Revenue Sector

CHAPTER – IV

REVENUE SECTOR

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Sikkim during the year 2011-12, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India (GOI) during the year and the corresponding figures for the preceding four years are mentioned below:

Table 4.1.1

(₹ in crore)

Sl. No.		2007-08	2008-09	2009-10	2010-11	2011-12
I.	**Revenue raised by the State Government**					
	Tax revenue	197.86	199.19	223.65	279.54	293.92
	Non-tax revenue	1,413.74	1,205.31	1,356.44	1,137.76	1,044.57
	Total:	1,611.60	1,404.50	1,580.09	1,417.30	1,338.49
II.	**Receipts from the Government of India**					
	State's share of net proceeds of divisible Union taxes	345.12	364.20	374.68	524.99	611.65
	Grants-in-aid	742.71	902.55	1,299.62	1,105.02	1,722.50
	Total:	1,087.83	1,266.75	1,674.30	1,630.01	2,334.15
III.	**Total receipts of State Government (I + II)**	2,699.43	2,671.25	3,254.39	3,047.31	3,672.64
IV.	**Percentage of I to III**	**60**	**53**	**49**	**47**	**36**

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 1,338.49 crore) was 36 *per cent* of the total revenue receipts against 47 *per cent* in the preceding year. The balance 64 *per cent* of receipts during 2011-12 was from the Government of India. Non-tax revenue and total receipts of the State shown in the table above include gross receipts under State Lotteries.

4.1.2 The following table presents the details of tax revenue raised during the period from 2007-08 to 2011-12:

Table 4.1.2

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) or decrease (-) in 2011-12 over 2010-11
1	Sales Tax/VAT	81.32	101.14	121.07	142.74	124.19	(-) 13.00
2	Taxes on Income other than Corporation Tax	49.10	16.16	2.84	4.94	4.86	(-) 1.42
3	State Excise	37.94	46.47	57.27	70.64	96.26	(+) 36.27
4	Stamps and Registration Fees	4.26	4.35	4.48	5.70	8.27	(+) 45.09
5	Taxes on Vehicles	6.22	6.94	7.88	10.67	16.56	(+) 55.20
6	Other Taxes and Duties on Commodities and Services	16.26	22.18	27.39	37.52	39.17	(+) 4.37
7	Land Revenue	2.75	1.95	2.71	7.33	4.61	(-) 37.11
Total		**197.85**	**199.19**	**223.64**	**279.54**	**293.92**	

The following reasons for variations were reported by the concerned departments:

Sales Tax/VAT: Decrease was due to natural calamity due to which business had an adverse impact.

Other Taxes and Duties on Commodities and Services: Increase was due to more realisations under entertainment tax and sale of tender forms.

The other departments had not given reasons for the variations (November 2012).

4.1.3 The following table presents the details of non-tax revenue raised during the period 2007-08 to 2011-12:

Table 4.1.3

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1	Interest Receipts	15.10	25.94	44.18	28.14	29.39	4.44
2	Road Transport	15.62	17.64	20.29	24.76	30.89	24.76
3	Plantations	2.10	2.35	1.80	2.90	2.59	(-)10.69
4	Dividends & Profits	0.68	1.31	0.46	2.37	0.00	(-)100
5	Forestry and Wild Life	10.95	11.26	8.79	12.25	12.53	2.29
6	Tourism	1.18	2.11	1.62	3.00	1.84	(-) 38.67
7	Crop Husbandry	1.64	0.71	0.40	0.51	0.46	(-) 9.8
8	Power	97.66	154.74	285.83	87.86	79.70	(-) 9.29
9	Printing & Stationery	1.98	1.50	2.27	1.52	1.92	26.32
10	Medical and Public Health	1.14	0.96	1.02	0.72	1.27	76.39
11	Village & Small Industries	0.23	0.08	0.09	0.07	0.10	42.86
12	Public Works	4.32	4.97	2.89	3.48	5.38	54.6
13	Police	14.64	11.68	14.52	9.57	12.89	34.69
14	Animal Husbandry	0.43	0.30	0.32	0.38	0.48	26.32
15	Industries	0.01	0.25	0.18	0.27	0.54	100.00
16	State Lotteries[1]	1232.55	957.00	949.92	938.15	844.15	(-) 10.02
		(30.84)	(43.95)	(40.90)	(42.54)	(43.62)	(2.54)
17	Others	13.51	12.51	21.86	21.81	20.44	(-) 6.28
Total		**1,413.74**	**1,205.31**	**1,356.44**	**1,137.76**	**1,044.57**	(-) 8.19

