



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India
on
Social, Economic, Revenue, General Sectors
and Local Bodies for the year ended March 2023**



GOVERNMENT OF SIKKIM
Report No. 3 of 2025

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2023 has been prepared for submission to the Governor of Sikkim under Article 151 of the Constitution of India.

This Report contains significant results of Performance Audit and Compliance Audit (including Subject Specific Compliance Audit) of the departments of the Government of Sikkim under Social, Economic, Revenue, General Sectors & Local Bodies and Public Sector Undertakings.

The cases mentioned in the Report are those which came to notice in test audit during the period 2022-23, as well as those which came to notice in earlier years, but could not be dealt with in the previous reports. Matters relating to the period subsequent to 2022-23 have also been included appropriately in the Report.

The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Audit Report consists of eight chapters, which deal with Social, Economic, Economic (Public Sector Undertakings), Revenue, General Sectors and Local Bodies. Chapter VIII deals with Follow up action on earlier Audit, reports and response of departments to recommendations of the Public Account Committee.

This Report also includes three Performance Audits viz. Performance Audit on Building and Other Construction Workers Welfare Cess, Implementation of Pradhan Mantri Gram Sadak Yojana and Solid Waste Management in Urban Local Bodies, four Subject Specific Compliance Audits (SSCA) on Public Health Infrastructure and Management of Health Services, Department oversight on GST payment and return filing, Swadesh Darshan Scheme and Efficacy of implementation of 74th Constitutional Amendment Act, in Sikkim. The Report was forwarded to the Secretary of the Departments concerned with a request to furnish replies to the observations. Replies received have been suitably incorporated in the Report.

SOCIAL SECTOR

The Chapter on Social Sector consists of one Performance Audit and one Subject Specific Compliance Audit.

PERFORMANCE AUDIT

BUILDING AND OTHER CONSTRUCTION WORKERS WELFARE CESS

Government of India (GoI) enacted the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) and Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act). The Acts aimed to provide safety, health and welfare measures for the benefit of building and other construction (BOC) workers through levy of cess.

Government of Sikkim (GoS) notified (August 2010) the Sikkim Building and Other Construction Workers (SBOCW) Rules, 2010. The collection of BOCW cess was fixed at the rate of one *per cent* on the cost of construction incurred by the employers.

Audit observations

The Board did not prepare annual budget estimates upto 2021-22. In the absence of an annual budget, the Board could not effectively plan and manage its financial resources to support the implementation of various programmes and projects to promote the welfare of BOC workers.

(Paragraph 2.3.8.2)

Audit observed that during 2017-18 to 2021-22, the Board had invested ₹ 73.44 crore in non-nationalised banks (IDBI Bank, Yes Bank, Axis Bank, ICICI Bank, HDFC Bank, etc.), which was in contravention to the directions of the Supreme Court and the SBOCW rules, 2010.

(Paragraph 2.3.8.3)

The Board incurred administrative expenditure ranging from 3.48 *per cent* and 65.93 *per cent* during the period from 2017-18 to 2021-22, with five *per cent* being the maximum limit.

(Paragraph 2.3.8.4)

The Board had not maintained details of workers *viz.*, name, contact numbers, Certificate for age proof and address proof, Bank details, family details for nomination, *etc.* which were required to be submitted by the employer. The Board also failed to produce to Audit year-wise list of registered workers for the period 2017-22.

(Paragraph 2.3.10.1)

The establishment register maintained by the Board only included manual entries of those establishments or employers who had applied for registration, leaving many unregistered entities outside its purview. The Board did not conduct any inspection to assess eligibility for registration of establishments carrying out works where 10 or more workers were employed by the employer, towards ensuring their registration. Due to non-identification of all unregistered establishments and non-maintenance of a comprehensive database for capturing details of all establishments or employers, the Board not only could not ensure implementation of welfare benefits for all BOC workers but also could not assess and collect the actual cess receivable from these establishments.

(Paragraph 2.3.10.2)

The system of providing Universal Access Number/Unique Identification Number to construction workers was not introduced by the Board during the period of audit (2017-22).

(Paragraph 2.3.10.5)

Audit scrutiny showed that none of the employers carrying out building or other construction works under the Board's record had furnished returns showing the details of workers entitled to be registered as well as those who left the service during the preceding month and particulars of the establishment, during 2017-22.

(Paragraph 2.3.10.6)

The State had not notified the building plans approval authority for collection of advance cess from the estimate of the construction of the building plan. Consequently, in none of the private construction works was applicable advance cess collected and received by the Board. In addition, the Board had not made necessary efforts to register eligible private establishments.

(Paragraph 2.3.11.4)

There were significant delays in releasing financial assistance for all schemes. In seven cases, financial assistance was not released to the beneficiaries and there was no valid explanation by the Board for the non-release.

(Paragraph 2.3.13.1)

The Board provided financial assistance to 7,500 beneficiaries by depositing the amount to the employer's account. The Board released ₹ 1.50 crore to 44 employers for onward transfer of financial assistance to their 7,500 workers (March and April 2020). Analysis of UCs revealed that out of 6,911 beneficiaries, in 1,129 cases financial assistance

was extended through hand receipts. Thus, due to non-transfer of the funds directly to the beneficiaries account through DBT, lack of confirmation as to whether financial assistance was received by the beneficiaries, the disbursement of financial assistance amounting to ₹ 1.38 crore remained irregular and doubtful.

(Paragraph 2.3.13.4)

Despite provision of annual meeting of the State Advisory Committee, only five meetings were held till date (April 2023) since its constitution in the year 2010. Further, during the period 2017-22, only two meetings were held against the stipulated number of five meetings.

(Paragraph 2.3.15.1)

Recommendations:

- *Online registration mechanism for BOC workers with complete details (name, contact number, nominees, bank details, identification documents, subscription fee, etc.) to be initiated by the Board at the earliest. Further, the Board should ensure that all construction works and workers involved are registered under the Board. The Board should maintain a comprehensive database of such registered workers.*
- *The Board may ensure that Assessment Officers and Cess collectors are made accountable for ensuring that cess is duly assessed, realised and remitted to the Board.*
- *The Government may authorise the advance collection of cess from Pvt. Buildings and construction works, through the building plan-approving authorities i.e., urban/ local bodies.*
- *The Government should ensure investing the Cess fund in nationalised banks only.*
- *The Government may ensure mandatory provision of financial assistance through Direct Benefit Transfer mode only.*

SUBJECT SPECIFIC COMPLIANCE AUDIT

PUBLIC HEALTH INFRASTRUCTURE AND MANAGEMENT OF HEALTH SERVICES

The public healthcare delivery system in India is organised at three levels – primary, secondary, and tertiary. The vast network of Primary Health Sub-Centres (SCs), Primary Health Centres (PHCs), Urban Primary Health Centres (UPHCs) and Community Health Centres (CHCs) form the primary tier of public healthcare delivery system for rural and urban population. District Hospitals (DHs) provide secondary-level healthcare services for rural and urban populations. These hospitals handle the treatment and management of diseases or medical conditions that require specialised care. Tertiary healthcare involves providing advanced and super-specialty services to be provided by medical institutions in urban areas, which are well equipped with sophisticated diagnostic and investigative facilities.

Audit Observations

The State Government had not formulated any policy or strategy in line with the National Health Policy 2017 (NHP 17) till March 2023, to determine the size of budget to be allocated to the Health Sector, either as percentage of the overall State budget or the

GSDP. The State did not achieve the NHP stipulated eight *per cent* budgetary allocation for health sector in any of the five years during the period 2017-22.

(Paragraph 2.4.22.1)

The budget allocation/ expenditure on maintenance of hospitals, health centres and other buildings was on a decreasing trend since 2019-20 despite addition of five new health-care facilities and increase in bed capacity by 770 units over the period 2017-22.

(Paragraph 2.4.22.4)

The newly constructed PHC at *Chipsu* was lying unused, rendering an expenditure of ₹ 6.23 crore idle.

(Paragraph 2.4.22.5)

DHs (*Singtam*, *Geyzing*) had no General Surgery Department to undertake major surgeries, *etc.* The *Rhenock* CHC also did not have blood storage facility as required under the IPHS. Further, there was no surgeon posted in the CHC therefore OT facility could not provide required services and was used to provide only basic first aid and minor surgical procedures like suturing, dressing of minor injuries, wounds, abscess, *etc.*

(Paragraph 2.4.23.2)

In the PHCs, one to two additional medical officers beyond the IPHS norms were provided in three out of the five sampled PHCs, which indicated a positive trend. However, there was excess deployment of Staff nurses in the sampled PHCs ranging from five to 20 against the norm of three staff nurses for a PHC. *Rhenock* CHC did not have any specialist. The CHC also did not have medical Superintendent, Public Health Specialist and Public Health Nurse, as required under the IPHS. Shortages and excesses of specialists and other manpower were noticed in several Departments in the DHs. Thus, the deployment of specialists, medical officers, nurses and paramedics in the two DHs was haphazard and non-uniform. This resulted in non-availability of adequate services in Departments with shortage of manpower and under-utilisation of manpower in Departments which were overstaffed.

(Paragraph 2.4.23.3)

The two DHs sampled for Audit (*Singtam & Geyzing*) had only 40 out of the 84 prescribed pathological services and tests. While *Singtam* DH did not have Electrocardiogram (ECG) facility, the *Geyzing* DH had only one out of the three prescribed ophthalmological services. None of the sampled DHs, CHC and the PHCs had any system for obtaining quality assurance for the pathological tests despite the IPHS stipulation for ensuring external monitoring through performance evaluation and external quality assessment of laboratories.

(Paragraph 2.4.23.8)

Stillbirth rate varied between 0 *per cent* and 2.35 *per cent* in the sampled DHs, CHC and PHCs during 2017-22. *Geyzing* DH registered highest stillbirth rate of 2.35 *per cent* followed by *Rinchengpong* PHC at 1.72 *per cent*.

(Paragraph 2.4.23.13)

DG sets provided were functional in only two PHCs (*Sombaria* and *Pakyong*) out of the sampled five PHCs. *Singtam* DH witnessed frequent water shortages due to absence of a dedicated supply line of water and absence of dedicated maintenance plan and manpower to ensure regular upkeep of the water supply system.

(Paragraph 2.4.24.4)

Virology lab for conduct of Reverse Transcription-Polymerase Chain Reaction (RT-PCR) test was established in the State only in one hospital, the New STNM Super Specialty Hospital, Gangtok during 2020-21 to conduct RT-PCR test. None of the two DHs had functioning virology labs as of March 2023 for testing Covid-19.

(Paragraph 2.4.26.1)

The *Covid* Health Centre at the State Institute of Capacity Building at *Karfector* was, lying idle and in locked condition and was not being used for any purpose. No manpower was deputed in the facility and neither were any patients treated upto September 2023.

(Paragraph 2.4.26.2)

Out of the 108 ventilators received by the State from various sources, 41 ventilators were issued to the New STNM Hospital, 51 ventilators were lying idle in the Store and the whereabouts of 16 ventilators were not available in records produced to Audit.

(Paragraph 2.4.26.3)

The oxygen plants in the State had been established without ensuring availability of supporting equipment like DG sets and without ensuring prompt repairs due to which the plants either remained idle or functioned only intermittently. Due to this fact, the Department continued using bottled oxygen purchased from Government funds for in-patients.

(Paragraph 2.4.26.4)

As regards performance on the Sustainable Development Goal 3 on Good Health and Well Being, Sikkim ranked sixth among NE States with a score of 62, although Sikkim's score moved upwards from 52 to 62 during 2018-19 to 2020-21.

(Paragraph 2.4.27.3)

One of the important Indicators in which Sikkim lagged glaringly behind other States was the extremely high suicide rate which was more than 300 *per cent* of the national average.

(Paragraph 2.4.27.4)

Recommendations:

- *The State may endeavour to increase its allocation to and expenditure on the Health Sector to bring it at par with the target under the National Health Policy 2017 with a view to provide all essential specialist services as well as desirable services in the DHs and CHCs of the State.*
- *The Department may establish proper policy for procurement of medicines and consumables to avoid unwarranted and infructuous expenditure.*

- *The Department may take initiative to make good the shortage of essential equipment and ensure availability of required specialist services and blood storage facility in the OTs of the DHs and CHCs.*
- *Specialist services viz., Surgery, Medicine, Obstetrics & Gynaecology, Paediatrics and Anaesthesia, etc. may be introduced in the CHCs in the State as required under IPHS norms.*
- *Government may take steps to set up new PHSCs, PHCs and CHCs to mitigate shortages of CHCs, PHCs and PHSCs in the two districts of the State to ensure availability of proper healthcare facilities near the place of residence of people of those areas.*
- *The Department may take steps to identify reasons for high stillbirth rates in the State and take corrective measures to reduce the rate.*
- *The Department may make RTPCR cum Virology labs functional in the DHs.*
- *The Government/Department should prepare an action plan for utilising the newly constructed 50 bedded Covid Hospital constructed at Karfectar at the earliest.*
- *The Department may ensure regular repair and upkeep of the Oxygen generating plants with a view to ensure their utility.*
- *The Department may take stock of the idle ventilators and concentrators in the stores and ensure their usage or disposal, as appropriate.*
- *Government should take appropriate action towards regular monitoring and supervision of the health and family welfare programmes with a view to ensure achieving the SDG 3 targets.*
- *Government may take serious note to ascertain the reasons for the high suicide rate and deaths due to road accidents in the state and make concerted efforts to contain the same.*

ECONOMIC SECTOR

The Chapter on Economic Sector consists of one Performance Audit and one Compliance Audit Paragraph.

PERFORMANCE AUDIT

IMPLEMENTATION OF THE *PRADHAN MANTRI GRAM SADAK YOJANA (PMGSY)*

Government of India (GoI) launched the centrally sponsored ‘Pradhan Mantri Gram Sadak Yojana’ (PMGSY) in December 2000 for providing all-weather road connectivity to all eligible unconnected habitations in rural areas with a population of 500 persons and above in plain areas and 250 persons in hilly areas. Besides, upgradation of existing rural roads was also to be carried out under PMGSY. Further, as the Programme unfolded, a dire need to consolidate the entire rural road network by upgradation of selected Through Routes and some Major Rural Links (MRLs) was felt and accordingly a new intervention was evolved in May 2013 namely PMGSY-II. PMGSY–II envisages

consolidation of the existing Rural Road Network by covering upgradation of selected rural roads based on their economic potential and their role in facilitating the growth of rural market centres and rural hubs.

In Sikkim, total expenditure of ₹ 1131.72 crore (Scheme ₹ 1086.82 crore, administrative ₹ 16.44 crore, and Maintenance ₹ 28.46 crore) was incurred during 2017-23 on construction, upgradation, and maintenance of rural roads under PMGSY. During the period covered, 433 projects (Roads-178, Bridges-97, upgradation-34 and Maintenance-124) were either ongoing or completed or under maintenance in the said period.

Audit Observations

- In Sikkim, there were a total 773 habitations eligible for connectivity under PMGSY. As of 31 March 2023, 225 eligible habitations had been connected. With 548 habitations remaining to be connected, audit noticed that 44 ineligible habitations were provided with connectivity.

(Paragraph 3.3.8.2)

- There were instances of works where SRDDA had prepared DPR in an adhoc manner. Out of 46 sampled PMGSY-I roads, 21 roads were executed in such a manner that part of the road works were executed at a different location as against the original work site sanctioned by National Rural Infrastructure Development Agency (NRIDA). Further, out of 21 road works, connectivity to the targeted habitations by construction of five roads had been achieved without exhausting sanctioned length of these roads and remaining length was executed at other habitations which were already connected by another road, resulting in avoidable expenditure of ₹ 8.27 crore.

(Paragraph 3.3.8.3)

- 37 delayed works were under execution during audit period, which were sanctioned during 2007-08 to 2021-22. RDD had attributed the delay to the contractors and had issued notices to them, however, LD amounting to ₹ 17.21 crore had not been levied on the contractors.

(Paragraph 3.3.9.2)

- There were 275 works were in execution, out of which four works were completed in time, and remaining works were delayed ranging from upto one year to more than 10 years during the period 2017 to 2023.

(Paragraph 3.3.10.1)

- In three out of 46 sampled works, landowners had initially provided NOC for acquisition of their land for roads. However, subsequently the landowners refused to part their land during execution of work due to various reasons including non-payment of land compensation, SRRDA was forced to stall the work, and execution of 580 metres of Stage II works was abandoned due to land dispute.

(Paragraph 3.3.10.2)

- On scrutiny of records and JPV of 45 road works (December 2022 to February 2023) out of 55 sampled roads (PMGSY I - 46 and PMGSY-II-9), it was noticed

that the road length of 1570 meter in four roads was lesser than the sanctioned length, however, SRRDA had paid the contractor for the full sanctioned length.

