

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

for the year ended 31 March 1999

GOVERNMENT OF SIKKIM

GOVERNMENT OF SIKKIM

COMPTROLLER OF ACCOUNTS

for the year ended 31 March 1953

AUDITOR GENERAL OF INDIA

AND

REPORT OF THE COMPTROLLER

ON THE STATE OF SIKKIM

FOR THE YEAR ENDED 31 MARCH 1953

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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 1999.*
3. *The remaining chapters deal with the findings of performance audit and audit of transaction in the various departments including the Public Works and Irrigation Department, audit of Stores and Stock, audit of Autonomous Bodies, Statutory Corporation, 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 1998-99 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 1998-1999 have also been included wherever necessary.*

OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 1998-99 and six other chapters, comprising 6 reviews and 41 paragraphs, based on the audit of certain selected programmes and activities of the Government. A synopsis of the important findings contained in the Report is presented below:

1 Accounts of the State Government

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

During 1998-99 total receipts and expenditure of the Government of Sikkim on revenue account were Rs. 1440.66 crore and Rs. 1495.60 crore respectively resulting in a revenue deficit of Rs. 54.94 crore. The total receipt and expenditure on capital account were Rs. 206.99 crore and Rs. 91.76 crore respectively resulting in a capital surplus of Rs. 115.23 crore. The revenue deficit in the Consolidated Fund of the Government for the financial year 1998-99 stood at Rs. 54.94 crore which constituted an increase of 233 per cent over the revenue surplus of Rs. 41.28 crore during the previous year.

While Assets grew by only 11 per cent, the Liabilities grew by 39 per cent during 1998-99, mainly due to very high percentage of growth (233 per cent) in the revenue deficit on the Government account.

The Tax Revenue constituted meagre share (3.25 per cent) of the revenue receipts.

The Non-tax Revenue constituted 70.86 per cent of the revenue receipts which declined from 71.55 per cent during 1997-98.

The Revenue expenditure constituted 94.22 per cent of the total expenditure and increased by 18.87 per cent as compared with the previous year.

Interest payment constituted 112 per cent of the Tax Revenue. The interest payments increased by 100.80 per cent from Rs 26.13 crore in 1994-95 to Rs. 52.47 crore in 1998-99.

During the last five years, the Balance from Current Revenues (BCRs) were negative suggesting that the Government had to depend only on borrowings for meeting its Plan expenditure.

The investment in 27 number of Companies, Corporations, Co-operative institutions

etc. was Rs 41.76 crore. The percentage of return from these investments ranged from 1 to 3 per cent only.

The Revenue Deficit of Rs 54.94 crore was met by borrowings. The Fiscal Deficit of Rs 146.86 crore was financed by net proceeds of the Public Debt (Rs 62.55 crore) and partly by the surplus from Public Account.

(Paragraph 1)

2 Appropriation Audit and control over expenditure

The Appropriation Accounts present the details of amount actually spent by the State Government vis-a-vis the amounts authorised by the State Legislature through budgetary grants. The summarised position of actual expenditure during 1998-99 against grants/appropriation and audit observation were as follows:

<u>At a glance</u>		<u>Rs in crore</u>
Total authorisation	:	1717.92
Original	:	1639.64
Supplementary	:	78.28
Total expenditure	:	1630.95
Total saving	:	86.97

The overall saving of Rs 86.97 crore was the result of saving of Rs 87.86 crore in 69 grants and appropriation, offset by excess of Rs 0.89 crore in 4 grants and appropriation.

The excess of Rs 2.88 crore under 56 grants and appropriation required regularisation under article 205 of the Constitution of India.

In 18 cases of grants/appropriation supplementary provision amounting to Rs.17.91 crore proved unnecessary.

Against unutilised provision of Rs 49.04 crore in 21 cases, Rs.15.89 crore only was surrendered.

In 12 cases, against the actual saving of Rs 22.83 crore, Rs 25.00 crore was surrendered resulting in excess surrender of Rs 2.17 crore.

Non regularisation of withdrawal in AC bills to the tune of Rs 1785.56 lakh in respect of 9 departments by submission of DC bills for a period ranging from 1 year to 10 years establishes the lackadaisical approach of the Government towards control over expenditure and financial discipline.

(Paragraph 2)

3 Audit Reviews on Developmental / Welfare Programmes and other activities

(a) *Nutritional Support to Primary Education*

The National Programme on Nutritional Support to Primary Education (NSPE) launched in August 1995 was intended to give a boost to universalisation of primary education by increasing enrolment, retention, attendance and simultaneously impacting on nutrition of students in primary classes. Audit scrutiny revealed that there were non / short allocation of foodgrains due to non-furnishing of latest enrolment figures by the State Government, lapsing of allocation due to non-lifting, lack of institutional arrangement for providing cooked food, non-preferment of claim towards transportation, hill transport subsidy etc. All these factors adversely impacted the implementation of the scheme in the State. No health check-up of children was done during 1995-99.

Neither GOI nor State Government fixed specific deadline to assess the achievement of the scheme in terms of increase in enrolment, retention and reducing the rates of dropouts.

There was non/short allocation of 16339.05 quintals of rice worth Rs 1.43 crore by GOI due to non-furnishing of latest enrolment figures by the State Government.

The allocation of 24168.56 quintals of rice worth Rs. 2.31 crore lapsed due to non-lifting within the stipulated period.

No institutional arrangement for providing cooked/procured food was developed.
(Paragraph 3.1)

(b) *Public Distribution System*

To ensure equitable distribution of essential goods, the Public Distribution System (PDS) was introduced in Sikkim from 1975. Revamped Public Distribution System (RPDS) for poor people at a price lower by Rs.50 per quintal than the Central Issue Price (CIP) of foodgrains was launched in June 1992 and the TPDS was launched from 1 June 1997. The Department could not implement the scheme till March 1999 due to non-identification of BPL families. The monthly allotment of 340 tonnes of BPL rice was lifted and distributed to consumers of the State at the rate of Rs.6 per kg uniformly without any distinction between BPL and APL families. In the absence of any returns / reports from the distributors, the actual distribution of essential commodities to the user beneficiaries could not be ascertained.

The consumers had to bear an extra burden of Rs 387.31 lakh on specially subsidised

rice due to charging of higher rates above the norms fixed by the Government of India. This was against the objective of the programme.

The TPDS could not be implemented due to non-identification of BPL and APL families. However allotted BPL quota (rice) was lifted and sold to consumers at higher cost leading to an undue profit of Rs 146.61 lakh.

Extra cost of Rs 49.51 lakh was passed on to the consumers under PDS due to higher overhead charges without any prescribed norms.

Disputes in respect of outstanding freight reimbursement claims of Rs 318.53 lakh and refund claims of advance payments to FCI remained unsettled for which the Department entailed extra burden of interest on cash credit availed from banks.

(Paragraph 3.2)

(c) Power Projects and Material Management

The main objectives of the power sector in the State are capacity addition, improvement in the existing system and augmentation in generation. To meet the power requirement, 12 Power Projects have been established in the State. There were huge transmission and distribution losses, selling of power below the purchase rate, non-adjustment of materials issued to works and abandonment of project due to not ascertaining the feasibility.

There was transmission and distribution loss to the tune of Rs.192.46 lakh.

Supply of free energy worth Rs.598.98 lakh was made without the Government's approval.

There was loss of Rs.1044.85 lakh on sale below the purchase rate.

Due to absence of co-ordination between the Civil and Electromechanical wings, Government fund amounting to Rs.322.84 lakh remained blocked for 1 year to more than 2 years.

Infructuous expenditure of Rs.1852 lakh on non-viable and abandoned projects was incurred.

There was closure of project worth Rs.920.70 lakh, loss of Rs.44.70 lakh and unjustified expenditure of Rs.12.48 lakh on idle labour.

The percentage of saving over the provision during 1993-94 to 1998-99 ranged from 77 to 100.

There was unadjusted amount of Rs.92.37 lakh on account of materials issued to departmental works.

Stores worth Rs.36.11 lakh remained idle for a period ranging from 2 to 9 years.

(Paragraph 3.3)

(d) Rural Employment Generation Programme

The objective of Rural Employment Generation Programme was to generate employment to the needy persons through creation of durable assets and economic infrastructure. The funds were received from the GOI and State Government by the Jawahar Rogjar Yojana/ Employment Assurance Scheme Cell and released to the districts and Panchayats for implementation.

Due to paucity of funds, the scheme could cover only 11 to 21 per cent of the targetted beneficiaries. There were delays in release of funds to the Cells from the Governments and to the Districts / Panchayats from the Cells. The generation of employment was reported to the GOI by theoretical calculations on the basis of funds released to the districts and minimum wage rate, notwithstanding huge unspent balances in the districts. There were expenditures on item of work not covered under the scheme, engagement of contractors, excessive expenditures on administration, non-adherence to wage-material ratio, sectoral allocation, leanagricultural season, selection of work benefiting individual SC/ST population.

The State Government did not make any serious and conscious effort to evaluate the impact of the scheme's under REGP being implemented in the State.

During 1994-95 to 1998-99, Rs.28.43 lakh was spent in excess of norms towards administrative expenses.

The unspent balance in the districts ranged from Rs.29.29 lakh (1998-99) to Rs.152.97 lakh (1996-97).

During 1996-97, 1997-98 and 1998-99, Rs.132 lakh, Rs.79 lakh and Rs.115 lakh were released to the districts on the last day of the financial years. These were shown as expenditures despite the fact that these were neither received nor expended by the districts during the respective years.

During 1996-97 to 1998-99, Rs.48.67 lakh were spent on works not covered under the scheme.

The expenditure reported to GOI was overstated to the tune of Rs. 328.48 lakh resulting in overstatement of employment generation to the tune of 4.93 lakh mandays.

(Paragraph 3.4)

(e) Integrated Audit of Tourism Department

With a view to enhance and promote tourism, the Government of India (GOI) sanctioned several schemes for construction of tourist lodges, tourist complexes, way side amenities etc. Audit scrutiny revealed that during 1993-99, there was huge

overall saving indicating lack of proper financial management and planning, defeat of objectives of providing tourist facilities at different tourist destinations, irregular utilisation of departmental receipts, unfruitful expenditure on tourist infrastructures and promotion of tourism.

During 1993-94 to 1998-99, against the budget provision of Rs.2745.21 lakh, the expenditure was Rs.1531.24 lakh resulting in an overall saving of Rs.1213.97 lakh. Under Revenue and Capital sections, there were persistent savings from 1994-95 to 1998-99. This is indicative of a lack of proper financial management and planning. Out of one Tourist Lodge, two Tourist Complexes and five Wayside Amenities for which Rs.94.92 lakh was sanctioned by GOI, the Department could complete only one Tourist Lodge and one Wayside Amenity during 1993-94 to 1998-99. Non-completion of these facilities defeated the objective of creation of tourist infrastructure besides locking up of funds of Rs.22.83 lakh.

During 1993-94 to 1997-98, actual revenue receipts fell consistently short of the budget estimates. The shortfall ranged from 3 to 83 per cent.

Two departmentally run hotels irregularly utilised the departmental receipts of Rs. 28.69 lakh instead of depositing the same into Government account.

Aerosports equipment purchased (July 1993) at a cost of Rs. 12.09 lakh have not been used till date.

(Paragraph 3.5)

(f) *Integrated Child Development Services*

The objectives of the scheme were to improve the nutritional and health status of children in the age group of 0-6 years, lay the foundation for proper psychological, physical and social development of the child and reduce the incidence of mortality, morbidity, malnutrition and school dropouts.

The implementing departments never undertook any evaluation study to assess the impact of the scheme. The shortfall in coverage under supplementary nutrition varied between 25 and 42 per cent. Nutrition was not provided for 300 days in a year as prescribed. Deficiency in protein content was between 26 and 79 per cent for malnourished children, expectant and nursing mothers. Deficiency in calorie content of food supplied to malnourished children, mothers and other children was as high as 76, 71, 51 per cent. The immunisation with respect to first dose fell short by 22 to 24 per cent for DPT and 14 to 30 per cent for Polio during 1995-99.

Against the Central assistance of Rs. 701.18 lakh, the Department spent only Rs. 629.80 lakh during 1992-93 to 1998-99, leaving a balance of Rs.71.38 lakh.

The State Government did not provide adequate funds for supplementary nutrition. The shortfall was upto 45 per cent of actual requirement.

The shortfall in coverage under supplementary nutrition varied between 25 and 42 per cent.

The deficiency in protein content of food was as high as 79 per cent in mal-nourished children. In case of expectant and nursing mothers, the deficiency in protein content varied between 26 and 72 per cent whereas the calorie deficiency was between 41 and 71 per cent.

Food for supplementary nutrition was never supplied for the prescribed 300 days a year. Food was not supplied during entire year in 56 centres in 1995-96, 86 centres in 1997-98 and 114 centres in 1998-99.

The shortfall in administration of vitamin A solution ranged from 66 to 83 per cent during 1996-97 to 1998-99.

The prescribed visits of centres fell short by 57 to 68 per cent in respect of CDPOs and 36 to 40 per cent in respect of supervisors. No evaluation was ever done to assess the extent of achievement.

(Paragraph 3.6)

4 Other points of interest

(i) Civil Departments

Out of Rs 23.70 lakh received for sale of decontrolled fertilisers with concession to the farmers during 1993-94 and 1994-95, the Agriculture Department could utilise only Rs. 7.08 lakh.

(Paragraph 3.7)

During the last five years, the number of outstanding paragraphs increased from 1522 to 2855- an increase of 47 per cent.

(Paragraph 3.9)

Rs 137.84 lakh was diverted from Calamity Relief Fund for utilisation towards payment of outstanding bank liabilities, purchase of vehicles and credit to the general reserve of the Government.

(Paragraph 3.10)

Construction of houses without assessing the local and social factors resulted into unfruitful expenditure of Rs 13.26 lakh.

(Paragraph 4.2)

Equipment/instruments purchased at a cost of Rs 8.46 lakh remained unutilised for the last 6 years.

(Paragraph 5.1)

Improper survey of requirement resulted in idle stock of HDPE pipes worth Rs 11.29 lakh for the last 4 years.

(Paragraph 5.2)

(ii) Revenue Receipts

Acceptance of duplicate bank receipts as credit without verification led to fraudulent use of bank receipts and at the instance of audit, Rs 4.13 lakh was realised.

(Paragraph 6.8)

Non-deduction of tax from the defaulters led to blocking up of revenue to the tune of Rs 23.29 lakh.

(Paragraph 6.9)

Due to non-deduction of tax at source, Rs 10.48 lakh was not realised from the contractors.

(Paragraph 6.10)

Due to failure of the Department either to obtain the books of accounts from the dealer or to ascertain the factual position from the Sales Tax Department, the Government sustained a loss of Rs 84.14 lakh.

(Paragraph 6.11)

(iii) Commercial and Trading Activities

Absence of complete documentation and verification of utilisation of amount already released resulted in non-utilisation of fund to the tune of Rs.57.65 lakh.

(Paragraph 8.13)

The State Bank of Sikkim could not effect recovery of Rs.2.56 crore from the defaulting loanees even after obtaining decree orders from the Court of Law since June 1988.

(Paragraph 8.14)

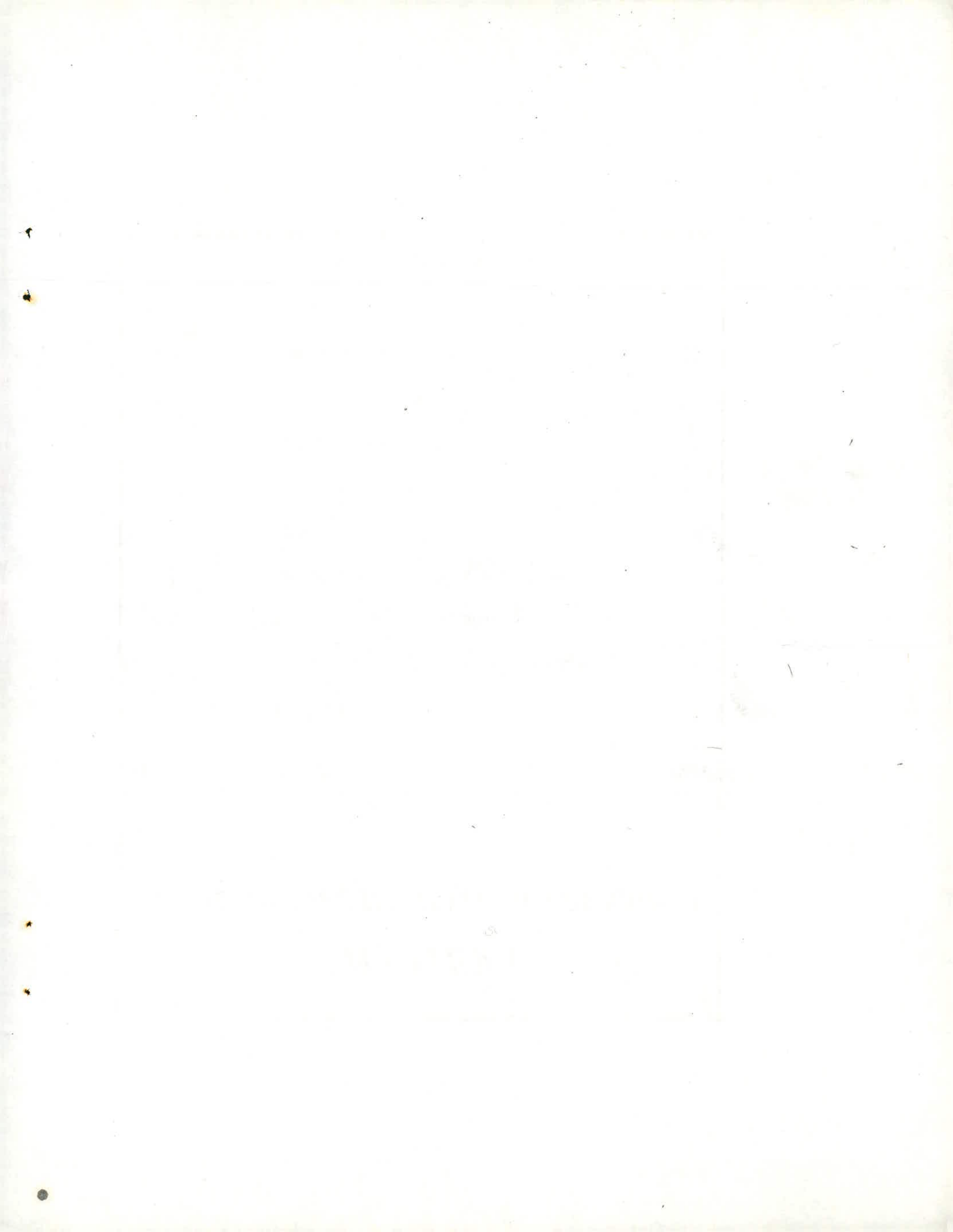
Due to not taking timely action, the State Bank of Sikkim had to sustain a loss of Rs.15.75 crore towards interest waived off.

(Paragraph 8.15)

CHAPTER I

ACCOUNTS OF THE STATE GOVERNMENT

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CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in the Appendix (Part A) to this chapter.

1.2 Financial position of the State Government

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc, owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. An abstract of such liabilities and the assets as on 31 March 1999, compared with the corresponding position on 31 March 1998 is given in the table below:

**SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF SIKKIM
AS ON 31 MARCH 1999**

(Rs in crore)

As on 31.03.1998	Liabilities	As on 31.03.99
-	External Debt	-
133.31	Internal Debt	170.67
	Market Loans bearing interest	139.91
	Market Loans not bearing interest	3.30
	Loans from LIC	27.46
162.06#	Loans and Advances from Central Government-	187.25
	Pre 1984-85 Loans	8.78
	Non-Plan Loans	39.60
	Loans for State Plan Schemes	129.79
	Loans for Central and Centrally Sponsored Plan Schemes	7.08
	Ways and Means Advances	2.00
1.00	Contingency Fund	1.00
60.16	Small Savings, Provident Funds, etc.	145.75
7.21	Deposits	5.71
4.77	Reserve Funds	9.64
28.93	Remittance Balances	31.95
490.63*	Surplus on Govt. A/cs	435.69
	Last year balance	489.48
	Prior period adjustment	1.15
	Add Revenue Surplus/less Revenue deficit	(-)54.94
888.07		987.66
As on 31.03.1998	Assets	As on 31.03.99
897.83	Gross Capital Outlay on Fixed Assets-	989.59
	Investments in shares of Companies, Corporations, etc.	41.77
	Other Capital Outlay	947.82
9.72	Loans and Advances-	9.87
	Other Development Loans	5.15
	Loans to Government servants and Miscellaneous loans	4.72
-	Reserve Fund Investments	-
0.17	Advances	0.19
4.73	Suspense and Miscellaneous Balances	(-)0.56
(-)25.34	Cash-	(-)12.38
	Cash in Treasuries and Local Remittances	
	Deposits with other Bank	(-)15.80
	Departmental Cash Balance and	3.63
	Cash Balance Investments	(-) 0.21
0.46	Earmarked Funds Invested	0.45
0.50	Appropriation to Contingency Fund	0.50
888.07		987.66

#* Difference of Rs.1.15 crore from closing balance of 1997-98 is due to proforma correction made during this year. The same amount was wrongly booked under Major Head 6004-60 Ways and Means Advance during the year 1983-84 instead of Major Head 1601 - Grants-in-aid from Central Government. Proforma correction carried out on the advice from State Government after getting confirmation from the Ministry of Finance, Government of India.

While the liabilities in this statement consist mainly of external and internal borrowings, loans and advances from the Government of India, receipts from the Public account and Reserve funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the exhibit that while the liabilities grew by 39 per cent, the assets grew by only 11 per cent during 1998-99 mainly as a result of a very high (233 per cent) growth in the revenue deficit on the Government account. This shows an overall deterioration in the financial condition of the Government.

1.3 Sources and application of fund

1.3.1 The table below gives the position of sources and applications of funds during the current and the preceding year.

SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

1997-98	Sources	1998-99
1299.47	1. Revenue receipts	1440.66
0.73	2. Recoveries of Loans and Advances	0.92
34.65	3. Increase in Public debt other than overdraft	62.55
17.07	4. Net receipts from Public account	97.27
	Increase in Small Savings	85.59
	Increase in deposits and Advances	(-)1.50
	Increase in Reserve finds	4.87
	Net effect of suspense and Miscellaneous transactions	5.28
	Net effect of remittance transactions	3.03
15.31	5. Increase in closing cash balance	(-) 12.96
1367.23	Total	1588.44
1997-98	Application	1998-99
1258.79	1. Revenue expenditure	1495.60
1.81	2. Lending for development and other purposes	1.08
107.23	3. Capital expenditure	91.76
1367.23	Total	1588.44

The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and the lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of fund for the State Government. While their relative share declined from 95.00 per cent in 1997-98 to 90.70 per cent during 1998-99, the share recoveries of loans and advances went up from 0.05 per cent to 0.06 per cent. The receipts from the Public Account increased signifi-

cantly as their share went up from 0.01 per cent in 1997-98 to 6.12 per cent per cent in 1998-99. This was mainly due to increase in small savings etc. The receipts from the public debt went up marginally from 2.53 per cent to 3.94 per cent.

1.3.2 The funds were mainly applied for revenue expenditure, whose share not only went up from 92.06 per cent to 94.15 per cent, but also remained significantly higher than the share of the revenue receipts (90.70 per cent) in the total receipts of the State Government. This led to the Revenue Deficit. A notable change during the year was that while the percentage of capital expenditure went down from 7.84 per cent to 5.77 per cent, lending for development purposes came down from 0.13 per cent to 0.07 per cent.

1.4 Financial operation of the State Government

1.4.1 Exhibit I at the end of this chapter gives the details of the receipts and disbursements made by the State Government. The Revenue expenditure (Rs.1495.60 crore) during the year exceeded the revenue receipts (Rs. 1440.66 crore) resulting in a revenue deficit of Rs. 54.94 crore. The Revenue receipts comprised tax revenue (Rs.46.76 crore), non-tax revenue (Rs. 1020.91 crore), State's share of Union taxes and duties (Rs.92.21 crore) and grants-in-aid from the Central Government (Rs.280.78 crore). The main sources of tax revenue were Taxes on Income other than Corporation Tax (39.20 per cent), Sales Tax (27.92 per cent) and State Excise (25.36 per cent). Non-tax revenue came mainly from general services (97.87 per cent).

1.4.2 The capital receipts comprised Rs.0.92 crore from recoveries of loans and advances and Rs. 95.54 crore from public debt. Against this, the expenditure was Rs. 91.76 crore on capital outlay, Rs. 1.08 crore on disbursement of loans and advances and Rs. 32.99 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.715.92 crore, against which the disbursements of Rs.618.65 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase in the cash balance from Rs. (-) 25.34 crore at the beginning of the year to Rs.(-)12.38 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs with reference to the information contained in table under paragraph 1.3.1 and the time series data for five years period from 1994-95 to 1998-99, presented in the table given below:

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

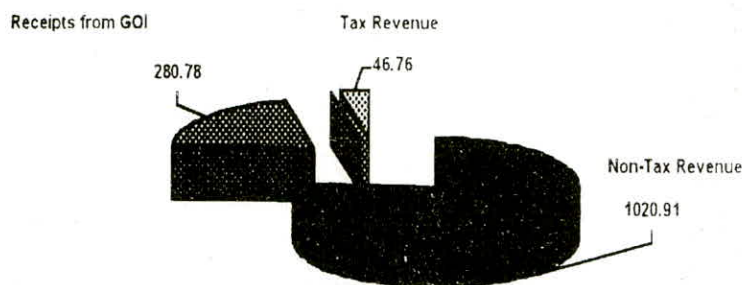
	1994-95	1995-96	1996-97	1997-98	1998-99
Part A. Receipts					
I. Revenue Receipts	546.26	941.21	1157.59	1299.47	1440.66
(a) Tax Revenue	18.93 (3.47)	27.28 (28.98)	29.91 (2.58)	36.50 (2.81)	46.76 (3.25)
Taxes on Income other than Corporation Tax	5.17(27.31)	6.55(24.01)	8.21 (27.45)	9.06 (24.82)	18.33 (39.20)
Sales Tax	5.12 (27.05)	7.39 (27.09)	8.23 (27.52)	12.71 (34.82)	13.06 (27.92)
State Excise	6.89 (36.41)	10.64 (39.00)	10.54 (35.24)	10.81 (29.62)	11.86 (25.36)
Tax on Vehicles	0.62 (3.27)	1.25 (4.58)	1.22 (4.08)	1.54 (4.22)	1.51 (3.23)
Stamp and Registration fees	0.23 (1.21)	0.34 (1.25)	0.42 (1.40)	0.37 (1.01)	0.51(1.09)
Land Revenue	0.11 (0.58)	0.15 (0.55)	0.16 (0.53)	0.96 (2.63)	0.12(0.26)
Tax on goods and passengers	0.79 (4.17)	0.96 (3.52)	1.13 (3.78)	1.05 (2.88)	1.37 (2.93)
Other Taxes	-	-	-	-	-
(b) Non - Tax Revenue	332.16 (60.80)	626.73 (66.58)	829.34 (71.64)	929.83 (71.55)	1020.91 (70.86)
(c) State's share in Union taxes	36.62(6.70)	45.10(4.79)	73.34(6.33)	79.91(6.15)	92.21 (6.40)
(d) Grants in aid from GOI	158.55(29.02)	242.10(25.79)	225.00(19.44)	253.24(198.49)	280.78 (19.49)
II Capital Receipts	51.54	63.88	81.29	104.62	206.99
Market Borrowing	14.27 (27.69)	16.03 (25.10)	17.83 (21.93)	20.45 (19.56)	42.00 (20.29)
Loans and advances from GOI	16.09 (31.22)	20.08 (31.43)	37.37 (45.97)	41.29 (39.46)	53.54 (25.86)
Other Receipts (Public Accounts)	21.18 (41.09)	27.27 (43.47)	26.09 (32.10)	42.88(40.98)	111.45 (53.85)
Part B. Expenditure					
I. Revenue Expenditure	526.42 (88.74)	881.18 (89.70)	1118.86 (92.24)	1258.19 (92.15)	1495.60 (94.22)
Plan	66.22 (12.58)	109.61 (12.45)	125.18 (11.19)	116.32 (9.25)	159.77 (10.68)
Non - Plan	460.20 (87.42)	771.57 (87.56)	993.68 (88.81)	1141.86 (90.75)	1335.83 (89.32)
General Services	369.15 (70.12)	665.85 (75.56)	876.01 (78.29)	986.90 (78)	1127.77 (75.41)
Economic Services	82.31 (15.63)	105.51(11.97)	117.94	127.84 (10)	155.63 (10.40)
Social Services	74.96 (14.24)	109.82(12.96)	124.91	143.45 (11)	212.21 (14.19)
Interest Payment	26.13	28.99	32.98	40.94	52.47
Arrears of Revenue (%Tax & Non - Tax Revenue Receipt)					
Fin. Assistance to Local bodies etc.	3.26	0.39	2.47	3.08	2.17
Loans and advances given	0.92	0.96	1.23	1.80	1.08
II Capital Expenditure	66.78 (11.26)	101.17 (10.3)	94.16 (7.76)	107.23 (7.85)	91.76 (5.78)
Plan	66.28 (100)	101.17 (100)	94.16 (100)	107.23 (100)	91.76 (100)
Non - Plan	0.50	-	-	-	-
General Services	3.24 (4.89)	5.18 (5.12)	5.35 (5.68)	6.59 (6.15)	4.60 (5.01)
Economic Services	42.04 (62.95)	63.79 (63.05)	61.52 (65.34)	67.58 (63.02)	57.44 (62.60)
Social Services	21.50 (32.19)	32.20 (31.83)	27.29 (28.98)	33.06 (30.83)	29.72 (32.39)
Part C. Deficits					
Revenue Deficit (-)/Surplus(+)	(+) 19.84	(+) 60.02	(+) 38.73	(+) 41.28	(-) 54.94
Fiscal Deficit	45.70	40.08	55.90	67.02	146.86
Budgetary Deficit (-)/Surplus (+)	(-) 46.94	(-)41.15	(-) 55.43	(-) 65.95	(-) 146.70
Part D. Other data					
Ways and means Advances(days)	-	-	-	-	-
Interest on WMA	-	-	-	-	-
GSDP	420.12	518.46	617.02	NA	NA
Outstanding Debt (year end)	243.67	276.61	312.90	356.69	503.67
Outstanding guarantees(year end)	3.73	3.73	13.73	21.78	21.07
Guarantees given during the year	3.63	NIL	10.00	8.05	-
Number of incomplete projects	NA	NA	4.57	66	69
Capital blocked in incomplete projects	NA	NA	NA	9.84	96.26

Note: (I) Figures in brackets represent percentages to total of each sub - heading. (II) Non-tax revenue for the year 1998-99 includes gross receipt of Rs. 993.03 crore from State Lotteries before adjustment of expenditure of Rs. 978.00 crore.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in the chart below. The revenue receipts grew at an average annual rate of 52.2 per cent during 1994-95 to 1998-99.

Revenue Receipts 1998-99 (Rupees in crore)



1.5.2 Tax Revenue

The tax revenue constituted the meagre share (3.25 per cent) of the revenue receipts, though its share rose from 2.81 per cent in 1997-98 due to rate of healthy growth of tax revenue from 22 per cent in 1997-98 and 28 per cent in 1998-99. The table under paragraph 1.4.3 shows that the relative contribution of sales tax has come down from 34.82 per cent in 1997-98 to 27.92 per cent in 1998-99 while that of Taxes on income other than corporation tax has gone up considerably in 1998-99 after remaining nearly stagnant till 1997-98. The other two major constituents of the tax revenue viz., the tax on vehicles and Land Revenue fees have declined in significance as their relative shares have decreased.

1.5.3 Non-tax revenue

The non-tax revenue constituted 70.86 per cent of the total revenue receipts as compared to 71.55 per cent in 1997-98. This was despite the increase of non-tax revenue by 9.79 per cent over the previous year. The gross receipt from State Lotteries constituted 68.93 per cent of the total Revenue receipts of the State.

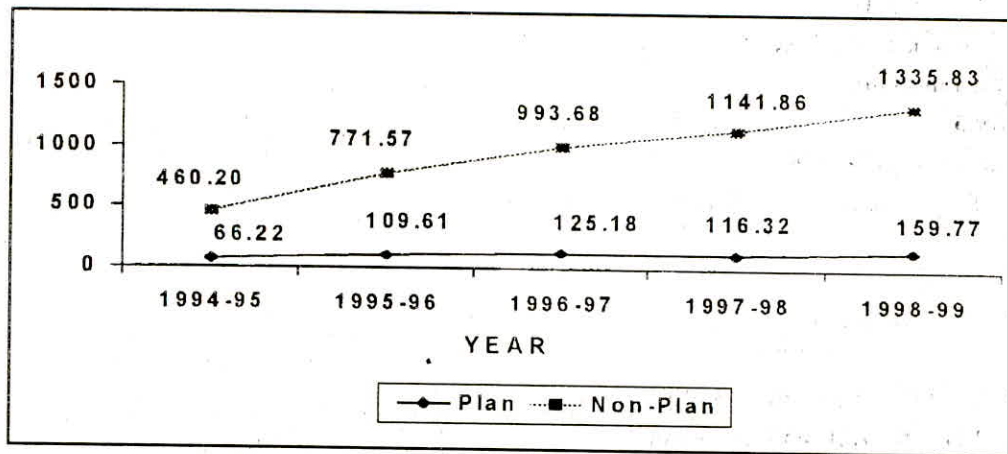
1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties and income and corporation taxes) increased by 15.39 per cent during the year, while the grants-in-aid from the Central Government increased by 10.88 per cent. However, as a percentage of revenue receipts they (both taken together) declined from 36 per cent in 1994-95 to 26 per cent during 1998-99; which was mainly due to a steep decline (from 29.00 per cent to 19.49 per cent) in the share of grants-in-aid as also due to decline in State's share of Union taxes.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most (94.22 per cent) of the expenditure of the State Government and increased by 18.87 per cent during 1998-99. Non-plan revenue expenditure constituted a major slice of the total revenue expenditure during the 5 years 1994-99 and ranged between 87 and 91 per cent. Trend analysis indicated in the graph below shows that the Government has not made any efforts to arrest the growing share of the revenue expenditure, which went up to 94 per cent from 92 per cent in 1997-98.

Revenue expenditure 1994-99 (Rupees in crore)



1.6.2 Sector wise analysis shows that while the expenditure on General Services increased by 205 per cent, from Rs. 369.15 crore in 1994-95 to Rs. 1127.77 crore in 1998-99, the corresponding increases in expenditure on Social Services and Economic Services were 183.10 and 89.08 per cent respectively. As a proportion of total expenditure, the share of General Services increased from 70.12 per cent in 1994-95 to 75.41 per cent in 1998-99. The share of Social Services remained static at 14 per cent whereas that of Economic Services decreased from 15.63 per cent to 10.40 per cent.

1.6.3 Interest payments

Interest payments increased steadily by 100.80 per cent from Rs. 26.13 crore in 1994-95 to Rs. 52.47 crore in 1998-99. This is further discussed in the section on financial indicators.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided to different local bodies etc., during the period of four years ending 1998-99 was as follows:

(Rupees in crore)

Years	1995-96		1996-97		1997-98		1998-99	
	Grants	Loans	Grants	loans	Grants	loans	Grants	loans
Universities and Educational Institutions	-	-	1.24	-	1.23	-	1.37	-
Municipal Corporations and Municipalities	-	-	-	-	-	-	-	-
Zilla Parishads and Panchayati Raj Institutions	-	-	-	-	-	-	-	-
Development agencies	-	-	0.54	-	0.44	-	0.44	-
Hospitals and Other Charitable Institutions	-	-	-	-	-	-	-	-
Other institutions	0.39	-	0.69	0.24	1.41	0.77	0.36	0.01
Total	0.39	-	2.47	0.24	3.08	0.77	2.17	0.01
Percentage of growth over previous year	(-)88.04	-	533.33	-	24.70	220.83	(-)29.54	(-)98.70
Assistance as a percentage of revenue expenditure	0.04	-	0.22	0.02	0.24	0.06	0.14	-

The assistance to the local bodies and others declined sharply by 30 per cent in respect of grant and 99 per cent in respect of loan during 1998-99.

1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, cooperatives, non- Government institutions, etc, for developmental and non developmental activities. The positions for the last five years given below shows that during 1997-98 there was no decline in repayment as a result of which the closing balance increased by about 1.54 percent. The interest was not received in any of the year and credited in Government account.

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Opening balance	10.54	9.22	8.17	8.64	9.72
Amount advanced during the year	0.92	0.96	1.23	1.80	1.08
Amount repaid during the year	2.16	2.02	0.76	0.72	0.92
Closing balance	9.30	8.17*	8.64	9.22	9.87
Net addition	(-)1.24	(-)1.05**	0.47	1.08	0.15

* Difference of Rs.1 lakh is due to rounding off.

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

1.7 Capital Expenditure

Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. public sector undertakings (PSUs), corporations, etc and loans and advances. During 1998-99, the capital expenditure has declined by 14.43 per cent, as a result of which its share in total expenditure has declined from 8 percent in 1997-98 to 6 percent in 1998-99. The table under paragraph 1.4.3 shows that major portion of the capital expenditure has been on Economic and Social Services and on the plan side only.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-plan and Revenue and Capital. While the Plan and Capital expenditure are usually associated with asset creation, the on-plan and Revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds and funds blocked in incomplete projects would also impinge significantly on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also to be considered in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year, it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

Years	1994-95	1995-96	1996-97	1997-98	1998-99
	(Rupees in crore)				
1. Plan expenditure as a percentage of					
i. Revenue expenditure	13	12	11	9	11
ii Capital expenditure	100	100	100	100	100
2. Capital expenditure	11	10	7	7	5
3. Expenditure on General Services (percent)					
Revenue	70	76	78	78	75
Capital	5	5	6	6	5
4. Amount of wastages and diversion of funds detected during test audit	-	-	-	-	-
5. Non-remunerative expenditure on incomplete projects	NA	NA	4.57	9.84	96.20
6. Unspent balance under deposit heads, booked as expenditure at the time of their transfer to the deposit head	NA	NA	NA	NA	NA

It would be seen that the share of plan expenditure on the revenue side has been increasing since 1997-98. The share of capital expenditure, has on the other hand, gone down. The expenditure on General Services, had a marginal decline on both the capital and revenue side.