[1] *Figures in brackets represent net receipts*

The following reasons for variations were reported by the concerned departments:

Increase:

Road Transport: Improved monitoring and evaluation.

Medical and Public Health: Increase in user charges.

Public Works: More sale of tender forms.

Police: Reimbursement pending from NHPC and others; receipt of 'Reimbursement of expenditure on Police Check Post' for 2009-10 during the year (2011-12) and receipt of arrears of deployment charges of 2008-09 and 2009-10 of Indian Reserve Battalion (IRBn) personnel from Delhi Police.

Decrease:

Plantations: Due to Natural Calamity.

Tourism: Earthquake of 18 September 2011 during peak tourist season.

Crop Husbandry: Use of farms mainly for research works leading to decreased yield and discontinuance of sale of seeds to farmers.

State Lotteries: Closure of lottery market in big States.

Others:

***Increase*:**

Public Service Commission: Conduct of various State examinations.

Food, Storage and Warehousing: Recovery of outstanding arrears of previous years.

Industries: Receipt of land compensation.

Decrease:

Non Ferrous Mining and metallurgical Industries: Receipt of less number of applications from the public and sister departments for issue of stability reports.

Housing: Non-occupation of Government Quarters.

The other departments had not given reasons for the variations (November 2012).

4.1.4 Variation between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2011-12 are given in the following table:

Table 4.1.4

(₹ in crore)

Sl. No.	Head of Revenue Receipt	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage
	Tax Revenue				
1.	Sales Tax/VAT	160.11	124.19	(-) 35.92	22.43
2.	Taxes on income other than corporation tax	125.33	122.26	(-) 3.07	2.45
3.	State Excise	67.44	96.26	(+) 28.82	42.73
4.	Other taxes and duties on commodities and services	22.47	39.16	(+) 16.69	74.28
5.	Taxes on Vehicles	10.00	16.56	(+) 6.56	65.6
6.	Stamp Duty and registration Fees	3.26	8.27	(+) 5.01	153.68
7.	Other taxes on income and expenditure	2.00	4.88	(+) 2.88	144.00
8.	Land revenue	3.82	4.61	(+) 0.79	20.68
	Non-tax Revenue				
9.	Miscellaneous General Services	1,010.78	843.90	(-) 166.88	16.51
10.	Power	150.00	79.70	(-) 70.30	48.87
11.	Police	39.29	12.89	(-)26.40	67.19
12.	Road transport	23.75	30.89	(+) 7.14	30.06
13.	Forestry and wildlife	11.00	12.53	(+) 1.53	13.91
14.	Interest Receipts	13.92	29.39	(+) 15.47	111.14
15.	Public works	3.80	5.38	(+) 1.58	41.58
16.	Other administrative services	2.84	6.68	(+) 3.84	135.21
17.	Water supply and sanitation	3.49	2.90	(-) 0.59	16.91
18.	Medical and Public Health	0.56	1.27	(+) 0.71	126.79
19.	Tourism	5.00	1.84	(-)3.16	63.20
20.	Dividends and profit	1.26	0.08	(-) 1.18	93.65
21.	Urban Development	0.78	1.67	(+) 0.89	114.10
22.	Plantations	2.80	2.59	(-) 0.21	7.50
23.	Other Rural Development Programme	2.32	1.25	(-) 1.07	46.12
24.	Stationary and Printing	1.51	1.92	(+) 0.41	27.15

Source: Estimates of Receipts and Finance Accounts for the year 2011-12

The following reasons for variations were reported by the concerned departments:

Sales Tax/VAT: Shortfall was due to natural calamity causing slowdown of business.