(Paragraph 3.3.10.5)

- Audit scrutinised total 113 sampled works (Roads-55, Bridges-24 and Maintenance-34) out of 433 works and found that the contractors did not provide the required insurance cover for work execution period as well as for five years (defect liability period) after completion of construction for all works. In the absence of insurance coverage by the contractors, SRRDA remained at risk of bearing financial burden of damages caused to roads /bridges, personal injury/death due to accidents during execution.

(Paragraph 3.3.10.10)

- NQM carried out a total 559 inspections where 14 *per cent* works were graded as unsatisfactory and 12 *per cent* works required improvement. Similarly, SQM had carried out 1507 inspections where four *per cent* works were graded as unsatisfactory and two *per cent* works as requiring improvement. However, there was no record of action taken by SRRDA to rectify the work.

(Paragraph 3.3.11.1)

- No records relating to minutes of meetings of the State Level Standing Committee held during the period 2017-2023 against the requirement of 24 meetings to be conducted, were available with SRRDA. This indicated lack of monitoring of PMGSY.

(Paragraph 3.3.11.3)

Recommendations:

- *Responsibility of the officials concerned may be fixed for selecting ineligible habitations, preparing deficient DPRs and executing unapproved portions of works.*
- *SRRDA may monitor the progress of road works with reference to the prescribed milestones and quality and stringent action be initiated against defaulting contractors to avoid delay in execution.*
- *SRRDA may ensure that the roads built are in compliance with the quality specifications as specified in the guidelines and may take necessary rectificatory measures on the recommendations of NQM and SQM.*
- *SRRDA may streamline the existing mechanism for routine maintenance of PMGSY roads and bridges such that the roads and bridges remain serviceable through out their service life, without deterioration.*

COMPLIANCE AUDIT

Rural Development Department erroneously paid labour cess amounting to ₹ 4.32 crore to the contractor as the estimate included labour cess and the rate quoted by the contractor was inclusive of all taxes (including labour cess). This resulted in unwarranted payment amounting to ₹ 4.32 crore. Further, RDD had also paid labour cess amounting to ₹ 0.38 crore on inadmissible items, which was avoidable.

Recommendation: The Department should take urgent action to recover ₹4.70 crore from the contractor. The State Government needs to fix responsibility on the officials concerned for such a lapse.

(Paragraph 3.4)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

As on 31 March 2023, the State of Sikkim had 17 working PSUs (13 working Government Companies and four working Statutory Corporations) under the audit purview of the Comptroller and Auditor General of India (C&AG). During the period 2022-23, the investment of the State Government (capital and long-term loans) in 17 PSUs amounted to ₹ 82.65 crore consisting of 67.31 *per cent* (₹ 55.63 crore) towards capital and 32.69 *per cent* (₹ 27.02 crore) towards long term loans.

(Paragraphs 4.1.1 and 4.1.2.1)

The State's budgetary support to PSUs increased from Nil (2020-21) to ₹31.29 crore (equity: ₹ 6.30 crore; loans: ₹ 24.99 crore) during 2022-23. As per the information furnished by the PSUs, during 2022-23, the State Government provided grants amounting to ₹ 66.35 crore to five PSUs namely Temi Tea, SC, ST & OBC Development Corporation, *Namchi* Smart City Limited, *Gangtok* Smart City Development Limited and Sikkim Industrial Development & Investment Corporation.

(Paragraph 4.1.4)

As on 30 September 2022, 58 accounts of 14 PSUs had not been finalised.

(Paragraph 4.1.6)

As per the latest finalised accounts of PSUs as on 30 September 2023, the aggregate paid-up capital and accumulated losses of 17 working PSUs were ₹3,716.86 crore and (-) ₹1,149.09 crore respectively.

(Paragraphs 4.1.8.2)

REVENUE SECTOR

The Chapter on Revenue Sector contains one Subject Specific Compliance Audit. This Chapter also gives an overview of revenue receipts which showed that during the period 2022-23, the revenue raised by the State Government (₹ 2473.37 crore) was 31 *per cent* of the total revenue receipts. The balance 69 *per cent* of the receipts during 2022-23 was from Government of India.

(Paragraph 5.1.1)

- The analysis of arrears of revenue as on 31 March 2023 showed that ₹ 454.91 crore, of which, ₹138.28 crore was outstanding for more than five years.

(Paragraph 5.3)

SUBJECT SPECIFIC COMPLIANCE AUDIT

“OVERSIGHT ON GST PAYMENTS AND RETURNS FILING” FOR THE YEAR 2017-18

Subject Specific Compliance Audit on transitional credits under GST in Sikkim was taken up with a view to seeking an assurance on whether the mechanism envisaged by the Department for selection and verification of transitional credit claims was adequate and effective (System issues) and whether the transitional credits carried over by the individual taxpayers into GST regime were valid and admissible (Compliance issues).

Audit Observations

Audit observed that out of total 10940 taxpayers, only four taxpayers were scrutinised by the Commercial Taxes Division, Finance Department, Government of Sikkim and ASMT-10 were issued during the period from 2017-18 to 2020-21. Further, the modalities of scrutiny adopted by the CTD, the basis for selection of taxpayers for scrutiny, the checks that were done in the application itself, any data analytics methods adopted and reports of Directorate General of Analytics and Risk Management (DGARM) received, if any, and action taken thereon were called for (September 2022) in Audit, but the CTD had not responded till date (November 2023). Further, Audit observed that out of the fourteen taxpayers selected for detailed audit, three had filed GSTR-1 return(s) after a delay of more than six months, three had filed GSTR-3B returns after a delay of more than six months and two taxpayers had not filed GSTR-9 and GSTR-9C till July 2023. Yet no action for cancellation of their registration was seen to have been initiated by the CTD (November 2023).

(Paragraph 5.12.6.1)

Audit selected a sample of 93 cases (18 from Industries Sector, 46 from Service Sector and 29 from Trading Sector) from amongst the top deviations/inconsistencies in each of the 12 parameters for the year 2017-18. The audit queries were issued to the respective Sectors on 19 May 2022. Audit checks in these cases were limited to verifying the CTD's action on the identified deviations/mismatches. Out of 93 queries issued, responses were received in 38 cases and no response was received (November 2023) in 55 cases. Further, out of total 93 inconsistencies/mismatches pointed out by Audit, the CTD provided responses in case of 38 inconsistencies/mismatches amounting to ₹ 10.52 crore. Out of those 38 replies, Audit noticed deviations from the provisions of the SGST Act in 22 cases involving amount of ₹ 3.71 crore. Out of 22 compliance deviations, the CTD accepted audit observations and made recoveries in four cases with tax effect of ₹ 0.24 crore and in 18 cases, the replies were not acceptable to Audit. Out of 38 cases, in 16 cases, the Department's reply was acceptable to Audit, which includes 4 cases of data entry errors and 12 cases under other valid explanations.

(Paragraph 5.12.6.2)

Recommendations:

After evaluation of records furnished and analysis of data available in the State system, the following recommendations are made:

- *The CTD may put in place proper mechanism for scrutiny of returns to ensure compliance of rules pertaining to returns filing and tax payments by all taxpayers. The CTD may prepare a Standard Operating Procedure for manual scrutiny of returns in line with one prepared by CBIC, for use till automation of scrutiny is completed.*
- *CTD may establish mechanism to regularly identify late-filers and non-filers and take necessary steps to recover tax, interest and late fee from them.*
- *CTD may establish mechanism to regularly identify taxpayers who have not filed GST returns for more than six months and take necessary steps to recover applicable tax, interest and late fee from them and cancel the registrations.*
- *CTD may urgently pursue the 55 inconsistencies/deviations pointed out by Audit for which responses have not been provided and intimate the results there-of.*
- *The CTD may conduct similar data analysis (as conducted by Audit for Centralised/ limited Audit) of GST returns and other related data of all the taxpayers under State jurisdiction to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable.*

GENERAL SECTOR

The Chapter on General Sector contains one Subject Specific Compliance Audit.

SUBJECT SPECIFIC COMPLIANCE AUDIT

SWADESH DARSHAN SCHEME

Swadesh Darshan is the flagship scheme of Ministry of Tourism (MoT) of Government of India (GoI) for development of tourism infrastructure in the country. MoT launched this Central Sector Scheme in January 2015. The objective of the scheme was to develop tourist circuits and promote cultural and heritage value of the country. The MoT approved two projects *Swadesh Darshan-I* (SD-I) and *Swadesh Darshan-II* (SDII) under North-East Circuit for the state of Sikkim. The entry point defined in SDI was at *Rangpo* and exit point was at *Singtam*. In respect of *Swadesh Darshan-II* the entry point was at *Singtam* and exit point at *Melli*. A Subject Specific Compliance Audit on SD, brought out the following significant findings:

Audit Observations

Identification of the tourist circuit and the destinations is a vital component of the scheme. The tourist circuits/destinations were to be identified by MoT in consultations with the stakeholders and States based on a pre-dominant tourism theme, considering certain factors. However, DPR prepared by the department did not have any reference to consultations. Such deficiencies in planning affected the overall execution and implementation of the projects resulting in instances of delay in completion of the projects, non-utilisation of infrastructure and improper utilisation of infrastructure created.

(Paragraph 6.3.8.1)

The GoI released ₹ 187.95 crore to the State Government for SD-I & SD-II. The department carried out 127 works under 35 selected components, out of which 126 works were handed over to the Assets cell of the Department by the Engineering cell after completion of the works for leasing out and one asset (Development of Adventure Tourism with International Standard Zip line from *Hathipailay* to *Aritar* Lake) was not handed over to asset cell. However, out of 127 assets, only 19 assets were being utilised for the purposes for which they were created, 77 were lying unutilised till the date of audit and 31 were being used for other unintended purposes. This led to infructuous expenditure of ₹ 17.68 crore and idling of assets valuing ₹ 18.98 crore.

(Paragraph 6.3.9)

As per guidelines/revised guidelines, improvement/investment in assets/structures owned by the private entities were not admissible under the schemes. TCAD submitted the land availability certificate along with the DPR to MoT stating that all lands were free from encumbrance to accommodate all features of the project and the lands were in possession of the Department. However, tourist infrastructure in nine destinations was constructed in the land belonging to either Monastery or temple, which affected the State's ownership of the project/assets as well as its access to revenue from the project.

(Paragraph 6.3.9.1)

Projects under *Swadesh Darshan-I* and II were sanctioned by the GoI on 30.06.2015 and 16.09.2016 respectively. However, there was an inordinate delay in awarding tenders for SD-I and II. The delay in finalisation of tenders ranged from 139 days to 419 days (SD-I) and 90 days to 243 days (SD-II) from the due date of award of tender (three months from the date of sanction) due to belated process for tendering, retendering due to non-fulfillment of tendered conditions, etc.

(Paragraph 6.3.9.2)

None of the 35 components under 21 destinations (SD-I: 13 and SD-II 8) selected by audit were completed within the stipulated time schedule. Works were delayed ranging from four months to 37 months from the stipulated date of completion.

(Paragraph 6.3.9.3)

According to Paragraph 2 (20) of the Sikkim Public Works Code 2009, Contingencies (Works) when used in respect of the accounts of a work, indicate incidental expenses of a sundry nature, which cannot be classified under any Sub-head or sub-work but pertain to the work. However, the Department had incurred ₹ 1.85 crore on procurement of ten vehicles and on items which were not related to the schemes/works under SD, which was irregular.

(Paragraph 6.3.10.4)

As per revised guidelines of the scheme 2017, the States UT Administration shall appoint a State Level Monitoring Committee for timely implementation of the project. The purpose of the committee is to provide feedback on the progress of implementation to GoI regularly. Accordingly, the Department constituted a monitoring committee consisting of six members headed by Chief Engineer as Chairman on 10.02.2016, however after a lapse of seven months of issue of sanctioned letter. However, no records

were made available at the department to indicate that SLMC met regularly after its formation. In absence of monitoring mechanism, delay in completion of works ranging from four months to 37 months, could not be avoided.

(Paragraph 6.3.11.1)

Recommendations:

- *Department should ensure that before selection of a project, proper survey, feasibility studies and consultation with shareholders are ensured. DPR should spell out clearly the reasons for selection of a project. No deviation from approved DPR shall be permitted unless absolutely necessary.*
- *Department shall make every effort to ensure that the assets created under Swadesh Darshan I and Swadesh Darshan II are utilised for the purpose for which they were created.*
- *Department shall ensure that a proper monitoring system may be developed to capture key data pertaining to tourist footfall, employment generation for effective implementation of the scheme.*
- *The issue of construction of infrastructure at Monastery and Temple premises may be taken up with GoI for regularisation.*

LOCAL BODIES

The Chapter on Local Bodies contains one Performance Audit and one Subject Specific Compliance Audit.

PERFORMANCE AUDIT

SOLID WASTE MANAGEMENT (SWM)

Government of Sikkim (GoS), in the State Policy on Solid Waste Management Strategy notified in April 2019 has envisioned to establish a ‘Zero Waste System’ for Solid Waste Management in the state by the year 2030 with a mission to enable the community to visualise experience and own up utilisation of resources along with conservation of environment for sustainable development.

Audit Observations

Even four years after the policy initiative was approved in 2019, as of June 2023, only two (out of seven) ULBs had decentralised solid waste processing facilities at *Mangan Nagar Panchayat* (MNP) and *Gangtok Municipal Corporation* (GMC).

(Paragraph 7.3.9.1)

The data on waste generated, as submitted by ULBs was based on estimation without assessing the quantity and composition of waste generated through sample collection.

(Paragraph 7.3.9.3)

The test checked ULBs had not carried out assessment of the financial viability of SWM services on a stand-alone basis to ensure their sustainability. While the user charges

were not realised in full by two ULBs (GyNP and MNP), the ULBs were dependent on government grants for SWM services to the extent of 35 to 94 *per cent* as only 6 to 65 *per cent* of expenditure on SWM services was met from own source of revenue (user charges/ outsourced contract fees).

(Paragraph 7.3.10.2 & 7.3.10.3)

Two ULBs (GMC and NJNP) had outsourced the services of door-to-door collection of waste and transportation up to landfill/ dumpsite to garbage contractors. The garbage contractors had not complied with the terms and conditions of the contract towards bearing cost of fuel, minor repair and maintenance of garbage truck provided to contractors for rendering SWM services (collection and transportation). Resultantly, GMC and NJNP incurred expenditure of ₹ 1.30 crore towards fuel, repair and maintenance of garbage truck during 2022-23, leading to avoidable expenditure and undue favour to the contractors.

(Paragraph 7.3.10.4 & 7.3.10.5)

Joint physical verification showed that the source segregation of waste was not being carried out by majority of the households. The households bring in waste in single bin without segregating, dump the unsegregated waste in the garbage truck, which did not have separate compartment for dry and wet waste, thereby indicating lack of efforts at segregation.

(Paragraph 7.3.11.3)

Vehicles used for door-to-door collection of waste were uncovered (open top) and non-compartmentalised (no separate compartment for carrying wet and dry waste). Further, staff deployed for door-to-door collection were not found to be using protective gears.

(Paragraph 7.3.11.4)

The performance of the ULBs regarding processing of waste was very minimal, ranging between 17 and 34.51 *per cent of waste generation*, due to limited number of processing units (51.80 tpd capacity), majority (50 tpd) of which (at *Martam* and *Gangtok*) were non-functional from November 2021 to January 2023 and again from June 2023. A total of 20.2 (out of 56.55) TPD was processed during 2021-22 by four test checked ULBs. However, no facility to convert waste to energy by applying technology such as incineration, gasification, pyrolysis, or any other technology was available with ULBs. Waste to energy plant was not set up in any of test checked ULBs during 2018-23.

(Paragraph 7.3.11.6)

ULBs did not have sanitary landfill sites for disposal of solid waste, except for *Gangtok* town, operated by GMC. Three (out of 7) ULBs (NNP, NJNP and GyNP) used dumping yard at *Sipchu* in West Sikkim for disposal of waste.

(Paragraph 7.3.12)

The only sanitary landfill (SLF) at *Martam*, initially designed for 25 years (up to 2040) for catering to only one ULB (*Gangtok MC*), was catering to four ULBs as of March 2023. Due to excessive dumping of mixed waste, coupled with very limited processing

of waste, the shelf life of landfill would end within two years (2025), requiring urgent action by the State Government.

(Paragraph 7.3.12.1)

The monitoring by UDD and ULB was lax as direction of State Level Committee (SLC) and National Green Tribunal (NGT) was not acted upon as of June 2023 with regard to source segregation and safe disposal as unsegregated waste (mixed waste) was collected and transported by the garbage vehicles and the landfill/ dumpsite continued to receive mixed waste instead of inert waste.

