



GOVERNMENT OF SIKKIM

REPORT OF THE COMPTROLLER
AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR 1985-86



GOVERNMENT OF SIKKIM

REPORT OF THE COMPTROLLER
AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR 1985-86

1911

AUDITOR GENERAL OF INDIA
AND
REPORT OF THE COMPTROLLER

GENERAL AND FINANCE





GOVERNMENT OF INDIA

REPORT OF THE COMPTROLLER
AND
AUDITOR GENERAL OF INDIA

FOR THE YEAR 1954-55

CONTENTS

| | Paragraph | Page(s) |
|--|-----------------|---------|
| Prefatory remarks | | (iv) |
| CHAPTER I — General | | |
| Summary of accounts | I | 2—11 |
| CHAPTER II — Appropriation Audit and Control Over Expenditure | | |
| General | 2.01 | 12—13 |
| Results of Appropriation Audit | 2.02 to 2.15 | 14—23 |
| CHAPTER III — Results of Audit | | |
| Section I — Civil Departments | | |
| Agriculture Department | | |
| Oilseeds Development Programme | 3.1.1 | 24—32 |
| Pulses Development Programme | 3.1.2 | 33—39 |
| Industries Department | | |
| Idle Stock | 3.1.3 | 40 |
| Irregular Payment of Stipend | 3.1.4 | 40—41 |
| Food and Civil Supplies Department | | |
| Public Distribution System | 3.1.5 | 41—44 |
| Department of Local Self Government (Housing Board) | | |
| Idle outlay on construction of MIG and and LIG quarters | 3.1.6 | 45—46 |
| Power Department | | |
| Blocking of funds due to non-return of billets/finished products | 3.1.7 | 46—47 |
| Mines & Geology Department | | |
| Short-realisation of royalty of Rs. 12.90 lakhs | 3.1.8 | 47—48 |
| Public Works Department | | |
| Loss on construction of water treatment Plant at Singtam | 3.1.9 | 48 |
| Avoidable expenditure of Rs. 11.42 lakhs | 3.1.10 | 48—49 |

(ii)

| Education Department | <i>Paragraph</i> | <i>Page(s)</i> |
|---|------------------|----------------|
| Infructuous expenditure on hiring of a private building | 3.1.11 | 49 |
| Non-submission of accounts for purchase of sports materials | 3.1.12 | 50 |
| Loss of Rs.7.76 lakhs worth of white printing paper | 3.1.13 | 50—51 |
| Extra expenditure | 3.1.14 | 51 |
| Forest Department | | |
| Excess expenditure on maintenance of Nurseries | 3.1.15 | 51 |
| Animal Husbandry Department | | |
| Short deposit of sale proceeds of farm products | 3.1.16 | 52 |
| Section II — Revenue Receipts | | |
| Trend of Revenue Receipts | 3.2.1 | 52 |
| Cost of collection | 3.2.2 | 52—53 |
| Finance Department | | |
| Working of State Lottery | 3.2.3 | 54—58 |
| Income Tax and Sales Tax Department | | |
| Under-assessment of State Income tax due to adoption of incorrect turn over | 3.2.4 | 59 |
| Section III — Government Commercial and Trading Activities | | |
| General | 3.3.1 | 60 |
| Government Companies — General view | 3.3.2 | 60—63 |
| Statutory Corporation — General aspects | 3.3.3 | 64—66 |
| Departmentally-managed Government Commercial/quasi-Commercial undertakings | 3.3.4 | 66 |
| Sikkim Mining Corporation | 3.3.5 | 66—80 |
| Miscellaneous Topics of Interest | 3.3.6 | 81—82 |

(iii)

APPENDICES

Pages(s)

| | | |
|--|-------|---------|
| Overall excess over final grants/ Appropriations | 2.1 | 84—85 |
| Details of allotment, lifting, distribution and lapsed quantity of rice, rapeseed oil, wheat, kerosene and soft coke | 3.1.1 | 86—87 |
| Details of amounts stands recoverable from the re-rolling firms | 3.1.2 | 88—89 |
| Details of lottery draws held, number of tickets printed, face value of tickets, guaranteed profit and prize money payable and percentage of the same to the face value of tickets | 3.2.1 | 90—95 |
| Statement showing particulars of paid up capital, outstanding loans, working results, etc., of the Companies | 3.3.1 | 96—97 |
| Summarised financial results of the working of Companies | 3.3.2 | 98—99 |
| Summarised financial results of working of statutory Corporations | 3.3.3 | 100—101 |
| Summarised financial position of State Bank of Sikkim | 3.3.4 | 102—103 |
| Summarised financial position of State Trading Corporation of Sikkim | 3.3.5 | 104—105 |
| Summary of working results of State Trading Corporation of Sikkim for the three years up to 1982-83 | 3.3.6 | 106 |
| Summarised financial results of working of departmentally-managed Commercial Undertakings | 3.3.7 | 107 |

CONTENTS

| | | | |
|-----|-----|-----|-----|
| 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 |
| 3 | 3 | 3 | 3 |
| 4 | 4 | 4 | 4 |
| 5 | 5 | 5 | 5 |
| 6 | 6 | 6 | 6 |
| 7 | 7 | 7 | 7 |
| 8 | 8 | 8 | 8 |
| 9 | 9 | 9 | 9 |
| 10 | 10 | 10 | 10 |
| 11 | 11 | 11 | 11 |
| 12 | 12 | 12 | 12 |
| 13 | 13 | 13 | 13 |
| 14 | 14 | 14 | 14 |
| 15 | 15 | 15 | 15 |
| 16 | 16 | 16 | 16 |
| 17 | 17 | 17 | 17 |
| 18 | 18 | 18 | 18 |
| 19 | 19 | 19 | 19 |
| 20 | 20 | 20 | 20 |
| 21 | 21 | 21 | 21 |
| 22 | 22 | 22 | 22 |
| 23 | 23 | 23 | 23 |
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| 25 | 25 | 25 | 25 |
| 26 | 26 | 26 | 26 |
| 27 | 27 | 27 | 27 |
| 28 | 28 | 28 | 28 |
| 29 | 29 | 29 | 29 |
| 30 | 30 | 30 | 30 |
| 31 | 31 | 31 | 31 |
| 32 | 32 | 32 | 32 |
| 33 | 33 | 33 | 33 |
| 34 | 34 | 34 | 34 |
| 35 | 35 | 35 | 35 |
| 36 | 36 | 36 | 36 |
| 37 | 37 | 37 | 37 |
| 38 | 38 | 38 | 38 |
| 39 | 39 | 39 | 39 |
| 40 | 40 | 40 | 40 |
| 41 | 41 | 41 | 41 |
| 42 | 42 | 42 | 42 |
| 43 | 43 | 43 | 43 |
| 44 | 44 | 44 | 44 |
| 45 | 45 | 45 | 45 |
| 46 | 46 | 46 | 46 |
| 47 | 47 | 47 | 47 |
| 48 | 48 | 48 | 48 |
| 49 | 49 | 49 | 49 |
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| 51 | 51 | 51 | 51 |
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| 63 | 63 | 63 | 63 |
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| 65 | 65 | 65 | 65 |
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| 67 | 67 | 67 | 67 |
| 68 | 68 | 68 | 68 |
| 69 | 69 | 69 | 69 |
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| 83 | 83 | 83 | 83 |
| 84 | 84 | 84 | 84 |
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| 87 | 87 | 87 | 87 |
| 88 | 88 | 88 | 88 |
| 89 | 89 | 89 | 89 |
| 90 | 90 | 90 | 90 |
| 91 | 91 | 91 | 91 |
| 92 | 92 | 92 | 92 |
| 93 | 93 | 93 | 93 |
| 94 | 94 | 94 | 94 |
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| 96 | 96 | 96 | 96 |
| 97 | 97 | 97 | 97 |
| 98 | 98 | 98 | 98 |
| 99 | 99 | 99 | 99 |
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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1985-86 together with other points arising from audit of financial transactions of the Government of Sikkim. It also includes certain points of interest arising from the Finance Accounts for the year 1985-86.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1985-86 as well as those which had come to notice in the earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1985-86 have also been included wherever considered necessary.

STATE OF TEXAS

COMPTROLLER

REPORT

OF THE COMPTROLLER

FOR THE YEAR ENDING DECEMBER 31, 1985

AND FOR THE PERIOD FROM JANUARY 1, 1985, TO DECEMBER 31, 1985

IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE VII, SECTION 51, OF THE CONSTITUTION OF THE STATE OF TEXAS

AUDIT REPORT 1985-86

CHAPTER I

CONTENTS

| | |
|----------------|---|
| Chapter I | 1 |
| Chapter II | 1 |
| Chapter III | 1 |
| Chapter IV | 1 |
| Chapter V | 1 |
| Chapter VI | 1 |
| Chapter VII | 1 |
| Chapter VIII | 1 |
| Chapter IX | 1 |
| Chapter X | 1 |
| Chapter XI | 1 |
| Chapter XII | 1 |
| Chapter XIII | 1 |
| Chapter XIV | 1 |
| Chapter XV | 1 |
| Chapter XVI | 1 |
| Chapter XVII | 1 |
| Chapter XVIII | 1 |
| Chapter XIX | 1 |
| Chapter XX | 1 |
| Chapter XXI | 1 |
| Chapter XXII | 1 |
| Chapter XXIII | 1 |
| Chapter XXIV | 1 |
| Chapter XXV | 1 |
| Chapter XXVI | 1 |
| Chapter XXVII | 1 |
| Chapter XXVIII | 1 |
| Chapter XXIX | 1 |
| Chapter XXX | 1 |

CHAP

GENE

1. Summary of accounts

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

I - Statement of Financial position of the Government

| As on 31-3-85 | Liabilities | As on 31.3.86 |
|--------------------|--|--------------------|
| 5.99 | Internal Debt (Market Loans , Loans from Life Insurance Corporation of India and others) | 8.18 |
| 24.03 | Loans and Advances from Central Government Pre 1979-80 Loans 3.73 Non-Plan loans 1.93 Loans for State Plan Schemes 19.79 Loans for Centrally Sponsored Schemes 2.33 Ways and Means Advances 1.15 | 28.93 |
| 2.83 | Small Savings, Provident Funds, etc. | 3.54 |
| 1.35 | Deposits | 2.22 |
| 0.43 | Reserve Funds Gross 0.89 Less Investment 0.46 | 0.43 |
| 0.01 | Contingency Fund | * (—) 0.11 |
| — | Remittance Balances | — |
| 1.44 | Overdraft with State Bank of Sikkim | 0.80 |
| 75.17 | Surplus on Government Accounts up to previous years 75.17 Add Revenue surplus during the year 14.05 | 89.22 |
| <hr/> 111.25 <hr/> | | <hr/> 133.21 <hr/> |

* Minus figure is due to non-recoupment of Rs.0.61 crore

TER I

RAL

of Sikkim emerging from the Finance Accounts for the year 1985-86

of Sikkim as on 31st March 1986.

| | | (In crores of rupees) | |
|---------|---|-----------------------|---------|
| As on | Assets | | As on |
| 31-3-85 | | | 31-3-86 |
| 92.23 | Gross Capital Outlay on Fixed Assets | | 117.21 |
| | Investment in shares of Companies, Corporations, etc. | 6.12 | |
| | Other Capital Outlay | 111.09 | |
| 4.59 | Loans and Advances | | 4.82 |
| | Development loans | 2.52 | |
| | Loans to Government servants and miscellaneous loans | 2.30 | |
| 0.13 | Other Advances | | 0.13 |
| 8.44 | Suspense and Miscellaneous Balances | | 2.54 |
| 1.74 | Remittance Balances | | 4.06 |
| 4.12 | Cash | | 4.45 |
| | Departmental Cash balance including Permanent Advance | 0.16 | |
| | Cash Balance Investment | 4.29 | |

 111.25

 133.21

against the corpus of Rs.0.50 crore

II. Abstract of Receipts and Disbursements

SECTION A—

RECEIPTS

| Revenue Receipts— | | 91.63 |
|-------------------|--|-------|
| (i) | Tax Revenue | 7.61 |
| (ii) | Non-tax Revenue | 10.82 |
| (iii) | State's share of Union Taxes | 10.83 |
| (iv) | Non-Plan Grants | 15.78 |
| (v) | Grants for State Plan Schemes | 40.65 |
| (vi) | Grants for Central and Centrally Sponsored Schemes | 5.94 |

 91.63

1985-86

5

for the year 1985-86

REVENUE*(In crores of rupees)***DISBURSEMENTS**

| | Non-Plan | Plan | Total |
|--|--------------|--------------|--------------|
| I. Revenue Expenditure— Sector | | | |
| (i) General Services | 13.82 | 1.22 | 15.04 |
| (ii) Social and Community Services | 12.97 | 9.29 | 22.26 |
| (iii) General Economic Services | 0.23 | 0.54 | 0.77 |
| (iv) Agriculture and Allied Services | 3.51 | 17.56 | 21.07 |
| (v) Industry and Minerals | 0.41 | 0.94 | 1.35 |
| (vi) Water and Power Deve- lopment | 1.76 | 2.42 | 4.18 |
| (vii) Transport and Communi- cations | 9.90 | 3.01 | 12.91 |
| | <u>42.60</u> | <u>34.98</u> | <u>77.58</u> |
| II. Revenue surplus carried over to Section B | | | <u>14.05</u> |
| | | | <u>91.63</u> |

SECTION B—

| | | | |
|--------------|---|-------|--------|
| III | Opening Cash Balance including permanent advance and cash balance investment | | 4.12 |
| IV. | Recoveries of Loans and Advances | | 0.26 |
| (i) | From Government Servants | 0.19 | |
| (ii) | From Others | 0.07 | |
| V. | Revenue Surplus brought down | | 14.05 |
| VI. | Contingency Fund | | 0.10 |
| VII. | Public Debt Receipts | | 8.02 |
| (i) | Internal Debt other than Ways and Means Advances | 2.29 | |
| (ii) | Loans and Advances from Central Government | 5.73 | |
| VIII. | Public Account Receipts | | 104.87 |
| (i) | Small Savings and Provident Funds | 0.90 | |
| (ii) | Suspense and Miscellaneous | 47.29 | |
| (iii) | Remittances | 54.51 | |
| (iv) | Deposits and Advances | 2.17 | |
| IX. | Closing overdraft | | 0.80 |

| | |
|-------|---------------|
| Total | <u>132.22</u> |
|-------|---------------|

OTHERS

| | | | |
|--------------|---|-------|---------------|
| III. | Opening Overdraft | | 1.44 |
| IV. | Capital Outlay— Sector | | 24.98 |
| (i) | General Services | 1.07 | |
| (ii) | Social and Community Services | 4.41 | |
| (iii) | General Economic Services | 0.11 | |
| (iv) | Agriculture and Allied Services | 0.89 | |
| (v) | Industry and Minerals | 0.64 | |
| (vi) | Water and Power Development | 5.16 | |
| (vii) | Transport and Communica- tions | 12.70 | |
| V. | Loans and Advances disbursed | | 0.49 |
| (i) | To Government Servants | 0.37 | |
| (ii) | To Others | 0.12 | |
| VI. | Contingency Fund | | 0.22 |
| VII. | Repayment of Public Debt | | 0.92 |
| (i) | Internal Debt other than Ways and Means Advances | 0.10 | |
| (ii) | Repayment of Loans and Advances to Central Government | 0.82 | |
| VIII. | Public Account Disburse- ments | | 99.72 |
| (i) | Small Savings and Provident Funds, etc. | 0.19 | |
| (ii) | Suspense and Miscellaneous | 41.39 | |
| (iii) | Remittances | 56.83 | |
| (iv) | Deposits and Advances | 1.31 | |
| IX. | Cash Balance at end | | 4.45 |
| (i) | Departmental cash balance including permanent advance | 0.16 | |
| (ii) | Cash Balance Investment | 4.29 | |
| | Total | | 132.22 |

SOURCES AND APPLICATION OF FUNDS FOR 1985-86

(In crores of rupees)

I. Sources :

| | | |
|----|--|--------|
| 1. | Revenue Receipts | 91.63 |
| 2. | Increase in Public Debt, Small Savings and Deposits | 8.67 |
| | | <hr/> |
| | | 100.30 |

Adjustments

| | | |
|------------------------------------|----------|--------|
| Less effect on Contingency Fund | (—) 0.12 | |
| Add Reduction in Suspense Balances | (+) 5.90 | |
| Less effect on Remittance Balances | (—) 2.32 | 3.46 |
| | | <hr/> |
| Net Funds available | | 103.76 |
| | | <hr/> |

II. Application :

| | |
|---|--------|
| Revenue Expenditure | 77.58 |
| Capital Outlay | 24.98 |
| Lending for development and other programmes | 0.23 |
| Decrease in year-end overdraft | 0.64 |
| Increase in Closing Cash Balance | 0.33 |
| | <hr/> |
| | 103.76 |
| | <hr/> |

Notes :

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

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

(1) The net accretion from debt transactions (as adjusted by the effect of Contingency Fund, suspense and remittance balances) during the year aggregated Rs.12.13 crores. This amount increased the Revenue surplus of Rs.14.05 crores during the year to Rs. 26.18 crores which was utilised to meet the capital expenditure of Rs. 24.98 crores, disbursement of loans of Rs.0.23 crore for development and other programmes and for reducing the overdraft by Rs. 0.64 crore. The transactions thus resulted in an increase of Rs. 0.33 crore in cash balance.

(2) Out of the revenue receipts of Rs.91.63 crores during the year, Rs.73.20 crores were from the Government of India as grants for State Plan Schemes, Centrally Sponsored Schemes, Statutory Non-Plan grants and share of Union excise duties which constitute 80 per cent of the State Revenue receipts.

(3) There was substantial under-utilisation of provision under revenue heads. Taking Plan and Non-Plan expenditure together, there was under-utilisation of provision of Rs.4.17 crores (22 per cent) under General Services, Rs. 0.07 crore (8 per cent) under General Economic Services, Rs.1.25 crores (6 per cent) under Agriculture and Allied Services, Rs. 0.11 crore (8 per cent) under Industry and Minerals and Rs.1.67 crores (29 per cent) under Water and Power Development.

(4) Capital expenditure was Rs.24.98 crores (Plan : Rs.24.82 crores ; Non-Plan : Rs. 0.16 crore) as against provision of Rs. 30.60 crores (Budget : Rs.29.90 crores, Supplementary : Rs.0.70 crore). There was under-utilisation of provision of Rs. 0.39 crore (27 per cent) under General Services, Rs. 1.09 crores (20 per cent) under Social and Community Services, Rs.0.06 crore (6 per cent) under Agriculture and Allied Services, Rs. 0.08 crore (11 per cent) under Industry and Minerals, Rs.1.90 crores (27 per cent) under Water and Power Development and Rs. 2.09 crores (14 per cent) under Transport and Communications.

(5) Against the provision for disbursement of loans and advances of Rs.0.58 crore during the year, actual disbursement was Rs.0.49 crore out of which only Rs.0.12 crore were disbursed as loans for development purposes. The remaining amount of Rs. 0.37 crore (76 per cent of the total loans) was paid as loans to Government servants, etc.

(6) The actual recoveries of loans and advances were short by 16 per cent of the estimates. Against the provision of Rs.0.31 crore, recoveries actually made amounted to Rs.0.26 crore.