1.9 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to the expenditure management in the Government, based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

1.9.1 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

Sector	Number of concerns	Amount invested	
		as on 31.03.1999	during 1998-99
(Rupees in Crore)			
(1) Statutory Corporations	8	30.16	1.68
(2) Government Companies	12	9.88	0.05
(3) Joint Stock Companies	-	-	-
(4) Co-operative Institutions	7	1.72	0.45
Total	27	41.76	2.18

The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

(Rupees in crore)				
Year	Investment at the end of the year	Return	Percentage of Return	Rate of interest on Government borrowing (%)
1994-95	23.16	0.67	3	12.50
1995-96	28.90	0.20	1	14.00
1996-97	34.79	1.38	4	13.85 and 13.75
1997-98	37.79	1.59	4	13.05
1998-99	41.76	1.23	3	12.50

Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies etc., fetched insignificant returns. As on 31 March 1999, 4 of the Government companies were running under loss and the accumulated loss was Rs. 12.11 crore up to March 1999.

1.9.2 Incomplete Projects

As of 31 March 1999, there were 69 incomplete projects in which Rs. 96.26 crore were blocked. The position had deteriorated as compared to the position as on 31 March 1998. This showed that the Government was spreading its resources thinly, which failed to yield any return.

1.9.3 Ways and means advances and overdraft

The State Government has not entered into any agreement with the Reserve Bank of India (RBI) for carrying out the general banking business of the Government which is carried out by the State Bank of Sikkim. Since the transactions of Sikkim Government are not conducted by the RBI, the State Government has not taken any Ways and Means Advances from the RBI. To avoid delay / non accountal of Central assistance released by the Government of India (GOI), the State Government should reconsider the feasibility of taking up the matter with RBI for entering into an agreement.

1.9.4 Deficit

1.9.4.1 Deficits in Government accounts represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz. Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.9.4.2 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments.

The following table gives a break-up of the deficit in Government account:

(Rupees in crore)

CONSOLIDATED FUND				
Receipt	Amount		Disbursement	Amount
Revenue	1440.66	Revenue deficit:54.94	Revenue	1495.60
Misc. capital receipts			Capital	91.76
Recovery of loans & advances	0.92		Loans & advances disbursement	1.08
Sub total	1441.58	Gross fiscal deficit: 146.86	Sub total	1588.44
Public debt	95.54		Public debt repayment	32.99
Total	1537.12	A: Deficit in CF: 84.31		1621.43
PUBLIC ACCOUNT				
Small savings, PF etc.	95.10		Small savings, PF etc.	9.51
Deposits & advances	4.52		Deposit & advances	6.02
Reservefunds	11.83		Reserve funds	6.95
Suspense & Misc.	406.51		Suspense & Misc.	401.23
Remittances	197.96		Remittances	194.93
Total Public Account	715.92	B: (i) Deficit in CF financed by Public Account: 84.31		618.64
		(ii) Increase in cash balance (B-A): 12.97		97.28
				715.92

The table shows that the Revenue Deficit of Rs. 54.94 crore was met by borrowings. The Fiscal Deficit of Rs.146.86 crore was financed by net proceeds of the public debt (Rs. 62.55 crore) and partly by the surplus from Public Account. Exhibit IV shows that Fiscal Deficit has shown an increasing trend over the last 5 years.

1.9.4.3 Application of the borrowed funds (Fiscal Deficit)

The Fiscal Deficit represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for making the Capital Expenditure (CE) and for giving loans to various bodies for development and other purposes. The relative proportions of these application would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the positions in respect of the Government of Sikkim for the last five years:

Ratio	1994-95*	1995-96*	1996-97*	1997-98*	1998-99
RD/FD	(-)0.43	(-)1.50	(-)0.69	(-)0.62	0.37
CE/FD	1.46	2.52	1.68	1.60	0.62
Net loans/FD	(-) 0.03	(-) 0.02	0.01	0.02	0.01
Total	1.00	1.00	1.00	1.00	1.00

*During these years, there was no Revenue deficit.

1.9.5 Guarantees given by the State Government

Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. Exhibit-IV lists the amounts of guarantees given by the Government and the amounts outstanding at the end of each year during 1995-99. Both these have shown increasing trend upto 1997-98, which decreased during 1998-99.

1.10 Public debt

The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. During the five-year period, the total liabilities of the Government had grown by 104 per cent. This was on account of 84 per cent growth in internal debt, 64 per cent growth in loans and advances from GOI and 257 per cent growth in other liabilities. During 1998-99, Government borrowed Rs. 40.90 crore in the open market at interest rate of 12.50 per cent per annum.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities	Total liabilities	Ratio of debt to GSDP
1994-95	92.59	113.60	206.19	45.18	251.37	0.60
1995-96	104.81	128.31	233.12	97.18	330.30	0.64
1996-97	117.43	144.44	261.87	60.88	322.75	0.52
1997-98	133.31	163.21	296.52	72.14	368.66	NA
1998-99	170.67	187.25	357.92	161.10	514.02	NA

1.10.2 The amount of funds raised through Public debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Internal Debt					
-Receipt	14.27	16.03	17.83	20.45	42.00
Repayment (Principal + int.)	14.39	15.86	20.70	21.44	24.47
Net funds available (per cent)	(-) .12	0.17(1)	(-) 2.87	(-) 0.99	17.53 (42)
Loans & advances from GOI					
Receipt during the year	16.09	20.08	37.37	41.29	53.53
Repayment	15.01	17.79	33.39	40.32	48.60
Net fund available (Per cent)	1.08 (7)	2.29 (11)	3.98 (11)	0.97 (2)	4.93 (9)
Other liabilities					
Receipt during the year	21.18	27.77	26.09	42.88	111.45
Repayment	18.87	25.48	22.54	37.48	34.88
Net fund available (Per cent)	2.31 (11)	2.29 (8)	3.55 (14)	5.40 (13)	76.57 (69)

It would be seen that very little of the borrowing are available for investment and other expenditure after meeting the repayment obligations. Considering that the outstanding debt has been increasing year after year the net availability of funds through public borrowings is not increased proportionately.

1.11 Indicators of the financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing and Government's increased vulnerability in the process. All the State Governments continued to increase the level of their activity principally through Five Year Plans which translate to annual development plans and are provided for in the State Budget. Broadly, it can be stated that non-plan expenditure represents Government maintaining the

existing level of activity, while plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of Annual Financial Statement (Budget) and the Accounts. As regards the Budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility, and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix (Part B). Exhibit V indicates the behaviour of these indices/ratios over the period from 1994-95 to 1998-99. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviours of the indices / ratios are discussed below:

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The Exhibit V shows that the State Government had negative BCR in all the preceding five years and

negative balance increased steeply in 1997-98 and 1998-99. This shows that State was not able to generate surplus from current revenues and its dependence on borrowings for meeting the plan expenditure increased significantly.

(ii) Interest ratio

The higher the ratio, the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In case of Sikkim, the ratio has moved in the narrow range of 0.03 to 0.04. It has gone up to 0.04 only during 1998-99. Rising interest ratio has adverse implication on the sustainability, since it points out to the rising interest burden.

(iii) Capital outlay/capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In case of Sikkim, the ratio has been more than one during the period from 1994-95 to 1997-98. However, it declined sharply from 1.03 in 1997-98 to 0.44 in 1998-99. This shows that the position has deteriorated.

(iv) Return on Investment (ROI)

The ROI is the ratio of the earning to the capital employed. A high ROI suggests sustainability. The table under paragraph 1.9.1 presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in case of Government of Sikkim has been negligible and has moved in the narrow range of 1 percent to 4 percent.

(v) Capital repayments Vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Sikkim Government, this ratio has been in the range of 24 to 47 percent.

(vi) Revenue deficit / Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings the revenue deficit as a percentage

of fiscal deficit would indicate the extent to which the borrowings, of the Government are being used to finance non-productive revenue expenditure. Thus, the higher the ratio, the worse off the State because that would indicate the debt burden is increasing without adding to the repayment capacity of the State. During 1994-95 to 1997-98, there was no revenue deficit. During 1998-99 the ratio has been 0.37.

(vii) Primary deficit Vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In case of Government of Sikkim, this ratio has been rather small and below 0.60. This suggests that interest payment accounted for more than 60 percent of the net borrowings, which are therefore not available for capital investment to large extent.

(viii) Guarantees Vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Sikkim, this ratio has decreased marginally to 0.01 in 1998-99 from 0.02 in 1997-98, indicating an improvement in the position.

(ix) Assets Vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. Since 1995-96, this ratio is moving fast towards negative direction indicating the trend of insolvency.

(x) Budget

There was no delay in submission of the budget and their approval. The details are given in the following table:

Preparation	Month of submission	Month of approval
Vote on account	February 1998	February 1998
Budget	August 1998	August 1998
Supplementary I	December 1998	December 1998
Supplementary II	March 1999	March 1999

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year vis-a-vis the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

(xi) Accounts

During 1998-99, delay in submission of monthly compiled accounts by Public Works Division ranged from one to fifty eight days. One account pertaining to Power Department for September 1998 was excluded from monthly civil accounts due to inordinate delay in submission of accounts by Power Department. The delay in submission of monthly accounts by the Chief Pay and Accounts Office ranged from 15 to 64 days.

1.11.4 Conclusion

The ratio of primary deficit to fiscal deficit shows that interest payments have been substantial, going up to 80 per cent of the net capital borrowings. All these have adverse implications for sustainability, as also a falling BCR, low (less than one) capital outlay to capital receipt ratio and an abysmally low ROI.

Exhibit-I

**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR
1998-99**

(Rupees in crore)

1997-98	Receipts Section-A : Revenue	1998-99	1997-98	Disbursement	Non-Plan	Plan	Total	1998-99
1299.47	I. Revenue receipts	1440.66	1258.19	I. Revenue				1495.60
	-Tax revenue	46.76		Expenditure				
	-Non-tax revenue	1020.91		General Services	1126.44	1.33	1127.77	
	-State's share of Union Taxes	92.21		Social Services				
	-Non-Plan grants	22.31		-Education, Sports, Art and Culture	70.25	41.67	111.92	
				-Health and Family Welfare	19.13	22.76	41.89	
				-Water Supply, Sanitation, Housing and Urban Development	8.95	29.08	38.03	
	-Grants for State Plan Scheme	218.28		-Information and Broadcasting	1.01	0.78	1.79	
				-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes	0.45	4.38	4.83	
	-Grants for Central and Centrally sponsored Plan Schemes	40.19		-Labour and labour Welfare	0.61	0.25	0.86	
				-Social Welfare and Nutrition	6.45	4.76	11.21	
				-Others	1.69	-	1.69	
				Economic Services-				
				-Agriculture and Allied Activities	27.27	28.92	56.19	
				-Rural Development	0.12	8.27	8.39	
				-Special Areas Programmes	-	-	-	
				-Irrigation and Flood control	1.06	5.27	6.33	
				-Energy	19.73	2.60	22.33	
				-Industry and Minerals	3.23	3.47	6.70	
				-Transport	30.73	0.74	31.47	
				-Science, Technology and Environment	-	0.91	0.91	
				-General Economic Services	18.71	4.58	23.29	
	II Revenue Deficit carried over to Section B	54.94	41.28	II Revenue Surplus carried over to Section B				
1299.47	Total	1495.60	1299.47					1495.60
(-)10.03	Section B III. Opening Cash balance including Permanent Advances and Cash Balance Investment		107.23	III. Capital Outlay				91.76
		(-) 25.34		General Services	-	4.60	4.60	
				Social Services				
				-Education, Sports, Art and Culture	-	6.52	6.52	
				-Health and Family Welfare	-	2.13	2.13	
				-Water Supply, Sanitation	-	18.28	18.28	
				-Housing and Urban Development	-	2.79	2.79	

(Rupees in crore)

1997-98	Receipts		1998-99	1997-98	Disbursement			1998-99
					Non-Plan	Plan	Total	
					Economic Services			
					- Agriculture and Allied Activities	-	1.56	1.56
					-Rural Development	-	0.76	0.76
					-Special Areas Programmes	-	-	-
					-Irrigation and Flood Control	-	0.02	0.02
					-Energy	-	33.84	33.84
					-Industry and Minerals	-	1.78	1.78
					-Transport	-	19.03	19.03
					-General Economic Services	-	0.45	0.45
-	IV. Miscellaneous Capital receipts	-		1.81	IV. Loans and Advances disbursed			1.08
					-To Government Servants		1.07	
					-To Others		0.01	
0.73	V. Recoveries of loans and Advances From Government Servants	0.71	0.92		V. Revenue deficit brought down			54.94
	From others	0.21						
41.28	VI. Revenue surplus brought down	-		27.10	VI. Repayment of Public Debt			32.99
					-External debt		-	
					-Internal debt other than Ways and Means Advances and Overdraft		4.64	
					-Ways and Means Advances		-	
					Repayment of Loans and advances to Central Government		28.35	
61.75	VII. Public debt receipts	-	95.54	590.50	VII. Public Account Disbursements			618.65
	-External debt	-			-Small savings and Provident Funds		9.51	
	-Internal debt other than Ways and Means Advances and Overdraft	42.00			-Reserve Funds		6.96	
	-Ways and Means Advances	-			-Suspense and Miscellaneous		401.23	
	-Loans and Advances from Central Government	53.54			-Remittance		194.93	
607.57	VIII. Public Account receipts		715.92	(-25.34)	-Deposits and advances		6.02	
					VIII. Cash Balance at end			(-12.38)
					Cash in Treasuries and Local Remittances			
	-Small Savings and Provident funds	95.10			-Deposits with other Bank		(-15.80)	
	-Reserve funds	11.83			-Departmental Cash Balance including permanent advances		3.63	
	-Suspense and Miscellaneous	406.51			-Cash Balance Investment		(-) 0.21	
	-Remittance	197.96						
	-Deposits and Advances	4.52						
701.30	Total		787.04	701.30	Total			787.04

Exhibit II - Financial indicators for Government of Sikkim

	1994-95	1995-96	1996-97	1997-98	1998-99
(1)	(2)	(3)	(4)	(5)	(6)
Sustainability					
BCR (Rs. in crore)	(-) 54.04	(-) 21.08	(-) 13.33	(-) 58.8	(-) 153.64
Primary Deficit (PD) (Rs. in crore)	19.57	11.09	22.92	26.08	95.31
Interest Ratio	0.05	0.03	0.03	0.03	0.04
Capital outlay/Capital receipt	1.26	1.56	1.16	1.03	0.44
Total Tax receipt/GSDP	0.13	0.14	0.17	NA	NA
State Tax receipts/GSDP	0.05	0.00	0.05	NA	NA
Return on Investment ratio	0.03	0.01	0.04	0.04	0.03
Flexibility					
BCR (Rs. in crore)	(-) 54.04	(-) 21.08	(-) 13.33	(-) 58.80	(-) 153.64
Capital repayment/Capital borrowings	0.24	0.25	0.47	0.43	0.34
State tax receipt/GSDP	0.05	0.05	0.05	NA	NA
Debt/GDSP	0.60	0.64	0.52	NA	NA
Vulnerability					
Revenue Deficit(RD) (Rs. in crore)	* 19.84	* 60.03	* 38.73	* 41.28	54.94
Fiscal Deficit (FD) (Rs. in crore)	45.70	40.08	55.90	67.02	146.86
Primary Deficit (PD) (Rs. in crore)	19.57	11.09	22.92	26.08	95.31
PD/FD	0.43	0.28	0.41	0.39	0.64
RD/FD	(-) 0.43	(-) 1.45	(-) 0.69	(-) 0.62	0.37
Outstanding Guarantees/ revenue receipt	0.01	0.00	0.01	0.02	0.01
Assets/Liabilities	2.27	2.35	2.31	2.23	1.79

- Note:**
1. Fiscal deficit has been calculated as : Revenue expenditure (+) Capital Expenditure (+) Net loans and advances (-) Revenue receipts (-) Non-loan capital receipts.
 2. In the ratio Capital outlay Vs Capital receipts, the denominator has been taken as internal loans (-) Loans and Advances from Government of India (+) Net receipts from small savings, PF etc. (+) Repayments received from loans advanced by the State Government (-) loans advanced by State Government.
 3. * During these years, there were Revenue Surplus.

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance accounts.
2. Government accounts being mainly on cash basis, the deficit on government account, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.

APPENDIX
Part A. Government Accounts
(Ref: Paragraph No.1.1)

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the state Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All Expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part II: Contingency Fund

The Contingency Fund created under Article 267 (2) of the Constitution of India in the nature of an imprest is placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs. 1.00 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidate Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure with appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government vis-a-vis the amounts authorized by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B. List of Indices/ratios and basis for their calculation
(Ref: Paragraph No. 1.11.2)

Indices/ratios		Basis for calculation
Sustainability		
Balance from the Current Revenue	BCR	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04 and 05) and Non-Plan revenue expenditure.
Primary Deficit		Fiscal Deficit minus interest payments.
Interest Ratio		
Capital Outlay Vs Capital Receipts	Capital Outlay Capital Receipts	Capital expenditure as per Statement No.2 of the Finance Accounts. Internal Loans (excluding ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, PF etc + Repayments received on loans advanced by the State Government - Loans advanced by the State Government.
Total Tax Receipts Vs GSDP	Total Tax Receipts GSDP	State Tax receipts plus State's share of Union Taxes.
State Tax Receipts Vs GSDP	State Tax Receipts	Statement No.1 of Finance Accounts.
Flexibility		
Balance from Current Revenue	BCR	As above.
Capital repayments Vs Capital borrowings	Capital Repayments Capital Borrowings	Disbursements under Major heads 6003 and 6004 minus repayments on account of ways and means advances/overdraft under both the major heads. Addition under Major Heads 6003 and 6004 minus addition on accounts of ways and means advances/overdraft under both the major heads.

Indices/ratios		Basis for calculation
State Tax Receipts Vs GSDP		As above.
Debt Vs GSDP	Debt	Borrowings and other obligations at the end of the year (Statement No.3 of Finance Accounts).
Vulnerability		
Revenue Deficit		Paragraph No.1.9.4 of the Audit Report
Fiscal Deficit		do
Primary Deficit Vs Fiscal Deficit	Primary Deficit	As above.
Outstanding guarantees including letters of comfort Vs total Revenue receipts of the Government	Outstanding guarantees	Paragraph No. 1.4.3 of the Audit Report.
Assets Vs Liabilities	Revenue Receipts	Exhibit I.
	Assets and Liabilities	Paragraph No. 1.2 of the Audit Report.
	Debt	Borrowings and other obligations at the end of the year (Statement No. 3 of the Finance Accounts).

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

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CHAPTER II APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-a-vis those authorised by the Appropriation Act.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

a) The summarised position of Original and Supplementary grants and expenditure thereagainst in respect of 53 grants and appropriations is as follows:

Appropriation Accounts	:	Government of Sikkim
Total Number of Grants	:	53

Total provision and actual expenditure

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original	1639.63		
Supplementary	78.29		
Total gross provision	1717.92	Total gross expenditure	1630.95
Deduct-Estimated recoveries in reduction of expenditure	10.35	Deduct-Actual recoveries in reduction of expenditure	9.51
Total net provision	1707.57	Total net expenditure	1621.44

Voted and Charged provision and expenditure

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	1475.26	67.23	1446.35	58.77
Capital	143.02	32.41	92.84	32.99
Total Gross:	1618.28	99.64	1539.19	91.76
Deduct-recoveries in reduction of expenditure	10.35	-	9.51	-
Total Net:	1607.93	99.64	1529.68	91.76

b) The position of actual expenditure, excess and saving during 1998-99 against 53 grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure		Original grant / appropriation	Supplementary grant / appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted	I.Revenue	1419.77	55.49	1475.26	1446.35*	(-) 28.91
	II.Capital	119.41	22.39	141.80	91.76	(-) 50.04
	III.Loans and Advances	1.22	Nil	1.22	1.08	(-) 0.14
Total Voted		1540.40	77.88	1618.28	1539.19	(-)79.09
Charged	IV.Revenue	66.83	0.40	67.23	58.77	(-)8.46
	V.Capital	Nil	Nil	Nil	Nil	Nil
	VI.Public Debt	32.41	Nil	32.41	32.99	(+)0.58
Total Charged		99.24	0.40	99.64	91.76	(-)7.88
Appropriation to Contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total		1639.64	78.28	1717.92	1630.95**	(-)86.97

* These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue expenditure of Rs.9.51 crore.

**** At the end of March 1999, Detailed Contingent Bills were not received as required under Rules from the Drawing and Disbursing Officers in support of Rs.9.98 crore drawn on Abstract Contingent Bills. In absence of Detailed Contingent Bills, the genuineness of the expenditure could not be vouchsafed.**

2.3 Result of Appropriation Audit

2.3.1 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.2.8754 crore for the years 1994-95 to 1997-98 was yet to be regularised.

Year	No. of grants/appropriations	Grant/Appropriation No(s)	Amount of excess (Rupees in crore)	Amount for which explanations not furnished to PAC
1994-95	18	2,3,4,6,9,15,16,18,20,21,23, 25,26,33, 35,36,38 and 42	0.92	0.92
1995-96	22	1,2,3,8,9,11,15,17,19,23,25, 26, 28,30,36,37,38,39,41,43, 49 and 54	0.98	0.98
1996-97	13	1,Governor 9,16,17,30,32,34, 36,41,45, 49 and Public Debt	0.97	0.97
1997-98	3	3, 34 and 49	0.0054	0.0054
Total			2.8754	2.8754

Note : Only Rs.0.54 lakh excess during 1997-98

2.3.2 Savings

The Overall saving of Rs. 86.97 crore was the result of actual savings of Rs. 87.86 crore and slightly offset by excess of Rs. 0.89 crore. The details of savings and excess are as shown below :

(Rupees in crore)					
Section	No. of Grants	Amount of Savings	No. of Grants	Amount of Excess	Net amount of Savings
Revenue	53	37.67	1	0.30	37.37
Capital	16	50.19	3	0.59	49.60
Total		87.86		0.89	86.97

2.3.3 Unnecessary/Excessive Supplementary provision

(a) Supplementary provision made during the year constituted 5 per cent of the original provision as against 13 per cent in the previous year.

(b) Supplementary provision of fund amounting to Rs. 17.91 crore made in 18 cases during the year where the expenditure did not even come up to the level of original provision detailed in **Appendix I**.

2.3.4 Unutilised Provision and surrender thereof

Rules required that all savings should be surrendered as soon as the possibility of saving is foreseen from the trend of expenditure. Saving should not be held in reserve for possible future excess expenditure.

In the accounts for the year 1998-99, it was noticed that against overall saving of Rs.86.97 crore, the amount surrendered was Rs. 50.66 crore at the fag end of financial year.

2.3.5 Anticipated savings not surrendered

Unutilised provisions of fund amounting to Rs.5.79 crore in four cases was not surrendered during the year. The details are given below:

(Rupees in crore)

Sl.No.	Grant No.	Amount
1.	17 Public Works Building(Charged)	0.01
2.	28 Social Security and Welfare(Capital)	1.00
3.	43 Rural Development(Capital)	0.10
4.	45 Power(Capital)	4.68
TOTAL		5.79

2.3.6 Surrender less than actual savings

Against the unutilised provisions of fund amounting to Rs. 49.04 crore in 21 cases, an amount of Rs. 15.89 crore only was anticipated and surrendered on the last day of financial year as detailed in **Appendix II**.

2.3.7 Surrender in excess of actual savings

Against the actual savings of Rs. 22.83 crore in 12 cases, an amount of Rs. 25 crore was surrendered by the Government during the year i.e., an amount of Rs. 2.17 crore was surrendered in excess as detailed in **Appendix III**.

2.3.8 Persistent Savings

Persistent savings of 10 per cent and above were noticed in the following cases during the last three years as detailed in **Appendix IV**.

2.3.9 Unutilised Provision

Savings in the grants/appropriation were indicative of the defective budget estimation and a tendency of the concerned department to overestimate their requirement of fund. Scrutiny of Appropriation Accounts revealed that approved budget provisions were excessive and there were savings of more than Rs.10 lakh in each case as detailed in **Appendix V**.

2.3.10 Injudicious/irregular/inadequate reappropriation

Reappropriation is transfer of fund 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 fund shall be made only when it is known or anticipated that the reappropriation from the unit from which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation for the said amount. Further, fund shall not be reappropriated 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 reappropriation orders revealed non-observance of the rules resulting in incorrect reappropriation. Some important instances involving injudicious/irregular/in-adequate reappropriations are given in **Appendix VI**.

2.3.11 Trend of recoveries and credits

Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all receipts and recoveries which are adjusted in the accounts as reduction of expenditure. While appropriation audit is done by comparing gross expenditure with gross amount of grant, the excess/shortfall indicates inaccurate estimation of recoveries and defective budgeting.

During the year 1998-99, against the estimated recoveries of Rs.1034.62 lakh, actual recoveries were Rs.950.96 lakh as shown in **Appendix VII**.

2.3.12 (a) Expenditure without provision

As per rules, no expenditure should be incurred on a scheme/service without provision of funds therefor. It was however, noticed that expenditure of Rs.4.47 lakh was incurred in 3 cases as detailed below without the provision having been

made in the original estimates/supplementary demands and no reappropriation orders were issued:

Sl.No.	Major Head/Name of Grant	Amount (Rupees in lakh)
1.	4059 - 71- Stationery & Printing	2.82
2.	4202 - 67- Development of White Hall Sports Complex	0.04
3.	3454 - Census Survey & Statistics 111-Vital Statistic 42-Registration of Birth & Death (Medical and Public Health)	1.61
	Total	4.47

(b) Abstract Contingent bills

(i) Non-submission of Detailed Contingent bill

Finance Department Circulars (December 1983 and September 1996) stipulate that at the time of drawal of amount under 'Abstract Contingent' (AC) bills, the Drawing and Disbursing Officer must satisfy himself and certify that 'Detailed Contingent' (DC) bills for all AC bills so drawn more than three months before, have been submitted to the Accountant General by the controlling officer of each department nominated for the purpose.

Blatant violation of financial regularity resulted in non-adjustment of advances to the tune of Rs.1785.56 lakh

A test Check of records (August 1999) revealed that of 9 departments located at Gangtok (out of total 38 Departments of the Government of Sikkim), the Drawing and Disbursing Officers(s) drew funds aggregating Rs. 3688.04 lakh in AC bills during the period from 1989-90 to 1998-99 in violation of the stipulated conditions for drawal of advances and failed to submit the DC bills in adjustment of Rs.1785.56 lakh even after a lapse of 1 to 10 years as detailed in **Appendix VIII and IX**. Non-submission of DC bills is fraught with risk of diversion of money from the intended purpose and non-utilisation or delayed utilisation for the assigned purposes.

(ii) Drawal of funds in advance of requirements

Under the Financial Rules, no money shall be drawn from Bank unless it is required for immediate disbursement. It is not permissible to draw money from Bank in anticipation of demand or to prevent the lapse of budget grants.

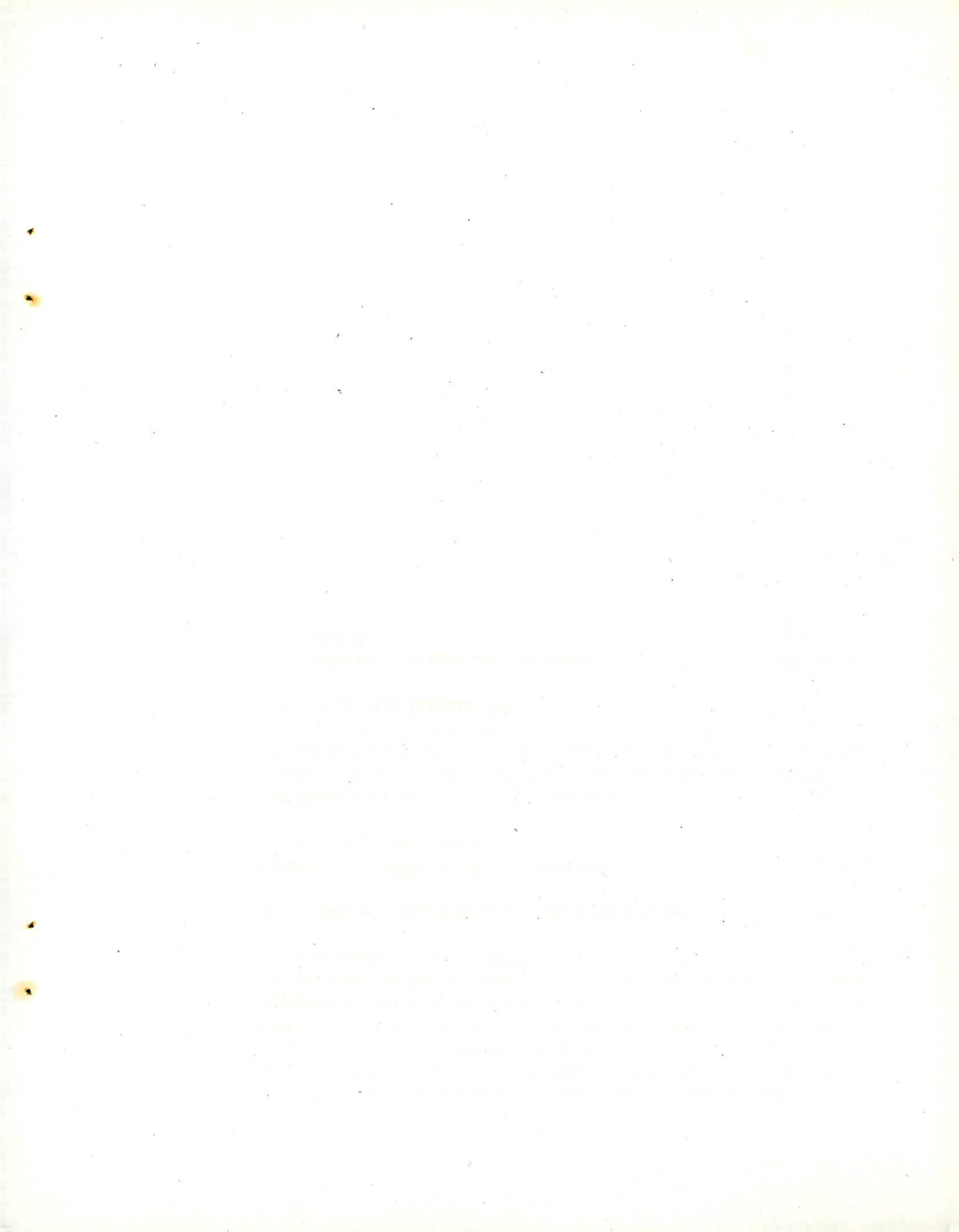
Against the above drawal totalling Rs. 3688.04 lakh, the DDOs drew Rs.1594.56 lakh including funds meant for developmental schemes being sponsored by the Central and the State Government on AC bills on the last working day of the financial years 1992-93 to 1998-99 to prevent lapse of budget grants as shown in **Appendix X**. Out of the above amount, DC bills for Rs.781.88 lakh only were submitted and the amount adjusted. The balance amount of Rs.812.68 lakh remained unadjusted (August 1999).

(iii) Advances lying with State Trading Corporation of Sikkim (STCS)

Under Financial Rules, the STCS has been entrusted with departmental purchases involving Rs.10,000 or more.

Test check of records (August 1999) revealed that out of Rs.3688.04 lakh, an amount of Rs.260.28 lakh which was drawn on AC bills by the DDOs and released/paid to the STCS during the years 1992-93 to 1998-99 was still lying unadjusted (August 1999). The year wise details of unadjusted amount with STCS are given in **Appendix XI**.

In the absence of detailed bills, utilisation of Rs.1785.56 lakh could not be vouchsafed in audit.



CHAPTER III

CIVIL DEPARTMENTS

SECTION : A

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CHAPTER III
SECTION A
(AUDIT REVIEWS)

EDUCATION DEPARTMENT

3.1 NUTRITIONAL SUPPORT TO PRIMARY EDUCATION

HIGHLIGHTS

The National Programme on Nutritional Support to Primary Education (NSPE) launched in August 1995 was intended to give a boost to universalisation of primary education by increasing enrolment, retention, attendance and simultaneously impacting on nutrition of students in primary classes. Audit scrutiny revealed that there were non / short allocation of foodgrains due to non-furnishing of latest enrolment figures by the State Government, lapsing of allocation due to non-lifting, lack of institutional arrangement for providing cooked food, non-preferment of claim towards transportation, hill transport subsidy etc. No health check-up of children was done during 1995-99. All these factors adversely impacted the implementation of the scheme in the State.

Neither GOI nor State Government fixed specific dead line to assess the achievement of the scheme in terms of increase in enrolment, retention and reducing the rates of dropouts.

(Paragraph 3.1.6)

There was non/short allocation of 16339.05 quintals of rice worth Rs 1.43 crore by GOI due to non-furnishing of latest enrolment figures by State Government.

(Paragraph 3.1.7(i))

The allocation of 24168.56 quintals of rice worth Rs. 2.31 crore lapsed due to non-lifting within the stipulated period.

(Paragraph 3.1.7(ii))

No institutional arrangement for providing cooked/procured food was developed.

(Paragraph 3.1.9)

Due to non-preferment of claim, transportation charges of Rs. 9.76 lakh could not be got reimbursed from the GOI and due to which, Hill Transport Subsidy of Rs. 7.09 lakh could not be got reimbursed from the FCI.

(Paragraph 3.1.10(i)(ii))

No committee at State, District and Village level was constituted for supervision, monitoring and evaluation of the scheme.

(Paragraph 3.1.12(i))

3.1.1 Introduction

The scheme NSPE, was launched on 15th August 1995 by the Department of Education, Ministry of Human Resource Development, GOI to provide mid-day meals to school going children in primary schools. The scheme was to cover in a phased manner, all Government, Local Bodies and Government aided primary schools in the State. To achieve the objective, the scheme provided for free meals having a calorific value equivalent to 100 gms. of wheat/rice per day to school children in primary from classes I to V in all Government /Local Body and Government aided schools for 10 academic months during a year.

3.1.2 Organisational set-up

At the State level, the Education Department is responsible for implementation of the programme and at the district level, the respective District Collectors with the help of District Education Officers implement the programme under the overall control of the Education Department. From the beginning of the scheme, the State Government had covered all the Government schools in the State falling under 8 Employment Assurance Scheme (EAS) Blocks.

3.1.3 Audit Coverage

The implementation of the scheme during the years 1995-96 to 1998-99 was reviewed in March-April 1999 on the basis of test check of records of Education Department, District Collectorates, District Education Offices of all four districts and Food Corporation of India base depots/offices at Gangtok, Rangpo and Jorethang. Records maintained at 42 schools out of a total of 738 schools were also test checked. The results of the review are given in the succeeding paragraphs.

3.1.4 Funding of the Scheme

The scheme provided 100 per cent Central assistance to meet (i) the economic cost of food grain (wheat or rice) supplied free of cost by the Food Corporation of India (FCI) to the implementing agencies and (ii) cost of transportation of foodgrains to schools from the nearest FCI godown /depot at the prescribed rate. The expenditure on kitchen sheds and labour charges for serving the cooked food was to be met from the Poverty Alleviation Schemes (Jawahar Rojgar Yojana /Nehru Rojgar Yojana) of the Central Government. The remaining cost of conversion of foodgrain into hot cooked meal was to be met by the State Government, local bodies and the community.

3.1.5 Financial outlay and expenditure

Neither any budget provision was made nor was any expenditure incurred by the State Government for implementation of the scheme. The transportation of foodgrain was done through private agencies on credit basis at the rates approved by the Sikkim Nationalised Transport and subsequently reimbursed by GOI.

3.1.6 Physical targets and achievements

Neither the GOI nor the State Government provided milestones for achievement like targets for enrolment / dropout. As per guidelines, State Government was to furnish regularly monthly attendance figures of the students from classes I to V to the GOI. But neither were such attendance figures collected from the district authorities nor sent to GOI at any time.

While accepting the lapses, the district authorities stated (March-April 1999) that in future, monthly attendance figures of students would be sent to GOI.

3.1.7 Allocation and lifting of foodgrains

Due to non-furnishing of latest year-wise enrolment figures, the GOI continued to allocate foodgrain based on data of 1993-94 and 1997-98

(i) Initially, the allocation of foodgrain (Rice) for the first quarter from August 1995 to October 1995 at the rate of 3 kg per child per month was based on the data of 1993-94 enrolment (62122 numbers) collected in the sixth All India Education Survey. The State Government did not furnish their latest yearwise enrolment figures to GOI till December 1997. The enrolment figures of 1997-98 (84986 numbers) were furnished in January 1998. Thus, due to non-furnishing of latest year-wise enrolment figures, GOI continued to allocate foodgrains upto 1997-98 on the basis of 1993-94 enrolment figures and in 1998-99 on the basis of 1997-98 enrolments. The reason for non-furnishing of enrolment figures to GOI could not be stated to audit. This resulted in short allocation of 16339.05 quintals of rice worth Rs. 1.43 crore depriving beneficiaries of the intended benefit.