(Paragraph 7.3.14.1 & 7.3.14.2)

Recommendations:

- *The Municipal Solid Waste Management Plan should be drawn up duly assessing the quantity and composition of waste for scientific management of increased quantum of waste.*
- *The department should take immediate steps to increase the user fee and ensure collection of user fee from all concerned to augment the revenue base of ULB.*
- *The source segregation of wastes should be strictly implemented and vehicles having compartments must be used for waste collection and transportation to ensure that the segregated waste is not mixed up with other waste.*
- *The processing of waste should be increased to ensure only inert waste (up to 20 per cent of total waste generated) reaches the landfill to avoid unnecessary burden on landfill.*
- *Monitoring should be strengthened to ensure full compliance to NGT orders, advisories issued by State Level Advisory Board (SLAB) and SPCB to ensure efficacious implementation of SWM Rules.*

SUBJECT SPECIFIC COMPLIANCE AUDIT

EFFICACY OF IMPLEMENTATION OF 74TH CONSTITUTIONAL AMENDMENT ACT IN SIKKIM

Audit Observations

- The 74th CAA introduced Articles 243Q to 243ZG relating to municipalities. State Governments were required to incorporate these provisions in the respective Municipalities Acts. The provisions of the 74th CAA had been appropriately incorporated in the Sikkim Municipalities Act, 2007 by the State Legislature. However, legal provisions were not backed by decisive actions leading to compromise in attaining the spirit of the 74th CAA.

(Paragraph 7.4.4)

- Government of Sikkim through amendments to ‘the Sikkim Municipalities Act, 2007’ transferred (June 2010) six (out of 18) functions to ULBs in 2012. However, the ULBs were solely responsible for one function, had limited role in five functions and had no role in remaining 12 functions. In absence of transfer

of all important functions, these functions continued to be executed by various departments of State Government without involving ULBs.

(Paragraph 7.4.4.1)

- The State Government had accepted 13 (out of 20) recommendations pertaining to 3rd to 5th SFCs for the ULBs. Out of 13 accepted recommendations, no action was initiated on 8 recommendations as of November 2023 and due to non-compliance of accepted recommendations, the ULBs could not enhance their revenue base, especially the revenue from property tax.

(Paragraph 7.4.4.2)

Recommendations:

- *State Government should empower ULBs to function as institutions of self-government by devolving all the 18 functions enlisted in the 12th Schedule of the Constitution devolved to ULBs urgently.*
- *The State Government should empower the ULBs to generate maximum possible revenue, especially through early finalisation of modalities of property tax and levy of other fees/taxes independently by ULBs to augment the resource base of ULBs and enable them to function as institutions of self-governance.*
- *The State Government should initiate efforts to empower ULBs by ensuring compliance with accepted recommendations of various SFCs.*

FOLLOW UP OF AUDIT OBSERVATIONS
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- As on 31 March 2023 PAC had completed discussions of Audit Reports for the year up to 2014-15 and discussions on Audit Report 2015-16 were in progress. Recommendations on the Audit Reports for the year up to 2014-15 had been issued by the PAC.

(Paragraph 8.2)

- 847 Inspection Reports (IRs) and 3516 paragraphs issued from 1996-97 onwards were pending for settlement as of March 2023. The large pendency of IRs indicates inadequate action to rectify defects, omissions and irregularities by the Heads of Offices and Heads of Departments as pointed out by audit through IRs.

(Paragraph 8.4)

- Four Audit Committee Meetings were held during 2022-23 with Animal Husbandry and Veterinary Services, State Disaster Relief Fund and District Collectors where 28 IRs and 76 paragraphs were discussed, out of which 14 IRs and 51 paragraphs were settled.

(Paragraph 8.5)

CHAPTER I

INTRODUCTION

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audits and test audit of transactions of various departments of Government of Sikkim pertaining to Social, Economic, Economic (PSUs), Revenue and General Sectors and Local Bodies.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management and contribute to better governance.

This Chapter in addition to explaining the planning and coverage of audit, provides a synopsis of significant instances of non-compliance with applicable laws, rules, regulations, various orders and instructions issued by competent authorities.

1.2 Historical Background and Authority for Audit

Sikkim is the 22nd State of the Indian Union, having merged with the Indian Union on 26 April 1975. Initially, Sikkim Cell was created under the charge of Joint Director, in the Office of the Director of Audit, (Central), Kolkata, to discharge the accounting and auditing functions for the State of Sikkim. A full-fledged office as an independent unit started functioning in Gangtok *w.e.f* 10 December 1981. Consequent to restructuring of cadres in the Indian Audit and Accounts Department on 01 March 1984, this Office was bifurcated into two offices, *viz.*, Accounts & Entitlement Office (A&E) and Audit Office. Each office is headed by the Accountant General.

Under the directions of the C&AG, the Office of the Accountant General (Audit), Sikkim conducts audit of Government departments, Public Sector Undertakings, Autonomous Bodies and other Institutions¹ under Social, Economic, Revenue and General Sectors, and Local Bodies which are spread all over the State. The Accountant General (Audit) is assisted by a Deputy Accountant General.

The authority for audit is derived from Article 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C & AG's (DPC) Act). Under Section 13 of the C & AG's (DPC) Act the Office of the Accountant General (Audit) has been entrusted with the audit of all expenditure incurred from the Consolidated Fund of the Government of Sikkim. This office conducts audit of revenue receipts of the Government of Sikkim under Section 16 of the C&AG's (DPC) Act. The office of Accountant General (Audit) conducts supplementary audit of the accounts of four State Government companies under Section 143 (6) (a) of the Companies Act 2013, as these companies are registered under the Companies Act 2013. The Companies Act 1956 as well as Companies Act 2013 have not been extended to

¹ *Audit of World Bank assisted projects, Asian Development Bank assisted projects etc.*

the State of Sikkim. Therefore, other companies of the State Government, (except the above four companies) are registered under State's own "Registration of Companies Act, Sikkim 1961". Audit of these companies are entrusted to the C&AG of India by the State Government from time to time.

This office is also responsible for audit of accounts of autonomous bodies and authorities falling under Sections 14, 15, 19 (2), 19 (3) and 20 (1) of C&AG's (DPC) Act. The C&AG prescribes the principles and methodologies for various audits in the Auditing Standards and the Regulations on Audit and Accounts (Amendments), 2020.

1.3 Planning and conduct of Audit

Audit process commences with the assessment of risk of the departments based on the expenditure incurred, criticality/complexity of activities, priority accorded for the activity by the Government, level of delegated financial powers, assessment of internal controls, concerns of stakeholders, previous audit findings, *etc.* Based on this risk assessment, frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit.

After completion of each audit, Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Wherever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are processed for inclusion in the Audit Reports which are submitted to the Governor of Sikkim under Article 151 of the Constitution of India for being laid in the State Legislature.

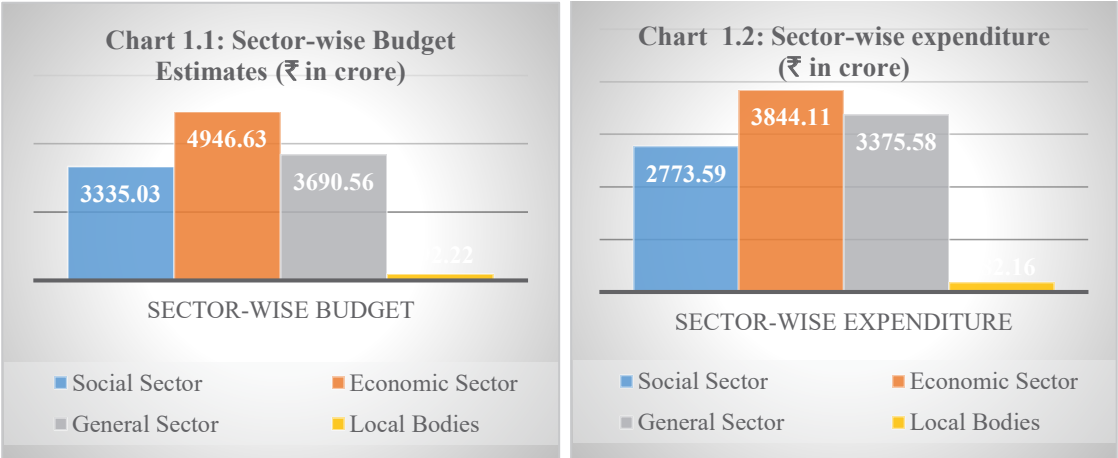
Audit Plan is prepared in such a way that it fits into the long term and short-term goals of audit in consonance with the overall "Vision and Mission" of the Supreme Audit Institution of India. It is prepared after carrying out risk assessment and keeping in view the available manpower. Elements of the Audit Quality Management Framework (AQMF) *viz.*, materiality, inputs from Voucher Level Computerisation (VLC), financial size of the units, data from various *e*-Governance initiatives taken by government, flagship programmes undertaken by auditees, press criticism/ electronic media coverage, expected audit impact and continuous improvement based on past experience, *etc.* are taken into account to the extent possible while framing out the plan. A sector wise analysis of government spending, investment policy of the government in infrastructure development, industrialisation and socio-economic activities along with due consideration of possible audit impact is taken into account in prioritising auditee units for preparing the audit plan.

Considering the availability of resources, focus has been given in areas of high financial risk than to thinly spreading out resources throughout Government activities. This would have better socio-economic impact and add value to governance.

Out of 1015 auditee units, 266 units were planned for audit during 2022-23 after carrying out risk assessment and keeping in view the available human resources, of which 211 units were actually audited during 2022-23.

1.4 Significant Audit Observations

During the year 2022-23, the State Government had incurred an expenditure of ₹ 10,175.44 crore against the budget provision of ₹12164.44 crore under Social, Economic and General Sectors and Local Bodies. Sector wise budget estimates and expenditure during the year 2022-23 is depicted in **Chart 1.1** and **1.2** respectively.



Source: Appropriation Accounts 2022-23

This report, inter alia, contains three Performance Audits viz., on Building and Other Construction Workers Welfare Cess, Implementation of Pradhan Mantri Gram Sadak Yojana and Solid Waste Management, four Subject Specific Compliance Audits (SSCA) on Public Health Infrastructure and Management of Health Services, Department oversight on GST payment and return filing, Swadesh Darshan Scheme, Efficacy of implementation of 74th Constitutional Amendment Act and one Audit Paragraph on major findings of audit from test check of the transactions of 211 units in Social, Economic, Revenue, General and Local Bodies Sectors involving an expenditure of ₹ 10,175.44 crore. These are discussed in the respective succeeding chapters.

CHAPTER II

SOCIAL SECTOR

CHAPTER II

SOCIAL SECTOR

2.1 Introduction

This Chapter of the Audit Report deals with audit findings on functioning of the Government departments falling under the Social Sector.

The names of the Government departments, total budget allocation and expenditure of the Government under the Social Sector for the year 2022-23 are given in **Table 2.1**:

Table 2.1: Departments, budget allocation and expenditure under Social Sector during 2022-23
(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
		2022-23	2022-23
1	Culture Department	71.62	68.09
2	Ecclesiastical Affairs	45.43	40.27
3	Education Department	1674.88	1468.04
4	Food and Civil Supplies	50.74	44.69
5	Health Department	685.20	631.21
6	Labour Department	9.50	9.18
7	Social Justice, Empowerment and Welfare	731.70	457.86
8	Sports and Youth affairs	65.96	54.25
Total		3335.03	2773.59

Source: Appropriation Accounts

Besides the above, the Central Government had been transferring funds directly to the implementing agencies under the Social Sector. The major transfers for implementation of flagship programmes of the Central Government are as detailed below:

Table 2.2: Major transfers for implementation of flagship programmes of the Central Government
(₹ in lakh)

Sl No.	Name of the Department	Name of the Scheme/ Programme	Implementing Agency	Funds transferred during the period
				2022-23
1	Social Justice, Empowerment and Welfare	Aid to Voluntary Organisations working for the Welfare of Scheduled Tribes.	Muyal Liang Trust (MLT)	20.71
			Human Development Foundation of Sikkim (HUMAN SIKKIM)	26.10
		Mission vatsalya (child protection services and Child Welfare Services)	State Child Protection Society	1,047.25
		Scheme for differently Abled persons	Unique Disability Identity	6.00
		Sambal (One Stop Centre Mahila Police Volunteer Women Helpline)	DC, OSC, South Sikkim, Social Justice Empowerment and Welfare	15.65
		Designing Innovative Solutions for Holistic Access to Justice in India	Sikkim State Commission for Women	9.74

Sl No.	Name of the Department	Name of the Scheme/ Programme	Implementing Agency	Funds transferred during the period
				2022-23
2	Cultural Department	Kala Sanskriti Vikas Yojana	Himalayan Heritage Research and Development Society	2.50
			Sikkim Mahila Kalyan Sangh	3.50
3	Health Care, Human Services and Family Welfare	National AIDS and STD Control Programme	Sikkim State AIDS Control Society	921.06
		Blood Transfusion Services	Sikkim State AIDS Control Society	40.07
			Sanjeevani Rehab Society	19.36
		National Digital Health Mission	State Health Society Sikkim	19.06
4	Sports and Youth affairs Department	National Service Scheme	Sikkim State NSS Cell	76.10
		Khelo India	Khelo India SYDB Sports and Youth affairs	845.70
Total				3,052.80

Source: Finance Accounts

2.2 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments of the Government. The assessment is based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test check basis, Inspection Reports (IRs) containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the audited entities for compliance. Some of the important audit observations arising out of the IRs are processed for inclusion in the Audit Reports. The Audit Reports are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

Test audits were conducted involving expenditure of ₹725.01 crore (including expenditure of ₹ 464.37 crore of previous years) during 2022-23, of the State Government under Social Sector. The details of year-wise break-up are given in *Appendix 2.1*.

This Chapter contains one Performance Audit and one Subject Specific Compliance Audit.

PERFORMANCE AUDIT

SIKKIM BUILDING AND OTHER CONSTRUCTION WORKERS WELFARE BOARD

2.3 Performance Audit on Building and Other Construction Workers Welfare Cess

2.3.1 Introduction

Government of India (GoI) enacted the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) and

Building and Other Construction Workers Welfare Cess Act in 1996 (Cess Act). The Acts aimed to provide safety, health, and welfare measures for the benefit of building and other construction workers (BOC) through levy/collection of cess.

The Act, *inter alia*, mandated the constitution of a Building and Other Construction Workers' Welfare Board and framing of rules by every State Government to exercise the powers conferred under the Act for the welfare of BOC Workers. The provision of the Act applies to "every establishment² which employs or had employed on any day of the preceding twelve months, ten or more building workers in any building or other construction work". Further, the Act provides that every building worker between the age group of 18 to 60 years who was not a member of any welfare fund established under any law and had completed ninety days of service during the preceding twelve months as a construction worker in the State could be registered as a 'beneficiary'.

Government of Sikkim (GoS) notified³ (August 2010) the Sikkim Building and Other Construction Workers (Regulation of Employment and Conditions of Service) (SBOCW) Rules, 2010 wherein Rule 263 envisages constitution of fund by the name "The Sikkim Building and Other construction Workers Welfare Fund". The collection of BOCW cess was fixed at the rate of one *per cent* on the cost of construction incurred by the employers.

The Sikkim Building & Other Construction Workers Welfare Board (SBOCWB) was constituted vide State Government notification dated 26 February 2010⁴.

Rule 259 of the SBOCW Rules, 2010 enshrined the powers, duties, and functions of the Board as under:

The Board shall be responsible for-

- a) all matters connected with the administration of the fund and grant of benefits to the beneficiaries under the Act and Rules made thereof;
- b) laying down policies for the deposits of the amount of the fund;
- c) submission of an annual budget to the Government on the activities of the Board;
- d) submission of an annual report to the Government on the activities of the Board;
- e) proper maintenance of accounts;
- f) annual audit of accounts of the Board following the provisions of the Act;
- g) collection of contributions to the fund;
- h) launching of prosecution for and on behalf of the Board;
- i) speedy settlement of claims and sanction of advances and other benefits;
- j) proper and timely recovery of any amount due to the Board, and;
- k) submission of information to the Government on such matters as the government may refer to it, from time to time.

² *Establishment means any establishment belonging to, or under the control of, Government, anybody corporate or firm, an individual or association or other body of individuals which or who employs building workers in any building or other construction work; and includes an establishment belonging to a contractor but does not include an individual who employs such workers in any building or construction work in relation to his own residence, the total cost of such construction not being more than ₹ 10 lakh.*

³ 8/DL dated 31 August 2010.

