REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2008

GOVERNMENT OF SIKKIM

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CONTENTS

APPENDICES

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapters I and II of this report respectively, contain audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2008.

3. The remaining chapters deal with performance reviews and audit of transactions in various departments including the Public Works and Irrigation Department, revenue receipts, audit of stores and stock, audit of autonomous bodies, statutory corporations, Government companies and departmentally run commercial undertakings.

4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2007-2008 have also been included wherever necessary.

5. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains 26 audit paragraphs and four performance reviews apart from comments on the Finance Accounts and Appropriation Accounts. There is a separate chapter on Integrated Audit of the Police Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the department concerned in respect of five paragraphs and one performance review.

1. Finances of the State Government

The fiscal position of the State viewed in terms of key fiscal parameters showed a significant improvement in 2007-08 relative to the previous year. This improvement was mainly on account of steep increase of Rs. 229.51 crore in Central transfers comprising State's share in Central taxes and duties and grants-in-aid from GOI, which contributed around 78 *per cent* of the incremental receipts during the year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage to total expenditure indicated a declining trend but constituted 73.41 *per cent* of the total expenditure during 2007-08. The NPRE component at Rs. 727 crore during 2007-08 was significantly higher than the normative projection of TFC at Rs. 549 crore for the year. Moreover, within the NPRE three components i.e. salary expenditure, pension payments, and interest payments constituted 73 *per cent* during 2007-08. These trends in expenditure indicate the need for changing allocative priorities. The continued prevalence of fiscal deficit in the Finance Accounts of the State indicates increasing reliance on borrowed funds resulting in increasing fiscal liabilities of the State over this period. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate recovery of cost on loans and advances continue to be cause for concern affecting the fiscal position of the State. The State Government needs to initiate suitable measures to contain the NPRE and to mobilise additional resources through both tax and non tax sources in the ensuing years.

(Paragraph 1.1 to 1.11)

2. Allocative priorities and appropriation

- The excess expenditure of Rs. 42.38 crore for the years 2002-03 to 2006-07 under 35 grants and appropriations required regularisation under Article 205 of the Constitution of India.
- The excess of Rs. 0.38 crore in three grants during the year 2007-08 requires regularisation under Article 205 of the Constitution of India.
- Supplementary provision of Rs. 42.62 crore in 20 cases during the year 2007-08 proved unnecessary.

(Paragraphs 2.3.2 & 2.3.4)

3. Performance Reviews

3.1 Accelerated Rural Water Supply Programme

Performance review of the implementation of the Accelerated Rural Water Supply Programme (ARWSP) for the period 2003-08 revealed that the Department did not have reliable data relating to the status of the habitations and the details of the schemes planned/executed for the supply of water to the rural populace. While Rs. 130.15 crore was shown to have been spent on water supply schemes during the review period, the Department could not provide the details of the relevant schemes. Testing and treatment of water was neglected and despite spending beyond the norm of maintenance, the schemes suffered due to lack of maintenance.

(Paragraph 3.1)

3.2 Tourism Development in Sikkim

The State Government initiated a number of steps to harness the full tourism potential of the State. Performance review of Tourism Development in Sikkim, however, disclosed that firm policy and robust planning was not in place and the State's efforts were constrained, owing to the absence of air and rail connectivity, frequent disruption of traffic on national highway, lack of adequate infrastructure for quality accommodation of tourists, especially in the South and West districts. While tourist inflow recorded improvement in absolute terms, it dipped from 30.60 *per cent* (2003-04) to 9.48 *per cent* (2007-08) in case of domestic tourists and 33.70 *per cent* (2003-04) to (-) 1.17 *per cent* (2007-08) in case of foreign tourists.

(Paragraph 3.2)

3.3 Management of Non-Lapsable Central Pool of Resources

The 'Non Lapsable Central Pool of Resources' (NLCPR) was constituted in December 1997 by GOI to facilitate speedy development of infrastructure in North Eastern States by increasing the flow of budgetary financing for specific viable infrastructure projects in various sectors and to reduce the critical gaps in the basic minimum services. Performance review revealed that implementation of NLCPR funded schemes in the State has brought about visible improvement in creation of infrastructure in various sectors such as construction of 198 school buildings, college buildings at Kamrang, South Sikkim and Burtuk in East Sikkim, Paljor stadium complex at Gangtok, Multi Stage Pumping System for drinking water supply in East Sikkim, 132 KV Power Transmission lines at Melli etc. However, remedial measures had not been taken by the State Government on the shortcomings pointed out in the Audit Report of 2004 and PAC recommendations (March 2006) thereon as irregular utilisation of funds towards supplementing normal state plan funds, cost escalation of projects, acceptance of higher tender rates, delay in completion of projects, excess expenditure and undue favour to contractors persisted.

(Paragraph 3.3)

3.4 National Rural Health Mission

A mid-course review of the National Rural Health Mission (NRHM) revealed that the State was performing fairly well in the areas of demographic goals (infant mortality rate, total fertility rate, immunisation etc.) and implementation of National Disease Control Programmes (NDCP) (control over blindness/ tuberculosis/ leprosy/ vector borne diseases etc.). The State has adequate physical infrastructure at the PHSC and PHC level and deployment of paramedical staff was adequate. However, the implementation of NRHM suffered due to deficient financial management resulting in huge unspent balances and health care remained mainly dependant on the health institutions in the Government sector due to fewer private health facilities in the State, the CHCs and PHCs lacked facilities such as shortage of specialists, round the clock emergency services etc. resulting in the number of referral cases to outside the State being quite high.

(Paragraph 3.4)

4 Integrated Audit of Police Department

Sikkim has a very low rate of crime, a strife free society, absence of law and order problem and a speedy and above national average conviction rate. Audit scrutiny however, revealed that the activities of the Police Department in prevention, detection and curative aspects of crime needs further improvement, as the crime rate had marginally increased over the years, budgeting is irrational, the workforce is disproportionate to the sanctioned strength and progress of police modernisation was slow. Despite the State Government signing the Memorandum of Understanding (MOU) with the GOI for implementation of National Police Commission (NPC) recommendations, these have not been implemented.

(Paragraph 5.1)

5 Audit of Transactions

(a) Civil

Failure of the Energy and Power Department to conduct survey prior to taking up a project led to relocation of the project site, involving cost escalation of Rs. 1.03 crore and time over run of over three years.

(Paragraph 4.5)

Purchase of Ductile Iron (DI) pipes and fittings by the Water Supply and Public Health Engineering Department (WSPHED) at higher rates, ignoring special offer made by the manufacturer, resulted in excess expenditure of Rs. 36.49 lakh.

(Paragraph 4.11)

Failure of the Social Justice, Empowerment and Welfare Department to exercise even the most rudimentary and routine checks before selecting beneficiaries for old age pension led to extension of benefits amounting to Rs. 60.07 lakh to ineligible persons.

(Paragraph 4.15)

(b) Revenue

Due to failure in taking action for recovery of energy charges on a regular basis, the unrealised revenue amounted to Rs. 7.96 crore in 30 closed industrial units over a period of six to 18 years.

(Paragraph 6.2)

Levy of energy charges at old rates to industrial units despite revision of tariff and continued supply of electricity free of cost to rural consumers led to non-realisation of revenue of Rs. 88.08 lakh.

(Paragraph 6.3)

Levy of energy and demand charges at rate lower than those prescribed in the Tariff Schedule resulted in non- realisation of Rs. 45.16 lakh

(Paragraph 6.4)

(c) Commercial

As of March 2008, the total investment in 12 PSUs (nine Government companies and three Statutory corporations) was Rs. 206.50 crore (equity: Rs. 81.89 crore and long-term loans: Rs. 124.61 crore) against the total investment of Rs. 158.96 crore (equity: Rs. 81.89 crore and long term loans Rs. 77.07 crore) in the same number of working PSUs as on 31 March 2007. According to the latest finalised accounts of nine working Government companies and three working Statutory corporations, seven companies and one corporation had incurred aggregate loss of Rs. 4.98 crore and Rs. 2.17 crore respectively and one company and two corporations had earned aggregate profit of Rs. 1.50 crore and Rs. 2.43 crore, respectively. One Government company was at the implementation stage and hence all expenditure was booked as capital work in progress.

(Paragraphs 7.2 and 7.5)

Failure to claim enhanced agency commission by the State Bank of Sikkim on the banking services as per revised instruction of RBI resulted in loss of Rs. 7.99 crore.

(Paragraph 7.13)

Lackadaisical approach of the State Bank of Sikkim towards recovery of loan coupled with absence of co-ordination and monitoring resulted in loss of Rs. 3.91 crore.

(Paragraph 7.15)

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER – I
FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account **(Appendix-1.1: Part A).** The Finance Accounts of the Government of Sikkim are laid out in 19 Statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account. The layout of the Finance Accounts is depicted in **Appendix-1.1: Part B.**

Functions of the Reserve Bank of India for Government transactions were not extended to Sikkim. State Bank of Sikkim has been vested with the responsibility of receiving money on behalf of the Government, making all payments and keeping custody of the balances of the Government in current account as well as in fixed deposits.

1.1.1 Summary of Receipts and Disbursements for the year

Table -1.1 summarises the finances of the State Government for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public account receipts and disbursements as emerging from Statement-1 and other detailed Statements of Finance Accounts.

Table – 1.1:
Summary of Receipts and Disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
					Non Plan	**Plan**	**Total**
Section – A: Revenue							
2,116.54	Revenue Receipts[1]	2,699.42	1,887.56	Revenue Expenditure[2]	1,928.79	419.79	2,348.58
173.18	Tax revenue	197.85	1,248.12	General services[2]	1,570.87	18.90	1,589.77
1,085.04	Non-tax revenue[1]	1,413.74	355.81	Social Services[3]	230.89	207.34	438.23
222.78	Share of Union Taxes/ Duties	345.12	283.63	Economic Services[3]	127.03	193.55	320.58
635.54	Grants from Government of India	742.71	--				
Section – B: Capital							
--	Miscellaneous Capital Receipts	--	326.42	Capital Outlay	--	415.47	415.47
0.78	Recoveries of Loans and Advances	0.38	0.20	Loans and Advances disbursed		--	--
142.75	Public debt receipts	279.64	39.03	Repayment Public Debt	55.57	--	55.57
0.10	Contingency Fund	-	0.00	Contingency Fund	--	--	00
1,705.54	Public Account receipts	1,899.53	1,662.92	Public Account disbursements		--	1,789.75
252.59	Opening Balance	302.17	302.17	Closing Balance		--	571.77
4,218.30	**Total**	**5,181.14**	**4,218.30**	**Total**		--	**5,181.14**

Source: Finance Accounts

[1] *Revenue receipts and Non-tax revenue are inclusive of gross receipt (Rs. 1232.55 crore) from State Lotteries*

[2] *Revenue expenditure and General Services (Non-plan) are inclusive of expenditure (Rs. 1201.71 crore) on State Lotteries.*

[3] *Includes grants-in-aid contribution under Social Services (Rs. 5.58 crore) and Economic Services (Rs. 26.40 crore) aggregating Rs. 31.98 crore*

Following are the significant changes during 2007-2008 over the previous year:

- Revenue receipts grew by Rs. 582.88 crore over the previous year. The increase was mainly contributed by non-tax revenue (Rs. 328.70 crore), State's share in Central taxes and duties (Rs. 122.34 crore), Grants from Government of India (Rs. 107.17 crore) and tax revenue (Rs. 24.67 crore).
- Revenue and capital expenditure increased by Rs. 461.02 crore and by Rs. 89.05 crore respectively over the previous year.
- Recoveries of loans and advances decreased by Rs. 0.40 crore and there was no disbursement of loans and advances during 2007-08 as compared to Rs. 0.20 crore in previous year.
- While Public debt receipts decreased by Rs. 136.89 crore, its repayments increased by Rs. 16.54 crore.
- Public Account receipts and disbursements increased by Rs. 193.99 crore and Rs. 126.83 crore respectively.
- The total outflow of the Government (Rs. 4,609.37 crore) was less than the total inflow (Rs. 4,878.97 crore) resulting in an increase of Rs. 269.60 crore in the cash balance of the State at the end of the year 2007-08.

1.1.2 Impact of non-enactment of the FRBM Act

With enactment of a Fiscal Responsibility and Budget Management Act (FRBM Act) in 2003 at the Centre, the Twelfth Finance Commission (TFC) recommended that each State must enact a fiscal responsibility legislation prescribing specific annual targets with a view to eliminating the revenue deficit by 2008-09 and reducing fiscal deficit based on a path for reduction of borrowings and guarantees. Enacting the fiscal responsibility legislation is a necessary pre-condition for availing of debt relief. The Government of Sikkim has however, not enacted the FRBM Act as of July 2008. According to the Finance, Revenue & Expenditure Department (FRED) of the State, enactment of FRBM Legislation would require the State to reduce fiscal deficit to 3 *per cent* of GSDP and maintain revenue surplus at a certain level. However, due to substantial decrease in Non-Plan Revenue Deficit Grant awarded by the TFC to the State as compared to the award of the Eleventh Finance Commission, the State Government felt that it is very difficult to attain these fiscal targets and therefore FRBM Act could not be enacted in Sikkim.

According to the recommendation of TFC, the Central loans to States contracted till 31 March 2004 and outstanding as on 31 March 2005, may be consolidated and re-scheduled for a fresh term of 20 years resulting in repayment of 20 equal installments at an interest of 7.5 *per cent* per annum. The debt relief on the outstanding balances of Central loan, when re-scheduled as per the recommendation of TFC, would amount to Rs. 10.69 crore on principal and Rs. 22.15 crore on interest payment as at the end of 2007-08 out of the applicable period of 2005-10. Thus, the State could not avail of relief to the tune of Rs. 32.84 crore (Rs. 10.69 crore plus Rs. 22.15 crore) due to non-enactment of the legislation.

1.2 Overview of Fiscal Situation of the State

1.2.1 Trend of Fiscal Aggregates

The fiscal position of the State Government during the current year as compared to the previous year is given in **Table-1.2** below:

Table - 1.2

(Rupees in crore)

2006-07	Sl. No	Major Aggregates	2007-08
1,203.25	1	**Revenue Receipts (2+3+4+5)**	**1,497.71**
173.18	2	Tax Revenue	197.85
171.75	3	Non-Tax Revenue[4]	212.03
635.54	4	Other Receipts	742.71
222.78	5	State share of Union taxes and others	345.12
0.78	6	**Non-Debt Capital Receipts**	**0.38**
0.78	7	*Of which*, Recovery of Loan	*0.38*
1,204.03	**8**	**Total Receipts (1+6)**	**1,498.09**
637.62	**9**	**Non-Plan Expenditure (10+12+13)**	**727.08**
637.62	10	On Revenue Account[5]	727.08
115.27	11	*Of which*, Interest Payment	117.74
--	12	On Capital Account	--
--	13	On Loans disbursed	--
663.27	14	**Plan Expenditure (15+16+17)**	**835.26**
336.65	15	On Revenue Account	419.79
326.42	16	On Capital Account	415.47
0.20	17	On Loans disbursement	-
1,300.89	**18**	**Total Expenditure (9+14)**	**1,562.34**
(+) 228.98	**19**	**Revenue Deficit(-)/(+)Surplus {1-(10+15) }**	**(+) 350.84**
(-) 96.86	**20**	**Fiscal Deficit {(1+ 6)-18}**	**(-) 64.25**
(+) 18.41	**21**	**Primary Deficit(-) / (+)Surplus (20-11)**	**(+) 53.49**

Source: Finance Accounts

During the current year, revenue receipts increased by 24.47 *per cent* (Rs. 294.46 crore) while revenue expenditure increased by 20.10 *per cent* (Rs. 172.60 crore) over the previous year resulting in an increase of Rs. 121.86 crore in revenue surplus during 2007-08. The increase in revenue surplus and a marginal decrease of Rs. 0.40 crore in non-debt capital receipts, accompanied by an increase of Rs. 88.85 crore in capital expenditure including disbursement of loan and advances during 2007-08 over the previous year, resulted in a decrease of Rs. 32.61 crore in fiscal deficit during the current year. The decrease in fiscal deficit together with an increase of Rs. 2.47 crore in interest payments during 2007-08 over the previous year led to a primary surplus of Rs. 53.49 crore during the current year from the level of primary surplus of Rs. 18.41 crore in 2006-07.

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[4] *Non-tax revenue for the year 2007-08 is net of gross receipt of Rs 1,232.55 crore from State Lotteries after adjustment of expenditure of Rs. 1,201.71 crore under the head.*

[5] *Revenue Expenditure excludes Rs. 1,201.71 crore on State Lotteries against which there was gross receipt of Rs. 1,232.55 crore under the same head*

1.3 Methodology adopted for the assessment of Fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over the period of last five years (2003-08) and observations have been made on their behaviour as per **Appendix-1.2 to 1.4** and Time Series Data **(Appendix-1.5).** In its Restructuring Plan of State finances, the TFC recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates were used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP. The trends in the growth of GSDP as provided by the Department of Economic and Statistics, Government of Sikkim are given in **Table-1.3**.

Table-1.3:
Trends in GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
GSDP[6](Rs in Crore)	1,275.91	1,429.72	1,602.17	1,830.00	2,070.00(Q)	2,353.00(A)
Rate of Growth of GSDP (in percentage)	12.31	12.05	12.06	14.22	13.11	13.67

Source: Department of Economic, Statistics, Monitoring & Evaluation Government of Sikkim
Q=Quick estimate, A=Advance estimate.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix-1.1 Part-C**. Revenue receipts and revenue expenditure are inclusive of lottery receipts and lottery expenditure respectively in **Table 1.1**. Revenue receipts is net of lottery receipts and lottery expenditure and revenue expenditure is exclusive of lottery expenditure everywhere else in this chapter.

[6] *State Government has since revised GSDP figures taking 1999-00 as the base year. The GSDP figures along-with all the associated ratios and indices in this Report have accordingly been revised for the entire 5 year period (2003-08)*

1.4 State Finances by Key Indicators

1.4.1 Resources by Volumes and Sources

The resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account and miscellaneous capital receipts such as proceeds from disinvestments. **Table-1.4** shows that the total receipts of the State Government for the year 2007-08 were Rs. 3,677.26 crore. Of these, the revenue receipts were Rs. 1,497.71 crore, constituting 40.73 *per cent* of the total receipts. The balance came from borrowings (7.61 *per cent*) and receipts from Public Account (51.66 *per cent*). Suspense & Miscellaneous and Remittances constitute 62.74 *per cent* and 28.04 *per cent* of the public account and the increases were mainly due to increase in treasury cheques and increase in public works remittances respectively.

Table-1.4
Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

	Sources of State's receipts	2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue Receipts	898.99	1,011.29	1,088.20	1,203.25	1,497.71
II.	Capital Receipts	138.10	192.75	145.20	143.53	280.02
	Public Debt Receipts	137.02	192.99	145.06	142.75	279.64
	Recovery of Loans and Advances	1.08	(-)0.24	0.14	0.78	0.38
	Miscellaneous Capital Receipts	--	--	--	--	--
III.	Contingency Fund	--	--	--	--	--
IV.	Public Account Receipts	1,193.34	1,415.38	1,456.53	1,705.54	1,899.53
(a)	Small Savings, Provident Fund, *etc*	65.09	69.79	73.81	80.02	84.23
(b)	Reserve Fund	22.01	32.80	28.55	24.51	64.11
(c)	Deposits and Advances	24.77	21.22	28.23	24.70	26.88
(d)	Suspense and Miscellaneous	701.62	799.99	888.65	1,119.86	1,191.74
(e)	Remittances	379.85	491.58	437.29	456.45	532.57
	Total Receipts	**2,230.43**	**2,619.42**	**2,689.93**	**3,052.32**	**3,677.26**

Source: Finance Accounts

1.4.2 Revenue Receipts

Statement – 11 of the Finance Accounts details the revenue receipts of the Government. Revenue receipts of the State comprise mainly its own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancy are indicated in **Table-1. 5**.

Table-1.5
Revenue Receipts- Basic Parameters

(Rupees in crore)

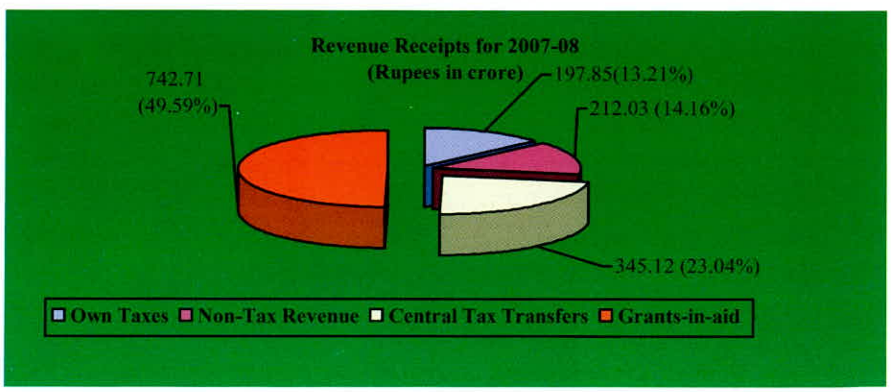
	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR) *(Rupees in crore)*	**898.99**	**1,011.29**	**1,088.20**	**1,203.25**	**1,497.71**
Own Taxes *(per cent)*	108.00 (12.01)	116.95 (11.56)	147.23 (13.53)	173.18 (14.39)	197.85 (13.21)
Non-tax Revenue *(per cent)*	95.04 (10.57)	111.36 (11.01)	113.94 (10.47)	171.75 (14.27)	212.03 (14.16)
Central tax Transfers *(per cent)*	112.33 (12.50)	107.35 (10.62)	182.13 (16.74)	222.78 (18.51)	345.12 (23.04)
Grants-in-aid *(per cent)*	583.56 (64.92)	675.63 (66.81)	644.90 (59.26)	635.54 (52.82)	742.71 (49.59)
Rate of Growth of RR *(per cent)*	**(-)1.00**	**12.49**	**7.61**	**10.57**	**24.47**
GSDP *(Rs. in crore)***	1,429.72	1,602.17	1,830	2,070(Q)	2,353(A)
RR/GSDP *(per cent)*	62.88	63.12	59.46	58.13	63.65
Revenue Buoyancy (Ratio)	*	1.04	0.54	0.81	1.79
State's own taxes Buoyancy (ratio)	0.19	0.69	1.82	1.34	1.04
Revenue Buoyancy with reference to State's own taxes	*	1.51	0.29	0.60	1.72
GSDP Growth *(per cent)*	12.05	12.06	14.22	13.11	13.67
Rate of growth of own taxes	2.34	8.29	25.89	17.63	14.25

Source: Finance Accounts and information furnished by Department of Economic, Statistics, Monitoring & Evaluation, Government of Sikkim
*Q=Quick estimate, A=Advance estimate. * Rate of growth of Revenue Receipts was negative. Central tax transfers include share of net proceeds of Income Tax.*

1.4.3 General Trends

The revenue receipts have shown a progressive increase over the period 2003-2008. While 27 *per cent* of the revenue receipts during 2007-08 have come from the State's own resources comprising taxes and non-taxes as compared to 23 *per cent* in 2003-04, the share of Central transfers comprising State's share in Central taxes and duties and grants-in-aid from GOI has marginally declined from 77 *per cent* in 2003-04 to 73 *per cent* in 2007-08.

Chart-1.1



1.4.3.1 Tax Revenue

The tax revenue has increased by 14.25 *per cent* from Rs. 173.18 crore in 2006-07 to Rs. 197.85 crore during 2007-08. The revenue from sales tax not only contributed the major share of tax revenue (41.10 *per cent*) but also increased by 8.92 *per cent* (Rs. 6.66 crore) over the previous year. The increase in sales tax revenue over the previous year was mainly due to increase in Value Added Tax (Rs. 5.76 crore). Other taxes and duties on commodities and services increased by 75.78 *per cent* (Rs. 7.01 crore) over the previous year due to more realisation from cess. **Table-1.6** below shows the trend of tax revenue during 2003-2008.

Table-1.6
Tax Revenue

(Rupees in crore)

Head of Revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase(+)/ decrease (-) in 2007-08 over 2006-07
Sales tax	48.87	48.18	56.65	74.66	81.32	(+) 8.92
Taxes on income of Sikkim residents imposed by Government	26.76	29.09	47.82	46.71	49.10	(+) 5.12
State excise	25.25	32.69	32.96	33.31	37.94	(+) 13.90
Stamps and Registration fees	1.14	1.43	2.27	2.52	4.26	(+) 69.05
Taxes on vehicles	2.74	3.24	4.24	5.95	6.22	(+) 4.54
Other taxes and duties on commodities and services	3.06	1.88	2.68	9.25	16.26	(+) 75.78
Land revenue	0.18	0.44	0.61	0.78	2.75	(+) 252.56
Total	**108.00**	**116.95**	**147.23**	**173.18**	**197.85**	

Source: Finance Accounts

1.4.3.2 Non-Tax Revenue

The non-tax revenue, which constituted 14 *per cent* of total revenue receipts, has increased by Rs. 40.28 crore from 171.75 crore in 2006-07 to Rs. 212.03 in 2007-08 recording a growth rate of 23.45 *per cent* over the previous year. The major contributors to non tax receipts of the State in 2007-08 include receipts from power (Rs 97.66 crore); net receipts from lotteries (Rs 30.84 crore); road transport (Rs 15.62 crore); interest receipts including profits and dividends (Rs 15.78 crore) and forests and wild life (Rs 10.95 crore). The increase in non tax receipts during 2007-08 (Rs 40.28 crore) was mainly due to increase in receipts under power sector (Rs. 39.50 crore), interest receipts (Rs. 9.76 crore), Forestry and Wildlife (Rs. 1.45 crore) and other components. The increase was however, offset by decrease in net receipts from lotteries amounting to Rs. 19.17 crore.

The position with regard to mobilisation of the State's own resources in 2007-08 vis-à-vis projections made by TFC and the State Government in its Budget is as under:

Table-1.7
Mobilisation of own resources

(Rupees in crore)

Year 2007-08	Assessment of TFC	Budget Estimate	Actuals	Percentage Change over	
				TFC Projection	BE
Tax Revenue (own tax)	156.72	147.72	197.85	41.13 (26.24)	50.13 (33.94)
Non-tax Revenue (excluding lottery of Rs. 1243.29 crore)	96.88	139.93	212.03	115.15 (118.86)	72.10 (51.53)

The trends in the Table reveal that the actual revenue receipts exceeded both the BE as well as the normative assessment by the TFC.

1.4.3.3 Central Tax Transfers

The State's share in Union taxes and duties at Rs. 345.12 crore increased by Rs. 122.34 crore over the previous year mainly due to increase in the State's share in corporation tax (Rs. 23 crore); income tax (Rs. 73.52 crore); custom duties (Rs. 11.87 crore); service tax (Rs. 8.21 crore) and excise duties (Rs. 5.61 crore). With effect from 2007-08 the State was given its share in income tax in pursuance of the amendment to the Income Tax Act, 1961.

1.4.3.4 Grants-in aid

Grants-in-aid increased by Rs. 107.17 crore (16.86 *per cent*) from Rs. 635.54 crore in 2006-07 to Rs. 742.71 crore in 2007-08 mainly due to increase in grants for State plan schemes (Rs. 11.75 crore), Non Plan grants (Rs. 22.76 crore) Centrally Sponsored schemes (Rs. 60.21 crore) and special plan schemes (Rs. 12.45 crore). Grants for State Plan Schemes increased during 2007-08 mainly due to receipt of more Central assistance under National E-governance Action Plan (Rs. 2.41 crore) and Jawaharlal Nehru National Urban Renewal Mission (Rs. 13.43 crore). Non Plan Grants increased mainly due to increase in Grants towards contribution to Calamity Relief Fund (Rs. 22.26 crore) .Grants for Central Schemes/Centrally Sponsored Schemes increased mainly due to increase in grants-in-aid to various schemes for Tourism development (Rs. 42.98 crore) and Family Welfare (Rs. 10.98 crore), Mid-day meal scheme (Rs. 4.04 crore) and Accelerated Rural Water Supply Programme (Rs. 1.31 crore). Details of grants-in-aid from GOI are given in **Table 1.8.**

Table No-1.8
Grants-in-aid from GOI *(Rupees in crore)*

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Grants for State plan schemes	370.56	435.85	366.36	443.47	455.22
Non Plan grants	150.47	155.92	158.71	64.26	87.02
Grants for Central Schemes/Centrally Sponsored Schemes	54.49	60.28	98.93	104.52	164.73
Grants for Special Plan Schemes (North Eastern Council)	8.05	23.58	20.90	23.29	35.74
Total	583.57	675.63	644.90	635.54	742.71
Percentage of increase/decrease over previous year	0.28	15.78	(-)4.55	(-)1.45	(+)16.86

Source: Finance Accounts

1.4.3.5 Revenue Arrears

In spite of reminders, details of arrears of revenue were not furnished by 16 Departments. Out of 27 Departments which furnished the information, 21 Departments had no revenue arrears. Arrears of revenue of the remaining six Departments were Rs. 36.73 crore at the end of 2007-08.

1.5 Application of resources

1.5.1 Growth of Expenditure

Statement-12 of the Finance Accounts depicts the detailed revenue expenditure minor head-wise and capital expenditure major head-wise. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investment and discharge their debt service obligations. The total expenditure of the State has increased by 20.10 *per cent* from Rs. 1,300.89 crore in 2006-07 to Rs. 1,562.34 crore in 2007-08. Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in **Table-1.9** below:

Table-1.9

Total Expenditure- Basic Parameters

	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure(TE)* *(Rupees in crore)*	950.27	1,196.60	1,237.17	1,300.89	1,562.34
Rate of Growth *(per cent)*	3.38	25.92	3.39	5.15	20.10
TE/GSDP Ratio *(per cent)*	66.47	74.69	67.60	62.84	66.40
Revenue Receipts/ TE Ratio *(per cent)*	94.60	84.51	87.96	92.49	95.86
Buoyancy of Total Expenditure with reference to:					
GSDP *(ratio)*	0.28	2.15	0.23	0.39	1.47
R R *(ratio)*	**	2.07	0.45	0.49	0.82

Source: Finance Accounts

* *Total expenditure includes revenue expenditure, capital expenditure and loans & advances.*

** *Not shown as it is negative*

Total expenditure of Rs. 950.27 crore in 2003-04 increased to Rs. 1,562.34 crore in 2007-08. In relative terms, the revenue and capital components have increased by 55.26 *per cent* and 96.45 *per cent* respectively during the period 2003-08. However, in absolute terms, increase was of the order of Rs. 408.19 crore in revenue expenditure and Rs. 203.98 crore in capital account during 2007-08 as compared to 2003-04. This trend indicates that the increase in capital and revenue expenditure was in the ratio of 1:2 during the last 5 year period. An increase of Rs. 261.45 crore in total expenditure (20.10 *per cent)* during 2007-08 over the previous year was mainly due to increase of Rs. 172.60 crore and Rs. 89.05 crore in revenue expenditure and capital expenditure respectively and decrease of disbursement of loans and advances by Rs. 0.20 crore. The increase of Rs. 172.60 crore in revenue expenditure in 2007-08 over 2006-07 was due to increase of Rs. 53.23 crore (30.84 *per cent*) on General Services towards training, Police, maintenance and repairs under Public Works, Rs. 82.42 crore (47.75 *per cent*) on Economic Services towards expenditure on Agricultural Farms, Integrated Rural Development

Programme, Social Welfare and Rs. 36.95 crore (21.41 *per cent*) on Social Services towards Elementary and Secondary Education, Rural Allopathy under Medical and Public Health. The increase of Rs. 89.05 crore in capital outlay was due to increase on Economic Services (Rs. 54.72 crore: major components of which were development of Tourism: Rs. 11.25 crore, Rural Development: Rs. 13.10 crore, Roads and Bridges: Rs. 19.05 crore and Power projects: Rs. 9.36 crore), General Services (Rs. 29.23 crore: major components of which were Public Works: Rs. 17.82 crore and Urban Development: Rs. 4.98 crore) and Social Services (Rs. 5.10 crore on Social Welfare). During the current year, 95.86 *per cent* of total expenditure was met from revenue receipts and the remaining from capital receipts and borrowed funds. The buoyancy of total expenditure to GSDP stood at 1.47 in 2007-2008 indicating a tendency to spend less than the increase in income and lower elasticity of total expenditure with respect to GSDP.

1.5.2 Trends in Total Expenditure by Activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, Interest payments, Social and Economic Services and grants-in-aid and other contributions to institutions. Relative share of these components in total expenditure is indicated in **Table-1.10** below:

Table-1.10
Components of Expenditure- Relative Share

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
General Services*	259.58 (27)	276.01 (23)	304.64 (25)	355.89 (27)	427.34(27)
Interest Payments	92.50 (10)	99.19 (8)	102.60 (8)	115.27 (9)	117.74(8)
Social Services	360.28 (38)	438.28 (37)	446.76 (36)	475.12 (37)	573.64(37)
Economic Services	330.31 (35)	481.63 (40)	485.77 (39)	469.68 (36)	561.36(36)
Grants in aid+	37.14 (3.91)	22.55 (1.88)	34.56 (3)	31.99 (2)	15.13(1)

Source: Finance Accounts

*(Figures in brackets represent percentages). * General Services include interest payments. Grants-in-aid is included in Social and Economic services.*

Expenditure on General Services *(which include interest payments also)* considered as non-developmental expenditure, accounted for 27 *per cent* of the total expenditure in 2007-08 while expenditure on Social and Economic Services accounted for 73 *per cent*. The trends in the relative share of these components indicate only marginal changes in their share in total expenditure during the period 2003-08.

1.5.3 Incidence of Revenue expenditure

Of the total expenditure, predominant share was that of revenue expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in **Table-1.11** below:

Table-1.11

Revenue Expenditure: Basic Parameters

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (*Rupees in crore*)	738.68	842.38	891.44	974.27	1146.87
Non -Plan Revenue Expenditure (NPRE)	492.36	604.36	597.24	637.62	727.08
Plan Revenue Expenditure (PRE)	246.32	238.02	294.20	336.65	419.79
Rate of Growth (*per cent*)					
NPRE	6.78	22.75	(-)1.18	6.76	14.03
PRE	(-)0.69	(-)3.37	23.60	14.43	24.70
NPRE as *per cent* of TE	51.81	50.51	48.27	49.01	46.54
NPRE as *per cent* of RR	54.77	59.76	54.88	52.99	48.55
RE/GSDP	51.67	52.58	48.71	47.07	48.74
RE as percentage of TE	77.73	70.40	72.05	74.89	73.41
RE as percentage of RR	82.17	83.30	81.92	80.97	76.57
Buoyancy of Revenue Expenditure with (*per cent*)					
GSDP	0.33	1.16	0.41	0.71	1.30
Revenue Receipts	-4.01	1.12	0.77	0.88	0.72

Source: Finance Accounts

Overall revenue expenditure of the State increased from Rs. 738.68 crore in 2003-04 to Rs. 1,146.87 crore in 2007-08, showing an increase of 55.26 *per cent* over the period. The non-plan revenue expenditure not only shared a dominant proportion in revenue expenditure (63.40 *per cent*) in 2007-08 but also increased by 14.03 *per cent* (Rs. 89.46 crore) during the year. The increase in NPRE during the year was mainly on account of increase in salaries (Rs. 30.20 crore); expenditure on account of calamity relief (Rs. 22.39 crore); collection of taxes (Rs. 16.02 crore) and on interest payments (Rs. 2.47 crore). The trends and pattern of revenue expenditure vis-à-vis the normative projection made by the TFC for various components of revenue expenditure are given in **Table-1.12**.

Table – 1.12

(Rupees in crore)

Particulars	Assessed by TFC	Actual	Excess (+) / deficit (-)
Interest payments	104.60	117.74	(+) 13.14
Pensions	41.86	50.19	(+) 8.33
Other general services	124.09	201.23	(+) 77.14
Social services	204.48	230.89	(+) 26.41
Economic Services	73.74	127.03	(+) 53.29

Source: Finance Accounts and TFC recommendations

The plan revenue expenditure (PRE) widely fluctuated during 2003-08 and increased by 24.7 *per cent* (Rs. 83.14 crore) in 2007-08 over the previous year. The increase in PRE during 2007-08 was primarily on account of increase under general education (Rs. 14.95 crore); medical and public health (Rs. 9.80 crore); special programmes for rural development (Rs. 6.49 crore); crop husbandry (Rs. 5.30 crore) and other agricultural programmes (Rs. 6.64 crore) etc.

1.5.4 Committed Expenditure

Expenditure on Salaries and Wages

Salaries alone accounted for nearly 32.91 *per cent* of the revenue receipts and 42.98 *per cent* of the revenue expenditure of the State during 2007-08. The expenditure on salaries increased from Rs. 355.97 crore during 2003-04 to Rs. 492.91 crore during 2007-08 registering an increase of 38.47 *per cent* as indicated in **Table-1.13** below:

Table – 1.13
Expenditure on Salaries

(*Rupees in crore*)

Heads	2003-04	2004-05	2005-06	2006-07	2007-08
Salary expenditure Of which,	355.97	347.02	426.04	438.81	492.91
Non-plan heads	237.71	260.34	320.42	332.26	362.46
Plan heads	118.26	86.68	105.62	106.55	130.45
As a percentage of GSDP	24.90	21.66	23.28	21.20	20.95
As a percentage of Revenue Receipts	39.60	34.31	39.15	36.47	32.91
As a percentage of Revenue Expenditure	48.19	41.20	47.79	45.04	42.98

Source: Finance Accounts

Salaries and wages accounted for 20.95 *per cent* of the State's GSDP and 32.91 *per cent* of the revenue receipts during 2007-08. The salary expenditure at Rs. 362.46 crore was 50.35 *per cent* of revenue expenditure net of interest and pension payments, which is significantly higher than the norm of 35 *per cent* recommended by the TFC.

Pension payments

Payment of pension and other retirement benefits increased by 26 *per cent* from Rs. 39.82 crore in 2003-04 to Rs. 50.19 crore in 2007-08 as indicated in **Table-1.14** below:

Table– 1.14
Retirement benefits

(*Rupees in crore*)

Year	Expenditure	Percentage to total RR	Percentage to total GSDP
2003-04	39.82	4.43	2.79
2004-05	30.77	3.04	1.92
2005-06	41.53	3.82	2.27
2006-07	49.24	4.09	2.38
2007-08	50.19	3.35	2.13

Source: Finance Accounts

Payment of pension and other retirement benefits as a percentage of GSDP also decreased marginally from 2.79 in 2003-04 to 2.13 in 2007-08. Pension payments during the current year have increased by Rs. 0.95 crore recording a growth rate of 1.93 *per cent* over the previous year. The Government has introduced a Contributory Pension Scheme for employees recruited on or after April 2006 to mitigate the impact of rising pension liabilities in future.

Interest payments

Interest payments and percentage of interest payment with reference to revenue receipts and revenue expenditure are shown in **Table-1.15** below:

Table-1.15
Interest payments

(Rupees in crore)

Year	Total Revenue Receipts	Interest payments	Percentage of interest payment with reference to	
			Revenue Receipts	Revenue Expenditure
2003-04	898.99	92.50	10.29	12.52
2004-05	1,011.29	99.19	9.81	11.77
2005-06	1,088.20	102.60	9.43	11.51
2006-07	1,203.25	115.27	9.58	11.83
2007-08	1497.71	117.74	7.86	10.27

Source: Finance Accounts

Interest payments increased by 27.29 *per cent* from Rs. 92.50 crore in 2003-04 to Rs. 117.74 crore in 2007-08 primarily due to increase in borrowings. The interest payments of Rs. 117.74 crore in 2007-08 pertained to internal debt (Rs. 70.98 crore), loans received from Central Government (Rs. 23.87 crore) and Small Savings, Provident Fund, etc. (Rs. 22.89 crore). The interest payment during 2007-08 although exceeded the normative projections of TFC (Rs. 104.6 crore) but relative to revenue receipts at 7.86 *per cent* remained well within the norms of 15 *per cent* recommended by the TFC.

Subsidies

The trend in subsidies given by the State Government is shown in **Table- 1.16** below:

Table-1.16
Subsidies

Year	Amount *(Rupees in crore)*	Percentage increase(+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2003-04	7.07	32	0.74
2004-05	8.23	16.41	0.69
2005-06	10.06	22	0.81
2006-07	5.91	(-) 41.25	0.45
2007-08	8.08	36.72	0.52

Source: Finance Accounts

The increase in payment of subsidies as compared to Rs. 5.91 crore in 2006-07 was mainly due to 47 *per cent* increase in the food subsidies (Rs. 2.37 crore) and 5 *per cent* in co-operatives (Rs. 0.03 crore). The major portion of expenditure on subsidies (92.20 *per cent*) was on account of issue of subsidised rice and wheat under public distribution system to the families living below the poverty line followed by assistance to co-operatives (7.80 *per cent*).

1.6 Expenditure by allocative priorities

1.6.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP, better is the quality of expenditure. **Table-1.17** below gives these ratios during 2003-04 to 2007-08.

Table-1.17

Expenditure on Social and Economic Services

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	211.49	353.54	345.73	326.42	415.47
Revenue Expenditure	738.68	842.38	891.44	974.27	1146.87
Of which					
Social and Economic Services with					
(i) Salary & Wage component	248.32	262.18	323.49	332.54	377.18
(ii) Non-Salary & Wage component	240.57	320.68	280.68	327.26	381.63
As *per cent* of Total Expenditure (excluding loans and advances)					
Capital Expenditure	22.26	29.56	27.95	25.10	26.59
Revenue Expenditure	77.74	70.44	72.05	74.90	73.42

Source: Finance Accounts

Revenue expenditure increased consistently during the period 2003-08 and maintained a dominant share hovering around the average of 74 *per cent* in total expenditure during the period. The share of capital expenditure to total expenditure showed fluctuating trend during 2003-08 and ranged between 22.26 *per cent* and 29.56 *per cent* during the period. The salary and non-salary components of revenue expenditure incurred on social and economic services have indicated an increasing trend during the period; however the share of salary and non-salary components of revenue expenditure exhibited relative stability during the period. These trends indicate need for change in allocative priorities for the improvement in the quality of expenditure and to give an impetus to asset formation.

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table-1.18** summarises the expenditure incurred by the State Government in expanding and strengthening the social services in the State during 2003-08.

Table-1.18
Expenditure on Social Services

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Education, Sports, Art and Culture					
Revenue Expenditure	142.67	160.40	198.00	211.58	239.03
Of which					
(a) Salaries & Wage Component	116.81	138.53	171.30	175.33	202.26
(b) Non-salaries & wage component	25.87	21.87	26.70	36.25	36.77
Capital Expenditure	31.48	29.47	24.95	25.24	19.72
Health and Family Welfare					
Revenue Expenditure	38.95	53.55	51.89	54.84	71.01
Of which					
(a) Salaries & Wage Component	27.75	30.35	37.41	39.14	42.72
(b) Non-salaries & wage component	11.20	23.20	14.48	15.70	28.29
Capital Expenditure	3.86	3.41	7.94	1.92	2.50
Water Supply, Sanitation, Housing and Urban Development					
Revenue Expenditure	42.27	42.17	38.13	35.48	41.59
Of which					
(a) Salaries & Wage Component	28.58	7.84	9.20	9.66	9.17
(b) Non-salaries & wage component	13.69	34.33	28.93	25.82	32.42
Capital Expenditure	60.81	96.80	75.95	88.86	106.37
Other Social Services					
Revenue Expenditure	38.96	50.52	49.77	53.91	86.60
Of which					
(a) Salaries & Wage Component	6.62	7.39	8.85	9.78	11.96
(b) Non-salaries & wage component	32.34	43.13	40.92	44.13	74.64
Capital Expenditure	1.29	1.96	0.13	3.30	6.82
Total Social Services					
Revenue Expenditure	262.85	306.64	337.79	355.81	438.23
Of which					
(a) Salaries & Wage Component	179.75	184.11	226.76	233.91	266.10
(b) Non-salaries & wage component	83.10	122.53	111.03	121.90	172.13
Capital Expenditure	97.44	131.64	108.97	119.32	135.41

Source: Finance Accounts and departmental figures

Out of the development expenditure (revenue and capital expenditure on Social and Economic Services) of Rs. 1,135 crore during 2007-08, Social Services accounted for about 50.54 *per cent* (Rs. 573.64 crore). Expenditure on Education, Sports, Art & Culture, Health & Family Welfare, Water Security & Sanitation and Urban Development & Housing constituted about Rs. 480.22 crore (83.71 *per cent*) of expenditure on Social Sector.

The trends in revenue and capital expenditure on Social Services during 2003-08 revealed that the share of capital expenditure drifted between 24 to 30 *per cent* which indicated that the revenue expenditure was dominant. Of the revenue expenditure, the share of salary and wage component has decreased from 65.74 *per cent* in 2006-07 to 60.72 *per cent* in 2007-08 implying increase in expenditure on non-salary component including their maintenance, which might result in an improvement in the quality of social sector services. The non-salary and wage expenditure on social services has increased by 41.20 *per cent* (Rs. 50.23 crore) from Rs. 121.90 crore in 2006-07 to Rs. 172.13 crore in 2007-08.

Recognising the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under education and health and family welfare should increase only by five to six *per cent* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during the award period. The trends in non-plan expenditure reveal that the salary and wage component under education sector (excluding Sports, Art & Culture) increased by 9.81 *per cen*t (from Rs. 120.90 crore to Rs. 132.76 crore) over 2006-2007 while non-salary and wage component increased by 22.92 *per cent* from Rs. 0.48 crore to Rs. 0.59 crore. Similarly, under Health and Family Welfare sector, the salary and wage component increased by 9.02 *per cent* i.e., from Rs. 24.39 crore to Rs. 26.59 crore while non-salary and wage component increased only by 52.55 *per cent* i.e. from Rs. 7.06 crore to Rs. 10.77 crore.

Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure which is applied, directly or indirectly, to promote productive capacity within the State's economy.

Table-1.19
Expenditure on Economic Services

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture, Allied Activities					
Revenue Expenditure	69.49	86.70	100.52	111.03	134.45
Of which					
(a) Salaries & Wage Component	33.21	40.30	44.75	44.12	49.28
(b) Non-salaries & wage component	36.27	46.40	55.77	66.91	85.17
Capital Expenditure	1.72	3.94	5.11	5.77	7.16
Irrigation and Flood Control					
Revenue Expenditure	13.56	6.76	8.56	15.50	13.52
Of which					
(a) Salaries & Wage Component	2.30	2.50	2.49	2.36	2.63
(b) Non-salaries & wage component	11.26	4.26	6.07	13.14	10.89
Capital Expenditure	1.64	2.45	1.95	2.47	2.82
Power and Energy					
Revenue Expenditure	36.35	92.20	41.89	38.19	38.09
Of which					
(a) Salaries & Wage Component	12.60	14.52	17.41	17.43	18.02
(b) Non-salaries & wage component	23.75	77.68	24.48	20.76	20.07
Capital Expenditure	43.78	99.58	88.02	38.16	47.52
Transport					
Revenue Expenditure	41.68	51.73	42.72	50.01	55.20
Of which					
(a) Salaries & Wage Component	13.79	14.05	18.29	18.29	21.30
(b) Non-salaries & wage component	27.89	37.68	24.43	31.72	33.90
Capital Expenditure	40.36	71.74	71.47	62.32	84.69
Total Economic Services					
Revenue Expenditure	229.03	276.23	266.39	283.63	320.58
Of which					
(a) Salaries & Wage Component	71.56	78.07	96.73	78.27	111.08
(b) Non-salaries & wage component	157.47	198.15	169.65	205.36	209.50
Capital Expenditure	101.28	205.41	219.38	186.05	240.78

Source: Finance Accounts and departmental figures

The expenditure on Economic Services (Rs. 561.36 crore) accounted for 35.93 *per cent* of the total expenditure and 49.46 *per cent* of development expenditure (**Table-1.19**) during 2007-08. Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 68.31 *per cent* of the expenditure.

The trends in revenue and capital expenditure on economic services indicate that capital expenditure increased from Rs. 101.28 crore in 2003-04 to Rs. 240.78 crore (137.74 *per cent*) in 2007-08. Revenue expenditure also increased from Rs. 229.03 crore in 2003-04 to Rs. 320.58 crore (40 *per cent*) in the current year. Within the revenue expenditure, salary and wage component ranged between 22 and 36 *per cent* of the total revenue expenditure during 2003-08. It increased from Rs. 71.56 crore in 2003-04 to Rs. 111.08 crore (55.22 *per cent*) during the current year. The non-salary and wage component also increased from Rs. 157.47 crore in 2003-04 to Rs. 209.50 crore (33.04 *per cent*) indicating change in allocative priorities of the State Government.

1.6.3 Financial Assistance to Local Bodies and other Institutions

The quantum of assistance provided by way of grants to different local bodies, cooperative societies etc, during the five year period 2003-08 is given in **Table-1.20** below:

Table- 1.20
Financial Assistance

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Zilla Parishads and other Panchayati Raj Institutions	24.05	6.91	21.77	24.96	24.13
Cooperative Societies	0.34	2.65	0.96	1.12	1.36
Universities and Educational Institutions	0.97	1.35	1.05	0.93	0.81
Others (including State Housing Corporation)	11.78	11.64	10.78	4.97	0.44
Total	**37.14**	**22.55**	**34.56**	**31.98**	**26.74**
Percentage of increase (+)/decrease (-) over previous year	376.15	(-)39.28	53.25	(-) 7.47	(-)16.39
Assistance as a percentage of revenue expenditure	5.02	2.68	3.88	3.28	2.33

The total assistance at the end of 2007-08 had decreased by 28 *per cent* over the year 2003-04 primarily owing to decrease in allocation to State Housing Corporation by the State Government. The assistance to local bodies as a percentage of total revenue expenditure decreased from 5.03 *per cent* in 2003-04 to 2.33 *per cent* in 2007-08.

1.6.4 Abstract of performance of autonomous bodies

The Audit of accounts of 23 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The position of finalisation of accounts and audit of autonomous bodies is indicated in **Appendix-1.6.**

1.7 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land, buildings etc, owned by Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. **Appendix-1.2** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the GOI and receipts from the Public Account and Reserve Funds, assets comprise mainly of capital outlay, loans and advances given by the State Government and cash balances. **Appendix-1.2** shows that while the liabilities grew by 20.70 *per cent,* assets increased by 19.83 *per cent.* Liabilities had full back up of assets as defined. The liabilities of Government of Sikkim depicted in the Finance Accounts, however, do not include pension and other retirement benefits payable to retired State employees. Abstract of receipts and disbursements for the year 2007-08, Sources and Applications of funds and the Time Series Data on State Government Finances for the period 2003-08 are given in **Appendices- 1.3, 1.4 and 1.5** respectively.

1.7.1 Incomplete projects

As of March 2008, there were 61 incomplete projects in which Rs. 285.97 crore was blocked as given in **Table-1.21.**

Table-1.21

(Rupees in crore)

Department	Number of incomplete Projects	Initial budgeted cost	Revised total cost of Project	Actual Expenditure *(As on 31 March 2008)*	Cost overrun
Human Resources Development Department	24	17.36	17.36	10.42	00
Building & Housing Department	11	41.57	43.98	20.17	2.42
Energy and Power Department	12	239.05	395.89	252.61	156.84
Roads & Bridges	9	10.08	10.08	2.17	00
Health Care, Human Services & Family Welfare	5	5.65	5.65	0.60	00
Total	**61**	**313.71**	**472.96**	**285.97**	**159.26**

Source: Information furnished by respective departments to A&E office

There was a cost overrun of Rs. 159.26 crore in case of 11 incomplete projects under Energy and Power Department (9 projects) and Building & Housing Department (2 projects). Further, there was time over run ranging from one month to four and a half years.

1.7.2 Departmental Commercial Undertakings

Activities of quasi-commercial nature are performed by certain Government / Departmental Undertakings. These undertakings are required to prepare Proforma Accounts annually in prescribed formats showing the results of financial operations, so that Government can assess their functioning. The

Heads of Departments in Government are to ensure that undertakings funded by budgetary releases prepare the accounts in time and submit them to Accountant General for Audit.

As of 31 March 2008, there were two departmentally managed commercial and quasi-commercial undertakings under the control of Government of Sikkim. However, the preparation of proforma Accounts of one unit was in arrears for two years as follows:

Table -1.22

	Proforma Accounts received upto	Proforma Accounts due
Temi Tea Board	2005-06	2006-07 2007-08
Government Fruit Preservation Factory	2006-07	2007-08

1.7.3 Investments and returns

As on 31 March 2008, Government had invested Rs. 83.41 crore in its Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Societies. Government's return on this investment was around one *per cent* as against the average interest rate of 8.99 *per cent* being paid by the Government on its borrowings during the period 2004-08.

Table -1.23
Return on Investment

	2004-05	2005-06	2006-07	2007-08	Average
Investment (*Rupees in crore*)	77.46	82.48	83.40	83.41	81.69
Return (*Rupees in crore*)	0.92	1.14	0.76	0.68	0.87
Percentage of return	1.19	1.38	0.91	0.82	1.07
Average interest rate paid by Government	9.29	9.10	8.74	8.83	8.99
Difference between interest rate and return	8.10	7.72	7.83	8.01	7.92
Implicit subsidy (*Rupees in crore*)	6.27	6.37	6.53	6.68	6.47

As on 31 March 2008, Government invested in three Statutory Corporations viz SBS, SMC, STCS (Rs. 7.76 crore), 13 Companies viz SITCO, SIDICO, STDC, SJL etc. (Rs. 59.65 crore); multipurpose Co-operative Societies (Rs. 2.16 crore) and in private enterprises like Sikkim Distilleries, Star Cinema and Banks like SISCO, SBI etc. (Rs. 13.84 crore). The return on these investments were however negligible as most of the statutory corporations/companies and/or cooperative societies were incurring losses. For example, a Statutory Corporation *viz.* Sikkim Mining Corporation which finalised its accounts for 2006-07 indicated a loss of Rs. 2.17 crore during the year and had accumulated losses aggregating Rs. 11.88 crore wiping of 79 *per cent* of its paid up capital of Rs. 15.02 crore. Further, out of the seven loss incurring working Government Companies, Sikkim Hatcheries Limited, which had finalised its accounts for 2006-07, had accumulated losses aggregating Rs. 138.02 lakh, which exceeded its paid-up capital of Rs. 45.83 lakh.

1.7.4 Loans and advances by State Government

In addition to investments in Co-operatives, Corporations and Companies, Government has also been providing support in terms of loans and advances to many of these bodies. Total outstanding balance as on 31 March 2008 was Rs. 5.12 crore. Interest on these loans and advances was not received in any of the years 2003-08 (**Table-1.24**).

Table-1.24

Average interest received on loans advanced by the State Government

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	6.28	5.30	6.22	6.08	5.50
Amount advanced during the year	0.10	0.68	--	0.20	--
Amount repaid during the year	1.08	(-) 0.24	0.14	0.78	0.38
Closing Balance	5.30	6.22	6.08	5.50	5.12
Net addition	**(-) 0.98**	**0.92**	**(-) 0.14**	**(-) 0.58**	**(-)0.38**
Interest Received	Nil	Nil	Nil	Nil	Nil
Interest Received as percentage to Loans advanced	Nil	Nil	Nil	Nil	Nil
Average interest paid by the State (*per cent*)	10.32	9.29	9.10	8.74	8.83
Difference between average interest paid and interest received (*per cent*)	10.32	9.29	9.10	8.74	8.83
Implicit subsidy	0.65	0.49	0.57	0.53	0.49

Interest received was "nil" during 2003-08 primarily because the statutory corporations/ Government companies/ Co-operative Societies had failed to pay the interest on Government loans. Considering the scenario, it is unlikely that the State will achieve the targeted rate of growth of 7 *per cent* in interest receipts by the terminal year (2009-10) on outstanding loans and advances as recommended by the TFC.

1.8 Undischarged liabilities

1.8.1 Fiscal liabilities - Public debt and Guarantees

There are two sets of liabilities, namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund - Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by an Act of its Legislature and give guarantees within such limits as may be fixed. However, no such law has been passed by the State to lay down any such limit. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits. **Table-1.25** below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table-1.25
Fiscal Liabilities - Basic Parameters

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities (*Rupees in crore*)	966.45	1,107.07	1,350.87	1,483.99	1,795.82
Rate of Growth (*per cent*)	11.38	14.55	22.02	9.85	21.01
Ratio of Fiscal Liabilities to					
GSDP(*per cent*)	67.60	69.10	73.82	71.69	76.32
Revenue Receipts (*per cent*)	107.51	109.47	124.14	123.75	119.90
Own Resources (*per cent*)	475.99	484.90	517.24	430.23	438.13
Buoyancy of Fiscal Liabilities to					
GSDP(ratio)	0.94	1.21	1.55	0.75	1.54
Revenue Receipts(ratio)	*	1.16	2.89	0.93	0.86
Own resources (ratio)	(-)0.21	1.17	1.53	0.31	1.12

* *Not shown as it is negative*

Overall fiscal liabilities of the State increased from Rs. 966.45 crore in 2003-04 to Rs. 1,795.82 crore in 2007-08 at an average growth rate of 15.76 *per cent* during 2003-08. Fiscal liabilities at the close of 2007-08 included internal debt of the State Government (Rs. 908.86 crore), loans and advances from the GOI (Rs. 315.82 crore), small savings, provident fund (Rs. 335.12 crore) and other obligations (Rs. 236.02 crore). The ratio of these liabilities to GSDP increased from 67.60 *per cent* in 2003-04 to 76.32 *per cent* in 2007-08. The buoyancy of these liabilities with respect to GSDP during the year was 1.54 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.54 *per cent.* As of March 2008, sinking fund balances stood at Rs. 90.36 crore which were invested as a fixed deposit in a nationalised bank.

1.8.2 Status of guarantees – contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. Position of guarantees during the last five years was as under:

Table-1.26

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding guarantees	Tax revenue receipts of second preceding year
2003-04	Nil	86.10	Not applicable
2004-05	88.10	82.47	105.53 (2002-03)
2005-06	84.47	84.47	108.00 (2003-04)
2006-07	84.47	84.40	116.95 (2004-05)
2007-08	84.40	75.00	147.23 (2005-06)

Government has guaranteed loans raised by various Corporations and others. At the end of 2007-08 outstanding guarantees stood at Rs. 75 crore. The State Government passed the Sikkim Ceiling on Government Guarantees Act 2000 in December 2000 in terms of which, the total outstanding Government guarantees on the first of April of any year shall not exceed thrice the State's tax revenue receipts of the second preceding year. The outstanding guarantees amounting to Rs. 75 crore given by the Government as of 31 March 2008 were within the ceiling limit prescribed under the Act.

1.8.3 Debt sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of debt/GSDP ratio.

1.8.4 Debt stabilisation

A necessary condition for stability is that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate–interest rate) and quantum spread (Debt x rate spread), debt sustainability condition requires that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilisation are indicated in **Table 1.27** below giving the average Interest Rate, GSDP growth, Interest spread, and Primary deficit/surplus over the last five years.

Table-1.27
Debt sustainability

Interest rate and GSDP growth *(in per cent)*

	2003-04	2004-05	2005-06	2006-07	2007-08
Outstanding Debt *(Rs. in crore)*	867.68	966.45	1,107.07	1,350.87	1,483.99
Average Interest Rate paid by the Government	10.32	9.29	9.10	8.74	8.83
GSDP Growth	12.05	12.06	14.22	13.11	13.67
Interest spread	1.73	2.77	5.12	4.37	4.84
Quantum Spread *(Rs. in crore)*	15.01	26.77	56.68	59.03	71.82
Primary Surplus (+)/Deficit (-) *(Rs. in crore)*	(+) 42.24	(-) 86.36	(-) 46.23	(+) 18.42	(+)53.49

Table-1.27 reveals that except in 2004-05, primary surplus together with quantum spread remained positive during the period 2003-08. Prevalence of primary deficit thereafter in 2004-05 and 2005-06 led to a sharp increase in fiscal liabilities to GSDP ratio to 69 *per cent* in 2004-05 and further to 74 *per cent* in 2005-06. The ratio however declined marginally in 2006-07 and further increased sharply to 76 *per cent* in 2007-08 despite the positive quantum spread together with primary surplus during the year. The increase seems to be on account of increase in fiscal liabilities of the State unrelated to the fiscal deficit or the borrowing needs of the State during the year.

