

## OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 2000-2001 and six other chapters, comprising 5 reviews and 42 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 2000-2001, the assets of the Government increased by 15 per cent while the liabilities grew by 11 per cent. The increase in liabilities was largely on account of increase in internal debt (Rs. 27.36 crore), Small Savings, Provident Funds etc. (Rs. 16.89 crore), Remittance Balances (Rs. 16.40 crore) and loans and advances from Central Government (Rs.9.09 crore).

The revenue receipts of the year amounted to Rs. 862.60 crore of which tax revenue constituted 7.58 per cent, non tax revenue 33.51 per cent, grants from Government of India 51 per cent and States share of union taxes 8.37 per cent. Against this, the revenue expenditure of the State was Rs. 763.31 crore resulting in a revenue surplus of Rs. 99.29 crore. A major portion of revenue expenditure was incurred on General Services (53.19 per cent) while Economic Services and Social Services accounted for 21.59 per cent and 25.22 per cent respectively.

There was increase in capital expenditure by Rs. 56.58 crore in 2000-2001 as compared to the previous year. Its share in total expenditure has gone up from 7.76 per cent in 1996-97 to 16.51 per cent in 2000-2001.

Investments to the extent of Rs. 54.36 crore made by the Government on Companies, Corporations, Co-operative Societies fetched a meagre return of 0.03 per cent during the year. No interest was received in the last 5 years on the loans and advances given by the Government for Corporations, local bodies etc. which stood at Rs. 8.81 crore at the end of 2000-2001.

The total borrowings of Rs.148.87 crore were almost exclusively used for debt servicing which amounted to Rs.143.33 crore.

*(Paragraphs 1.1 to 1.12)*

## 2 Appropriation Audit and control over expenditure

The Appropriation Accounts present the details of amount actually spent by the State Government vis-à-vis the amount authorised by the State Legislature through budgetary grants. The summarised position of actual expenditure during 2000-2001 against grants/appropriation and audit observation were as follows:

<i>At a glance</i>		<i>Rupees in crore</i>
Original	:	1175.19
Supplementary	:	111.71
<b>Total authorisation</b>	:	<b>1286.90</b>
<b>Total expenditure</b>	:	<b>957.20</b>
Total saving	:	329.70

The net saving of Rs.329.70 crore was the result of total gross saving of Rs.330.45 crore in 68 grants and appropriation offset by excess of Rs.0.75 crore in 5 grants and appropriation.

The excess expenditure of Rs.1.34 crore for the years 1997-98 to 1999-2000 under 7 grants and appropriation required regularisation under article 205 of the Constitution of India.

In 21 cases of grants/appropriation supplementary provision amounting to Rs.52.23 crore proved unnecessary.

Against unutilised provision of Rs.239.19 crore in 43 cases, Rs.76.02 crore only was surrendered.

In 10 cases, against the actual saving of Rs.34.98 crore, Rs.36.27 crore was surrendered resulting in excess surrender of Rs.1.29 crore.

*(Paragraphs 2.1 to 2.3)*

## 3 Audit Reviews on Developmental/Welfare Programmes and other activities

### (a) Prevention and Control of Diseases

*The programme for Prevention and Control of Disease was characterised by non utilisation of funds, disproportionate establishment expenditure, lack of penetration of facilities to a better part of the State, non-accountal of drugs and diversion of funds as under:*

Revised National Tuberculosis Control Programme was not implemented in the State.

The Department was unaware of the total number of TB patients in the State and the programme was characterised by high drop-out rate.

The Department could not utilise the central financial assistance of Rs. 20.52 lakh during 1996-97 to 2000-01 received for blindness prevention programme.

The Blindness Control Programme suffered from severe lack of infra-structural capacity as three out of the four districts in the State did not even have any ophthalmologist or ophthalmic assistants.

The District Leprosy Control Societies could not utilise Rs. 25.10 lakh during 1996-97 to 2000-01.

The major portion of expenditure (55 to 74 per cent) by the Leprosy Societies was on pay and allowances and other establishment related expenditure.

Anti Leprosy drugs valuing Rs.9.30 lakh were not accounted for in the records of the Department.

Rs. 56.18 lakh could not be utilised by the Aids Cell/Society as at the end of 2000-01.

All the blood-testing facilities were concentrated in the East District leaving the other districts without even the basic facility for detecting AIDS patients or HIV carriers.