⁴ No. 13 DL dated 26 February 2010.

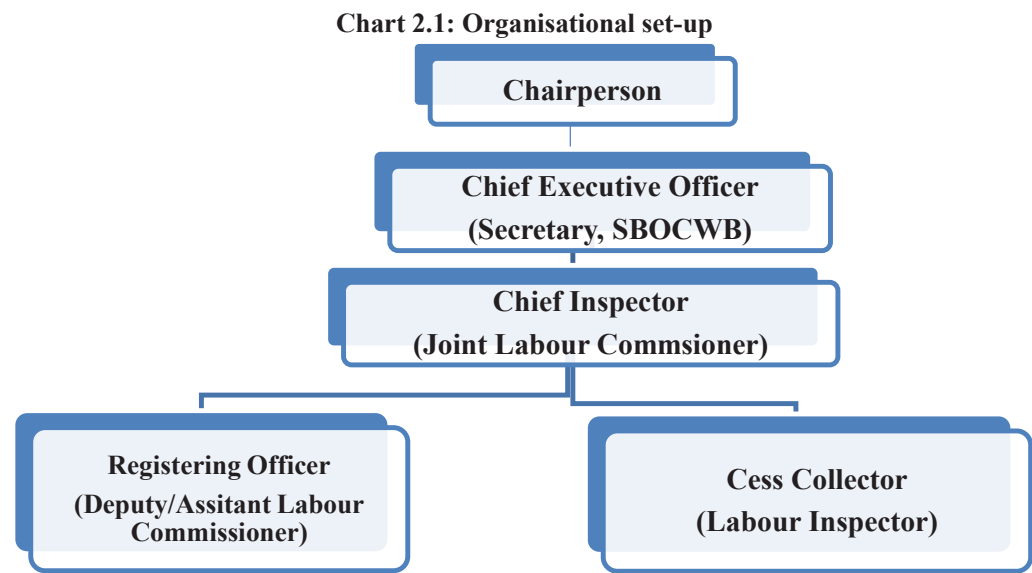
GoI had recommended (October 2020) the consolidation of existing labour laws through simplification, rationalisation, and amalgamation into four labour codes focusing on Wages, Industrial Relations, Social Security, and Occupational Safety, Health, and Working Conditions. The implementation of these Labour Codes was contingent upon notification by the Central Government, which would lead to the repeal of all existing Labour relating Acts and Rules, including the BOCW RECS and Cess Act. Further, GoI directed (November 2020) all State Governments to formulate rules for the implementation of these Labor Codes.

Subsequently, the Government of Sikkim (GoS) notified the Wages (January 2022), Industrial (April 2022), and Social Security (September 2022) Rules for the implementation of the respective codes. However, the Occupational Safety, Health, and Working Conditions rules was yet to be notified by the Govt of India. Consequently, the performance audit conducted during the period from April 2017 to March 2022 was conducted on the implementation of existing BOCW (RECS) and Cess Act 1996, which remained in force in Sikkim.

2.3.2 Organisational set-up

The SBOCWB is headed by a Chairperson who is the Minister in charge of the Labour Department (LD), GoS. Apart from representatives from GoS and member representatives from various establishments, the Secretary to the Government of Sikkim, LD works as a Chief Executive Officer who is assisted by the Chief Inspector (Joint Labour Commissioner, LD). At the district level, all Deputy/Assistant Labour Commissioners and Labour Inspectors were designated (June 2009) as Registering Officers and Cess collectors for registration of construction workers as well as for establishments engaging the workers and collecting of cess from these establishments respectively. The Board had not appointed a full-time Secretary for discharging regular function of the Board. Since the inception, the Secretary, LD was carrying out the duties of the Board. The Board had appointed 15 employees, however, all the staff were appointed against lower scales (assistant cess collector, driver, peons, *chowkidars*, etc.), who had very little role in the functioning of the Board. Further, the Board had not formulated any sanctioned strength for its operations till the date of audit (April 2023).

The organisational set-up has been depicted in **Chart 2.1**:



2.3.3 Audit Objectives

The PA was conducted to get a reasonable assurance that;

- the rules notified by the Government under the Act are consistent with the spirit of both BOCW Act 1996 and Cess Act 1996,
- there was an effective system for the registration of establishments and beneficiaries,
- the cess assessment, cess collection and transfer of collected cess to the fund were efficient,
- the Government prescribed appropriate health and safety norms and could ensure an environment of compliance with those norms by employers.
- the administration and utilisation of funds on implementation of welfare scheme by the Board was efficient and effective and as per Act and rules framed by the State Government.

2.3.4 Scope of Audit

The Performance Audit of the Board for the period 2017-2022 was conducted from September 2022 to April 2023.

The details of Audit Sample selection are mentioned in *Appendix 2.2*. The brief description of Audit sample selection⁵ is as under:

Districts: Since the Board did not maintain district-wise data on cess collections in the State, the districts were selected based on population (Census data 2011) and GDP of the State obtained from the State Department⁶. Accordingly, two out of four district⁷ offices of the Board were examined i.e., East and South.

Welfare Schemes: Out of 22 schemes listed in the rules as detailed in *Appendix 2.3*, the Board implemented 11 schemes⁸ including eight Financial Assistance Schemes during the period covered by audit.

Selection of Audit Units: Out of 61 Drawing and Disbursing Officers (DDOs) across 10 Works Departments⁹, four DDOs¹⁰ (two from sampled district) were selected based on quantum of expenditure incurred by the units.

Beneficiary Survey: To assess the impact of implementation of the various schemes of the Board, 200 beneficiaries were selected, 100 each from selected districts, which included 70 beneficiaries who had received cash assistance.

⁵ Letter Nos. 39 - CAG/SA/NSO/2-2023 Vol. I dated 7 February 2023, 77 -CAG/SA/NSO/2-2023 Vol. I dated 16 March 2023 and 101-CAG/SA/NSO/2-2023 Vol- I dated 20 April 2023.

⁶ Directorate of Economics, Statistics, Monitoring and Evaluation, Government of Sikkim.

⁷ East, West, North and South.

⁸ As per Annual Accounts of the Board: (i) Periodic awareness Programme for sanitation & basic health awareness, (ii) Ex-gratia compensation, hospital treatment and funeral expenses of the workers and their family members, (iii) Distribution of tools & other related materials, (iii) Death Compensation and Permanent Disablement Compensation as approved by the Welfare Board, (iv) Provision of school for children of registered workers and educational infrastructure etc., (v) Maternity/Childbirth (vi) Marriage (vii) Minor injury sustained in course of employment (viii) Funeral (ix) Medical (x) Pension (xi) Partial Disability sustained in the course of employment.

⁹ Road & Bridges, Building, Public Health Engineering, Rural Development, Power, Irrigation, Tourism, Urban Development, Education, Health Departments.

¹⁰ Roads and Bridges, Namchi; Power Department, Gangtok & Jorethang, Rural Development Department, Gangtok.

Establishment: Four registered and four unregistered establishments were selected for audit in each selected district.

The sampling methodology is explained in detail in *Appendix 2.2*.

2.3.5 Audit Methodology

Performance Audit (PA) commenced with an Entry Conference (September 2022) with the Labour Department at the level of the Secretary to the Government and Chief Executive Officer of the Board wherein audit objectives, scope, criteria and methodology were explained. Audit findings were discussed in an Exit Conference (June 2023) with the Secretary and Chief Executive Officer of BOCW Board. In the exit meeting, Secretary stated that things may have gone wrong in some of the areas of implementation of Acts and Rules by the Boards but functioning of the Board is in the process of improvement and there is scope for improvement. Secretary assured that with the co-operation of Audit office, Board's functioning with regard to quantum of cess collection, registration mechanism, utilisation of fund for the welfare of the BOC Workers etc. would be improved a lot in the next coming years. Secretary also stated that finding of audit will be taken as guidance and also requested that finding of audit may be taken in positive direction rather than negative action of the Board.

2.3.6 Audit Criteria

Audit findings were benchmarked against the criteria derived from the following sources:

- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act);
- Building and Other Construction Workers Welfare Cess Act 1996 (Cess Act);
- Building & Other Construction Workers (RECS) Rules 1998;
- Sikkim Building & Other Construction (RECS) Rules 2010;
- Workmen Compensation Act 1923;
- Sikkim Financial Rules, 1979;
- Guidelines, Circulars, Notifications and various Orders issued by GoI/ State; Government from time to time;
- Judgments of *Hon'ble* Supreme Court of India.

2.3.7 Acknowledgement

Office of the Accountant General (Audit) Sikkim acknowledges the cooperation extended by the Labour Department & the Board during the Performance Audit.

2.3.8 Audit findings

2.3.8.1 Financial Management

As per Rule 263 of the SBOCW (RECS) Rule 2010 the Welfare Board fund constitutes grants or loans or advances, if any, made to the Board by the Central Government, all contributions paid by the beneficiaries and all sums received by the Board under the Cess Act, 1996 and Rules made thereunder may be credited. The main source of the Fund was the cess levied and collected from employers who undertake construction works. The cess was levied at the rate of one per cent of the cost of construction. Cess was required to be spent for the welfare of building and other construction workers on schemes like

pension, maternity benefits, disability pension, payment for funeral assistance, medical assistance, financial assistance for education and marriage of children and accidents, *etc.*

The details of the income and expenditure of the Board during the period 2017-22 are given in **Table 2.3**.

Table 2.3: Financial Position of the Board

(₹ in crore)

Year	Opening Balance (incl. Investment)	Cess collected during the year	Interest Earned	Total Receipts during the year	Expenditure during the year	Closing Balance	Percentage of expenditure over total fund
2017-18	65.70	18.41	5.76	89.87	5.06	84.81	5.63
2018-19	84.81	18.43	6.11	109.35	12.08	97.27	11.05
2019-20	97.27	13.96	2.98	114.21	2.49	111.72	2.18
2020-21	111.72	15.6	10.24	137.56	14.21	123.35	10.33
2021-22	123.35	21.52	6.41	151.28	1.58	149.70	1.04
Total		87.92	31.50		35.42		

Source: Departmental information, Annual Accounts of Board (all figures are provisional)

From the table above, it can be seen that:

- The utilisation of funds (including administrative expenditure) was abysmally low against the total available fund. The percentage of utilisation of funds over total available funds ranged between one *per cent* and 11 *per cent*.
- The expenditure during the year was at an all-time low during 2021-22 (1.04 *per cent*). The sharp decline in expenditure was due to complete restriction on the distribution of benefits-in-kind (welfare items distribution) by GoI (March 2021) which was attributed to the major source of expenses in the preceding years.
- Such accumulation of unspent balance and bank interest was due to the less/non-release of benefits envisaged under the Act, non-implementation of directives issued by GoI and less number of registered BOC workers as noticed in the preceding paragraphs.
- The Board had prepared but had not finalised the annual accounts from 2017-18 to 2021-22, as these were yet to be placed and approved in the Board meeting during 2017-18 to 2021-22. As such, Audit could not verify the authenticity of the figures reflected in the statement of the Annual Accounts.

2.3.8.2 Non-preparation of Annual Budget

Section 25 of the BOCW Act, provides that the Board shall prepare during each financial year its budget for the next financial year, showing the estimated receipts and expenditure of the Board and forward the same to State Government and GOI.

Further, Rule 259 (1C) of the SBOCW Rules stipulates the submission of the annual budget on activities of the Board to the Government.

Audit observed that the Board did not prepare annual budget estimates upto 2021-22. In the absence of an annual budget, the Board could not effectively plan and manage its financial resources to support the implementation of various programmes and projects to promote the welfare of BOC workers.

2.3.8.3 Investment of Welfare Fund in non-nationalised Banks

As per the direction of the Supreme Court (SC) issued in Writ Petition No. 38 of 2006 (March 2018), the funds available with the Welfare Boards which have not been disbursed or are not likely to be disbursed within a short period should be properly invested in nationalised banks only.

Further, section 280 of SBOCW RECS Rules, 2010 specifies investment of cess funds in Scheduled banks and Securities under clause (a) to (d) of section 20 of the Indian Trust Act, 1882.

Audit observed that during 2017-18 to 2021-22, the Board had invested ₹ 73.44 crore in non-nationalised banks¹¹, which was in contravention to the above directions of SC and the SBOCW rules, 2010. However, as of March 2022, out of the total investment of ₹ 149.41 crore¹² the Welfare fund, the Board invested 71.35 per cent of the fund i.e., ₹ 106.60 crore in non-nationalised banks with only 29 per cent of the investment i.e., ₹ 42.80 crore having been invested in nationalised banks.

Further, investing welfare funds in non-nationalised banks puts the fund at high risk. Since, a welfare fund comprises fee collected for the most vulnerable segment of unorganised labour whose works are characterised by their inherent risk to life and limbs, complete protection and security of such fund must be ensured by the State for keeping it risk-free during any unpredictable financial crisis.

2.3.8.4 Excess Administrative Expenditure

Section 24 (3) of the BOCW (RECS) Act, 1996 states that administrative expenses of the Board in any financial year should not exceed five per cent of the total expenditure incurred during the year. However, the Board incurred administrative expenditure which exceeded the norms of such expenditure and ranged between 3.48 per cent and 65.93 per cent of total expenditure as detailed in **Table 2.4**.

Table 2.4: Administrative expenditure during the past five years

(₹ in crore)

Year	Expenditure on welfare scheme	Expenditure on fixed assets		Administrative expenses	Total expenditure (excluding depreciation)	Administrative expenditure as a percentage of total expenditure
		Welfare	Administrative			
2017-18	4.28	0.02	0.23	0.53	5.06	10.47
2018-19	6.35	2.06	0.07	0.58	9.06	6.40
2019-20	0.81	0.29	0.15	0.53	1.77	29.37
2020-21	12.37	0.27	0.36	0.47	13.47	3.48
2021-22	0.15	0.06	0.10	0.60	0.91	65.93
Total	23.96	2.74	0.87	2.71	30.28	8.95

Source: Annual Accounts of the Board (Provisional)

Further, administrative expenditure inclusive of fixed asset (Administrative) as depicted in the above table further exceeded the admissible administrative expenditure of five per cent and ranged between 6 and 76 per cent.

¹¹ IDBI Bank, Yes Bank, Axis Bank, ICICI Bank, HDFC Bank, etc.

¹² Financial Statement 2021-22 (provisional).

It was observed that the administrative expenses exceeded their permissible limit during the year 2017-18 (10.47 *per cent*), 2018-19 (6.40 *per cent*), 2019-20 (29.37 *per cent*) and 2021-22 (65.93 *per cent*).

Objective 1: Whether the rules notified by the Government under the Act are consistent with the spirit of both Acts?

2.3.9 Planning and Implementation of Act

2.3.9.1 Disparity between Act and Government Notification

The Cess Act of 1996, stipulated that proceeds of the cess collected should be paid to the Board by the local authority or the State Government collecting the cess after deducting cost of collection of cess not exceeding one *per cent* of the amount collected. This included the cess collected in respect of Government works as well as Private works where cess may be collected in advance by the plan-approving authority.

However, the notification issued (September 2010) by the State Government did not include any clause for advance cess collection by building planning authority and one *per cent* collection charges for the service rendered. Further, the notification included cess deduction towards construction works of the State Government Departments and it did not include the provision of cess deduction from Private constructions (*Paragraph 2.3.11.4*). Thus, there was a disparity between the provisions of the Cess Act and the State Government notification.

Objective 2: Whether there was an effective system for the registration of establishments and beneficiaries?

2.3.10 Implementation of Acts & Rules

2.3.10.1 Registration of BOC Workers

Section 12 of the BOCW Act and Rule 264 of SBOCW Rules outline the eligibility criteria for registration of a BOC Worker as a beneficiary under the Act. The provisions state that any building worker who is between 18 and 60 years of age and had engaged in building or construction work for at least 90 days in the preceding 12 months is eligible for registration. The registration was a one-time process based on which a building worker registered as a beneficiary becomes entitled to the benefits provided by the Board from its welfare fund.

Rule 265 of SBCOW Rules, 2010 envisages that an application (Form XXVII) should be submitted by the beneficiary to the Beneficiary Registering Officer authorised by the Board, with the application form to contain the name of the builder worker, father's name, date of birth, permanent address, marital status, name of the bank, *etc.* accompanied by three passport size photographs and attested copies of the school certificate and birth certificate. Thereafter, (Rule 266) on receipt of the application, Registering Officer shall register the name of the worker as beneficiary under the Act, provided the applicant has complied with all the requirements as laid down in the Rules. Further, Rule 266(4) of the SBCOW Rules specifies filing of nomination Form XXXI by the building workers.