1.8.5 Incremental non-debt receipts and expenditure

Another indicator of debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. **Table 1.28** indicates the resource gap as defined for the period 2003-08

Table- 1.28

Incremental revenue and expenditure

(Rupees in crore)

Year	Incremental				Resource Gap
	Non-debt receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2003-04	(-) 9.31	29.12	2.97	32.09	(-) 41.40
2004-05	111.04	239.64	6.69	246.33	(-) 135.29
2005-06	77.29	37.16	3.41	40.57	(+) 36.72
2006-07	115.69	51.05	12.67	63.72	(+) 51.97
2007-08	294.06	258.98	2.47	261.45	(+) 32.61

The resource gap was negative both relative to primary expenditure as well as the total expenditure successively in 2003-04 and 2004-05 indicating deteriorating debt position. However, the gap was positive thereafter in 2005-06 to 2007-08 reflecting improvement in the ability of the State to sustain the debt since 2005-06.

1.8.6 Net availability of funds

Debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payment) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e., they are (a) not being used for financing revenue expenditure and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.29 gives the position of receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table -1.29

Net availability of borrowed funds

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Internal debt					
Receipts	75.96	110.32	122.07	132.22	274.08
Repayment (Principal + Interest)	59.96	88.69	65.56	79.23	111.88
Net Funds Available	16.00	21.63	56.51	52.99	162.20
Net Funds Available (*per cent*)	21.07	19.61	46.29	40.08	59.18
Loans and advances from GOI					
Receipts	61.06	82.67	22.99	10.52	5.56
Repayment (Principal + Interest)	97.83	72.73	49.11	52.57	38.53
Net Funds Available	(-)36.77	9.93	(-) 26.12	(-) 42.05	(-)32.97
Net Funds Available (*per cent*)	-	12.01	--	--	--
Other obligations					
Receipts	65.09	69.79	73.81	80.03	84.23
Repayment (Principal + Interest)	86.12	98.76	81.15	86.27	93.14
Net Funds Available	(-)21.03	(-) 28.97	(-)7.34	(-)6.24	(-8.91)
Net Funds Available (*per cent*)	-	-	-	--	--
Total liabilities					
Receipts	202.11	262.77	218.87	222.77	363.87
Repayment (Principal + Interest)	243.91	260.18	195.82	218.07	243.55
Net Funds Available	(-)41.80	2.59	23.05	4.70	120.32
Net Funds Available (*per cent*)	-	0.99	10.53	2.11	33.07

The debt redemption ratio remained less than unity during the period 2003-08 except during the year 2003-04. It was observed that debt repayments including debt service obligations were more than the debt receipts both with regard to loans and advances from GOI as well as under the head 'other obligations' during the period 2003-08 except in the year 2004-05 when receipts of GOI loans were slightly higher than the repayments. The debt redemption ratio being increasingly less than one under internal debt implies increasing availability of borrowed funds for application in other development purposes.

1.9 Management of deficits

1.9.1 Trends in deficits

The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in **Table 1.30**.

Table-1.30

Fiscal Imbalances–Basic Parameters (Values in crore of rupees and ratios in *per cent*)

(Values in crore of rupees and ratios in per cent)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Surplus	160.25	168.91	196.76	228.98	350.84
Fiscal Deficit	(-)50.26	(-) 185.55	(-) 148.83	(-) 96.86	(-)64.25
Primary Deficit (-)/ Surplus (+)	(+) 42.24	(-) 86.36	(-) 46.23	(+) 18.41	(+)53.49
FD/GSDP	(-) 3.52	(-) 11.58	(-) 8.13	(-) 4.68	(-)2.73
PD/GSDP	(+) 2.95	(-) 5.39	(-) 2.53	(+) 0.89	(+)2.27

(*Negative figures indicate deficit*)

The revenue account of the State had exhibited consistent improvement during the period 2003-08 as the State had not only maintained revenue surplus but its surplus position has improved during the last five years. An increase of Rs. 121.86 crore in revenue surplus during the current year was mainly on account of enhancement in revenue receipts by Rs. 294.46 crore as against the increase of Rs. 172.60 crore in revenue expenditure over the previous year. This improvement in revenue account during 2007-08 was mainly on account of steep increase of Rs. 229.51 crore in Central transfers comprising of State's share in Central taxes and duties and grants-in-aid from GOI which contributed around 78 *per cent* of incremental receipts during the year.

Huge revenue surplus in 2007-08 accompanied by moderate increase in capital expenditure (Rs. 89.05 crore) in 2007-08 together with disbursement of loans and advances led to a decline of Rs. 32.61 crore in fiscal deficit during 2007-08. A decline in fiscal deficit accompanied by an increase in interest payment resulted in primary surplus of Rs. 53.49 crore against the primary surplus of Rs. 18.41 crore in 2006-07.

1.9.2 Quality of deficit/ surplus

The ratio of RD and FD and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. During the entire five year period, the State had a revenue surplus.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2003-08 reveals **(Table 1.31)** that the non-debt receipts were enough to meet the requirements of primary revenue expenditure and some receipts were left to meet the capital expenditure. These were, however, not enough during 2004-05 and 2005-06 as substantial capital expenditure was incurred by the State Government during these two years relative to other years except 2007-08. This indicates the extent to which primary deficit has been on account of enhancement of capital expenditure which to some extent may be desirable to improve productive capacity of the State's economy.

Table 1.31

Primary deficit / surplus – bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts[7]	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure[8] (3+4+5)	(NDR vis-à-vis Primary RE)[9] (2–3)	Primary deficit (-) /surplus (+) (2–6)
1	2	3	4	5	6	7	8
2003-04	900.01	646.18	211.49	0.10	857.77	(+) 253.83	(+) 42.24
2004-05	1011.05	743.19	353.54	0.68	1097.41	(+) 267.86	(-) 86.36
2005-06	1088.34	788.84	345.73	0.00	1134.57	(+) 299.50	(-) 46.23
2006-07	1204.03	859.00	326.42	0.20	1185.62	(+) 345.03	(+) 18.41
2007-08	1498.09	1029.13	415.47	0.00	1444.60	(+)468.96	(+)53.49

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-1.32** below presents a summarised position of Government finances over 2003-08, with reference to certain key indicators that help in assessing the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important features.

[7] *Includes Revenue receipts & recovery of loans and advances.*
[8] *Total expenditure net of interest payments.*
[9] *Fiscal deficit net of interest payments.*

Table -1.32

Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2003-04	2004-05	2005-06	2006-07	2007-08
I. Resource Mobilisation					
Revenue Receipts/GSDP	62.88	63.12	59.46	58.13	63.65
Revenue Buoyancy	*	1.04	0.54	0.81	1.79
Own tax/ GSDP	7.55	7.30	8.05	8.36	8.41
II Expenditure Management					
Total Expenditure/GSDP	66.46	74.69	67.60	62.84	66.40
Total Expenditure/Revenue Receipts	105.70	118.26	113.69	108.10	104.32
Revenue Expenditure/Total Expenditure	77.73	70.40	72.05	74.89	73.41
Salary Expenditure on Social and Economic Services/RE	33.62	31.12	36.29	34.13	32.89
Non-Salary Expenditure on Social and Economic Services/RE	32.57	38.07	31.49	33.59	33.28
Capital Expenditure/Total Expenditure	22.26	29.56	27.95	25.10	26.59
Capital expenditure on Social and Economic Services/Total Expenditure	20.91	28.17	26.54	23.48	26.59
Buoyancy of TE with RR	0.94	2.07	0.45	0.49	0.82
Buoyancy of RE with RR	(-)4.01	1.12	0.77	0.88	0.72
III. Management of Fiscal Imbalances					
Revenue Surplus (*Rupees in crore*)	160.25	168.91	196.76	228.98	350.84
Fiscal Deficit (*Rupees in crore*)	(-)50.26	(-)185.55	(-)148.83	(-)96.86	(-)64.25
Primary Deficit (-)/Surplus (+) (*Rupees in crore*)	(+)42.24	(-) 86.36	(-)46.23	(+)18.41	(+)53.49
Revenue Deficit/ Fiscal Deficit	$	$	$	$	$
IV. Management of Fiscal Liabilities (FL)					
Fiscal Liabilities/GSDP	67.60	69.10	73.82	71.69	76.32
Fiscal Liabilities/RR	107.51	109.47	124.14	123.75	119.90
Buoyancy of FL with RR	0.54	(-)14.50	2.90	0.93	0.86
Buoyancy of FL with OR^	(-)0.21	0.07	1.53	0.31	1.12
Primary déficit *vis-à-vis* quantum spread (Rs. in crore)	57.25	(-) 59.59	10.45	77.44	125.31
Net Funds Available	-	0.99	10.53	2.11	33.07
V. Other Fiscal Health Indicators					
Return on Investment	0.98	1.19	1.38	0.91	0.82
BCR (*Rupees in crore*)	(-) 15.64	(-) 101.78	15.77	6.08	126.66
Financial Assets/ Liabilities (Ratio)	1.97	1.13	2.01	2.07	2.08

* *Rate of growth of Revenue Receipts was negative. $ State had a revenue surplus in all these years. ^OR = Own Resources (State's Own Tax + Non-tax Revenue)*

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of resources to State. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP remained quite high in the State mainly on account of large transfers from GOI and relatively low levels of GSDP. The ratio during the current year at 63.65 *per cent* was however lower by 5.52 percentage points over the previous year. The ratio of own taxes to GSDP indicated an improvement during 2003-08 and the ratio at 8.41 turned out to be more than the budget estimate indicating the enhanced tax efforts of the State Government in mobilisation of own resources.

Various ratios concerning expenditure indicate the quality of expenditure and sustainability in relation to resources. The revenue expenditure as a percentage to total expenditure remained over 70 *per cent* during 2003-08, indicating its dominant share in the total expenditure of the State leaving very little for capital formation or asset creation. The higher buoyancy ratio of revenue expenditure as compared to that of total expenditure with respect to revenue receipts during recent years also indicates the propensity of the State Government to incur more revenue expenditure relative to capital expenditure. The reliance on revenue receipts to finance the total expenditure reflected a decreasing trend during the period 2003-08 but also indicated that the dependence on borrowed funds still continued resulting in increasing fiscal liabilities. This is also reflected in the ratio of financial liabilities to revenue receipts which continued to exceed 100 *per cent,* although indicated a declining trend since 2004-05. Increasing proportion of plan expenditure and capital expenditure in the total expenditure also indicates improvement in both developmental and quality of expenditure.

Revenue surplus consistently improved during the last three years and increased by Rs. 121.86 crore during the current year as a result of which, the fiscal deficit declined by Rs. 32.61 crore. The positive Balance from Current Revenue and financial assets to liabilities ratio being greater than one indicates favourable trends which need to be sustained in the medium to long run.

1.11 Conclusion

The fiscal position of the State viewed in terms of key fiscal parameters showed a significant improvement in 2007-08 relative to the previous year. This improvement was mainly on account of steep increase of Rs. 229.51 crore in Central transfers comprising State's share in Central taxes and duties and grants-in-aid from GOI, which contributed around 78 *per cent* of the incremental receipts during the year. The expenditure pattern of the State reveals that the revenue expenditure as a percentage to total expenditure indicated a declining trend but constituted 73.41 *per cent* of the total expenditure during 2007-08. The NPRE component at Rs. 727 crore during 2007-08 was significantly higher than the normative projection of TFC at Rs 549 crore for the year. Moreover, within the NPRE three components i.e. salary expenditure, pension payments, and interest payments constituted 73 *per cent* during 2007-08. These trends in expenditure indicate the need for changing allocative priorities. The continued prevalence of fiscal deficit in the Finance Accounts of the State indicates increasing reliance on borrowed funds resulting in increasing fiscal liabilities of the State over this period. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate recovery of cost on loans and advances continue to be cause for concern affecting the fiscal position of the State. The State Government needs to initiate suitable measures to contain the NPRE and to mobilise additional resources through both tax and non tax sources in the ensuing years.

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

CHAPTER – II
ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually, indicate capital and revenue expenditure on various specified services vis-a-vis those authorised by the Appropriation Act in respect of charged as well as voted items of the budget.

Audit of Appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2007-08 against 44 Grants/ Appropriations (42 Grants and 2 Appropriations) is indicated in **Table- 2.1.**

Table-2.1

(*Rs. in crore*)

Details of Expenditure		Original Grant / Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess(+)
Voted	I. Revenue	2,252.98	87.98	2,340.96	2,232.99	(-)107.97
	II. Capital	637.12	64.24	701.36	415.48	(-) 285.88
	III. Loans and Advances	0.25	Nil	0.25	Nil	(-) 0.25
Total Voted		**2,890.35**	**152.22**	**3,042.57**	**2,648.47**	**(-) 394.10**
Charged	IV. Revenue	150.36	0.24	150.60	138.52	(-)12.08
	V. Capital	Nil	Nil	Nil	Nil	Nil
	VI. Public Debt	53.52	2.05	55.57	55.57	0.00
Total Charged		**203.88**	**2.29**	**206.17**	**194.09**	**(-)12.08**
Appropriation to Contingency Fund (if any)	Nil	-	-	-	-	
Grand Total		**3,094.23**	**154.51**	**3,248.74**	**2,842.56**	**(-)406.18**

Source: Appropriation Accounts

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by allocative priorities

Out of overall savings of Rs. 406.18 crore, major savings of Rs. 309.63 crore (76 *per cent*) occurred under eight Grants, as mentioned below:

Table-2.2

(Rupees in crore)

Grant No./Name	Section	Grant			Actual Expenditure	Saving
		Original	Supplementary	Total		
29 Development, Planning, Economic Reforms and North Eastern Council Affairs	Revenue	26.95	0.73	27.68	7.73	19.95
31 Energy and Power	Capital	133.92	3.16	137.08	38.86	98.22
33 Water Security and Public Health Engineering	Capital	52.81	0.75	53.56	30.65	22.91
34 Roads	Capital	147.67	3.78	151.45	63.08	88.37
35 Rural Management and Development	Capital	127.14	5.35	132.49	109.56	22.93
38 Social Justice, Empowerment and Welfare	Revenue	87.45	5.21	92.66	67.03	25.63
40 Tourism	Capital	35.86	15.29	51.15	31.83	19.32
41 Urban Development and Housing	Capital	18.90	1.00	19.90	7.60	12.30
Total		**630.70**	**35.27**	**665.97**	**356.34**	**309.63**

Source: Appropriation Accounts

Reasons for savings in each of the grants are given in **Appendix-2.1**

Areas in which major savings occurred in these eight grants are given in **Appendix-2.1A**

2.3.2 Excess requiring regularisation

Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant/ Appropriation regularised by the State Legislature. The year-wise position of excesses yet to be regularised is indicated in **Table 2.3** below:

Table-2.3

(Rupees in crore)

Year	No. of Grants/ Appropriations	Grant/ Appropriation	Amount of excess	Amount for which explanations not furnished to PAC
2002-03	09	5,10,12,14,19,20,23,30,38	2.75	2.75
2003-04	06	2,15,20,23,31,32	1.21	1.21
2004-05	05	2,10,23,24 and Governor	24.82	24.82
2005-06	09	2,3,7,10,14,23,24, Governor and Public Service Commission	10.96	10.96
2006-07	06	15,27,30,35,37 and Public Service Commission	2.64	2.64
Total	**35**		**42.38**	**42.38**

Source: Appropriation Accounts

Excess over provision during 2007-08 requiring regularisation

There was an excess of Rs. 0.38 crore in three Grants during 2007-08 requiring regularisation under Article 205 of the Constitution of India.

Table-2.4

(Rupees in thousand)

Grant No.	Description of the Grant/ Appropriation	Section	Total Grant/ Appropriations	Actual Expenditure	Amount in Excess
. Voted					
16	Commerce and Industries	Capital	25,616	25,999	383
24	Legislature	Revenue	47,822	47,864	42
37	Sikkim Nationalised Transport	Revenue	180,592	183,997	3,405
Total			**25,4030**	**257,860**	**3,830**

Source: Appropriation Accounts

2.3.3 Supplementary provision

Supplementary provisions (Rs. 154.51 crore) made during the year constituted 4.99 *per cent* of the original provision (Rs. 3,094.23 crore) as against 8.78 *per cent* in the previous year.

2.3.4 Unnecessary /inadequate supplementary provisions

Supplementary provision of Rs. 42.62 crore made in 20 cases during the year proved unnecessary in view of aggregate savings of Rs. 342.77 crore as detailed in **Appendix-2.2.**

In 13 cases, against the additional requirement of Rs. 50.59 crore, supplementary grants of Rs. 81.18 crore were obtained, resulting in savings in each case exceeding Rs. 10 lakh, aggregating Rs. 30.59 crore. Details of these cases are given in **Appendix-2.3.**

In one case, supplementary provision of Rs. 1.70 crore proved insufficient leaving an uncovered excess expenditure of Rs. 0.04 crore. Details of this case is given in **Appendix-2.4.**

2.3.5 Persistent savings

Persistent savings of 10 *per cent* and above were noticed in three grants during the last three years, as detailed in **Appendix-2.5.**

2.3.6 Anticipated savings not surrendered

According to the rules framed by the Government, the spending departments are required to surrender the grants/appropriations, or portion thereof, to the Finance Department as and when savings are anticipated at the close of the year. Unutilised funds amounting to Rs.0.93 crore in six major cases, however, were not surrendered during the year as detailed below:

Table-2.5

(Rupees in lakh)

Grant No.	Name of Department	Section	Savings
11	Food, Civil Supplies and Consumer Affairs	Capital	1.29
21	Labour	Revenue	30.79
23	Law	Revenue	1.57
29	Development Planning, Economic Reforms and North Eastern Council Affairs	Capital	48.03
37	Sikkim Nationalised Transport	Capital	4.23
Appropriation	Public Service Commission	Revenue	7.06
	Total		**92.97**

Source: Appropriation Accounts

2.3.7 Injudicious/ unnecessary re-appropriation

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

Scrutiny of re-appropriation orders revealed non-observance of the rules resulting in incorrect re-appropriation. Some important instances are given in **Appendix-2.6.**

CHAPTER-III

PERFORMANCE REVIEWS
(CIVIL DEPARTMENTS)

CHAPTER-III
PERFORMANCE REVIEWS

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

3.1 ACCELERATED RURAL WATER SUPPLY PROGRAMME

The Accelerated Rural Water Supply Programme (ARWSP) aims at providing adequate and safe drinking water to the rural population. Performance review of implementation of the scheme during the period 2003-08 revealed that the Department did not have reliable data relating to the status of the habitations and the details of the schemes planned/executed for the supply of water to rural populace.

Highlights:

The Departmental figures relating to the habitations and their coverage varied in the Annual Action Plans, Monthly Progress Reports and those furnished to audit raising doubts about the authenticity of the data.

(Paragraph 3.1.9.1)

The Department spent Rs. 33.53 crore on water supply schemes during the year 2004-05 although not a single scheme was sanctioned during the year. Hence, the Department's claim of covering/upgrading 797 PC habitations to FC status is questionable.

(Paragraph 3.1.9.1)

Three out of 84 habitations physically verified, were not getting any water supply even during the peak season due to drying up of the sources. This, combined with the fact that 1,053 habitations were shown as slip back habitations by the Department in 2005, makes the claim of the Department regarding zero NC habitations questionable.

(Paragraphs 3.1.9.9)

The quality of water was never tested and treatment of water was not done during the period under review.

(Paragraph 3.1.9.10)

3.1.1 Introduction

The GOI introduced ARWSP in 1972-73 to assist the States and Union Territories with 100 *per cent* grants-in-aid to provide adequate and safe drinking water to problem villages. With the introduction of the Minimum Needs Programme (MNP) in 1974-75, the GOI withdrew the programme and reintroduced it in 1977-78, when the progress of supply of safe drinking water to the identified problem villages under the MNP was found unsatisfactory. The Government of Sikkim has been implementing the programme since its reintroduction at national level in 1977-78. To ensure maximum inflow of scientific and technical inputs into the rural water supply sector, and to deal with the quality problems of drinking water, the GOI launched the National

Drinking Water Mission (NDWM) in 1986, which was renamed as Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991 and continued till 1998-99.The Mission was revamped and included ARWSP, Sub-Missions and Sector Reform Programme from April 1999.

The objectives of ARWSP are as under:

- To ensure coverage of all rural habitations with access to safe drinking water;
- To ensure sustainability of drinking water systems and sources;
- To tackle the problem of water quality in affected habitations;
- To institutionalise the reform initiative in the rural drinking water supply sector.

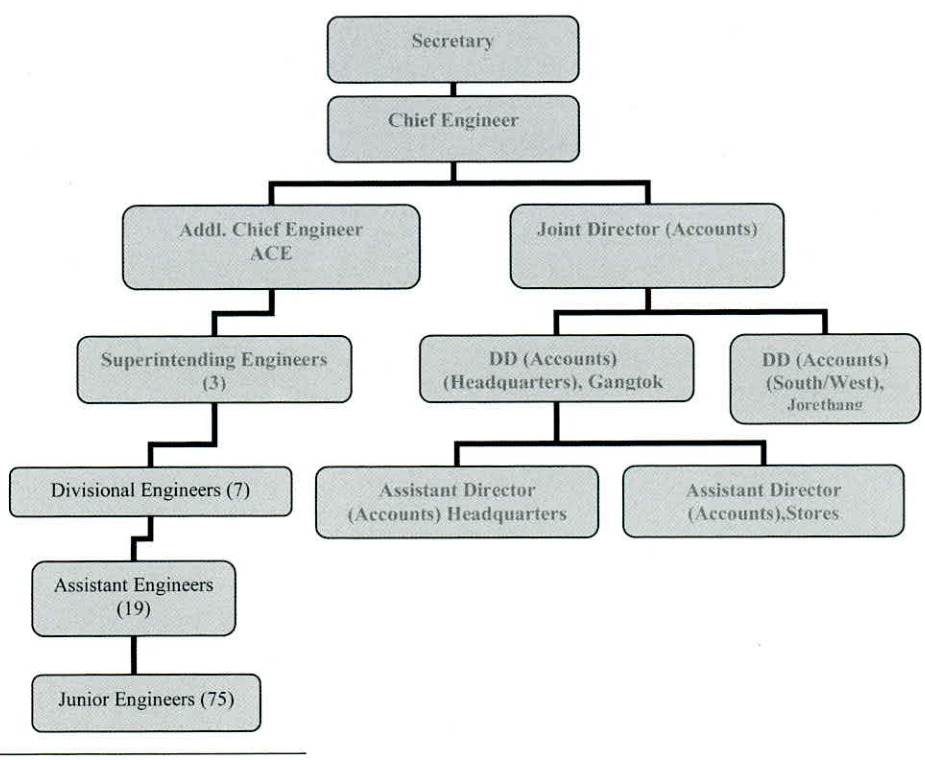
For achieving the above objectives, the following were to be addressed on a priority basis:

- 40 litres per capita per day (lpcd)[1] of drinking water for human beings;
- One hand pump or stand post for every 250 persons and
- Availability of water source within 1.6 km of the habitation in the plains and 100 meters elevation in hilly areas.

3.1.2 Organisational set-up

The Rural Management & Development Department (RM&DD) is responsible for implementation of the ARWSP. The organisational setup of the Department is as under:

Chart No-3.1.1



[1] *lpcd – litres per capita per day 12 litres per minutes for one handpump or standpost*

3.1.3 Scope of Audit

The performance review of ARWSP was conducted during June-August 2007 and April-June 2008 covering the implementation of the programme during the period 2003-08. Records maintained in the RMDD Headquarters at Gangtok, East District and South District Offices were scrutinised. Although the Department spent Rs. 130.15 crore on the implementation of the programme during 2003-08, it could not provide the detailed list of habitations/population covered, complete details of schemes sanctioned, schemes completed, date of completion, incomplete schemes etc. in spite of repeated requests and reminders. This information, being vital to audit scrutiny, was requisitioned at various levels right from the executing agencies to the Head of the Department besides bringing up in the entry as well as the exit conferences. The Department could however, produce files relating to only 127 schemes involving Rs. 6.34 crore and a list of 1,204 schemes estimated at Rs. 83.85 crore. **Audit is therefore unable to verify the extent of the implementation of the programme or vouch for the amount stated to have been expended on the programme by the Department during 2003-08.**

3.1.4 Audit Objectives

The main objective of the performance review was to assess whether the Department had succeeded in providing all the rural habitations in the State with safe and adequate drinking water. This included assessing whether,

- Planning for the programme including survey of habitations was conducted efficiently and effectively ;
- All the rural habitations were provided with access to adequate and safe drinking water as per norms;
- The problem of water quality in affected habitations was tackled effectively;
- Sustainability of drinking water systems and sources was ensured; and
- Adequate attention was accorded to operation and maintenance of the existing water supply schemes.

3.1.5 Audit Criteria

The main criteria used for arriving at audit conclusions were as follows:

- Guidelines for Implementation of Rural Water Supply Programme (August 2000);
- Guidelines for National Rural Drinking Water Quality Monitoring and Surveillance Programme;
- Guidelines for Implementation of Schemes and Projects on Sustainability under ARWSP.

3.1.6 Audit Methodology

The performance review commenced with an entry conference with the Departmental officers on 11 June 2007, wherein the audit objectives, scope, criteria and methodology were discussed and the feedback of the Department obtained. Audit conclusions were arrived at on the basis of a scrutiny of the records relating to the 127 schemes provided by the Department and replies of the Department to the questionnaires issued. Physical verification of 84 schemes was also carried out jointly with the departmental officers. An exit conference was held on 1 August 2008 and the views of the Department were considered while finalising the review. Formal reply to the audit findings was however, not furnished by the Department (November 2008).

Audit findings

3.1.7 Planning

3.1.7.1. Survey and Identification of habitations

GOI directed (February 2003) the State Government to carry out a survey to ascertain the status of drinking water supply in the rural habitations and rural schools and identify the habitations with water quality problems as on 1 January 2003. The survey result was to be submitted by the Department to the GOI by 31 March 2003 and was to be validated by an independent evaluator "Indian Institute of Public Administration, New Delhi" (IIPA). This date was extended to 31 December 2003 by the GOI, due to the delay by the State Government in taking up the survey work.

The Department, without inviting tenders and without verifying the credentials, awarded (November 2003) the survey work to a private local firm *(M/s Trident Infotech Pvt Ltd),* on the basis of the request of the latter, at a cost of Rs. 14.75 lakh. The cost of the survey was later (January 2004) increased to Rs. 20.28 lakh purportedly due to the increase in the scope of work. While the survey was stipulated to be completed by 7 February 2004, the firm submitted the survey report on 15 June 2005, i.e. after a delay of more than a year. Reasons for the delay were not on record. Action could not, however, be taken against the firm due to the absence of a penalty clause in the agreement. The Department forwarded the survey report to the GOI in June 2005 and after validation by the IIPA, received it back in April 2006. In terms of the survey report, there were 2498 habitations in the State, out of which, 1,445 were categorised as Fully Covered[2] (FC) and 1053 as Partially Covered[3] (PC) habitations. There were no Not Covered[4] (NC) habitations.

Neither a copy of the survey report prepared by the firm nor the final report sent by the IIPA could be made available to audit for scrutiny. The Department could not also produce the basic survey data filled in the prescribed formats. Further, the firm was also supposed to provide digitised Geographical Information System (GIS) map of the habitations. Although the firm intimated (March 2005) the Department that it had completed the survey works in all respects, viz. habitation survey, preparation of digitised GIS map, water quality testing, discharge measurement etc, no such reports, maps and details were available with the Department. Only the list of habitations was

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[2] *FC – those habitations which receive 40 litres of water per capita per day and are located within 1.6 Km. of water source or at an elevation difference of 100 metres in mountain areas*

[3] *PC – those habitations that have a safe source within the distance or elevation norms but* whose water availability ranges from 10 lpcd to 30 lpcd.

[4] *.NC. – those habitations that do not have any water source within the prescribed distance or elevation*

available. **Hence, the authenticity of the survey and its inputs in the planning process could not be vouched.**

Audit interaction with the executing officials in the district and sub-divisional offices and panchayats revealed that no one was aware of any survey conducted by any firm as no individual had ever visited the districts, sub-divisions or panchayats in connection with such a survey. This indicated that the survey report prepared by the firm was not based on actual field visit and hence it could not be relied upon. **Non-availability of any survey report with the Department, absence of detailed basic data formats, digitised GIS map and evidence of field visit by the firm raises doubts about the authenticity of the data of the Department.**

3.1.7.2 Annual Action Plans (AAPs)

The State Government was required to prepare the AAPs and submit them to the GOI six months before the commencement of the financial year on the basis of the shelf of the schemes. While preparing the AAPs, coverage of the remaining habitations as per the Comprehensive Action Plan 1999 (CAP 1999) of the GOI and incomplete works were to be given priority over taking up of new works. The revised AAPs were to be forwarded to the Central Government latest by the 30th April of the financial year to which these pertained.

The GOI guidelines laid down that a State Advisory Board was to examine the AAP and identify the schemes to be undertaken each year. The schemes were to be taken up for implementation after approval of the AAP by the GOI. In Sikkim, the State Advisory Board has not been constituted and the AAPs were prepared and sent to the GOI by the Department itself.

Scrutiny of records relating to the preparation of the AAPs revealed considerable delays ranging between six months and fourteen months in preparing and sending the AAPs to the GOI. The AAPs merely mentioned the expected number of habitations to be covered and the requirement of funds for the year without giving any details like names of the habitations, number of households in each habitation, source of water, quantity and quality of water discharged from the source, treatment measures required etc. Besides, the AAP did not follow the guidelines of GOI in the following areas:

- Priority was not given to the ongoing incomplete works.
- Final allocation under the State Sector MNP and ARWSP was not shown.
- Since no mention of SC/ST population to be covered was made in the AAPs, utilisation of 35 *per cent* fund for such coverage could not have been ensured.
- No periodicity of the Operation & Maintenance (O&M) activities was indicated and dedicated schemes for O&M works were not prepared and included in the execution plans.
- State level AAPs were not supported by plans at the district level, as district/sub-division/panchayat level AAPs were never prepared.

Thus, the AAPs remained an exercise in futility and the very objective of giving definitive direction to the programme was defeated.

3.1.8 Financial Management

3.1.8.1 Funding Pattern

ARWSP is fully financed by the GOI. The State is required to match the funds released by the GOI on a 1:1 basis under the State sector Minimum Needs Programme (MNP). The following was the funding arrangement under the programme:

- 15 *per cent* of the funds released every year under ARWSP are to be utilised for Operation and Maintenance activities and the funds earmarked for this purpose, are not permitted for use in creation of capital assets.
- 35 *per cent* of the allocation is to be earmarked and spent on the coverage of SC/ST habitations.
- 15 *per cent* of the funds should be utilised for treating water quality problems
- Five *per cent* of the allocations should be utilised to ensure sustainability of source.

3.1.8.2 Budget provision and expenditure

The year-wise funds received and expenditure thereagainst under ARWSP and MNP were as under:

Table-3.1.1

(Rupees in crore)

Year	ARWSP				State Sector (MNP)	
	Budget provision	Opening balance	Funds received from GOI	Expenditure	Budget provision	Expenditure
2003-04	13.79	0.47	9.33	10.07	11.15	11.00
2004-05	8.66	-	10.22	8.65	14.76	24.88
2005-06	13.15	1.57	14.10	13.11	11.71	11.73
2006-07	16.81	2.56	13.33	16.79	7.38	7.37
2007-08	11.66	-	13.47	11.66	14.92	14.89
Total	**64.07**		**60.45**	**60.28**	**59.92**	**69.87**

Source: Demands for Grants and Detailed Appropriation Accounts

The low expenditure under ARWSP during 2004-05 was due to the failure of the State Government in implementation of the Swajaldhara scheme. The short expenditure under ARWSP was however, offset by excess expenditure against the budget provision under MNP. There was an excess expenditure of Rs. 10.12 crore under MNP during 2004-05 due to excess surrender of the provision in advance during the year, which is indicative of poor financial and expenditure management. The excess expenditure has not yet been regularised.

3.1.8.3 Non-maintenance of separate records and accounts

In terms of the GOI guidelines, records and accounts of ARWSP were to be maintained separately and ARWSP funds were to be kept in a separate bank account. Scrutiny of records revealed that no separate bank account was operated for the funds provided for the ARWSP. No separate cashbook, inventory of stores and stock etc. were maintained at any level for the programme.

3.1.9 Programme Implementation

3.1.9.1 Inconsistent data regarding coverage of habitations

The GOI categorised rural habitations into FC, PC and NC categories. Upto 2002-03, the Department exhibited a total of 1679 habitations in its AAPs. There was an abrupt increase of 793 habitations in 2003-04 over that of 2002-03. In 2004-05, the Department again exhibited an increase of another 26 habitations over 2003-04. However, the number of habitations remained static in the three subsequent years 2005-08.

Analysis disclosed that the figures of habitations reflected by the Department in the AAPs, Monthly Progress Reports (MPRs) and the figures furnished to audit in response to a specific query, were inconsistent, as detailed below:

Table–3.1.2

As on 1 April	Figures as per AAPs			Figures as per MPRs			Figures furnished to audit in response to audit queries		
	Total	FC	PC	Total	FC	PC	Total	FC	PC
2003	1679	1337	342	1679	1333	346	1679	1337	342
2004	2472	1583	889	2540	1460	1080	1679	1583	96
2005	2498	1445	1053	NA	NA	NA	2498	1445	1053[5]
2006	2498	1565	933	NA	NA	NA	2498	1565	933
2007	2498	1727	771	NA	NA	NA	2498	1703	795

Source:AAPs, MPRs and Departmental reply
NA :Figures not available.

As would be seen from the above details, not only was the total number of habitations different (except in 2003) in all the three reports, but even the number of FC and PC habitations were different in all the years. **Thus, the authenticity of the data provided by the Department relating to the habitations and their coverage is questionable.**

During the period under review, Rs. 130.15 crore was spent on the schemes. The Department could neither furnish the year-wise data of schemes sanctioned, executed and completed nor the total number of schemes executed, the location of the schemes, population intended to be covered, estimates and vouchers etc. except in respect of 127 schemes valued at Rs. 6.34 crore. However, a list of 1,204 schemes estimated to have cost Rs. 83.85 crore, was produced as mentioned in paragraph 3.1.3. The year-wise breakup of the schemes as found in this list is given below:

Table-3.1.3 *(Rupees in crore)*

Year	Number of schemes sanctioned	Total expenditure for the year
2003-04	460	21.07
2004-05	Nil	33.53
2005-06	393	24.84
2006-07	190	24.16
2007-08	161	26.55
Total	**1204**	**130.15**

Source: Departmental records and Appropriation Accounts

[5] *This figure was shown as 'Slipped back' habitations by the Department in its reply to audit.*

The above table reveals that the records of the Department were not reliable, as Rs. 33.53 crore was spent on the schemes during the year 2004-05 although not a single scheme was sanctioned during the year. While the Department intimated that Rs. 88.35 crore was expended on the 1204 schemes mentioned above, the detailed accounts booked by the Office of the Senior Deputy Accountant General (Accounts & Entitlement) showed the expenditure on the implementation of the ARWSP and MNP as Rs. 130.15 crore. The Department could not explain the difference of Rs. 46.30 crore between these two sets of figures, as it did not have the complete details of the schemes or the break up of expenditure incurred on these year-wise. In the absence of the relevant supporting details and reliable data, the Department's claim of covering/upgrading 797 PC habitations to FC status is questionable.

Also, in the absence of any data regarding the coverage of SC/ST habitations, the expenditure of Rs. 45.55 crore (being 35% of the expenditure) to be spent on them could not be verified.

3.1.9.2 Slip back habitations

Although the Department did not mention about reversion of the habitations from FC to PC or NC category *(slip back habitations)* in the AAPs and MPRs, 1,053 PC habitations were shown as slip back habitations during the year 2005 while furnishing information to audit in response to a specific query. Reasons for slip back of habitations from FC to PC category were neither furnished to audit nor found recorded.

3.1.9.3 Physical Progress

In the absence of consistent figures regarding coverage of habitations, the figures reported in the AAP have been taken for assessing the implementation of the programme. The targets and achievements in upgrading the PC habitations to FC status during 2003-08 are given below.

Table-3.1.4

Year	Opening balance			Target and achievement during the years		Population covered
	FC	PC	Total	Target	Achievement	
2003-04	1337	342	1679	120	120	17000
2004-05	1583	889	2472	120	120	15000
2005-06	1445	1053	2498	120	120	10000
2006-07	1565	933	2498	138	138	12000
2007-08	1727	771	2498	299	299	25000
Total				**797**	**797**	**79000**

Source: Annual Action Plans, Detailed Appropriation Accounts

As can be seen from the above table, 472 habitations remained to be covered as of March 2008. Thus, the Department could cover only 55 *per cent* of the PC habitations during 2003-08. While there were no NC habitations, the Department showed the conversion of 797 PC habitations into FC status, covering a population of 79000. Analysis revealed that the Department had already covered the entire rural population of 3.70 lakh (as per Census 1991) by the year 2001-02. It had to cover only the incremental growth of rural population of 1.1 lakh (the increase in rural population between 1991 and

2001 census) during the review period. However, after covering 72 *per cent* of the incremental population during 2003-08, there were 472 habitations yet to be covered, which renders the departmental figures of coverage of population highly unreliable. The difference in the figures was neither reconciled nor could the Department explain the reasons for difference in the two sets of figures.

3.1.9.4 Execution of work

The Department spent Rs. 130.15 crore on implementation of the scheme during 2003-08. However, it failed to give the details of all the schemes as mentioned in paragraph 3.1.9.1. An analysis of the details of the 127 schemes produced to audit revealed the following:

3.1.9.5 Works estimates

Cost estimates for the water supply works should be prepared only after a detailed survey, investigation and preparation of design and drawings. Scrutiny of records however, revealed that the cost of each scheme was determined in advance by the Department while preparing the shelf of schemes, without detailed drawings, designs and estimates.

Out of 400 schemes sanctioned in May 2005 for the year 2005-06 (Rs. 23.24 crore), estimates of 283 works were prepared after the cost of the individual schemes were sanctioned. These estimates were received as late as in September 2005 from the executing divisions/ sub-divisions in the Department. For the balance 117 schemes, the estimates had not been received as of that date. This indicated that funds were allotted to individual schemes by the Department on lump sum basis without considering the actual requirement of funds. The estimates for individual schemes were prepared by the executing divisions/ sub-divisions subsequently, based on the amount sanctioned for each scheme rather than on the basis of actual field requirement. This is indicative of lackadaisical approach in the estimation and execution of schemes by the Department.

A detailed scrutiny of the estimates of 127 schemes revealed that in 85 cases, not even the basic data regarding the population/households to be covered was mentioned. In 67 cases, no mention had been made regarding the location of the source and quantity of water available. In the remaining cases, even if some mention about the discharge was made, this was not sufficient to determine the adequacy of supply of water. In 75 cases, no drawings were prepared. These omissions corroborate the fact that estimates were prepared after the allocation of funds and in a perfunctory manner.

3.1.9.6 Delay in execution of schemes

There was a delay in completion of 75 works (59 *per cent*) costing Rs. 3.88 crore from one and half months to 31 months. Reasons for delay were ascribed by the Department to non-availability of stock material in the stores in 57 cases (Rs. 3.04 crore), illness of the contractors etc. in four cases (Rs. 21.58 lakh), monsoon in three cases (Rs. 28.54 lakh) and construction of road by PWD in one case (Rs. 10 lakh). There was no reason available on record for delay of ten works (Rs. 23.70 lakh).

The Chief Engineer, RMDD is responsible for procurement of stores for the entire scheme and procurement is done centrally, after receiving the indents from all the divisions. Scrutiny revealed that there was adequate stock of cement and GI pipes during the period in two departmental stores. However, the material was not issued to these works. The Department stated that the materials in store did not pertain to the scheme and hence could not be issued to the scheme work. As mentioned in paragraph 3.1.8.3 above, the Department did not maintain separate accounts in respect of the material issued to ARWSP works. Hence the contention of the Department is not tenable. Thus, failure of the Department to issue stock material in time in a majority of cases delayed the provision of drinking water to the habitations within the targeted period.

3.1.9.7 Excess construction of hydrants

In terms of GOI norms, one water hydrant was to be provided for every 250 population. However, rural habitations without any safe source of water and with a permanently settled population of 100 persons or 20 households, whichever is more, could be taken as the unit for coverage with funds under the ARWSP.

Scrutiny of 127 schemes revealed that the population in the habitations in which the ARWSP schemes were executed ranged from 110 to 312 persons. A majority of the habitations (97 out of 127) had population below 250. In terms of the GOI norms, only one or two hydrants were needed per habitation. But the Department, in most cases, provided one hydrant to each household. On an average, one hydrant was provided for 10 persons, which is far in excess of the requirement. *A* joint physical verification of 84 schemes during August 2007 and April 2008 also confirmed that individual hydrants were provided in most households. Not only was this against the norm, but it also pushed up the cost of the schemes due to the extra cost of the hydrants and associated pipes and fittings.

3.1.9.8 Repair/augmentation work

As per the scheme guidelines, up to 15 *per cent* of the funds released every year under ARWSP to the State can be utilised for operation and maintenance (O&M) of assets created, subject to (i) ceiling of matching grant provided by the States out of the MNP provision, and (ii) the approved norms already circulated to all the States. A separate project was required to be prepared for taking up O & M activities. The funds earmarked for O & M were not to be used for creation of capital assets. The Department thus could have spent Rs. 19.52 crore on O&M activities (against the expenditure of Rs. 130.15 crore) during the review period.

Scrutiny of records, however, revealed that no separate project for O & M activities was ever prepared by the Department. During 2003-08, a meagre provision of Rs. 50 lakh was kept for O & M under ARWSP, out of which, only Rs. 15.23 lakh was spent. Details of expenditure of Rs. 8.51 lakh out of this could not be provided by the Department. An amount of Rs. 6.72 lakh was diverted for unauthorised purposes viz. purchase of computers & other items, survey works etc.

Further, analysis of the details of 1,204 schemes (list produced by the Department) revealed that 925 schemes (76.83 *per cent*) pertained to repairs/augmentation/extension etc. of the existing schemes instead of new works. The Department had carried out repair/augmentation of works estimated at Rs. 55 crore as against the new works estimated at Rs. 28.85 crore during 2003-08 indicating a clear preference for repair works.

While the schemes were handed over to the concerned Panchayats after the works were completed, the funds meant for operation and maintenance of the schemes were not passed on to the Panchayats. Reluctance to pass on the O & M funds to the Panchayats affected the maintenance of the schemes and delivery of quality water supply to the rural people. This was corroborated by a physical verification of 84 out of 127 schemes, where it was found that in 64 schemes, maintenance was not carried out, as can be seen from the photographs below:


Improper maintenance of source at Bojoghari


Broken tap at Phalidara (South)


Non-maintenance of sedimentation tank at Bojogari


Non-maintenace of reservoir tank at Nandigaon

The Department accepted (April 2008) that regular scheme funds were diverted for repair and maintenance work and stated that though they could not make adequate provision under O&M, an average of 12.41 *per cent* was incurred for the purpose out of the normal ARWSP fund under capital head of account. However, the details of Rs. 16.15 crore spent on maintenance could not be provided. Moreover, the Department spent Rs. 55 crore on repair/augmentation works, which was far in excess of the norm.

3.1.9.9 Adequacy of supply of water

The ARWSP prescribed a minimum provision of 40 lpcd. In order that the water was supplied to the villagers at the prescribed rate round the year, it was essential that a perennial source of water was identified. This was even more important considering the fact that the main water sources for rural water supply in Sikkim are mountain springs which get charged during the rainy season (April – September) but gradually dry up during the summer months.

Scrutiny of records relating to 127 water supply schemes revealed that the water supply systems were constructed without conducting any survey and investigation regarding the sustainability of the source. In 67 cases, it was seen that the estimate does not even mention the source. In 30 cases, no data on discharge was given. The data regarding availability in the remaining cases was sketchy and given in terms of litres per minute which is not adequate to calculate the sufficiency. As mentioned in paragraph 3.1.9.5, the funds for the water supply systems were allocated by the Department without considering the ground realities. The estimates for the water supply systems were prepared after the funds for the scheme were allocated. The water supply systems were thus designed to fit in the budget provided for the schemes and not based on the actual requirement. Hence the design of the schemes had not taken the adequacy of the water source into consideration.

The above observation was corroborated by a joint physical verification of 84 schemes conducted during August 2007 and October 2008. It was seen that three habitations *(two habitations in South and one in East district)* were not getting any water supply even during the peak season due to drying up of the sources. **This, combined with the fact that 1053 habitations were shown as slip back habitations by the Department in 2005, makes the claim of the Department regarding zero NC habitations questionable.** Further, it was seen that nine habitations (11 *per cent of physically verified schemes*) were not getting adequate water during the lean period. The situation would aggravate during the dry period, when most spring water sources dry up.

No analysis was done by the Department about the quantity of water available to each habitation and no records regarding this were kept. Hence the per capita availability of water could not be checked.

3.1.9.10 Quality of water

The Department failed to ensure quality water supply to the habitations which was one of the key objectives of the schemes as detailed in the following paragraphs:

- ***Treatment:*** Up to 15 *per cent* of the ARWSP funds were earmarked for tackling water quality problems[6]. The Annual Action Plans indicated prevalence of water quality problems such as iron content and bacteriological contamination. The Department could have spent up to Rs. 19.52 crore (15 *per cent* of Rs. 130.15 crore) under ARWSP and MNP for addressing the water quality problems as per the guidelines of the programme.

  Scrutiny revealed that no concrete action was taken to tackle the problem. The Department spent Rs. 3.32 crore during 2003-08[7] out of the ARWSP funds on purchase of 1,357 chlorinators to tackle bacteriological contamination. However, bleaching powder required for the chlorinators was not purchased up to August 2007. 5.8 MT (232 bags) of bleaching powder was procured in September 2007 at a cost of Rs. 1.16 lakh out of which, only 1.18 MT (47 bags) was shown as issued as of May 2008. The shelf life of the balance quantity of the chemical amounting to Rs. 0.93 lakh expired in the meantime, rendering it unfit for use.

[6] *Water quality standards were broadly classified into microbiological, chemical, physical and radiological characteristics which were to be examined with reference to BIS standards.*

[7] *Number of chlorinators :2003-04–220, 2004-05–497, 2005-06–125, 2006-07–338, 2007-08 –177.*

Joint physical verification (August 2007 and October 2008) of 84 out of 127 schemes by audit along with the departmental officers revealed that no chlorinators were installed in the storage tanks in 63 schemes while the chlorinators in the remaining 21 schemes were defunct as no bleaching powder was used. Thus none of the chlorinators procured at a cost of Rs. 3.32 crore could function as of August 2008. There was no expenditure under the MNP for tackling water quality problems. This was also mentioned in the exit conference and the Department accepted the fact. The above facts show lack of concern of the Department in providing safe drinking water to the villagers.

- ***Testing:*** The ARWSP guidelines envisaged testing of 100 *per cent* drinking water sources by using user friendly kits and through surveillance of water quality by sanitary survey. During 2001-02, although 11 field testing kits had been procured and distributed to various sub-divisions, these kits became unusable due to the expiry of their shelf life. Thereafter, no procurement of field testing kits were made up to March 2007. Between March 2007 and April 2008, the Department purchased field testing kits for testing chemical and bacteriological parameters at a cost of Rs. 6.01 lakh. The kits were partially distributed (April 2008) to various block development offices (BDOs) for periodical testing of water. However, a major portion of the kits remained idle in the departmental stores. No test report had been submitted to the Department by the BDOs as of July 2008. The head office also did not follow up the matter with the BDOs at any point of time. The above facts indicate that the testing kits remained unused and the quality of water remained untested.

- ***Water Testing Laboratory:*** A State Level Water Testing Laboratory was established (2005-06) at the departmental headquarters, Gangtok. Despite repeated requests, the related records were not produced to audit. Although the lab was established in 2005-06, a number of equipment and chemicals worth Rs. 2.70 lakh had been purchased as early as 2002-03 for the laboratory. Joint physical inspection of the lab in July 2008 revealed that the lab was kept under lock and key and was completely unused. The equipment was languishing due to disuse and the chemical reagents were still found in a packed condition. No facilities for testing of water quality were however, established in the districts.

- ***Occurrence of waterborne diseases:*** As per the statistics maintained by the State Health Department, 2.77 lakh persons from rural areas were affected by water borne diseases like diarrhoea, cholera and gastro-enteritis during the period 2002-2007, out of which 25 persons succumbed to these diseases. This implied that about eight *per cent* of the State's population was annually affected by water borne diseases. These figures, however, were only the reported cases which came to the notice of the health authorities. Actual figures would be on the higher side.

  Scrutiny of records however, revealed that the RMDD never obtained these statistics from the Health Department with the objective of devising plans to contain the outbreak of diseases due to water contamination, despite availability of sufficient funds to address water quality problems.

3.1.10 Sustainability and preservation of water sources

3.1.10.1 Sustainability of sources

The water supply systems of the State are gravity fed surface sources, mostly hill water springs, which are sensitive to pollution, population growth and environmental degradation. In terms of the scheme guidelines, five *per cent* of the ARWSP funds amounting to Rs. 6.51 crore could be utilised towards preserving the water sources and making them sustainable in the long run.

Audit scrutiny revealed that the Department had not conducted any detailed study to record the decline in the yield of water from the sources. Measures required to make the water sources sustainable and to preserve the ecology of the sources were not identified and adopted. No expenditure was incurred on protecting and preserving the water sources to make them sustainable.

3.1.10.2 Traditional water sources

Based on the recommendation of the Eleventh Finance Commission (EFC), the GOI specifically granted Rs. 1.26 crore to Sikkim for utilisation during 2000-05 for protection and augmentation of the traditional water sources that have been the mainstay of water supply for the daily household needs of the people in the rural areas.

The Department transferred the entire amount of Rs. 1.26 crore to the four district development officers (DDOs) during 2000-05. No action was taken by the Department to ascertain whether the money was spent for the intended purpose. Specific details of the items on which the funds were spent, were not available with the departmental headquarters. Details except in respect of DDO (East) could not be provided to audit.

Details obtained by audit from the DDO (East) revealed that out of Rs. 23.95 lakh transferred to him, Rs. 8.05 lakh was diverted for unauthorised purposes like establishment of water testing lab at departmental headquarters, printing and stationery works, payment for baseline survey etc. These activities were not connected with protection / augmentation of the traditional water sources envisaged by the EFC.

The balance amount of Rs. 15.90 lakh was shown as spent on revival of 37 traditional water sources at the fixed rates of Rs. 50,000 (24) and Rs. 30,000 (13). Since the nature of the sources was different, located in different areas with different land profile and distance from main road, each source would require a different treatment with different cost. However, ignoring this fact, only two types of estimates were prepared for Rs. 50,000 and Rs. 30,000 for the entire 37 works and all these works were shown as completed exactly within the estimated cost, which was implausible. The above facts indicated that the works were taken up merely because funds were available and not with the holistic approach of providing required protection to the water sources.

3.1.11 Institutionalisation of reforms

3.1.11.1 Non-implementation of Sector Reforms Programme

The GOI introduced Sector Reforms Programme to institutionalise the reforms in rural water supply sector from the year 1999-2000 with the objective of involving the community for bringing about transformation from the target based, supply driven approach to a demand based approach where users get the service they want and are willing to pay for the same.

For implementation of pilot projects of the sector reforms programme in the State, the GOI sanctioned Rs. 22.15 crore (Rs. 13.22 crore for South District and Rs. 8.92 crore for West District) and simultaneously released Rs. 6.08 crore in March 2000.

Scrutiny of records revealed that the Department had not implemented the projects even as of June 2008, as it failed to ensure beneficiary participation in the projects. The entire amount of Rs. 6.08 crore was lying unutilised in Government account. The Department had been proposing to the GOI since 2006-07 for diverting this fund towards construction of roof water harvesting structures. This proposal had however not been acceded to by the GOI. Thus, failure of the Department to implement the projects led to failure in institutionalising the reform initiatives in rural water supply besides blocking of central fund of Rs. 6.08 crore for more than eight years. The State was also deprived of the balance funding of Rs. 16.07 crore for the projects.

3.1.12 IEC and HRD activities

The Information, Education, Communication (IEC) and Human Resource Development (HRD) activities aimed at empowerment of local bodies and also for capacity building of local communities by giving requisite training on operation and maintenance, sustainability of rural water supply schemes, small scale water treatment, water quality surveillance, technology options for rural sanitation, rainwater harvesting, community management and people's participation in rural water supply, grass root level training, awareness programmes to disseminate information on water borne diseases etc. Implementation of the IEC and HRD activities by the Department was extremely poor as elucidated below:

3.1.12.1 Unfruitful expenditure and idling of funds

- The GOI sanctioned (March 2002) Rs. 84.90 lakh and simultaneously released Rs. 42.45 lakh as first installment for IEC/HRD activities with an instruction to complete the project within one year. Second installment was to be released only after 60 *per cent* utilisation of the first installment and regular submission of utilisation certificate, audited expenditure, monthly progress report etc. to the GOI. Out of Rs. 42.45 lakh, rupees eight lakh was paid as advance for consultancy charges on IEC activities to M/s Water and Power Consultancy Services (WAPCOS), Rs 2.37 lakh was spent on printing of booklets and Rs. 14.62 lakh transferred (31 March 2003) to the Sikkim Rural Development Agency (SRDA), an autonomous body, on the last day of the financial year, without mentioning the purpose for which the funds were to be utilised.

  Despite repeated requests, the Department could not make available the details of works done by the WAPCOS as well as usage of the booklets. Details of Rs. 14.62 lakh transferred to the SRDA was also neither available with the Department nor provided by the SRDA. The balance amount of Rs. 17.46 lakh (Rs. 42.45 lakh - Rs. 24.99 lakh) remained idle in Government account.

The above facts are indicative of a half hearted approach of the Department in implementing the support activities of IEC and HRD, which rendered the expenditure of Rs. 24.99 lakh unfruitful. The Department also failed to avail of the balance fund of Rs. 42.45 lakh sanctioned by the GOI for the project due to this lackadaisical approach. Further, misutilisation of the funds of Rs. 14.62 lakh by the SRDA could not be ruled out, since the details were not furnished to audit.

The reply of the Department (September 2007) that funds transferred to the SRDA were utilised for IEC activities is not tenable in the absence of any supporting documents to substantiate the claim either by the Department or SRDA.

- Subsequently, during 2005-08, another central grant of Rs. 24.46 lakh was transferred to the Sikkim Institute of Rural Development (SIRD), designated as the State Level Communication and Capacity Development Unit (CCDU) for IEC activities (Rs. 8.10 lakh), HRD activities (Rs. 8.77 lakh), one time grant for equipment (Rs. 5.70 lakh) and establishment cost (Rs. 1.89 lakh). Scrutiny of records revealed that the SIRD spent only Rs. 11.53 lakh for purchase of equipment, training and audio visual implements, while Rs. 12.93 lakh remained idle in the SIRD account. The UCs, MPRs and audited accounts in respect of the IEC and HRD were never sent to the GOI. The Department had not monitored the activities of the SIRD to ascertain proper utilisation of the funds and hence was unaware of the activities conducted by the SIRD.

Thus, the performance of the Department in respect of IEC and HRD activities remained poor.

3.1.13 Monitoring and evaluation

3.1.13.1 Ineffective Monitoring and Investigation Unit

The State Government was to establish a Monitoring and Investigation Unit (MIU) for collecting information from the executing agencies through prescribed reports and returns, maintenance of data and timely submission of prescribed reports and returns to the Central Government. The Unit was also responsible for monitoring field level aspects of quality of water, adequacy of service and other related qualitative aspects of the programme. The Unit was to have technical posts of hydrologists, geophysicists, computer specialists and data entry operators. The expenditure under this component was to be shared between the Centre and the State on a 50:50 basis.

Scrutiny revealed that although the State Government established the MIU as early as in 1977, no monitoring and investigation activities were ever carried out during the period covered under audit. The Unit had no technical experts (hydrologists, geophysicists, computer specialists etc) and had also not established any quality control unit under it till date. An expenditure of Rs. 29.60 lakh was incurred on the MIU by the Department on payment of wages of muster roll and work-charged staff engaged in other activities of the Department. Thus the MIU remained practically defunct.

3.1.13.2 Unfruitful computerisation and MIS

The GOI sanctioned (January 2005) Rs. 2.36 crore for computerisation and Management Information System (MIS) for effective planning, monitoring and implementation of various activities in the rural water supply and sanitation sector. The project envisaged various activities like installation of computer systems, training of officials, development and implementation of computerised management information systems, connecting all offices with communication network etc. Funds for the project were released in three installments - Rs. 70.88 lakh (March 2005), Rs. 82.70 lakh (March 2006) and Rs. 82.70 lakh (March 2007).

The Department entered into an agreement (September 2005) with the National Informatics Centre Services Incorporated (NICSI), a GOI undertaking under NIC for preparation of a revised SRS (Software Requirement Specification) and customisation of web based software developed by the Arunachal Pradesh Government and its operational support for two years at an estimated cost of Rs. 30 lakh, to be completed by September 2006. The entire amount of Rs. 30 lakh was paid (March 2007) to the NICSI as advance. An amount of Rs. 1.52 crore was spent on purchase of computer hardware and networking products. Further, an amount of Rs. 53.82 lakh was transferred (March 2007) to Centre for Research & Training in Informatics (CRTI) an autonomous body under Information Technology Department for networking and training.

Scrutiny of records revealed (June 2008) that even after spending the entire amount of Rs. 2.36 crore, the Department had failed to complete the project. Non-completion of the project defeated the objective of providing vital inputs for effective planning, monitoring and implementation of various activities under the programme.

3.1.13.3 Evaluation of the scheme

The State Government was required to undertake evaluation studies on the implementation of rural water supply programme. However, the scheme was not evaluated at any level since its inception.

3.1.14 Conclusion

Performance review of the scheme revealed that the claim of the Department regarding coverage of all the habitations with adequate and safe drinking water was not based on any survey. There were inherent contradictions in the figures given by the Department in various reports. The Department failed to provide the number and details of schemes on which Rs. 130.15 crore had been expended during 2003-08 except 127 schemes valued at Rs. 6.34 crore. Due to lack of base data, the adequacy of water supplied could not be verified. Testing and treatment of water was neglected during the review period and despite spending beyond the norm for maintenance, the schemes suffered due to lack of maintenance.

3.1.15 Recommendations

The following recommendations are made based on the above audit findings:

- The Department should carry out a fresh survey of the habitations to ascertain the actual number of NC, PC and FC habitations.
- The Department should initiate immediate steps to set its records right to sort out the inconsistencies relating to the number of habitations, category of habitations, status and progress of coverage of habitations etc.
- The Department should execute schemes after proper survey, investigation, identification of perennial source of water and after proper design of the systems so that it lasts for the entire design period of 20-25 years.
- Immediate action should be taken to ensure safe water supply by taking up comprehensive testing of water samples and application of appropriate treatment measures.
- Regular maintenance of the water supply systems should be ensured by preparing a separate O&M plan and earmarking and transferring adequate funds to the PRIs.
- The Department should initiate action to institutionalise community participation in rural water supply by implementing the Sector Reforms programme.
- Monitoring mechanism should be strengthened and accountability fixed for effective implementation of the schemes in a time bound manner.

