

OVERVIEW

This Report Contains 28 audit paragraphs (including three general paras) and three performance audits apart from comments on the Finance Accounts and Appropriation Accounts. There is a separate chapter on Internal Control System in respect of Co-operation Department. According to existing arrangements, copies of the draft audit paragraphs and draft performance audit were sent to the Secretary to the State Government of the department concerned by the Accountant General (Audit) with the request to furnish replies within four weeks. In respect of 25 audit paragraphs (excluding three general paragraphs) and three performance audit included in this Report, replies were received from the Secretary concerned of the respective departments of the State Government for 21 paragraphs and three performance audits.

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 2004-05, the assets of the Government increased by 18.94 *per cent* while the liabilities grew by 18.77 *per cent*. The increase in liabilities was largely on account of increase in internal debt (Rs. 66.67 crore), small savings, provident fund etc. (Rs. 24.46 crore) and reserve fund (Rs. 14.48 crore).

The revenue receipts of the year amounted to Rs. 1,892.40 crore of which tax revenue constituted 6 *per cent*, non tax revenue 52 *per cent* and grants from Government of India and Central tax transfers 42 *per cent*. Against this, the revenue expenditure of the State was Rs. 1,723.49 crore resulting in a revenue surplus of Rs. 168.91 crore. A major portion of revenue expenditure was incurred on General Services (50.92 *per cent*) while Economic Services and Social Services accounted for 22.71 and 20.48 *per cent* respectively.

Although the State continued to enjoy revenue surplus, fiscal deficit increased from Rs.50.26 crore in 2003-04 to Rs. 185.55 crore in 2004-05 indicating macro imbalances.

There was increase in capital expenditure by Rs. 142.05 crore in 2004-05 as compared to the previous year. Its share in total expenditure increased from 16.51 *per cent* in 2000-01 to 17.02 *per cent* in 2004-05.

Investments to the extent of Rs. 77.46 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 1.19 *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. 6.22 crore at the end of 2004-05.

The total borrowings of Rs. 262.77 crore were almost exclusively used for debt servicing which amounted to Rs. 260.18 crore.

(Paragraph 1.1 to 1.10)

2. Allocative priorities and appropriation

The excess expenditure of Rs. 872.46 crore for the years 2001-02 to 2003-04 under 21 grants and appropriations required regularisation under Article 205 of the Constitution of India.

In 24 cases of grants/appropriations supplementary provision amounting to Rs. 47.51 crore proved unnecessary.

Against unutilised provision of Rs. 196.81 crore in 29 cases, Rs. 157.94 crore only were surrendered.

In seven cases, against the actual saving of Rs. 16.48 crore, Rs. 33.67 crore were surrendered resulting in excess surrender of Rs. 17.19 crore.

(Paragraphs 2. 3.2 to 2.3.12)

3. Performance Audits

3.1 Management of Public Distribution System

The Food & Civil Supplies and Consumer Affairs Department (FCS & CAD)'s main objectives of distribution of essential commodities like food grains, superior kerosene oil, salt, sugar etc. at controlled price to the public through the Public Distribution System (PDS) could only be partly achieved because of the failure of its programme for computerised ration cards and shortage of food items in the godowns.

Inclusion of 24,000 additional BPL families (financial burden Rs.5.38 crore), the Chief Minister's Antyodaya Annadaan Yojana (extra expenditure of Rs.2.28 crore), failure to get reimbursement from Food Corporation of India (Rs.89 lakh) and unauthorised expenditure (Rs.1.61 crore) reduced the effectiveness of the Public Distribution system.

(Paragraph 3.1)

3.2 Development of District and Rural Roads in Sikkim

The Roads and Bridges Department is responsible for construction and maintenance of the roads in the State.

The audit of 'Development of District and Rural Roads' under the Department disclosed deficient budgetary and financial management leading to large savings, alarming size of pending liabilities etc. The Department failed to meet the target of construction of road length in the State by 26 *per cent* under major district roads and other district roads. The audit of works relating to PMGSY also revealed failure to meet targets by 55 *per cent* (227.69 km roads constructed

against the target of 510.74 km), allocation of funds (Rs.23.23 crore) in violation of the guidelines for up-gradation works, and taking up of new works without adequate funds resulting in pending liabilities (Rs.69 crore) etc.

