

**CHAPTER-III  
CIVIL DEPARTMENTS  
SECTION : B  
(AUDIT PARAGRAPHS)**

**ANIMAL HUSBANDRY & VETERINARY SERVICES  
DEPARTMENT**

**3.4 Avoidable expenditure on establishment of nitrogen plants at  
Deorali and Jorethang**

**The decision of the department to set up two nitrogen plants at Deorali and Jorethang resulted in an avoidable expenditure of Rs.1.35 crore.**

3.4.1 Mention was made in the para 3.1.7(f) of Audit Report 1988-89 about the injudicious establishment of a Rs.29.90 lakh liquid nitrogen plant at Deorali in East District in July 1987 with an annual production capacity of 43,200 litres which was far in excess of the actual requirements. The Public Accounts Committee (PAC) in its 11<sup>th</sup> Report (March 1993) observed that the implementation of the scheme was faulty, lacked planning and called for an immediate review of the situation with appropriate remedial action for improvement.

3.4.2 Audit consequently observed that the said plant since its commissioning till November 1998, functioned at 16 *per cent* capacity owing to lack of demand and breakdowns and during this period Rs.32.11 lakh was spent on maintenance and repairs. In December 1998 the plant went out of order.

3.4.3 Despite the fact that there was already excess manufacturing capacity for nitrogen and the adverse observations of the PAC on the setting up of the first plant, the department in November 1993 commissioned a second nitrogen plant at Jorethang having an annual production capacity of 87,600 litres at a cost of Rs.67.56 lakh. From November 1993 to February 1999 this plant functioned at only 5 *per cent* of its installed capacity and during this time Rs.5.83 lakh was incurred on its maintenance and repairs. In March 1999 this plant also broke down.

3.4.4 The department stated (January 2001) that production had stopped at both plants due to minor problems, lack of compressor oil and minor spare parts but that they could be put in order with the procurement of some minor spare parts and inviting the service engineer from Siliguri. As of March 2002, neither plant

was operational as the department had not taken any action to carry out the necessary repairs.

3.4.5 In May 2001 the prevailing rate of liquid nitrogen was around Rs.17/- per litre and the total requirement of the State being around 5000 to 6300 litres per year, procurement from the open market would have cost Rs.0.85 lakh to 1.07 lakh per year as compared to the department's decision to set up two plants at a cost of Rs.97.46 lakh. Further, when the capacity of the first plant itself was far in excess of requirements, there was no justification for the department to go in for a second plant. The department's apparent reluctance to carry out even minor repairs to the plants which are idle - there was no production of nitrogen since March 1999 - indicated that the plants may not have been required in the first place. Thus, the expenditure of Rs.1.35 crore (cost of plants *plus* expenditure on repairs and maintenance) was avoidable.

3.4.6 In reply, the department stated (May 2002) that the second plant at Jorethang was established keeping in view the transportation problems during monsoon and evaporation loss of liquid nitrogen during transit to South/West districts. As regards non-repair of the plants, it was stated that remedial action could not be taken due to the high repair costs involved. The reply was not tenable in view of the fact that the capacity utilisation of the second plant was only 5 *per cent* considering which transportation of liquid nitrogen from Deorali would have been more economical than establishing the second plant. Regarding the high repair costs, this is inconsistent with the department's reply of January 2001 which attributed the stoppage of production at both the plants to minor problems which could be set right with the procurement of some spare parts and calling the service engineer from Siliguri.

### **3.5 Unfruitful expenditure on construction of veterinary dispensary at Samdong.**

**The construction of a building at an unsuitable site led to infructuous expenditure of Rs.9.33 lakh and the objective for which land was acquired has not been accomplished even after 14 years.**

3.5.1 The Animal Husbandry and Veterinary Services department (AHVSD) purchased (1987) 1.062 hectare of land for a veterinary dispensary at a cost of Rs.0.51 lakh at Samdong, East Sikkim. 6 years after the purchase, the land was inspected (December 1993) by a team of departmental officers which however, did not include a technically qualified person competent to evaluate the geological profile of site conditions. The team reported that the land was not suitable for construction of the dispensary, as there was no approach road and the plot was surrounded by private holdings which would obstruct the construction work and in view of these reasons, recommended that the land be exchanged with another private holding in the same locality measuring 1.042 hectare. This proposal was approved (July 1994) by the Minister for AHVSD.