TOURISM DEPARTMENT

3.2 Tourism Development in Sikkim

The State Government initiated a number of steps to harness the full tourism potential of the State. Performance review of Tourism Development in Sikkim, however, disclosed that robust planning was not in place and the State's efforts were constrained, owing to the absence of air and rail connectivity, frequent disruption of traffic on national highway and lack of adequate infrastructure for quality accommodation of tourists, especially in the South and West districts. While tourist inflow recorded an improvement in absolute terms, it dipped from 30.60 per cent (2003-04) to 9.48 per cent (2007-08) in the case of domestic tourists and 33.70 per cent (2003-04) to (-) 1.17 per cent (2007-08) in the case of foreign tourists.

Highlights

The State Tourism policy was not framed on the lines of the National Tourism policy and the benefit of planned development, as reflected in the National Tourism policy was not derived.

(Paragraph – 3.2.7.1)

Leasing out of assets was characterised by a conspicuous absence of any modality. Neither wide publicity was given nor revenue sharing model explored, leading to the assets located at prominent tourist destinations earning a meagre return of less than 0.5 *per cent* on the cost employed.

(Paragraph – 3.2.9.5)

Due to the absence of a comprehensive plan for development of innovative tourism in the State, coupled with the absence of a well laid down marketing strategy, full potential of various types of tourism *i.e.* eco-tourism, adventure-tourism, health-tourism, etc. was not harnessed.

(Paragraph – 3.2.10.1)

3.2.1 Introduction

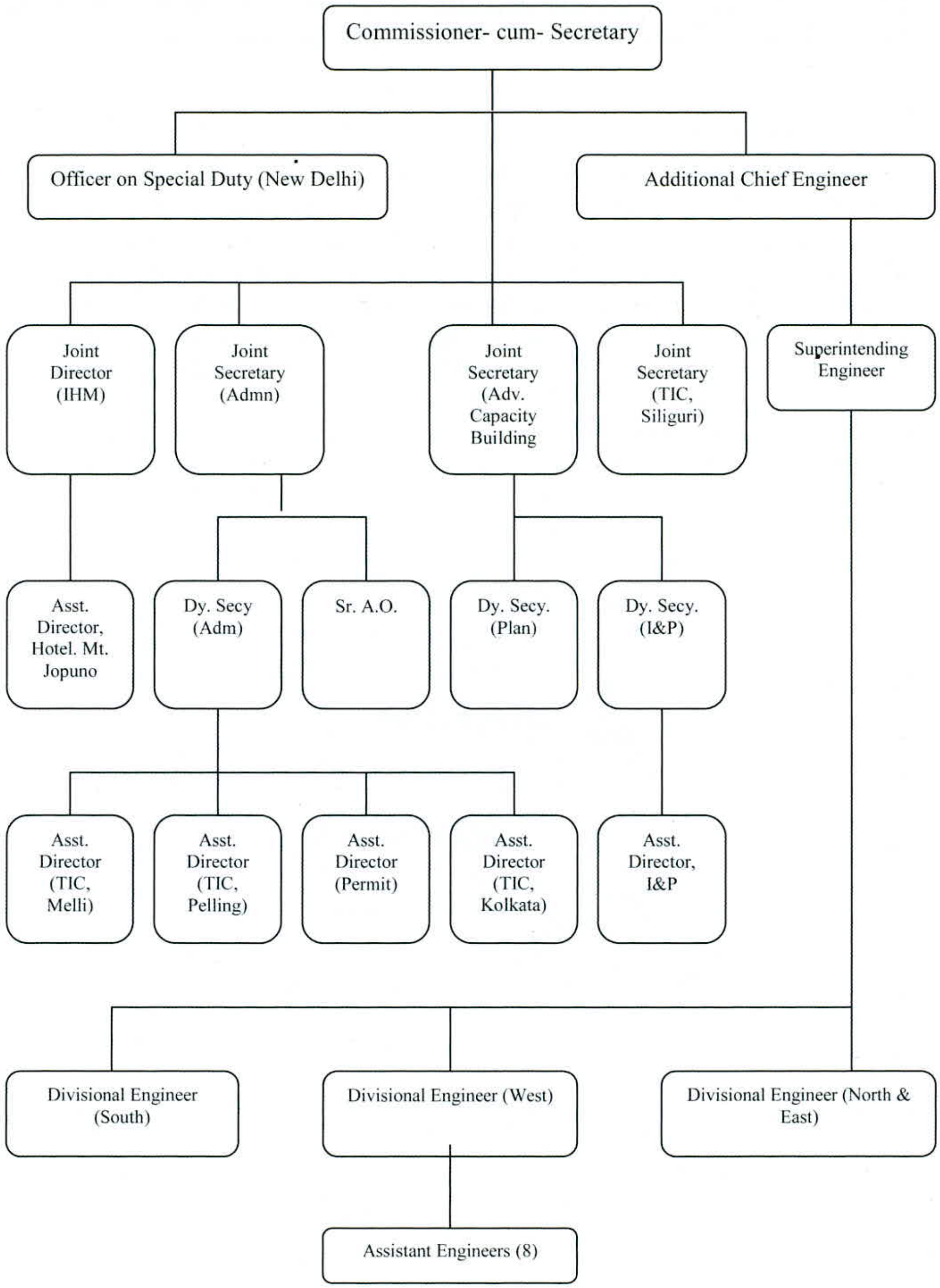
Sikkim is a veritable paradise and a tourist destination for all seasons. Nestled in the lap of the Himalayas, bounded by some of the highest mountains in the world amidst spectacular terrain, with its rugged snow capped peaks, pristine lakes, luxuriant forests, clear blue skies, roaring rivers and gentle streams, the State has immense potential for different types of tourism. Sikkim is home to the third highest peak in the world viz. Mt. Khanchendzonga, which makes it fit for mountain climbing, rock climbing, trekking, etc. Many Buddhist monasteries and stupas are centers of ancient religious rituals and practices, facilitating development of religious tourism circuit in combination with Nepal, Bhutan and the neighbouring State of West Bengal, as shown below:

The flora and fauna of Sikkim is a treat for nature lovers and thus fit for health/ nature tourism. Realising that the State holds tremendous potential for future economic growth with equity and employment generation, both the Central and the State Governments accorded utmost priority to this sector with adequate budgetary support.

3.2.2 Organisational set up

The Department of Tourism is headed by the Commissioner-cum-Secretary, who is assisted by Joint Secretaries, Deputy Secretaries, Additional Chief Engineer, Senior Accounts Officer, etc as can be seen from the organogram given in the next page:

Chart No. 3.2.1



3.2.3 Scope of Audit

Performance review of tourism development in the State, covering the period 2003-08, was conducted during April-June 2008 through a test check of all the projects completed during the review period and other activities pertaining to the Head Office of the Department and four out of ten Tourist Information

Centres (TICs), covering 32 *per cent* of the expenditure (Rs. 37.84 crore out of a total of Rs. 119.42 crore).

3.2.4 Audit Objectives

The performance review was conducted with the objective of assessing whether:

- Required infrastructure for harnessing the full tourism potential of the State was available and adequate;
- Brand promotion and marketing activities for various types of tourism i.e. eco-tourism, village-tourism, adventure-tourism and pilgrimage-tourism etc. were appropriate and adequate;
- Capacity building measures to facilitate self-employment in tourism sector were adequate, appropriate and effective;
- Implementation of schemes / projects for tourism development in the State was economical, efficient and effective;
- Government intervention in planning, funding, infrastructure etc. led to overall development of the tourism sector in the State;
- Monitoring, evaluation and internal control mechanism were adequate and effective.

3.2.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- National Tourism Policy, Tourism Perspective plan, Tourism Master Plan:
- Sikkim Financial Rules:
- Guidelines issued by the Ministry of Tourism, GOI/ State Government; Board of Directors of the Sikkim Tourism Development Corporation (STDC);
- SPWD Code and Manual;
- Prescribed monitoring mechanism.

3.2.6 Audit Methodology

Audit commenced with a letter of engagement (March 2008) to the Secretary of the Department and CEO of the Sikkim Tourism Development Corporation (STDC), followed by an entry conference (April 2008) wherein, audit objectives, scope, methodology and criteria were explained and their agreement obtained. Group discussions with stake holders (e.g. Government, public, tourists, service providers, etc.) were held (April to June 2008). Questionnaire was issued to the Department and Corporation and data and information furnished was analysed with reference to the original records followed by a physical verification of assets. Survey of tourists was also undertaken for obtaining their views. At the end of audit, an exit conference was held (September 2008) with the departmental officers and the report was finalised after taking into consideration the views of the Department.

Audit findings

Audit findings relating to the development of tourism in the State are discussed in the succeeding paragraphs:

3.2.7 Planning

The Union Ministry of Tourism (2002) formulated the National Tourism Policy - 2002 with the objective of positioning tourism as a major engine of economic growth. The Policy envisaged provision of a legislative framework to regulate tourism related trade and industry, ensure safety and security of the tourists and create basic infrastructure and health care facilities for harnessing the full tourism potential in the State.

- The State Government failed to provide a legislative framework to tourism related activities, as a State specific Tourism Policy was not formulated in line with the National Tourism policy. The Department informed (September 2008) that the State Tourism Policy is under preparation and would be completed by 2009-10.
- Safety and security of the tourists was also not accorded due priority as evidenced from the fact that (i) Tourist Police were not appointed to help the tourists for hassle free trips to various tourist destinations; (ii) separate mobile unit (including ambulances) with sufficient staff to attend the tourists during emergency was not deployed despite eleven cases of accidents involving death of 22 tourists during 2003-08; and (iii) adequate safety measures were not adopted by way of formation of State Level Committees for safety and rescue of tourists by the State Government, especially for adventure sports.
- The State Government failed to enact the Trade Rules and also failed to create adequate tourist infrastructure as pointed out in paragraph 3.2.7.4 and paragraph 3.2.9 respectively.

3.2.7.2 Perspective Plan

Union Ministry of Tourism prepared[8] (November 2002) a 20 year Perspective Plan - Sikkim Tourism Vision 2022 for sustainable development of tourism in Sikkim, which envisioned five targets. The Department's performance *vis-a-vis* these targets after six years (March 2008) of the formulation of the plan is detailed below:

Sl. No	Targets	Status of implementation
1.	Increase earnings from tourism by at least 10 *per cent* per annum.	Earnings remained almost static ranging between Rs. 79.01 lakh (2003-04) and Rs. 82.00 lakh (2007-08) in case of the Department and Rs.2.03 crore (2005-06) and Rs. 1.95 crore (2006-07) in case of the Corporation[9].
2.	Achieve annual growth rate of 10 *per cent* in foreign tourist arrivals during the period 2002-2012.	Although the inflow of foreign tourists increased in absolute terms from 8,433 (2002) to 17,837 (2007), the annual growth rate reflected a decreasing trend from 33.70 *per cent* (2003-04) to (-) 1.17 *per cent* (2007-08).

[8] *Through Horizon Industrial Consultancy Services, New Delhi*
[9] *Corporation finalised its accounts upto 2006-07.*

Sl. No	Targets	Status of implementation
3.	Create employment opportunities for 1,500 persons per annum.	While employment creation in public sector during 2003-08 was nil, the Department had not kept any statistics of employment generation in private sector and thus employment generation, if any, could not be ascertained.
4.	Add 200 quality accommodation spread over in the four districts of the State except Gangtok	The State has achieved its target as over 314 hotels/lodges were added in the East and North districts during 2003-08.
5.	To innovate and promote at least one new tourism product (eco/ adventure tourism) and new destination every year.	Although the State has started promoting a few tourism products, full tourist potential on eco-tourism, adventure tourism, health tourism and pilgrim tourism has not been exploited.

The Department stated (September 2008) that the Perspective Plan gives a general trend of planning process which cannot be rigid and binding in terms of the achievement figures.

3.2.7.3 Master plan

The Master Plan for tourism development in Sikkim, approved (February 1998) with a perspective of 15 years (1997-2011) recommended a district-wise tourism development strategy as shown below:

District		Strategies
East	(i)	Upgradation of attractions;
	(ii)	Imposing entry charges for all attractions;
	(iii)	Upgrading hotels through incentives and regulations;
	(iv)	Improvement in transport and other infrastructure;
	(v)	Improvement in the skills of the people engaged in tourism industry,
	(vi)	Use of taxes collected from hotels, restaurants and the transport sector for promotion of Sikkim
West	(i)	Master plan of Pelling including land zoning for residential, market and evening activity;
	(ii)	Motivating establishment of hotels;
	(iii)	Improvement in transport services;
	(iv)	Improvement in attractions supported by appropriate marketing.
North	(i)	Setting up minimum permanent structures in North Sikkim to protect environment;
	(ii)	Physical planning of Lachung, Chunthang and Lachen areas and development of campsites in line with environment guidelines.
South	(i)	Developing South District as a halting point for tourists.

Audit scrutiny, however, revealed that the Department did not frame a district-wise tourism development strategy. The annual plans submitted to Planning & Development Department for availing plan funds, were not dovetailed with the strategy recommended in the Master Plan for various districts. As a result, while the expenditure and effort invested towards preparation of Master Plan failed to yield the desired result, the activities envisaged in the Master Plan were yet to be achieved, as evidenced from the following:

- In respect of East District, upgradation of attractions consisting of tourist circuit development, tourist destinations, Buddhist circuits, tourist pilgrimage centres, wayside amenities, trekking routes etc. was not undertaken by the Department. Developmental programmes such as identifying circuits for places of special interest and sightseeing were taken up by the Department but without carrying out any survey for proper identification of such tourist places with potential for increased tourist inflow, availability of transport, communication and accommodation facilities, etc.

- In the West District, developmental works such as land zoning for residential, market and evening activities, restoration of Rabdentse palace, ropeway from Rabdentse palace to Pemayangtse monastery etc. were not undertaken.
- In South District, development of tourist shopping area and Science Museum at Namchi, river rafting base etc. were not carried out.
- Selection of infrastructure development projects, viz; tourist circuits, pilgrim centres, wayside amenities and trekking routes etc. was based on public demand, followed by the recommendations of the MLAs/Ministers overlooking the Master Plan, rather than survey and analysis of the actual need. As a result, while infrastructure worth Rs. 56.17 crore remained idle as brought out in paragraph 3.2.9.3, adequate infrastructure for quality accommodation for tourists in prime locations such as South (Ravangla and Namchi) and West districts could not be created.
- The Master Plan was not reviewed during the last 11 years to bring it in tandem with the National Tourism Policy 2002 and the Perspective Plan (November 2002) for Sikkim, for effective implementation and convergence. In fact, the Master Plan was not sent to the other line departments to elicit their views, suggestions for improvement and for achievement of targeted goals/objectives in a coordinated manner. This was all the more important in view of the rapid growth achieved by the tourism sector at national and international levels. The Department stated (September 2008) that the actual achievement of Sikkim Tourism was higher than what was documented in the Master Plan on its socio-economic objectives, employment generation and marketing of tourism products and that, there was also a need for review of Master Plan. While the Department's view that there was a need for review of Master Plan is welcome, their contention that the actual achievement was higher than what was documented in the Master Plan is not tenable as neither the developmental works were undertaken according to the Master Plan nor was Master Plan ever referred to. Besides, the Department could also not substantiate its contention with documentary evidence or any baseline data regarding employment generation.

3.2.7.4 Tourist Trade Rules

The Sikkim Registration of Tourist Trade Act 1998, envisaged (February 1999) formulation of rules for regulating tourism activities in the State. The Department framed (August 2006) the Sikkim Registration of Tourist Trade Rules, 2006 after a lapse of eight years. The rules, however, could not be implemented owing to the objections from the Urban Development & Housing Department and the Excise Department that substantial revenue towards registration fee of hotels, excise duty, etc., would be lost. The modified draft[10] of the Rules was submitted (April 2008) to the Home Department for obtaining Cabinet approval, which was awaited (July 2008). Thus, due to abnormal delay in introducing the Rules, the Department failed to have proper and complete control over the tourism related activities, especially to obviate exploitation of the tourists by private agencies and to help build the image of State Tourism.

The Department stated (September 2008) that the Tourist Trade Rules would be implemented by November 2008.

3.2.8 Financial Management

Budget allocation, expenditure, excess, savings, etc of the Department for the period 2003-08 was as below:

Table 3.2.1

(Rupees in crore)

Year	Allocation			Expenditure			Savings
	Revenue	Capital	Total	Revenue	Capital	Total	
2003-04	4.31	10.26	14.57	4.28	8.19	12.47	02.10 (14)
2004-05	4.64	17.95	22.59	4.59	7.29	11.88	10.71 (47)
2005-06	5.20	27.71	32.91	5.17	15.20	20.37	12.54(38)
2006-07	6.04	35.12	41.16	6.02	23.78	29.80	11.36 (28)
2007-08	6.30	52.27	58.57	6.31	38.58	44.89	13.68 (23)
Total	**26.49**	**143.31**	**169.80**	**26.37**	**93.04**	**119.41**	

Source: Detailed Appropriation Accounts.
Figures in brackets indicate percentages.

Savings were primarily in capital heads, as the Central funds (Rs.64.58 crore) received from the Union Ministry of Tourism (MoT) and the MoDoNER were not released by the Finance, Revenue and Expenditure Department (FRED) in time due to which, 13 projects suffered and progress in respect of some of the projects, especially trekkers circuit development, Buddhist circuits, pilgrimage centres etc., were delayed. Out of Rs. 105.85 crore received during 2003-08 for CSS, only Rs. 38.61 crore was spent, leading to an unspent balance of Rs. 67.24 crore (63.52 *per cent*) as of March 2008. This is primarily because of slow progress of projects owing to (i) delay in obtaining forest clearance for the proposed projects, (ii) delay in acquiring private lands for developmental activities, (iii) model code of conduct imposed by the Election Commission, (iv) non receipt of funds from MoT and MoDoNER in time etc. Besides, funds received from MoT and the MoDoNER were retained for a long period by the FRED prior to their release to the Department.

The Department confirmed (September 2008) that the savings were due to non-achievement of the desired progress in some of the ongoing schemes, especially during the past two years.

3.2.8.1 Utilisation Certificates

A number of schemes for tourism development were undertaken by the Department by availing of financial assistance under CSS. In fact, a major share of capital investment on planned schemes was funded through CSS.

[10] Sikkim Registration Tourist Trade Rules 2008 empowers the State Government to frame rules for the classification of Hotels and Travel Agents, registration of hotels, restaurants and bars, tour operators, powers of inspection of the premises, penalties, etc.

Audit scrutiny of 39 projects (out of 84) involving Rs. 142.51 crore revealed that subsequent instalments in respect of 35 projects involving Rs.36.66 crore were not released by the concerned Ministry, due to non submission of utilisation certificates (UCs). In four projects, the UCs was submitted to the Ministry after a delay of 12 to 24 months.

The Department stated (April 2008) that the UCs for a large number of projects have since been submitted to the Ministry for release of final instalments.

Programme Implementation

3.2.9 Infrastructure development

The National Tourism Policy 2002 stressed upon creation of basic infrastructure for harnessing full tourism potential in the State. The status of infrastructural facilities taken up, completed and in progress during 2003-08 is given below:

Table-3.2.2

(Rupees in crore)

Year	Projects taken up		Completed		Work in progress	
	Nos.	Value	Nos.	Value	Nos.	Value
2003-04	43	9.89	27	3.78	16	6.11
2004-05	42	57.17	11	2.82	31	54.34
2005-06	76	72.53	8	7.33	68	65.20
2006-07	36	46.79	27	23.68	9	23.11
2007-08	21	104.69	2	18.56	19	86.13
Total	**218**	**291.07**	**75**	**56.17**	**143**	**234.89**

Source: Annual Reports of the Department

As can be seen from the table above, during the period 2003-08, a total of 218 projects (Rs. 291.07 crore) were taken up. However, 75 assets comprising tourist lodges (9–Rs. 4.97 crore), way side amenities (3-Rs. 0.28 crore), cafeteria (2-Rs. 0.18 crore) and others (61-Rs. 50.74 crore) developed by the Department upto March 2008 involving a capital expenditure of Rs. 56.17 crore, were not put to use owing to a variety of reasons such as improper maintenance, failure to lease out, improper location etc.

3.2.9.1 Air and rail connectivity

The State is landlocked with no worthwhile air or rail connectivity and therefore road connectivity is of utmost importance. NH 31A is the only lifeline for Sikkim connecting the State with the rest of the country. Frequent landslides often disrupt road link, affecting tourist inflow into the State. There has not been any visible progress towards setting up the proposed airport at Pakyong even after entering into a MoU (March 2002) with the Airports Authority of India. The process for setting up airport commenced during 2001 with sanction of Rs. 358.36 crore towards Special Problem Grants by the Tenth Finance Commission. The Roads & Bridges Department completed the land acquisition and incurred Rs. 25.92 crore till March 2008. A fund of Rs. 100 crore was earmarked by the Twelfth Finance Commission for the purpose. Recently a High Level Meeting between the Deputy Chairman, Planning Commission and the State Government envisaged (April 2008) completion of the airport by 2011. Thus the tourist inflow owing to absence of air connectivity was constrained. STDC has been operating heliservices with a seating capacity of five and the performance of this service is unsatisfactory (loss of Rs. 79.99 lakh till March 2008) due to non-receipt of subsidy from the State Government, high operating cost and lack of a marketing strategy.

Tourism Department had not even kept track of disruption of road traffic due to landslides, let alone initiating suitable steps to coordinate with BRO and other State Government Departments for remedial action.

Infrastructure development for associated facilities like accommodation, restaurants, way-side amenities etc. was neither assessed nor developed in tandem with the Perspective Plan and the Master Plan. Thus, failure of the Department to expedite the Airport project kept the tourism industry at the mercy of the only National Highway which remained vulnerable due to landslides and strikes.

The Department accepted the audit observation and stated (September 2008) that it had a detailed discussion (August 2008) with the Airports Authority of India for early commencement (2008-09) of the airport project so as to complete it by 2011.

3.2.9.2 Delayed initiation of work

Audit scrutiny of 39 infrastructure projects sanctioned (Rs. 142.51 crore) by the MoT during 2003-08 in the State revealed that, while initiation in case of 13 projects (Rs. 30.04 crore) was delayed by seven to 13 months, 26 projects (Rs. 75.81 crore) were under execution at various stages. Of the 13 projects, in eight projects, the delay was owing to the failure of the contractors to take up the works as per schedule, while in five projects, delay was on the part of the Department. Two cases (out of 13 cases) of delayed initiation of projects were examined in detail in audit, and the results are enumerated below:

- MoT sanctioned (September 2002) Rs. 40 lakh and released (October 2002 and June 2003) Rs. 32 lakh towards construction of "extension of flower show at Gangtok" with a stipulation to commission the project within 12 months. The Department, however, could not commence the work due to non-finalisation of proper site at Gangtok and proposed (July 2007) shifting the project to Namchi at an estimated cost (revised) of Rs. 5.13 crore. This was despite the fact that the Department, while sending the project to the Ministry, had categorically stated that the land was available. Even after sanction (July 2007) of the revised project and release of additional fund of Rs. 3.79 crore (aggregating to Rs. 4.11 crore) and Cabinet approval (November 2007) for execution of the project at Namchi, the Department failed to take up the work as of March 2008 due to delay in tendering process. The Department accepted (March 2008) the delay in completing tender formalities and assured that the project would be completed during 2008-09.
- MoT sanctioned (Rs. 6.50 crore[11]) and released (March 2004) rupees four crore for construction of administrative building of Institute of Hotel Management (Catering Technology and Applied Nutrition), Gangtok with

[11] *Main Building & Hostel-Rs. 4.5 crore, Equipment-Rupees one crore and Furnishing-Rupees one crore*

a stipulation to complete it within 12 months (February 2005). The Department awarded (March 2005) the project to the contractor for Rs. 3.40 crore (later revised to Rs. 7.78 crore in October 2007), with a stipulation to complete it within 12 months (September 2008). Thus, initiation of the project was delayed and consequently, the intended benefit was not achieved even after incurring an expenditure of Rs. 3.98 crore till March 2008. The Department accepted (September 2008) the audit observation.

3.2.9.3 Idle Assets

The Department completed 75 works (Rs. 56.17 crore) comprising wayside amenities, cafeteria, Yatri Nivas and trekker huts/trails etc. during 2003-08 which were lying idle for six months to four years as of March 2008, primarily because the handing over of assets for proper use was yet to take place. These assets not only failed to yield value for money and attract tourists as envisaged in the project proposals, but also led to loss of potential revenue on account of lease rent, entry fees etc.

Joint physical verification of assets by the Audit team and the departmental officers revealed the following:

- MoT sanctioned (1998-99) Rs. 78 lakh for construction of a Base Camp at Yuksom, West District to be completed in November 2004. After completion of 88 *per cent* of works (Rs. 68 lakh), the entire area was buried (May 2004) due to landslide, as shown in the photograph below:

Damaged Yuksom Base Camp, West Sikkim

  Efforts of the Building & Housing Department to reconstruct the structure did not fructify due to paucity of funds. Even after the Department took over (2006-07) the structure, no effective steps were initiated to reconstruct the damaged structure, leading to infructuous expenditure of Rs.68 lakh. Neither the UCs were sent nor the fact of damages was intimated to the MoT. The Department stated (May 2008) that there was no proposal to revive the damaged buildings. The Department failed to initiate an integrated approach for harnessing the full tourism potential, as on the one hand, it was promoting Yuksom as the entry point for trekking to Mt. Khangchendzonga and on the other hand, it failed to reconstruct the base camp to provide the necessary logistics to the tourists.

- Similarly, another asset (Yatri Nivas at Tashiding) constructed (January 2002) at a cost of Rs. 71.72 lakh by availing of financial assistance from

MoT was not put to use as of June 2008, as can be seen from the photograph below. The Department had not opened it for tourists visiting Tashiding monastery.

Unused Yatri Nivas at Tashiding, West Sikkim

The Department accepted the observations and stated (September 2008) that the process for leasing out the asset has been initiated.

- The way side amenities and cafeteria at Phamrong waterfalls in West Sikkim constructed (February 2007) at a cost of Rs. 15.93 lakh was not opened for tourists as yet, as can be seen from the photograph below:

Unused Cafeteria at Phamrong waterfalls

This place is blessed with abundant natural beauty and waterfall with a potential to attract large number of tourists. The Department stated (September 2008) that it had initiated the process for leasing out.

- Cafeteria at Sirwani in South Sikkim constructed (September 2003) at a cost of Rs. 13.02 lakh was damaged (June 2007) due to landslide. No effort was made to reconstruct the asset and put it to effective use as of July 2008.

These instances are only pointers to the Department's inability and ineffectiveness in harnessing the full tourism potential in the State.

3.2.9.4 Time and cost overrun

Scrutiny of 129 projects (completed: 75; Work-in-progress: 54) out of 218 revealed that execution of 38 projects relating to tourist circuit development, tourist destinations, Buddhist circuits, tourist pilgrimage centres, trekking routes, etc. involving Rs. 17.21 crore[12] was delayed by eight months to five years from the scheduled date of completion. This was primarily due to the non-availability of stock materials such as cement, rods, etc., road blockage due to landsides, delay in finalisation of site, boundary disputes, delay in obtaining forest clearance, etc.

Thus, delayed completion of projects not only led to cost escalation but also deprived necessary facilities to tourists at important tourist destinations such as Tashiding in West Sikkim, Rumtek and Rorathang in East Sikkim and Buriakhop in West Sikkim etc.

3.2.9.5 Leasing out of assets

Out of 75 assets completed, 30 assets had to be leased out to private entrepreneurs. While 20 assets were leased out, one asset (wayside amenity at Sirwani) was damaged (August 2007) by landslide and the remaining nine assets were yet to be leased out (September 2008). Audit findings related to leasing the above assets are given below:

- The Department had not worked out any modality for leasing out its assets and revenue sharing model, taking into account the potential revenue from the asset, its location, cost incurred, etc. was not explored.
- Wide publicity as stipulated in the Sikkim Financial Rules for selection of an appropriate lessee and obtaining the best deal for the Government was not adhered to in any of the 20 cases. Instead, the assets were leased out on the recommendation of the Minister and MLAs without considering the market rates and the financial soundness of the lessees. Nine assets leased out (2003-08) by the Department were ideally located at prominent tourist points recording large inflow of tourists. However, owing to the low lease rent, these assets could only earn a meagre return on investment of less than 0.5 *per cent* per annum.
- In four cases, assets were leased out at below the assessed rate ranging between Rs. 226 and Rs. 3,238 leading to loss of Government revenue of Rs. 2.49 lakh. Despite abysmally low lease rent, Rs. 3.31 lakh (12 cases) towards lease rent for one to 70 months was not realised as of March 2008.
- The Department leased out (1976) Hotel Norkhill, Gangtok to M/s Elgin group for twenty years (September 1996). The lease agreement provided that the first offer for subsequent lease (after expiry of the existing lease) would be made to the existing lessee and only if he declines, the property would be let out to others. The High Court in its decision on a case filed by M/s Elgin group directed the Department to call for tenders and offer the highest bid to the group for its acceptance. However, Elgin group was allowed the lease for the subsequent period (1997-2021) at Rs. 30 lakh[13]

[12] The total value is in respect of 22 works. The cumulative expenditure for the remaining 16 works was not furnished.

[13] Offered by second highest bidder M/s Yoksum Breweries Limited

ignoring the highest offer[14] of Rs. 36.52 lakh per annum, with an increase of 12 *per cent* after the first three years and an increase of five *per cent* every succeeding three years, leading to a loss of Rs. 10.49 crore for the lease period (June 1997 to May 2021) and also undue favour to the Group. The highest offer was ignored (March 1997) on the grounds of non-submission of financial soundness certificate which was not plausible as the offers were invited primarily to arrive at the highest bid for leasing out the property to the existing lessee and even the second highest bidder had not submitted the bankers certificate.

The Department accepted the audit observations and assured (September 2008) that measures would be taken for leasing out all the assets without further delay.

3.2.10 Brand promotion and marketing

Sikkim has great potential for eco-tourism, village-tourism, adventure-tourism, health-tourism, pilgrim-tourism etc. While village-tourism was being promoted at Kewzing, Hee-Bermiok, Pastanga, Tinchin, Yuksom etc. through private entrepreneurs/villagers, which was appreciated by different authorities, adequate attention was not paid by the Department towards harnessing the potential of other tourism as described below:

3.2.10.1 Tourist potential not harnessed

- ***Eco-tourism***: National Tourism Policy 2002 envisaged formulation of a policy on Eco-tourism for promoting travel to natural areas to appreciate the cultural and natural history of the environment without disturbing the integrity of the ecosystem. Sikkim has immense potential for eco-tourism like wild animals spotting, bird watching, angling, hills and lakes viewing, boating, nature walk, etc. which however, was not tapped. Even the policy on eco-tourism was yet to be formulated despite the creation (April 2006) of a cell under Forest, Environment and Wildlife Management Department and deployment of supporting staff alongwith a Director.
- ***Adventure tourism:*** The State being a hill station, has vast potential for adventure-tourism. The geo-physical setup of the region and mountainous terrain makes the State a heaven for adventure sports *viz,* river rafting, boating, angling, mountain biking and Para gliding etc. Though the Department created (1992) a separate cell for adventure-tourism, personnel with requisite experience were not recruited. Thus, the tourists (mainly foreigners) were dependent on private agencies like TAAS, SATTO and others, who charge exorbitant rates for hiring trekking equipment, tour guides, etc. which acts as a deterrent towards tourism development in the State. The Department stated (September 2008) that adventure tourism was being promoted at various places in the State. However, the activities pertaining to adventure-tourism are not being regulated by the Department.
- ***Health tourism:*** The flora and fauna of Sikkim is world famous and the State has an abundance of plants with high medicinal value. Moreover, its healthy, pollution free climate and a variety of organic vegetables are highly conducive to good health. The Tourism Department however, failed

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[14] *M/s Mt. Pleasant Tours and Travels*

to formulate any policy for development of health- tourism to attract more tourists.

- ***Pilgrim tourism:*** Sikkim has about 200 monasteries or gompas belonging to the Nyingma and Kagyu sect, of which, eleven[15] are renowned, demonstrating ancient rituals and practices. These monasteries have great potential to attract tourists, both domestic and foreign, especially from South East Asian countries, where Buddhism is the main religion. No efforts were however, initiated by the Department to develop and promote pilgrim tourism in the State.

Thus, due to the lack of a comprehensive plan for development of innovative tourism in the State coupled with the absence of an aggressive marketing strategy, full potential of various types of tourism was not harnessed.

3.2.10.2 Tourist Information Centres (TICs):

Scrutiny of four[16] out of ten TICs revealed that these were ill equipped in terms of infrastructure to provide adequate information to the tourists. Kiosks (touch screen) installed at all four TICs for facilitating information about Sikkim tourism at finger tips were non-functional for periods ranging between one and two years, primarily because the software was outdated. As the TIC is the first point of a tourists' interaction with the State, ill equipped TICs failed to create the desired impact for promoting the brand name for Sikkim Tourism and proved a deterrent in harnessing the full tourism potential of the State.

3.2.11 Manpower management

Trained and skilled manpower is a critical requirement for growth of the tourism industry and therefore human resources development assumes utmost importance. The Tourism Master Plan of Sikkim recommended (January 1998) vocational courses for state level guides (for trekking activities as well as historical guides) and local guides (for monasteries and historical monuments, tea estate etc), training to prospective lodge managers in remote areas, awareness camps for taxi drivers, yak owners, potters etc. These activities were not accorded due importance as, except for organising awareness camps for taxi drivers and diploma courses for hotel management at IHM, the Department had not initiated measures to employ the local unemployed youth, or train the available manpower for tourist activities.

3.2.11.1 Capacity Building Programme

National Tourism Policy -2002 emphasised capacity building programme. Perspective Plan and Master Plan also highlighted the need for capacity building programmes. Although the Department took up 'Capacity Building Programme' with effect from 2006-07 and conducted 27 training programmes incurring Rs. 36.72 lakh during 2006-08 on training 1,753 candidates in the areas of guide, river rafting, culinary skills and sensitisation of taxi operators etc., it lacked a focused approach, as evidenced from the following:

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[15] (i) Pemayangtse, (ii) Rumtek, (iii) Enchey, (iv) Phensang, (v) Phodong, (vi)Lachung., (vii)Lachen (viii)Dubdi, (ix)Lingtem, (x)Ralong., and (xi) Tashiding.

[16] Kolkata, Pelling, Rangpo and Jorethang

- The involvement of the Tourism Department was minimal and the entire exercise right from the formulation of training programme to imparting of training was carried out by private agencies like TAAS/SAATO and SAMA without considering their ability to undertake such activities.
- Candidates for training were selected on the recommendation of the MLAs/Ministers without due publicity in the local papers. Unemployed youth registered with the Department of Personnel and Training were not considered. Computerised history sheets of the trainees for probable job placement were also not initiated.
- The Department had not initiated any action towards training of key stakeholders of the tourism industry in the arena of (i) hygiene (ii) conduct (iii) integrity and (iv) safety with a view to change their attitude and behaviour towards the tourists, especially foreign tourists, as envisaged in "Atithi Devo Bhavah"- a concept introduced (2004-05) by MoT to tap the full tourism potential.
- The Department failed to take advantage of the assistance granted (March 2004) by the MoT towards training and capacity building programme for Service Providers to impart professional expertise to the local populace as well as to create fresh opportunities for employment generation in the tourism sector.

The Department accepted (May 2008) the findings and assured that steps would be taken to arrange for such training in future.

3.2.12 Monitoring and Evaluation

Monitoring and Evaluation Cell was created as late as in April 2007 with the deployment of four officers from within the Department but specific job description was not provided to them. As a result, the Cell remained perfunctory. The Department stated (September 2008) that the Monitoring and Evaluation has since been strengthened.

3.2.13 Impact Assessment

An attempt was made in audit to assess the impact of the development in tourism sector in the State. Besides scrutiny of records, physical verification of various tourist spots and assets was carried out jointly by the Audit team and the Departmental officers. Survey through questionnaire to tourists was also undertaken to gauge the tourists' perception. Findings are enumerated below:

Tourist inflow into the State had recorded a positive growth in absolute terms during 2003-08. However, growth rate of domestic tourists dipped from 30.60 *per cent* in 2003-04 to 9.48 *per cent* in 2007-08. Similarly, growth rate of foreign tourists also dipped from 33.*70 per* cent in 2003-04 to (-) 1.17 *per cent in* 2007-08.

Audit team carried out a survey by administering a questionnaire to the tourists at entry point in Rangpo. Survey results revealed that a majority of the tourists (domestic and foreign) were not aware of the (i) availability of heliservices between Gangtok to Bagdogra, (ii) existence of branches at Kolkata, NJP, Siliguri and New Delhi and (iii) environmental threats to tourist places. While 58 *per cent* of the tourists expressed overall satisfaction with the facilities and amenities provided, 42 *per cent* expressed their unhappiness citing that they had more expectations from Sikkim.

3.2.14 Acknowledgement

Audit acknowledges the co-operation and assistance received from the Tourism Department and the Corporation at various stages of the performance review.

3.2.15 Conclusion

Sikkim tourism possesses vast potential for generating employment and earning huge foreign exchange besides giving a fillip to the State's overall economic and social development. Although the State Government has initiated a number of steps by way of creation of infrastructure, incentives to investors in tourism sector and encouraging village tourism, much remains to be done. Tourism being a multi-dimensional activity, and a service industry, it would be necessary that all wings of the State Government, private sector and voluntary organisations become active partners in the endeavour to attain sustainable growth in this sector if the State is to become a world player in the tourism industry.

3.2.16 Recommendations

- The State Government should formulate an action plan to provide air and rail connectivity and undisrupted road network in a time bound manner;
- Infrastructural facilities should be improved and the available infrastructure should be put to effective use;
- Appropriate revenue model may be evolved for leasing out the departmental assets located at prominent places with large tourist inflow;
- Concerted efforts should be initiated to exploit and promote the vast potential of eco-tourism, pilgrim- tourism, adventure- tourism, health-tourism, etc.;
- Capacity building may be accorded adequate priority to generate employment for local youth and create a brand name for Sikkim Tourism.

DEVELOPMENT PLANNING, ECONOMIC REFORMS AND NORTH EASTERN COUNCIL AFFAIRS DEPARTMENT

3.3 Management of Non-Lapsable Central Pool of Resources

The 'Non Lapsable Central Pool of Resources' (NLCPR) was constituted in December 1997 by GOI to facilitate speedy development of infrastructure in the North Eastern States by increasing the flow of budgetary financing for specific viable infrastructure projects in various sectors and to reduce the critical gaps in the basic minimum services. Performance review revealed that implementation of NLCPR schemes in the State has brought about visible improvement in creation of infrastructure in various sectors. However, *remedial measures had not been taken by the State Government on the shortcomings pointed out in the Audit Report of 2004 on NLCPR funded projects and PAC recommendations (March 2006) thereon, as irregular utilisation of funds, cost escalation of projects, acceptance of higher tender rates, delay in completion of projects, excess expenditure and undue favour to contractors persisted. Dissemination of information to general public through print and electronic media, signboards at the project site, plaque for completed projects, etc. for greater transparency and publicity of the schemes/projects were also not addressed.*

Highlights

The nodal department had neither prepared the perspective plan nor identified the gaps in basic minimum services for facilitating identification of prioritised projects.

(Paragraphs–3.3.7.1 & 3.3.7.2)

Implementing departments incurred unauthorised expenditure of Rs. 2.47 crore on staff component and also diverted scheme funds of Rs. 1.24 crore towards procurement of vehicles against the stipulation of the guidelines. Besides, scheme funds of Rs. 44.45 crore were irregularly utilised towards supplementing the ongoing State plan schemes in violation of guidelines.

(Paragraphs–3.3.8.4, 3.3.8.5 & 3.3.8.6)

Programme management was characterised by cost escalation to the tune of Rs. 36.15 crore, delayed completion of projects ranging between 11 and 84 months, excess expenditure of Rs. 88.95 lakh and undue favour of Rs. 35.36 lakh to the contractors.

(Paragraphs–3.3.9.1, 3.3.9.2, 3.3.9.3 & 3.3.9.5)

Monitoring of implementation of projects was lax as quarterly meeting at Chief secretary's level was not held at regular intervals, quarterly progress reports were submitted belatedly and were incomplete, field inspections by DoNER was not carried out on six monthly basis.

(Paragraph–3.3.10)

Nodal department as well as implementing departments had not ensured dissemination of information to the general public about the schemes and had failed to ensure transparency.

(Paragraph–3.3.11)

3.3.1 Introduction

The 'Non Lapsable Central Pool of Resources' (NLCPR) was constituted (December 1997) by the GOI to facilitate speedy development of infrastructure in the North Eastern States by increasing the flow of budgetary financing for specific viable infrastructure projects/schemes in various sectors and to reduce critical gaps in the basic minimum services such as irrigation, power, roads and bridges, education, health, water supply and sanitation etc. Sikkim became part of North East Region since April 1998.

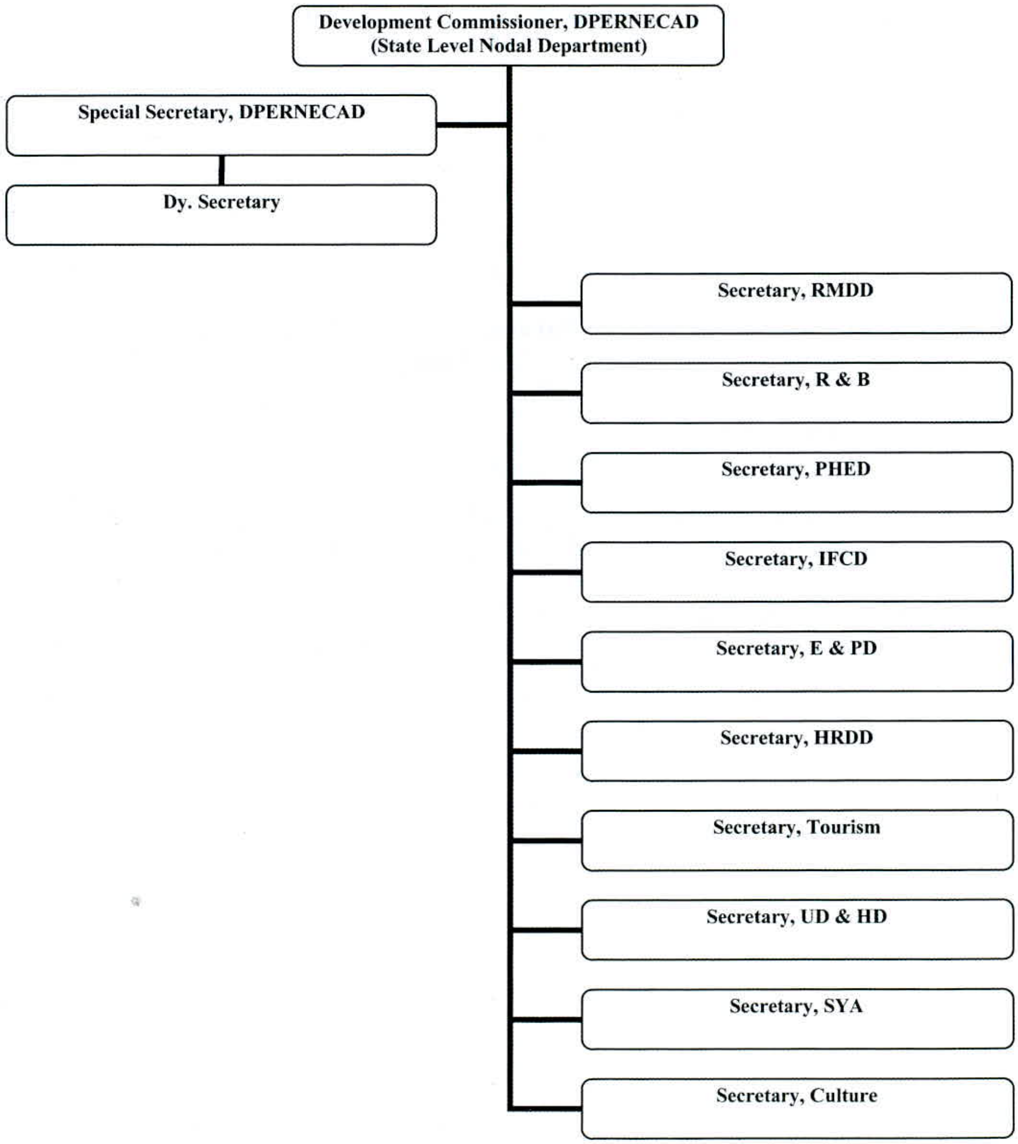
3.3.2 Organisational set up

The NLCPR scheme is administered by the 'NLCPR Committee' at the Central level. While the Secretary, Ministry of Development of North Eastern

Region (MoDoNER) is the Chairman, Finance Secretary, Home Secretary, Secretary of the concerned Ministry/ Department, Advisor, North Eastern Region in Planning Commission, Financial Advisor, MoDoNER, Joint Secretary in-charge of NLCPR are the members.

At the State level, the Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) is the nodal department, headed by the Development Commissioner and assisted by Special Secretary and Deputy Secretary. At the implementing department level, the head of the department (HOD) of sectoral departments assisted by the nodal officer of the NLCPR nominated for the purpose, is responsible for execution of the scheme. An organogram is given below:

Chart No. 3.3.1



Note: *RMDD: Rural Management and Development, R&B: Roads & Bridges, PHED: Public Health Engineering; IFCD: Irrigation and Flood Control, E&PD: Energy & Power; HRDD: Human Resources Development; UD&HD: Urban Development & Housing, SYA: Sports & Youth Affairs.*

3.3.3 Scope of Audit

Implementation of the scheme for the first five years of its operation (1999-2004) was reviewed during April– May 2004 and the findings were incorporated in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 which *inter alia* recommended (i) Strengthening of financial management with a view to avoid delay in release of funds, unauthorised expenditure etc; (ii) Avoid large scale cost escalation by preparing the estimates duly considering the scope of works in its entirety and workability; (iii) Avoid execution of minor works which may not lead to specific viable infrastructure creation; and (iv) Avoid delay in completion of works.

While discussing the Audit Report, the Public Accounts Committee recommended (March 2006) the following:

- Implementing department should take utmost care to prepare the DPR after a thorough study/ proper survey to avoid cost escalation;
- Avoid delay in completion of works;
- Monitoring and evaluation mechanism may be put into practice.

The progress achieved in implementation of these recommendations and also the status of implementation of the scheme for the period 2004–08 was reviewed during May – June 2008 through a test check of records in DPERNECAD and six implementing departments[17].

3.3.4 Audit objectives

The audit objectives of the performance review are to assess whether:

- There was a critical assessment of needs in each of the infrastructural areas and whether the individual projects were planned properly;
- Adequate funds were released in a timely manner and utilised for the specified purpose in accordance with the scheme guidelines and DPRs;
- Projects have been executed in an efficient and economic manner and achieved their intended objectives;
- There is a mechanism for adequate and effective monitoring and evaluation of projects.

3.3.5 Audit criteria

The audit objectives have been benchmarked against the following criteria:

- Scheme guidelines issued by GOI;
- Instructions and circulars issued by GOI and State Government from time to time;
- Sikkim Public Works Code and Manual; and
- Sikkim Financial Rules.

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[17] *Human Resources Development (HRDD), Energy & Power (E&PD), Roads & Bridges (R&B), Rural Management and Development (RMDD) and Water Security, Public Health Engineering (WS&PHED) and Tourism Departments.*

3.3.6 Audit methodology

The performance review commenced with a letter of engagement (May 2008) to the Development Commissioner, DPERNECAD, followed by an entry conference (May 2008) with Special Secretary of the DPERNECAD wherein the audit objectives, methodology and criteria were explained to the Department and their agreement obtained. Questionnaire was issued to the DPERNECAD and other implementing Departments for furnishing data which was analysed in audit with reference to the original records to draw audit conclusions. Physical verification of assets was also carried out. The report was finalised after taking into consideration the views / reply furnished by the Department in the exit conference (September 2008).

3.3.7 Planning

3.3.7.1 Perspective plan

Guidelines envisaged preparation of a perspective plan by the State Government after a thorough analysis of the infrastructural gaps and drawing up a priority list of projects. Guidelines further stipulated that infrastructural projects would only form part of the priority list and forbade inclusion of maintenance works in the name of improvement and up-gradation. No perspective plan was ever prepared by the DPERNECAD and selection of projects was not based on any priority list. The list of sanctioned projects revealed that 5 *(*20 *per cent)* projects (out of 24 projects sanctioned by the Ministry of DoNER*)* costing Rs. 30.35 crore, pertaining to two departments, did not qualify for funding under the NLCPR scheme, as these projects were essentially in the nature of maintenance and not related to creation of infrastructure. Neither the implementing departments nor the DPERNECAD ensured adherence to the guidelines. Even the Ministry failed to detect the aberrations.

The Development Commissioner assured (September 2008) that the Department would ensure that henceforth the projects are submitted in conformity with the guidelines.

3.3.7.2 Gap analysis

Guidelines required the State Government (Nodal Department) to submit an annual profile of projects in terms of priority latest by 31 December for the next financial year. Annual Profile of Projects was to be a comprehensive proposal containing gap analysis of all the major sectors and justification of the listed projects.

Audit analysis of the 26 project proposals (out of 43) submitted by the individual departments revealed that the project reports were devoid of a detailed analysis of the existing facilities in the sector, full justification for the particular project and cost benefit analysis of the project as envisaged in the scheme guidelines. Scrutiny by the Nodal Department was inadequate.

3.3.7.3 Detailed Project Reports (DPRs) and Concept papers

Guidelines stipulated preparation of detailed project reports by the implementing departments which, *inter alia,* should include the basic information and must establish economic and technical viability of the project, detailed technical specification, CPM and PERT chart, project monitoring indicators, project implementation schedules, etc. Besides, concept papers on all individual projects denoting approximate financial outlay, benefits accruing from such projects, identification of beneficiaries etc. were also to be submitted.

Audit analysis of 26 DPRs (out of 43) prepared by the implementing departments and cleared by the nodal department for sanction by the Ministry of DoNER revealed that the DPRs failed to include the above details and also failed to establish linkages between economic and technical viability of the project. Defective DPRs led to absence of stringent monitoring by nodal department, time overruns (as pointed out in Table–3.3.7 under paragraph 3.3.9.2 and paragraph 3.3.10 respectively) and revision in scope of works *(*as detailed in paragraph 3.3.9.1*).*

3.3.8 Financial management

NLCPR is funded by the Ministry of DoNER, GOI in the form of 90 *per cent* grant and 10 *per cent* loan. Details of funds received and utilised by the State during the period 2003-08 are as under:

Table-3.3.1

(Rupees in crore)

Year	Opening Balance	Receipts	Total	Expenditure	Closing Balance
2004-05	4.15	113.57	117.72	96.91 (82)	20.81 (18)
2005-06	20.81	12.31	33.12	07.02 (21)	26.10 (79)
2006-07	26.10	32.19	58.29	27.96 (48)	30.33 (52)
2007-08	30.33	7.99	38.32	05.80 (15)	32.52 (85)
Total		**166.06**		**137.69**	

Source: Information furnished by Department
Figures in bracket indicate percentage.

The year wise actual expenditure ranged between 15 and 82 *per cent* leading to accumulation of balance funds of Rs.20.81 crore (18 *per cent*) and Rs. 32.52 crore (85 *per cent*) as of March 2005 and March 2008 respectively. Department- wise and year-wise release of funds and expenditure thereon are shown in the table below:

Table-3.3.2

(Rupees in crore)

Year	Number of projects	Funds Released	Expenditure	Percentage of expenditure
Upto 2004	162	258.90	254.75	98
2004-05	12	113.57	96.91	85
2005-06	03	12.31	7.02	57
2006-07	04	32.19	27.96	87
2007-08	05	7.99	5.80	73
Grand total	**186**	**424.96**	**392.44**	

Source: Departmental records. Project-wise details are shown in ***Appendix-3.1.***

As would be seen from the ***Appendix 3.1***, the major portion of savings occurred in PHED and Tourism (100 *per cent in 2007-08*), followed by R&B (57 *per cent in 2005-06*), Energy & Power (47 and 24 *per cent in 2005-06 and 2004-05 respectively*) and RM&DD (14 *per cent* in 2006-07). Audit analysis revealed that savings mainly occurred owing to release of funds at the fag end of the year by the Ministry of DoNER as out of 48 cases released during 2004-08, release in 10 cases were made during the last quarter of the year. Besides, the implementing departments failed to complete the works in a time bound manner and defaulted in submission of quarterly progress reports and utilisation certificate to the Ministry in time. Details of such cases are pointed out in paragraphs 3.3.8.3 and 3.3.9.2 (Table 3.3.7).

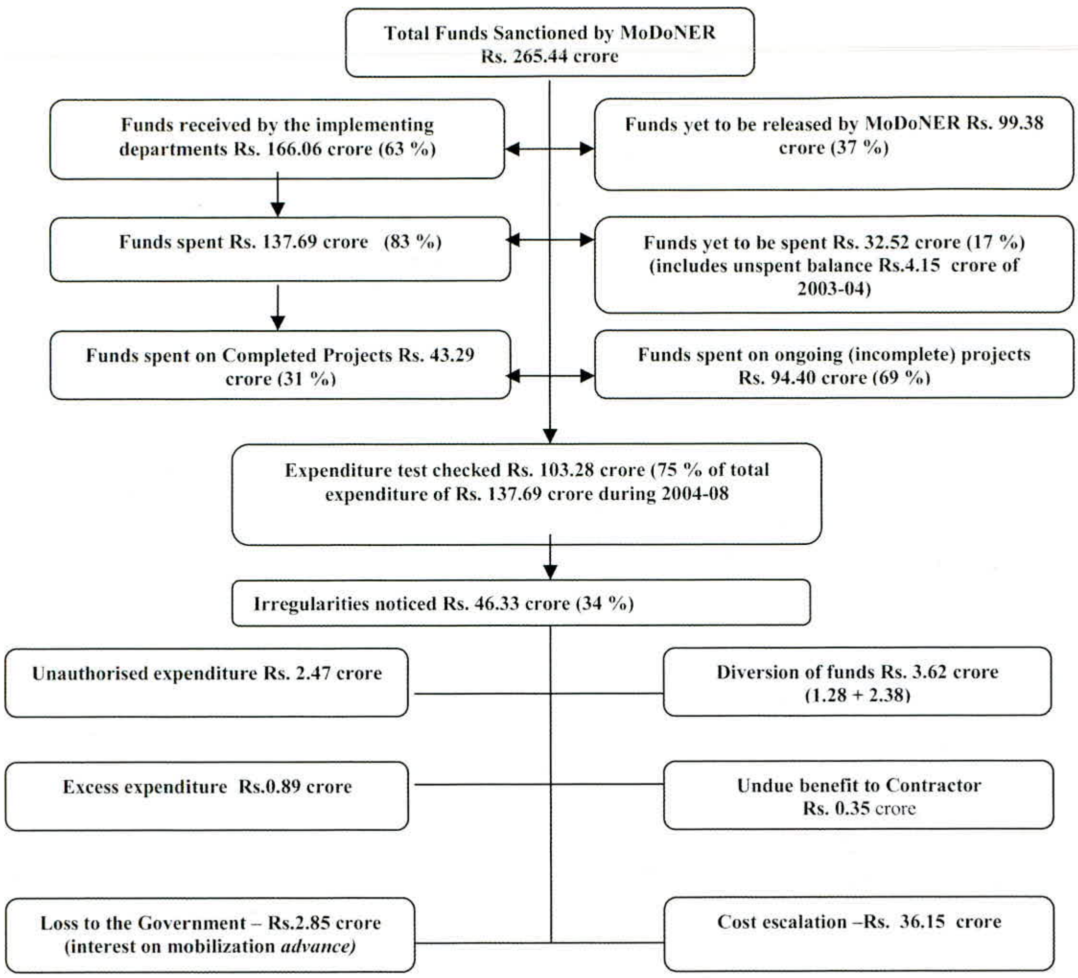
Neither the implementing departments initiated suitable steps to utilise maximum funds for facilitating expeditious completion of projects nor the nodal department monitored proper funds utilisation to achieve the scheme objective for ensuring speedy development of infrastructure in the State.

While the Nodal department and the implementing departments *(except R&B)* did not furnish reply, R&B Department stated (September 2008) that savings occurred primarily due to delayed completion of works due to limited working season available in the State, delay in finalisation of tenders, etc.

3.3.8.1 Efficiency of utilisation of funds

Against the total receipt of Rs. 166.06 crore, the expenditure was Rs. 137.69 (83 *per cent*) during the period covered under audit (2004-08). Deficiencies noticed during the course of test check are represented through a ***finance inverse tree*** as shown below:

Finance Inverse Tree



It would thus be seen that out of the total sanction of Rs. 265.44 crore, only Rs. 166.06 crore was released by MoDoNER (63 *per cent)*. Notwithstanding this short release, State Government departments could utilise only Rs. 137.69 crore, of which Rs. 43.29 crore (31 *per cent)* pertained to completed projects. This viewed together with irregular expenditure of Rs. 46.33 crore (out of total expenditure of Rs. 137.69 crore during 2004-08) indicated that the objective of speedy development of infrastructure was not accorded adequate attention.

3.3.8.2 Shortfall in release of funds

Guidelines provided for release of 35 *per cent* of total project cost as the first installment to the State Government on approval of projects by the Ministry. The State Government was required to transmit the funds to the executing department within 30 days of receipt of funds and a certificate to this effect was to be sent to the Ministry.

The Ministry of DoNER, in nine cases (out of 24 cases sanctioned during 2004-08), unilaterally released Rs. 38.08 crore against the requirement of Rs. 39.37 crore (35 *per cent* of the sanctioned project cost of Rs. 112.49 crore without any intimation to State about the total sanction cost) leading to a shortfall of Rs. 1.29 crore. The DPERNECAD did not initiate any action to obtain remaining funds.

3.3.8.3 Delayed and defective submission of UCs

Release of funds for second and subsequent instalments was contingent upon submission of utilisation certificate (indicating utilisation of funds of last release (75 *per cent)* and full utilisation of all prior releases), quarterly progress reports (QPRs), photographs showing progress of works and work plans for the requisitioned amount with milestones and time frame.

Scrutiny of 53 utilisation certificates (UC) made available to audit (out of the total of 80) pertaining to five departments involving 23 projects (Rs.137.69 crore) revealed that 30 UCs were submitted belatedly, the delay ranging from eight to 132 days. The delay was essentially by the implementing departments, the major defaulter being Energy & Power Department (ranging between 12 and 132 days), followed by R&B (13 to 75 days), HRDD (eight to 44 days) and PHED (nine to 40 days). The UCs were incomplete in sixteen cases, as activity-wise physical target (four-E&PD), financial progress (four–E&PD) and date of release of funds to the implementing departments by DPERNECAD (eight) were not incorporated. QPRs were incomplete in all cases test checked in audit. Milestones and time frame for the requisitioned funds were not mentioned in any of the cases checked in audit. This was one of the reasons for non-release of sanctioned funds by the Ministry of DoNER as reflected in the finance inverse tree.

3.3.8.4 Unauthorised expenditure on staff component

Guidelines issued by MoDoNER prohibited utilisation of scheme funds towards staff component, both work charged and regular. Despite this specific stipulation in the scheme guidelines, departments executing NLCPR schemes incurred Rs. 2.47 crore towards muster roll (Rs. 1.94 crore), work charged establishment (Rs. 31.77 lakh) and regular employees (Rs. 21.31 lakh). It was also noticed that these staff were never deployed on execution of the works relating to the NLCPR schemes but were engaged in the head offices of the departments concerned, divisional offices, stores etc.

Utilisation of scheme funds towards payment of staff salary particularly in view of the fact that the staff were never deployed towards execution of the scheme, was unauthorised and lacked justification.

3.3.8.5 Irregular utilisation of funds

Guidelines stipulate that funds available under NLCPR was an additionality to the ongoing programmes and thus was not meant to supplement the normal plan programme or substitute a budgeted ongoing scheme of the State Government.

