

OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Sikkim for the year 2002-2003 and seven other chapters, comprising two reviews and 29 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 2002-2003, the assets of the Government increased by 16.70 *per cent* while the liabilities grew by 7.61 *per cent*. The increase in liabilities was largely on account of increase in internal debt (Rs.27.11 crore), Small Savings, Provident Funds etc. (Rs.23.44 crore) and loans and advances from Central Government (Rs.23.78 crore).

The revenue receipts of the year amounted to Rs.2080.52 crore of which tax revenue constituted 5.07 *per cent*, non tax revenue 63.25 *per cent*, grants from Government of India 27.97 *per cent* and State's share of Union taxes 3.71 *per cent*. Against this, the revenue expenditure of the State was Rs.1882.62 crore resulting in a revenue surplus of Rs.197.90 crore. A major portion of revenue expenditure was incurred on General Services (74.67 *per cent*) while Economic Services and Social Services accounted for 12.65 *per cent* and 12.68 *per cent* respectively.

There was decrease in capital expenditure by Rs.1.75 crore in 2002-2003 as compared to the previous year. Its share in total expenditure has gone up from 5.78 *per cent* in 1998-99 to 10 *per cent* in 2002-2003.

Investments to the extent of Rs.69.56 crore made by the Government in companies, corporations and co-operative societies fetched a meagre return of 2.53 *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.6.28 crore at the end of 2002-2003.

The total borrowings of Rs.193.39 crore were almost exclusively used for debt servicing which amounted to Rs.191.16 crore.

Out of 12 working Government companies / corporations, seven were running under loss and the accumulated losses was Rs.37.44 crore as per latest finalised accounts.

(Paragraph-1)

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 2002-2003 against grants/appropriation and the audit observation there- against were as follows:

<i>At a glance</i>	:	<i>Rupees in crore</i>
Original	:	2009.62
Supplementary	:	277.73
Total authorisation	:	2287.35
Total expenditure	:	2144.39
Total savings	:	142.96

The excess expenditure of Rs.870.58 crore for the years 1998-99 to 2001-2002 under 18 grants and appropriation required regularisation under article 205 of the Constitution of India.

In 22 cases of grants/appropriation supplementary provision amounting to Rs.35.57 crore proved unnecessary.

Against unutilised provision of Rs.133.31 crore in 28 cases, Rs.105.87 crore only were surrendered.

In seven cases, against the actual saving of Rs.237.28 crore, Rs.263.05 crore were surrendered resulting in excess surrender of Rs.25.77 crore.

(Paragraph 2)

3 Audit Reviews on Developmental/Welfare Programmes and other activities

(a) Operational performance of Sikkim Nationalised Transport

Despite enjoying a near monopoly over road transport in the State, the operations of the Sikkim Nationalised Transport was characterised by chronic losses on account of its aging fleet; low vehicle productivity, fleet utilisation and fuel efficiency; losses incurred on passenger traffic; inordinate delays in repair and commissioning of vehicles and poor material management and inventory control.

The Sikkim Nationalised Transport sustained a total operating deficit of Rs. 38 crore during the period 1998-99 to 2002-03.

The Sikkim Nationalised Transport incurred extra expenditure of Rs. 3.92 crore due to low fuel efficiency.

Shortage of stock materials worth Rs. 43.85 lakh from three divisional workshops was noticed.

(Paragraph 3.1)

(b) Review of Power Department (Transmission & Distribution)

The Power Department is responsible for the development of the power sector in Sikkim. A review of transmission and distribution system of Power Department for the period 1998-99 to 2002-03 indicated deficient financial management, high system losses, poor programme management, mounting arrears of revenue and non-recovery of outstanding dues from the West Bengal State Electricity Board. Operating deficit of the Department was very high and accounted for 9 to 122 per cent of the State's fiscal deficit.

System losses ranged from 20 to 28 per cent, which was much higher than the norms of Central Electricity Authority.

Estimates of six works were inflated by Rs.62.48 lakh as the electrical wing followed its own Schedule of Rates.

