. Co-operation	35.09 (21)	(September 1996). Due to non-receipt of funds from National Co-operative Development Corporation, New Delhi and non - clearance of proposal by the Government.

† 1991-92 : Rs.. 1.73 crores; 1992-93 : Rs. 1.63; 1993-94 : Rs. 1.53 crores; 1994-95 : Rs. 0.92 crore

		29		
48.	Roads and Bridges	377.85	(24)	Due to non-receipt of details of expenditure from Border Roads Organisation.
50.	Other Scientific Research.	17.77	(15)	Not intimated (September 1996)
52.	Tourism	71.86	(22)	Not intimated (September 1996)
	<b>Capital Voted</b>			
42.	Co-operation	236.79		Due to non-release of provision by State Government due to paucity of fund. The Government desired to seek reimbursement from National Co-operative Development Corporation directly but did not succeed.
		(100)		
43.	Rural Development	26.00		Not intimated (September 1996)
		(100)		
46.	Industries	1186.63		Not intimated (September 1996)
		(68)		
48.	Roads and Bridges	872.49		Due to non-receipt of details of expenditure from Border Roads organisation.
		(27)		

In the cases of 4 grants, the savings was more than Rs. 2.00 crores in each case. Further, in case of two grants, the entire provision was unutilised.

### 2.3(b) Persistent savings

Persistent savings of 10 percent and above were noticed in the following cases during the last three years.

Serial Number	Grant/appropriation	Savings		
		1993-94	1994-95	1995-96
(Rupees in lakhs)				
(Percentage to the total provision in brackets)				
<b>Revenue -voted</b>				
1.	7 - Stamps and Registration	0.50 (100)	0.50 (100)	0.50 (100)
2.	48 - Roads and Bridges	365.65 (26)	476.01 (31)	377.85 (24)
3.	50 - Other Scientific Research	29.30 (26)	21.07 (22)	17.77 (15)
4.	53 - Aid Materials and Equipments	0.05 (100)	0.05 (100)	0.05 (100)
<b>Capital-voted</b>				
5.	48 - Roads and Bridges	1205.01 (48)	873.47 (39)	872.49 (27)

## 2.4 Trend of recoveries and credits

Under the system of gross budgeting, the demands for grants presented to the legislature are for grants expenditure and exclude all receipts and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates during 1995-96. Such receipts and recoveries anticipated were Rs.10.75 crores (Revenue) and actuals were Rs.9.09 crores as detailed below:-

Number and name of Grant	Budget estimates	Actuals	Excess(+) Shortfall(-)
(Rupees in lakhs)			
17. Public Works (Buildings)	325.00	245.91	(-)79.09
26. Urban Development	-	0.01	(+)0.01
31. Relief on account of Natural Calamities	590.00	566.36	(-)23.64
44. Irrigation and Flood Control	60.00	55.86	(-)4.14
45. Power	20.00	3.47	(-)16.53
48. Roads and Bridges	80.00	37.83	(-)42.17
<b>Total</b>	<b>1075.00</b>	<b>909.44</b>	<b>(-)165.56</b>

## 2.5 Injudicious/irregular/inadequate reappropriations

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

Scrutiny of re-appropriation orders revealed non-observance of the rules resulting in incorrect re-appropriation. Some important instances involving injudicious/irregular/inadequate re-appropriations are given in Appendix II.

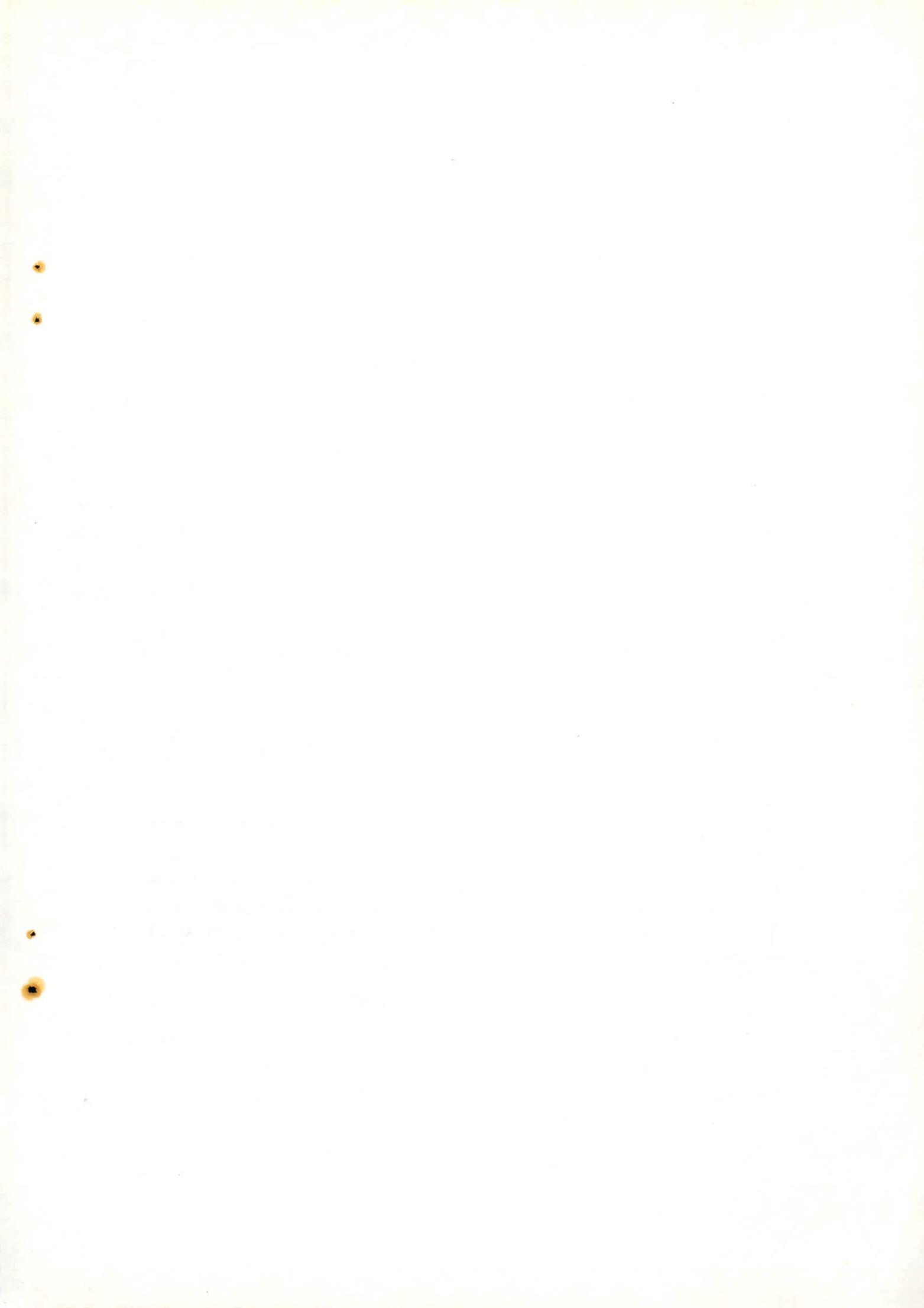
## 2.6 Non-receipt of explanations for savings/excess

After the close of the accounts for the financial year, the detailed Appropriation Accounts showing the final grants/appropriation, the actual expenditure and the resultant variations are sent by the Accountant General to the Controlling Officers requiring them to explain

the variations. In regard to the Appropriation Accounts for the year 1995-96 complete explanations were not received (September 1996) for 48 out of 54 grants/appropriations in which excesses or savings were reported.

## **2.7 Reconciliation of expenditure**

Sikkim Financial Rules, 1979, provide that the Administrative Department controlling a grant or appropriation should reconcile the departmental figures of accounts with those booked by the Accountant General every month. Stress was also laid by several PACs (latest recommendations are contained in their Eighth Report of Fourth Assembly presented to the House on 11 March, 1992) on periodical reconciliation. During 1995-96, out of 54 grants, accounts of only 52 grants were fully reconciled by the concerned departments and accounts of 1 grant was partially reconciled. The expenditure of Rs. 55.22 lakhs incurred under 1 grant had not been reconciled.



### CHAPTER III

<b>CIVIL DEPARTMENT</b>		
<i>Para</i>	<i>Particulars</i>	<i>Page(s)</i>
3.1	<i>Unjustified interest liability-Rs. 8.63 lakhs</i>	35-36
3.2	<i>Outstanding lease rent</i>	36-37
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3.5	<i>Locking up of capital to the tune of Rs. 40.60 lakhs</i>	39-40
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3.7	<i>Injudicious printing of large number of greeting cards</i>	41-42
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3.9	<i>Non-utilisation of funds for intended purpose</i>	54-55



## CHAPTER III

### CIVIL DEPARTMENTS

#### CO-OPERATION DEPARTMENT

##### 3.1 Unjustified interest liability-Rs. 8.63 lakhs

For the implementation of the Integrated Co-operative Development Scheme in the East and South Districts of Sikkim, the Department received (March 1994) funds of Rs. 82.36 lakhs, from the National Co-operative Development Corporation (NCDC), New Delhi, of which only Rs. 65.14 lakhs was the loan component. The loan carried interest at the rate of 13.75 per cent per annum<sup>#</sup>. While according sanction, the NCDC expressly provided that the money should be released to the Project Implementing Agencies/Beneficiary Societies within 15 days of the receipt of the same from the Corporation.

Test-check of records revealed (April 1995) that instead of crediting the funds (Rs. 82.36 lakhs) to Government accounts, and releasing the amount for the intended purpose, the Department deposited the funds in a temporary fixed deposit account in two spells for 92 days (26 March 1994 to 27 June 1994). On 5 July 1994, the amount of Rs. 83.09 lakhs including interest of Rs. 0.73 lakhs for the first spell was credited to Government account. But, the interest of Rs. 0.76 lakh earned for the second spell of 46 days was, however, not credited to Government account till July 1996.

For the period from 5 March 1994 to 15 April 1995, the loan of Rs. 65.14 lakhs attracted interest liability of Rs. 8.63 lakhs (after adjustment of the interest earned on loan

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<sup>#</sup> (0.25 per cent rebate in case of timely repayments) and 16.25 per cent on overdue instalments for the period of delay.

component on fixed deposits).

It was further seen in audit that during March 1995, the Department drew an amount of Rs 65.14 lakhs and credited the same to the account of the SIMFED, a Government Undertaking. Reasons for crediting the amount to the SIMFED were not furnished to audit.

<p><b>Loan advanced for implementing a scheme remained unutilised and resulted in interest liability of Rs. 8.63 lakhs.</b></p>
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Thus, not only did the scheme remain unimplemented depriving the beneficiary societies of the intended benefits, improper planning by the Department resulted in unwarranted interest burden of Rs. 8.63 lakhs on the State exchequer. Besides, the funds remained outside Government accounts from 26 March 1994 to 5 July 1994 which was irregular.

The Department stated that the delay in implementation was due to political instability, election etc. which was not convincing in view of the fact that the funds were received during March 1994.

## **INDUSTRIES DEPARTMENT**

### **3.2 Outstanding lease rent**

The Government Fruit Preservation Factory (GFPPF) at Singtam was leased in July 1987 to a private party at an annual lease rent of Rs. 8.11 lakhs. According to the agreement, the lessee shall pay the lease amount for the first year at the time of signing the lease agreement. Thereafter, the lease amount shall be paid every year in two half-yearly instalments in advance.

Scrutiny of records of the Department revealed (November 1995) that the lessee did not pay the lease rent from 1992 onwards. The Department did not take any step to ensure timely payment of the lease rent during the currency of the lease agreement. Further, no provision was also made in the agreement for imposition of penalty for delay in payment of the rent. Though the lease was terminated in June 1995, the accumulated lease rent amounting to Rs. 20.28 lakhs remained unrealised from the lessee till October 1996.

Thus, the failure of the Department to safeguard Government interest by incorporating appropriate penalty clause for delay in payment of lease rent and to take effective steps in the matter led to non-realisation of dues to the tune of Rs. 20.28 lakhs.

The matter was reported to the Government and the Department in November 1995. The Department stated (August 1996) that the settlement of accounts with the lessee was under process.

## TOURISM DEPARTMENT

### 3.3 Undue benefit to a film producer

The producer of a Hindi feature film requested (July 1993) the Government of Sikkim for financial aid, government accommodation, transport, security and permission for shooting the film in Sikkim on the grounds that the entire film would be shot in Sikkim and that the various facets of the culture of Sikkim would be projected in the film.. It was decided in a meeting held amongst the Chief Secretary and heads of departments of Tourism, Culture, and Planning that all other facilities would be provided for the completion of the film except financial assistance. Though a decision was taken, no specific approval of the Government was obtained.

Test check (November 1995 - January 1996) of records revealed that the Department provided accommodation and transport facilities to the producer and his party. During 12 January to February 1994, 8 rooms were provided on different dates for 114 days in Hotel Mayur ( a commercial unit of the Department). The accommodation provided at the rate of Rs. 1425 per day (American Plan) was inclusive of Rs. 950 towards food charges involving direct utilisation of Government funds. The Hotel Management raised bills inclusive of food charges amounting to Rs. 3.15 lakhs and instead of forwarding it to the producer for payment, issued these bills to the Department during March 1994. Besides, 2 buses (for 23 days) and 2 cars (for 53 days) with fuel were provided to the producer for which the Transport Wing of the Department issued bill for Rs. 64960 (gross bill Rs. 92800 less 30 per cent discount) to the Department during March 1994. None of the bills were settled by the producer. As the arrangement of accommodation in Hotel Mayur and providing buses and cars by the transport wing of the Department meant loss of revenue to the Department, prior approval of the Finance Department and the Cabinet to relinquish the revenue was required. But no such approval was obtained. It may also be mentioned that the film was neither a documentary nor a publicity one on Sikkim. It was purely a commercial venture, being a feature film.

<p><b>Irregular grant of financial assistance to a producer for producing Hindi feature film resulted in a loss of Rs. 3.79 lakhs to the Government.</b></p>
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Thus, allowing of accommodation and transport facilities to the producer and his party without the specific approval of the Government had not only resulted in loss of revenue but was also irregular.

The matter was reported to the Department and the Government in July 1996; their replies had not been received (November 1996).

### 3.4 Huge operational loss

With a view to extending transport facilities to the tourists, the Department owned a fleet of 9 buses and 2 cars during April 1993 to July 1995. Three trips were operated daily by the Department. The wing was given working capital of Rs. 1 lakh per quarter to meet the expenditure on salaries/wages of the drivers and other staff and to meet the running and maintenance expenses of the vehicles.

Test check (November 1995 -January 1996) of the records revealed that the Department had purchased the 9 buses and 2 cars at a cost of Rs. 35.91 lakhs between 1986-87 and 1990-91. It was further seen that during April 1993 to July 1995, the wing earned gross revenue of Rs. 8.85 lakhs while the expenditure during this period for running and maintenance of the vehicles amounted to Rs. 32.49 lakhs (inclusive of depreciation), resulting in an operational loss of Rs. 23.64 lakhs. It was noticed that the expenditure on repairs alone was Rs. 17.77 lakhs. The details were as given below :

**During April 1993 to July 1995, the Department spent Rs.32.49 lakhs on transport fleet against earnings of Rs. 8.85 lakhs leading to huge operational loss of Rs. 23.64 lakhs**

(i) Repairs	Rs. 17,76,515
(ii) Salaries and wages	Rs. 5,11,970
(iii) Fuel	Rs. 1,25,172
(iv) Discount	Rs. 37,310
(v) Depreciation (by straight line method)	Rs. 7,98,002
Total	Rs. 32,48,969
Income	Rs. 8,84,560
<b>Loss</b>	<b>Rs. 23,64,409</b>

Expenditure on fuel was met out of revenue earned for which approval of the Government to utilise receipts for departmental expenditure was not obtained.

In view of the limited number of trips undertaken daily, maintenance of 9 buses and 2 cars and engagement of 8 to 12 drivers, 1 to 8 handiboys and 6 to 10 other staffs were without any justification.

No system was devised for proper running of the wing. Records like movement register of the vehicles, stock register of tickets printed and issued and details in support of fuel purchased etc. were not maintained. Periodic review of the wing was never conducted by the Department to assess the effectiveness of the scheme.

Thus, failure to evolve and adopt a proper system to implement the scheme and absence of adequate internal control led to an operational loss of Rs. 23.64 lakhs in 2 years and 3 months alone.

The matter was reported to the Government in June 1996; reply had not been received (November 1996).

### **3.5 Locking up of capital to the tune of Rs. 40.60 lakhs**

For promotion of "Adventure Tourism" in Sikkim, Government of India sanctioned (December 1993) Rs. 38.38 lakhs for purchase of rock climbing equipment. These equipment were to be issued to tourists on hire at approved rates. Accordingly, Rs. 29.15 lakhs were released in December 1993 (Rs. 24.00 lakhs) and in March 1995 (Rs. 5.15 lakhs).

The Department instead of inviting open competitive tenders as prescribed in the Sikkim Financial Rules called for quotations in September 1993 and accepted the lowest offer of a Delhi based firm and supply order was placed in January 1994. The purchase proposal was got approved by the Cabinet only in August 1994 i.e. after receipt of the equipment (April 1994 ).

<p><b>Failure to launch rock climbing sports resulted in blockage of Rs. 40.60 lakhs for more than 2 years besides loss of Rs. 1.44 lakhs on shortage of equipment.</b></p>
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As per the terms and condition of the quotation, Rs. 19.19 lakhs were paid to the supplier in February 1994 and a further amount of Rs. 4.79 lakhs was paid in October 1994. The supplier submitted his final bill for the balance of Rs. 16.62 lakhs which was pending till November 1995.

During July-August 1994, an Assistant Director from the Ministry of Tourism, Government of India visited the State and verified the stock position of rock climbing equipment and detected shortages of equipment valued at Rs. 1.44 lakhs in the stock which was communicated to the Department.

The Department had neither initiated any step to find out the reasons for the shortage nor fixed the responsibility to recover the cost. It was also observed that the Department had not launched the scheme till June 1996 thereby locking up funds to the tune of Rs. 40.60 lakhs for more than 2 years.

The matter was reported to the Department and the Government in June 1996; reply had not been received (November 1996).

### 3.6 Unfruitful investment and loss of revenue

To promote "water sports", the Department prepared a project report on "Kayaking and canoeing in Sikkim" and approached Government of India for approval and financial assistance. Government of India sanctioned (August 1991) Rs. 5.81 lakhs for implementation of the project. As per the project report, the net annual revenue (after adjustment of the operational expenditure) was estimated at Rs. 2.60 lakhs. The Department purchased (April 1992) 12 kayaks, 12 canoes, 1 boat and other equipment at a cost of Rs. 6.85 lakhs. However, all the equipment were lying unutilised till June 1996. No step was also taken to implement the scheme. As a result the Department had to suffer a loss of revenue of Rs. 11.05 lakhs during last 4 years.

Despite the failure in implementation of the earlier project, the Department again approached (July 1992) Government of India with a similar project on "boating" which was sanctioned for Rs. 6.28 lakhs in November 1992. The funds were released by Government of India in December 1992 and March 1994. The

Department placed (November 1992) a supply order with the same firm for supply of 20 boats of different models and 50 life jackets at the quoted cost of Rs. 6.91 lakhs (inclusive of Central Sales Tax) and advanced Rs. 2 lakhs (October 1993). The Department had not taken delivery of the equipment till June

**Failure in implementation of two projects in water sports led to loss of revenue of Rs. 11.05 lakhs besides blockage of funds of Rs. 8.85 lakhs.**

1996 for reasons not furnished to Audit. Meanwhile, in July 1995, the supplier requested to take delivery of the equipment and claimed 35 per cent price escalation over the supply order

rates. The liability towards price escalation worked out to Rs. 2.45 lakhs. Failure in taking delivery of the equipment till date resulted in committed additional liability to the tune of Rs. 2.45 lakhs to the Government.

Thus, inability of the Department to implement the projects led to a loss of revenue to the tune of Rs. 11.05 lakhs alone in "Kayaking and Canoeing" project defeating the very objective of the project. The loss of revenue towards the second project "boating" could not be quantified in absence of detailed project report. Further, the entire investment of Rs. 8.85 lakhs remained blocked for over a period of 4 years (April 1992 to June 1996).

The matter was reported to the Department and the Government in June 1996; their reply had not been received (October 1996).

### 3.7 Injudicious printing of large number of greeting cards

The Finance Department accorded concurrence (November 1994) for printing of greeting cards and stipulated that minimum number of cards should be printed based on actual requirement of various departments so that their speedy disposal was ensured and no loss was incurred due to unsold stock. The Department printed (December 1994) 25000 copies of New Year greeting cards for commercial and official purpose at a cost of Rs. 2.75 lakhs at the rate of Rs. 11 per card.

Test-check (January 1996) of records revealed that of the 25000 New Year Greeting cards that were printed, there was an unsold stock of 14113 cards@@ as on October 1995. Reasons for the large number of unsold cards were attributed by the Department to high price of the greeting cards.

Meanwhile, the Department moved a proposal (October 1995) seeking the approval of the Government to sell the balance stock at a reduced rate of Rs. 5 each in order to salvage some revenue since the cards were likely to get deteriorated and faded due to humidity and prolonged storage. The proposal was, however, not approved by the Government (June 1996).

**Injudicious printing of large number of greeting cards without assessing actual requirement resulted in blockage of funds of Rs. 1.55 lakhs.**

Scrutiny further revealed that no attempt was made by the Department to get the lowest

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@@ Sold to Government Departments 9063, issued to gift shop for sale 1340, others 108, damaged 376, and unsold 14113 cards.

rate ( Rs. 11 per card allowed to the printer ) verified from the Government Press. Even the actual requirement was not ascertained from different departments before printing.

Thus, injudicious printing of large number of greeting cards without assessing their actual requirement resulted in blockage of fund of Rs. 1.55 lakhs on unsold stock of 14113 cards.

The matter was reported to the Department and the Government in June 1996; replies have not been received ( October 1996 ).