Scrutiny of records however, revealed that the State Government had not complied with the guidelines. Rupees 44.45 crore pertaining to NLCPR were utilised for implementation of three budgeted ongoing projects pertaining to two[18] departments. These projects were approved by the State Cabinet for

[18] *Two projects pertaining to RMDD (Rs. 17.03 crore) and Tourism (Rs. 27.42 crore) departments*

execution during 1998-99 and 2003-04 under normal plan programme. However, after incurring Rs. 1.96 crore on the projects, these projects were submitted to MoDoNER for financial assistance and were later executed (2004-08) with NLCPR funds. The fact that the schemes were under implementation through State plan was not disclosed to the Ministry of DoNER by the State Government while forwarding the DPR. Utilisation of NLCPR funds towards financing State Plan schemes was not only contrary to the guidelines but also, in effect, resulted in downsizing the overall plan fund to that extent. There was no improvement in this regard despite assurances from the nodal department as well as implementing departments to the Public Accounts Committee with reference to Audit Report – 2004.

3.3.8.6 Diversion of funds

Assistance released from the pool was tied with the projects and no diversion was permissible. However, three departments diverted funds aggregating Rs.1.24 crore during 2003-08 for meeting the cost of vehicles from project funds as shown below:

Table -3.3.3

(Rupees in lakh)

Department	No. of vehicles	No. of projects	Amounts
PHED	03	03	17.10
RMDD	05	01	21.72
E&PD	16	03	85.53
Total	**24**	**07**	**124.35**

Source: Departmental records

The vehicles were attached to the officers of the concerned departments for carrying out their day to day assigned work. The officers who are not involved with implementation of NLCPR projects were also allotted vehicles procured from scheme funds. Programme implementation was thus compromised to the extent of diversion.

3.3.8.7 Irregular expenditure towards land compensation

Audit noticed that four departments incurred Rs. 2.38 crore from the project fund towards meeting the cost of land acquisition in 11 cases pertaining to six projects although defraying of cost of land acquisition from scheme funds was prohibited as per the guidelines. Not only did the heads of departments allow this expenditure which was against the guidelines, but also concealed this fact from the MoDoNER while reporting expenditure through QPRs. Certification by the HoDs and countersignature by the Development Commissioner that necessary checks had been exercised before submission of UCs were incorrect and misleading in view of inclusion of expenditure towards cost of land acquisition.

3.3.9 Project execution

During the period (2004-08) covered under audit, a total of 31 projects (Rs. 498.05 crore) were forwarded by the State Government for approval and sanction of funds by GOI, of which 24 projects (Rs. 265.44 crore) were approved (2004-08) and Rs. 166.06 crore was released (2004-08) by GOI. Out of 31 projects (24 new and 7 ongoing), five projects (Rs. 43.29 crore) were completed and 26 projects were under implementation- status of completion ranged between five and 97 *per cent* as of March 2008. The details are shown below:

Table-3.3.4

Year	Ongoing projects at commencement of year	Projects forwarded		Projects sanctioned		Total funds released	Projects completed		Projects in progress at year end
		No	Cost	No	Cost		No.	Cost	
2004-05	07	09	78.51	12	116.19	113.57	Nil	Nil	19
2005-06	19	12	211.01	03	25.00	12.31	Nil	Nil	22
2006-07	22	10	208.53	04	68.23	32.19	01[19]	2.00	25
2007-08	25	Nil	Nil	05	56.02	7.99	04[20]	41.29	26
Total		**31**	**498.05**	**24**	**265.44**	**166.06**	**05**	**43.29**	

Source: Departmental records

A total of 160 infrastructure projects valuing Rs. 254.73 crore were executed by the State since the commencement of the scheme in 1998, as shown below:

Table-3.3.5

Year	Department	No of projects sanctioned	Completed projects		Incomplete projects	
			No.	Cost	No.	Cost
Upto 2004	RMD	03	03	34.88	Nil	Nil
	I&FC	91	91	35.83	Nil	Nil
	UD&H	02	02	10.60	Nil	Nil
	E&P	07	02	47.68	05	28.30
	R&B	46	45	23.45	01	8.27
	HRD	06	06	30.91	Nil	Nil
	SYA	02	02	15.36	Nil	Nil
	Culture	01	01	1.09	Nil	Nil
	PHE	04	03	11.64	01	6.74
	Total	**162**	**155**	**211.44**	**07**	**43.31**
2004-05	E&P	02	Nil	Nil	2	34.57
	R&B	08	Nil	Nil	6	21.05
	PHE	02	Nil	Nil	Nil	Nil
2005-06	E&P	01	Nil	Nil	1	3.03
	R&B	01	Nil	Nil	1	1.99
	HRD	01	Nil	Nil	-	-
2006-07	E&P	01	Nil	Nil	1	9.08
	PHE	01	Nil	Nil	1	11.55
	RMD	01	Nil	Nil	1	4.33
	HRD	01	1	2.00	1	3.00
2007-08	PHE	02	Nil	Nil	2	Nil
	RMD	02	Nil	Nil	2	5.80
	R&B	Nil	2	28.76	1	Nil
	PHE	Nil	2	12.53	Nil	
	Tourism	01	Nil	-	-	-
	Total	**24**	**5**	**43.29**	**19**	**94.40**
Grand total		**186**	**160**	**254.73**	**26**	**137.71**

Source: Departmental records

Some of the important projects such as construction of 198 school buildings, college buildings at Kamrang, South Sikkim and Burtuk in East Sikkim, Paljor stadium complex at Gangtok, multi stage pumping system for drinking water

[19] *Sarva Shiksha Abhiyan*

[20] *(i) Upgradation of Ravangla- Makha road; (ii) carpeting of Soreng – Budang road; (iii) Pangthang – Bojoghari W/s scheme ; (iv) Augmentation of Gangtok W/s scheme.*

supply in East Sikkim, 132 KV power transmission lines at Melli, etc. were created out of scheme funds. This has helped the State to bridge the infrastructural gap to a large extent. Conversely, delay in completion of projects (detailed in Table 3.3.7 under paragraph 3.3.9.2) such as synchronisation of Rimbi stageI and II, Kalez khola, remodelling of transmission and distribution network, extension of 132 KV system, etc has affected the overall improvement in power sector especially transmission of energy and assured quality power supply to citizens besides high transmission losses. Similarly, delayed completion of various roads (10) has forced the commuters to travel in undulated roads causing discomfort and higher maintenance expenditure on vehicles. Non-completion of water supply schemes by PHED affected the availability of adequate potable water supply to public.

3.3.9.1 Cost over run

Guidelines do not permit financing the cost escalation, except where these arise out of change in scope of works not envisaged at the initial stage. Financing of such increased cost upto a limit of 20 *per cent* of the originally approved cost was to be shared equally between the MoDoNER and the State Government.

Scrutiny of 24 projects revealed cost escalation (Rs. 36.15 crore) ranging from nine to 71 *per cent* of the estimated cost pertaining to five departments as shown below:

Table -3.3.6

(Rupees in crore)

Sl. No.	Name of project	Department	Original approved cost	Revised cost	Cost over run
1	Remodelling of transmission and distribution network of Gangtok town	E&PD	22.44	29.88	7.44 (33)
2	Extension of 132 KV system in South		23.03	30.63	7.60 (33)
3	Construction of 66 KV S/C transmission line from Myong to Chungthang and transformer bay at Chungthang and feeder bay and Mayong		31.01	33.83	2.82 (9)
4	Gangtok water supply	PHED	1.33	1.79	0.46 (35)
5	Construction of Ropeway – Namchi-Samdruptse	Tourism	16.04	27.42	11.38 (71)
6	Diversion of Ranipool- Pakyong road	R&B	2.37	3.40	1.03 (43)
7	Upgradation of Ranka- Luing- Burtuk road		4.49	6.25	1.76 (39)
8	Water supply scheme for Chakmakey and Ringyang	RMDD	8.75	12.41	3.66 (42)
Total			**109.46**	**145.61**	**36.15**

Source: Departmental records
Figure in brackets represent percentage

Analysis revealed that cost escalation was mostly due to subsequent revision of the scope of work of approved projects (Rs. 24.24 crore in four cases i.e. Sl. 1, 5, 7 and 8) and higher tender rate (Rs. 11.91 crore in four cases i.e. Sl. 2, 3, 4 and 6). The higher tender rate in these cases was caused due to the time lag ranging from two to three years between the preparation of original project reports and their final approval and sanction by MoDoNER and delayed initiation of tendering process ranging from four months to one year after approval of projects by MoDoNER. The Departments were thus constrained to accept higher tender rates (nine to 35 *per cent* above the estimated cost) quoted by the contractors based on the workability of rates at the prevailing market rate. Similarly, revision in scope of work in four cases was necessitated as original project reports did not capture the following eventualities duly taking into consideration the field situations:

- In case of Remodelling of transmission and distribution of Gangtok town (sl-1), changes in scope of work were necessitated due to conversion of LT overhead line into underground cable system from Biralu dwar to Convoy ground, insertion of 11kv grade cables at Deorali government quarters sub-station and 11 kv 6-pole gang operated structure for spur line at AH&VS complex, Deorali etc.
- Required length and elevation in case of Construction of Ropeway (sl. 5) was not taken into consideration while preparing original DPR. As against the original estimation of 1,800 mtrs length, revised estimate incorporated 2,750 mtrs. Similarly, length also had to be changed from 570 mtrs to 640 mtrs. to suit the site conditions.
- In case of Ranka- Luing - Burtuk road (sl-7), extensive revision to the tune of Rs. 6.25 crore (original estimate Rs.4.49 crore) was resorted (2005) to, on the grounds of (i) change in site conditions as the original estimate was framed three years back, (ii) insufficient provision for hill cutting in the original estimate to facilitate six meter width road formation, (iii) additional insertion of 1:4:8 CRSM[21] necessitated due to damage of road formation for heavy surface run-off and (iv) provision of 1:2:4 plum concrete, hand packed sausage wall, culverts, etc.
- In case of Water supply scheme for Chakmakey and Ringyang (sl. 8), scope of works was changed to cover new habitations by extension of distribution network by 6,760 mtrs through 15 mm to 50 mm dia GI pipes; insertion of additional 10 reservoir tanks with a capacity varying between 2,000 ltrs and five lakh ltrs.

Thus, failure of the implementing departments to prepare project estimates duly considering the scope of the works in their entirety and workability, led to unanticipated additional burden of Rs. 36.15 crore on the State exchequer towards cost escalation which was not borne by the Ministry of DoNER.

It was also noticed that the biggest defaulter was E&PD (Rs. 17.86 crore) followed by Tourism Department (Rs. 11.38 crore), RMDD (Rs. 3.66 crore), R&B (Rs. 2.79 crore) and PHED (Rs. 0.46 crore). Trend of cost escalation in terms of percentage although showed an improvement (10 to 226 *per cent* upto 2004 and 9 to 71 *per cent* between 2004-08), escalation was still high despite reflection in Audit Report 2004 and Public Accounts Committee's recommendation (March 2006) thereon to prepare DPRs with utmost care duly considering the scope of the work in entirety to avoid cost escalation.

3.3.9.2 Time over run

Scrutiny of project execution files and Quarterly Progress Reports forwarded by the Department to the Ministry (DoNER) revealed that in respect of five

[21] *CRSM : Coarse Rubble Stone Masonry*

implementing departments, the projects were not completed within the scheduled time. The delay in execution and completion of the projects ranged from 11 to 84 months, as detailed below, and led to considerable delay in accrual of intended benefits from the schemes even after spending Rs. 195.58 crore on these incomplete projects:

Table -3.3.7

(Rupees in crore)

Department	Delay in completion of project s (in months)				Expenditure
	7 to 12	13 to 24	25 and more	Total projects	
PHE	1	3	-	4	37.21
R& B	1	7	2	10	31.94
E&P	-	2	4	6	105.47
RMD	1	-	2	3	19.46
Tourism	-	-	1	1	1.50
Total	**3**	**12**	**9**	**24**	**195.58**

Source: Departmental records

Detailed scrutiny of ten projects revealed that delay was primarily owing to delayed initiation of tendering process (six) by the implementing departments (RMDD-1, E&PD-1, R&B -3 and PHE-1) without any recorded reasons, delay in completion of projects by the contractors (two) pertaining to PHE and E&PD for which no penalty was charged, difficulty at project site (two) during construction phase such as landslides, traffic congestions and bad weather, etc. Both the implementing as well as Nodal Departments (DPERNECAD) failed to initiate suitable steps to complete the projects within the scheduled time, despite mention in Audit Report 2004 and PAC's recommendation (March 2006) thereon to avoid delay in completion of projects. Nodal department also did not adequately monitor the progress from time to time for ensuring expeditious completion of projects.

3.3.9.3 Excess expenditure

Sikkim Financial Rules prescribe procurement of materials in the most economical manner with due emphasis on quality. According to the standing order of the Finance Department, all purchases above rupees one lakh are to be procured through the State Trading Corporation of Sikkim (STCS). PHED placed order with STCS for supply of GI pipes from time to time. However, the STCS was procuring the material from the local suppliers at much higher rates and a commission of three *per cent* was also charged on the cost of the material.

Audit analysis revealed that although PHED procured material from STCS as per the standing orders of the State Government, it failed to compare the rates with the prevailing market rates for GI pipes to secure the most economical rates and ended up with incurring excess expenditure of Rs. 88.95 lakh in procurement of 92,088 meter GI pipes during 2004-08.

3.3.9.4 Additional burden on State exchequer

The work "Surface Strengthening, drainage and Protective work on Namchi – Rabongla Road - km one to 26" was put to tender (January 2004) by R&B

Department and based on lowest offer, work order was awarded (December 2004) to the contractor for execution at the agreed cost of Rs. 11.94 crore with a stipulation to complete it by June 2006. Audit analysis of DPR and original cost estimate revealed that the DPR failed to capture the exact requirement of road width, back cutting, protective works, etc. after carrying out proper survey and investigation of the proposed site. Only after five months of execution of work, the Department sought (May 2005) revision of estimate from Rs. 11.94 crore to Rs. 15 crore for widening of roads to encourage tourism and avoid inconvenience to the public. This however, was not accepted (June 2005) by the Chief Engineer. Exactly after one year (June 2006), the proposal was again mooted for revision of estimate to Rs. 16.09 crore on the ground of widening, extra protection work, slope stabilisation, carriage of non-stock materials from farther distances, throwing of spoils to distant place, purchase of private land for dumping spoils, etc. The revised cost (34 *per cent* increase) was approved (August 2006) by the Cabinet. Revision of estimates immediately after commencement of work indicated defective estimates and led to additional burden of Rs. 2.08 crore on the State exchequer.

3.3.9.5 Contract management

Contract management was characterised by undue favour to contractors, irregular payment of mobilisation advances, delay in completion of works, etc as detailed below:

- ***Undue favour to the contractors:*** Scrutiny of works execution files revealed that Energy & Power Department (E&PD) had extended undue favour of Rs. 35.36 lakh to two contractors towards execution of projects viz., (i) Construction for 66 KV S/S to Chungthang S/S and 2x5 MVA Transformer bay at Chungthang and one feeder bay at Meyong and (ii) Remodeling of Transmission and Distribution Network of Gangtok Town.

  Rupees 13.76 lakh was released to the contractor towards carriage of stock and non-stock materials for execution of 'Construction of 66 KV S/S to Chungthang S/S and 2x5 MVA Transformer bay at Chungthang and one feeder bay at Meyong' over and above the agreement. This was despite the fact that rates provided in the agreement (June 2004) were FOR destination (project site) and included all other incidentals such as insurance, freight, handling and packing, unloading at site, etc. Infact, against the estimated cost of Rs. 6.84 crore, higher tender rate of Rs. 8.55 crore was accepted by the Department in consideration of the fact that the rates quoted by the contractor was inclusive of delivery of materials at project site (FOR destination at project site). Thus, payment of carriage charges of Rs. 13.76 lakh beyond the scope of agreement was unjust and led to undue favour to the contractor.

  Similarly, in case of 'Remodelling of Transmission and Distribution Network of Gangtok Town', the work was put to tender (June 2004) by E&PD. On receipt of bids (June 2004), post tender negotiation (November 2004) was held with the lowest bidder to reduce the rates and thereafter work order issued to the contractor. Audit noticed that although the contractor[22] agreed (November 2004) to lower rates for four items (viz, (i) Cable trench, (ii) Heat shrink kit suitable for 3x95 sq. mm XLPE cable, (iii) 11 KV XLPE cable 3X150 Sq mm and (iv) 11 KV XLPE cable 3x50 sqm.), the E&PD while releasing payments to the contractor paid him at the original offered rates leading to undue benefit of Rs. 21.60 lakh as mentioned below:

Table-3.3.8

Item	Name of work	Rate quoted & actually paid (Rs.)	Rate agreed after negotiation (Rs.)	Higher rate (Rs.)	Qty	Excess payment (Rs.)
Cable trench	Conversion work along 31 A NH way from MP Golai to below Tadong School	1,950	954	996	700	6,97,200
Heat shrink kit suitable for 3x95 sq. mm XLPE cable	Conversion of 11 KV HT and OH to UG at Upper Syari	33,108	30,719	2,389	2	4,778
11 KV XLPE cable 3X150 Sq mm.	Realignment of double circuit 11 KV line	3,265	1,484	1,781	450	8,01,450
11 KV XLPE cable 3x50 sqm.	Realignment of double circuit 11 KV line	2,148	689	1,459	450	6,56,550
Total						**21,59,978**

Source: Agreement and payment details.

- ***Irregular payment of mobilisation advance:*** Sikkim Financial Rules, Sikkim PWD Code and Manual do not provide for grant of mobilisation advance to the contractors for any reason what-so-ever. The issue was highlighted in the Audit Report for the year ended March 2004. The Public Accounts Committee (PAC) recommended (March 2006) that grant of mobilisation advance (MA) should be stopped forthwith. Notwithstanding the PAC's directions and absence of enabling provision in the financial rules, five departments granted mobilisation advance to 12 contractors ranging between Rs. 14.75 lakh to Rs. 6.77 crore aggregating Rs. 22.88 crore during 2003-08 which was irregular.

- The Departments had not devised norms for grant of advance to the contractors and advanced money based on their request. Absence of norms was fraught with the risk of favour to selected contractors. Except in the case of 'Construction of Synchronizer at Rimbi Phase I, II and Kalej Khola Hydro Electricity Project', where the request (August 2005) of the contractor for MA was turned down (August 2005) in all other cases, MA was routinely granted.

- MA is ostensibly granted to enable the contractors to mobilise men and material for expeditious completion of works. However, progress of works in nine cases in respect of three departments was behind schedule and the delay ranged between three and 52 months despite grant of MA. This indicated that the resource mobilisation in terms of men and material by the contractor in the interest of early completion of work was not ensured

[22] *M/s Crystal Di Electrical and Polymer, Bangalore*

despite giving MA. Delayed progress of works also postponed the recovery of MA for the period of delay (three to 52 months) besides loss of Government funds of Rs. 2.85 crore towards non-levy of interest on MA (calculated on the basis of the average borrowing rate of 8.99 *per cent).*

- Audit analysis further revealed that in case of two projects[23] interest free mobilisation advances were given to the contractors before commencement of the work. The execution commenced after a delay of more than two years i.e. July 2007 and March 2008 in case of RMDD and Tourism Department respectively. The works were yet to be completed as of March 2008 although these were stipulated to be completed by March 2005 and March 2006 respectively. The physical progress was 15 and 10 *per cent* respectively, even after providing Rs. 1.36 crore as MA.

  Thus, the action of the departments to grant mobilisation advances to the contractors was against the PAC recommendations and failed to protect the interest of the Government. Instead it served the interest of the contractors and led to undue favour to the tune of Rs. 22.88 crore to the contractors.

3.3.10 Monitoring and evaluation

The Nodal Department had not initiated suitable measures to streamline the monitoring system despite mention in the CAG's Report 2004 and PAC's recommendation (March 2006) to improve the system, as is evident from the following:

- ***Quarterly Progress Report:*** Guidelines prescribed reporting of project-wise progress of implementation on quarterly basis. Audit scrutiny revealed that the quarterly progress reports were not forwarded to the Ministry of DoNER within the stipulated period of three weeks from the date of completion of the previous quarter. The delay ranged between eight to 132 days. Analysis revealed that E&PD was the major defaulting department followed by RMDD, R&B, HRDD and PHED.
- ***Quarterly meeting by Chief Secretary:*** Against the stipulation of 16 quarterly meetings at the Chief Secretary's level in the guidelines, only six meetings were convened by the Chief Secretary during 2004-08. The Ministry on its part had also displayed a lax attitude as representative from the Ministry for attending the quarterly review meetings of the State was never deputed during 2004-08 despite stipulation in the guidelines.
- ***Project-wise nodal officer not nominated:*** Against the requirement to nominate one nodal officer for each project, one nodal officer was nominated for the Department as a whole irrespective of the number of projects.
- ***Field inspections by Ministry:*** As per the guidelines, MoDoNER is to carry out monitoring and evaluation of implementation of the projects through field inspections, impact studies, social audits and evaluations through independent agencies. The Ministry was required to depute independent supervision mission on half yearly basis on the lines of

[23] *(i) Water Harvesting Structure at Rabdentse of RMDD, and (ii) Ropeway at Namchi of Tourism Department*

externally funded projects to facilitate mid-course correction to the projects. During 2004-08, no impact studies were carried out by the Ministry. Evaluations through independent agencies were also not attempted either by the Ministry or the State Government as of March 2008.

3.3.11 Transparency and Publicity

Guidelines envisaged disseminating of information about the schemes/projects through print and electronic media, display signboards at project sites indicating date of sanction of the project, likely date of completion, estimated cost of the project, source of funding, contractor's name, etc. and a plaque for completed projects.

While no effort was made by the Nodal Department to disseminate information to the general public through print and electronic media about the schemes/ projects supported by GOI under the central pool, physical verification of 15 cases in five departments by Audit in the presence of the officers of the State Government revealed that while in seven cases signboards etc were displayed, in eight cases, signboards indicating date of sanction of the project, likely date of completion, source of funding, etc in respect of ongoing projects involving three departments were not displayed. Similarly, in respect of the completed projects, no plaque was found displayed for one project (out of two completed projects test checked) completed between 2004-08. Thus, the implementing departments as well as the Nodal Department had not ensured dissemination of information to the general public and also failed to ensure transparency as envisaged in the guidelines.

3.3.12 Conclusion

Implementation of NLCPR funded schemes brought about visible improvement in creation of infrastructure in various sectors and helped the State to bridge the infrastructural gap to a large extent. However, the objective of ensuring speedy development of infrastructure such as irrigation, power, roads and bridges, education, health, water supply and sanitation etc. was constrained, as gaps in basic minimum services were not identified prior to implementation of projects, funds not utilised in full, projects not completed within the stipulated time and cost escalations were not contained. Monitoring was not robust enough to check the flaws in implementation despite featuring in C&AG's Report for the year ended March 2004 and PAC's recommendations thereon. No evaluation was ever attempted to gauge the extent of development of infrastructure and reducing the gaps in basic minimum services.

3.3.13 Recommendations

Following recommendations are made to improve the implementation of the schemes:

- The State Nodal Department should be more proactive in scrutinising the project proposals submitted by the implementing departments before releasing grants under NLCPR;

- Stringent inspection of all on-going projects should be carried out regularly to avoid extra expenditure and to ensure timely utilisation of funds and derivation of benefits; and
- Monitoring mechanism should be more effective to ensure that intended benefits are derived by the Society/ targeted population and funds are utilised effectively for the intended purpose.

The matter was referred to the Department (August 2008); reply has not been received (October 2008).

HEALTH CARE, HUMAN SERVICES AND FAMILY WELFARE DEPARTMENT

3.4 National Rural Health Mission

A mid-term review of National Rural Health Mission (NRHM)in the third year of the Mission period (2005-2012) revealed that the State was performing fairly well in the areas of demographic goals (infant mortality rate, total fertility rate, immunisation etc.) and implementation of National Disease Control Programmes (NDCP) (control over blindness/ tuberculosis/ leprosy/ vector borne diseases etc.). The State has adequate physical infrastructure at the PHSC and PHC level and deployment of paramedical staff is adequate. However, the implementation of NRHM suffered from deficient financial management resulting in huge unspent balance to the tune of Rs. 44.43 crore (82 per cent) as on 31 March 2008. While the progress of civil works relating to the health infrastructure is very slow, health care remained mainly dependant on the health institutions of the Government due to very low number of private health facilities in the State and the number of referral cases to outside the State remained quite high.

Significant audit findings are given below:

Highlights:

Retention of huge unspent balance ranging from Rs. 1.60 crore to Rs. 44.43 crore at the year end indicated failure of the State Health Society (SHS) to optimally utilise the available funds.

(Paragraph 3.4.8)

The State Government had not released the State's share of Rs. 5.95 crore to the SHS indicating lower priority accorded to health sector.

(Paragraph 3.4.8.1)

The test-checked Community Health Centres (CHCs) were functioning with excess medical and paramedical staff, while five PHCs were functioning without the required paramedical staff.

(Paragraph 3.4.10.1)

The facility for indoor patients in CHCs and PHCs remained heavily underutilised due to lack of specialist medical care.

(Paragraph 3.4.11)

3.4.1 Introduction

The GOI launched (April 2005) the NRHM with the aim of providing accessible, affordable and quality health care to the rural population, especially the vulnerable sections of the society. It also sought to reduce the Maternal Mortality Rate (MMR), Infant Mortality Rate (IMR), Total Fertility Rate (TFR) and to bring about an improvement in the healthcare delivery system by converging various stand-alone disease control programmes under the umbrella of the Mission.

The key strategy of the NRHM was to bridge the gaps in healthcare facilities, facilitate decentralised planning in the health sector, provide an overreaching umbrella to the existing programmes of Health and Family Welfare including Reproductive and Child Health-II, Vector Borne Disease Control Programme, Tuberculosis, Leprosy and Blindness Control Programmes and Integrated Disease Surveillance Project. The Mission also advocated sanitation and hygiene, nutrition etc. as basic determinants of good health and thus emphasised convergence with related schemes/programmes for Women and Child Development, Allopathy, Yoga, Unani, Sidha and Homeopathy (AYUSH), Panchayati Raj etc.

The Mission activities were divided into the following five essential components:

- Reproductive and Child Health (RCH II);
- Additionalities under NRHM;
- Immunisation;
- National Disease Control Programme;
- Inter-sectoral convergence for effective management and implementation.

3.4.2 Organisational set-up

At the State level, NRHM functions under the overall guidance of the State Health Mission (SHM) headed by the Chief Minister. The activities of the Mission are carried out through the State Health and Family Welfare Society (Society) headed by the Chief Secretary (CS). The Executive Committee of the Society is headed by the Commissioner-cum-Secretary, Health and Family Welfare Department.

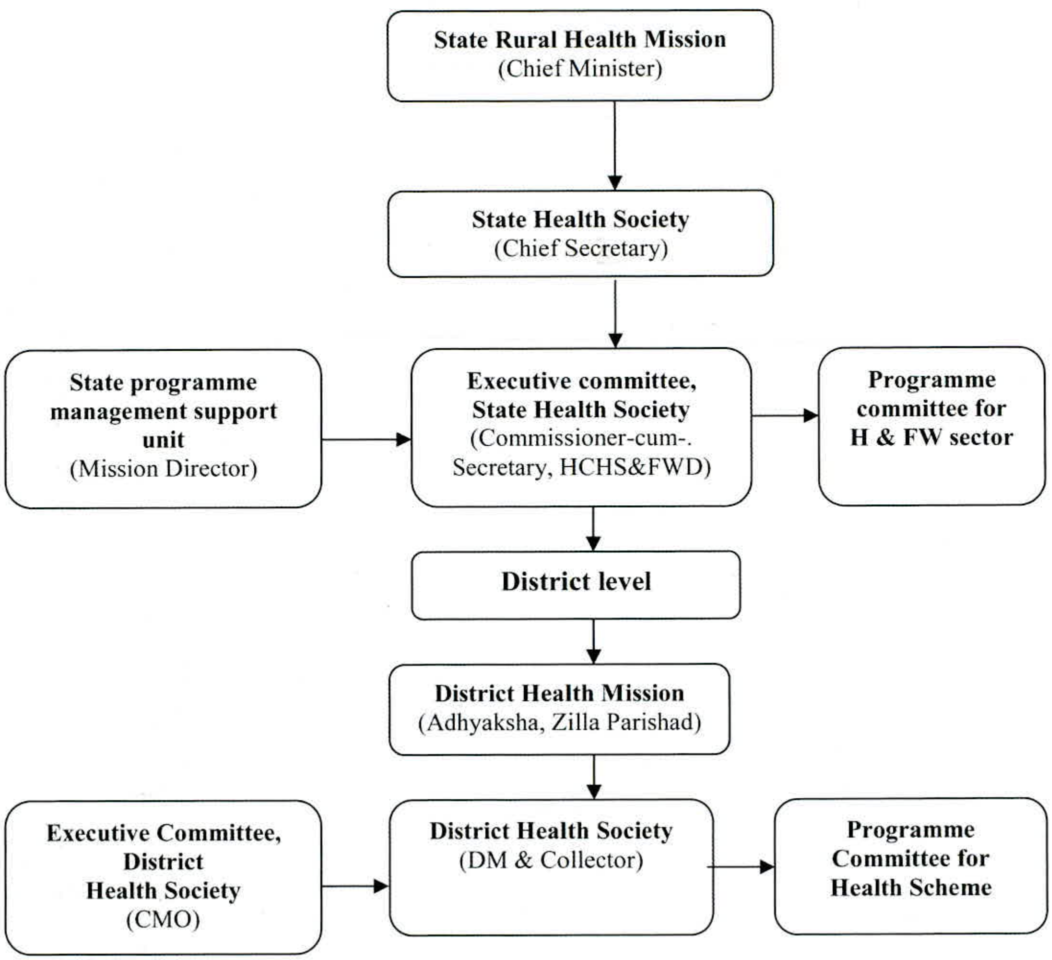
The Society integrates all the societies registered under the Societies Registration Act. 1860, which were set up for implementation of various disease control programmes.

At the District level, there are District Health Missions headed by Adhyakshas of the Zilla Parishads and an integrated District Health Society (District Society) headed by the respective District Magistrates (DM) to support it and its executive committee is headed by the Chief Medical Officer.

The guidelines also provide for programme committees for more focused planning and review of each activity at State and District Level if considered necessary for administrative convenience, which has also been formed in the State.

An organogram showing the administrative and monitoring set up of NRHM in the State is given below:

Chart No- 3.4.1



3.4.3 Scope of Audit

Performance review of NRHM for the period 2005-08 was conducted between April and June 2008 through a test check of the records of three out of four District Hospitals/Community Health Centres, six out of 24 Primary Health Centres and 12 out of 147 Primary Health Sub Centres. These samples were selected on the basis of allocation of funds by using Simple Random Sampling Without Replacement (SRSWOR) method. Besides this, records maintained by the State Health Society were also checked.

3.4.4 Audit objectives

The objective of the performance review was to assess whether accessible, affordable and quality health care was provided to the rural population through the implementation of NRHM in the State. Besides, the following were also assessed:

- Adequacy and effectiveness of planning for effective programme implementation;
- Adequacy and effectiveness of fund management;
- Whether all the components of NRHM were implemented efficiently and effectively;
- Adequacy and effectiveness of the information, education, communication and community monitoring of the programmes;
- Adequacy and effectiveness of evaluation and monitoring mechanism.

3.4.5 Audit criteria

The following criteria were used to arrive at audit conclusions:

- Memorandum of Understanding (MoU) signed between the Union Ministry of Health and Family Welfare and the State Government;
- Programme guidelines issued by the GOI and approved Programme Implementation Plan;
- Finance and Accounts Manual;
- Sikkim Public Works Code Manual and Sikkim Financial Rules;
- Prescribed monitoring mechanism.

3.4.6 Audit Methodology

The performance review commenced with an entry conference (April 2008) with the Commissioner-cum-Secretary, HCHS & FW, Mission Director, SHS and departmental officers wherein the audit objectives, scope, criteria and methodology were discussed. Audit conclusions were drawn after a scrutiny of records relating to the implementation of various components of the programme for the years 2005-08 at SHS, CHCs, PHCs and PHSCs, analysis of available data, physical verification wherever found necessary, issue of questionnaires and replies of the Department. The report was finalised after taking into consideration the views put forth by the Department and the State Health Society (SHS) during an exit conference (September 2008).

Audit findings

Audit findings are enumerated in the succeeding paragraphs:

3.4.7 Planning

The Department delivers health care facilities through a network of public health care infrastructure[24]. Besides, health facilities are also available in the State through one Hospital-cum-Medical College[25], one hospital of NHPC,

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[24] *147 PHSCs, 24 PHCs and 4 DH/CHCs and State Referral Hospital, Gangtok*

[25] *Central Referral Hospital, Tadong (a joint venture between the Manipal group and the State Government)*

one Regional Research Institute (Ayurveda) (GOI) and some[26] private medical practitioners.

The NRHM guidelines provided for decentralised planning and implementation to ensure that need based community owned District Health Action Plans (DHAP) become the basis for interventions in the health sector. The districts were thus required to prepare perspective plans for the entire mission period (2005-12) as well as annual plans by consolidation of Village Health Action Plans (VHAP). Audit noticed that:

- Prior to 2007-08 DHAP was not prepared. VHAP was also not prepared by Village Health Sanitation committees (VHSC)[27];
- Representatives of villages were not involved in preparation of DHAP;
- Household survey was conducted in 2007-08 without involvement of Accelerated Social Health Activists (ASHA), Auxiliary Nurse Midwives (ANMs), Anganwadi Workers and PRIs as stipulated in the guidelines;

Thus, the entire expenditure of Rs. 3.63 crore released during 2007-08 in the three test-checked DHs/ CHCs was incurred without any VHAP. Besides, DHAP did not mention about the activities on strengthening of PHCs, ANM/General Nurse Midwife training schools, ambulance services, provision for telephones etc. Further, belated submission of PIP (144 days in 2007-08)[28] led to eventual savings of Rs. 44.43 crore as mentioned in paragraph 3.4.8.

The State Health Society (SHS) while accepting the fact stated (July 2008) that due to time constraints and deficiency in the training and capacity building of manpower, the district wise perspective plan and VHAP were not prepared prior to 2007-08 and that during 2007-08 the VHAP has been prepared with the involvement of ASHA, ANMs, Anganwadi Workers (AWW) and PRI members.

3.4.8 Fund Management

The expenditure under NRHM was fully financed by GOI till 2006-07 (in the Tenth Plan period) and thereafter in the ratio of 85:15 between the GOI and the State Government. Funds received and expenditure incurred under the programme during 2005-08 were as under:

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[26] *East district=11, South district=7 and West district=2*

[27] *Village Health Sanitation Committee (VHSC) comprising of Panchayat representatives, Auxiliary Nurse Midwife (ANM), Multipurpose Health Worker (MHW), Aanganwadi Worker, Teacher, Accredited Social Health Activist (ASHA), Community Health Volunteers (CHV).*

[28] *PIP for 2007-08 submitted on 6 August 2007 against stipulated date of 15 March 2007. Date of submission of PIP for the year 2005-06 and 2006-07 were not available with SHS.*

Table 3.4.1

(Rupees in crore)

Year	Approved outlay	Opening balance	Funds received		Total funds available (Col.3+5)	Expen-diture	Unspent balance (Col. 6-7)
			Central	State			
1	2	3	4	5	6	7	8
2005-06	1.82	0.09	2.34	0.00	2.43	0.83	1.60 (66)
2006-07	33.18	1.60	10.28	0.00	11.88	3.08	8.80 (74)
2007-08	43.77	8.80	41.35	0.25	50.40	5.97	44.43 (88)
		Total	**53.97**	**0.25**		**9.88**	

Source: Figures furnished by the SHS

It is evident from the above table that the funds received from GOI were not fully utilised by the SHS. The unspent balance ranged between 66 and *88 per cent* of the available funds during the period 2005-08. The unspent balance was due to the fact that many of the interventions under the programme like upgradation of STNM hospital (Rs. 22.74 crore), construction of residential quarters and conversion of PHCs to CHCs (Rs. 7.23 crore), release of untied funds (Rs. 1.24 crore), annual maintenance grant (Rs. 0.79 crore), timely issue of medicines (Rs. 1.25 crore), development and implementation of 'Routine Immunisation Monitoring System Software' (RIMSS) etc. were not implemented properly. This was due to poor monitoring and budgetary control besides unrealistic PIPs. Thus, SHS was unable to anticipate the expenditure realistically leading to unspent balance of Rs. 44.43 crore as on 31 March 2008, affecting the programme implementation and negative response of health care services envisaged under NRHM.

The SHS stated (September 2008) that the funds were not fully utilised due to their late receipt and belated approval of PIPs. The reply is not acceptable as the unspent balance of 2006-07 was not fully utilised even in 2007-08. Besides, the SHS failed to utilise the entire funds of Rs. 41.60 crore received in subsequent year i.e. during 2007-08. The SHS could not provide the details relating to date of submission of PIP during 2005-07. Therefore it could not be verified if indeed there was a delay in approval of the PIPs.

3.4.8.1 State's matching contribution

As mentioned in paragraph 3.4.8, the programme expenditure was to be shared between the GOI and the State in the ratio of 85:15 from 2007-08. As against its share of Rs.6.20[29] crore, the State Government released only Rs. 25 lakh indicating low priority accorded to provision of health care facilities.

The SHS stated (September 2008) that the matching contribution was not made in full due to the delayed approval of PIP (July 2007) and the consequent difficulty in anticipating the required provision to be made in its budget. But the fact however, remains that the State's matching contribution fell short by 96 *per cent.*

3.4.8.2 Untied funds and annual maintenance grant

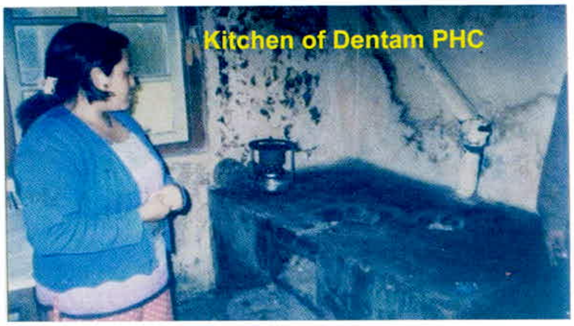
Every year untied fund at the rate of Rs. 10,000 to each VHSC and PHSC, Rs.25,000 to PHCs and Rs.50,000 to CHCs of the State was to be provided for undertaking nutrition, education and sanitation, environmental protection,

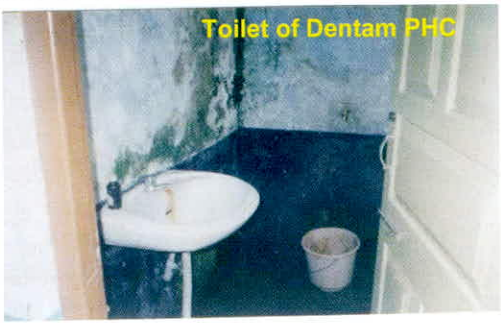
[29] *15 per cent of Rs.41.35 crore = Rs.6.20 crore*

public health measures and community activities. Similarly, annual maintenance grant of Rs. 10,000, Rs. 50,000 and Rs. 1,00,000 was to be paid to the PHSCs, PHCs and CHCs respectively.

The following was observed in this regard:

- During 2005-06 and 2006-07 no untied fund was released to any of the 452 VHSCs in the State. However, an amount of Rs.45.90 lakh was released to VHSCs from December 2007 to March 2008.
- There are four CHCs, 24 PHCs and 147 SCs in the State. Accordingly,





untied grant of Rs. 68.10 lakh and annual maintenance grant of Rs. 92.10 lakh was required to be released during 2005-08. However, the SHS released untied grant of Rs. 33.50 lakh and annual maintenance grant of Rs. 12.75 lakh to CHCs, PHCs and PHSCs. Further, it would be seen from the photographs that if timely annual maintenance grants were released to CHCs and PHCs, proper up keep of facilities like kitchen, toilet etc. could have been done. Thus non-release of grant affected the objectives of the programme. The SHS stated (September 2008) that non-release of untied fund and maintenance grant was due to delayed formation of VHSC.

3.4.8.3 Delay in release of funds

Out of Rs. 53.97 crore released by the GOI during 2005-06 to 2007-08, Rs. 33.78 crore (63 *per cent*) was released at the fag end of the respective financial years. As per the programme guidelines, funds received from GOI should be released to the implementing authorities within 15 days of receipt. But the SHS released the amount to the executing authorities after delays ranging from 23 to 201 days. Delay in release of funds by the Central to the SHS and its release to the executing authorities created uncertainties in implementation of programme activities at the field level. The SHS stated (July 2008) that delay occurred due to non-receipt of funds from GOI on time and its subsequent reallocation to various major and minor heads. The reply ignores the fact that there was an unutilised balance at the end of each year with the SHS which could have been utilised for the programme after obtaining approval from the GOI.

Programme Implementation

3.4.9 Infrastructure

3.4.9.1 Establishment of health centres

Effective implementation of a programme for delivery of rural health care services depends upon proper planning for establishment of health centres and provision of requisite manpower and infrastructure. According to GOI norms for establishment of rural health centres in hilly and tribal areas, one SC, one PHC and one CHC are to be established for every 3,000, 20,000 and 80,000 population respectively. The position in the State in this regard is tabulated below:

Table 3.4.2

Institutions	Particulars	State	Districts			
			East	North	South	West
Population as per 2001 census		4,80,488	1,91,803	39,775	1,27,560	1,21,300
CHCs	Required	6	2	1	2	1
	Existed	4	1	1	1	1
	Shortage (-) /Excess (+)	**(-) 2**	**(-) 1**	**-**	**(-) 1**	**-**
PHCs	Required	24	10	2	7	6
	Existed	24	8	3	7	6
	Shortage (-) /Excess (+)	**-**	**(-) 2**	**(+) 1**	**-**	**-**
PHSCs	Required	160	64	13	46	40
	Existed	147	48	19	41	39
	Shortage (-) /Excess (+)	**(-) 13**	**(-) 16**	**(+) 6**	**(-) 5**	**(-) 1**

Source: Sikkim Health Information Bulletin, Sikkim 2005

It would be seen from the above that there was a shortage of PHSCs and DHs/ CHCs in the State, especially in the East district affecting easy accessibility of health care to rural populace.

The SHS stated (September 2008) that there is no shortage of health centres in three districts[30] if the urban population is excluded from the total population. Reply is not tenable as only the rural population of 4,80,488 in the State has been taken into account in audit to arrive at the shortage.

3.4.9.2 Non-commencement of construction works

Construction of CHCs/PHCs/PHSCs buildings and residential quarters costing Rs. 7.23 crore was approved by the GOI during 2007-08. However, construction of these works could not be taken up as of March 2008 for want of administrative approval, tendering etc. The main works where the construction had not commenced include conversion of two PHSCs into PHC at Bermoik and Hee-Gyathang, construction of residential quarters at East, West and South district[31] for doctors and staff. This affected health care

[30] *East, West and South district*

[31] *East district: Pakyong, Samdong, West district: Rinchempong, Hee-Gaythang, Sombaria, Yuksom , South district: Namthang, Bermoik, Namthang*

facilities like basic emergency obstetric care and sick neonatal and child care. The SHS accepted (July 2008) the audit observation.

3.4.9.3 Non-utilisation of Mobile Medical Units (MMUs)

In order to deliver health care facilities in rural areas of the State, National Programme Coordination Committee (NPCC) approved (December 2006) procurement of four Mobile Medical Units (MMU) at a cost of Rs. 2.72 crore. The SHS procured (April 2008) four MMUs equipped with the essential equipment at a cost of Rs. 1.92 crore. However, from the date of their receipt, the MMUs were lying unutilised due to non-availability of adequate and skilled manpower[32] for sonography and other supportive services. As a result, the targeted beneficiaries were deprived of the health care facilities at their doorsteps as intended in the programme guidelines.

The SHS stated (September 2008) that requisite manpower has been recruited and MMUs have been functional from August 2008.

3.4.9.4 Upgradation of STNM hospital

To augment the medical facilities of STNM hospital at Gangtok in terms of equipment/instruments under NRHM, a project amounting to Rs. 22.74 crore was prepared and submitted to the GOI (September 2006) for financial sanction. The GOI released Rs. 22.01 crore (Rs. 11.01 crore in March 2007 and Rs. 11 crore in March 2008). It was observed that Notice Inviting Tenders (NIT) was issued for but the purchase of medical equipment/instruments had not materialised as of March 2008 due to delay in finalisation of bid document and tender formalities. Thus, the objectives of the mission for providing health care facilities were not achieved. While accepting this, the SHS stated (September 2008) that tender formalities have since been completed and supply orders issued (August 2008).

3.4.10 Human infrastructure

3.4.10.1 Deployment of Manpower

According to Indian Public Health Standards (IPHS), there should be four Medical Officers (MOs) and 19 para medical staff in each CHC, one MO and 12 para medical staff in each PHC and two Health Workers (one male and one female) in each PHSC. The actual deployment and shortfall vis-à-vis the requirement of manpower in DHs/ CHCs, PHCs and PHSCs of the three selected districts is shown in **Appendix-3.2.**

It would be seen from the Appendix that in the CHCs there was excess deployment of MOs and paramedical staff ranging from 125 to 550 *per cent* and 76 to 433 *per cent* respectively. This excess deployment resulted in under utilisation of MOs and paramedical staff. In two PHCs out of 24, there was excess deployment of MOs ranging from 100 to 300 *per cent.* In five PHCs, the shortfall in deployment of paramedical staff ranged between 7 and 71 *per cent.* In two PHSCs, there was 100 *per cent* excess deployment of health workers (Male and Female). This unequal deployment of paramedical staff led to irrational workload on the existing work force besides affecting the quality of work and service delivery relating to health care at the places where there

[32] *Two medical officers, one radiologist or one medical officer*

was shortfall in deployment of staff. The SHS stated (September 2008) that redeployment would be made.

3.4.10.2 Deployment of Doctors and Nurses

Analysis revealed that deployment of doctors, para-medicals and others in PHSCs, PHCs and CHCs had no relation with that of total population, patients' turnout or even the identified cases as shown below:

Table- 3.4.3

Particulars	GOI norms*	Deployment ratio**				
		State as a whole	East	West	North	South
Population/Doctor	3,500	2018	1354	4402	2735	2989
Population/Nurse	5,000	2908	1929	5869	2931	5480
Population/ANM	1,000	1494	1467	1926	1578	1253
Population/Health Workers	3,000	2075	2188	1688	1001	1906
Population/Health Assistant	20,000	20404	17503	20543	13677	18789
Population/Lab Technician	10,000	10931	8751	12326	10257	11957

Source: Annual Report of 2007-08

** One post catering to the designated population size.*

*** Figures indicate the population catered to by one post.*

It can be seen from the table above that there were wide inter-district variations in deployment of doctors, nurses, health workers etc. While East district had higher concentration of nurses (1929:1), South and West districts were deprived due to less deployment of nurses.

Further, test check of three CHCs and six PHCs also confirmed irrational deployment of nurses and ANMs as shown below:

Table 3.4.4

Name of the District	Name of the CHCs/PHCs	Requirement		Actually deployed		Excess (+) Shortfall(-)	
		SN	ANM	SN	ANM	SN	ANM
East	Singtam CHC	9	-	10	-	(+)1	-
	Machang	-	3	-	3	-	-
	Sang	-	3	-	3	-	-
West	Geyzing CHC	9	-	8	10	(-)1	(+)10
	Dentam	-	3	-	4	-	(+) 1
	Yuksam	-	3	-	-	-	(-) 3
South	Namchi CHC	9	-	23	47	(+)14	(+)47
	Yangang	-	3	-	4	-	(+)1
	Jorthang	-	3	-	5	-	(+)2
Total		**27**	**18**	**41**	**76**	**(+) 14**	**(+) 58**

Source: Figure furnished by the concerned health institution

It would be seen from the above table that 41 SNs and 76 ANMs were posted against the requirement of 27 SNs and 18 ANMs in three CHCs (three CHCs test checked out of four in the State) and six PHCs (six PHCs test checked out of twenty four in the State). The excess was more pronounced in CHC, Namchi (23 against nine SNs and 47 against nil ANMs) and followed by CHC Gyalshing (10 against nil ANMs). Thus, excess posting of 14 SNs and 58 ANMs resulted in extra outgo of Rs. 24.60 lakh per annum towards pay and allowances[33]. While admitting the excess deployment of ANMs, the SHS

[33] *Calculated at the minimum of the pay scale: SN Rs.5000 plus DP, DA, HRA and SBHA = Rs.12,600 X 14= Rs.1,76,400:ANM Rs.4300 plus DP, DA, HRA and SBHA = Rs.11,095 X 58 = Rs. 6,43,510*

stated (September 2008) that ANMs would be redeployed when sufficient SNs would be available in the State.

3.4.10.3 Periodical visits by doctors

According to IPHS, doctors of PHCs were required to visit each PHSCs at least once in a month. It was noticed during audit of 12 selected PHSCs that periodical visit of doctors was ranging between two and eight days in a year.

The Medical Officers in-charge stated (May 2008) that due to work load, regular visits could not be carried out. Reply is not tenable as assessment of the work load on PHCs revealed that the average number of outdoor patients per day in PHCs/CHCs ranged between 15 and 124[34] and average number of indoor patients per day was less than one in the PHCs (except Jorethang PHC). The MOs were not overburdened and thus due to their irregular visits, the rural people of 12 PHSCs were deprived of medical facilities.

3.4.11 Poor outturn of patients

The PHCs and CHCs were established to provide health care facilities to both indoor and outdoor patients. The position of indoor patients in the test checked PHCs and CHCs in three selected districts during 2005-08 is given below:

Table 3.4.5

Name of the district	Name of the Health Centres (No. of beds available	Availability of beds in a year	No. of beds occupied by patients during 2005-08	Average no. of beds occupied	Percentage with reference to no. of beds available	Shortfall in utilisation with reference to column No. 3 (per centage)
1	2	3	4	5	6	7
East	Singtam CHC (100)	36500	37638	12546	34%	23954 (66)
	Machong PHC (10)	3650	546	182	5 %	3468 (95)
	Sang PHC (10)	3650	473	161	4 %	3489 (96)
West	Gayzing CHC (100)	36500	4225	1408	4 %	35092 (96)
	Dentam PHC (9)	3285	2362	787	24%	2498 (76)
	Yuksam PHC (10)	3650	1282	427	12%	3223(88)
South	Namchi CHC (100)	36500	90640	30213	83%	6287 (17)
	Jorthang PHC (10)	3650	5287	1762	48 %	1888 (52)
	Yangang PHC (8)	2920	1314	483	15%	2437 (85)

Source: Figure furnished by the concerned health institution

The position of outdoor patients in the test checked PHCs and CHCs in three selected districts during 2005-08 is given below:

[34] *Considering 282 days in a year. Wherein Jorthang PHC average number of outdoor patients were 73 and indoor patients six*

Table 3.4.6

Name of the district	Name of the health Centre	No. of outdoor patients attended during 2005-08	Average no. of patients	
			In a year	In a day (considering 282 days in a year)
East	Singtam CHC	104041	34680	123
	Machong PHC	15748	5249	19
	Sang PHC	13542	4514	16
West	Gayzing CHC	63852	21284	75
	Dentam PHC	12960	4320	15
	Yuksam PHC	14039	4680	17
South	Namchi CHC	105310	35103	124
	Jorthang PHC	61460	20486	73
	Yangang PHC	19802	6600	23

Source: Figure furnished by the concerned health institution

It would be seen from the above table that the average number of outdoor patients in a day in the CHCs ranged between 75 and 124 and the average outturn of outdoor patients in a day in the PHCs ranged between 15 and 73. Poor outturn of patients was due to non-availability of specialist doctors as pointed out in paragraph 3.4.10.2 in district hospitals except South district, absence of blood bank facilities, basic Emergency Obstetric & Neonatal Care in the PHCs, shortage of medicines, non-working X-ray machines (in Machung and Dentam PHCs) etc. Outturn was further affected by the absence of facilities required for patients suffering from cancer, nephrological problems, neurosurgical disorders, MRI etc. for which 3542 patients out of 42,621 indoor patients i.e. 8.31 *per cent* was referred outside the State for their treatment during 2005-08 at the cost of Government expenses.

Procurement and utilisation of medicines

3.4.12 Procurement and distribution of drugs

Basic information on the incidence of diseases in an area, number of patients treated (disease-wise) in a year are essential in assessing the requirement of medicines for a particular district or area. As per guidelines, all the PHSCs, PHCs and CHCs should have at least two months' medicines in their stock.

It was observed that after two years of implementation of the programme the SHS procured 154 items of required medicines worth Rs. 94 lakh during 2007-08. The medicines procured were distributed equally to STNM hospital (State Referral Hospital), Gangtok and all CHCs except 16 items of medicines without assessing their requirement. Due to equal distribution, medicines valuing Rs. 1.73 lakh not required in CHCs Singtam and Namchi remained unutilised. It was further seen that the requisite medicines were not available in the stock during 2005-08. Thus, the objective of the programme for providing basic medicines in time to the rural people could not be fully achieved. The SHS stated (September 2008) that supply of medicines is inadequate because the demand is more than the supply. The reply is a pointer towards lack of proper planning in assessment of requirement depriving the rural poor of health care facilities.

Communitisation

3.4.13 Rogi Kalyan Samiti (RKS)/Hospital Management Committee (HMC) and Village Health Sanitation Committee (VHSC)

The programme guidelines provided for formation of HMC/ RKS in all CHCs and PHCs for day-to-day management of the affairs of the hospital. No RKS/HMC was registered in any CHCs and PHCs as of February 2008. Further, to control and manage the public health infrastructure at PHC level, the VHSC with adequate representation to the disadvantaged sections of the society like women, SCs, STs, minority and OBCs was required to be formed in 452 villages of the test checked districts. However, only 427 VHSCs[35] were formed during 2007-08 in three test-checked districts.

3.4.14 Information, Education and Communication

Information, Education and Communication (IEC) activities play a significant role in NRHM. To generate awareness among the masses about the preventive and curative aspects of health, IEC activities were to be implemented through various agencies like television, advertisements, film shows, distribution of printed materials, health melas, health check up camps etc. These activities were not carried out as envisaged because of inadequate coverage through the electronic media. Assessment/evaluation of impact of IEC activities was not conducted, though an expenditure of Rs. 64.30 lakh was incurred.

Convergence with other departments, non-government stakeholders

3.4.15 Role of other departments, programmes and non-governmental organisations

The programme seeks to improve outreach of health services for common people through convergent action involving all health sector interventions like Integrated Child Development Services (ICDS) Scheme, Mid Day Meal Scheme (MDMS), Total Sanitation Campaign (TSC) etc. Further, guidelines provide for involvement/association of Non-Governmental Organisations (NGOs) in implementation of various components of the programme. In three districts selected for test-check, neither NGOs nor any of the implementing departments of the above schemes were involved in the preparation of District Annual Plan. Three MNGOs[36] were engaged and paid Rs. 45 lakh[37] as grants-in-aid for providing health care services in remote areas of the State. However, neither any report relating to the healthcare facilities provided by the MNGOs nor inspection/evaluation report of activities of MNGOs was available with the SHS. Thus, the role of MNGOs in the implementation of the programme activities remained unassessed. The SHS stated (September 2008) that orientation workshop with the concerned NRHM line departments and MNGOs and PRIs was held in August 2007. It was further stated that health care activities of East and West districts were taken up by one MNGO[38]. The

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[35] *154 in East Sikkim, 120 in South Sikkim and 153 in West Sikkim.*

[36] *Mother Non-Governmental Organisation (MNGO)*

[37] *East District Rs. 15 lakh in January 2007 and Rs. 6.50 lakh in December 2007, West District : Rs. 15 lakh in March 2007 and Rs. 6.50 lakh in November 2007, Rs. 1 lakh in South District and Rs. 1 lakh in North District.*

[38] *Voluntary Health Association of Sikkim (VHAS)*

contention of the SHS is not satisfactory as the SHS failed to ascertain the follow up activities of the workshop. Further, health care activities of only six PHSCs of East and West districts were assigned to MNGO against 48 PHSCs in East district and 39 PHSCs in West district.

Implementation of components under NRHM

3.4. 16 Reproductive and Child Health programme (RCH-II)

The Reproductive & Child Health Programme was launched in 2005 as the principal vehicle for reducing Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) and Total Fertility Rate (TFR). It also includes upgradation of CHCs as first referral units for dealing with emergency obstetric care, 24x7 delivery services at PHCs, operationalising of sub-centres, multi-skilling of doctors, contractual appointment of Medical Officers and AMOs, training of Medical Officers in different streams, partnerships with voluntary organisations, RCH camps and accreditation of non-profit organisations and Information Education Communication (IEC) activities as the major interventions in reducing MMR.

The programme also envisaged involvement of ASHAs, Anganwadi workers and ANMs at the village level with focus on both preventive and promotional aspects of health care, accelerated immunisation programme, advocacy on age of marriage and against sex determination, spacing of births, institutional delivery, breast feeding, meeting unmet demands for contraception, besides providing a range of RCH services to have a positive impact on the health indicators as discussed below:

3.4.16.1 Physical performance

Demographic goals

During 2005-08 Sikkim fared well in respect of general health indicators such as Infant Mortality Rate (IMR), Total Fertility Rate (TFR) etc. with reference to the targets set in NRHM. However, data regarding Maternal Mortality Maternal Rate (MMR) was not available with the State.

Immunisation coverage

Under RCH-II, Universal Immunisation Programme (UIP) will continue to provide vaccines for Polio, Tetanus, DPT, DT, Measles etc. During 2005-08, the target of immunisation was not achieved in any of the years in respect of any activity except TT to be given at 10 years of age and vitamin dose. Further, there were shortfalls in achievements against the targets of supply of Vitamin 'A' solution by 47 *and 29 per cent* during 2006-07 and 2007-08 respectively.

IFA tablets (Mother)

During the years 2006-07 and 2007-08, the shortfalls in achievements with reference to targets for IFA tablets (Mother) fell short by 37 to 59 *per cent* respectively. The SHS stated (September 2008) that the shortfall in achievement was due to change of policy in supply of IFA tablets and its inadequate supply from GOI in 2007-08. The fact however, remains that though supply of IFA tablets was one of the essential ingredients of RCH programme, the same could not be supplied in the State.

Vasectomy, laparoscopic tubectomy, Intra Uterine Device (IUD), Oral Pills Users (OPU)

There was shortfall in achievements against targets fixed for 2005-08 under vasectomy, laparoscopic tubectomy, IUD and OPU in almost all the years ranging from three to 47 *per cent.*

The Department stated (September 2008) that the targets under these components can not be seen in isolation and has to depend on the choice of the user beneficiaries. While it is true that the method of contraception will depend on the individual choice of persons, the targets for various components should have been fixed after taking all this into account.

3.4.16.2 Status of institutional deliveries (child birth)

The programme envisaged priority of institutional deliveries for reducing maternal and child deaths. During test check of three CHCs, it was seen that institutional deliveries ranged from 69 to 79 *per cent,* 33 to 49 *per cent* and 48 to 53 *per cent* in East, West and South districts respectively, as shown below:

Table 3.4.7

Component	East			West			South		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Total deliveries	475	481	490	2021	2002	2168	2360	2426	2013
Domiciliary deliveries	148 (31)	130 (27)	102 (21)	1395 (69)	1286 (64)	1114 (51)	1232 (52)	1184 (48)	946 (47)
Institutional deliveries	327 (69)	351 (73)	388 (79)	686 (31)	716 (36)	1054 (49)	1128 (48)	1242 (51)	1067 (53)

Source: Information furnished by CHCs.
Figures in brackets represent percentage

It is clear from the table that institutional deliveries in West and North are very low compared to East district indicating that SHS failed to motivate the rural population in these two districts. This was accentuated by the absence of basic Emergency Obstetric & Neonatal Care (BEmOC) in the PHCs and effective awareness campaign in the rural areas.