(7) At the end of the year, loans and advances of Rs.4.82 crores were outstanding out of which Rs. 1.64 crores (34 per cent) were outstanding against Government servants, etc. Rupees 0.65 crore were outstanding against a private firm, which were the erstwhile bankers to the State Government. The amount was to be transferred by the firm to the State Bank of Sikkim for credit to the State Government on the setting up of the Bank in 1968. This was not done and the case for recovery is pending in the court.

(8) Interest of Rs. 0.10 crore was received from Co-operative Societies on account of loans and advances granted to them. No interest was, however, received against loans amounting to Rs. 3.07 crores granted to other institutions and bodies during the period from 1975-76 onwards.

(9) Information regarding overdue amounts of arrear of principal and interest has not been received (October 1987) from the departmental officers who maintained the detailed accounts of loans and advances.

(10) The debt liability of the Government at the end of 1985-86 was Rs.43.30 crores which comprised internal debt of State Government, loans and advances from Central Government, Small Savings and Provident Funds, etc., and also non-interest bearing deposits and other liabilities. The borrowings from Government of India were Rs.28.93 crores which formed 78 per cent of total public debt.

(11) Government paid interest of Rs.5.06 crores on debts during the year. As against this, Government received only Rs. 0.25 crore as interest on loans and advances and investments. The net burden of interest on State revenue was, thus, Rs.4.81 crores.

(12) During 1985-86, Government invested Rs.0.37 crore in the Sikkim Time Corporation, Sikkim Industrial Development and Investment Corporation Limited, Sikkim Flour Mills Limited and

Government Fruit Preservation Factory. The total investment at the end of the year was Rs.6.12 crores. The dividend from the investment was Rs.0.44 crore. Unit-wise details of the amount of dividend are awaited (November 1986).

(13) Guarantees up to a maximum of Rs.10 lakhs each were given by the State Government, in August 1975 and in July 1976 to the State Bank of Sikkim, in respect of advance (overdraft) made by the bank to Sikkim Mining Corporation and Sikkim Consumers' Co-operative Society respectively. The amount of outstanding overdraft of the Sikkim Consumers' Co-operative Society was Rs.4.79 lakhs as on 31st March 1986. No guarantee was invoked during the year.

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

APPROPRIATION AUDIT AND

2.01 General

The summarised position of actual expenditure during 1985-

| | <i>Original grant/ appropriation</i> | <i>Supplementary grant/ appropriation</i> |
|-------------------------------|--|---|
| | (1) | (2) |
| | <i>(In lakhs of rupees)</i> | |
| I. Revenue | | |
| Voted | 7,261.08 | 831.34 |
| Charged | 381.67 | 6.70 |
| II. Capital | | |
| Voted | 2,989.63 | 70.58 |
| III. Public Debt | | |
| Charged | 105.76 | — |
| IV. Loans and Advances | | |
| Voted | 55.70 | 2.25 |
| Total | 1,07,93.84 | 9,10.87 |

TER II The following points emerge broadly from the Appendix

CONTROL OVER EXPENDITURE

against grants/appropriations is as follows :

| Total (3) | Actual expenditure (4) | Variation | |
|----------------------|---------------------------|--------------------------|----------------|
| | | Saving (—) Excess (+) | (5) |
| (In lakhs of rupees) | | | |
| 8,092.42 | 7,712.86 | (—) | 379.56 |
| 388.37 | 541.34 | (+) | 152.97 |
| 3,060.21 | 2,497.80 | (—) | 562.41 |
| 105.76 | 92.59 | (—) | 13.17 |
| 57.95 | 49.35 | (—) | 8.60 |
| <u>1,17,04.71</u> | <u>1,08,93.94</u> | (—) | <u>8,10.77</u> |

Revenue - Voted

Saving of Rs. 82 lakhs was attributed to non-payment of arrears on account of revision of pay. Reasons for the balance having not been indicated by the department (May 1987)

28.17
(+)

| Sl. No. | Description of the grant | Amount of saving (In lakhs of rupees) (Percentage of provision in bracket) | Reasons for saving |
|---------|---|--|--|
| 7. | 50 - Roads and Water Transport Services | 17.39 (15) | Not intimated by the department (June 1987). |

Capital - Charged

| | | | |
|----|------------------|---------------|------|
| 8. | 51 - Public Debt | 13.17 (12) | -do- |
|----|------------------|---------------|------|

2.07 Substantial saving under schemes:— In the following cases, there were substantial savings either on account of non-implementation or slow-implementation of the Plan Schemes.

| Sl. No. | Grant or Appropriation | Name of the Scheme | Amount of saving (In lakhs of rupees) | Percentage saving |
|---------|-----------------------------------|--|--|-------------------|
| 1. | 17- Public Works (Building) | Scheduled Castes Girls' Hostel (50:50CSS) | 4.00 | 100 |
| 2. | -do- | Working Woman's Hostel (75:25CSS) | 2.48 | 92 |
| 3. | -do- | Construction of Destitute Home (75:25CSS) | 7.03 | 80 |
| 4. | -do- | Construction of Youth Hostel at Namchi (100%CSS) | 5.00 | 50 |
| 5. | 19- Other Administrative Services | Registration of Births and Deaths (75:25CSS) | 1.29 | 32 |
| 6. | 24 - Education | Stipend and Clothing to Tibetan Refugee children of Enchey School (100%CSS) | 2.01 | 82 |

| Sl. No. | Grant or Appropriation | Name of the Scheme | Amount of saving (In lakhs of rupees) | Percentage |
|---------|--------------------------------------|--|--|------------|
| 7. | 24 - Education | Appointment of Hindi Teachers in Non-Hindi Speaking State (50:50CSS) | 1.60 | 100 |
| 8. | -do- | Education Technology Programme (100%CSS) | 1.74 | 75 |
| 9. | -do- | State Government Scholarship for School Education | 1.85 | 74 |
| 10. | 27 - Medical and Public Health | National Tuberculosis Control Programme (50:50CSS) | 1.75 | 88 |
| 11. | 34 - Planning and Statistics | Timely Reporting of Crop Statistics (50:50CSS) | 1.00 | 100 |
| 12. | 36 - Agriculture and Allied Services | Scheme for Small and Marginal farmers (50:50CSS) | 14.78 | 75 |
| 13. | -do- | Agricultural Census Programme (100%CSS) | 1.27 | 53 |
| 14. | 38 - Soil and Water Conservations | Soil Conservation in the catchment of River Valley Teesta (100%CSS) | 17.73 | 49 |
| 15. | -do- | Integrated Soil and Water Conservation in Himalayas (100%CSS) | 21.45 | 55 |
| 16. | 43 - Forest | Khanchandzonga National Park (50:50CSS) | 8.70 | 48 |

| Sl. No. | Grant or Appropriation | Name of the Scheme | Amount of saving (In lakhs of rupees) | Percentage |
|---------|----------------------------|--|--|------------|
| 17. | 44 - Community Development | Group Housing Scheme (100% CSS) | 8.00 | 100 |
| 18. | 45 - Industries | Training to Rural Artisans (25:75 CSS) | 1.29 | 80 |

2.08 Substantial excesses:— In the following three grants/appropriations, the expenditure exceeded the approved provision by more than Rs.5 lakhs and by more than 10 per cent of the total provision.

| Sl.No. | Description of the grants/appropriation | Amount of excess (Percentage of excess in bracket) | Reasons for excess |
|--------|---|---|--|
| 1. | 10-Interest payments (Revenue-Charged) | 158.60 (46) | Not intimated by the department (June 1987). |
| 2. | 20-Pension and other Retirement Benefits (Revenue-Voted) | 6.83 (13) | -do- |
| 3. | 49 -Roads and Bridges (Revenue-Voted) | 68.37 (10) | Not intimated by the department (June 1987). |

2.09 Irregular or inadequate re-appropriations:— Out of the total 346 cases of re-appropriation made during the year, re-appropriation in 313 cases proved to be either insufficient or excessive. A few cases where re-appropriation resulted in substantial saving/excess are given at page 19 to 20

| Sl. No. | Number and Name of grant | Name of Major Head | Provision (Original Plus supplementary) | Amount re-appropriated | Excess (+) Saving (-) |
|---------|--------------------------|--------------------|---|------------------------|-----------------------|
|---------|--------------------------|--------------------|---|------------------------|-----------------------|

(In lakhs of rupees)

| | | | | | |
|----|--|---|--------|-----------|-----------|
| 1. | 10-Interest Payments | '249'-Interest Payments (Charged) B. III. Interest Payment to Bank | 137.00 | (-)125.44 | (+)274.09 |
| 2. | 17-Public Works | '259'-Public Works VII. Suspense (1) Stock | 510.00 | (-)36.73 | (-)199.09 |
| 3. | 17-Public Works (Buildings) | '483'-Capital outlay on Housing AA-Housing I-Construction (I) Police Housing | 63.90 | (-)35.90 | (+) 6.55 |
| 4. | 20-Pension and other Retirement Benefits | '266'-Pension and other Retirement Benefits I.A-Pension and other retirement benefits (State Government) | 32.00 | (+) 4.93 | (-)15.06 |
| 5. | -do- | '266'-Pension and Other Retirement Benefits I.B. Pension and Retirement Benefits (CDA Patna and other Agencies) | 20.00 | (-)4.93 | (+)22.45 |
| 6. | 24-Education | '277'-Education B-Secondary Education II. Govt. Secondary Schools (1) Govt. Junior High Schools | 172.00 | (+)13.98 | (+)39.74 |
| 7. | 24-Education | '277'-Education B-Secondary Education II. Govt. Secondary Schools (2) Govt. Higher | | | |

| Sl. No. | Number and Name of grant | Name of Major Head | Provision | Amount | Excess (+) Saving(-) |
|---------|--|---|----------------------|-----------------|-------------------------|
| | | | Plus | re-appropriated | |
| | | | Supplementary) | | |
| | | | (In lakhs of rupees) | | |
| | | Secondary and High Schools | 258.00 | (+) | 22.75 (+)23.46 |
| 8. | 24-Education | '277'-Education B-Secondary Education IV. Text Books (5) Free Supply of Text Books | 45.00 | (-) | 3.00 (-)15.97 |
| 9. | 27-Medical and Public Health | '282'-Public Health, Sanitation and Water Supply A-Public Health and Sanitation I-Preservation and Control of diseases (1) National Malaria Eradication Programme | 35.00 | (+) | 5.75 (-)15.13 |
| 10. | 31-Social Security and Welfare | '288'-Social Security and Welfare B-Welfare of Scheduled Castes and Scheduled Tribes V. Other expenditure | 3.30 | (-) | 1.27 (+)23.41 |
| 11. | 32-Relief on account of Natural Calamities | '289'-Relief on account of Natural Calamities C-Relief Works 2. Restoration/Construction of Public Buildings and Water Supply | 30.74 | (-) | 4.99 (+)44.51 |
| 12. | 36-Agriculture and Allied Services | '305'-Agriculture III. Agriculture Farms Regional Centre (1) Establishment | 53.00 | (+) | 3.95 (+)6.92 |

2.10 Trend of recoveries and credits:— Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure, the anticipated recoveries and credits are shown separately below the budget estimates. During 1985-86 such receipts and recoveries were anticipated at Rs.9.75 crores (Revenue). Actual receipts and recoveries during the year however, were Rs.4.96 crores (Revenue) as shown below:—

| <i>Sl.No.</i> | <i>Number and name of grant</i> | <i>Estimated recoveries</i> | <i>Actual recoveries</i> | <i>More (+) Less (-)</i> |
|-------------------------------|---|-----------------------------|--------------------------|------------------------------|
| <i>(In lakhs of rupees)</i> | | | | |
| Revenue | | | | |
| 1. | 14 - Police | 35.00 | 32.02 | (—) 2.98 |
| 2. | 17 - Public Works (Building) | 510.00 | 192.61 | (—) 317.39 |
| 3. | 20 - Pension and Other Retirement Benefits | 20.00 | — | (—) 20.00 |
| 4. | 21 - Aid Materials and Equipments | 0.05 | — | (—) 0.05 |
| 5. | 37 - Irrigation and Flood Control | 60.00 | 33.44 | (—) 26.56 |
| 6. | 48 - Power . | 300.00 | 200.88 | (—) 99.12 |
| 7. | 49 - Roads and Bridges | 50.00 | 37.24 | (—) 12.76 |
| | | <u>975.00</u> | <u>496.19</u> | <u>478.86</u> |

Reasons for shortfall in respect of grant no. 20-Pension and other Retirement Benefits were attributed to non-reimbursement of pensions paid to the Central Civil and Military pensioners during the year 1985-86 from the concerned offices as no claims could be preferred due to shortage of staff in the Pension Section of Finance Department. Replies from the other Departments are awaited (August 1987).

2.11 Non-receipts of explanations for savings/excesses:— The explanations for variations between grant/appropriation and corresponding expenditure were not received (May 1987) in respect

of 27 heads. These formed 30 per cent of the number of heads, the variation under which needed explanation. Non-submission of information required for the Appropriation Accounts results in the Audit Report remaining incomplete in certain essential respects.

2.12 Delay in regularisation of excesses of earlier years:— The excesses under the various grants/charged appropriation during 1979-80 (Rs. 150.46 lakhs), 1980-81 (Rs. 96.37 lakhs), 1981-82 (Rs. 196.43 lakhs), 1982-83 (Rs. 153.17 lakhs), 1983-84 (Rs. 441.53 lakhs) and 1984-85 (Rs. 65.06 lakhs) mentioned in the Reports of the Comptroller and Auditor General of India for the years have not yet been regularised (May 1987).

2.13 Expenditure without provision:— Expenditure without provision, was incurred in 15 cases. A few cases where expenditure was incurred without budget provision are given below:—

| Sl.No. | Number and name of grant | Head of Account | Amount (In rupees) |
|--------|---|--|-----------------------|
| 1. | 17 - Public Works (Building) | '259'-Public Works III. Construction (3) District Administration | 51,477 |
| 2. | -do | '477'-Capital Outlay on Education, Art and Culture IV. Sports and Games Welfare-Indoor Stadium | 50,793 |
| 3. | 24-Education | '277'-Education III. Assistance to Non- Govt. Secondary Schools (1) P.N. Girls Higher Secondary School | 3,00,000 |
| 4. | -do- | '277' - Education IV. Text Books (1) Establishment | 14,78,307 |
| 5. | 32-Relief on account of Natural Calamities | '289' Relief on account of Natural Calamities B - Gratuitous Relief (1) Other Gratuitous Relief | |

| Sl. No. | Number and name of grant | Head of Account | Amount (In rupees) |
|---------|---------------------------------------|---|-------------------------|
| | | 1 Margin Money recommended by Seventh Finance Commission Grants-in-aid | 8,000 |
| 6. | 36-Agriculture and Allied Services | '505' - Capital outlay on Agriculture AA-Capital outlay on Agriculture (2) Agricultural Research | 56,084 |
| 7. | 40-Animal Husbandry | '310' - Animal Husbandry V. Cattle Development (3)-Raising of cross bread heifers | 10,816 |
| 8. | 45-Industries | '321'-Village and Small Industries B-Village and Small Industries (2) District Office (Jorethang) | 19,762 |

2.14 Reconciliation of expenditure:— During 1985-86, out of 48 departments, only 39 departments reconciled their accounts and 9 departments did not reconcile their accounts.

2.15 Contingency Fund:— A Contingency Fund of Rs.50 lakhs has been placed at the disposal of the Government to enable it to make advances for meeting unforeseen expenditure, pending authorisation by the Legislature. The advances from the Fund are to be made only to meet expenditure which is of such an emergent character that the postponement of it, till its authorisation by the Legislature, would be undesirable. In all, seven sanctions were issued during 1985-86 advancing Rs.36.60 lakhs. Against the sanctions of Rs.36.60 lakhs, Rs.22.17 lakhs only were drawn, of this Rs.10.32 lakhs only were recouped during the year leaving an unrecouped balance of Rs.11.85 lakhs.

Advances drawn from the Contingency Fund in earlier years amounting to Rs. 49.33 lakhs (viz. 1980-81-Rs. 1.00 lakh, 1981-82-Rs.5.16 lakhs, 1982-83-Rs. 10.77 lakhs, 1983-84-Rs. 11.50 lakhs and 1984-85-Rs.20.90 lakhs) also remained unrecouped till the end of the year 1985-86.

The Contingency Fund was closed with a debit balance of Rs. 11.17 lakhs, during the year 1985-86, which was irregular.

CHAPTER III

RESULTS OF AUDIT

Section I

CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT

3.1.1 Oilseeds Development Programme

1. Introduction :

The Oilseeds Development Programme was launched in the State of Sikkim from 1983-84 to augment the production of oilseeds. It was a Centrally Sponsored Scheme (CSS) shared on 50:50 basis between the Central and the State in 1983-84 and 100 per cent Central share in 1984-85 and 1985-86.

The main object of the programme is to encourage farmers to increase production of oilseeds by increasing the area under various oilseeds crops and increasing productivity by distribution of improved seeds and adopting improved technology.

The whole State comprising four districts (East, West, South and North) was selected as a single unit to be covered under the programme. The programme was implemented for (a) Intensive Oilseeds Development for Rapeseed and Mustard and (b) Soyabean Development by the Directorate of Agriculture at State level and District Agricultural Officer (DAO) at district level.

Staffing Pattern

Five posts of Field Assistants created in 1983-84 were filled up in January 1985. The posts of one Lower Division clerk and two Agriculture Inspectors were created in 1983-84. However, one post of Agriculture Inspector remained vacant till May 1987.

A test check of the records relating to the programme was conducted between July-August 1986 at the office of the Director of Agriculture. Important points noticed during review are given in the succeeding paragraphs.

2. **Targets and Achievements**(a) **Financial Provision and expenditure**

Details of provision made, Central assistance received, matching grant provided by the State and Central/State share of expenditure during the period 1983-84 to 1985-86 are indicated below :—

| Year | Budget provision | | Fund to be provided by the Centre | Central assistance actually received | Matching grant by State | Expenditure | |
|---------|-----------------------------------|----------|-----------------------------------|--------------------------------------|-------------------------|-------------|-------|
| | Plan | Non-Plan | | | | Central | State |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| | (I n l a k h s o f r u p e e s) | | | | | | |
| 1983-84 | — | 5.35 | 5.35 | 4.02 | — | 2.09* | 0.67* |
| 1984-85 | 9.60 | — | 2.23 | 0.60 | — | 4.86 | — |
| 1985-86 | 2.50 | — | 1.93 | 1.82 | — | 1.93 | — |
| | 12.10 | 5.35 | 9.51 | 6.44 | — | 8.88 | 0.67 |

*Departmental figure. Expenditure as shown in Accountant General's books for 1983-84 is Rs.2.27 lakhs. However, no Central/State bifurcation is available on this amount of Rs.2.27 lakhs. Though this is a plan scheme, the budget provision made and expenditure incurred in 1983-84 was from Non-Plan sector. Reasons for deviation could not be explained by the department.

It will be seen from the above table that during 1983-84 no matching grant was provided in the State Budget against allocation of Central assistance of Rs.5.35 lakhs, though the scheme was on 50:50 basis. Reasons for deviation could not be stated by the department.

The unspent balance of Rs.1.93 lakhs of 1983-84 was not surrendered to the Government of India. However, this was adjusted against spill-over payments in 1984-85, without the approval of the Government of India. The department stated in August 1986 that the State Finance Department has concurred to the expenditure.

The Central assistance during 1984-85 and 1985-86 fell short by 64.36 per cent, though it was 100 per cent CSS during these years. No reasons for shortfall could be furnished by the department (August 1986).