## **RURAL DEVELOPMENT DEPARTMENT**

### **3.8 Employment Assurance Scheme**

#### **3.8.1 Introduction**

The Employment Assurance Scheme(EAS) was launched at the Centre and State level during October 1993. The scheme was aimed at providing assured employment for 100 days to the rural people residing mainly in the drought prone areas, desert areas, tribal areas and hill areas in which the Revamped Public Distribution System was in operation.

The primary objective of EAS is to provide gainful manual employment during the lean agricultural season to all needy and able bodied adults in rural areas.

The secondary objective is the creation of economic infrastructure for sustained employment and socio-economic development of the area.

The broad categories of works to be undertaken under the scheme were:

- a) works identified on the basis of the treatment plans prepared for water conservation, land protection, vegetative barriers, afforestation, agro-horticulture, silviculture etc, under watershed development;
- b) minor irrigation tanks, percolation tanks, village tanks, canal works, etc.;
- c) link road works selected on the basis of the Master Plan prepared for the district to enhance connectivity of unconnected villages;
- d) primary school buildings on the pattern of Operation Black Board Scheme and building for 'Anganwadis'.

While the first component should constitute 40 per cent, the remaining components

should constitute 20 per cent each of the total allocation of funds for the scheme.

The expenditure under the above mentioned Centrally Sponsored Scheme is shared between the Centre and the State in the ratio 80:20. The central assistance was to be released directly to the District Rural Development Agencies(DRDAs )and the matching State share was to be released within a fortnight of release of the central share.

### **3.8.2. Organisational set up**

At the State level the scheme was implemented by the Employment Assurance Scheme Cell (EAS Cell) at Gangtok which is a cell of Sikkim Rural Development Agency (SRDA), an autonomous body under the administrative control of Rural Development Department. The cell was headed by the Secretary, Rural Development Department (RDD ) as Chairperson and assisted by one Joint Secretary as Project Officer, Deputy Secretary, Chief Engineer and Assistant Engineer. The District Collectors ( DCs ) were in-charge of implementation of EAS at the district level. Actual execution was done through the District Development Officers (DDOs) of the districts. All the four districts<sup>s</sup> were treated as one DRDA known as Sikkim Rural Development Agency (SRDA).

### **3.8.3. Audit coverage**

The implementation of the scheme covering the years 1993-94 to 1995-96 was reviewed during March-May 1996 based on test check of records maintained at the EAS Cell and in the District Collectorates. The results of the review are contained in the succeeding paragraphs.

### **3.8.4. Highlights**

No shelf of projects were prepared by the District Collectors as required under the scheme. The works recommended by the Divisional Engineer/Assistant Engineer or by people's representatives were taken up for execution.

(Paragraph 3.8.6)

Out of the total available funds of Rs. 1187.41 lakhs, Rs. 1041.62 lakhs was reported to have been utilised during 1993-94 to 1995-96, though the actual expenditure shown by the districts was only Rs. 528.54 lakhs.

(Paragraph 3.8.7(a) and (b))

An amount of Rs. 100 lakhs was borrowed from the Jawahar Rojgar Yojana Cell

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<sup>s</sup> East, West, North, South.

for execution of works under the scheme. Further, Rs. 30 lakhs earmarked for 'Dry Land Development' under Agriculture Department was also diverted to this scheme during 1995-96.

(Paragraph 3.8.7(c))

Rupees 3.08 lakhs were diverted and spent on midday-meal programme, repair and renovation works in Government residential area etc. which were not part of the scheme.

(Paragraph 3.8.7(e))

As against 12,851 agricultural labourers, reported by Census, 43,928 labourers were registered. Due to non-maintenance of family card, the assurance of employment for 100 days to each beneficiary remained unascertained.

(Paragraph 3.8.8)

The mandays of works reported to have been created were theoretically worked out by dividing 60 per cent of the funds released to the districts by minimum wage rates without taking into account, the actual wages paid based on figures available in the muster rolls.

(Paragraph 3.8.10)

Though the entire funds were to be spent during the lean agricultural period, only 7 and 35 per cent of the funds were utilised during this period in the years 1994-95 and 1995-96.

(Paragraph 3.8.12)

During 1993-94 and 1994-95, there was a shortfall of 66 and 87 per cent in creation of economic infrastructure and works relating to conservation of water and soil.

(Paragraph 3.8.13(a))

Actual funds allotted to the sector 'minor irrigation activities' fell short by 95 and 98 per cent of the amount that should have been allotted during 1994-95 and 1995-96 respectively.

(Paragraph 3.8.13(b))

The scheme envisaged construction of rural link roads to connect remote rural areas. However, jeepable roads were constructed on a large scale.

(Paragraph 3.8.13(c))

**Rupees 45.56 lakhs reported to have been spent on primary school buildings and anganwadis was actually incurred on repair/construction of playgrounds defeating the objective of construction of primary schools and anganwadis.**

**(Paragraph 3.8.13(d))**

**Periodical reports/returns were not regularly sent by the districts and no evaluation was conducted to ascertain the qualitative and quantitative achievement of objectives of the scheme.**

**(Paragraph 3.8.15)**

### **3.8.5. Selection of block**

All the four districts (viz. East, West, North and South) treated as blocks, were selected for execution of works under EAS. Though, works were sanctioned for execution in the Gram Panchayat (G.P) units within the blocks, it was seen that in North District, 29 per cent and 52 per cent of total allocation for the district during 1994-95 and 1995-96 respectively were utilised for execution of work in only 2 G.P. units out of 20 G.P. units.

### **3.8.6 Planning**

The District Collectors were to obtain from heads of various implementing agencies by October every year their blockwise plans for various works proposed to be taken up by them in the districts in the current and succeeding year. The DCs should prepare by December every year a shelf of projects of productive works. The works were to be labour intensive, and should normally be completed within two years of its commencement.

Scrutiny of records revealed that the shelf of projects were not prepared at all by the District Authorities. On the other hand, works were being sanctioned in Head Office(EAS) at Gangtok and **No shelf of projects was prepared** intimated to the District Authorities for execution. It was seen that the works were also sanctioned on the recommendations of the people's representatives.

### **3.8.7 Financial outlay and expenditure**

(a) The details of receipts and expenditure for the period covered under the review are as detailed below :

Year	Opening balances	Receipt			Total Available fund	Expenditure (as reported to GOI)	Unspent balances (percentage in bracket)
		Central share	State share	Others* receipts			
(Rs. in lakhs).							
1993-94	Nil	116.00	4.00	00.01	120.01	20.27	99.74 (83)
1994-95	99.74	160.00	Nil	8.10	267.84	243.04	24.80 (9)
1995-96	24.80	330.00	343.00#	101.76	799.56	778.31	21.25 (3)
					1187.41	1041.62	

# - Includes Rs. 30.00 lakhs received from Agriculture Department

\* - Interest and borrowing

Out of 3 instalments each of Rs. 110.00 lakhs received during 1995-96, 2 instalments were directly received by the SRDA from the Government of India and credited to EAS account only after 37 to 40 days of their receipt and interest earned during this period was not accounted for under EAS.

During 1993-94, only 17 per cent of the available funds was utilised.

It may be mentioned that during 1993-94 works were executed directly by the EAS Head Office at Gangtok. During 1994-95 and 1995-96, out of Rs. 243.04 lakhs and Rs. 769.51 lakhs shown as released to the districts, the districts actually accounted for only Rs. 189.07 lakhs and Rs. 680.22 lakhs respectively. The discrepancy had not been reconciled.

Actual expenditure was far below the reported expenditure which resulted in inflation of financial achievement.

(b) There were wide variations in expenditure as reported to Government of India and as seen in the records of the districts. The details are as shown below:

Year	Available resources	Reported expenditure	Actual expenditure	Percentage of utilisation
(Rs. In lakhs)				
1993-94	120.01	20.27	20.27	17
1994-95	267.84	243.04	91.72	34
1995-96	799.56	778.31	425.35	53
<b>Total</b>	<b>1187.41</b>	<b>1041.62</b>	<b>528.54</b>	

From the above it would be evident that the actual execution of works for generation of employment was not correctly reported to Government of India.

The Department stated (August 1996) that Sikkim being a small State, it was considered as a single district at central level. The total expenditure was to be treated against the release of funds to the four districts and administrative expenses at head office. However, the District Collectors disbursed the payments to the various implementing agencies after execution, completion of works / normal procedures etc.

The reply was not tenable as the actual expenditure in the districts remained the same.

(c) It may be seen that no funds was released by the State in 1994-95 and the share released in 1993-94 fell short by Rs. 25 lakhs. During 1995-96, the State released excess funds of Rs. 343 lakhs as against cumulative requirement of Rs. 147.50 lakhs ( Rs. 151.50 lakhs-Rs 4.00 lakhs). The State share released in 1995-96 included an amount of Rs.

<p><b>There was unauthorised borrowing of Rs. 100 lakhs during 1995-96 from funds allotted to another scheme.</b></p>
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30 lakhs diverted from the Agriculture Department. Despite sufficient resources at their disposal, EAS borrowed further funds of Rs. 100 lakhs from Jawahar Rojgar Yojana Cell in September 1995. Reasons were not available on record. The authority for such borrowings was not shown to audit.

The Department stated that the funds of Rs. 30 lakhs was State's share to EAS which was not acceptable as the original provision was for a State Plan scheme.

**(d) Inflation of financial achievement**

It was seen that during 1993-94, works valued at Rs. 18.07 lakhs sanctioned under JRY were diverted and taken up for execution under EAS. This has ultimately inflated the financial achievement under EAS during 1993-94.

**(e) Diversion of fund**

(i) In the South District, Rs. 1.09 lakhs was diverted to Education Department for meeting expenditure on Mid-day Meal Programme during 1995-96. The authority under which the amount was diverted and utilisation thereof was not produced to audit.

The Department stated that initially the expenditure was met from EAS for subsequent reimbursement / recoupment from Government of India.

(ii) It was further seen that in West District, an amount of Rs. 0.99 lakh was spent for repair and renovation of garden in front of District Administration Centre, and laying of concrete cement foot paths in Government residential area at district headquarters.

**There was a diversion of Rs. 3.08 lakhs for works not covered under the scheme.**

In addition to that, an amount of Rs. 1.00 lakh (August 1994) was given to the DC, West for disbursement as financial assistance to a religious body (Gyalshing Manilakhang Committee) for construction of one RCC out-house and latrine though such financial assistance was not permissible.

### 3.8.8 Registration of persons seeking employment

A total of 43,928 persons in the 4 districts were registered (1994-95) for employment under the EAS, though the 'District Census Hand Book 1991'## indicated that the total number of agricultural labourers in the State was only 12,851. Had the actual number of persons been taken into consideration, all the intended beneficiaries could have been provided with employment for 100 days during 1994-95@ and 1995-96@@ within the available resources.

The Department replied that beneficiaries other than agricultural labourers were also registered for employment under EAS.

Moreover, test check of records revealed that the registers maintained for this purpose were incomplete and were not authenticated by competent authorities. These registers contained individual names without reference to the family to which they belonged and did not indicate number of days of employment provided.

Family cards indicating the members and details of employment provided to them during any particular period were also not maintained. In some cases, family cards were utilised as supporting docu-

**Due to non-maintenance of family cards, extent of achievement of objectives under the scheme remained unascertained.**

## published by Census, Ministry of Home Affairs, Government of India

@ (12,851 numbers @ Rs. 20/- for 100 days = 257.02 lakhs)

@@ (12,851 @ Rs. 40/- for 100 days = 514.04 lakhs)

ment for preparation of muster rolls. Thus, the objectives of the scheme to assure 100 days of employment in a year were not verifiable.

### 3.8.9 Payment of wages

(a) The State Government had not prescribed any standard or quantity of work to be executed per day per worker which was an important parameter to evaluate the implementation of the scheme.

(b) Works like construction of Integrated Child Development Scheme (ICDS) Centres, crematorium sheds, Panchayat Ghars, Reinforced Cement Concrete (RCC) Bridges with higher percentage of non-wage component (materials and skilled labour) ranging from 49 to 74 per cent (against the norm of 40 per cent non-wage component) were undertaken on a massive scale under the EAS defeating the very objective of the scheme.

Moreover, standardised costs of works like construction of village roads, ICDS Centres, crematorium sheds, jeepable roads, Panchayat Ghar were revised with effect from March 1996 which included ten (10) per cent contractors profits resulting in further excess expenditure on the individual works.

(c) Although weekly payments were to be ensured to the workers in the State, the payments to the workers were delayed; the delay ranging from 1 month to 4 months.

(d) The minimum wage rate (Rs. 17 upto December 1993, Rs. 20 upto March 1995) of Rs. 40 was to be paid to the unskilled workers. Scrutiny of records revealed that there was no uniformity in rates being paid to the workers in the State. In a number of cases, the labour rates (Rs. 20 per day) was lower than the minimum wage as notified by the Government. The EAS was to assure employment for 100 days for unskilled manual works only. As records relating to wage and non-wage components under the works undertaken were not maintained, it was not possible to ascertain the expenditure on employment of unskilled workers.

### 3.8.10 Generation of employment

The District Implementation Authorities were not sending monthwise details of mandays of works generated to the State Level Authorities. The EAS Cell at Gangtok failed to obtain the necessary information

**The number of man-days of work generated was hypothetically calculated and was not based on facts.**

from the districts. The number of mandays of work generated as reported to Government of India was theoretically worked out dividing 60 per cent of the funds released to the districts by the minimum wage rate without even considering the actual expenditure incurred at the district level. The mandays of work generated should be based on the figures available in the muster rolls.

### 3.8.11 Creation and Maintenance of assets

According to the scheme, records/registers were to be maintained for ascertaining utilisation of the assets created. Durable assets created were to be handed over to the concerned administrative departments for their future maintenance. Other assets were to be handed over to the local bodies concerned. There was no record detailing the assets created during the 3 years nor was there any record indicating handing over of such assets to the concerned authorities.

### 3.8.12 Lean season

Works under this scheme were required to be taken up during the lean agricultural season only when the availability of rural unskilled wage employment was reduced in the farming sector. Keeping this in view, the State Government declared the period from November to April as the lean agricultural period. The actual percentage of utilisation of funds during lean season was as under :

**Only 7 to 35 per cent of available funds was utilised during the lean agricultural season.**

Year	Available funds in the districts	Total expenditure	Expenditure during the lean season	Percentage with reference to	
				available funds	total expenditure
(Rs. in lakhs)					
1994-95	267.84	91.72	19.38	7	21
1995-96	778.31	416.56	272.13	35	65

It may be seen from the foregoing table that only negligible funds were utilised during the lean agricultural period particularly in the year 1994-95. Incurring of expenditure under the scheme during other than lean period was irregular and was in contravention to the objectives of the scheme.

### 3.8.13 Allocation of priority to various activities

The various works to be undertaken under this scheme were to be classified as under 40 per cent water and soil conservation, agro-horticulture and afforestation and 20 per cent each on (i) minor irrigation channel, (ii) rural link roads and (iii) primary school and anganwadis. However, the expenditure on works executed during the last three years were as detailed below :

**Sectoral allocation of funds was not according to the broad categories of works to be undertaken under EAS.**

Year	Total expenditure	Sectoral allocation of expenditure			
		Soil and water conservation	Minor irrigation channel	Rural link road	Primary School and anganwadis
(Rs. in lakhs)					
1993-94	20.27	2.72	6.41	10.14	1.00
1994-95	243.04	12.82	2.42	142.17	85.63
1995-96	769.51	302.72	8.92	316.92	140.95

#### a) Soil and Water Conservation

The expenditure of Rs. 2.72 lakhs and Rs. 12.82 lakhs during 1993-94 and 1994-95 respectively were far below the required level indicating shortfall of 66 and 87 per cent.

#### b) Minor Irrigation Channel

The work sanctioned under the sector during the last 3 years indicated that the expenditure fell short by 95 and 98 per cent during 1994-95 and 1995-96 respectively.

#### c) Rural link roads

The expenditure on works sanctioned under this sector exceeded by 21 per cent to 39 per cent during the last three years.

During 1995-96, Rs. 124.95 lakhs was spent on construction of jeepable roads ( 31 kms at the rate of Rs. 4 lakhs per km) against which 1041 kms of rural link roads (at the rate of Rs. 12,000/km) could have been constructed. Since the objective of EAS was construction of rural link roads, construction of jeepable roads for which there existed separate State plan provision was not justified.

**Instead of constructing Rural Link Roads, construction of jeepable roads were undertaken on a massive scale.**

**d) Primary school and anganwadis**

The works sanctioned under this sector during the last three years indicated that during 1993-94 and 1995-96 the financial achievements fell short by 15 per cent and 2 per cent respectively while the same exceeded by 15 per cent during 1994-95.

Construction of buildings for anganwadis and primary schools on the pattern of Operation Black Board Scheme was to be undertaken under the EAS. Twenty per cent of the total expenditure was to be spent on this sector.

**Instead of constructing primary school buildings and anganwadis, construction/ repair of playgrounds was undertaken on a massive scale.**

During 1994-95 and 1995-96 Rs. 17.83 lakhs and Rs. 27.73 lakhs were spent for construction/repair/renovation of 96 and 255 playgrounds respectively which was irregular.

**3.8.14 Other topics of interests**

**(a) Engagement of contractors**

Engagement of contractors for execution of works under EAS were strictly prohibited. It was seen in audit that during 1994-96, in 11 cases involving works valued at Rs. 13.13 lakhs, contractors were engaged. It was, however, stated by the Department that they were "Baiders" (supervisors) and head of committees for the works. Further scrutiny revealed that they were actually contractors and panchayat nominees and materials for the works were directly procured by them. Their names were also not in the relevant muster roll for the works.

**Works valuing Rs. 13.13 lakhs were awarded to contractors/ panchayat nominees in contravention of provisions under the scheme.**

**(b) Loss of Interest**

Funds allotted for EAS; were to be kept in an exclusive and separate Savings Bank Account. Test

**There was a loss of Rs. 1.11 lakhs towards interest as a result of depositing funds in current account instead of savings account.**

check of records revealed that in the South District, funds were deposited in a current account from June 1994 to March 1996. As a result a loss of Rs. 1.11 lakhs was sustained towards interest (calculated at 6 percent per annum on the minimum balance on credit during 11th to the last day of the relevant month).

c) **Accounting procedure** : DRDAs were required to operate funds under EAS through an exclusive and separate savings bank account. Till

August 1995, there was no separate account for EAS.

**Uniform accounting procedure was not adopted.**

From the account being maintained at Head Office,

funds were released to the District Collectors of the respective districts. However, no uniform accounting procedure relating to release/ receipt of funds, maintenance of vouchers/ accounts records etc. had yet been adopted in the State. In East District, funds received by DCs were again released to the District Development Officer for execution of works. Except South District, bank reconciliation for ascertaining the differences between the balances of Cash Book and Pass Book had never been made. Further, the differences between the amount released by the EAS Cell and the amount received by the districts had not been reconciled. In the South and East Districts, some of the vouchers were without pass/payment order, numbers/dates, authentication from senior officers. In the South District, completion certificates were being issued before actual completion of work which implied that payments were made without ascertaining the actual execution of works.

**(d) Engagement of voluntary organisations**

No attempt was made to involve voluntary organisations in implementation of the scheme or in increasing resources.

**3.8.15 Monitoring and evaluation**

**(a) Vigilance**

The Vigilance squads required for intensive inspection of EAS works in the districts

were never constituted.

**(b) Inspection of works**

All the works to be taken up under EAS were to be thoroughly and regularly inspected/monitored by the Central and State level functionaries. However, the State Government had not yet prescribed the number of such field visits and in the absence of such inspection of works and subsequent follow up action, the extent of implementation of the scheme could not be verified in audit.

**c) Meetings**

A State Level Coordination Committee (SLCC) for overall supervision, guidance and monitoring of EAS was to be constituted and invariably attended by a representative of Ministry of Rural Development, Government of India. The existing DLCCs in the 4 districts were responsible for coordinating the ongoing rural development programmes with the EAS. Since the implementation of EAS, only one meeting was convened by the SLCC. No report of this meeting was produced to audit. Even monthly/half-yearly reports and returns were not furnished by the District Authorities.

**d) Evaluation of the scheme**

No evaluation of the scheme had ever been conducted in the State to ascertain implementation of the scheme.

## **WELFARE DEPARTMENT**

### **3.9 Non-utilisation of funds for intended purpose**

Special Central Assistance (SCA) to special component plan for the Scheduled Castes, a centrally sponsored scheme, was launched by the Government of India during the year 1979-80, aimed at giving an added thrust to the economic development programmes for the members of the Scheduled Castes. The only condition for incurring expenditure of SCA funds

was that it should be utilised only for income generating economic development schemes.

Test check (March-April 1996) of records of the Welfare Department revealed that during 1991-92 to 1994-95, the Department instead of utilising the funds on income generating schemes purchased GCI Sheets costing Rs. 10 lakhs for distribution to 140 Scheduled Caste families for construction of their houses which was not within the purview of the scheme.

Thus, the funds of Rs. 10 lakhs was not utilised for the purpose for which it was intended.

The matter was reported to the Department and the Government in August 1996; replies have not been received (November 1996).



**CHAPTER — IV**

<b>WORKS EXPENDITURE</b>		
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## CHAPTER IV

### WORKS EXPENDITURE

#### PUBLIC WORKS DEPARTMENT (ROADS AND BRIDGES)

##### 4.1 Development of district and other roads

###### 4.1.1 Introduction

The roadways being the only system of transportation available in the State of Sikkim, it commands a unique place in the socio-economic development of the people of the State. Sikkim is basically a rural State with 447 villages and 8 towns. The very basic tasks the road network perform are

- (a) transportation of essential commodities and medicines, commercial goods and passengers
- (b) assist in economic development by reaching formal and informal education, health and social services to remote areas and
- (c) assisting in developing the tourism industry.

The development of road communication sector was started with a view to

- (i) upgradation of low cost roads,
- (ii) construction of new roads and bridges and
- (iii) strengthening of weak pavements and bridges on existing major road ways.

At the end of 1990-91, the State had a total length of 1481 kms of road (excluding National Highways and Border and Strategic Roads constructed and maintained by the Border Roads Organisation) which provide access to 290 out of 477 villages in the State. But, most of the roads are still in an incomplete state requiring extensive protection, drainage and surfacing works in spite of the fact that they have already been opened to traffic.