(ii) Scrutiny of records revealed that during the period August 1995 to March 1999, against the allocated quantity of 76746.45 quintals of rice, the district authorities could lift 52577.89 quintals of rice and balance quantity of 24168.56 quintals of rice worth Rs.2.31 crore lapsed due to non-lifting within stipulated period of time. Department stated (April 1999) that due to administrative problem, land slide, strike, closure of school during winter, non-issue of release order by FCI etc, the allocated rice could not be lifted within the stipulated period of time as detailed below:

Period	Actual enrolment	Required allotment (in quintal)	Enrolment on which allotment made by GOI	Allotment made (in quintal)	Quantity lifted (in quintal)	Possible coverage of students with the quantity lifted
1	2	3	4	5	6	7
1995-96	82561	12384.15	62122	13977.45	13055.89	43520
1996-97	83413	25023.90	62122	18636.60	11910.36	39701
1997-98	84986	25495.80	62122	18636.60	15542.70	51809
1998-99	85075	25522.50	84986	25495.80	12068.94	40230
Total	336035	88426.35	271352	72087.30	52577.89	175260

From the above it would be seen that the possible coverage of students against the quantity lifted was far below the number of students enrolled or, if the distribution was made to all the students, the actual quantity and period for which it was distributed, was not according to the prescribed scale /period.

Thus, the main object of providing desired level of nutrition for all the eligible students was defeated.

(iii) The State Government was required to furnish to GOI a monthly statement of foodgrain, certifying the quantity of rice lifted from the FCI for the purpose of cross check with the off take figures received from the FCI. No such statements were ever sent by the State Government. In the absence of such statements, GOI continued to reimburse cost of foodgrain to the FCI on the basis of lifting figures furnished by them without cross checking the same.

3.1.8 Distribution of foodgrain

(i) Delay in distribution of foodgrain

Foodgrain was distributed in one lot for one to seven months

Distribution of foodgrain was to be made regularly on monthly basis. However, in North, South and West Districts, although foodgrains were lifted regularly, the same were distributed to the students at a time after delay ranging from one to seven months. The Department stated (April 1999) that due to non-availability of transportation facilities and natural calamities, the regular and monthly distribution could not be adhered to. Distribution of foodgrains in one shot meant for each month defeats the purpose of regular and continuous supply of nutritional support to the students on a daily basis.

(ii) Distribution without ensuring attendance and shortfall in success rates

Test check of school records of all districts revealed that foodgrain was distributed to all students without ensuring 80 per cent attendance which was to form the basis for distribution of foodgrain. Test check of attendance register revealed that the distribution of foodgrains was made to the students having percentage of attendance ranging from 'nil' to 13.

As per guidelines of the scheme, raw rice at the rate of 3 kg per student per month for 10 academic months in a year i.e., at the rate of 30 kg per student per year was to be distributed. Further, an exercise was to be made to check whether nutritional health and deficiency of the school going children have improved or not to ascertain the impact of implementation of the scheme.

It was seen that average distribution per student for 10 academic months in a year varied from 'nil' to 21.21 kg due to interruption in the scheme, non/short lifting of foodgrains by the district authorities for various administrative reasons such as non-release of foodgrains by FCI, due to non-submission of utilisation certificates

and non/short allocation by GOI due to non-submission of latest enrolment figures. The details are indicated below :

District	Average distribution of rice per student for 10 academic months in a year			Interruption period of the scheme
	1996-97	1997-98	1998-99	
East	21.21 kg (70.70%)	16.98 kg (56.60%)	14.46 kg (48.20%)	May and September 1997, August to October 1998 and January to February 1999.
North	12.26 kg (40.87%)	19.74 kg (65.80%)	15.96 kg (53.20%)	June to October 1996, September 1997, August to October and December 1998 and January 1999.
South	21.09 kg (70.30%)	19.98 kg (66.60%)	14.23 kg (47.43%)	November and December 1996, January and May 1997, August to November 1998 and January 1999.
West	NIL (NIL%)	18.30 kg (61%)	13.17 kg (43.90%)	June 1996 to May 1997, July 1998, September 1998 to January 1999.

(Figures in brackets show the success rate during the year)

Calorific value equivalent to 100 gram of rice per day to the primary school students remained un-achieved

From the above details, it could be seen that the students did not get foodgrain having a calorific value equivalent to 100 gram of rice per day in any academic year. No exercise was done at any level to check whether nutritional health and deficiency of the school going children have improved or not. However, in view of less distribution of foodgrains, the possibility of any noticeable impact on the nutritional status of children was remote and one of the objectives of the scheme remained un- fulfilled.

3.1.9 Provisions of cooked/processed food

Cooked/ processed food not served and central assistance not availed of

As per the scheme, district authorities/local bodies were expected to develop institutional arrangements for providing cooked/processed food within a period of two years from the date of commencement of the programme. No such arrangement had so far been developed by the State Government. In the absence of arrangement for cooked food, it could not be ensured whether the benefit of supply of nutritional food has reached the intended beneficiaries.

The district authorities and the Department stated (March-April 1999) that institutional arrangement for providing cooked/processed food could not be developed due to fund constraints. Reply is not acceptable as expenditure on kitchen sheds and labour charges for servicing the cooked food was to be met from the Poverty Alleviation Scheme (JRY/NRY) of the Central Government where adequate funds were available.

3.1.10 Transportation

(i) *Non-reimbursement of transportation charges from GOI*

As per scheme, for lifting and transportation of foodgrain, the GOI was to reimburse transportation charges from FCI godown to the various schools at the rate of Rs. 25 per quintal upto May 1997 and at the rate of Rs 50 per quintal from June 1997 onwards.

Reimbursement of transportation charges for Rs. 9.76 lakh not claimed from GOI

Scrutiny of records revealed that reimbursement of transportation charges from GOI was claimed and reimbursement obtained upto October 1997. Thereafter, the claims of transportation charges for transportation of 19523.50 quintals of foodgrain amounting to Rs.9.76 lakh was neither made with the GOI nor reimbursed by them as of October 1999.

While accepting the lapses, the district authorities stated (April 1999) that the claims would be made for reimbursement of said transportation charges.

(ii) *Non-reimbursement of Hill Transport Subsidy from FCI*

Hill transport subsidy of Rs.7.09 lakh not claimed from FCI

For Sikkim, the FCI was to reimburse Hill Transport Subsidy to the State Government towards transportation charges at prescribed State Government rates from their base Depots at Rangpo and Jorethang to their Principal Distribution Centres at Gangtok, Rhenock, Mangan and Gyalshing. The FCI, New Delhi had also issued directives to their zonal offices in January 1996 for reimbursement of such subsidy under the programme.

Scrutiny of records revealed that during the period August 1995 to March 1999 for lifting and transportation of 38941.89 quintals of rice from FCI base Depots to their various Principal Distribution Centres, the FCI was supposed to reimburse Rs 7.09 lakh as Hill Transport Subsidy at State Government rates to the district authorities. The above subsidy was neither claimed by the district authorities/ State Government for reimbursement nor reimbursed by the FCI as of April 1999.

The Department stated (April 1999) that the matter was taken up with FCI office at Siliguri but the FCI was reluctant to entertain such claims. The reply is not acceptable as formal claim for reimbursement of Hill Transport Subsidy was never made with the FCI.

3.1.11 Non-submission of returns

(i) The State Government was required to furnish to the GOI, the details regarding the quantity of food grain transported every month and type of

foodgrain lifted to schools/distributing agencies. But such details were never sent to GOI.

(ii) District authorities were required to obtain monthly utilisation certificates of foodgrain from the schools and the State Government from the districts in support of the distribution of foodgrain. But such utilisation certificates were never obtained from the schools and sent to State Government as of March 1999. While accepting the lapses, the district authorities stated (March-April 1999) that in future such certificates would be obtained and sent to the State Government.

3.1.12 Supervision, Monitoring and Evaluation

Monitoring and evaluation not undertaken

(i) As per guidelines of the scheme, for creating awareness and to generate community support to meet the object of the universalisation of primary education and for monitoring and evaluation of the scheme, a committee under the Chairmanship of the Chief Secretary, Secretary of Education Department as Member Secretary, and another committee under the Chairmanship of District Collector including peoples representatives like MPs, MLAs, Presidents of Zilla Parisads, Nagarpalikas, officials of the concerned departments at the district level and Village Education Committees at the village level were to be constituted. But no such committees had been constituted at any level for such functions upto March 1999. In the absence of such committees and their reports on creating awareness and monitoring and evaluation, actual impact of the programme could not be ascertained in Audit.

The Department stated (April 1999) that review and monitoring were carried out informally and no formal committees for the same had been constituted. However, meetings of the District Collectors were held on several occasions and an overall appraisal of the implementation of the scheme was carried out and discussions were held to take stock of the progress in implementation of the scheme for appropriate interventions. Reply is not acceptable as nothing was on record about such meetings and no minutes of such meetings were either on record or made available to Audit.

(ii) For proper monitoring of the programme, a computerised management information system was to be developed by the Department of Education, GOI in consultation with the National Informatic Centre to ensure adequate flow of information for smooth implementation of the programme. The system has not yet been developed. The Department has not considered the percentage of attendance of students before distribution of foodgrain to them. Further, the Department has not maintained any records to ascertain the number of dropouts

during any academic session. During the entire period of implementation, no effort has been made to evaluate the nutritional status of the students.

(iii) The scheme provided that GOI / State Government would entrust concurrent monitoring and evaluation of the programme to independent agencies, and would also provide access to designated agencies for discharge of the monitoring and evaluation functions. But no such agencies were designated for such functions at any level as of March 1999.

3.1.13 Recommendation

- i) Arrangements for distribution of cooked food must be made.
- ii) Lifting and distribution network needs to be streamlined to cover the targeted children throughout the year and the system of obtaining utilisation certificate from the schools need to be ensured.
- iii) Monitoring and evaluation to be undertaken to ascertain attendance, dropout and improvement of health status.

The matter was reported to the Department (June 1999); no reply had been received (October 1999).

FOOD AND CIVIL SUPPLIES DEPARTMENT

3.2 PUBLIC DISTRIBUTION SYSTEM

HIGHLIGHTS

To ensure equitable distribution of essential goods at reasonable price to the weaker sections, the Public Distribution System (PDS) was introduced in Sikkim from 1975. Revamped Public Distribution System (RPDS) for poor people at a price lower by Rs.50 per quintal than the Central Issue Price (CIP) of foodgrains was launched in June 1992 and the TPDS was launched from 1 June 1997. The Department could not implement the scheme till March 1999 due to non-identification of BPL families. The monthly allotment of 340 tonnes of BPL rice was lifted and distributed to consumers of the State at the rate of Rs.6 per Kg uniformly without any distinction between BPL and APL families. However, in the absence of any returns / reports from the distributors, the actual distribution of essential commodities to the user beneficiaries could not be ascertained.

The consumers had to bear an extra burden of Rs 387.31 lakh on specially subsidised rice due to charging of higher rates above the norms fixed by the Government of India. This was against the objective of the programme.

(Paragraph 3.2.5 (a))

The TPDS could not be implemented due to non-identification of BPL and APL families. Allotted BPL quota (rice) was lifted and sold to consumers at higher cost leading to an undue profit of Rs 146.61 lakh.

(Paragraph 3.2.5(b))

Nominees were engaged for lifting and distribution of wheat without any prescribed provision. There was lack of monitoring of utilisation of wheat allotted for distribution to targeted beneficiaries.

(Paragraph 3.2.8(b)(i))

Extra cost of Rs 49.51 lakh was passed on to the consumers under PDS due to higher overhead charges without any prescribed norms.

(Para 3.2.10)

Disputes in respect of outstanding freight reimbursement claims of Rs 318.53 lakh and refund claims of advance payments to FCI remained unsettled for which the Department entailed extra burden of interest on cash credit availed from banks.

(Para 3.2.12)

No quality Control/Inspection Cell and vigilance committee was established for ascertaining the quality of foodgrains.

(Para 3.2.13, 3.2.14)

Neither proper system is evolved to monitor the implementation of the scheme, nor evaluation conducted to ascertain the extent of success.

(Para 3.2.18)

3.2.1 Introduction

Area of the State	: 7299 Sq. Km.
Population	: 4.06 lakh (As per 1991 census) (Rural : 0.37 lakh, Urban: 3.69 lakh)
Districts	: 4
Blocks	: 444
Gram-Panchayats	: 159
Schedule Caste/Schedule Tribe	: Schedule Caste: 24,084
Population	: Schedule Tribe : 90,900
Agri-production of main cereals- wheat, rice, coarse-cereals	: Rice
Food-deficit/surplus state	: Food deficit

P.D.S. :-

Number of fair price shops (FPS)	: 1169 (As of March 1999)
Number of house holds and ration cards issued	: 0.89 lakh ration cards issued

The main objective of the Public Distribution System (PDS) was to ensure regular supply of essential commodities like wheat, rice, sugar, edible oils and kerosene etc. at reasonable prices particularly to the weaker sections of the society. In order to eliminate leakages and malpractices that had crept into the system, Government decided in 1992 to revamp the PDS and the Revamped Public Distribution System (RPDS) was started in June 1992 for tribal and hilly drought prone and remotely located areas. The issue price of food grains under the RPDS was kept lower by Rs 50 per quintal than the price fixed for normal PDS. The retail price of foodgrains under RPDS was not to exceed the central issue price (CIP) by more than 25 paise per kg. Under the RPDS, food grains at the rate of 5 kg per head subject to a maximum of 20 kg per family per month was to be distributed.

The Government introduced (June 1997) the scheme of Targeted Public Distribution System (TDPS), under which the States were to identify families living below poverty line (BPL) who would be issued special ration cards and supplied 10 kg food grains per family per month at a price less than CIP. Population above poverty line would continue to get the foodgrains at normal CIP. Besides, subsidised foodgrains were also to be issued to all beneficiaries under various Central / State sponsored schemes like Employment Assurance Scheme, Jawahar Rozgar Yojana and Mid-Day-Meal.

3.2.2 Organisational set up

The Commissioner-cum-Secretary, Food and Civil Supplies Department was responsible for implementation of the schemes at the state level and was assisted by one Additional Secretary, one Joint Secretary, two Senior District Civil Supply Officers and two District Civil Supply Officers.

3.2.3 Audit Coverage

The implementation of the above schemes covering the period 1992-93 to 1998-99 was reviewed during February - March 1999 on the basis of test check of records maintained at the Secretariat of Food and Civil Supplies Department, two out of 3 District offices and selected 8 food godowns out of a total of 24 food godowns. Important points noticed during review are given in the succeeding paragraphs.

The services of ORG - MARG were commissioned by the Comptroller and Auditor General of India with a view to obtaining the beneficiary perception of the programme and related matters. The ORG - MARG carried out a survey over a sample of 1 town and 12 villages. Significant findings of the survey on matters discussed in the report have also been included in this Review.

3.2.4 Financial outlay

A revolving fund of Rs 30 lakh was opened in the name of Secretary, Food and Civil Supplies Department in 1975-76 for the purpose of procurement of foodgrains and stood at Rs 150 lakh from July 1994. In October 1997, the Department got a further sum of Rs.360 lakh from the State Government. Apart from this, the State Government stood as guarantor for the Department to avail of overdraft facilities to the extent of Rs 180 lakh from three banks located at Gangtok.

The revolving fund of Rs. 510 lakh had been depleted due to various reasons like difference in cost of transportation paid and reimbursement received, non-settlement of freight charges by the Food Corporation of India (FCI), cost incurred towards transportation of rice through longer routes etc. and stood reduced to Rs 305.55 lakh as on 31 March 1999.

3.2.5 Implementation

The implementation was the joint responsibility of both the GOI and State Government. The Central Government was to procure, store and transport foodgrains upto Central godowns and the State Government was to lift these commodities from the Central godowns and distribute them to consumers through a network of Fair Price Shops (FPS). Rice and sugar was being lifted by the Department and distributed through the network of FPS. Wheat and Palmolive Oil were being lifted and distributed through the appointed nominees of the Government.

Scrutiny of records relating to implementation of the scheme disclosed the following :

(a) *Fixation of higher consumer prices*

Consumers were overburdened due to extra overhead costs charged

The GOI instructed (May 1992) that the difference between the issue price of rice and wheat fixed by the Centre and the end retail price fixed by the State under RPDS was not to exceed Rs 25 per quintal over the Central Issue Price (CIP) after taking into account all commissions and handling charges. It was noticed that the end retail prices fixed by the Department for rice ranged from Rs 38 to Rs 78 more per quintal than the CIP during the period January 1993 to December 1995. As a result, the consumers were charged in excess between Rs. 13 to Rs. 53 per quintal of rice and the extra price worked out to Rs.387.31 lakh on 101,957.9 tonnes of rice sold during this period. Thus, the objective of the RPDS programme to provide items at affordable prices was diluted.

The position in respect of the quantum of difference, if any, between the issue price and end retail price of wheat could not be ascertained, as records were not produced to audit.

The Department stated (October 1999) that the fixation of price above Rs. 25 per quintal over the CIP was inevitable due to topographical condition of the State and the higher operational costs and the extra cost above Rs. 25 could not be borne by the State. However, it was observed that total overhead costs charged over CIP were subsequently reduced to between Rs. 17 and Rs. 37 during January 1996 to May 1997. Had the overhead costs been reduced during January 1993 to December 1995, the consumer would not have been overburdened to that extent.

(b) Non-implementation of TPDS

The allotted monthly quota of BPL rice was sold to consumers at the rate of Rs. 6 per kg.

The TPDS was launched by the GOI from 1 June 1997. The Department could not implement the scheme till March 1999 due to non-identification of BPL and APL families. However, monthly allotment of 340 tonnes of BPL rice was lifted and distributed to consumers of the State at the rate of Rs 5.90 per kg (wholesale price) instead of Rs 3.94 per kg as envisaged in the scheme from June 1997 to March 1999. Thus, the Department made a profit of Rs.146.61 lakh by selling 7480 tonnes of BPL rice beyond the scope of scheme. The Department stated (October 1999) that since identification of BPL and APL population in the State is not completed, the Government adopted a policy to distribute the entire quota of rice at a subsidised cost of Rs. 6 per kg to the entire population uniformly and thus, the beneficiaries are not deprived of the benefit. Reply of the Department is not acceptable as the fact remained that due to non-identification of BPL families, the benefits of the rice at specially subsidised price could not be availed by the intended beneficiaries and other beneficiaries not targeted under the scheme were provided unintended benefits.

3.2.6 Selection of area and beneficiaries

Out of 444 revenue blocks of the State, 194 revenue blocks with a population of 2 lakh were selected for distribution of cheaper foodgrains under RPDS. The 194 blocks comprised the entire areas under 12 tribal constituencies plus general blocks in the remaining 20 constituencies of the State where 50 per cent of the population was tribal. It was noticed that 194 blocks were identified on the basis of norms adopted prior to 1992 in identifying beneficiaries of an earlier scheme, viz. Integrated Tribal Development Project (ITDP). The Department subsequently did not undertake any fresh survey to identify the other areas to be covered under RPDS upto May 1997 and for TPDS till March 1999.

The Department stated (May 1999) that a detailed enumeration is being done for identification of Ration Cards for each group under TPDS and the major portion of the exercise has already been completed.

ORG-MARG survey also revealed that there is a perceptible skew towards urban areas. The PDS accounts for a greater share of total purchase in urban Sikkim. In addition, the availability of foodgrains is relatively better in urban areas.

3.2.7 Ration Cards

Ration cards were to be provided to those families in the identified areas who did not have ration cards. The particulars of number of families covered under RPDS were not available with the Department and hence it could not be ascertained that all the families covered under RPDS were provided with ration cards. But a population of 2 lakh was covered under the programme. In South and West districts, ration cards were withdrawn in May 1996 and July 1997. However, rice continued to be distributed to the families on the basis of the records maintained by the FPS at Rs.6 per Kg as against Rs. 3.94 per kg resulting in overburdening the consumers. In the East and North Districts, 71565 ration card holders were distributed rice uniformly at Rs. 6 per kg without any distinction between the APL and BPL families. While accepting the withdrawal of ration cards in South and West Districts due to public complaints, the Department stated (May 1999) that the issue of fresh ration cards based on house to house survey was underway.

According to the ORG-MARG Report, out of 96104 households (as per 1991 Census), only 73 per cent households owned Ration Cards. However, a substantial 26 per cent neither own Ration Cards nor purchase from Ration shops. In case of BPL families, 21 per cent households did not own any Ration Cards.

3.2.8 Allotment, lifting and distribution of foodgrains

(a) Allotment and lifting

The allotment of foodgrains was made by the GOI on the basis of off take figures of past several years. Under PDS, RPDS and TPDS, the yearwise allotment by the GOI and their lifting and distribution in respect of rice and wheat from 1992-93 to 1998-99 were as under :

In South and West districts PDS rice issued to consumers from May 1996 and July 1997 without any ration cards

Year	Allotment by Central Govt.		Lifting and distribution		(-) Shortfall/(+) Excess over the Central allotment	
	Rice	Wheat	Rice	Wheat	Rice	Wheat
	(In tonnes)					
1992-93	54,000	7200	52883	NA #	(-)1117 (2)*	NA
1993-94	54,000	7200	47557	NA	(-)6493 (12)	NA
1994-95	55,500	9200	45167	NA	(-)10337 (19)	NA
1995-96	57600	12,300	45881	NA	(-)11719 (20)	NA
1996-97	60,100	10,700	56027	NA	(-)4073 (7)	NA
1997-98	71,700	457	54,670	5213	(-)17030 (24)	(+)643 (14)
1998-99	87,750	10,680	63,685	7672	(-)24035 (27)	(-)3008 (28)
					(-) 74804	(-) 2365

NA = Not available. * Figures in parenthesis indicate percentage.

Beneficiaries were deprived of to the extent of foodgrains short lifted

The shortfall in lifting and distribution over Central allotment varied from 2 percent to 27 percent in respect of rice. The lifting and distribution records of wheat during the period from 1992-93 to 1996-97 were not produced to audit. However, in 1997-98, there was an excess lifting of 643 tonnes during 1997-98 and in 1998-99, 3008 tonnes of wheat was short lifted.

The Department stated (October 1999) that the entire quota of foodgrains could not be lifted due to financial constraints. However, reasons for excess lifting of wheat had not been intimated. Reply is not satisfactory as no supporting documents could be produced regarding financial constraint. Further, due to short-lifting of foodgrains, the beneficiaries were deprived of the intended purpose.

ORG-MARG survey also observed that rice, sugar and kerosene are always / mostly available to consumers (66 per cent, 37 per cent, 37 per cent respectively).

(b) Control over distribution

(i) According to the existing arrangement, lifting of wheat by the nominees was to be supervised by the inspecting staff of the Department. The nominees were required to submit monthly statement of the quota of wheat lifted and

distributed areawise alongwith the receipt of the FPS. The inspecting staff was also required to submit monthly statements of the quota lifted by the nominees alongwith challan number, truck number and date to the Department. It was observed that during 1992-93 to 1997-98, no such statements were furnished by the nominees or inspecting staff. As such, the Department failed to ascertain the actual distribution of wheat to the intended beneficiaries as a result of which, the achievement of the programme could not be assessed and the possibilities of PDS wheat going out in the open market could not be ruled out.

No monthly returns was ever submitted by the Department to the GOI during the period under review indicating the quantity of quota lifted and distributed through PDS, though this was required as per guidelines of the scheme.

The Department stated (October 1999) that the records of monthly distribution of wheat for past years are not available except for the year 1998-99. However, no records for 1998-99 could be produced to audit.

Improper monitoring led to possibilities of malpractices of FPS(s)

(ii) In terms of Sikkim Food Stuff (Distribution) Control Order 1978, every authorised retail distributor was required to maintain true and correct accounts of all purchases, sales and stores were to be written up at the end of each day and such return as directed by the Department should be furnished for ensuring proper distribution and accounting of essential commodities. Directions to distributors / FPS by the Department for submission of returns and specific system adopted to ensure proper distribution were not on record. In the absence of such returns/reports from the distributors, the fact regarding actual distribution of essential commodities to the user beneficiaries could not be ascertained.

The Department stated (October 1999) that fixing a preservation period of such records is under consideration. Reply is far from satisfactory as the Department failed to ascertain the actual distribution of foodgrain to the beneficiaries and in the absence of records, the possibilities of malpractices of fair price shops can not be ruled out.

ORG-MARG in its Report has observed that quotas available from Ration Shops are usually lower than per unit/ per card entitlements and extent of awareness about entitlement is low among the consumers in Sikkim.

3.2.9 Excess subsidy availed on foodgrains - Rs 388.40 lakh

According to the norms prescribed by the GOI, rice under RPDS to be procured at a rate lower by Rs. 500 per tonne than CIP (PDS) was to be distributed at 5 kg per head subject to a maximum of 20 kg per family per month. In contravention of these norms, the Department distributed rice at 12 kg per head per month without the approval of the GOI. For the population of 2 lakh covered under the scheme, the actual entitlement was, therefore, only 1000 tonnes per month. It was

Availed excess subsidy due to excess lifting beyond entitlement

seen that the Department lifted and distributed 2500 tonnes rice per month from June 1992 to March 1996 which resulted in excess lifting and distribution of specially subsidised rice. Thus, the Department availed excess subsidy of Rs. 345 lakh (i.e. 1500 tonnes x 46 months x Rs 500). Similarly, during April 1996 to May 1997, against the requirement of 1000 tonnes of rice, the Department lifted 1620 tonnes rice per month and availed excess subsidy of Rs 43.40 lakh (i.e 620 tonnes X 14 months X Rs 500). It may be mentioned that the Department will have to refund amount of Rs.388.40 lakh towards the excess subsidy availed of to the FCI.

3.2.10 Extra overhead costs charged from the consumers

In respect of distribution under PDS, the prices were fixed on the basis of CIP plus overhead charges. While fixing the issue price, no specific norms for calculating overhead charges was adopted by the Department during the period 1992-93 to 1998-99. The overhead charges varied at different times during the period under review included Sikkim Nationalised Transport (SNT) overhead charges incurred by SNT for transportation of foodgrains at Siliguri from FCI. As such, the earlier inclusion of SNT overhead charges, rounding up of prices, administrative charges, godown shortage, storage charges and weightment charge, included in the price structure prior to January 1996 appeared arbitrary and without any prescribed norms. The extra cost thus passed on to the consumers during the period from June 1993 to December 1995 worked out to Rs. 49.51 lakh.

3.2.11 Mobile fair price shops

To facilitate regular supply of essential commodities to remote areas, the GOI provided central assistance of Rs. 25.50 lakh (loan : Rs.15.13 lakh and subsidy: Rs. 10.37 lakh) during 1989-90 to 1993-94 for purchase of mobile fair price shops. The loan amount was to be repaid in 5 equal instalments from first anniversary of the grant of loan.

From the central assistance of Rs 4.50 lakh received during 1990-91, the Department purchased one jeep at a cost of Rs 1.75 lakh in May 1991 which was outside the scope of the scheme. Further, central assistance of Rs 16 lakh received in December 1993 could not be utilised till February 1996 due to indecision of the Department regarding type of vehicle to be purchased which resulted in locking up of amount (upto February 1996) which adversely affected the object of strengthening the distribution system.

Against the loan component of Rs 7.13 lakh received in 1989-90 and 1990-91, the State Government paid Rs 9.26 lakh as repayment of principal and payment of interest to the GOI. Further, against the loan of Rs 8 lakh received in December 1993, not a single instalment of loan / interest has been repaid by the State Government / Department. This entailed an extra liability to the Department of Rs 3.02 lakh by way of normal interest at 12 per cent on defaulted amount and penal interest at 2.75 per cent over normal rate upto March 1999.

The utility and deployment of the 8 vehicles purchased with the central assistance and their impact on the implementation of the programme could not be assessed, as records were not produced to audit.

The Department stated (October 1999) that the central assistance of Rs 16 lakh released in December 1993 could not be spent as the amount has to be projected in the budget before it could be spent and accordingly, the amount was projected in 1995-96 budget. Reply is not tenable as the GOI had categorically instructed (December 1993) that funds not utilised during the current financial year for the purpose should be surrendered to it.

ORG-MARG has also observed that the dependence on the open market is higher in rural areas and the distance of ration shops is also comparatively more in rural areas.

3.2.12 Dealing with Food Corporation of India (FCI)

Disputes pertaining to reimbursement on account of transport subsidy and refund claims against the value of non-lifted quantity of foodgrains remained unresolved. There was no effective mechanism to solve the disputes promptly and satisfactorily. This resulted in blockage of fund of the Department which in turn entailed an extra burden by way of interest liability on the cash credit facility availed from the banks by the Department. This also adversely impacted on the prices of foodgrains charged from consumers for the subsequent periods. A few such cases are given below:

(i) *Outstanding freight reimbursement claims with FCI*

A huge amount in respect of transportation subsidy and refund claims against advance payment of foodgrains lying with FCI for a considerable period

Transportation charges for carriage of foodgrains from godowns of the FCI to Principal Distributing Centres are reimbursed by FCI on the basis of claims preferred by the Department. It was seen during test check that there were delays ranging from one month to 11 months by the Department in preferring the claims of transportation charges to the FCI. As per information furnished by the Department, transportation bills for Rs 318.53 lakh for the period from September 1991 to March 1999 remained to be finalised/reimbursed by the FCI.

The Department calculated (May 1997) that due to non-payment of freight reimbursement claims by the FCI, it had to pay interest of Rs 35 lakh (upto 31 March 1997) to banks during 1993-94 to 1996-97 on the overdrafts availed by it from 1997-98 to 1998-99. As calculated by audit, the interest burden worked out to Rs.44.23 lakh* on the cash credit availed by the Department due to non-payment of freight reimbursement claims by FCI upto 1998-99.

(ii) **Delay in settlement of refund claims Rs 25.55 lakh**

The Department makes advance payment for lifting of foodgrains to the FCI. For unlifted quantities, refund claims are to be preferred with the FCI for their settlement.

It was observed that in respect of seven cases refund claims totalling Rs 31.55 lakh were preferred after delay of 1 to 17 month by the Department. Out of the refund claim of Rs.21.61 lakh made during August 1994, the FCI refunded Rs.6 lakh in November 1994. Further, against refund claim of Rs.9.94 lakh during February 1995 to July 1997, no amount was refunded by the FCI (March 1999). The delay in settlement of claims resulted in blockage of fund to the tune of Rs 25.55 lakh and avoidable burden towards interest on cash credit availed for making payment to FCI. The Department neither ascertained the reasons for delay in preferring claims to FCI, nor moved for realisation of refund claims alongwith interest from FCI on account of delay in settlement of claims.

The Department stated (October 1999) that the matter has been raised to the FCI and Ministry of Food, GOI and the latter has constituted a High Powered Standing Committee for quick settlement of pending and various issues.

3.2.13 Quality Control

It was observed that no Quality Control/Inspection Cell was established by the Department for testing the quality of foodgrains before lifting from FCI and their subsequent distribution to consumers to ascertain that foodgrains were fit for human consumption.

ORG-MARG observed that a mere 15 per cent of the consumers perceive quality of rice only as consistently good or mostly good. The corresponding figures for sugar and kerosene are 24 per cent and 24 per cent respectively.

Absence of quality control led to possibility of distribution of substandard foodgrains

* Calculated on the basis of minimum rate of interest of 13.80 per cent on cash credit during 1997-98 and 1998-99 (quarterly compounded).

3.2.14 Vigilance Committee

As per the guidelines issued by the Ministry of Food and Civil Supplies, GOI vigilance committees were to be constituted at the level of FPS, Block, District and State level. The Department had not constituted such committees at any level.

Vigilance committees were not constituted at the level of FPS, Block and State level

The Department stated (October 1999) that a District Level Monitoring Committee has been constituted to monitor the distribution of essential commodities at district level. However, no documentary evidence could be produced to audit regarding constitution of committee and their monitoring reports.

3.2.15 Intelligence enforcement and manpower training

'Intelligence Enforcement and Manpower Training for PDSí was an important component of the RPDS and TPDS, but the Department had not taken any effective step to implement the system to improve management of supplies of essential commodities.

The Department stated (October 1999) that a short course training on implementation of TPDS had been organised in State Institute of Rural Development during 1997.

3.2.16 Security Deposit

According to the Sikkim Food Stuff (Distribution) Control order 1978, the Department was to obtain Rs 5000 as security deposit from all FPS. Notwithstanding the above instructions, security deposit to the tune of Rs 59.45 lakh was not collected from any of the 1169 FPS involved in the scheme. The system was thus fraught with the risk and loss of Rs.59.45 lakh.

3.2.17 Other points of interest

(a) *Inadequate financial control and irregularities in cash / bank transactions*

The following system deficiencies / irregularities in regard to the cash / bank transactions of the Department were noticed:

- i) Due to delay in credit of bank drafts to departmental account ranging from 10 to 150 days in 267 cases test checked, there was a loss of Rs.4.59 lakh towards interest.

ii) Despite credit balance in one bank, the Department availed of overdraft facility in another bank which resulted in avoidable expenditure of Rs.2.16 lakh.

Loss due to inadequate financial control and system deficiencies

iii) In May 1995, the Department allocated 8983.30 quintal of rice to various food godowns. Test check of records (April 1996) revealed that 1646.06 quintals of rice valued at Rs 10.67 lakh was short received by the godowns. Further, Principal Distribution Centre (PDC), Jorethang despatched 28947.80 quintals of rice to 5 different distributing food godowns during May to December 1995. On cross verification of godown records with reference to despatch records of PDC, it was noticed that rice valued at Rs 10.40 lakh were short received by the concerned godowns. Thus, failure to properly monitor the despatch of rice to the godowns and receipts thereagainst resulted in a loss of Rs. 21.07 lakh. The Department stated (October 1999) that as the records of past years pertaining to all the foodgodowns are not readily available, the correct position of short delivery of rice cannot be ascertained. Reply is not acceptable in view of the fact that inaction of the Department to ascertain the correct position since April 1996 and failure to fix the responsibility on defaulters led to loss of Government money.

3.2.18 Monitoring and Evaluation

At the district level, monitoring of the supply and distribution of foodgrains and essential commodities was vested with the DCSOs. No report was submitted by the DCSOs concerned nor were these called for by the Head Office located at Gangtok.

No evaluation undertaken

Evaluation of the scheme as a whole was not taken up by the Department at any time. Impact of the scheme thus remained unassessed till now.

The Department stated (October 1999) that a Departmental level monitoring committee was constituted. No monitoring and evaluation report could however be produced to audit.

3.2.19 Recommendation

- (i) Identification of BPL families should be completed in a time bound manner.
- (ii) Monitoring of the scheme by the Government in all aspects viz. lifting, distribution, operation of FPS etc need be strengthened to ensure transparency and efficiency.

POWER DEPARTMENT

3.3 POWER PROJECT AND MATERIAL MANAGEMENT

HIGHLIGHTS

The main objectives of the power sector in the state are capacity addition, improvement in the existing system and augmentation in generation. To meet the power requirement, 12 Power Projects have been established in the State. There were huge transmission and distribution losses, power was sold at below the purchase rate, and materials issued to works were not regularly adjusted, project had to be abandoned as their feasibility was not properly ascertained.

Due to absence of co-ordination between the Civil and Electro-mechanical wings, Government fund amounting to Rs.322.84 lakh remained blocked for 1 year to more than 2 years.

(Paragraph 3.3.4A (ii)(a))

There was an infructuous expenditure of Rs.1852 lakh on non-viable and abandoned projects.

(Paragraph 3.3.4A (ii)(b), (iv)(a))

There was closure of project worth Rs.920.70 lakh, loss of Rs.44.70 lakh and unjustified expenditure of Rs.12.48 lakh on idle labour.

(Paragraph 3.3.4A (iv)(b))

There was transmission and distribution loss to the tune of Rs.192.46 lakh.

(Paragraph 3.3.4A (i)(b))

Supply of free energy worth Rs.598.98 lakh without the Government's approval.

(Paragraph 3.3.4A (i))

There was loss of Rs 1044.85 lakh on sale below the purchase rate.

(Paragraph 3.3.4A (i))

There was saving of Rs.112.60 lakh during 1993-94 to 1998-99 ranging from 77 to 100 per cent of the provision.

(Paragraph 3.3.4B (ii))

There was unadjusted amount of Rs.92.37 lakh on account of materials issued to departmental works.

(Paragraph 3.3.4 B (iii))

There was idle store worth Rs.36.11 lakh for a period ranging from 2 to 9 years.

(Paragraph 3.3.4 B (vi))

3.3.1 Introduction

Sikkim abounds in innumerable streams and rivers flowing down the glaciers which have provided the State with abundant potential for generating hydro-electric power. The Diesel Power House was the first power project established in 1958 with the installed capacity of 2.70 MW. As at the end of 1998-99, the total installed capacity in the State was 38.10 MW. The power projects are being established, operated and maintained by the Power Department. An independent store division was established in the year 1976-77 for purchase, maintenance and issue of stores, machinery and equipment for the execution of the various works of the Department.

3.3.2 Organisational set up

The implementation of power projects is vested with the Principal Chief Engineer-cum-Secretary who is assisted by one Chief Engineer, one Additional Chief Engineer, two Superintending Engineers and two Executive Engineers. The responsibility for Store / Material management was vested with one Chief Engineer who was assisted by one Additional Chief Engineer, one Superintending Engineer, one Divisional Engineer and three Assistant Engineers.

3.3.3 Audit Coverage

A review on the Power Projects covering the period from 1993-94 to 1998-99 was conducted during March-April 1998 and August 1999 with reference to the records maintained by Power Department relating to projects and store. A review on Material Management of the Department was also conducted covering the period 1993-94 to 1998-99 during November 1998 and August 1999.

3.3.4 A Power Projects

(i) Completed projects

There were 12 completed power projects in the State. Test check of records revealed that the Upper Rongnichu Hydel Project and Kalez Khola Project which were scheduled to be completed during 1991-92 at costs of Rs.1452.55 lakh and Rs.480 lakh could only be completed during 1993-94 at a cost of Rs.2821.89 lakh and 1995-96 at a cost of Rs.1095.78 lakh respectively. This resulted in cost escalation of Rs. 1369.34 lakh and Rs. 615.78 lakh respectively. The reasons for cost escalation as attributed by the Department were delay in delivery of power equipment and delay in execution. However, the reasons for the delay itself could not be stated by the Department.

Observations, relating to the completed projects on operation, generation, transmission, distribution and sale of power etc are given below :

(a) Expenditure on operation of projects

The Department had not compiled any cost accounting manual so far (September 1999). Further, the Department neither followed the system of standard costing or process costing for assessing the cost of production nor integrated the financial and cost accounting systems. This restricted the scope of cost control and cost reduction.

