

CHAPTER-VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government Companies and Statutory Corporations

8.1 Introduction

8.1.1 As on 31 March 2002, there were 9[#] Government Companies (6 working Companies and 3 non-working Companies) and 3 Statutory Corporations (3 working Statutory Corporations) as against the 8 Government Companies (5 working Companies and 3 non-working Companies) and the same number of Statutory Corporations (3 working Statutory Corporations) as on 31 March 2001 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 the 'Registration of Companies Act, Sikkim, 1961'. The accounts of the Government Companies are audited by the 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 (CAG) on the request of the State Government under Section 20(1)/20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

8.1.2 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 in February 1960, June 1968 and March 1972 respectively under the proclamations of the erstwhile Chogyal of Sikkim.

8.1.3 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 taken up by CAG 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:

Table-8.1

Name of the Corporation	Authority for Audit by CAG	Audit arrangement
1. Sikkim Mining Corporation (SMC)	Section 19 (3) of Comptroller and Auditor General of India's (DPCS) Act 1971	Audited 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-

[#] One company, Sikkim Power Development Corporation was formed in December 1998 but audit was entrusted to CAG only in May 2001

8.1.4 There is one departmentally managed undertaking viz Sikkim Tea Board under the Industries Department.

8.1.5 The accounts of this departmentally managed undertaking are audited by Chartered Accountant who is directly appointed by the Industries Department. Audit by the CAG is taken up under Section 13 of the CAG' s (Duties, Powers and Conditions of Service) Act, 1971.

8.2 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

8.2.1 As on 31 March 2002, the total investment in 9 Public Sector Undertakings (6 Government Companies and 3 Statutory Corporations) was Rs. 119.87 crore (equity : Rs. 56.11 crore and long-term loans* : Rs. 63.76 crore) as against a total investment of Rs. 51.97 crore (equity: Rs. 49.58 crore and long term loans : Rs. 2.39 crore) in 8 PSUs (5 Government Companies and 3 Statutory Corporations) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs:

Working Government Companies

8.2.2 Total investment in 6 Government Companies as on 31 March 2002 was Rs. 108.74 crore (equity: Rs. 45.52 crore and long term loans: Rs. 63.22 crore) as against total investment of Rs. 42.97 crore (equity: Rs. 40.58 crore and long term loans: Rs. 2.39 crore) as on 31 March 2001 in the 5 Government Companies.

8.2.3 Increase in investment of Rs. 65.77 crore was due to investment of Rs. 52.51 crore (equity : Rs. 2.50 crore and loan : Rs. 50.01 crore) in newly formed Sikkim Power Development Corporation, and additional equity and loans of Rs. 13.82 crore received during 2001-02 in 4 working Companies and decrease of Rs. 0.56 crore due to proforma correction of Finance Accounts.

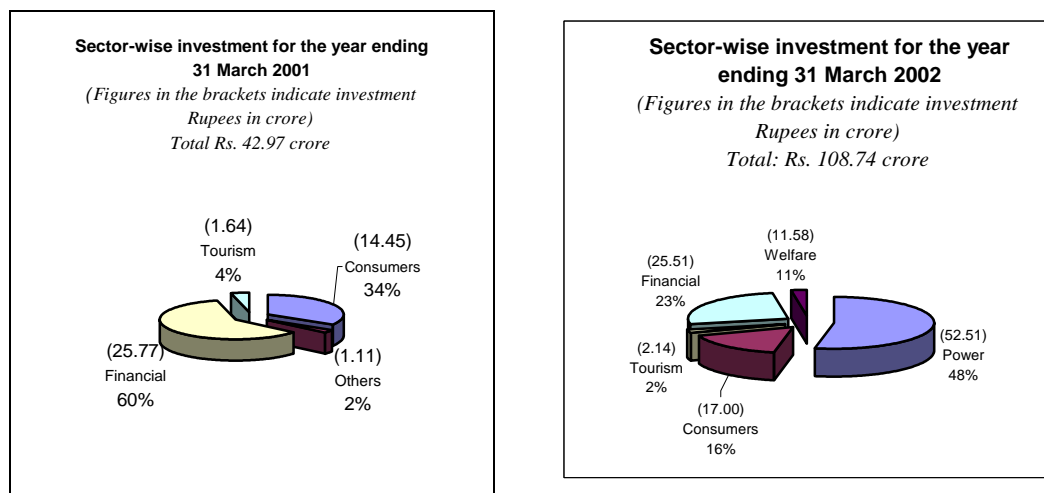
8.2.4 The summarised Statement of Government investment in working Government Companies in the form of equity and loans is detailed in **APPENDIX-XI**.