(b) **Physical Targets and Achievements**

(i) The targets fixed by the State for areas to be covered in hectare with production of oilseeds (Tonnes), the achievement and

Shortfall thereagainst are indicated below:—

1983-84

| Sl. No | Item | Target | Achievement | Shortfall |
|--------|---------------------------------|--------|-------------|-----------|
| 1. | Area coverage (In hectare) | | | |
| (a) | Soyabean | 3,000 | 4,000 | — |
| (b) | Rapeseed & Mustard | 5,000 | 6,400 | — |
| (c) | Other oilseeds | — | — | — |
| | Total | 8,000 | 10,400 | — |
| 2. | Production (In tonnes) | | | |
| (a) | Soyabean | 3,000 | 3,500 | — |
| (b) | Rapeseed & Mustard | 4,000 | 3,840 | 160 |
| (c) | Other Oilseeds | — | — | — |
| | Total | 7,000 | 7,340 | 160 |

*Figures available under total only

| 1984-85 | | | 1985-86 | | |
|----------------|---------------|-----------|----------------|---------------|-----------|
| Target | Achievement | Shortfall | Target | Achievement | Shortfall |
| NA | 4,000 | NA | NA | 4,200 | NA |
| NA | 6,500 | NA | NA | 6,550 | NA |
| — | — | — | NA | 150 | NA |
| <u>10,000*</u> | <u>10,500</u> | <u>—</u> | <u>10,000*</u> | <u>10,900</u> | <u>—</u> |
| NA | 4,300 | NA | NA | 5,600 | NA |
| NA | 3,920 | NA | NA | 4,650 | NA |
| — | — | — | NA | 50 | NA |
| <u>8,000*</u> | <u>8,220</u> | <u>—</u> | <u>10,000*</u> | <u>10,300</u> | <u>—</u> |

(ii) The shortfall in productivity vis - a - vis the coverage in hectare

| <i>Sl.No.</i> | <i>Year</i> | <i>Component</i> | <i>Per hectare productivity in tonnes</i> |
|---------------|-------------|------------------------|---|
| (1) | (2) | (3) | (4) |
| 1. | 1983-84 | (a) Soyabean | 1.00 |
| | | (b) Rapeseed & Mustard | 0.80 |
| 2. | 1984-85 | (a) Soyabean | 1.10 |
| | | (b) Rapeseed & Mustard | 0.65 |
| 3. | 1985-86 | Other oil seeds | 0.50 |

The shortfall in the achievement was attributed by the department, the programme was adopted after studying agro-climatic

is shown in the following table :—

| Targeted coverage in hectare | Actual coverage in hectare | Total production as per targeted productivity in Tonnes | Actual production in Tonnes | Shortfall in production in Tonnes (Col. 6 - 7) |
|------------------------------|----------------------------|---|-----------------------------|--|
| (5) | (6) | (7) | (8) | (9) |
| 3,000 | 4,000 | 4,000 | 3,500 | 500 |
| 5,000 | 6,400 | 5,120 | 3,840 | 1,280 |
| NA | 4,000 | 4,400 | 4,300 | 100 |
| NA | 6,500 | 4,225 | 3,920 | 305 |
| NA | 150 | 75 | 50 | 25 |
| | | <u>17,820</u> | <u>15,610</u> | <u>2,210</u> |

ment (August 1986) to the unfavourable climatic conditions. How-conditions of the State.

3. **Implementation**
(i) **Demonstration**

The year-wise targets and actual coverage under demonstration as compared to the targets and the achievements of total area coverage under the programme is indicated below:—

| Year | Item | Total area coverage | | Area covered under demonstration | |
|----------------|--------------------|---------------------|-------------|----------------------------------|-------------|
| | | Target | Achievement | Target | Achievement |
| (In hectare) | | | | | |
| 1983-84 | Soyabean | : 3,000 | 4,000 | 500 | Nil |
| | Rapeseed & Mustard | : 5,000 | 6,400 | 664 | 703.5 |
| | Others | : — | — | — | — |
| 1984-85 | Soyabean | : — | 4,000 | — | — |
| | Rapeseed & Mustard | : 10,000 | 6,500 | 25 | 25 |
| | Others | : — | — | — | — |
| 1985-86 | Soyabean | : — | 4,200 | — | — |
| | Rapeseed & Mustard | : 10,000 | 6,550 | 25 | 28 |
| | Others | : — | 150 | — | — |

Target for coverage for demonstration under rapeseed and mustard was reduced from 13.28 per cent in 1983-84 to a meagre 0.25 per cent in 1984-85 and 1985-86.

For Soyabean the target for demonstration during 1983-84 was fixed at 16.66 per cent of total coverage. The achievement there against was nil. The department stated (August 1986) that this was due to late receipt of grants under the scheme. The targets for 1984-85 and 1985-86 for demonstration were not fixed. Reasons therefore were not on record.

(ii) Seed Minikits

Quality seeds are considered vital for increasing the productivity. The programme envisaged demonstration of improved package of practices on farmers' fields and distribution of large number of minikits of oilseeds to the small and marginal farmers.

The following table indicates the target number of seed minikits to be distributed/actually distributed compared to actual area coverage in 1983-84, 1984-85 and 1985-86:—

| Year | Area coverage | | Distribution of seeds minikits | |
|---------|-----------------|--------------|--------------------------------|--------------|
| | Targets | Achievements | Targets | Achievements |
| | (In hectares) | | (In numbers) | |
| 1983-84 | 8,000 | 10,400 | 5,417 | 5,282 |
| 1984-85 | 10,000 | 10,500 | 2,025 | 1,800 |
| 1985-86 | 10,000 | 10,900 | 250 | 262 |

While the area coverage was increased from 8,000 hectares in 1983-84 to 10,000 in 1984-85 and 1985-86 the target fixed for distribution of minikits was brought down from 67.71 per cent to 20.25 per cent and 2.50 per cent respectively. Actual percentage was 50.79, 17.14 and 2.44 of the area covered respectively during the three years up to 1985-86.

Reasons for downward revision of the distribution of seed minikits could not be explained by the department.

(iii) Plant Protection

The table at page 32 will indicate the targets and achievements under plant protection from 1983-84 to 1985-86:—

| Year | Area coverage | | Plant Protection coverage | |
|---------|---------------|--------------|---------------------------|--------------|
| | Targets | Achievements | Targets | Achievements |
| (1) | (2) | (3) | (In hectares) | |
| (1) | (2) | (3) | (4) | (5) |
| 1983-84 | 8,000 | 10,400 | 6,000 | 5,706 |
| 1984-85 | 10,000 | 10,500 | 1,000 | 840 |
| 1985-86 | 10,000 | 10,900 | 500 | 534 |

In fixing target for plant protection the factor of area coverage/area covered had not been taken into consideration. Moreover, it may be seen that the target under plant protection has been drastically brought down from 6,000 hectares in 1983-84 to 500 hectares in 1985-86.

Reasons for bringing down the target could not be explained to audit.

(iv) **Fertiliser minikits**

The department distributed 225 and 250 minikits in 1984-85 and 1985-86 respectively. However, the department did not ensure that the minikits were used for the intended purpose.

4. **Monitoring and Evaluation**

Though it was stated (August 1986) that monitoring and evaluation had been carried out by the department, no such report could be made available to audit.

5. **Summing up**

Against Central assistance of Rs.4.02 lakhs received in 1983-84, Rs.2.09 lakhs were spent during the year. The unspent balance was utilised in 1984-85 without the approval of the Government of India. No matching grant was provided by the State Government in the budget for 1983-84.

— Shortfall in productivity resulted in less production of seeds to the extent of 2,210 tonnes of seeds from 1983-84 to 1985-86.

— Targets were not realistic in some components of the scheme.

— No monitoring or evaluation report was made available.

The matter was reported to Government in August 1986; reply is awaited (February 1987).

3.1.2 - PULSES DEVELOPMENT PROGRAMME

1. **Introductory**

In order to boost the production of pulses as part of the 20 point programme, a Centrally Sponsored Scheme of "Intensive Pulses Development Programme" was introduced in Sikkim during the year 1983-84 (w.e.f.27.8.1983). The object of the Scheme is to encourage the farmers to increase the production of pulses by increasing the area as well as the productivity by distribution of improved seeds and adopting of improved technology.

This programme had been taken up in all the 4 (four) districts of the State involving regions like Namchi, Namthang, Bermiok, Gyalzing, Daramdin, Nazitam, Majitar, Pakyong, Marchak, Chujachen, Mangan, Gnon and Songdorg.

The Scheme is implemented in the State by the State Agriculture Department as the controlling unit.

2. **Staffing Pattern**

There are no separate officers and staff for the scheme. The programme is being executed through the existing departmental officers and staff.

3. A review of the scheme was conducted by audit in July 1986 in the office of the Director of Agriculture, Government of Sikkim, Gangtok and important points noticed are brought out in the succeeding paragraphs.

4. **Financial Outlay**

This was a Centrally Sponsored Scheme on 50:50 basis between the State and the Central except the components of certified seed production and plant protection relating to ground operation for which 100 per cent Central assistance was admissible. The main components of the scheme were demonstration, seed multiplication, Rhizobium culture and Plant protection.

Budget provision, expenditure, Central assistance allocated and received during the year 1983-84 to 1985-86 are indicated at page 34 to 35.

| Year | <u>Budget provision</u> | | Central assistance received |
|---------|-------------------------|----------------|-----------------------------------|
| | <u>State</u> | <u>Central</u> | |
| (1) | (2) | (3) | (4) |
| | (In lakhs of rupees) | | |
| 1983-84 | 1.40 | 2.78 | 2.78 |
| 1984-85 | 1.60 | 3.50 | 2.26 |
| 1985-86 | 1.31 | 2.58 | 1.45 |
| Total | <u>4.31</u> | <u>8.86</u> | <u>6.49</u> |

| <i>Expenditure incurred</i> | | <i>Balance</i> | |
|-----------------------------|----------------------|----------------|----------------|
| <i>State</i> | <i>Central</i> | <i>State</i> | <i>Central</i> |
| (5) | (6) | (7) | (8) |
| | (In lakhs of rupees) | | |
| 0.20 | 1.55 | 1.20 | 1.23 |
| 1.53 | 2.37 | 0.07 | (—) 0.11 |
| 1.24 | 2.71 | 0.07 | (—) 1.26 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 2.97 | 6.63 | 1.34 | (—) 0.14 |
| <hr/> | <hr/> | <hr/> | <hr/> |

(i) Though the Central assistance was released for different components of the programme separately, the department did not maintain separate accounts to indicate expenditure under each of the components of the programme.

(ii) Reasons for shortfall in expenditure in 1983-84 were attributed by the department (July 1986) to late issue of sanction by the Government of India in the first year and frequent changes in the programmes of the scheme and deviation of the programme from the scheme initially finalised in the plan meetings by the departmental authorities which ultimately affected physical targets.

(iii) The unspent balance out of the Central assistance received in 1983-84 was diverted to meet the excess expenditure incurred in 1984-85 and 1985-86 without the approval of the Government of India.

5. Physical targets and Achievements

The targets fixed by the State for cultivation of pulses under the programme during the period from 1983-84 to 1985-86, the achievements and the shortfalls are given below:—

(a) Physical targets and achievements in respect of the various components of the scheme.

AUDIT REPORT 1985-86

37

| Particulars | Year 1983-84 | | | Year 1984-85 | | | Year 1985-86 | | |
|--|--------------|-----------------------|----------------|--------------|-----------------------|----------------|--------------|-----------------------|----------------|
| | Tar- get | Achi- eve- ment | Short- fall | Tar- get | Achi- eve- ment | Short- fall | Tar- get | Achi- eve- ment | Short- fall |
| 1. Demonstration (In hectares) | 200 | 180 | 20 | 200 | 136 | 64 | 100 | 100 | — |
| 2. Seed Multipli- cation (In quintals) | 630 | 829 | — | 883 | — | 883 | 450 | 480 | — |
| 3. Rhizobium Culture (In packets) | — | — | — | 3333 | 3330 | 3 | 2000 | 1000 | 1000 |
| 4. Plant Protec- tion Measures (In hectares) | 1500 | 1420 | 80 | 1333 | 1134 | 199 | — | — | — |

(b) Physical targets and achievements in production of pulses.

| Sl.No. | Year | Particulars of pulses | Target of production | Achievement | Shortfall |
|---------------|---------|---|----------------------|-------------|-----------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| (In tonnes) | | | | | |
| KHARIF | | | | | |
| 1. | 1983-84 | (a) Moong | 500 | 480 | 20 |
| | | (b) Other Kharif (cow pulses, pea, ricebean & rajmash) | 1300 | 1290 | 10 |
| RABI | | | | | |
| | | (a) Urad | 1500 | 1460 | 40 |
| | | (b) Other Rabi pulses | 100 | 70 | 30 |
| 2. | 1984-85 | RABI | | | |
| | | (a) Urad | 1500 | 1460 | 40 |
| | | (b) Other Rabi pulses | 100 | 70 | 30 |
| 3. | 1985-86 | RABI | | | |
| | | (a) Peas | 2250 | 2100 | 150 |
| | | (b) Urad | 1550 | 1210 | 340 |
| | | (c) Other Rabi pulses | 210 | 190 | 20 |

The shortfall in achievement was attributed by the department (July 1986) to the initial difficulties faced in the first year of implementation in the State and lack of suitable land and seed unfavourable climatic condition and absence of seed certification infrastructure.

6. Implementation

(i) Demonstration

Under this programme, demonstrations were to be carried in 200 hectares of land during 1983-84, 1984-85 and in 100 hectares

during 1985-86 and a subsidy of Rs.375 per hectare of demonstration was to be paid to the farmers for seed (Rs.100), fertiliser (Rs.175) and plant protection (Rs.100).

The targets, achievements and the shortfall in demonstrations during the period from 1983-84 to 1985-86 are shown below:—

| Year | Targets | Achievement | Shortfall |
|---------|---------------|-------------|-----------|
| | (In hectares) | | |
| 1983-84 | 200 | 180 | 20 |
| 1984-85 | 200 | 137 | 63 |
| 1985-86 | 100 | 100 | — |

The department stated (July 1986) that the shortfall was due to introduction of the scheme for the first time in the State.

(ii) Rhizobium Culture

For increasing the production of pulses, rhizobium culture was evolved by research. The programme aims at mass scale production of rhizobium culture and its distribution in packets amongst the cultivators. Even though the department had laboratory and research facilities, no initiative was taken to carry out such culture. Instead the culture was procured from the manufacturers through their authorised dealers at a cost of Rs.0.35 lakh.

During the year 1985-86 against the budget provision of Rs.0.06 lakh meant for 400 SC/ST beneficiaries and Rs.0.27 lakh for 1,600 marginal farmers, only Rs.0.03 (for 200 SC/ST beneficiaries) and Rs.0.12 lakh (for 800 marginal farmers) were utilised respectively. Thus, there was a shortfall in the targets.

7. Monitoring and Evaluation

No records in support of monitoring and evaluation of the programme implementation could be made available to audit.

8. Summing up

— The expenditure was mainly met out of Central assistance in the year 1983-84 and expenditure incurred during the three years up to 1985-86 was Rs.9.60 lakhs against the provision of Rs.13.17 lakhs.

— There was a shortfall in production of pulses to the extent of 680 tonnes from 1983-84 to 1985-86.

— In the absence of proper records, it is not clear whether any effective monitoring and evaluation was carried out.

The matter was reported to Government in July/September 1986; reply is awaited (June 1987).

INDUSTRIES DEPARTMENT

GOVERNMENT INSTITUTE OF COTTAGE INDUSTRIES

3.1.3 Idle Stock

The Government Institute of Cottage Industries (GICI) formulated a scheme in 1979-80 for weaving pure wool and cotton mixed blankets through their trainees under different Field Level Organisations (FLO). The finished products were to be sold through the sales counter of the GICI at Gangtok. The FLOs were to provide labour charges of weavers and GICI to supply raw materials and other consumables including the equipment. During 1979-80 to 1985-86, the GICI and FLO spent Rs. 2.88 lakhs for the purpose with a total production of 2,451 blankets. The stock piled up, and 400 blankets were declared moth-eaten in January 1985 by the department. The department, with the approval of Finance Department, reduced the original sale price once in November 1984 by 20 per cent and again in February 1985 by 30 per cent. In spite of reduction in price, the department could dispose of only 1,458 numbers till October 1986 including 336 moth-eaten blankets. The balance of 993 numbers including 64 moth-eaten blankets which could not be sold, despite substantial reduction in price resulted in blocking of capital amounting to Rs.1.17 lakhs .

It was stated by the department (November 1986) that continuous efforts are being made to restrict the production and find out wholesalers.

3.1.4 Irregular payment of Stipend

Trainees admitted to different centres of wood carving, carpet making and other traditional handicrafts making with bamboo etc., in Government Institute of Cottage Industries (GICI) are entitled to get stipend for the duration of training of 5 years in respect of wood carving and 2 years respectively in respect of latter two types of training at the rate of Rs.125 per month. During the session which started from August 1982 with 38 trainees at Pelling training centre, 10 trainees left the centre after completing 10 months training in May 1983 (5 from each latter two trades) and the balance 17 trainees continued up to June 1985 instead of July 1984 (being two years' duration). During the extended period of 11 months, these trainees were paid stipend without obtaining sanctions for such extension from competent authority. Also there was no provision for continuation of training and drawal of stipend beyond prescribed duration resulting in an expenditure to the tune of Rs.0.36 lakh.

The department stated (July 1985) that the trainees were unable to pick up the lessons and the class teachers found them unfit to sit for the final examination at the end of second year.

The matter was reported to Government in March 1986; reply is awaited (February 1987).

FOOD AND CIVIL SUPPLIES DEPARTMENT

3.1.5 Public Distribution System

1. Introductory

To ensure supplies of essential commodities of mass consumption to the people at reasonable rates, to control the prices and to ensure an equitable distribution of essential goods, the public distribution system was introduced in Sikkim in April 1975 through the Department of Food and Civil Supplies, Gangtok.

The department listed 36 commodities as essential commodities through the Sikkim Essential Commodities (Price, Display and Control of Supply and Distribution) Order, 1977. Of these essential commodities, the Central Government is supplying rice, wheat, sugar, refined rapeseed oil, salt, controlled cloth, kerosene oil, soft coke, cement and paper for mass consumption. The department procured rice, sugar and refined rapeseed oil (up to August 1984) whereas the other commodities supplied by the Central Government are procured through the authorised agents (nominees) of the Government on the basis of allotment made by the department.

2. In terms of Sikkim Foodstuffs (distribution) Control Order, 1978 issued on 30th September 1978 every authorised retail distributor was to maintain correct and true accounts of all purchases, sales and storages to be written up at the end of each day and such distributors should furnish such return as directed by the department. But it was seen during audit (August-October 1985) that although the State Government procured the quota of different essential commodities and distributed these to the different retail distributors, the department neither issued such directions to the dealers regarding their periodical submission of returns to the department nor exercised proper checks on the transactions of the dealers. In the absence of any returns from the dealers regarding the actual distribution of the essential commodities to the public and authentic information in regard to the quantity distributed, the distribution of essential commodities benefitted the actual user beneficiaries could not be ascertained.

Government stated (October 1986) that though the department has not issued any orders regarding submission of returns by the retailers, the regular stock verification, checking of rates are being done by the executive officials of the department and the defaulters are prosecuted according to established legal procedure.

3. Despite aforesaid limitations, the existing public distribution system has been reviewed to the extent possible and the comments thereon are brought out in the succeeding paragraphs.