The following table shows the yearwise expenditure on maintenance and operation of the 12 number of power projects in operation:

Year	Expenditure on maintenance and operation	Establishment and administrative charges	Revenue receipts
	(Rupees in lakh)		
1993-94	299.97	315.72	342.15
1994-95	454.92	380.55	384.88
1995-96	616.05	425.13	559.14
1996-97	695.04	464.44	581.64
1997-98	765.19	548.13	622.24
1998-99	803.15	NA	676.49

It would be seen that except during 1993-94, the expenditure on maintenance and operation (excluding the expenditure on establishment and administrative charges) was higher than the revenue receipts during the respective years from 1994-95 to 1998-99. Further, since the plant-wise profitability and contribution of revenue was not analysed by the Department, the economic viability of the projects could not be ascertained in audit.

(b) Transmission and distribution losses of Rs. 192.46 lakh

The Central Electricity Authority has fixed (May 1992) a norm of 15.5 per cent to overall transmission and distribution (T&D) loss in power system. It would be seen that T&D losses in power system of the Department had ranged between 20.13 per cent and 21.49 per cent during 1993-94 to 1998-99 which were much higher than the norm of 15.5 per cent prescribed by the CEA. As a result, Department suffered loss of revenue of Rs.192.46 lakh due to T&D losses in excess of the CEA norm during the last six years upto 1998-99 as detailed below:

Particulars	993-94	1994-95	1995-96	1996-97	1997-98	1998-99	Total
Total energy available for sale (MKWH)	71.14	83.54	102.22	107.70	115.78	125.44	605.82
Actual Transmission and Distribution (T&D) Loss (MKWH)	15.29	17.73	20.96	21.78	23.31	25.25	124.32
T&D Loss as per CEA norm of 15.5 per cent of Sl.No.1 (MKWH)	11.02	12.94	15.84	16.69	17.94	19.44	93.87
T&D loss in excess of CEA norm	4.27	4.79	5.12	5.09	5.37	5.81	30.45
Average rate (Rs. in lakh per MKWH)	6.543	6.342	7.300	7.300	7.519	8.125	
Loss due to T&D losses in excess of CEA norm (Rs.in lakh)	27.93	30.37	37.37	37.15	40.37	47.20	192.46

(c) Supply of free energy resulted in loss of Rs. 598.98 lakh

The Department, without the approval of the Government, supplied free power for public lighting, religious institutions and ex-service men. This constituted 20 to 31 per cent of the total generation during 1993-94 to 1998-99 which resulted in a loss of revenue amounting to Rs.598.98 lakh.

(d) Loss due to sale below the purchase rate

Test check of records relating to the purchase of energy from the Power Grid, West Bengal State Electricity Board, Damodar Valley Corporation, National Thermal Power Corporation and National Hydel Power Corporation revealed that the Department during the period from 1993-94 to 1998-99 purchased power at a total cost of Rs. 2902.04 lakh whereas Rs. 1857.19 lakh only was realised from sale of the same to commercial and domestic consumers, thus sustaining loss[s] to the tune of Rs. 1044.85 lakh as shown below:

Year	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	Total
Quantity purchased (MKWH)	22.90	27.07	41.60	38.40	53.43	73.14	256.54
Purchase cost (Rs. in lakh)	77.81	98.30	267.79	303.91	793.14	1361.09	2902.04
Selling value (Rs. in lakh)	149.83	171.68	303.68	280.32	401.74	549.94	1857.19
Loss (-)/ Profit (+) (Rs. in lakh)	72.02	73.38	35.89	(-) 23.59	(-) 391.40	(-) 811.15	1140.85

Further, it may be stated that the Department inspite of having sufficient power capacities, did not efficiently utilise the installed capacity of power projects that resulted into unwarranted purchase of power from outside valuing Rs. 2902.04 lakh as shown below:

Year	Installed capacity A	Gross Generation B (MKWH) (B as percentage of A)	Power purchased (MKWH) C	Percentage of purchase with reference to installed capacity (D)
1993-94	278.57	50.80 (18.24)	22.90	8.22
1994-95	293.05	59.32 (20.24)	27.07	9.24
1995-96	313.61	63.63 (20.29)	41.60	13.26
1996-97	313.61	72.50 (23.12)	38.40	12.24
1997-98	333.76	63.15 (18.92)	53.43	16.01
1998-99	333.76	53.20 (15.94)	73.14	21.91

The internal gross generation as a percentage of installed capacity ranged from 18.24 to 23.12 per cent during the period under review. Had the Department efficiently utilised its own power capacity and increased generation by 8 to 22 per cent of the total installed capacity, the purchase of power from outside the State to the tune of Rs. 2902.04 lakh could have been avoided.

ii) **Projects under construction**

The details and audit observations on 3 projects which are underway are as under:

Sl. No.	Name of Project	Estimated cost (Rs. in lakhs)	Scheduled year of Commencement	Scheduled year of completion	Expenditure (Rs. in lakh) and percentage of completion up to 1998-99
1	Rabomchu HEP (3X1 MW)	1357.44	1993-94	1996-97	1202.00 (60)
2	Peurey Khola MHS (2X100 KW)	108.70	1992-93	1994-95	139.54(45)
3	Rolep HP (2X3 MW)	3513.00	1997-98	2001-02	91.50 (Nil)

(a) **Rabomchu Hydel Project**

Blockage of government fund due to delay in execution of the project

The Project (3 X 1MW) was taken up (October 1995) at an estimated cost of Rs.1357.44 lakh with grants-in-aid from GOI to the tune of Rs.527.34 lakh. The Project cost was revised (March 1996) to Rs.1579.10 lakh by the Department on the ground of remoteness of the area and road disruption during monsoon after approval from GOI which enhanced the grants-in-aid contribution to Rs.675 lakh. Civil work worth Rs.533.81 lakh was put to tender and work order was issued (September 1995) with stipulated date of completion as September 1998. Similarly, electro-mechanical equipments were also put to tender and procured.

Procurement of equipments before completion of civil work resulted in idling of machinery worth Rs.322.84 lakh

Scrutiny of records revealed that civil work was completed to the extent of 60 per cent only at an expenditure of Rs.287.83 lakh till the date of audit (August 1999) whereas electro-mechanical equipments worth Rs.322.84 lakh had been procured between August 1996 and March 1998. The same were kept in Lower Lagyap Hydel Project store for want of completion of civil work and machine foundation of the Power House.

Thus, delay in completion of civil work in the stipulated time and procurement of electro-mechanical equipments in advance of requirement without co-ordinated planning resulted in idle machinery and equipments leading to blockage of government fund worth Rs.322.84 lakh for a period ranging from 1 year to more than 2 years.

The Department stated that the civil work could not be completed in time due to resource constraint. However, efforts were being taken to complete the project within 1999-2000 provided required resources were made available in time.

(b) Peurey Khola Micro Hydel Scheme

Infructuous expenditure Rs.139.54 lakh

This scheme (2 X 100 KW) was approved (May 1992) at an estimated cost of Rs.108.70 lakh and the work commenced in 1994-95. The proposal for revision of the project cost to Rs.306.79 lakh was sent by the Department to the Government in March 1998. However, the Government took a decision (July 1998) to suspend the project as it was not found to be viable due to fall / decline of discharge level of water.

Till the date of audit (August 1999), an amount of Rs.139.54 lakh was incurred towards the implementation of the project.

While accepting the fact (February 1999), the Department stated that efforts are on to revive the project by tapping alternate source of water .

Suspension of projects resulted in infructuous expenditure of Rs.139.54 lakh

The reply is not acceptable as the Government while taking the decision to suspend the project had already considered this suggestion which was also put forward by the Department at that time. Thus, suspension of the project resulted in an infructuous expenditure to the tune of Rs. 139.54 lakh.

(c) Rolep Hydel Project

Work on the project has not commenced due to problems in land acquisition and obtaining environmental clearance from Forest Department. It was noticed that despite an expenditure of Rs. 91.50 lakh during 1997-98 and 1998-99, no physical progress of the work could be achieved as the entire expenditure was incurred towards administrative infrastructure only.

(iii) Projects not taken up

Although there was a budget provision of Rs.50 lakh in 1996-97 and 1997-98 and Rs.14 lakh in 1998-99 for Lachung Stage-II project, no expenditure has been incurred on execution of this project. The reasons for non-execution could not be stated to audit.

(iv) **Abandoned / Closed Projects**

(a) **Rathangchu Hydro Electric Project**

(i) **Infructuous expenditure of Rs.17.12 crore**

Taking up of project before ascertaining feasibility resulted in infructuous expenditure of Rs.17.12 crore

This Project was approved by the Cabinet in January 1993 at an estimated cost of Rs. 71.19 crore and was to start from 1994-95 for completion within 2000-01 and was estimated to generate 30 MW of power. While the work was put to tender in July 1994, a writ petition was filed (August 1994) in the High Court objecting the project on the plea that it would affect the historical and religious monuments, environment and tourism.

Scrutiny of records revealed (March 1998) that the decision of establishing such a huge project was taken without proper evaluation of its very necessity. It was seen that during 1994-95, the installed capacity of Hydro Electric Projects in the state was marginally short of its requirement which was to be met from other projects that would have been available within a few years since then and therefore, the State would not require any additional power after the expected completion of the project during 2000-01.

On re-examination of the feasibility of the project after the litigation in the court of law, the Chief Minister ordered for immediate stoppage of all works relating to the project on 20 December 1994. By that time, nearly Rs. 3 crores was spent on the project. However, formal decision of the Cabinet to stop the implementation of the project could be obtained only in August 1997. Even after the decision of the Cabinet and notwithstanding the clear decision of the Chief Minister during December 1994, expenditure continued to be incurred on the project till October 1997 and a total amount of Rs. 17.12 crore was spent on the project. This does not include the quantum of outstanding dues payable to contractors, suppliers etc.

Thus, a total failure on the part of the Government to ascertain the viability and necessity before taking up a huge project and to take administrative / executive action to stop the work in time resulted in an infructuous expenditure of Rs.17.12 crore.

Scrutiny of records (March 1999) revealed that the Department was taking action to utilise the assets/created like buildings, approach road for SHEDA College. However, the latest position in this regard could not be stated to audit.

(ii) **Blockade of Government Fund Rs. 11.50 lakh**

Scrutiny of records (February 1999) revealed that the Department purchased (January 1997) one Tipper Truck and one Truck chassis at a cost of Rs. 6.36 lakh

and Rs. 5.14 lakh respectively from a Calcutta based firm for use in the Rathangchu Hydel Project. After more than a year, the Department placed an order (April 1998) with a body building firm to fabricate the body for the Truck chassis but could not get delivery of the truck due to non-payment of fabrication charges. The Tipper Truck also remained off road as the Department could not obtain the registration number due to non-payment of fees and taxes. Since both the vehicles could not be put to use till September 1999, the procurement of the same proved idle leading to blockage of Government funds to the tune of Rs. 11.50 lakh.

Truck purchased at a cost of Rs.11.50 lakh remained idle for 33 months

While accepting the fact, the Department stated (August 1999) that due to closure of Rathangchu Hydel Project (August 1997), they have taken initiative to utilise the vehicles in other projects. The Department further confirmed (September 1999) that due to resource constraints, the Tata truck was still lying with the firm with the body fabricated and the tripper truck would be registered soon and utilised. While fund constraint cannot be the reason for non payment of fees and taxes relating to registration, the fact remained that these vehicles have not been put to use for the last 33 months.

(b) Kalez Khola Hydel Project

Loss due to closure

There was a loss of Rs.44.70 lakh due to closure of project

The Project (2 x 1 KW) was commissioned (11 September 1995) at a total cost of Rs.920.70 lakh. The power house was shut down for a period of 20 days w.e.f 16 November 1997 to 6 December 1997 to enable the SPWD to construct a road lying directly above the water conductor line. During the course of construction, the water conductor line was damaged and consequently, the power house remained closed since 16 November 1997 and has not been recommissioned till date of audit. Scrutiny of records revealed that due to closure of the power house since November 1997, asset worth Rs.920.70 lakh remained idle besides loss of generation worth Rs.44.70 lakh* calculated upto March 1999.

Further, an amount of Rs.12.48 lakh was incurred towards payment of muster roll employees and work charged establishment engaged in the Project during the period from November 1997 to February 1999. As the power house was closed, engagement of muster roll and work charge labour was not justified.

* Energy loss = Unit per hour x Hour a day x Days x Month x PLF
 = 2000 x 24 x 30 x 16 x 9.70/100
 = 22,34,880 units
 = 22,34,880 x Rs. 2 per unit = Rs. 44.70 lakh*

3.3.4 (B) Material Management

(i) Planning

It was seen in audit that instead of sending their requirements to the Chief Engineer, the Divisional Engineers in charge of the execution of works made direct purchases. Expenditure during the period from February 1995 to May 1998 for effecting direct purchases in 29 cases worked out to Rs.348.23 lakh. No reserve stock limit was fixed and purchases made were also not based on actual requirements. Materials worth Rs.41.34 lakh procured between December 1996 and December 1997 for Rural Electrification Schemes (RES) were lying idle upto March 1999.

This is indicative of the fact that there was no proper planning and effective material management.

(ii) Budget provision and expenditure

The budget provision and expenditure incurred thereagainst during 1993-94 to 1998-99 are given in **Appendix XII**.

It would be seen from the Appendix that against the budget provision of Rs.120 lakh during the period from 1993-94 to 1998-99, expenditure of Rs.7.40 lakh only was incurred and this resulted in huge savings of Rs. 112.60 lakh. Savings ranged from 77 per cent during 1994-95 to cent per cent during 1996-97 to 1998-99. The savings were surrendered at the fag end of each year which was contrary to the interests of the Government.

The Department stated (November 1998) that although the funds of Rs.20 lakh were allotted in each of the years from 1993-94 to 1998-99, the expenditure towards procurement of stock was booked under the head of account 4801-05-T&D-2, Other Distribution Scheme (ODS), as the fund provided under Stock Suspense was not sufficient.

Reply is not acceptable as the Department was not able to utilise all the fund under 'Stock Suspense' as there were savings under this head. This defeated the very purpose of budgeting and indicated improper financial management. Purchases under ODS without the specific approval of the Government was highly irregular.

(iii) Non-adjustment of store issued to works

During the period under review, a sum of Rs.92.37 lakh remained unadjusted as on 31 March 1999 against materials issued to various departmental works. No effective step has been taken by the Department to adjust the value of materials

issued to various departmental works even though the same was issued long back.

*Cost of
materials
valuing
Rs. 92.37 lakh
remained to be
adjusted*

The Department stated (December 1998) that the concerned divisions to whom the materials were issued could not settle the store bills on account of inadequate allocation of funds under Non-Plan Budget. The major portion of the Non-Plan fund was spent for payment of salaries of employees. It was further stated that it was not possible to recover the cost of materials and the amount would be written off after obtaining the concurrence of the Finance Department. Reply is not acceptable in view of the fact that instead of approaching the Government for adequate funds, the Department continued to utilise the allotted funds to meet the cost of salaries of the work charged staff. As a result of this, the cost of materials worth Rs.92.37 lakh issued to the various executing divisions remained unadjusted as on March 1999.

(iv) Other Distribution Schemes

According to rules, materials purchased are required to be debited to Stock and thereafter issued to work according to the requirement. The purchase was to be limited to Reserve Stock Limit. In respect of work in progress, materials required for the works can be directly debited to work instead of Stock and its utilisation watched through Material-at-Site Account.

It was observed that in respect of distribution Schemes, materials purchased were directly debited to work (the value of materials required were not known as estimates were not available) and recovery credited to the same work.

Neither the Department fixed the Reserve Stock Limit nor the divisions watched the utilisation of material by monitoring Materials-at-Site Account.

(v) Purchases

Idle Machinery

One excavator purchased during March 1996 at a cost of Rs.30.59 lakh lying at Yuksom remained idle due to suspension of the work against which it was purchased and action on this was not taken to ascertain the requirement of this machinery by other Divisions.

(vi) Store Management

(a) Lack of proper material management

In order to ensure that stores were not held unnecessarily in excess of the requirement beyond a reasonable period, half yearly inspection was required to be conducted so that surplus, unserviceable and obsolete stores could be disposed off. This was never done though the stores valuing Rs.36.11 lakh were lying idle in the stores for periods ranging between 2 years and 9 years. This indicated lack of proper Material Management.

(b) Non-disposal of replaced transformers

Test check of records revealed that between 1992-93 and 1997-98, 50 transformers valuing Rs.26.07 lakh were issued to various sub-divisions for augmentation of power supply. The replaced transformers which were in working condition were not brought back to the stores for further use.

The Department stated (January 1999) that action would be taken to bring back the replaced items to the stores for arranging bulk repairs of the same.

(c) Non-recovery of cost of materials from the contractor

Test check of the indents for the period from 1993-94 to 1996-97 in respect of stores issued to Maintenance Division, Gangtok revealed that during 1992-93 and 1993-94, materials worth Rs.6.91 lakh was issued to the contractors. Its cost has not yet been recovered and adjusted.

(d) Irregular issue of materials from ODS to maintenance works

Test check of records revealed that out of materials purchased for various works under ODS (Capital head of account), materials valuing Rs.44.88 lakh were issued to Maintenance (Rs. 42.81 lakh) and Commercial Divisions (Rs.2.07 lakh) for maintenance works under Non-plan sector. This amounted to diversion of funds from Capital head of account to Revenue head of account which is not permissible under rules.

(e) Physical verification

As per codal provisions, physical verification of all stores should be conducted at least once every year. During the period 1993-94 to 1998-99, no physical verification was conducted by the Department except once during 1994-95 by a committee set up by the Government. The Department stated (April 1999) that physical verification of stores was being conducted every year. The reply is not tenable as the Department could not furnish any record in support of the claim.

(vii) Other points of interest

(a) Blockage of Government fund due to non-execution of work / supply

The Department floated tender (July 1997) for supply of 2 diesel generating sets through STCS for providing power connection at VVIP Colony, Gangtok. The supply was awarded to a Co-operative Society, Gangtok at a cost of Rs.30.18 lakh for completion by November 1997 and an advance of Rs.7.55 lakh was released to the supplier during August 1997.

However, the supplier has not supplied the generating sets (August 1999) which resulted in blocking of Government fund to the tune of Rs.7.55 lakh for nearly 2 years. The Department did not take effective steps to recover the amount.

(b) Fictitious Adjustment

A test check of Transfer Entry Orders (TEO) revealed that in 18 cases, cost of materials valuing Rs.7.61 lakh was debited to the works where funds were available but the items were used in other works. Procurement of stores as per the availability of the fund without assessing the actual requirement ultimately led to fictitious adjustment.

In reply, the Department stated (January 1999) that the fictitious adjustment of stores would be avoided in future.

RURAL DEVELOPMENT DEPARTMENT

3.4 RURAL EMPLOYMENT GENERATION PROGRAMME

HIGHLIGHT

The objective of Rural Employment Generation Programme was to generate employment to the needy persons through creation of durable assets and economic infrastructure. The funds were received from the GOI and State Government by the Jawahar Rozgar Yojana / Employment Assurance Scheme Cell and released to the districts and Panchayats for implementation.

Due to paucity of funds, the scheme could cover only 11 to 21 per cent of the targetted beneficiaries. There were delays in release of funds to the Cells from the Governments and to the Districts/Panchayats from the Cells. The generation of employment was reported to the GOI by theoretical calculations on the basis of funds released to the districts and minimum wage rate, notwithstanding huge unspent balances in the districts. There were expenditures on item of work not covered under the scheme; appointment of contractors, excessive expenditures on administration, non-adherence to wage-material ratio, sectoral allocation, lean-agricultural season, selection of work benefiting individual SC/ST population. The State Government did not make any serious and conscious effort to evaluate the impact of the schemes under REGP being implemented in the State.

During 1994-95 to 1998-99, Rs.28.43 lakh was spent in excess of norms towards administrative expenses.

(Paragraph 3.4. 5A(b))

The unspent balance in the districts ranged from Rs.29.29 lakh (1998-99) to Rs.152.97 lakh (1996-97).

(Paragraph 3.4.5B(a)(i))

During 1996-97, 1997-98 and 1998-99, Rs.132 lakh, Rs.79 lakh and Rs.115 lakh were released to the districts on the last day of the financial years. These were shown as expenditures despite the fact that these were neither received nor expended by the districts during the respective years.

(Paragraph 3.4. 5B(c))

During 1996-97 to 1998-99, Rs.48.67 lakh were spent on works not covered under the scheme.

(Paragraph 3.4.5B(e))

The expenditure reported to GOI was overstated to the tune of Rs.328.48 lakh resulting in overstatement of employment generation to the tune of 4.93 lakh mandays.

(Paragraph 3.4.5B(g))

3.4.1 Introduction

Under REGP, two Schemes, viz, Jawahar Rozgar Yojana (JRY) and Employment Assurance Scheme (EAS) are being implemented throughout the State of Sikkim.

JRY was launched by Government of India (GOI) in 1989-90, after merging the earlier ongoing Schemes iRural Landless Employment Guarantee Programme (RLEGP) and National Rural Employment Programme (NREP) with the objectives of generation of additional gainful employment for the unemployed and under employed persons in the rural areas and creation of assets in favour of rural poor, particularly the SCs and STs for their direct and continuing benefits.

The EAS was launched by the GOI in 1993-94 with the objectives to provide gainful employment during the lean agricultural season to the needy and able bodied adults in rural areas and to create economic infrastructure and community assets for sustained employment and development.

3.4.2 Organisational Set-up

The Secretary, Rural Development Department is the Chairman of both the JRY and EAS cells functioning under the respective Project Directors at the State Level. The programmes were being implemented in the Districts through District Collector, District Development Officers and Zilla/Gram Panchayats. The funds for these schemes are routed through the Sikkim Rural Development Agency (SRDA) functioning under a Project Director.

3.4.3 Audit Coverage

A review of the REGP covering the JRY and EAS was undertaken during April-June 1999. The periods from 1994-95 to 1998-99 in respect of JRY (the JRY scheme covering the period 1989-90 to 1993-94 had earlier been reviewed and featured in the Audit Report, Government of Sikkim 1993-94) and 1996-97 to 1998-99 in respect of EAS (a review on EAS covering the period 1993-94 to 1995-96 featured in Audit Report for the year 1995-96) were covered under the review. The findings are enumerated in the succeeding paragraphs.

The services of ORG-MARG were commissioned by the Comptroller and Auditor General with a view to gauge interalia beneficiary perception of the programme and related matters. The ORG-MARG carried out a survey over a sample of 1 district, 2 blocks and 25 villages. Significant findings of the survey on matters discussed in the Report have also been included in this Review at appropriate places.

3.4.4 Planning

(a) Employment Assurance Scheme

The District Collectors were to obtain from head of implementing agencies as well as from Gram Sabhas and Panchayats by October every year their blockwise plans for various works prepared to be taken up by them in the districts in the current and succeeding years. On the basis of these details, the District Collectors were to prepare shelf of projects of productive works. Preparation of shelf of projects was to be finalised by December every year.

Scrutiny of records revealed that the shelf of projects were not prepared according to the forms prescribed in the Manual. Expected number of mandays to be generated, cost of wage and non-wage component were not recorded in the shelf of projects and no survey of district-wise resources for selection of economically viable projects / works was ever done.

(b) Jawahar Rozgar Yojana

Annual Action Plan taking into account 125 per cent of the fund allocated in the preceding year was to be prepared before the beginning of the financial year. Thereafter, shelf of projects indicating optimum utilisation of available resources was required to be prepared by the State Government as envisaged under the scheme. These were never done. The JRY Cell, instead took up works which were proposed / recommended during the financial year by the Panchayats/ MLAs and forwarded by the respective DDOs. The works were taken up at random for execution at any time during a particular year without preparation of the priority list.

According to guidelines, the Cell should have integrated all the allied programmes and activities like social forestry, minor irrigation, poultry shed, land development etc in consultation with the respective implementing agency / department executing works under various other schemes. This was also never done. The Panchayats also failed to make any advance planning against their share of funds under JRY during any of the years.

ORG-MARG in its Report has observed that nearly half of the respondents of the survey have reported that no gram sabha was organised for identifying JRY projects which needs careful attention to ensure higher community participation in future.

3.4.5 Financial Outlay and Expenditure

The expenditure on JRY and EAS were to be shared between the Centre and State in the ratio of 80:20.

A *Jawahar Rozgar Yojana*

Sources and application of fund

The State Government was to release its share within one week from the release by the Central Government. The details of fund released and utilised in the State under the Scheme are as mentioned in the **Appendix XIII**.

In this connection the following points were noticed:

(a) *Delay in release of funds to Gram Panchayats*

According to the JRY guidelines, funds for Gram Panchayats (80 per cent of available fund) were to be released by the SRDA (JRY authorities) within a week of the receipt of the funds by the latter. However, during most of the years, the funds were released belatedly ranging from 36 days (1995-96) to 11 months (1997-98). The delay in release of funds adversely impacted on the wage employment programme.

In reply (September 1999) it was stated that the delay was mainly due to non-maintenance of proper accounts and delay in submitting utilisation certificates asset registers etc. by the Gram Panchayats.

Funds were released belatedly ranging from 36 days to 11 months

There were excessive administrative expenditure of Rs.28.43 lakh

(b) Excessive administrative expenditure

As per the guidelines, the State Government may spend upto a maximum of 2 per cent of the funds utilised during the years on administration. However, scrutiny of records revealed that an amount of Rs 4.81 lakh and Rs.23.62 lakh was expended in excess of the norms during 1994-95 and from 1995-96 to 1998-99 respectively. This has resulted in loss of 0.49 lakh* mandays that could have been generated on assets worth Rs.28.43 lakh.

The Department (September 1999) stated that due to increase in volume of work on the basis of additional fund released by the State Government, administrative expenses exceeded the admissible limit of 2 per cent. However, this was met from the excess funds released by the State Government. The reply is not acceptable as the administrative expenses under the scheme were to be restricted within 2 per cent, irrespective of the fact as to who is releasing the fund.

(c) Irregular utilisation of fund by the Gram Panchayats

Out of Rs 10.15 lakh received by 19 Gram Panchayat Units during 1997-98 and 1998-99, Rs 7.52 lakh were spent on works not covered under the scheme like purchase of land for Panchayat Ghar, Payment of wages to the chowkidar of Panchayat Ghar, extension/repair of schools, construction of mandir, repair of village roads etc.

While accepting the fact in reply (September 1999) it was stated that the JRY authorities are taking action to streamline the system.

(d) Non-utilisation of funds

(i) Non-implementation of Gandhi Block

A sum of Rs.10 lakh received (January 1996) from GOI as one time grant under JRY had been kept in a separate bank account in the State Bank of India without utilisation, the reason for which was not intimated. This resulted in loss of 0.15 lakh mandays that could have been generated on assets worth Rs.10 lakh.

The Department stated (September 1999) that the authorities are taking action to utilise the fund.

* Calculated @ Rs. 20 (Minimum wage rate) during 1994-95 and @ Rs. 40 during 1995-96 to 1998-99 on 60 per cent (wage component) of the amount involved.

(ii) Non-utilisation of additional fund on construction work

Under JRY, an amount of Rs 2.10 lakh was received from the GOI for construction of ICDS centres. The fund remained unutilised in the JRY account resulting in loss of 3150 mandays.

Department stated (September 1999) that steps are being taken for construction of these centres. The unusual delay in taking up the work was not justifiable.

(e) Sectoral allocation

No work was undertaken which directly benefits individual SC/ST population

Sectoral earmarking of DRDA share of fund (20 per cent of available fund) and actual expenditure thereagainst during 1997-98 to 1998-99 revealed that road and building works which entails higher material component was given importance while economically productive works and social forestry work with greater scope for generation of employment were almost totally neglected. During 1997-98, Rs.1.17 lakh (1 per cent) was spent on construction of religious structures, which was neither stipulated in the guideline nor was economically productive assets.

The scheme does not envisage sectoral earmarking of resources at the village panchayat level except that 22.5 per cent of the annual allocation for the works should directly benefit the SCs/STs.

However, scrutiny of records revealed that no allocation from SRDA and village panchayat level funds was made for the works which directly benefit the individual SCs/STs during the entire period under review.

In reply (September 1999) it was stated that due to the demand of villagers and recommendations by Gram Panchayats, cement concrete footpaths had to be constructed and increase in expenditure under 'Road and Building' sector was due to construction of pre-primary school buildings under JRY. The reply is not acceptable due to deviation from the stipulated sectoral earmarking.

ORG-MARG also observed in its Report that the majority of the assets created were capital intensive such as link roads.

B Employment Assurance Scheme

(a) Sources and application of fund

The State Government was to release its share within a fortnight of the release by the Central Government. The details of year-wise funds released and utilised in

the State under the scheme are as mentioned in the **Appendix XIV**

In this connection, the following observations are made:

(i) Unspent balances in the districts

There were huge unspent balances in the districts

The expenditures mentioned in the above Appendix were as reported to the GOI. These were the totals of the funds released to the Districts and expenditure incurred at Head Office during the respective years. However, scrutiny of relevant records at the districts revealed that there were huge unspent balances lying in the Bank Accounts which resulted in reporting of inflated expenditure in addition to misrepresentation of facts as below:

Year	Available fund during the year	Reported expenditure	Unspent balances as verified in the districts (Percentage)
(Rupees in lakh)			
1996-97	427.41	322.38	152.97 (47)
1997-98	582.87	552.97	146.22 (25)
1998-99	595.71	580.69	29.29 (5)

In reply (October 1999) it was stated that Sikkim as a whole is treated as a DRDA unit and all the four administrative districts are considered as blocks. All the schemes works to be taken up under EAS are sanctioned at the DRDA level and funds are released to the blocks which are headed by District Collectors for making payment. However, fact remained that expenditure was not actually incurred and the implementation of the project was thus adversely effected.

(ii) Non - settlement of advances

For ensuring timely payment of wages, advances were being paid to the concerned Assistant Engineers. An amount of Rs 34.22 lakh was paid as advances for execution of works during 1996-97 to 1998-99, but the same were shown as expenditure, thus inflating the figures of expenditure.

In reply (October 1999) it was stated that the advances have been settled. However, documentary evidence in support of the claim could not be produced to audit.

(b) Release at the fag end of the year

There was rush of expenditure during the fag end of the years

The main reason for funds remaining unutilised in the districts was release (shown as expenditure) to them by the EAS Cell at the fag end of the financial year. The table below would indicate the rush of expenditure during the last quarter of the year for the period 1996-97 to 1998-99.

Year	Total expenditure	(Rs. in lakh)	
		Expenditure during last quarter	Expenditure during last month
1996-97	322.40	165.41 (51)	58.58 (18)
1997-98	552.96	271.90 (49)	270.55 (49)
1998-99	580.43	287.95 (49)	186.18 (32)

Note: Figures in bracket indicate percentage to total expenditure.

Such rush of expenditure at the fag end of the years was against the financial propriety of the implementation.

(c) Release of fund on the last day of the financial year

Rs. 327.32 lakh were released to the districts on the last day of financial years

The State Government released Rs 132.25 lakh on 31 March, 1997, Rs 79.00 lakh on 16 March 1998 and Rs 115.00 lakh on 30 March 1999 to EAS Cell. The Cell in turn released Rs. 327.32 lakh to all the 4 districts on the last day of the financial year which were not received and expended during the respective years. It was further seen that the GOI itself released Rs 110.00 lakh on the last day of the financial year 1997-98.

Release on the last day/ fag end of any financial year defeats the very objective of its being utilised in the respective years and consequential generation of employment.

While accepting the observation, the EAS authorities stated (October 1999) that they would request the Governments to release fund in advance.

(d) Inadequate provision

The availability of fund could meet only 11 to 21 per cent of the requirement

According to the guidelines, no person seeking employment and willing to work was to be denied work. Accordingly, funds were to be made available by both the Governments- Central and State. The requirement of funds for ensuring 100 days employment to the registered persons was as detailed below:

Year	Persons registered	Fund required [@]	Fund available	Percentage of availability
(Rupees in lakh)				
1996-97	43500	2900	327.41	11
1997-98	43500	2900	582.87	20
1998-99	43500	2900	595.71	21

Funds made available for the purpose were thus only 11 to 21 per cent of the requirement.

In reply (October 1999) it was stated that as and when resource allocation position improves, intended targets will be covered. However, the fact remained that due to non - availability of required funds, the benefits could not reach the targetted population.

(e) Expenditure beyond the scope of EAS

Rs. 48.67 lakh were spent on works beyond the scope of the scheme

According to the guideline of the scheme, expenditure should be for creation of durable assets which were then to be handed over to the line departments or local bodies for maintenance. Further, anganwadis and two-roomed school buildings (where approved schools were there, but without any building) were to be constructed under the scheme. However, scrutiny of records revealed that Rs 48.67 lakh were spent during the period from 1996-97 to 1998-99 on village roads (non-durable asset), repair works and extension of schools etc. in the South and West districts of the State. Since such expenditures were not within the scope of the scheme, the same were irregular.

In reply (October 1999) it was stated that the expenditure were on creation of community assets which is not acceptable as this is beyond the scope of the scheme.

(f) Lean season

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

[@] The total fund requirement comprises material and wage component in the ratio of 40 : 60. Therefore, total fund requirement per year = wage requirement (Number of persons registered x minimum wage per manday x 100 mandays) x 100/60.

Year	Total expenditure	Expenditure during the lean season	Percentage with reference to total expenditure
(Rs. in lakh)			
1996-97	322.40	215.13	67
1997-98	552.90	241.16	44
1998-99	580.43	408.43	70
Total	1455.73	864.72	

Rs. 591.01 lakh was spent in violation of the objective of the scheme

It would be observed from the foregoing table that 30 to 56 per cent of fund was utilised during the agricultural seasons which was against the guidelines of EAS. Thus, creation of generation of 8.87 lakh mandays during non-lean season involving an expenditure of Rs.591.01 lakh violated the objects of the scheme. In reply (October 1999) it was stated that due to topographical and agroclimatic nature of Sikkim, it was difficult to adhere to a standard lean season. It was, however, assured that attempt would be made to confine activities within lean season.

(g) Generation of employment

(i) Registration of Persons and issue of family cards

Under EAS, persons above 18 and below 60 years of age who were in need and sought employment had to register themselves in the village panchayats where they resided. The adult persons so registered were to be issued family cards by the gram panchayats to ascertain assurance of 100 days employment to two adults of a family during each year. The details of employment were to be recorded in the family cards to ensure 100 days employment.

Scrutiny of family cards revealed that the details of employment provided under different schemes and the number of days of employment had not been recorded in the family cards issued. No records to indicate that the 100 days assured employment had been provided to the worker under EAS were maintained at the district levels. Workwise details of number of persons employed and mandays generated were not available with the Department for the period under review.

Due to non-maintenance of records, authenticity of employment generated could not be vouchsafed in audit.

Further, the survey revealed that nearly one-third of the beneficiaries reported that they were provided job on demand and that only one-tenth of the beneficiaries were aware of their right to demand employment from the BDO in a group of 20. The EAS in Sikkim was thus not found to be demand driven.

(ii) Target and achievement

No targets were fixed for generation of employment under EAS either at the State or at the district level. The achievement in generation of employment in terms of mandays in the last three years was as given below:

Year	Persons registered	No. of persons given employment as per Annual Reports	No. of mandays to be generated by providing employment for 100 days (in lakh)	No. of mandays generated (as per Annual Reports)	Percentage shortfall in generating mandays	Average employment per person in the year (in mandays)
1996-97	43,500	6,850 (16%)	6.85	4.45	35	65
1997-98	43,500	9,500 (22%)	9.50	7.41	22	78
1998-99	43,500	10,800 (25%)	10.80	8.21	24	76

It would be seen that the persons given employment constituted only 16 to 25 per cent of the persons registered. Similarly, the percentage of shortfall in providing 100 days assured employment ranged between 22 to 35. It was also observed that against the stipulated employment generation of 100 days, average employment ranging from 65 to 78 days was only provided to the persons given employment in the years during 1996-97 to 1998-99 besides irregular generation of employment of 8.87 lakh mandays during non-lean season as mentioned in para 3.4.5.B(f).

In reply, it was stated that efforts are being made to cover all the persons registered under the scheme.

ORG-MARG observed that against stipulated 100 days of employment only 35 days employment was generated which indicates that benefits are thinly spread and as a result accrued benefits are not perceived by the beneficiaries.

(iii) Inflation/overstatement of employment generation

While reporting to the GOI, the generation of employment was theoretically calculated by dividing 60 per cent of the funds released to the districts by the minimum wage rate without even considering the actual expenditure at the district level where huge unspent balances were there all the years. The actual generation of employment should have been based on the figures available in the muster rolls, duly excluding the employment of skilled labour which were to be treated as material component as per the guidelines of the scheme. This has resulted in inflation / overstatement of generation of employment. There was a total overstatement of expenditure to the tune of Rs.328.48 lakh resulting in overstate-

Generation of employment was inflated by 4.93 lakh mandays

ment of employment generation to the tune of 4.93 lakh mandays during 1996-97 to 1998-99.

In reply it was stated that the actual generation of employment have been based on the figures available in muster roll. The reply is not acceptable for the fact stated in the para.

(h) Payment of wages

For employment under the scheme, registration of persons with the department was a pre-requisite. However, in the muster rolls test checked, there was no mention about the registration / family card number. In the absence of such references, the authenticity of persons getting wage-employment could not be ascertained in audit.

Payment of wages was to be made weekly at the work site in the presence of local persons like Sarpanchas/ Gram Panchayats. In the cases seen in audit, there were nothing on record to show that the payments were made in the presence of local persons. Further, in all the cases seen, the payments were made monthly and never weekly.

In reply it was stated that instruction have been issued to the field functionaries for compliance.

ORG-MARG survey also observed that comparison of basis told and frequency of actual payment made shows that though one-third of beneficiaries were not given any fixed schedule, most of them were paid at the end of the project.

