

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

FINANCE DEPARTMENT

3.2 Avoidable payment of interest

Delay by the Department in initiating prompt action to prepay a loan resulted in avoidable payment of interest of Rs.76.39 lakh.

Government of Sikkim (GOS) is availing loans from Government of India (GOI) at varying rates of interest to finance its Annual Plans. During the course of finalisation of the Annual Plan 2001-02, the Government decided (February 2001) to prepay the Small Savings Collection (SSC) loan carrying 13 to 14.5 *per cent* rate of interest and an amount of Rs.10 crore was earmarked for this purpose.

Scrutiny of records revealed (March 2002) that the proposal for prepayment of the SSC loan was moved as late as in September 2001 and the payment was released in October 2001, despite the fact that Government had a cash balance of Rs.52.68 crore as on 31 March 2001. Thus, delay on the part of the Department to initiate the proposal for repayment of SSC loan amounting to Rs.10 crore led to avoidable payment of Rs.76.39 lakh as interest for the period 1 April to 15 October, 2001.

Further, it was noticed that even after payment of Rs.10 crore SSC loan in October 2001, the Department continued to make interest payments on this loan resulting in excess payment of interest amounting to Rs.64.63 lakh for the period October 2001 to March 2002.

The Department while remaining silent on the delay in initiating the repayment proposal stated (March 2003) that the matter relating to excess payment of interest would be taken up with Government of India for adjustment against future payments.

INDUSTRIES DEPARTMENT

3.3 Unfruitful expenditure on idle staff

Inordinate delay in appointing the Managing Director resulted in idling of the factory for 10 months during which time Rs.10.39 lakh was spent on salaries, wages and other expenses.

Government Fruit Preservation Factory (GFPF), a departmental undertaking, leased out (July 1996) to M/s Red Orchid Food Processing Ltd., Singtam was brought back (March 1999) under the control of Industries Department as the lessee failed to honour its contractual obligations.

Scrutiny of records revealed that after taking over GFPF, the Department moved a proposal (April 1999) to the Chief Secretary (CS) for constitution of a Board of Control and appointment of a Managing Director (MD) who would prepare a detailed plan to restart the factory. This proposal was forwarded to Minister, Industries by the CS on the same day. It was seen however, that the file reached the Minister for approval only in November 1999 - a delay of eight months. While the reason for the inordinate delay in file movement was not on record, no tangible action was found to have been taken by the Department to expedite the matter during the interim period. Consequently, the constitution of the Board of Control and appointment of the MD of GFPF were finally effected in December 1999 and the factory recommenced production only in February 2000.

Thus, the apathy of the Department in the matter of appointment of the MD resulted in the GFPF remaining inoperative from March 1999 to January 2000 during which time Rs.10.39 lakh was incurred on salaries, wages and other expenses of staff who remained idle for this period.

The Department replied (March 2003) that the non-operation of the factory during this period was due to worn machinery resulting from its long closure during the period of the lease and that during this time the 52 staff were deployed in maintaining the security of the factory premises. The reply is not acceptable as there was nothing on record to substantiate that repair and renovation of the machinery was carried out by the Department before production recommenced. The claim that all 52 staff of GFPF comprising various grades like General Manager, Managers, Store Keeper, Supervisors, etc., were deployed on security duties is not acceptable.

In a further reply (May 2003) the Department stated that six of the 52 employees were posted in Industries Department during the period the GFPF was idle. The Department promised to take every possible step to avoid this kind of delay and losses in future.

In a subsequent reply (October 2003), delay of seven months in restoring the unit was attributed to administrative reasons prevailing at that time, and the Department contended that payment of salaries and wages was unavoidable during that period.

LAND REVENUE DEPARTMENT

3.4 Excess Payment in land acquisition

Payment of *solatium* of Rs.14.80 lakh despite the landowner wilfully offering his land for acquisition was against the provisions of Land Acquisition Act, 1894 and also resulted in excess payment.

Section 23 (2) of the Land Acquisition Act, 1894 stipulates that the court while determining the amount of compensation to be awarded for land acquired under the Act, shall award as *solatium*, a sum of 30 *per cent* on market value of land in consideration of the compulsory nature of the acquisition. In *Lily Ghosh v State of W.B. AIR 1979 Cal 329* it was held that “the principle behind payment of *solatium* is to satisfy the landowner who shows disinclination to part with his land. But where the landowner wilfully offers his land for acquisition at an agreed market value, he cannot claim any *solatium*”. Again in *Narain Das Jain v Agra Nagar Mahapalika (1991) 4 SCC 12*, the court reaffirmed that “ ‘*solatium*’ is money comfort quantified by the statute, and given as a conciliatory measure for the compulsory acquisition of the land of the citizen, by a welfare State such as ours”.