###### 4.1.2 Organisational set up

The work of construction of roads and bridges in the State is vested with the Public Works Department (Roads and Bridges) headed by the Principal Chief Engineer-cum-Secretary and

assisted by one Chief Engineer and two Superintending Engineers in the headquarters and four Divisional Engineers in the districts.

#### **4.1.3 Audit coverage**

The records maintained in the offices of the Chief Engineer, Gangtok, and in the offices of two Divisional Engineers located at Gangtok for the period from 1991-92 to 1995-96 were test checked during February to April 1996. The results of the review are contained in the succeeding paragraphs.

#### **4.1.4 Highlight**

**Although funds allotted were utilised in full, the physical achievement in all sub-sectors except two was only 35 per cent to 91 per cent of the target fixed.**

**(Paragraph 4.1.7)**

**Works valued Rs. 72.14 lakhs were awarded without calling for tenders while neither the general rules nor circular/notification issued by the Government provided for such exemptions.**

**(Paragraph 4.1.9)**

**Out of Rs. 770.68 lakhs advanced to State Trading Corporation of Sikkim for procurement of materials from 1991-92 to 1995-96, materials valuing Rs. 178 lakhs had not been received till the end of March 1996.**

**(Paragraph 4.1.10)**

**Delay in awarding of contracts for two works caused extra financial burden of Rs. 13.74 lakhs**

**(Paragraphs 4.1.12(a)& (b))**

**Termination of a contract overlooking departmental lapses led to extra expenditure of Rs. 16.40 lakhs.**

**(Paragraph 4.1.13)**

**Execution of work without detailed geological investigation to determine the nature of run-off in the Jhora resulted in an infructuous expenditure of Rs. 8.77 lakhs.**

**(Paragraph 4.1.14)**

#### 4.1.5 Planning and survey

The Department had not adopted any systematic procedure in selection of works. The selection of the works was done on the basis of public demand and recommendations of people's representatives. The works so selected by the Department alongwith the estimates were submitted for approval of the Government. In many cases, works were revised and further sanction were obtained during execution of works which led to delay in completion of works and additional financial burden to the State.

The Department stated (October 1996) that all the schemes had been taken up after proper survey, investigation and project verification which were within the means of administrative set up.

#### 4.1.6 Budget provision and expenditure

The year-wise budget provision and actual expenditure thereagainst during the period from 1991-92 to 1995-96 were as under:-

Year	Budget provision		Expenditure		Excess(+)/Saving (-)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
(Rupees in lakhs)						
1991-92	572.05	1275.00	572.95	1277.41	(+) 0.90	(+) 2.41
1992-93	648.66	1232.00	648.59	1232.00	(-) 0.07	—
1993-94	699.00	1247.00	695.62	1247.00	(-) 3.38	—
1994-95	778.20	1247.00	778.03	1268.53	(-) 0.17	(+) 21.53
1995-96	725.00	2253.00	720.47	2245.42	(-) 4.53	(-) 7.58
	3422.91	7254.00	3,415.66	7,270.36		

#### 4.1.7 Physical targets and achievements

The physical targets and achievements under the heads Expansion, Removal and Replacement for the period from 1992-93 to 1995-96 were as under :

Name of Sub-sector	Target for	Achievements				Percentage of achievements**
		1992-97	1992-93	1993-94	1994-95	
<b>A. Expansion</b>						
1. Link road (In kms)	130	29	57	30	60	169
2. WBM** road (In kms)	117	16	Nil	04	13	35
3. Black Top Road (In kms)	117	16	Nil	16	34	70
4. Major bridge (In nos)	09	03	01	01	01	86
5. Minor bridge (In nos)	46	07	04	04	04	51
<b>B. Removal Upgradation standard</b>						
1. Black top to standard (In kms)	78	16	13	07	09	73
2. WBM to standard black top (In kms)	117	20	16	16	34	91
3. Earthen to standard WBM (In kms)	117	20	16	16	26	83
4. Construction of drainage & protection works (In nos)	8300	858	1053	741	1190	58
<b>C. Replacement and Strengthening</b>						
1. Weak bridge (In nos)	13	03	03	03	05	140
2. Weak pavements (In nos)	375	58	46	58	88	83

Against the five year target for the year 1991-92 to 1995-96, yearwise targets were not fixed for which achievement could not be analysed. Moreover, it would be seen that though the achievement under link roads and weak bridges was in excess of the target during 1992-93 to 1995-96 under other sub-sectors, achievement was only 35 per cent to 91 per cent against the eighth plan period (1992-97) in spite of the fact that the total provision during 1992-93 to 1995-96 was spent in

**Though the funds provided were utilised in full, the physical achievement (except link road and weak bridge) was only 35 to 91 percent of the targets fixed.**

\* Achievement was worked out with respect to four years proportionate target.

\*\* denotes Water Bound Macadam.

full. The Department stated (October 1996) that the shortfall was due to unprecedented monsoons and calamity which affected the existing net work of roads.

#### **4.1.8 Financial norms and quality promotion cell**

No specific financial standard/rates for different types of works was followed by the Department during the period under review. As a result, variation between the estimated cost and actual expenditure for different categories of works could not be verified.

The Department stated (October 1996) that the estimates prepared were within the financial norms for a particular stretch of the road depending on the geological aspects of the terrain. Reply of the Department was not tenable as the financial norm prescribed prior to 1990 was neither followed nor updated.

No 'Quality Promotion Cell' was established by the Department for testing the quality of the works. Detailed evaluation was also not being carried out by any independent wing to ascertain the quality of works.

The Department stated (October 1996) that the process of establishing required laboratories for the maintenance of works was on hand.

#### **4.1.9 Award of works without call of tender**

As per rules, works costing more than 5 lakhs have to be awarded only after inviting competitive tenders. Test check of records revealed that during the period from 1991-92 to 1995-96, in 12 cases, works valued at Rs. 72.14 lakhs were awarded to contractors without inviting tenders in contravention of the procedure.

The Department stated (October 1996) that in cases of emergent and urgent works undertaken for saving lives and properties, the Chief Engineer is empowered to award the works to any resourceful contractor without calling for tenders. The reply was not convincing as all the works so awarded were not of emergent nature.

#### **4.1.10 Delay in execution of works resulting in cost overrun**

A test check of 28 completed works revealed that there were delays in execution ranging from 2 months to more than one year. Further, scrutiny revealed that the delay in completing the works was

<p>Against the advance of Rs. 770.68 lakhs paid to the STCS during 1991-92 to 1995-96 for procurement of materials, the Department did not receive materials worth Rs. 178 lakhs as of April 1996.</p>
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mainly due to belated receipt of stock materials from the State Trading Corporation of Sikkim (STCS). Out of Rs. 770.68 lakhs advanced to the STCS for procurement of materials from 1991-92 to 1995-96, materials valued Rs. 178 lakhs had not been received till April 1996. The Department also did not take appropriate action for early supply of materials by the STCS. This delay in receipt of materials had ultimately resulted in abnormal delay in extending the desired facilities to the public besides cost overrun on these projects to the tune of Rs. 13.96 lakhs.

While accepting the facts, the Department stated (October 1996) that they were handicapped due to delay caused in supplies by the STCS. The reply was not acceptable as they failed to establish proper co-ordination with the STCS to ensure timely supply of materials.

#### **4.1.11 Unrealistic estimation and execution of work without obtaining approval**

(a) The work "Immediate Special Repair of 102 metres Span Khow-Khola Suspension Bridge at Kimbuboty Sikpay Road" (estimated at Rs. 2.39 lakhs) was awarded to a contractor in July 1991. While executing the work, the estimate was revised and the work was then completed at a cost of Rs. 4.09 lakhs with additional items of work valued at Rs. 1.70 lakhs without obtaining approval of the competent authority.

(b) The work of construction of approach road on Rangpo side to Mamring bridge over River Teesta estimated to cost Rs. 6.38 lakhs was awarded to a contractor in November 1994 at a tender value of Rs. 7.66 lakhs. Due to change in the scope of work, the estimate was revised and the work was completed at a cost of Rs. 12.22 lakhs in September 1995 without obtaining sanction for the additional cost (9 per cent) as required under the codal provision.

(c) Test check of records further revealed that in 14 completed schemes, there were wide variations in some items of works. This variation increased by 24 per cent to 266 per cent in hill cutting, providing and laying in box drain, etc. without obtaining fresh sanction. This resulted in an additional expenditure of Rs. 7.54 lakhs.

Such wide variations indicated that proper survey was not conducted in these schemes and the estimates so prepared were unrealistic.

The factual position was accepted and the Department stated (October 1996) that efforts would be made to minimise such irregularities.

#### 4.1.12 Avoidable financial burden due to delay in finalisation of work

(a) The road 'Penlang-Lingdon' was severely damaged at the end of 5th Km. during the monsoon of 1994. For immediate restoration of the road, an estimate for this work was prepared by the Department and got sanctioned belately in May 1995. Due to lack of co-ordination between the division and Head Office and also due to delay in processing the case, the work could not be taken up for execution and subsequent monsoon rains further deteriorated the condition of the road. As such the Department had to revise the estimate to Rs. 15.95 lakhs. The work was then awarded at Rs. 13.89 lakhs to a contractor in March 1996. The work was under progress.

Thus due to abnormal delay in taking up the immediate restoration work of the road, the Department had to accept an avoidable financial liability of Rs. 11.69 lakhs.

The Department stated (October 1996) that due to cloud burst, the road was thoroughly damaged and the sanctioned estimate was not workable. This reply was not tenable in view of the fact that the restoration work was not taken up in time and the road was left in a damaged state which resulted in further deterioration during the subsequent monsoon and in extra financial burden to State exchequer.

(b) Tenders were called for the work of construction of approach roads at both ends of the Mamring Bridge. The work was sanctioned in February 1994 at an estimated cost of Rs. 12.37 lakhs. A part of the work i.e., the approach road at Rangpo side was awarded at Rs. 7.76 lakhs to the lowest tenderer after negotiation. The other part of the work viz. the approach road at Mamring side was kept in abeyance without assigning any reason. It was subsequently awarded to a Panchayat nominee at par with the stipulation to complete the work within 2 months without calling for tenders. The nominee did not accept the work order till March 1995 and requested for revision of the rates. The request was not accepted by the Department and tenders were called for in April 1995 and the work was awarded (July 1995) at Rs. 5.20 lakhs to a new contractor, the lowest tenderer, at 65 per cent above the schedule of rate. Thus failure to call for tenders for execution of the entire work and subsequent delay in finalisation of tenders resulted in extra financial burden of Rs. 2.05 lakhs (i.e. Rs. 5.20 lakhs - Rs. 3.15 lakhs).

**The delay in awarding of contracts resulted in extra financial burden of Rs 13.74 lakhs.**

The Department stated (October 1996) that Panchayat nominees were approached for execution of the work as the cost of work was below Rs. 5 lakhs. After refusal by the nominees, tenders were called for execution of the work. The reply is not acceptable as the Department kept the work in abeyance without assigning any reasons.

#### **4.1.13 Avoidable expenditure of Rs. 16.40 lakhs**

The work of construction of "Bhudang - Soren via Malabasy Road km 2nd" sanctioned in 1981 at an estimated cost of Rs. 6.80 lakhs was awarded to a contractor in July 1981 at his tendered amount of Rs. 5.64 lakhs to be completed by July 1982. An amount of Rs. 3.58 lakhs was paid to him in November 1983. However, since the contractor failed to complete the work within the stipulated date, the contract was terminated in February 1984 without checking the lapses of the Department. The estimates were revised and the work was completed departmentally in November 1985 at a cost of Rs. 6.05 lakhs.

The contractor filed (1984) a case in the court of law against the Department and claimed Rs. 35.44 lakhs as compensation. The contractor stated that non-supply of materials and non-release of payments in time by the Department led to the huge loss sustained by him. An amount of Rs. 11.00 lakhs was referred for arbitration in June 1993 by the court. The Arbitrator made a non speaking award of Rs. 12.41 lakhs to the contractor. The Department filed an objection in the court of law to set aside the award on the ground that the award was against the provision of Section 30 of the Arbitration Act. However, the objection was overruled in the court of law on the ground that no objection was raised during the arbitration proceedings and prayer to set aside the award was not submitted within the period of limitation. The Department paid Rs. 12.41 lakhs to the contractor (March 1995).

**Terminating contract overlooking departmental lapses resulted in extra expenditure of Rs. 16.40 lakhs besides legal expenses.**

Thus, lapses on the part of the Department and subsequent termination of the contract resulted in an extra expenditure of Rs. 16.40 lakhs.

While accepting the fact the Department stated (October 1996) that the matter was beyond the control of the department. However, they tried to resist the matter in the court of law which was rejected on the ground of limitation.

The reply was not tenable as the Department failed to raise objection during arbitration

proceedings as mentioned by the court of law while rejecting the time barred appeal.

#### **4.1.14 Infertuous expenditure of Rs. 8.77 lakhs**

The work of construction of "90' Span Steel Golopochu Bridge over Sankling Bay-Sakyong Road" was sanctioned in September 1989 at an estimated cost of Rs. 12.99 lakhs. The work was awarded to a contractor in December 1989 with the stipulation to complete the work within 12 months (tendered value: Rs. 13.06 lakhs). The work excluding steel portion was completed in May 1991 at a cost of Rs. 8.77 lakhs. The final payment of the contractor was made in July 1991 without levying any penalty of 10 per cent as per agreement for non-completion of the entire work. The portion of bridge already constructed was reported to have been washed away on 14 August 1991 due to heavy rainfall and excess run off in the jhora.<sup>1</sup> The balance work valued at Rs. 6.20 lakhs (including price escalation ) was decided (November 1991) to be executed departmentally.

An estimate of Rs. 8.50 lakhs was prepared to meet the probable cost of construction of the damaged superstructure. In the proposal, to prevent any possible accidents in future, back-cutting of the jhora bed on the right side of the bridge by way of blasting to reduce the horizontal distance from the bridge and to channelise the water were proposed to be undertaken. This indicated that the original work was started in 1989 without carrying out detailed geological investigation to determine the nature of run-off in the jhora during monsoon which led to the washing away of the super-structure of the original bridge. Thus, due to lack of proper survey before constructing the bridge, the entire expenditure of Rs. 8.77 lakhs incurred earlier proved to be infertuous.

<p><b>Execution of work without detailed geological investigation led to an infertuous expenditure of Rs. 8.77 lakhs.</b></p>
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It was also noticed from the records made available to Audit that the construction of the new bridge which was an important link road for further construction and communication to remote areas had not yet been completed (May 1996).

The Department stated (October 1996) that geological studies had been taken into account only 100 metres upstream and downstream of the bridge. This was not acceptable as during preparation of revised estimates the Department considered reduction in horizontal

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<sup>1</sup>. A small stream of water.

distance and channelising run off water.

#### **4.1.15 Other topics of interest**

##### **(a) Extra cost due to excess consumption of steel**

A test check of records revealed that the agency executing the work relating to Mamring Bridge requested the Department to supply a specified size of tor steel as mentioned in the project estimates. Due to non-supply of the specified steel items by the Department, the agency had to use 10 mm and 25 mm steel instead of 8 mm and 20 mm for execution of well cap work in the project with the same spacing. As a result , 7.460 tonnes of excess steel items valued at Rs. 1.19 lakhs were consumed.

The Department stated (October 1996) that the use of higher diameter of steel was necessary to make the well cap robust to sustain the impact of rolling boulders during high spate of the river. Reply of the Department was not acceptable as records indicated that steel of higher diameter was issued in the absence of specified type of steel which was not procured in time.

##### **(b) Non-utilisation/non-disposal of excess procurement of materials**

As per codal provisions, the balance of materials issued to work and lying unutilised should be verified at least once in a year and the fact regarding articles of stores not likely to be required during the following 12 months were to be reported to the Chief Engineer for obtaining orders for disposal of such materials.

Test check of records revealed that the agency executing the work relating to Mamring Bridge returned 12.426 tonnes of tor steel items of different sizes valued at Rs. 1.45 lakhs in October 1994. These were issued during July 1992 to March 1994. The procurement of materials without assessment with reference to actual estimates resulted in their non-utilisation and consequent idle investment from the period from July 1992 to May 1996.

The Department stated (October 1996) that the additional steel included in the estimate was due to under water works which could differ at site. The returned materials could be used for other construction works. The reply was not tenable as the Department had not yet taken any step to ensure their utilisation or disposal through public auction (May 1996).

**(c) Cement not accounted for.**

Test check of records revealed that 1237 bags of cement were returned by executing agencies of various works during the period from January 1993 to November 1994. Out of these, only 65 bags of cement were found recorded in the receipts register of store. Balance 1172 bags of cement were not found recorded in the stores accounts and their whereabouts also were not stated to audit. Thus, stores valued at Rs. 1.50 lakhs was not accounted for.

**4.1.16 Monitoring and evaluation**

No monitoring cell was created by the Department to watch the progress of the works. Thus, the extent of benefit derived from the implementation of the works could not be ascertained.

The Department stated (October 1996) that monitoring was being done by the planning division.

The above points were reported to the Department/Government in July 1996; their final reply had not been received (November, 1996)

**4.2 Infructuous expenditure - Rs. 4.77 lakhs**

For the work of carpeting of roads, the Public Works Department (Roads and Bridges) purchased a UI Spot Mix - Mini Hot Mix Plant at a cost of Rs. 4.41 lakhs in March 1992 without assessing the suitability of such a plant on the roads in Sikkim.

Test check of records by audit revealed (September 1995) that the machine could not be taken to the worksite till 10 January 1994 due to narrow bridges. The plant was finally put on trial at a selected site on 11 January, 1994. It was stated in the machine log book that the performance of the machine was not satisfactory as "the road was narrow and slanting". The Department also purchased (February 1995) spare parts worth Rs. 0.36 lakh for the said machine which were not utilised till February 1996.

<p><b>Purchase of hot mix plant at a cost of Rs. 4.77 lakhs without assessing its suitability in hilly terrain resulted in blockage of Government fund.</b></p>
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Thus, due to non-assessment of the suitability of the machine on the hilly terrain, the

machine remained idle for about 4 years resulting in blocking of government fund of Rs. 4.41 lakhs.

The Department stated (June 1996) that the machine could not be put to use as no major works were taken up during 1992-94. They further stated (August 1996) that its use was limited due to non-availability of kerosene (fuel). They, however, adopted alternative fuel (HSD oil) with some modification. The replies were not tenable as the machine was purchased without considering the type of works being executed.

**CHAPTER V**

<b>STORES AND STOCK</b>		
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## CHAPTER V

### STORES AND STOCK

#### IRRIGATION DEPARTMENT

##### 5.1 Unnecessary purchase leading to idle stock

According to Sikkim Financial Rules purchase of stocks should be made in the most economical manner in accordance with the definite requirements of public service. Care should also be taken not to purchase stores much in advance of actual requirements, if such purchases are likely to prove unprofitable to the Government.

Test check of records of Irrigation Department at Gangtok and Jorethang stores revealed (November 1995) that there was adequate stock of items like 40 mm and 160 mm HDPE joints at Gangtok stores as of May 1992 and 160 mm HDPE pipes and joints at Jorethang stores as of January 1993 #. The existing stock showed closing balances towards the end of November 1995 even after meeting the requirements of the works executed during June 1992 to November 1995. Despite sufficient available stock, the Department incurred an expenditure of Rs. 2.31 lakhs for the purchase of these items § between June 1992 and November 1995, which was unjustified.

**Unnecessary purchase of stores led to idle stock and blocking of Government funds.**

Thus, the lack of planned purchase of additional stores had resulted in accumulation of stores worth Rs. 2.31 lakhs and blocking of Government funds without proper justification.

The Department stated (August 1996) that the accumulation was due to less utilisation of materials purchased against certain schemes and those would be utilised during 1996-97. The reply was not tenable as they could not justify the excess purchases and the reasons for non-utilisation of the materials during the last 3 to 4 years.

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#:- (Gangtok stores - 40 mm HDPE joints 297 sets, 160 mm HDPE joints 222 sets. Jorethang stores - 160 mm HDPE pipe 135 metres, 160 mm HDPE joints 72 sets)

§:- (Gangtok stores - 40 mm HDPE joints 59 sets, 160 HDPE joints 103 sets, Jorethang stores-160 mm HDPE pipes 175 metres, 160 mm HDPE joints 31 sets)

## 5.2 Non-recovery of storage charges

The Sikkim Public Works Code provides for recovery of storage charges at the rate of 5 per cent of issue rate of materials, issued from the stores godown.

Test check conducted on 7 items revealed (November 1995) that storage charges on materials issued from the departmental stores/ godowns was not recovered from the contractors' bills. This had resulted in non-recovery of storage charges amounting to Rs. 0.68 lakh.

The Department stated (August 1996) that storage charges were being recovered on the materials purchased under stock suspense. As in these cases the cost of the material was charged direct to the work, no storage charges were recovered. Reply of the Department was not convincing as the materials were issued to the contractors from stores on which the Department had to incur expenditure by way of pay and allowances of work charged establishment needed for handling and custody of stores.

<p><b>Storage charges aggregating Rs. 0.68 lakh remained unrealised from various contractors' bills.</b></p>
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## RURAL DEVELOPMENT DEPARTMENT

### 5.3 Materials management

Rural Development Department is engaged in implementation of various schemes launched by the State and Central Governments for the development of rural areas. The Stores Section directly under the control of the Chief Engineer was responsible for purchase, maintenance and issue of materials required for execution of the works taken up by the Department.

A review of the management of stores by this Department covering the period from 1991-92 to 1995-96 was conducted by audit during April to May 1996 on the basis of test check of the records maintained in the head office of the Department at Gangtok and those of the Stores offices at Gangtok and Jorethang. The results of the review are brought out in the succeeding paragraphs.

#### (a) Planning

As per the Public Works Code, purchases should be made in the most economical manner in accordance with assessed requirements.

The statement of annual or periodical requirements received from the Divisions should

be scrutinised by the Chief Engineer who should obtain the required quota certificates/release orders wherever required and arrange for bulk purchase either through Director General of Supply and Disposal Joint Plant Committee/State Trading Corporation of Sikkim(STCS).