3.4.16.3 Training

Under NRHM, training programmes were to be strengthened to ensure skill upgradation of health functionaries. Training proposal was submitted through PIPs by the SHS to GOI for conducting training in various fields and an amount of Rs. 46 lakh was received during 2005-08 for the purpose. It was seen that against the expenditure of Rs. 8.55 lakh, records relating to name of the training courses conducted, place of training, period of training, name of the faculty members, number of persons trained, attendance register of the trainees and feedback from the trainees as to the usefulness of the training programmes for expenditure of only Rs. 2.30 lakh could be produced to Audit. In the absence of documents the expenditure of Rs. 6.25 lakh recorded in the books of accounts could not be vouched in Audit.

3.4.16.4 Organising Health days to increase health care services

The SHS neither fixed any target nor organised any health days during 2005-06 and 2006-07 for creating awareness of health care services amongst the rural population. The achievement of health and nutrition days against the targets set by the SHS during 2007-08 are given below:

Table 3.4.8

Name of the district	Year	No of health days organised		Excess(+) Shortfall (-)	Percentage of Excess(+)/ Shortfall (-)
		Target	Achievement		
East	2007-08	2907	1191	(-) 1716	(-) 59
West	2007-08	1080	1080	-	-
South	2007-08	1836	1530	(-) 306	(-) 17

Source: Figure furnished by the SHS

It would be seen from the above table that achievements in organising of health days fell short by 17 to 59 *per cent*. Thus, due to failure in organising health days in the PHSCs, (Anganwadi Centre) a large part of the rural population remained unaware of health care services. The SHS stated (September 2008) that other health camps and IEC activities covering all the villages had been organised in all the 24 PHCs. But the Department could not show any documentary evidence in support of this claim.

3.4.17 National Disease Control Programme

Performance review of the implementation of various National Disease Control Programmes (NDCP) revealed that the achievement of the Department is fairly good in the areas of Revised National Tuberculosis Control Programme (RNTCP) and National Leprosy Eradication Programme (NLEP). Diseases like Kala Azar, Filaria/Microfilaria, Dengue etc. under NVBDCP were not found in the State. Findings in respect of National Blindness Control Programme (NBCP) and Integrated Disease Surveillance Programme (IDSP) are given below:

3.4.17.1 Financial performance

The grants received from GOI and expenditure incurred thereagainst during 2005-06 to 2007-08 is given in **Appendix-3.3.**

It would be seen from Appendix that unspent balance at the end of 2005-08 was Rs. 2.25 crore against grants of Rs. 4.85 crore[39] received during three years period ended March 2008. Thus, timely health care facilities were not extended to the rural populace. The SHS stated (September 2008) that the funds for the programme provided under NPCB could not be utilised due to their late receipt from GOI.

[39] *Opening Balance for the year 2005-06 of Rs. 32.59 lakh is included in the figure.*

3.4.18 Physical performance

National Programme for control of Blindness

3.4.18.1 Shortfall in Cataract surgery

The achievement against targets fixed under NBCP is given below:

Table 3.4.9

Year	Target	Achievement	Shortfall
2005-06	500	351	149 (30)
2006-07	500	366	134 (27)
2007-08	600	402	198 (33)
Total:	**1600**	**1119**	**481 (30)**

Source: Figure furnished by the SHS

Cataract surgery being solely dependant upon the incidence of cataract, fixing targets for it without assessment of the number of persons requiring the same was not realistic. Fixing the targets without assessing the requirement coupled with non-establishment of a full fledged ophthalmic unit resulted in shortfalls in achievement ranging from 27 to 33 *per cent* during the period 2005-06 to 2007-08.

3.4.19 Management Information System

Under NRHM, Integrated Disease Surveillance Programme (IDSP) and Routine Immunisation Monitoring System Software (RIMSS) was prescribed by GOI for surveillance and reporting system of diseases. Audit findings in respect of implementation of these aspects are enumerated below:

- ***Integrated Disease Surveillance Programme*:** IDSP is a decentralised surveillance programme to cover the entire country in a phased manner. Sikkim has been included in Phase III, which started from April 2006. The main objectives of the programme are to:

(i) Establish a decentralised district-based surveillance system for communicable and non-communicable diseases so that timely and effective public health action can be initiated in response to health challenges in the urban and rural areas and

(ii) Integrate existing surveillance activities to avoid duplication and facilitate sharing of information across all disease control programmes.

The GOI released Rs. 62.80 lakh during 2005-08 for the programme. An amount of Rs. 9.90 lakh was spent mainly for purchase of furniture and fixtures, laboratory equipment and renovation of Malaria office at Singtam and Rs. 15.93 lakh was spent on IEC activities, civil works, purchase of office equipment and furniture and operational cost. Out of the balance Rs. 36.97 lakh, Rs. 13.72 lakh was released in August 2007 to four Chief Medical Officers of the districts for implementation of the programme. However, no work regarding surveillance was done as of March 2008. Besides, Rs. 23.25 lakh remained unutilised with Project Office, IDSP, Gangtok. Thus, surveillance to ascertain diseases, if any, and timely action for containing them could not be taken up. The Programme Officer, IDSP stated (July 2008) that surveillance work could not be started earlier as there was no infrastructure and manpower to do the same.

- ***Routine Immunisation Monitoring System Software***: The programme envisaged development and implementation of RIMSS and establishment of a computerised network at CHCs, PHCs, PHSCs and SHS with a view to enhance the standard of reporting and effective supervision and monitoring. The SHS purchased nine laptops, eight desktop computers and three printers at a cost of Rs. 11.55 lakh. The laptops were issued to programme officers. The desktops were installed at Headquarters office, CHCs, and PHCs. However online connectivity between Headquarters, CHCs, and PHCs is yet to be provided. Further, RIMSS could not be developed by the SHS. Thus, the objective of the MIS to enhance reporting was not fulfilled. The SHS stated (September 2008) that the RIMSS was not implemented properly because there was problem with the software which could not be operated.

3.4.20 Monitoring and evaluation

The guidelines provided for conducting periodical evaluation studies of the implementation of the scheme by the Centre and States through reputed institutions[40], visit of supervision teams constituted by the National Mission in partnership with State Steering Group twice a year for quality assessment and the Planning, Monitoring and Evaluation Cell (PME) to monitor the activities of health care and evaluate the work done by the State Health Society. No evaluation studies had been conducted by any agency to ascertain the impact of the programme and desired outputs as envisaged under the programme. While accepting the fact the SHS stated (September 2008) that monitoring and evaluation would be undertaken from 2008-09.

As per the Memorandum of Understanding (MoU), a review meeting between Ministry of Health & Family Welfare (MoHFW) and the State of Sikkim, was required to be held six monthly/annually. Only one meeting was held (22 September 2007) during 2005-08. Similarly, the meeting of the Governing Body was required to be held at least twice a year and that of Executive Committee at least once in each quarter of the year. However, it was noticed that against the required six and 12 meetings of the Governing Body and Executive Committee, only two meetings of the Executive Committee were held (18 April and 12 October 2007) during the above period. The SHS stated (July 2008) that the meetings could not be held due to other ongoing activities and meetings at state and district level. The contention is not tenable as conducting of meetings was essential to monitor the achievement of goals under NRHM.

3.4.21 Conclusion

The State performed well in the areas of demographic goals (infant mortality rate, total fertility rate etc.) and implementation of National Disease Control Programmes. It was however found deficient in programme management resulting in huge unspent balances during all the years under review. Many of the communitisation activities like decentralised planning through formation of VHSC, RKS, DHAP, flexible funding by release of untied funds and annual maintenance grant to VHSCs, PHSCs, PHCs and CHCs were belatedly taken

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[40] *Institute of Public Auditors of India, IIMs, International Population Research*

up. Health care facilities to rural population were affected due to shortage of specialists and irrational deployment of doctors and nurses. Lack of training of medical and para-medical personnel, absence of timely issue of medicines further compounded the lacunae in extending the health care facilities. Surveillance and reporting system of diseases and immunisation were not made functional. While the progress of civil works relating to the health infrastructure was very slow, upgradation of equipment in STNM hospital had not commenced. Monitoring and evaluation of the scheme was never conducted to gauge its success.

3.4.22 Recommendations

- Planning should follow a bottom-up approach and community involvement should be ensured in the planning process;
- Household and facility surveys at village, block and district levels need to be conducted at regular intervals and gaps in health care services should be identified and appropriate corrective action taken;
- The State Government should ensure rational deployment of manpower;
- Awareness should be created among the public to ensure accountability at various levels; and
- Monitoring and supervision of the Mission activities should be strengthened by establishing monitoring and planning committees at all levels as envisaged in the Mission Guidelines.

CHAPTER-IV

AUDIT OF TRANSACTIONS
(CIVIL DEPARTMENTS)

CHAPTER-IV
AUDIT OF TRANSACTIONS

Misappropriation/ Loss

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

4.1 Non-availing of excise duty concession on pipes

Non-availing of the excise duty concession on pipes led to loss of Rs. 2.50 crore.

The Union Ministry of Finance (Department of Revenue) exempted (September 2002) pipes needed for delivery of water from its source to a water treatment plant from payment of excise duty. Such exemption was to be granted by the Deputy Commissioner (Central Excise) on the basis of a certificate to be obtained by the applicant from the Deputy Commissioner of the district in which the plant is located to the effect that the goods were meant for the intended use. The exemption came into effect from the date of issue of the notification.

Scrutiny of records (June 2008) revealed that the Department purchased (2003-08) GI/DI pipes and associated fittings meant for delivery of water from its source to water treatment plants at a cost of Rs. 15.82 crore for various water supply schemes under ARWSP through the State Trading Corporation of Sikkim (STCS). Although the Department could have availed concession towards excise duty in procurement of pipes and fittings, no attempt was made to take advantage of the incentives provided by the GOI. Non-availing of the concession led to loss of Rs. 2.50 crore to the scheme.

The Department accepted the observation and stated that the concession would be availed of in future.

The matter was referred to the Government (August 08), reply has not been received (September 2008).

HUMAN RESOURCE DEVELOPMENT DEPARTMENT

4.2 Inordinate delay in construction of District Institute of Education and Training building

Lackadaisical approach of the Department to operationalise District Institute of Education and Training (DIET) in the State resulted in the objective remaining unachieved even after a lapse of 18 years.

Irregular diversion of Central assistance (1988-89) for establishment of DIET was mentioned in the Comptroller and Auditor General of India's Audit Report for the year 1999-2000 on the Government of Sikkim.

The land acquired (April 1997) for construction of DIET building at a cost of Rs. 82.56 lakh at Burtuk, East Sikkim, remained unutilised till 2006-07 even after a lapse of seventeen years due to lack of initiative of the Department to start construction and operationalise DIET in the State. In 2006-07 a supplementary grant of Rs. 50 lakh was provided in the State budget for the purpose. The Detailed Project Report for construction at an estimated cost of Rs. 4.33 crore was approved by the State Government (August 2006) while the approval of GOI is still awaited (June 2008). Work order for construction was issued (April 2007) to a Gangtok based contractor[1] for completion of the work by May 2009. The entire fund of Rs. 50 lakh as provided for civil work was released (31 March 2007) to SIMFED and STCS (Government enterprises engaged in supply of materials to the Government departments) as advance for supply of materials (cement: 6,515 bags and tor steel: 230.30 MT) on the last day of the financial year in order to avoid lapse of fund. No date was stipulated for completion of supply in the supply order given to SIMFED and STCS. The two agencies did not supply the material and an amount of Rs. 50 lakh remained outside the Government account till date (September 2008).

During the execution of the work, the Sikkim Tourism Development Corporation Ltd. (STDCL) raised (June 2007) objection that after construction of DIET just below the helipad at Burtuk, operation of helicopter service would be impossible. It was therefore, decided in a meeting chaired by the Chief Secretary (June 2007) to shift the DIET to another location and the contractor was asked (June 2007) to suspend work immediately. The Department subsequently acquired (February 2008) land at Ranka, East Sikkim at a total cost of Rs. 1.65 crore for DIET. Further development in this regard is awaited.

Thus, lackadaisical approach of the Department to operationalise DIET in the State for which money was received from the GOI in 1988-89 resulted in the objective remaining unachieved even after a lapse of 18 years. Besides, this also resulted in additional outflow of Rs. 1.65 crore on purchase of land.

The Department stated (August 2008) that since no objection was raised during the initial stages of purchase of land, publication of notice inviting tenders in various newspapers etc. by STDCL, the Department had to accept the decision of the Government. But the fact however, remains that inordinate delay in operationalising DIET has resulted in the objectives remaining unachieved.

The matter was referred to the Government (July 2008); reply has not been received (September 2008).

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[1] *Shri Kedar Somani, Gangtok.*

Undue favour

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

4.3 Undue benefit to the contractor

Erroneous rate analysis for the 'cement cost per bag for pressure grouting' resulted in undue benefit to the contractor and loss to the Government to the tune of Rs. 44.61 lakh.

Estimates of civil works are prepared on the basis of Schedule of Rates (SOR). For each item of work, the cost and quantity of material, labour, labour overhead and job overhead required per unit are specified in the Analysis of Rates (AOR) on the basis of which, SOR is prepared. The actual cost of labour overhead required for execution of a particular quantity of work can thus be worked out from the AOR.

The work of construction of Pilgrimage-cum-Cultural Centre (Phase-I at Solophok, Namchi, South Sikkim) was awarded (December 2004) to M/s Hindustan Steelworks Construction Ltd. (HSCL), a Central Public Sector Undertaking on turnkey basis at a fixed lump sum cost of Rs. 34.73 crore with a stipulation to complete the work within 36 months from December 2004. An additional sanction of Rs. 18.50 crore for extension work was obtained (December 2006) from the Cabinet for the development of Pilgrimage-cum-Cultural Centre at Solophok. The work is still in progress (March 2008) and the HSCL had been paid Rs. 36.87 crore as of March 2008. During execution of work, the additional work (drilling and grouting operations for stabilising soil under Lord Shiva statue) at a total cost of Rs. 4.97 crore was executed by the Department through the contractor. This additional work was completed (March 2006) and final payments made (April 2006). As the items of work under 'drilling and grouting operations for stabilising soil under Lord Shiva statue' were not provided in the SOR, the Department analysed their rates before execution of work. While analysing the unit rate of 'cement cost per bag for pressure grouting', the overhead charge was erroneously calculated on the total cost of materials and labour instead of labour cost alone as included in the AOR/SOR. This resulted in inflation of unit cost of cement per bag for pressure grouting by Rs. 45.31 per unit. This erroneous rate analysis resulted in undue benefit to the contractor and loss to the Government to the tune of Rs. 44.61 lakh[2].

The Department stated (April 2008) that had proper estimates been prepared, duly taking into consideration head load charges of materials, cost of consumables like HSD, mobil, lubricants and PVC tanks for provision of

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[2] *Cement cost per bag for pressure grouting worked out by audit:*

Unit cost of cement cost per bag for pressure grouting excluding overhead charge and contractors profit Rs.328.68	
Less cost of materials including carriage, storage (cement only)	*Rs.228.00*
Difference	*Rs. 100.68*
20 percent overhead of Rs.100.68	*Rs. 20.14*
10 percent contractors profit on Rs.328.68	*Rs. 32.87*
Admissible unit cost on account of cement per bag for pressure grouting (Rs.328.68+Rs.20.14+Rs.32.87) =	*Rs.381.69*
Excess amount included in the analysis (Rs.427.00 - Rs.381.69) =	*Rs.45.31 per bag*
Total excess Payment (Rs.45.31 X 98450 bags) =	*Rs.44.61 lakh*

water, running operation cost of hire charges of grouting and water pump, labour and job overhead etc., the cost per bag would have been Rs. 468 instead of Rs. 427 at which the payment was made.

The rate of Rs. 468 worked out by the Department was arrived at by inflating the cost of HSD, Mobil, head load of stock materials (inclusive of cost of sundries and water and electricity charges[3]), cost of 1,969 PVC tanks[4] etc., which is not acceptable.

HUMAN RESOURCE DEVELOPMENT DEPARTMENT & POLICE DEPARTMENT

4.4 Undue benefit to contractors

The Human Resource Development and Police Department allowed higher rates for execution of works even though other similar works were executed during the same period at lower rates resulting in undue favour of Rs. 74.42 lakh to the contractors.

Para 198 of SPW Code read with the notification issued by the Finance, Revenue and Expenditure Department (December 1997) provided that works valuing above rupees five lakh should be awarded after giving wide publicity through national dailies.

Scrutiny of records (March and June 2008) relating to execution of works in the Human Resource Development and Police Department revealed the following:

i) Before awarding of 'construction of India Reserve Battalion (IRB) Complex at Pipley, Phase II, West Sikkim' in Police Department wide publicity through national dailies as required were not given which restricted the scope for fair competition in the process of ascertaining reasonability of rate. It was observed that the civil work portion of the project valuing Rs. 5.83 crore was awarded (March 2005) at Rs. 8.46 crore at the tendered rate of 44.93 *per cent* above the estimated cost, framed on the basis of SOR 2002, with a stipulation to complete the same by March 2007. However, the rate allowed (44.93 *per cent)* was on the higher side as similar nature of works (*i.e.* construction of BDO Complex in different parts of the State) during the same period was awarded to other contractors at 38 *per cent* above the SOR 2002. Action of the Department to allow higher rate was not only against the spirit of the provisions of the SFR and SPW Code but also unjust and led to undue favour of Rs. 40.44 lakh[5] to the contractor.

The matter was referred to the Department/Government (August 08), their reply has not been received (September 2008).

ii) 10 works relating to Human Resource Development Department for construction of school buildings were tendered during October 2005 to

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[3] *These items included in the AOR effective from 1 April 2007.*

[4] *For 50 bags of cement, one PVC tank was stated to have been used. Detailed analysis in support of 1,969 PVC tanks was not furnished by the department.*

[5] *(44.93-38.00) per cent of Rs. 583.49 lakh = Rs. 40.44 lakh*

February 2006. Out of these, two works were awarded at par and the remaining eight works were awarded at 20 *per cent* to 30 *per cent* above the estimated cost. Scrutiny revealed that two works tendered during the same period having similar items of works were awarded and executed at estimated cost. This resulted in extension of undue financial benefit to the contractors with consequential avoidable expenditure to the tune of Rs. 33.98 lakh.

The Department stated (July 2008) that they have taken into consideration the cost escalation which was ranging from 35 *per cent* to 38 *per cent*. The reply is not acceptable as other similar works were awarded and executed at estimated cost.

Avoidable/Excess expenditure

ENERGY AND POWER DEPARTMENT

4.5 Cost and time over run

Failure of the Department to conduct survey prior to taking up a project, led to relocation of the project site, involving cost escalation of Rs. 1.03 crore and time over run of over three years.

Construction of a 66 KV single cable transmission line from Mayongchu to Chungthang sub-station with 2X5 MVA transformer at Chungthang and one feeder bay at Mayong was approved by the Cabinet (October 2004) at an estimated cost of Rs. 9.41 crore (including Rs. 86 lakh on land compensation, establishment and contingency). The work was awarded (October 2004) to a contractor[6] at Rs. 8.55 crore for completion within 12 months (September 2005). The expenditure was to be met from the funds provided by the Union Ministry of Development of North Eastern Region under Non Lapsable Central Pool of Resources (NLCPR) to the extent of Rs. 6.84 crore and the balance by the State Government from its own resources.

While the construction work started in November 2004, Rs 2.14 crore was released (December 2004) to the contractor as mobilisation advance. After completion of a part of the work, M/s Athena Project Pvt. Ltd. (APPL, engaged in establishment of Independent Power Projects in the State) requested (April 2005) the Department to stop the work on the ground that the proposed dam site of Teesta Stage-II Hydel Electric Project being undertaken by the APPL falls in the same location. Despite the fact that the work was undertaken by APPL at a later date, after carrying out the survey and investigation, on its request, the construction work of the substation was stopped (April 2005) and the sub-station was relocated to Martin, eight kilometres away from the earlier site. The change of site involved extra financial implication of Rs. 1.03 crore (Rs. 3.65 lakh on land compensation, Rs. 99.59 lakh on revision of cost necessitated by inclusion of additional items of work, additional quantity within the same items of work etc.). While the work in the new site is in progress (July 2008), Rs. 5.37 crore was paid to the

[6] *C.G. Lachungpa*

contractor (December 2007) against the 3rd RA bill. As of now, the project has already been delayed by nearly three years.

The Department had not conducted any survey prior to taking up the project, to determine an appropriate location for the sub-station. The entire work relating to survey, design and drawings for the present work was conducted by the contractor himself after the work was awarded to him. This indicated that the scope of work as well as the cost and quantities indicated in the project report submitted earlier to the Union Government for funding, were not based on actual survey but on an approximation and were unrealistic, resulting in time over run of nearly three years with an extra expenditure of Rs. 1.03 crore.

The matter was reported to the Government/Department (December 2007); their reply has not been received (July 2008).

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (PENSION, GIS AND GPF WING)

4.6 Excess payment of leave encashment

Failure to exercise proper check while sanctioning leave encashment in respect of retired Government employees resulted in excess payment of Rs. 37.27 lakh.

Rule 36 of Sikkim Government Service (Leave) Rules 1982 provides that cash payment in lieu of unutilised earned leave on the date of retirement will be made to retired Government servants, subject to a maximum of 300 days. Rule 40 (1) prescribes that a Government Servant who proceeds on earned leave or commuted leave is entitled to leave salary equal to the emoluments drawn immediately before proceeding on earned leave or commuted leave. Explanation under Rule 40 (1) says that emoluments includes all allowances being drawn immediately before proceeding on leave, but the special pay or allowances being drawn, if any, by the Government Servant proceeding on leave shall not be admissible if the period of leave exceeds 30 days at one stretch. Again, Rule 40 (2) states that a Government Servant on half pay leave is entitled to leave salary equal to half the pay and full allowances being drawn immediately before proceeding on such leave subject to explanation under sub-rule (1) of Rule 40. Therefore, special pay or allowances are not admissible in the leave encashment for period exceeding 30 days.

Scrutiny of leave encashment cases of retired officers/officials of the State Government for the period January 2004 to November 2006 revealed that in 145 cases of leave encashment, emoluments inclusive of House Rent Allowance (HRA) and Sikkim Border Compensatory Allowance (SBCA) were included in leave encashment, which led to an excess payment of Rs. 37.27 lakh[7].

[7] *Actually paid amount of leave encashment in 145 cases =Rs.2,69,85,108*
Admissible amount of leave encashment in 145 cases =Rs. 2,32,58,085
Excess payment =(Rs.2,69,85,108 - Rs. 2,32,58,085)= Rs. 37,27,023

While verifying the procedure for sanctioning of leave encashment and other retirement benefits in the Department, it was seen that the Department had not considered the provisions and had calculated leave encashment merely on the basis of pay and allowances being drawn by the Government servants before their retirement. The Chief Accounts Officer (Pension) failed to exercise proper checks while sanctioning leave encashment cases, which led to excess payment of Rs. 37.27 lakh.

The Department stated (July 2008) that retiring Government employees are entitled for encashment of leave salaries under Rule 36. While the entitlement for encashment is not questioned, the admissibility of special allowances for such encashment is in contravention of rules.

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

4.7 Extension of double benefits to beneficiaries

The Rural Housing Scheme intended for people below poverty line was implemented without any list of beneficiaries. Besides, assistance was provided to the same beneficiaries twice resulting in undue benefit of Rs. 29.20 lakh.

The Government of Sikkim launched the Rural Housing Scheme (1988-89) to provide assistance to people below the poverty line (BPL), in the form of 30 pieces of Galvanised Corrugated Iron (GCI) sheets and cash assistance of Rs. 20,000 to be given in two equal instalments of Rs. 10,000 to each such beneficiary. The scheme was financed by the State Government from the funds borrowed from Life Insurance Corporation of India (LIC) and General Insurance Corporation (GIC).

Scrutiny of records revealed that the Rural Management and Development Department (RMDD), which was the implementing department of the scheme, did not have the details of BPL population in the State. The beneficiaries were selected by the District Level Committees (DLCs) on the recommendation of the respective Gram Sabhas. Implementation of a welfare scheme, without a comprehensive list of the beneficiaries for whom it was intended, carries the risk of extension of benefits to ineligible people.

Out of 6,000 beneficiaries in two districts (East and South), who availed of the benefits, 76 beneficiaries were provided with assistance twice during three years (2004-05 to 2006-07). This led to undue benefit to the tune of Rs. 29.20[8] lakh. While accepting the distribution of double benefits, the Department stated (May 2008) that this was due to either oversight or need of the beneficiaries depending upon the size of the family. The reply regarding need of the beneficiaries or the size of a family is not acceptable, as there was no provision in the scheme regarding this aspect.

[8] *Cost of 30 GCI sheets as given by the Department = Rs. 18,425.40.*
Therefore, excess payment = 76 X 20,000 + 76 X 18,425.40 = Rs. 29.20 lakh.

The matter was referred to the Government in June 2008; reply had not been received (September 2008).

SIKKIM HOUSING AND DEVELOPMENT BOARD

4.8 Avoidable loss

Failure to repay the loan within the stipulated time led to an avoidable payment of interest to the tune of Rs. 62.63 lakh.

Sikkim Housing & Development Board (SHDB), since its inception (1979), had availed of loans from different financial institutions, mainly from Housing and Urban Development Corporation Limited (HUDCO), for financing various activities in the State. The Board managed to make repayment till June 1997, but thereafter, started defaulting in paying installments and the accumulated liability amounted to Rs. 57.15 crore, as on 31 March 2002.

A rehabilitation package was approved (October 2002) by HUDCO on the proposal of the Board for payment of the liability of Rs. 57.15 crore in the following manner:

- 25 *per cent* of the One Time Settlement (OTS) amount (Rs. 14.29 crore) would be paid @ Rs. 12 crore by 31 October 2002 and the balance Rs. 2.29 crore on or before 31 March 2003 carrying interest at 12.5 *per cent* from 1 October 2002.
- Balance 75 *per cent* (Rs. 42.86 crore) would be paid in four equal annual installments commencing from 1 October 2003.

The Board repaid Rs. 14.29 crore in January 2003 and requested for waiver of interest, which was rejected by HUDCO. As a result of delay in payment and rejection of waiver of interest, the Board had to pay an additional interest of Rs. 44.65 lakh.

Similarly, even with regard to payment of 75 *per cent* of the agreed amount (Rs. 42.86 crore), the Board failed to adhere to the prescribed time schedule and the delay in payment ranged between four days to three months in the case of second, third and fourth installments, necessitating an avoidable payment of interest of Rs. 17.98 lakh[9].

Audit analysis revealed that delay in repayment of first installment was primarily due to the time taken in obtaining Cabinet sanction (obtained on 26 November 2002) and finalisation of agreement (executed on 1 February 2003). The delay in payment of subsequent installments was due to the non-release of grants by the State Government towards repayment of loan.

The Board stated (July 2008) that they had left no stone unturned to make timely repayment to HUDCO except on the occasion beyond its control. The fact remained that due to non-adherence to the agreed time schedule for payment of the committed liability by the Board/ Government, there was an avoidable payment of interest amounting to Rs. 62.63 lakh.

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[9] *Interest of Rs. 9.98 lakh for Rs. 399.27 lakh of 2nd installment delayed by 84 days + interest of Rs. 6.65 lakh for Rs. 202.86 lakh delayed by 3 months + interest of Rs. 1.35 lakh for Rs. 1125.06 lakh delayed by four days.*

TRANSPORT DEPARTMENT (SNT DIVISION)

4.9 Avoidable expenditure

Failure of the departmental officers in taking timely action to dispose of the liabilities of a closed Government undertaking led to avoidable payment of interest to the tune of Rs. 58.65 lakh.

The erstwhile Chandmari Workshop and Automobiles Limited (CWAL), a company owned by the State Government under the administrative control of the Sikkim Nationalised Transport Division (SNTD), Transport Department started functioning since April 1988 with the responsibility of carrying out the business of maintaining and repairing Government vehicles.

Since no working capital was provided to the CWAL, it was availing over draft facility from the State Bank of India, Gangtok (SBI) against the security of Rs. 1.10 crore deposited as Secured Temporary Deposit Receipt (STDR) by the State Bank of Sikkim, Gangtok (SBS), the banker of the State Government.

Due to its non-viability, the CWAL was closed down in February 2002. As on 31 March 2002, the CWAL had an over draft liability of Rs. 57.35 lakh, which subsequently increased to Rs. 75.72 lakh due to accrual of interest till June 2004 with the SBI.

With the approval (June 2004) of the Finance, Revenue & Expenditure Department (FRED), the SBS paid (June 2004) Rs. 75.72 lakh to SBI to clear the over draft liability of CWAL with a view to get its pledged STDR released from SBI under instruction from FRED to claim reimbursement of this amount from SNTD. The SBS requested (July 2004) the Department to reimburse this amount.

Despite several letters and persuasion by the SBS, the Department did not reimburse the above amount. The SBS, in turn started charging interest on the amount paid by it to SBI from July 2004 onwards and till March 2007, the amount increased to Rs. 1.17 crore with interest. The Department paid (August 2007) Rs. 1.16 crore to the SBS as full and final settlement of the account, after taking approval from the Cabinet (including Rs. 58.65 lakh on account of interest for the period April 2002 to March 2007).

Scrutiny of records revealed (February 2008) that ever since the closure of CWAL (February 2002), the Department did not take any action, not even on the letters written by SBS, till April 2007. During February 2002 to April 2007, no proposal was initiated to dispose of the liabilities of the CWAL. This resulted in an avoidable expenditure of Rs. 58.65 lakh towards payment of interest.

The Department stated (July 2008) that after receipt of reimbursement claim from the SBS in July 2004, the matter was pursued from time to time, but it remained pending till March 2007 due to fund position of the State Government. Scrutiny of extract of departmental notes furnished to Audit

(September 2008) by the Department revealed that while the issue of outstanding liabilities was pursued during August 2004 and September 2006 without any outcome, the main issue of seeking additional funds from the State Finance Department towards settlement of outstanding liabilities was not pursued.

WATER SECURITY AND PUBLIC HEALTH ENGINEERING DEPARTMENT

4.10 Excess expenditure

Payment at rates higher than those approved, resulted in excess expenditure of Rs. 28.40 lakh.

The Water Security and Public Health Engineering Department (WSPHED) fixes procurement rates for different items like galvanised iron (GI) pipes and cast iron (CI)/GI fittings required for water supply works on the basis of quotations received from suppliers. The rates so fixed, remain applicable till its revision again through invitation of quotations from suppliers.

For execution of six water supply works, the WSPHED procured (February 2006 to March 2007) GI pipes and GI/CI fittings against which, payments were released in February 2007 and June 2007 at rates higher[10] than those approved by the Department for this period. The items purchased related to regular water supply schemes and did not pertain to emergent restoration works. For subsequent procurements however, the Department adopted the approved and applicable rates.

Purchase of pipes at rates higher than the approved rates resulted in an excess expenditure of Rs. 28.40 lakh.

The Department stated (September 2008) that due to frequent fluctuation in the price of GI pipes/fittings in the market and for completion of works within the scheduled date for supply of drinking water to the consumers, material had to be procured from different suppliers at different rates prevailing in the market. It was further stated that whenever the market price was higher than the latest approved rates of 2004-05, the Department procured materials at the approved rate and thereby saved some amount of Government money. The reply is not acceptable, as the action of the Department negates the very purpose of fixation of rates after ascertaining the reasonability of rates through invitation of quotations.

[10] *GI pipes (9464.74 mtrs) with higher rates varying from Rs.56.06 (8 per cent) to Rs.280 (26 per cent) per mtr and GI/CI fittings (1960 nos) with higher rates varying from Rs.23.15 (4 per cent) to Rs.7568 (641 per cent) per unit.*

4.11 Excess expenditure

Purchase of Ductile Iron (DI) pipes and fittings by the Water Security and Public Health Engineering Department (WSPHED) at higher rates, ignoring special offer made by the manufacturer resulted in excess expenditure of Rs. 36.49 lakh.

The Water Security and Public Health Engineering Department (WSPHED) uses DI pipes widely in its water supply schemes. These pipes are purchased by the WSPHED through the State Trading Corporation of Sikkim (STCS), which in turn, places supply orders with the local dealers of the manufacturer, M/s Electrosteel Castings Limited (ECL), Kolkata. On some occasions, purchases are also made directly from the local dealers.

The WSPHED placed orders on the STCS (2005-07) for supply of DI pipes and fittings, which included pipes and fittings of size 80 mm diameter and above, for various water supply schemes in the State.

Scrutiny (March 2008) of records of the Secretary, WSPHED revealed that ECL informed the Department in October 2005 that supply of 80 mm diameter DI pipes had become a manufacturing constraint to them due to non-availability of moulds from international sources, forcing it to discontinue their production. The manufacturer, as a special case, offered to supply the required quantity of DI pipes and fittings of 100 mm diameter in lieu of the 80 mm diameter pipes and fittings ordered by the Department, without any additional cost.

Following the ECL's offer, the Department wrote (July 2006) to the STCS to replace its earlier orders for 80 mm diameter pipes and fittings with 100 mm diameter pipes and fittings. No mention, whatsoever, was made about the special offer of the manufacturer that there would be no extra cost due to the change in the specification of the pipes and fittings.

The STCS supplied the 100 mm diameter pipes at the higher rate of Rs. 1,120 per metre, ignoring the special offer extended by the ECL. In terms of the special offer, STCS should have supplied the 100 mm diameter pipes at Rs. 977 per metre, which was the supply rate of the replaced 80 mm diameter pipes.

The Department stated (September 2008) that as the STCS purchased pipe fittings directly from the manufacturers, the concessions can be availed of by the STCS only. The reply is not acceptable, as the Department failed to follow up on the offer of the dealer with STCS and thereby incurred an excess expenditure of Rs. 36.49 lakh.

4.12 Excess payment

Payments at unusually higher and unjustified rates on the items not included in the revised SOR and failure to verify workable rates allowed in the execution of other similar works resulted in excess payment of Rs. 25.46 lakh.

The Water Security and Public Health Engineering Department (WSPHED) is responsible for supply of drinking water to all urban consumers of the State. The Schedule of Rates (SOR) prepared by the Sikkim Public Works Department (SPWD) is applicable to all Departments of the State Government for preparation of estimates. The SOR 2002, did not however, include the rates of various items for execution of water supply works and hence the WSPHED followed the prescribed rate for different items of works on water supply contained in the SOR 1997 for preparation of estimates for water supply works in the State.

Scrutiny of records of the Principal Chief Engineer-cum-Secretary, WSPHED revealed (January 2007 and April 2008) that the Department continued to make payment for laying, fitting and fixing of pipes at the rates of Rs. 23, Rs. 18 and Rs. 16 per meter for 150 mm, 100 mm and 80 mm dia pipes respectively for various water supply schemes at the SOR of 1997 till March 2008. In the case of the work, 'Water Supply Scheme for newly developed satellite town of Pangthang and Bojoghari, Gangtok' however, payment was made to the contractor at much higher rates of Rs. 125, Rs. 100 and Rs. 75 per meter for laying, fitting and fixing of 12,990 mts. of 150 mm, 4,100 mts. of 100 mm and 8,726 mts. of 80 mm dia Galvanised Iron (GI) pipes respectively (including 17 *per cent* above SOR) without any justification. This led to an excess payment of Rs. 25.46 lakh.

The Department stated (September 2008) that the work was tendered and the contractor quoted 25 *per cent* 'above' the value put to tender for execution and completion of the project and that the Department negotiated the rate with the contractor and brought it down to 17 *per cent* above as the contractor might not have agreed, had the rate of laying of pipes and fittings been on the lower side. The reply is not acceptable as all other similar works of laying, fitting and fixing of pipes were awarded at par with the estimated rate as per the SOR 1997 even after execution of these two works.

Infructuous/ wasteful expenditure

IRRIGATION AND FLOOD CONTROL DEPARTMENT AND RURAL MANAGEMENT & DEVELOPMENT DEPARTMENT

4.13 Infructuous expenditure

Improper survey of work by the Rural Management & Development Department and lack of supervision and monitoring of works by the Irrigation & Flood Control Department led to an infructuous expenditure of Rs. 39.72 lakh.

The Cabinet approved (November 2004) the execution of Jhora Training Work (JTW) on Tenzing and Tenzing Jhora, Gangtok at an estimated cost of Rs. 56.96 lakh under the North East Council Schemes (Grant:Loan::90:10). The Irrigation and Flood Control Department (IFCD) issued the work order (July 2005) to a contractor[11] at a cost of Rs. 65.50 lakh with a stipulation to complete it by February 2007.

Scrutiny of records revealed (October 2007) that against the first RA bill of Rs. 39.72 lakh preferred by the contractor, an adhoc amount of Rs. 5 lakh was released (December 2006) based on the measurement taken on 8 July 2006. The contractor intimated on 2 December 2006 about the completion of the work in all respects to the IFCD and served a legal notice to the Department for non-payment of bills. After this the Department released another adhoc payment of Rs. 10 lakh in June 2007 but did not reply to the contractor regarding the legal notice. The Department had not taken any final measurement of the work.

Meanwhile the contractor intimated (February 2007) that the work had been completely damaged by falling boulders and stones from the site of another construction work undertaken by the RMDD. After a joint verification of work by RMDD and IFCD (April 2007), the IFCD intimated (June 2007) RMDD for rectification of damaged work estimated at Rs. 4.10 lakh. RMDD however, has not rectified the damage till the date of physical verification of work by Audit (October 2007 in the presence of departmental officers). It was seen that the guide wall of JTW was totally damaged by falling boulders and stones from another work above. While the RMDD undertook a work without proper survey about the possibility of its damaging other assets being created by an agency, lack of supervision and monitoring on the development of works by IFCD resulted in an infructuous expenditure of Rs. 39.72 lakh (including the committed liability of Rs. 24.72 lakh) besides failing to achieve the envisaged objective of irrigation and flood control. The IFCD is yet to co-ordinate with RMDD for rectification of the damage.

The IFCD stated (August 2008) that while the JTW was neither completed nor taken over from the contractor, they are consistently pursuing the matter with the RMDD to set right the damaged portion of work or to compensate the IFCD for the cost of the work. Final reply is awaited (September 2008).

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[11] *Shri Rameshwar Tamang*

SOCIAL JUSICE, EMPOWERMENT AND WELFARE DEPARTMENT

4.14 Denial of supplementary nutrition to children, pregnant and lactating women.

Lack of planning resulted in denial of supplementary nutrition valuing Rs. 1.23 crore to the malnourished children, pregnant and lactating women for seven months, besides unfruitful expenditure of Rs. 30.19 lakh on idle wages and electricity charges.

The Supplementary Nutrition Programme (SNP) of the Integrated Child Development Services (ICDS) scheme is an ongoing nutrition programme under the State plan which aims at providing nutrition to the children in the age group of three to six years and pregnant and lactating women. The programme was implemented in the State by providing ready-to-eat (RTE) food to the beneficiaries.

Scrutiny revealed that the programme was not implemented during March to November 2007. The Government food processing plant at Tadong, which was the sole producer of the ready-to-eat food, was leased out to a contractor from October 2001. Based on a direction from the Supreme Court (October 2004) that contractors should not be engaged for supply of supplementary nutrition, the Social Justice, Empowerment and Welfare Department (SJEWD) took over the plant in March 2007 with an intention to run it departmentally. The Department however, could run it only in November 2007 after a delay of seven months.

The Department was aware of the Supreme Court directive since October 2004. It however, failed to prepare a plan of action to ensure uninterrupted supply of RTE food in the event of non-functioning of the plant. It did not explore the possibility of obtaining the supply through alternative sources and engaging agencies like NGOs and self help groups for delivery of food despite the availability of funds. As a result, the targeted beneficiaries were deprived of nutritional support for seven months (March to November 2007). Further, the Department incurred an unfruitful expenditure of Rs. 30.19 lakh towards idle wages of 40 staff (Rs. 26.39 lakh) and electricity charges (Rs. 3.80 lakh) of the Plant.

Thus, failure of the Department to ensure supply of supplementary nutrition resulted in non-utilisation of Rs. 1.23 crore meant for the purpose and unfruitful expenditure of Rs. 30.19 lakh on idle wages and electricity charges besides depriving the target groups of nutritional support.

The Department accepted the delay in implementation of the programme and attributed (July & September 2008) it to inadequacy of infrastructure of NGOs, self-help groups, NPOs, PRIs, etc., remoteness of ICDS centres, time taken in tendering, settling the issues relating to the status of employees, transportation, power supply, etc. The reply is not acceptable as the Department did not initiate any steps to make alternative arrangements for provision of nutritional support to the targeted beneficiaries as per norms.

4.15 Irregular expenditure on Old Age Pension

Failure of the Department to exercise even the most rudimentary and routine checks before selecting beneficiaries for old age pension led to extending of benefits amounting to Rs. 60.07 lakh to ineligible persons.

National Old Age Pension Scheme (NOAPS), a centrally Sponsored Scheme(CSS), envisaged that a monthly pension would be given to a person aged 65 years and above, holding a Below Poverty Line (BPL) card and with little or no regular means of subsistence from his/ her own sources of income or through financial support from family members or other sources. From 2000-01, the rate of monthly pension was Rs. 200 till May 2004, Rs. 300 from June 2004 to March 2007 and Rs. 400 from April 2007 onwards.

Mention was made in Para No. 4.1.5 of Comptroller and Auditor General of India's Audit Report for the year ended 31 March 2004 regarding irregular selection of beneficiaries for the Old Age Pension resulting in excess expenditure of Rs. 29.22 lakh. In view of the Departmental reply (August 2004) that identification of beneficiaries was being done strictly as per the guidelines thereafter, the Public Accounts Committee did not make any recommendations.

Scrutiny of records, however, revealed that the Department had added 1440 new beneficiaries after 2003-04 to the already existing 13,429 beneficiaries. Of the 1440 newly added beneficiaries, records pertaining to identification and selection of 603 (42 *per cent*) were checked in audit (October 2007 and June 2008). It was seen that in 390 cases (65 *per cent* of the cases), benefits of Old Age Pension were being extended to ineligible persons or persons whose cases were not genuine as detailed below:

Table – 4.1

Irregularities observed	Number of cases	Amount of OAP paid during April 2004 to March 2008 (Rs. in lakh)
Thumb impression / signature of the beneficiary was not affixed on the application form	4	0.62
Thumb impression / signature of the applicant was not affixed. BPL certificate and income certificate were also not attached	7	1.08
Thumb impression / signature of the applicant was not affixed. BPL certificate and income certificate was also not attached. The applicant was below 65 years of age	2	0.31
Thumb impression / signature of the applicant was not affixed. The applicant was below 65 years of age	3	0.46
Pension awarded below the age of 65 years of age	40	6.16
The applicants did not come under BPL status as neither BPL certificate nor income certificate was attached with the application forms	282	43.43
The pension awarded to persons below 65 years age and the applicants did not come under BPL status as neither BPL certificate nor income certificates were attached with the application forms	47	7.24
The applicants did not come under BPL status as neither BPL certificates nor income certificates were attached with the application forms and neither date of birth certificates were attached nor age was certified.	5	0.77
Total	**390**	**60.07**

The above instances, besides casting doubts on the genuineness of the cases, reveal the failure of the Department to exercise even the most rudimentary and routine checks while processing the applications. Considering that this is only a sample check, where 65 *per cent* of the sampled cases were ineligible for NOAPS, the Department needs to take a complete relook at the total number of 14,869 beneficiaries in the State, who are currently drawing pension under NOAPS.

While accepting the fact, the Department stated (May 2008) that due to receipt of applications recommended by the VIPs at the fag end of release of pension, the Department did not have much scope for in depth examination of the applications.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

4.16 Information Technology Audit of Computerisation of Treasuries in Sikkim

Computerisation of Treasuries in Sikkim was undertaken during 2002-03 incurring a total cost of Rs. 1.10 crore. Computerisation of works vouchers was not undertaken and only civil portion of the transactions have been computerised so far. There were cases of absence of validation checks and controls in the software leading to faulty processing of bills.

1 Introduction

Directorate of Treasury, Pay and Accounts Office, Sikkim under the administrative control of Finance, Revenue and Expenditure Department (FRED) is responsible for transacting the business of payments and compilation of all receipts and expenditure of the Government and rendition of Accounts to the Accountant General in the prescribed formats. Besides, the Directorate of Pension, General Provident Fund (GPF) and General Insurance Scheme (GIS) is responsible for maintenance and authorisation of payment of GPF, GIS and Pension of the State Government employees and Central Government employees. The Treasuries maintain records of financial transactions and conduct necessary checks as per Sikkim Handbook of Drawing and Disbursing Officer (DDO) and Sikkim Financial Rules. There are five treasuries in the state which are known as Pay and Accounts offices.

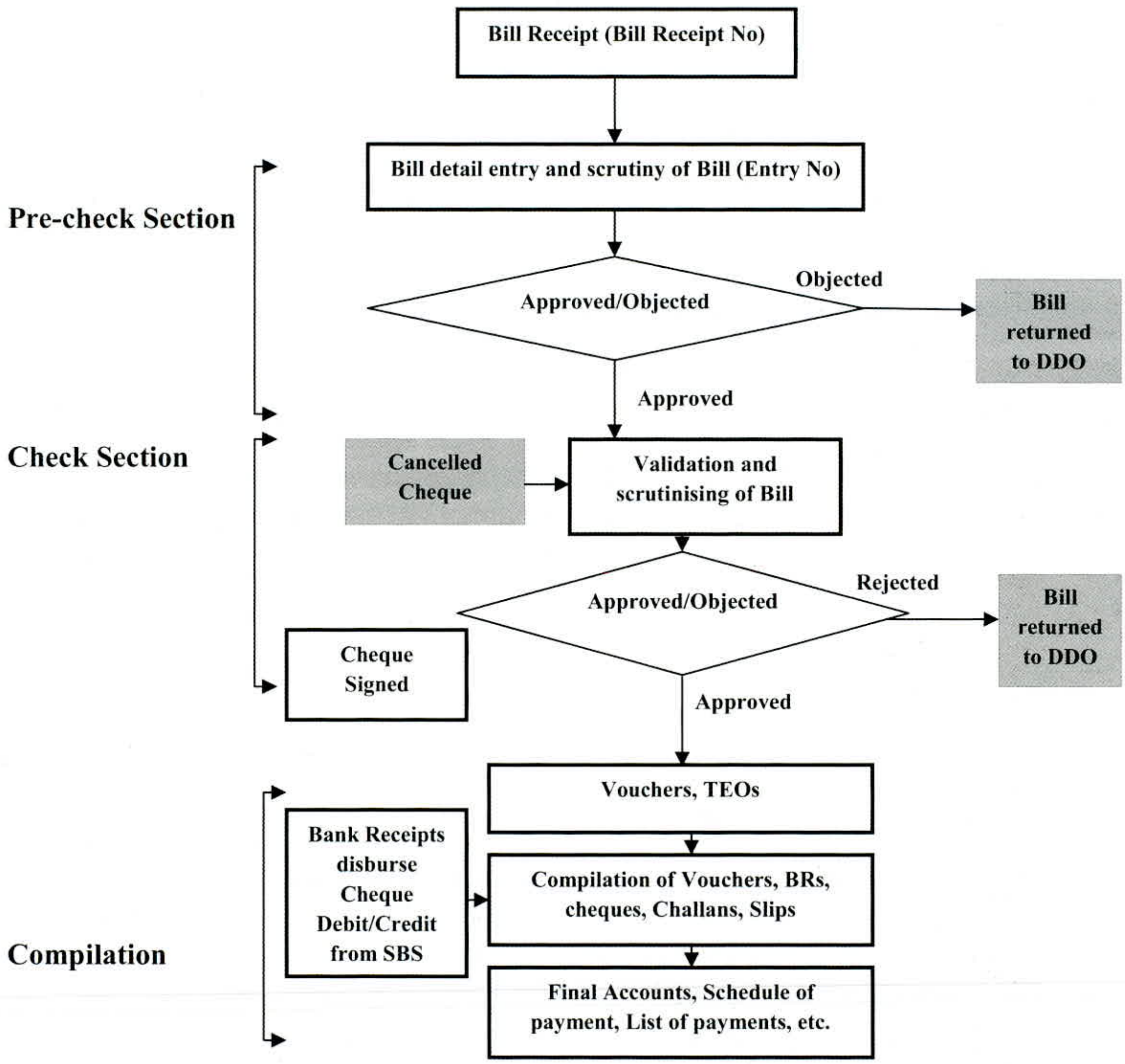
Computerisation of Treasuries in Sikkim was undertaken during 2002-03 incurring Rs. 1.10 crore. NIC developed the application which is based on MS-SQL Server as the database, Visual Basic as the front end running in a Windows NT OS environment.

2 Organisational set-up

Directorate of Treasury, Pay and Accounts Office is headed by Director and assisted by Additional Director. There are five Pay and Accounts Offices (PAOs) in Sikkim headed by Chief Pay and Accounts Officers. In addition to this, there is a separate Pay and Accounts Office under State Legislative Assembly which is not computerised.

3 Work-flow of Bill processing and accounting

When the bill is received from the Department, bill receipt number is given and passed on to the Pre Check section where calculation in the bills, allocation of budget and other provisions are checked. The passed bills come to the cheque section for issue of cheques either to the concerned departments or to the party. After the voucher number is assigned to the bill, it is considered as voucher. The Compilation Section in turn receives vouchers from Cheque Section and disbursed cheques, bank receipts, challans, debit/credit slips from the State Bank of Sikkim. The instruments viz. vouchers, Bank Receipts and disbursed cheques are compiled for generating MIS reports.



4 Audit Objectives

Audit of the treasuries' computerisation was carried out to assess whether:

- Objectives of computerisation of treasuries in the state were achieved;

- IT controls in place were adequate and effective thereby ensuring data completeness, accuracy and reliability; and
- The design of the computerised system was such that the business rules and procedures, as stipulated by various treasury code, statutes and departmental manuals, were correctly mapped on to the computerised system.

5 Scope and methodology of Audit

Test-check of records for the period 2002-03 to 2007-08 was conducted in the Directorate, Chief Pay and Accounts Office, Gangtok and the Chief Pay and Accounts Offices at four districts during April-May 2008. Data maintained electronically in the computerised system was analysed through an audit software tool viz. 'Interactive Data Extraction and Analysis (IDEA)' to ensure completeness, regularity, integrity, and reliability.

Audit Findings

6 Project Management

Partial computerisation

Treasuries were not fully computerised even after five years of commencement of computerisation. Works vouchers could not be computerised. In addition, payments related to pension and GIS were not computerised.

Lack of Feasibility study, user manual, testing

The Directorate of treasuries had not conducted any feasibility study before taking up the computerisation of Pay and Accounts offices (treasuries). Documentation relating to User Manual, testing, system maintenance manuals etc. did not exist. Documentation relating to various stages in the system development had also not been prepared. Thus, the system development methodology adopted was not discernible and was ad-hoc.

Program Change Controls

An IT system requires regular review to identify and sort out any programming bugs and carry out changes as per new requirement. Though changes had been made in the system several times, the Department had not kept any documentation of the changes nor had it adopted any change management policy to control the changes. In the absence of a uniform version running in all the treasuries, it was not assured that business rules of the treasury operations were being followed uniformly in the entire state.

7 Application controls

Application controls in an IT environment include controls that help to ensure the proper authorisation, completeness, accuracy, and validity of transactions, etc. The following were noticed during substantive testing of data maintained by the computerised system.

(a) Absence of provision for checking irregular drawal on AC Bills

Financial Rules provide that a certificate shall be attached to every Abstract Contingent Bill (AC Bill) to the effect that the Detailed Contingent Bills (DC Bills) have been submitted to the controlling officer in respect of AC Bills drawn more than a month before the date of that bill. It was however noticed that the system accepts all AC bills without checking for any details related to pending DC bills. In fact, provision for capturing details of this certificate did not exist in the system. It was seen by audit that there was an outstanding balance of unadjusted AC bills amounting to Rs. 182.56 crore as on 31 March 2008. Due to non-existence of any provision in the system to link the AC bills with the DC bills, the clearance of the AC bills was not reflected.

(b) Control on excess expenditure over provision

One of the main functions of the PAOs was to control the excess expenditure over budget provision. Even though the system does not accept the excess expenditure, there was excess expenditure of Rs. 2.63 crore over and above the budget provision in Revenue Sector in three[12] grants during 2007-08. This indicated that the master data relating to budget provisions was manipulated without legislative sanctions to enable the system to accept even excess expenditure.

(c) Recovery of professional tax

According to the Sikkim tax on professions, trades, callings and employments Act, 2006, professional tax from the salary and wage which include pay, dearness allowance and all other remunerations received by any person on regular basis was to be deducted at the rates Rs. 125, Rs. 150 and Rs. 200 per month from the salaries' / wages' ranges of Rs. 20,001 to Rs. 30,000, Rs. 30,001 to Rs. 40,000 and Rs. 40,001 and above respectively from 2006-07 onwards. However, in 2,097 cases, profession tax was not deducted from the Government employees and in 366 cases, profession tax deducted was less than the prescribed rate. This was verified from the manual vouchers as well in such cases arising out of substantive testing of the computerised data. Further scrutiny revealed that the deductions of profession tax were not calculated by the system and rather it was being fed into the system after manual calculation which led to discrepancies in many cases. Thus absence of mapping of business rule in the IT system for deduction of Profession Tax resulted in non-deduction/short deduction of profession tax leading to excess payment of Rs. 2.74 lakh to the employees.

(d) Calculation of various allowances

House Rent Allowances (HRA)

According to Sikkim Service Rules, HRA for Government employees posted within Sikkim will be 15 *per cent* of basic pay, dearness pay (DP), non-practicing allowance, and extra pay. However, in 2,242 cases the HRA paid to the employees exceeded the prescribed 15 *per cent* of the BP, DP and other allowances, in violation of the prescribed rules, resulting in excess payment of Rs. 1.25 lakh to the employees.

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[12] ***Grant No 30 (POLICE) Rs 85.91 lakh, 35(RMDD) Rs.174.02 lakh and Public Service Commission Rs.2.81 lakh..***

Dearness Pay (DP)

DP for Government employees, in terms of the prescribed rules, was to be 50 *per cent* of the basic pay. However, in 409 cases, the DP paid to the employees exceeded the prescribed amount of 50 *per cent* of the BP by Rs. 3.34 lakh.

Sikkim Border Compensatory Allowance (SBCA)

In terms of the Sikkim Service Rules, the SBCA admissible was 10 *per cent* of BP, DP and other allowances. However, in 2,482 cases, SBCA paid to the employees exceeded the prescribed amount of 10 *per cent* of the BP, DP and other allowances by Rs. 2.96 lakh.

The payment of excess HRA, DP and SBCA over and above the prescribed amount as pointed out above was due to faulty input data and inappropriate mapping of business rules in the existing IT system for processing the pay and allowances of the Government employees.

GPF subscription

According to GPF Rules, GPF subscription should be minimum 6 *per cent* of basic pay and maximum equal to basic pay. However, in 654 cases, the GPF subscription exceeded the basic pay. This indicated not just prevalence of deficiencies in the system but also resulted in loss of Government revenue due to less deduction of income tax as the entire GPF subscription was deductible from the taxable turnover. In 6,532 cases GPF was deducted less than the mandatory six *per cent* of basic pay.

(e) Absence of validation checks in the software

Analytical review of data for various bills revealed the following:

- In seven cases (South District- 3 and North District- 4), the gross amount of bill was less than the net paid amount which was implausible.
- Bill date was entered in the bills by the concerned department at the time of preparation of the bill. Bill receipt date was entered as and when bill was received from the Department in the bill receipt counter of Pay and Accounts Offices and the bills were then sent to pre-check section where 'bill detail entry and date' are recorded. However, in 640 cases (Headquarters-193, North District-227, South District-74 and East District-46), the bill receipt date was earlier than the bill dates of the departments and in 870 cases (Headquarters-239, North District-418, South District-1406 and East District-34), entry date in the pre-check section preceded the bill date, which was not possible.
- In 8527 cases (South District-5,627, North District-2900) involving 716 employees (South District-586, North District-130), GPF account numbers were not recorded in the bills ranging from 1 to 42 months indicating non-allotment of GPF Account numbers. Further, for GPF Account number, name of the employee were recorded in some cases and "A/F" in remaining other cases.
- In 154 cases (Headquarters-143, East District-5, North District-6) both GPF and CPF were deducted from same employee.

- In 38 cases of West District, bill amount was shown as zero but cheques were issued.

Above findings indicate that there was absence of application controls in the software which may ensure acceptance of only logical and appropriate data and processing as per the prevailing business rules. A direct consequence was that the data as recorded in the database could not be termed as reliable.

8 Conclusion

Even after five years of implementation of the project, only partial computerisation consisting of civil portion was done. The validation checks and controls in the software were lacking leading to excess expenditure over provisions, non linkage between AC bills and DC bills, and irregularities in payments of entitlement to employees.

9 Recommendations

- Complete computerisation including works portion, pension, GIS alongwith interlinking with the banks needs to be implemented.
- The software needs to be improved by incorporating necessary input/processing controls which will facilitate validation of data input into the system and correct processing. The cases cited by audit may be investigated to identify the problem areas.
- A detailed user manual and system maintenance manuals should be prepared in respect of the duties to be performed by various functionaries.

General

4.17 Recovery of excess payment and revision of rule/statute at the instance of Audit

i) After being pointed out in Audit (November 2007) about the excess payment of Rs. 31.19 lakh to the contractors towards additional stacking charges, the Building and Housing Department recovered the excess payment (March 2008).

ii) After being pointed out in Audit (October 2007) about the erroneous application of rates for carriage charges in the Analysis of Rates 2002 with consequential avoidable expenditure of Rs. 1.21 crore, the Roads and Bridges Department revised the Schedule of Rates 2006 which was notified on 1 March 2008.

4.18 Audit Committee Meetings

The position of outstanding Inspection Reports (IR) and Audit paragraphs in respect of State Civil and Works departments at the beginning of the year (2007-08) was as mentioned in **Table 4.2** below:

Table -4.2

Pendency	Opening Balance		Additions		Clearance		Closing Balance	
	IRs	Paragraphs	IRs	Paragraphs	IRs	Paragraphs	IRs	Paragraphs
Upto 1 year	134	497	70	270	12	143	192	624
1 to 2 years	105	259	Nil	Nil	16	71	89	188
More than 3 years	391	708	Nil	Nil	62	165	329	543
Total	**630**	**1,464**	**70**	**270**	**90**	**379**	**610**	**1,355**

Audit Committee Meetings were being held on a regular basis to settle the outstanding audit paragraphs. Fifteen Audit Committee Meetings were held during 2007-08 wherein 77 IRs and 276 paragraphs were discussed and 25 IRs and 156 paragraphs were settled.

CHAPTER-V

INTEGRATED AUDIT

CHAPTER-V
INTEGRATED AUDIT

POLICE DEPARTMENT

5.1 Integrated Audit of Police Department

In Sikkim, policing seems to have a positive influence on the society, as can be seen from the low rate of crime, a strife free society, absence of law and order problem and a speedy and above national average conviction rate. Audit scrutiny however, revealed that the activities of the Police Department in prevention, detection and curative aspects of crime need further improvement, as the crime rate had marginally increased over the years, budgeting is irrational, the workforce is disproportionate to the sanctioned strength and the pace of progress of police modernisation was slow. Despite the State Government signing a Memorandum of Understanding (MOU) with the GOI for implementation of National Police Commission (NPC) recommendations, these have not been implemented. A review of the functioning of the Department brought out the following main points:

Highlights:

The conviction rate of 47 *per cent* reported to the GOI was high compared to the actual conviction rate ranging between four and 32 *per cent* in seven test-checked Police Stations.

(Paragraph 5.1.9.3)

The Department failed to benefit from modernisation schemes like CIPA and POLNET due to their tardy implementation.

(Paragraph 5.1.11.3)

Deployment of State police personnel was not in conformity with the State Government's own norms.

(Paragraph 5.1.12.1)

High percentage of under-trials (60 *per cent*) indicated slow progress of trials and lack of initiative to expedite the process.