Scrutiny of records (August 2002) of the Member Secretary, State Council of Science & Technology revealed that for setting up a Science Centre and Planetarium, the Government approved (August 1998) the proposal of the Council to acquire land measuring 1.9120 hectares at Sajong, Rumtek, East Sikkim. The land was selected on the basis of offer of sale (May 1998) made by the landowner to the Government. The District Collector (East) in October 1998 assessed the compensation for the land at Rs.65.76 lakh which included Rs.14.80 lakh on account of 30 *per cent solatium*. The Council transferred Rs.25 lakh (March 1999) and Rs.40.76 lakh (August 1999) to the Land Revenue Department who in turn disbursed the amount to the owner.

Since the land in this case was wilfully offered by the landowner and it was not a case of compulsory acquisition, the assessment and payment of Rs.14.80 lakh as *solatium* was irregular and not in consonance with the provisions of the Land Acquisition Act, 1894.

In reply (April 2003), the Department stated that the offer by the land owner for the sale of his property was made keeping in mind the total compensation that would be payable as per the assessment made and in no way could it constitute to

mean sale of land by way of voluntary offer. The reply is untenable as the offer of sale was made by the owner in May 1998 on his own volition without any conditions attached and according to the court's ruling, since there was no disinclination to part with his land *solatium* was clearly not payable.

FOOD & CIVIL SUPPLIES & CONSUMER AFFAIRS DEPARTMENT

3.5 Incorrect fixation of retail prices of motor spirit and high speed diesel

Inclusion of higher allowances while determining the retail price resulted in the petroleum dealers earning a wind fall. On Government account alone this led to excess payment of Rs.67.44 lakh to petroleum dealers.

Retail prices of Motor Spirit (MS) and High Speed Diesel (HSD) in Sikkim are fixed by the Food & Civil Supplies & Consumer Affairs Department (FCS&CAD) under the *Sikkim Essential Commodities (Price Display & Control of Supplies and Distribution) Order, 1977*. The rates are regulated by FCS&CAD in line with the Central Issue Price (CIP) of MS and HSD as revised from time to time by the Government of India after adding to it applicable sales tax, toll tax @ Rs.12.50 per thousand litres, bank commission @ Rs.3 per thousand rupees, shrinkage allowance @ 1.5 per cent, handling charges @ 3 per cent and dealer's commission.

On scrutiny, however, it was noticed that the rate of bank commission was Rs.2 per thousand only. Further, toll tax was not being levied in Sikkim and shrinkage allowance @ 1.5 per cent was found to be on the higher side since the norm of the Sikkim Nationalised Transport (a State Government undertaking) for shrinkage allowance on petroleum products was a maximum of 0.22 per cent. Also, the component of handling charges allowed in the retail price was inadmissible according to Indian Oil Corporation (IOC) guidelines as the Corporation has been supplying MS and HSD at dealers' locations in Sikkim.

The unwarranted higher rates of commission and shrinkage allowance and unjustified inclusion of toll tax and handling charges by the FCS&CAD had the effect of inflating the retail prices of MS and HSD by 4 per cent and resulted in the sellers earning super profits at the expense of consumers.

During 1995-96 to 2001-02, official vehicles of the various departments of the Government of Sikkim consumed 60,86,929 litres of MS and 18,77,136 litres of HSD¹ at a cost of Rs.16.86 crore and the extra burden on Government account

¹ Calculated from the records of the SNT for this period.

due to the incorrect price fixation, and correspondingly the super profits earned by the petroleum dealers in the State, worked out to Rs.67.44 lakh. This figure would be much higher if retail sales to the general public are taken into consideration.

In reply (August 2003) the Department stated that items like handling charges, toll tax, bank charges, etc. have historically been included in the pricing of MS and HSD since inception. It proposed to rationalise these allowances as and when changes in the price of MS/HSD are effected in future.

It further stated that shrinkage allowance has been incorporated in the price structure according to IOC norms and enclosed the particulars of shrinkage allowance prescribed by IOC for certain areas in adjoining Darjeeling district of West Bengal an analysis of which indicated that the shrinkage allowance permitted by the Department was around 66 *per cent* more for MS and 92 *per cent* more for HSD when compared to the norm prescribed by IOC for Mirik, the place nearest in altitude to Gangtok.

URBAN DEVELOPMENT & HOUSING DEPARTMENT

3.6 Non-realisation of rent

14 rooms of a shopping complex constructed at a cost of Rs.1 crore have remained vacant for the last seven years and rent totalling Rs.8.27 lakh remained uncollected.

Mention was made in paragraph 3.9.9 (d)(i) of the Audit Report 1997-98 about the delay in construction of a parking-cum-shopping complex at Development Area taken up under the scheme "Integrated Development of Small and Medium Town" (IDSMT) by three years and non-distribution/disposal of the shops by two years four months which created a burden on the State exchequer. The Department had then assured (June 2000) the Public Accounts Committee that steps were being taken to dispose off the complex and earn expected revenue in due course.