Sectorwise investment in Government Companies

8.2.5 As on 31 March 2002, in total investment of working Government Companies, 42 *per cent* comprised equity capital and 58 *per cent* comprised loans compared to 94 *per cent* and 6 *per cent* respectively as on 31 March 2001. The sector-wise investment (equity including share application money and long term loans) for the years ended 31 March 2001 and 31 March 2002 is given in two separate pie charts below:

* Long term loans are excluding interest accrued and due on such loans.

Chart-8.1



Working Statutory Corporations

8.2.6 The total investment in 3 working Statutory Corporations at the end of March 2001 and March 2002 was as follows:

Table-8.2

(Rupees in crore)

Name of Corporation	2000-2001		2001-2002	
	Capital	Loan	Capital	Loan
State Bank of Sikkim (SBS)	0.53	Nil	0.58	-
Sikkim Mining Corporation (SMC)	7.36	Nil	8.88	0.54
State Trading Corporation of Sikkim (STCS)	1.11	Nil	1.11	-
Total	9.00	-	10.57	0.54

8.2.7 The summarised financial results of all the Statutory Corporations are given in APPENDIX-XI and financial position and working results of individual Statutory Corporation are given in APPENDIX-XIV and XV.

8.3 Budgetary outgo, Subsidies, Guarantees and Waiver of dues

8.3.1 The details regarding budgetary outgo, subsidies, guarantees, waiver of dues and conversion of loans into equity by State Government to working Government Companies and working Statutory Corporations are given in APPENDIX-XI and XIII

8.3.2 The budgetary outgo from the State Government to working Government Companies and working Statutory Corporations for the 3 years upto 2001-02 in the form of equity capital, loans and subsidy is given below:

Table-8.3

(Rupees in crore)

	1999-2000				2000-2001				2001-2002			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	1	0.50	1	0.23	4	3.98	1	0.68	5	4.50	1	0.50
Loans	-	-	-	-	-	-	-	-	1	0.30	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Subsidy	-	-	-	-	-	-	-	-	-	-	-	-
	1	0.50	1	0.23	4	3.98	1	0.68	5	4.80	1	0.50

8.3.3 During the year 2001-02, the Government had guaranteed loan/advance aggregating Rs. 1.17 crore obtained by one working Company and one Statutory Corporation. However, at the end of the year, guarantees amounting to Rs.73.07 crore against 3 Government Companies (Rs. 65.00 crore) and 2 Statutory Corporations (Rs. 8.07 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.

8.4 Finalisation of accounts by working PSUs

8.4.1 Accountability of Public Sector Undertakings to Legislature is to be achieved through the submission of audited annual accounts within the time schedule to the Legislature. However, as could be noticed from APPENDIX-XII, out of 6 working Government Companies, only 2 Companies had finalised their accounts for the year 2001-02 and out of 3 Statutory Corporations, none of the Corporations had finalised their accounts for the year 2001-02 within the stipulated period.

8.4.2 During the period from October 2001 to September 2002, 4 working Government Companies finalised accounts for previous years. Similarly, during this period only 2 working Statutory Corporation finalised account for previous year.

8.4.3 The accounts of 4 working Government Companies and 3 working Statutory Corporations were in arrears for the period from 1 year to 2 years as on 30 September 2002 as detailed below:

Table-8.4

Sl. No.		Period upto which accounts finalised	Period for which accounts in arrears 2001-2002	No. of years for which accounts in arrears
I	A. Name of the Company			
	i. Sikkim Time Corporation Ltd.	2000-2001	2001-2002	1
	ii. SC, ST and OBC Development Corporation Ltd.	2000-2001	2001-2002	1
	iii. Sikkim Tourism Development Corporation	2000-2001	2001-2002	1
	iv. Sikkim Jewels Ltd	2000-2001	2001-2001	1
II	B. Name of the Statutory Corporation			
	i. State Bank of Sikkim	2000-2001	2001-2002	1
	ii. Sikkim Mining Corporation	2000-2001	2001-2002	1
	iii. State Trading Corporation of Sikkim	1999-2000	2000-2001 2001-2002	2

8.4.4 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 Financial Position and working results of working PSUs

8.5.1 The summarised financial results of working PSUs (Government Companies and Statutory Corporations), as per latest finalised accounts are given in APPENDIX-XII. Besides, statement showing financial position and working results of individual working Statutory Corporations for the latest three years for which accounts are finalised are given in APPENDIX-XIV and XV respectively.