(Paragraph 3.2)

**(b) Review on 'Functioning of Irrigation and Flood Control Department'**

*The Irrigation and Flood Control Department came into being as a separate entity in 1986. A review of its activities during the last five years indicated a lack of financial discipline in the Department and absence of linkages between financial and programme planning. The substantial investment made in creating additional irrigation potential did not translate either into enhanced agricultural productivity or increase in area under cultivation. There were no expenditure norms either for creation of new irrigation potential or for maintenance of existing potential resulting in wide variations from year to year. No attention was paid to revive the defunct or partially functioning channels rendering the investment on them unfruitful. While there was delay in formulating and executing the works under the "Accelerated Irrigation Benefit Programme", majority of the projects taken up from Non-Lapsable Pool of Resources were low priority and other than the ones approved by the Government of India. The Department continued to have on its roll excess Junior Engineers since 1995-96*

*and employed persons on work-charged and muster-roll establishment in defiance of Government orders.*

The Department first surrendered Rs. 79.44 lakh during 1997-98 and then spent Rs. 77.81 lakh out of the surrendered amount. There were savings of Rs. 82.61 lakh, Rs. 7.33 crore and Rs. 21.86 crore during 1998-99, 1999-2000 and 2000-2001 respectively, which were not anticipated by the Department.

There was rush of expenditure during the last quarter of the year in general and the last month in particular. Heavy amounts were drawn on the last day of the financial years solely to avoid lapse of funds.

The targets for creation of additional irrigation potential and potential utilisation were drastically reduced during the years 1998-99 and 1999-2000 even though the budget of the Department was higher as compared to earlier years. Even with lower targets, the shortfall in achievement was as high as 50 per cent and 53 per cent in potential creation and potential utilisation respectively during 1999-2000.

Agricultural productivity and the area under cultivation remained more or less constant during the five-year period even though an additional 6735 hectares were shown to have been brought under irrigation. The total expenditure of Rs. 43.60 crore, therefore, did not translate into material benefits on the ground.

Investment of Rs. 5.62 crore made on irrigation channels was not yielding value for money as these channels were either lying defunct or only partially functioning since March 1993.

Delay in finalisation of AIBP scheme led to avoidable interest burden to the tune of Rs. 9.92 lakh.

Out of the schemes worth Rs. 5 crore approved under the Non-Lapsable Central Pool of Resources in 1999-2000 and 2000-01, schemes amounting to Rs. 2.94 crore were not covered by the sanction of the GOI.

An amount of Rs. 20.34 lakh was spent on salaries of four Junior Engineers from January 1996 to April 2001 who were in excess of the sanctioned strength. Another Rs. 5.61 lakh was spent upto October 2001 on the salary of a driver idle since October 1992.

The Department employed 23 clerks and 4 statistical assistants on work-charged establishment, which was irregular. The expenditure of around Rs. 43.40 lakh on their salary from 1996-97 to 2000-01 was also, therefore, irregular.

The Department flouted the clear instructions of the Government banning further recruitment under work-charged and muster roll establishment, and continued to

employ persons in these categories. The monetary outgo on such appointments was as high as Rs. 18.42 lakh during the period of just two years of 1999-2000 and 2000-01.

(Paragraph 4.1)

**(c) Drinking Water Supply Programme**

*To ensure provision of drinking water to the entire population, ARWSP and AUWSP were launched in the State during 1977-78 and 2000-2001 respectively. The implementation of the programmes was characterised by a piece-meal approach bereft of perspective planning. No exercise was conducted to ascertain the extent of uncovered population and to identify sources of water supply in the State. The per capita cost of implementation of schemes was abnormally high. There was little consolidation of existing works and the issue of quality of water was left unattended as bacteriologically contaminated water was being supplied. Rainwater harvesting works and installation of solar photovoltaic pumps did not succeed resulting in infructuous expenditure. The reporting mechanism lacked authenticity and there were internal inconsistencies in the figures reported by the implementing Department.*

The Department had not worked out any mechanism to identify the problem habitations. The schemes were thus taken up on a piecemeal basis.

No survey had ever been conducted till February 2001 to identify the sources and assess their condition in so far as sustainability was concerned.

Against the norm of Rs. 1600, the per capita expenditure in the State ranged from Rs. 6839 to Rs.15326.

After 1996-97, neither was any water sample tested nor any remedial measures taken on the finding of bacteriological contamination of water.

There was a shortfall in expenditure on operation and maintenance ranging from Rs. 15.31 lakh to Rs. 1.94 crore during the period from 1997-98 to 2000-2001 resulting in inadequate maintenance of assets.