Although prohibited under the scheme, in 20 cases, employment was given to the same persons for more than 100 days in a year. Further, in a number of cases, employment was given to more than 2 persons in a family.

In reply, it was stated that this was due to the economic plight of the concerned person and poor response from public in some affluent areas.

(i) Appointment of Contractors

Contractors were appointed in 6 works

Appointment of Contractors under the scheme was strictly prohibited. However, test check of records for the period 1996-97 to 1998-99 revealed that in 6 works involving expenditure of Rs 4.55 lakh, contractors were appointed.

In reply it was stated that the newly elected Panchayats have misconceived the beneficiaries as contractors during the issue of certificate on completion of works. The reply is not acceptable as the names of such beneficiaries were not in the relevant muster rolls.

ORG-MARG survey also reported that people worked under a labour contractor at some point of time, indicating the strong presence of contractor in the execution of projects in Sikkim. This is commensurate with the fact that one-third of the projects were reportedly identified by the contractor. Though nearly two-fifths of the respondents were reportedly paid by the panchayat, approximately one-third of the beneficiaries were paid by contractors/agents indicating that though projects are supervised by the Local Self Government and line departments, projects were actually executed by the contractors. Less than one per cent of the beneficiaries were paid by the BDO.

(j) Non-adherence of Wage-material ratio

All works under EAS were to be labour intensive i.e. 60 per cent of expenditure on any work should be towards wages of unskilled labours.

Test check of 118 works spread over all the 4 districts revealed that out of total expenditure of Rs 80.19 lakh, expenditure on wage was only Rs.32.31 lakh (40 per cent). The specific stipulation of maintaining 60 (labour): 40 (material) ratio was thus not being followed in the State.

Wage material ratio was not adhered to

In reply it was stated that during May 1998, the Central Ministry has clarified that 60:40 ratio has to be maintained at the Block level and not work-wise. The reply is not acceptable as the records are not being maintained at the Block level to exhibit the actual expenditure in wage and material. Theoretical calculation and exhibition of wage material ratio in head office is not based on fact as verified from the test check of 118 individual works.

ORG-MARG also reported that the wage to material ratio was 56 : 44 as against stipulated 60 : 40.

(k) Sectoral allocation

Against the stipulation of 40 percent of the expenditure to be spent on Water and Soil Conservation work, only 8 to 14 per cent work was executed. Further, against the stipulation of 20 percent under Link Roads, 61 to 71 percent work was executed. Such deviation from the earmarked sectoral allocation defeated the objective of the scheme.

The Department stated that the guideline regarding sectoral allocation has since been revised (May 1995).

(l) Unfruitful expenditure

The construction of Jeepable Road from Niya Junior High School was sanctioned during 1995-96 at an estimated cost of Rs 8 lakh. After incurring an expenditure of Rs 4.47 lakh upto November 1996, the work was abandoned while the scheduled date for completion was not on record, the work remained incomplete since November 1996.

In reply (June 1999) it was stated that due to claim for compensation by the landowners and there being no provision for such compensation under the scheme, the work had to be abandoned. In a further reply (October 1999) it was stated that the Government has approved for construction of CC footpath in place of jeepable road to cover the remaining area. Thus, due to not ensuring the availability of land for construction of the road beforehand, the expenditure of Rs.4.47 lakh remained unfruitful.

3.4.6 Asset Register/Non-maintenance of assets

In respect of assets created under the scheme, the Implementing agencies are required to record detail of assets created in the Asset Register and also hand over the assets to the concerned department for upkeep and maintenance. In respect of small assets like check dams, vegetative barriers etc, these are to be handed over to local body/Village Panchayat. Only 48 out of 159 Gram Panchayat Units (GPUs) which were the implementing agencies, could produce their Asset Registers for the period 1997-98 to 1998-99 to Audit. Not a single GPU could produce their Asset Register for the period 1994-95 to 1996-97 as a result of which Audit could not ascertain as to whether the assets were actually created against the release of Rs.1.60 crore to these GPUs during these years. In addition, it was observed from the following details that assets created were not maintained for getting sustained benefits as per the guidelines of the scheme.

The inspection of Additional District Collector revealed that the Minor Irrigation Channel at Lepcha Gaon constructed (July 1997) at a cost of Rs.1.97 lakh had no connection to the water source.

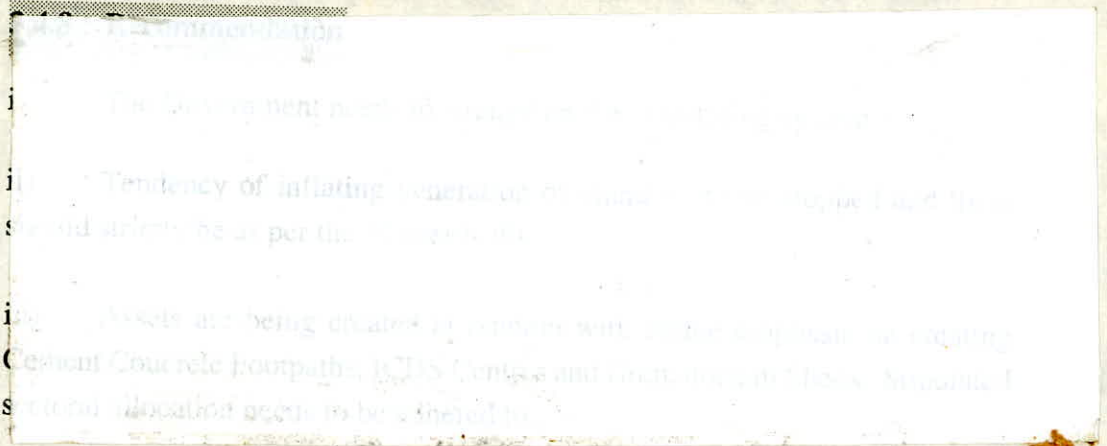
The Jhora Training at Satphutey Khola constructed at a cost of Rs.1.40 lakh and Minor Irrigation Channel at Durey Khet (cost Rs. 1 lakh) were damaged. It was stated that action was being taken to restore the same.

3.4.7 Monitoring and Evaluation

The impact of the scheme to be evaluated

No vigilance squad for inspection of works has yet been constituted. Further, the number of field visits to be conducted by the State Level Functionaries has not yet been prescribed and no record relating to field visits conducted along with reports/ follow-up action could be produced to audit.

The scheme has not yet been evaluated to ascertain the impact of the implementation of the scheme.



TOURSIM DEPARTMENT

3.5 INTEGRATED AUDIT OF TOURISM DEPARTMENT

HIGHLIGHTS

With a view to enhance and promote tourism, the Government of India (GOI) sanctioned several schemes for construction of tourist lodges, tourist complexes, way side amenities etc. Audit scrutiny revealed that during 1993-99, there was huge overall saving indicating lack of proper financial management and planning, defeat of objectives of providing tourist facilities at different tourist destination, irregular utilisation of departmental receipts and unfruitful expenditure of Rs.26.39 lakh on tourist infrastructures and promotion of tourism.

During 1993-94 to 1998-99, against the budget provision of Rs.2745.21 lakh (Revenue + Capital), expenditure to the tune of Rs.1531.24 lakh (Revenue + Capital) was incurred resulting in an overall saving of Rs.1213.97 lakh (Revenue + Capital). Under Revenue and Capital sections, there were persistent savings from 1994-95 to 1998-99. This is indicative of a lack of proper financial management and planning.

(Paragraph 3.5.4)

Out of one Tourist Lodge, two Tourist Complexes and five Wayside Amenities for which Rs.94.42 lakh was sanctioned by GOI, the Department could complete only one Tourist Lodge and one Wayside Amenity during 1993-94 to 1998-99. Non-completion of these facilities defeated the objective of creation of tourist infrastructure besides locking up of fund of Rs.22.83 lakh.

(Paragraph 3.5.5 A,B)

During 1993-94 to 1997-98, actual revenue receipts fell consistently short of the budget estimates. The shortfall ranged from 3 to 83 per cent.

(Paragraph 3.5.6)

Two departmentally run hotels irregularly utilised the departmental receipts of Rs. 28.69 lakh instead of depositing the same into Government account.

(Paragraph 3.5.7)

Aerosports equipment purchased (July 1993) at a cost of Rs. 12.09 lakh has not been used till the date of audit.

(Paragraph 3.5.8)

The Department produced (February 1997) two video films at the cost of Rs. 21.55 lakh without observing codal provisions. These were neither telecast nor distributed resulting in unfruitful expenditure.

(Paragraph 3.5.9)

Tourism Development Board was largely non-functional resulting in unproductive expenditure of Rs. 6.12 lakh.

(Paragraph 3.5.10(b))

3.5.1 Introduction

The mandate of the Tourism Department is to promote tourism and gear up the requisite infrastructure to cope up with the demand of tourism in Sikkim.

Its activities include construction of Trekkers Huts, Tourist Lodges, Wayside Amenities, Cafeterias, organising Melas, Exhibitions etc. The Department also annually releases Grants-in-aid to departmentally managed hotels as working capital and procures various adventure sports equipment like river rafts, rock climbing equipment etc.

3.5.2 Organisational Structure

The Department is headed by a Secretary and is assisted by two Additional Secretaries, one Joint Director, four Deputy Secretaries, two Deputy Directors, one Under Secretary, three Assistant Directors and one Accounts Officer. A Tourism Development Board headed by a Chairman has also been constituted from July 1996.

3.5.3 Audit Coverage

A review of the activities of the Tourism Department covering the period from 1993-94 to 1998-99 was conducted with reference to the records maintained in the Department of Tourism, Gangtok, three hotels/lodges located at Gangtok Rangpo and Gyalshing and the Department of Personnel, Administrative Reforms & Training, Gangtok.

3.5.4 Financial outlay and control over expenditure

The annual budget provision and expenditure of the Department for both Revenue and Capital Sections for the year 1993-94 to 1998-99 are shown below :

Year	Budget Provi- sion		Total expenditure		Excess (+) Savings (-)		Percentage of Excess (+) Savings(-)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital
	(Rupees in lakh)							
1993-94	191.42	91.07	197.92	25.48	(+) 6.50	(-) 65.59	(+) 3.40	(-) 72.02
1994-95	244.44	80.75	154.76	44.67	(-) 89.68	(-) 36.68	(-)36.68	(-) 44.68
1995-96	318.45	78.50	244.00	11.74	(-) 74.45	(-) 66.76	(-)23.38	(-)85.04
1996-97	330.95	138.50	220.55	2.67	(-)110.40	(-)135.83	(-)33.36	(-) 98.07
1997-98	405.95	155.00	217.58	30.00	(-)188.37	(-)125.00	(-)46.40	(-)80.65
1998-99	416.38	293.80	337.07	44.80	(-) 79.31	(-) 249.00	(-)19.04	(-) 84.75
Total =	1907.59	837.62	1371.88	159.36	(-)535.71	(-)678.26	(-) 28.08	(-)80.97

Revenue Section

It would be seen that there were savings in all the years (except in 1993-94) which ranged from 19.04 per cent to 46.40 per cent. The percentage increase in the revenue budget over the previous years varied from 4 per cent to 31 per cent where as the actual expenditure varied from (-) 22 per cent to 58 per cent during the period from 1993-94 to 1998-99.

In reply, the Department stated (September 1999) that the excess expenditure during 1993-94 was due to inadequate provision of budget for the construction of Flower Show Pavilion at White Hall Complex and persistent savings from 1994-95 to 1997-98 were attributed to non-implementation of schemes due to land dispute, objection from Forest Department regarding environmental clearance and delay on the part of the executing departments.

Capital Section

There were persistent savings during the entire period from 1993-94 to 1998-99 ranging from 44.68 per cent to 98.07 per cent. The Capital budget was reduced during 1994-95 (11.33 per cent) and 1995-96 (2.78 per cent) as compared to the outlay of the immediate preceding years. In 1996-97, 1997-98 and 1998-99, the capital budget increased by 76.43 per cent, 11.91 per cent and 89.54 per cent respectively as compared to the outlay of the immediate preceding year.

It was seen in Audit that although the following schemes were included and provided for in the Capital budget, no expenditure was incurred :

Unrealistic estimation of budget formation led to persistent savings

Year	Scheme	Amount budgeted (Rupees in lakh)
1993-94	Rafter Huts	24.30
1993-94	Amusement Park	10.00
1994-95	Amusement Park	3.00
1995-96	Amusement Park	23.50
1996-97	Amusement Park	23.50
1996-97	Construction of Airfield at Gangtok	60.00
1997-98	Construction of Airfield at Gangtok	75.00
1998-99	Construction of Airfield at Gangtok	225.00

This indicates that the Budget Estimates were neither realistic nor formulated with due care which partly explains the persistent savings during the period under Review under the Capital head.

In reply, the Department stated (September 1999) that the provision for construction of an airport was being made every year in the hope that the Central Government would provide necessary clearance and assistance for construction of an airport in the State. The reply is not tenable to the extent that the increase in the provision in 1998-99 without any clearance and follow up for construction of airport was not justifiable

3.5.5 Financial and Physical performance

With a view to enhance the development and promotion of tourism, the GOI sanctioned several schemes for construction of tourist lodges, tourist complexes, wayside amenities, and trekkers huts at various tourist destinations with the stipulation that the funds were to be utilised within one year from the respective months of sanction.

The financial and physical performance for the last six years (1993-94 to 1998-99) is shown at **Appendix XV**. It would be seen that there was non-utilisation of capital fund to the tune of Rs. 36.52 lakh due to non implementation of various schemes. The details are as under :

(a) Tourist Lodges and Tourist Complexes

Out of three tourist complexes /tourist lodges sanctioned by GOI between October 1991 and March 1997 to be constructed at a cost of Rs.59.30 lakh at Dongathang, Saramsa and Singhik, the Department could complete only one tourist lodge at Singhik at a cost of Rs.26.16 lakh during 1996-97, and the other two complexes and one lodge could not be completed due to inordinate delay in acquiring land, framing of estimates etc. Thus, the objective of providing lodges to the tourist remained unachieved besides locking up of funds of Rs.16.50 lakh as discussed below:

Out of three tourist lodges/complexes, only one tourist lodge was completed upto March 1999

(i) For Tourist Complex at Dongathang, the GOI sanctioned (October 1991) Rs. 16.03 lakh for its establishment and released (January 1992) the first instalment of Rs. 5 lakh in February 1992 which was credited into Government account. Work on the complex did not commence and in the meantime in September 1996, a private party offered to sell to the Department a readymade resort. The offer was acceptable to the Department and it approached the GOI for its clearance. However, the fact remained that even after 7 years, the scheme had not yet been executed (May 1999) which led to non-establishment of tourist facilities and non-utilisation of fund amounting to Rs. 5 lakh.

In reply the Department stated (July 1999) that the proposal to purchase a ready made resort under consideration also failed because of the high price but nevertheless, the effort is still on to utilise the fund fruitfully.

(ii) For Tourist Complex at Ipic Garden Saramsa, the GOI sanctioned (February 1994) Rs. 23.27 lakh and released Rs. 11.50 lakh as the first instalment in April 1994. On a request (February 1995) by the Chairman, Sikkim Tea Board, the Department agreed (June 1995) to instead construct a tourist centre at Temi Tea Estate at an estimated cost of Rs. 23 lakh. However, the scheme could not be implemented due to non receipt of approval from the GOI. This has resulted in non-utilisation of Rs.11.50 lakh received from GOI.

The Department stated (March 1999) that action would be taken to utilise the fund in renovating the existing SPWD Dak Bungalow at Temi. The fact remained that the proposed renovation of a Dak Bungalow is not covered under the scope of the scheme sanctioned by GOI.

(iii) For Tourist lodge at Singhik, the GOI sanctioned (October 1991) Rs.20.00 lakh and released Rs.15.00 lakh (Rs.10.00 lakh in March 1992 and Rs.5.00 lakh in November 1994). The Department prepared the estimate for Rs. 20.02 lakh (November 1992). The work could commence only in November 1993. The reasons for delay was not on record. In the meantime, owing to the changes in the scope of the work for approach road and cost of land for road, the State Government approved (February 1996) the revised estimate for Rs.26.16 lakh. The work was completed in December 1996 at an additional cost of Rs. 6.16 lakh. Although the lodge was taken over by the Department in April 1998, no decision had yet been taken to commission the lodge. Thus, there was abnormal delay at every stage which resulted in undue delay in the completion of the project and its subsequent non-utilisation of the facility for more than a year after its completion.

In reply the Department stated (July 1999) that the reasons were delay in getting a suitable land, some administrative problems and also due to non- receipt of final instalment of Rs.5.00 lakh from GOI.

(b) Wayside Amenities

Out of five wayside amenities, four could not be completed mainly due to non-obtaining of forest clearance, change of sites.

Out of five way side amenities to be constructed at a cost of Rs. 35.12 lakh at Aritar, Tsangu, Yumthang, Rhenock and Labrang sanctioned (between February 1991 and March 1996) by the GOI, the Department could complete only one wayside amenity at Aritar during 1996-97 two years after the stipulated date of completion, at a cost of Rs. 4.38 lakh. The work at Tsangu taken up in 1993 remained incomplete even after five years of the stipulated date of completion and spending Rs. 6.33 lakh. The work at Yumthang, Rhenock and Labrang have not started although these were sanctioned in February 1991, December 1992 and March 1996 respectively and fund aggregating Rs.13.25 lakh was available for their implementation. Non-implementation of scheme was mainly due to non-obtaining forest clearance, change of sites etc.

3.5.6 Estimates of receipts vis-a-vis actual revenue realisation

The revenue from transport, rent and catering activities and other receipts (hiring of equipment, tourist permits, etc.) are the main source of the revenue of the Department. The yearwise analysis of actual receipts against the budget estimate is shown below :

M.H.-1452 Tourism	Year	Budget Estimated	Realisation	Short fall (-) excess(+) in realisation (percentage in bracket)	Percentage of increase(+) decrease(-) with reference to previous year
(Rupees in lakh)					
a) 103-Receipt from transport	1993-94	10.00	3.98	(-) 6.02(60)	-
	1994-95	10.50	4.06	(-) 6.44(61)	(+) 2
	1995-96	10.00	3.50	(-) 6.02(60)	(-) 14
	1996-97	-	1.43	-	(-) 59
	1997-98	-	-	-	-
	1998-99	-	-	-	-
	b) 105-Rent & Catering receipts	1993-94	30.00	15.72	(-) 4.28 (48)
1994-95		31.00	12.80	(-)18.20(59)	(-) 19
1995-96		35.00	20.11	(-)14.89(43)	(+) 57
1996-97		35.00	14.02	(-)20.98(60)	(-) 30
1997-98		30.00	29.04	(-) 0.96 (3)	(+)107
1998-99		30.00	31.25	(+) 1.25 (4)	(+) 8
c) 800-Other receipts		1993-94	0.50	2.86	7.03 (+)2.36(472)
	1994-95	0.50	2.63	(+)2.13(426)	(-)8.04
	1995-96	15.00	8.34	(-) 6.66 (44)	(+)217
	1996-97	15.00	2.59	(-)12.41(83)	(-)69
	1997-98	15.00	3.24	(-)11.76(78)	(+)25
	1998-99	3.00	7.03	(+) 4.03(134)	(+) 117

Short fall in realisation against estimate led to unrealistic revenue estimation

It was observed that against the anticipated revenues of Rs.270.50 lakh during the period under review, only Rs. 162.60 lakh could be realised-a shortfall of 40 per cent. Reasons for the shortfall in generation of revenue were never analysed by the Department.

In reply, the Department stated (September 1999) that the targets were projected with the hope that it would be in a position to lease out Wayside Amenities as well as generate more revenues from hotels. It was further stated that the target of revenue could not be achieved due to low occupancy in hotels on account of inadequate facilities, marketing, advertisement etc and the Department would review the whole process of setting targets based on the ground realities. Thus it could be seen that establishment of hotels without facilities and for want of marketing and advertisement, there was reduction in revenue.

3.5.7 Irregular utilisation of departmental receipts

Irregular utilisation of Government receipts to meet running expenses

Scrutiny of the records of the Tourist Lodge, Rangpo and Hotel Mt. Sinolchu, Gangtok for the period 1993-94 to 1997-98 revealed that out of total receipts of Rs.43.11 lakh, an amount of Rs.14.42 lakh was credited into Government account and the balance of Rs.28.69 lakh was utilised by the hotels towards their day to day expenses even though hotels were provided with a total working capital of Rs. 20.20 lakh during this period. No revenue target for the hotels was fixed by the Department during the period covered under review.

The utilisation of Government receipts to meet running expenses was contrary to rules.

In reply, the Department stated (September 1999) that the amount of fund released as working capital to the hotels was not enough to meet the monthly expenditure.

3.5.8 Hang Gliding Equipment - unfruitful expenditure of Rs.12.09 lakh

On the basis of a proposal made by the Department to introduce aerospports in Sikkim, the GOI sanctioned Rs. 11.42 lakh for the purchase of aerospports equipment. The Department procured hang gliding equipment in July 1993 at a cost of Rs.12.09 lakh.

As per conditions laid down by GOI considering the fragility of the equipment, a detailed training plan was to be worked out well in advance before any purchase order was placed. The Department neither worked out the detailed training programme nor properly examined the viability of aerospports in Sikkim. Ten months after receipt of equipment, the Department approached (May 1994) the Indian Institute of Sky and Mountaineering (IISM), New Delhi for conducting the training. The IISM in May 1994 asked for the particulars of the trainees but

thereafter the Department never followed up the matter as a result of which equipment worth Rs 12.09 lakh remained idle till date (May 1999) for want of trained hands.

The Department stated (December 1998) that during 1995, a demonstration was arranged at Lachung with two professionals who observed that the wind in Sikkim was very strong and it was not advisable to have aerosports. The Department further added that the equipment is not in good condition and would be auctioned outside the State.

3.5.9 Unjustified expenditure on Production of Video Films of Rs.21.55 lakh

Idle expenditure of Rs.21.55 lakh

The Department organised a trekking programme in February 1997 captioned 'Sikkim Himalayan Trekking Programme' 1997' and with the objective of promoting the area as a tourist destination, also approached a local video film producer for video coverage of the programme at a cost of Rs 7.25 lakh. No quotations were invited on the grounds that the rate appeared reasonable and there was paucity of time. As per the agreement, the films were received and the payment made in full in September 1997. Similarly, an amount of Rs. 14.30 lakh was spent for another video film featuring Adventure and Mountains for promotion of tourism. It was seen in audit that the films have never been telecast nor have copies been distributed to tour operators or tourists. Thus, investment of Rs.21.55 lakh on the video coverage for promoting tourism through films remained idle as the material has never been used for promotional purposes.

The Department stated (December 1998) that the video cassettes would be used for publicity purposes. The Department later replied (July 1999) that the film was telecast during February / March 1999 at ITB Berlin. However, the details of telecast viz., date of telecast, any fees paid etc. could not be shown to audit.

3.5.10 Manpower Management

(a) Excess of manpower against the approved sanctioned strength

Scrutiny of records revealed that there was excess manpower against the approved/sanctioned strength during the review period of one Manager, one Assistant Manager and 2 Senior Guides.

Extra financial burden due to excess of manpower against the approved sanctioned strength

The four excess posts entailed an extra expenditure of Rs.9.45 lakh up to June 1999 (on the basis of minimum of basic pay, accrued increment and DA) on the State exchequer.

The Department stated (July 1999) that the post of Manager has been filled up on the basis of a notification issued by the Department of Personnel (DOP) during

April 1997. The reply is not tenable since this notification has already been taken in account while working out the excess. The Department also stated that the excess of one post of Assistant Manager was caused by upgrading the post of Senior Accounts Clerk to accommodate a person who had completed 18 years of service. This up-gradation was however irregular as the approval of DOP had not been obtained.

(a) Tourism Development Board -Unproductive expenditure of Rs.6.12 lakh

The State Government constituted the Tourism Development Board in July 1996, with the objective to provide guidance and advice regarding policy formulation, programme implementation and monitoring for effective promotion of tourism in the State. The Board consisted of a Chairman appointed during August 1996 and six members comprising Commissioners/Secretaries of various departments.

An amount of Rs.6.12 lakh was incurred towards setting of office, purchase of vehicles, wages of driver etc.

No records relating to the work, meetings of the Board, copies of Minutes could be produced, in the absence of which it appeared to audit that the Board was virtually non-functional. Thus, the objective of setting up the Board had been defeated leading to unproductive expenditure of Rs 6.12 lakh upto March 1998. The Department stated (July 1999) that the appointment of Chairman, Tourism Development Board was the policy of the Government and as such the Department cannot ignore the policy of the Government.

3.5.11 Promotion of Tourism by the Department

To promote tourism with a view to increase the tourist traffic, the GOI created necessary infrastructure in the State.

The percentage of tourists who stayed at Department run hotels/lodges as compared to the total tourist arrivals in the State is shown below :

Particulars	1993	1994	1995	1996	1997	1998
Total number of tourist arrived in the state	82,223	99,296	104,221	115,811	124,567	141,070
Tourist stayed at Department run hotels	15,018	23,109	24,639	32,151	17,475	34,036
Percentage of tourist stayed at Department run hotels	18.26	23.27	23.64	27.76	14.02	24.12

It could be seen that against the increase of 72 per cent in tourist arrivals in the State between 1993 and 1998, the increase in the percentage of tourist stay in Department run hotel was only 5.86.

The Department stated that the over all occupancy was not satisfactory due to the fact that tourist preferred to stay in new private hotels and lodges with better facilities. Audit observed that this has adversely affected the revenue of the Department and the shortfall ranged from Rs.0.96 lakh to Rs.20.98 lakh during the last five years against the revenue estimates under this head.

3.5.12 Other points of interest

(a) Unrealised revenue due to non-auction of vehicle

The Department sent (July 1995) four vehicles whose auction value was assessed at Rs. 2.49 lakh by Sikkim Nationalised Transport (SNT) to Chandmari Workshop Automobiles Limited (CWAL), a Government Undertaking for auction. Till date (May 1999), the vehicles have not been auctioned.

(b) Outstanding dues Rs. 4.67 lakh

As on 31 March 1998, Rs.4.67 lakh* remained unrealised on account of room rent and catering charges which had been extended on credit to various Departments and individuals for the period 1993-94 to 1998-99 :

There was no authorisation on record which permitted extension of credit facilities at the various hotels/lodges run departmentally. It was also noticed that no concrete steps had been taken to realise the outstanding dues.

3.5.13 Monitoring and Evaluation

Till 1997-98, the Department did not have a Master Plan for the promotion of Tourism in the State. The Department planned and executed schemes on a piecemeal basis, which led to diversion or non-implementation of schemes in many cases. Lack of co-ordination and proper follow up with the executing Departments, failure to obtain prior clearances from the Forest Department resulted in abnormal delay / non completion of schemes leading to the non-utilisation of the funds received from the GOI and non-release of subsequent instalments out of the total amount sanctioned.

3.5.12 Recommendations

- i) Master plan needs to be prepared for promotion of Tourism in the State.
- ii) Budget estimates should be prepared after proper planning and in realistic manner to avoid lapse of grant.
- iii) Co-ordination between funding and executing agencies needs to be developed and availability of land needs to be ensured before construction of lodges/complexes.

* Hotel Pemayangtse Rs. 320,551, Rangpo Tourist Lodge Rs. 90,595, Hotel Mt. Siniolchu Rs. 55,555

Schemes executed on a piecemeal basis without master plan led to non-implementation of schemes

WOMEN AND CHILD WELFARE DEPARTMENT

3.6 INTEGRATED CHILD DEVELOPMENT SERVICES

HIGHLIGHT

The objectives of the scheme were to improve the nutritional and health status of children in the age group of 0-6 years, lay the foundation for proper psychological, physical and social development of the child and reduce the incidence of mortality, morbidity, malnutrition and school dropouts.

The shortfall in coverage under supplementary nutrition varied between 25 and 42 per cent. Nutrition was not provided for 300 days in a year as prescribed. Deficiency in protein content was between 79 and 26 per cent for malnourished children expectant and nursing mothers. Deficiency in calorie content of food supplied to malnourished children, mothers and other children was as high as 76, 71, 51 per cent respectively. The immunisation with respect to first dose fell short by 22 to 24 per cent for DPT and 14 to 30 per cent for Polio during 1995-99. The implementing departments never undertook any evaluation study to assess the impact of the scheme.

Against the Central assistance of Rs. 701.18 lakh, the Department spent only Rs. 629.80 lakh during 1992-93 to 1998-99, leaving a balance of Rs. 71.38 lakh.

(Paragraph 3.6.4(b))

The State Government did not provide adequate funds for supplementary nutrition. The shortfall was upto 45 per cent of actual requirement.

(Paragraph 3.6.4(c))

The shortfall in coverage under supplementary nutrition varied between 25 and 42 per cent.

The deficiency in protein content of food was as high as 79 per cent in mal-nourished children. In case of expectant and nursing mothers the deficiency in protein content varied between 26 and 72 per cent whereas the calorie deficiency was between 41 and 71 per cent.

Food for supplementary nutrition was never supplied for the prescribed 300 days a year. Food was not supplied during entire year in 56 centres in 1995-96, 86 centres in 1997-98 and 114 centres in 1998-99.

(Paragraph 3.6.6(a))

The attendance for non-formal pre-school education fell short by 37 to 51 per cent during 1995-96 to 1998-99.

(Paragraph 3.6.6 (e))

The prescribed visits of centres fell short by 57 to 68 per cent in respect of CDPOs and 36 to 40 per cent in respect of supervisors. No evaluation was ever done to assess the extent of achievement.

(Paragraph 3.6.9)

3.6.1 Introduction

The GOI launched the Integrated Child Development Services (ICDS) Scheme in 1975 with a view to making co-ordinated efforts for providing a package of services to children in the age group of 0-6 years and expectant and nursing mothers. From April 1984 onwards, each of the four districts is covered by one independent project. Further, one Urban project for Gangtok sanctioned in June 1995 started functioning from August 1996.

The package of services comprised supplementary nutrition, immunisation, health check up, referral services, nutrition and health education and non-formal pre-school education.

3.6.2 Organisational set up

From 1992-93 to 1994-95, the scheme was implemented by Health and Family Welfare Department and from 1995-96, by the Women and Child Welfare Department headed by a Secretary and assisted by an Additional Secretary and Joint Secretary at headquarters and Child Development Project Officers (CDPOs) at the project level.

Activities like imparting of pre-school education to children, education regarding nutrition to mothers and distribution of nutritious food are carried out through anganwadi centres run by anganwadi workers and supervised by Supervisors. Medical needs of the children and expectant and nursing mothers are looked after by Medical Officers and Auxiliary Nurse-cum-Midwives posted in Primary Health Centres.

3.6.3 Audit Coverage

A test check of records covering the period from 1992-93 to 1998-99 in the Women and Child Welfare Department, 5 Child Development Project Offices located at Gangtok, Namchi, Geyzing and Mangan and 117 anganwadi centres out of 458, was conducted during April and May 1999. The results of the review are given in the succeeding paragraphs.

3.6.4 Financial outlay

(a) Funding pattern

While the entire administrative expenditure for running the ICDS projects is borne by GOI under the Centrally Sponsored Scheme, the cost of supplementary nutrition is met by the State Government under the State Plan Scheme.

(b) Central assistance and expenditure

The release of Central assistance and the expenditure towards administrative and training cost of the projects during the period from 1992-93 to 1998-99 were as follows:

Year	Central assistance received	Expenditure (Rupees in lakh)	Savings (-)/ excess (+)
1992-93	52.35	48.36	(-) 3.99
1993-94	116.59	61.43	(-) 55.16
1994-95	22.03	72.15	(+) 50.12
1995-96	122.24	82.62	(-) 39.62
1996-97	40.65	102.44	(+) 61.79
1997-98	63.42	102.15	(+) 38.73
1998-99	283.90	160.65	(-) 123.25
Total	701.18	629.80	(-) 71.38

Central assistance of Rs.71.38 lakh remained unutilised

As at the end of 1998-99, an amount of Rs.71.38 lakh of Central assistance received by the State remained unutilised mainly due to delay in receipt of Central assistance and non-implementation of certain components including training.

The Department stated (October 1999) that the GOI authorised the Department to utilise the savings of 1998-99 during the year 1999-2000. However, the stated authorisation from GOI could not be shown to Audit.

(c) Budget provision and expenditure on supplementary nutrition

The requirement of funds for supplementary nutrition, budget provision and expenditure thereunder for the years from 1992-93 to 1998-99 were as below:

Year	Requirement of funds	Budget provision	Expenditure	Savings (-)/excess (+)
(Rupees in lakh)				
1992-93	64.00	49.00	48.73	(-) 0.27
1993-94	68.41	70.00	71.02	(+) 1.02
1994-95	73.03	90.00	90.69	(+) 0.69
1995-96	216.19	155.00	155.04	(+)0.42
1996-97	239.92	155.00	155.42	(+) 0.42
1997-98	296.92	187.00	186.64	(-) 0.36
1998-99	354.13	193.40	171.13	(-) 22.27

The requirement of funds for supplementary nutrition was calculated and projected by the executing department on the basis of the norms fixed by GOI for Ready-to-eat food per head per day and the number of eligible beneficiaries.

Due to fund constraint of the State Government, required quantity of nutrients could not be provided to the beneficiaries

It was seen that except for 1993-94 and 1994-95, the budget provision and expenditure were far below the requirement. The shortfall was 45 per cent in 1998-99 with respect to actual requirement which was reported to be due to fund constraint by the State Government. This resulted in depriving the beneficiaries of the required level of nutrients.

3.6.5 Anganwadi Centres

(a) As per the norms of the GOI, one anganwadi centre should cover a population of 1000 in rural and urban areas and 700 in tribal areas. The category of centre (tribal/general) has not yet been identified by the Department. However,

a test check of the monthly reports of the anganwadi centres revealed that the population coverage ranged from 243 to 628 in rural areas and 602 in urban areas. The Department stated (June 1999) that the norms for population coverage could not be maintained as Sikkim is a difficult and hilly terrain and the fact was brought to the notice of GOI. However, the reason for non-identification of tribal and general centres and decision of GOI in this respect could not be stated to audit.

(b) It was essential to keep the anganwadi centres functional throughout the year to ensure the delivery of the intended services to the beneficiaries. The number of non-functional anganwadi centres during each of the seven years under review was as below:

Year	No. of anganwadi centres sanctioned	No. of functional anganwadi centres	Short fall in Anganwadi centres
1992-93	405	383	22
1993-94	448	414	34
1994-95	448	428	20
1995-96	448	441	7
1996-97	473	450	23
1997-98	483	458	25
1998-99	483	458	25
Total	3188	3032	156

The centres remained defunct mainly due to non-appointment of anganwadi workers. Calculated at the average rate of 500 population covered by each centre, a target population of 78000 remained uncovered under the scheme due to non-functional centres during the years from 1992-93 to 1998-99. No attempt was made by the Department to provide the service packages by making alternative arrangements. As a result, the service aimed under the scheme could not be provided and the beneficiaries remained deprived of these services.

3.6.6 Scheme implementation

(a) Supplementary nutrition

As per guidelines, all pregnant and nursing mothers belonging to landless agricultural labourers, marginal farmers, scheduled caste and scheduled tribe and other poorer sections of the community whose total combined monthly income of all family members did not exceed Rs.500 were to be brought under the supplementary nutrition programme. It was seen that all pregnant women and nursing mothers recorded during survey were enlisted as eligible for supplementary nutrition irrespective of the level of family income.

(i) Shortfall in coverage

During 1992-93 to 1998-99, the Department identified 2.19 lakh of beneficiaries eligible for supplementary nutrition, but was able to actually cover 1.50 lakh beneficiaries only during the period.

The shortfall in coverage during the period varied between 25 and 42 per cent. The Department stated (June 1999) that cent per cent coverage could not be achieved due to insufficient funds provided by the State Government. The reply is not acceptable as there existed savings during 1992-93, 1993-94, 1995-96 and 1998-99.

(ii) Nutritional contents of ready to eat food

The scheme envisages providing supplementary nutrition to children and pregnant women/nursing mothers 300 days in a year. As per the norms, 300 calories and 10 grams protein per child and 500 calories and 15-20 gm of protein per pregnant women /nursing mother and 600 calories and 20 gm of protein per malnourished child were to be provided.

Audit scrutiny however revealed that ready to eat (RTE) food ranging from 32 gms to 80 gms only was provided per beneficiary per day irrespective of the category of the beneficiary. Scrutiny of the analysis reports of RTE food conducted by the Food and Nutrition Board, Calcutta under the Ministry of Human Resource Development also revealed that there was huge deficiency in the nutritional content of food provided to the beneficiaries.

The deficiency in protein and calorie contents varied between 3 to 79 per cent

It was seen that during the five years for which data was available, the children were never provided with required quantity of food having the prescribed quantity of protein and calories. The percentage of deficiency of protein and calorie content ranged between 3 to 58 and 2 to 51 respectively.

The nutritional value of food supplied to the pregnant women and nursing mothers was also far below the prescribed norms. The deficiency in protein content varied between 26 and 72 percent whereas the calorific deficiency was between 41 and 71 per cent.

In respect of mal-nourished children, even 50 per cent of required quantity of protein (except 1996-97) and calories could not be provided during the years for which data was available. The deficiencies in protein and calories were as high as 79 and 76 per cent respectively in 1993-94.

While accepting the fact, the Department stated (June 1999) that they had taken up the matter (March 1999) with the manufacturer for improvement of nutrient

contents and further stated (October 1999) that due to budget constraint, it was not possible to afford the prescribed quantity of nutrients to severely mal-nourished children and pregnant and nursing mothers. The reason of budget constraint is not acceptable as there were savings during 1992-93, 1993-94, 1995-96 and 1998-99.

(iii) Non-supply of supplementary nutrition for prescribed days

Nutrition was never provided for 300 days in a year

As per the scheme, supplementary nutrition was to be provided to the beneficiaries for 300 days a year. Test check of records revealed that the shortfall in supply was the worst in North Project and was as high as 83 per cent in 1997-98 and 50 per cent in 1998-99. The shortfalls in other 3 projects ranged from 8 to 25 per cent. It was also noticed that no supply was made during the year to 56 centres in 1995-1996, 86 centres in 1997-1998 and 114 centres in 1998-99.