Taxes on vehicles: Excess was due to improved monitoring and evaluation.

Miscellaneous General Services: Shortfall was due to closure of lottery market in big cities.

Police: Shortfall shown was due to non-inclusion of the receipts from Delhi Police on account of reimbursements against the deployment of IRBn personnel.

Road transport: Excess was due to improved monitoring and evaluation.

Public works: Excess was due to more sales of tender forms.

Other administrative services: Excess was due to increase in issue of duplicate Electronic Photo Identity Cards (EPIC) after summary revision of electoral rolls and auction of old vehicle.

Medical and Public Health: Excess was due to increase in user charges, collection of more fees due to high number of tenders called for and more fines imposed under Prevention of Food Adulteration Act (PFA).

Tourism: Shortfall was due to excess budget and earthquake of 18 September 2011 during peak tourist season.

Urban development: Excess was due to better collection.

The other departments had not given reasons for the variations (November 2012).

4.1.5 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collections for 2010-11 are mentioned in the following table.

Table 4.1.5

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross on collection to gross collection	All India average percentage for the year 2010-11
1	Sales Tax/VAT	2009-10	121.07	3.75	3.10	0.75
		2010-11	142.74	3.28	2.30	
		2011-12	124.19	6.08	4.90	
2	State Excise	2009-10	57.27	3.62	6.32	3.05
		2010-11	70.64	3.93	5.56	
		2011-12	96.26	3.87	4.02	
3	Taxes on Vehicles	2009-10	7.88	1.34	17.01	3.71
		2010-11	10.66	1.13	10.60	
		2011-12	16.56	1.32	7.97	
4	Stamp Duty and Registration Fees	2009-10	4.48	0.38	8.48	1.60
		2010-11	5.70	0.20	3.51	
		2011-12	8.27	0.13	1.57	

Source: Finance Accounts

4.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of the principal Heads of Revenue as reported by the departments was ₹ 59.96 crore of which ₹ 3.61 crore (6 *per cent*) were outstanding for more than five years as per details mentioned in the following table:

Table 4.1.6

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years
1	Taxes/VAT on Sales, Trades etc.	0.38	0.16
2	Tourism	0.14	0.14
3	Education, Sports, Art and Culture	0.29	0
4	Police	53.82	0
5	Food Storage and Warehousing	0.01	0
6	Non-ferrous Mining and Metallurgical Industries	3.30	2.55
7	Animal Husbandry	0.57	0.57
8	Water Supply and Sanitation	1.45	0.19
	Total	**59.96**	**3.61**

4.1.7 Refunds

The information on refunds in case of Sales Tax/VAT during 2011-12 as provided by the Department is given in the following table. No information was received in respect of Stamp Duty and Registration Fee.

Table 4.1.7

Sl. No.	Particulars	Sales Tax/VAT	
		No. of cases	Amount (in ₹)
1	Claims outstanding at the beginning of the year	Nil	Nil
2	Claims received during the year	2	2,91,469
3	Refunds made during the year	2	2,91,469
4	Balance outstanding at thend of the year	Nil	Nil

4.2 Response of the departments/ Government towards Audit

On the basis of inspections conducted in various departments of the State Government by sending Audit parties from the office of the Principal Accountant General each year, all the irregularities which are of serious nature are incorporated in the Inspection Reports and forwarded to the concerned office with a request to furnish replies within a specified period. Audit findings of very serious nature are processed into draft paragraphs and forwarded to the Administrative Head of the concerned Department through demi-official letter drawing their attention to the audit findings with a request to furnish their response within six weeks. The response of the departments/Government towards audit is discussed in the succeeding paragraphs.

4.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Principal Accountant General (Audit), Sikkim (PAG) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of the issue of the IRs. Serious financial irregularities are reported to the Heads of the departments and the Government.