Due to shortcomings in maintenance of assets register, the Department had no reliable records to indicate the present condition of the schemes (functional/defunct) already taken up over a period of 24 years since 1977-78.

Due to taking up of unrealistic and unviable scheme for implementation, the Department could not utilise Rs. 6.08 crore for more than 1 year.

There was an unfruitful expenditure of Rs.1.63 crore on 4-rain water harvesting projects.

Implementation of solar photovoltaic pumping system resulted in an infructuous expenditure of Rs. 21.51 lakh owing to its non-viability.

Out of a sample of 146, 45 schools (31 per cent) did not have drinking water facilities.

Rs. 95.00 lakh received from GOI during March 1998 towards MIS was transferred (March 2000) to the STCS to avoid lapse of budget but till date no computer had been purchased by the Department.

An amount of Rs.15.69 crore paid as advance to STCS during October 1997 to March 2001 was shown as final expenditure despite the fact that these advances were not adjusted pending reconciliation with the STCS.

Despite the receipt of fund to the tune of Rs. 28.92 lakh from GOI during March 2000 for implementation of AUWSP, the programme could be implemented only from January 2001 due to non-availability of provision under State budget.

The per capita cost under AUWSP was Rs. 2981 against the permissible limit of Rs.1000 envisaged in the guidelines.

*(Paragraph 4.2)*

**(d) Internal Controls and the System of Registration, Assessment and Collection of Sales Tax**

*Sales tax constitutes about 29 per cent of the total tax revenue of the State. Despite its importance, the procedures and controls for effective monitoring of registration of dealers, assessing them for tax, and realising tax dues from them are woefully lacking. The Sales Tax Department has no mechanism to ensure that all dealers liable for tax are being assessed. There are no records to monitor cases awaiting registration or determine the extent of registrations cancelled. The Department has no control over the submission of returns by assesses. Only a small percentage of total registered dealers are assessed each year and no norms have been laid down for the number of assessments to be done by each assessing authority at various levels. There is no assurance that all assessments are made in accordance with law and there were a number of instances of incorrect assessments resulting in huge loss of Government revenue.*

No norms had been prescribed in the State for conducting regular market surveys to detect unregistered dealers.

Registration records were not being maintained properly with the result that no check could be exercised to ascertain overall picture of new registrations, their pendency and the cancellation of registrations.

There was non-maintenance of return records and absence of internal control mechanism to monitor the timely submission of quarterly returns.

No norms have been laid down for the assessment of registered dealers of the State and huge backlogs in assessments are piling up every year leading to possible evasion of sales tax from year to year.

Under assessment of sales tax on liquor, cardamom and other goods resulted in revenue loss of Rs. 5.82 crore.

Non-assessment of sales tax on lottery sales resulted in revenue loss of Rs.182.62 crore.

Loss of revenue of Rs. 2.38 crore due to irregular allowance of deductions and exemptions.

Non-recovery of assessed tax of Rs. 2.41 crore due to lack of initiative on the part of Department.

Injudicious extension to deposit tax of Rs.82.33 lakh was granted against the financial interest of the State.

There were instances of fraudulent use of concessional Form 'C' by three registered dealers and possible fraudulent use of Form 'C' in 2 other cases.

*(Paragraph 6.6)*

### ***Non- recovery of long outstanding loans***

Non-execution of court order by the Finance Department resulted in non-recovery of outstanding loan to the tune of Rs. 1.58 crore.

*(Paragraph 3.7)*

Loans given to various individuals and organisations amounting to Rs. 45.82 lakh remained to be recovered for periods ranging from 9 to 24 years. The Finance Department or Administrative Departments do not even have the details of the outstanding amounts.

*(Paragraph 3.9)*

### ***Blockage of fund***

Works that should have been completed between December 1994 and April 1997 by the Roads and Bridges Department remained incomplete till date thereby blocking Rs. 36.47 lakh.

*(Paragraph 4.9)*

### ***Loss of Government money***

Flawed sanction and withdrawal of money for establishment of Sinking Fund by the Finance Department even before formulation of scheme resulted in a loss of Rs. 18.75 lakh.

*(Paragraph 3.8)*

Though cases of theft of Government money have been pointed out earlier in Audit, the Government of Sikkim/Health Department had not evolved fool-proof measures to ensure safe custody of Government cash thereby resulting in theft of Rs. 6.56 lakh from the office of the Chief Medical Officer, Singtam.