8.5.2 According to latest finalised accounts of 6 working Government Companies and 3 working Statutory Corporations, 2 Companies and 2 Corporations had incurred an aggregate loss of Rs. 0.70 crore and Rs. 2.49 crore respectively, 3 Companies and a Corporation earned an aggregate profit of Rs. 0.20 crore and Rs. 0.31 crore respectively. One company, the Sikkim Power Development Corporation is at the implementation stage.

8.6 Working Government Companies

Profit earning working companies and dividend

8.6.1 As per latest finalised accounts, 3 Companies viz. Sikkim Time Corporation Limited (SITCO), Sikkim Industrial Development Corporation Ltd. (SIDICO) and Sikkim Tourism Development Corporation (STDC) which finalised their accounts for 2001-02 (one Company) and 2000-2001 (two Companies) earned profit of Rs. 0.20 crore. None of the Companies declared dividend during the year for which accounts were finalised.

Loss incurring working companies

8.6.2 Of the 2 loss incurring working Companies, 1 Company had accumulated loss aggregating Rs. 1.17 crore which represented 27.67 per cent of its paid up capital.

Working Statutory Corporations

Profit earning Statutory Corporation

8.6.3 As per latest finalised accounts, State Trading Corporation of Sikkim (STCS) which finalised its accounts for 1999-2000, earned a profit of Rs. 0.31 crore but had not declared any dividend.

Loss incurring Statutory Corporation

8.6.4 Of the 2 loss incurring working Statutory Corporations, one Corporation viz. State Bank of Sikkim had accumulated loss aggregating Rs. 21.41 crore which exceeded its aggregate paid up capital by Rs. 20.83 crore.

Operational performance of working Statutory Corporations

8.6.5 The operational performance of the working Statutory Corporations for the last 3 years for which required information had been furnished by only 2 Corporations is given in **APPENDIX-XVI**. It will be observed that in case of Sikkim Mining Corporation, percentage of capacity utilisation which was 73 in 2000-01 came down to 56 in 2001-02.

Return on Capital Employed

8.6.6 As per the latest finalised accounts (up to September 2002), the capital employed¹ worked out to Rs. 88.33 crore in 6 working Companies and the total return² thereon amounted to Rs 0.33 crore which is 0.37 *per cent* as compared to total return of Rs 0.34 crore in 5 Companies (0.71 *per cent*) in 2000-01. Similarly, the capital employed and total return thereon in case of working Statutory Corporations as per the latest finalised accounts (up to September 2002) worked out to Rs. 147.75 crore and Rs. 0.31 crore (0.21 *per cent*), respectively, against the total return of Rs. 0.20 crore (0.14 *per cent*) in previous year. The details of capital employed and total return on capital employed in case of each Government Companies and Corporations are given in **APPENDIX-XII**.

8.7 Non-working PSUs

Investment in non-working PSUs

8.7.1 As on 31 March 2002, the total investment in 3 non-working PSUs (Government Companies) was Rs. 1.27 crore (equity: Rs. 1.27 crore) and no change from the position obtained as on 31 March 2001.

8.7.2 The classification of non-working PSUs is as under:

Table-8.5

(Rupees in crore)

Sl. No.	Status of Non-working PSUs	Number of companies	Numbers of corporation	Investment			
				Companies		Corporations	
				Equity	Long terms loan	Equity	Long terms loan
i.	Under closure	2	-	0.58	-	-	-
ii.	Other*	1	-	0.69	-	-	-
	TOTAL	3	-	1.27	-	-	-

* *The operational function has been leased out.*

8.7.3 Of the above non-working PSUs, 2 Government Companies were under closure for 3 years and a substantial investment of Rs. 0.58 crore was involved in these companies.

¹ 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).

² 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.

Budget outgo, grant, subsidy, guarantees, waiver of dues and conversion of loans into equity

8.7.4 The details regarding budgetary outgo, grants/subsidies, guarantees issued waiver of dues and conversion of loans into equity by the State Government to 3 non-working PSUs are given in **APPENDIX -XI** and **XIII**.