IRs issued upto December 2011 disclosed that 332 paragraphs involving ₹ 814.27 crore relating to 127 IRs remained outstanding at the end of June 2012 as mentioned in the following table along with the corresponding figures for the preceding two years.

Table 4.2.1

	June 2010	June 2011	June 2012
Number of outstanding IRs	100	110	127
Number of outstanding audit observations	245	248	332
Amount involved *(₹ in crore)*	511.41	281.70	814.27

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned in the following table:

Table 4.2.2

Sl. No.	Name of Department	Nature of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money value involved (₹ in crore)
1	Finance, Revenue and Expenditure (Commercial Taxes Division)	VAT/Taxes on Sales, Trade, etc.	10	73	286.36
2	Finance, Revenue and Expenditure (State Income Tax)	Income Tax	14	60	23.58
3	Excise (Abkari)	State Excise	07	18	17.80
4	Land Revenue and Disaster Management	Land Revenue	22	27	0.87
5	Transport	Taxes on Motor vehicles	05	15	2.20
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	4	5	3.33
7	Forest, Environment and Wildlife Management	Forestry and Wildlife	42	70	46.48
8	Finance, Revenue and Expenditure (State Lotteries Division)	Lottery	5	8	138.51
9	Energy and Power	Power	9	31	286.98
10	Urban Development and Housing	UD & HD	9	25	8.16
	Total		**127**	**332**	**814.27**

The first replies required to be received from Heads of Offices within one month from the date of issue of the IRs were not received for seven IRs issued (during 2011-12) upto November 2012. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that Heads of Offices and Heads of the departments had not initiated adequate action to rectify the defects, omissions and irregularities pointed out by Audit through IRs.

It is recommended that Government takes suitable steps to put in place an effective procedure for prompt and appropriate response to audit observations as per the prescribed time schedules.

4.2.2 Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These committees are to be chaired by the secretaries of the concerned administrative Department and attended by the concerned officers of the State Government and officers of the PAG. The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. However, no meeting was held during the year 2011-12.

The Government may ensure regular holding of meetings of these committees for ensuring effective action on the audit observations.

4.2.3 Response of the departments to the draft audit paragraphs

Four draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2012 were forwarded (August 2012) to the Secretaries/Commissioners of the respective departments through demi-official letters. The administrative Secretaries/Commissioners furnished replies in respect of all draft paragraphs.

4.2.4 Follow up on Audit Reports – summarised position

The administrative departments are required to submit Action Taken Notes on paragraphs and reviews included in the Audit Reports after its presentation in the State Legislature.

As at the end of 2011-12, Audit Reports for the period upto 2007-08 were discussed and recommendations made.

4.2.5 Compliance with the earlier Audit Reports

In the Audit Reports 2006-07 to 2010-11 cases of under assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands, etc. involving ₹ 125.23 crore were reported. As of March 2012, the departments concerned have accepted observations of ₹ 6.35 crore. However, no recovery was made. Audit Report wise details of cases accepted are given in the following table:

Table 4.2.3

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2006-07	22.31	5.39	Nil
2007-08	1.33	0.32	Nil
2008-09	8.48	0.25	Nil
2009-10	7.08	0.15	Nil
2010-11	86.03	0.24	Nil
Total	**125.23**	**6.35**	**Nil**

4.3 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years in respect of Directorate of Sikkim State Lotteries (of Finance, Revenue and Expenditure Department) is evaluated and included in this Report.

The succeeding **paragraphs 4.3.1 to 4.3.2.1** discuss the performance of the Directorate of Sikkim State Lotteries in dealing with the cases detected in course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2002-03 to 2010-11.