Insufficient and interrupted supply of nutrition thus ultimately failed to achieve the expected benefits aimed under the scheme.

While accepting the facts, the Department stated (October 1999) that minimum supply to North District during monsoon was due to landslides and road blockage.

(iv) Health status of children

To evaluate the impact of nutritional intake, health status of the children was required to be periodically checked at the anganwadi centres. No change or decrease in weight indicates mal-nourishment and the inadequacy of the supplementary nutrition in providing the required level of nutritional intake.

Scrutiny of Reports of 4 projects for the period from 1993-94 to 1998-99 revealed that the percentage of children falling under the category of no change / decrease in weight ranged from 14 per cent to 31 per cent during 1993-94 to 1998-99. This clearly indicated the failure of the scheme in providing the required level of nutrition to the children. Even veracity of number of children falling in other positive category could not be accepted in audit as there was no evidence to show that improvement in health status, if any, was due to consumption of food supplied in these centres.

(b) Immunisation

Immunisation of children and pregnant women was to be done in the anganwadi centres. A list of such beneficiaries was to be prepared by the respective anganwadi centres. However, this was never done by any of the anganwadi centres. Scrutiny of the monthly reports and available records revealed that the full courses of DPT, Polio and Vitamin A doses were not administered which defeated the very objective of immunisation programme. The shortfall ranged

from 22 to 24 per cent, 66 to 83 per cent, 14 to 30 per cent and 79 to 85 per cent in the case of DPT, Vitamin A, Polio and Tetanus respectively during the period from 1995-96 to 1998-99.

(c) Health check up

The scheme envisaged periodical health check up of pregnant women, nursing mothers and children upto 6 years. Although the anganwadi centres were periodically reporting to the GOI that health check ups were being done, due to non-maintenance of records, the extent of health check ups to the desired level remained unverifiable

(d) Referral services

As per the scheme, expectant mothers and children with problems requiring specialised treatment were to be referred to upgraded primary health centre / sub-division / district headquarters hospitals and records of treatment and further treatment / advice to be followed were to be maintained. However, due to non-maintenance of records relating to the cases referred and follow up action thereagainst, the extent of referral services could not be ascertained in audit.

(e) Non-formal pre-school education

Supplementary nutrition was not supplied to 111 centres resulted nil attendance of children for pre school education

Under the scheme, pre-school educational service to the children in the age group of 3-6 years is to be provided in anganwadi centres to develop in them desirable attitudes, values and behavioral patterns and to provide environmental stimulation. While imparting non-formal education, ready to eat (RTE) food is provided to the children. The shortfall in attendance ranged between 37 to 51 per cent. No supplementary nutrition (RTE food) was supplied to any of the 111 anganwadi centres in South Project during May 1997, May 1998 and June 1998 as a result of which attendance of children for pre-school education was nil during those periods.

Test check of the monthly attendance records of children during 1998-99 maintained at anganwadi centres in South (4), West (6) and Urban Projects (7) revealed that although it was reported to GOI that the children attended pre-school education for more than 15 days, the actual attendance ranged from 0 to 10 days.

Further, the anganwadis had to establish links with the elementary school so that children after completing pre-school education from centres move to the school with necessary emotional and mental preparation. However, no record was maintained in any anganwadi centre regarding number of children admitted in elementary school to assess the dropouts and effectiveness of the programme.

The Department (June 1999) while noting the shortfall in pre-school education expected cent per cent achievement in next 3 to 4 years.

3.6.7 Training, Information, Staffing Pattern and other facilities

(a) Training of ICDS functionaries

The Anganwadi Training Centre, established in 1986 was required to organise 3 job training courses and two refresher courses for anganwadi workers and 1 orientation and refresher course each for helpers every year subject to actual requirement. Test check of records revealed that 1 to 2 job-training courses were organised every year during 1992-93 to 1998-99. It was also seen that no refresher course was organised for helpers except one during 1997-98. Further, no orientation course was organised for helpers during 1997-98. The reasons for organising less number of courses for different functionaries were not intimated to audit. The unaudited accounts of the training centre were required to be sent to Ministry of Women and Child Development, GOI, within 15 days of completion of each course to enable the Ministry to claim reimbursement from United Nation International Children's Emergency Fund (UNICEF). No such accounts were maintained or even sent by the training centre.

The Department stated (June 1999) that the target for all the trainees would be fixed from 1999-2000 and it further stated (October 1999) that the training was organised for newly appointed anganwadi workers and their helpers and also to cover only the backlog and fresh appointees.

(b) Information, Education and Communication

As per the scheme, Rs.5000 per annum per project was to be earmarked for information, education and communication activities to convey the message of ICDS scheme. A total amount of Rs.1.55 lakh thus earmarked for the purpose during 1992-93 to 1998-99 remained unutilised. The purpose of earmarking funds also could not be achieved.

The Department stated (June 1999) that they would implement the component from 1999-2000 onwards.

(c) Staffing pattern

As on 31 March 1999, there were five projects (4 rural and 1 urban) with a total of 483 sanctioned anganwadi centres in the State.

The position of field staff / functionaries in the project were as follows:

Name of the Post	Sanctioned	Staff in position	Vacancy
CDPO	5	5	-
Medical Officer	5	3	2
Supervisors	24	22	2
Statistical Assistant	5	2	3
Auxiliary Nurse cum Midwife (ANM)	30	28	2

It was seen that 40 per cent post of Medical Officers and 60 per cent post of Statistical Assistants were lying vacant from 1995. Further, 25 posts of anganwadi workers, 2 posts of ANM (from 1995) and 2 posts of Supervisors (from 1995 and 1998) were also lying vacant. The programme suffered because of shortage of manpower.

(d) Non-provision of drinking water and sanitation blocks

The Ministry of Women and Child Welfare, GOI requested (June 1989) the Ministry of Agriculture to provide drinking water and sanitation facilities to anganwadi centres under various rural schemes which was accepted by the latter. For this purpose, a list of anganwadi centres was to be sent by the executing department to the Rural Development Department (RDD) of the State Government. There is no record that such a list was ever prepared and sent.

It was seen that out of 458 functional anganwadi centres, drinking water facility and sanitation blocks were not available in 332 centres (72 per cent) and 426 centres (93 per cent) respectively as on 31 March 1999.

The Department stated (October 1999) that a detailed list of anganwadi centres to be provided with drinking water and sanitation facilities was prepared and sent to the RDD in the past. The detailed list will again be sent to RDD with a copy to the GOI.

3.6.8 Reports and returns

Inaccurate and incomplete reports/returns were being sent directly to GOI by the CDPOs

The CDPOs were sending monthly and half-yearly progress reports to the GOI without endorsing copies to the Department. The reports were inaccurate and incomplete as the information / data furnished did not include the information in respect of all the functional anganwadi centres under each project. Further, as the Department was not privy to this information, regular assessment of the strength and weaknesses in implementation of the scheme and effective monitoring was not possible.

The Department never sent quarterly report on supply of RTE food to enable the GOI to monitor the flow of food commodities under the supplementary nutrition programme.

3.6.9 Monitoring and evaluation

As per guidelines, CDPOs were to undertake field visits to anganwadi centres for at least 18 days a month with 10 night halts outside headquarters. Supervisors were expected to visit each anganwadi centre at least once a month and liase with the Lady Health Visitors for a joint visit to one anganwadi once a week and make at least one night halt every week.

There was a shortfall of visits of CDPOs and Supervisors to ICDS centres ranging from 57 to 68 per cent and 36 per cent to 40 per cent

Test check of records available from 1995-96 to 1998-99 revealed that the shortfall in visits of CDPOs to ICDS centres was 57 per cent (1995-96), 63 per cent (1996-97), 67 per cent (1997-98) and 68 per cent (1998-99) although the CDPOs were provided with a vehicle each. There was a shortfall in visits of Supervisors to ICDS centres to the extent of 36 per cent (1995-96), 39 per cent (1996-97), 39 per cent (1997-98) and 40 per cent (1998-99). The shortfall in visits/supervisions were on an increasing trend and prescribed checklist was also not submitted by the supervisors for the period 1995-96 to 1998-99 in even a single instance.

No committees were constituted to evaluate the scheme

The ICDS being a multi-sectoral scheme involving several departments, co-ordination committees at the project and State level were required to be set up to monitor the ICDS. The committees were to meet quarterly to evaluate targets and achievements and the impact of the scheme. No such committees were ever constituted at the project / State level during 1992-93 to 1998-99.

The Department stated (October 1999) that shortfall in visit to ICDS centres by CDPOs and Supervisors was due to bad condition of roads, landslides and other transportation problems peculiar to a hilly state like Sikkim.

3.6.10 Other topics of interest

Non-utilisation of UNICEF assistance

With a view to strengthen linkage between ICDS primary education, to promote joyful playway learning methodology for improved enrolment and retention and to support participation of girls, an amount of Rs.3.91 lakh was released by GOI to the State in April 1996 under externally aided assistance from the UNICEF. To achieve the objectives, the Department was to plan, mobilise and organise training orientation activities at State, District and Village level. It was, however, seen that the Department did not implement the component till June 1999.

The Department stated (May 1999) that the fund would be utilised during 1999-2000.

3.6.11 Recommendations

- (i) Steps need to be taken to provide supplementary nutrition for prescribed 300 days in a year as per norms fixed by GOI for calorific value.
- (ii) Anganwadis should keep proper records of health check-up of children and referral cases in prescribed health cards.
- (iii) The Department should have monitoring mechanism to assess the improvement in the health status of children and women.
- (iv) Impact of the scheme need to be evaluated.

CHAPTER III

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2017 г. 10.10.17

Уважаемый Александр Иванович!

Спасибо за приглашение

на участие в работе

по проекту "История

и культура родного края"

и возможность ознакомиться

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С уважением,

Александр Иванович

СОВЕТНИК

СЕРГЕЕВ И.

**CHAPTER III
SECTION B
(AUDIT PARAS)**

AGRICULTURE DEPARTMENT

3.7 Non - utilisation of fund - Rs.16.62 lakh

**Out of Rs 23.70 lakh received, the Department could utilise only
Rs 7.08 lakh**

Under the scheme "Sale of decontrolled fertilisers with concession to the farmers", the Government of India (GOI) released an amount of Rs.23.70 lakh to the State Government during the years 1992-93 to 1993-94. The amount of subsidy was fixed at Rs.1000 per MT on Di-Ammonium Phosphate and Muriate of Potash, and Rs.340 per MT on Single Super Phosphate. The Scheme was to be operative during the period October 1992 to March 1994.

Scrutiny of records (August 1998) revealed that the Department paid subsidy on fertilisers amounting to only Rs.7.08 lakh during the period October 1992 to March 1994. Thus, out of the total funds amounting to Rs.23.70 lakh released by the GOI for subsidising the fertiliser, the Department could utilise only an amount of Rs.7.08 lakh resulting thereby in non-utilisation of fund to the extent of Rs.16.62 lakh.

The Department stated (September 1999) that an amount of Rs. 22.94 lakh was spent towards the procurement and transportation of decontrolled fertiliser during April 1992 to March 1995. The reply however, is not correct as the Department had intimated the GOI (April 1994) about the utilisation of Rs 7.08 lakh only upto March 1994. Moreover, the procurement before October 1992 and after March 1994 was not within the scope of the Scheme. Further, the GOI has also demanded (August 1995) the refund of unspent balance.

CO-OPERATION DEPARTMENT

3.8 Avoidable interest burden on state exchequer

Failure to assess the feasibility resulted in interest liability of Rs 4.29 lakh and risk of recovery of Rs 12.27 lakh

For implementing the Integrated Co-operative Development Project (ICDP) in East and South districts of Sikkim, the National Co-operative Development Corporation (NCDC), New Delhi sanctioned loan of Rs.622.26 lakh (July 1992) to the State Government. The objective of the Project was to provide capital and subsidy assistance to grass root level Co-operative Societies to develop basic infrastructure for providing services to farmers in a non-exploitive manner. The interest to be paid on the loan was 13.75 per cent per annum (0.25 per cent rebate in case of timely repayment) and 16.25 per cent on overdue instalments for the period of delay.

The NCDC released, in two instalments, Rs.137.71 lakh (Rs.82.36 lakh in March 1994 and Rs.55.35 lakh in March 1997). It was observed that after incurring an expenditure of Rs.90.62 lakh (Rs.22.38 lakh on investment in the share capital of Co-operatives; Rs.12.27 lakh disbursed as loan; and Rs.55.97 lakh on Project Implementing Team Cost), the Government took a decision (March 1997) to discontinue the Project on the ground that the Project was basically funded by a loan. Further, the unspent balance of Rs.47.09 lakh (Rs. 137.71 lakh - Rs.90.62 lakh) was kept in the Government account since its receipt in March 1997. Since the project is discontinued the possibility of recovery of Rs.12.27 lakh disbursed as loan is very remote.

The non-refund of unspent balance of Rs.47.09 lakh entailed an extra liability on account of interest of Rs.4.29 lakh for the period from March 1997 to March 1999 to be paid by the State Government.

The Department stated (September 1999) that it was compelled to accept the Government's decision and the unspent balance was utilised by the Finance Department. Fact however remained that, failure of the Government to properly assess the feasibility of the project and absence of proper planning before taking up the project resulted in the discontinuance of the project depriving the beneficiaries of the intended benefits and risk of recovering the amount of Rs.12.27 lakh disbursed as loan.

FINANCE DEPARTMENT

3.9 Outstanding Inspection Reports

Lackadaisical approach of the Department resulted in increase in outstanding paras and reports from year to year

Audit observation on financial irregularities and defects in initial records, noticed during local audit but not settled on the spot are communicated to Heads of Offices and to immediate superior authorities through Inspection Reports (IRs). Important irregularities are reported to the Heads of Department and Government.

While issuing the IRs, a time limit of 4 weeks from the date of receipt of IRs is given for furnishing first replies by Head of Office.

In view of large number of outstanding IRs and paragraphs, Audit Committee Meetings are being convened at periodical intervals for consideration and settlement of outstanding paragraphs.

During 1998-99, in 4 sittings of the committee, 48 paragraphs were settled against 128 paragraphs discussed. As of June 1999, 968 IRs (issued upto December 1998) containing 2855 paragraphs were pending settlement. Yearwise details of IRs pending settlement were as under:

Sl. No	Year	No. of IRs pending	No. of paragraphs pending
1.	Upto 1994 -95	576	1522
2.	1995-96	69	178
3.	1996-97	128	444
4.	1997-98	100	371
5.	1998-99 (upto December 1998)	95	340
	Total	968	2855

Out of 968 IRs and 2855 paragraphs outstanding, a review of outstanding IRs where first replies had not been received pertaining to Forest Department, Education Department, Rural Development Department, Public Health Engineering Department, Tourism Department and Culture Department revealed as under:

Sl. No.	Department	Outstanding		No. of IRs a waiting first replies
		IRs	Paragraphs	
1	Forest Department	82	174	17
2	Education Department	42	178	8
3	Rural Development Deptt.	25	92	4
4	Public Health Engineering	5	33	4
5	Tourism Department	14	122	3
6	Culture Department	7	34	2

The broad categories of objections noticed in departments of the State Government like Forest, Education, Tourism, Public Health Engineering, Rural Development, Art and Culture etc. were as follows:

Sl. No.	Category of objections	Number of paras	Amount (Rs. in lakh)
1	Loss, excess payment, infructuous / inadmissible/ avoidable expenditure, undue financial benefit, cost over run.	81	1134.61
2	Idle expenditure, blockage of fund, non-realisation of charges/fees/loans, outstanding advances.	106	2088.43
3	Irregular drawal, retention of fund outside Government account, diversion of fund, non-implementation of schemes.	20	811.39
4	Non-accountal of fund, discrepancy in Bank account, non-submission of detailed account, utilisation of department receipt in departmental expenditure.	16	328.87
	Total	223	4363.30

Despite the clear and specific provisions contained in Rules 47 and 48 of Sikkim Financial Rules that every Government Servant must attend promptly to all objections and orders communicated to him by the Accountant General and when the Accountant General disallows a payment as unauthorised, the Disbursing Officer is bound not only to recover the amount disallowed but to refuse to pay in future till the Accountant General authorises the payment to be resumed, the Departments failed to take appropriate action on the irregularities pointed out in Audit for which the number of outstanding paragraph has increased from 1522 to 2855 (an increase of 47 per cent) during the last 5 years.

The above also indicated inaction against the defaulting officers and thereby facilitating the continuation of financial irregularities though these were pointed out in Audit.

It is recommended that Government should relook into this matter and ensure that procedure exists for (a) action against the officials who failed to send replies to IRs/Paras as per the prescribed time schedule, (b) action to recover loss/ outstanding advances/overpayments in a time bound manner and (c) revamping the system of proper response to the audit observations in the Department.

In reply the Finance Department stated (September 1999) that they have taken several steps for settlement of outstanding IRs / Paras and the matter will be pursued vigorously.

LAND REVENUE DEPARTMENT

3.10 Diversion of calamity relief funds - Rs.137.84 lakh

Fund amounting to Rs.137.84 lakh was diverted

(a) The Sikkim Calamity Relief Manual does not provide for reimbursement of the cost of replacement of any public property damaged in natural calamities. Test check of records (May/June 1998) revealed that the Relief Commissioner while sanctioning (March 1998) Rs.34.55 lakh to the Chandmari Workshop Automobile Ltd (CWAL, a Public Sector Undertaking) for damage caused by natural calamities, simultaneously directed the undertaking to pay all outstanding liabilities to the State Bank of India. The CWAL accordingly paid (June 1998) Rs.30.00 lakh to the State Bank of India towards settlement of outstanding dues from the sanctioned amount of Rs.34.55 lakh. Since such expenditure was beyond the scope of the scheme, it was irregular.

It was also seen that the Relief Commissioner sanctioned (1997-98) Rs.10.35 lakh to Urban Development and Housing Department for purchase of 2 Tata chassis; Rs.6.50 lakh to the Police Department for purchase of one Tata chassis and equipments; Rs.2.75 lakh each to High Court, Health and Family Welfare Department and Ecclesiastical Department for purchase of new office vehicles. This entire expenditure totalling Rs.25.10 lakh also was outside the scope of the scheme.

In reply (June 1999), the Department stated that the Tata chassis were purchased for moving the rescue personnel immediately to the devastated areas and that the vehicles for other departments were purchased as replacement of the departmental vehicles parked at the premises of CWAL for repairs got completely damaged by the landslides. The reply is not acceptable as Tata chassis cannot be

straightaway used to transport passengers/cargo without the fabricated body. It was also seen that although the calamity occurred on 8 June 1997, the sanctions for the purchase of the 2 Tata chassis were accorded on 21 June 1997 and 16 March 1998. The Department was silent about the payment of outstanding bank dues from the natural calamity fund.

(b) As per the procedure for administration of the "Calamity Relief Fund Scheme" approved by the Government of India in January 1991, periodic contributions to the fund as well as other income of the fund shall be kept outside the general revenues of the State. Accretions to the fund together with the income earned on the investment of the fund shall be invested in interest bearing Government Securities, Treasury Bills and Public Sector Bonds.

In contravention of the above provisions, the Relief Commissioner credited Rs.82.74 lakh into the general revenues of the Government on 13 September 1991 and the amount is still (July 1999) lying in Government account. Had this sum been invested from September 1991 in the manner as envisaged in the scheme, the Fund would have earned interest of Rs.74.96 lakh (calculated at 12 per cent per annum simple rate of interest upto March 1999).

Till date neither the amount that would have been earned on investment nor the original amount of Rs.82.74 lakh has been recovered from the Government. By crediting Rs. 82.74 lakh in general revenue, the possibility of earning interest to the tune of Rs.74.96 lakh has been relinquished.

Thus, the entire amount of Rs.137.84 lakh was irregularly diverted from the Calamity Relief Fund in contravention of objectives and purposes of the Calamity Relief Fund.

The matter was reported to the Relief Commissioner in August 1998; final reply had not been received (October 1999).

3.11 Deprivation of rural landless and diversion of funds

Scheme for providing land for rural landless remained unimplemented

The State Government sanctioned (March 1997) Rs.79.18 lakh for purchase and distribution of land to 307 rural landless under the "Land Bank Scheme". The Department released (December 1997) Rs.28.84 lakh, Rs.13.65 lakh and Rs.19.83 lakh to the District Collectors of East, West and South Districts respectively and earmarked (March 1998) Rs.16.86 lakh for North District for the purchase of land. Out of total of Rs.76.42 lakh spent so far, Rs.20 lakh was utilised (April 1998) for purchase of land in a commercial area at Gangtok by diverting the entire fund

meant for North District and a part of the fund (Rs.3.14 lakh) released to East District. The Cabinet while according approval for the purchase of this plot directed that the entire cost of the acquisition and development of this land should be recovered through the sale of plots keeping in mind that the land was in a commercial area at Gangtok and was outside the scope of the scheme which deprived the rural landless from North and East districts of deriving the benefit under the scheme. Further, not a single plot of this commercial land has yet been sold (June 1999).

The balance of Rs.56.42 lakh (Rs.76.42 lakh minus Rs.20 lakh) was spent during December 1997 to March 1999 for acquiring lands for distribution to 219 beneficiaries. It was observed that the lands so acquired have not been distributed even to a single beneficiary so far (October 1999), thus depriving the beneficiaries of the intended benefits under the scheme for more than 2 years.

The Department stated (June 1999) that the land will be utilised and recovery of Rs.20 lakh will be made. The reply is however silent about actual distribution to the beneficiaries.

PLANNING AND DEVELOPMENT DEPARTMENT

3.12 Avoidable expenditure - Rs.6.17 lakh

Non-adherence to MOU resulted in avoidable expenditure of Rs 6.17 lakh

A Memorandum of Understanding (MOU) for the establishment of computer facilities of National Informatics Centre (NIC) at the State capital and districts was signed between the State Government and GOI in May 1991.

As per the MOU, the NIC was to purchase, install, operate and maintain the computer facility and bear all expenditure for site preparation (including electrical and civil work) and air conditioning equipment towards the establishment of the computer facility at the State/District Centres.

Scrutiny of records (April 1999) revealed that the Planning and Development Department of the State Government incurred an expenditure of Rs.6.17 lakh during March 1999 towards electrification for the Computer Video Conferencing facilities set up at the NIC office at Gangtok which the Department was not required to incur under the MOU. This resulted in an extra contractual and avoidable expenditure of Rs.6.17 lakh.

The matter was reported to the Department (June 1999); reply is yet to be received (October 1999).



CHAPTER IV

WORKS EXPENDITURE

Paragraph	Particulars	Page
	Power Department	
4.1	<i>Undue favour to the firm due to non-invoking of penalty clause</i>	123
	Planing and Development Department	
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CHAPTER IV

WORKS EXPENDITURE

POWER DEPARTMENT

4.1 Undue favour to the firm due to non-invoking of penalty clause

Non-invoking of penalty resulted in avoidable expenditure of Rs 8.52 lakh

After invitation of tenders, the Department awarded (November 1997) the work of supply, erection, testing and commissioning of four sets of Diesel Generating sets to a Calcutta based Private Limited Company at a cost of Rs.4.26 crore.

According to the terms and conditions of the supply (6 November 1997), the company was required to commission the first two sets by the end of November 1997 and remaining two sets by 15 December 1997, failing which penalty at the rate of 1/2 per cent of total contract value was to be recovered every week upto the maximum of 2 per cent for the period of late commissioning.

Scrutiny of records (February 1999) revealed that the firm could not commission the sets till 11 February 1998. Thus, the commissioning was delayed beyond four weeks entailing penalty of Rs.8.52 lakh (2 per cent of Rs.4.26 crore). However, neither the penalty was levied nor was any reason recorded by the Department for non-invoking of penalty.

Non-invoking of penalty clause thus resulted in loss to the Government to the tune of Rs.8.52 lakh and undue favour to the company.

In reply, the Department stated (September 1999) that the commissioning was delayed due to its inability in adhering to the terms and conditions of supply with regard to payment and hence the non-invocation of the penalty clause. The reply is however not acceptable as the Department released payments as per the terms and conditions of supply order which amounted to Rs.260.20 lakh and Rs. 248.43 lakh against the requirement of Rs.250 lakh and Rs.258.63 lakh during 1997-98 and May 1998 respectively (as specified at clause 6 (D) of the agreement).

**PLANNING AND DEVELOPMENT DEPARTMENT
(RELIEF AND REHABILITATION CELL)**

4.2 Unfruitful expenditure on construction of houses - Rs.13.26 lakh

Construction of houses ignoring social factors resulted in unfruitful expenditure

The Government of India sanctioned (March 1990) Rs. 17 lakh for construction of 100 houses at Rabangla with a view to provide settlement to hundred Tibetan refugee families. The construction was completed by the State Government within May 1993 at a cost of Rs.25.55 lakh. The additional cost of Rs.8.55 lakh was borne by non-governmental organisations.

Scrutiny of records (January 1999) revealed that out of hundred units, only twenty two units were allotted to refugee families and the remaining seventy eight remained idle till May 1999 on the plea that shifting of Tibetan refugee families to Ravangla was against the sentiment of the local people. Thus, construction of these houses without assessing the local social factors and their acceptability to such settlement, resulted in unfruitful expenditure to the tune of Rs. 13.26 lakh (calculated on the basis of Rs.17 lakh released by Government of India).

While accepting the facts, the Department stated (September 1999) that altogether 46 families have occupied 56 units and still 44 units were lying vacant. It was further stated that efforts are on to allot the remaining units and the final decision can be taken only with the approval of Ministry of Home Affairs, Government of India.

CHAPTER V

STORE AND STOCK

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1872	The third of the year	100
1873	The fourth of the year	100
1874	The fifth of the year	100
1875	The sixth of the year	100
1876	The seventh of the year	100

CHAPTER V STORE AND STOCK

HEALTH AND FAMILY WELFARE DEPARTMENT

5.1 Idle stock of equipments / instruments worth Rs. 8.46 lakh

Equipments purchased at a cost of Rs 8.46 lakh remained idle for more than 6 years

According to Sikkim Financial Rules, purchase of stores should be made in the most economical manner in accordance with the definite requirements by public service. Care should also be taken not to purchase stores in advance of actual requirements.

Scrutiny of records (June 1998) of Sir Thutub Namgyal Memorial Hospital, Gangtok revealed that the Department purchased (January 1992) medical equipments / instruments worth Rs.11.02 lakh through Central Health Stores Organisation, Gangtok, out of which equipments/instruments worth Rs.8.46 lakh remained unutilised (till June 1998). This resulted in idle stock of equipments / instruments amounting to Rs.8.46 lakh for a period exceeding 6 years. Further, the serviceability or otherwise of the equipments / instruments was not on record.

In reply, the Department stated (June 1998) that due to non-availability of any standard medical shop in Sikkim and nearby areas, purchases in bulk had to be resorted to. The reply is not tenable as the purchases of medical equipments / instruments were made from a Gangtok based firm.

The matter was reported to the Government in September 1998; final reply has not been received (October 1999).

RURAL DEVELOPMENT DEPARTMENT

5.2 Idle Stock worth Rs.11.29 lakh

HDPE pipes worth Rs 11.29 lakh remained unutilised for more than 4 years

As per Sikkim Financial Rules, purchases of stores should be made in the most economical manner in accordance with the definite requirement of public service. Further, care should be taken not to purchase stores much in advance, if such purchases are likely to prove unprofitable to Government.

Scrutiny of records (January 1999) revealed that despite the availability of 9395 metres of HDPE pipes (50 mm) in store as on June 1995, the Department placed a supply order (December 1995) for purchase of 17136 metres of pipes for implementation of various water supply schemes sanctioned during 1994-95 and 1995-96 on the ground that the pipes were urgently required for implementation of the schemes. The materials were received in full during February 1996 to January 1997. Scrutiny further revealed that during June 1995 to January 1999, the Department could issue only 10231.50 metres of pipes. Therefore, the purchases of pipes should have been restricted to the extent of requirement, duly considering the availability of store and requirement/feasibility of issue during the subsequent period.

The Department stated (May 1999) that the nature of pipes to be provided for the schemes underwent a change from HDPE pipes to GI pipes and till August 1999, a quantity of 13631.50 metres was issued and utilised. Fact remained that the assessment of requirement and purchase was made without taking into account site conditions and thus 12899.50 metres of HDPE pipes valuing Rs 11.29 lakh remained idle over a period of 4 years.

CHAPTER VI

REVENUE RECEIPT

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CHAPTER - VI

REVENUE RECEIPTS

6.1 Trend of Revenue receipts

The tax and non-tax revenue raised by the State Government, State's Share of divisible Union Taxes and Grants-in-Aid from Government of India during the year 1998-99 alongwith the corresponding figures for the preceding two years are given below:

	1996-97	1997-98	1998-99
	(Rupees in lakh)		
I Revenue raised by the State Government			
(a) Tax Revenue	2991.17	3649.62	4675.67
(b) Non-Tax Revenue*	82934.02	92982.91	102091.57
Total	85925.19	96632.53	106767.24
II Receipts from the Government of India			
(a) State's share of divisible Union taxes	7334.03	7991.00	9221.00
(b) Grants-in-aid	22499.76	25323.83	28077.95
Total	29833.79	33314.83	37298.95
III Total receipts of the State (I+II)	115758.98	129947.36	144066.19
IV Percentage of I to III	74	74	74

(a) Tax revenue raised by the State

Receipts from tax revenue constituted 4 per cent of the total revenue raised by the State during 1998-99. An analysis of the tax revenue for the year 1998-99 and the preceding two years is given below:

	Tax Revenue	1996-97	1997-98	1998-99	Percentage of Increase (+)/ Decrease (-) in 1998-99 over 1997-98
		(Rupees in lakh)			
1	State Excise	1054.38	1081.09	1185.89	10
2	Taxes on Income other than Corporation tax	820.64	905.61	1832.41	102
3	Sales Tax	822.53	1271.06	1306.22	3
4	Taxes on vehicles	121.72	154.40	151.38	(-) 2
5	Stamps & Registration Fees	41.94	36.61	50.92	39
6	Land Revenue	16.41	95.92	12.15	(-) 87
7	Other Taxes & Duties on Commodities & Services	113.55	104.93	136.70	30
	Total	2991.17	3649.62	4675.67	

* Include Rs. 790.00 crore, Rs. 886.80 crore and Rs. 978.00 crore on account of expenditure towards State Lotteries during 1996-97, 1997-98 and 1998-99 respectively. For details, please see 'Statement No. 10-Detailed Accounts of Revenue by Minor Heads' in the Finance Accounts of the Government of Sikkim.

Reasons for increase/decrease under the tax revenue heads though called for had not been furnished (October 1999).

(b) Non-tax revenue of the State

Lotteries, Road Transport Service, Power, Forest, Interest, Plantations, Police, Dividends and Profits were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during the year 1998-99 constituted 96 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principle heads for the years 1996-97 to 1998-99 is given below:

Non-Tax Revenue	1996-97	1997-98	1998-99	Increase (+)/ Decrease (-) in 1998-99 with reference to 1997-98	Percentage of variation
(Rupees in lakh)					
1 Road Transport	1379.10	1166.70	749.15	(-) 417.55	36
2 Power	585.89	550.06	644.03	-(+) 93.97	17
3 Forest	121.61	135.76	159.63	(+) 23.87	18
4 Interest	181.56	5.83	26.15	(+) 20.32	349
5 Plantations	200.00	218.04	222.00	(+) 3.96	2
6 Dividends & Profits	138.23	159.48	123.05	(-) 36.43	(-) 23
7 Police	121.46	163.41	344.91	(+) 181.50	111
8 Public Works	28.25	60.63	51.01	(-) 9.62	16
9 Tourism	18.03	25.40	39.44	(+) 14.04	55
10 Crop Husbandry	62.69	42.03	20.85	(-) 21.18	50
11 Stationary & Printing	51.90	58.17	94.81	(+) 36.64	63
12 Village & Small Industries	46.33	41.39	49.58	(+) 8.19	20
13 Animal Husbandry	20.30	17.67	14.13	(-) 3.54	20
14 Industries	11.70	4.00	10.95	(+) 6.95	174
15 Medical & Public Health	11.01	9.60	41.84	(+) 32.24	336
16 Others *	955.96	1644.74	1700.04	(+) 55.30	3
Total	3934.02	4302.91	4291.57	(-) 11.34	2

* Exclude Rs. 790.00 crore, Rs. 886.80 crore and Rs. 978.00 crore on account of expenditure towards State Lotteries during 1996-97, 1997-98 and 1998-99 respectively which has been taken in the Finance Accounts for the purpose of calculating the non-tax revenue during the respective years.

During 1998-99, non-tax revenue increased by Rs.9108.66 lakh (10 per cent). The increases of Rs.36.64 lakh under 'Stationery & Printing' was due to prompt payment by the user departments, Rs.14.04 lakh under 'Tourism' was due to revision of lease rent of hotel, imposition of entry fee for Tsangu lake, lease out of Trekkers Huts and Way Side Amenities and Rs. 181.50 lakh under 'Police' was

due to reimbursement of expenditure from Government of India and other organisation and auction of vehicles . The reasons for variation in respect of the remaining departments have not been received (October 1999).

6.2 Variation between the Budget Estimates and Actuals

The variation between the Budget Estimates and Actuals of tax and non-tax revenue during the year 1998-99 is given below:

	Budget (Revised)	Actuals	Variation increase(+) decrease (-) (percentage)
(Rupees in lakh)			
Tax-Revenue	4450.35	4675.67	(+) 225.32 (5)
Non-Tax Revenue	102941.34	102091.57	(-) 849.77 (1)
Total	107391.69	106767.24	(-) 624.45 (1)

In respect of the following principal heads of revenue, the variation between budget estimates and actual receipts for the year 1998-99 were more than 10 per cent:

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+)/ Decrease(-) (Percentage)
1	2	3	4	5
(Rupees in lakh)				
A. Tax Revenue				
1	Taxes on Income other than Corporation taxes	1500.00	1832.41	(+) 332.41(22)
2	Land Revenue	10.00	12.15	(+) 2.15 (22)
3	Stamps and Registration	40.00	50.92	(+) 10.92 (27)
4	Taxes on Sales, Trade etc.	1550.00	1306.22	(-) 243.78 (16)
5	Taxes on Vehicles	110.00	151.38	(+) 41.38 (38)
6	Other Taxes and Duties on Commodities and Services	120.00	136.70	(+) 16.70 (14)
B. Non-Tax Revenue				
7	Public Works	67.00	51.01	(-) 15.99 (24)
8	Education, Sports, Art & Culture	14.05	11.47	(-) 2.58 (18)
9	Medical and Public Health	10.00	41.84	(+) 31.84 (318)
10	Information and Publicity	3.00	8.19	(+) 5.19 (173)
11	Labours and Employment	4.50	2.41	(-) 2.09 (46)
12	Crop Husbandry	36.00	20.85	(-) 15.15 (42)
13	Animal Husbandry	24.00	14.13	(-) 9.87 (41)
14	Fisheries	1.20	0.45	(-) 0.75 (63)
15	Forestry and Wild Life	140.00	159.63	(-) 19.63 (14)
16	Food Storage and Warehousing	1.70	3.15	(+) 1.45 (85)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variation Increase(+)/ Decrease(-) (Percentage)
1	2	3	4	5
(Rupees in lakh)				
17	Other Rural Development Programme	0.75	11.14	(+)10.39(1385)
18	Power	800.00	644.03	(-) 155.97 (19)
19	Industries	14.00	10.95	(-) 3.05 (22)
20	Non Ferrous, Mining & Metallurgical Industries	20.00	6.14	(-) 13.86 (69)
21	Road Transport	1431.00	749.15	(-) 681.85 (48)

The reasons for variation though called for (August 1999) had not been received except in respect of taxes on vehicles where the increase was stated to be due to enhancement of taxes on vehicles and prompt collection of taxes.

6.3 Cost of Collection

Expenditure incurred on collection of revenue under the principal heads during the years 1996-97 to 1998-99 is given below:

Sl. No.	Head of Revenue	Year	Gross collection	Expenditure on gross collection	Percentage of expenditure to gross collection	All India average percentage for the year 1997-98
1	State Excise	1996-97	1054.38	289.53	27	3.20
		1997-98	1081.09	94.25	9	
		1998-99	1185.89	146.18	12	
2	Sales Tax	1996-97	822.53	29.05	4	1.28
		1997-98	1271.06	34.23	3	
		1998-99	1306.22	56.36	4	
3	Taxes on vehicles	1996-97	121.72	11.35	9	2.65
		1997-98	154.40	14.94	10	
		1998-99	151.38	40.47	27	

It would be seen from the table that the percentage of expenditures to gross collections during 1998-99 as compared to the corresponding All India Average Percentage for 1997-98 was very high.

6.4 Outstanding Inspection Reports

Audit observations on irregularities and defects in assessment, demand and collection of State receipts noticed during local audit are intimated through

Inspection Reports (IRs) to the departmental officers, head of departments and also to the Government where necessary. The points mentioned in the IRs are to be settled as expeditiously as possible and first replies should be sent within four weeks from the date of receipt of the IRs by the departments.

The position of IRs in respect of revenue receipts issued to the end of December 1998 but remaining outstanding as at the end of June 1999 was as under:

	At the end of		
	June 1997	June 1998	June 1999
1. Number of outstanding IRs.	136	144	154
2. Number of outstanding Audit objection	390	372	381
3. Money value of the objection (Rupees in crore)	27.09	25.37	27.35

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

Sl. No.	Head of Receipts	No. of Inspection Reports	No. of Audit Objection	Amount (Rs.in crore)
1	Sales Tax	12	60	3.60
2	Income Tax	15	68	3.98
3	Forest	53	112	2.43
4	Land Revenue	29	59	1.34
5	Excise	9	15	7.93
6	Motor Vehicles	7	12	0.09
7	Urban Development and Housing Department	11	17	0.34
8	Power	14	34	6.43
9	Mines & Geology	4	4	1.21
	Total	154	381	27.35

Out of 154 IRs pending settlement, even first replies had not been received (June 1999) in respect of 68 reports containing 275 audit objections.

