OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 2001-2002 and six other chapters, comprising 5 reviews and 27 paragraphs, based on the audit of certain selected programmes and activities and of the financial transactions of the Government. A synopsis of the important findings contained in the Report is presented below:

1 An overview of the Finances 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 2001-2002, the assets of the Government increased by 19 *per cent* while the liabilities grew by 14 *per cent*. The increase in liabilities was largely on account of increase in internal debt (Rs.36.11 crore), Small Savings, Provident Funds etc. (Rs.19.51 crore), Remittance Balances (Rs.28.09 crore) and loans and advances from Central Government (Rs.21.07 crore).

The revenue receipts of the year amounted to Rs.1807.18 crore of which tax revenue constituted 4.45 *per cent*, non tax revenue 62.43 *per cent*, grants from Government of India 28.43 *per cent* and State's share of Union taxes 4.69 *per cent*. Against this, the revenue expenditure of the State was Rs.1664.25 crore resulting in a revenue surplus of Rs.142.93 crore. A major portion of revenue expenditure was incurred on General Services (75.35 *per cent*) while Economic Services and Social Services accounted for 11.03 *per cent* and 13.62 *per cent* respectively.

There was increase in capital expenditure by Rs.59.81 crore in 2001-2002 as compared to the previous year. Its share in total expenditure has gone up from 7.85 *per cent* in 1997-98 to 11.24 *per cent* in 2001-2002.

Investments to the extent of Rs.64.37 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 0.02 *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.7.50 crore at the end of 2001-2002.

The total borrowings of Rs.183.46 crore were almost exclusively used for debt servicing which amounted to Rs.161.26 crore.

Out of 9 working Government companies / corporations, 7 were running under loss and the accumulated losses was Rs.27.83 crore as per latest finalised accounts.

(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 2001-2002 against grants/appropriation and the audit observation there-against were as follows:

At a glance		*Rupees in crore*
Original	:	1058.65
Supplementary	:	96.76
Total authorisation	**:**	**1155.41**
Total expenditure	**:**	**1918.68**
Total excess	**:**	**763.27**

The excess expenditure of Rs.2.08 crore for the years 1998-99 to 2000-2001 under 12 grants and appropriation required regularisation under article 205 of the Constitution of India.

In 10 cases of grants/appropriation supplementary provision amounting to Rs.28.68 crore proved unnecessary.

Against unutilised provision of Rs.84.93 crore in 39 cases, Rs.43.16 crore only were surrendered.

In 5 cases, against the actual saving of Rs.3.90 crore, Rs.4.07 crore were surrendered resulting in excess surrender of Rs.0.17 crore.

(Paragraphs 2.1 to 2.3)

3 Audit Reviews on Developmental/Welfare Programmes and other activities

(a) Review on Rural Housing

Implementation of the Indira Awaas Yojana (IAY) in Sikkim was flawed as a survey to determine households living below the poverty line were not conducted. The ad hoc allocation of funds every year by the Government of India and Government of Sikkim made advance programme planning a tentative exercise. Despite the high incidence of poverty in the State, none of the other housing schemes were introduced in Sikkim.

Rupees 2.20 crore paid during 1997-2002 as advance for materials were reported as final expenditure thereby incorrectly justifying the State Government's entitlement for the second instalment of Central contribution.

Assistance aggregating Rs.52.80 lakh was extended during 1999-2001 to 240 ineligible beneficiaries who already possessed dwelling houses.

Despite release of Rs.31.60 lakh plus GCI sheets worth Rs.33.58 lakh to beneficiaries as first instalment, houses remained incomplete for periods ranging from 1 to 5 years.

Out of 466 cases test checked relating to 1998-1999 and 1999-2000, in 388 cases there were delays ranging from 2 to 33 months in construction of new dwelling houses.

(Paragraph 3.1)

(b) Review on Swarnjayanti Gram Swarozgar Yojana

Swarnjayanti Gram Swarozgar Yojana (SGSY) is a holistic programme covering all aspects of self-employment such as organisation of the poor into self-help groups, training, credit, infrastructure, technology and marketing. Implementation of the SGSY in Sikkim was compromised as the project reports of selected activities suffered from infirmities, technology management was not given due importance and the actual implementation was heavily skewed in favour of individuals rather than groups.

Delay in the release of Central assistance affected the timely disbursement of credit and subsidy to the beneficiaries.

Expenditure in the last quarter of the financial years ranged from 50 to 93 *per cent* of the total outgo for the year and during the closing month from 42 to 51 *per cent*.

During 1999–00 to 2001-02, out of the total of 35493 families, only 4584 families were covered as against the requirement of covering 6388 families.

The construction of 12 marketing centres was behind schedule by nine to twelve months. Likely date of completion was also not on record.

(Paragraph 3.2)

(c) Procurement and utilisation of Government Vehicles

Despite a ban imposed on purchase of vehicles, various departments purchased 211 new vehicles since July 1999 to March 2002 at a cost of Rs.7.78 crore.

43 departmental pool vehicles kept in 12 departments in excess of the norms resulted in avoidable expenditure of Rs.2.07 crore.

Salaries paid to idle drivers in 2 departments resulted in avoidable expenditure of Rs.12 lakh.

(Paragraph 3.3)

(d) Review of Public Health Engineering Department

The implementation of water supply and sewerage schemes by the department was characterised by disproportionate expenditure on maintenance and establishment, non-collection of water taxes, arrears in collection of revenue, improper deployment of staff, blocking of Government funds, inadequacy in testing of water and the existence of illegal connections.