4.3.1 Position of Inspection Reports

The summarised position of IRs issued during the last seven years, paragraphs included in these Reports and their status as on 30 June 2012 are given in the following table:

Table 4.3.1

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2005-06	4	8	36.84	1	3	131.02	-	4	1.97	5	7	165.89
2006-07	5	7	165.89	1	5	21.84	1	2	61.92	5	10	125.81
2007-08	5	10	125.81	1	1	0.63	-	1	4.20	6	10	122.24
2008-09	6	10	122.24	1	4	3.49	-	1	15.70	7	13	110.03
2009-10	7	13	110.03	1	4	17.45	-	1	0.52	8	16	126.96
2010-11	8	16	126.96	1	3	13.23	3	5	15.72	6	14	124.47
2011-12	6	14	124.47	1	4	10.61	2	7	18.05	5	11	117.03

The Department was periodically reminded to furnish replies to the outstanding audit observations.

4.3.2 Assurance given by the Department/Government on the issues highlighted in the Audit Reports

4.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years accepted by the

Department and the amounts recovered thereagainst are mentioned in the following table:

Table 4.3.2

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative position of recovery of accepted cases (₹ in crore)
2002-03	1	7.14	1	7.14	0	0
2004-05	1	85.48	1	85.48	0	0
2006-07	1	15.70	-	-	-	-
2009-10	3	87.59	2	72.41	0	0
2010-11	1	26.03	1	26.03	0	0
Total			**5**	**191.06**		

From the above table it is seen that the Department accepted five cases involving ₹ 191.06 crore but failed to recover any amount.

The Department needs to evolve a strong mechanism to monitor and ensure recovery of accepted cases.

4.4 Results of audit

4.4.1 Position of local audit conducted during the year

Test-check of the records of 6 units under Revenue departments (Energy & Power, Mines, Minerals and Geology, Motor Vehicle, Sales Tax, State Excise and State Lotteries) conducted during the year 2011-12 revealed irregularities involving revenue aggregating ₹ 250.85 crore in 35 cases. During the course of the year, the departments concerned accepted non-assessments and other deficiencies of ₹ 0.51 crore involved in one case which was pointed out in audit during 2011-12.

4.4.2 This Report

This Report contains four paragraphs involving financial effect of ₹ 2.22 crore. The departments/Government have accepted audit observations involving ₹ 2.21 crore, out of which ₹ 0.19 crore has been recovered. These are discussed in the succeeding paragraphs.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (COMMERCIAL TAXES DIVISION)

4.5 Non-realisation of taxes

The cancellation of registration of nine dealers without assessing and realising the unpaid taxes resulted in non-realisation of tax and consequent loss of ₹ 64.62 lakh.

Under Section 27 (4) of the Sikkim Value Added Tax Act 2005, a dealer may apply, for the cancellation of his registration, not less than six months before the end of a year to the authority which granted him his certificate of registration, for the cancellation of such registration to take effect at the end of the year in which the application for such cancellation is made and the said authority shall, unless the dealer is liable to pay tax under this Act, cancel the registration accordingly.

During 2009-11, the Special Commissioner (SC), Commercial Taxes Division, Finance, Revenue and Expenditure Department cancelled dealerships of 60 registered dealers who had applied for cancellation of their registration. Test-check of records (March 2012) relating to 15 such cancelled registration revealed that the registration of nine dealers was cancelled immediately after submission of applications for cancellation without adhering to the mandatory requirement of realisation of the taxes due from the dealers. Although the dealers had utilised waybills issued to them during the period of operation of their business and imported/exported goods worth ₹ 25.91 crore, the SC had not realised tax of ₹ 64.62 lakh due from these dealers before cancelling their registration as detailed in **Appendix 4.5.1.** It may be mentioned that after cancellation of registration, these dealers cannot be termed as such in the records and it may not be possible to realise tax from the previous dealers who do not exist on record.

Thus, the cancellation of registration by the Commercial Taxes Division without verifying the books of accounts for assessing the tax payable by the dealers, resulted in non-realisation of tax of ₹ 64.62 lakh due from the dealers.