*(Paragraph 3.11)*

Investing in a bank by the Sikkim Jewels Ltd. without verifying its antecedents and financial soundness resulted in a loss of Rs. 44.67 lakh.

*(Paragraph 8.14)*

Leasing of an abattoir at a rent, which did not cover even the annual charge resulted in a loss of Rs. 53.88 lakh to the SLPDC during the lease period.

*(Paragraph 8.15)*

### ***Unauthorised expenditure/retention of Government fund***

An amount of Rs. 1.31 crore was withdrawn by the Animal Husbandry and Veterinary Services Department to avoid lapse of budget grant and kept out of Government accounts in violation of Rules.

*(Paragraph 3.4)*

In total disregard of codal provisions and observations of the PAC, the Horticulture Department had irregularly withdrawn and retained a fund of Rs 1.64 crore outside the Government account.

*(Paragraph 3.15)*

Government revenue amounting to Rs.24.11 lakh realised by the Forest Department remained outside Government account for periods ranging from 31 to 309 days

*(Paragraph 3.13)*

### ***Irregular/Avoidable/Excess/Unfruitful Expenditure***

Improper planning and failure to take appropriate measures to mitigate the factors responsible for malfunctioning of a machine by the Health and Family Welfare Department resulted in an unfruitful investment of Rs. 1.84 crore.

*(Paragraph 3.14)*



Failure to assess the requirement at the time of initial acquisition of land and then further purchase without any requirement by the Urban Development and Housing Department resulted in an avoidable expenditure of Rs. 40.66 lakh.

*(Paragraph 4.12)*

### ***Other Points***

Although there was no poultry bird, sheep/goat to be maintained by the Animal Husbandry and Veterinary Service Department, Rs.12.26 lakh was incurred towards pay and allowances of the staff engaged for the purpose.

*(Paragraph 3.3)*

The Finance Department irregularly sanctioned and released Rs.1.27 crore to various bodies/authorities during 1998-2000 for renovation/construction of 305 numbers of shrines/monasteries/temples without preparation of detailed estimates.

*(Paragraph 3.5)*

The Industries/Finance Department spent Rs. 90.87 lakh on activities other than those mandated by the Legislature.

*(Paragraph 3.10)*

Delay in taking a decision regarding the future of Sikkim Flour Mills Limited, which closed its operations in December 1999, has resulted in payment of idle salaries to the tune of Rs. 39.61 lakh by the Industries Department.

*(Paragraph 3.17)*

Repeated upward revisions of estimate without sound justification and extension of undue benefit to the contractor by the Roads and Bridges Department took the cost of construction of a 6 km. stretch of road from Rs. 32.70 lakh to Rs.1.16 crore.

*(Paragraph 4.10)*

The work of construction of a road, undertaken departmentally (Roads and Bridges Department), which should have been carried out on the basis of the Schedule of Rate 1994, was executed at rates which were even higher than the Schedule of Rate 1997 by Rs. 66.30 lakh.

*(Paragraph 4.11)*

### ***Non-realisation/loss of Government Revenue***

Failure of the Food and Civil Supplies Department to deduct Income Tax at source from 22 local suppliers of rice led to non-realisation of income tax to the tune of Rs.12.38 lakh.

*(Paragraph 3.12)*

Exemption from the levy of excise duty on the export of beer to foreign countries by M/s Yuksom Breweries Ltd. between 1994-95 to 1999-2000 was beyond the

scope of the rules and resulted in non-recovery of Rs. 2.91 crore by the Excise Department.

*(Paragraph 6.8)*

Realisation of its share of cardamom much below the average yields from individuals to whom forest lands had been leased out by the Forest Department resulted in a loss of Rs.83.52 lakh.

*(Paragraph 6.10)*

Despite clear notification on levy of income tax, the Income Tax and Sales Tax Department irregularly exempted income tax and sustained consequential loss of revenue to the tune of Rs.55.64 lakh.

*(Paragraph 6.11)*

Despite PAC's recommendation to maintain the grant of 25 per cent rebate on Income Tax, the Income Tax and Sales Tax Department irregularly granted rebate of 90 to 97.50 per cent resulting in loss of revenue to the tune of Rs 1.26 crore.

*(Paragraph 6.12)*

An executive decision to reduce the rate of taxation by the Finance Department, besides being extra-constitutional, caused a loss of Rs.5.71 crore in five cases alone.

*(Paragraph 6.14)*