3.1 **Extent of coverage**

Public Distribution System (PDS) has been extended to all the four districts of the State. Foodgrains are transported to inaccessible remote area through porters, mules and yaks from the nearest godowns.

3.2 **Sources of procurement of essential commodities**

A revolving fund of Rs.30 lakhs was opened in the name of the Secretary, Food and Civil Supplies Department in 1975-76, with the State Bank of Sikkim for the purpose of procurement of foodgrains. Apart from the above, the department obtained from the State Bank of India, Gangtok temporary overdrafts for Rs.20 lakhs in September 1983. The amount was further enhanced by Rs.10 lakhs each in March 1986 and April 1986. Thus, the department, raised funds to the extent of Rs.70 lakhs for the purpose.

The revolving fund account is debited to the extent of payments made for the procurement of foodgrains including handling charges paid to agents at Siliguri for loading and unloading of foodgrains and credited by the sale proceeds of foodgrains. Though payments made on account of these commodities were taken on the payment side of the cash books maintained for these commodities, the sale proceeds were not credited in the cash books. In the absence of such credits, correctness of accounts could not be ascertained.

3.3 **Procurement of essential commodities**

The year-wise details (1980-81 to 1985-86) of allotment, lifting, distribution and lapsed quantity either procured departmentally or through authorised agents, of rice, refined rapeseed oil, wheat, kerosene and soft coke are indicated in the Appendix 3.1.1. From the appendix it would be evident that the department could not lift the entire quantities of commodities allotted to the State during 1980-81 to 1985-86. As a result 20,679 MT of rice, 741.70 MT of rapeseed oil, 9,736.30 MT of wheat, 12,030.80 Kilolitres of Kerosene and 6,686 MT of soft coke were allowed to lapse.

3.4 Subsidy under Integrated Tribal Development Project

Integrated Tribal Development Project (ITDP) scheme was introduced in the State in January 1986 on the instruction of Government of India. Under this scheme Rice Long Bold (LB) was released to the tribal area at Rs.160 per quintal. This has covered a population of 1,08,492 people in 165 blocks. 72 Fair price shops have been opened to sell this rice to the consumers up to 30th June 1986. 20,735 ration cards have been distributed to the people and 12 kgs. of rice per month was to be issued to each unit.

Under the above scheme 36,050.42 quintals of Rice (LB) was allotted up to 31st May 1986 out of which 33,631.36 quintals of rice were lifted from January 1986 to May 1986. The Government of India granted a subsidy of Rs.23.79 lakhs on the rice lifted.

The allotment was made at FCI, Gangtok, Jorethang and Siliguri. While the entire quota of allotment was lifted at Gangtok, the quota of rice not lifted was allowed to carry over to next month at FCI, Jorethang. But at FCI, Siliguri unlifted quota of 815.76 quintals (allotted 15,200-lifted 14,384.24) was not carried in the subsequent months. Since the allotment is made as per demand which is gradually increasing, the non-lifting of 815.76 quintals of rice available at a subsidised price of Rs.57,919 resulted in deprivation to user beneficiaries to that extent.

3.5 Shortage and transit losses

Rice delivered at Civil Supply Depot (CSD), New Jalpaiguri (NJP) is transported to the Sikkim Nationalised Transport (SNT) godown, Siliguri for onward transportation to various centres in Sikkim. Full quantity of rice received has been shown as quantity lifted and the rice despatched from the SNT godown to various centres in Sikkim shown as off-take. The difference between the two, during the period from April 1981 to March 1986 has been depicted as transit shortage valuing Rs.15.39 lakhs.

The department stated (July 1986) that the shortage occurred due to theft and pilferage while transporting the rice from the Civil Supply Depot, New Jalpaiguri to SNT godown and godown shortage at Siliguri SNT godown. No action was taken to check the pilferage and to regularise the shortage (March 1987).

Rice, sugar and rapeseed oil are lifted at Siliguri and transported to various godowns of Food and Civil Supplies Department, Sikkim by SNT.

Food grains (rice 1,904 quintals, rapeseed oil 246 quintals and sugar 39 quintals) were found to have been short in transit during

April 1982 to January 1985. The department preferred claims with SNT for Rs.8.90 lakhs out of which Rs.5.11 lakhs were adjusted in May 1986 against the amount Payable to SNT towards transportation charges of foodgrains received. Balance of Rs.3.79 lakhs is outstanding (March 1987).

It was seen that claims amounting to Rs.4.20 lakhs on account of transit shortage at Singtam, Dentum, Ranipool, Dikchu, Mangan, Soreng, Chungthang and Gyalshing godowns during April 1984 to January 1985 were not preferred against SNT. The reasons were not intimated (March 1987).

The department did not prefer (March 1987) the claim with SNT for transit loss from Siliguri to various places amounting to Rs. 4.44 lakhs for the period from April 1985 to March 1986.

4. Summing up

— Although huge quantities of essential commodities were procured and distributed, the department did not issue any directions to retail distributors for submission of periodical returns to the department regarding distribution of such commodities.

— Proforma accounts have not been prepared on the revolving fund amounting to Rs. 70 lakhs.

— The department could not lift the entire quantity of rice, rapeseed oil, wheat, soft coke and kerosene allotted to the State during 1980-81 to 1985-86 and thus allowed to lapse 20,679 MT of rice, 741.70 MT of rapeseed oil, 9,736.30 MT of wheat, 12,030.80 KL of kerosene and 6,686 MT of soft coke.

— Under Integrated Tribal Development Scheme, non-lifting of 815.76 quintals of rice at subsidised rate resulted in deprivation to user beneficiaries.

— There was a shortage of 6,999.68 quintals of rice valuing Rs.15.39 lakhs which occurred due to theft and pilferage.

— Transit loss of rice, sugar, rapeseed oil during 1982-83 to 1984-85 was of Rs.8.90 lakhs out of which a sum of Rs.3.79 lakhs remains outstanding.

— Department has also not preferred the claim for transit loss of Rs.8.64 lakhs with Sikkim Nationalised Transport.

DEPARTMENT OF LOCAL SELF GOVERNMENT

HOUSING BOARD

3.1.6 Idle outlay on construction of MIG and LIG quarters

The Housing Board obtained through Department of Local Self Government a loan of Rs.67 lakhs (Rs.50 lakhs in April 1980 and Rs.17 lakhs in November 1983) from the Government of Sikkim for construction of 126 middle income group (MIG), 84 low income group (LIG) flats, 12 shops and 1 common room at Jorethang to be sold to intending buyers at Rs.49,900 per MIG and Rs.41,048 per LIG flats. The amount was taken as long-term loan by the Government from General Insurance Company (GIC) Rs.50 lakhs in November 1978 and Life Insurance Corporation of India (LIC) Rs.17 lakhs in November 1983 and was given to the Housing Board on the same terms and conditions.

As the Board have no expertise and technically competent personnel to carry out the job, the work of construction of the buildings was entrusted to State Public Works Department (SPWD) as a deposit work.

The project was taken up in 1981-82 at an estimated cost of Rs.67.48 lakhs and completed (September 1983) at a cost of Rs.72.84 lakhs. Besides, the electrification work was done by power department at a cost of Rs.4.79 lakhs paid in April 1984.

The Board decided (October 1984) to dispose of flats and shops to the Government departments and to the willing persons with a repayment period of 20 years. Accordingly, the Board invited (July 1985) applications from intending buyers but only 13 buyers have registered their names up to May 1986. The reasons for the poor response was attributed to higher cost of flats. The Finance Department while according sanction to the purchase of 2 MIG blocks by SPWD also observed (November 1984) that the project of construction of MIG and LIG flats was taken up without studying its feasibility and necessity and thereby made it an uneconomical venture. The Board has so far (April 1987) disposed of 104 MIG, 44 LIG flats and 7 shops by outright sale and rent and realised Rs.19.45 lakhs by way of sale proceeds and rent.

The Board has repaid only Rs.5.57 lakhs (April 1987) to the State Government, although the State Government paid Rs.20.04 lakhs as principal and Rs.32.05 lakhs as interest to GIC and LIC up to

November 1986; the debit on that account has not yet been passed on to the Housing Board.

Thus the expenditure of Rs.58.18 lakhs on construction of flats and the interest of Rs.32.05 lakhs proved idle.

The matter was reported to Government in July 1986; reply is awaited (February 1987).

POWER DEPARTMENT

3.1.7 Blocking of funds due to non-return of billets/ finished products

During the period from December 1979 to June 1982, the department proposed to procure 1,714.785 metric tonnes (MT) of billets from the Steel Authority of India (SAIL) through the State Trading Corporation of Sikkim (STCS). Accordingly the department released (June 1981, April 1982 and June 1982) funds to the tune of Rs.67.41 lakhs (Advance Rs.46.99 lakhs and final payment Rs.20.42 lakhs) against the bills preferred (July 1981 to March 1983) by the STCS for Rs.69.60 lakhs and directed the STCS to arrange for conversion of entire quantity of billets into MS Angles, MS Rcds etc., by the re-rolling firms as the same was required for fabrication of lattice structures in departmental workshops.

The STCS actually collected 1,714.202 MT of billets (December 1979—714.785 MT; June 1981—499.877 MT and June 1982—499.540 MT) from SAIL and issued 1,710.645 MT of billets to 4 re-rolling firms of Calcutta (viz. firm 'A' 714.785 MT in December 1979, firm 'B' - 549.160 MT in July 1981 and June 1982, firm 'C'—402.220 MT in July 1981 and firm 'D'—44.480 MT in June 1982). The balance quantity of 3.557 MT costing Rs.14,314.80 could not be accounted for by the STCS. The conversion charges were fixed at Rs.455 for firm 'A', Rs. 740 for firm 'B' and Rs.710 for firm 'C' per MT by the STCS, the basis of which is not known and 90 per cent of billets (10 per cent being metal loss as finished products to be delivered within a fortnight from the date of delivery of billets).

Against 1,710.645 MT of billets issued, 1,302.033 MT of finished products was received by the department (firm 'A'—525.748 MT; firm 'B'—437.062 MT; and firm 'C'—339.193 MT). Neither the balance finished products (237.578 MT) nor the billets (263.975 MT) costing Rs.8.40 lakhs as detailed in Appendix 3.1.2 had been returned by the firms till date (December 1986).

Regarding payment of conversion charges of finished products already received, the department stated (November 1986) that despite

preferring of bills by STCS, an amount of Rs.3.31 lakhs has not been paid due to non-receipt of balance quantities of finished products from the re-rollers.

Due to lack of timely co-ordination, the department could not recover 263.975 MT of billets lying with the firms for more than 4 years. As a result, after adjustment of the withheld conversion charges for the finished products received, an amount of Rs.5.09 lakhs stands recoverable from the firms.

Further, an amount of Rs.4.32 lakhs, out of the advance of Rs.46.99 lakhs, given by the department remained blocked with the STCS.

The matter was reported to the Government in December 1985; reply is awaited (March 1987).

GEOLOGY & MINING DEPARTMENT

3.1.8 Short-realisation of royalty of Rs.12.90 lakhs

The mining lease agreement between the Government of Sikkim and the Sikkim Mining Corporation provides for realisation of royalty at 5 per cent on the sale proceeds of the products of the mine extracted from the leased area. However, as a result of extension of Mines and Minerals (Regulation and Development) Act, 1957 to the State with effect from February 1980, the rate of royalty as well as mode of calculation of the royalty realisable by the State Government are regulated in terms of Section 9 of the Central Act *ibid*. According to this Act, the State Government should have realised royalty of Rs. 18.34 lakhs for the minerals extracted from the leased area for the period from February 1980 to March 1985 but the department preferred claims for royalty for Rs.5.46 lakhs only on the basis of the earlier agreement and realised only Rs. 5.44 lakhs so far (March 1986). This has resulted in a short realisation of Rs.12.90 lakhs.

The department stated (November 1986) that due to stringent financial position of the Corporation royalty was realised at the existing rates on the sale value of the concentrates. It further stated that the royalty was calculated on the basis of the metal content in the concentrates and not in the ore and further no royalty was chargeable on the lead concentrate as the same was not sold. But in terms of Section 9 of Mines and Minerals (Regulation and Development) Act, 1957, royalty is chargeable in respect of any minerals (including concentrates) removed or quarried by the Corporation or his agent, manager, employer etc., from the leased area. The lead concentrates although not

sold was extracted and its value included in the closing stock in the accounts for the year 1984-85.

PUBLIC WORKS DEPARTMENT

3.1.9 Loss on construction of water treatment plant at Singtam

The work for fabrication and construction of 0.4 million gallons per day capacity water treatment plant at Singtam was awarded in September 1980 to the Calcutta Branch of a Bombay-based firm costing Rs.2.05 lakhs through the State Trading Corporation of Sikkim (STCS). The plant was to be completed by May 1981. As per agreement entered into with the firm in November 1980, 30 per cent payment was to be made alongwith the order, 65 per cent against the despatch documents negotiated through Bank for each consignment of mechanical equipment and the balance 5 per cent after completion of erection and commissioning. Accordingly, the department paid Rs.1.32 lakhs (November 1981 to January 1983) through STCS being 95 per cent of the contract value on placement of the order and despatch of the documents. The suppliers despatched the equipment valued Rs.1.05 lakhs to the department between October 1982 to January 1983. The firm, however, stopped the supply of the equipment from February 1983 as it went into liquidation. The department stated (September 1986) that on receipt of confirmation of the fact about liquidation of the firm, it obtained (July 1986) the approval of the Government and awarded the work (cost of Rs.2.28 lakhs) to another firm in August 1986.

Due to delay in finalisation of the case, the department not only suffered a loss of Rs.0.27 lakh on account of non-receipt of equipment, but also incurred Rs.1.28 lakhs as extra expenditure for completing the work.

3.1.10 Avoidable expenditure of Rs.11.42 lakhs

Quotations were invited in November 1978 from 12 selected firms for the construction of the sewage treatment plant under the sewage scheme of Gangtok costing Rs.24.80 lakhs. In response, only 3 firms quoted their rates: firm 'A' for Rs.25.07 lakhs; firm 'B' for Rs.31.05 lakhs and firm 'C' for Rs.30.39 lakhs respectively. The lowest offer was rejected on the ground of inexperience and financial unsoundness of the firm. The proposal was submitted (October 1979) to the Government with recommendation of the department for acceptance of the second lowest rate. However, it was desired (October

1979) that good firm of consultants should have been appointed to draw-up the specifications for the plant and to help finalise the tenders. It was further desired that the consultants be appointed after inviting a tender (giving no more than 3 weeks clear time). Accordingly, a consultant firm of Calcutta was appointed in January 1980 at a fee of Rs.0.20 lakh. Tenders were invited afresh in March 1980 (before obtaining the technical advice of the consultants) which was received in July 1980.

Against the tender of March 1980, six offers were received. The department negotiated in May 1982 with three firms whose tenders were found technically sound. The order was placed with firm 'B' of Calcutta in July 1982 (Rs. 42.47 lakhs) which was the lowest. It may be mentioned that this particular firm had also participated in the tenders called for in November 1978 and quoted the rate of Rs.31.05 lakhs. The work was completed in March 1986 at a cost of Rs.42.47 lakhs.

Government stated (September 1986) that delay was mainly due to non-availability of land as the site selected initially had to be changed due to declaration (January 1978) of that area by the Government as Industrial area. The new site was selected in July 1982.

As a result of inordinate delay in finalising the tenders and finally accepting higher rate of the same firm, the department incurred an avoidable expenditure of Rs.11.42 lakhs.

EDUCATION DEPARTMENT

3.1.11 Infuctuous expenditure on hiring of a private building

The department hired (June 1982) a building from a private party at a monthly rent of Rs.3,900 without any specific purpose. No lease agreement was executed with the owner of the building. It was stated by the department (May 1984) that the rent was assessed by the Public Works Department but no such records were available in the department.

Although the building was not occupied/utilised, the department paid (May 1984) Rs. 31,200 as rent for 8 months from June 1982 to January 1983. While according concurrence in April 1984, the Finance Department also observed that the deal was highly irregular.

The responsibility for the infuctuous expenditure has not been fixed (March 1987).

3.1.12 Non-submission of accounts for purchase of sports materials

In October 1983 the department placed Rs.1.95 lakhs at the disposal of the Joint Directors of all the districts for buying sports materials for the Primary Schools (212), Junior High Schools (65), High Schools (34) and Higher Secondary Schools (7). These amounts were in turn placed (October - November 1983) at the disposal of District Education Officers for distribution in cash to the Schools under their jurisdiction and to submit the detailed accounts in support of the purchase of sports materials. No accounts were, however, submitted to the department nor was any information regarding purchase of sports materials available with the department.

The department stated (October 1986) that the matter is being pursued with all the Joint Directors to submit the relevant accounts. Further progress is awaited (March 1987).

3.1.13 Loss of Rs. 7.76 lakhs worth of white printing paper

Government of India allotted 110 tonnes of concessional white printing paper during the third quarter of 1984-85 to the Education Department of the State for printing of text books for students (55 tonnes), manufacturing exercise books (44 tonnes) and for examination purposes (11 tonnes). As per the directions of Education Department, the State Trading Corporation of Sikkim (STCS) procured (December 1984) printing paper from a Calcutta firm at a cost of Rs. 7.76 lakhs.

The State Level Committee in its meeting held on 2nd November 1984 decided that the entire quantity of 110 tonnes of white printing paper should be converted into exercise books for distribution to state level consumers through State Trading Corporation of Sikkim, as paper meant for text books and examination purpose were not required.

State Trading Corporation of Sikkim issued a work order in December 1984 on a private firm at Gangtok to lift the paper from the Calcutta firm and to get the exercise books manufactured as per specifications and to arrange the sale thereof throughout the State. The modalities of payment for the services to be rendered by the private firm at Gangtok as well as the cost of manufacture of exercise books and its distribution were, however, not spelt out in the agreement. This firm was only to furnish a statement of distribution of exercise books to the State Government by 15th May 1985. But no such statement of distribution of exercise books was submitted by the firm to the Education Department (March 1987).

Thus, the objectives of allotment of concessional paper were not fulfilled. Besides, the department suffered a loss of Rs.7.76 lakhs being the value of white printing paper meant for manufacture of exercise books.

The matter was reported to Government in September 1986; reply is awaited (March 1987).

3.1.14 Extra Expenditure

Department of Education invited quotations for the printing of 66,000 copies of language-text books (14 titles) in five languages during September 1982. Of the 14 firms that participated, printing of 42,000 copies of 9 language-text books was awarded to three firms, other than the lowest, including a firm which did not even participate in the tender which was irregular.

Thus, the award of printing to the firms other than the lowest has resulted in an extra expenditure of Rs.0.30 lakh.

The matter was reported to Government in October 1985. The department stated (October 1986) that printing had to be done at higher rates as the lowest quoted firms were unknown to the department.

FOREST DEPARTMENT

3.1.15 Excess expenditure on maintenance of Nurseries

According to the standing instructions of the department, two labourers should be engaged for maintenance of one acre of forest nursery. But it was seen in audit (November 1985) that during 1984-85 and 1985-86 the Range Officers under the Divisional Forest Officer (DFO) Eastern division entertained 778 labourers for maintenance of 258 acres of 3 Forest nurseries against the permissible strength of 516 labourers. No reasons for employing additional labourers were on record. This has resulted in excess expenditure of Rs.0.71 lakh.

The matter was reported to Government in April 1986; reply is awaited (March 1987).