(Paragraph 5.1.12.3)

5.1.1 Introduction

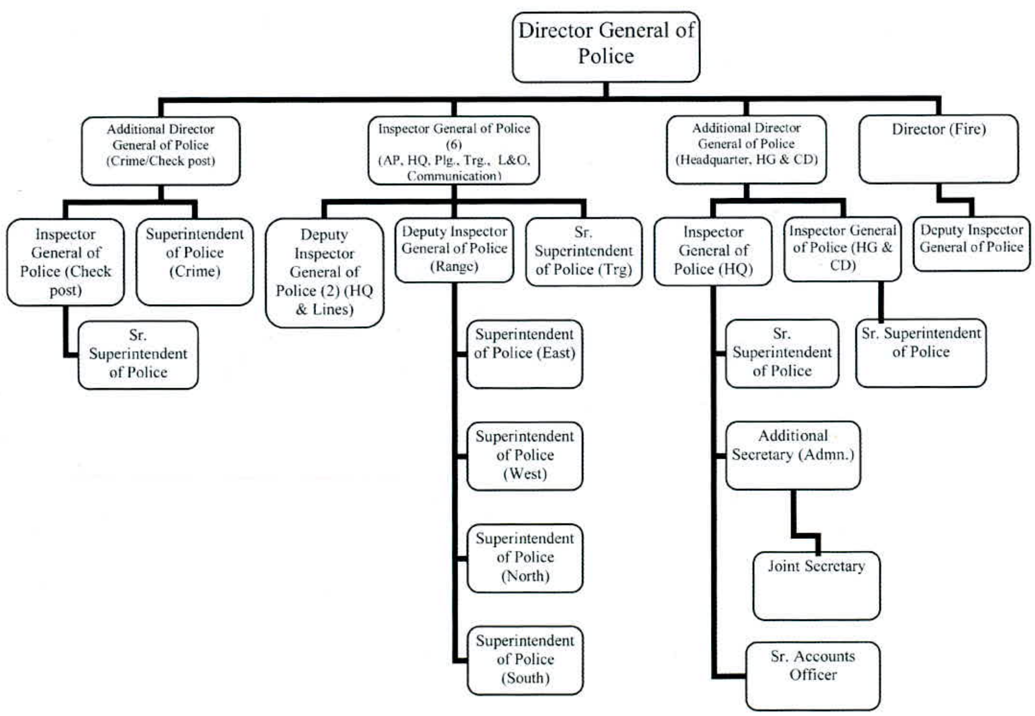
The State Police is responsible for maintaining public peace, protecting life and property of the citizens and preventing and detecting crimes. The curative aspect is dealt with by the jail administration, which though falls within the jurisdiction of the Home Department, is an integral part of policing. Although Police is a State subject, GOI through Modernisation of Police Force (MPF) and Modernisation of Prison Administration (MPA) programmes, aided the State Government in removing the identified deficiencies in various aspects of the police administration and also to bring about reforms in jail administration.

Sikkim has a low crime rate. The State recorded a total of 2,990 IPC crimes during 2003-2008 and ranked 26th (out of 28 States) in the rate and incidence of crime as of March 2006. The Department had a total strength of 1,778 (including 23 IPS and 66 SPS officers) police personnel as of March 2008 deployed in police headquarters, SP offices and thanas.

5.1.2 Organisational Set up

The Director General of Police (DGP) is the overall in-charge of the Department and is assisted by officers and staff belonging to various services. The State has two prisons, i.e., the central prison at Rongyek and the district prison at Namchi. The prisons are headed by the Senior Superintendent of Police, who functions as an independent head of prison cell under the control of the Home Department. The organogram of the Police Department is given below:

Chart No-5.1



5.1.3 Scope of audit

The functioning of the Police Department covering the period 2003-08 was reviewed in May-June 2008 with reference to the information furnished and the records maintained in the State Police Headquarters, seven out of 26 Police Stations (PS) and the State Central Prison, Rongyek. The police stations were selected on the basis of simple random sampling without replacement (SRSWOR) method.

5.1.4 Audit objectives

The Audit objectives were to verify whether:

- Planning was adequate and effective to ensure the achievement of the Department's objective of prevention and detection of crime and maintenance of law and order.
- Utilisation of funds was efficient, economic and effective;
- Human resource management was adequate and effective;
- Operational preparedness of the Department was adequate and effective.
- Centrally Sponsored Schemes were implemented efficiently, economically and effectively to achieve the scheme objectives.
- Internal control mechanism was in place and functional.

5.1.5 Audit Criteria

Audit conclusions were benchmarked against the following criteria:

- Recommendations on Police reforms by the National Police Commission, Padmanabiah Committee and Prison reforms by the Iyer Report.
- Guidelines on Modernisation of Police Force (MPF) and Modernisation of Prison Administration (MPA).
- Sikkim Financial Rules (SFR) and SPWD code.
- Notifications/ circulars issued by GOI/ State Government.
- Bureau of Police Research and Development norms.

5.1.6 Audit Methodology

The audit process started with an entry conference with the DGP on 28 April 2008. Questionnaires were issued to the Department and police stations eliciting information on crime management. Data was verified with reference to original records and analysed to draw conclusions. Discussions were held with the departmental officers and the report has been finalised after taking into account the replies furnished by the DGP and his officers during the exit conference on 7 July 2008.

Audit Findings

Audit findings are enumerated in the succeeding paragraphs:

5.1.7 Planning

Planning forms an important basis for efficient implementation of programmes. Scrutiny revealed that the Department had neither devised any long-term plan nor a medium term plan for crime management. Planning activity is confined to preparation of annual budget and planning for the Centrally Sponsored Schemes (CSS) like MPF and MPA. While budgeting exercise was undertaken to project the expenditure, planning for the schemes was limited to preparation of Annual Plans in respect of MPF and MPA for submission to GOI for release of funds. The Department had not even prepared an activity report to highlight its achievements and major activities.

Aberrations noticed in respect of MPF and MPA are mentioned in paragraphs 5.1.10 and 5.1.11 respectively.

5.1.8 Budgeting

The budget provision, expenditure and saving/excess in respect of Direction and Administration are shown in the following table:

Table- 5.1

(Rupees in crore)

Year	Budget Provision	Expenditure	Excess (percentage)
2003-04	51.75	51.80	0.05 (0.10)
2004-05	57.69	57.70	0.01 (0.02)
2005-06	63.92	65.84	1.92 (3.00)
2006-07	69.91	70.59	0.68 (0.97)
2007-08	77.07	77.16	0.09 (0.12)
Total	**320.34**	**323.09**	

Source: Detailed Appropriation Accounts

The Department had consistent excesses over budget provision during all the years under review. The excess was more pronounced during 2005-06 (Rs.1.92 crore) and 2006-07 (Rs. 0.68 crore) as shown above. The persistent excesses indicated that regular budgetary activities like demand for supplementary grants and regularisation of excesses were not carried out. The Department stated (September 2008) that the excess was mainly due to payment of arrear dearness pay and non-acceding of request for supplementary grants by FRED.

5.1.9 Operations management

The main function of the Police Department is prevention and detection of crime and maintenance of law and order. A well managed police force will be able to contain crime, detect the crimes in time, respond quickly to any situation and prosecute criminals expeditiously.

The Department has not framed any Manual for regulating its activities. In the absence of a police manual/ code, the Department carried out its day-to-day activities on the basis of the Police Act, CRPC, IPC Code, experience and instinct of the Officer-in-Charge of PS.

5.1.9.1 Increase in Crime rate

Scrutiny of records in Police Headquarters (PHQ) and seven[1] PS revealed that the crime rate in the State for the last six years has been fluctuating, as shown below:

[1] *Sadar, Singtam,Namchi, Jorethang, Naya Bazar, Geyzing and Mangan*

Table- 5.2

Year	IPC[2] crimes	SLL[3] crimes	Total crimes	Percentage of increase
2003	437	175	612	-
2004	631	161	792	29.41
2005	552	143	695	(-) 12.24
2006	703	158	861	23.88
2007	667	231	898	4.30

Source: Departmental figure

Compared to the base year 2003, the rate of crime has increased by 29.41 *per cent* in the next year. Though there was a drop in the subsequent year, the gain could not be sustained as there was again an increase of 23.88 *per cent* in 2006. The crime rate again increased in the following year. Considering the low rate of crime and the adequacy of police force, these sharp increases pointed to the fact that crime prevention was not tackled as per a coordinated operational plan.

5.1.9.2 Registration of complaints and response thereof

Test check of records at seven[4] major PS revealed that the registration of complaints has remained almost static or increased marginally ranging between 18 (Mangan PS) to 169 (Sadar PS) during the last five years (2003-07). Audit analysis of complaints pertaining to 2007 revealed that a major portion of crimes related to theft (18 *per cent*), crimes under motor vehicles Act (15 *per cent*), burglary (15 *per cent*), cheating (six *per cent*), assault (four *per cent*) and others (42 *per cent*). One heartening fact is that there were very few serious crimes like murder (two cases), attempt to murder (six cases), robbery (four cases), rape (Nil) etc.

The response time in respect of two major PS (Sadar and Singtam) covering 24 *per cent* of total complaints recorded in the State were test-checked. It was found that the response of the police to emergent situation was quick enough (with a minimum time taken of three minutes) in almost all the cases except in one case where it was 3.50 hours.

5.1.9.3 Conviction rate

During 2003-2008, a total of 4059 crimes were recorded in the State, of which, 1819 cases were stated to have been convicted, indicating 45 *per cent* conviction rate which was higher than the national average (42 *per cent*) as shown below:

[2] *Indian Penal Code*
[3] *Special Local Laws*
[4] *Sadar, Singtam, Namchi, Jorethang, Naya Bazar, Geyzing and Mangan*

Table- 5.3

Year	Crime		Total crimes	Actual conviction (figures in brackets are in *per cent*)		
	IPC	SLL		IPC	SLL	Total
2003	437	175	612	238 (54)	174 (99)	412 (67)
2004	631	161	792	157 (25)	142 (88)	299 (38)
2005	552	143	695	224 (41)	209 (146)	433 (62)
2006	703	158	861	184 (26)	116 (73)	300 (35)
2007	667	231	898	225 (34)	150 (22)	375 (42)
Total	**2990**	**868**	**3858**	**1028 (32)**	**791 (91)**	**1819 (47)**

Source: Departmental information

In order to corroborate the figures reported by the Department, a detailed analysis of conviction rate in seven police stations was undertaken. The results are shown below.

Table- 5.4

Name of the Police Station	2003-2008		
	Complaints registered	No. of convicted cases	Success percentage
Sadar	844	127	15
Singtam	288	35	12
Namchi	367	84	23
Jorethang	191	61	32
Geyzing	188	24	13
Naya Bazar	157	28	18
Mangan	91	04	04
Total	**2126**	**363**	

Source:Departmental records.

These figures revealed that the conviction rate ranged from four (Mangan PS) to 32 *per cent* (Jorethang PS) and the average conviction rate is 17 *per cent*. Thus, the figure of 47 *per cent* conviction rate reported to the National Crime Record Bureau (NCRB) appears to be very high. Moreover, the Department showed more number of convictions (SLL crimes) than the crimes reported in the year 2005 further weakening the credibility of the figures.

5.1.9.4 Vigilance Cases

The registration of complaints in respect of Vigilance cases during 2003-07 is shown below:

Table- 5.5

Year	Number of cases registered	Number of cases acquitted	Number of convictions	Pending investigation
2003	7	05 (71)	0	2 (29)
2004	12	08(67)	0	4 (33)
2005	16	09(56)	0	7 (44)
2006	10	03(30)	0	7 (70)
2007	14	01(7)	0	13 (93)
2008	21	Nil (0)	0	21(100)
Total	**80**	**26 (32)**	**0**	**54 (68)**

Source: Departmental records
Figures in bracket represent percentage

The percentage of acquittal ranged between zero to 71 *per cent* which shows that either the cases registered were frivolous or the investigative machinery was not effective. The latter is further supported by the fact that there has not been a single conviction during the period. Cases pending investigation were also high ranging between 29 to 100 *per cent*, reasons for which were neither on record nor could be stated by the Department.

5.1.9.5 Non-implementation of NPC recommendation towards prevention of crime

Despite signing a Memorandum of Understanding (MoU) with the GOI, for implementation of recommendations of the NPC and Padmanabhaiah Committee, the State Government had not put in place the required mechanism to implement them, as shown below:

- Public support for crime prevention and Charter of Citizen rights was not displayed in any of the PS in the State;
- Records on police patrolling on national and State highways and nakabandi at strategic points could not be produced to audit;
- None of the PS was provided with the imprest money to meet the day to day contingent expenditure in delivery of service from the PS.
- No records could be shown of inter district/border meeting on collection and exchange of crime intelligence.
- No surveillance register was maintained to check on habitual offenders in order to prevent the crimes at Mangan PS. In other PSs also, the mode and type of surveillance was not defined.
- No lady duty officers were posted in Singtam and Naya Bazar PS to address the issues relating to women.

The Department stated (September 2008) that the checking system was available at the entry points to Sikkim viz. Rangpo, Melli etc. and that, the National Highways were patrolled by traffic mobiles. With regard to ladies force, it was stated that 30 *per cent* women were deployed at various PS and traffic units. The reply of the Department regarding patrolling at Highways was not supported by documentary evidence. Further, the claim of deployment of lady officers at PSs is incorrect, as the PS at Singtam and Nayabazar were not provided with any lady officer.

5.1.10 Implementation of Modernisation of Police Force

Modernisation of Police Force (MPF) is a Centrally Sponsored Scheme (CSS) which was implemented with a view to meet the identified deficiencies in various aspects of police administration and focused on strengthening the police infrastructure. Results of audit scrutiny of MPF are enumerated below:

5.1.10.1 Annual Plan (AP)

Guidelines of MPF scheme required submission of AP by April each year for fund allocation and subsequent release. Details of submission of AP and its approval by the GOI is shown below:

Table- 5.6

Annual Plan (AP)	Date of submission by SG	Delay in submission (in months)	Approval of AP by MHA
2003-04	January 2004	09	January 2004
2004-05	June 2004	02	August 2004
2005-06	August 2005	04	August 2005
2006-07	Not available	-	September 2006
2007-08	May 2007	01	August 2007

Source: Annual Plans

As can be seen above, there was a delay in submission of AP by the Department ranging from one month to nine months leading to delayed approval by the GOI and consequent delay in release of funds by the GOI. The Department stated (September 2008) that the preparation of AP prior to the receipt of direction from Ministry of Home Affairs (MHA) for submission of AP could not be initiated. The reply is not tenable as the scheme guidelines categorically stipulated submission of annual plan by the State Government in a routine manner every year.

5.1.10.2 Budgeting and release of funds

Guidelines of the scheme required sharing of funds between GOI and State Government in the ratio of 75:25. Details of approved plan and actual contribution by the GOI and the State Government are shown below:

Table- 5.7

(*Rupees in crore*)

Year	Approved Plan	Share as per MPF guidelines		Actual contribution (%)	
		GOI	State	GOI	State
2003-04	5.95	4.46	1.49	0.40 (7)	0.70 (12)
2004-05	5.37	4.03	1.34	1.00 (19)	1.60 (30)
2005-06	4.00	3.00	1.00	1.72 (43)	0.50 (13)
2006-07	3.00	2.25	0.75	2.24 (75)	1.00 (33)
2007-08	5.04	3.78	1.26	3.76 (75)	2.41 (48)
Total	**23.36**	**17.52**	**5.84**	**9.12**	**6.21**

Source: Departmental figure

While the contribution of the GOI varied from a minimum of seven *per cent* to a maximum of 75 *per cent,* the State's share ranged from 12 to 48 *per cent* indicating that the funding was neither as per the approved plan nor as per the guidelines.

The expenditure and the closing balances are detailed in the table below:

Table- 5.8

(*Rupees in crore*)

Year	OB	Receipts	Total	Expenditure	Closing balance (%)
2003-04	2.58	1.10	3.68	1.39	2.29(62)
2004-05	2.29	2.60	4.89	3.00	1.89(39)
2005-06	1.89	2.22	4.11	2.39	1.72(42)
2006-07	1.72	3.24	4.96	4.32	0.64(13)
2007-08	0.64	6.17	6.81	5.10	1.71(25)
Total		**15.33**		**16.20**	

Source: Departmental figure.

The unspent balances ranged between 13 to 62 *per cent* during the last five years primarily due to slow progress of capital works. This, coupled with the fact that releases were not as per norms indicated that modernisation was not accorded due priority in the annual plans.

5.1.10.3 Execution of MPF scheme

Guidelines of MPF scheme stipulated execution of various components like (i) construction of PS, Police Training centre, Police barracks, Outposts, (ii) improvement in Mobility, (iii) upgrading the Equipment, (iv) procurement of Weaponry, (v) creation of POLNET, and (vi) CIPA. The findings with respect to these items are given below:

- ***Construction**:* During 2003-08, the Department through Building & Housing Department (executing agency) took up nine construction works against which six have been completed and three were under progress. Scrutiny revealed that in case of the six completed works, the delay ranged between two to 18 months. Further, in respect of three on going works, though the works were scheduled to be completed by March 2007, May 2007 and February 2008 respectively, these are still awaiting completion as of October 2008.

- ***Equipment:*** The MPF provided equipment to cover security, surveillance, communication and Forensic Science Laboratory (FSL)/Finger Prints Bureau (FPB). The State Government was in receipt of all the equipment except the FSL/FPB.

  Scrutiny revealed that the Department proposed (January 2004) for training of personnel and construction of one FSL building in view of availability of four sets of mobile forensic science laboratory equipment in all the four district headquarters. The Department however was yet to train (September 2008) the manpower for FSL laboratory in the absence of which, the mobile forensic science laboratory equipment procured prior to 2003-04 remained unutilised. Besides, Rs. 10 lakh allotted by the GOI towards construction of FSL building remained unutilised since 2004-05 since no construction had been taken up. While the Department did not respond on the status of four sets of mobile forensic science laboratory equipment, it stated (September 2008) that it was not possible to earmark funds for the construction of FSL costing Rs. 2 crore and above from the annual plan size of Rs. 5 crore. The reply of the Department is not acceptable, as the Department could not utilise even the allotted fund of Rs. 10 lakh for the purpose.

  Similarly, details of procurement (August 2004) of various equipment (security, MT and investigation) through STCS and SIMFED revealed that these items were procured at a rate higher than what was approved by the GOI in annual plan 2003-04 resulting in extra expenditure of Rs. 12.10 lakh. The Department stated (September 2008) that it was not feasible to specify rates of various items and the amount indicated was based purely on market survey. The reply is not tenable as the rates of these items were already fixed by the GOI in the approved annual plan.

Thus, the Department failed to utilise all the equipment at its disposal effectively.

- ***Weaponry***: Weapons in the form of INSAAS Rifle, Self Loading Rifle (SLR), AK 47, AKM Arsenal, Glock Pistol and allied ammunition were provided under the MPF by the GOI. In respect of procurement of these arms and ammunitions, the GOI make payment directly to the Ordnance Factory on the basis of allocation made. On receipt of these arms and ammunitions, the Department conducted regular trials through test fire.

- ***Common Integrated Police Administration (CIPA):*** The CIPA software is designed and developed to maintain the details pertaining to all the activities of the police stations relating to crime and criminals. The system provides information to the higher levels as and when required and also generates various statutory reports for the smooth functioning of the PS. The GOI directed the State Government to cover all PS with CIPA in a phased manner commencing from 2004-05 to be completed by 2007-08. The State Government, however, included the PS in CIPA only from the AP of 2005-06 and that too, not as per the directive of GOI. It was noticed that the quantity of computers and peripherals requisitioned and actually received were not in conformity with the suggested set up leading to excess procurement. Even though installation of hardware in eight PS was completed by May 2008, these computers were used as stand- alone computers.

  Thus, CIPA could not be implemented in any of the PS despite incurring Rs. 40.40 lakh on procurement of hardware. The Department stated (September 2008) that the CIPA project is the brain child of the MHA and that its implementation also rests with the MHA and further added that the site preparation in 11 PS has been completed.

- ***POLNET***: Police Communication Network (POLNET) is a satellite based police communication network and is intended to connect all the PS in the country through Multi Access Radio Telephone (MART), independent of Department of Telecom (DoT). The GOI sanctioned Rs. 42 lakh (January 2004) and Rs. 20.85 lakh (June 2004) for implementation of POLNET and directed (January 2004) the State Government to reprioritise the items and forward the same to MHA. While plan for reprioritasation was not on record, the State Government kept a provision of Rs. 52.53 lakh for infrastructural support in 2004-05 and released Rs. 18.34 lakh to the Directorate of Co-ordination Police Wireless.

  Scrutiny (May 2007) revealed that Rs. 79.50 lakh was incurred on infrastructural support till 2007-08. While the equipment was installed at the Police Headquarters, Gangtok, District Headquarters, three PS (East District) and two PS (West District), the equipment at Police Headquarters remained non-functional from April 2008 for want of repair of RF amplifier. Similarly, the equipment at South District Headquarters also remained non-functional from April 2008 due to technical defect. Further, POLNET equipment claimed to have been commissioned at two PS viz Sadar and Geyzing was yet to be commissioned at Sadar PS and Geyzing PS was yet to receive the equipment. Thus, the objective of improved communication among the State police force was not achieved despite expenditure of Rs. 79.50 lakh.

The Department stated (September 2008) that the procurement of various items of equipment and their accessories under POLNET project had been initiated by the MHA and therefore the failure of POLNET project cannot be ascribed to the State Police Department. The fact however, remained that despite an expenditure of Rs. 79.50 lakh, the objective of POLNET is yet to be achieved by the State.

5.1.11 Implementation of Modernisation of Prison Administration

The curative aspects of crime management are taken care of by various reforms carried out in jail administration. Modernisation of Prison Administration (MPA) is a CSS focused on modernising the prisons in terms of providing better facilities in the prisons, reformation, correctional administration and rehabilitation of offenders through construction of more prisons, barracks and provision of minimum needs like water supply, sanitation etc. Results of audit of implementation of the scheme are brought out in the succeeding paragraphs:

5.1.11.1 Planning

As with the modernisation of police force, modernisation of prison administration also required submission of Annual Plan (AP) by April each year for fund allocation. Scrutiny revealed that submission of AP was delayed by the Department for periods ranging between two months and ten months as shown below:

Table- 5.9

Annual Plan (AP)	Date of submission by SG	Delay in submission (in months)	Approval of AP by MHA
2003-04	June 2003	02	December 2003
2004-05	June 2004	02	March 2005
2005-06	Not on record	-	November 2005
2006-07	February 2007	10	September 2007

Source: Annual plans.

This led to delayed approval of AP by the GOI and consequent delay in release of funds.

5.1.11.2 Budgeting and release of funds

Guidelines of the scheme required funding from the GOI and the State Government in the ratio of 75:25. Details of contribution by the GOI and State Government are shown below:

Table- 5.10

(Rupees in lakh)

Year	Approved Plan	Share as per MPA guidelines		Actual contribution	
		GOI	State	GOI	State
2003-04	705	528.75	176.25	273 (52)	30 (17)
2004-05	550	412.50	137.50	273 (66)	60 (44)
2005-06	235	176.25	58.75	Nil (0)	100 (170)
2006-07	709	531.75	177.25	Nil (0)	100 (56)
2007-08	Nil	Nil	Nil	544.50	90

Source: Departmental figure.

As can be seen above, funding was not as per the approved plan and rendered the budgeting process irrelevant. The unspent balances ranged between 40 to 53 *per cent* during the last five years (except during 2006-07) as shown below:

Table- 5.11

(Rupees in crore)

Year	OB	Receipts	Total	Expenditure	Closing balance (%)
2003-04	2.73	3.03	5.76	3.00	2.76 (48)
2004-05	2.76	3.33	6.09	3.33	2.76 (45)
2005-06	2.76	1.00	3.76	2.26	1.50 (40)
2006-07	1.50	1.00	2.50	2.56	(-) 0.06
2007-08	(-) 0.06	6.35	6.29	2.93	3.36 (53)

Source: Departmental figure.

The huge closing balances were primarily because of slow progress of works leading to partial utilisation of funds, while the closing balance of Rs. 336.02 lakh for the period 2007-08 was primarily because of the fact that GOI share for 2005-06 and 2006-07 was released during June and November 2007.

5.1.11.3 Execution of MPA scheme

- ***Construction:*** During the period 2003-08, the Prison Authorities through Building & Housing Department (executing agency) took up five construction works, of which four were completed and one was under progress as of March 2008. Out of the four completed works, one work was completed with a delay of 15 months and the on-going work has been delayed by over a year considering that the stipulated date of completion of July 2007.

- ***Overcrowding of prisoners:*** One of the objectives of reforms in prison administration is to provide better environment to the prisoners. Construction of new prisons is a step in this direction. Scrutiny of records of the only prison in the State revealed that against the capacity of 138 prisoners to be housed in six barracks, two wards and one female barrack in State Rongyek jail, excess number of prisoners ranging between 24 (17 *per cent*) and 85 (62 *per cent*) were housed indicating overcrowding of prisoners as shown below:

Table- 5.12

Year	Total capacity	Actual number of prisoners housed	Excess number of prisoners
2003	138	171	33
2004	138	162	24
2005	138	198	60
2006	138	223	85
2007	138	177	39
2008	138	164	26

Source: Departmental records

Despite the overcrowding of prisoners in the State prison, Rongyek, the Prison authorities were yet to initiate effective steps to plan and construct additional barracks or a new prison in East district (already sanctioned) to ease the overcrowding.

➢ ***Disposal of cases:*** One of the recommendations of the Justice Iyer Committee on jail reforms was to reduce the number of undertrials by taking expeditious steps for quick disposal of cases. The details of prisoners including undertrials are given in the table below.

Table- 5.13

Year	*UTP inmates		Total UTP inmates	Convicted inmates		Total Convicted inmates	Total Inmates
	Male	Female		Male	female		
2003	87	02	89	80	01	81 (48)	170
2004	99	01	100	61	01	62 (38)	162
2005	119	06	125	71	02	73 (37)	198
2006	131	01	132	89	02	91 (41)	223
2007	133	04	137	81	01	82 (37)	219
2008	128	05	133	81	01	82 (38)	215
Total						**471 (40)**	**1187**

Source: Departmental records
**Undertrial Prisoners*

It was noticed that out of a total of 1,187 inmates, 471 (40 *per cent)* were convicted criminals indicating a high percentage undertrials (60 *per cent*) in the prison. The recommendations of Justice Krishna Iyer Committee towards speedy disposal of cases of undertrials and their welfare involving (i) outside institutes, NGOs and trainers to sensitise the prison officials to ensure positive motivation in the process of correctional reform, (ii) constitution of Prison adalat in the prison premises, (iii) involve NGOs, law graduates, legal aids cell to render legal assistance to the undertrials, follow-up cases for bail and other procedures, to get relief from Courts for expeditious disposal of their cases, etc. were not implemented by the Prison Administration, thereby depriving the undertrials of these facilities. Even the Supreme Court's judgment to release the undertrials where the detention was more than half of the maximum period of punishment was not adhered to.

➢ ***Training and Capacity Building:*** Scrutiny (June 2008) revealed that the State Government neither initiated any measures to conduct skill training/capacity building exercises nor provided funds except Rs. 2.50 lakh during 2007-08 to develop infrastructure for curative aspects. Reformation, correctional and curative measures to bring these inmates to the mainstream of the society was of utmost importance to enable the convicts to be gainfully employed after their release and also to instill a sense of self respect in them.

➢ ***Excess deployment of manpower:*** The State Prison Administration had not prescribed its own norm for deployment of guards for the superintendence and management of prisoners. However, the norms prescribed by the GOI stipulate the requirement of one guard for every six prisoners.

Audit analysis of actual men-in-position vis-à-vis norms prescribed by the GOI disclosed excess deployment of guards and extra expenditure of Rs. 10.09 lakh as shown below:

Table- 5.14

Year	Total number of inmates	Requirement of Guards (as per norms fixed by the GOI)	Actual deployment	Excess deployment
2003	171	29	57	28
2004	162	27	57	30
2005	198	33	57	24
2006	223	37	57	20
2007	219	37	57	20
2008	215	36	57	21

Source: Departmental records

5.1.12 Human Resource management

5.1.12.1 Deployment of manpower

The State Government issued (June 1996 and March 2000) orders stipulating the strength of the police force in the State. Audit scrutiny revealed that there was no correlation between the men-in-position and the sanctioned strength, as shown below:

Table- 5.15

Post	Sanctioned strength	Men-in-position	(+) Excess (-) Vacancy
Sikkim Police Service	99	66	(-) 33
Police Inspector	28	57	(+) 29
Sub Inspector	125	150	(+) 25
Assistant Sub Inspector	60	55	(-) 05
Head Constable	244	282	(+) 38
Constable	1327	1043	(-) 284
Driver	86	102	(+) 16

Source: Departmental records

While there are 33 vacancies in the SPS cadre, there is surplus in other officer cadres. There was a shortage of 284 personnel in the constable cadre. In order to find the extent of skewness in distribution, deployment in seven PS was reviewed. The results are given in the table below.

Table- 5.16

Police Station	Average No. of crimes in a year	Post	Sanctioned strength	Men-in-position	Excess (+) Vacancy (-)
Sadar	167	PI	1	1	-
		SI	7	8	(+) 1
		ASI	2	-	(-) 2
		HC	12	13	(+) 1
		Const.	79	50	(-) 29
Singtam	58	PI	1	1	-
		SI	1	3	(+) 2
		ASI	-	2	(+) 2
		HC	2	12	(+) 10
		Const.	16	27	(+) 11
Namchi	73	PI	1	1	-
		SI	2	2	-
		ASI	1	1	-
		HC	3	12	(+) 9
		Const.	22	38	(+) 16
Jorethang	38	PI	1	1	-
		SI	2	2	-
		ASI	1	1	-
		HC	3	7	(+) 4
		Const.	22	22	-
Gyalshing	38	PI	1	1	-
		SI	2	1	(-) 1
		ASI	1	1	-
		HC	3	3	-
		Const.	22	16	(-) 6
Nayabazar	31	PI	-	-	-
		SI	2	2	-
		ASI	-	1	(+) 1
		HC	2	6	(+) 4
		Const.	13	11	(-) 2
Mangan	18	PI	1	1	-
		SI	2	2	-
		ASI	1	1	-
		HC	3	3	-
		Const.	22	23	(+) 1

Source: Departmental records

The above figures show that the average number of crimes in Sadar PS was the highest (167), where there was a vacancy of 29 constables. Similarly, while the average crime rate is modest at Singtam (58) and Namchi (73) PS, there were 11 and 16 extra constables posted respectively in those PS.

The inconsistency in deployment of Police force indicated that the notified (June 1996 and March 2000) sanctioned strength is not based on the crime rate or requirements. Besides, the sanctioned strength notified during March 2000 was not reviewed till date (September 2008). In addition to the above, the Police Department also deployed 489 Home Guards in the State.

5.1.13 Internal Audit

The responsibility of carrying out internal audit of Police Department was assigned to the Directorate of Internal Audit (Finance Department). It was however, noticed that the Director of Internal Audit had not inspected the records of the Department during any of the years under review.

Consequently, issues of non-compliance with rules and procedures were not brought to the notice of the senior management of the Department to initiate necessary corrective measures.

The position of outstanding inspection reports and paragraphs issued by the Accountant General (Audit), Sikkim to the Department for the last five years is detailed in the table below:

Table- 5.17

Year	Opening Balance		Addition		Total		Clearance		Closing Balance	
	IR	Paras	IR	Paras	IR	Paras	IR	Paras	IR	Paras
2003-04	3	11	1	5	4	16	3	12	1	4
2004-05	1	4	1	3	2	7	Nil	2	2	5
2005-06	2	5	1	5	3	10	Nil	1	3	9
2006-07	3	9	1	2	4	11	Nil	3	4	8
2007-08	4	8	1	6	5	14	Nil	2	5	12

5.1.14 Conclusion

The response of the police to emergent situations was quick in almost all the cases. However, the Department does not have its own Police Manual and has not even formulated an overall crime management plan. The sanctioned strength of manpower in the Department was neither based on the crime rate nor on requirements. The Department also failed to benefit from the modernisation schemes due to their tardy implementation. The prison administration did not take up any corrective measures to avoid congestion of prisoners in the prison and also failed to initiate suitable measures for speedy disposal of cases of undertrials. Besides, internal audit of the Department was not carried out even once during the review period.

5.1.15 Recommendations

- The Department should prepare its own Police Manual and formulate an overall crime management plan;
- The Police Department should rationalise the deployment of its personnel;
- Annual Plans should be submitted on time both in respect of MPF and MPA so as to secure their approval and release of funds on time;
- Expenditure from the MPF/MPA Schemes may be incurred strictly in accordance with the guidelines and norms;
- The Prison Authorities should prepare their own Prison Manual incorporating the recommendations contained in the Justice Iyer Report;
- Emphasis may be given to curative aspects of policing through proper budgetary support.

CHAPTER-VI

REVENUE RECEIPTS

CHAPTER-VI
REVENUE RECEIPTS

6.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Sikkim during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year 2007-08 and the corresponding figures for the preceding four years are mentioned below :

Table - 6.1

(Rupees in crore)

Sl. No.		2003-04	2004-05	2005-06	2006-07	2007-08
I.	**Revenue raised by the State Government**					
	• Tax revenue	108.00	116.95	147.23	173.18	197.86
	• Non-tax revenue	537.29	992.47	990.10	1,085.04	1,413.74
	Total	645.29	1,109.42	1,137.33	1,258.22	1,611.60
II.	**Receipts from the Government of India**					
	• State's share of divisible Union taxes	112.33	107.35	182.13	222.78	345.12
	• Grants-in-aid	583.56	675.63	644.90	635.54	742.71
	Total	695.89	782.98	827.03	858.32	1,087.83
III.	**Total receipts of the State**	1,341.18	1,892.40	1,964.36	2,116.54	2,699.43
IV.	**Percentage of I to III**	**48**	**59**	**58**	**59**	**60**

Thus, during the year 2007-08, the State Government raised 60 *per cent* of the total revenue receipts against 59 *per cent* in the preceding year. The balance 40 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.1 Tax revenue

The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

Table - 6.2

(Rupees in crore)

Sl. No.	Head of Revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	Sales tax	48.87	48.18	56.65	74.66	81.32	(+) 8.92
2.	Taxes on income other than corporation tax	26.76	29.09	47.82	46.71	49.10	(+) 5.12
3.	State excise	25.25	32.69	32.96	33.31	37.94	(+) 13.9
4.	Stamps and registration fees	1.14	1.43	2.27	2.52	4.26	(+) 69.05
5.	Taxes on vehicles	2.74	3.24	4.24	5.95	6.22	(+) 4.54
6.	Other taxes and duties on commodities and services	3.06	1.88	2.68	9.25	16.26	(+) 75.78
7.	Land revenue	0.18	0.44	0.61	0.78	2.75	(+) 252.56
	Total	**108.00**	**116.95**	**147.23**	**173.18**	**197.85**	(+) 14.25

The following reasons for variations were reported by the concerned departments:

Sales tax: Increase was due to proper monitoring for collection of tax and more realisation under Trade Tax (VAT) and State Sales Tax Act.

Income tax: Increase was due to increase in tax deducted at source (TDS) in Pay and Accounts Office (PAO) and proper monitoring for collection of tax.

State excise: Increase was due to better management.

Stamps and registration: Increase was due to more realisation under fees for registering documents.

Other taxes and duties on commodities and services: Increase was due to more realisation from cesses under other Acts.

Land revenue: Increase was due to more realisation under land revenue.

The Transport Department did not inform reasons for variation under "Taxes on vehicles" despite being requested (September 2008).

6.1.2 Non-tax revenue

The following table presents the details of non-tax revenue raised during the period from 2003-04 to 2007-08:

Table - 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	2.73	8.03	6.31	5.34	15.10	(+) 182.77
2.	Road transport	17.33	21.52	13.67	14.86	15.62	(+) 5.11
3.	Plantations	1.92	1.63	2.01	1.95	2.10	(+) 7.69
4.	Dividends & profits	0.74	0.92	1.14	0.76	0.68	(-) 10.53
5.	Forestry and wild life	7.24	7.92	9.97	9.50	10.95	(+) 15.26
6.	Tourism	0.79	0.78	0.81	0.87	1.18	(+) 35.63
7.	Crop husbandry	0.31	0.31	0.36	0.50	1.64	(+) 228.00
8.	Power	13.67	21.41	28.00	58.16	97.66	(+) 67.92
9.	Printing & stationery	1.04	1.07	1.65	1.69	1.98	(+) 17.16
10.	Medical and public health	0.44	0.98	0.91	0.60	1.14	(+) 90.00
11.	Village & small industries	0.58	0.08	0.14	0.10	0.23	(+) 130.00
12.	Public works	1.64	2.46	3.09	3.74	4.32	(+) 15.51
13.	Police	10.20	4.38	14.14	13.90	14.64	(+) 5.32
14.	Animal husbandry	0.23	0.31	0.41	0.39	0.43	(+) 10.26
15.	Industries	0.02	0.01	0.19	0.02	0.01	(-) 50.00
16.	State lotteries[1]	473.72 (31.47)	912.27 (31.16)	898.35 (22.19)	963.30 (50.01)	1,232.55 (30.84)	(+) 27.95
17.	Others	4.69	8.39	8.95	9.36	13.51	(+) 44.34
	Total	**537.29**	**992.47**	**990.10**	**1,085.04**	**1,413.74**	

The following reasons for variations were reported by the concerned departments:

Interest receipts: Increase was due to more realisation on investment of cash balances and other receipts.

Road transport: The revenue increased due to increase in traffic flow at the later part of the year, as a result of which the collections of supervision charges rose up.

Forestry and wild life: Increase was due to more receipt of crop compensations under the Forest Conservation Act (FCA) 1980.

Crop husbandry: Increase was due to the receipt of sale proceeds for the sale of Agri Farm at Marchak.

[1] *Figures in brackets represent net receipts*

Power: Increase was due to more realisation on other receipts.

Public works: Increase was because sale proceeds of tender documents were more during the year compared to previous year and floating of more tenders.

Industries: Decrease was due to less realisation of other receipts.

State lotteries: Increase was due to introduction of more lotteries as per the market trend.

The other departments did not inform (September 2008) the reasons for variations despite being requested.

6.1.3 Variations between the budget estimates and actuals

The variations between the budget estimates (BE) and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table - 6.4

(Rupees in crore)

Sl. No.	Head of revenue	BE	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
A	**Tax revenue**				
1.	Corporation tax	99.28	109.53	(+) 10.25	(+) 10.32
2.	Customs	64.68	65.23	(+) 0.55	(+) 0.85
3.	Union excise duties	63.55	62.27	(-) 1.28	(-) 2.01
4.	Sales tax	56.00	81.32	(+) 25.32	(+) 45.21
5.	Taxes on income other than corporation tax	40.00	121.76	(+) 81.76	(+) 204.40
6.	Service tax	34.19	34.46	(+) 0.27	(+) 0.79
7.	State excise	29.00	37.94	(+) 8.94	(+) 30.83
8.	Other taxes and duties on commodities and services	13.66	16.26	(+) 2.6	(+) 19.03
9.	Taxes on vehicles	4.00	6.22	(+) 2.22	(+) 55.50
10.	Stamps and registration	2.13	4.26	(+) 2.13	(+) 100
11.	Other taxes on income and expenditure.	2.00	0.85	(-) 1.15	(-) 57.50
12.	Land Revenue	0.92	2.75	(+) 1.83	(+) 198.91
B.	**Non-tax revenue**				
13.	Miscellaneous general services	1,243.29	1,236.71	(-) 6.58	(-) 0.53
14.	Power	80.00	97.66	(+) 17.66	(+) 22.08
15.	Police	15.17	14.64	(-) 0.53	(-) 3.49
16.	Road transport	14.00	15.62	(+) 1.62	(+) 11.57
17.	Forestry and wildlife	7.50	10.95	(+) 3.45	(+) 46
18.	Interest receipts	7.10	15.10	(+) 8	(+) 112.68
19.	Public works	2.15	4.32	(+) 2.17	(+) 100.93
20.	Other administrative services	2.15	2.59	(+) 0.44	(+) 20.47
21.	Water supply and sanitation	1.90	2.11	(+) 0.21	(+) 11.05
22.	Stationery and printing	1.30	1.98	(+) 0.68	(+) 52.31
23.	Medical and Public Health	0.97	1.14	(+) 0.17	(+) 17.53
24.	Tourism	0.82	1.18	(+) 0.36	(+) 43.90
25.	Dividends and profits	0.75	0.68	(-) 0.07	(-) 9.34
26	Urban Development	0.74	1.27	(+) 0.53	(+) 71.62
27.	Education, Sports, Art and Culture	0.70	1.18	(+) 0.48	(+) 68.57

The following reasons for variations between BE and actuals were reported by the concerned departments:

Other taxes and duties on commodities and services: The increase was stated to be due to better renewal initiatives.

Miscellaneous general services: Introduction of more lotteries as per the market trend.

Road transport: Increased traffic flow in the later part of the year resulting in rise of supervision charges.

Forestry and wildlife: Receipt of crop compensation under the FCA 1980.

Public works: (i) settlement of pending final bills and use of the road machineries more than projected, (ii) more tender work than anticipated and (iii) credit of agency charges of sanctioned NEC funding works amounting to Rs. 1.50 crore in the marginal revenue head during the year.

Medical and public health: Receipt of lease charges against the grants-in-aid to Sikkim Manipal University, Tadong.

Urban development: Regularisation of long pending proposals.

The other departments did not inform (September 2008) the reasons for variation despite being requested.

6.1.4 Analysis of collection

The break-up of total collection at the pre-assessment stage and after regular assessment for the year 2007-08 and the corresponding figures for the preceding two years as furnished by the departments is as follows:

Table - 6.5

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment state	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection[2]	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Sales Tax	2005-06	30.62	0.65	0.05	3.99	27.33	112.04
	2006-07	1.31[3]	0.17	0.02	0.004	1.49	87.92
	2007-08	1.63	1.72	1.25	Nil	4.60	35.43
Sikkim Income Tax	2005-06	Nil	1.93	Nil	0.05	1.88	-
	2006-07	0.35	2.06	Nil	0.029	2.38	14.71
	2007-08	Nil	3.84	Nil	0.22	3.62	-

6.1.5 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 was as follows:

[2] *Net collection reported by departments did not tally with the Finance Accounts and needs reconciliation.*

[3] *The department did not inform the reasons for wide variation vis-à-vis the previous year despite being requested*

Table - 6.6

(Rupees in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Sales tax	2005-06	56.65	1.66	2.93	0.82
		2006-07	74.66	1.57	2.10	
		2007-08	81.32	1.72	2.12	
2.	State excise	2005-06	32.96	1.76	5.34	3.30
		2006-07	33.31	1.90	5.70	
		2007-08	37.94	1.97	5.19	
3.	Taxes on vehicles	2005-06	4.24	0.58	13.68	2.47
		2006-07	5.95	0.56	9.41	
		2007-08	6.22	0.60	9.65	

Thus, the percentage of expenditure on collection during 2007-08 as compared to the corresponding all India average percentage for 2006-07 was high in the cases of sales tax, state excise and taxes on vehicles which the Government needs to look into.

6.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue as furnished by the departments amounted to Rs. 36.73 crore of which Rs. 3.98 crore was outstanding for more than five years as mentioned in the following table:

Table - 6.7

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than five years as on 31 March 2008
1.	Road transport (SNT)	2.76	Nil
2.	Non-ferrous mining and metallurgical industries	3.30	2.31
3.	Sales tax	0.61	0.3
4.	Income tax	14.53	0.87
5.	Police	9.18	Nil
6.	Public Works	6.35	0.50
	Total	**36.73**	**3.98**

6.1.7 Arrears in assessments

The details of pending assessment cases at the beginning of the year, cases becoming due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2007-08 as furnished by the departments are mentioned below:

Table - 6.8

Name of tax	Opening balance	New cases due for assessment during 2007-08	Total assessments due	Cases disposed during 2007-08	Balance at the end of the year	Arrears in percentage against total cases
Sales Tax	439	338	777	380	397	51.09
Sikkim Income Tax	1,107	1,054	2,161	1,244	917	42.43
Total	**1,546**	**1,392**	**2,938**	**1,624**	**1,314**	**44.72**

Thus, the percentage of cases pending disposal at the end of 2007-08 was 51 and 42 *per cent*. Immediate action needs to be taken to finalise the pending assessment cases in a definite time frame. The department informed (August 2008) that the pending assessment cases were related to firms, companies and house property dealers only and many of the firms were presently not in operation.

6.1.8 Evasion of tax

There was no case of evasion of tax detected by the Finance, Revenue and Expenditure Department in respect of sales tax during the year as per information furnished by the department.

6.1.9 Write off and waiver of revenue

There was no case of write off and waiver of revenue in respect of sales tax, income tax and state excise as per information furnished by the respective departments.

6.1.10 Refunds

The number of refund cases pending at the beginning of the year 2007-08, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2007-08, as reported by the departments are mentioned below:

Table-6.9

(Rupees in lakh)

Sl. No.	Particulars	State Excise		Sales tax		Income tax	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	Nil	Nil	Nil	Nil	Nil	Nil
2.	Claims received during the year	2	4.53	6	73.27	44	41.66
3.	Refunds made during the year	2	4.53	6	73.27	44	41.66
4.	Balance outstanding at the end of the year	Nil	Nil	Nil	Nil	Nil	Nil

6.1.11 Results of audit

Test check of the records of income and commercial tax, state excise, transport, state lotteries, mines & geology, urban development and housing, forest department etc. conducted during the year 2007-08 revealed loss/non-collection of revenue/royalty/penalty, non/incorrect assessment, wrong imposition of rate, incorrect assessment of excise duties, irregular waiver etc. aggregating Rs. 151.84 crore in 43 cases. The department/Government accepted audit observations in 43 cases and recovered Rs. 4.20 crore in one case.

This chapter contains four paragraphs involving Rs. 1.33 crore out of which Rs. 31.83 lakh has been accepted by the department.

6.1.12 Compliance with the earlier Audit Reports

During the years from 2002-03 to 2006-07, the departments/Government accepted audit observations involving Rs. 109.46 crore of which only Rs. 50 lakh had been recovered till March 2008 as mentioned below:

Table – 6.10

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2002-03	9.06	1.81	--
2003-04	9.75	9.75	--
2004-05	85.71	85.71	0.02
2005-06	9.95	6.80	0.48
2006-07	22.31	5.39	--
Total	**136.78**	**109.46**	**0.50**

The above table indicated the amount recovered was only 0.45 *per cent* of the accepted amount.

6.1.13 Failure to enforce accountability and protect interest of the Government

Audit observations on the loss of revenue/short levy of demand and energy charges irregular waiver etc. noticed during local audit are intimated through inspection reports (IRs) to the departmental officers, heads of departments and also to the Government where necessary. The points mentioned in the IRs are to be settled as expeditiously as possible and first replies are to be sent within four weeks from the date of receipt of IRs by the departments.

The position of IRs (with money value) in respect of the following revenue heads issued upto the end of December 2007 but remaining outstanding as at the end of June 2008 is as mentioned below:

Table - 6.11

(Rupees in crore)

Sl. No.	Head of revenue	No. of IRs	No. of audit objections	Amount
1.	State lotteries	05	10	16.33
2.	Mines, Minerals and Geology	02	03	3.33
3.	Urban development and housing	07	13	2.59
4.	Motor vehicles	03	07	0.20
5.	Sales tax	08	32	10.83
6.	Income tax	11	41	10.49
7.	Forest	26	45	5.48
8.	State excise	03	07	1.89
9.	Land revenue	14	15	0.52
10.	Energy and power	10	29	128.77
	Total	**89**	**202**	**180.43**

The above indicates the failure of the departmental officers in initiating rectificatory action for defects, omissions and irregularities pointed out in the IRs by the Accountant General. The Principal Secretaries/Secretaries of the departments, who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers took prompt and timely action.

6.1.14 Departmental Audit Committee Meetings

During 2007-08, two Audit Committee meetings were held and 16 IRs and 43 paras were discussed out of which six IRs and 22 paras were settled.

6.1.15 Response of the departments to draft audit paragraphs

Draft audit paragraphs are issued to the concerned heads of the departments with a copy to the Finance, Revenue and Expenditure Department, the replies to which are to be communicated to the Accountant General within six weeks of the date of their receipt.

Ten draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2008 were forwarded to the Secretaries of the respective departments between April 2008 and June 2008 through demi-official letters. The administrative secretaries responded to all the four paragraphs featuring in this chapter.

6.1.16 Follow up on Audit Reports – summarised position

The administrative departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports after its presentation in the State Legislature.

As at the end of 2006-07, Audit Reports for the period upto the year 2003-04 were discussed and recommendations made. During the year 2007-08, Audit Report for the year 2004-05 and 2005-06 were discussed and recommendations were made for 2004-05 as of September 2008.

ENERGY AND POWER DEPARTMENT

6.2 Revenue foregone due to non-realisation of energy charges

Due to failure in taking action for recovery of energy charges on a regular basis, the unrealised revenue amounted to Rs. 7.96 crore in 30 closed industrial units over a period of six to 18 years.

The transmission, distribution, imposition and collection of energy charges are regulated by the Energy and Power Department through revision of Tariff Schedules from time to time. The concerned Revenue Inspectors (RIs), Junior Engineers (JEs), Assistant Engineers (AEs) of sub-divisions responsible for meter reading, raising of bills, realisation of revenue, issue of notice for connection/disconnection and Executive Engineers (EEs) of divisions responsible for countersignature on arrears statement etc. are to ensure timely realisation of revenue.

Scrutiny of the records of Gangtok and five revenue sub-divisions located in the State revealed (June-July 2007) that arrears of electricity charges amounting to Rs. 7.96 crore were lying unrealised since prior to 1991 from 30 closed industrial units with default period ranging from six to 18 years as of March 2008. Failure of the concerned RIs, JEs, AEs and EEs responsible for timely recovery of arrears resulted in non-realisation of revenue. Age-wise analysis of the arrears was as under:

Table: 6.12

Period of pendency	No. of cases
Arrears pending for more than 20 years	Nil
Arrears pending for more than 15 years	15
Arrears pending for more than 10 years	05
Arrears pending for more than five years	06
Arrears pending for more than one year	Nil

A mention was made in the Audit Report 1999-2000 regarding four similar cases of non-realisation of energy charges on which Public Accounts Committee (PAC) took a serious view and recommended (February 2005) to expedite the realisation. In its Action Taken Report, the department stated that it had initiated timely action for realisation of revenue receipt against which the PAC further recommended (February 2005) for expeditious realisation of revenue. Despite these recommendations, the department failed to realise Rs. 7.96 crore.

After the cases were pointed out, the department stated (September 2008) that it is pursuing the matter vigorously and also it would take legal action for recovery. While the reply is in the line of the assurance given earlier by the department to the PAC, it has failed to take any remedial measure to recover the revenue remaining unrealised nearly for 18 years. To ensure speedy recovery of arrears, the department may take time bound action by invoking Sub-section (1) of Section 24 of Indian Electricity Act and also by bringing the defaulters under the provision of the Sikkim Public Demand Recovery Act, 1988.

The matter was reported to the Government (June 2008); their reply has not been received (September 2008).

6.3 Short realisation of revenue

Levy of energy charges at old rates to industrial units despite revision of tariff and continued supply of electricity free of cost to rural consumers led to non-realisation of revenue of Rs. 88.08 lakh.

Energy and Power Department revised the tariff for consumption of electricity by consumers from time to time, the last revision having been made during March 2006 in supersession of all earlier notifications. According to the revised tariff (March 2006), all reading taken on or after 1April was liable to be charged at the revised rate of tariff. Further, in the revised notification, there was no provision for any free supply of power to any category of consumer.

6.3.1 Scrutiny of the records in respect of 22 HTIS and 14 Bulk Supply (BS) units under Gangtok and Topakhani revenue sub-divisions during June 2007, revealed, that though the meter reading for energy consumption for the month of March 2006 was taken in April 2006, the energy charges and the demand charges were raised at the old rates. This resulted in short realisation of revenue of Rs. 31.83 lakh.

After the cases were pointed out, the department stated (September 2008) that the revised bills, based on the difference between the new and old tariff, have been issued to the consumers and details of recovery effected would be furnished to Audit. A report on recovery has not been received (September 2008).

6.3.2 Scrutiny of the records revealed (June 2007) that the Assistant Engineers of nine[4] revenue sub-divisions continued to supply power free of cost, upto 50 units, to domestic consumers in the rural areas as per the earlier notification of November 2003. As the revised notification of March 2006 superseded the earlier notification of November 2003, grant of electricity free of cost to the consumers of rural areas of the State was irregular. This resulted in non-realisation of Rs. 56.25 lakh during 2006-07.

After the cases were pointed out, the department stated (September 2008) that supply of electricity free of cost, to rural poor was the policy of the Government and approval of the Government has been obtained. However, the fact remains that the approval obtained in April 2008 was from the Chief Secretary and not from the Cabinet, nor was it followed by a gazette notification. Further report has not been received (September 2008).

The matter was reported to the Government in April 2008; their reply has not been received (September 2008).

6.4 Non- realisation of revenue

Levy of energy and demand charges at rate lower than those prescribed in the Tariff Schedule resulted in non-realisation of Rs. 45.16 lakh.

The distribution, imposition and collection of energy charges in the State are regulated through Tariff Schedules issued by the Energy and Power Department. As per the Tariff Schedule, while raising the bills on HTIS units, installed capacity of the transformer as per KVA capacity plus actual energy consumed by the unit as per prescribed rate in the Tariff Schedules is to be taken into consideration.

Scrutiny of the records revealed (June 2007) that in respect of eight HTIS units in Gangtok and Topakhani revenue divisions[5], the concerned Revenue Officer raised bills on energy and demand charges during 2005-06 and 2006-07 at rates lower than those prescribed in the Tariff Schedule. This resulted in non-realisation of Rs. 45.16 lakh.

After the cases were pointed out, the department stated (September 2008) that the KVA charges to the HTIS units were previously being levied as per the connected load. However, after it was pointed out by audit, it was decided to levy the demand charges on the basis of installed capacity and the revised bills

[4] Gangtok I, Gangtok IV, Geyzing, Jorethang, LLHP Ranipool, Namchi, Pakyong, Rongli and Topakhani.

[5] Gangtok = 1. Kanchanjunga Flour Mill, 2. Denzong Auto Pvt. Ltd. 3. Food processing Plant and 4. Hotel Royal Plaza, Syari
Topakhani = 1. Sr. Manager (Electricity), NHPC, Balutar, Singtam, 2. Indian Oil Corporation (IOC), Baghekhola, Rangpo, 3. Sikkim Distilleries, Rangpo and 4. IOC Bottling Plant, Baghekhola.

were issued for differential amount from January 2007. A report on recovery has not been received (September 2008).

The matter was report to the Government in June 2008; their reply has not been received (September 2008).

EXCISE (ABKARI) DEPARTMENT

6.5 Loss of revenue

Irregular action of the Commissioner, Excise Department to allow wastages from retrospective date led to foregoing of excise duty of Rs. 26.10 lakh for the period 2004-05 to 2005-06.

The Medicinal and Toilet Preparation (Excise Duties) Act 1955 envisaged levy of excise duty by the State Government at the rate of 16 *per cent ad valorem* from 1 March 2003 and Rs. 20 per alcoholic litre for allopathic and homeopathic medicinal preparations. The Act required the State Government to notify the percentage of wastage in the production of a particular medicinal and toilet preparation from time to time. The Excise (Abkari) Department prescribed percentage of wastage upto a limit of 20 *per cent* in August 2006 with retrospective effect from 1 April 2003.

It has been judicially held (in a number of high court cases) that the executive Government, while exercising subordinate powers, cannot accord retrospective effect to a piece of legislation. It has to be done by the legislature. Thus the notification issued in August 2006 was irregular.

Scrutiny of the records revealed (January 2007) that two assessees, were allowed under the above mentioned notification benefit of wastages of 3,59,714 units (Rs. 17.68 lakh) and 42,076 litres (Rs. 8.42 lakh) on their production during 2004-05 and 2005-06. The action of the Department to allow wastages from retrospective effect resulted in loss of Rs. 26.10 lakh towards excise duty.

After the cases were pointed out, the department stated (June 2007) that the notification was issued with retrospective effect to regularise the procedure and in similar cases, the Government of India have provided for three *per cent* wastage. The contention of the department is not tenable as the notification should have been issued with the approval of the legislature in view of the judicial pronouncements. Further report has not been received (September 2008).

The matter was report to the Government in April 2008; their reply has not been received (September 2008).

CHAPTER-VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER – VII
GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government companies and Statutory corporations

7.1 Introduction

As on 31 March 2008, there were 12 Government companies (nine working companies and three non-working[1] companies) and three working Statutory corporations under the control of the State Government, and there was no change in position from that of 31 March 2007. The Companies Act, 1956 is not extended to the State of Sikkim. The Government Companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim 1961'. The accounts of these companies are audited by the Auditors (Chartered Accountants) who are directly appointed by the Board of Directors (BOD) of the respective companies. Over and above this statutory audit, audit of these companies had also been taken up by the Comptroller and Auditor General of India (CAG) on the request of the Governor of the State under Section 20(1)/20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

There are three Statutory corporations in the State *viz.* Sikkim Mining Corporation (SMC), State Bank of Sikkim (SBS) and State Trading Corporation of Sikkim (STCS) established in February 1960, June 1968 and March 1972 respectively under the proclamations of the erstwhile Chogyal (King) of Sikkim. The accounts of these corporations are audited by the Chartered Accountants, directly appointed by the BOD of the respective corporations. The Audit arrangements of these corporations are detailed below:

Table-7.1

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

There are two departmentally managed undertakings *viz.* Sikkim Tea Board and Government Fruit Preservation Factory under the Commerce and Industries Department. The accounts of these undertakings are also audited by the Chartered Accountants who are directly appointed by the Commerce and Industries Department, Government of Sikkim. The Audit of these undertakings has also been taken up by the CAG.

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

7.2 Working Public Sector Undertakings (PSUs)

7.2.1 Investment in working PSUs

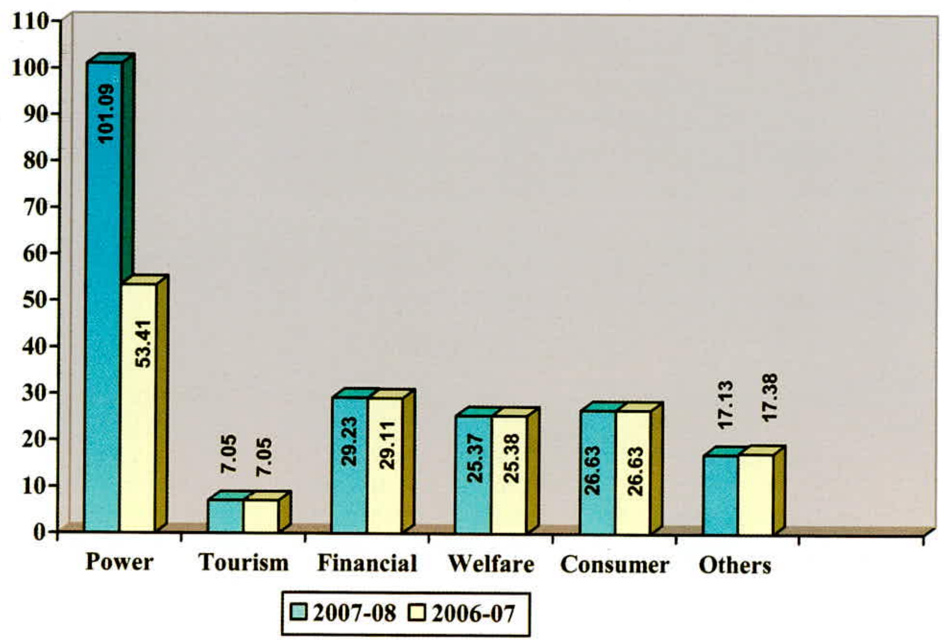
As on 31 March 2008, the total investment in 12 PSUs (nine Government companies and three Statutory corporations) was Rs. 206.50[2] crore (equity: Rs. 81.89 crore and long-term loans: Rs. 124.61 crore) against the total investment of Rs. 158.96 crore (equity: Rs. 81.89 crore and long term loans[3]: Rs. 77.07 crore) in the same number of working PSUs as on 31 March 2007. The analysis of investment in working PSUs is given in the following paragraphs:

7.2.2 Sector-wise investment in working Government companies and Statutory corporations

The investments (equity including share application money and long term loans) of Rs. 206.50 crore and Rs. 158.96 crore in various sectors for the years ended 31 March 2008 and 31 March 2007 respectively are indicated in the bar chart below:

Chart-7.1

Sector wise investments in working Government PSUs for the year ended 31 March 2008 and March 2007



7.2.3 Working Government companies

The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

[2] *State Government investment was Rs. 65.85 crore (Others: Rs. 140.65 crore). Figure as per Finance Accounts is Rs. 63.82 crore. The difference of Rs. 2.03 crore is under reconciliation.*

[3] *Long term loans mentioned in para 7.2.1, 7.2.2 and 7.2.3 are excluding interest accrued and due on such loans.*

Table-7.2

(Rupees in crore)

Year	Number of companies	Equity	Loans	Total
2006-07	9	65.18	73.39	138.57
2007-08	9	65.18	120.93	186.11

Investment in the current year has increased over the previous year due to increase in loans in the PSUs in the power and finance sectors.