Moreover, Section 16 of the BOCW RECS Act 1996 read with Rule 267 (1) of Sikkim BOCW Rules 2010 stipulates that a beneficiary of the fund shall contribute to the fund at

₹ 20 per month. This contribution shall be remitted once in 3 months in any of the banks specified by the Board in the district in which the member resides.

Further, GoI direction on Model Welfare Scheme envisages that the authority responsible for registration of migrant workers must share information with the respective State Welfare Board, so that their registration/renewal/delivery of welfare benefits is monitored by the Boards of the source States.

Audit observed that the Board had not maintained details of workers *viz.*, name, contact numbers, Certificate for age proof and address proof, Bank details, family details for nomination, *etc.* which were required to be submitted by the employer on the above-prescribed forms. It was only during the audit that the Board provided (31 October 2022) a list of 5,278 registered workers¹³ by considering the contribution/subscription fees (September 2022) received from various employers. The Board also could not produce a year-wise list of registered workers for the period 2017-22. In the absence of such vital data, audit could not ascertain the eligibility of registered workers, yearwise trends of registration of workers and could not verify details such as number of workers working in the State, since when working, employers under whom they were working, *etc.* in the State.

The Board did not conduct any inspections of the newly registered establishments to ensure that eligible workers get registered as ‘beneficiaries’. Also, there was no initiative taken by the Board to enrol new BOC workers by conducting awareness programmes as elaborated in **Paragraph 2.3.13.3** nor was there any initiatives to simplify the process of registration for workers, such as through online registration systems. This was also evident from the fact that a significant number of construction workers were not found to be registered with the Board during JPV. The Board also did not maintain records *i.e.*, the certificate of employment issued by the employer to the registered construction workers to ensure eligibility to become beneficiaries of BOCW welfare scheme notified by the Board. Neither had the Board maintained any records of registered migrant workers, nor had they initiated any provision for capturing the change in employer of existing registered workers.

Thus, the Board did not have a comprehensive database of the construction workers. The Board also could not make satisfactory efforts to enrol unregistered workers. In absence of such efforts, there was possibility that eligible workers remained outside the ambit of the Act.

2.3.10.2 Non-identification of unregistered establishments

Section 1 (4) of the BOCW Act states that the Act applies to every establishment which employs, or had employed on any day of the preceding twelve months, ten or more building workers in any building or other construction works.

Section 7 of the BOCW Act stipulates that every employer, undertaking construction work, would make an application to the registering officer for registration of the establishment within 60 days from the commencement of the work. Also, Chapter IV of the SBOCW Rules specifies the manner of registration of the establishments.

Further, Section 43 of the BOCW Act *inter alia* stipulates that an Inspector may enter any premises or place where building or other construction works are carried on for the purpose of examining any records and require the production thereof for inspection

¹³ East: 2067, South: 1340, North: 754 and West: 1117.

and examine any person whom he finds in any such premises or place and who, he has reasonable cause to believe, is a building worker employed therein.

It was observed that the Board had not made any concerted effort to identify and register the establishments or employers involved in construction works in Sikkim. There was no comprehensive database of either registered or unregistered establishments/ employers maintained by the Board. While the Board did maintain an establishment register, this only included manual entries¹⁴ of those establishments or employers who had applied for registration, leaving many unregistered entities outside its purview. Scrutiny of the establishment register showed that during 2017-22, in selected two districts viz., East and South, the Board had registered 121 numbers (South 96 & East 25) of construction works which had applied for registration. The Monthly Progress Reports provided by two State Departments, viz., Building & Housing (BHD) and Urban Development Department (UDD) and two PSEs namely, Gangtok Smart City Development Limited (GSCDL) and National Highways and Infrastructure Development Corporation Limited (NHIDCL) showed a total of 349 construction works¹⁵ being executed in the selected districts. Audit verified four construction sites¹⁶ along with department officials wherein, it was observed that all the inspected establishments fulfilled the criteria of having more than ten construction workers in their workforce. However, they were not registered with the Board.

It was evident that the employers of the eligible establishments had not applied for registration from the Board prior to commencement of the work. Further, the Labour Inspectors had also not carried out any exercise to identify the establishments eligible for registration from these 349 establishments in the sampled districts. The Board restricted itself only to collecting one *per cent* of cess received from the State departments and contractors approaching the Board for obtaining cess clearance certificates. No formal mechanism such as inspection of establishments and verification of workers involved in BOC work, was introduced by the Board to ensure identification of prospective establishments as mandated under the Act.

The Board stated that it had only focused on registering Government contractors involved in various Government works and had not included the works which were executed by the department itself. Further, the Board stated that the Act applies only to those establishments where ten or more building workers were employed. Hence, it was not applicable to register all the works executed by the Contractors and Departments.

The reply was not acceptable as the Board did not conduct any inspection to assess eligibility for registration of establishments carrying out works where 10 or more workers were employed by the employer, towards ensuring their registration.

Thus, due to non-identification of all unregistered establishments and non-maintenance of a comprehensive database for capturing details of all establishments or employers, the Board not only could not ensure implementation of welfare benefits for all BOC workers but also could not assess and collect the actual cess receivable from these establishments.

¹⁴ Registration number, Establishment/employer name and date of payment of registration fee.

¹⁵ 10 (Gangtok Smart City Development Limited) (March 2021), 213 (National Highway Infrastructure Development Corporation Limited) (March 2022), 73 (Building and Housing Department) (March 2021), 53 (Urban Development Department) (March 2022).

¹⁶ Multi-Level Car Parking (MLCP) at Old STNM (GSDCL), MLCP at old West Point (GSCDL), Construction of realignment road (NHIDCL), Construction of upgradation of existing road from Ranipool to Pakyong (NHIDCL).

2.3.10.3 Registration of ineligible beneficiaries led to irregular expenditure of ₹ 2.12 crore

Section 2 (1) (d) of the BOCW Act defines a building or other construction work. Further, Section 2(e) of the Act defines a building worker as a person who is employed to do any skilled, semi-skilled or unskilled, manual, supervisory, technical or clerical work on hire or reward, whether the terms of employment be expressed or implied, in connection with any building or other construction work. No workers beyond the ambit of the Act should be included or registered under the class of BOC workers.

Scrutiny of records (2017- 22) of registered beneficiaries under the Board showed that 222 tea plantation workers from Temi Tea Estate (TTE) were registered by the Board as beneficiaries. It was found that the Board had transferred ₹ 1.56 crore towards construction of a creche waiting shed and Badminton court to TTE (2018-19) which was not related to the scope of welfare of BOC workers. Further, the Board had also spent ₹ 4.44 lakh¹⁷ as financial relief during COVID-19 (April 2020) and purchased welfare items to the tune of ₹ 51.70 lakh (October 2020) for distribution to TTE workers on eight occasions (2017-21).

The plantation workers were regular wage earners who were exclusively involved in growing and manufacturing tea and were not engaged in any construction activities.

The plantation workers were governed by the Plantation Labour Act, 1951 and as such did not fall under the purview of the BOCW Act. Hence, the registration of 222 plantation workers was ineligible and they were not entitled for benefit from the BOCW Welfare fund.

Similarly, the Board had also registered workers of Roads and Bridges Department (RBD), appointed by the State's Public Works Department (PWD). The inclusion of these workers contradicted the purpose of the BOCW Act, which is intended to protect vulnerable workers in temporary and unorganised sectors, as emphasised in the Supreme Court's judgment (March 2018).

The matter of including Muster Roll workers of the PWD under SBOCW was brought to the attention of the Law Department by the Board. The Law Department stated (September 2013) that the services of Muster Roll workers under PWD, despite being temporary, eventually become regularised by the State and hence could not be brought under the ambit of the BOCW Act. This information was communicated during the 14th Board Meeting (October 2013) where no decision was given. However, disregarding the clear direction from the Law Department, the Board in 32nd Board Meeting (August 2018) decided to register RBD workers, including those on muster roll and one-family-one-job basis, under the BOCW Act and transferred ₹ 35.92 lakh during COVID-19 (March 2020) to the employers bank account for onward transmission to 1796 workers.

As the BOCW Act specifically aimed to meet the welfare of those categories of workers who are involved exclusively in Building or other construction works and are characterised by their casual nature and temporary relationship with their employer, the decision of the Board to incur expenditure for the welfare of tea plantation and PWD workers contravened the essence of the Act.

Thus, the expenditure of ₹ 2.48 crore¹⁸ from the BOCW Welfare Fund was irregular.

¹⁷ 222 Nos. x ₹ 2000.

¹⁸ ₹ 150 lakh + ₹ 6 lakh + ₹ 4.44 lakh + ₹ 51.70 lakh + ₹ 35.92 lakh = ₹ 247.92 lakh.

2.3.10.4 Identity Cards (ID Cards) for BOCW beneficiaries

Section 12 of the BOCW Act *inter alia* stipulates that every building worker who has completed either 18 years of age, but has not completed 60 years of age, and who has been engaged in any building or other construction work for not less than ninety days during the preceding twelve months shall be eligible for registration as a beneficiary under this Act.

Section 13(I) of the BOCW Act stipulates that the Board shall issue an identity card (ID) to every beneficiary with a photograph duly affixed thereon with enough space for entering the details of the building or other construction work done by him/her.

Similarly, Rule 266 (1) of SBOCW Rules specifies that the Beneficiary Registering Officer after receiving the application under Rule 265 shall register the name of the worker as a beneficiary under the Act, if such applicant workman has complied with all the requirements as laid down in these rules and shall issue an ID card with his photograph duly affixed thereon in form XXVIII. Further, it is also stated in the Rule that Beneficiary Registering Officer shall maintain a register of ID card issued (Form XXIX).

Scrutiny of records (2017-22) showed that the Board had expended an amount of ₹ 5.76 lakh¹⁹ (March 2019) towards the printing of 5,000 ID cards for issuing to BOC Workers. Records showed that these ID cards had been issued to the employers. However, there was no record that the BOC workers had received any ID cards. The matter was also discussed with the Board during an entry conference (September 2022) wherein it was informed that identity cards were issued in all four districts except East. However, the Board could not produce records of their issuance such as acknowledgement indicating receipt of IDs by the registered workers, register of issued IDs maintained by the registering officer, *etc.* Apart from the above, during the Joint Physical Verification of registered establishments and beneficiary survey in selected districts conducted by the audit team along with the Board Officials, none of the registered workers or beneficiaries could produce any ID card despite being registered with the Board.

The ID card serves as documentary proof that the worker had engaged in construction work for more than 90 days to be eligible for registration and availing benefits under the Act. However, non-issuance of ID cards was not only in contravention to the above Act & Rule but also raises doubts about the genuineness of BOC workers. Further, there were no records of receipt of ID cards maintained by the Board which made the entire expenditure of ₹ 5.76 lakh for payment against printing of ID cards doubtful.

2.3.10.5 Non-implementation of the Universal Access Number to the registered construction workers

Supreme Court's (SC) Judgement (March 2018) referring to the previous Court hearing (September 2015) wherein Ministry of Labour and Employment, Government of India (MoL&E) stated introducing of Universal Access Number (UAN) to every construction worker, so that, if he or she migrates from one State to another, the benefit of registration does not get lost, nor does the construction workers need to get themselves registered in other State.

Further, according to the direction of SC (March 2018), the Director General, Labour Welfare, MoL&E instructed (July 2020) all the State Government and Union Territories

¹⁹ M/s Milan Enterprise.

to comply with the Model Scheme for the welfare of BOC Workers which included allotment of Unique Identification Numbers (UIN) to the registered BOC workers and uploading complete details on State web portal and National BOCW portal.

Similarly, Paragraph 6.2.2 of the direction received from the MoL & E (July 2020) on the implementation of the Mission Mode Project (MMP) by all State Welfare Boards (SWBs) mentioned issuing of online migration certificate (MC) to be developed and operationalised by the SWBs.

Audit observed that the system of providing UAN/UIN to construction workers was not introduced by the Board during the period of audit (2017-22). There were neither recorded reasons for non-commencement of UAN/UIN with the Board nor any compliance on the development of MC which had a scheduled implementation timeline of three months from the date of issue of the GoI letter (July 2020). Thus, due to noncompliance to the above directions, the Board could not provide continuity of already registered workers migrating from the state. This would adversely impact the portability of grant of welfare benefits to migrant workers (*Paragraph 2.3.13.1*).

2.3.10.6 Non-submission of returns by the registered establishments

As per Rule 268 of the SBOCW Rules, 2010 every employer shall before the 15th day of every month submit returns showing the details of workers entitled to be registered as well as those who left the service during the preceding month and particulars of the establishment. Similarly, as per Rule 242 of the BOCW Rules 1998, every employer shall send annually a return relating to an establishment to the Registering Officer having jurisdiction ensuring it is received not later than 15th February following each calendar year.

Audit scrutiny showed that none of the employers carrying out building or other construction works under the Board's record had furnished requisite returns during 2017-22. Resultantly, the Board had no information about the details of the workers entitled to be registered, information about the maximum number of building workers employed on any day during the year, the total number of days of engagement of building workers, etc.

2.3.10.7 Intimation of notice of commencement and completion of the building and other construction work

Rule 237 (1) of the SBOCW Rules 2010 stipulates that every employer shall, at least thirty days before the commencement of any building or other construction work under his control, send or cause to be sent to the Inspector having jurisdiction, a written notice intimation of the actual date of the commencement, the probable date of completion and other such particulars as referred to in sub section (1) of section 46 of the Act relating to such building or other construction work in Form-IV, annexed to these rules.

Further, as per Section 48 of the BOCW Act, an employer who fails to give notice of the commencement of the building or other construction work, shall be punishable with imprisonment for a term that may extend to three months, or with a fine that may extend to two thousand rupees or both.

Audit observed from records made available that none of the registered establishments had intimated the actual date of commencement and probable date of completion as per the provision of the Act, *ibid*. Neither had the Board taken any steps to acquire

information from the establishments nor was any penalty imposed on employers who failed to provide such notice.

Thus, non-obtaining of information from employers had led to the Board's inability to conduct inspections and identify potential establishments for registration. Consequently, eligible beneficiaries have been deprived of the benefits of welfare schemes of the Board.

Objective 3: Whether cess assessment, cess collection and transfer of collected cess to the fund were efficient?

During the period 2017-18 to 2021-22, the Board had collected a total cess of ₹ 87.92 crore and accumulated interest of ₹ 31.50 crore as exhibited in **Table 2.3**. Audit noticed various deficiencies in collection of cess which includes non-implementation of cess collection from Private institutions, absence of well-functioning assessment mechanism and short realisation of cess, which has largely affected potential cess receivables in the State as elaborated in succeeding paragraphs.

2.3.11 Assessment and Collection of the Cess

2.3.11.1 Non-assessment of cess receivable

Section 4 (1) of the BOCW Act, 1996 stipulates that "Every employer shall furnish such return to such officer or authority, in such manner and at such time as may be prescribed". Section 4 (2), further, states that "If any person carrying on building or other construction work, liable to pay the cess, fails to furnish any return under subsection (1), the officer or the authority shall give a notice requiring such person to furnish such return before such date as may be specified in the notice".

Further, Section 5 of the Act specifies the manner of assessment of cess by the authority after making such inquiry, if he thinks fit, from the furnished returns *vis-à-vis* Section 4 (1) of the Act and finally, passing of assessment order stipulating specified time on which cess shall be paid by the employer.

From records made available, Audit observed that the system of cess assessment and passing of assessment orders not brought into effect although the State had appointed ALC/DLC as Assessing Officer (June 2009) for this purpose. Also, the Board did not ensure furnishing of returns from the Employers as envisaged in the above Act. On its part, the Board only considered the collection of one *per cent* cess from every construction work bill which was received from the employer for obtaining a Labour Clearance Certificate (LCC)²⁰.

Further, the inspection of work sites was also not conducted by any authorised officer for verifying the cost of construction. As a result, the overall cost of construction and cess to be realised could not be ascertained from scrutiny of records made available to Audit. Thus, there was no scope for assessing the quantum of un-realised cess, penalty, or interest. The Board's approach is fraught with the risk of short collection or nonrealisation of the cess which have been illustrated in the succeeding paragraphs.

2.3.11.2 Non-receipt of Cess fund ₹ 2.64 crore

Section 3 to 5 of the Cess Act, 1996 envisages the function of the Board on the collection of cess at the rate of one *per cent* of the cost of construction, furnishing return of the employer carrying BOC work, assessment of the cess from the furnished return and

²⁰ For release of the running bills and final bills, LCC is mandatory.

passing of assessment order specifying date within which the cess shall be paid by the employer. Similarly, Section 4 and 5 of the Cess Rule, 1998 stipulates the manner of cess collection and transfer of cess by the Government office, PSUs, and Local authorities within 30 days of its collection.