Scrutiny of records revealed that requirements of GI pipes and GCI sheets were assessed based on the works sanctioned/proposed instead of demands from divisions. The existing stock position of GI pipes was not taken into account while finalising the purchase proposal except for the year 1995-96. No assessment was made in respect of the requirement of cement, steel and GI fittings. The absence of proper planning in procurement led to non-issue and delay in issue of materials leading to belated completion of works.

The Department stated (September 1996) that checking of stock balance while finalising the purchases did not serve any purpose. It was stated that the delay caused by the State Trading Corporation of Sikkim was beyond the control of the Department. The reply was not convincing as the department could not ascertain regular issue of materials and timely completion of works. Further, it was the responsibility of the Department to develop proper coordination with the STCS and to impose penalty over the suppliers if they failed to supply materials in time.

**(b) Financial arrangement**

The resources for procurement of materials were provision under stock suspense and funds for works undertaken under various schemes. The provisions under stock suspense were utilised for procurement of cement alone. The provision and expenditure incurred (under stock suspense) for procurement of cement during 1991-92 to 1995-96 were as under :

Year	Budget provision	Expenditure	Savings/excess (percentage)
(Rupees in lakhs)			
1991-92	70.00	74.05	(+) 4.05 (6)
1992-93	120.00	119.71	(-) 0.29 (-)
1993-94	70.00	59.62	(-) 10.38 (15)
1994-95	80.00	4.32	(-) 75.68 (95)
1995-96	80.00	60.60	(-) 19.40 (24)
Total	420.00	318.30	(-)101.70

There was huge savings aggregating Rs. 101.70 lakhs upto 1995-96. On the other hand the Department could not ensure regular supply of store materials. The savings in 1994-95 was Rs. 75.68 lakhs which was 95 per cent of the budget provision.

**(c) Accounting procedure**

Materials are purchased using funds allotted for both stock suspense and works. All relevant details / accounts are to be maintained separately for items purchased with funds allotted for stock suspense and works. This was not done.

As per the Public Works Code when advance payments are made to suppliers, this should be first debited to the suspense head 'Miscellaneous Public Works Advances' (MPWA). When materials are received, the advance amount should be debited to stock suspense or the concerned work duly crediting MPWA.

During November 1995 to March 1996 the Department advanced Rs. 500.30 lakhs to the State Trading Corporation of Sikkim for procurement of GI pipes. The entire amount was booked under various works without routing it through MPWA and as a result final adjustment of funds could not be carried out.

The Department stated ( September 1996 ) that the works were of minor nature and opening of MPWA advances were not practically viable. The reply was not tenable because the advances lying with the suppliers can not be treated as final expenditure on stock/works till the materials are actually received/ utilised.

**(d) Purchases of stores**

The stores required for implementation of various schemes under the Department are purchased directly from the manufacturer and the State Trading Corporation of Sikkim. Some purchases are also made from local suppliers. The irregularities noticed in procurement are enumerated in the succeeding paragraphs.

**(i) Loss on procurement of heavy class GI pipes**

Medium class of GI pipes were being used in the works taken up under various water supply schemes in Sikkim.

Scrutiny of records revealed that in August 1990, the Department placed order with a

Delhi based firm for supply of only "medium" class of GI pipes of various diameter ranging from 15 to 65 mm. The supplier requested the Department to accept supply of "heavy class" GI pipes of lower diameters ( 15mm and 20 mm ) instead on the ground that base materials for manufacture of medium class pipes were not available with them. The Department without considering the higher rates ( already communicated by the supplier ) of the

**Acceptance of supply of heavy class of GI pipes not required by the Department resulted in unnecessary and avoidable expenditure of Rs. 33.77 lakhs**

heavy class pipes and also ignoring the extra financial burden to the Government decided to accept this class of pipes at higher rates. The Department procured 547536 m of 15mm and 92130 m of 20mm pipes of heavy class category at various rates during 1990-91 and 1991-92. Thus, by opting for "heavy class" of pipes, the Department incurred avoidable expenditure of Rs. 33.77 lakhs as shown under.

Quantity	Rate per 100 m		Difference per 100 m (In Rupees)	Total excess (In Rupees)
	Medium	Heavy		
<b>15 mm</b>				
404181	2748.20	3261.75	513.55	20,75,671
143355	2748.20	3319.82	571.62	8,19,446
<b>20 mm</b>				
69957	3435.56	4124.05	688.49	4,81,647
<b>Total</b>				<b>33,76,764</b>

While accepting the fact, the Department reiterated (September 1996) the manufacturer's plea. They, however, did not furnish any reasons for not purchasing the required class of pipes from other suppliers.

**(ii) Extra financial benefit to a supplier**

Scrutiny of orders for supply of materials placed during August 1990 to June 1991 revealed that supplies were to begin within 30 days and to be completed within 120 days from the date of issue of orders. The order placed on 29 August 1990 stated that supply was to be made on or before 27 December 1990. It was, however, noticed that the entire quantity of materials against this order was supplied during January 1991 i.e. beyond the stipulated date of supply. The rates of the materials were increased 107 days after the placement of the

**The Department paid enhanced rates leading to excess payment of Rs. 12.35 lakhs on supplies made beyond the stipulated date of delivery. The stipulated penalty of Rs. 3.99 lakhs was also not levied.**

order with effect from 15 December 1990 due to revision of basic price of raw materials. The supply was to commence 97 days before the date of revision allowing plenty of time for execution of the order. The supplier, however, executed (January 1991) the order only after the lapse of the stipulated period of supply when the rates were revised and claimed the higher rates. The details of the supplies were as under :

Size in mm	Quantity in metre	Difference in rates	Total excess
(In Rupees)			
15	199138	293.75	584968
20	50842	383.90	195182
25	44937	484.08	217531
32	13971	602.21	84134
40	20084	692.32	139048
50	1471	982.88	14459
<b>Total</b>			<b>12,35,322</b>

It was noticed that instead of imposing penalty for delay in supply within the stipulated period, the supplier was paid the enhanced rates leading to excess payment of Rs. 12.35 lakhs. Even the stipulated penalty of Rs. 3.99 lakhs for the delay in supply was not imposed/recovered from the supplier.

The Department stated (September 1996) that the higher rates were paid due to increase in price of zinc as per terms and conditions of supply order. They, however, did not furnish reasons for non-imposition of penalty and acceptance of delayed supplies.

### (iii) Loss due to acceptance of higher rate

For procurement of GI pipes required for execution of works under Rural Water Supply Scheme, the Department invited tenders which were opened in July 1992. Out of the 5 offers received from the manufacturers, the offer of a Calcutta-based firm was the lowest in respect of all types of GI pipes. It was noticed that the lowest rates were not accepted on the ground that the pipes up to 50 mm diameter were being made by the tenderer and those beyond 50 mm diameter having ISI mark would be of other make. Further, the rate of all the pipes was valid upto 23 October 1992.

**The Department suffered a loss of Rs. 48.82 lakhs due to acceptance of higher rates.**

The reasons for rejection of lowest rates were not justified as the requirement of pipes beyond 50 mm diameter was negligible which could have been procured from this firm conforming to

ISI specification. Moreover, the validity period was applicable for all offers subject to change in price of basic materials which was allowed by the Department to all suppliers. The Department, however, accepted the offer of a Delhi based firm whose rates were higher.

After acceptance of higher rates the Department purchased 202094 m of GI pipes of various sizes from 15 to 50 mm diameter from the Delhi-based firm during 1992-93 to 1993-94 as detailed below :

Sizes in mm	Quantity in metres	Difference in rates per 100 m	Total difference in cost
(In Rupees)			
15	111686	798.20	2211150
20	35738	1193.10	1088866
25	25388	1280.00	634616
32	16227	1605.40	473065
40	4358	1765.35	245567
50	8697	2430.48	228956
<b>Total</b>	<b>202094</b>		<b>4882220</b>

Thus, by accepting higher rates the Department suffered a loss of Rs. 48.82 lakhs during 1992-93 to 1993-94.

**(e) Blockage of Government fund**

Test check of various items of store materials revealed that purchases were made without considering trend of issue and existing stock. It was noticed that despite huge stock of 20 mm and 80 mm GI Pipes as of 19 January 1995, the Department purchased 178740m of pipes during 1995-96 as shown below :

Size of pipes	Stock as on January 1995	Purchase in 1995-96 (metres)	Issue (metres)	Unnecessary purchase (metres)
20 mm	139996	174064	151618	162442
80 mm	6779	11528	2009	16298
<b>Total</b>				<b>178740</b>

Thus, the procurement of 178740 m of GI pipes at a cost of Rs. 127.18 lakhs proved unnecessary leading to blockage of Government funds.

**(f) Shortage of materials**

During 1989, the outgoing storekeeper of Tadong Store handed over charge to the new storekeeper. The charge was handed over after actual physical verification which revealed huge shortage of store materials. However, the outgoing storekeeper did not submit the details of stores found short/ excess during the verification. On persuasion by the Assistant Engineer, Store (Tadong), the details of the stores could be obtained only in January 1993 after a lapse of 4 years. The scrutiny of reports revealed a shortage of materials valued Rs. 2 lakhs and an excess of materials valued Rs. 0.74 lakh. It was seen that no investigation was conducted by the Department to identify the person responsible for such huge loss and fix responsibility. The reasons for shortage of the non-perishable items were also not investigated. The excess of Rs. 0.74 lakh also remained to be adjusted as receipts towards Government revenue.

<p><b>The Department could not recover the materials valued Rs. 2 lakhs found short in 1989.</b></p>
--

The Department stated (September 1996) that they had initiated action to recover the amount from the defaulting person.

**(g) Non-adoption of prescribed norms****(i) Non-fixation of Reserve Stock Limit**

According to the Public Works Code, the Department was to fix minimum stock limit to ensure smooth issue and timely procurement of materials without disrupting progress of works under execution. It was, however, seen that the Department had never fixed the "Reserve Stock Limit" to ensure availability of stores and have control over expenditure.

The Department stated (September 1996) that RSL could not be provided due to limited funds.

**(ii) Non-adjustment of profit and loss on stores**

According to rules, profit and loss on stores are to be assessed each year and adjustment of profit ( to be credited to revenue ) and loss (to be borne as store loss ) should be carried out to keep the stock account on no-profit no-loss basis. The adjustment of profit and loss was not carried out in any year under review. In the absence of such accounts, annual results in the maintenance of store remained unascertained.

The Department stated (September 1996) that the work could not be taken up due to limited staff.

**(iii) Physical verification**

As per the Public Works Code and also the Sikkim Financial Rules, physical verification was to be conducted every year by the Department. However, no physical verification was conducted during the years under review except during 1993-94.



## CHAPTER VI

<b>REVENUE RECEIPTS</b>		
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## CHAPTER VI

### REVENUE RECEIPTS

#### 6.1 Trend of Revenue Receipts

The total receipts of the Government of Sikkim for the year 1995-96 were Rs.941.21 crores, against anticipated receipts of Rs.964.41 crores (a shortfall of Rs.23.20 crores). Receipts during 1995-96 registered an increase of 72 per cent over those of 1994-95 (Rs. 546.26 crores). The net total receipts of the State after adjustment of expenditure towards the State Lotteries stood at Rs.349.12 crores indicating 0.56 per cent decrease over those of 1994-95. Out of the total receipts, Rs.654.01 crores represented revenue raised by the State, Rs.27.28 crores were from tax revenue and the balance of Rs.626.73 crores from non-tax revenue. Receipts from Government of India amounted to Rs. 287.20 crores, of which Rs. 45.10 crores represented the State's share of divisible Union taxes and the balance of Rs.242.10 crores represented grants-in-aid.

#### 6.2 Analysis of Revenue Receipts

##### (a) General analysis

An analysis of the receipts during the year 1995-96, alongwith the corresponding figures for the preceding two years is given below:

	1993-94	1994-95	1995-96
	(Rupees in lakhs)		
<b>I</b> Revenue raised			
by the State Government			
(a) Tax Revenue	2088.93	1893.04	2727.67
(b) Non-Tax Revenue	2755.28	33215.96	62673.14
Total	4844.21	35109.00	65400.81
<b>II</b> Receipts from Government of India			
(a) State's Share			
of divisible Union taxes	3602.93	3662.00	4510.00
(b) Grants-in-aid	14045.75	15855.30	24209.90
Total	17648.68	19517.30	28719.90
<b>III</b> Total receipts of the State (I + II)	22492.89	54626.30	94120.71
<b>IV</b> Percentage of I to III	22	64	69

**(b) Tax revenue raised by the State**

Receipts from tax revenue constituted 4 per cent of the total revenue raised by the State during 1995-96. An analysis of the tax revenue for the year 1995-96 and the preceding two years is given below :

	1993-94	1994-95	1995-96	Increase(+) / Decrease (-) in 1995-96 with reference to 1994-95	Percentage of varia- tion
(Rupees in lakhs)					
1. State Excise	722.74	688.81	1063.99	(+)375.18	54
2. Taxes on Income other than Corporation Tax.	659.26	517.55	655.31	(+)137.76	27
3. Sales Tax.	509.04	511.61	739.33	(+)227.72	45
4. Taxes on Vehicles.	52.10	62.11	125.07	(+)62.96	101
5. Stamps and Registration Fees.	22.66	23.32	33.52	(+)10.20	44
6. Land Revenue	34.56	10.73	14.76	(+)4.03	38
7. Other Taxes and Duties on Commodities and Services	88.57	78.91	95.69	(+)16.78	21
<b>Total</b>	<b>2088.93</b>	<b>1893.04</b>	<b>2727.67</b>		

The increase of Rs. 375.18 lakhs in collection of revenue under "State Excise" was due to realisation of more excise duty from foreign liquors and spirit. The increase of Rs. 137.76 lakhs in collection of revenue under "Taxes on Income other than Corporation tax" was due to realisation of more taxes under State laws. The increase of Rs. 227.72 lakhs under "Sales tax" and Rs. 10.20 lakhs under "Stamps and Registration fees" were also due to more realisation. The reasons for increases under the remaining heads though called for has not been furnished (November 1996).

**(c) Non-Tax revenue of the State**

Road Transport Service, Power, Forest, Interest, Plantations, Police, Dividends and Profits were the principal sources of non-tax revenue of the State. Receipts from the non-tax revenue during the year 1995-96 constituted 96 per cent of the revenue raised by the

State. An analysis of non-tax revenue under the principal heads for the years 1993-94 to 1995-96 is given below :

	1993-94	1994-95	1995-96	Increase(+)/ decrease(-) in 1995-96 with reference to 1994-95	Percentage of Variation
(Rupees in lakhs)					
1. Road Transport	1042.78	819.44	847.10	(+)27.66	3
2. Power	357.45	384.89	608.35	(+)223.46	58
3. Forest	106.31	128.74	193.73	(+)64.99	50
4. Interest	91.43	34.59	112.91	(+)78.32	226
5. Plantations	126.29	149.69	171.95	(+)22.26	15
6. Dividends and Profits	15.00	67.02	20.02	(-)47.00	70
7. Police	87.52	3.27	82.84	(+)79.57	2433
8. Public Works	54.94	41.39	59.31	(+)17.92	43
9. Tourism	22.56	19.49	31.95	(+)12.46	64
10. Crop Husbandry	29.89	39.49	44.41	(+)4.92	12
11. Stationery and Printing	48.46	59.11	43.57	(-)15.54	26
12. Village and Small Industries	32.55	32.51	54.40	(+)21.89	67
13. Animal Husbandry	11.63	13.70	16.69	(+)2.99	22
14. Industries	3.83	7.65	4.16	(-)3.49	46
15. Medical and Public Health	14.16	8.51	21.18	(+)12.67	149
16. Others	710.56	31406.47	60360.57		
<b>Total</b>	<b>2755.28</b>	<b>33215.96</b>	<b>62673.14</b>		

During 1995-96 the non-tax revenue increased by Rs. 29457.18 lakhs (89 per cent). The non-tax revenue after adjustment of expenditure towards Lottery stood at Rs. 3480.73 lakhs indicating 36 per cent increase over the previous year net collection of Rs. 2562.30 lakhs. The increase was mainly under Road Transport ( Rs. 27.66 lakhs), Power (Rs. 223.46 lakhs), Forest (Rs. 64.99 lakhs), Interest ( Rs. 78.32 lakhs), Police ( Rs. 79.57 lakhs), Public Works ( Rs. 17.92 lakhs), Tourism ( Rs. 12.46 lakhs), Village and Small Industry ( Rs. 21.89 lakhs) and Medical and Public Health (Rs. 12.67 lakhs ).

There was decrease in non-tax revenue mainly under Dividends and profits (Rs. 47.00 lakhs), Stationery and Printing (Rs. 15.54 lakhs) and Industries (Rs. 3.49 lakhs).

The reasons for variation have not been received (November 1996).

### 6.3 Variation between the Budget Estimates and actuals

The variation between the Budget Estimates and Actuals of tax and non-tax revenue during the year 1995-96 is given below:

	Budget (revised)	Actuals	Variation increase(+)/ decrease (-)	Percentage of Variation with reference to budget estimates.
(Rupees in lakhs)				
Tax Revenue	2562.00	2727.67	(+)165.67	6.00
Non-Tax Revenue	62712.33	62673.14	(-)39.19	0.06
	65274.33	65400.81	(+)126.48	0.20

The total variation was Rs. 126.48 lakhs which worked out to 0.2 per cent of the budget estimates.

In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 1995-96 were more than 10 per cent.

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variations Increase(+)/ Decrease(-)→	Reasons for variation
1	2	3	4	5	6
(Rupees in lakhs)					
<b>A. Tax Revenue</b>					
1.	Stamps and Registration	20.00	33.52	(+)13.52 (68)	Due to sale of more judicial stamps
2.	Taxes on Income other than corporation Tax	750.00	655.31	(-)94.69 (13)	Due to realisation of more taxes
3.	Taxes on Motor Vehicles	90.00	125.07	(+)35.07 (39)	Not intimated
4.	Land Revenue	7.00	14.76	(+)7.76 (111)	-do-
5.	State Excise	900.00	1063.99	(+)163.99 (18)	Due to realisation of more duty from foreign liquors.
<b>B. Non-Tax Revenue</b>					
6.	Interest Receipt	75.00	112.91	(+)37.91 (51)	Not intimated
7.	Dividend and Profit	75.00	20.02	(-)54.98 (73)	-do-

(→Percentage of variation in brackets)

1	2	3	4	5	6
8.	Police	188.72	82.84	(-)105.88 (56)	-do-
9.	Education, Sports, Art and Culture	9.55	10.95	(+)1.40 (15)	-do-
10.	Medical and Public Health	11.00	21.18	(+)10.18 (93)	-do-
11.	Water Supply and Sanitation	10.00	12.43	(+)2.43 (24)	-do-
12.	Road Transport	1100.00	847.10	(-)252.90 (23)	-do-
13.	Village and Small Industries	28.50	54.40	(+)25.90 (91)	-do-
14.	Tourism	42.00	31.95	(-)10.05 (24)	-do-
15.	Stationery and Printing	60.00	43.57	(-)16.43 (27)	-do-
16.	Public Works	53.50	59.31	(+)5.81 (11)	-do-
17.	Other Administrative Services	57.51	83.24	(+)25.73 (45)	-do-
18.	Social Security and Welfare	0.55	1.18	(+)0.63 (115)	-do-
19.	Animal Husbandry	25.00	16.69	(-)8.31 (33)	-do-
20.	Food Storage and Warehousing	1.40	2.47	(+)1.07 (76)	-do-
21.	Information and Publicity	3.00	1.81	(-)1.19 (40)	-do-
22.	Crop Husbandry	40.00	44.41	(+)4.41 (11)	-do-
23.	Other Rural Development Programme	1.00	4.33	(+)2.33 (233)	-do-
24.	Power	500.00	608.35	(+)108.35 (22)	-do-
25.	Industries	32.20	4.16	(-)28.04 (87)	-do-
26.	Non Ferrous, Mining & Metallurgical Industries	2.10	7.20	(+)5.10 (243)	-do-

#### 6.4 Cost of collection

Expenditure incurred on collection of revenue under the principal heads during the years 1993-94 to 1995-96 is given below :-

Sl. No	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for 1994-95
(Rupees in lakhs )						
1.	Taxes on income other than Corporation Tax #	1993-94	659.26	12.86	2	
		1994-95	517.55	15.69	3	
		1995-96	655.31	15.13	2	
2.	State Excise	1993-94	722.74	117.58	16	
		1994-95	688.81	109.17	16	3.12
		1995-96	1063.99	301.77	28	
3.	Sales Tax	1993-94	509.04	19.88	4	
		1994-95	511.61	18.88	4	1.25
		1995-96	739.33	24.60	3	
4.	Taxes on Vehicles	1993-94	52.10	15.45	30	
		1994-95	62.11	9.93	16	2.50
		1995-96	125.07	10.77	9	

### 6.5 Outstanding Inspection Reports

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

The position of inspection reports in respect of revenue receipts issued to the end of December 1995 but remaining outstanding as at the end of June 1996 was as under :-

	At the end of		
	June 1994	June 1995	June 1996
1. Number of outstanding Inspection Reports	115	119	128
2. Number of outstanding audit objections	484	502	497
3. Money value of the objections (Rupees in crores)	23.15	23.73	22.83

# Indicates Sikkim State Income Tax.

Receipt-wise break-up of the inspection reports and objections (with money values) is given below :-

Sl. No.	Head of receipt	Number of inspection reports	Number of audit objections	Amount (Rupees in crores)
1.	Sales Tax	12	90	3.88
2.	Income Tax	12	58	1.98
3.	Forest	35	153	1.46
4.	Land Revenue	26	104	1.17
5.	Motor Vehicles	6	14	0.05
6.	State Excise	6	14	4.41
7.	Urban Development	9	15	0.34
8.	State Lotteries	5	21	5.11
9.	Power	13	20	4.20
10.	Mines and Geology	4	8	0.23
<b>Total:</b>		<b>128</b>	<b>497</b>	<b>22.83</b>

Out of 128 inspection reports pending settlement, even first replies had not been received (June 1996) in respect of 50 reports containing 290 audit objections. Receipts-wise break-up of such reports is furnished below :-

Sl. No.	Head of receipt	Number of inspection reports	Number of audit objections	Earliest year to which the reports relate
1.	Motor Vehicle	2	8	1994-95
2.	State Excise	1	9	1994-95
3.	Sales Tax	8	89	1987-88
4.	Income Tax	4	42	1989-90
5.	Forest	17	76	1986-87
6.	Land Revenue	16	49	1986-87
7.	State Lotteries	1	8	1995-96
8.	Urban Development & Housing Department	1	9	1995-96
<b>Total :</b>		<b>50</b>	<b>290</b>	

The position of outstanding paras and objections has been brought to the notice of

the Chief Secretary to the State Government (December 1996).