The department's casual approach led to non-realisation of water tax and water and sewerage charges amounting to Rs.85.82 lakh and Rs.35.88 lakh respectively.

Excess deployment of staff and engagement of work charged and muster roll employees despite a ban resulted in avoidable and irregular expenditure of Rs.12.64 lakh and Rs.38.03 lakh *per annum* respectively.

While two projects were stopped after an expenditure of Rs.40.80 lakh, eight projects completed at a cost of Rs.3.62 crore failed to augment the desired level of water supply.

Treated water was mixed with untreated water before supply to consumers nullifying the utility of treatment and investment of Rs.52.99 lakh in the plant with recurring expenditure of Rs.4 lakh per year.

(Paragraph 4.1)

(e) Review on Material Management

Material management in the Rural Development Department was distinguished by deficiencies in procurement planning, procurement of stock despite availability of huge balances, rush of expenditure at the end of the year, purchase at higher rates, non-adjustment of advances paid to the STCS and non-adherence to accounting procedure.

Stock materials valuing Rs.5.23 crore in 2000-01 to Rs.9.49 crore in 1999-2000 remained in inventory at the year end.

Due to purchase of GCI sheets from TISCO, the department had to incur avoidable expenditure of Rs.10.82 lakh on transportation during 1997-99.

(Paragraph 5.1)

Irregular/Avoidable/Excess/Unfruitful Expenditure

The decision of the Animal Husbandry & Veterinary Services Department to set up two nitrogen plants at Deorali and Jorethang resulted in an avoidable expenditure of Rs.1.35 crore.

(Paragraph 3.4)

Failure of the Irrigation, Power, Roads & Bridges and Public Health Engineering Department to deduct void while taking measurement of earth and soling stone/boulder resulted in excess payment of Rs.56.72 lakh to contractors.

(Paragraph 4.2)

Failure of the Public Health Engineering and Roads & Bridges Departments to procure stone at the approved rate resulted in excess payment of Rs.96.51 lakh to contractors.

(Paragraph 4.6)

Engagement of muster roll labourers and supervisors for maintenance of road in excess of norms specified by the Ministry of Surface Transport, Government of India, resulted in avoidable expenditure of Rs.13.79 crore in the Sikkim Public Works Department (Roads & Bridges).

(Paragraph 4.7)

Despite availability of machinery for road carpeting, the Sikkim Public Works Department (Roads & Bridges) incurred avoidable expenditure of Rs.12.15

lakh on manual carpeting and also suffered a revenue loss of Rs.11.29 lakh as hire charges on machinery.

(Paragraph 4.8)

The benefits derived after spending Rs.77.68 lakh under the EIUS Scheme during 1998-99 to 2001-02 (upto December 2001) were uncertain and achievements reported to the Central Government by UD&HD Department were suspect.

(Paragraph 4.10)

Non-realisation/loss of Government Revenue

The Power Department failed to realise demand and energy charges to the tune of Rs.22.04 lakh from the Sikkim Distilleries Limited for the period 1990 to 2001.

(Paragraph 6.7)

The lackadaisical approach of the Tourism Department in handling the affairs of Hotel Norkhill caused the Government a loss of Rs.19 lakh.

(Paragraph 6.8)

Abnormal delay in the repair of departmental buses/trucks by the Transport Department led to loss of revenue to the tune of Rs.99.63 lakh.

(Paragraph 6.9)

Failure of the Transport Department to impose tax/fees at enhanced rate in accordance with Government of India's notification resulted in a loss of Government revenue to the tune of Rs.7.47 lakh.

(Paragraph 6.10)

Failure of the Transport Department either to enter into agreement with appropriate authority or to pursue the matter effectively with Railways, Government revenue to the tune of Rs.27.34 lakh on account of commission on sales of tickets by PRS, Gangtok remained unrealised.

(Paragraph 6.11)

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.

(Paragraph 8.15)

Blocking Of Fund

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 due to laxity on the part of Land Revenue Department.

(Paragraph 3.9)

Delay in implementation of a project by the Urban Development & Housing Department led to blocking of funds of Rs.31.12 lakh for four and a half years apart from defeating the objective of setting up a rural marketing centre at Dumra Busty, South Sikkim.

(Paragraph 4.9)

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 blocking of Government money and loss of interest of Rs.1.56 crore to the Government.

(Paragraph 8.13)

Loss of Government Money

Non-adoption of established purchase procedure and disregard of codal provision in the purchase of HDPE pipes by the SIMFED resulted in a loss of Rs.12.15 lakh to the State exchequer.

(Paragraph 7.4)

Diversion of fund

Diversion of Rs.56.78 lakh by Education Department for purchase of LIG flats at Geyzing resulted in non-accrual of the intended benefits of the Restructuring and Reorganisation of Teachers Education programme in the State.

(Paragraph 3.6)

In disregard of the norms regulating expenditure from Calamity Relief Fund, the Land Revenue Department failed to check various departments from diverting Rs.2.33 crore on activities not covered by the Fund.

(Paragraph 3.10)

Undue benefit to supplier/contractor/dealer

Inclusion of inadmissible components by Food & Civil Supplies and Consumer Affairs Department in fixation/revision of prices of iodised salt and kerosene oil resulted in undue benefit of Rs 80.62 lakh to the agents at the expense of the consumers.

(Paragraph 3.7 & 3.8)

Application of incorrect and inflated rate by the Power Department for procurement of materials at store issue rates, besides violating rules, resulted in excess payment of Rs.21.17 lakh to suppliers.

(Paragraph 4.5)