8.7.5 The State Government had not given any budgetary support during 2001-02 to these non-working PSUs.

Total establishment expenditure of non-working PSUs

8.7.6 The year-wise details of total establishment expenditure of 2 non-working PSUs and the source of financing them during the last 4 years up to 2001-02 (reporting years) could not be analysed due to non-finalisation of accounts by the respective PSUs. One PSU *viz.* Sikkim Livestock Processing and Development Corporation is under lease.

Finalisation of accounts by non-working PSUs

8.7.7 The accounts of 3 non-working Companies were in arrears for the periods ranging from 1 year to 8 years as on 30 September 2002 as could be noticed from **APPENDIX-XII**.

Financial position and working results of non-working PSUs

8.7.8 The summarised financial results of non-working Government Companies as per latest finalised accounts are given in **APPENDIX-XII**.

8.7.9 The year wise details of paid-up capital, net-worth, cash loss/cash profit and accumulated loss/accumulated profit of non-working PSUs as per the latest finalised accounts are given below:

Table-8.6*(Rupees in crore)*

Name of the Company (Year of Accounts)	Paid-up capital	Net- worth	Cash loss (-) / Cash profit (+)	Accumulated loss (-) / accumulated profit (+)
A. Non-working Companies				
i. Sikkim Flour Mill Ltd. (1994-95)	0.60	0.47	-	(-) 0.13
ii. Sikkim Livestock Processing and Development Corporation (2000-01)	0.69	0.24	(-) 0.08	(-) 0.45
iii. Chanmari Workshop and Automobiles Ltd (1994-95)	0.002	0.18	(-) 0.14	(-) 0.02

8.8 Status of placement of Separate Audit Reports of Statutory Corporations in Legislature

8.8.1 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.

Table-8.7

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)	1996-97	1997-98 1998-99	22.06.2000 04.07.2002	Not intimated by the Government
ii.	State Bank of Sikkim (SBS).	1994-95	1995-96 1996-97 1997-98 1998-99 1999-2001	27.07.2000 -do- -do- 20.12.2001 09.04.2002	-Do-
iii.	State Trading Corporation of Sikkim (STCS)	1996-97	1997-98	03.11.2000	-Do-

8.9 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

During the year 2001-02, there has been no privatisation (partial or complete) of any activity of these Companies or Corporations, and the Government has also not gone for disinvestments of shares in any Company/Corporation.

8.10 Results of audit by Comptroller and Auditor General of India

8.10.1 During the period from October 2001 to September 2002, the audit of 4 accounts of 4 working Companies and 3 accounts of 2 working Statutory Corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Table-8.8

Details	No. of accounts				Rupees in lakh			
	Government Companies		Statutory Corporations		Government Companies		Statutory Corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i) Decrease in profit	1				2.88			
(ii) Increase in loss	1		1		6.67		780.86	

8.10.2 Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above Companies and Corporations are mentioned below:

(i) As per the settlement arrived at in march 1992 with the UCO Bank on 'overdraft account', the State Bank of Sikkim was to pay Rs. 7.36 crore in 5 annual instalments. In the event of default the UCO bank was to have a right to claim interest at commercial rate.

Except for the first instalment of Rs. 3.57 crore (April 1992), no payment has been made by the Bank. As a result, the outstanding balance with accrued interest for the period 01.05.1993 to 31.03.2000 at the rate of 16.5 per cent per annum compounded quarterly amounts to Rs. 7.81 crore. No provision has been made in the accounts for this liability resulting in understatement of loss by Rs. 7.81 crore.

(SBS Annual Account 1999-2000)

(ii) As per directives of Income and Sales Tax Department, Government of Sikkim, provision for income tax was to be made. Non-provision of this liability has resulted in overstatement of profit by Rs. 2.88 lakh and 6.67 lakh with a corresponding understatement of liabilities for SIDICO and SJL respectively

(SIDICO Annual Account 2000-01)

(SJL Annual Account 2000-01)

(iii) Sikkim Power Development Corporation Ltd has received various machineries from Power Department, Government of Sikkim. The value of these machines was not reflected in the accounts, which resulted in understatement of fixed assets and share capital/loan, by the value of these machines.

