OVERVIEW

This Report Contains 17 audit paragraphs and four performance audit appraisals apart from comments on the Finance Accounts and Appropriation Accounts. According to existing arrangements, copies of the draft audit paragraphs and draft performance audit appraisals were sent to the concerned Secretary to the State Government by the Accountant General (Audit) with a request to furnish replies within four weeks. In respect of 17 audit paragraphs and four appraisals included in this Report, replies were received from the concerned Secretary to the State Government for 15 paragraphs and four performance audit appraisals.

1. 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 2003-04, the assets of the Government increased by 6.96 *per cent* while the liabilities grew by 12.24 *per cent*. The increase in liabilities was largely on account of increase in internal debt (Rs.59.50 crore), Small Savings, Provident Funds etc. (Rs. 21.88 crore) and reserve fund (Rs. 13.38 crore).
The revenue receipts of the year amounted to Rs. 1,341.18 crore of which tax revenue constituted 8 *per cent*, non tax revenue 40 *per cent* and grants from Government of India & Central tax transfers 52 *per cent*. Against this, the revenue expenditure of the State was Rs. 1,180.93 crore resulting in a revenue surplus of Rs. 160.25 crore. A major portion of revenue expenditure was incurred on General Services (58.35 *per cent*) while Economic Services and Social Services accounted for 19.39 and 22.26 *per cent* respectively.

There was increase in capital expenditure by Rs. 2.51 crore in 2003-04 as compared to the previous year. Its share in total expenditure increased from 5.88 *per cent* in 1999-2000 to 15.19 *per cent* in 2003-04.

Investments to the extent of Rs. 75.63 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 0.98 *per cent* during the year. No interest was received in the last five years on the loans and advances given by the Government for corporations, local bodies etc. which stood at Rs. 5.30 crore at the end of 2003-04.

The total borrowings of Rs. 202.11 crore were almost exclusively used for debt servicing which amounted to Rs. 243.91 crore.

(Paragraph 1.1 to 1.10)

2. Allocative priorities and appropriation

The excess expenditure of Rs. 871.99 crore for the years 2000-01 to 2002-03 under 20 grants and appropriations required regularisation under article 205 of the Constitution of India.

In 23 cases of grants/appropriations supplementary provision amounting to Rs. 58.62 crore proved unnecessary.

Against unutilised provision of Rs. 797.07 crore in 16 cases, Rs. 763.06 crore only were surrendered.

In seven cases, against the actual saving of Rs. 19.23 crore, Rs. 19.40 crore were surrendered resulting in excess surrender of Rs. 0.17 crore.

(Paragraph 2. 3.2 to 2.3.12)

Performance audit of schemes/department

3. Development of major crops in Sikkim

A review of development of major crops during the period 1999-2004 revealed deficient budgetary and financial management leading to persistent savings, disproportionately high establishment cost, non-submission of detailed contingent bills, poor implementation of various schemes, gap in technology dissemination and non-realisation of revenue on distribution of agricultural inputs. Despite substantial financial support and technological intervention by the Government, productivity registered a declining trend and area under cultivation also remained more or less static, suggesting that efforts of the Department over the years, were yet to yield desired results in the form of enhanced productivity or area under cultivation.

Department incurred a disproportionately high establishment expenditure hovering around 73 *per cent* as against the norm of 7.5 to 16.5 *per cent.*
Substantial financial support and technological intervention by the Department over last five years by incurring Rs. 117.92 crore did not yield desired results in the form of enhanced productivity or area under cultivation.

High Yielding Varieties coverage of rice, wheat and maize declined from 30,050 hactares in 1999-2000 to 20,313 ha in 2003-04, despite spending Rs. 67.67 crore.

Variety replacement of rice, barley, jowar, bajra and small millet was not achieved even after incurring Rs. 2.38 crore under Integrated Cereal Development Programme as these seeds were not distributed.

(Paragraph 3.1)

4. Working of Building and Housing Department

Working of Building and Housing Department disclosed absence of adequate financial control, as there were persistent savings, unnecessary supplementary provisions and irregular expenditure in violation of Government orders. Programme management was characterised by delayed completion of works leading to non-fulfilment of intended objectives, loss of revenue on account of license fee and avoidable expenditure on payment of house rent allowance, non-realisation of tools and plants and establishment charges and execution of works without sanction and budgetary provisions. Physical verification of the stores *was never carried out in any of the years under review nor was adjustment of profit and loss on stock attempted.*

Despite signing Memorandum of Understanding with Government of India and assurance given by State Government, Department incurred excess expenditure of Rs. 4.26 crore towards office expenses, travel expenses, fitting/furnishings etc.

Delay in completing various works in the stipulated time led to blocking of Government funds of Rs. 11.18 crore in 17 works alone.

Establishment, tools and plant charges amounting to Rs. 8.10 crore were not realised by the Department from user organisations.

Despite ban, the Department continued to appoint work charged and muster roll employees and incurred Rs. 60.92 lakh towards their wages.