## 6.6 Results of Audit

Test check of the records of Motor Vehicles, Sales Tax, State Excise, Mines and Geology, Urban Development and Housing Department, State Lotteries and other Departmental offices conducted during the year 1995-96 revealed under assessment/short levy/loss of revenue amounting to Rs.1024.81 lakhs in 4959 cases. During the course of the year 1995-96, the concerned departments accepted all the cases of under-assessment etc.

## MOTOR VEHICLES DEPARTMENT

### 6.7 Short realisation of permit fee and loss of revenue

As per provision of the Sikkim Motor Vehicle Rules, 1991 prescribed fees for the grant of temporary permit or the special permit shall be Rs. 50 for a month or part thereof and for renewal or endorsement thereof or extension of the period shall be Rs. 50 per vehicle.

**Issue of permits for the vehicles at rates lower than the prescribed rates resulted in loss of revenue of Rs.1.51 lakhs.**

Test check by Audit (March-May 1994) of the records of Motor Vehicle Department, Gangtok revealed that in two categories, the Department issued permits for the vehicles at rates lower than the rates prescribed in the Sikkim Motor Vehicles Rules, 1991 which led to short realisation of permit fee of Rs. 1.51 lakhs as mentioned below:

- (a) During April to December 1993, the department issued 4333 special permits at a fee of Rs. 25 each instead of at the prescribed rate of Rs. 50 for each permit. This resulted in short realisation of permit fee of Rs. 1.08 lakhs.
- (b) During April 1989 to March 1994, the Department issued 1714 fresh contract carriage permits at a fee of Rs. 25 each instead of the prescribed fee of Rs. 50 for each permit. This resulted in short realisation of permit fee of Rs. 0.43 lakhs.

The Department stated (September 1996) that the special route permit was being issued at the rate of Rs. 25/- for a period of seven days. There is no loss of revenue as most of the vehicles used to obtain special route permit twice, thrice and even some times upto four in a month. Reply of the Department is not tenable as the procedure followed by the Depart-

ment is not as per the provision of the Sikkim Motor Vehicles Rules, 1991.

## **POWER DEPARTMENT**

### **6.8 Control of Power Receipts**

#### **6.8.1 Introduction**

The Power system comprises the components of generation, transformation, transmission and distribution. The Department also purchases power from the Power Grid Corporation of India Limited. The sale of energy is the main source of revenue of the Power Department. Billing and collection of revenue is regulated with reference to the Department's tariff in force from time to time. Billing is normally done on monthly basis. Energy dues are collected by the branches of the State Bank of Sikkim except at Ranipool where one private Bank is authorised by the Government to collect power revenue.

#### **6.8.2. Organisational Set-up**

Secretary is the head of the Power department. He is assisted by two additional Chief Engineers, 5 Superintending Engineers, 6 Divisional Engineers and 14 Assistant Engineers.

#### **6.8.3 Scope of audit**

The control of power receipts for the period from 1991-92 to 1995-96 was reviewed during April-June 1996 based on a test-check of records maintained in the office of the Secretary Power Department and field offices ( 9 revenue sub-divisions).

#### **6.8.4 Highlights**

**There were persistent losses on the sale of electricity during the last five years upto 1995-96. The loss mounted to Rs. 7.88 crores during 1995-96 from Rs. 4.19 crores during 1993-94**

**(Paragraph 6.8.5)**

**There was unrealistic fixation of targets for the realisation of electricity dues/ arrears, during 1991-92 to 1995-96 inasmuch as these were not even upto the current assessments of the respective years.**

**( Paragraph 6.8.6(a))**

There was alarming increase in the arrears of electricity dues from Rs. 211.61 lakhs in 1991-92 to Rs. 326.61 lakhs in 1995-96 .

( Paragraph 6.8.6.(b)

Upto March 1996 there was irrecoverable arrear of Rs. 43.08 lakhs. Neither any legal action was taken against the defaulters nor was the position of bad arrears reported to the Government.

( Paragraph 6.8.6(c)

During 1990-91 to 1995-96 non-imposition/short levy of surcharge resulted in underbilling of Rs. 6.05 lakhs.

( Paragraph 6.8.7(a) & (b)

Failure to raise demand charges as per the installed capacity of the transformer during 1991-92 to 1995-96 resulted in loss of revenue of Rs. 52.73 lakhs.

( Paragraph 6.8.8 (b)

Irregular grant of rebate and incorrect imposition of surcharge resulted in loss of revenue of Rs. 5.18 lakhs.

( Paragraph 6.8.9 (a) & (b)

Due to non-exhibition of arrears in demand ledgers there was loss of revenue of Rs. 35.29 lakhs.

(Paragraph 6.8.10 (a))

#### 6.8.5 Profitability Analysis

Indian Electricity Supply Act, 1948, stands extended to the State of Sikkim with effect from 1 January 1984. As per the provisions of the Act, the Board will carry out its operations under the Act and adjust its affairs in such a manner that after meeting all expenses the minimum surplus does not fall below 3 per cent or such higher percentage, as the

**There were persistent losses on the sale of electricity during the last five years upto 1995-96. The loss mounted to Rs.7.88 crores during 1995-96 from Rs.4.19 crores during 1993-94.**

State Government may by notification specify, of the value of the fixed assets of the Board in service at the beginning of such year. No notification was issued by State Government in this regard.

The table below gives year wise break up of total units of energy sold to various categories of consumers, revenue earned per unit, expenses incurred per unit and profit and loss per unit sold and losses incurred per annum for the last five years from 1991-92 to 1995-96.

Category	Units Sold				
	1991-92	1992-93	1993-94	1994-95	1995-96
	(In MKWH)				
Domestic Consumers	22.82	22.77	24.87	31.15	33.00
Commercial Consumers	9.97	10.13	11.62	11.69	12.00
Industrial Consumers (HT/LT)	8.58	8.29	9.05	11.35	12.50
Total Units Sold (MKWH)	41.37	41.19	45.54	54.19	57.50
	(In Rupees)				
Revenue earned per Unit Sold (KWH)	0.79	0.80	0.81	0.77	0.97
Expenses incurred per Unit Sold (KWH)	1.82	1.88	1.73	1.76	2.34
Profit (+)/					
Loss (-)	(-)1.03	(-)1.08	(-)0.92	(-)0.99	(-)1.37
	(In Crores)				
Loss per annum	4.26	4.45	4.19	5.36	7.88

It would be seen from the table above that there were persistent losses on the sale of electricity during the last five years upto 1995-96. The annual loss during 1995-96 mounted to Rs. 7.88 crores from Rs. 4.19 crores during 1993-94.

The Department stated (October 1996) that due to topographical features of the State there is a higher maintenance expenditure on Transmission lines and Power houses for maintaining regular supply of Power. Added to this there is annual growth of establishment expenses. The tariff is also structured for maximum relief to the low income group. However, efforts are being made to reduce the imbalance. Reply of the department is not acceptable in view of the fact that as per the provisions of the Indian Electricity Supply Act, 1948, the minimum surplus should not fall below 3 percent after meeting all the expenses.

### 6.8.6 Targets and Achievements of revenue realisation

(a) The year-wise targets fixed for collection of revenue and achievement made thereagainst for the period from 1991-92 to 1995-96 are given below:-

Year	Arrears	Current assessment	Total due for collection	Target fixed for collection of revenue	Revenue actually collected	Shortfall current assessment	Shortfall with respect of collection to total dues	Percentage collection to total dues
(Rupees in lakhs)								
1991-92	173.06	329.19	502.25	280.00	290.64	49.19	211.61	58
1992-93	211.61	331.52	543.13	300.00	308.70	22.82	243.43	57
1993-94	234.43	368.05	602.48	340.00	342.15	25.90	260.33	57
1994-95	260.33	417.91	678.24	360.00	384.88	69.03	293.36	57
1995-96	293.36	592.39	885.75	500.00	559.14	92.39	385.75	63

It would be seen from the table above that though there was no shortfall in the achievements of the targets but the targets fixed were not realistic inasmuch as the targets fixed during 1991-92 to 1995-96 were not even upto the level of current demands during these years. Therefore, the bulk of arrears in the beginning of each year remained untargeted for realisation.

#### (b) Trend of recovery

An important aspect of revenue account is the prompt realisation of dues receivable from the consumers. The position of assessment, collection of revenue and the outstanding balance at the end of each year during the period from 1991-92 to 1995-96 are shown below:-

**The outstanding demand has assumed alarming proportion of Rs.326.61 lakhs at the end of 1995-96.**

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
(Rupees in lakhs)					
Balance outstanding at the beginning of the year	173.06	211.61	234.43	260.33	293.36
Revenue assessed during the year	329.19	331.52	368.05	417.91	592.39
Total due for collection	502.25	543.13	602.48	678.24	885.75
Amount collected during the year	290.64	308.70	342.15	384.88	559.14
Balance outstanding	211.61	234.43	260.33	293.36	326.61
Percentage of collection to total dues	58	57	57	57	63

In its fourth Report (March 1982) the Public Accounts Committee recommended that the Department should examine the matter in all respects including the legal one 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. But it would be seen from the table above that the trend of recovery during 1991-92 to 1994-95 revolved around 57 per cent except during 1995-96 when the recovery rate showed moderate upward trend (63 per cent). Because of poor trend of recovery the arrears have been increasing year after year and have assumed alarming proportion (Rs. 326.61 lakhs) at the end of March 1996. No legal action has been taken by the Department for the realisation of the long pending dues from the defaulters.

**(c) Irrecoverable arrears**

Of the total arrears of Rs. 326.61 lakhs outstanding at the end of 31 March 1996, Rs. 43.08 lakhs has been considered as irrecoverable by the revenue sub-divisions for various reasons like-closure of factories, death of consumers, non-availability of consumers, transfer of employees, demolition of houses, houses gutted by fire and disputed arrears etc.

**There is an irrecoverable arrears of Rs.43.08 lakhs. No legal action has been taken against the defaulters.**

The position of irrecoverable dues were reported by 8 revenue Sub Divisions (except 4 Sub Divisions at Gangtok, and revenue Sub Divisions at Jorethang and Mangan) to the Power Secretariat between December 1993 to January 1994. Neither any legal action was taken by the Department against the defaulters nor was the matter reported to the Government.

**6.8.7 Non-levy and short levy of surcharge**

**(a) Non-imposition of surcharge**

Mention was made in the Audit Report for the year ended 31 March 1992 that surcharge was not levied at the prescribed rates (contained in the tariff effective from April 1990) on arrears amounting to Rs. 113.33 lakhs outstanding as on 31 March 1991.

Test check of records relating to high tension supply at Sub Division at Topakhani revealed that the prescribed surcharge (15 per cent per annum on the gross arrears as on every 31 March) was not levied on the arrears of 1991-92 (Rs. 17.10 lakhs) and 1992-93

(Rs. 16.30 lakhs). This has resulted in non-levy of surcharge amounting to Rs. 5.02 lakhs.

**(b) Short levy of surcharge**

Similarly on the closing balance of arrears of Rs. 14,39,699 as on March 1995, 15 per cent surcharge worked out to Rs. 2,15,955. Against this, the Sub Division imposed surcharge of Rs. 1,13,289. This has resulted in short levy of surcharge of Rs. 1,02,606.

**6.8.8 Loss of revenue**

**(a) Under billing of energy charges**

Scrutiny of Demand Ledgers of Sinik Lingzey, Bermiok and Makha areas under Topakhani sub-division, Singtam, revealed that in respect of 52 consumers (44 domestic and 8 commercial), the total energy consumed by the consumers between May 1993 and January 1994 was 63,352 units on which the energy charges due for recovery as per tariff in existence worked out to Rs. 0.58 lakh. Against this the energy charges of Rs. 0.03 lakh were levied for 4099 units only. This resulted in underbilling of energy charges on the consumers and loss of revenue of Rs.0.55 lakh to the Government.

The Department stated (October 1996) that most of the consumers were charged on average basis since the readings recorded by the meters were unreasonably high. Reply of the Department is not acceptable as the bills were not raised on average basis as per entries in the Demand Ledgers.

**(b) Short levy of Demand charges and energy charges**

In the case of High Tension and Low Tension industrial supplies there is a two part tariff. First part deals with the demand charges and the second part deals with the energy charges. While charging contract demand charge to industrial consumers actual connected load will only be considered and not the installed transformer capacity in all cases where industrial units have made capital investment in their sub-station. However, in case of units where sub-station have been built by Power Department at Government cost, the KVA charges will be on the basis of installed transformer capacity.

**There was short levy of demand charges and energy charges amounting to Rs. 52.73 lakhs.**

Test check of records of commercial Sub-Division Gangtok and revenue Sub-division Topakhani revealed that the demand charges from Food Processing Plant, Tadong, Sikkim Distilleries Ltd, Rangpo, Sikkim Mining Corporation, Rangpo and Sikkim Nationalised Transport Workshop, Rangpo where the transformers were installed by the Power Department at Government cost, was recoverable as per the installed capacity of the transformer i.e., 300 KVA, 300 KVA, 2x600 KVA and 50 KVA respectively. But contrary to this, the Department during 1991-92 to 1995-96 raised the demand charges on connected load which resulted in short levy of demand charges and energy charges amounting to Rs. 52.73 lakhs (Demand Charges Rs 49.35 lakhs and Energy Charges Rs.3.38 lakhs - except for 1991-92 & 1992-93 in respect of one unit).

**(c) Alteration of demand and energy charges**

Test-check of ledger accounts of Sikkim Distilleries Limited, Rangpo, at revenue Sub-Division, Topakhani, revealed that during 1990-91 demand charges were raised on connected load (312.27 KVA) at the rate of Rs. 21,859 per month and energy charges at the rate of Re.0.80 per unit. Arrears of Rs.2,43,996 as on 31 March 1991 were taken as opening balance to the demand ledger 1991-92. Subsequently the demand charges were altered to Rs.9,000 per month and energy charges to Re.0.70 per unit and the opening balance of Rs.2,43,996 ( 1 April 1991) was altered to Rs.49,434.50.

The Department stated (October 1996) that alteration of demand charges was carried out on the representation of Sikkim Distilleries Ltd., Rangpo on the grounds that the connected load was not to the extent of transformer capacity.

Reply of the Department is not acceptable in view of the fact that the installed capacity of the transformer as intimated by the department is 300 KVA. Since the transformer was installed by the Government, the demand charges were recoverable on the installed capacity of the transformer (i.e. at the rate of Rs.70 per KVA and energy charges at the rate of Re.0.80 per unit). The outstanding demand as on 1 April 1991 was to be reduced by Rs.10,306 (excess charged for 12.27 KVA during 1990-91). Against this the department reduced the demand by Rs.1,94,562 which resulted in undue benefit of Rs. 1,84,256 to the consumer during 1990-91.

**(d)** Similarly during 1990-91, the demand charges on Sikkim Mining Corporation, Rangpo

were raised @ Rs.42,000 per month (On the installed capacity of the transformer i.e. 600 KVA @ Rs.70 per KVA). The closing balance of Rs.8,74,153 as on 31 March 1991 was carried over as opening balance to the Demand ledger for 1991-92. Subsequently the demand charges in the demand ledger for 1990-91 were altered to Rs.28,000 per month from Rs.42,000 per month and the opening balance of arrears as on 1 April 1991 was altered to Rs.7,06,152.80. Since the transformer was installed by the Government the demand charges were leviable at the installed capacity of the transformer. Thus, the alteration in the demand charges was without any justification and hence irregular. The Department has intimated (September 1996) that the installed capacity of the transformer is 2x600 KVA (2 transformer of 600 KVA each). Thus, this has further resulted in short levy of demand charges amounting to Rs.5,04,000 (600KVA x Rs.70 x 12 ) during 1990-91.

#### **6.8.9 Irregular grant of rebate and incorrect imposition of surcharge**

(a) As per the Tariff effective from 1 April 1990, 15 percent surcharge was leviable on the gross amount outstanding as on every 31 March. An amount of Rs.19,41,360 was outstanding against the consumers (NHPC Ltd. - A/C/No 456/HT/1/L) as on 31 March 1993 on which surcharge of Rs.2,91,204 was leviable. Against this, the Assistant Engineer Revenue Sub-Division Geyzing imposed surcharge of Rs.1,54,404. This resulted in incorrect imposition of surcharge and loss of revenue of Rs. 1,36,800 to the Government. It was further seen in audit that during 1993-94, the same consumer was allowed rebate of Rs.1,36,906 even though the payments of energy bills were not paid by the consumer on due dates. Thus, the rebate allowed to the consumer was irregular.

On this being pointed out in audit during September 1995, the Assistant engineer raised (November 1995) the claim on the consumer. The consumer, however, refused to accept the liability on the grounds that the surcharge was waived by the Department and that the claim was not in the form of Taxes and Duties imposed by the Government retrospectively.

The Department stated (October 1996) that the question of writing off of the surcharge did not arise as the Department had been insisting on the consumer to settle the outstanding surcharge.

(b) As per tariff issued by the Government (April 1990), effective from 1 April 1990, rebate at the rate

<p><b>Irregular grant of rebate and incorrect imposition of surcharge led to loss of revenue of Rs.5.18 lakhs.</b></p>
--

of 5 per cent on the gross bill amount was admissible to the HT consumers in case of timely payment of the electricity bills.

Test-check of records of commercial sub-division, Gangtok, revealed that in addition to usual rebate the Department allowed high tension connection rebate of Rs. 2.44 lakhs during 1990-91 to 1991-92 at the rate of 5 per cent of the units consumed to Military Engineering Services, Tadong which was irregular in the absence of Government orders.

The Department stated (October 1996) that the energy meter was installed to the H.T. Side of the transformer but the consumer was under MLLT (Mixed load LT) Category hence the Department allowed a relief of 5 percent of the energy metered on the High Tension side to compensate for the transformer losses.

Reply of the Department is not acceptable as Government approval in this case has not been obtained.

#### **6.8.10 Non-exhibition of arrears and reduction in demand**

(a) Test check of records of Sub Division at Topakhani disclosed that the arrears (Rs. 6,25,841) of 1992-93 against 9 units and arrears of (Rs. 14,29,992) of 1993-94 against 1 unit all having high tension supply were not carried over to the subsequent years demand ledgers upto 31 March 1996. It was further noticed that the prescribed surcharge from 1990-91 to 1995-96 was also not imposed on the arrears outstanding as on every 31 March against those units. The surcharge and the arrears against these units amounting to Rs. 35.29 lakhs (Rs.24.85 lakhs arrears and Rs. 10.44 lakhs surcharge) remained outside the books which is highly irregular.

(b) Scrutiny of Demand Ledger of Geyzing sub-division for the year 1991-92 revealed that in respect of one HT consumer namely NHPC Limited, Legship, the gross demand was of Rs.11.23 lakhs for the month of December 1991. There was irregular reduction of Rs.0.54 lakh. This irregular concession to the consumer was extended on account of power failure for 170 hours during December 1991 as per entry recorded in the demand ledgers.

The Department stated (October 1996) that reduction of Rs.0.54 lakh was allowed due to break down of the power supply to their premises for one - fourth of the month.

Reply of the Department is not tenable as this reduction was not covered by the tariff

in force.

### 6.8.11 Other points of interest

#### (a) Average Billing

Periodical testing of meters and timely repairs/replacement of defective meters is essential for raising correct bills of energy sold. Based on test-check of records/information obtained from 11 sub divisions it was noticed that out of 66,863 consumers, bills on 24911 consumers were being raised on average basis while on 3,779 consumers, bills were raised on point system as meters were not installed on their premises. No concrete steps were taken by the Department to minimise the raising of the bills on average basis/point system to avoid the possibility of losing revenue.

#### (b) Flat rates

It was also noticed that the electricity bills on Departmental employees occupying Government quarters at Lower Legyp Hydel project, Bhusuk and Topakhani were being raised on flat rates without approval of the Government.

#### (c) Improper accountal of receipts

As per the rules, the electricity bills are paid into the authorised branches of the State Bank of Sikkim which is acting as an Agent to the Government of Sikkim. It was noticed in audit that the revenue Sub Divisions were also accepting payments of electricity dues in the form of cheques/demand drafts from the Government Departments and undertakings etc.

Test check revealed that during April 1992 to April 1996, 3 sub-divisions received 45 cheques/demand drafts amounting to Rs. 26.13 lakhs as detailed below:

Name of sub-divisions	Period of receipt	No. of cheque	Amount (Rupees in lakhs)
Gangtok (Commercial)	June 1994 to March 1996	37	7.37
Topakhani	December 1994 to April 1996	5	5.34
Geyzing	April 1992 to March 1996	3	13.42
<b>Total</b>		<b>45</b>	<b>26.13</b>

The sub-divisions, however, could not produce bank receipts in support of these being

credited into the Government account. The records of 2 branches of the Bank made available to Audit did not reflect account of these cheques/demand drafts. It was also noticed that the Sub-Division, Geyzing had settled the dues on the basis of intimation of cheques/demand drafts being sent by the consumer to Power Headquarters. Further, the verification of consumer accounts and records maintained by the Banks revealed that 2 cheques of August 1994 amounting to Rs. 3.54 lakhs were adjusted by the Sub-Division against 3 accounts for total amount of Rs. 12.54 lakhs which resulted in excess adjustment of Rs. 9 lakhs towards electricity charges. All these sub-divisions also failed to maintain necessary records like date of receipt of cheques, date of submission to Bank and date of receipt of bank receipt etc.