(SPDC Annual Account 2001-02)

8.11 Response to Inspection Reports, Draft Paragraphs and Reviews

8.11.1 Audit observations noticed during audit and not settled on the spot are communicated to Heads of PSUs and concerned departments of State Government through Inspection Reports. The Heads of the PSUs are required to furnish replies to the Inspection Reports within a period of 6 weeks. Inspection Reports up to March 2002 pertaining to 10 PSUs disclosed that the 173 paragraphs relating to 53 Inspection Reports remained outstanding at the end of September 2002. Of these, 16 Inspection Reports containing 59 paragraphs had not been replied for the period ranging from 1 to 12 years.. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2002 are given in APPENDIX-XVII.

8.12 Position of discussion of Audit Reports (Commercial) by the Public Accounts Committee (PAC)

8.12.1 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 2002 were as below:

Table-8.9

Period of Audit Report	Total number of reviews and paragraphs in the Commercial Chapter		No. of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1999-2000	-	2	-	2
2000-2001	-	3	-	3

STATE TRADING CORPORATION OF SIKKIM

8.13 Unauthorised retention of funds and loss of interest

STCS retained Government funds amounting to Rs.2.05 crore over a period ranging from 3 to more than 10 years without authorisation thereby causing loss of interest of Rs.1.56 crore to the Government

8.13.1 The Government of India subsidised road freight incurred on the purchase of controlled items like cement and steel during the years 1979 to 1988. This subsidy was reimbursed by the Government of India to the supplier, who in turn, was to pass it on to the purchaser.

8.13.2 The State Trading Corporation of Sikkim (STCS), the canalising agency for procurement of materials for the State Government departments, received Rs.2.01 crore during March 1992 to October 1998 from Government of India as freight reimbursement subsidy for cement purchased during 1979 to 1988. It also received (March 1994) Rs.4.14 lakh on subsidy for GCI sheets purchased during 1988-1989 to 1991-1992.

8.13.3 Instead of passing on this amount to the concerned State Government departments for crediting into Government account, STCS retained the money unauthorisedly. After a period ranging from 3 to more than 10 years from the dates of receipt of the amount of Rs.2.05 crore, STCS credited the accounts of the concerned departments in its books by Rs.1.31 crore (31 March 1998) and Rs.0.61 crore (31 March 1999) respectively. While the balance amount of Rs.13.23 lakh had yet not been credited, the physical transfer of money of Rs.1.92 crore and its credit into Government accounts, however, was yet to take place even as of August 2002. Thus the amount of Rs.2.05 crore received as road freight subsidy from the Government of India remained blocked with the STCS and also outside Government account for more than 3 to 10 years. Besides the irregularity of retaining the money without a valid authorisation, the retention of fund by the STCS also caused loss of interest of Rs.1.56 crore to the Government on account of cost of borrowing, calculated at 12 per cent per annum.

8.13.4 In reply (August 2002), the Managing Director, STCS stated that it had since been decided to transfer the entire amount of freight subsidy to the Finance Department, Government of Sikkim and Audit would be intimated as soon as the transaction was over. While intimation about the transfer was not received as of October 2002, the issue of loss of interest to the Government on account of retention of fund by the STCS had not been addressed.

8.14 Loss due to maintaining branch office at Kolkata

The volume of business transacted through the branch at Kolkata was insignificant, resulting in a loss of Rs.45.78 lakh during the period 1998-99 to 2000-01 alone.

8.14.1 The State Trading Corporation of Sikkim (STCS), a canalising agency for State Government purchases, was set up in 1972 by a proclamation of the Chogyal with its head office at Gangtok and a branch office at Kolkata.

8.14.2 Scrutiny of records revealed that most of the business of the Corporation is carried out by the Head office. The quantum of purchases placed through its branch office at Kolkata, as seen from commission earned, is negligible at approximately 1* *per cent* of the total transaction of STCS. The branch office maintained a guesthouse and was mostly engaged in performing protocol activities on behalf of State Government, a role totally unrelated to its principal function of a procurement agent for the Government.