ANIMAL HUSBANDRY DEPARTMENT**3.1.16 Short deposit of sale proceeds of farm products**

Scrutiny of the records of Live Stock Farm, Tadong for the period from November 1979 to March 1983 revealed (September 1985) that the sale proceeds amounting to Rs.1.28 lakhs in respect of Dairy and Piggery section have not been deposited into the Bank. The department investigated the matter (January 1984) but could not assess the actual short deposit for want of all stock and sale registers. Neither has the matter been referred to Government nor any action taken by the department to recover the amount from the concerned official/officials. Non-observance of codal provisions resulted in short deposit of Government money.

The department while accepting the facts stated (November 1986) that the amount could not be recovered as yet.

Section - II**Revenue Receipts****A - General****3.2.1 Trend of revenue receipts**

The total receipts of the Government of Sikkim for the year 1985-86 were Rs. 9,163.40 lakhs, against the anticipated receipts of Rs.9,080.79 lakhs. The total receipts during 1985-86 showed an increase of 18.62 per cent over those in the year 1984-85 (Rs. 7,725.12 lakhs). Out of the total receipts of Rs.9,163.40 lakhs, revenue raised by the State Government amounted to Rs.1,843.02 lakhs, of which Rs.761.51 lakhs represented 'tax revenue' and the balance Rs.1,081.51 lakhs, 'non-tax revenue'. Receipts from the Government of India (Rs.7,320.38 lakhs) accounted for 79.89 per cent of the total receipts during the year.

3.2.2 Cost of collection

Receipts from major sources of revenue, along with cost of collection during the years 1983-84 to 1985-86, are given below:—

| <i>Head of Account</i> | <i>Year</i> | <i>Gross collection</i> | <i>Expenditure on collection</i> | <i>Percentage of expenditure to gross collection</i> |
|--|-------------|-------------------------|----------------------------------|--|
| (1) | (2) | (3) | (4) | (5) |
| <i>(In lakhs of rupees)</i> | | | | |
| 1. Taxes on Income other than Corporation Tax* | 1983-84 | 100.18 | 1.95 | 1.95 |
| | 1984-85 | 103.63 | 2.26 | 2.18 |
| | 1985-86 | 190.99 | 2.72 | 1.42 |
| 2. Land Revenue** | 1983-84 | 4.30 | 16.09 | 374.19 |
| | 1984-85 | 3.84 | 22.76 | 592.71 |
| | 1985-86 | 5.04 | 30.62 | 607.54 |
| 3. State Excise | 1983-84 | 233.80 | 6.47 | 2.77 |
| | 1984-85 | 312.85 | 8.24 | 2.63 |
| | 1985-86 | 348.87 | 11.01 | 3.16 |
| 4. Sales Tax | 1983-84 | 92.13 | 3.50 | 3.80 |
| | 1984-85 | 131.85 | 5.85 | 4.44 |
| | 1985-86 | 143.46 | 5.49 | 3.83 |
| 5. Taxes on Vehicles | 1983-84 | 9.11 | 2.10 | 23.05 |
| | 1984-85 | 10.93 | 2.22 | 20.31 |
| | 1985-86 | 15.01 | 3.66 | 24.39 |
| 6. Entertainment Tax | 1983-84 | 12.80 | 0.37 | 2.89 |
| | 1984-85 | 20.62 | 0.45 | 2.18 |
| | 1985-86 | 23.86 | 0.64 | 2.68 |

*Indicates Sikkim State Income Tax.

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

FINANCE DEPARTMENT

3.2.3 Working of State Lottery

3.2.3.1 The Government of Sikkim introduced State Lotteries in April 1978 with the object of mobilising additional resources for developmental purposes. The lotteries are being run by the Finance Department of the Sikkim Government since inception, through different organising agents. During May 1978 to March 1986, five lottery schemes were introduced namely, (1) Sikkim State Weekly (May 1978), (2) Kanchenjunga Weekly (February 1983), (3) Sikkim Super Weekly (NA)*, (4) Sikkim Laxmi Bumper Weekly (August 1985) and (5) Kuber Weekly (August 1985) and altogether 584 draws were held up to March 1986, including 5 special draws of "Sikkim Super Lottery" to raise funds for sports activities, physically handicapped and nature conservation; and one draw was held to raise funds for "West Bengal Flood Relief".

Three firms 'A' (from 1st February 1978 to 31st January 1979), 'B' (from 3rd March 1980 to 2nd March 1981) and 'C' (from 7th April 1981 to 16th August 1988) were selected from time to time on different terms and conditions to run the above lotteries. The selection was made without inviting open tenders except in the case of firm 'A'; even in this case, documents relating to invitation of tenders, receipt of tenders, their finalisation etc., were not made available to audit.

3.2.3.2 Financial results and accounting procedure

The registers containing details relating to these five lotteries, produced to audit, were neither complete nor properly authenticated. These did not contain the draw-wise account of all the 584 draws held upto March 1986.

(i) The records relating to 584 draws, which were test checked in audit, indicated that during 1984-85 the organising agent (firm 'C') delayed the payment of 8 instalments of guaranteed profits by one day to seven days in respect of 8 draws. Although, the agreement with firm 'C' (from 1983 onwards) empowered the Government to levy interest at 12 per cent per annum for each day of delay in making the payment of guaranteed profit, no interest was levied for such default against the firm. This resulted in a loss of Rs.0.03 lakh in

*(NA) — Information not available; records seized by CBI.

the case of 8 draws test checked in audit. The agreements with firms 'A' and 'B' inter-alia provided that prize money in respect of prizes exceeding Rs.10,000 in each case would be desposited by the firms with the Government seven days before the date of each draw. There was default in payment of prize money to Government in respect of 16 draws held in 1978-81, resulting in accumulation of dues amounting to Rs.6.20 lakhs against these two firms. This liability was passed on to firm 'C' (February 1983) who paid the amount (March 1985) after a lapse of 4 years from the due date. In the absence of any provision in the agreement with these firms for charging interest on delayed remittance of the prize money, no interest could be recovered from the firms. Since prizes had to be paid by Government to the winner irrespective of receipt of the amount from the firms, a loss of Rs.2.04 lakhs, in the shape of interest, was incurred by the Government on this account.

(ii) In contravention of the prescribed accounting procedure, the Government has been maintaining current accounts with the banks for each of the lotteries. As a result, both the receipts and the expenditure in respect of these lotteries are being kept out of the Consolidated Fund of the State.

The Government stated (December 1985) that to gain confidence of the public and to ensure disbursement of prize money with promptitude, the existing practice was adopted. This is, however, not in conformity with the Sikkim Financial Rules.

3.2.3.3 Non-fixation of guaranteed profit on scientific basis

The number of weekly draws held, number of lottery tickets allowed to be printed and sold from time to time, face value of tickets, amount of guaranteed profit payable to Government, total prize money in respect of each draw, percentage of guaranteed profit and prize money to the face value of tickets for each draw are indicated in Appendix 3.2.1. The amount of guaranteed profit (payable to the Government) was not fixed on the basis of any study or projection of income and expenditure on the sale of lottery tickets for a draw or over a period of time. The guaranteed profit payable to Government was fixed on yearly basis in respect of each lottery scheme and it ranged from 0.85 to 2.80 per cent of the face value of tickets printed for each draw. The guaranteed profit did not have any relation to the face value of tickets printed. In respect of "Sikkim State Weekly", the guaranteed profit ranged between Rs.19,231 and Rs. 67,308 (on pro-rata basis)

as against the face value of tickets ranging between Rs.9,00,000 and Rs. 1,20,00,000 for each draw. The guaranteed profit ranged between Rs. 38,462 and Rs.57,692 for "Kanchanjunga Weekly" and Rs.48,077 and Rs.91,308 for "Sikkim Super Weekly" as against the face value of tickets ranging between Rs.24,00,000 and Rs.72,00,000 of each of these lotteries. In the case of "Sikkim Laxmi Bumper Weekly," the guaranteed profit was Rs.67,308 as against the face value of tickets of Rs.50,00,000.

Although the amount of guaranteed profit for each weekly draw had been marginally increased from time to time, the increase was not proportionate to the increase in the number of tickets allowed to be printed. As a matter of fact, in respect of the "Sikkim State Weekly" the guaranteed profit was paid to the Government at a uniform rate of Rs.19,231 per weekly draw, although the number of tickets printed by the agent for each weekly draw was increased by three lakhs from 100th draw, another 3 lakhs from 109th draw, further 3 lakhs from 125th draw and again 6 lakhs from 144th draw. Had the same trend of profit margin viz. 2.14 per cent of the face value of the ticket been maintained up to 240th draw, the Government would have earned additional revenue to the tune of Rs.18.45 lakhs.

In respect of "Sikkim Super Weekly", the number of tickets printed by the agent for each weekly draw was increased by 6 lakhs from 73rd draw. Had the average profit margin of 2.61 per cent (46th draw to 72nd draw) been maintained upto 97th draw, the Government would have earned additional revenue to the tune of Rs.1.13 lakhs in respect of this lottery.

The agreements and schemes of "Kuber Weekly" and "Sikkim Laxmi Bumper Weekly" were drawn-up and executed simultaneously in August 1985. Though the prize structure and value of tickets were different, the department realised the guaranteed profit at the uniform rate of Rs.67,308 per draw.

3.2.3.4 Printing of tickets

According to agreements executed (from 1982) printing of tickets was allowed to be arranged by the agents on the authorisation of the Government. The agents were required to maintain proper accounts of tickets printed, sold, unsold, cancelled or condemned. The accounts of agents were also liable to be audited by the department. But no such audit had been conducted by the department. The department stated (December 1985) that due to shortage of staff, the audit could not be arranged.

3.2.3.5 Unclaimed prize money

According to the agreements executed with the agents, the entire unclaimed prize money in respect of Sikkim State Weekly, Kanchenjunga Weekly and Sikkim Super Weekly and 50 per cent of the "Sikkim Laxmi Bumper Weekly" and "Kuber Weekly" was to be refunded by Government to the agents, after deducting income tax*, at a time convenient to the Government except in respect of "Sikkim Super Weekly" up to 45th draw which was to be refunded after 90 days of each draw. The total amount of unclaimed prizes refunded to firm 'C' up to March 1986 was Rs.68.79 lakhs.

Prize money was required to be deposited by firm 'C' with the Government within 30 days of each draw in respect of "Sikkim State Weekly" (agreement dated 7.4.81) and at least 7 days before the date of each draw in respect of other lotteries (also in respect of "Sikkim State Weekly", under agreement after 1981). The prize money received from the agent was invested by Government in short 'term deposit' in a bank for 46 days on which interest at the rate of 4 per cent was earned and thereafter the amount was kept in a current account with the Bank. If the unclaimed prize money of Rs.68.79 lakhs had been invested in long term deposit during the period (varying from 6 to 40 months) it was not refunded, additional interest of Rs.5.39 lakhs could have been earned.

3.2.3.6 Special draws

Out of the proceeds (Rs.25.00 lakhs) of five special draws, held from time to time during 1983-84 and 1984-85, the department sanctioned an amount of Rs.16.06 lakhs to 14 organisations direct from the current account of the State Bank of India as grants-in-aid for sports activities etc., without observing codal formalities, like obtaining detailed scheme duly approved by the Government. Besides, an amount of Rs.0.98 lakh was sanctioned, during October and November 1983, as advance to one of the officers of the sports wing, which was still (March 1987) outstanding against him.

No detailed account of total proceeds, total expenditure and balance available with the Government in respect of these special draws was produced to audit.

*Income-Tax wherever appearing may be treated as Sikkim State Income Tax unless specifically mentioned otherwise.

3.2.3.7 State Income Tax - Loss of income tax due to deductions of commission by the agents.

In accordance with the Government notification dated 5th February 1974, State income tax was to be deducted from prizes of Rs.10,000 and above. One of the conditions printed on the reverse of the lottery tickets provided that income tax should be deducted at source.

According to agreements, total amount of taxable prizes shall be deposited with the Government seven days before the date of draw by the organising agent so as to enable the former to disburse these prizes to the winners after deduction of income tax. The agents, however, deposited only 90 per cent of the prize money after deduction of their commission, etc. Thus, the amount of commission which formed part of taxable prize money escaped assessment of income tax at source. As a result, State income tax amounting to Rs.36.96 lakhs was short realised on the prizes paid by Government during 1978-86.

3.2.3.8 Summing up

- (i) The transactions relating to receipts and expenditure of State Lotteries were kept outside the Consolidated Fund of the State; current bank accounts were operated for the purpose in violation of the financial rules.
- (ii) Except on one occasion, no open tenders were invited to select the organising agents.
- (iii) Guaranteed profit payable by the agents to the Government was not determined on the basis of any study or projection of receipts and expenditure on sale of tickets for each lottery scheme. Non fixation of guaranteed profit on scientific basis resulted in a loss of revenue to the tune of Rs.35.42 lakhs.
- (iv) The prize money received from the agents for payment to the winners was invested in short term deposits, instead of long term deposits, which resulted in loss of interest to the tune of Rs.5.39 lakhs.
- (v) Irregular deduction of commission by the agents before remitting the prize money to Government, resulted in loss of State income tax to the tune of Rs.36.96 lakhs.

The above points were brought to the notice of Government in August 1986; their reply is awaited (February 1987).

INCOME TAX AND SALES TAX DEPARTMENT**3.2.4. Under-assessment of State Income tax due to adoption of incorrect turnover**

Para 4 of the Sikkim State Income Tax Manual lays down that income tax at the prescribed rate shall be charged on the gross sale proceeds of the previous year of persons engaged in business. Sub-rule (I) of Rule 12 of the Sikkim Sales Tax Rules, 1983 requires that every registered dealer shall furnish returns stating taxable turnover to the assessing authority.

On cross checking (November 1985) the records in Income Tax Branch with those of the Sales Tax Branch, it was noticed that in the case of a dealer, income tax for the assessment year 1984-85 was assessed on his turnover of Rs.45.73 lakhs as per returns submitted to Income Tax Branch. Tax assessed, after allowing irregular rebate of 40 per cent (not provided in Income Tax Manual) on assessed tax, amounted to Rs.0.78 lakh. But in the returns submitted by the same dealer to the Sales Tax Branch, the turnover for the above period was shown as Rs.62.72 lakhs. The income tax assessable on turnover disclosed in the returns submitted to Sales Tax Branch worked out to Rs.1.66 lakhs. Due to incorrect depiction of turnover in the returns submitted to the Income Tax Branch, there was a short levy of State income tax to the tune of Rs.0.88 lakh, in addition, rebate of 40 per cent of assessed tax allowed was irregular.

On this being pointed out in audit (November 1985 and August 1986), the department stated (September 1986) that the mistake had been rectified and necessary demand raised against the assessee. Report on recovery is awaited (November 1986).

The case was reported to Government in February and August 1986, Government endorsed the department's reply of September 1986.

SECTION—III

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

3.3.1 General

This chapter deals with the results of audit of :

- Government Companies;
- Statutory Corporations; and
- Departmentally managed Government Commercial/Quasi-Commercial Undertakings.

Paragraph 3.3.2 gives a general view of the Companies, paragraph 3.3.3 deals with aspects relating to the Statutory Corporations and paragraph 3.3.4 deals with departmentally managed Government commercial and quasi-commercial undertakings. Paragraph 3.3.5 deals with review on the working of Sikkim Mining Corporation and paragraph 3.6 contains 'Miscellaneous Topics of Interest' relating to State Trading Corporation of Sikkim and the Government Fruit Preservation Factory.

3.3.2 Government Companies - General view

3.3.2.1 There were 5 Government Companies in the State on 31st March 1986. The position remained the same as it was on 31st March 1985.

3.3.2.2 A statement as per Appendix 3.3.1 gives the particulars of up-to-date paid-up capital, outstanding loans, amount of guarantees outstanding, working results, etc. in respect of all Government Companies. The position is summarised below:—

(a) The aggregate paid-up capital as on 31st March 1986 stood at Rs. 449.18 lakhs as against the aggregate paid-up capital of Rs. 357.88 lakhs as on 31st March 1985 in 5 companies as per details given below:—

| Particulars | Number of companies | Amount Invested by | | | Total invest- ment |
|--|------------------------|--------------------------|----------------------------|--------|--------------------------|
| | | State Govern- ment | Central Govern- ment | Others | |
| (R u p e e s i n l a k h s) | | | | | |
| (i) Companies wholly owned by the State Government | 4 | 185.15 | — | 5.43 | 190.58 |

| | | | | | |
|--|----------|----------------|---|---------------|---------------|
| (ii) Company jointly owned by the Central Government/ others | 1 | 129.30 | — | 129.30 | 258.60 |
| (iii) Subsidiary company | — | — | — | — | — |
| Total | 5 | 314.45* | | 134.73 | 449.18 |

(b) The balance of long term loans outstanding in respect of three companies as on 31st March 1986 was Rs.305.06 lakhs (State Government Rs.39.43 lakhs and others Rs.265.63 lakhs) as against Rs.296.93 lakhs (State Government Rs.39.43 lakhs and others Rs.157.50 lakhs) as on 31st March 1985.

(c) The State Government did not extend any guarantee for repayment of loans and payment of interest thereon in respect of any loans raised by the companies.

3.3.2.3 A synoptic statement showing the financial results of all the 5 companies based on the latest available accounts is given in Appendix 3.3.2.

Out of 5 companies whose accounts up to 1985-86 were due, only 3 companies finalised their accounts for the year 1985-86 (Serial nos. 3,4 and 5 of Appendix 3.3.2). The accounts of two companies, viz., Sikkim Jewels Limited and Sikkim Live Stock Development Corporation Limited were in arrears for 1985-86 and 1978-79 to 1985-86 respectively.

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

3.3.2.4 In regard to working results of the Companies, the following further points are made:

(i) In respect of 3 companies which finalised the accounts for 1985-86, two companies earned profit aggregating Rs.44.61 lakhs and particulars in respect of them, giving the comparative figures for the previous year, are given at page 62.

*The figure as per Finance Accounts for 1985-86 is Rs.332.70 lakhs. The difference of Rs.12.82 lakhs is under reconciliation.

| Name of the Company | Paid-up Capital at the close of | | Profit for the year | | Percentage of profit to paid-up capital |
|--|---------------------------------|---------|---------------------|---------|---|
| | 1984-85 | 1985-86 | 1984-85 | 1985-86 | |
| | (Rupees in lakhs) | | | | |
| Sikkim Time Corporation Limited | 52.00 | 55.00 | 17.75 | 33.68 | 61.24 |
| Sikkim Industrial Development and Investment Corporation Limited | 191.30 | 258.60 | 9.03 | 10.93 | 3.49 |

One company incurred loss of Rs.2.63 lakhs during 1985-86. The particulars in respect of it, giving comparative figures for the previous year are given below:—

| Name of the Company | Paid-up Capital at the close of | | Loss (—) for the year | |
|----------------------------|---------------------------------|---------|-----------------------|---------|
| | 1984-85 | 1985-86 | 1984-85 | 1985-86 |
| | (Rupees in lakhs) | | | |
| Sikkim Flour Mills Limited | 75.00 | 91.00 | (—)3.34 | (—)2.64 |

(ii) During the year ending 31st March 1986, Sikkim Time Corporation Limited declared dividend of Rs. 5.50 lakhs, representing 10 per cent of paid up capital of all the five companies.