#### **6.8.12 Miscellaneous procedural lapses**

During the test check of the records of power receipts, it has been noticed that

- the Department has not framed/manualised rules and regulations on procedure regarding collection of revenue.
- the Department has not introduced the system of internal control or internal audit wing.
- the Department has not established meter testing bench/workshop for timely repair of defective meters.
- during the period from 1991-92 to 1995-96, the Department has not reconciled its receipts with the books of the State Bank of Sikkim and the Accountant General.
- despite being pointed out in audit repeatedly, yearly opening balances and closing balances of the consumers and over writings in the demand ledgers were not authenticated by any responsible officer and important columns meant for connected load/capacity of transformer, security deposits, date of raising the bills and due dates for the payment thereof, date of disconnection/reconnection were not filled in.

### **INCOME TAX AND SALES TAX DEPARTMENT**

#### **6.9 Incorrect determination of turnover**

In Gangtok the turnover of an assessee for the assessment years 1986-87 to 1992-93 was determined (April 1994) at Rs. 18,43,611 by Sales Tax

**Incorrect determination of turnover led to under assessment of sales tax of Rs.0.39 lakh.**

Department. Whereas in his income tax assessments, his turnover for the above years was determined at Rs, 25,80,316. Thus, by not adopting the correct turnover for the above years, Sales Tax to the tune of Rs. 0.39 lakh remained under assessed resulting in loss of revenue to that extent.

On this being pointed out in audit (February 1996), the Department issued revised assessment order in September 1996. Further action taken has not been intimated ( November 1996).

#### **6.10 Non-realisation of tax and interest**

According to the provision of Sikkim Sales Tax Act, 1983, if a dealer fails 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 the due dates.

During the test check (October - November 1995) of the assessment records of the Income Tax and Sales Tax department, it was noticed that the sales tax amounting to Rs. 7,32,372 for the years 1985-86 to 1993-94 has not been paid by 86 dealers by the due dates. The delay ranged between 11 days and 1220 days as on 31 October 1995 and interest accrued on the outstanding amount of tax worked out to Rs. 80,549. The Department had not taken any initiative to realise the tax and interest accrued thereon.

**Sales tax arrears of Rs.7.32 lakhs for the period from 1985-86 to 1993-94 along with interest of Rs. 0.81 lakh accrued thereon upto 31 October 1995 remained unrealised.**

The Department Stated (September 1996) that the dealers will be served with the notices to settle the outstanding dues.

## CHAPTER VII

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

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## CHAPTER VII

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

#### 7.1 Introduction

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956 etc. to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 1995-96, financial assistance of Rs. 11.70 crores was paid to various autonomous bodies and others broadly grouped as under :

Name of institutions	Amount of assistance paid (Rupees in lakhs)
1. Universities and Educational Institutions.	132.06
2. Zilla Parishads and Panchayati Raj Institutions	41.70
3. Development Agencies	757.50
4. Hospitals and other Charitable Institutions	90.64
5. Other Institutions	148.28
<b>Total</b>	<b>1170.18</b>

#### 7.2 Delay in furnishing utilisation certificates

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

Of the 448 utilisation certificates due in respect of grants and loans aggregating

Rs. 11.70 crores paid during 1995-96, only 184 utilisation certificates for Rs. 278.82 lakhs had been furnished by 30 September 1996 and 264 certificates for an aggregate amount of Rs. 891.36 lakhs were in arrears. Department wise breakup of outstanding utilisation certificates was as under:

Department	Number of certificates	Amount (Rupees. in lakh)
Social Welfare	3	2.45
Welfare	1	3.00
Rural Development	155	799.20
Co-operation	101	38.42
Culture	1	0.38
Education	2	7.91
Urban Development and Housing	1	40.00
<b>Total</b>	<b>264</b>	<b>891.36</b>

### 7.3 Delay in submission of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General (DPC ) Act 1971, Government /Heads of Departments are required to furnish to audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions . No such information was furnished by the departments .

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

Serial Number	Name of body	Period of entrustment	Date of entrustment
1.	Sikkim Khadi and Village Industries Board	1995-96 to 1999-2000	4-7-1995
2	Sikkim Co-operative Milk Producers' Union Limited	1993-94 to 1997-98	19-5-1994

### 7.4 Audit arrangement

The primary audit of local bodies (Zilla parishads, Panchayat Raj institutions), educational institutions and others is conducted by State Government. The audit of Co-operative societies is also conducted by the State Government.

Only 2 bodies/authorities which attracted audit under Section 20(1) and 20(2) of the Comptroller and Auditor General (DPC) Act 1971, furnished accounts for the year 1993-94 which were audited during the year.

All the 7 institutions which attracted audit under Section 14/15 were taken up for audit during 1995-96.

Certain interesting points arising out of audit are mentioned in the succeeding paragraphs.

### **SIKKIM CO-OPERATIVE MILK PRODUCERS' UNION LIMITED**

#### **7.5 Procurement of milk at higher rates**

Sikkim Co-operative Milk Producers' Union Limited, Tadong was registered under the Sikkim State Co-operative Societies Act, 1978. Its main objective was to help milk producers by organising effective production, processing and marketing of their commodities.

Test-check of records revealed (July 1995 to August 1995) that the Sikkim Co-operative Milk Producers' Union Limited, Tadong in its 38th Board meeting held on 17 October 1992 resolved that

- (a) the minimum specification for FAT and solid but not fat (SNF) for the milk being despatched by the Multipurpose Co-operative Society (MPCS) should be fixed at 3.5 per cent and 7 per cent respectively;
- (b) where specification is met only for fat or SNF, payment should be made for FAT or SNF only as the case may be; and
- (c) where specification for both FAT and SNF are not met, payment should be restricted to 25 per cent of the total solid.

Further, a proposal for purchase of milk at a higher rate of Rs. 6 per litre from producers of Gangtok (near vicinity) irrespective of the quality of milk was placed before the 41st Board meeting that met on 27 June 1994. Though the issue was not decided by the Board, the Management continued to pay the higher rates.

Notwithstanding the resolution of the Board, the Management during December 1994 to March 1995 procured 10,968.5 litres of milk at the rate of Rs. 6 per litre against the admissible rate ranging from Rs. 2.28 to Rs. 5.81 per litre depending on the FAT and SNF contents. Further, the Management procured 9265.5 litres of milk which were not upto the specification at the rate of Rs. 2 per litre against the admissible rate ranging from Rs. 1.11 to Rs. 1.44 per litre.

**Procurement of milk at higher rates resulted in loss of Rs. 0.61 lakh.**

This resulted in unauthorised payment of Rs. 61,080 to the milk suppliers on procurement of 20,234 litres of milk.

On being pointed out in audit the matter was placed in the Board meeting on 18th July 1996. The Board approved the higher rates already paid by the management but discontinued the benefit from 1 August 1996.

#### **7.6 Undue benefit to milk producers**

The Sikkim Co-operative Milk Producers Union Limited, Tadong in its 24th Board meeting held on 11 May 1987 resolved to continue payment of commission only to the Multipurpose Co-operative Societies (MPCS) at the rate of 15 paise per litre of milk procured enabling the latter to meet the maintenance expenses of the co-operatives affiliated to the Sikkim Co-operative Milk Producers Union Limited.

Test check of records revealed (July 1995 to August 1995) that during April 1993 to March 1995 the Sikkim Co-operative Milk Producers Union Limited extended similar benefits to producers not registered/affiliated to the Sikkim Co-operative Milk Producers Union Limited.

**Undue benefit of Rs. 0.68 lakh to unregistered milk producers.**

This resulted in undue financial benefit of Rs. 0.68 lakh to the milk producers not falling under MPCS.

The Management stated (September 1996) that the commission was being paid to the milk collection centres since they were also supplying milk to the milk union. Reply of the management was not tenable since these milk collection centres were not Multipurpose Co-operative Societies registered under the Sikkim State Co-operative Societies Act, 1978.

## SIKKIM KHADI AND VILLAGE INDUSTRIES BOARD

### 7.7 Diversion of fund beyond the scope of the Board

Sikkim Khadi and Village Industries Board (SKVIB) was established under the Sikkim Khadi and Village Industries Board Act, 1978 to develop and regulate khadi and village industries.

Scrutiny of records revealed (September 1995) that the Board was dissolved by the Government on the charges of mismanagement and malpractice. The Cabinet instructed the Administrative Department (Industries) to reconstitute the Board within a period of six months from the date of dissolution (7 August 1993).

In partial compliance with the Cabinet directives, the Industries Department appointed one Administrator (27 August 1993) to look after the administration vesting him with absolute powers instead of specifying his duty of reconstitution of the Board. However, the Board was ultimately reconstituted by the Government (24 January 1995) and the Administrator was withdrawn from the Board. During his tenure, the Administrator, decided to establish one Centre for Computer and Communication

**Establishment of Centre for Computer and Communication Technology at a cost of Rs. 20.55 lakhs by diverting funds meant for the economic development of rural people and artisans.**

Technology (CCCT) by diverting funds released by Khadi Village and Industries Commission(KVIC) meant for the benefit of the rural people and artisans under various schemes being implemented in the State. An amount of Rs. 20.55 lakhs was diverted for procurement of computers and other related equipment during September 1993 to December 1994 without the knowledge and approval of KVIC. The KVIC considered (December 1994) the diversion as an act of violation of general understanding between the Board (re-constituted in January 1995) and stopped any more release of funds to the Board.

However, the CCCT functioning in the premises of SKVIB was finally placed under the management of the Department of Science and Technology, Government of Sikkim during December 1994 without any financial adjustment towards the cost from the Government.

While accepting the fact, the Management stated (August 1996) that steps were being taken to recover the diverted amount from Science and Technology Department, Government of Sikkim.

### 7.8 Release of loans and grants to fraudulent applicant

The SKVIB disbursed Rs. 1.16 lakhs (Rs. 1,13,500 as loan and Rs. 2500 as grant) to a beneficiary in March 1990 for establishment of one exercise book manufacturing unit. The same beneficiary again applied (February 1992) for financial assistance of Rs. 1.16 lakhs for the same purpose using a different surname. An amount of Rs. 1.16 lakhs (Rs. 73,100 as loan and Rs. 42,900 as grant) was released to the same beneficiary again in March 1992 without proper verification of his entitlement.

Scrutiny revealed (September 1995) that the second assistance was released against the same security of property for which loan/grant had already been released. Instead of the original land document, the certificate issued by the Land Revenue Department was accepted as security against the loan. The Board even failed to verify the second claim of the applicant with reference to the loan register containing identical details against the first loan.

**Irregular release of loans and grants to same applicant was made twice.**

No action was, however, taken against the said beneficiary as of March 1996. A demand notice due to be served against the first loan in March 1991 was actually issued belatedly in November 1993.

While accepting the fact, the Management stated (August 1996) that an amount of Rs. 0.86 lakh had since been recovered and steps were being taken to recover the balance. No penalty was imposed for fraudulent drawal of loan.

## CHAPTER-VIII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

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**CHAPTER VIII****GOVERNMENT COMMERCIAL AND TRADING  
ACTIVITIES****8.1 Introduction**

**8.1.1** The Companies Act, 1956 is not extended to the State of Sikkim. The Companies in Sikkim are registered under 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the Statutory Auditors who are directly appointed by the Board of Directors of the respective companies. The audit of these companies is taken up by the Comptroller and Auditor General of India at the request of the State Government under Section 20 (I) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

The accounts of these corporations are audited by the Chartered Accountants who are directly appointed by the Board of Directors of the respective Corporations. Audit of three Corporations was entrusted to the Comptroller and Auditor General under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971 at the request of the State Government. Audit Reports on the accounts of all the Statutory Corporations are issued by the Comptroller and Auditor General to the respective Organisations/State Government.

**8.1.3** There were two departmentally managed undertakings viz. (i) Sikkim Nationalised Transport (SNT) under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

The accounts of these departmentally managed undertakings are audited by the Chartered Accountants who are directly appointed by the respective Departments. Audit of the Comptroller and Auditor General of India is taken up under Section 13 of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Services) Act, 1971.

## 8.2 Government Companies-General View

8.2.1 As on 31 March 1996, there were 6 Government Companies with total investment of Rs. 2513.65 lakhs (Equity Rs. 2275.28 lakhs; long term loan Rs. 238.37 lakhs).

8.2.2 The financial position and working results of all the Government Companies are given in Appendix III.

### Budgetary outgo and Waiver of dues

(a) The outgo from the State Government to 6 companies during the years 1993-94 to 1995-96 in the form of equity capital, loans and subsidy is as detailed below:-

	1993-94	1994-95	1995-96
1. Equity Capital outgo from Budget	2.32	2.00	4.46
2. Loans given out from Budget	Nil	Nil	Nil
3. Subsidy	Nil	Nil	Nil
<b>Total</b>	<b>2.32</b>	<b>2.00</b>	<b>4.46</b>

(b) There was no case of waiver of loan/ interest by the State Government during the last three financial years.

### 8.2.3 Finalisation of accounts

Accountability of Public Sector Undertakings to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. Out of 6 Government Companies, the accounts of 5 companies were in arrears for a periods ranging from 1 year to 2 years as indicated in Appendix IV (as on 30 September 1995).

According to the latest finalised accounts of these Companies, one (1) Company had incurred loss of Rs. 3.09 crores and 3 companies earned profit of Rs. 0.32 crore and

remaining companies run their business with no loss no profit basis.

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the Companies in the annual general meeting within the prescribed time schedule. Though the concerned administrative departments and officials of the Government were apprised by the Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time-schedule the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

### 8.2.4 Working Results

#### (a) Profit making Companies

During the year, 3 companies viz. Sikkim Jewels Limited(SJL), Sikkim Time Corporation Limited (SITCO) and Chandmari Workshop and Automobiles Limited (CWAL) which finalised accounts for 1994-95, 1993-94 and 1994-95 respectively, earned profit of Rs. 0.32 Crore. These three companies earned profit for two successive years or more. Free reserves and surpluses amounting to Rs. 6.14 crores were built up in these companies.

#### (b) Loss making Companies

According to the latest available accounts, 2 companies suffered loss for 3 consecutive years as shown below :-

Name of Company	Accumulated Loss	Suffering Loss due to	Capital eroded
(Rs. in crores)			
1. Sikkim Flour Mills Limited.	0.13	Non-recoupment of overhead expenditure.	—
2. Sikkim Industrial Development and Investment Corporation Ltd.	12.16	Extension of loan to the non-viable units.	—

In spite of the poor performance, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grants of loans, subsidy etc. The total financial support provided during 1995-96 to these 2 companies amounted to Rs. 2.56 crores.

It was noticed that the Government funds amounting to Rs. 2.56 crores were provided to these companies mainly for payment of salaries to the staff and other recurring expenses.

(c) The audit of the companies 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 Condition of Service) Act, 1971. During the period from October 1995 to September 1996, accounts of 3 companies were reviewed. The net effect of the important comments as a result of such review was as follows :-

Details	Number of Accounts	Monetary effect
	(Rs. in Crores)	
1. Increase in profits	1	0.03
2. Non-disclosure of material facts	1	1.72
3. Others	1	...

The financial results of all the companies based on the latest available accounts are given in Appendix V.

### 8.2.5 Capacity Utilisation

The percentage of utilisation of the installed or rated capacity of the two manufacturing companies (to the extent the information available) is given below:

Name of Company	Installed/rated	Actual utilisation	Percentage of utilisation
<b>Consumer Industries</b>			
1. Sikkim Time Corp. Ltd			
i. Watches	17.50 lakhs (17.50 lakhs)	16.49 lakhs (7.68 lakhs)	94 (44)
ii. Semi Conductor	35.00 millions (35.00 millions)	23.09 millions (25.20 millions)	66 (72)
2. Sikkim Jewels Ltd.			
i. Cup Jewels	36 lakhs (36 lakhs)	18.57 lakhs (40.96 lakhs)	52 (114)
ii. Watch Jewels	84 lakhs (84 lakhs)	84.00 lakhs (84.00 lakhs)	100 (100)

(Previous year's figures shown in brackets)

### 8.2.6 Other investments

The State Government has invested Rs. 1.63 crores in other 2 companies. One company has not started its manufacturing functions and hence not taken up for audit. The entrustment of audit of the other company is under consideration. The details of investment in these 2 companies are given below:

Sl.No.	Name of the company	Amount invested upto 31 March 1996 (Rs. in lakhs)
1.	Sikkim Distilleries Limited	152.65
2.	Dikchu Copper Zinc Project	10.10
<b>Total</b>		<b>162.75</b>

### 8.3 Statutory Corporation

#### 8.3.1 General aspects

There were 3 Statutory Corporations in the State as on 31 March 1996. Audit arrangement of these corporations is shown below:

Name of the Corporations	Statute under which constituted	Date of formation	Audit arrangement	Year upto which accounts finalised	SAR placed in legislature upto the year	Authority for Audit by C&AG.
1. Sikkim Mining Corpn.	Proclamations of the erstwhile Chogyal of Sikkim	2/1960	Superimposed audit	1994-95	1992-93	Under Section 19 (3) of CAG's (DPC) Act, 1971
2. State Bank of Sikkim	-do-	6/1968	-do-	1994-95	1990-91	-do-
3. State-Trading Corpn. of Sikkim	-do-	3/1972	-do-	1993-94	1990-91	-do-

#### 8.3.2 Investment

The total investment in these Corporations as on 31 March 1996 was Rs. 2.73 crores in the form of equity. During 1995-96 an amount of loan of Rs. 0.08 crore to STCS was converted into equity investment..

### 8.3.3 Profit/Loss of the Corporations

The SMC and SBS incurred a loss of Rs. 0.17 crore and Rs. 2.43 crores respectively, whereas STCS earned profit of Rs. 0.05 crore. The position is given in the table below:-

No. of Corporation	Year upto which accounts were finalised	Profit		Loss	
		No. of Corporation	Amount	No. of Corporation	Amount
(Rs. in crores)					
1 (SMC)	1994-95}	—	—	2	2.60
2 (SBS)	1994-95}				
3 (STCS)	1993-94	1	0.05	—	—
<b>Total</b>		<b>1</b>	<b>0.05</b>	<b>2</b>	<b>2.60</b>

### 8.3.4 Finalisation of Accounts

The Sikkim Mining Corporation, State Bank of Sikkim and State Trading Corporation of Sikkim have finalised their accounts upto the years 1994-95, 1994-95 and 1993-94 respectively.

### 8.3.5 Working Results of Statutory Corporations

The working result of the Statutory Corporations for the latest year for which accounts have been finalised are summarised in Appendix VI.

## 8.4 Disinvestment

During the year 1995-96, there has been no privatisation (partial or complete) of any activity of these companies or corporations and the Government has also not gone for disinvestment of shares in any company/corporation.

## 8.5 Guarantee

Guarantee upto a maximum of Rs. 10 lakhs was given by the State Government to the State Bank of Sikkim in August 1975 in respect of advances (overdraft) made by the Bank to the Sikkim Mining Corporation. No guarantee was invoked during the years 1992-93 to 1995-96.

## **8.6 Departmentally managed Government Commercial /quasi commercial undertakings**

### **8.6.1 General aspects**

As on 31 March 1996, there were two departmentally managed undertakings viz. (i) Sikkim Nationalised Transport under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

### **8.6.2 Finalisation of Accounts**

The Sikkim Nationalised Transport and Sikkim Tea Board finalised their accounts upto the years 1993-94 and 1994-95 respectively.

### **8.6.3 Working Results**

A statement showing the working results of the undertakings based on the latest available accounts is given in Appendix VII.

## **STATE BANK OF SIKKIM**

### **8.7 Extension of undue financial benefit to the defaulting borrowers**

The State Bank of Sikkim extended overdraft facilities to various customers under its normal banking functions against the mortgage of properties. Third party surety was also obtained for settlement of outstanding dues. The outstanding dues under such overdraft accounts could not be recovered either by disposing off the mortgaged property or from the surety. To get relief from such defaulting borrowers an interest rebate scheme was introduced during 1992-93 subsequently extended upto December 1994. Under the scheme, the interest charged to such accounts were waived on repayment of the entire principal during the operation of the scheme.

<p><b>Defaulting borrowers were allowed to avail fresh overdraft facility despite loss of interest of Rs. 40.96 lakhs.</b></p>
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Scrutiny of records in Audit revealed (December 1995) that during September 1993 to September 1994, the Bank sustained a loss of Rs. 40.96 lakhs towards interest rebate allowed to 14 defaulting borrowers for settlement of outstanding advances ( principal only). However, immediately after the settlement of their accounts, such customers were allowed to

avail of overdraft facilities without obtaining approval of the Government and the Board of Management.

Despite the earlier experience, the defaulting borrowers have been extended the overdraft facilities without keeping in view prudent financial propriety and interest of the Bank.

The matter was reported to the Management (December 1995) and the Government (February 1996). The Management stated (July 1996) that they allowed such overdraft facilities as and when spareable amount was available. They, however, did not furnish reasons for extending such facilities to the defaulters.

### **8.8 Excess payment of Central Sales Tax**

Under the Central Sales Tax Act, 1956 payment of central sale tax at the concessional rate of 4 per cent is allowed against form "C".

Test Check (October-December 1995) of records in Audit revealed that the Bank purchased/printed (April 1992-March 1995) cheque books and revenue receipt books from a Calcutta firm for which the Bank paid central sales tax amounting to Rs. 1.33 lakhs at rates ranging from 10 per cent to 12 per cent. Thus, by not availing of the concession available against form "C", the Bank had to make excess payment of central sales tax amounting to Rs. 0.84 lakh to the dealer.

<p><b>Non-availing concessional rate resulted in excess payment of C.S.T. of Rs. 0.84 lakhs.</b></p>
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The matter was reported to the Management (February 1996). The Management replied (September 1996), that their approach to Sales Tax Department for issue of 'C' Form was not considered as they are not registered under the Sales Tax Authority. The reply is not tenable as the Bank did not claim the benefit as a Government unit.

## **SIKKIM INDUSTRIAL DEVELOPMENT AND INVESTMENT CORPORATION**

### **8.9 Sikkim Industrial Development and Investment Corporation - working thereof**

#### **8.9.1. Introduction**

Sikkim Industrial Development and Investment Corporation (SIDICO) was incorpo-

rated in 1977 under Sikkim Companies Act 1961. The main objects of the company are to assist large, medium and small industries and aid development of industries in the industrially backward state of Sikkim through investment in the form of loans and equity in various units.