3.5.2 The department incurred an expenditure of Rs.2.24 lakh during 1996 towards fencing of the land. The work of construction of dispensary and office building including footpath and other additional items were completed at a total cost of Rs.6.58 lakh during July 1998 by one contractor under the supervision of the engineering cell of the Agriculture department. The departmental officers while inspecting the building (May 1999 and June 2000) however found that the building had developed a crack around its base and the roof and ceiling were damaged which was attributed to the instability of the soil condition in the area. As of March 2002, the facility was unoccupied.

3.5.3 Thus, the suggestion of the team to exchange the original site for another without first getting expert opinion resulted in an infructuous expenditure of Rs.9.33 lakh. Moreover, the objective for which land was acquired has not been accomplished even after 14 years.

3.5.4 The department in their reply (May 2002) stated that the original land was exchanged due to availability of better facilities like approach road etc. making the construction work easier and cheaper in the new site. Reasons for delay in achieving the objective and damage in the building were attributed respectively to non-availability of funds and natural calamity. It was further stated that the repair of the building was carried out at the expense of the contractor from his security deposit and the department was planning to utilise the building by the end of May 2002. While the utilisation was not confirmed (August 2002), the reason of natural calamity was not based on fact as verified from the report (June 2002) of the concerned Deputy Director (East) of the department which spoke of the defective survey of the sinking area before construction. The repair by the contractor at his own expense further counters the reply of the department on the natural calamity.

## EDUCATION DEPARTMENT

### 3.6 Diversion of fund

#### **Diversion of Rs.56.78 lakh for purchase of LIG flats resulted in non-accrual of the intended benefits of the RRTE programme in the State.**

3.6.1 Government of India, Ministry of Human Resource Development approved the setting up of two new District Institutes of Education and Training (DIETs) at South and West Districts of Sikkim and sanctioned Rs.2.00 crore (March 1999) for civil works under the Centrally sponsored scheme, Restructuring and Reorganisation of Teachers Education (RRTE). The Government of India released (April 1999) Rs.86.25 lakh as the first instalment of Central grant which was credited into the State Government's account in May 1999. The second instalment was to be released after 75 per cent utilisation of the

first instalment with corresponding progress of construction.

3.6.2 While construction of the DIETs had not yet been taken up (April 2002), the department in April 2001 diverted an amount of Rs.56.78 lakh – out of the Rs.86.25 lakh received from Government of India, to the Sikkim Housing Development Board towards the cost of 18 units of LIG flats purchased for running a Sanskrit Mahavidyalaya in West district.

3.6.3 The matter of diversion of funds was reported to the department (November 2001); reply was not received (October 2002).

### **FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT**

#### **3.7 Incorrect price fixation of iodised salt**

**The inclusion of inadmissible components in the retail price of iodised salt and non-revision of the retail price subsequent to decrease in the procurement price resulted in undue benefit of Rs.56.95 lakh to the dealers at the expense of the consumers.**

3.7.1 The Food and Civil Supplies & Consumer Affairs department (FCSCAD) fixes the retail price of iodised salt to be sold to the consumers of the State under the Sikkim Essential Commodities Order 1977 on the basis of its price at source intimated from time to time by the Office of the Salt Commissioner (SC), Government of India and after including other incidental charges. The FCSCAD accordingly authorises dealers to lift the salt quota earmarked for Sikkim from manufacturers based in Gujarat and sell it in the State at the regulated retail price.

3.7.2 Scrutiny of records of the FCSCAD (July 2001) revealed the following:

(i) The FCSCAD included loading/unloading and transportation charges from factory head at Gandhidham to nearest Railway Station, Chirai in the retail price despite being aware of the fact that the price billed by the manufacturers was FOR Gandhidham/Cherai. This unduly inflated the retail price resulting in extra benefit of Rs.22.73 lakh to the dealers at the expense of the consumers on the sale of 17955 tonnes of iodised salt during January 1999 to December 2001.

(ii) The retail price of iodised salt was last fixed by the FCSCAD during December 1998. Thereafter, the price of iodised salt as confirmed by Audit from the SC-Government of India decreased over the years 1999 to 2001. However, no steps were taken by the FCSCAD to revise the retail price in tune with the

reduced price of iodised salt resulting in undue benefit of Rs.34.22\* lakh to the dealers at the expense of the consumers on the sale of 17955 tonnes of iodised salt during January 1999 to December 2001.

3.7.3 The FCSCAD's inclusion of inadmissible components in the retail price of iodised salt and its failure to revise the retail price subsequent to the decrease in procurement price was unjustifiable and reflected poorly on the functioning of the FCSCAD – a department entrusted with the responsibility of protecting the interests of consumers.