3.3.2.5 The audit of the accounts of the companies was entrusted to the Comptroller and Auditor General of India under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971 and some of the important omissions/irregularities noticed during such audit are summarised at page 63.

| <i>Nature of Defects</i> | <i>Number of companies</i> | <i>Reference to serial numbers in Appendix 3.3.2</i> |
|--|----------------------------|--|
| (i) Non-confirmation of debts and claims receivable | 2 | 3,4 |
| (ii) Non-provision of current liabilities | 2 | 3-4 |
| (iii) Non-adjustment of advance to suppliers against supplies received but not accounted for | 1 | 4 |
| (iv) Non-provision of liability of interest on sticky loans | 1 | 4 |
| (v) Inadequate provision of stickyloan amount | 1 | 4 |
| (vi) Non-disclosure of value of land in possession of the company | 1 | 4 |
| (vii) Erroneous write off of value of fixed Assets received as gift from UNICEF | 1 | 5 |
| (viii) Non-maintenance of Fixed assets register | 1 | 5 |
| (ix) Non-provision of doubtful debts | 1 | 5 |
| (x) Non-accountal of claims receivable | 1 | 5 |
| (xi) Non-reconciliation of purchase ledger figure with accounts figure | 1 | 5 |
| (xii) Non-inclusion of Central Sales Tax paid in the Value of purchase | 1 | 5 |
| (xiii) Over valuation of closing stock of raw materials | 1 | 5 |
| (xiv) Non-maintenance of costing system | 1 | — |
| (xv) Inclusion of capital subsidy under income | 1 | 3 |
| (xvi) Failure to deposit provident fund contributions of the the employees | 1 | 3 |

3.3.3 Statutory Corporations - General aspects

3.3.3.1 As on 31st March 1986, there were 3 statutory corporations in the State viz.,

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

3.3.3.2 Sikkim Mining Corporation was established in February 1960, the State Bank of Sikkim was established in June 1968 and the State Trading Corporation of Sikkim was established in March 1972 under various proclamations of erstwhile Chogyal of Sikkim. The audit of these corporations was entrusted to the Comptroller & Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of service) Act, 1971. The accounts of Sikkim Mining Corporation have been prepared up to the year 1985-86 while those of the other two Corporations were prepared up to December 1984 (State Bank of Sikkim) and 1982-83 (State Trading Corporation of Sikkim). The audit of the accounts of these statutory corporations and preparation of separate Audit Reports thereon are in process.

3.3.3.3 A synoptic statement showing the summarised financial results of the working of the 3 Corporations, based on the latest available accounts, is given in Appendix 3.3.3.

3.3.3.4 Sikkim Mining Corporation

The working of the Sikkim Mining Corporation has been discussed in paragraph 3.3.5.

3.3.3.5 STATE BANK OF SIKKIM

3.3.3.5.1 As on 31st December 1984, the capital of the corporation was Rs. 20.38 lakhs contributed by State Government (Rs.13.00 lakhs) and others including one scheduled bank (Rs.7.38 lakhs). In addition the corporation had borrowed funds from other banks from time to time, the amount outstanding as on 31st December 1984 was Rs.991.14 lakhs. The financial position of the corporation at the close of 3 years up to December 1984 are summarised in Appendix 3.3.4.

3.3.3.5.2 The working results of the corporation for three years up to 1985-86 are summarised below:—

| Particulars | Year ending in December | | |
|--------------------------|-------------------------|----------|----------|
| | 1982 | 1983 | 1984 |
| | (Rupees in lakhs) | | |
| 1. Total revenue | 278.65 | 278.62 | 305.26 |
| 2. Total expenditure | | | |
| (a) Other than interest | 26.68 | 33.92 | 41.66 |
| (b) Interest | 221.49 | 207.44 | 213.78 |
| (c) Total | 248.17 | 241.36 | 255.44 |
| 3. Net profit | 30.48 | 37.26 | 49.82 |
| 4. (a) Capital employed* | 2,769.95 | 2,828.82 | 2,861.40 |
| (b) Capital Invested ** | 1,230.68 | 1,238.75 | 1,448.52 |
| 5. Total return on : | | | |
| (a) Capital employed | 251.97 | 244.70 | 263.60 |
| (b) Capital invested @ | 251.97 | 244.70 | 263.60 |

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

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

@In the absence of break up of interest paid on long term loans, total interest charged to Profit and Loss account has been taken.

3.3.3.6 State Trading Corporation of Sikkim

3.3.3.6.1 The paid up capital of the Corporation as on 31st March 1986 was Rs.19.00 lakhs (Rs.19.00 lakhs for the previous year also) entirely contributed by the State Government. In addition, the Government extended a loan of Rs 4.00 lakhs in July 1974 which was outstanding as on 31st March 1986. The Corporation did not prepare its annual accounts since 1983-84.

3.3.3.6.2 The financial position of the Corporation as at the end of 3 years up to 1982-83 and its working results for 3 years up to 1982-83 are summarised in Appendix 3.3.5 and 3.3.6.

The main business of the Corporation is to procure different commodities for the Government Departments including supply of liquified petroleum gas to Gangtok Municipal area as an agent of Indian Oil Corporation Limited. The Corporation floats tenders, makes enquiries from different suppliers as per indents of the Government Departments and for this purpose charges three *per cent* commission on the value of goods to be procured. This was the main source of income of the Corporation.

3.3.4 Departmentally-managed Government Commercial/ quasi-Commercial undertakings

3.3.4.1 As on 31st March 1986, there were four departmentally-managed commercial undertakings viz., (i) Sikkim Nationalised Transport under department of Transport, (ii) Government Fruit Preservation Factory, Singtam (iii) Sikkim Tea Board, both under the Industries Department and (iv) Wood Working Centre, Bordong under Forest Department.

3.3.4.2 Proforma accounts of Sikkim Nationalised Transport were in arrears since 1983-84.

3.3.4.3 A synoptic statement showing the working results of the undertakings, based on the latest accounts made available, is given in Appendix 3.3.7.

3.3.5 SIKKIM MINING CORPORATION

3.3.5.1 Introductory

(a) The Sikkim Mining Corporation was established on 27th February 1960 as a joint venture of the Government of Sikkim and

the Government of India by a proclamation of the ex-Chogyal of Sikkim with the main objectives of promoting mining activities, extraction of minerals from ores, concentration of minerals present in ores by scientific processes, sale of ore, development of mines and exploration of mineral deposits of the State.

- (b) The Corporation is mainly engaged in
- (i) extraction of ores from Bhotang Copper-Zinc-Lead mines at Rangpo ;
 - (ii) concentrating the minerals present in polymetallic ores containing copper, zinc and lead by "Floatation Process";
 - (iii) selling the copper concentrates to Hindustan Copper Limited, Ghatshila, Bihar (a Government of India undertaking) and zinc concentrates to Hindustan Zinc Limited, Visakhapatnam (a Government of India undertaking) ; and
 - (iv) exploration of minerals like copper, zinc, lead etc., at Dikchu in North Sikkim.

(c) The Management of the Corporation is vested in a Board of Directors headed by a part time Chairman. Three Directors including the Managing Director and one additional Director are nominated by the Government of India and remaining three Directors including Chairman are nominated by Government of Sikkim.

The Managing Director is the Chief Executive of the Corporation and is assisted by the Administrative Officer. The Managing Director has been delegated administrative and financial powers for carrying on day to day affairs.

(d) **Capital structure**

The authorised capital of the Corporation is Rs.100 lakhs divided into one lakh shares of Rs.100 each. The paid up share Capital as on 31st March 1986 was Rs.57.35 lakhs subscribed by the State Government (Rs.29.25 lakhs) and Central Government (Rs.28.10 lakhs).

(e) **Borrowings**

The Corporation received long-term loans from both State and Central Governments from time to time and the amount of loans outstanding as on 31st March 1986 was Rs.65.60 lakhs and Rs.13.30 lakhs respectively. The particulars of loans received, balance outstanding, interest overdue etc., as on 31st March 1986 were as under:—

| <i>Date of receipt of loans</i> | <i>Amount received</i> | <i>Rate of Interest</i> | <i>Interest accrued up to 31st March 1986 but not paid</i> | <i>Principal due but not paid up to 31st March 1986</i> |
|---------------------------------|------------------------|-------------------------|--|---|
| (1) | (2) | (3) | (4) | (5) |
| | (Rupees in lakhs) | (Per cent) | (Rupees in lakhs) | |
| (i) STATE GOVERNMENT | | | | |
| 1976-77* | 8.00@ | 5.5 | | |
| 24th October 1980 | 11.00 | " | 1.47 | 1.32 |
| 31st March 1981 | 1.10 | " | 0.13 | 0.13 |
| 10th August 1981 | 6.00 | " | 0.54 | 0.48 |
| 29th December 1982 | 5.25 | " | 0.07 | 0.21 |
| 27th May 1983 | 5.25 | " | — | — |
| 31st December 1984 | 10.00 | " | — | — |
| 14th August 1984 | 10.00 | " | — | — |
| 2nd February 1985 | 9.00 | " | — | — |
| 25th March 1986 | 12.00 | " | — | — |
| | <u>77.60</u> | | <u>2.21</u> | <u>2.14</u> |
| (ii) CENTRAL GOVERNMENT | | | | |
| 9th March 1967 | 1.00 | 6.5 | 0.65 | 1.00 |
| 11th September 1967 | 5.00 | " | 2.92 | 5.00 |
| 22nd September 1968 | 2.00 | 6 | 1.08 | 2.00 |
| 20th December 1972 | 3.90 | 6.5 | — | 3.90 |
| 29th March 1972 | 1.40 | " | — | 1.40 |
| | <u>13.30</u> | | <u>4.65</u> | <u>13.30</u> |

Moratorium was granted (February 1985) by the Central Government for repayment of all loans and payment of interest due thereon up to 31st March 1988. The State Government was also approached (July 1985) to grant moratorium for repayment of loans and interest accrued thereon; the approval is still awaited (August 1986).

*Exact date not available

@Rs. 8.00 lakhs received from State Government during 1976-77 as advance for working capital was transferred to loan during 1983-84 under an agreement executed with the Government on 31st December 1983.

(f) Financial results

The table below summarises the financial position of the Corporation under broad headings at the end of each of the five years up to 31st March 1986 :—

| <i>Particulars</i> | 1981-82 | 1982-83 | 1983-84 | 1984-85 | 1985-86 |
|--|----------------------------|---------------|---------------|---------------|---------------|
| | <i>(Rupees in lakhs)</i> | | | | |
| 1. Liabilities | | | | | |
| (a) Paid up capital | 57.35 | 57.35 | 57.35 | 57.35 | 57.35 |
| (b) Borrowings | 42.01 | 39.77 | 63.54 | 84.19 | 98.10 |
| (c) Trade dues and other current liabilities | | | | | |
| (i) Sundry Creditors | 4.69 | 8.78 | 10.00 | 10.87 | 7.05 |
| (ii) Security/Earnest money deposit | 0.05 | — | — | — | — |
| (iii) Other liabilities | 0.06 | 0.59 | 0.08 | 0.10 | 0.12 |
| (iv) Advance received from Government of Sikkim for Dikchu prospects | 7.89 | 8.38 | 8.38 | 8.38 | 8.38 |
| (v) Loans to meet working capital requirements | — | 8.00 | — | — | — |
| (vi) Un-utilised portion of money received for maintenance of Dikchu Project | — | — | 0.09 | 0.26 | 1.18 |
| (vii) Advance from customers | 2.79 | 1.49 | — | — | — |
| (viii) Interest accrued but not due on loan from Government of Sikkim | — | — | 0.26 | — | — |
| | 114.84 | 124.36 | 139.70 | 161.15 | 171.85 |

| 2. Assets | 1981-82 | 1982-83 |
|---|---------------|---------------|
| (a) Gross block | 56.15 | 58.61 |
| (b) Depreciation | 34.00 | 35.95 |
| (c) Net fixed Assets | 22.15 | 22.66 |
| (d) Capital work in progress | — | 0.81 |
| Current Assets Loans and Advances | | |
| (i) Inventories | 11.70 | 9.60 |
| (ii) Sundry Debtors | 1.97 | 0.37 |
| (iii) Cash & Bank balances | 11.80 | 0.76 |
| (iv) Loans & Advances | 0.31 | 5.28 |
| (e) Miscellaneous expenditure (Mine Development) | 14.14 | 16.45 |
| (f) Accumulated Losses | <u>52.77</u> | <u>68.43</u> |
| | <u>114.84</u> | <u>124.36</u> |
| 3. Capital Employed* | 32.45 | 11.44 |
| 4. Net Worth** | (—)9.56 | (—)27.52 |

*Capital employed represents net fixed assets plus working capital.

AUDIT REPORT 1985-86

71

| 1983-84 | 1984-85 | 1985-86 |
|---------------|---------------|---------------|
| 61.43 | 75.17 | 78.23 |
| 37.78 | 39.69 | 41.92 |
| 23.65 | 35.48 | 36.31 |
| — | — | — |
| 11.13 | 13.34 | 18.06 |
| 1.49 | 8.46 | 14.76 |
| 4.99 | 7.75 | 6.40 |
| 5.33 | 1.38 | 3.45 |
| 21.01 | 24.52 | 27.67 |
| 72.10 | 70.22 | 65.20 |
| <u>139.70</u> | <u>161.15</u> | <u>171.85</u> |
| 27.78 | 46.80 | 62.25 |
| (—)35.76 | (—)37.39 | (—)35.52 |

**Net worth represents paid up capital plus reserves and surplus minus intangible assets.

(g) Working results

The working results of the Corporation for the five years up to

| | 1981-82 | 1982-83 |
|--------------------------|---------------------|----------------|
| | (Rupees in lakhs) | |
| 1. Income | | |
| (a) Sale of concentrates | 27.78 | 17.51 |
| (b) Sale of scrap | — | — |
| (c) Other Income | <u>1.27</u> | <u>(—)1.20</u> |
| | 29.05 | 16.31 |
| 2. Expenditure | <u>32.50</u> | <u>31.97</u> |
| Net profit (+)/ loss (—) | (—)3.45 | (—)15.66 |

The accumulated loss at the end of 1985-86 amounted to Rs.65.20 lakhs and represented 113.68 per cent of the paid up Capital of Rs.57.35 lakhs as on that date.

The profits earned during 1984-85 and 1985-86 were due to consideration of value of closing stock of lead concentrates produced during 1984-85 (112.8 tonnes) and 1985-86 (95.8 tonnes) but not disposed of (value: Rs.4.34 lakhs). In addition, profit earned during 1985-86 was due to revision of price of copper concentrates in October 1985 with retrospective effect i.e. from 1st April 1984 (Rs.11.29 lakhs) which was accounted for in current year's account. The net profit of Rs.5.02 lakhs for the year 1985-86 was worked out by the company by erroneous inclusion of income of Rs. 6.92 lakhs of previous years in the current year's "other income". In effect the company had made a loss of Rs.1.90 lakhs during 1985-86.

3.3.5.2(a) Capacity utilisation

On the basis of the exploratory work carried out by the Indian Bureau of Mines, the total proved and probable reserves in sulphide deposit at Bhotang Mines, Rangpo was 0.66 million tonnes. In order to extract ore from the mines and produce the copper, zinc and lead concentrates, the Corporation installed in 1966 a concentrator with an installed capacity of 1,440 tonnes of copper, 300 tonnes of zinc and 300 tonnes of lead per annum. The installed capacity was revised (April 1983) to 600 tonnes of copper, 830 tonnes of zinc and 185 tonnes of lead per annum with the consent of Department of Mines, Government of Sikkim, keeping in view the constraints faced by the Corporation in availability of power and in underground Mining operations. The following table indicates the targets fixed and production for the four years ending 1985-86:—

| Concentrate | 1982-83 | | 1983-84 | | 1984-85 | | 1985-86 | |
|-------------|---------|--------|---------|---------------|---------|--------|---------|--------|
| | Target | Actual | Target | Actual | Target | Actual | Target | Actual |
| | | (| In | t o n n e s) | | | | |
| Copper | 250 | 253 | 263 | 327 | 385 | 372 | 380 | 365 |
| Zinc | 55 | 60 | 94 | 94 | 103 | 113 | 110 | 96 |
| Lead | 347 | 381 | 451 | 436 | 479 | 505 | 450 | 418 |

The Corporation did not fix targets for concentrates on the basis of installed capacity but on an ad-hoc basis for reasons not on record. The targets ranged from 17.4 per cent to 26.8 per cent (copper), 18.3 per cent to 36.7 per cent (zinc) and 1,115.7 per cent to 159.7 per cent (lead) of the installed capacity fixed in 1966 and the capacity utilisation was low even with reference to the revised installed capacity fixed in April 1983.

On the basis of the revised installed capacity for concentrates, targets to process 100 tonnes of the ore in three shifts was fixed. At 300 working days in a year the target worked out to 30,000 tonnes. The table below indicates the position of ore processed during the four years ending 1985-86 :—

| Year | Targets for processing | Ore extracted and processed | Percentage of ore actually processed to targets |
|---------------|------------------------|-----------------------------|---|
| (In tonnes) | | | |
| 1982-83 | 30,000 | 15,905 | 53.0 |
| 1983-84 | 30,000 | 16,032 | 53.4 |
| 1984-85 | 30,000 | 17,491 | 58.3 |
| 1985-86 | 30,000 | 16,579 | 55.3 |

The Corporation stated (March 1986) that the shortage of power and mechanical break-downs were the main reasons for non-utilisation of the optimum capacity for extraction and processing of ore.

It was, however, observed that the proposal (January 1977) of the Corporation to instal a Generator to achieve continuous and stable production was turned down (December 1977) by the Government. It was noticed in audit that during 1984-85 the total power generated in the State was 29.35 MKWH out of which 2.76 MKWH of power was sold outside the State.

(b) Idle hours

The concentrator plant is operated in three shifts of 8 hours each. The table below indicates total working hours available, hours operated, hours lost and percentage of hours lost to total available hours during the four years up to 1985-86 :—

| Particulars | 1982-83 | 1983-84 | 1984-85 | 1985-86 |
|---|---------|---------|---------|---------|
| Hours available | 7296 | 7361 | 7216 | 7288 |
| Hours operated | 2398 | 3227 | 3493 | 2843 |
| Hours lost | 4898 | 4134 | 3723 | 4445 |
| Percentage of hours lost to hours available | 67 | 56 | 52 | 61 |

The details of hours lost due to different reasons during the four years up to 1985-86 were as under :—

| | 1982-83 | 1983-84 | 1984-85 | 1985-86 |
|-----------------|-------------|-------------|-------------|-------------|
| Power shutdown | 123 | 354 | 691 | 625 |
| Low voltage | 1943 | 1432 | 1757 | 1821 |
| | <u>2066</u> | <u>1786</u> | <u>2448</u> | <u>2446</u> |
| Mechanical | | | | |
| Break-down | 233 | 462 | 90 | 161 |
| Shortage of ore | 2361 | 1474 | 1128 | 1815 |
| Other reasons | 188 | 412 | 57 | 23 |
| | <u>4848</u> | <u>4134</u> | <u>3723</u> | <u>4445</u> |

The bulk of the idle hours was either due to non-availability of adequate power and shortage of ore. No steps were taken to provide alternative source of power to ensure continuous extraction and concentration operations as mentioned in sub-para (a) above.