The position of outstanding paras and objections has been brought to the notice of the Chief Secretary to the State Government (November 1999).

6.5 Results of Audit

Test check of the records of Motor Vehicle, Finance, Forest, Mines and Geology, Land revenue, Urban Development & Housing and State Excise Departments conducted during the year 1998-99 revealed under-assessment/short levy/ loss of revenue amounting to Rs. 27.26 lakh in 22 cases. A few illustrative cases involving Rs. 128.89 lakh highlighting important audit observations are mentioned in the following paragraphs.

SALES TAX DEPARTMENT

6.6 Incorrect retention of Central Sales Tax

CST was collected by the dealer but was not deposited to the Government Account

Under the Central Sales Tax (Sikkim) Rules 1983, every dealer registered under the CST Act who is liable to pay tax shall furnish a return in respect of each period of his turnover, quarterly within fifteen days from the expiry of each quarter. The retention of tax by a dealer against the provision of the Act, is liable under Section 10 of the Act for a daily fine which may extend to Rs. 50 for every day during which the offence continued.

Test check of records revealed (June 1998) that a dealer of Jorethang, South Sikkim did not exhibit his sales turnover in the quarterly returns of Central Sales Tax (CST). However, the detailed annual statements of inter-State trade or commerce furnished by the dealer for the year 1993-94 and 1994-95 revealed that Central Sales Tax of Rs.2.28 lakh for a sales turnover aggregating Rs.57.12 lakh, though collected, was not remitted to the Government by the dealer. It was noticed that request of the dealer for exemption from payment of collected tax, on the ground that his factory was running on heavy loss, was rejected by the Government in June 1996. For non remittance of the tax to the Government, the dealer was liable to pay a fine of Rs. 0.73 lakh it was not levied. Thus, Government revenue amounting to Rs. 3.01 lakh remained unrealised.

On this being pointed out in audit, the Department stated (September 1999) that the dealer has been allowed to settle the arrear tax in six monthly instalments and recoveries will be completed by 31 March 2000.

6.7 Non-levy of interest on delayed payment of tax

No interest was levied on delayed payment of tax

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

During the test check (June 1998) of records of the Sales Tax Department, Gangtok, it was noticed that in 169 cases for the period from 1991-92 to 1998-99, the assessee remitted admitted tax after delays ranging from 13 days to 2235

days. But the Department had not levied any interest on the delayed payment of tax. This resulted in non-levy of interest of Rs.3.84 lakh.

On this being pointed out (June 1998), the Department stated (August/September 1999) that an amount of Rs.0.74 lakh had been realised and cases of 113 assesseees out of 169 have been settled. It was further stated that the realisation of interest from the remaining assesseees will be intimated.

The matter was reported to the Government (July 1998); their reply has not been received (October 1999).

6.8 Exhibition of credit by fraudulent use of bank receipts

Acceptance of bank receipts as credit without verification led to fraudulent use of bank receipts

Under the provisions of the Sikkim Sales Tax Rules 1983, the amount of tax, penalty or interest payable by the dealer under any of the sections of the Act shall be paid into bank by Challan in quadruplicate for credit to the accounts of the State Government. One of the copies of Challan is sent by the bank to the Department in proof of the amount having been paid. The correctness of credits should be verified from the statement received from bank before allowing credit in assessment as required under the provisions of Sikkim Financial Rules.

During the course of audit of Sales Tax Department, Gangtok, it was noticed (June 1998) that while finalising (March and December 1996) the assessments for the years 1989-90 to 1992-93 and 1993-94 to 1994-95, credits were accepted between 20 December 1995 and 28 February 1997 for Rs. 4.13 lakh on the basis of dealer's copies of bank receipts. However, while accepting credits in making assessments, the assessing officer neither verified the credits of the dealer with the bank receipts meant for Department's use or from the concerned bank, nor from the departmental cash book. Cross verification of records from the concerned bank revealed that the entire amount of Rs.4.13 lakh was not at all deposited by the dealer.

Thus, laxity on the part of the assessing officer resulted in non-realisation of revenue to the Government to the tune of Rs.4.13 lakh.

On this being pointed out in audit, the Department intimated (February 1999) that the amount of Rs.4.13 lakh had been realised from the dealer. It was further stated that an FIR had been lodged with the CID Crime Branch against the dealer and the case is under investigation.

The matter was reported to the Government (February 1999); their reply has not been received (October 1999).

6.9 Non-realisation of revenue

Non-realisation of tax from the defaulters led to blocking of revenue

According to the provision of Sikkim Sales Tax Act 1983, the amount of tax and penalty assessed as due from the dealers is payable by him in such manner and within such time as may be specified in the notice of demand. Further, penalty at the rate of 10 per cent per annum would be charged on such amount from the due date in case a dealer fails to make payment of tax assessed.

Test check of records of Sales Tax Department, Gangtok revealed (June 1998) that in 7 cases, the dealers have defaulted (between 1990-91 and 1993-94) in payment of tax amounting to Rs.16.35 lakh for periods ranging from five years one month to eight years one month as on 31 March 1999. However, effective steps were not taken by the Department to realise the tax assessed and interest accrued on it. This resulted in non-realisation of revenue of Rs.23.29 lakh, including interest of Rs.6.94 lakh from the defaulting assesseees as on 31 March 1999.

On this being pointed out in audit, the Department stated (September 1999) that assessed tax amounting to Rs.8.65 lakh was realised from four dealers and interest amounting to Rs.0.17 lakh from two dealers and in the remaining cases, recovery proceedings in the court of law were being initiated. Further progress is awaited (October 1999).

The matter was reported to the Government (July 1998); their reply has not been received (October 1999).

6.10 Non - deduction of tax at source

Due to non/short deduction of tax at source, Sales Tax amounting to Rs. 10.48 lakh remained short-realised

According to notifications issued during August 1995 and June 1996 under the Sikkim Sales Tax (Amendment) Rules 1994 and 1996, any department responsible for making payment to any contractor on account of a works contract, shall at the time of making such payment to contractors deduct an amount equal to two per cent of the gross amount of bills towards sales tax.

During the course of test check of records of (1) Building and Housing Department (2) Urban Development and Housing Department and (3) Public Health Engineering and Water Supply Department, it was noticed (October and November 1998) that while making payment of Rs.580.06 lakh to various contractors during 1996-97 to 1998-99 on account of works contract, an amount of Rs.1.12

lakh only was recovered instead of Rs. 11.02 on account of sales tax. This resulted in short-realisation of tax of Rs.10.48 lakh.

On this being pointed out (October 1998), the Chief Engineer-cum-Secretary Building and Housing Department stated (March 1999) that the tax was not deducted from the bills as the clause for deduction of tax was not specified in agreement. The reply of the Department was not tenable in view of the provisions of the Rules *ibid*. The Urban Development and Housing Department stated (June 1999) that action had already been taken to recover the amount. Reply from the Public Health Engineering and Water Supply Department has not been received (October 1999).

The matter was brought to the notice of the Government in February and June 1999; their reply has not been received (October 1999).

INCOME TAX DEPARTMENT

6.11 Non-assessment of Income Tax

Due to inability in obtaining returns from a company, Government sustained a loss of Rs. 84.14 lakh

According to the Income Tax Manual 1948, income tax is to be charged on the gross sale proceeds of previous year of all persons engaged in business. Every person doing business is required to maintain proper accounts and produce them on demand before the Income Tax Officer who in case of default or in case of unsatisfactory accounts would assess tax according to his discretion.

Scrutiny of records revealed (May 1998) that a Gangtok based firm registered under Sikkim Companies Act 1961 and dealing with business of Sikkim Made Foreign Liquor (SMFL) since April 1993 had never been assessed to Income Tax. However, cross check of records with that of Sales Tax Department revealed (May 1998) that the firm had submitted consolidated sales statement for the accounting years 1993-94, 1994-95 and 1995-96 (April to May 1995) for Rs.1336.73 lakh, Rs.1444.72 lakh and Rs.30.12 lakh on which the Income Tax payable by the firm worked out to Rs.40.03 lakh, Rs.43.27 lakh and Rs. 0.84 lakh respectively. It was further noticed (June 1999) that the firm closed its trade/

business with effect from 1 June 1995. Thus, due to failure of the Department either to obtain the books of accounts from the dealer or to ascertain the factual position from the Sales Tax Department, the Government sustained a loss of Rs.84.14 lakh towards Income Tax.

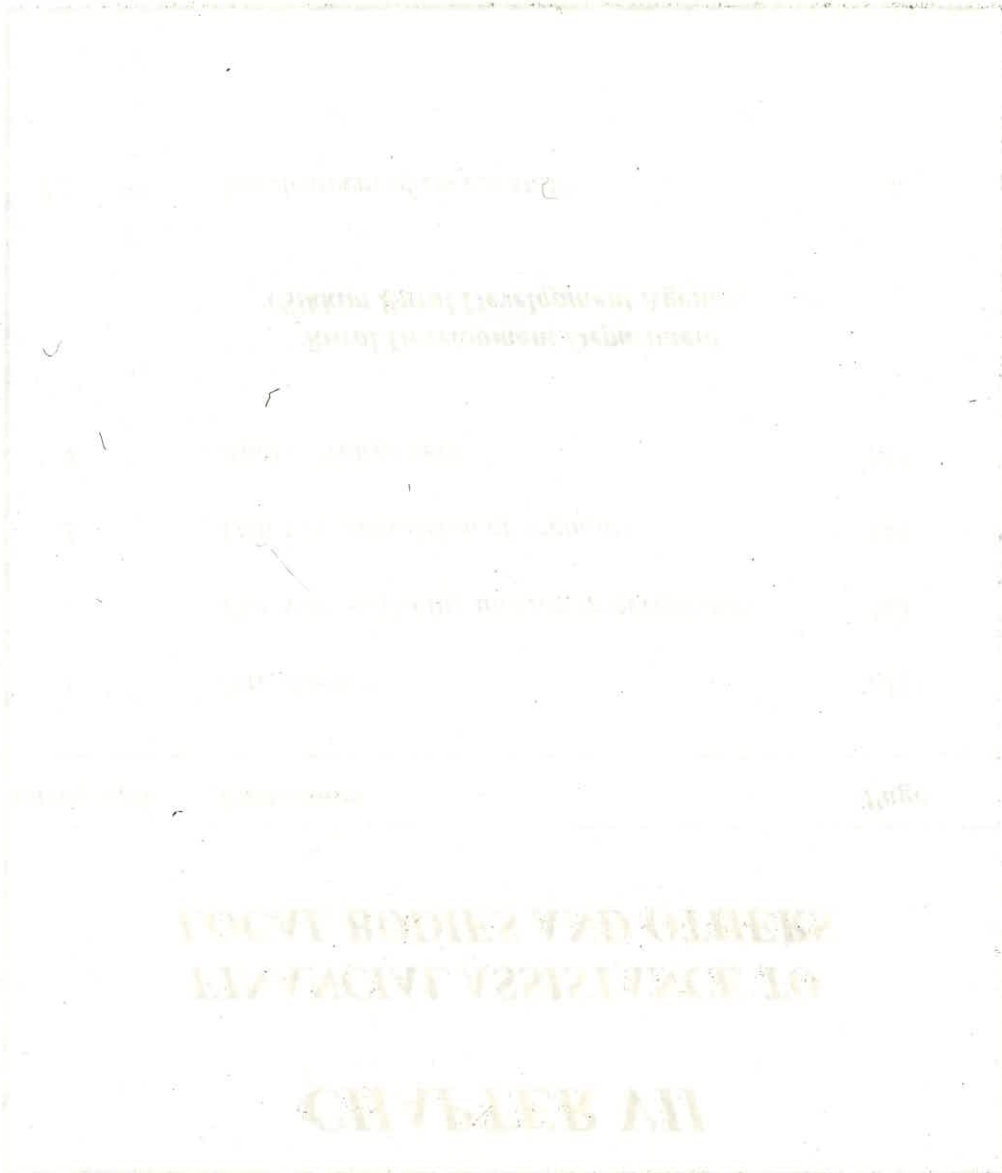
On this being pointed out (May 1998), the Department stated (September 1999) that in accordance with the findings of Audit, Income Tax assessment has been completed and Demand Notice served to the company. Due to failure on the part of the company, the Department has decided to effect recovery through the Court of Law and the file has been sent to Assistant Government Advocate for initiating necessary action.

The matter was reported to Government (September 1998); final reply has not been received (October 1999).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

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CHAPTER - VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 Introduction

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

During 1998-99, financial assistance of Rs.11.25 crore was paid to various autonomous bodies and others broadly grouped as under :

Name of institutions	Amount of assistance paid (Rupees in crore)
1. Universities and Educational Institutions	1.40
2. Zilla Parishads and Panchayati Raj Institutions	0.89
3. Development Agencies	5.29
4. Hospitals and other Charitable Institutions	0.02
5. Other Institutions	3.65
Total	11.25*

* The figure of Rs.11.25 crore is based on departmental figure. It differs with figure of Rs.2.17 crore shown in the Finance Accounts 1998-99.

7.2 Delay in furnishing utilisation certificates

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

Of the 443 utilisation certificates due in respect of grants and loans aggregating Rs. 11.25 crore paid during the period 1998-99, only 319 utilisation certificates for Rs. 9.18 crore had been received by the grant releasing departments by 30 September 1999 and 124 certificates for an aggregate amount of Rs. 2.07 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as follows:

Department	Number of certificates	Amount (Rupees in lakh)
Education	5	72.96 *
Rural Development Department	5	51.49 **
Ecclesiastical	3	5.40
Urban Development and Housing	1	10.00
Health and Family Welfare	24	1.90
Social Welfare	4	7.58
Sports and Youth Affairs	1	1.50
Culture	31	14.29
Tourism	13	11.85
Co-operation	14	3.34
Science and Technology	-	11.72 ***
Horticulture	16	8.50
Welfare	1	0.20
Agriculture	6	6.25
Total	124	206.98

* Includes outstanding utilisation certificate of Rs. 2 lakh in respect of grant of Rs. 50 lakh released to the Tashi Namgyal Academy.

** (i) Includes outstanding utilisation certificate of Rs. 12.55 lakh in respect of grant of Rs. 116 lakh released to the Sikkim Rural Development Agency, Gangtok.

(ii) Includes outstanding utilisation certificate of Rs. 3.25 lakh against the grant of Rs. 33.25 lakh released to SIRD, Karfactor.

(iii) Includes outstanding utilisation certificate of Rs. 0.84 lakh against the grant of Rs. 12.50 lakh released to the Zilla Panchayat, South, Namchi.

(iv) Includes outstanding utilisation certificate of Rs. 1 lakh against the grant of Rs. 13 lakh released to the Zilla Panchayat, West, Geyzing.

*** Utilisation certificate of Rs. 60.73 lakh (Rs. 32 lakh released during 1998-99 and Rs. 28.73 lakh being unspent balance from the previous year) was due for the State Council of Science and Technology, against which utilisation certificate for an amount of Rs. 11.72 lakh was awaited.

7.3 Delay in submission of accounts

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

7.4 Audit arrangement

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

Sl. No	Name of body	Period of entrustment	Date of entrustment
1	Sikkim Khadi and Village Industries Board	1995-96 to 1999-2000	4 July 1995
2	Sikkim Co-operative Milk Producers' Union Limited	1998-99 to 2002-2003	17 September 1998

The primary audit of local bodies (Zilla Parishad, Panchayat Raj Institutions), educational institutions and others is conducted by State Government. The audit of Co-operative Societies is also conducted by the State Government. Only 2 bodies / authorities attracted Audit under Section 20 (1) of the Comptroller and Auditor General's (DPCS) Act 1971 from whom accounts for 1994-95 and 1997-98 respectively were received. Of these, one body was audited up to 1994-95 and the other body was audited up to 1995-96.

Against 4 institutions which attracted Audit under Section 14 of the Comptroller and Auditor General's (DPCS) Act 1971, accounts of two institutions upto 1997-98, one institution upto 1996-97 and the other institution upto 1998-99 were received. Of these, two institutions which submitted accounts upto 1997-98 have been audited.

RURAL DEVELOPMENT DEPARTMENT
(SIKKIM RURAL DEVELOPMENT AGENCY)

7.5 Employment of excess staff

The operation of posts in excess of sanctioned strength resulted in avoidable expenditure of Rs 7.15 lakh

The Sikkim Rural Development Agency (SRDA) had 4 sanctioned posts of Assistant Project Officers (APOs). It was seen that although 4 APOs were on roll as on 19 March 1996, one more APO was promoted on 19 March 1996 and three other APOs were taken on deputation on 20 March 1998, 27 March 1998 and 12 August 1998 respectively in excess of the sanctioned strength. This involved an additional expenditure of Rs.7.15 lakh towards pay and allowances on the 4 additional posts calculated from April 1996 upto March 1999.

The promotion of 1 APO and the induction of 3 others on deputation not only resulted in the SRDA operating the posts 100 per cent in excess of sanctioned strength which involved additional expenditure, but also resulted in the under-utilisation of the services of all the 8 APOs in the absence of a proper job analysis and specification for each post.

In reply, the Department confirmed (September 1999) that 3 APOs were on deputation to the SRDA and the State Government had been requested to revert these deputationists to their parent Department. The Department further stated that the person promoted to the post of APO was against the existing vacant post of one Deputy Project Officer (DPO) created during October 1984. However, while the 3 APOs (deputationists) have not yet been repatriated (October 1999), the stated vacancy of DPO was already taken into account for arriving at the number of 4 sanctioned posts of APOs during April 1991.

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

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CHAPTER - VIII GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

General view of Government Companies and Statutory Corporations

8.1 Introduction

As on 31 March 1999, there were 7 Government companies and 3 Statutory corporations as against 6 Government companies and 3 Statutory corporations as on 31 March 1998 under the control of the State Government. The Companies Act, 1956 is not extended to the State of Sikkim. The Companies in Sikkim are registered under 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the Statutory Auditors who are directly appointed by the Board of Directors of the respective companies. The audit of these companies had been taken up by the Comptroller and Auditor General of India on the request of the State Government under Section 20(I) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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 on February 1960, June 1968 and March 1972 respectively under the proclamations of the erstwhile Chogyal of Sikkim.

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

Name of the corporation	Authority for Audit by CAG	Audit arrangement
1. Sikkim Mining Corporation (SMC)	Section 19(3) of CAG's (DPCS) Act 1971	Audit by Chartered Accountant and superimposed audit by CAG
2. State Bank of Sikkim (SBS)	-do-	-do-
3. State Trading Corporation of Sikkim (STCS)	-do-	-do-

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

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

8.2 Investment in Public Sector Undertakings (PSUs)

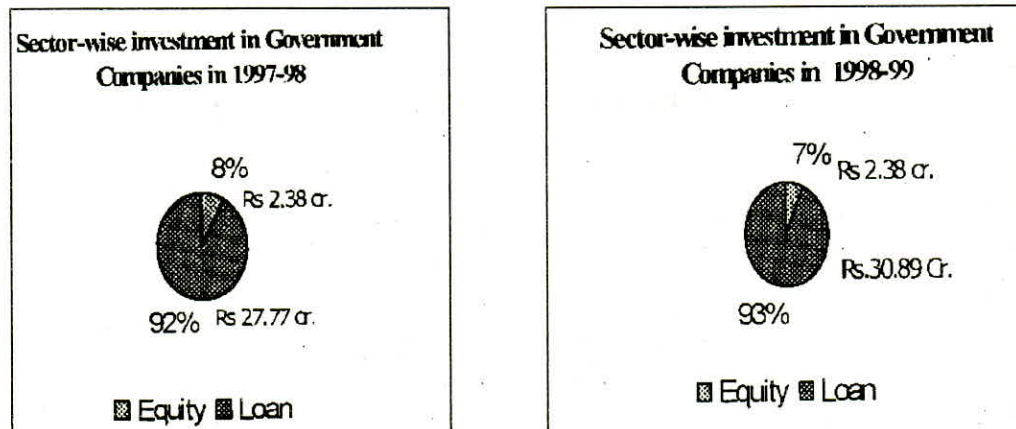
As on 31 March 1999, the total investment in 10 Public Sector Undertakings (7 Government companies and 3 Statutory corporations) was Rs. 40.96 crore (equity: Rs. 38.58 crore and long-term loans* (Rs. 2.38 crore.) as against a total investment of Rs.36.51 crore (equity: Rs.34.13 crore and long term loans : Rs.2.38 crore) in 9 PSUs (6 Government companies and 3 Statutory corporations) as on 31 March 1998. The analysis of investment in PSUs is given in the following paragraphs:

8.2.1 Government companies

Total investment in 7 Government companies as on 31 March 1999 was Rs. 33.27 crore (equity: Rs. 30.89 crore; long term loans: Rs. 2.38 crore) as against total investment of Rs. 30.15 crore (equity: Rs. 27.77 crore; long term loans: Rs. 2.38 crore) as on 31 March 1998 in 6 Government companies.

Sector wise investment in Government companies (Rupees in crore)

As on 31 March 1999, in total investment of Government companies, 93 per cent comprised equity capital and 7 per cent comprised loans compared to 92 per cent and 8 per cent respectively as on 31 March 1998 as below:



* long term loans mentioned in paras 8.2, 8.2.1 and 8.2.2 are excluding interest accrued and due on such loans.

8.2.2 Statutory corporations

The total investment in 3 Statutory corporations at the end of March 1999 and March 1998 was as follows:

(Rupees in crore)

Name of corporation	1997-98		1998-99	
	Capital	Loan	Capital	Loan
State Bank of Sikkim (SBS)	0.70	Nil	0.70	Nil
Sikkim Mining Corporation (SMC)	2.97	Nil	3.00	Nil
State Trading Corporation of Sikkim (STCS)	1.03	Nil	1.03	Nil

Note: Figures shown in the table are based on Finance Accounts and exclude Rs.2.94 crore invested by GOI in SMC.

The summarised financial results of all the Statutory corporations are given in **Appendix XVIII** and financial position and working results of individual Statutory corporation are given in **Appendix XX and XXI**.

8.3 Budgetary outgo, Subsidies, Guarantees, and Waiver of dues

The details regarding budgetary outgo, subsidies, guarantees, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in **Appendix XVII and XIX**.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the 3 years upto 1998-99 in the form of equity capital, loans and subsidy is given below:

(Rs. in crore)

	1996 - 97				1997-98				1998-99			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	2	3.07	1	0.53	2	2.06	1	0.19	1	1.00	1	0.23
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total outgo	2	3.07	1	0.53	2	2.06	1	0.19	1	1.00	1	0.23

During the year 1998-99, the Government had not given any guarantee to the Government companies and Statutory corporations. However, at the end of the

year, guarantees amounting to Rs. 18.10 crore against 1 Government company (Rs. 10.00 crore) and 2 Statutory corporations (Rs. 8.10 crore) were outstanding. There was no case of loans written off, interest waived, moratorium on loan repayment, conversion of loans into equity capital in any company or corporation during the year. There was also no case of guarantee commission either paid or payable to the Government during the year.

8.4 Finalisation of accounts by PSUs

Accountability of Public Sector Undertakings to the Legislature is to be achieved through the submission of audited annual accounts within the time schedule to the Legislature. Out of 7 Government companies, the accounts of 6 companies were in arrears for periods ranging from 1 year to 5 years (as on 30 September 1999) as indicated in **Appendix XVIII**.

However, as could be noticed from **Appendix XVIII**, out of 7 Government companies, only 1 company and out of 3 Statutory corporations, only 1 corporation had finalised their accounts for the year within the stipulated period. The accounts of other 6 Government companies and 2 Statutory corporations were in arrears for periods ranging from one year to 5 years as on 30 September 1999 as detailed below:

Sl. No.		Period upto which accounts finalised	Period upto which accounts in arrears	No. of years for which accounts in arrears
I.	A. Name of the Company			
	i. Sikkim Jewels Ltd.	1997-98	1998-99	1
	ii. Sikkim Flour Mills Ltd.	1993-94	1994-95 to 1998-99	5
	iii. Sikkim Time Corporation Ltd.	1997-98	1998-99	1
	iv. Sikkim Livestock Processing & Development Corporation	1995-96	1996-97 to 1998-99	3
	v. Chanmari Workshop & Automobiles Ltd.	1994-95	1995-96 to 1998-99	4
II.	B. Name of the Statutory Corporation			
	i. Sikkim Mining Corporation	1997-98	1998-99	1
	ii. State Trading Corporation of Sikkim.	1997-98	1998-99	1

The administrative Departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within stipulated period. Though the concerned administrative Departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the investments made in these PSUs could not be assessed in Audit.

8.5 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
i.	Sikkim Mining Corporation (SMC)	1994-95	1995-96 1996-97 1997-98	18.1.1999 10.9.1999 under audit	Not intimated by the Government
ii.	State Bank of Sikkim (SBS).	1992-93	1993-94 1994-95 1995-96 1996-97 1997-98 1998-99	15.1.1999 15.1.1999 under audit " " "	-do-
iii.	State Trading Corporation of Sikkim (STCS)	1993-94	1994-95 1995-96 1996-97 1997-98	1.12.1998 17.5.1999 17.5.1999 under audit	-do-

8.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 7 Government companies and 3 Statutory corporations, 3 companies and 2 corporations had incurred an aggregate loss of Rs. 0.38 crore and Rs. 3.70 crore respectively, 3 companies and 1 corporation earned an aggregate profit of Rs. 1.08 crore and Rs. 0.20 crore respectively. One company was working on no profit no loss basis.

The summarised financial results of Government companies and Statutory corporations are given in **Appendix XVIII**.

8.6.1 Government companies

8.6.1.1 Profit earning companies and dividend

During the year, 3 companies viz Sikkim Jewels Limited (SJL) and Sikkim Time Corporation Limited (SITCO) and Sikkim Livestock Processing and Development Corporation (SLPDC) which finalised their accounts for 1997-98 (two companies) and 1995-96 (one company) earned profit of Rs.1.08 crore. Free reserves and surpluses amounting to Rs 7.59 crore were built up in these companies. None of the companies declared dividend during the year for which accounts were finalised.

8.6.1.2 Loss making companies

Of the 3 loss making companies, 1 company had accumulated losses aggregating Rs. 1.53 lakh which had far exceeded their aggregate paid up capital of Rs. 0.20 lakh.

8.6.2 Statutory corporations

There were 3 Statutory corporations in the State as on 31 March 1999.

8.6.2.1 Profit earning/ Loss incurring Statutory corporations

According to the latest available accounts, the SMC and SBS suffered a loss of Rs.0.30 crore and Rs.3.40 crore respectively, whereas STCS earned profit of Rs.0.20 crore.

8.6.2.2 Operational performance of Statutory corporations

The operational performance of the Statutory corporations for the latest year for which accounts have been finalised are given in **Appendix XXII**.

8.7 Return on Capital Employed

During 1998-99, the capital employed* worked out to Rs. 44.33 crore in 7 companies and total return + thereon amounted to Rs. 1.08 crore which is 2.44 per cent as compared to total return of Rs. 1.26 crore in 6 companies (4.19 per cent) in 1997-98. Similarly, during 1998-99, the capital employed and total return thereon in case of Statutory corporations amounted to Rs. 77.68 crore and Rs. 0.20 crore (0.26 per cent) respectively against the total return of Rs.0.46 crore (0.84 per cent) for 1997-98. The details of capital employed and total return on capital employed in case of each Government companies and corporations are given in **Appendix XVIII**.

8.8 Results of audit by Comptroller and Auditor General of India

The summarised financial results of all the 7 Government companies and 3 Statutory corporations based on the latest available accounts are given in **Appendix XVIII**. During the period from October 1998 to September 1999, the audit of 3 accounts of 3 companies and 4 accounts of 3 corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

+ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Details	No. of accounts		Rupees in lakh	
	Government companies	Statutory corporations	Government companies	Statutory corporations
(i) Decrease in profit	2	-	7.34	-
(ii) Increases in profit	1	-	0.16	-
(iii) Decrease in loss	-	1	-	0.44
(iii) Non disclosure of material facts	-	-	-	-
(iv) Errors of classification	1	1	20.00	23.38
(v) Non disclosure of material facts	-	-	-	-
(vi) Errors of classification	-	-	-	-

Some of the major errors and omission noticed in the course of audit of annual accounts of some of the above companies and corporations are mentioned below:

A. Errors and omissions noticed in case of Government companies

i) Due to inclusion of previous years interest earned on Fixed Deposits, profit was overstated by Rs 7.47 lakh.

(Sikkim Jewels Limited, Annual Accounts 1997-98)

ii) During 1997-98, company earned Rs 2.47 lakh as interest on Fixed Deposits, but the same was adjusted through General Reserves as prior years adjustment, which resulted in understatement of profit by Rs 2.47 lakh.

(Sikkim Jewels Limited, Annual Accounts 1997-98)

iii) No provision was made for Income Tax as per Sikkim Income Tax Manual, 1948 which resulted in overstatement of profit of Rs 2.34 lakh.

(Sikkim Time Corporation Limited, Annual Accounts 1997-98)

B. Errors and omissions noticed in case of Statutory corporations

Rs 23.38 lakh were incurred up to the end of the year 1997-98 towards consultancy expenses and the same were capitalised and shown under 'Other Assets' without obtaining any specific approval of the Board of Directors. As a result, 'Other Assets' were overstated by Rs 23.38 lakh and the accumulated loss understated to that extent.

(State Bank of Sikkim, Annual Accounts 1997-98)

8.9 Departmentally managed Government commercial /quasi commercial undertakings

8.9.1 General aspects

As on 31 March 1999, there were two departmentally managed undertakings viz.

(i) Sikkim Nationalised Transport under the Department of Transport and (ii) Sikkim Tea Board under the Industries Department.

8.9.2 Finalisation of Accounts

The Sikkim Nationalised Transport and Sikkim Tea Board finalised their accounts upto the year 1995-96 and 1997-98 respectively.

8.9.3 Working results

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

8.10 Position of discussion of Audit Reports (Commercial) by the Committee

The reviews and paragraphs of the Commercial Chapter of Audit Report, Government of Sikkim pending for discussion by Public Accounts Committee as at the end of March 1999 were as below:

Period of Audit Report	Total number of reviews and paragraphs in the Commercial Chapter		No. of reviews and paragraphs pending discussion	
	Review	Paragraph	Reviews	Paragraphs
1995-96	1	3	1	3
1996-97	-	3	-	3
1997-98	-	1	-	1

8.11 Companies not subject to audit by Comptroller and Auditor General of India

The State Government invested Rs. 4.28 crore in 4 companies which are not taken up for audit by the Comptroller and Auditor General of India. Out of these 4, the entrustment of audit of one company viz, Sikkim Tourism Development Corporation was under consideration of the State Government. The particulars of such companies in which the investment of State Government was more than Rs. 10 lakh in each case as on 31 March 1999 are given in **Appendix XVI**.

8.12 Readiness of PSUs for Y2K

Out of 7 companies and 3 corporations, 1 Company (SIDICO) stated that they have upgraded their software and hardware to make the computer systems Y2K compatible. It was further stated that in case of failure of computer system on account of Y2K problem, they can fall back upon the manual back up. 1 corporation (STCS) stated that computers have been upgraded and Y2K compatible software has been installed. In respect of the remaining companies and corporations, the action taken/status for making these PSUs Y2K complaint was not intimated to Audit.

SIKKIM INDUSTRIAL DEVELOPMENT AND INVESTMENT CORPORATION

8.13 Non-utilisation of Chief Minister's Rojgar Yojana Fund

Absence of complete documentation and verification of utilisation resulted in non-utilisation of fund to the tune of Rs. 57.65 lakh

Chief Minister's Rojgar Yojana (CMRY) was launched (January 1996) by the State Government with a view to generate employment for rural artisans and craft persons. According to the scheme, a composite loan of Rs.25,000 was to be provided to the rural artisans and craft persons through the Sikkim Industrial Development Corporation (SIDICO). 80 per cent of total loan was to be disbursed initially and the balance amount was to be disbursed on completion of documentation. Accordingly, Rs.150 lakh was placed with SIDICO in March 1996 and Rs.100 lakh in July 1996 for implementation of the scheme.

Scrutiny of records (January 1999) revealed that the Corporation initially disbursed Rs.115.80 lakh and Rs.76.55 lakh during 1995-96 and 1996-97 respectively against the total available fund of Rs.250 lakh. The balance fund of Rs.57.65 lakh (Rs. 34.20 lakh for 1995-96 and Rs.23.45 lakh for 1996-97) was not released to the beneficiaries but retained by the Corporation for period ranging between 2 to 3 years.

In reply (March 1999), the Corporation stated that the scheme had not been discontinued and would be revived on receipt of further fund from the Government of Sikkim and that the balance undisbursed amount would be released to the beneficiaries on verification of utilisation of the released amount and completion of formalities. Reply of the management is not tenable as the release of the amount of Rs.57.65 lakh is not linked to the receipt of further funds from the Government but on the completion of documentation with respect to the amounts disbursed by the Corporation in 1995-96 and 1996-97.

Thus, failure on the part of the Corporation to initiate effective action for verification of utilisation of the released amount and completion of documentation from the beneficiaries resulted in non-utilisation of fund of Rs.57.65 lakh for the period ranging 2 to 3 years.

In a further reply (August 1999), the Corporation stated that it was taking action to disburse the balance amount.

STATE BANK OF SIKKIM

8.14 Locking up of bank resources

The Bank could not effect recovery of Rs.2.56 crore even after obtaining decree orders since June 1988 to March 1998

The State Bank of Sikkim (SBS) obtained (June 1988 to March 1998) decree certificate orders from the Court of Law under the Sikkim Public Demand Recovery Act 1988 for effecting recovery of Rs.3.89 crore from 42 defaulters who failed to repay loans and overdrafts availed from the Bank.

It was noticed in Audit that the Management could settle accounts of only 11 defaulters involving an amount of Rs.1.33 crore, whereas, the balance 31 accounts involving Rs.2.56 crore remained unsettled till March 1999. The delay in execution of decrees relating to the unsettled accounts ranged from 1 year 3 months to 10 years. This resulted in locking up of bank resources to the tune of Rs.2.56 crore.

It was stated (October 1998) that the policy adopted by the Bank of allowing overdraft was against contract works. Some of the contractors in course of their work suffered losses and some died before the settlement of overdraft. As a result, outstanding amounts remained unpaid for long time for which the Bank filed suits and obtained decrees. However, most of the borrowers' properties were not found recorded in his/her name for which the process of finding out the properties in the name of legal heirs was continuing. The Management has also requested the State Government for incorporation of provision under the Act to file suit against the legal heirs of the deceased borrowers.

From the reply of the Management, it is evident that loans / overdrafts were sanctioned without obtaining proper hypothecation of properties and without verification of their physical existence due to which it could not recover Rs.2.56 crore even after obtaining decrees.

8.15 Loss in Interest Rebate Scheme

Due to not taking timely action, the Bank had to suffer a loss of Rs.15.75 crore towards interest rebate

The State Bank of Sikkim was facing difficulties in recovering the loans and overdraft extended to its customers during the previous 10 to 15 years. The main reason for such situation as attributed by the Bank, was due to the tremendous amount of intervention from the Government in all sorts of manners in the supervision and recovery of these loans and overdrafts. The intervention of the Government, not specified by the Bank, was stated to be a hindrance to the efforts of the Bank Staff and Officers in effecting recoveries.

With a view to speed up recovery and to avoid litigation with the borrowers, the Bank proposed (September 1992) an Interest Rebate Scheme (IRS) to the Government to recover its dues by giving certain percentage of rebate on the accumulated interest on all loans and overdraft accounts. The Government approved (July 1993) cent per cent rebate on interest accrued on loans and overdrafts given by the Bank to the loanees who will pay the loans and overdrafts in instalments by December 1993. The scheme was later on extended for the period upto July 1996.

During July 1993 to July 1996, the Bank waived interest to the tune of Rs.15.75 crore and requested the Government (August 1996) to reimburse the amount waived off. The Government refused (August 1996) to accept the claim on the ground that the Government has not sponsored any loanee for the grant of loan and the Bank had given the loans on its own discretionary powers.

In this context Audit observes that due to not effecting recovery in time and by not apprising the Government in time of the situation for obtaining a specific directive on the issue, the Bank landed itself in such a situation that it had to propose to the Government for a decision to the financial disadvantage of the Bank.

In reply (July 1998), the Management stated that they were pursuing the matter with the Government for reimbursement. However, final reply is awaited (October 1999).