In reply, the Department stated (October 2012) that M/s Royal Demazong, a hotel, utilised the entire way bills for importing capital goods for hotel use and not for resale. It was further stated that while VAT was not applicable for the purchases not intended for resale, the office of Commercial Taxes was taking action against the hotel for importing capital goods through import way bills, which was not permissible. While the Department was silent on the other eight cases mentioned in the Appendix, the fact remained that Department had not verified the utilisation and taxes to be realised before cancelling the registration of the dealers.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (INCOME TAX DIVISION)

4.6 Non realisation of State Income Tax

State Income Tax of ₹ 57.01 lakh remained to be realised over a period of more than four years after the assessment and issue of demand notices.

The assessment and realisation of income tax in Sikkim was being regulated under the provision of the Sikkim Income Tax Manual 1948 until the Indian Income Tax Act 1961 was implemented in the State of Sikkim with effect from 16 June 2008.

Under the provisions of the Sikkim Income Tax Manual, income tax on the gross sale proceeds at prescribed rate was required to be charged from all persons engaged in business. Rule 4 (ii) of the Manual prescribed that 'Every person doing business was expected to keep proper accounts and produce them on demand before the Income Tax Officer, who in default or in case of unsatisfactory account would assess tax according to his discretion'.

From the entries in the Demand and Collection Register being maintained by the Income Tax Division under Finance, Revenue and Expenditure Department, Audit observed (February 2010) that an amount of ₹ 1.12 crore assessed during the years 2006-07 (₹ 17.55 lakh) and 2007-08 (₹ 93.99 lakh) was shown as unrealised and the observation was sent to the Division in March 2010. After the issue was again taken up by Audit in August 2012, the Department stated (August 2012) that ₹ 41.96 lakh had already been deposited by the individual assessees during assessment but had not been accounted for in the Division's records and that ₹ 6.31 lakh, ₹ 1.72 lakh and ₹ 4.53 lakh were realised during 2008-09, 2009-10 and August 2012 respectively. Thus, total outstanding unrealised revenue as of August 2012 worked out to ₹ 57.01 lakh.

Since the provisions of the Sikkim Income Tax Manual 1948 have ceased to be in force from 16 June 2008, i.e., over four years ago, unless requisite steps are taken, it will become more difficult to realise these arrears with the passage of time.

The Division further intimated (October-November 2012) that ₹ 18.65 lakh had since been realised/accounted for. Final reply was awaited (November 2012).

TRANSPORT DEPARTMENT
(MOTOR VEHICLES DIVISION)

4.7 Loss of revenue

Despite the entry of 898 overloaded trucks in Sikkim during 2010-12, no fine was imposed by the MV Division as required under sub-section (1) of Section 200 of the Motor Vehicles Act 1988, notified (July 2010) by the State Government for imposition of various fines on vehicles carrying loads in excess of permissible limits leading to a loss of revenue of ₹ 55.59 lakh.

The State Government under sub-section (1) of Section 200 of the Motor Vehicles Act 1988, notified (July 2010) imposition of various fines on vehicles carrying loads in excess of permissible limits.

The Transport Department of the State Government consists of two divisions – (i) the Sikkim Nationalised Transport (SNT) which looks after 'Control and Transportation' of all goods and passengers on nationalised routes within the State and also outside the State under Inter-State agreement and (ii) the Motor Vehicles (MV) Division which enforces the provisions of the Motor Vehicles Acts and Rules. Goods are carried into the State through two modes; by hiring trucks under the control of the SNT after paying appropriate freight charges to the SNT or by private carriers which operate under the supervision of SNT after paying supervision charges to the SNT based on weight of goods carried and the distance travelled, over and above the actual transportation cost.

The details of private trucks hired through the SNT for carrying goods into Sikkim are maintained at the SNT office at Siliguri while the entry of goods trucks into the State are monitored at two check-posts located at Melli and Rangpo. Both the SNT and MV divisions have offices in the same premises at Melli and Rangpo where the supervision charges were realised by SNT on the basis of the weight of goods carried and the distance travelled declared by the transporters.