3.7.4 The reply (July 2002) of the Commissioner-cum-Secretary, FCSCAD that the retail price of iodised salt was worked out on the basis of actual expenditure incurred to transport the consignment from the factory at Gandhidham to Sikkim was not tenable as cost of handling including transportation from factory upto the rail head at Chirai was to be borne by the salt trader at Gandhidham.

3.7.5 Regarding non-revision of retail price in tune with the reduced price of iodised salt, the reply that the revision was not effected due to non-receipt of intimation from the SC-Government of India revealed that the department had not once corresponded with the SC-Government of India during the period 1999 to 2001 to ascertain the revised rates.

### **3.8 Irregular fixing of price of kerosene oil**

**Inclusion of the inadmissible items in fixing the wholesale and retail prices resulted in undue benefit of Rs.23.67 lakh to the wholesalers at the cost of the final consumers, on sale of 2986.25 kl of kerosene oil during March 2001 to June 2001 alone.**

3.8.1 Ministry of Petroleum and Natural Gas revised the wholesale dealers' commission of kerosene oil wef 6 November 1997 and further revised it w.e.f 27 October 2000. This rate of commission included return on capital investment, return on working capital, product loss and operating cost of the wholesaler except octroi, sales tax, shrinkage allowance and transportation cost from the oil companies/storage depot. The retail selling price of kerosene oil was accordingly to be fixed after taking into account the control price, sales tax, actual transportation cost, octroi, shrinkage allowance, and wholesaler and retailer's commission. The Food and Civil Supplies and Consumer Affairs department (FCSCAD) was to revise the retail selling prices in urban/semi-urban and rural areas in line with this revision in the component of wholesale dealers' commission.

3.8.2 The Joint Secretary (FCSCAD), however, fixed (October 2000) the wholesale and retail price of kerosene oil after taking into account inadmissible items like bank draft commission, handling charges and other allowances,

\* calculated at the highest prices of salt intimated by Government of India during the years 1999-2001

separately, at Rs.792.80<sup>^</sup> per kilolitre (kl) in addition to the admissible wholesaler's commission of Rs.126 per kl. Inclusion of the inadmissible items in fixing the wholesale and retail prices thus resulted in undue benefit of Rs.23.67 lakh to the wholesalers at the cost of the final consumers, on sale of 2986.25 kl. of kerosene oil during March 2001 to June 2001 alone.

3.8.3 The Commissioner-cum-Secretary, FCSCAD in reply stated (April 2002) that the matter was under examination and final comments would be communicated at a later date. No further reply was received as of October 2002.

### LAND REVENUE DEPARTMENT

#### 3.9 Delay in execution of cadastral survey in Namchi

**The pilot project on cadastral survey in Namchi sub-division was two years behind schedule and its date of completion uncertain resulting in blocking of funds amounting to Rs.1.10 crore.**

3.9.1 The Government of India approved on a 50:50 cost sharing basis, a pilot project on cadastral survey in Namchi sub-division for strengthening of revenue administration and updating of land records at a total cost not exceeding Rs.1.95 crore. It accordingly released Rs.55.10 lakh to the department in March 1999 as the first instalment of its share for incurring expenditure on approved items during the financial year 1998-99 with the stipulation that the State Government provide a matching contribution and that the project be completed within one year from the date of its sanction (19 March 1999). As per the project report prepared by the National Informatics Centre (NIC) which was entrusted with the execution of the project, the entire task was to be completed in twelve months from the date of signing of the agreement accompanied by the requisite advance.

3.9.2 The department did not utilise the money received from the Government of India between April 1999 to March 2000 on the plea that there was no matching financial provision in the State's budget in 1998-99 and 1999-2000. Only on 27 March 2000 did the department release Central share of Rs.55 lakh to the NIC as an advance for carrying out aerial photography and map compilation. It further released Rs.30 lakh in April 2001 and Rs.24.97 lakh in March 2002, both payments representing a portion of the State's contribution to the project.

3.9.3 From the progress report for the quarter ending December 2001 submitted by the NIC to the department only Rs.0.33 lakh was spent by the NIC, out of Rs.1.10 crore received by it, towards travel and other expenses incurred during 19 November to 25 December 2001 and the project was proposed to be completed in February 2003. It was noticed that despite the complete lack of

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<sup>^</sup> After deducting shrinkage allowance @ 1.5 per cent.

progress, the department during the entire period pursued the matter with the NIC just thrice (November 2000, January and May 2001). As of April 2002, the NIC had not even provided any aerial photographs to the department which was the first phase of the project. It was also noticed that the department had not entered into any formal agreement with the NIC and was hence powerless to impose any performance benchmarks on the NIC. Thus, the project originally envisaged by the Government of India to be finished within one year was two years behind schedule and its date of completion uncertain resulting in locking up of funds of Rs.1.10 crore apart from the resultant delay in the department deriving the benefits of the survey in time due to non-completion of the project.