Gangtok
The



(A.W.K. LANGSTIEH)
Accountant General (Audit), Sikkim

Countersigned



New Delhi
The

(V.K. SHUNGLU)
Comptroller and Auditor General of India

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APPENDIX I
(Ref: Paragraph No. 2.3.3)
Statement showing unnecessary supplementary provision

Grant No	Name of the Grant	Original Provision	Supple- mentary Provision	Expenditure during the year	Savings
Revenue (Rupees in lakh)					
3.	Administration of Justice	1,73.80	10.00	1,68.02	15.77
6.	Land Revenue	2,99.43	20.14	2,51.18	68.39
17.	Public Works (Building)	33,10.80	2.00	30,31.76	2,81.04
18.	Other Administrative Services	5,67.30	9.68	4,57.15	1,19.83
23.	Art and Culture	1,61.50	12.00	1,36.39	37.11
27.	Information and Publicity	1,82.55	20.00	1,78.60	23.95
34.	Crop Husbandry	19,98.89	45.23	18,19.97	2,24.15
35.	Soil and Water Conservation	4,62.91	26.00	4,32.23	56.68
37.	Dairy Development	1,11.00	18.00	34.07	94.93
40.	Other Agricultural Programme	3,81.26	19.00	3,66.85	33.41
46.	Industries	5,90.65	20.00	5,79.84	30.81
Capital					
17.	Public Works (Building)	26,04.47	7,50.00	16,19.68	17,34.79
25.	Water Supply and Sanitation	18,75.40	3,70.00	18,27.82	4,17.58
26.	Urban Development	2,17.80	3,00.00	27.42	4,90.38
34.	Crop Husbandry	48.50	4.20	44.94	7.76
46.	Industries	2,31.00	50.00	113.71	1,67.29
48.	Road and Bridges	32,60.17	1,00.00	18,70.11	14,90.06
52.	Tourism	44.80	15.00	44.80	15.00
Grand Total		16522.23	1791.25	13004.54	5308.93

APPENDIX II
(Ref: Paragraph No.2.3.6)
Statement showing surrender less than actual savings

(Rupees in crore)

Sl.No.	Grant No	Actual Saving	Amount actually surrendered	Less amount surrendered
Revenue				
1.	3 Administration of Justice	0.13	0.04	0.09
2.	10 Interest Payment	8.21	0.20	8.01
3.	11 Secretariat General Services	0.10	0.02	0.08
4.	14 Police	1.35	1.04	0.31
5.	17 Public Works (Buildings)	2.81	2.56	0.25
6.	18 Other Administrative Services	1.20	1.08	0.12
7.	20 Miscellaneous General Services	0.28	0.15	0.13
8.	21 Education	2.02	0.62	1.40
9.	23 Art & Culture	0.37	0.14	0.23
10.	28 Social Security & Welfare	0.92	0.81	0.11
11.	30 Nutrition	0.27	0.04	0.23
12.	31 Relief on account of Natural Calamities	0.52	0.44	0.08
13.	33 Secretariat Social Services	0.17	0.03	0.14
14.	34 Agriculture	2.24	2.16	0.08
15.	44 Irrigation and Flood Control	0.83	0.35	0.48
16.	45 Power	0.30	0.01	0.29
17.	46 Industries	0.31	0.10	0.21
18.	48 Roads and Bridges	6.59	0.27	6.32
19.	51 Secretariat Economic Services	0.62	0.20	0.42
Capital				
1.	26 Urban Development	4.90	1.90	3.00
2.	48 Roads and Bridges	14.90	3.73	11.17
Grand total		49.04	15.89	33.15

APPENDIX III
(Ref: Paragraph No.2.3.7)

Statement showing surrender in excess of actual savings

(Rupees in crore)

Sl.No.	Grant No	Actual Savings	Amount Surrendered	Amount surrendered in Excess
1.	1 (Charged)	0.01	0.02	0.01
2.	17 (Capital)	17.35	17.59	0.24
3.	24	1.16	1.40	0.24
4.	25	0.11	0.33	0.22
5.	26	0.02	0.04	0.02
6.	35	0.57	0.79	0.22
7.	36	0.51	0.60	0.09
8.	40	0.33	0.37	0.04
9.	41	0.21	0.28	0.07
10.	41(Capital)	0.03	0.04	0.01
11.	43	0.86	1.03	0.17
12.	46(Capital)	1.67	2.51	0.84
	TOTAL	22.83	25.00	2.17

APPENDIX IV
(Ref: Paragraph No.2.3.8)
Statement showing persistent savings

(Rupees in lakh)

Sl.No	Grant No and name	Savings		
		1996-97	1997-98	1998-99
Revenue - Voted				
1	18 - Other Administrative Services	45.45 (14)	94.15 (25)	119.82 (20)
2	22 - Sports and Youth Services	50.74 (31)	78.99 (47)	19.63 (13)
3	27 - Information and Publicity	15.22 (10)	24.86 (17)	23.95 (11)
4	38 - Fisheries	8.11 (16)	14.66 (11)	15.66 (11)
5	50 - Other Scientific Research	10.69 (12)	25.68 (25)	14.75 (14)
6	52 - Tourism	104.48 (32)	184.03 (41)	85.02 (20)
Capital				
7	17 - Public Works	524.35 (23)	704.41 (23)	1734.78 (51)
8	25 - Water Supply and Sanitation	378.92 (21)	323.37 (16)	417.58 (19)
9	46 - Industries	57.29 (14)	394.00 (58)	167.29 (59)

(percentage in brackets)

APPENDIX V

(Ref : Paragraph No.2.3.9)

Statement showing the grants in which the expenditure fell short by more than Rs.10 lakh and also by 10 per cent of the total provision

Sl. No.	Number and name of the grant/ appropriation	Amount of Saving (Percentage of saving to the provision)	Reason for saving
Rupees in Lakh			
Revenue - Voted			
1	4-Election	22.13 (25)	(i) Non payment of arrears of salaries of Commissioner. (ii) Curtailment of Expenditure and non purchase of computers.
2	6-Land Revenue	68.39 (21)	Due to non-implementation of project and cut off plan allocation
3	10 - Interest Payment	820.61 (14)	Reason for saving has not been intimated.
4	18-Other Administrative Services	19.82 (21)	(i) Due to delay in establishment of fire station at Rangpo and Ravangla (ii) Shifting of Namchi Fire Station.
5	22-Sport and Youth Services	19.63 (14)	Non-receipt of Funds from Government of India.
6	23-Art and Culture	37.11 (21)	Non-finalisation of proposal for purchase of chemical and non-clearance of bill
7	27-Information and Publicity	23.94 (12)	Reason has not been intimated.
8	30-Nutrition	27.12 (8)	Reason for saving has not been intimated
9	33-Secretariat Social Services	16.62 (36)	Reason for savings has not been intimated
10	34-Crop Husbandry	224.15 (11)	Curtailment of plan expenditure by the Government.
11	35-Soil and Water Conservation	56.67 (12)	Curtailment of plan expenditure by the Government.
12	37-Dairy Development	94.93 (74)	Due to non-receipt of Central Share.
13	38-Fisheries	15.66 (11)	Due to revision of annual plan allocation.
14	44-Irrigation	82.65 (11)	Reason for savings has not been intimated.
15	48-Roads and Bridges	658.70 (31)	Due to non-receipt of expenditure statement of Border Road.
16	50-Other Scientific Research	14.75 (14)	Non-receipt of central share
17	51-Secretariat Economic Services	62.29 (16)	Reason for savings has not been intimated
18	52-Tourism	85.02 (20)	Reason for saving has not been intimated.

Sl. No.	Number and name of the grant/ appropriation	Amount of Saving (Percentage of saving to the provision)	Reason for saving
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Rupees in Lakh

Capital - Voted			
1	17-Public works	1734.78 (52)	(i) Due to non-receipt of Central Govt. Share and as per direction of the Government.
2	25-Water Supply and Sanitation	417.58 (19)	Due to curtailment of Expenditure by Government.
3	28-Social Security and Welfare.	100.00 (100)	Reason for Saving has not been intimated.
4	45-Power	467.51 (12)	Non-receipt of bills.
5	46-Industries	167.29 (59)	Curtailment of expenditure by Government.
6	48-Roads & Bridges	1490.06 (44)	Due to non-receipt of expenditure statement of Border Road.
7	49-Road Transport Services	99.18 (75)	Due to cut imposed by the Government
8	52-Tourism	15.00 (25)	Reason for saving has not been intimated.
9	53-Loans to Government Servant	14.40 (12)	Reason for saving has not been intimated.

APPENDIX VI
(Ref: Paragraph No.2.3.10)

(a) Cases in which funds were injudiciously withdrawn by re-appropriation although the account showed an excess over the provision (Original plus Supplementary)

(Rupees in lakh)

Sl. No.	Grant No and Head of Account	Total grant (Original plus Supplementary)	Actual expenditure	Excess	Amount of reappropriation
1	2	3	4	5	6
1.	21-Education 05-102-Promotion of modern Indian Languages and Literature	4.00	4.29	0.29	2.75
2.	31-Natural Calamity 2245- N.C. 109-Repairs & Restoration of damaged W/S and sewerage work	0.10	60.13	60.03	0.10
3.	E-Public Debt 6003-Internal Debt of the State Government (Charged) 109 - Loans from other Institution	372.50	428.85	56.35	2.12

(b) Cases where funds were withdrawn by re-appropriation in excess of the available savings.

(Rupees in lakh)

Sl. No.	Grant No and Head of Account	Total grant (Original plus Supplementary)	Actual expenditure	Actual Saving	Amount of reappropriation
1	2	3	4	5	6
1.	17-Public Works 4059-Capital outlay on Public Works 051- Construction 72-Public Works	624.50	360.55	263.95	286.00
2.	17 - Public Works 4202-Capital Outlay on Education 102-Sports & Stadia 70-Construction of Youth Hostel	29.00	14.45	14.55	16.55
3.	17-Public Works 4216-Capital Outlay on Housing 106- 70-Construction (PWD)	440.00	226.44	213.56	220.00
4	21-Education 2202 01 44-Primary School	155.00	144.06	10.94	14.50
5.	34-Agriculture 2401-105- 76-Agriculture Input scheme	138.80	132.75	6.05	8.85
6.	36-Animal Husbandry 2403-105 Piggery Development	104.05	99.22	4.83	6.25
7.	40-Other Agriculture programme 2415-03 004 - Research 75- Research on Foot Mouth Disease	10.00	7.53	2.47	3.85
8.	46-Industry 4860- 600-40-Investment in Public Sector Undertaking	200.00	108.73	91.27	181.43
9.	52-Tourism 3452-104 Promotion & Publicity	100.44	47.90	52.54	54.15

(c) Cases in which funds were injudiciously augmented by re-appropriation of funds in excess of what was actually required to cover the excess of expenditure over the provision (original plus supplementary) which ultimately resulted in Savings

(Rupees in lakh)

Sl. No	Grant No and Head of Account	Total grant (Original plus Supplementary)	Actual expenditure	Excess	Amount of reappropriation
1	2	3	4	5	6
1	3-Administration of Justice 2014-105-40 District and Session Court. East & North	30.50	9.02	18.52	20.00
2	3-Administration of Justice - 41-District and Session Court . West & South	28.50	40.21	11.71	13.35
3	6-Land Revenue 2029-Land Revenue 102-Survey & Settlement operation 41-Land Records (S.S.)	19.75	24.17	4.42	8.09
4	14-Police 2055-001 40-Inspector General of Police	232.00	252.23	20.23	29.01
5	14-Police 2055-104 Special Police 44-Armed Police	498.00	914.09	416.09	429.50
6	14-Police 109 District Police 51-Estab. of D.I.G.P. Range (East District)	262.40	334.39	71.99	108.67
7	17-P.W.D. 2059 -P.W.D. 80-General 001-40-Chief Engineer Buildings	218.00	288.80	70.80	75.04
8	21 Education 2202-47-Primary Schools	2676.17	4095.24	1419.07	1444.80
9	21-Education 48-Junior High School	1329.50	1747.83	418.33	431.60
10	21-Education 104-Teachers and other Services 52-High & Higher Secondary School	2089.47	2994.84	905.37	970.40
11	21-Education 03-56-Estab. of New Degree College	10.90	17.08	6.18	10.00
12	23-Art & Culture 2205- 105-Public Libraries	17.30	27.72	10.42	16.30
13	24-Medical 2210-110-Hospitals & Dispensaries 44-Namchi Hospital	105.50	184.98	79.48	85.00
14	28-Social Security & Welfare 2225-01-001 Direction and Administration	27.88	36.19	8.31	12.67
15	29-Labour and Labour Welfare 2230-03-101-Industrial Training Institute	30.85	37.31	6.46	15.00
16	34-Agriculture 2401-Agriculture 104-Agri Farm 43-Estab	215.43	379.20	163.77	171.21
17	39-Forest 2406-01-001 40-Principal Chief Conservator of Forest	200.10	260.30	60.20	62.65
18	45-Power 2801-80-001 54-Headquarter Establishment	558.90	839.08	280.18	316.26
19	48-Roads & Bridges 3054-80-001 40-63-South	33.30	44.84	11.54	16.00

APPENDIX VII
(Ref: Paragraph No.2.3.11)
Statement showing trend of recoveries and credits

Sl. No.	Grant Number and Name of Grant	Budget Estimates	Actuals	Actuals compared with Budget Estimates More (+) Less (-)
1	2	3	4	5
(Rupees in lakh)				
1.	17. Public Works (I) Buildings (ii) Roads and Bridges	125.00 200.00	68.19 69.24	(-) 56.81 (-) 130.76
2.	31. Relief on Account of Natural Calamities	523.00	683.48	(+) 160.48
3	39. Forestry and Wildlife	26.62	12.11	(-) 14.51
4.	44. Irrigation and Flood Control	60.00	9.35	(-) 50.65
5.	45. Power	20.00	7.55	(-) 12.45
6.	48. Roads and Bridges (Rural Development Department)	80.00	101.04	(+) 21.04
	Total	1034.62	950.96	(-) 83.66

APPENDIX VIII

(Ref: Paragraph No.2.3.12(b)(i))

Amount drawn on Abstract Contingent (AC) bills and the amount unadjusted as on 31 August 1999

Sl. No.	Name of the Department	Amount drawn on AC bills	Amount adjusted	Amount unadjusted as on 31 August 1999	No. of Vrs of unadjusted AC bills as on 31 August 1999	Remarks
1	Tourism	223.58	144.45	79.13	109	-
2	Police	411.81	178.70	233.11	162	-
3	Health and Family Welfare	528.39	118.01	410.38	517	-
4	Welfare	221.73	132.72	89.01	37	-
5	Education	1169.01	854.21	314.80	254	-
6	Land Revenue	110.80	1.97	108.83	61	-
7	Agriculture	713.84	398.26	315.58	185	Details of D.C bills adjusted not shown to audit
8	Industries	62.41	17.67	44.74	116	-
9	Animal Husbandry & Veterinary Services	246.47	56.49	189.98	85	Details of D.C bills adjusted not shown to audit
	Total	3688.04	1902.48	1785.56	1526	

APPENDIX IX
(Ref: Paragraph No.2.3.12(b)(i))

Agewise analysis of unadjusted AC bills as on 31 August 1999.

Sl. No.	Name of the Department	Amount lying unadjusted for				
		6-10 years	4-5 years	1 to 3 years	Less than 1 year but more than 3 years	Total
		(Rupees in lakh)				
1.	Tourism	Nil	Nil	56.99	22.14	79.13
2.	Police	4.92	28.34	150.66	49.19	233.11
3.	Health & Family Welfare	47.91	8.36	270.67	83.44	410.38
4.	Welfare	Nil	Nil	36.92	52.09	89.01
4.	Education	14.66	20.46	237.20	42.48	314.80
5.	Land Revenue.	3.77	0.67	103.91	0.48	108.83
6.	Agriculture	Nil	31.64	243.55	40.39	315.58
7.	Industries	13.67	6.21	22.51	2.35	44.74
8.	Animal Husbandry and Veterinary Services.	Nil	64.11	110.19	15.68	189.98
	Total	84.93	159.79	1232.60	308.24	1785.56

APPE
(Ref: Paragraph
Amount Drawn on the last working day
grant and unadjusted position

Name of the Department	1992-93		1993-94		1994-95		1995-96	
	Amount drawn	Unadi- usted	Amount drawn	Unadj- usted	Amount drawn	Unadj- usted	Amount drawn	Unadj- usted
1. Tourism							7.65	0.57
2. Police	14.35	1.96	23.80	Nil	17.25	17.25	31.90	29.95
3. Health & Family Welfare							Nil	Nil
4. Welfare							Nil	Nil
5. Education	0.35	0.35	1.07	1.07	201.22	Nil	151.19	Nil
6. Land Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
7. Agriculture			16.92	7.14	15.00	0.10	17.44	2.19
8. Industries							Nil	Nil
9. Animal Husbandry & Veterinary Service			4.18	4.18	46.20	42.40	88.82	86.76
Total	14.70	2.31	44.97	12.39	279.61	59.75	297.00	119.40

DIX X
2.3.12 (b)(ii)
of the year to avoid lapse of Budget
as on 31 August 1999.

1996-97		1997-98		1998-99		Total	
Amount drawn	Unadj-usted	Amount drawn	Unadj-usted	Amount drawn	Unadj-usted	Amount drawn	Unadj-usted
1.19	1.19	7.40	3.42	9.91	8.82	26.15	13.93
10.27	9.42	0.81	0.81	21.56	21.56	119.94	80.95
211.55	163.05	22.22	22.22	2.46	2.46	236.23	187.73
13.71	8.22	4.00	4.00	36.57	36.20	54.28	48.42
341.45	128.44	35.74	22.18	2.30	1.97	733.32	154.01
94.18	94.18	Nil	Nil	Nil	Nil	94.18	94.18
42.78	34.50	26.54	9.12	40.59	24.93	159.27	77.98
4.21	3.86	4.03	0.02	0.54	0.54	8.78	4.42
4.11	1.32	5.89	3.19	13.21	13.21	162.41	151.06
723.45	444.18	106.63	64.96	127.14	109.69	1594.56	812.68

APPENDIX XI
(Ref: Paragraph No.2.3.12(b)(iii))

Unadjusted advance lying with STCS as on 31 August 1999

Name of the Department	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	Total
1. Tourism				6.97	5.28		0.17	12.42
2. Police		0.04		11.38	1.03	25.02	19.24	56.71
3. Health & Family Welfare		0.12	0.29	22.46	2.52	2.77	5.91	34.07
4. Welfare					4.44	14.09	17.92	36.45
5. Education	0.23	1.27	0.38	0.63	26.15	29.04	3.14	60.84
6. Land Revenue			0.43	0.67	0.67			1.78
7. Agriculture		4.85		0.07	23.55	3.08	6.27	37.82
8. Industries				3.48	1.07		0.03	4.58
9. Animal Husbandry & Veterinary Services		1.62		11.17	2.58	0.24		15.61
Total	0.23	7.90	1.10	56.83	67.30	74.24	52.68	260.28

APPENDIX XII
(Ref: Paragraph No.3.3.4B (ii))

Statement showing expenditure on maintenance

Year	Budget Provision	Expenditure	Excess (+) Savings (-)	Percentage savings
(Rupees in lakh)				
1993-94	20.00	1.68	(-) 18.32	92
1994-95	20.00	4.59	(-) 15.41	77
1995-96	20.00	1.13	(-) 18.87	94
1996-97	20.00	Nil	(-) 20.00	100
1997-98	20.00	Nil	(-) 20.00	100
1998-99	20.00	Nil	(-) 20.00	100
Total	120.00	7.40	(-) 112.60	

Note: Savings of Rs.18.87 lakh during 1995-96 includes an amount of Rs.5.93 lakh reappropriated to other minor heads of accounts within the grant.

APPENDIX XIII

(Ref: Paragraph No.3.4.5(A))

Statement showing sources and application of fund

Year	Opening Balance	Released by		Interest and other receipt	Total fund available	Expenditure	Unspent balance
		GOI	State Govt.				
Rupees in lakh							
1994-95	38.77	113.26	61.44	1.70	215.17	189.37	25.80 (12)
1995-96	25.80	341.87	319.00	0.40	687.07	618.87	68.20(10)
1996-97	39.13	55.40	99.50	37.03	231.06	198.58	32.48(14)
1997-98	32.48	86.26	85.68	3.31	207.73	185.98	21.75(10)
1998-99	21.75	338.14	66.33	5.42	431.64	411.40	20.24 (5)

Note : The opening balance of 1996-97 was reduced due to segregation of IAY (Rs. 11.64 lakh) and MWS (Rs.17.43 lakh) from JRY. Figures in the bracket indicate percentage of unspent balance.

APPENDIX XIV

(Ref: Paragraph No.3.4.5(B))

Statement showing sources and application of fund

Year	Opening Balance	Release		Interest and other receipt	Total fund available	Expenditure	Unspent balance
		GOI	State Govt.				
(Rupees in lakh)							
1996-97	19.48	110	293	4.93	427.41	322.38*	5.03
1997-98	5.03	330	244	3.84	582.87	552.97	29.90
1998-99	29.90	320	244	1.81	595.71	580.69	15.02

* Excludes Rs. 100 lakh received from JRY during 1995-96 and returned during 1996-97

APPENDIX XV

(Ref: Paragraph No.3.5.5)

Statement showing Financial and Physical performance

Name of the Scheme	The month/ year and amount sanctioned. Fund received in bracket	1993-94		1994-95		1995-96		1996-97		1997-98		1998-99	
		Fin	Phy	Fin	Phy	Fin	Phy	Fin	Phy	Fin	Phy	Fin	Phy
(A) Tourist Lodge													
1) Dongathang	October 1991 16.03 (5.00)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
2) Saramsa	February 1994 23.27 (11.50)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
3) Singhik	October 1991 20.00 (21.16)*	4.53	10	11.97	60	15.57	90	26.16	100	NA	NA	NA	NA
4) Chungthang	March 1997 29.99 (9.00)	NA	NA	NA	NA	NA	NA	NA	NA	nil	nil	nil	nil
(B) Wayside Amenities													
1) Tsangu	March 1993 9.11 (8.00)	5.00	75	5.00	75	6.33	80	6.33	80	6.33	80	6.33	80
2) Aritar	1993-94 4.38 (4.38)**	nil	nil	2.00	45	3.50	80	4.38	100	NA	NA	NA	NA
3) Yumthang	February 1991 8.82 (7.00)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
4) Rhenock	December 1992 5.11 (2.50)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
5) Labrang	March 1996 7.70 (3.75)	NA	NA	NA	NA	NA	NA	nil	nil	nil	nil	nil	nil
(C) Trekkers Hut at Kusturi Oral, Lamo-khari, Serchen and Phedang	November 1990 8.67 (7.00)	nil	nil	nil	nil	7.00	100	NA	NA	NA	NA	NA	NA

Note: Fin Indicates financial achievement and phy indicates physical achievement. The figures under Fin are Rs. In lakh and the figures under phy are on the percentage of physical completion. *Includes Rs. 6.16 lakh met up from the state fund, the balance of Rs. 5 lakh remained unpaid to contractor. **Includes Rs.0.88 lakh met up from the state fund. NA indicates Not Applicable.

APPENDIX XVI

(Ref: Paragraph No. 8.11)

Statement of companies in which State Government and Government owned/controlled companies and corporations had invested more than Rs.10 lakh in share capital of each of such companies but which are not subject to audit by the Comptroller and Auditor General of India

Sl. No.	Name of the company	Amount of investment in share capital upto 1998-99 (Rs. in lakh)
1.	Sikkim Distilleries Limited	243.34
2.	Dikchu Copper Zinc Project	10.10
3.	Sikkim Tourism Development Corporation	74.80
4.	Apex Co-operative Bank	100.00
	Total	428.14

APPEN
(Ref: Paragraph
Statement showing particulars of up-to
given out of budget and loans outstanding
Government companies and

(Figures in column 3(a) to 4(e) are Rupees in lakh)

Sl. No.	Sector and name of the Company	Paid-up-Capital* as at the end of the current year				
		State Government	Central Government	Holding Companies	Others	Total
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)
A. Government Companies						
I. Consumer Industries						
1	i. Sikkim Jewels Limited	363.56	-	-	-	363.56
2	ii. Sikkim Time Corporation Limited (SITCO)	1065.04	-	-	-	1065.04
3	iii Sikkim Flour Mills Limited Cold Storage (SFML)	27.90	-	-	-	27.90
II. General Financial and Trading Institutions						
4.	(i) Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	1342.50	-	-	-	1342.50
III. Animal Husbandry						
5.	(i) Sikkim Livestock Processing and Development Corporation (SLPDC)	35.00	34.00	-	-	69.00
IV. Transport Department(SNT)						
6.	(i) Chanmari Workshop and Automobiles limited (CWAL)	30.00	-	-	-	30.00
V. Welfare						
7.	(i) Scheduled Caste, Scheduled Tribe, Other Backward Class Development Corporation Limited	158.50	32.18	-	-	190.68
Total - A		3022.50	66.18	-	-	3088.68
B. Statutory Corporations						
I. Financing						
1	(i) State Bank of Sikkim	70.08	-	-	-	70.08
II. Miscellaneous						
2	(i) Sikkim Mining Corporation (SMC)	300.49	294.00	-	-	594.49
	(ii) State Trading Corporation of Sikkim (STCS)	103.38	-	-	-	103.38
Total -B		473.95	294.00	-	-	767.95
GRAND TOTAL A+B		3496.45	360.18	-	-	3856.63

* The figures are based on Finance Accounts.

DIX XVII

No. 8.3)

**date paid-up capital, budgetary outgo, loans
as on 31 March 1999 in respect of
Statutory Corporations.**

Equity/loans received out of Budget during the year		Others loans received during	Loans * Outstanding at the close of 1998-99			Debt. equity ratio for 1998-99 (previous year) 3(e)/ 4(f)
Equity	Loans		Govt.	Others	Total	
4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
-	-	-	38.37	-	38.37	0.10:1
100	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	200.00	-	200.00	0.15:1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
100	-	-	238.37	-	238.37	0.08:1
-	-	-	-	-	-	-
23.00	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
123.00	-	-	238.37	-	238.37	0.06:1

APPEN

**(Ref: Paragraph
Summarised financial results of Government
for the latest year for which**

(Figures in columns 7 to 12 are Rupees in lakh)

Sl. No.	Sector and name of company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Government Companies							
I. Consumer Industries							
1	i. Sikkim Jewels Limited (SJL)	Industries	July /1976	1997-98	1998	(+) 20.63	(-) 5.00
2	ii. Sikkim Time Corporation Limited (SITCO)	Industries	October/ 1976	1997-98	1998	(+) 86.40	(-) 2.34
3	iii. Sikkim Flour Mills Limited (SFML)	Industries	July /1976	1993-94	1994	NIL	-
4	II. General Financial and Trading Institutions Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	Industries	March/1977	1998-99	1999	(-) 5.18	(+)0.16
5	III. Animal Husbandry Sikkim Livestock Processing and Development Corporation (SLPDC)	AH&VS	April /1988	1995-96	1998	(+) 0.99	-
6	IV. Transport Department (SNT) Chanmari Workshop and Automobiles Limited (CWAL)	SNT	April /1988	1994-95	1997	(-) 14.19	-
7	V. Welfare Scheduled Caste, Scheduled Tribe, Other Backward ward Class Development Corporation Limited	Welfare	April/1996	1997-98	1998	(-) 18.70	-
Total A						(+) 69.95	(-) 7.21
B. Statutory Corporations							
I. Financing							
1	State Bank of Sikkim (SBS)	Finance	June/1960	1998-99	1999	(-)339.96	-
II. Miscellaneous							
2	i. Sikkim Mining Corporation (SMC)	Mines and Geology	February/ 1960	1997-98	1998	(-)30.01	(-)0.04
3	ii. State Trading Corporation of Sikkim (STCS)	Finance	March/1972	1997-98	1999	(+)19.91	-
Total B						(+) 59.85	(-) 7.25
Grand Total (A+B)						129.80	(-)14.46

DIX XVIII
Nos. -8.2.2, 8.4, 8.6, 8.7, 8.8)
companies and Statutory corporations
accounts were finalised

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	Status of the Company/ Corporation
(9)	(10)	(11)	(12)	(13)	(14)	(15)
349.96	(+) 166.19	682.77	(+) 20.63	3.02	1 year	Working
857.54	(+) 593.13	1208.24	(+) 86.40	7.15	1 year	Working
60.16	(-) 12.76	84.50	-	-	5 years	Working
1474.30	(-) 1164.65	1843.50	-	-	-	Working
69.00	(+) 0.13	202.29	0.99	0.49	3 years	Working
0.20	(-) 1.53	69.00	-	-	4 years	Working
190.68	(-) 31.82	443.12	-	-	1 year	Working
3001.84	(-) 451.31	4533.42	-	-		
58.38	(-)15.56	7291.72	-	-	-	Working
571.50	(-)330.04	109.39	-	-	1 year	Working
1.11	(+)255.48	366.86	(+)19.91	5.99	1 year	Working
3574.45	(-) 525.87	5009.67	(+) 19.91	0.56	-	-
6576.29	(-) 977.18	9543.09	(+) 19.91	0.002	-	-

* Capital employed represents net fixed assets (including works-in-progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of opening and closing balances of paid-up -capital, free reserves, bonds, deposits and borrowings (including refinance)

APPEN

(Ref:

Statement showing subsidy received, which moratorium allowed and loans subsidy receivable and guarantees

(Figures in column 3 (a) to 7 are in 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*				
		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
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)
A. Government companies										
	i) SC,ST, OBC Development Corporation Ltd.	-	-	-	-	-	(1000.00)	-	-	(1000.00)
	Total A	-	-	-	-	-	(1000.00)	-	-	(1000.00)
B Statutory Corporation										
	(i) State Bank of Sikkim	-	-	-	-	-	(800.00)	-	-	(800.00)
	(ii) Sikkim Mining Corporation	-	-	-	-	-	(10.00)	-	-	(10.00)
	Total - B	-	-	-	-	-	(810.00)	-	-	(810.00)
	Grand Total (A+B)	-	-	-	-	-	(1810.00)	-	-	(1810.00)

* Figures in bracket indicate guarantees outstanding at the end of the year.

DIX XIX

Paragraph No.8.3)

guarantees received, waiver of dues, loans on converted into equity during the year and outstanding at the end of March 1999

Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
Loans repayment written of	interest waived	Penal interest waived	Total		
5(a)	5(b)	5(c)	5(d)	(6)	(7)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

APPENDIX XX
(Ref: Paragraphs No. 8.2.2, 8.9.3)

STATEMENT SHOWING FINANCIAL POSITION OF STATUTORY CORPORATIONS#

(Rupees in Crore)

1. State Bank of Sikkim (SBS)			
Particulars	1996-97	1997-98	1998-99
A. Liabilities			
Paid up Capital	0.58	0.58	0.58
Share application money	-	-	-
Reserve funds and other reserves and surplus	9.48	9.48	9.48
Deposits	41.93	43.75	43.97
Borrowings :			
i) others	6.46	20.10	18.99
Other liabilities and provisions	8.98	6.99	8.32
TOTAL A	67.43	80.90	81.34
B. Assets			
Cash and Bank Balances	15.00	10.97	22.78
Investments	0.25	0.25	0.25
Loans and Advances	23.52	33.33	13.44
Net fixed assets	0.43	0.64	0.60
Other assets	3.05	5.12	8.36
Accumulated loss	8.39	11.02	15.56
Miscellaneous expenditure	16.79	19.57	20.35
TOTAL B	67.43	80.90	81.34
C. Capital Employed*	58.34	73.80	72.92
2. State Trading Corporation of Sikkim (STCS)			
A. Liabilities			
Paid up Capital	1.11	1.11	Provisional figures not received
Reserve and surplus	2.36	2.56	
Trade dues and current liabilities and provisions	8.58	8.52	
TOTAL A	12.05	12.19	

B. Assets	1996-97	1997-98	1998-99
Gross Block	0.89	0.91	Provisional figures not received
Less: Depreciation	0.38	0.42	
Net fixed assets	0.51	0.45	
Current assets, loans and advances	11.54	11.70	
TOTAL B	12.05	12.19	
C. Capital employed**	3.47	3.67	
3. Sikkim Mining Corporation (SMC)			
A. Liabilities			
Paid up capital	4.67	5.71	Provisional accounts not received.
Reserve & Surplus	-	-	
Borrowing:			
i) Government	1.56	1.27	
Trade dues and current liabilities and provisions	0.53	0.72	
TOTAL A	6.76	7.70	
B. Assets			
Gross Block	1.59	1.67	Provisional accounts not received
Less Depreciation	0.86	0.95	
Net fixed Assets	0.73	0.72	
Mine Development expenditure	2.17	2.59	
Current assets loans and advances	0.90	1.09	
Accumulated Losses	2.96	3.30	
TOTAL B	6.76	7.70	
C. Capital Employed **	1.10	1.09	

Figures are based on Annual Accounts of the Corporations which differ from those in Appendix XVII based on Finance Accounts. The difference is under reconciliation .

* Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

** Capital employed represents net fixed assets (including Capital Work-in-Progress) plus working capital.

APPENDIX XXI
(Ref: Paragraph No.8.2.2, 8.9.3)
Statement showing working results of Statutory corporations
(Rupees in crore)

1. State Bank of Sikkim (SBS)			
Particulars	1996-97	1997-98	1998-99
1. Income			
a) Interest on loans	0.84	0.89	2.65
b) Other income	1.33	1.03	0.48
Total-1	2.17	1.92	3.13
2. Expenses			
a) Interest on long-term and short-term loans	1.74	2.07	2.38
b) Provision for non-performing assets	-	-	-
c) Other expenses	2.24	2.38	3.70
Total-2	3.98	4.45	6.53
3. Profit before tax (1-2)	(-) 1.81	(-) 2.53	(-) 3.40
4. Prior period adjustments	-	0.09	1.14
5. Provision for tax	-	-	-
6. Profit (+) / Loss (-) after tax	(-) 1.81	(-) 2.62	(-) 4.54
7. Other appropriation	-	-	-
8. Amount available for dividend	-	-	-
9. Dividend paid / payable	-	-	-
10. Total return on Capital employed	-	-	-
11. Percentage of return on Capital employed	-	-	-
2. Sikkim Mining Corporation (SMC)			
Particulars	1996-97	1997-98	1998-99
1. Income			
a) Sales of concentrates	0.81	0.74	Provisional
b) Other income	0.09	0.01	figures not
c) Increase (+) / Decrease (-) in stock of concentrates	(-) 0.35	(+) 0.29	received
Total-1	0.55	1.04	
2. Expenses			
a) Establishment charges	0.65	0.67	
b) Manufacturing expenses	0.33	0.39	
c) Other expenses	0.29	0.28	
Total-2	1.27	1.34	

3. Profit (+) /Loss (-) before tax	(-) 0.72	(-) 0.30	Provisional figures not received	
4. Provision before tax	-	-		
5. Prior period adjustment	0.02	0.04		
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	-	-		
3. State Trading Corporation of Sikkim (STCS)				
Particulars	1996-97	1997-98		1998-99
1. Income			Provisional figures not received	
a) Sales of trading goods	13.76	12.47		
b) Other income	0.70	0.82		
c) Increase (+)/ Decrease (-) in stock	(+) 0.53	0.07		
Total-1	14.99	13.36		
2. Expenses				
a) Establishment charges	0.65	0.67		
b) Purchase of trading goods	12.86	11.49		
c) Other expenses	1.04	1.00		
Total-2	14.55	13.16		
3. Profit (+) /Loss(-) before tax	0.44	0.20		
4. Provision for tax	-	-		
5. Prior period adjustment	-	-		
6. Other appropriation	-	-		
7. Amount available for dividend	0.44	0.20		
8. Dividend for the year	-	-		
9. Total return on Capital employed	0.44	0.20		
10. Percentage of return on Capital employed	13.27	5.99		

APPENDIX XXII
(Ref: Paragraph No. 8.6.2.2)

Statement showing operational performance of Statutory corporations

Sl. No.	Particulars	1996-97	1997-98	1998-99
State Bank of Sikkim				
1	Earning per share (Rs.)	Not furnished by the Bank		
2	Number of Branches	21	21	21
3	Number of Employees	318	317	311
4	Profit per Employee (Rs. in lakh)	0.57	1.01	0.80
5	Deposits (Rs. In crore)			
	Government	-	-	0.24
	Others	41.93	43.75	43.73
	Total	41.93	43.75	43.97
6	Advances (including bills)			
	Govt	11.24	22.67	-
	Other	12.28	10.66	13.44
	Total	23.52	33.33	13.44
7	Debts written off	NIL	NIL	NIL
Sikkim Mining Corporation				
1	Total mining area in possession	27 (Hec.)	27 (Hec.)	27 (Hec.)
2	Mining area excavated	Not furnished by the Corporation		
3	Number of Employees	182	227	227
1	Installed capacity			
	(a) Ore	100 TPD	100 TPD	100 TPD
	(b) Waste Rock	NIL	NIL	NIL
	(c) Others	NIL	NIL	NIL
	Total	100 TPD	100 TPD	100 TPD
2	Targets			
	(a) Ore	19500 MT	21000 MT	20000 MT
	(b) Waste Rock	NIL	NIL	NIL
	(c) Others	NIL	NIL	NIL
	Total	19500-MT	21000 MT	20000 MT
3	Actual Production of waste Rock			
	(a) Own	1415 MT	2616 MT	3422 MT
	(b) Contractual	NIL	NIL	NIL
	Total	1415 MT	2616 MT	3422 MT
4	Actual production	9685 MT	15690 MT	5438 MT
5	Percentage of capacity utilisation	32.28 %	52.30 %	51.46 %
6	Production of by products if any-			
	(i) Targets (MT)	NIL	NIL	NIL
	(ii) Production (MT)	NIL	NIL	NIL
	(iii) Capacity utilisation in per cent	NIL	NIL	NIL

TPD - Tonnes Per Day

APPENDIX XXIII
(Ref: Paragraph No 8.9)

**Summarised Financial Results of the working of departmentally
managed undertakings**

(Figures in columns 5 to 8 are Rupees in Lakh)

Sl. No.	Name of Undertaking	Date of incorporation	Year of Account	Mean* Capital	Profit(+)/ Loss(-)	Total interest	Total return on Govt. Loan/ Capital	Percentage of return on mean capital
1	2	3	4	5	6	7	8	9
1.	Sikkim Nationalised Transport	1955-56	1995-96	2733.76	(-)962.36	—	(-)962.36	—
2.	Sikkim Tea Board	June 1974	1997-98	1173.92	(+) 96.24	—	(+)96.24	8.20

* Mean Capital represents the average of opening and closing balance of capital fund

ERRATA

Page No.	Para	Line	For	Read
3	1.1	8 th line	Same	Some
5	1.3.1 (Table)	7 th line	finds	funds
11	1.8.1	5 th line	on	Non
59	3.2.15	1 st line	PDSi	PDS
63	3.3.4 (i)	10 th line	Observations.	Observations
64	(b) (Table)	Heading	993-94	1993-94
65	(d)	6 th line	loss(s)	loss
68	(iv) (a) (i)	2 nd line from bottom	assets/	assets
75	3.4.1	4 th line	iRural	Rural
89	Heading	--	TOURSIM	TOURISM
125	Heading	2 nd line	STORE	STORES
127	Heading	2 nd line	STORE	STORES
129	Heading	2 nd line	RECEIPT	RECEIPTS
151	8.3	Heading	Guarantees,	Guarantees