(c) **Idle wages**

The table at page 77 indicates the causewise analysis of idle wages of Rs.5.76 lakhs paid by the Corporation during the last four years ending on 31st March 1986.

| | 1982-83 | | 1983-84 | | 1984-85 | | 1985-86 | |
|--------------------------|---------|------------|---------|------------|---------|------------|---------|------------|
| Hours lost due to | Hours | Idle wages | Hours | Idle wages | Hours | Idle wages | Hours | Idle wages |
| (a) Low voltage | 1943 | 0.36 | 1432 | 0.33 | 1757 | 0.50 | 1821 | 1.14 |
| (b) Power failure | 123 | 0.03 | 354 | 0.09 | 691 | 0.21 | 625 | 0.41 |
| (c) Mechanical breakdown | 233 | 0.06 | 462 | 0.10 | 90 | 0.02 | 161 | 0.09 |
| (d) Ore shortage | 2361 | 0.45 | 1474 | 0.34 | 1128 | 0.33 | 1815 | 1.14 |
| (e) Other reasons | 188 | 0.04 | 412 | 0.10 | 57 | 0.02 | 23 | — |
| Total | 4848 | 0.94 | 4134 | 0.96 | 3723 | 1.08 | 4445 | 2.78 |

The idle wages contributed 67,56,52 and 61 per cent of the total wage bill of the respective years. No attempt had been made to employ the labour gainfully on other jobs during idle periods.

3.3.5.3 Sale of copper concentrates

The copper concentrates produced by the Corporation are sold to Hindusthan Copper Limited (HCL). As per terms of the agreement the sale value of concentrates is determined by the purchaser on the basis of copper content (not being less than 18 per cent) in the concentrates by taking random samples from consignments by laboratory analysis and in case of any difference in the content of copper from Corporation's analysis by more than 0.3 per cent, the supplier could demand analysis by National Metallurgical Laboratory, Jamshedpur (NML) whose decision would be final and binding on both the parties.

It was noticed in audit (December 1985) that out of 77 consignments sent during the period from 1980-81 to 1984-85, in all consignments there was a considerable difference in the percentage and

weight of concentrates (over and above 0.3 per cent) between the analysis made by the company and the buyer, which resulted in short realisation of Rs.5.59 lakhs.

The management stated (March 1985) that the Corporation being at the mercy of the purchaser of the product, the legalities could not be enforced rigidly, lest this would result in retaliatory reaction which would be detrimental to the interests of the Corporation. The management, however, had not sought at any time reference to the NML as per the provisions of the agreement.

3.3.5.4 Dikchu Prospects

The Corporation submitted to the Government (June 1974) an estimate of Rs.16.00 lakhs for preparing a detailed project report, exploration and development of Dikchu mines. The State Government provided to the Corporation, a sum of Rs.17.73 lakhs up to 1976-77, of which Rs.0.96 lakh was spent towards fixed assets and Rs. 8.39 lakhs towards prospecting, exploration and development of the mines up to 1984-85. The balance amount of Rs. 8.38 lakhs was, however, diverted to meet the maintenance expenses of Bhotang mines, without the approval of the State Government.

The Corporation, however, suspended the exploratory work in March 1977 and at the instance of the Central Government, handed over the project to Mineral Exploration Corporation Limited (MECL) in April 1977. After MECL completed the assignment in July 1983 the maintenance of the Project was entrusted to the Corporation. Details of the work done by MECL and their report were not available with the Corporation. The Corporation acquired stores worth Rs.2.05 lakhs from MECL, against which a sum of Rs.1.25 lakhs has so far been paid (August 1986). The Corporation received from the State Government Rs.5.10 lakhs in 1984-85 for maintenance of the project, of which Rs.4.60 lakhs was spent up to 31st March 1985.

In June 1985, experts from Indian Bureau of Mines (IBM) inspected the mine and advised the department (Mines and Geology) to discontinue the maintenance work. The Corporation continued the maintenance work till July 1986 (whereafter it was discontinued) incurring an avoidable expenditure of Rs.2.50 lakhs.

3.3.5.5 Other points of interest**(i) Purchase of Air Hoist-locking up of funds of Rs.12.56 lakhs**

The Corporation placed (September 1982) an order, on single quotation basis, on a firm of Karnataka for supply of an old overhauled compressed air hoist required for lowering and hoisting of men and material to and from the deeper levels of Bhotang mines, at the negotiated price of Rs.11.96 lakhs plus freight and taxes. The winder, received in May 1984, was awaiting installation and commissioning (August 1986) due to non-completion of civil works to be executed by the Corporation. It was noticed in audit that out of 5 civil works to be executed departmentally, only one work had been completed so far and the remaining four works were still incomplete. The performance guarantee given by the firm expired in September 1985.

The abnormal delay in completing civil works was attributed (March 1986) by the Corporation to frequent diversion of construction works in slip prone areas resulting in damages during construction and short supply of construction power.

Improper planning in synchronising the completion of civil works with the receipt of equipment resulted in locking up of funds of Rs.12.56 lakhs (including freight and taxes) for over 3 years.

(ii) Non-recovery of cost of gunny bags

The concentrates are supplied to the buyers in polythene lined tarcoated gunny bags. The Board took the view (January 1977) that the price of the concentrates was applicable to the net weight of the product and hence the gunny bags should be returned by the buyers. In the absence of any provision to that effect in the terms of sale, the Corporation could neither insist upon the buyers to return the bags nor recover the cost of the bags not so returned. This had resulted in loss of Rs.3.11 lakhs towards the cost of 1,25,458 bags sent to the buyers during the period from 1977-78 to 1984-85.

On the matter being taken up in audit in January 1986, the Corporation preferred a claim of Rs.1.44 lakhs in April 1986 at the rate of Re.1 per bag. One of the buyers (April 1986) repudiated the claim for Rs.0.72 lakh and informed that the price of metal content was inclusive of cost of packing. The company had not taken any further action. Replies from the other buyers were awaited (August 1986).

3.3.5.6 Summing up

(i) The Corporation was established as joint venture of the Government of India and the Government of Sikkim in February 1960 to exploit the mineral resources and promoting mining activities in the State.

(ii) The cumulative loss up to 31st March 1986 was Rs.65.20 lakhs representing 113.68 per cent of the capital as on that date.

(iii) Extraction of ores and production of concentrates were appreciably below installed capacity/targets during the five years up to 1985-86.

(iv) Idle hours were excessive and ranged up to 61 per cent in 1985-86, resulting in idle wages of Rs.5.76 lakhs during the four years ending 1985-86. Though inadequate power was a main factor contributing to idle time, alternative arrangements were not approved by the State Government.

(v) The copper concentrates produced were sold to a sole buyer who determined sale value of concentrates on the basis of copper contents in the concentrates. In case of difference in percentage of contents by more than 0.3 the company could seek analysis by NML whose analysis would be final and binding on both the parties. The Corporation sustained loss of Rs. 5.59 lakhs by accepting buyers analysis during last five years up to 1984-85 and did not take recourse to the option.

(vi) The maintenance work of Dikchu prospect was stopped in July 1986 instead of in June 1985 as advised by IBM and incurred an avoidable expenditure of Rs.2.50 lakhs.

(vii) The Corporation purchased one Air Hoist costing Rs.12.56 lakhs (May 1984) which had not been commissioned so far (August 1986) due to non-completion of civil works to be executed by the Management.

(viii) The Corporation could not recover gunny bags worth Rs.3.11 lakhs from buyers due to absence of any provision in the terms of sale.

3.3.6 Miscellaneous Topics of Interest**3.3.6.1 State Trading Corporation of Sikkim****Loss of Rs.3.28 Lakhs due to supply of concessional paper to a private party**

The Ministry of Education, New Delhi, allocated 52 tonnes of white printing paper to the Education Department, Government of Sikkim, for the quarter April-June 1984 for the purpose of printing text books. The Corporation, on behalf of the Education Department, purchased 52 tonnes of paper at a total cost of Rs.4.26 lakhs from the authorised firms in Calcutta and Delhi. The entire quantity of paper was kept (January 1985) in the carrier's godown at Calcutta as per directives of the department. In February 1985, the Calcutta office of the Corporation issued 40 tonnes of paper to a private party in compliance with the directions received from the head office of the Corporation. Subsequently, investigation conducted by the department, revealed that the paper was issued to the private party based on documents forged by an officer of the Corporation. The Corporation had not so far (May 1986) lodged any complaint with the police, but the department directed the private party (February 1985) to return the paper, for which there was no response from the private party.

The Corporation is yet to realise the cost of the paper amounting to Rs.3.28 lakhs (July 1986).

The matter was reported to Corporation/Government in July 1986; their replies are awaited (June 1987).

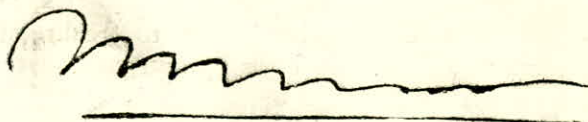
3.3.6.2 Government Fruit Preservation Factory**INDUSTRIES DEPARTMENT****Supply of substandard orange juice concentrate—
loss of Rs.1.75 lakhs**

Against an order received in January 1980 from a customer in Bombay for supply of 40 tonnes of orange juice concentrate in instalments of 10 tonnes each in March, May, July and September 1980 at a total cost of Rs.7.00 lakhs including transportation charges, the first consignment of 10 tonnes of juice was despatched by the factory in time and was accepted by the customer. The second consignment, despatched in June 1980, was found to be of sub-standard quality and

hence was rejected in September 1980. Meanwhile, the third consignment reached Bombay (August 1980) but the customer refused to take delivery of the same on the ground that the concentrate did not conform to their specifications and the juice became brown, viscous in quality with metallic and bitter taste. After discussions the customer, however, accepted (November 1980) the 2nd consignment as it could be used by adding suitable colour and other ingredients to suit to their formulation. However, the 3rd consignment of 10 tonnes valued Rs.1.75 lakhs was not accepted and was retransported to the factory in March 1981. No investigation into the reasons for production and supply of substandard juice was conducted.

The Management stated in January 1986 that the juice was spoilt in transit and since it had no home market, there was no other alternative but to destroy the same. The contention of the Management is not tenable since the orange juice was rejected as it did not conform to the specification of the customer and other consignments had not been spoilt in transit. Reasons for retransport to the factory for destruction were not also on record.

The matter was referred to the Government in August 1986; reply is awaited (June 1987)



Gangtok 10 DEC 1987
The

(N. SUKUMARAN)
Accountant General (Audit), Sikkim

Countersigned

T. N. Chaturvedi
(T. N. CHATURVEDI)
Comptroller and Auditor General of India

NEW DELHI
The

- 4 JAN 1988

APPENDICES

APPEN

Overall excess over final Grants/Appropriations

(Reference : Paragraph 2.05;

| Number and name of grant/appropriation | <u>Voted / Charged</u> | | |
|--|------------------------|-------------|----------------|
| | <u>Voted Grant</u> | | <u>Charged</u> |
| | Revenue | Capital | Revenue |
| | | | (In |
| 10. Other taxes and duties on commodities and Services-Interest Payment | — | — | 3,47,12,000 |
| 11. Secretariat - General Services | 1,13,49,000 | — | — |
| 16. Stationery and Printing | 22,69,000 | — | — |
| 20. Pension and other Retirement Benefits | 53,00,000 | — | — |
| 24. Education | 11,21,92,000 | — | — |
| 27. Medical and Public Health | — | 1,94,00,000 | — |
| 31. Social Security and Welfare | 1,56,07,000 | — | — |
| 36. Agriculture and Allied Services | — | 42,80,000 | — |
| 40. Animal Husbandry | — | 14,00,000 | — |
| 42. Fisheries | 16,70,000 | — | — |
| 43. Forest | 2,99,27,000 | — | — |
| 48. Power | 5,67,40,000 | — | — |
| 49. Roads and Bridges | 6,74,80,000 | — | — |
| 50. Roads and Water Transport Services | 5,28,31,000 | — | — |
| Total | 35,53,65,000 | 2,50,80,000 | 3,47,12,000 |

D I X 2.1

requiring regularisation

Page No. 14)

| <u>Grant</u> | Total Grant | Actual Expenditure | Excess |
|----------------------|--------------|--------------------|-------------|
| <u>Appropriation</u> | | | |
| <i>Capital</i> | | | |
| <i>R u p e e s)</i> | | | |
| — | 3,47,12,000 | 5,05,72,283 | 1,58,60,283 |
| — | 1,13,49,000 | 1,14,18,126 | 69,126 |
| — | 22,69,000 | 23,85,537 | 1,16,537 |
| — | 53,00,000 | 59,83,107 | 6,83,107 |
| — | 11,21,92,000 | 11,24,92,239 | 3,00,239 |
| — | 1,94,00,000 | 2,01,42,734 | 7,42,734 |
| — | 1,56,07,000 | 1,66,73,004 | 10,66,004 |
| — | 42,80,000 | 43,33,440 | 53,440 |
| — | 14,00,000 | 16,33,277 | 2,33,277 |
| — | 16,70,000 | 16,83,866 | 13,866 |
| — | 2,99,27,000 | 3,07,42,335 | 8,15,335 |
| — | 5,67,40,000 | 5,99,22,530 | 31,82,530 |
| — | 6,74,80,000 | 7,43,16,936 | 68,36,936 |
| — | 5,28,31,000 | 5,42,54,314 | 14,23,314 |
| — | 41,51,57,000 | 44,65,53,728 | 3,13,96,728 |

APPENDIX 3.1.1

**Details of allotment, lifting, distribution and lapsed quantity
of rice, rapeseed oil, wheat, kerosene and soft coke**

(Reference : Paragraph 3.3 ; Page No. 42)

| Year | Rice | Refined rapeseed Oil | Wheat | Kerosene Oil and other petroleum products | Soft Coke |
|----------------------|----------|----------------------------|---------|---|-----------|
| (In Metric Tonnes) | | | | | |
| 1980-81 | | | | | |
| A | 32000 | — | — | 6151 | 3500 |
| L | 29535.53 | — | — | 2941.20 | 1455 |
| D | 28960.97 | — | — | — | — |
| La | 2464.47 | — | — | 3209.8 | 2045 |
| 1981-82 | | | | | |
| A | 31000 | 715 | 3000 | 6045 | 3400 |
| L | 31381.40 | 665 | 975.5 | 3073.6 | 1027 |
| D | 31886.10 | — | — | — | — |
| La | — | 50 | 2024.5 | 2971.4 | 2373 |
| 1982-83 | | | | | |
| A | 41500 | 865 | 3000 | 7033 | 1000 |
| L | 34594.90 | 865 | 1190.50 | 3438.40 | 966 |
| D | 34345.60 | — | — | — | — |
| La | 6905.10 | — | 1809.5 | 3594.6 | 34 |
| 1983-84 | | | | | |
| A | 42000 | 1390 | 3000 | 5835 | 3200 |
| L | 36831.30 | 1337.90 | 1037.10 | 4570 | 1498 |
| D | 37084.90 | — | — | — | — |
| La | 5168.70 | 52.10 | 1962.90 | 1265 | 1702 |

| Year | Rice | Refined rapeseed Oil | Wheat | Kerosene Oil and other petroleum products | Soft Coke |
|------|------|----------------------|-------|---|-----------|
|------|------|----------------------|-------|---|-----------|

1984-85

| | | | | | |
|----|----------|------|---------|------|------|
| A | 42000 | 2500 | 3000 | 4736 | 1500 |
| L | 39841.70 | 2350 | 815.80 | 3746 | 968 |
| D | 39480 | — | — | — | — |
| La | 2158.30 | 150 | 2184.20 | 990 | 532 |

1985-86

| | | | | | |
|----|----------|--------|---------|---|---|
| A | 45000 | 1340 | 3000 | — | — |
| L | 40636.09 | 850.40 | 1244.80 | — | — |
| D | 40501.59 | — | — | — | — |
| La | 4363.91 | 489.60 | 1755.20 | — | — |

NOTE : A — Allotted
 L — Lifted
 D — Distributed
 La — Lapsed

APPEN

(Reference: Paragraph

DETAILS OF AMOUNTS STANDS RECOVERABLE

| <i>Date of Issue</i> | <i>Name of firm to which issued</i> | <i>Quantity of billets issued</i> | <i>Finished product to be received</i> | <i>Finished product actually received</i> |
|----------------------|--------------------------------------|-----------------------------------|--|---|
| (1) | (2) | (3) | (4) | (5) |
| | | (In Metric Tonnes) | | |
| 12/79 | M/S Chaliha Rolling Mills | 714.785 | 643.307 | 525.748 |
| 7/81 & 6/82 | M/S Bajarang Electric Steel Co. Ltd. | 549.160 | 494.244 | 437.062 |
| 7/81 & 6/82 | M/S R.S. Juliram | 402.220 | 361.998 | 339.193 |
| 7/81 & 6/82 | M/S Laharu Steel Industries | 44.480 | 40.032 | NIL |
| Total | | 1710.645 | 1539.581 | 1302.003 |

Less unpaid conversion charges of finished products already received

DIX 3.1.2

3.1.7 ; Page No. 46)

FROM THE RE-ROLLING FIRMS

| <i>Date of receipt</i> | <i>Difference of finished product</i> | <i>Quantities of billets (converted)</i> | <i>Cost thereof</i> | |
|------------------------|---------------------------------------|--|------------------------------------|------------------------------------|
| | (In Metric Tonnes) | | | |
| (6) | (7) | (8) | (9) | |
| 12/79 to 1/83 | 117.559 | 130.621 | Rs.3,03,373.08 @Rs.2,322.55 per MT | |
| 7/81 to 3/83 | 57.182 | 63.536 | | |
| 9/81 to 1/83 | 22.805 | 25.338 | | Rs.5,36,669.84 @Rs.4,024.40 per MT |
| — | 40.032 | 44.480 | | |
| — | 237.578 | 263.975 | Rs.8,40,042.92 | |
| | | | (—)Rs.3,31,361.18 | |
| | | | <u>Rs.5,08,681.74</u> | |

A P P E N

**Details of lottery draws held, number of tickets printed, face
and percentage of the same**

(Reference : Paragraph

*Name of lottery and number of weekly
draws* *Number of lottery
tickets printed
per draw* *Face value of
tickets printed
per draw*

| | (1) | (2) | (3) |
|------------------------------------|---|-----------|-------------|
| Sikkim State Weekly Lottery | | | (I N |
| (From May 1978) | | | |
| 60 | (40th — 99th) | 9,00,000 | 9,00,000 |
| 8 | (100th — 108th) | 12,00,000 | 12,00,000 |
| 1 | (104th 'B')* | 60,00,000 | 60,00,000 |
| 14 | (109th — 124th) | 15,00,000 | 15,00,000 |
| 1 | (112th 'B') | 60,00,000 | 60,00,000 |
| 1 | (120th 'B') | 60,00,000 | 60,00,000 |
| 16 | (125th — 142nd) | 18,00,000 | 18,00,000 |
| 1 | (130th 'B') | 60,00,000 | 60,00,000 |
| 1 | (137th 'B') | 60,00,000 | 60,00,000 |
| 94 | (143rd — 240th) | 24,00,000 | 24,00,000 |
| 3 | (143rd, 151st & 162nd 'B') | 60,00,000 | 60,00,000 |
| 1 | (204th 'B') | 60,00,000 | 1,20,00,000 |
| 47 | (241st — 292nd) | 24,00,000 | 24,00,000 |
| 5 | (255th, 265th, 274th, 280th & 287th 'B') | 24,00,000 | 72,00,000 |

*'B' denotes Bumper Draw

D I X 3.2.1
value of tickets, guaranteed profit and prize money payable to the face value of tickets