8.14.3 Scrutiny of the transactions of the Kolkata branch from 1998-99 to 2000-01 revealed that the commission earned by the branch was insufficient to meet even its operational expenditure. The income and expenditure of the branch office for the last 3 years was as follows:

Table 8.10

(Rupees in lakh)

Year	Commission income	Net expenditure				Loss
		Salary & allowances	Office expenses	Guest house expenses	Total	
1998-1999	7.61	9.07	7.00	6.66	22.73	15.12
1999-2000	2.31	8.66	4.42	6.87	19.95	17.64
2000-2001	7.65	9.83	4.42	6.42	20.67	13.02
Total	17.57	27.56	15.84	19.95	63.35	45.78

8.14.4 Total income of Rs.17.57 lakh earned during the period was just 28 *per cent* of the net expenditure of the branch. The branch office at Kolkata was opened in pre-merger days when a lot of liasoning work was to be performed by it, which has become unnecessary now after Sikkim's integration in India. Thus continuing the operation at the branch office at Kolkata was unjustified in the face of the losses borne by the Corporation on this account every year and therefore, its continuance needs to be reviewed by the management.

8.14.5 The Department (August 2002) while agreeing in principle to close down the branch office resolved to adopt few austerity measures immediately to contain further losses. Final reply on the decision taken in this regard was not received (October 2002).

* $\frac{(7.61 \text{ lakh} \times 100)}{897.94 \text{ lakh (total income)}} = 0.85 \text{ per cent}$

**TOURISM DEPARTMENT / SIKKIM TOURISM
DEVELOPMENT CORPORATION**

8.15 Loss due to retention of sale proceeds by agents

Due to the absence of a formal agreement with booking agent for sale of heli-service tickets and the laidback approach of the STDC in not terminating the arrangement with the agency forthwith, the Government/STDC suffered a loss of Rs.7.67 lakh

8.15.1 M/s RNC Enterprise, Gangtok was entrusted by the Tourism Department with effect from 01 December 1998 to function as the booking agent for the heli-service without any formal written agreement specifying the terms for sale of tickets, mechanism for deposit of sale proceeds, Agent's commission to be paid and without obtaining any bank guarantee to ensure realisation of dues from the Agent in case of default.

8.15.2 The Department in February 1999 handed over the management of the heli-service to the Sikkim Tourism Development Corporation (STDC). STDC continued with the existing arrangement even though the Agent owed Rs.1,35,900/- on account of ticket sales up to January 1999 to the Tourism Department. It was noticed that the Agent was not remitting the entire amount of the sale proceeds every month to STDC from the start itself. However, only in June 1999 did the General Manager, STDC write to the Agent asking him to furnish a bank guarantee of Rs.1,00,000/- and to deposit the outstanding sale proceeds of Rs.62,100/- for period upto 31 May 1999, though the actual dues till that date were Rs.2,36,050/-. Although the matter regarding furnishing of the bank guarantee and remittance of the balance sale proceeds was taken up with the Agent again by the Tourism Department and STDC in July 1999 and October 1999 respectively, the Agent not only failed to clear the earlier dues or furnish a bank guarantee but continued to be irregular in remitting the current dues also. Despite being aware that there was no formal agreement to pursue the matter effectively with the Agent, STDC did not terminate the arrangement forthwith but allowed the Agent to sell tickets till as late as June 2000. From July 2000, STDC took over this task.

8.15.3 A check of the records revealed that M/s RNC Enterprise remitted an amount of Rs 14.44 lakh towards sale proceeds during the period December 1998 to October 2000 against a total collection of Rs 19.52 lakh and retained Rs.5.08 lakh with it. Surprisingly, Tourism Department and STDC paid a sum of Rs.0.56 lakh as agency commission during this period even though there was no agreement to this effect and despite being all along aware that the Agent was not remitting the full sale proceeds to them. Thus, due to the absence of a formal agreement and the STDC's apathy in not terminating the arrangement with the agency forthwith, the Government / STDC suffered a loss of Rs.7.67 lakh (Rs.5.08 lakh plus interest thereon upto May 2002 plus agency fee paid).

8.15.4 In reply, the STDC stated (June 2002) that M/s RNC Enterprise was made handling agent for the heli-service without undergoing normal procedure in order to avoid delay and as the firm was the authorised agent of Jet Airways/Indian Airlines in Sikkim, the Tourism Department found no reasons why the firm should not be entrusted with the agency work. The STDC further stated that legal action was being initiated against the Agent. The reply was however silent as to why no formal agreement was entered into with the Agency in the absence of which the legal action contemplated by the STDC may not be effective.

Gangtok
The

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