As on 31 March 2008, the total investment in working Government companies comprised 35.02 *per cent* of equity and 64.98 *per cent* of loans as compared to 47.04 *per cent* and 52.96 *per cent* respectively as on 31 March 2007.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Appendix-7.1.**

7.2.4 Working Statutory corporations

The total investment in the three working Statutory corporations at the end of March 2007 and March 2008 was as follows:

Table-7.3

(Rupees in crore)

	2006-07			2007-08		
	Capital	**Loan**	**Total**	**Capital**	**Loan[4]**	**Total**
State Bank of Sikkim	0.58	3.14	3.72	0.58	3.14	3.72
Sikkim Mining Corporation	15.02	0.54	15.56	15.02	0.54	15.56
State Trading Corporation of Sikkim	1.11	-	1.11	1.11	-	1.11
Total	**16.71**	**3.68**	**20.39**	**16.71**	**3.68**	**20.39**

Source: As per the approved accounts of the PSUs

As on 31 March 2008, the total investment in the working Statutory corporations comprised 81.95 *per cent* of equity and 18.05 *per cent* of loans with no change in position from that of 31 March 2007.

The summarised statement of Government investment in the working Statutory corporations in the form of equity and loans is detailed in **Appendix-7.1.**

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

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and working Statutory corporations are given in **Appendix-7.1** and **7.3.**

The budgetary outgo in the form of equity capital, loans and grants/subsidy from the State Government to the working Government companies and working Statutory corporations for the three years ending upto March 2008 are as follows:

[4] *Long term loans mentioned in para 7.2.4 are excluding interest accrued and due on such loans.*

Table-7.4

(Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	3	4.82	-	-	1	0.30	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3***	**4.82**	**-**	**-**	**1***	**0.30**	**-**	**-**	**-**	**-**	**-**	**-**

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

During the year 2007-08, the Government had not extended any guarantee to any PSU. At the end of the year, guarantees amounting to Rs. 75 crore were outstanding against two[5] Government companies. In case of one[6] Government company, the interest was waived off to the tune of Rs. 56 lakh. There was no case of loans having been written off, moratorium on loan repayment and conversion of loans into equity capital in any company or corporation during the year.

7.4 Finalisation of accounts by working PSUs

Accountability of PSUs to the Legislature is achieved through the submission of audited annual accounts/reports within the time schedule (30 September) to the Legislature. **Appendix-7.2** shows that none of the nine working Government companies and the three Statutory corporations had finalised their accounts for the year 2007-08 as of 30 September 2008.

During the period from October 2007 to September 2008, four working Government companies had finalised their accounts for the previous years. Similarly, during this period only one Corporation (STCS) finalised its accounts for the previous years.

The accounts of nine working Government companies and two working Statutory corporations were in arrears for the periods ranging from one to four years as on 30 September 2008 as detailed below:

[5] *Schedule Caste, Schedule Tribe and Other Backward Class Development Corporation Ltd. (Rs. 25 crore) and Sikkim Power Development Corporation Ltd. (Rs. 50 crore).*
[6] *Sikkim Industrial Development & Corporation Limited.*

Table 7.5

Sl. No.	No. of working PSUs		Years from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial no. of Appendix 7.2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1	1	2004-05 to 2007-08	4	A2	B3
2	1	-	2005-06 to 2007-08	3	A3	-
3	3	1	2006-07 to 2007-08	2	A1, A5 & A6	B1
4	4	1	2007-08	1	A4, A7, A8 & A9	B2

The State Government had invested Rs. 8.62 crore as equity in four PSUs during the year for which accounts have not been finalised as detailed in **Appendix-7.4.** In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus the Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the registration of the Companies Act, Sikkim 1961.

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period (30 September). The concerned administrative departments were informed every quarter by the Audit regarding arrears in finalisation of accounts.

7.5 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Appendix-7.2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the last three years are given in **Appendix-7.5** and **7.6** respectively.

According to the latest finalised accounts of nine working Government companies and three working Statutory corporations, seven[7] companies and one[8] corporation had been incurring losses for varying periods and had incurred an

[7] *Sikkim Jewels Ltd (2005-06), Sikkim Times Corporation Ltd (2001-02), Sikkim Precision Industries Ltd (2003-04), SC, ST & OBC Development Corporation Ltd (1996-97), Sikkim Tourism Development Corporation (2002-03), Sikkim Poultry Development Corporation Ltd (1996-97), Sikkim Hatcheries Ltd (1998-99).*

[8] *Sikkim Mining Corporation (1992-93).*

aggregate loss[9] of Rs. 4.98 crore and Rs. 2.17 crore respectively and one company and two corporations had earned an aggregate profit[10] of Rs. 1.50 crore and Rs. 2.43 crore, respectively. One Government company, *i.e.* Sikkim Power Development Corporation (SPDC), was at the implementation stage and hence all expenditures are booked as capital work in progress.

7.5.1 Working Government Companies

(i) Profit earning working companies and dividend

As per the latest finalised accounts, Sikkim Industrial Development and Investment Corporation Limited (SIDICO), which had finalised its accounts for 2006-07, earned a profit of Rs. 1.50 crore but did not declare any dividend.

(ii) Loss incurring working companies

Of the seven loss incurring working Government Companies, Sikkim Hatcheries Limited, which had finalised its accounts for 2006-07, had accumulated losses aggregating Rs. 138.02 lakh, which exceeded its paid-up capital of Rs. 45.83 lakh.

7.5.2 Working Statutory corporations

(i) Profit earning Statutory corporations and dividend

Two Corporations (*viz.* State Bank of Sikkim and State Trading Corporation of Sikkim) which finalised their accounts for previous years (SBS: 2005-06 and STCS: 2003-04) by September 2008, earned aggregate profit of Rs. 2.43 crore but did not declare any dividend.

(ii) Loss incurring Statutory corporations

One Statutory Corporation *viz.* Sikkim Mining Corporation which finalised its accounts for 2006-07 by September 2008, suffered loss of Rs. 2.17 crore and had accumulated losses aggregating Rs. 11.88 crore wiping out 79 *per cent* of its paid up capital of Rs. 15.02 crore.

(iii) Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations for the last three years is given in **Appendix-7.7.** It will be seen from **Appendix-7.7** that in case of Sikkim Mining Corporation, percentage of capacity utilisation came down from 15 in 2006-07 to nil in 2007-08 due to the closure (31 December 2006) of the production activities of the Corporation.

(iv) Return on Capital Employed

As per the latest finalised accounts (upto September 2008) of PSUs, the capital employed[11] worked out to Rs. 142.17 crore in nine working companies and the total return[12] thereon amounted to Rs. 1.90 crore which was 1.34 *per cent* as

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[9] *During the year.*

[10] *During the year.*

[11] *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid- up capital, free reserves, bonds, deposits and borrowings (including refinance).*

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

compared to total return of Rs. 1.03 crore (1.53 *per cent*) in the previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised annual accounts worked out to Rs. 391.39 crore and Rs. 2.44 crore (0.62 *per cent*), respectively, with no change in position from that of 31 March 2007. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Appendix-7.2.**

7.6 Non-working Public Sector Undertakings (PSUs)

7.6.1 Investment in non-working PSUs

As on 31 March 2008, the total investment in three non-working PSUs (Government companies) was Rs. 3.43[13] crore (equity: Rs. 3.43 crore) and there was no change in this position since 31 March 2002.

These Government companies were under closure for seven years.

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

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working Government companies are given in **Appendix-7.1** and **7.3.**

The State Government had not given any budgetary support to these non-working PSUs during 2007-08.

7.6.3 Total establishment expenditure on non-working PSUs

The year-wise details of total establishment expenditure incurred by non-working Government companies and the sources of financing them during the last three years up to 2007-08 could not be analysed due to non-finalisation of accounts by these PSUs.

7.6.4 Finalisation of accounts by non-working PSUs

The accounts of all the non-working Companies were in arrears for the periods ranging from five to 13 years as on 30 September 2008 as could be seen from **Appendix-7.2.**

7.6.5 Financial position and working results of non-working PSUs

The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Appendix-7.2.**

The summarised details of paid-up capital, net-worth, cash loss/profit and accumulated loss/profit of non-working PSUs as per their latest finalised accounts are given below:

[13] *State Government investment was Rs. 309.16 lakh (others: Rs. 34 lakh).*

Table-7.6

(Rupees in crore)

Name of the Company *(Year of Accounts)*	Paid-up capital	Net-worth[14]	Cash loss (-)/ profit (+)[15]	Accumulated loss (-)/ profit (+)
1. Sikkim Flour Mills Limited (1994-95)	0.60	0.47	-	(+) 0.13
2. Sikkim Livestock Processing and Development Corporation Limited (2002-03)	0.69	0.04	(+) 0.01	(-) 0.65
3. Chandmari Workshop and Automobiles Limited (1994-95)	0.002	(-) 0.02	(-) 0.14	(-) 0.02

7.7 Status of placement of Separate Audit Reports of Statutory Corporations in the Legislature

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

Table-7.7

Sl. No.	Corporation	Years for which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Sikkim Mining Corporation (SMC)	2002-03	2003-04	19.12.2007	Under printing.
			2004-05	15.01.2008	
			2005-06	15.01.2008	
			2006-07	15.01.2008	
2.	State Bank of Sikkim (SBS)	2003-04	2004-05	17.08.2007	Under printing.
3.	State Trading Corporation of Sikkim (STCS)	2001-02	2002-03	19.12.2007	Under printing.
			2003-04	26.06.2008	Under printing.

7.8 Disinvestment, privatisation and restructuring[16] of Public Sector Undertakings

During the year 2007-08, there had been no privatisation of any activity of these companies or corporations and the Government had also not contemplated for disinvestments of shares in any company/corporation.

7.9 Results of Audit by the Statutory Auditors and the Comptroller and Auditor General of India

During the period from October 2007 to September 2008, the accounts of five working companies and two working Statutory corporations were selected for Audit. The net impact of the important Audit observations as a result of audit of

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

[15] *Cash profit represents profit for the year plus depreciation for the year.*

[16] *Restructuring includes merger and closure of PSUs.*

the accounts of these PSUs was an increase in loss by Rs. 174.02[17] lakh in two working companies & one Statutory corporation and a decrease in profit by Rs. 67.93[18] lakh in one working company and one Statutory corporation.

7.9.1 Errors and omissions noticed in course of audit of annual accounts of a few companies and corporations

(A) Errors and omissions noticed in the case of working Government companies

(i) Comments by Statutory auditors

Sikkim Power Development Corporation Limited (2006-07)

- In terms of Clause – 2 of Revised agreement dated 21 December 2002, Amalgamated Transpower (India) Limited (ATPL) shall take over the responsibilities of the payment of Bond of Rs. 50.01 crore together with interest liability and had to submit Bank Guarantee from any Nationalised Bank for the above amount as well as guarantee for payments of interest within 12 months from the date of signing of the agreement. However, till 31.03.2007 above terms and conditions were not complied with by ATPL.

Sikkim Industrial Development & Investment Corporation Limited (2006-07)

- Non-ascertainment of the value of securities against the loans due to non reconciliation of the subsidiary loan ledger.

(ii) Errors and omissions noticed in Supplementary audit

Sikkim Hatcheries Limited (2006-07)

- Reserves & Surplus do not include an amount of Rs. 20 lakh received as grants-in-aid by SHL from the State Government. Non-accountal of the same resulted in understatement of Reserves & Surplus by Rs. 20 lakh with consequent overstatement of loss for the year by the same amount.

Sikkim Industrial Development & Investment Corporation Limited (2006-07)

- The Corporation had invested the funds received from the GOI for the assistance to State for Development and Infrastructure and Allied Activities (ASIDE) scheme in Term Deposits and the interest earned was booked as Corporation's own income. However, the guidelines of the ASIDE scheme stipulated that the interest earned from the funds had to be utilised for the scheme itself. Thus, the Corporation had to make cent *per cent* provision for the same. By not doing so, the current liabilities & provisions were understated by Rs. 4.57 lakh. Consequently the profit for the year was also overstated by the same amount.

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[17] Increase in loss Rs. 174.02 lakh (Sikkim Hatcheries Limited [2002-07]- Rs. 22.96 lakh), (Sikkim Poultry Development Corporation Limited [2002-07]- Rs. 79.26 lakh) and (Sikkim Mining Corporation [2003-07]- Rs. 71.80 lakh).

[18] Decrease in profit Rs. 67.93 lakh (State Trading Corporation of Sikkim [2002-04]- Rs. 61.70 lakh) and (Sikkim Industrial Development & Investment Corporation Limited [2005-07]- Rs. 6.23 lakh).

(B) Errors and omissions noticed in case of Statutory Corporations

(i) Comments by the Statutory Auditors

State Bank of Sikkim (2005-06)

- The Bank has gone through One Time Settlement and Recovery Scheme during the year under which 54 chronic and time barred cases were undertaken realising a total sum of Rs. 84.20 lakh. The bank has to allow a total interest rebate of Rs. 1.57 crore under the scheme during the year.
- No provision has been made against the sum of Rs. 2.77 lakh involved in fraud and robbery.
- Provision for the Branch Manager's liability and the shortfall of Rs. 2.69 crore (including Rs. 2.56 crore being misappropriated at Sombaria branch) has not been made in the accounts for the year.

State Trading Corporation of Sikkim (2003-04)

- Claims receivable amounting to Rs. 17.22 lakh were very old and recovery was doubtful, but no provision or adjustment had been made in the books of the Corporation.

(ii) Comments by the Comptroller and Auditor General of India

Sikkim Mining Corporation (2004-05)

- Loans and advances include an amount of Rs. 15 lakh paid as an advance for installing the Commercial Column Flotation Unit. Since the load test was not done, the unit was not commissioned. A mention has also been made in Schedule 24 (Notes to the Accounts) that the advance appeared to be a loss asset. Hence the loss should have been written off and charged to the Profit and Loss Account. By not doing this, the Loans and Advances was overstated by Rs. 15 lakh and consequently the loss for the year was understated by the same amount.
- Current Liabilities & Provisions do not include an amount of Rs. 11.37 lakh being the penalty payable to the Employee Provident Fund (EPF) authorities on EPF contributions which were retained by the Corporation. This has resulted in understatement of Current Liabilities as well as loss for the year by Rs. 11.37 lakh.

Non-provision of Income tax liability in the Accounts

As per notification issued (21 April 1970) by the Income and Sales Tax Department of the Government of Sikkim, all the Government companies and corporations were liable to pay income tax on their turnover at the prescribed rate. It was, however, noticed in Audit that none of the companies/corporations made provisions for this liability in their accounts. This not only resulted in overstatement of profit/understatement of loss of the respective companies/ corporations but also resulted in loss of revenue to the Government. The amount of such liability for the latest year for which Audit was completed worked out to Rs. 61.21 lakh in respect of three companies and two statutory corporations.

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

Out of 18 paragraphs and three performance review reports of the commercial chapter of Audit Reports for the years 2001-02 to 2006-07, six paragraphs were discussed by the PAC as at the end of September 2008. The year-wise position of reviews/paragraphs discussed by the PAC is given below:

Table 7.8

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report (Commercial Chapter)		Number of reviews and paragraphs discussed by the PAC upto September 2008	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-02	-	03	-	02
2002-03	-	03	-	02
2003-04	-	01	-	01
2004-05	01	02	-	01
2005-06	01	03	-	-
2006-07	01	06	-	-
	03	**18**	**-**	**06**

7.11 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during Audit and not settled on the spot are communicated to the Heads of PSUs and concerned departments of the State Government through inspection reports (IRs). The Heads of the PSUs are required to furnish replies to the inspection reports within four weeks of the issue of IR. Inspection reports issued up to March 2008 pertaining to 15 PSUs (including two departmental undertakings and one non working company) disclosed that 182 paragraphs relating to 58 inspection reports of 10 companies, three statutory corporations and two departmentally managed undertakings remained outstanding at the end of September 2008. Department-wise details of inspection reports and paragraphs outstanding as of September 2008 are given in **Appendix-7.8.**

Similarly, draft paragraphs and performance reviews on the working of PSUs are forwarded to the Principal Secretary of the administrative departments concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of six draft paragraphs issued to various departments during August 2008 as per details in **Appendix-7.9,** replies to the draft paragraphs were awaited (September 2008) from the administrative departments.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to inspection reports/ draft paragraphs/performance review reports within the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound schedule, and (c) the system of responding to Audit observations is revamped.

SIKKIM MINING CORPORATION

7.12 Avoidable payment of penalty on EPF contributions

Delay in remittance of EPF contributions recovered from employees' salaries resulted in avoidable payment of penalty of Rs. 18.41 lakh.

As per the provisions of Employees Provident Fund & Miscellaneous Provisions Act 1952 every employer shall be required to deposit the EPF deducted from the employees' salaries along with employer contribution within 15 days of the close of every month. The Act further laid down that failure to remit the contributions deducted from the employees' salaries would attract penal provisions (penal interest @ 12 *per cent* to 32 *per cent*) under Section 7Q, 14B and 32 (A) of the said Act, besides attachments of bank accounts of the defaulting organisations.

Audit scrutiny (October 2007) revealed that though Sikkim Mining Corporation (SMC) had been deducting Employee Provident Fund, from the employees' salaries on a monthly basis, it was not remitting the same to the concerned authorities in compliance with the statutory provisions of the Act. The failure to remit the EPF contributions deducted from the employees' salaries within the due dates had resulted in payment of avoidable penalty (March 2004/October 2005) of Rs. 18.41 lakh for the period from March 2000 to February 2004 on the retained contributions.

Audit observed that the contributions recovered from employees' salaries towards EPF were retained by the Corporation to meet its day-to-day expenditure. This was mainly due to continuous poor performance of the Corporation. As the Corporation had not been remitting the EPF contributions within the due dates, the EPF authorities issued several reminders (October/December 2000, June 2002 and April 2005) to remit the EPF contributions along with the penalty under the provisions of the EPF and Miscellaneous Provisions Act 1952. The Corporation failed to respond to the reminders/notices issued against it. The Corporation apprised the Board of Directors (BOD) (April 2006) about its liabilities including the EPF penalty and obtained post facto approval of the BOD approval for discharging all the liabilities.

The Management stated (October 2007) that the EPF contributions recovered from employees could not be remitted to the EPF authorities due to financial crunch of the Corporation. However, remittance towards EPF contribution to the authorities is a statutory requirement. Thus, delay in remittance of EPF contributions recovered from employee salaries resulted in avoidable payment of Rs. 18.41 lakh towards EPF penalty.

The matter was referred to the State Government in November 2007; their reply had not been received (June 2008).

STATE BANK OF SIKKIM

7.13 Failure to claim enhanced agency commission

Failure to claim enhanced agency commission on the banking services as per revised instruction of RBI resulted in loss of Rs. 7.99 crore.

The State Bank of Sikkim (SBS) acts as the banker of the Government of Sikkim. As per the agreement entered into (October 2001) by the bank and the State Government, the bank was authorised to claim agency commission from the State Government, for rendering banking services, which was based on the instruction issued by the Reserve Bank of India (RBI) in July 1999 to all the Nationalised Banks. Accordingly, the bank has been claiming its agency commission @ 0.118 *per cent* on the transaction turnover with effect from April 2000 onwards.

Audit observed (March 2008) that the above instructions of RBI issued (July 1999) were subsequently superseded by instruction issued during July 2005. These instructions, *inter-alia*, revised the method of calculation of agency commission from turnover basis to transaction basis and accordingly the rates of agency commission under two heads (receipts and pensions) were revised as follows:

a) For receipts - Rs. 45 per transaction
b) For pension - Rs. 60 per transaction

Audit observed that though the revised rates were made applicable with effect from first day of July 2005, the SBS continued to claim its agency commission at the old rates (0.118 *per cent* on turnover basis). This resulted in loss due to short-realisation of agency commission to the extent of Rs. 7.99 crore (Rs. 7.15 crore under receipts and Rs. 0.84 crore under pension) for the period from July 2005 to February 2008[19]. The Board directed (June 2006) the Management to take up the matter with the State Finance Department for revision effective from 1 April 2006 onwards and enhancement of commission by 25 *per cent* of the existing/approved rate after every three financial years. Accordingly, the Management submitted (May 2007) the proposal to the State Government and decision in the matter was awaited (June 2008). Pending decision from the State Government, the bank continued to claim its agency commission at the pre-revised rate of July 1999. Failure of the bank to claim agency commission as per the revised rate of RBI had resulted in loss of Rs. 7.99 crore to the Bank.

The Bank stated (June 2008) that it did not come under the RBI purview as it was governed by the proclamation issued by the then Chogyal of Sikkim in June 1968. It further stated that the bank being not governed by the Banking Regulation Act, is not following guidelines and directives issued by the RBI for which it did not insist for the revised enhanced rates of commission. As the agreement (Clause 12) entered into with the State Government (October 2001) enabled the bank to claim its agency commission at such rate as was made applicable from time to time by the RBI for Nationalised Banks, the bank should have revised its claim for agency

[19] *March 2008 figure of agency commission could not be provided by the Bank.*

commission. Further, the Statutory Auditors had qualified in their report relating to the Annual Accounts that the bank had been following the RBI guidelines in certain aspects[20] of the bank transactions.

The matter was referred to the Management/State Government in March 2008; their reply was awaited (September 2008).

7.14 Misappropriation of Rs. 11.65 lakh

Non-adherence to the existing rules and failure to initiate action against the officials to recover the money fraudulently drawn by them resulted in a loss of Rs. 11.65 lakh.

As per the Banking Operating Manual[21] of State Bank of Sikkim, the Branch Manager is the controlling officer, who holds master key of cash vault and the man-hole door without which the cash Assistant shall not open or close the cash vault. At the time of closure of the vault, the Branch manager shall be required to close the vault only after verifying the correctness of the physical cash balance with the figures shown as per Cash Book. Once the Branch manager verifies the correctness of the physical cash with the Cashier's Summary Register, the physical cash is kept in the cash vault which is closed with the security keys of the Cash Assistant and the Branch Manager. The same exercise is applicable at the time of opening the strong room and the cash vault.

Audit scrutiny (February 2008) revealed that an enquiry team consisting of General Manager and Law Officer of the Bank detected a case of misappropriation (November 2007) at the Dentam branch in West District and noticed that as against the closing balance of Rs. 12.15 lakh on 17 November 2007 as per the Cashier's Summary Book, the actual physical balance was Rs. 0.50 lakh only, thereby resulting in a shortfall of Rs. 11.65 lakh. The Management issued Show-Cause notices (December 2007) to the delinquent officers (Branch Manager, Cashier and Peon) who accepted the charges and furnished explanations which were not accepted by the Management.

Audit observed that the Management neither filed any F.I.R. with the concerned Police Station nor initiated any Departmental Inquiry to fix responsibility and recover the amount. The Management allowed the Branch Manager and the other officials to continue at the same branch. Management's indifference towards misappropriation cases was also evident from the fact that in violation of Management's decision (August 2005) to complete all the pending departmental enquires within the scheduled time period, the bank failed to finalise other two misappropriation cases (detected in April 2001 and November 1999) involving Rs. 2.72 crore at Sombaria and Chunthang branches.

Thus, due to non-adherence to the existing rules and regulations, and non-initiation of any action against delinquent officials to recover the money, the bank sustained a financial loss of Rs. 11.65 lakh at Dentam branch.

[20] *Auditors Report, format for presentation of accounts, provision for doubtful advances, Capital to Risk Weighted Assets Ratio and Capital Adequacy Ratio*

[21] *Clause 3.2.1 of Chapter 3 of the Operation Manual of SBS*

The matter was referred (August 2008) to the Management and the State Government; their replies were awaited (September 2008).

7.15 Loss of Rs. 3.91 crore

Lackadaisical approach of the bank towards recovery of loan coupled with absence of co-ordination and monitoring resulted in loss of Rs. 3.91 crore.

As per the prescribed procedure, documents required to be obtained before sanction of overdraft and loans by the Bank were the photograph of the applicant, Work Order, Contractors Enlistment Original Parcha, non- encumbrance certificate, Search Report from Revenue Officer of the proprieties hypothecated/mortgaged, NOC from the family duly confirmed by Area Panchaytas/MLA along with seal and signature etc.

Audit observed (February 2008) that out of 30 loanees who availed overdraft /cash credit from the bank and expired, 23 loanees had not settled their overdraft/cash credit as of 31 March 2008. The total amount of outstanding dues against those 23 loanees stood at Rs. 4.12 crore. Audit further observed that the bank did not obtain any mortgage of property against the loans sanctioned to 23 loanees; as a result, the bank could not recover its dues. The Management failed to maintain any individual loan records and other required data to ensure proper recovery.

As per the bank policy, all the irregular outstanding loans and advances of above 10 years were treated as Non-Performance Assets (NPAs). The Management neither filed any recovery suits against the defaulters nor issued reminders/notices to the legal heirs till date, though time limitation period had already expired in these cases. Thus, due to lack of collateral securities against the loans disbursed to the borrowers and failure to file recovery suits before the limitation period, the Bank suffered a loss of Rs. 4.12 crore. Audit observation was corroborated by the fact that in the status paper placed in the 145^{th} Board meeting (November 2004) the Management pointed out that there was absolutely no chance for recovery of the loan amounts.

Further, Sikkim Service (Pension) Rule stipulated that the Government dues including loans, advances, overpayment etc. if any, outstanding against the Government employees shall be ascertained and prominently mentioned in the concerned pension files. Audit Scrutiny of loan ledgers revealed (February 2008) that 15 employees of the bank availed loans of Rs. 5.54 lakh and subsequently expired /retired without clearing the dues and the outstanding balance against them stood at Rs. 14.33 lakh (including interest) as of 31 March 2008. The bank did not maintain any individual loan files and settled the death-cum-retirement benefits without adjusting the outstanding dues. This was indicative of the lackadaisical approach of the Management towards recovery of loans coupled with the absence of co-ordination between the administrative and loan sections and non adherence to the procedure of Service Rules prior to the settlement of retirement benefits. Moreover, the loans were not secured by mortgage/ hypothecation of land, building or third party surety /undertaking by a Government employee.

Thus, due to lack of coordination within the Organisation and non maintenance of proper records, the Bank sustained a loss of Rs. 3.91 crore[22] in the above cases.

The Management accepted (February 2008) the fact that as no mortgage documents were kept by the bank, the loanees/ defaulters were not forthcoming for settlement of their dues. However, steps were initiated to recover the dues under One Time Settlement scheme and the bank had recovered only an amount of Rs. 34.53 lakh from three loanees.

The matter was referred to the State Government (March 2008); their reply was awaited (August 2008).

SCHEDULE CASTE, SCHEDULE TRIBE AND OTHER BACKWARD CLASS DEVELOPMENT CORPORATION LIMITED

7.16 Loss due to levy of penal interest to the tune of Rs. 39.90 lakh

Ineffective monitoring and supervisory mechanism led to payment of avoidable penal interest of Rs. 39.90 lakh.

The Schedule Caste/Schedule Tribe and Other Backward Class Development Corporation (SABCCO) provides financial assistance to the weaker sections of the society who are living below the poverty line, by obtaining low cost (one *per cent* to three *per cent*) refinance support from three central apex bodies, namely, National Backward Classes Finance & Development Corporation (NBCFDC), National Schedule Tribe Financial Development Corporation (NSTFDC) and National Scheduled Caste Financial Development Corporation (NSCFDC). SABCCO availed financial assistance in the form of term loans from the above three apex bodies for disbursement of different kinds of loans to SC/ST & OBC beneficiaries under various schemes. As per the terms and conditions of the loan agreements, the repayment schedules were to be adhered to, while making repayment of loan amounts including the interest thereon by keeping aside margin money of 2.5 *per cent* for its administrative expenses. Further, SABCCO was liable to pay penal interest at the rate of one *per cent* on dues of principal and interest, apart from the applicable simple interest on delayed principal repayments under various schemes approved by the National Backward Classes Finance & Development Corporation (NBCFDC). Since, the only source of income for the Corporation was the interest earned from the disbursement of the loan, it was all the more important for the SABCCO to recover the loans from the beneficiaries in order to be able to repay the loans to the Apex bodies in time.

Audit scrutiny of records (February 2008) revealed that SABCCO failed to make the repayment of loans to NBCFDC as per the prescribed time schedule, due to which NBCFDC recovered an amount of Rs. 38.70 lakh[23] towards penal interest from the re-payments made by the SABCCO for the period 1996-2006. The Apex Body also levied penal interest of Rs. 1.20 lakh for the subsequent two year period (2006-07 and 2007-08) which was yet to be adjusted.

[22] *Excluding Rs. 34.53 lakh recovered by the bank.*

[23] *Out of this amount, an amount of Rs.12.70 lakh pertained to 2003-04 to 2005-06.*

Audit observed that as against the total loan amount of Rs. 13.47 crore to be recovered from the beneficiaries (1996-2008), SABCCO could recover only an amount of Rs. 7.48 crore[24]. This was due to ineffective monitoring and supervisory mechanism in the Corporation. The Corporation failed to obtain a proper documentation, such as, mortgage/hypothecation of land, building and a third party surety/undertaking by a Government employee etc. to make the loan fully secured. The Corporation failed to verify the genuineness of the address given by the loanees at the time of sanction of loans.

The Management stated (June 2008) that it had requested (2004) NBCFDC to waive the penal interest and also stated that in case the same was not accepted by NBCFDC, the Corporation would recover the same from the beneficiaries. The fact remained that NBCFDC had not accepted the request of the Corporation for waiver and the Corporation failed to take appropriate steps for recovery of the outstanding loans (including penal interest) from the beneficiaries.

The matter was referred to the State Government (February 2008); their reply was awaited (August 2008).

GOVERNMENT FRUIT PRESERVATION FACTORY

7.17 Loss due to non levy/ non-payment of Sales Tax/VAT

Failure to levy and remit the Sales Tax/VAT to the State Government resulted in loss of revenue of Rs. 79.81 lakh to the State Exchequer.

As per the Sikkim Sales Tax Act 1983, every dealer who sells goods, manufactured or imported by him in the State, shall be liable to pay a tax (Section 4) on sales made on and from the date of commencement of the Act. The tax payable by a dealer under the Act shall be levied on taxable turnover at the rates specified in the schedules to the Act. The State Government may exempt any person/dealer from paying the sales tax (Section 8) subject to certain conditions and by issue of a relevant notification. The Sales Tax Act was superseded by the Sikkim Value Added Tax Rules (VAT) 2005 with effect from April 2005. The VAT Rules also prescribed the procedure for registration, incidence and levy of tax (Chapter III), payment of tax and interest (Chapter IV), etc.

The Government Fruit Preservation Factory (GFPF)[25] at Singtam (East District) was established during 1965 to carry on the business of manufacture and sale of various food products. The undertaking did not pay the sales tax/VAT, though it was liable to pay such tax under the above provisions.

Audit scrutiny of the records revealed that the total turnover of the unit from 2000-01 to 2007-08 was Rs. 10.24 crore. However, it was seen that the undertaking did not include sales tax/VAT component on the sale prices of its products during the aforesaid period assuming that the unit will be exempted from the payment of Sales tax/VAT. On the basis of this assumption, the GFPF made a representation (September 2003) to the Sales Tax Department/Industries

[24] *Being 55.52 per cent of the total demand*

[25] *A departmentally managed undertaking under the Commerce and Industries Department*

Department with a request to exempt the factory from paying sales tax by treating it as a new unit[26] so that a tax holiday of five years under the Industrial Policy of the State Government could be availed. While making requests to the Income Tax & Commercial Tax Division of the Finance, Revenue and Expenditure Department, GFPF confirmed that it would pay the tax if the Government so directed. Subsequently, the Sales Tax Department did not consider the various requests made by the undertaking (July 2001, August 2003 and January 2004) for tax exemption and issued a notice (February 2008) under Rule 24[2] of VAT Rules 2005 for failure to furnish quarterly returns for the years 2005-07. The total sales tax liability from April 2000 to March 2008 was Rs. 79.81 lakh.

Thus, failure to include the tax component in the sale prices and incorrect assumption as to the fact that the unit would become eligible for tax exemption, would result in loss to the GFPF to the extent of Rs. 79.81 lakh[27].

The Management stated (July 2008), that the unit was entitled for Tax holiday as per the policy of the State Government and they had applied for the same through the Department of Industries. The fact remained that the Department of Commerce & Industries had, however, directed (September 2008) the Management to levy & remit the Sales Tax/VAT to the Commercial Tax Division on regular basis as per the rules since no exemption was extended by the State Government to this Unit.

Gangtok **(Dinesh Bhagata)**
The **Accountant General, (Audit), Sikkim**

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**

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[26] *In lieu of recommence of business under the Government control wef January 2000 onwards.*
[27] *Total liability of Rs. 79.81 lakh includes an amount of Rs. 9.20 lakh being the unauthorised retention of VAT collected during 2005-06.*

APPENDICES

APPENDIX – 1.1
Part A

Structure and Form of Government accounts
(Ref: Paragraph 1.1; Page 1)

State Government Funds and the Public Account

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

APPENDIX – 1.1
Part B

LAYOUT OF FINANCE ACCOUNTS
(Ref: Paragraph 1.1; Page 1)

Layout of Finance Accounts

Statement No. 1 presents the summary of transactions of the State Government- receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.
Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss etc.
Statement No. 4 indicates the summary of debt position of the State, which includes internal debt, borrowings from Government of India, other obligations and servicing of debt.
Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.
Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.
Statement No. 7 gives the summary of cash balances and investments made out of such balances.
Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2008.
Statement No. 9 shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.
Statement No. 10 indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No. 11 indicates the detailed account of revenue receipts by minor heads.
Statement No. 12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and capital expenditure major head wise.
Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of the current year.
Statement No. 14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies etc. up to the end of the current year.
Statement No. 15 depicts the capital and other expenditure to the end of the current year and the principal sources from which the funds were provided for that expenditure.
Statement No. 16 gives the detailed account of receipts, disbursements and balance under heads of account relating to debt, Contingency Fund and Public Account.
Statement No. 17 presents the detailed account of debt and other interest bearing obligations of the Government.
Statement No. 18 provides the detailed account of loans and advances given by the Government of Sikkim, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.
Statement No. 19 gives the details of balances of earmarked funds.

APPENDIX – 1.1
Part C
List of terms used in Chapter I and basis for their calculation
(Ref: Paragraph 1.3; Page 4)

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount)-1] *100
Trend/ Average	Trend of growth over a period of 5 years [LOGEST (Amount of 1998-99: Amount of 2003-04)-1] *100
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or Expenditure as the case may be
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest spread	GSDP growth – Weighted Interest Rates
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipt minus Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt.
Quantum Spread	Debt Stock*Interest Spread

APPENDIX – 1.2

(Ref: Paragraphs 1.3 & 1.7; Pages 4 & 18)

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF SIKKIM AS ON 31 MARCH 2008

(Rupees in crore)

As on 31.03.2007		Liabilities	As on 31.03.2008	
675.67		Internal Debt		908.86
0	517.42 75.15 83.10	Market Loans bearing interest Loans from LIC Loans from other institutions	741.68 80.76 86.42	
324.93		Loans and Advances from Central Government-		315.82
0	4.39 93.50 206.80 16.74 3.50 00.00	Pre 1984-85 Loans Non-Plan Loans Loans for State Plan Schemes Loans for Central and Centrally Sponsored Plan Schemes Loans for special schemes Ways and Means Advances	3.84 91.74 196.47 20.37 3.40 00.00	
524.06				602.56
	1.00 321.13 30.45 86.43 85.05	Contingency Fund Small Savings, Provident Funds, etc. Deposits Reserve Funds Remittance Balances	1.00 335.12 34.04 129.42 102.98	
1630.24		Surplus on Government Accounts		1981.08
0	1401.25* 228.99	Last year balance Add Revenue Surplus	1630.24 350.84	
3154.90		**Total**		**3808.32**
	As on 31.03.2007	**Assets**	**As on 31.03.2008**	
2891.90		Gross Capital Outlay on Fixed Assets-		3307.37
0	83.40	Investments in shares of Companies, Corporation, etc.		
0	2808.50	Other Capital Outlay		
5.51		Loans and Advances-		5.12
0	4.56 0.95	Other Development Loans Loans to Government servants and Miscellaneous loans		
0		Reserve Fund Investments		
1.03		Advances		1.03
(-)45.72		Suspense and Miscellaneous Balances		(-)76.97
302.18		Cash		571.77
0	0	Cash in Treasuries and Local Remittances		
0	64.19	Deposits with other Bank	78.83	
0	0.61	Departmental Cash Balance	0.55	
0	153.00	Cash Balance Investments	386.00	
0	84.38	Earmarked Funds Invested	106.39	
3154.90		**Total**		**3808.32**

.* *Difference of Rs.1.99 crore from previous year's Report is due to proforma correction in the Finance Accounts.*

APPENDIX – 1.3

(Ref: Paragraphs 1.3 & 1.7, Page 4 & 18)

Abstract of Receipts and Disbursements for the year 2007-08

(Rupees in crore)

Receipts				Disbursements					
2006-07			**2007-08**	**2006-07**		**Non-Plan**	**Plan**	**Total**	**2007-08**
	Section A: Revenue								
1,203.25	**I-Revenue Receipts**		**1497.71**	**974.27**	**I- Revenue expenditure**	**727.08**	**419.79**		**1146.87**
	Tax revenue	197.85			General services	**369.16**	**18.90**	**388.06**	
	Non-tax revenue	212.03			Social Services	**230.89**	**207.34**	**438.23**	
	State's share of Union Taxes	345.12			Education, Sports, Art and Culture	135.67	103.37		
	Non-Plan Grants	87.02			Health and Family Welfare	37.36	33.64		
					Water Supply, Sanitation, Housing and Urban Development	11.71	29.88		
					Information and Broadcasting	1.64	4.98		
	Grants for State Plan Schemes	455.22			Welfare of Scheduled Caste, Scheduled tribes and Other Backward Classes	2.79	10.89		
	Grants for Central and Centrally Sponsored Plan Schemes	200.47			Labour and labour Welfare	0.93	1.35		
					Social Welfare and Nutrition	35.57	23.23		
					Others	5.22			
					Economic Services			**320.58**	
					Agriculture and Allied Activities	54.53	79.92		
					Rural Development	3.25	35.29		
					Special Areas Programmes		1.42		
					Irrigation and Flood Control	1.31	12.21		
					Energy	20.10	17.99		
					Industry and Minerals	4.46	14.52		
					Transport	40.40	14.80		
					Science Technology and Environment	-	3.03		
					General Economic Services	2.98	14.37		
	II-Revenue deficit carried over to Section-B	--		**228.98**	**II-Revenue surplus carried over to Section-B**				**350.84**
1,203.25			**1497.71**	**1,203.25**					**1497.71**

Receipts				Disbursements					
2006-07			**2007-08**	**2006-07**		**Non-Plan**	**Plan**	**Total**	**2007-08**
	Section-B								
252.59	**III-Opening Cash balance including Permanent Advances and Cash Balance Investment**		**302.17**	**326.42**	**III-Capital Outlay**	--	**415.47**		**415.47**
	IV Miscellaneous Capital receipts		--		***General services***	--	**39.28**		
					Social Services	--	**135.41**		
					Education, Sports, Art and Culture		19.72		
					Health and Family Welfare		2.50		
					Water Supply, Sanitation, Housing and Urban Development		106.37		
					Welfare of Scheduled Caste, Scheduled tribes and Other Backward Classes		1.25		
					Social Welfare		5.57		
					Others		--		
					Economic Services	--	**240.78**		
					Agriculture and Allied Activities		7.16		
					Rural Development		38.22		
					Special Areas Programmes		22.80		
					Irrigation and Flood control		2.82		
					Energy		47.52		
					Industry and Minerals		2.60		
					Transport		84.69		
					General Economic Services		34.97		
0.14	**V-Recoveries of Loans and Advances**		**0.38**		**IV-Loans and Advances disbursements**				--
	From Power Projects				**To Government Servants**				
	From Government Servants and				**To Others**	--			
	From Others				**V -Revenue deficit brought down**	--			
288.99	**VI-Revenue surplus brought down**		**350.84**						
142.75	**VII-Public debt receipts**		**279.64**		**VI-Repayment of Public Debt**				**55.57**
	External debt	--			External debt				
	Internal debt other than ways and means Advances and overdraft	274.08			Internal debt other than Ways and Means Advances and Overdraft	--		40.91	

Receipts				Disbursements					
2006-07			**2007-08**	**2006-07**		**Non-Plan**	**Plan**	**Total**	**2007-08**
	Net transaction under Ways and Means Advances including over draft	--			Net transaction under Ways and Means Advances including overdraft			--	
	Loans and Advances from Central Government	5.56			Repayment of Loans and Advances to Central Government			14.66	
	VIII-Amount transferred to Contingency Fund		--		**VII-Expenditure from Contingency Fund**				
1705.54	**IX-Public Account Receipts**		**1899.53**	**1662.92**	**VIII-Public Account disbursements**				**1789.75**
	Small Savings and Provident fund	84.23			Small Savings and Provident Funds			**70.25**	
	Reserve funds	64.11			Reserve Funds			**21.12**	
	Suspense and Miscellaneous	1191.74			Suspense and Miscellaneous			1160.46	
	Remittance	532.57			Remittances			514.63	
	Deposits and Advances	26.88			Deposits and Advances			23.29	
				302.17	IX- Cash balance at the end				**571.77**
					Cash in Treasuries and Local Remittances			61.07	
					Deposits with Reserve Bank			17.76	
					Departmental Cash Balance including permanent Advances			106.94	
					Cash Balance Investment			386.00	
2330.74	**Total**		**2832.56**	**2330.74**	**Total**				**2832.56**

APPENDIX – 1.4

(Ref: Paragraphs 1.3 & 1.7; Pages 4 & 18)

Statement showing Sources and Application of Funds

(Rupees in crore)

2006-07		Sources		2007-08
1203.25	1.	Revenue receipts		1497.71
0.78	2.	Recoveries of Loans and Advances		0.38
103.71	3.	Increase in Public debt other than overdraft		224.07
42.63	4.	Net receipts from Public Account		109.78
		Increase in Small Savings	13.99	
		Increase in Deposits and Advances	42.99	
		Increase in Reserve Funds	3.60	
		Net effect of Suspense and Miscellaneous transactions	31.27	
		Net effect of remittance transactions	17.93	
1350.37		**Total**		**1831.94**
		Application		
974.27	1.	Revenue expenditure		1146.87
0.20	2.	Lending for development and other purposes		--
326.42	3.	Capital expenditure		415.47
(-)0.10	4.	Net effect of contingency fund transaction		--
49.58	5.	Increase in Cash Balance		269.60
1350.37		**Total**		**1831.94**

APPENDIX – 1.5

(Ref: Paragraphs 1.3 & 1.7, Pages 4 & 18)

Time Series Data on State Government Finances

(Rupees in crore)

		2003-04	2004-05	2005-06	2006-07	2007-08
			Part A. Receipts			
1	**Revenue Receipts**	**898.93 (87)**	**1,011.29 (84)**	**1,088.20 (88)**	**1203.25(89)**	**1497.71(84)**
	(i) Tax Revenue	108.00 (8.05)	116.95 (6.18)	147.23 (13.52)	173.18(14.39)	197.85(13.21)
	Taxes on Sales. Trade. Etc.	48.87 (45.24)	48.18 (41.20)	56.65 (38.48)	74.66(43.11)	81.32(41.10)
	State Excise	25.25 (23.38)	32.69 (27.95)	32.96 (22.39)	33.31(19.23)	37.94(19.18)
	Taxes on Vehicles	2.74 (2.55)	3.24 (2.77)	4.24 (2.88)	5.95(3.44)	6.22(3.14)
	Stamps and Registration fees	1.14 (1.05)	1.43 (1.22)	2.27 (1.54)	2.52(1.46)	4.26(2.15)
	Land Revenue	0.18 (0.17)	0.44 (0.37)	0.61 (0.41)	0.78(0.45)	2.75(1.39)
	Other Taxes	3.06 (2.83)	1.88 (1.61)	2.68 (1.81)	9.44(5.45)	16.26(8.22)
	Taxes on Income other than Corporation Taxes	26.76 (24.78)	29.09 (24.87)	47.82 (32.49)	46.52(26.86)	49.10(24.82)
	(ii) Non-Tax Revenue	*95.04 (10.57)*	*111.36 (11.01)*	*113.94 (10.47)*	*171.75(14.27)*	*212.03(14.16)*
	(iii) State's share in Union taxes and duties	*112.33 (12.50)*	*107.35 (10.62)*	*182.13 (16.74)*	*222.78(18.51)*	*345.12(23.04)*
	(iv) Grants in aid from GOI	*583.56 (64.92)*	*675.63 (66.81)*	*644.90 (52.26)*	*635.54(52.82)*	*742.71(49.59)*
2	Misc. Capital Receipts	-	--	--	--	--
3	Total revenue and Non-debt capital receipts (1+2)	898.94	1,011.29	1,088.20	1203.25	1497.71
4	Recovery of loans and advances	1.08	(-) 0.24	0.14	0.78	0.38
5	**Public Debt Receipts**	137.02 (13)	192.99 (16)	145.06 (12)	142.74(11)	279.64(16)
	Internal Debt (excluding Ways and Means Advances and Overdraft)	75.96 (55.44)	110.32 (57.16)	122.07 (84.15)	132.22 (92.63)	274.08
	Net transactions under Ways and Means Advances and Overdraft	-	-	--	--	--
	Loans and Advances from Government of India#	61.06 (44.56)	82.67 (42.84)	22.99 (15.85)	10.52 (7.37)	5.56
6	**Total receipts in the Consolidated Fund (3+4+5)**	1,037.04	1204.04	1,233.40	1346.77	1777.73
7	**Contingency Fund receipts**	0.03	0.50	--	0.10	--
8	**Public Account receipts**	1,193.34	1,415.38	1,456.53	1705.54	1899.53
9	**Total receipts of Government (6+7+8)**	2,230.41	2,619.92	2,689.93	3052.41	4327.09

		2003-04	2004-05	2005-06	2006-07	2007-08
	Part B: Expenditure/ Disbursement					
10	**Revenue Expenditure**	738.68 (77.73)	842.38 (70.40)	891.44 (72.05)	974.27 (74.89)	1146.87
	Plan	*246.32 (33.35)*	*238.02 (28.26)*	*294.20 (33.00)*	*336.65 (34.55)*	*419.79*
	Non-plan	*492.36 (66.65)*	*604.36 (71.74)*	*597.24 (67.00)*	*637.62 (65.45)*	*727.08*
	General Services (including interest payments)	246.81 (33.41)	259.52 (30.81)	287.27 (32.23)	334.83 (34.47)	388.06
	Social Services	262.84 (35.58)	306.64 (36.40)	337.78 (42.38)	355.81 (29.11)	438.23
	Economic Services	229.03 (31.01)	276.22 (32.79)	266.39 (37.89)	283.63 (25.09)	320.58
	Grants-in-aid and contributions[1]	37.14	22.55	34.56	31.98	26.74
11	**Capital expenditure**	211.49 (22.26)	353.54 (29.56)	345.73 (27.95)	326.42 (25.09)	415.47
	Plan	*211.49 (100)*	*353.54 (100)*	*345.73 (100)*	*326.42 (100)*	*415.47*
	Non-plan	-	--	--	--	--
	General Services	12.77 (6.04)	16.49 (4.66)	17.37 (5.02)	21.06 (6.45)	39.28
	Social Services	97.44 (46.07)	131.64 (37.23)	108.97 (31.52)	119.31 (36.55)	135.41
	Economic Services	101.28 (47.89)	205.41 (58.11)	219.39 (63.46)	186.05 (57)	240.78
12	**Disbursement of Loans and Advances**	0.100 (.01)	0.68 (0.05)	--	0.20 (0.02)	--
13	**Total (10+11+12)**	950.27	1,196.60	1,237.17	1300.89	1562.34
14	**Repayment of Public debt**	84.17	83.72	32.40	39.03	55.57
	Internal Debt (excluding Ways and Means Advances and Overdraft)	16.47	43.65	20.35	25.76	40.91
	Net transactions under Ways and Means Advances and Overdraft		-	--	--	--
	Loans and Advances from Government of India	67.70	40.07	12.05	13.27	14.66
15	**Appropriation to Contingency Funds**	-	-	--	--	--
16	**Total disbursement out of Consolidated Fund (13+14+15)**	1,476.69	2,161.43	2,145.73	2253.21	2819.62[2]
17	**Contingency Fund disbursements**	0.50	0.00	0.10	0.00	0.00
18	**Public Account disbursements**	1,204.82	1,244.64	1,470.09	1662.92	1811.77

[1] *Forms part of Social and Economic Services*

[2] *Includes expenditure of Rs1201.71 crore on State Lotteries*

		2003-04	2004-05	2005-06	2006-07	2007-08
19	**Total disbursements by the State (16+17+18)**	2,681.98	3,406.07	3,615.92	3916.13	5514.17[2]
				Part C: Deficit		
20	**Revenue surplus (10-1)**	160.25	168.91	196.76	228.98	350.84
21	**Fiscal Deficit (1+2+4-13)**	50.26	185.55	148.83	96.86	64.25
22	**Primary Surplus (+) / Deficit (-) (21-23)**	(+) 42.24	(-) 86.36	(-) 46.23	(+) 18.41	53.49
				Part D: Other data		
23	**Interest Payments (included in revenue expenditure)**	92.50	99.19	102.60	115.27	117.74
24	**Arrears of Revenue (percentage of Tax & Non-Tax Revenue receipts)**	15.11	3.91	7.86	41.61	
25	**Financial Assistance to local bodies etc.**	36.84	22.55	34.56	31.98	15.13
26	**Ways and Means Advances/ Overdraft availed (days)**	-	-	--	--	--
27	**Interest on Ways and Means Advances/Overdraft**	-	-	--	--	--
28	**Gross State Domestic Product (GSDP)**	1429.72	1602.17	1830	2070(Q)	2353(A)
29	**Outstanding fiscal liabilities (year end)**	966.45	1,107.07	1,350.87	1483.99	1795.82
30	**Outstanding guarantees (year end)**	86.10	82.47	84.47	84.40	75.00
31	**Maximum amount guaranteed (year end)**	-	88.10	84.47	84.47	84.40
32	**Number of incomplete projects**	76	60	149	105	61
33	**Capital blocked in incomplete projects.**	184.19	222.84	313.16	136.74	285.97

Q=Quick estimate. A=Advance estimate

APPENDIX – 1.6
(Ref: Paragraph 1.6.4; Page 17)

Position of accounts and audit of autonomous bodies

Sl.	Name of Body	Annual Accounts	
		Finalised upto	Audited upto
1	Council of Science and Technology	2006-07	2006-07
2	Institute of Hotel Management	2005-06	2005-06
3	State Health and Welfare Society	2005-06	2005-06
4	National Aids Control Society	2006-07	2006-07
5	Paljor Namgyal Girls Higher Secondary School	2006-07	2006-07
6	Prevention and Control of Blindness Socity	2006-07	2006-07
7	Sikkim Institute of Rural Development (SIRD)	2006-07	2006-07
8	Sikkim Renewable Energy Development Agency (SREDA)	2006-07	2006-07
9	Sikkim Research Institute of Tibetology	2005-06	2005-06
10	Sikkim Rural Development Agency (SRDA)	2006-07	2006-07
11	Sikkim State Commission for Women	2006-07	2006-07
12	Sikkim State Illness Fund Association	2006-07	2006-07
13	Sikkim Urban Development Agency (SUDA)	2006-07	2006-07
14	Small Farmers Agri Business Consortium	2006-07	2006-07
15	State Legal Service Authority (SLSA)	2006-07	2006-07
16	State Leprosy Society	2006-07	2006-07
17	Tashi Namgyal Academy (TNA)	2006-07	2006-07
18	Rajya Sainik Board	2006-07	2006-07
19	Sikkim Co-operative Milk Producers Union Limited (SMU)	2005-06	2005-06
20	Sikkim Khadi and Village Industries Board	2004-05	2004-05
21	Sikkim Co-operative Supply and Marketing Federation Ltd. (SIMFED)	2006-07	2006-07
22	Panchayat Raj Institutions (PRI)	2005-06	2005-06
23	Sikkim Housing and Development Board	2003-04	2003-04

Appendix-2.1

(Ref. Paragraph 2.3.1; Page 30)

Statement showing reasons for major savings

(*Rupees in crore*)

Grant No./Name	Section	Grant			Actual Expenditure	Saving	Reasons for savings
		Original	Supplementary	Total			
29 Development, Planning, Economic Reforms and North Eastern Council Affairs	Revenue	26.95	0.73	27.68	7.73	19.95	Non-submission of report for the sanctioned schemes, transfer of officers to other departments and curtailment of office expenses, non implementation of BADP and RSVY schemes.
31 Energy and Power	Capital	133.92	3.16	137.08	38.86	98.22	Non-utilisation of fund was not intimated.
33 Water Security and Public Health Engineering	Capital	52.81	0.75	53.56	30.65	22.91	Non-receipt of contractor's bill, non completion of scheme. Non-submission of compensation bill by the Forest Department, non-receipt of fund from the GOI.
34 Roads	Capital	147.67	3.78	151.45	63.08	88.37	Credit of recoveries from various projects, non-payment of muster roll and work charge payments, non-finalisation of Aerodromes projects, non receipt of fund from GOI
35 Rural Management and Development	Capital	127.14	5.35	132.49	109.56	22.93	Due to postponement of the municipal election, restriction of expenditure, non-receipt of fund from GOI, non posting of staff and adoption of economic measures

Grant No./Name	Section	Grant			Actual Expenditure	Saving	Reasons for savings
		Original	Supplementary	Total			
38 Social Justice, Empowerment and Welfare	Revenue	87.45	5.21	92.66	67.03	25.63	Due to non-payment of salary in ST pocket, non-performance of tour by officers outside of Sikkim, non-receipt of fund from GOI
40 Tourism	Capital	35.86	15.29	51.15	31.83	19.32	Non-implementation of CSS for construction of Indian Himalaya Centre for adventure and eco-tourism , non-construction of Ropeway from Namchi to Samdruptshe,
41 Urban Development	Capital	18.90	1.00	19.90	7.60	12.30	Due to non conducting of training programme, curtailment of assistance non formation of ULBA
Total		**630.70**	**35.27**	**665.97**	**356.34**	**309.63**	

Source: Appropriation Accounts

Appendix-2.1.A

(Ref. Paragraph 2.3.1; Page 30)

Statement showing areas in which major savings occurred

(Rupees in crore)

Sl. No.	Grant No	Section	Areas in which major savings occurred	Savings
1	29	Revenue	3451- Secretariat Economic Services- Secretariat- Planning and Development	19.73
2	31	Capital	4801- Capital Outlay on Power Project- Accelerated Power Development Reform Programme (East)	58.00
3	33	Capital	4215- - Capital Outlay on Water Supply and Sanitation- Other Water Supply Scheme	10.06
4	34	Capital	5054- Capital Outlay on Roads and Bridges- Roads Works-District Roads	33.52
5	35	Capital	4215- - Capital Outlay on Water Supply and Sanitation- Water Supply- Rural Water Supply- Rural Development Department	12.45
6	38	Revenue	2202- General Education- General- Tribal Area Sub Plan	10.16
7	40	Capital	5452- - Tourism- Tourist Infrastructure- Tourist Centre- Development Project	14.57
8	41	Capital	4217- Capital Outlay on Urban Development- Integrated Development of Small and Medium Towns- Construction- ADP Project (EAP)	9.00

APPENDIX-2.2

(Ref: Paragraph 2.3.4; Page 31)

Statement showing unnecessary supplementary provisions

(Rupees in crore)

Sl. No	Grant No.	Name of the Grant	Section	Original Provision	Supplementary Provision	Total Provision	Expenditure during the year	Savings
1	2	3	4	5	6	7	8	9
1	2	Animal husbandry, livestock, fisheries and veterinary services	Revenue	24.10	1.63	25.73	21.36	4.37
2	3	Buildings	Revenue	16.23	0.24	16.47	15.87	0.60
3	4	Co-operation	Revenue	6.45	0.09	6.54	6.33	0.21
4	13	Health Care, Human Services and Family welfare	Capital	6.85	0.20	7.05	2.20	4.85
5	13	Health Care, Human Services and Family welfare	Revenue	73.11	1.84	74.95	72.82	2.13
6	16	Commerce and Industries	Revenue	24.25	0.77	25.02	23.10	1.92
7	20	Judiciary Voted	Revenue	3.98	0.02	4.00	3.77	0.23
8	28	Personnel, Administrative Reforms, Training, Public Grievances, Career Options, Skill Development, Chief Minister's Self Employment Scheme	Revenue	12.67	0.04	12.71	12.27	0.44
9	29	Development, Planning, economic Reforms and north Eastern Council Affairs	Revenue	26.95	0.73	27.68	7.73	19.95
10	31	Energy and Power	Capital	133.92	3.16	137.08	38.86	98.22
11	31	Energy and Power	Revenue	41.78	0.69	42.47	38.30	4.17
12	33	Water security and Public Health Engineering	Capital	52.81	0.75	53.56	30.65	22.91
13	34	Roads	Capital	147.67	3.78	151.45	63.08	88.37
14	34	Roads	Revenue	39.46	0.65	40.11	31.19	8.92
15	35	Rural Management and Development	Capital	127.14	5.35	132.49	109.56	22.93
16	35	Rural Management and Development	Revenue	50.99	0.99	51.98	47.92	4.06
17	38	Social Justice, Empowerment and welfare	Revenue	87.45	5.21	92.66	67.03	25.63
18	39	Sports Affairs	Revenue	7.13	0.19	7.32	6.08	1.24
19	40	Tourism	Capital	35.86	15.29	51.15	31.83	19.32
20	41	Urban Development	Capital	18.90	1.00	19.90	7.60	12.30
Total				**937.70**	**42.62**	**980.32**	**637.55**	**342.77**

APPENDIX-2.3

(Ref: Paragraph 2.3.4; Page 31)

Statement showing cases where supplementary provision obtained proved excessive

(Saving in each case being more than Rs 10 lakh)