(Paragraph 3.2)

4. Audit of Transactions

4.1 Excess/Extra Expenditure

Purchase of woollen and cotton yarn for Swarajgari Udyog Yojana at higher rate and in excess of requirement of cotton yarn led to excess expenditure of Rs. 42.08 lakh.

(Paragraph 4.1.2)

Casual approach in framing estimates for “Creation of Model Village in Sikkim” resulted in excess expenditure of Rs. 2.29 crore, on account of wrong calculation and excess assessment of requirement of wood, payment of higher rate, etc.

(Paragraph 4.1.3)

4.2 Loss of Government Money/Revenue

Hasty decision of the Government to enter into an agreement with a foreign based Non-Government Organisation (NGO) to sell the land and assets of Rathongchu Hydel Project without considering the legality and security aspect ultimately led to loss of Rs. 19.22 lakh.

(Paragraph 4.2.1)

Lack of time bound action on the part of the Departmental authority resulted in non realisation of energy charges of Rs.87 lakh.

(Paragraph 5.6.1)

4.3 Undue Benefit

In spite of the PAC’s recommendation to the contrary and without any provision in the Sikkim Public Works Code, two departments granted mobilisation advances of Rs. 2.31 crore to the contractors which was irregular and led to undue favour to the contractors.

(Paragraph 4.4.1)

Excise duty of Rs. 3.84 crore was refunded to an ineligible industry.

(Paragraph 5.8.1)

4.4 Wasteful/Infructuous Expenditure

The Department incurred wasteful expenditure of Rs.24.65 lakh on pay and allowances of 44 employees engaged in three animal farms having no animals. Besides, infrastructure worth Rs. 52 lakh remained idle.

(Paragraph 4.5.1)

Involvement of a private company for implementation of the scheme, despite having sufficient infrastructure within the Department led to extra expenditure of Rs.15.16 lakh and non-achievement of the desired results even after spending Rs.38.37 lakh.

(Paragraph 4.5.2)

Power Department incurred wasteful expenditure of Rs. 4.06 crore in providing power lines to a factory at Government cost as the factory closed down their operations after a short while without paying the energy charges of Rs.87 lakh.

(Paragraph 4.5.3)

Planks and rafters worth Rs. 23.84 lakh procured by Forest Department for supply to Rural Management and Development Department (RMDD) was rejected by RMDD resulting in infructuous expenditure.

(Paragraph 4.5.4)

4.5 Non realisation of revenue

Non realisation of minimum assured revenue (MAR) of Rs. 80.33 crore and increasing quantum of prize money resulted in undue benefit of Rs. 5.15 crore to marketing agent.

(Paragraph 5.7.1)

Department's reluctance to enforce the provisions of the Act led to a loss of Rs. 30.67 lakh.

(Paragraph 5.7.2)

Non assessment of income tax of three business houses resulted in non realisation of Government revenue of Rs. 25.85 lakh.

(Paragraph 5.7.4)

4.6 Blocking of funds/Idle investment

Failure on the part of the Department to get the Diesel Generating set replaced or repaired by the original supplier resulted in non yielding of value for money on the investment of Rs. 1.27 crore for more than five years.

(Paragraph 4.6.1)

Lackadaisical approach of the Tourism Department in implementing Centrally sponsored scheme led to loss of Central funds of Rs.23.88 lakh to the State and blocking of Rs.17.75 lakh for more than eight years.

(Paragraph 4.6.2)

4.7 Regularity issues

Due to indecisiveness of the Department to finalise eligibility criteria for the scheme the entire fund of Rs. 87.61 lakh remained unutilised for more than four years besides denial of intended benefits to the deserving poor.

(Paragraph 4.7.2)

Negligence of the departments resulted in accumulation of unadjusted medical advances of Rs.1.35 crore in 365 cases for one to 21 years.

(Paragraph 4.7.3)

Non observance of the prescribed procedures for sanction of loans and lack of initiative in recovering the dues resulted in accumulation of outstanding dues of Rs. 60.79 lakh

(Paragraph 6.14.1)