To implement Cess Act in Sikkim, the State vide notification dated 06 September 2010 directed all the State Government Departments to deduct one *per cent* cess from the estimated cost of construction and forward the same vide Account payee cheque/ Bank draft to the Board. Further, during the submission of the work bill by the contractor/ establishment, a one *per cent* cess was to be deducted before the bills were cleared by the Departments.

The Board issues Labour Clearance Certificate (LCC) on deposit of one *per cent* cess by drawing a Bank draft in favour of the Secretary, BOCW from every work (Contractual/ departmental). Therefore, based on the submission of the LCC, the concerned State departments release the bills (RA/ Final) for their respective works. Thus, submission of LCC is the only proof of cess deposit and in its absence, the payment is not released by the State Pay and Accounts Office.. Thus, the issue of LCC based solely on receipt of cess from the employer was inadequate to ensure proper collection of cess from every registered project. The sample copy of LCC shown in the following image.

<p align="center">Image 2.1: Receipt of LCC</p>	<p align="center">Image 2.2: LCC Form</p>

Based on the above, audit observed the following:

- The cess from three units²¹ (State Department/Autonomous Bodies) was not deposited into the Boards Account. Test check of cess deposits from departmental vouchers, bank statements and the Board's information showed that there was a short collection of cess of ₹ 2.64 crore²² from three units. Thus, due to a lack of cess assessment, the Board did not realise the actual cess receivable by it.
- Rule 12 of Cess Rules, 1998 stipulates imposing of penalty for non-payment or less payment of cess including the cess deducted at source within the date specified in the assessment order by an Assessing Officer not exceeding the amount of cess. However, due to the lack of an assessment order or specified date on which cess was to be paid by the establishment, the power to impose penalty in such cases is lost.

²¹ Gangtok Smart City Development Ltd: ₹125.43 lakh, Rural Development Department(SGAY): ₹ 138.26 lakh, Building & Housing Department: ₹ 0.56 lakh.

²² ₹ 264.25 lakh= ₹ (125.43+138.26+0.56) lakh.

- The State Government's circular (Sept 2010) on implementation of the BOCW and Cess Act was only instruction for the State Departments, no such gazette notifications/circulars were issued for making cess deduction mandatory for all Autonomous Bodies and PSUs, where cess is to be collected as per the provisions of the Act. Further, the system of checks for cess deposits through LCC was only limited to work expenditure being routed through State PAO. Thus, due to lack of an effective mechanism for cess assessment, inability to enforce cess collection, and absence of reconciliation for deposited cess, the Board could not collect actual cess receivable which led to a short-levy of cess of ₹ 2.64 crore.

2.3.11.3 Non-deposit/ non-crediting & non-presentation of Bank/ Demand drafts of cess -₹ 102.47 lakh

Section 3 of the Building and Other Construction Workers Welfare Cess (RECS) Act-1996 stipulates levy and collection of cess, at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer, as the Central Government, may, by notification in the Official Gazette, from time to time specify. Further, the Cess deducted at source by the implementing department/ agencies, *etc.* is deposited either by submitting through Cheque or by direct credit to the Board's Bank account.

➤ Non deposit of cess received by the Board in the Bank Account

The Board did not reconcile the amount of collected cess recorded in the cess register with the Bank Statements to date (Jan 2023). It was observed that in one case ₹ 81.42 lakh²³ was yet to be credited into Board's Account despite the fact the DD was already received by the Board (October 2022).

➤ Loss of cess due to non-revalidation of cheques of ₹ 13.04 lakh

Audit scrutiny for the period 2017 to 2022 showed that in 13 cases ranging between 560 months, amount of ₹ 13.04 lakh was lying pending to be deposited in the Board's Account. It was noticed that the amount remained undeposited due to reasons such as blocked/suspended account number or expiry of validity of cheques.

➤ Non-presentation of Bank/Demand Drafts/misplacement/loss of cheque amounting to ₹ 8.01 lakh

Bank information/ statements showed that from April 2017 till November 2022, there were 113 cases of unsettled DDs of ₹ 6.19 lakh pending in the Bank's suspense account. The reason behind the non-remittance of DDs not cleared was not furnished to audit (April 2023). It was also observed that the Board was unaware of the fact, that the said amount was pending settlement till the date of audit. Further, as the figure only represents cases during the audit period (2017-22), the possibility of such un-settled cases may not be ruled out since opening of the Board's Account (2010). The Board does not have a monitoring system to check that whether all DDs received had been deposited into Board's account. These DDs lying with the Board for more than three months need to be re-validated and deposited in the Board's account.

In addition to the above, scrutiny of bank statements and re-validation of cheque records showed that two cheques of ₹ 1.82 lakh relating to the period 2017-18 were yet to be deposited in the Board's account. It was observed that these two cheques were misplaced by the bank during the process of outstation cheque clearing. The Board had requested

²³ Cheque No. 084018 dt. 21 October 2022.

(September 2017) the employer for the issue of fresh cheques of the same amount in lieu of the loss of two cheques. However, there were no records available with the Board to ascertain whether cheques of the said amount had been revalidated by the employer and had been deposited in the Board's account.

The above cases resulted in loss of cess fund amounting to ₹ 8.01 lakh²⁴.

2.3.11.4 Non-collection of advance cess from Private Constructions

The definition of establishment as per Section 2(a)(j) of the BOCW Act, 1996 specifies any establishment belonging to, or under the control of Government, corporate or firm, an individual or association or other body of individuals which or who employs building workers in any building or other construction work; and includes an establishment belonging to a contractor, but does not include an individual who employs such workers in any building or contraction work concerning his residence the total cost of such construction not being more than rupees ten lakh. Also, Section 1 (4) of the BOCW Act states that the Act applies to every establishment which employs, or had employed on any day of the preceding twelve months, ten or more building workers in any buildings or other construction works.

Section 3(2) of the Cess Act, 1996 specifies a collection of one *per cent* cess from every employer in such manner and at such time, including deduction at source concerning a building or other construction work of a Government or of a public sector undertaking or advance collection through a local authority where approval of such building or other construction work by such local authority is required, as may be prescribed.

Further, as per Section 3(3) “the proceeds of the cess collected under sub-section (2) shall be paid by the local authority or the State Government collecting the cess to the Board after deducting the cost of collection of such cess not exceeding *one per cent* of the amount collected”.

The above Act stipulates the collection of advance cess by the building plan approval authority, which can be achieved by assessing the construction cost outlined in the submitted building plans. The cost of construction of the building area could be determined using the plinth area rates set by the State Public Works Department (PWD). Subsequently, the planning authority should collect the applicable cess based on the calculated construction cost while approving these building plans.

During the period April 2021-December 2022, Gangtok Municipal Corporation (GMC) approved 419 building plans in respect of construction works executed by private parties. It was observed that the State had not notified the building plans approval authority for collection of advance cess from the estimate of construction of the building plan as envisaged in Section 3 (2) of the Cess Act. Consequently, in none of the private construction works, was applicable advance cess collected and received by the Board. Similarly, Urban Development Department (UDD) had approved 15 building plans (Non-residential/ Commercial buildings) during 2019-22 without commensurate/ applicable cess being received by the Board. Also, the Board had also not ventured to register the eligible private establishments by conducting inspections as mentioned in preceding **Paragraphs 2.3.10.1 and 2.3.10.2.**

As per the provisions of the Act, the department could have empowered the Local Authorities (Municipal Corporation, Panchayats)/Urban Development authorities to

²⁴ ₹ 6.19 Lakh + ₹1.82 Lakh.

collect advance cess from cost of construction, while retaining one *per cent* of cess collection fee, at the time of approval of building plans.

Thus, due to not designating GMC and UDD to collect cess for the Board and lack of monitoring by Board, potential cess collection from 434 Private establishments²⁵ was affected.

Objective 4: Whether Government prescribed, appropriate health and safety norms and could ensure an environment of compliance to those norms by the Employer?

2.3.12 Cases of Incident/ Accidents

2.3.12.1 Inspection of Building and other construction sites

According to Rule 286 of the SBOCW Rules 2010, an Inspector may, *inter alia*, examine construction site, place, or premises used for a building or other construction work. He may issue a show-cause notice or warning to employers regarding the safety, health or welfare of building workers provided under the Act or the Rules. Further, he may hold an enquiry into the cause of any accident or dangerous occurrence due to any operation connected with or incidental to such building or other construction work, or of non-compliance with any of provisions of the Act and Rules and give directions in this regard.

The Act also aimed at regulating the safety, health, welfare and other conditions of service of Building and Other Construction Workers through the Board in every State. Sections 32 to 34 of the Act and Rule 241 of the SBOCW Rules, 2010 made it mandatory for employers to ensure drinking water, latrines and urinals and accommodation for workers. Further, Rule 5 (9) of the SBOCW Rules, 2010 mandates maintenance of clean and hygienic condition of latrines and urinals by the employers.

It was observed that the Board (2017-22) had not conducted any inspections for ensuring health and safety measures despite incurring expenditure of ₹ 27.02 lakh for this purpose, as there were no records of conducted inspections *i.e.*, inspection reports, inspection notes, *etc.* during the audit period.

Joint Physical Verification (JPV) of 16 construction sites (eight registered and eight unregistered establishments from two selected Districts) with the Board Officials showed instances of non-availability of basic amenities as detailed in **Paragraph 2.3.16**.

Objective 5: Whether administration and utilisation of funds on implementation of the welfare scheme by the Board were efficient and effective and as per Act and rules framed by the State Government?

2.3.13.1 Implementation of Welfare Schemes

Section 22 read with Section 24 (2) of the BOCW (RECS) Act 1996, stipulates that Cess collected was required to be spent for the welfare of construction workers on schemes, *i.e.* maternity benefits, pension, advances for purchase and construction of houses, disability pension, payments of financial assistance, medical assistance, financial assistance for education and marriage of children.

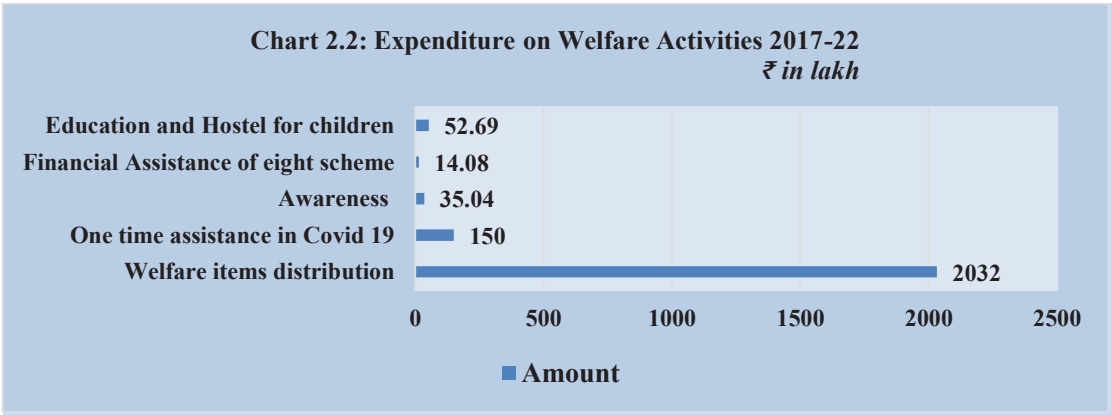
In compliance with the Act, the Government of Sikkim notified 22 welfare schemes to be implemented by the Welfare Board. However, as per the direction of the Supreme

²⁵ 419 (Gangtok Municipal Corporation)+ 15 (Urban Development Department).

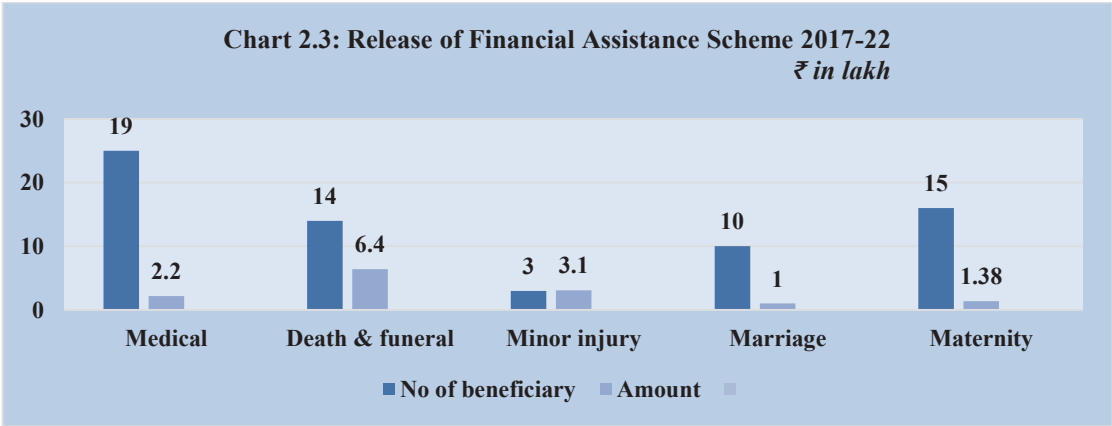
Court, (March 2018) the GoI framed a Model Welfare Scheme which included life & disability care, Health and Maternity cover, Education to the wards of the BOC workers, Housing, Pension, Skill Development and awareness programmes. Accordingly, SBOCWB announced (June 2018) eight Financial Assistance (FA) programmes, which were revised from time to time.

Scrutiny of records revealed that ₹ 22.84 crore²⁶ was spent towards the implementation of welfare programs (**Chart 2.2**). Further, in terms of FA of the eight notified schemes, 70 beneficiaries (2017-22) applied for FA. The Board had released ₹ 14.08 lakh against settlement of such claims (**Chart 2.3**).

Audit conducted Joint Physical Verification on sampled selection of 200 beneficiaries including 70 beneficiaries who had received FA, out of the 5278 registered workers (September 2022), which has been elaborated at **Paragraph 2.3.16**.



Source: Provisional figures of Annual Accounts



Source: Board's record on FA claims

It was observed that the maximum amount of expenditure had been incurred towards distribution of Welfare items *i.e.*, ₹ 20.32 crore. In addition to this, the Board had also provided one-time assistance for COVID-19, and observations on this account are illustrated in the succeeding paragraph.

Based on the disbursement of FA to beneficiaries, audit selected all eight schemes for analysis. Audit analysed the claims and disbursements of FA schemes from the Board's records and observations are enumerated in **Table 2.5**.

²⁶ ₹ 22.84 crore includes ₹ 20.32 crore (welfare scheme) + ₹ 1.50 crore (one time FA for Covid)+ ₹ 0.35 crore (Awareness)+ ₹ 0.14 crore (FA scheme) + ₹ 0.53 crore (Education and Hostel).

Table 2.5: Implementation of Financial Assistance Schemes 2017-2022

Name of the Scheme	Maximum Ceiling (in ₹)	Total application received	Total Claim dis-bursed	Dis-bursed amount (in lakh)	Undis-bursed Claims	Delay in disbursements (in days)	Remarks
Medical	10,000	22	19	2.20	03	01-265	Reasons for the delay and non-release of claims were not found on records.
Death/ Funeral	10,000 to 1,50,000	14	14	6.40	Nil	147-303 ²⁷	
Minor injury, partial & permanent disability	10,000 to 1,50,000	06	03	3.10	03	58-307	
Maternity/ Child Birth	10,000	16	15	1.38	01	33-276	
Marriage	10,000	10	10	1.00	Nil	2-444	444 days delay in the case of <i>Jeevan Biswakarma</i>
Pension	10,000	1	Nil	Nil	Nil	NA	Not fulfilling the age criteria

The above table shows that there were significant delays in releasing FA for all schemes. The Board had not recorded the reasons in writing for delays and non-release of FA. The incomplete documentation indicates that the Board was not effective in implementing the FA schemes as envisaged in the BOCW Act and SBOCW Rules, which emphasise the provision of immediate assistance, particularly in cases of death and injury at the worksite.

Furthermore, it was observed that in seven cases, FA was not released to the beneficiaries without any valid explanation by the Board for the non-release. The nonrelease of FA deprived the eligible beneficiaries of the schemes benefits.

Rule 272 of the SBOCW (RECS) Rules 2010 stipulates that a registered beneficiary who has been working as a building worker for not less than 5 years after the registration as beneficiary under the rule shall on completion of 60 years of age be eligible for pension. The above rule further stipulates submission of application in Form XXXVII by the beneficiary to the Secretary of the Board or officer authorised by him for the purpose. Audit, however, observed that even after 13 years of framing the Rules (2010), there was not even a single case of disbursement of pension assistance till date (April 2023).