Sl. No	Grant No.	Name of the Grant	Section	Original Provision	Supplementary Provision	Total Provision	Expenditure during the year	Savings
1	2	3	4	5	6	7	8	9
1	1	Food Security and Agriculture Development department	Revenue	36.00	8.08	44.08	39.98	4.10
2	3	Buildings	Capital	25.66	4.50	30.16	26.35	3.81
3	7	Human Resource Development	Revenue	217.59	22.58	240.17	230.82	9.35
4	10	Finance, Revenue and expenditure Voted	Revenue	1278.64	2.46	1281.10	1279.08	2.02
5	11	Food, Civil Supplies and Consumer Affairs	Revenue	13.88	1.74	15.62	15.29	0.33
6	12	Forestry and Environment Management	Capital	1.85	0.94	2.79	2.33	0.46
7	12	Forestry and Environment Management	Revenue	33.57	5.15	38.72	37.06	1.66
8	19	Irrigation and Flood Control	Revenue	12.85	4.62	17.47	13.70	3.77
9	29	Development, Planning, economic Reforms and north Eastern Council Affairs	Capital	4.22	19.06	23.28	22.80	0.48
10	30	Police	Revenue	74.31	5.72	80.03	77.69	2.34
11	38	Social Justice, Empowerment and welfare	Capital	34.97	3.36	38.33	37.36	0.97
12	40	Tourism	Revenue	6.57	1.36	7.93	6.99	0.94
13	41	Urban Development and Housing Deptt.	Revenue	10.86	1.61	12.47	12.11	0.36
Total				**1,750.97**	**81.18**	**1,832.15**	**1,801.56**	**30.59**

APPENDIX-2.4

(Ref : Paragraph 2.3.4; Page 31)

Statement showing cases where supplementary provision proved insufficient

(Rupees in crore)

Grant No	Name of the Grant/Appropriation	Section	Original provision	Supplementary provision	Actual Expenditure	Final Excess
16	Commerce and Industries	Capital	0.86	1.70	2.60	0.04
Total			**0.86**	**1.70**	**2.60**	**0.04**

APPENDIX- 2.5

(Ref: Paragraph 2.3.5; Page 31)

Statement showing persistent savings

(Rupees in crore)

Grants No.	Name	Section	2005-06	2006-07	2007-08
31	Energy and Power	Capital	47.66 (35)	134.62(77.84)	98.22 (71.65)
39	Sports and Youth	Revenue	2.35 (28)	1.11 (14.7)	1.24 (16.92)
40	Tourism	Capital	11.68 (46)	17.78 (44.8)	19.32 (37.77)

(*Figures in brackets indicate percentage to total provision*)

APPENDIX-2.6

(Ref. Paragraph 2.3.7; page 32)

(a) Statement showing cases in which funds were injudiciously withdrawn by re-appropriation although the account showed an excess expenditure over provision (original plus supplementary)

(Rupees in lakh)

Sl. No.	Grant No.	Major Head affecting the Grant	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Re-Appropriation
1	**19**	**2702**-Minor Irrigation **80**- General **001**-Direction and Administration **20**- Irrigation Department	355.69	450.81	95.12	3.40
2	**37**	**3055**-Road Transport **201**- Sikkim Nationalised Transport **61**- Operation	1335.83	1351.82	15.99	17.72
3	**38**	**2225**- Welfare of SCs, STs and OBCs **02**- Welfare of STs **794**- Special Central Assistance for Tribal Sub-Plan **63**- Tribal Sub-Plan State Plan Schemes	230.00	230.18	0.18	0.57

(b) Cases where funds were withdrawn by re-appropriation in excess of available savings

(Rupees in lakh)

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Savings	Amount of Appropriation
1	1	**2401-** Crop-Husbandry **111-** Agricultural Economics and Statistics **01-** Agriculture Department	46.00	37.59	8.41	14.93
2	3	**2059-** Public Works **799-** Suspense **03-** Building and Housing Department	50.00	10.54	39.46	39.78
3	4	**2425-** Co-operation **001-** Direction and Administration	475.73	432.79	42.94	43.28
4	7	**2202-** General Education **03-** University and Higher Education **103-** Government College and Institute **66-** Sikkim Law College	70.52	53.24	17.28	17.43
5	7	**2202-** General Education **05-** Language Development **103-** Sanskrit Education	61.50	4.20	57.30	58.50
6	10	**2052-** Secretariat General Services **090-** Secretariat **10-** Finance Department	259.00	213.33	45.67	46.12
7	10	**2071-** Pensions and Other Retirement Benefits **01-**Civil **104-** Gratuity **115-** Leave Encashment Benefits	700.00	553.11	146.89	149.54
8	10	**2049-**Interest Payment **04-** Interest on Loan and Advances from Central Government **103-** Interest on Loan for Centrally Sponsored Plan Schemes **13-** Forestry and Wildlife Department	12.68	12.35	0.33	0.34
9	11	**2408-** Food Storage and Warehousing **01-** Food **101-** Procurement and Supply **61-** Setting up of Town Rationing Office and Area Offices	10.70	0.69	10.01	10.02
10	12	**2406-** Forestry and Wildlife **01-**Forestry **001-** Direction and Administration	1022.92	1019.86	3.06	3.38

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Savings	Amount of Appropriation
11	**13**	**2210-** Medical and Public Health **01-** Urban Health Services-Allopathy **110-** Hospital and Dispensaries **63-** Other Hospital	1077.49	943.50	133.99	145.17
12	**13**	**2210-** Medical and Public Health **05-** Medical Education, Training and Research **105-** Allopathy **81-** Development of Nursing Services (100% CSS)	7.00	3.05	3.95	7.00
13	**15**	**2401-** Crop-Husbandry **109-** Extension and Farmer's Training **16-** Horticulture Department	33.57	25.37	8.20	13.10
14	**15**	**2401-** Crop-Husbandry **119-** Horticulture and Vegetable Crops **62-** Fruits	26.05	25.54	0.51	1.10
15	**15**	**2401-** Crop-Husbandry **800-** Other Expenditure **65-** Organic Farming	35.34	30.90	4.44	4.78
16	**24**	**2011-** Parliament/State/ Union Territory Legislatures **022-** State/Union Territory Legislature **101-** Legislative Assembly **62-** Members	58.96	42.36	16.60	17.33
17	**24**	**2011-** Parliament/State/ Union Territory Legislatures **800-** Other Expenditure **64-** North East Region of India	11.00	10.52	0.48	1.52
18	**24**	**2011-** Parliament/State/ Union Territory Legislatures **800-** Other Expenditure **65-** Other contribution	4.40	4.00	0.40	0.41
19	**28**	**2052-** Secretariat General Services **090-** Secretariat **45-** Chief Information Commission	62.00	39.86	22.14	23.01
20	**29**	**3454-** Census Survey and Statistics **02-** Survey and Statistics **62-** Public Finance Unit	8.00	0.25	7.75	7.76
21	**30**	**2055-** Police **001-** Direction and Administration **60-** Inspector General of Police	367.80	366.38	1.42	3.71

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Savings	Amount of Appropriation
22	**31**	**4801-** Capital Outlay on Power Projects **05-** Transmission and Distribution **800-** Other Expenditure **70-** Accelerated Power Development and Reform Programme (East)	6507.57	707.92	5799.65	5800.00
23	**31**	**4801-** Capital Outlay on Power Projects **05-** Transmission and Distribution **800-** Other Expenditure **86-** Upgradation and conversion of Existing dedicated 3.3 KV System into 11 KV System of Ganctok (East)(NEC)	286.20	260.62	25.58	25.67
24	**31**	**4801-** Capital Outlay on Power Projects **05-** Transmission and Distribution **800-** Other Expenditure **89-** Extension of one 66 KV Nay at 66/11 switchyard at Gayzing and construction of 66/11 KV, 1*5MVA SS at Sardung (Yangthang) in West(NEC)	387.20	96.16	291.04	293.20
25	**33**	**2215-** Water Supply and Sanitation **01-** Water Supply **101-** Urban Water Supply Programme **60-** Maintenance and Repairs	439.65	417.50	22.15	22.50
26	**33**	**4215-** Capital Outlay on Water Supply and Sanitation **01-** Water Supply **101-** Urban Water Supply **63-** Pakyong Water Supply Scheme (East)	5.00	0.81	4.19	4.20
27	**33**	**4215-** Capital Outlay on Water Supply and Sanitation **01-** Water Supply **101-** Urban Water Supply **65-** Rongli Water Supply Scheme (East)	16.50	15.09	1.41	1.50
28	**33**	**4215-** Capital Outlay on Water Supply and Sanitation **01-** Water Supply **101-** Urban Water Supply **66-**Constuction of Kaluk Rinchenpong Water Supply Scheme (West)	172.00	88.51	83.49	83.50

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Savings	Amount of Appropriation
29	**33**	**4215**-Cpital outlay on water Supply and Sanitation **01**-Water Supply **101**-Urban Water Supply **60**-Gangtok Water Supply Schemes (East) (R)	2048.00	1358.36	689.64	734.47
30	**33**	**4215**-Cpital outlay on water Supply and Sanitation **01**-Water Supply **102**-Rural Water Supply **34**-P.H.E. Department	92.00	81.76	10.24	10.31
31	**34**	**2059**-Public Works **60**-Other Buildings **799**-Suspense **35**-Roads & Bridges Department	50.00	14.77	35.23	50.00
32	**35**	**2015**-Election **109**-Charges for Conduct of Election to Panchayats/Local Bodies **62**-Conduct of election to Municipal Bodies	135.00	79.52	55.48	60.42
33	**35**	**2215**- Water Supply and Sanitation **01**- Water Supply **001**- Direction and Administration **36**- Rural Development Department	450.13	411.85	38.28	39.40
34	**35**	**2216**- Housing **03**- Rural Housing **36**-Rural Development Department	774.00	763.17	10.83	11.00
35	**35**	**4515**-Capital Outlay on Other Rural Development Programmes **101**- Panchayati Raj **36**- Rural Development Department	2635.61	1675.93	959.68	962.18
36	**37**	**3055**- Road Transport **201**- Sikkim Nationalised Transport **61**- Operation	1335.83	1351.82	15.99	17.72
37	**37**	**3055**- Road Transport **201**- Sikkim Nationalised Transport **63**- Maintenance and Repairs	81.00	71.03	9.97	10.00
38	**38**	**2202**- General Education **80**- General **796**- Tribal Area Sub-Plan	1015.79	0.40	1015.39	1015.79

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Savings	Amount of Appropriation
39	**38**	**2225-** Welfare of SCs, STs and OBCs **02-** Welfare of STs **001-** Direction and Administration **60-** Establishment	99.34	97.98	1.36	1.76
40	**38**	**2235-** Social Security and Welfare **02-** Social Welfare **198-** Assistance to Gram Panchayats	70.01	70.00	0.01	15.00
41	**38**	**2236-**Nuitration **02-** Distribution Nutritious Food and Beverages **789-** Special Component Plan for STs	30.00	29.62	0.38	0.40
42	**38**	**2425-** Co-operation **789-** Special Component for SCs	21.00	20.45	0.55	0.56
44	**38**	**2506-** Land Reforms **789-** Special Component Plan for SCs	1.80	1.58	0.22	0.23
45	**38**	**5054-** Capital Outlay on Roads and Bridges **04-** District and Other Roads **796-** Tribal Area Sub-Plan	624.00	604.99	19.01	21.70
46	**40**	**3452-**Tourism **01-** Tourist Infrastructure **101-** Tourist Centre **60-** Establishment	181.76	181.11	0.65	1.40
47	**41**	**2045-** Other Taxes and Duties on Commodities and Services **200-** Collection Charges-Other Taxes and Duties **60-** Establishment	44.12	40.33	3.79	3.83
48	**41**	**2217-** Urban Development **05-** Other Urban Development Schemes **001-** Direction and Administration **60-** Town Planning Cell	39.00	33.63	5.37	5.46

(c) Cases in which funds were injudiciously augmented by re-appropriation of funds in excess of what was actually required to cover the excess expenditure over the provision (Original plus Supplementary) which ultimately resulted in savings

(*Rupees in lakh)*

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
1	**1**	**2435**-Other Agriculture Programme **113**- Agriculture Engineering **60**- Establishment	55.64	68.44	12.80	17.91
2	**1**	**2435**-Other Agriculture Programme **800**- Other Expenditure	5.10	5.34	0.24	0.40
3	**1**	**2435**-Other Agriculture Programme **800**- Other Expenditure **64**- Soil Testing	22.10	23.86	1.76	1.78
4	**1**	**2402**-Soil and Water Conservation **001**- Direction and Administration **01**- Agriculture Department	165.35	165.96	0.61	5.79
5	**3**	**2059**- Public Works **80**- General **001**- Direction and Administration **61**- Chief Engineer (Building) Establishment	504.84	524.88	20.04	27.56
6	**3**	**2059**- Public Works **103**- Furnishings **03**- Building Housing Department	5.40	5.70	0.30	0.75
7	**3**	**2216**- Housing **05**- General Pool Accommodation **053**- Maintenance and Repairs **61**-Other Maintenance Expenditure	89.34	91.92	2.58	4.51
8	**3**	**4059**- Capital Outlay on Public Works **60**- Other Buildings **051**- Construction **03**- Building and Housing Department	1288.80	1354.88	66.08	72.48
9	**5**	**2205**- Art and Culture **102**- Promotion of Art and Cultures **60**- Establishment	156.30	164.13	7.83	7.95

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
10	**5**	**2205-** Art and Culture **105-** Public Libraries **63-** State Central and District Libraries	43.70	45.87	2.17	3.21
11	**5**	**2205-** Art and Culture **001-** Direction and Administration	63.50	65.13	1.63	1.68
12	**6**	**2250-** Other Social Services **103-** Upkeep of Shrines, Temples etc.	337.33	338.19	0.86	1.04
13	**7**	**2202-** General Education **01-** Elementary Education **101-** Government Primary Schools **62-** Primary Schools	534.00	540.89	6.89	7.05
14	**7**	**2202-** General Education **80- General** **101-** Direction and Administration **60-** Establishment	537.48	539.30	1.82	10.33
15	**7**	**4202-** Capital Outlay on Education, Sports, Art and Culture **01-** General Education **202-** Secondary Education **70-** Buildings	17.03	30.48	13.45	21.89
16	**8**	**2015-** Election **102-** Electoral Officers **60-** Establishment	73.91	75.21	1.30	1.33
17	**10**	**2408-** Cold Storage and Warehousing **014-** Food **001-** Direction and Administration	311.73	321.41	9.68	10.18
18	**12**	**2406-** Forestry and Wildlife **01-** Forestry **102-** Social and Farm Forestry **69-** Social Forestry	125.35	125.66	0.31	1.36
19	**12**	**4406--** Capital Outlay on Forestry and Wildlife **01-** Forestry **07-** Communication and Buildings	0.03	7.62	7.59	7.62
20	**13**	**2059-** Public Works **60-** Other Buildings **053-** Maintenance and Repairs **61-** Other Maintenance Expenditure	115.00	140.43	25.43	25.46

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
21	13	**2210-** Medical and Public Health **01-** Urban Health Services- Allopathy **001-** Direction and Administration **61-** State Health and Mechanical Workshop	69.10	71.21	2.11	2.98
22	13	**2210-** Medical and Public Health **110-** Hospital and Dispensaries **63-** STNM Hospital, Gangtok	1226.69	1259.06	32.37	32.61
23	13	**2210-** Medical and Public Health **06-** Public Health **101-** Prevention and Control of Diseases **82-** Prevention and Control of Blindness (100% CSS)	8.70	10.88	2.18	2.50
24	13	**2210-** Medical and Public Health **06-** Public Health **102-** Prevention of Food Adulteration **70-** Prevention of Food Adulteration	18.50	19.67	1.17	1.20
25	13	**3454-** Census Survey and Statistics **02-** Survey and Statistics **111-** Vital Statistics **60-** Registration of Death and Birth	33.00	39.98	6.98	7.00
26	14	**2013-** Council of Ministries **15-** Home Department	450.36	454.17	3.81	7.07
27	14	**2056-** Jails **001-** Direction and Administration **61-** State Jail, Rongnek	186.51	194.52	8.01	8.04
28	15	**2401-** Crop Husbandry **001-** Direction and Administration **16-** Horticulture Department	494.18	505.40	11.22	12.92
29	15	**2401-** Crop Husbandry **119-** Horticulture and Vegetable Crops **61-** Floriculture	356.20	361.76	5.56	7.40

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
30	**15**	**2415-** Agricultural Research and Education **01-** Crop Husbandry **277-** Education **16-** Horticulture Department	2.60	6.38	3.78	3.80
31	**15**	**4401-** Capital Outlay on Crop Husbandry **119-** Horticulture and Vegetable Crops **16-** Horticulture Department	30.01	39.76	9.75	9.77
32	**16**	**2851-** Village and Small Industries **001-** Direction and Administration **60-** Directorate of Small Scale Industries	183.21	187.34	4.13	5.89
33	**16**	**2851-** Village and Small Industries **003-** Training **61-** Branch Training Centres	413.99	431.29	17.30	24.11
34	**16**	**2851-** Village and Small Industries **200-** Other Village Industries **68-** District Industries Centres	146.00	147.87	1.87	2.82
35	**17**	**2220-** Information and Publicity **60-** Others **110-** Publication **102-**Information Centres	53.40	54.50	1.10	1.12
36	**21**	**2230-** Labour and Employment **01-** Labour **001-** Direction and Administration **60-** Establishment	83.76	90.73	6.97	7.00
37	**23**	**2014-** Administration of Justice **114-** Legal Advisors and Councils **24-** Law Department	81.96	84.08	2.12	2.89
38	**28**	**2052-** Secretariat – General Services **090-** Secretariat **29-** Department of Personnel A R & Training	128.40	142.24	13.84	14.15

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
39	30	**2055-** Police **104-** Special Police **64-** Sikkim Armed Police	1552.97	1563.59	10.62	13.26
40	30	**2055-** Police **114-** Wireless and Computers **70-** Police Wireless Branch	272.50	274.50	2.00	2.13
41	30	**2055-** Police **116-** Forensic Science	32.70	33.98	1.28	1.29
42	30	**2070-** Other Administrative Services **107-** Home Guards (50% expenditure to be reimbursed by GOI) **60-** Establishment	61.99	63.83	1.84	1.86
43	31	**2801-** Power **05-** Transmission and Distribution **800-** Other Expenditure Each Transmission/ Distribution Schemes **63-** Maintenance and Repairs	1319.05	1346.59	27.54	28.25
44	31	**2801-** Power **80-** General **001-** Direction and Administration	1876.30	1923.41	47.11	53.27
45	31	**4801-** Capital Outlay on Power Project **01-** Hydel General **800-** Other Expenditure **75-** Mayong Hydel Scheme (North)	25.00	28.73	3.73	4.03
46	31	**4801-** Capital Outlay on Power Project **01-** Hydel General **800-** Other Expenditure **78-** Extension of 66 KV transmission line from Melli to Mamring (South)	0.04	100.00	99.96	99.99
47	31	**4801-** Capital Outlay on Power Project **01-** Hydel General **800-** Other Expenditure **79-** Remodeling of transmission and distribution network in Gangtok town in Sikkim (NLCPR) East	174.44	319.18	144.74	145.35

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
48	**31**	**4801-** Capital Outlay on Power Project **01-** Hydel General **800-** Other Expenditure **87-** Interconnection of 11 KV Development Area sub station with 11/11 KV Gangtok (East) (NEC)	91.56	101.68	10.12	1018
49	**33**	**2059-** Public Works **01-** Office Building **053-** Maintenance and Repairs **60-** Work Charged Establishment	14.60	17.00	2.40	2.41
50	**33**	**2215-** Water Supply and Sanitation **01-** Water Supply **001-** Direction and Administration **34-** PHE Department	291.43	308.54	17.11	20.20
51	**34**	**3054-** Roads and Bridges **04-** District and Other Roads **105-** Maintenance and Repairs **61-** Other Maintenance Expenditure	877.15	903.77	26.62	27.37
52	**35**	**3054-** Roads and Bridges **80-** General **001-** Direction and Administration **36-** Rural Development Department	160.75	156.50	4.25	5.47
53	**35**	**2015-** Elections **101-** Election Commission **60-** State Election Commission	38.17	42.81	4.64	4.76
54	**35**	**2015-** Elections **109-** Charges for conduct of Election to Panchayat/Local Bodies **61-** Conduct of Election to Panchayat	165.00	189.15	24.15	25.54
55	**35**	**2215-** Other Rural Development Programmes **196-** Assistances to Zila Parishads/ District level Panchayats **61-** Grants to Zila Parishads for administrative expenses	216.00	287.37	71.37	71.40

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
56	**35**	**4216-** Capital Outlay on Housing **03-** Rural Housing **800-** Other expenditure **36-** Rural Development Department	3694.00	3760.05	66.05	74.00
57	**35**	**5054-** Capital Outlay on Roads and Bridges **04-** District and Other Roads **337-** Road Works **36-** Rural Development Department	625.45	1023.29	397.84	402.71
58	**37**	**5055-** Capital Outlay on Road Transport **102-** Acquisition of Fleet **61-** Fleet Purchase	278.00	283.11	5.11	9.27
59	**37**	**5055-** Capital Outlay on Road Transport **103-** Workshop Facilities **62-** Tools and Plants	40.00	48.03	8.03	8.04
60	**38**	**2225-** Welfare of SCs, STs and OBCs **03-** Welfare of Backward classes **001-** Direction and Administration **60-** Establishment	23.55	23.92	0.37	0.81
61	**38**	**2235-** Social Security and Welfare **02-** Social Welfare **001-** Direction and Administration **39-** Social Welfare Department	292.27	311.28	19.01	21.21
62	**38**	**2235-** Social Security and Welfare **107-** Assistance to **68-** Voluntary Organisations	1.51	11.50	9.99	10.00
63	**38**	**2235-** Social Security and Welfare **800-** Other Expenditures **69-** Social Defence	10.00	16.99	6.99	7.00
64	**39**	**2204-** Sports and Youth Services **001-** Direction and Administration **60-** Establishment	240.61	250.34	9.73	10.14

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Excess	Amount of Appropriation
65	**39**	**2204-** Sports and Youth Services **103-** Youth Welfare Programmes for Non-Students **64-** Assistance and Incentives	0.02	28.00	27.98	27.99
66	**40**	**3452-** Tourism **80-**General **001-** Direction and Administration	88.65	90.21	1.56	2.39
67	**41**	**2059-** Public Works **80-**General **053-** Maintenance and Repairs **61-** Other Maintenance Expenditure	151.32	387.41	236.09	237.30
68	**41**	**4217-** Capital Outlay on Urban Development **03-** Integrated Development of Small and Medium Towns **051-** Construction **74-** Solid Waste Management	0.02	12.68	12.66	12.68
69	**Appropriation**	**2051-** Public Service Commission **102-** State Public Service Commission (Charged) **60-** Establishment	85.05	86.79	1.74	8.80

(d) Cases in which funds were injudiciously augmented by re-appropriation of funds even though the actual expenditure fell far short of the provision (Original plus Supplementary)

(*Rupees in lakh)*

Sl. No.	Grant No.	Head of Account	Total Grant (Original plus Supplementary)	Actual Expenditure	Savings	Amount of Re-Appropriation
1	**1**	**2401-** Crops Husbandry **001-** Direction and Administration **01-** Agriculture Department	197.39	195.81	1.58	2.92
2	**3**	**4059-** Capital Outlay on Public Works **01-** Office Building **051-** Construction **03-** Building and Housing Department	1150.00	1105.49	44.51	14.99
3	**7**	**2202-** General Education **106-** Teachers and Other Services **61-** Pre-Primary School	1141.96	1122.81	19.15	19.29
4	**12**	**2402-** Soil and Water Conservation **001-** Direction and Administration **13-** Forestry and Wildlife Department	220.17	219.32	0.85	1.97
5	**22**	**2029-** Land Revenue **101-** Collection Charges **60-** District Collectrate	248.81	248.60	0.21	0.27
6	**35**	**3054-** Roads and Bridges **001-** Direction and Administration **36-** Rural Development Department	160.75	156.50	4.25	5.47

Appendix-3.1
(Ref: Paragraph 3.3.8, Page 71)
Statement showing project wise details of NLCPR funds

Year	Department	Name of projects	Total release	Expenditure
Upto 2004 (162)	**RMDD**	Rural water supply schemes	13.50	13.50
		Rural suspension foot bridge	8.90	8.90
3		Multi stage pumping of drinking water from river Rangeet to Namchi	12.48	12.48
		Sub total	**34.88**	**34.88**
91	**IRRIGATION AND FLOOD CONTROL**	Anti Erosion Works (15 nos)	5.32	5.32
		Anti Erosion Works (32 nos)	10.02	10.02
		Anti Erosion Works (38 nos)	15.00	15.00
		Anti Erosion Works (6 nos)	5.49	5.49
		Sub total	**35.83**	**35.83**
2	**UD & HD**	Ropeway from Deorali to Tashiling	**10.60**	**10.60**
7	**Power**	Major overhauling of 2x6 MW hydel generating station at Lower Lagyap hydel project	19.51	19.51
		Sub Transmission and Distribution (at 3 locations)	14.47	14.26
		132 KV transmission line from Rangit to Melli with 132/66 KV sub station at Melli	28.17	28.17
		Centralized Load Dispatch	9.74	8.07
		Construction of 66 KV S/C transmission line from Myong to Chungthang and transformer bay at Chungthang and feeder bay and Mayong	6.84	5.97
		Sub total	**78.73**	**75.98**
46	**R&B**			
		WBM carpeting of 9 roads	5.20	5.20
		Construction of 28 new roads	4.56	4.56
		Strengthening of 8 roads and bridges	13.69	13.69
		Bridges replacement on Gyalshing – Soreng road (upto Dentam) :-(a) Pelling – Dentam road (20 kms)(b) Replacement of existing B B Lall suspension bridge over Kalej Khola	9.04	8.27
		Sub total	**32.49**	**31.72**
6	HRDD	Centre for Computers and Communication Technology Polytechnic, Gangtok	2.50	2.50
		Construction of 198 school buildings	23.41	23.41
		Assistance to 4 affiliated college	5.00	5.00
		Sub total	***30.91***	***30.91***
2	SYA	Upgradation of Paljor Stadium	**15.36**	**15.36**
1	CULTURE	Dichelling Cremation Ground	**1.09**	**1.09**
4	PHED	Extension of Gangtok Sewerage Phase I	2.96	2.96
		Extension of Gangtok Sewerage Phase II	7.00	7.00
		Augmentation of Rongli water supply scheme	1.68	1.68
		Augmentation of Gyalshing water supply scheme	7.37	6.74
		Sub total	**19.01**	**18.38**
		Year Total upto March 2004	***258.90***	***254.75***
2004-05 (12)	POWER	Remodelling of transmission and distribution network of Gangtok town	22.44	19.50
		Extension of 132 KV system in South	23.03	15.07

	R&B	Upgradation of Ranka Burtuk Gangtok road (8Kms)	4.08	3.87
		Carpeting/ surface improvement of Soreng – Budang road via Malbasey (10 kms)	3.39	3.17
		Labing Landslide (160 m) and Chongrang landslide (800m) on Yuksum – Legship road	1.23	1.15
		Replacement of two nos. suspension bridges on Pelling - Yuksom road (Rimbi – Rathong)	3.19	2.62
		Carpeting/ surface improvement of Dentam Uttarey road (10 kms)	2.96	2.12
		Works and drainage on Namchi – Rabongla road (km 26 kms)	11.62	10.35
		Upgradaton of Rabongla – Makha road (26 kms)	9.61	9.36
		Construction of diversion of Ranipool-Pakyong road	2.28	0.94
	PHED	Water supply scheme for newly developed township of Pangthang and Bojhoghari	5.58	5.58
		Augmentation of water supply scheme for Greater Gangtok Phase II	24.16	23.18
		Year total	***113.57***	***96.92***
2005-06 (3)	POWER	Synchronisation of Rimbi Stage I, Stage II and Kalez HEP to common 11 KV grid and further to 66 KV stage grid	5.68	3.03
	R&B	Construction of Goskhan Dara bridge over river Teesta at Singtam	4.63	1.99
	HRDD	Sarva Shiksha Abhiyan	2.00	2.00
		Year total	***12.31***	***7.02***
2006-07 (4)	POWER	Construction of 1 KV transmission line to Nathula with LILO arrangement at Bulbuley (2006-07)	9.08	9.08
	PHED	Greater Rangpo water supply scheme (2006-07)	15.06	11.55
	RMDD	Water supply scheme for Chakmakey and Ringyang under Soreng Sub Division	5.05	4.33
	HRDD	Construction of 4 roomed and 6 roomed buildings for 47 nos. of schools and rain water harvesting system for schools	3.00	3.00
		Year total	***32.19***	***27.96***
2007-08 (5)	PHED	Water supply Augmentation scheme at Sang Nayabazar, East Sikkim	0.69	nil
		Rhenock WSS	nil	nil
	RMDD	Water harvest at Rabdentshe	1.30	1.61
		Development of village tourism at (a) Chirbirey (b) Zoom and (c) Majhigaon riverbank in Sikkim	4.50	4.19
	TOURISM	Namchi to Samdruptse Ropeway	1.50	nil
		Year total	***7.99***	***5.80***
186		**Grand total**	***424.97***	***392.47***

APPENDIX-3.2

(Ref.: Paragraph 3.4.10.1, Page 92)

Statement showing the deployment of MO and paramedical staff in CHC, PHC and PHSC

CHCs

Name of CHCs	Requirement		Actual deployment		(-) Shortfall/ (+) Excess		Percentage of (-) Shortfall/(+)Excess	
	MO	Para medical staff	MO	Para medical staff	MO	Para medical staff	MO	Para medical staff
East Sikkim	4	21	14	18	(+) 10	(-) 03	(+) 250	(-) 14
West Sikkim	4	21	09	37	(+) 05	(+) 16	(+) 125	(+) 76
South Sikkim	4	21	26	119	(+) 22	(+) 91	(+) 550	(+) 433
North Sikkim	4	21	4	21	-	-	-	-

PHCs

No. of PHCs	Requirement		Actual deployment		(-)Shortfall/ (+)Excess		Percentage of (-)Shortfall/(+)Excess	
	MO	Para medical staff	MO	Para medical staff	MO	Para medical staff	MO	Para medical staff
Machong	01	14	01	04	00	(-) 10	00	(-) 71
Sang	01	14	02	14	(+) 01	00	(+) 100	00
Yuksam	01	14	01	05	00	(-) 09	00	(-) 64
Dentam	01	14	01	08	00	(-) 06	00	(-) 43
Jorthang	01	14	04	13	(+) 03	(-) 01	(+) 300	(-)07
Yangang	01	14	01	09	00	(-) 05	00	(-) 36

PHSCs

No. of PHSCs	Requirement		Actual deployment		(-)Shortfall/ (+)Excess		Percentage of (-) Shortfall/ (+)Excess	
	Health Worker		Health Worker		Health Worker		Health Worker	
	Male	Female	Male	Female	Male	Female	Male	Female
Tarathang	01	01	01	01	Nil	Nil	Nil	Nil
Linkey	01	01	01	02	Nil	(+) 01	Nil	Nil
Ranipool	01	01	02	01	(+) 01	Nil	(+) 100	Nil
Ranka	01	01	01	02	Nil	Nil	Nil	Nil
Thingling	01	01	01	01	Nil	Nil	Nil	Nil
Melli-Aching	01	01	01	01	Nil	Nil	Nil	Nil
Uttaray	01	01	01	01	Nil	Nil	Nil	Nil
Hee-Yangthang	01	01	01	01	Nil	Nil	Nil	Nil
Vok	01	01	01	01	Nil	Nil	Nil	Nil
Omchu	01	01	01	01	Nil	Nil	Nil	Nil
Neya-Broom	01	01	01	01	Nil	Nil	Nil	Nil
Manglay	01	01	01	01	Nil	Nil	Nil	Nil

Source: Figure furnished by the concerned health institutions

APPENDIX-3.3

(Ref.: Paragraph 3.4.17.1, Page 99)

Statement showing the fund position of NDCP

(Rs. in lakh)

Year	Opening balance	Fund received from GOI	Expenditure	Unspent balance
National Vector Borne Disease Control Programme				
2005-06	0.0	20.95	13.05	7.90
2006-07	7.90	8.71	12.38	4.23
2007-08	4.23	4.00	8.19	0.04
Nation Leprosy Eradication Control Programme				
2005-06	12.37	3.31	15.57	0.11
2006-07	0.11	23.96	23.06	1.01
2007-08	1.01	20.35	20.38	0.98
Integrated Disease Surveillance Project				
2005-06	0.0	12.80	3.16	9.64
2006-07	9.64	30.00	6.59	33.05
2007-08	33.05	20.00	16.08	36.97
Revised National Tuberculosis Control Programme				
2005-06	14.72	50.13	49.97	14.88
2006-07	14.88	65.34	58.39	21.83
2007-08	21.83	50.43	56.82	15.44
National Iodine Deficiency Disorder Control Programme				
2005-06	2.74	8.25	8.75	2.24
2006-07	2.24	7.00	10.12	00
2007-08	00	13.00	12.83	0.17
National Blindness Control Programme				
2005-06	2.76	10.74	6.74	6.76
2006-07	6.76	18.74	18.68	6.82
2007-08	6.82	84.52	28.62	62.73
Total		**452.23**	**369.38**	**224.80**

Source: Figure furnished by the concerned NDCP Offices

APPENDIX –7.1

Particulars of paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2008 in respect of Government companies and Statutory corporations

(*Ref: Paragraphs 7.2.3, 7.2.4, 7.3 & 7.6.2; Pages 155 & 159*)

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and name of company	Paid up capital as at the end of current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans[#] outstanding at the close of 2006-07			Debt equity ratio for 2006-07 (Previous years) 4(f)/3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Government	Others	Total	
1	*2*	*3(a)*	*3(b)*	*3(c)*	*3(d)*	*3(e)*	*4(a)*	*4(b)*	*4(c)*	*4(d)*	*4(e)*	*4(f)*	*5*
A.	**Working Government Companies**												
	I. Consumer Industries												
1	Sikkim Jewels Limited (SJL)	981.03	-	-	78.13	1,059.16	-	-	-	-	35.50	35.50	0.03:1 (0.03:1)
2	Sikkim Time Corporation Limited (STCL)	1198.54	-	-	-	1,198.54	-	-	-	-	-	-	-
3	Sikkim Precision Industries Limited (SPIL)	370.00	-	-	-	370.00	-	-	-	-	-	-	-
	Sector wise Total	**2,549.57**	**-**	**-**	**78.13**	**2,627.70**	**-**	**-**	**-**	**-**	**35.50**	**35.50**	**0.01:1(0.01:1)**
	II. General Financial and Trading Institutions												
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICL)	1.682.50	-	-	636.80	2,319.30	-	-	-	202.87	28.74	231.61	010:1 (0.9:1)
	Sector wise Total	**1,682.50**	**-**	**-**	**636.80**	**2,319.30**	**-**	**-**	**-**	**202.87**	**28.74**	**231.61**	**010:1 (0.9:1)**
	III. Welfare												
5	Schedule Caste, Schedule Tribe and Other Backward Class Development Corporation Limited (SC/ST/OBCDCL)	328.60	151.30	-	-	479.90	-	-	-	-	2057.57	2057.57	4.29:1 (4.29:1)
	Sector wise Total	**328.60**	**151.30**	**-**	**-**	**479.90**	**-**	**-**	**-**	**-**	**2057.57**	**2057.57**	**4.29:1 (4.29:1)**
	IV. Tourism												
6	Sikkim Tourism Development Corporation	704.87	-	-	-	704.87	-	-	-	-	-	-	-
	Sector wise Total	**704.87**	**-**	**-**	**-**	**704.87**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	V. Power												
7	Sikkim Power Development Corporation (SPDC)	340.00	-	-	-	340.00	-	-	-	-	9768.67	9768.67	28.73:1 (14.71:1)
	Sector wise Total	**340.00**	**-**	**-**	**-**	**340.00**	**-**	**-**	**-**	**-**	**9768.67**	**9768.67**	**28.73:1 (14.71:1)**
	VI. Animal Husbandry												
8	Sikkim Poultry Development Corporation (SPDC)	-	-	-	-	-	-	-	-	-	-	-	-
9	Sikkim Hatcheries Limited (SHL)	-	-	43.83	2.00	45.83	-	-	-	-	-	-	-
	Sector wise Total	**-**	**-**	**43.83**	**2.00**	**45.83**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total A (Working Government Companies)	**5,605.54**	**151.30**	**43.83**	**716.93**	**6,517.60**	**-**	**-**	**-**	**202.87**	**11890.48**	**12093.35**	**1.86:1 (1.13:1)**

Sl. No.	Sector and name of company	Paid up capital as at the end of current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans# outstanding at the close of 2006-07			Debt equity ratio for 2006-07 (Previous years) 4(f)/3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
B.	**Working Statutory Corporations**												
	I. Financing												
1	State Bank of Sikkim (SBS)	53.38	-	-	5.00	58.38	-	-	-	-	313.52	313.52	5.37:1 (5.37:11)
	Sector wise Total	**53.38**	**-**	**-**	**5.00**	**58.38**	**-**	**-**	**-**	**-**	**313.52**	**313.52**	**5.37:1 (5.37:11)**
	II. Miscellaneous												
2	Sikkim Mining Corporation (SMC)	611.50	890.00	-	-	1501.50	-	-	-	-	54.00	54.00	0.04:1 (0.04:1)
3	State Trading Corporation of Sikkim (STCS)	111.38	-	-	-	111.38	-	-	-	-	-	-	-
	Sector wise Total	**722.88**	**890.00**	**-**	**-**	**1612.88**	**-**	**-**	**-**	**-**	**54.00**	**54.00**	**0.03:1 (0.03:1)**
	Total B (Working Statutory Corporations)	**776.26**	**890.00**	**-**	**5.00**	**1,671.26**	**-**	**-**	**-**	**-**	**367.52**	**367.52**	**0.22:1 (0.22:1)**
	Grand Total (A + B)	**6381.80**	**1041.30**	**43.83**	**721.93**	**8188.86**	**-**	**-**	**-**	**202.87**	**12258.00**	**12460.87**	**1.52:1 (0.94:1)**
C.	**Non-working Government Companies**												
	I. Consumer Industries												
1	Sikkim Flour Mills Limited (SFML)	244.16	-	-	-	244.16	-	-	-	-	-	-	-
	Sector wise Total	**244.16**	**-**	**-**	**-**	**244.16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	II. Animal Husbandry												
2	Sikkim Livestock Processing and Development Corporation (SLPDC)	35.00	34.00	-	-	69.00	-	-	-	-	-	-	-
	Sector wise Total	**35.00**	**34.00**	**-**	**-**	**69.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	III. Transport												
3	Chandmari Workshop and Automobiles Limited (CWAL)	30.00	-	-	-	30.00	-	-	-	-	-	-	-
	Sector wise Total	**30.00**	**-**	**-**	**-**	**30.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total C (Non-working Government Companies)	**309.16**	**34.00**	**-**	**-**	**343.16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D.	**Non-working Statutory Corporations**												
	Nil	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total D (Non-working Statutory Corporations)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Grand Total (C + D)	**309.16**	**34.00**	**-**	**-**	**343.16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Grand Total (A+B+C+D)	**6690.96**	**1075.30**	**43.83**	**721.93**	**8532.02**	**-**	**-**	**-**	**202.87**	**12258.00**	**12460.87**	**1.46:1 (0.90:1)**

Source: As per the Finance Accounts and approved accounts of the PSUs

Note: *Except in respect of companies and corporations which finalised their accounts for 2007-08, figures are provisional and as given by the companies/corporations. Figures in column 3(b) to 3(d) and column 4(c) to 4(e) taken from latest Annual Accounts of the PSUs.*

\# *Loans outstanding at the close of 2007-08 represents long term loans only.*

APPENDIX – 7.2

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Ref: Paragraphs 7.4, 7.5, 7.5.2, 7.6.4 & 7.6.5; Pages 156, 157 & 159)

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Name of the Company/Corporation	Name of Depart-ment	Date of incorpo-ration	Period of Account	Year in which accounts finalised	Net Profit(+)/ Loss (-)	Net impact of audit comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital Employed ♥	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Total turnover	Number of employees
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
A.	**Working Government Companies**														
	I. Consumer Industries														
1	Sikkim Jewels Limited (SJL)	Industries	Jul. 1976	2005-06	2006-07	(-) 40.61	-	790.36	(-) 3.03	578.03	-	-	2	240.89	118
2	Sikkim Time Corporation Limited (SITC0)	Industries	Oct. 1976	2003-04	2005-06	(-) 329.13	-	1,122.54	(-) 292.67	468.63	-	-	4	239.51	117
3	Sikkim Precision Industries Limited (SPIL)	Industries	Feb. 1999	2004-05	2005-06	(-) 35.80	-	370.00	(-) 49.29	311.34	-	-	3	25.12	72
	Sector wise Total					**(-) 405.54**		**2,282.90**	**(-) 344.99**	**1,358.00**	-	-	**9**	**505.52**	**307**
	II. General Financial and Trading Institutions														
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICL)	Industries	Mar. 1977	2006-07	2008-09	(+) 150.44	6.23	1,714.30	(-) 416.31	1939.91	(+) 151.62	7.82	1	180.37	36
	Sector wise Total					**(+) 150.44**		**1,714.30**	**(-) 416.31**	**1939.91**	**(+) 151.62**	**7.82**	**1**	**180.37**	**36**
	III. Welfare														
5	Schedule Caste, Schedule Tribe and Other Backward Class Development Corporation Limited (SC/ST/OBC DCL)	Welfare	Apr. 1996	2005-06	2007-08	(-) 20.89	-	955.15	(-) 479.50	2549.78	(+) 38.16	1.50	2	94.62	22
	Sector wise Total					**(-) 20.89**		**955.15**	**(-) 479.50**	**2549.78**	**(+) 38.16**	**1.50**	**2**	**94.62**	**22**
	IV. Tourism														
6	Sikkim Tourism Development Corporation (STDC)	Tourism	Feb. 1998	2005-06	2007-08	(-) 42.43	-	746.37	(-) 306.38	441.27	-	-	2	102.37	47
	Sector wise Total					**(-) 42.43**	-	**746.37**	**(-) 306.38**	**441.27**	-	-	**2**	**102.37**	**47**
	V. Power														
7	Sikkim Power Development Corporation (SPDC)	Power	Dec. 1998	2006-07	2007-08	(*)	-	340.00	-	7865.75	-	-	1	-	35
	Sector wise Total					-	-	**340.00**	-	**7865.75**	-	-	**1**	-	**35**
	VI. Animal Husbandry														
8	Sikkim Poultry Development Corporation Ltd (SPDCL)	AH & VS	Mar. 1991	2006-07	2007-08	(-) 9.08	79.26	-	(-) 58.34	2.42	-	-	1	-	4
9	Sikkim Hatcheries Limited (SHL)	AH & VS	Aug. 1994	2006-07	2007-08	(-) 19.94	22.96	45.83	(-) 138.02	60.15	-	-	1	55.33	9
	Sector wise Total					**(-) 29.02**	-	**45.83**	**(-) 196.36**	**62.57**	-	-	**2**	**55.33**	**13**
	Total A (Working Government Companies)					**(-) 347.44**	-	**6084.55**	**(-) 1743.54**	**14217.28**	**(+) 189.78**	**9.32**		**938.21**	**460**

Sl. No.	Name of the Company/Corporation	Name of Depart-ment	Date of incorpo-ration	Period of Account	Year in which accounts finalised	Net Profit(+)/ Loss (-)	Net impact of audit comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital Employed ♥	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Total turnover	Number of employees
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
B.	**Working Statutory Corporation**														
	I. Financing														
1	State Bank of Sikkim (SBS)	Finance	Jun. 1968	2005-06	2006-07	(+) 130.33	-	58.38	(-) 3,340.48	38415.92	(+) 130.86	0.34	2	2069.02	254
	Sector wise Total					**(+) 130.33**		**58.38**	**(-) 3,340.48**	**38415.92**	**(+) 130.86**	**0.34**	**2**	**2069.02**	**254**
	II. Miscellaneous														
2	Sikkim Mining Corporation (SMC)	Mines & Geology	Feb. 1960	2006-07	2007-08	(-) 217.49	71.80	1501.50	(-) 1188.36	66.14	-	-	1	75.37	39
3	State Trading Corporation of Sikkim (STCS)	Finance	Mar.1972	2003-04	2005-06	(+) 112.67	61.70	111.38	(+) 545.48	656.86	(+) 112.67	17.15	4	1436.50	92
	Sector wise Total					**(-) 104.82**		**1612.88**	**(-) 642.88**	**723.00**	**(+) 112.67**	**17.15**	**5**	**1436.50**	**131**
	Total B (Working Statutory Corporations)					**(+) 25.51**		**1671.26**	**(-) 3983.36**	**39138.92**	**(+) 243.53**	**17.49**	**7**	**3505.92**	**385**
	Grand Total (A + B)					**(-) 321.93**		**7755.81**	**(-) 5726.90**	**53356.20**	**(+) 433.31**	**26.81**		**4444.13**	**845**
C.	**Non-working Government Companies**														
	I. Consumer Industries														
1	Sikkim Flour Mills Limited (SFML)	Industries	Jul.1976	1994-95	1995	Nil		60.16	(-) 12.76	84.50	-	-	13	Nil	
	Sector wise Total					**Nil**		**60.16**	**(-) 12.76**	**84.50**	**-**	**-**		**-**	
	II. Animal Husbandry														
2	Sikkim Livestock Processing and Development Corporation (SLPDC)	AH & VS	Apr.1988	2002-03	2004	(-) 4.80		69.00	(-) 64.73	133.76	-	-	5	Nil	
	Sector wise Total					**(-) 4.80**		**69.00**	**(-) 64.73**	**133.76**	**-**	**-**	**5**	**-**	
	III. Transport														
3	Chandmari Workshop and Automobiles Limited (CWAL)	Transport	Apr. 1988	1994-95	1997	(-) 14.19		0.20	(-) 1.53	69.00	-	-	5 (Closed w.e.f. 12/1999)	Nil	
	Sector wise Total					**(-) 14.19**		**0.20**	**(-) 1.53**	**69.00**	**-**	**-**		**-**	
	Total C (Non-working Government Companies)					**(-) 18.99**		**129.36**	**(-) 79.02**	**287.26**	**-**	**-**		**-**	
D.	**Non-working Statutory Corporations**														
	Nil														
	Total D (Non-working Statutory Corporations)							-	-	-	-	-		-	
	Grand Total (C + D)					**(-) 18.99**		**129.36**	**(-) 79.02**	**287.26**	**-**	**-**		**-**	
	Grand Total (A+B+C+D)					**(-) 340.92**		**7885.17**	**(-) 5805.92**	**53643.46**	**(+) 433.31**	**26.81**		**4444.13**	**845**

Source: As per the Finance Accounts, calculations made by audit and records maintained

♥ *Capital employed represents net fixed assets (including works-in-progress) plus working capital except in case of finance companies/corporation where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance)*

* *Project under implementation*

APPENDIX –7.3

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed, loans converted into equity during the year, subsidy receivable and guarantees outstanding at the end of March 2008

(Ref: Paragraphs 7.3 & 7.6.2; Pages 155 & 159)

(Figures in columns 3(a) to 7 are Rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year *					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A.	**Working Government Companies**															
1	SC, ST & OBC Development Corporation Limited	-	-	-	-	-	- (2,500)	-	-	- (2,500)	-	-	-	-	-	-
2	Sikkim Power Development Corporation	-	-	-	-	-	(5,000)	-	-	(5,000)	-	-	-	-	-	-
3	Sikkim Industrial Development & Investment Corporation Limited	-	-	-	-	-	-	-	-	-	-	19	37	56	-	-
Total – A							**(7,500)**	**-**	**-**	**(7,500)**		**19**	**37**	**56**	**-**	**-**
B.	**Working Statutory Corporations**															
1	Nil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – B		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total (A + B)		-	-	-	-	-	**(7,500)**	**-**	**-**	**(7,500)**		**19**	**37**	**56**	**-**	**-**

Source: As per the Finance Accounts

* *Figures in bracket indicate guarantees outstanding at the end of the year*

APPENDIX –7.4

Statement showing the investments made by the State Government in PSUs whose accounts are in arrears

(Ref: Paragraph7.4; Page 157)

Sl. No	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears. (year wise break up may be given separately)				
				Year	Equity	Loans	Grants	Other be specified
1.	Sikkim Jewels Limited (SJL)	2005-06		2006-07	291.00	Nil	Nil	Nil
				2007-08	109.00	Nil	Nil	Nil
2.	Sikkim Time Corporation (SITCO)	2003-04		2004-05	Nil	Nil	Nil	Nil
				2005-06	76.00	Nil	Nil	Nil
				2006-07	69.27	Nil	Nil	Nil
				2007-08	280.16	Nil	Nil	Nil
3.	Sikkim Precision Industries Limited (SPIL)	2004-05		2005-06	Nil	Nil	Nil	Nil
				2006-07	Nil	Nil	Nil	Nil
				2007-08	Nil	Nil	Nil	Nil
4.	Sikkim Industrial Development & Investment Corporation Limited (SIDICO)	2006-07		2007-08	Nil	Nil	Nil	Nil
5.	Schedule Caste, Schedule Tribe and other backward class development corporation Limited (SABCCO)	2005-06		2006-07	Nil	Nil	Nil	Nil
				2007-08	Nil	Nil	Nil	Nil
6.	Sikkim Tourism Development Corporation Limited (STDC)	2005-06		2006-07	30.00	Nil	Nil	Nil
				2007-08	Nil	Nil	Nil	Nil
7.	Sikkim Power Development Corporation (SPDC)	2006-07		2007-08	Nil	Nil	Nil	Nil
8.	Sikkim Poultry Development Corporation Limited (SPDCL)	2006-07		2007-08	7.00	Nil	Nil	Nil
9.	Sikkim Hatcheries Limited (SHL)	2006-07		2007-08	Nil	Nil	Nil	Nil
10.	State Bank of Sikkim (SBS)	2005-06		2006-07	Nil	Nil	Nil	Nil
				2007-08	Nil	Nil	Nil	Nil
11.	State Trading Corporation of Sikkim (STCS)	2003-04		2004-05	Nil	Nil	Nil	Nil
				2005-06	Nil	Nil	Nil	Nil
				2006-07	Nil	Nil	Nil	Nil
12.	Sikkim Mining Corporation (SMC)	2006-07		2007-08	Nil	Nil	Nil	Nil
					862.43	**Nil**	**Nil**	**Nil**

Source: As per the information furnished by the Government Companies and Statutory Corporations

APPENDIX –7.5

Statement showing financial position of Statutory Corporations

(*Ref: Paragraph 7.5; Page 157*)

(*Rupees in crore*)

1. State Bank of Sikkim			
Particulars	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Paid up Capital	0.53	Provisional figures not furnished	Provisional figures not furnished
Share application money	0.05		
Reserve funds and other reserves and surplus	0.11		
Deposits	382.56		
Borrowings: Others	3.14		
Other liabilities and provisions	31.45		
TOTAL - A	**417.84**		
B. Assets			
Cash and Bank Balances	273.37	Provisional figures not furnished	Provisional figures not furnished
Investments	15.79		
Loans and Advances	74.21		
Net fixed assets	1.22		
Other assets	19.85		
Accumulated loss	33.40		
Miscellaneous expenditure	-		
TOTAL – B	**417.84**		
C. Capital Employed*	**350.10**		

2. State Trading Corporation of Sikkim			
Particulars	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Paid up Capital	Provisional figures not furnished	Provisional figures not furnished	Provisional figures not furnished
Reserve and surplus			
Trade dues and current Liabilities and Provisions			
TOTAL - A			
B. Assets			
Gross Block	Provisional figures not furnished	Provisional figures not furnished	Provisional figures not furnished
Less Depreciation			
Net fixed assets			
Current assets, loans and advances			
TOTAL – B			
C. Capital Employed**			

3. Sikkim Mining Corporation			
Particulars	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Paid up Capital	12.50	12.50	Provisional figures not furnished
Share application money from Government of India	-	2.51	
Reserve and surplus	-	-	
-Borrowings: Government	2.09	2.13	
Trade dues and current Liabilities and Provisions	1.36	1.20	
TOTAL – A	**15.95**	**18.34**	
B. Assets			
Gross Block	2.87	2.87	Provisional figures not furnished
Less Depreciation	(-) 1.83	(-) 1.95	
Net fixed assets	1.03	0.93	
Mine Development expenditure	4.55	4.60	
Current assets, loans and advances	0.67	0.93	
Accumulated loss	9.70	11.88	
TOTAL – B	**15.95**	**18.34**	
C. Capital Employed**	**34.36**	**66.14**	

Source: As per the approved accounts of the PSUs

* *Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance) less accumulated losses.*

** *Capital employed represents net fixed assets (including capital Work-in-progress) plus working capital.*

APPENDIX – 7.6

Statement showing working results of Statutory Corporations

(Ref: Paragraph 7.5; Page 157)

(Rupees in crore)

	1. State Bank of Sikkim			
	Particulars	**2005-06**	**2006-07**	**2007-08 (Provisional)**
1	Income		Provisional figures no furnished	Provisional figures no furnished
	a) Interest on loan	20.69		
	b) Other income	3.51		
	Total - 1	**24.20**		
2	Expenses			
	a) Interest on long-term and short-term loans	17.40		
	b) Provision for non-performing assets	-		
	c) Other expenses	5.73		
	Total - 2	**23.13**		
3	Profit (+)/Loss (-) before tax (1-2)	(+)1.07		
4	Prior period adjustments	0.23		
5	Provision for tax	-		
6	Profit (+)/Loss (-) after tax	(+)1.30		
7	Other appropriation	-		
8	Amount available for dividend	1.30		
9	Dividend paid/payable	-		
10	Total return on Capital employed	1.30		
11	Percentage of return on Capital employed	0.34		

	2. Sikkim Mining Corporation			
	Particulars	**2005-06**	**2006-07**	**2007-08**
1	Income			
	a) Sales of concentrates	0.49	0.73	
	b) Other income	0.27	0.04	
	c) Increase (+)/Decrease(-) in stock of concentrates	0.0039	(-) 0.05	
	Total - 1	**0.76**	**0.72**	
2	Expenses			
	a) Establishment charges	0.40	0.58	
	b) Manufacturing expenses	0.26	0.26	
	c) Other expenses	0.38	2.05	
	Total - 2	**1.04**	**2.89**	
3	Profit (+)/Loss (-) before tax (1-2)	(-)0.28	(-)2.17	
4	Provision for tax	-	-	
5	Prior period adjustments	(-)0.008	(-) 0.0095	
6	Profit (+)/Loss (-) after tax	(-) 0.29	(-) 2.18	
7	Other appropriation	-	-	
8	Amount available for dividend	-	-	
9	Dividend for the year	-	-	
10	Total return on Capital employed	**	**	
11	Percentage of return on Capital employed	-	-	

	3. State Trading Corporation of Sikkim			
	Particulars	**2005-06**	**2006-07**	**2007-08**
1	Income			
	a) Sale of trading goods	Provisional figures no furnished	Provisional figures no furnished	Provisional figures no furnished
	b) Other income			
	c) Increase (+)/Decrease (-) in stock			
	Total - 1			
2	Expenses			
	a) Purchase of Trading Goods			
	b) Trade Expenses			
	c) Establishment Expenses			
	d) Other Expenses			
	Total – 2			
3	Profit (+)/Loss (-) before tax (1-2)			
4	Provision for tax			
5	Prior period adjustments			
6	Other appropriation			
7	Amount available for dividend			
8	Dividend for the year			
9	Total return on Capital employed			
10	Percentage of return on Capital employed			

Source: As per the approved accounts of the PSUs

** *Negative figure*

APPENDIX – 7.7

Statement showing operational performance of Statutory Corporations

(Ref: Paragraph 7.5.2; Page 158)

Sl. No.	Particulars	2005-06	2006-07	2007-08
	State Bank of Sikkim			
				(provisional)
1	Earning per share ***(Rs.)***	1.30	-	-
2	Number of Branches	23	23	23
3	Number of Employees	269	248	-
4	Profit per Employee ***(Rs. in lakh)***	0.62	2.50	4.43
5	Deposits ***(Rs. in crore)***			
	(a) Government	159.22	119.22	60.75
	(b) Others	223.34	313.71	39.15
	Total-5	**382.56**	**432.93**	**99.90**
6	Advances (including bills) ***(Rs. in crore)***			
	(a) Government	-	-	-
	(b) Others	74.21	124.23	162.18
	Total-6	**74.21**	**124.23**	**162.18**
7	Debts written off	Nil	Nil	Nil
	Sikkim Mining Corporation			
1	Total mining area in possession ***(Hectare)***	34.8	34.8	34.8
2	Mining area excavated ***(Hectare)***	9.8	9.8	9.8
3	Number of Employees	87	84	39
4	Installed capacity ***(TPD)***			
	(a) Ore	100	100	Nil
	(b) Waste Rock	-	-	-
	(c) Others	-	-	-
	Total-4	**100**	**100**	**Nil**
5	Targets ***(MT)***			
	(a) Ore	5,400	Nil	Nil
	(b) Waste Rock	Nil	Nil	Nil
	(c) Others	Nil	Nil	Nil
	Total-5	**5,400**	**Nil**	**Nil**
6	Actual production of Waste Rock ***(MT)***			
	(a) Own	106	170	Nil
	(b) Contractual	-	Nil	Nil
	Total-6	**106**	**170**	**Nil**
7	Actual production ***(MT)***	5,227	3365	Nil
8	Percentage of capacity utilisation	17	15	Nil
9	Production of by-products, if any			
	(a) Targets ***(MT)***	Nil	Nil	Nil
	(b) Production ***(MT)***	Nil	Nil	Nil
	(c) Capacity utilisation in *per cent*	Nil	Nil	Nil

Note: TPD = Tonnes per day, Working days = 300 days

Sl. No.	Particulars	2005-06	2006-07	2007-08
	State Trading Corporation of Sikkim			
1.	Actual supply during the year: **(Rs. In crore)** (i) Cement	4.56	6.89	8.15
	(ii) G.C.I Sheet	1.18	5.38	6.82
	(iii) M.S. Rod	3.15	6.70	5.70
	(iv) Others	44.22	45.32	51.22
2.	Total no. of employees of STCS as on 31st March of	105	105	92
3.	Expenditure during the year on staff salaries/ wages **(Rs. In lakh)**	118.70	122.29	156.87
4.	Percentage of expenditure on staff to total sales	11.26%	16.63%	2.18%
5.	(a) Total no. of supply orders placed to DGS&D approved firms (b) Actual procurement	Nil	Nil	Nil
6.	Outstanding sundry debtors **(Rs. In crore)** (i) less than one year (ii) more than one year but less then five years	19.79	28.16	22.08
7.	Commission earned during the year **(Rs. In crore)**	1.39	1.68	1.78
8..	Expenditure on other administrative expenses (Rs. In lakh)	82.45	78.69	54.22
9.	No of branches	3	3	2

Source: As per the information furnished by the Statutory Corporations

APPENDIX – 7.8

Statement showing Department-wise outstanding Inspection Reports (IRs)

(Ref: Paragraph 7.11; Page 163)

Sl. No.	Name of Department (*Administrative Department*)	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Years from which paragraphs outstanding
1	Commerce and Industries	6	25	76	1997-98
2	Animal Husbandry, Livestock, Fisheries and Veterinary Services	3	6	13	1996-97
3	Social Justice, Empowerment and Welfare	1	3	12	2004-05
4	Finance, Revenue and Expenditure	2	15	40	1991-92
5	Mines, Minerals and Geology	1	2	9	2001-02
6	Tourism	1	4	16	2001-02
7	Energy and Power	1	3	16	2002-03
	Total	**15**	**58**	**182**	

Source: As per the information compiled by the audit from the office records

APPENDIX – 7.9

Statement showing department wise draft paragraph / reviews reply to which are awaited.

(Ref: Paragraph 7.11; Page 163)

Sl. No	Name of Department	Number of draft paragraphs	Period of issue	Period of reply received
1.	Finance, Revenue & Expenditure	3	August 2008	-
2.	Social Justice, Empowerment and Welfare	1	-do-	Sept 2008
3.	Mines, Minerals & Geology	1	-do-	-
4.	Commerce & Industries Department	1	-do-	Sept 2008
	Total	**6**	-do-	-

Source: As per the information compiled by the audit from the office records