3.2.3.3; Page No. 55)

| <i>Guaranteed profit to Government per draw</i> | <i>Total prize money per draw</i> | <i>Guaranteed profit as a percentage of face value of tickets per draw</i> | <i>Prize money as a percentage of face value of tickets per draw</i> |
|---|---|--|--|
| (4) | (5) | (6) | (7) |
| R U P E E S | | (Per cent) | |
| 19,231 | 4,77,460 | 2.14 | 53.05 |
| 19,231 | 6,69,460 33,67,000 | 1.11 | 57.30 |
| 19,231 | 8,17,160 32,93,500 35,55,000 | 0.93 | 55.42 |
| 19,231 | 10,15,380 35,55,000 34,91,300 | 0.85 | 57.09 |
| 48,077 | 12,46,080 34,91,300 66,61,650 | 1.84 | 52.53 |
| 67,308 | 12,46,080 44,57,600 | 2.35 | 54.34 |

| | (1) | (2) | (3) |
|---|--|-----------|-----------|
| Kanchenjunga Weekly Lottery (From February 1983) | | | |
| 38 | (1st — 40th) | 24,00,000 | 24,00,000 |
| 2 | (31st & 40th 'B') | 36,00,000 | 36,00,000 |
| 13 | (41st — 53rd) | 24,00,000 | 24,00,000 |
| 44 | (54th — 99th) | 24,00,000 | 24,00,000 |
| 1 | (57th 'B') | 36,00,000 | 72,00,000 |
| 1 | (97th 'B') | 36,00,000 | 72,00,000 |
| 47 | (100th — 152nd) | 24,00,000 | 24,00,000 |
| 6 | (120th, 128th, 136th, 141st, 146th & 152nd 'B') | 36,00,000 | 72,00,000 |

Sikkim Super Weekly Lottery

| | | | |
|----|-------------------------------|-----------|-----------|
| 39 | (6th — 44th) | 24,00,000 | 24,00,000 |
| 1 | (4th 'B') | 36,00,000 | 72,00,000 |
| 15 | (46th — 60th) | 24,00,000 | 24,00,000 |
| 11 | (61st — 72nd) | 24,00,000 | 24,00,000 |
| 1 | (68th 'B') | 36,00,000 | 72,00,000 |
| 21 | (73rd — 97th) | 30,00,000 | 30,00,000 |
| 4 | (76th, 84th, 89th & 94th 'B') | 36,00,000 | 72,00,000 |

AUDIT REPORT 1985-86

93

| (4) | (5) | (6) | (7) |
|--------|-------------------------------------|------|-------|
| 38,462 | 12,11,260 39,63,550 | 1.46 | 51.09 |
| 38,462 | 12,50,102 | 1.60 | 52.09 |
| 38,462 | 12,11,260 39,63,550 41,06,750 | 1.47 | 51.14 |
| 57,692 | 12,11,260 41,06,750 | 1.96 | 52.19 |
| 48,077 | 12,05,220 40,94,340 | 1.91 | 50.69 |
| 67,308 | 12,05,220 | 2.80 | 50.22 |
| 67,308 | 15,10,000 40,94,340 | 2.40 | 61.62 |
| 91,308 | 18,12,500 40,94,340 | 2.49 | 59.30 |

| | (1) | (2) | (3) |
|--|---|-----------|-----------|
| Kuber Weekly Lottery (From August 1985) | | | |
| 26 | (1st — 33rd) | 24,00,000 | 24,00,000 |
| 7 | (5th, 9th, 13th, 18th, 22nd, 26th, & 30th 'B') | 24,00,000 | 48,00,000 |
| Sikkim Laxmi Bumper Weekly Lottery (From August 1985) | | | |
| 33 | (1st — 33rd) | 1,00,000 | 50,00,000 |

Note: Actually, guaranteed profits to Government were fixed on the draws are indicated below:—

| | | Annual guaran- teed profit |
|-----------------------|---------------------|-------------------------------|
| (In lakhs of rupees) | | |
| 1. | Sikkim State Weekly | |
| | 40th to 142nd | 10.00 |
| | 143rd to 240th | 25.00 |
| | 241st to 292nd | 35.00 |
| 2. | Wanchenjunga Weekly | |
| | 1st to 99th | 20.00 |
| | 100th to 152nd | 30.00 |
| 3. | Super Weekly | |
| | 1st to 45th | 25.00 |
| | 46th to 97th | 35.00 |
| 4. | Kuber Weekly | |
| | 1st to 33rd | 35.00 |
| 5. | Sikkim Laxmi | |
| | 1st to 33rd | 35.00 |

For facility of reference, the guaranteed profits in the table profits by 52.

AUDIT REPORT 1985-86

95

| (4) | (5) | (6) | (7) |
|--------|-----------|------|-------|
| 67,308 | 14,71,400 | 2.31 | 59.33 |
| | 26,71,000 | | |
| 67,308 | 40,02,000 | 1.35 | 80.04 |

yearly basis. In respect of five lotteries, guaranteed profit for

have been shown on a weekly basis, by dividing the annua

APPENDIX

(Reference : Paragraph 3.3.2.2;

Statement showing particulars of paid up capital, outstanding

| Sl. No. | Name of the Company | Paid up capital at the end of the | | |
|------------------------|--|-----------------------------------|----------------------------|--------|
| | | State Govern- ment | Central Govern- ment | Others |
| (In lakhs of Rupees) | | | | |
| 1. | Sikkim Jewels Limited | 6.15* | — | 5.43 |
| 2. | Sikkim Livestock Develop- ment Corporation Limited | 33.00 | — | — |
| 3. | Sikkim Time Corporation Limited | 55.00 | — | — |
| 4. | Sikkim Industrial Develop- ment and Investment Cor- poration Limited | 129.30 | — | 129.30 |
| 5. | Sikkim Flour Mills Limited | 91.00 | — | — |
| | | 314.45 | — | 134.73 |

*Including value of bonus share of 2050 issued by the Company considered as Rs.100 one bonus share issued against two shares

D I X - 3.3.1

Page No. 60)

loans, working results etc., of the Companies

| <i>current year</i> | <i>Long term</i> | <i>Amount of</i> | <i>Amount of</i> | <i>Outstanding</i> |
|-------------------------------|---------------------|------------------|--------------------|---------------------------|
| <i>Total</i> | <i>loan at the</i> | <i>guarantee</i> | <i>guarantee</i> | <i>guarantee</i> |
| | <i>end of curr-</i> | <i>given</i> | <i>outstanding</i> | <i>commission</i> |
| | <i>ent year</i> | | <i>at the end</i> | <i>payable to the end</i> |
| | | | <i>of the year</i> | <i>of current year</i> |
| <i>(In lakhs of Rupees)</i> | | | | |
| 11.58 | 42.83 | NIL | NIL | NIL |
| 33.00 | — | NIL | NIL | NIL |
| 55.00 | — | NIL | NIL | NIL |
| 258.60 | 241.44 | NIL | NIL | NIL |
| 91.00 | 20.80 | NIL | NIL | NIL |
| 449.18 | | | | |

to Government. The value of each Bonus share was held.

A P P E N

(Reference : Paragraph

Summarised Financial Results

(Figures in columns

| <i>Sl. No.</i> | <i>Name of the Company</i> | <i>Date of incorporation</i> | <i>Year of acco-unts</i> | <i>Autho-rised sha-re capi-tal</i> | <i>Paid up share capital</i> | <i>Total Capital invested</i> | <i>Profit (+) Loss/(-)</i> |
|----------------|--|------------------------------|--------------------------|------------------------------------|------------------------------|-------------------------------|----------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1. | Sikkim Jewels Limited | June 1972 | 1984-85 | 100.00 | 11.58 | 62.68 | (—)1.16 |
| 2. | Sikkim Livestock Development Corporation Limited | Nov-ember 1976 | 1977-78 | 100.00 | 6.00 | 9.41 | (—)6.74 |
| 3. | Sikkim Time Corporation Limited | Octo-ber 1976 | 1985-86 | 100.00 | 55.00 | 147.59 | (+)33.68 |
| 4. | Sikkim Industrial Development and Investment Corporation Limited | March 1977 | 1985-86 | 400.00 | 258.60 | 533.88 | 10.94 |
| 5. | Sikkim Flour Mills Limited | June 1980 | 1985-86 | 100.00 | 91.00 | 130.57 | (—)2.63 |

D I X — 3. 3. 2

3. 3. 2. 3 ; Page No. 61)

of the working of Companies

5 to 13 are rupees in lakhs)

| <i>Total in- terest char- ged to profit & loss Accounts</i> | <i>Interest on long term loan</i> | <i>Total re- turn on capital Invested (8+10)</i> | <i>Capital employed</i> | <i>Total re- turn on capital employed (8+9)</i> | <i>Percentage of return on capital invested</i> | <i>Percen- tage of re- turn on capital employed</i> |
|---|---|--|-----------------------------|---|---|---|
| (9) | (10) | (11) | (12) | (13) | (14) | (15) |
| 4.60 | 2.63 | 1.47 | 72.58 | 3.44 | 2.35 | 4.74 |
| Nil | Nil | (—)6.74 | 2.68 | (—)6.74 | — | — |
| Nil | Nil | 33.68 | 152.81 | 33.68 | 22.82 | 22.04 |
| 14.88 | 5.78 | 16.72 | 448.90 | 25.82 | 3.13 | 5.75 |
| 2.19 | 0.19 | (—)2.44 | 89.31 | (—)0.44 | — | — |

APPENDIX

(Reference : Paragraph

Summarised Financial Results

(Figures in column

| <i>Sl. No.</i> | <i>Name of the Corporation</i> | <i>Date of Incorporation</i> | <i>Year of acco-unts</i> | <i>Author-ised share capital</i> | <i>Paid up cap-ital</i> | <i>Total capital inves-ted</i> | <i>Profit (+)/Loss (-)</i> |
|----------------|-------------------------------------|------------------------------|---|----------------------------------|-------------------------|--------------------------------|----------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1. | Sikkim Mining Corporation | February 1960 | Year 1985-86 | 100.00 | 57.35 | 148.25 | (+)5.01 |
| 2. | State Bank of Sikkim | June 1968 | Year ending Decem- ber 1984 | 100.00 | 20.38 | 1457.52 | (+)49.82 |
| 3. | State Trading Corporation of Sikkim | March 1972 | 1982-83 | 400.00 | 19.00 | 97.92 | (+)7.69 |

D I X—3.3.3
 3.3.3.3; Page No. 64)

of the working of Statutory Corporation

5 to 13 are rupees in lakhs)

| <i>Total in- trest char- ged to pro- fit and loss Account</i> | <i>Interest on long- term loan</i> | <i>Total re- turn on cap- ital in- vested (8+10)</i> | <i>Capital employ- ed</i> | <i>Total re- turn on Capital employed</i> | <i>Percen- tage of re- turn on capital invested</i> | <i>Percen- tage of return on capital employed</i> |
|---|--|--|-----------------------------------|---|---|---|
| (9) | (10) | (11) | (12) | (13) | (14) | (15) |
| 1.75 | 6.87 | 11.88 | 62.25 | 6.76 | 8.01 | 10.86 |
| 213.78 | 213.78 | 263.60 | 2861.40 | 263.60 | 18.08 | 9.21 |
| 0.51 | NIL | 7.69 | 97.92 | 8.20 | 7.85 | 8.37 |

(Reference : Paragraph

SUMMARISED FINANCIAL POSITION

| Liabilities | 1982 | 1983 | 1984 |
|-------------------------|---------------------|----------------|----------------|
| | (Rupees in lakhs) | | |
| 1. Paid up Capital | 20.38 | 20.38 | 20.38 |
| 2. Reserves | 367.00 | 397.00 | 446.00 |
| 3. Bonds and Debentures | — | — | — |
| 4. Borrowings | 905.30 | 863.37 | 991.14 |
| 5. Other Liabilities | 2266.83 | 1697.09 | 2297.60 |
| Total | <u>3559.51</u> | <u>2977.84</u> | <u>3755.12</u> |

D I X 3.3.4

3.3.3.5.1; Page No. 65)

OF STATE BANK OF SIKKIM

| Assets | 1982 | 1983 | 1984 |
|---|---------------------|---------|---------|
| | (Rupees in lakhs) | | |
| 1. Cash and Bank balance (including money at call and short notice) | 495.12 | 689.51 | 1027.06 |
| 2. Loans and advances | 2773.43 | 2153.98 | 2543.41 |
| 3. Net Fixed assets | 4.50 | 9.64 | 46.71 |
| 4. Other assets | 286.46 | 124.71 | 137.94 |
| Total | 3559.51 | 2977.84 | 3755.12 |

APPENDIX

(Reference : Paragraph

SUMMARISED FINANCIAL POSITION OF

| Sl. No. | Liabilities | 1980-81 | 1981-82 | 1982-83 |
|---------|----------------------------------|---------------------|---------------|---------------|
| | | (Rupees in lakhs) | | |
| 1. | Paid up Capital | 19.00 | 19.00 | 19.00 |
| 2. | Reserves | 49.49 | 65.13 | 70.92 |
| 3. | Borrowings | 8.00 | 8.00 | 8.00 |
| 4. | Other liabilities and provisions | 229.39 | 333.72 | 381.61 |
| | Total | 305.88 | 425.85 | 479.53 |

D I X 3.3.5

3.3.3.6.2; Page No. 66)

STATE TRADING CORPORATION OF SIKKIM

| Assets | 1980-81 | 1981-82 | 1982-83 |
|---------------------------------------|---------------------|---------|---------|
| | (Rupees in lakhs) | | |
| 1. Gross block | 15.01 | 16.20 | 34.57 |
| Less : Depreciation | 4.71 | 5.65 | 6.87 |
| Net Block | 10.30 | 10.55 | 27.70 |
| 2. Capital works in progress | 15.37 | 15.60 | — |
| 3. Current assets, loans and advances | 280.21 | 399.70 | 451.83 |
| 4. Miscellaneous expenses | — | — | — |
| Total | 305.88 | 425.85 | 479.53 |

APPENDIX 3.3.6

(Reference : Paragraph 3.3.3.6.2; Page No. 66)

SUMMARY OF WORKING RESULTS OF STATE TRADING
CORPORATION OF SIKKIM FOR THE THREE YEARS
UPTO 1982-83

| | 1980-81 | 1981-82 | 1982-83 |
|---|---------------------|---------------|---------------|
| 1. Income | | | |
| | (Rupees in lakhs) | | |
| (a) Sales of Trading Goods | 113.15 | 127.77 | 111.00 |
| (b) Other income | 22.17 | 20.66 | 14.00 |
| Total (1) | <u>135.32</u> | <u>148.43</u> | <u>125.00</u> |
| 2. Expenditure | | | |
| (a) Cost of sales | 104.24 | 117.23 | 101.54 |
| (b) Other expenses | 11.83 | 13.66 | 15.77 |
| Total (2) | <u>116.07</u> | <u>130.89</u> | <u>117.31</u> |
| 3. Profit before tax | 19.25 | 17.54 | 7.69 |
| 4. Provision for tax | — | — | — |
| 5. Other appropriations | — | — | — |
| 6. Amount available for dividend | 19.25 | 17.54 | 7.69 |
| 7. Dividend paid | 1.90 | 1.90 | 1.90 |
| 8. Total return on capital employed | 19.59 | 17.54 | 8.20 |
| 9. Capital employed | 61.12 | 76.53 | 97.92 |
| 10. Percentage of return on Capital employed | 32.05 | 22.92 | 8.37 |

APPENDIX 3.3.7

(Reference: Paragraph 3.3.4.3; Page No.66)

SUMMARISED FINANCIAL RESULTS OF THE WORKING OF DEPARTMENTALLY-MANAGED COMMERCIAL UNDERTAKINGS

| Sl. No | Name of the Undertaking | Date of incorporation | Year of accounts | Mean capital | Profit(+) Loss (-) | Total interest on Government loan/capital | Total return | Percentage of return on mean capital |
|--------|---------------------------------------|-----------------------|------------------|--------------|--------------------|---|--------------|--------------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 1. | Sikkim Nationalised Transport | 1955-56 | 1982-83 | 534.16 | (-)63.06 | 32.54 | (-)30.52 | — |
| 2. | Government Fruit Preservation Factory | October 1965 | 1985-86 | 113.16 | (+)2.57 | Not provided | 2.57 | 2.27 |
| 3. | Sikkim Tea Board | June 1974 | 1985-86 | 276.64 | (+)3.84 | Not provided | 3.84 | 1.39 |
| 4. | Wood Working Centre | January 1974 | 1985-86 | 26.68 | (-)4.26 | Not provided | (-)4.26 | — |

E R R A T A

Errata to the Report of the Comptroller and Auditor General
of India for the year 1985-86 - Government of Sikkim.

| Sl. No. | Page No. | Line No. | For | Read |
|---------|----------|--------------------------------------|---------------|-----------------|
| 1. | 15 | 2nd Column 1st line from top | Description | Description |
| 2. | 20 | 2nd Column 2nd line from top | Secondary | Secondary |
| 3. | 23 | 3rd Column 15th line from top | bread | breed |
| 4. | 25 | 17th line from bottom | explained | explained |
| 5. | 28-29 | 8th Column 2nd line from top | production | production |
| 6. | 34 | 3rd Column 2nd line from top | Cental | Central |
| 7. | 44 | 11th line from top | deptment | department |
| 8. | 46 | 18th line from top | convesion | conversion |
| 9. | 52 | 5th line para 3.2.1 | lakhs), | lakhs). |
| 10. | 52 | 1st line para 3.2.2 | sourcees | sources |
| 11. | 54 | Para 3.2.3.2 2nd line from bottom | Payment | payment |
| 12. | 60 | 13th line from top | paragraph 3.6 | paragraph 3.3.6 |
| 13. | 60 | 15th line from top | Presevation | Preservation |
| 14. | 61 | 14th line from top | Factory | Factory |
| 15. | 62 | 4th Column 1st line from top | repect | respect |
| 16. | 62 | 7th line from bottom | percentage | percentage |
| 17. | 62 | 6th line from bottom | devidend | dividend |
| 18. | 63 | 6th line from bottom | 10 percent | 1.2 percent |
| 19. | 63 | Sl. No. (ii) | 3.4 | 3,4 |
| 20. | 63 | Sl. No. (v) | stickyloan | sticky loan |
| 21. | 63 | Sl. No. (xii) | Value | value |
| 22. | 64 | 1st line last word | aspets | aspects |
| 23. | 65 | 4th line from top | In addition | In addition, |
| 24. | 65 | 13th line from bottom | empoyed | employed |
| 25. | 66 | 7th line from top | accuounts | accounts |
| 26. | 66 | 1st line from bottom | venuture | venture |
| 27. | 67 | 4th line from top | mierals | minerals |
| 28. | 67 | 12th line from top | Copper Llmi- | Copper Limi- |
| 29. | 67 | 18th line from top | parttime | part-time |
| 30. | 74 | 4th line from bottom | 1,115.7 | 115.7 |
| 31. | 75 | 1st line from bottom | Lost | lost |
| 31. | 76 | 6th line from bottom | and | or |

| Sl. No. | Page No. | Line No. | For | Read |
|---------|----------|------------------------|-------------------------------------|-------------------------------------|
| 32. | 77 | 5th line from bottom | Jamshedpur | Jamshedpur |
| 33. | 79 | 11, 12th line from top | to be to be executed | to be executed |
| 34. | 79 | 19th line from top | synchronising | synchronising |
| 35. | 80 | 15th line from top | old | sold |
| 36. | 80 | 15th line from bottom | cotents | content |
| 37 | 99 | Appendix 3.3.2 | (5 to 13 are rupees in lakhs) | (5 to 13 are Rupees in lakhs) |
| 38. | 101 | Appendix 3.3.3 | (5 to 13 are rupees in lakhs) | (5 to 13 are Rupees in lakhs) |