Scrutiny of records regarding the subscription paid by registered beneficiaries revealed that 41 workers were working in various establishments (West Sikkim) who had crossed 60 years of age as detailed in **Appendix 2.4**. However, the Board did not identify such cases where a grant of a pension could have been rendered to an eligible beneficiary as envisaged in the Rule 272 of the SBOCW Rules 2010

The fact that only 61 out of 5278 registered workers have availed the FA benefits during the period 2017-18 to 2021-22, reflects ineffective implementation. At the same time, the corpus of the Board increased by 130.25 per cent²⁸ from ₹ 65.70 crore (April 2017)

²⁷ audit calculated delay based on date of death of the beneficiaries.

to ₹ 151.28 crore (March 2022) during the audit period (**Table 2.3**). This issue assumes significance as the schemes include financial assistance for medical purposes, education and hostel expenses for children, maternity benefits *etc.*

Further, considering the FA claim settlements during the period 2021-22, audit observed that only 21 claims were received and settled by the Board during the period.

2.3.13.2 Non-implementation of group insurance to BOC Workers

Section 22(d) of the BOCW (RECS) Act 1996 envisages the implementation of a Group Insurance scheme for registered workers. This had also been reiterated in the Model Welfare Scheme by GoI according to which the State Welfare Board should cover BOC workers between the ages 18 to 50 years under *Pradhan Mantri Jeevan Jyoti Bima Yojana* (PMJJBY) and *Pradhan Mantri Suraksha Bima Yojana* (PMSBY).

The Board in its 38th meeting (January 2020) discussed the implementation of the scheme, however, audit observed that no concrete steps had been taken to implement the scheme.

2.3.13.3 Lack of awareness among BOC Workers

The direction issued by the Supreme Court (18 January 2010), *inter alia*, stated that awareness should be built up, about the registration of building workers and about the benefits available under the Act. There should be an effective use of media, AIR and *Doordarshan*, for awareness programmes regarding the Act, the benefits available there and procedures for availing the benefits.

Further, under the directions (March 2018) of the Supreme Court, the MoL&E, GoI had prepared Model Scheme for BOC Workers and Action Plan (for Strengthening Implementation Machinery). This included awareness generation among BOC workers.

Audit revealed that the Board incurred an expenditure of ₹ 35.04 lakh²⁹ (2017-22) for organising various awareness programmes. However, records of conducted programmes were not produced to audit.

This is, further, substantiated by the fact that an extremely smaller number of beneficiaries (61 claims) had availed the scheme benefits (2017-22). It was also noticed during the beneficiary survey that 85 out of 158 selected workers were unaware of the Board and its projected welfare schemes, which was reflective of the alarmingly low figure of registered BOC workers *i.e.*, 5,278 in the State (October 2022).

2.3.13.4 Financial Assistance during COVID-19

Ministry of Labour and Employment (MoL&E), GOI instructed³⁰ all the States to aid and support workers against economic disruption during the COVID-19 pandemic. Further, the Minister of State (I/C), MoL&E requested³¹ all the Chief Ministers of States for providing adequate relief immediately to construction workers by transferring adequate funds in the bank accounts of the construction workers, through Direct Benefit Transfer (DBT mode) from BOCW fund.

²⁸ ₹ 151.28 crore (March 2022) - ₹ 65.70 (April 2017) / ₹ 65.70 *100.

²⁹ ₹ 10.44 lakh (17-18) + ₹ 4.79 lakh (18-19) + ₹ 19.01 lakh (19-20) & ₹ 0.80 (21-22).

³⁰ DO letter No. U-11017/09/2019-RN dated 27 March 2020.

³¹ DO letter No. dated 24 March 2020.

Initially, the Board decided to provide financial aid at the rate of ₹ 2,000/- each to 7,836 registered construction workers³² and incurred an expenditure of ₹ 1.57 crore. However, based on the compilation of the latest position of registered workers collected from the employers/establishments, the Board provided FA to 7,500 beneficiaries by depositing the FA amount to the employer's account. Accordingly, the Board released ₹ 1.50 crore³³ to the 44 employers for onward transfer of the FA to their 7,500 workers (March and April 2020).

Scrutiny of the Board's records (January 2021) of Covid FA revealed the following:

- During the time of sanctioning of funds, there was a change in the number of registered workers from 7,836 to 7,500 within the same month (March 2020). This proves that the Board did not maintain the details of registered workers (Name, ID Number, *Adhar* number, bank details, etc.) and largely relied on the figures of registered workers taken from employers and field offices during the time of FA disbursal. Since the Board did not have credible records of registered workers during that period, audit was unable to verify the actual receipt of the extended FA disbursed to the beneficiaries. Further, the possibility of eligible workers being left out from the assistance scheme during the pandemic cannot be ruled out in audit.
- The Board had not accounted for the monthly subscription paid by the registered workers to ascertain whether the beneficiaries are eligible/ ineligible for receiving the benefits. There were no such records during the time of disbursal, which could substantiate that the 7,500 beneficiaries to whom FA was to be provided were registered with the Board at that time. This was further corroborated by the fact that the transfer of ₹ 1.50 crore was made to the employers' (44 employers) bank accounts instead of transferring directly to beneficiaries' accounts (DBT), which was in contravention to MoL&Es' direction. Further, out of the 44 employers to whom the FA was disbursed, four employers³⁴ returned the unutilised fund of ₹ 11.60 lakh owing to non-availability of workers. Thus, as per the information provided by these employers, out of the FA release of ₹ 1.50 crore to 7,500 beneficiaries, only 6,911 beneficiaries (₹ 1.38 crore) received the benefit of FA.
- Analysis of UCs (**Appendix 2.5 & 2.6**) revealed that out of the 6,911 beneficiaries, in 1,129 cases the FA was extended through hand receipts while in 5,782 cases the payment was made to the beneficiaries by bank transfer through an employer. As such, to confirm the actual receipt of FA money in the beneficiary accounts, the bank should in turn furnish Unique Transfer Receipts (UTRs) for every transaction. However, the Board did not obtain bank UTRs from the employers for confirming the actual receipt by the beneficiaries. In the absence of UTRs, audit could not verify if the FA amounts reached to the intended beneficiaries. Further, the transfer of money through hand receipts was in contravention of the GoI direction.

Thus, due to non-transfer of the funds directly to the beneficiaries account through DBT, lack of confirmation as to whether financial assistance was received by the beneficiaries,

³² The Board replied that the decrease in number of workers to 5278 (October 2022) was mainly due to the occurrence of seasonal works and migratory workers in Sikkim. Further, the closure of Power Projects like Teesta Urja Limited and Gati etc. had contributed tremendous decrease in the construction workers in Sikkim.

³³ ₹ 104.14 lakh (5,207 beneficiaries) + ₹ 45.86 = ₹ 150 lakh.

³⁴ Roads and Bridges Department: ₹ 6.78 lakh, 130 RCC GREF: ₹ 1.84 lakh, 107 RCC GREF: ₹ 0.28 lakh, Sunil Agrawal: ₹ 2.70 lakh (wages paid to the workers, thus, refunded).

the disbursement of financial assistance amounting to ₹ 1.38 crore remained irregular and doubtful. Further, due to the lack of any contact details of beneficiaries, audit was unable to provide assurance on the receipt of one-time Covid-19 FA by the beneficiaries.

2.3.13.5 Excess procurement of welfare items- ₹ 1.72 crore

Department of Labour, Government of Sikkim vide notification no. 06/DL dated 12 March 2015 framed 22 schemes which included schemes for distribution of Welfare items *i.e.*, Blankets, boots, shoes, tools, *etc.* for the BOC workers. The State framed the above scheme in the exercise of the power conferred under clause (h) of section 22 (1) of the BOCW Act, 1996. Accordingly, the Board during the period 2017-18 to 2018-19 decided to implement distribution of welfare items on numerous occasions and the same was approved during the Board meetings.

Audit observed that during 2017-18 to 2019-20, on four occasions, the Board incurred an expenditure of ₹ 8.91 crore for the purchase of welfare items³⁵ for distribution to potential beneficiaries. It was, however, noticed that the Board had procured welfare items by estimating a higher number³⁶ of registered workers even though the active beneficiaries during that period were comparatively less in number (*Appendix 2.7*). Audit found that an excess of 5,121 welfare items was procured which had resulted in an unwarranted expenditure of ₹ 1.72 crore from the Welfare fund. Records indicating the availability/utilisation of these items were not made available to Audit. It was observed that the Board had not maintained the list of registered beneficiaries and had relied on the provisional figures of registered workers taken from the establishments at the time of scheme implementation. Further, the distribution of the excess items to ineligible persons cannot be ruled out.

Thus, the inability of the Board to assess the actual number of beneficiaries before procurement of welfare items and the lack of records indicating the existence of the excess purchased items resulted in a wasteful expenditure of ₹ 1.72 crore from the welfare fund.

2.3.14 Miscellaneous findings

2.3.14.1 Unfruitful expenditure of ₹1.55 crore on construction of Transit Camp and Public Utility Centre (PUC)



Image 2.3 Transit and Utility center building at 7 Mile, Tshangu-Nathula Road

According to the GoI direction (July 2017) on the provision of construction of transit accommodation/hostel/labour shed/ night shelter for the BOC workers by the State, SBOCW approved (January 2018)³⁷ the construction of 'Transit Camp cum Night Halt' (TCNH) and Public Utility Centre (PUC) at 7th Mile, Tshangu-Nathula Road at an estimated cost of

³⁵ Blanket, Boots, Pressure Cooker, Steel flask, Saucepan, Track suit, *etc.*

³⁶ 2017-18: 6500 (Woolen sweater, Blanket) for 4099 beneficiaries, 7500 (Gumboot, Jacket, *etc.*) for 6500 beneficiaries and 7500 (Cooker, flask, saucepan) for 6993 beneficiaries 2018-19: 8520 (Track suit and backpack) for 7836 beneficiaries.

³⁷ Board Meeting dated 25 January 2018.

₹ 1.17 crore and ₹ 0.44 crore respectively. As per GOIs’ direction, such construction was required to be at a central location, the building must be maintained properly and all amenities to be provided for the users.

The objective behind the construction of TCNH was to provide temporary accommodation for the BOC workers while moving to their respective destinations. On the other hand, the objective of PUC was to create a welfare centre (registration, health care services, insurance, *etc.*) for the BOC workers and their families. Further, the PUC was also meant to serve as a skill development centre for the residents of the locality.

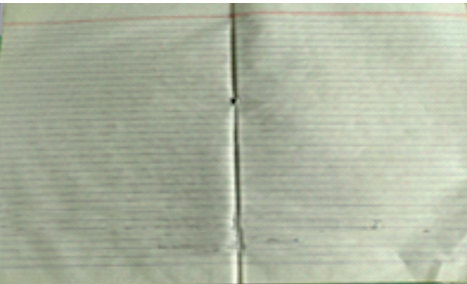


Image 2.4: Transit Camp Entry Register

Audit observed that the buildings were located in a high-altitude isolated area (6,000 ft.) which is approximately 11 km away from the main town. Since the location is situated on the way to Indo-China international Border at *Nathula* pass, special permits/passes are required for reaching the TCNH/PUC. Apparently, it would be very difficult for the general public, other than defense personnel, to travel to and from such a location.

Despite GoI’s direction on condition of constructing the said building in a centralised location, the Board decided to construct the buildings in an isolated location without any basis or assessing the suitability of the selected location.

During Joint Physical Verification (October 2022) with Board officials, it was observed that no BOC worker had used the facilities since the completion of the buildings (February 2022). Verification of the transit camp entry register confirmed that no workers or visitors had visited the TCNH till the date of audit (October 2022).

It was also observed that the TCNH lacked basic amenities of providing water supply and kitchen facilities (utensils, gas, oven, *etc.*) within the building area despite the fact there were no shops or eateries anywhere near the location.

The flooring of the building was found to be deteriorating, possibly due to lack of maintenance.



Image 2.5: Kitchen without cooking utensils



Image 2.6: Discoloured marble flooring

Thus, due to improper planning and an imprudent decision of the Board, the objective of constructing both buildings remained defeated and resulted in unfruitful expenditure of ₹ 1.61 crore from the BOC welfare fund.

2.3.14.2 Irregular/doubtful utilisation of Welfare fund of ₹ 3.15 crore

Sections 22 and 24 (2) of the Act, 1996, mandated that at least 95 *per cent* of the fund should be utilised for the benefit of the construction workers while five *per cent* is to be used for administrative expenses. Under the direction of the Supreme Court (SC) of

India (2015), the GoI reiterated (June 2016) that welfare funds should not be used for any other purpose other than for the welfare of construction workers and exclusively for their families. In addition to the above, as per the direction of SC (March 2018), the funds available with the Welfare Boards shall not be utilised by the State for any other expenditure of the State Government.

Audit observed that in contravention to the provision cited above, the Board incurred an expenditure of ₹ 3.15 crore (**Table 2.6**) on inadmissible/irregular expenses which were yet to be recouped to the welfare fund (March 2023).

Table 2.6: Observations on Irregular/doubtful utilisation of Welfare Fund

Sl. No.	Irregular/doubtful utilisation of Welfare Fund	Observations
1	<i>Diversion of scheme fund to ₹ 1.80 crore to ESIC</i>	<p>The Board approved³⁸ a loan of ₹ 2.50 crore to the Employee State Insurance Corporation (ESIC) to clear outstanding balances of the Central Referral Hospital (CRH) in Manipal. The loan was supposed to be repaid by ESIC with interest upon receiving funds from the Centre. The Board released the loan in three instalments: ₹ 1.50 crore (4 December 2018), ₹ 0.50 crore (15 March 2019), and ₹ 0.50 crore (27 April 2021), using the Cess fund.</p> <p>Audit observed that the Board had recovered only ₹ one crore from ESIC against the loans of March 2019 and April 2021. However, the accumulated interest of ₹ 0.56 lakh was not recovered from ESIC. Additionally, as of November 2022, the loan amount of ₹ 1.50 crore, along with accrued interest of ₹ 29 lakh, remained pending from ESIC.</p> <p>The entire grant of a loan of ₹ 2.50 crore by the Board was a clear violation of the BOCW Act, as the fund meant for BOC workers was utilised towards granting loans to other organizations. This resulted in a blockade of ₹ 1.80 crore (<i>inclusive of interest</i>) for three years and eleven months, which was originally intended for the welfare of BOC workers.</p>
2	<i>Purchase of vehicle of ₹ 62.19 lakh</i>	<p>The Welfare Board already had seven vehicles with them. During 2017-2022, the Board procured nine more vehicles³⁹ at a total cost of ₹ 62.19 lakh. Out of 16 vehicles, 11 were given to LD officials, three were obtained as inspection/ambulance vehicles, and one was assigned to the Ex-Chairperson of the Board. Further, it was noticed that one winger and two ambulances were idling in dilapidated condition in the LD premises as shown in Image 2.7 and 2.8. Also, one vehicle was not found with the Board.</p> <div></div> <div>Image 2.7: Idling of vehicle (winger)Image 2.8: Vehicles lying in dilapidated condition</div>

³⁸ 34th Board Meeting held on 14th November 2018.

³⁹ Four wheelers and two wheelers vehicles.

Sl. No.	Irregular/doubtful utilisation of Welfare Fund	Observations
		Thus, the procurement of vehicles not only led to mis-utilisation of funds meant for the welfare of BOC Workers, but also idling of vehicles. Further, despite the purchase of 16 vehicles from the welfare fund including three vehicles exclusively procured for inspection purpose, the Board did not conduct any inspections for identifying potential establishments and construction workers as illustrated in the preceding <i>Paragraph 2.3.10.2</i> .
3	Renovation of Labour Department Building & allied activity of ₹ 28.62 lakh	<p>GOI instructed⁴⁰ that the cess fund should not be spent for any purpose other than the welfare of the BOC Workers and their families. In case of any violation, immediate steps were to be taken to recoup the amount so spent. Board had incurred an expenditure of ₹ 28.62 lakh⁴¹ (2020-21) for the renovation and installation of CCTV of the Labour Department Building (<i>Shram Bhawan</i>), East Sikkim.</p> <p>Since BOCW Act and the above GoI letter do not permit expenditure other than for the welfare of BOC workers, incurring expenditure for renovation/ CCTV installation of the office building was found to be irregular, as such expenditure should have been catered from the separate budget allotted for Labour Department.</p> <p>Thus, in contravention to the above Act and Rules utilisation of ₹ 28.62 lakh indicated diversion of BOCW funds which needs to be recouped by the State Government.</p>
4	Irregular expenditure on Handbook of ₹ 13 lakh	A proposal (June 2017) was made to prepare a handbook on Labour-related Acts and Rules for Industrial Establishments and Contractors, with an estimated cost of ₹ 39.50 lakh. The handbook was intended for the field Labour Inspectors (LI) of the Labour Department's enforcement wing. However, an advance payment of ₹ 13 lakh was made (June 2017) to M/s Willis Tower India Pvt. Limited by the Secretary, SBOCWB for printing the handbook without obtaining prior approval of the Board at that time. Despite the expenditure, only 100 copies of the handbook were received by the Board.
5	Unfruitful expenditure in developing mobile technology ₹ 11.81 lakh	<p>The members of the Board in its 28th meeting (June 2017) proposed developing mobile technology for registering workers. The above proposal was included as the Government of India was advocating the use of e-governance and technology including the use of mobile applications for the engagement of stakeholders, and automation of registration/ renewal process. The above proposal was approved to be implemented at a cost of ₹ 4.50 lakh.</p> <p>Based on the above approval, the Board issued a work order to a firm and also released ₹ 4.50 lakh. Subsequently, the Board nominated 11 officers for training (June 2017) on the same to the Administrative Staff College of India at a cost of ₹ 5.46 lakh besides incurring an expenditure of ₹ 1.85 lakh for traveling expenses.</p> <p>Records indicating that the software was developed by the firm (March 2023) were not made available to Audit. Thus, the total expenditure of ₹ 11.81 lakh for developing automation of the registration process through the mobile application was infructuous and did not serve the intended benefit.</p>

⁴⁰ letter no Z-2011/08/2014-BL dated 23 June 2016.