The Department's inability to evacuate power from Ramam project led to extra expenditure of Rs.1.98 crore and non-recovery of dues amounting to Rs.25.79 crore.

The differential between cost of energy purchased and its sale ranged between 24.86 to 40.50 paise per Kwh and resulted in a burden of Rs.13.06 crore to the State exchequer.

(Paragraph 4.1)

Irregular/Avoidable/Excess/Unfruitful Expenditure

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

(Paragraph 3.2)

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

(Paragraph 3.4)

Inclusion of higher allowances by Food and Civil Supplies Department while determining the retail price resulted in the petroleum dealers earning a windfall. On Government account alone this led to excess payment of Rs.67.44 lakh to petroleum dealers.

(Paragraph 3.5)

Instead of purchasing directly from the manufacturer, the Power Department allowed procurement of steel plates by contractor at a higher rate resulting in extra expenditure of Rs.63.74 lakh.

(Paragraph 5.1)

Non-adherence to the codal provision by Power Department in purchase of XLPE cable resulted in procurement at higher rate and consequent excess expenditure to the tune of Rs.14.11 lakh.

(Paragraph 5.2)

Non-realisation/loss of Government Revenue

Non-levy of salami, cost of land and development fee by Urban Development and Housing Department resulted in short realisation of Rs.8.59 lakh.

(Paragraph 3.7)

Failure of the Directorate of Lotteries to ensure the submission of bank guarantees resulted in short realisation of assured revenue by Rs.7.04 crore and loss of interest amounting to Rs.10.08 lakh.

(Paragraph 6.7)

Wrong interpretation and application of slab rates of taxation by Income and Sales Tax Department resulted in underassessment of income tax and consequent loss of revenue of Rs.27.85 lakh.

(Paragraph 6.10)

Owing to short recovery of Sales Tax of Rs.9.46 lakh at source and non-deduction of 2 *per cent* sales tax at source from contractors by Roads and Bridges Department amounting to Rs.37.03 lakh, Government revenue of Rs.46.49 lakh remained unrealised due to non-assessment of the contractors' income by Income and Sales Tax Department.

(Paragraph 6.12)

Despite clear codal provisions, Transport Department (Motor Vehicle Division) failed to levy an additional fee on delayed renewal of permits resulting in a revenue loss of Rs.10.98 lakh.

(Paragraph 6.14)

The executive decision to levy slab rates of tax by Urban Development and Housing Department was legally not tenable and led to loss of Government revenue. Non-levy of penalty and permission to restart the operations on part payment of outstanding dues was an undue favour extended to a cable operator, which resulted in a further loss of Rs.80.51 lakh.

(Paragraph 6.15)

Loss of Government Money

Due to construction activities not being taken up in a planned manner, Sikkim Hatchery Limited in the first four years of its commercial operations alone, incurred operational losses aggregating to Rs.47 lakh.

(Paragraph 8.13)

With the Sikkim Poultry Development Corporation Ltd. remaining dormant since its formation, the expenditure of Rs.47.88 lakh on establishment related expenditure was a waste of public funds.

(Paragraph 8.14)

Diversion of fund

The Roads and Bridges Department's action was characterised by indecision and resulted in infructuous expenditure of Rs.45.40 lakh and diversion of Rs.28.56 lakh besides avoidable delay in setting up the airfield for boosting tourism prospects of the State.

(Paragraph 4.4)

Roads and Bridges, Education, Urban Development and Housing departments spent fund-aggregating Rs.1.31 crore in violation of Non-lapsable Central Pool of Resources scheme guidelines resulting in diversion of funds.

(Paragraph 4.6)

Undue benefit to supplier/contractor/dealer

Incorporation of higher rate of interest in the analysis of fares by Transport Department (Motor Vehicle Division) resulted in undue benefit of Rs.6.66 crore per annum to the vehicle owners.

(Paragraph 3.8)

Adoption of lower compaction norms by Roads and Bridges Department led to additional expenditure of Rs.18.42 lakh in 28 road works alone besides benefiting the contractors by way of recovery of less hire charges amounting to Rs.18.58 lakh.

(Paragraph 4.2)