3.9.4 The department (April 2002) admitted that there was no formal agreement with the NIC and accepted the facts relating to the delayed utilisation of funds received from the Government of India but attributed the delay in execution of the project to unfavorable weather conditions necessary for aerial survey. The reply was not justifiable as more than 2 years has elapsed since the work was entrusted to the NIC.

### **3.10 Diversion of Calamity Relief Fund**

**In disregard of the norms regulating expenditure from CRF, the departments diverted Rs.2.33 crore on activities not covered by the Fund.**

3.10.1 The Eleventh Finance Commission recommended that Calamity Relief Fund (CRF) should be used for meeting the expenditure for providing immediate relief to the affected population and should by its nature be of short duration. It further recommended that expenditure on restoration of infrastructure and other works of capital nature, which has the potential of preventing/reducing the occurrence of natural calamity should be addressed by the Planning Commission in consultation with the State Government and these type of works be financed under Plan Sector. The expenditure on restoration of damaged capital works should ordinarily be met from the normal budgetary head and not from CRF.

3.10.2 Mention was made in Paragraph 3.10 of Audit Report 1998-99 about the irregular diversion of CRF. Notwithstanding the objection made earlier on this matter, the State Level Relief Committee (SLRC) continued to divert funds from the CRF. The fund of Rs.2.03 crore sanctioned by the SLRC was utilised in execution of various works of a renovative and preventive nature by 3\* different departments during July 2000 to May 2002. This expenditure was beyond the scope of the CRF.

3.10.3 In another case, the SLRC sanctioned and transferred (September 1999 and February 2000) Rs.30 lakh to the Power department for the diversion of 66

\* Irrigation department : Rs.1.62 crore, Rural Development department : Rs.35.26 lakh, Sikkim Public Works department (R&B): Rs.5.75 lakh.

KV Namchi-Gyalshing transmission lines to prevent the disruption of power supply in future. The Power department incurred an expenditure of Rs.29.99 lakh (December 1999 to October 2000) on this work. This expenditure also was beyond the scope of the CRF.

3.10.4 Thus, there was a total diversion of Rs.2.33 crore from the CRF.

3.10.5 The Land Revenue department in reply (April 2002) stated that all these works were implemented from CRF on the requests of the departments after approval of the SLRC in accordance with the guidelines of the Government of India. Regarding the work for diversion of 66 KV Namchi-Gyalshing transmission lines, the work was taken up for restoration of supply of power to the area, which was damaged by natural calamity. The reply of the department is not tenable in view of the specific guidelines laid down by the Eleventh Finance Commission that all capital expenditure of preventive nature and expenditure on restoration should be met from the normal budgetary head and not from the CRF.

3.10.6 Similarly, in yet another case, the State Level Relief Committee (SLRC) sanctioned (June 1997) a 'temporary loan' of Rs.40 lakh, to the Food and Civil Supplies and Consumer Affairs department (FCSCAD) to build up a buffer stock of essential commodities with the stipulation to refund the amount within a period of 2 months. There was no provision, whatsoever, for payment of any kind of advance to any agency, for activities not covered by the scheme. While the FCSCAD failed to refund the amount within the specified period, the Relief Commissioner after a lapse of 3 years, wrote (July 2000) to the Commissioner-cum-Secretary (FCSCAD) for the refund. The FCSCAD while acknowledging receipt of the amount expressed (September 2000) its inability to repay the amount and instead forwarded details of Rs.42.49 lakh (March 2001) incurred by it on transportation of food grains with a request to adjust the advance of Rs.40 lakh from the CRF. Despite the SLRC not agreeing to this, the amount of Rs.40 lakh is yet to be repaid (December 2001).

3.10.7 Thus, in disregard of the laid down norms, the SLRC diverted Rs.40 lakh for activities not provided for under the CRF. Further, the Fund lost an interest income of Rs.22.80\* lakh which would have accrued had the amount of Rs.40 lakh been invested for more than 4 years in the manner as envisaged under the scheme.

3.10.8 The department in reply (April 2002) stated that timely action could not be initiated for refund of the loan as the "concerned file was missing and ignorance of the matter" but that with persistent pursuance it hoped to get the FCSCAD to refund the amount by March 2003. The reply revealed a serious shortcoming in the functioning of the department and failed to address the issue of the violation of the CRF norms.

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\* Calculated at 12 per cent per annum from July 1997 to March 2002.