The company has also been distributing central and State subsidy to the industrial entrepreneurs on behalf of the State Government.

### **8.9.2 Organisational set-up**

The management of the affairs and business of the company was vested in a Board comprising 10 Directors including the chairperson at the end of March 1996. Eight directors were nominated by State Government and two by IDBI/SIDBI. The day-to-day operation was looked after by the Managing Director appointed by the Government of Sikkim from time to time.

### **8.9.3 Scope of Audit**

The activities of the company for the period from 1991-92 to 1995-96 were reviewed during April and May 1996. The results of the review are summarised in the succeeding paragraphs.

### **8.9.4 Highlights**

**The Sikkim Industrial Development and investment Corporation was set up in 1977 to assist industries by providing financial assistance.**

**(Paragraph 8.9.1)**

**The investment made by the Company could not generate expected income and accumulated loss constituted 87 per cent of paid up capital.**

**(Paragraph 8.9.6)**

**Dependance on borrowed fund resulted heavy interest burden to the tune of Rs. 4.75 crores during the five year ended 1995-96.**

**(Paragraph 8.9.8)**

**The Company failed to generate refinance loan from IDBI/SIDBI due to default in repayment of earlier dues. This affected fresh disbursement of loans and the same was reduced from Rs. 257.95 lakhs in 1991-92 to Rs. 94.57 lakhs in 1994-95.**

**(Paragraph 8.9.9)**

**Economic viability of Projects was not scrutinised properly. 88 per cent of assisted units were not economically viable due to improper project appraisals and were chronic defaulters in repaying the loan instalments.**

**(Paragraph 8.9.10 (b))**

**The percentage of recovery sharply declined from 11.69 per cent in 1991-92 to 8.58 per cent in 1995-96.**

**(Paragraph 8.9.11(a))**

**The company did not receive any dividend against the investment of Rs. 242.23 lakhs in 6 units . Further, out of these 6 units, capital amounting to Rs. 94.28 lakhs in 2 units was totally eroded due to inefficient management.**

**(Paragraph 8.9.15)**

#### **8.9.5 Share capital and borrowings.**

The authorised share capital of the company was Rs. 20 crores as on 31 March 1996. The issued, subscribed and paid up capital was Rs. 13.98 crores as on 31 March 1996, shared by Government of Sikkim (Rs. 7.61 crores constituting 53 per cent) and Industrial Development Bank of India (Rs. 6.37 crores constituting 47 per cent).

The outstanding loans as on 31 March 1996 was Rs. 10.41. crores (State Government : Rs.2.03 crores and IDBI/SIDBI : Rs. 8.38 crores ) including interest of Rs. 2.05 crores accrued thereon.

#### **8.9.6 Financial Position**

The financial position of the company for the five years upto 1995-96 was as under:

<b>Particulars</b>	<b>1991-92</b>	<b>1992-93</b>	<b>1993-94</b>	<b>1994-95</b>	<b>1995-96</b>
	<b>(Rs. in lakhs)</b>				
<b>Liabilities</b>					
Paid up Capital	883.30	933.30	993.30	1043.30	1398.30
Reserve and Surplus	60.71	60.71	60.71	60.71	60.71
Secured Loans	1018.71	1018.96	1064.93	1130.23	827.78
Unsecured Loans	2.87	202.87	239.14	215.95	213.46
Current liabilities and Provisions	17.64	107.74	48.44	48.34	42.12
<b>Total</b>	<b>1983.23</b>	<b>2323.58</b>	<b>2406.52</b>	<b>2498.53</b>	<b>2692.37</b>

<b>Assets</b>					
Gross Block	25.41	21.04	19.45	21.31	23.35
Less Depreciation	10.11	10.47	9.81	11.40	12.02
Net Block	15.30	10.57	9.64	9.90	11.33
Investment	242.23	242.23	242.23	148.96	85.53
Current Asstes, loans and advances	1665.75	1939.51	1826.15	1432.98	1379.97
<i>Accumulated loss</i>	<i>59.95</i>	<i>131.27</i>	<i>328.50</i>	<i>906.69</i>	<i>1215.54</i>
<b>Total</b>	<b>1983.23</b>	<b>2323.58</b>	<b>2406.52</b>	<b>2498.53</b>	<b>2692.37</b>

The accumulated loss sharply increased from 7 per cent of paid up capital in 1991-92 to 87 per cent in 1995-96. The main reason for such loss was increase in volume of non-performing assets during the years which was not contributing any income.

The following table indicates the non-performing assets upto the year 1995-96.

<b>Year</b>	<b>Non performing assets</b>	<b>Outstanding loans</b>	<b>Percentage of outstanding loans</b>
		(Rs. in lakhs)	
1991-92	671.51	1665.75	40
1992-93	1263.62	1879.55	67
1993-94	1454.31	1874.45	78
1994-95	1889.08	2006.92	94
1995-96	1908.88	2183.94	87

### 8.9.7 Working results

The working results of the company for the five years upto 1995-96 were as below :

<b>Particulars</b>	<b>1991-92</b>	<b>1992-93</b>	<b>1993-94</b>	<b>1994-95</b>	<b>1995-96</b>
	( Rupees in lakhs)				
Sales & Other income	2.39	1.55	1.53	0.52	106.54*
Interest on loan	65.69	54.07	72.48	58.65	112.93
<b>Total</b>	<b>68.08</b>	<b>55.62</b>	<b>74.01</b>	<b>59.17</b>	<b>219.47</b>
<b>Expenditure</b>					
Cost of sales	0.68	0.39	0.73	0.16	—
Establishment	18.30	20.93	18.67	20.90	25.07
Interest charges	83.76	95.43	100.43	99.49	95.67
Expenses	8.19	8.58	9.34	13.12	12.61
Depreciation	2.02	1.61	1.25	1.59	2.08
Provision for bad debt	—	—	140.81	502.10	392.89
Balance(Loss)	(44.88)	(71.32)	(197.22)	(578.20)	(308.85)
<b>Total</b>	<b>68.08</b>	<b>55.62</b>	<b>74.01</b>	<b>59.17</b>	<b>219.47</b>

\* Funds received from Government of Sikkim amounting to Rs. 1 crore for restructuring of the Company was improperly booked under Sales & Other Income during 1995-96.

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
	(Rupees in lakhs)				
a) Amount for which application received	580.57 (236)	130.57 (70)	104.05 (55)	116.85 (45)	395.95 (771)
b) Gross Sanction	369.28 (223)	20.85 (70)	51.75 (27)	43.62 (28)	326.48 (745)
c) Amount disbursed	257.95	121.65	48.15	94.57	179.56
d) Amount recovered (principal only)	56.62	46.79	53.25	46.12	90.19
e) Percentage of amount recovered to amount disbursed	22	38	111	49	50

Note : Figures in brackets indicate number of cases.

Since the contribution from recovery of principal amount for disbursement was very low, the Company failed to achieve self-reliance even after 18 years of financial operations. This indicates the need to strengthen recovery performance to reduce dependence on other sources for disbursing loans.

#### (b) Loan to economically unviable units

Loans were sanctioned without ascertaining managerial and repayment capabilities, promoters ability to bring in funds, market aspects, inter-firm comparisons etc. The projects, so assisted were to be economically viable enough to meet the institutional commitment towards repayment of principal loans along with interest.

**Eighty eight percent of assisted units were not economically viable due to improper project appraisal and the units remained chronic defaulters in repaying the loan instalement.**

A test check of 100 cases (covering cases since inception to 1995-96) revealed that none of the above aspects was assessed while sanctioning loans to such units and an amount of Rs.399.92 lakhs remained outstanding(March 1996) against them.. In this situation Central Investment Subsidy and Central Transport Subsidy claims of assisted units played a major role for recovery of the loans. The total recovery of Rs. 888.46 lakhs (since inception) included Rs. 379.16 lakhs (43 per cent) recovered by adjustment of subsidy payable to the units. On a number of occasions, the Company considered the poor recovery performance due to non receipt of subsidy by the assisted units.

The fact remains that 915 loan accounts in the loan portfolio of the Company (1995-96) included economically unviable units with a staggering 804 defaulting accounts (88 per cent).

**(c) Absence of industry-wise analysis of default**

No system to ascertain the Industry-wise details of outstanding dues has been devised by the Company. Instance of granting loan to the extent of Rs. 15 lakhs to a printing press was noticed during 1995-96 though a litigation process was initiated against the firm to recover outstanding loans already disbursed on previous occasion.

**Loan of Rs. 15 lakhs was granted to a defaulting printing press during 1995-96 though a litigation process was initiated against it to recover outstanding loans.**

It was also noticed in audit that all the 31 printing press units assisted by the Company upto 1994-95 became chronic defaulters in repayment of dues which clearly indicated that the potentiality of the industry was not properly investigated with reference to scope of expansion and profitability of the industries under this sector.

**8.9.11 Recoveries vis-a-vis default**

(a) The details of amount due for recovery, actual recovery and the shortfall during the last five years ending 1995-96 are as follows :

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
	(Rupees in lakhs)				
Amount due for recovery	1173.82	1379.25	1760.72	2070.38	2389.04
Amounts actually recovered during the years	137.27	109.28	118.94	111.92	205.10
Shortfall in recovery	1036.55	1269.97	1641.78	1958.46	2183.94
Percentage of recovery	11.69	7.92	6.76	5.41	8.58

The percentage of actual recovery to recoverable amount sharply declined from 11.69 per cent in 1991-92, to 8.58 per cent in 1995-96.

The Company stated (May 1996) that the reasons of poor recovery were (i) ineffective Sikkim Public Demand Recovery (SPDR) Act to recover dues within three months, (ii) large number of inefficient and closed assisted units and (iii) non receipt of Central Transport

**Absence of effective recovery system led to increase in overdue amount from Rs. 639.64 lakhs in 1991-92 to Rs. 1175.14 lakhs in 1995-96.**

subsidy. However, it may be stated that the reasons attributed to poor recovery remained the same for a pretty long time even prior to 1991-92 and previous experience was not taken into account in sanctioning fresh loans. As a result the company failed to bring any improvement in the recovery position during the subsequent years.

The table below indicates analysis of total loan outstanding (Principal) and overdue thereagainst during the five years ended 1995-96.

Years	Principal outstanding (Rupees in lakhs)	Principal overdue
1991-92	1604.69	639.64
1992-93	1879.55	723.55
1993-94	1874.45	931.96
1994-95	1922.90	1067.33
1995-96	2012.27	1175.14

The absence of any effective measure resulted into increase in overdue amount from Rs. 639.64 lakhs in 1991-92 to Rs. 1175.40 lakhs in 1995-96.

**(b) Inadequacy in recovery under Sikkim Public Demand Recovery (SPDR) Act**

The SPDR Act empowers the Company to have recourse to the provisions of Sikkim Public Demand Recovery Act 1988 wherein taking over the possession of the defaulting units was assured within a period of three months. In selection of cases for effecting recoveries under this Act, no standard guidelines were fixed by the Company. However, certificates were obtained from Certificate Officer appointed by Government under SPDR Act, in 70 cases since 1987-88 involving recovery of Rs. 489.53 lakhs till March 1996. Execution was not done in any cases and no case was finally disposed off (March 1996).

The Company stated ( March 1992 ) that the reason of non-recovery was interrupted appointment of a Certificate Officer after 1991-92. The Management further stated (July 1996) that SPDR Act is becoming effective during 1995-96 and an amount of Rs. 205 lakhs was recovered during 1995-96.

The fact remains that dependence on the SPDR Act alone, could not improve the recovery position of the company.

**(c) Extension of Section 29 of State Financial Corporation Act**

Section 29 of State Financial Corporation Act empowers Financial Corporation to enforce their rights without intervention of courts.

Finding it difficult to recover the dues under SPDR Act, the Company approached (June 1995) State Government to extend Section 29 of the SFC Act.

<p><b>Strengthening recovery process was kept in abeyance without any justified reason.</b></p>
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After approval in different level, the matter was kept pending on the suggestion of Advisor (October 1995) to Government.

Interestingly, the Advisor was a guarantor against a loan advanced to a SSI unit. The defaulting balance of this unit was Rs. 136.41 lakhs as on March 1996. A certificate was also obtained (October 1995) against the unit under SPDR Act for recovery of Rs. 115.34 lakhs, which was pending execution.

The Company stated (May 1996) that there was no influence of borrower as action was initiated under SPDR Act. They also stated that further action would be initiated for implementation of SFC Act in future. However, the facts remain that the cases under SPDR Act could not be disposed since 1987-88 and the strengthening of recovery process through the SFC Act was delayed without any valid reasons.

**(d) Failure to invoke personal guarantees**

According to the general terms and conditions for sanction of loans, all the loans sanctioned were personally guaranteed by promoters for repayment within due dates. In addition, third party guarantee was also obtained. It was observed in audit that out of 915 loanees (March 1996) which included 804 defaulters, the Company could not recover any amount by invoking the personal guarantees.

Thus, in practice the system of taking personal guarantees did not work as a measure of security for the loan given by the Company.

**(e) Ineffective marketable title i.e. Promissory Notes**

As a security measure, the Company obtained promissory notes from the loanees and guarantors. It was noticed in all the cases that the Promissory notes were never updated after completion of their validity of three years as per Negotiable Instrument Act 1981 or used to recover dues under the Act. This affected the performance of recovery.

**(f) Absence of action on returned reminders to loanees**

The Company sends half yearly reminders to the defaulting borrowers for repayment of loans. It was noticed that out of 645 reminders issued during February 1996, fifty one reminders received back by the Company and all such cases remained unattended. No consolidated records were maintained to watch the reasons of returned reminders and to consider the action needed for disposal of such cases.

In reply the Company stated that the reminders were received back due to "insufficient address and office bearers were being engaged to overcome the problem".

The fact indicates that the Company lacked effective monitoring system and follow up action for recovery of dues.

**8.9.12 Inadequate pre-disbursement formalities**

The term loan agreements entered into with the assisted units empower the Company

- to obtain registration certificate of the unit and
- to ensure the insurance of the assets of the assisted units

Insurance policy covering the assets of the assisted units were not obtained by the Company. In cases of loans for purchase of taxis comprehensive insurance policies were obtained initially by the loanees but these policies were not renewed during the remaining period of the currency of loans.

**8.9.13 Inadequate post disbursement follow-up**

Inspection of assisted units during post disbursement period and during currency of loans constitute an important follow-up and monitoring function. The term loan agreements entered into with the assisted units empower the Company.

- to call for monthly progress report during implementation stage,
- to call for annual accounts during currency of loans and
- to nominate Directors on the Board of the assisted units.

(i) The company did not obtain monthly progress report of the assisted units. Further no consolidated records were maintained indicating commencement of business of the assisted units and in cases of delay the reasons thereto.

(ii) The assisted units were not submitting annual accounts to the Company and no consolidated records were maintained indicating operations of the assisted units.

(iii) The Company nominated Directors in the Board of eight (8) assisted units only (March 1996). Every Nominee Director so appointed was supposed to give the reports on the working of the assisted unit so that the Company could keep a track of the performance of loanees. The company stated since most of the units are closed, the service of Nominee Directors could not be utilised.

(iv) It was noticed that the Company did not obtain certificate of Municipal and other local authorities in any cases of loans sanctioned to assisted hotels.

The Company stated that certificates from Tourism Department were obtained in all cases of 'Hotel Loan'. The reply is not tenable as Tourism Department certificate indicates approval for undertaking the hotel business but registration of Municipal Authorities was necessary to ascertain the existence of hotels.

In a test check of 23 cases out of 152 outstanding hotel loan accounts (1995-96) involving outstanding balance of Rs. 128 lakhs, it was noticed that these hotels were not opened at all.

(v) The only course adopted by the Company for post disbursement follow-up is field inspection. The company, however, did not draw out any inspection programme so as to cover all the units at least once in a year to assess their performance, implementation of the project, financial position, prospects etc. The occasional inspection reports are placed in respective loan files for which the company failed to ascertain the overall performance of assisted units. In five loan cases, involving outstanding balance of Rs. 30.42 lakhs (March 1996), the field inspection report indicated that the loan assistance was not fully utilised in implementation of the projects for which the loan was granted. However, no further action was taken by the company on such reports.

It may be mentioned that while examining the financial position of the Company, Government observed (April 1995) that

- the Company failed to exercise the extent of monitoring required for effective utilisation of assistance in a industrial backward state,
- ineffective monitoring caused misuse of assistance and led the loanees to a debt trap and

- immediate steps for recovery were to be taken up before sanctioning any further loans.

Thus inadequate monitoring system affected the performance of the Company.

#### **8.9.14 Adoption of borrower friendly policy**

The repayments were adjusted first against interest outstanding and the remaining balance, if any, against the outstanding principal.

To encourage the loanees in settling their dues, the Board decided (December 1995)

- to adjust repayments equally against principal and interest and
- to waive interest on interest and penal interest at the time of settlement.

In the absence of any specific decision for current loan cases, the repayments were adjusted equally against principal and interest during 1995-96.

The revised policy of adjustment and withdrawal of interest on interest, reduced interest income of the Company. The withdrawal of penal provision, reduced the income further. As a result, the outstanding receivables of Rs. 559.05 lakhs (March 1996) towards interest on interest and penal interest became unrealisable.

The Company stated that borrowers of Sikkim ( an under-developed State) should get such concession, to minimise their operating cost. They further stated that the recovery scenario improved on adoption of this policy during the year.

It may be stated that interest structure was designed to earn operating expenses after debt servicing of refinance loans (inclusive of penal interest in case of default and first adjustment of interest) received from IDBI/SIDBI. It was noticed in Audit that the question of meeting the deficit arising out of such relaxation was not considered by the Company.

#### **8.9.15 Analysis of equity investment**

As on March 1996, the Company's investment was Rs. 242.23 lakhs in the 6 assisted companies, the shares of which were not quoted.

Table below indicates Equity per share (EPS) of the investment held by the company:-

Sl. No	Name of the Company	Number of Shares held	Face per (Rs)	Value Share	Total Value (Rs)	E.P.S.*	Period of Accounts
1.	West Bengal Consultancy	75	1,000/-	75,000	1740	1994-95	
2.	Sikkim Jewels Ltd.	25,000	100/-	25,00,000	180	1994-95	
3.	-do-	5,432	800/-#	43,45,600	180	1994-95	
4.	Yuksum Brewaries	3,00,000	10/-	30,00,000	11.37	1993-94	
5.	Sikkim Vanaspati Ltd.	9,32,763	10/-	93,27,630	Negative	1994-95,	(Closed since January, 1995.)
6.	Scan Industries.	1,000	100/-	1,00,000	Negative		(Closed since 1989.)
7.	Anciliary of Sikkim Jewels	48,750	100/-	48,75,000	Not implemented since 1989-90.		

\* EPS:- (Paid up capital plus Reserve minus Accumulated loss, if any divided by number of shares of the companies)

#:- Acquired at a premium of Rs. 700 per share.

The Company did not receive any dividend from the investment since inception. Analysis of investment in 6 units revealed that the capital eroded completely in case of two units which were closed down (Investment of Rs. 94.28 lakhs) due to inefficient management. Another unit involving investment of Rs. 48.75 lakhs (1989-90) has not yet been established due to non viability of the same.

### 8.9.16 Other topics of Interest

#### (a) Sanction of loan to Director's relative

In contravention of article 77 (g) of Articles of Association, a term loan was sanctioned (April 1992) to a relative of a Director who stood guarantor for repayment of the said loan. Article also states that standing guarantor is a disqualification of a Director. The outstanding balance of the loan was Rs. 22.10 lakhs as on 31 March 1996.

The Company stated that loan was sanctioned to "a capable tribal woman" but remained silent on the disqualification of the Director.

The fact indicates violation of financial cannons in managing the affairs of the company.

**(b) Sanction of loan to Chairman**

The Company sanctioned a loan of Rs. 0.50 lakh to the Chairman of Managing Board for repair of his house during 1987. It may be mentioned that the purpose for which loan was sanctioned was not directly or incidentally related with the objectives of the Company.

The defaulting loan account with a balance of Rs. 0.83 lakhs including interest remained unsettled till the date of audit.

In reply (July 1996), Management confirmed the fact and intimated that actions are being taken to recover the loan amount.

Fact remains that sanction of loan to the Chairman, Managing Board was a breach of financial discipline.

## **SIKKIM TIME CORPORATION**

### **8.10 Locking up of funds due to unplanned production.**

Sikkim Time Corporation Limited (SITCO) manufactured digital watches under the brand name of HMT since March 1993. In September 1994, Hindustan Machine Tools Limited expressed their inability to receive any further consignment of these watches from SITCO. It may be mentioned here that the watches were manufactured only on the assurance of HMT for its marketability without entering into a proper agreement with respect to compensation in the event of failure to lift the products, by HMT. In the process, a stock of 27,737 watches valued at Rs. 63.84 lakhs under the brand name of HMT remained blocked since September 1994 till the date of audit (February 1996).

<p><b>Unplanned production led to blockage of Rs. 63.84 lakhs and consequential loss of interest of Rs. 12.45 lakhs.</b></p>
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Thus, lack of prudent production planning and absence of a proper agreement with

HMT resulted in blockage of funds amounted to Rs. 63.84 lakhs and consequential loss of interest of Rs. 12.45 lakhs (calculated at 13 per cent at which SITCO was investing its excess fund) during September 1994 to February 1996. Moreover, 90 per cent of the capacity of the project remained unutilised defeating the desired benefit of the project during the initial 36 months of its operation.

The matter was reported to the Management (March 1996) and Government (April 1996). The Management in their reply (September 1996) stated that action was being taken to dispose of the stock of watches. Final outcome is awaited (November 1996).



( Rochila Saiawi )  
Accountant General

Gangtok

The 16 MAR 1997

Countersigned



( V. K. Shunglu )

Comptroller and Auditor General of India

New Delhi

The 21 MAR 1997



## APPENDIX I

*(Reference : Paragraph 2.2.2; Page No. 28)*

Statement showing the grants/appropriations in which supplementary provision proved unnecessary.