Test-check of records maintained by the SNT Division at Siliguri office, Melli and Rangpo check-posts revealed that although as many as 898 overloaded trucks travelled into Sikkim during 2010-11 and 2011-12, no fine was imposed by the MV Division on these trucks for carriage of excess weight (as verified from the SNT in supervision charge realisation records) beyond permissible limit, which, besides leaving stressed infrastructure such as roads and bridges, led to a loss of revenue of ₹ 55.59 lakh.

The failure to levy appropriate fines from the vehicles carrying loads in excess of permissible limits was due to non-coordination within the Transport Department. Though the requisite information was available with the SNT Division, it was neither passed on by the SNT Division nor obtained by the MV Division. This was despite the fact that both the offices function from the same building in Melli and Rangpo.

After being pointed out, the Additional Secretary, Transport Department stated (July 2012) that some of the functions could not be done due to acute shortage of staff. In a further reply (August 2012), it was stated that remedial measures were decided by the Department and a decision had been taken to combine the check-posts of SNT Division and Motor Vehicle Division to function as one check post for improvement of collection of revenue.

However, implementation of the decisions taken was awaited (November 2012) since there was still no weighbridge functional at Rangpo. Therefore, lack of co-ordination within the Transport Department resulted in non-collection of fines amounting to ₹ 55.59 lakh from vehicles carrying loads in excess of permissible limits.

LABOUR DEPARTMENT AND SIKKIM BUILDING & OTHER CONSTRUCTION WORKERS WELFARE BOARD

4.8 Loss of interest

Due to retention of the Cess fund in current account, instead of investing the funds in violation of the Supreme Court's order, the Board suffered a loss of interest of ₹ 44.91 lakh.

The Hon'ble Supreme Court, while disposing Writ Petition (Civil) No.318 of 2006 directed all State Governments that the funds available with the Building and Other Construction Workers Welfare Board which had not been disbursed or are not likely to be disbursed within a short period, should be properly invested with the Nationalised Banks only.

Scrutiny of records of the Sikkim Building and Other Construction Workers Welfare Board (SBOCWWB) revealed (August 2012) that the Board collected ₹ 13.97 crore as Cess from different Government departments/agencies during the period October 2010 to July 2012 and deposited the same in Board's bank account *(current account)* in the State Bank of Sikkim (a State Government undertaking). The Cess was neither utilised towards implementation of welfare activities for building and other construction workers nor invested till 29 March 2012. The reasons for parking the fund in current account without investment, in violation of the Supreme Court's order, were not available on records.

From 30 March 2012 onwards, the Board invested part of the Cess fund available in the current account in fixed deposits at the rate of 9.25 *per cent* for 12 months, 8.25 *per cent* for 6 months and at 7.25 *per cent* for 91 days in the State Bank of Sikkim. However, after these part investments from the fund, there was a sizeable corpus of over ₹ 1.85 crore which was still lying uninvested (as on 1 April 2012) which gradually increased to ₹ 4.51 crore in July 2012 in the current account.

Thus, even if the applicable interest rate is calculated on the basis of Fixed Deposits for short durations of 91 days of the State Bank of Sikkim for the period (October 2010 to July 2012) when the Cess fund amount was lying in the State Bank of Sikkim's current account, the resultant loss suffered by the Board which should have been available for the welfare of the building and construction workers in Sikkim, amounted to ₹ 44.91 lakh[2].

It may be mentioned that against the rate of 5 *per cent* to 7.25 *per cent* offered by the State Bank of Sikkim, for fixed deposits of 91 days, for the same periods of Fixed Deposits (October 2010 to July 2012), the State Bank of India was offering six to nine *per cent*.

Thus, non-investment of the Cess fund by the Board, in contravention of the Supreme Court's orders has resulted in loss of ₹ 44.91 lakh, which means the non-availability of this amount for the welfare of the building and other construction workers.

The Board stated (September 2012) that this had occurred due to their lack of knowledge and there was no intention of negligence.

[2] *@ 5 per cent from October 2010 to January 2011, 6 per cent February 2011 to September 2011 and 7 .25 per cent from October 2011 to July 2012*