

OVERVIEW

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

1. Finances of the State Government

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

(Paragraph 1.1 to 1.11)

2. Allocative priorities and appropriation

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

(Paragraphs 2.3.2 & 2.3.4)

3. Performance Reviews

3.1 Accelerated Rural Water Supply Programme

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

(Paragraph 3.1)

3.2 Tourism Development in Sikkim

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

(Paragraph 3.2)

3.3 Management of Non-Lapsable Central Pool of Resources

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

(Paragraph 3.3)

3.4 National Rural Health Mission

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

(Paragraph 3.4)

4 Integrated Audit of Police Department

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

(Paragraph 5.1)

5 Audit of Transactions

(a) Civil

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

(Paragraph 4.5)

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

(Paragraph 4.11)

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

(Paragraph 4.15)

(b) Revenue

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

(Paragraph 6.2)

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

(Paragraph 6.3)

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

(Paragraph 6.4)

(c) Commercial

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

(Paragraphs 7.2 and 7.5)

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

(Paragraph 7.13)

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

(Paragraph 7.15)