Serial Number	Number and name of the grant/appropriation	Original grant/	Supplementary provision appropriation	Actual expenditure	Savings
<b>Revenue-Voted</b>		(In Rupees)			
1.	29- Labour and Labour Welfare	41,05,000	3,35,000	37,72,997	6,67,003
2.	40- Other Agricultural Programme	2,91,00,000	29,50,000	2,89,64,722	30,85,278
3.	48- Roads and Bridges	15,86,80,000	5,00,000	12,13,94,674	377,85,326
4.	50- Other Scientific Research	1,16,01,000	5,22,000	1,03,45,514	17,77,486
5.	52-Tourism	3,18,45,000	5,00,000	2,51,59,481	71,85,519
<b>Revenue-Charged</b>					
1.	17- Public Works (Buildings)	2,20,000	50,000	95,221	1,74,779
<b>Capital-Voted</b>					
1.	43- Rural Development	Nil	26,00,000	Nil	26,00,000
2.	46- Industries	15,57,00,000	1,86,00,000	5,56,36,554	11,86,63,446
3.	48- Roads and Bridges	24,08,00,000	8,00,00,000	23,35,50,542	8,72,49,458
<b>Total</b>		<b>63,20,51,000</b>	<b>10,60,57,000</b>	<b>47,89,19,705</b>	<b>25,91,88,295</b>

**APPENDIX II***(Reference : Paragraph 2.5; Page No. 30)*

Injudicious and irregular reappropriations.

(a) Cases in which funds were injudiciously withdrawn by reappropriation, although the accounts showed an excess over the provision (Original plus supplementary).

Serial Number	Grant number and Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Excess	Amount of reappropriation
1	2	3	4	5	6
(Rupees in lakhs)					
1.	5- Income Tax & Sales Tax				
	2040- Sales Tax				
	101- Collection Charges	21.90	24.60	2.70	(-) 0.80
2.	14- Police				
	2055- Police				
	800- Other Expenditure				
	2- Check Posts at other Places	111.70	122.29	10.59	(-) 2.00
3.	17-Public Works (Buildings)				
	4210- Capital Outlay on Medical and Public Health				
	01-Urban Health Services				
	(1)-Buildings				
	103-Primary Health Centres	50.00	83.07	33.07	(-) 6.76
4.	21- Education				
	2202- General Education				
	(i) 01- Elementary Education				
	106-Teachers and Other Services				
	(i) Pre-primary School				
	II North District	16.40	16.79	0.39	(-) 1.80
5.	(ii) 02- Secondary Education				
	001-Direction & Administration				
	I Directorate of Education	266.30	273.85	7.55	(-) 2.48
	24- Medical and Public Health				
	2210-Medical and Public Health				
	(i) 103-Primary Health Centre				
	(d) North District	15.00	17.58	2.58	(-) 0.20
	(ii) 06-Public Health				
	101-Prevention and Control of diseases				
	(3) National Tuberculosis Programme	33.50	37.58	4.08	(-) 0.77

1	2	3	4	5	6
6.	31-Relief on Account of Natural Calamities				
	2245- Relief on account of Natural Calamities				
	108-Repairs and Restoration of				
	Damaged Govt. Residential Buildings	0.10	4.42	4.32	(-) 1.10
7.	34- Agriculture				
	2401- Crop Husbandry				
	001- Direction and Administration				
	(i) (I)- Directorate of Agriculture	48.50	51.93	3.43	(-) 1.65
	(ii) 107-Plant Protection				
	(I)- Establishment	22.20	23.13	0.93	(-) 0.55
	(iii)800-Other Expenditure				
	II- National Water Shed Development				
	Project for Rainfed Agriculture	80.00	81.13	1.13	(-) 1.29
8.	36- Animal Husbandry				
	2403- Animal Husbandry				
	104- Sheep and Wool Development				
	(i) Extension of Sheep Breeding Centre	9.90	10.14	0.24	(-) 0.79
9.	39- Forestry and Wild Life				
	2406- Forestry and Wild Life				
	01-Forestry				
	001-Direction and Administration				
	(i) (6)- Utilisation Circle	29.10	27.33	1.77	(-) 2.50
	(ii) 102- Social & Farm Forestry				
	I- Farm Forestry	166.00	173.30	7.30	(-) 9.00
10.	43- Rural Development				
	(A)2501-Special Programmes				
	for Rural Development				
	04- Integrated Rural Energy				
	Planning Programme				
	101- Development of Design				
	and approach for Area Bound				
	Block Level IRE Project				
	1- IRE Planning Cell	5.00	7.71	2.71	(-) 0.03
	(B)2515- Other Rural Development				
	programmes				
	102- Community Development				
	(I)- Building	100.00	127.15	27.15	(-) 2.83
11.	46- Industries				
	4851- Capital Outlay on Village				
	and Small Industries				
	101- Industrial Establishment	2.00	23.57	21.57	(-) 1.55

b) Cases where funds were withdrawn by reappropriation in excess of the available saving.

Sl. NO.	Grant number and Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Excess	Amount of reappropriation
1	2	3	4	5	6
(Rupees in lakhs)					
1.	14- Police 2055- Police				
	(i) 001- Direction and Administration				
	(1)- Inspector General of Police	98.62	89.89	8.73	(-) 15.05
	(ii) 003- Training				
	(1)- Police Training Centre	23.60	22.30	1.30	(-) 1.90
2.	17-Public Works (Buildings) 4202- Capital Outlay on Education, Sports Art and Culture				
	01- General Education				
	(i) 202- Secondary Education				
	I- Buildings	130.00	100.97	29.03	(-) 30.00
	(ii) 203- University and Higher Education				
	I- Buildings	45.00	28.39	16.61	(-) 17.83
	(iii) 04- Art and Culture				
	800- Other Expenditure				
	I- Buildings	50.70	38.88	11.82	(-) 20.00
3.	19- Pension and Other Retirement Benefits 2071- Pension and Other Retirement Benefits				
	01- Civil				
	A- State Government				
	102-Commuted Value of Pension	52.00	27.78	24.22	(-) 27.57
4.	21- Education 2202- General Education				
	01- Elementary Education				
	(i) 102- Assistance to Non-Govt. Pry.School and Jr.High School	42.00	25.94	16.06	(-) 20.73
	(ii) 107- Teachers Training				
	(2)- State Institute of Education	32.35	26.29	6.06	(-) 10.40
	(iii) 104- Teachers and Other Services				
	(1)- High and Higher Secondary Schools				
	I - East District	560.25	427.06	133.19	(-) 165.60
	(iv) 109- Govt. Secondary Schools				
	(I) - High & Higher Sec. Schools	30.20	21.71	8.49	(-) 9.47
	(iv) 800- Other Expenditure	51.00	30.93	20.07	(-) 33.28

1	2	3	4	5	6
(vi)	106- Teachers and Other Services				
	Junior High School				
	III West District	125.00	67.25	57.75	(-) 61.25
	(vii) 02- Secondary Education				
	104- Teachers and Other Services				
	(i)- High and Higher Secondary Schools				
	I- East District	394.00	302.13	91.87	(-) 162.79
	II- North District	60.00	53.57	6.43	(-) 11.00
	III- West District	155.00	121.21	33.79	(-) 54.87
	IV- South District	190.00	134.52	55.48	(-) 64.16
	110- Assistance to Non-Govt. Secondary Schools	50.00	45.00	5.00	(-) 50.00
6.	25- Water Supply and Sanitation				
	(a) 2215- Water Supply and Sanitation				
	102- Rural Water Supply Programme	194.70	191.52	3.18	(-) 4.30
	(b) 4215- Capital Outlay on Water Supply and Sanitation				
	102- Rural Water Supply	1479.25	1322.51	156.74	(-) 170.90
7.	34- Agriculture				
	2401- Crop Husbandry				
	105- Manures and Fertilisers				
	(i) (I)- Agricultural Output Scheme	231.90	219.48	12.42	(-) 13.70
	107- Plant Protection				
	(ii) (3)-Control and Eradication of pest and Diseases of Agricultural importance (100% C.S.S)	50.00	10.92	39.08	(-) 40.00
	(iii) 109- Extension and Farmers Training				
	(1)- Extension Services	41.15	32.64	8.51	(-) 9.95
	(iv) 114- Development of Oil Seeds	74.00	69.32	4.68	(-) 5.17
8.	35- Soil and Water Conservation				
	2402-Soil and Water Conservation	225.20	201.30	23.90	(-) 24.73
9.	36- Animal Husbandry				
	2403- Animal Husbandry				
	103- Poultry Development				
	(i) (I)- Intensive Poultry Development	25.02	23.17	1.85	(-) 3.32
	(ii) (4)- Intensive Piggery Development				
	106- Other Live Stock Development	52.43	37.01	15.42	(-) 22.15
	(iii) (5)- Yak Breeding Farms (50:50% C.S.S)	36.00	22.59	13.41	(-) 17.90
	(iv) 109- Extension and Training				
	(I)- Farmers Training and Extension Programme	15.35	14.48	0.87	(-) 1.70

1	2	3	4	5	6
10.	39- Forestry and Wild Life				
	2406- Forestry and Wild Life				
	01- Forestry				
	001- Direction and Administration				
	(i) (I)-Principal Conservator of Forest.	107.70	97.68	10.02	(-) 9.05
	(ii) (6)- Utilisation Circle	29.10	27.33	1.77	(-) 2.50
	(iii) 02- Environmental Forestry & Wild Life				
	110- Wild Life Preservation				
	(7)- Development of Moniam Sanctuary (100% C.S.S.)	10.00	3.49	6.51	(-) 7.13
	(iv) (9)- Development of Fambung Lho Sanctuary	14.00	5.96	8.04	(-) 9.44
	(v) (12)- Development of Kyongnasala Alpine Sanctuary (100% CSS)	10.00	0.60	9.40	(-) 10.00
11.	40- Other Agricultural Programme				
	2415- Agricultural Research and Education				
	01- Crop Husbandry				
	277- Education	34.50	15.93	18.57	(-) 21.50
12.	46- Industries				
	2851- Village and Small Industries				
	102- Small Scale Industries				
	II- Other Programmes	24.50	17.94	6.56	(-) 7.20

## (c) Cases where funds were injudiciously augmented by reappropriation, although accounts showed savings.

Sl. NO.	Grant number and Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Excess	Amount of reappropriation
1	2	3	4	5	6
(Rupees in lakhs)					
1.	17- Public Works Buildings 4210- Capital outlay on Medical & Public Health 02- Rural Health Services (1) - Buildings 104- Community Health Centre	45.00	27.22	17.78	(+) 6.76
2.	21- Education 2202- General Education 01- Elementary Education 101- Govt.Primary Schools (i)- Primary School (ii) 800- Other Expenditure	177.00 20.00	149.90 9.27	27.10 10.73	(+) 25.73 (+) 2.63
3.	24- Medical and Public Health 2210- Medical and Public Health 01- Urban Health Services 001- Direction and Administration	116.20	113.55	2.65	(+) 2.25
4.	31- Relief on Account of Natural Calamities 2245- Relief on Account of Natural Calamities (i) 113- Assistance for Repairs/ Restoration of Houses (ii) 122- Repairs and Restoration of Damaged Irrigation and Flood Control Works	0.10 29.30	- 28.85	0.10 0.45	(+) 0.60 (+) 0.70
5.	35- Soil and Water Conservation 2402- Soil and Water Conservation 001- Direction & Administration A- Land Use and Environment (3)- West Division	11.30	10.52	0.78	(+) 0.94

(d) Cases in which funds were injudiciously augmented by reappropriation of sums in excess of what was actually required to cover the excess of expenditure over the provision (original plus supplementary) which ultimately resulted in savings.

Sl. No.	Grant number and Head of Account	Total Grant (Original plus supplementary)	Actual expenditure	Excess	Amount of reappropriation
1	2	3	4	5	6
(Rupees in lakhs)					
1.	14 - Police				
	2055- Police				
	(a) 104- Special Police	428.00	440.08	12.08	(+) 16.50
	(c)- Reserve Line and Police Band	194.90	204.04	9.14	(+) 26.79
2.	21-Education				
	2202- General Education				
	(a) - 02 Secondary Education				
	104 - Teachers and other services				
	(1) - High and Higher Secondary Schools				
	II - North District	85.95	101.58	15.63	(+)17.69
	01- Elementary Education				
	106- Teachers and Other Services				
	(I)- Pre-Primary School				
	III- West District	28.80	49.18	20.38	(+) 19.01
	(e) (ii)- Primary School				
	II- North District	65.30	134.30	69.00	(+) 72.46
	(f) III- West District	334.10	473.64	139.54	(+) 240.63
	(g) (iii)- Junior High School				
	I- East District	327.00	341.48	14.48	(+) 73.25
	(h) 110- Assistance to Non-Govt. Secondary School	106.00	112.00	6.00	(+) 11.00
3.	(a) 22 - Sports and Youth Services				
	2204 - Sports and Youth Services				
	001 - Direction and Administration	18.90	20.94	2.04	(+) 3.15
4.	25- Water Supply and Sanitation				
	2215- Water Supply and Sanitation				
	01- Water Supply				
	001- Direction and Administration				
	A- Chief Engineer (PHE) Establishment	64.20	65.51	1.31	(+) 2.40

1	2	3	4	5	6
5.	31- Relief on Account of Natural Calamities				
	2245- Relief on Account of Natural Calamities				
	(a) 109- Repairs and Restoration of Damaged Water Supply Drainage and Sewerage Works	43.90	50.24	6.34	(+ 15.10)
	(b) 800- Other Expenditure 2- Protective Works, Jhora Training and Soil Conservation Works	78.39	163.42	84.03	(+ 87.93)
6.	36- Animal Husbandry				
	2403- Animal Husbandry				
	105- Piggery Development				
	(2)- Piggery Development (Gyalzing)	14.00	18.66	4.66	(+ 5.55)
7.	39- Forestry and Wild Life				
	2406- Forestry and Wild Life				
	01- Forestry				
	001- Direction and Administration				
	(7)- Working Plan Scheme	25.50	29.45	3.95	(+ 4.25)

**APPENDIX-III***(Ref: Paragraph 8.2.2; Page No. 116)*

Statement showing particulars of up-to-date Capital Budgetary outgo, Loans out from Budget, outstanding Loans as on 31.3.96.

Name of the Company	Paid-up Capital as at the end of 1995-96				Loans given out of Budget during the year	Loans outstanding against Companies
	State Govt.	Central Govt.	Holding Others	Total		
(Rupees in lakhs)						
<b>I Consumer Industries</b>						
1. Sikkim Jewels Limited	288.56 (91.00)	—	—	— 288.56 (91.00)	Nil	
2. Sikkim Time Corporation Limited	953.54 (100.00)	—	—	— 953.54 (100.00)	Nil	
3. Sikkim Flour Mills Limited	11.18			11.18	Nil	238.37*
<b>II General Financial and Trading Institutions</b>						
1. Sikkim Industrial Development and Investment Corporation Limited	952.80 (255.00)	—	—	— 952.80 (255.00)	Nil	
<b>III Animal Husbandry</b>						
1. Sikkim Livestock Processing & Development Corporation	35.00	34.00	—	— 69.00	Nil	
<b>IV Transport Department (SNT)</b>						
1. Chanmari Workshop and Automobiles Limited	0.20 (0.20)	—	—	— 0.20 (0.20)	Nil	

Note:- Figures in brackets indicate Budgetary outgo during the year.

\*. Unit-wise details are not available.

**APPENDIX-IV***(Ref: Paragraph 8.2.3; Page No. 116)*

## Statement showing the Accounts in Arrears

Sl. No.	Name of the Company	Period upto which accounts were finalised	Period for which accounts were in arrears	No of years for which accounts were in arrears
<b>1.</b>	<b>I - Consumer Industries</b>			
	i. Sikkim Time Corporation Ltd.	1994-95	1995-96	1
	ii. Sikkim Flour Mills Ltd.	1993-94	1994-95 1995-96	2
	iii. Sikkim Jewels Ltd.	1994-95	1995-96	1
<b>2.</b>	<b>II - Animal Husbandry</b>			
	i. Sikkim Livestock Processing & Development Corporation	1993-94	1994-95 1995-96	2
<b>3.</b>	<b>III-Transport</b>			
	i. Sikkim Nationalised Transport		1994-95	
	ii. Chandmari Workshop & Automobiles Ltd.	1993-94	1995-96	2

**APPEN***(Ref. Paragraph***Summarised Financial Results of Government Companies**

Sl. No.	Name of the Company	Date of Incorporation	Period of of accounts	Year in which finalised	Profit (+) Loss (-)
(Rupees in					
<b>Name of the</b>					
<b>Department: Industries</b>					
<b>Sector: I- Consumer Industries</b>					
1.	Sikkim Jewels Limited	July 1976	1994-95	1995	(+) 6.13
2	Sikkim Time Corporation Limited	October 1976	1994-95	1996	(+) 16.56
3	Sikkim Flour Mills Limited	July 1976	1993-94	1995	Nil
<b>Sector: II-</b>					
<b>General Financial and Trading Institutions</b>					
1	Sikkim Industrial Development and Investment Corporation Limited.	March 1977	1995-96	1996	(-) 308.85
<b>Sector: III</b>					
<b>Animal Husbandry</b>					
1	Sikkim Livestock Processing & Development Corporation	April 1988	1993-94	1994	Nil
<b>Sector IV</b>					
<b>Transport Department</b>					
1	Chanmari workshop and Automobiles Ltd.	April 1988	1993-94	1995	(+)9.68

(\* The Company prepared only Receipt and Payment

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8.2.4 (c); Page No. 118)

for the latest year for which Accounts were finalised.

Paid up capital lakhs)	Accumulated profit / loss	Capital		Percentage of total return on	
		Invested	Employed	Capital invested	Capital Employed
155.96	(+) 99.99	420.90	316.95	1.46	1.93
757.54	(+) 395.29	1152.83	1152.68	1.44	1.44
60.16	(-) 12.76	97.27	84.50	Nil	Nil
1398.30	(-)1215.54	2650.25	1446.04	Nil	Nil
69.00	Nil	—	—	*	
0.20	(+) 12.66	125.00	124.99	7.74	7.74

Account as no Commercial production started till 1993-94)

**APPENDIX***(Ref : Paragraph*

Summarised Financial results of the working

(Figures in Columns 5 to

Sl. No.	Name of the Corporation	Date of incorporation	Year of Accounts	Authorised share capital	Paid-up capital	Capital invested	Profit (+)/ Loss(-)
1	2	3	4	5	6	7	8
1.	Sikkim Mining Corporation	Feb. 1960	1994-95	300.00	295.10	421.30	(-)17.14
2.	State Bank of Sikkim	June 1960	1994-95	100.00	20.38	1028.31	(+)243.12
3.	State Trading Corporation of Sikkim.	March 1972	1993-94	400	39.58	191.42	(+)4.78

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8.3.5; Page No. 120)

of Statutory Corporations.

13 are Rupees in Lakhs)

Total interest charged to P&L account	Interest Charged on long term loans	Total return on capital invested (8+10)	Capital Employed	Total return on Capital employed (8+9)	Percentage of return on capital	
9	10	11	12	13	Invested	Employed
15.78	15.28	—	90.37	—	—	—
163.09	163.09	—	4846.16	—	—	—
—	—	4.78	191.42	4.78	2.50	2.50

**APPENDIX***(Ref: Paragraph***Summarised Financial Results of the working****(Figures in columns 5**

Sl.No.	Name of the Undertaking	Date of incorporation	Year of Account	*Mean Capital
1.	2.	3.	4.	5.
1.	Sikkim Nationalised Transport	1955-56	1993-94	2335.83
2.	Sikkim Tea Board	June 1974	1994-95	787.23

(\* Mean Capital represents the average of opening

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8.6.3; Page No. 121)

of departmentally managed undertakings.

to 8 are Rupees in Lakhs)

Profit(+)/ Loss(-)	Total interest	Total return on Govt. Loan/Capital	Percentage of return on mean capital.
6.	7.	8.	9.
(-)36.12	—	(-)36.12	—
(+)62.02	—	(+)62.02	7.88

and closing balance of capital fund.)

**APPENDIX - VIII****Glossary of abbreviations**

BEL	-	Bharat Electricals Limited
CCCT	-	Centre for Computers and Communication Technology
CST	-	Central Sales Tax
CWAL	-	Chanmari Workshop and Automobiles Ltd
DCs	-	District Collectors
DLCCS	-	District Level Co-ordination Committees
DRDAS	-	District Rural Development Agencies
EAS	-	Employment Assurance Scheme
EPS	-	Equity Per Share
GCI Sheets	-	Galvanised Corrugated Iron Sheets
GP	-	Gram Panchayat
HDPE	-	High Density Polyethylene
HMT	-	Hindustan Machine Tools
HSD	-	High Speed Diesel Oil
HT	-	High Tension
ICDS	-	Integrated Child Development Scheme
IDBI	-	Industrial Development Bank of India
JRY	-	Jawahar Rojgar Yojana
KVA	-	Kilo Volt Ampere
KVIC	-	Khadi Village and Industries Commission
KWH	-	Kilo Watt Hour
LT	-	Low Tension
MKWH	-	Mega Kilo Watt Hour
MLLT	-	Mixed Load Low Tension
MPCS	-	Multipurpose Co-operative Society
NCDC	-	National Co-operative Development Corporation
PSU	-	Public Sector Undertaking
RCC	-	Reinforced Cement Concrete
SBS	-	State Bank of Sikkim
SCA	-	Special Central Assistance.
SFC	-	State Financial Corporation Act
SIDBI	-	Small Industrial Development Bank of India
SIDICO	-	Sikkim Industrial Development and Investment Corporation
SIMFED	-	Sikkim Cooperative Supply and Marketing Federation
SITCO	-	Sikkim Time Corporation
SKVIB	-	Sikkim Khadi and Village Industries Board
SLCC	-	State Level Co-ordination Committees
SMC	-	Sikkim Mining Corporation
SNF	-	Solid Not Fat
SNT	-	Sikkim Nationalised Transport
SPDRA	-	Sikkim Public Demand Recovery Act 1988
SPWD	-	Sikkim Public Works Department
SRDA	-	Sikkim Rural Development Agency
STCS	-	State Trading Corporation of Sikkim
SJL	-	Sikkim Jewels Limited
WBM	-	Water Bound Macadam