However, even till December 2002 it was seen that 14 out of 42 shops in the complex were still lying vacant. This was despite the Government's decision in June 2001 to allot the unoccupied shops to Government departments and undertakings. Further, in respect of the 23 out of a total of 28 shops let out, the Department had never bothered to collect the rent from the time the shops were let out - it was owed Rs.8.27 lakh (as of December 2002) as rent which remained uncollected for periods ranging from March 1998 to June 2002.

Thus, due to selection of an unsuitable site for a shopping complex, the Department's apparent lack of concern and urgency in finding tenants for the 14 rooms vacant for more than seven years and its negligence in failing to collect the

rent due, the expenditure of Rs.1 crore (of which Rs.29.75 lakh was a loan carrying 9.75 *per cent* rate of interest from the Centre) spent on the construction of the complex has failed to yield its full potential and as such became unproductive.

In reply (November 2003), the Department stated that the efforts are being made to vacate all the present occupiers and rent out the whole complex to Science & Technology Department, since it has been realised that public did not prefer the complex as business venue. The reply corroborated the audit contention that the selection of the site for a commercial objective was not well chosen.

3.7 Short realisation of revenue on allotment of plots

Non-levy of salami, cost of land and development fee resulted in short realisation of Rs.8.59 lakh.

The Sikkim Allotment of House Sites and Construction of Buildings (Regulation and Control) Act, 1985 stipulates that

- i) The Government shall, within six months but not later than one year from the date of commencement of the Act, prepare a plan and notify the areas in the State for residential, commercial, residential-cum-commercial, industrial and public purposes.
- ii) Persons having a dwelling house in a particular town or bazaar shall not be eligible for allotment of site within any urban area.
- iii) A person to whom land is allotted by the Government shall pay such site salami and cost of land as may be notified from time to time.

Scrutiny of land allotment records of the Department for the period June 1998 to March 2001 revealed that while no plan had been prepared or notified for the various purposes as required under the Act, allotment of Government land to individuals was made on the basis of applications received from time to time depending on the availability of land without properly verifying whether the applicant already had a dwelling house or not. Further, of the 93 allotments made in and around Gangtok during the above period, 50 cases were test checked in audit (January 2002). It was seen that cost of land amounting to Rs.7.20 lakh was not levied as provided in the Act in 24 cases. Besides, there was short levy of site salami* of Rs.1.39 lakh in 12 cases.

In the 24 cases (out of 50) as above, the total amount not levied worked out to Rs.8.59 lakh.

* Land allotment fee levied by Government of Sikkim.

In reply (November 2003), the Department stated that while the site salami amounting to Rs.0.77 lakh was realised from six allottees, the cost of land could not be levied due to non furnishing of land rates by the office of the District collector (East), for which reminder to them had since been issued.

TRANSPORT DEPARTMENT (MOTOR VEHICLE DIVISION)

3.8 Incorrect fare revision

Incorporation of higher rate of interest in the analysis of fares resulted in undue benefit of Rs.6.66 crore per annum to the vehicle owners.

In exercise of the power conferred by clause (i) sub-section (1) of section 67 of the Motor Vehicles Act, 1988, Motor Vehicle Division of the Transport Department regulates the fares for contract carriages (motor cab, maxi cab) plying in the State and last revised it w.e.f. February 2001. The fare revision was worked out by the Department on per kilometre per vehicle basis taking into consideration all elements of costs, viz, ownership cost, operational cost and owner's profit at 15 *per cent* thereon.

Scrutiny of records of the revision effected in February 2001 revealed that the rate of bank interest, which was one of the items of ownership cost, was incorporated in the cost analysis @ 20 *per cent* per annum, whereas prevalent bank rate of interest on a vehicle loan was 14.74 *per cent* per annum during the same period. This resulted in loading of additional overhead cost and corresponding fixation of higher fares by Rs.0.30 per kilometer for local taxis and Rs.0.48 per kilometer for mainline taxis resulting in undue benefit to the vehicle owners to the tune of approximately Rs.6.66[@] crore per year, at the expense of the commuters.

While accepting the fact, the Department informed (August 2002) that the matter would be scrutinised and all the required information including formula for operational costs from the Association of State Road Transport Undertakings would be taken into consideration in future. In a further reply (June 2003) it stated that with the recent price hike of HSD and MS, revised fares would be worked out shortly wherein the existing bank rate of interest would be incorporated.

In a further reply (November 2003), the Department stated that ownership cost of 20 *per cent* was initially adopted in 1995 and the same rate was incorporated during subsequent fare fixations. However, the current interest rate of the State Bank of India on vehicular loans had been obtained and the same would be incorporated in the next fare revision which was under process.

[@] For 1,757 local taxis and 2,348 mainline taxis registered in the State as on 01 March 2001 with average running of 40,000 kms. per year as fixed by the Department.