(Paragraph 3.2)

5. Social and Farm Forestry Schemes

The basic objectives of the schemes under Social and Farm Forestry (SFF) were, inter alia, to take up conservation and afforestation works with a view to augment production of fuelwood and fodder through regeneration of degraded forest, conserve, improve and increase production of non-timber forest produce including medicinal plants, and provide gainful employment and additional income to the tribals and rural poor living in the vicinity of forests. Several deficiencies were noticed in the implementation of the schemes viz. non-achievement of targets, excess and wasteful expenditure and diversion of funds. Important points noticed in Audit were as under:

Unauthorised diversion of funds provided for various specific components under Area Oriented Fuelwood and Fodder Project towards other regular items of expenditure of the Department which were beyond the ambit of the Project: Rs. 2.83 crore.

Production of seedlings was far below the norms in Non Timber Forest Produce scheme, value of which worked out to Rs. 54.28 lakh.

Engagement of labourers on casual roll for Rs. 41.43 lakh was not justified as all other schemes were implemented by engaging existing labourers of the Department.

(Paragraph 3.3)

6. Management of Non-Lapsable Central Pool Grants

The Government of India constituted 'Non Lapsable Central Pool of Resources' (NLCPR) Scheme for North East and Sikkim in December 1997. Review of the scheme indicated defective financial management as there were delays in release of funds, unauthorised expenditure on unapproved works etc. Programme management was characterised by delayed execution of works, execution of unauthorised works, large scale cost escalation, execution of minor works which did not translate into infrastructure creation, undue benefit and excess payments to contractors etc.

Inspite of specific stipulation in the guidelines to the contrary, the departments unauthorisedly incurred expenditure amounting to Rs. 1.59 crore on staff component.

There was cost escalation amounting to Rs. 55.40 crore ranging between 10 and 226 *per cent* in 13 projects.

Delay in execution and completion of the projects valuing Rs. 103.19 crore resulted in non accrual of intended benefits from the scheme.

(Paragraph 3.4)

7. Irregular/Avoidable/Excess/Unfruitful Expenditure

Employment of excess labour than stipulated in Analysis of Rate by Irrigation Department led to excess expenditure of Rs. 11.22 lakh.

(Paragraph 4.1.1)

Reckoning of higher fuel consumption norm of 12.5 litres per hour by Roads & Bridges Department led to inflation in the cost of an item of road work resulting in avoidable excess expenditure of Rs. 26.81 lakh.

(Paragraph 4.1.2)

Insertion of extraneous road roller component in drain works, while framing Analysis of Rate, led to excess expenditure of Rs. 7.29 lakh in execution of drain works by Roads & Bridges Department.

(Paragraph 4.1.3)

Inspite of clear stipulation in notification to the contrary, the Rural Management & Development Department accepted land owners' claim for higher compensation, resulting in extra expenditure of Rs. 75 lakh.

(Paragraph 4.1.4)

Failure of the Social Welfare Department to exercise proper checks before selecting beneficiaries for old age pension, led to conferring of benefits amounting to Rs. 29.22 lakh to ineligible persons.

(Paragraph 4.1.5)

Purchase of land at exorbitant rate from private party by Social Welfare Department led to excess expenditure of Rs. 16.50 lakh.

(Paragraph 4.1.6)

Failure of the Rural Management & Development Department to supply the required materials led to cost escalation of Rs. 19.19 lakh and time overrun of two years.

(Paragraph 4.3.1)

8. Undue benefit/loss of Government Revenue

Incorrect inclusion of 10 *per cent* contractor's profit in the rates of materials supplied departmentally to contractors led to undue benefit of Rs. 20.85 lakh.

(Paragraph 4.4.1)

Incorrectly drafted notification by Industries Department led to the conceding of Rs. 7.38 crore of Government revenue.

(Paragraph 5.6.1)

Consultancy fee totalling Rs. 8.66 lakh was not realised by the Mines & Geology Department despite a provision in the Mines and Geology Regulations 2001, for levying of the fee.

(Paragraph 5.6.2)

The Income and Sales Tax Department not only failed to notice short deposit of sales tax of Rs. 2.22 crore but was slack in taking effective steps to recover the same.

(Paragraph 5.7.1)

9. Loss of Government Money

Injudicious hiring of transformers by the Power Department instead of buying them led to loss of Rs. 9.23 lakh to the Government.

(Paragraph 4.2.1)

Failure to revise the issue rate of GCI sheet by Rural Management & Development Department led to loss of Rs. 28.88 lakh to the Government.

(Paragraph 4.2.2)

Sikkim Tourism Development Corporation was rendering helicopter services to the public and tourist at a very low fare which is far below the cost of running the services and resulted in a loss of Rs. 59.60 lakh even after taking subsidy reimbursed by Government of India and State Government.

(Paragraph 6.13.1)

10. Diversion of funds

Inspite of specific prohibition in the Jawahar Gram Samridhi Yojana guidelines and subsequent reiteration by Government of India, Rural Management & Development Department irregularly diverted the scheme funds towards construction of bridges and transportation of food grains aggregating to Rs. 14.05 lakh.

(Paragraph 4.3.2)

Wild Life circle of Forest Department diverted Rs. 9.16 lakh towards establishment cost and attached three vehicles valuing Rs. 14.10 lakh to the Minister and Senior Officers, which were meant for patrolling purposes.

(Paragraph 4.5.1)