⁴¹ ₹ 27.35 lakh + ₹ 1.26 lakh = ₹ 28.62 lakh.

Sl. No.	Irregular/doubtful utilisation of Welfare Fund	Observations
6	<i>Doubtful expenditure of ₹ 8.93 lakh and non-conduction of Skill Development Training</i>	The Model Welfare Scheme mandated convergence between the BOCW Board's skill development activities and those of the State Skill Development Missions/Ministry of Skill Development and Entrepreneurship. The aim was to provide financial assistance and training to BOC workers and their dependents, with expenses limited to 10 per cent of the previous year's cess collected. Audit observed that although an amount of ₹ 8.93 lakh was booked under training in Annual Accounts, however, no documentary evidence in this regard was provided to audit. Additionally, no skill development programs were conducted from 2019 to 2022, resulting in a violation of government directives and the denial of benefits to workers and their dependents despite sufficient funds being available.
7	<i>Non-production of expenditure details of ₹ 10 lakh</i>	Scrutiny of the records made available to audit revealed that the Board incurred an expenditure of ₹ 10 lakh during 2021-22 for payment of honorarium. However, the Board did not produce details concerning the utilisation of such expenditure i.e., acknowledgement of receipt, a detailed contingent bill submitted by the officer, concerned files and records.

2.3.15 Monitoring and Internal Control

There was no effective internal audit system in place on the Board. The absence of internal control in the Board resulted in the non-presentation of Demand drafts amounting to ₹6.19 lakh (**Paragraph 2.3.11.3**), non-preparation of the Annual budget (**Paragraph 2.3.8.2**) and excess procurement of welfare items at ₹ 1.72 crore (**Paragraph 2.3.13.5**). The absence of monitoring and Internal Control in the Board is discussed in the following paragraphs.

2.3.15.1 State Advisory Committee

Section 4 of the BOCW Act stipulates that the State Government shall constitute a committee to be called the State Building and Other Construction Workers Advisory Committee (SAC) to advise the State Government on such matters arising out of the administration of this Act as may be referred to it. The SAC was to be reconstituted every three years and to meet at least once a year.

The SAC was constituted in February 2010 in the State and reconstituted in August 2014, January 2018 and July 2019 respectively with the then Minister in charge of the LD as the Chairperson.

Audit observed that against 13 meetings, only five were held till date (April 2023) since its constitution in the year 2010. Further, during the period 2017-22, only two meetings were held against the stipulated number of five meetings. In the absence of regular meetings, the Board could not obtain important Committee decisions which were necessary to advise the State Government for better administration of the BOCW Act.

2.3.15.2 Shortfall in Conducting Board Meetings

Rule 251 of the SBOCW Rules, stipulates that SBCOWWB shall ordinarily meet once in two months. Scrutiny revealed a substantial shortfall in number of the Board Meetings

conducted during 2017-22 as depicted in **Table 2.7**.

Table 2.7: Number of meetings held by the Board during 2017-22

Year	Normative number of meetings	Number of meetings held
2017-18	6	3
2018-19	6	5
2019-20	6	4
2020-21	6	3
2021-22	6	0
Total	30	15

Source: Information furnished by the Board

From the above table, it could be seen that only 15 meetings were held against the required 30 meetings (50 *per cent*) and no meeting was held in 2021-22. The holding of the Board Meeting was vital for taking important decisions for the welfare of the BOC workers. Non-conducting/shortfall in the number of meetings was indicative of less seriousness on the part of the Board in monitoring and implementing various provisions of the Acts & Rules.

2.3.15.3 Non-conduct of Social Audit

Specific direction was given (March 2018) by the *Hon'ble* Supreme Court in response to a writ petition⁴² to conduct a Social Audit on the implementation of the Act so that in future there is better and more effective and meaningful implementation of the Act. The matter had been discussed in the Monitoring Committee meeting held (May 2018) in Delhi and included in the Model Welfare Scheme circulated by GOI for compliance by State/UT Governments.

The objective of the Social Audit was to visit ongoing construction sites, inform the workers about their entitlements to the Act, identify workers eligible but not registered and facilitate workers for filing grievances, *etc.*

Scrutiny, however, revealed that no Social Audit had been conducted by the Board till the date (May 2023).

The non-conduct of Social Audit indicated ineffectiveness in functioning of the Board towards better monitoring.

2.3.16 Beneficiary and joint physical verification

Two districts, *viz.*, *East and South districts*, were sampled and selected for audit. A total of 200 BOC workers (100 workers from each district) and 16 Establishments were selected for the survey. The 16 establishments included eight registered establishments (four establishments from each district) and eight unregistered establishments with equal numbers from each district. Out of the 200 beneficiary workers, all 59 workers of the two districts who had availed the Financial Assistance scheme from the Board (57 from East District and two from South District) were selected for the survey. The Joint beneficiary survey was conducted by the audit team with a structured questionnaire designed to capture the perception of the beneficiaries about the BOCW Board, the schemes available from it and their grievances. The summary of the findings are as follows:

⁴² WP 318 of 2006.

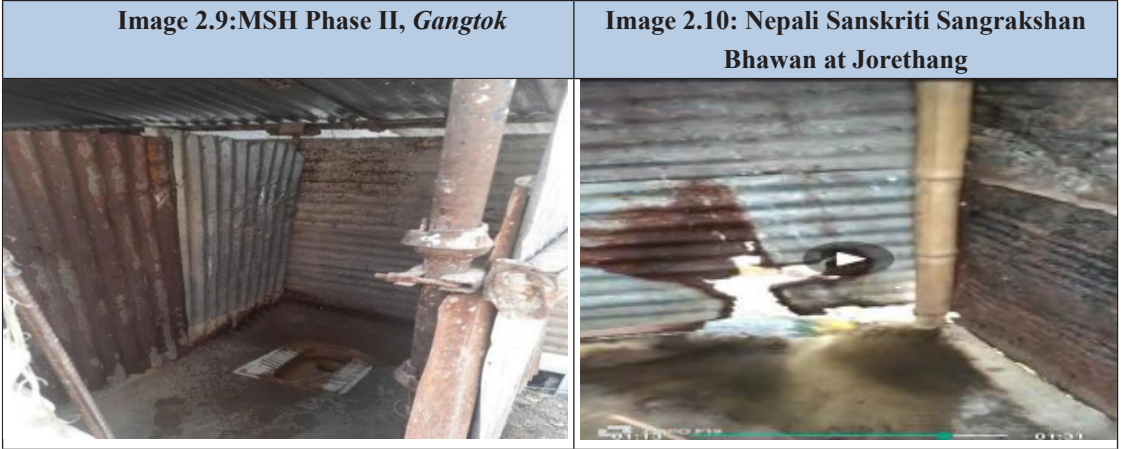
It was also noticed that the sleeping area and food storage at one⁴³ of the establishments were in unhygienic condition (**Images 2.11 and 2.12**).

Such laxity on the part of the Board resulted in flouting compliance of the Acts by the employers affecting the security, health and posing risk to the life of the BOC workers.

2.3.16.1 JPV of Establishments

In the course of JPV (February-March 2023) of the establishment, it was noticed that:

- In two cases toilets of establishments for workers were found to be in unhygienic condition, as shown below.



- Sleeping area and food storage at one⁴⁴ of the establishments were in unhygienic condition, as shown below.



- ◆ A day of rest in every period of seven days, as was stipulated in the BOCW Rules and one day paid holiday as per the State Notification of Minimum Wages was not being followed in five establishments⁴⁵.
- ◆ None of the visited establishments had furnished the date of commencement of work to the Board.

⁴³ Multi-Level Car Parking cum commercial hub in PPP mode at old West point Taxi Stand, Gangtok Employer: MESASO.

⁴⁴ Multi-Level Car Parking cum commercial hub in PPP mode at old West point Taxi Stand, Gangtok Employer: MESASO.

⁴⁵ Multi-Level Car Parking cum commercial hub in PPP mode at old West point Taxi Stand, Gangtok Employer: MESASO; Principal Employer; Gangtok Smart City, Improvement of Feeder Road in Gangtok; MKM Construction, Hingdam; RL Construction, Hingdam; HL Rai, Legship.

- ◆ None of the verified Establishments had a display board mentioning the rate of wages, hours of work and name of the inspector having jurisdiction as required under Rule 236 of the SBOCW Rules, 2010.
- ◆ Four cases of accidents that occurred in two establishments were not reported to the Board immediately.
- ◆ None of the registered establishments had received the assessment order passed by the Assessment Officer.
- ◆ Further, during Joint Physical Verification with the Labour Department (February 2023) of unregistered establishments in the East district, it was found that three⁴⁶ ongoing major commercial constructions (PPP mode) under GSCDL and UDD, were yet to be registered with the Board.

2.3.16.2 Beneficiary survey

- ◆ 54 *per cent* of the registered beneficiaries (Total registered beneficiaries surveyed 158) were not aware of State Welfare Board and its scheme benefits.
- ◆ 21 *per cent* of the total workers surveyed stated that overtime allowance was not paid during extra working hours.
- ◆ 56 *per cent* of the total workers surveyed stated that Labour Inspectors had not visited establishments to ensure proper implementation of Act/Rules.
- ◆ 12 *per cent* of the total workers surveyed stated that one day paid holiday for rest as per the Labour notification was not being allowed.
- ◆ In the South district, one registered worker was learnt to be suffering from a prolonged illness (at present, her daughter was working instead of her mother) but owing to a lack of awareness on Scheme benefits, to date, she had not applied for FA from the Board.
- ◆ A registered worker in the South district died on duty (September 2019). However, his family had not received FA (April 2023) despite the fact that his application was already forwarded to the Board by the District Field Officer as early as January 2020.

2.3.17 Best Practice



Image 2.13: SBOCWWB Hostel

The Board had purchased a building at *Lingding, Gangtok, Sikkim* for providing a hostel facility for supporting children of BOC workers. The children were being provided with free accommodation including food, education, books, uniforms and private tuition facilities to enable them to get a proper education. The hostel facility can be availed by the ward of the

registered BOC workers from class six till 12. Beyond that, the Board has provided a stipend facility for eligible students who wish to continue higher studies. As of April 2023, the Board is facilitating 23 Nos. of children residing in the hostel. It is worthwhile

⁴⁶ Construction of 1) Star Mall (old Star Hall), MG Marg (Panchadeep Construction Ltd.) Project cost: ₹ 100 crore; 2) Const. of Multilevel car parking cum shopping hub (Kanchenjunga Square), Cost: ₹ 130 crore; 3) Const. of Multilevel car parking cum shopping hub Old West point taxi stand, Cost: ₹ 115 crore.

to mention that two students supported by the Board are pursuing higher education in Medical and Engineering colleges.

2.3.18 Conclusion

The Sikkim Building and Other Construction Welfare Board was established to ensure the safety and welfare of construction workers. Audit observed deficiencies in the implementation of the BOCW Act and related rules in the state of Sikkim which included non identification of establishments for registration (**Paragraph 2.3.10.2**), inability to assess and collect the cess (**Paragraph 2.3.11.1 and 2.3.11.2**), non-conduct of inspection at sites (**Paragraph 2.3.12.1**) and improper implementation of welfare schemes (**Paragraph 2.3.13.1**).

The Board had neither initiated a proper system of registering establishments/workers nor established a sound assessment mechanism for collecting cess. There was no mechanism for online registration of the establishments and workers as of date. As a result, the Board was unaware about the exact number of construction workers in the state as evidenced by the differing figures produced by the Board on different occasions. This also indicated that the Board was not aware of the exact quantum of cess due for collection and that the estimation of beneficiaries for various welfare schemes was not realistic.

The Board did not have independent staff of its own, and its day-to-day activities were managed by the staff of the labour department itself, in addition to their normal work and duties. Audit observed that this had resulted in the improper implementation of the BOCW act. Critical activities such as inspection of establishments, ensuring submission of mandatory returns by employers and maintenance of records were not done properly by the Board. Further, Audit also noticed instances where cess funds were diverted to activities not related to BOCW.

Audit noticed that the expenditure on various welfare activities is very low as compared with the total accumulated cess funds available with the Board. This translated into very few beneficiaries receiving financial assistance from the Board. Further, there were instances of beneficiaries being provided financial assistance after a considerable delay. Audit also noticed that employers had failed to promptly report incidents/accidents which happened at the work sites and necessary action was not taken action by the Board in this regard. Apart from these, Audit further noticed that awareness regarding welfare schemes under the Act was low amongst the workers.

Audit concludes that the SBOCW Board has remained ineffective in executing the provisions of the BOCW act for the welfare of construction workers of the State of Sikkim.

2.3.19 Recommendations

For better and more effective implementation of the act, it is recommended that –

- *The Board shall ensure the preparation and submission of the Annual Budget for approval of the Government.*
- *The Government should ensure that the Cess Fund is used exclusively for the welfare measures of the BOC workers only. The use of funds for administrative purposes should be within the permissible limit of five per cent of total expenditure.*

- *Online registration mechanism for BOC workers with complete details (name, contact number, nominees, bank details, identification documents, subscription fee, etc.) is to be initiated by the Board at the earliest. Further, the Board should ensure that all construction works and workers involved are registered under the Board. The Board should maintain a comprehensive database of such registered workers.*
- *The Board should institutionalise a mechanism to identify all employers and workers and ensure proper and timely collection of cess.*
- *The Board may ensure that Assessment Officers and Cess collectors are made accountable for ensuring that the cess is duly assessed, realised and remitted to the Board.*
- *The Government may authorise the advance collection of cess from Private Buildings and construction works, through the building plan-approving authorities i.e., urban/ local bodies.*
- *The Government should ensure investing the Cess fund in nationalised banks only.*
- *Transit accommodation/hostel/ labour shed/ night shelter for the BOC workers should be constructed at centralised locations to ensure better utilisation.*
- *The Government may ensure mandatory provision of financial assistance through Direct Benefit Transfer mode only.*

HEALTH AND FAMILY WELFARE DEPARTMENT

2.4 Subject Specific Compliance Audit on Public Health Infrastructure and Management of Health Services

2.4.1 Introduction

The public healthcare delivery system in India is organised at three levels – primary, secondary, and tertiary. The vast network of Primary Health Sub-Centres (SCs), Primary Health Centres (PHCs), Urban Primary Health Centres (UPHCs) and Community Health Centres (CHCs) form the primary tier of public healthcare delivery system for rural and urban population. District Hospitals (DHs) provide secondary-level healthcare services for rural and urban population. These hospitals handle the treatment and management of diseases or medical conditions that require specialised care. Tertiary healthcare involves providing advanced and super-specialty services to be provided by medical institutions in urban areas, which are well-equipped with sophisticated diagnostic and investigative facilities.

2.4.2 Overview of Public Healthcare facilities in Sikkim

Sikkim is the least populated and second smallest State in India with a population of 6.83 lakh (2021-22). To provide universal healthcare services to the people, the State has a 1000 bedded Super Specialty Hospital at Gangtok, four District Hospitals, two Community Health Centres (CHCs), two *Ayush* Hospitals, one TB Hospital, one *Covid* Hospital, 24 Primary Health Centres (PHCs), two Urban Primary Health Centres (UPHCs) and 148 Public Health Sub-Centres (PHSCs).

Analysis of the existence of health centres in the State at the primary and secondary levels *vis-à-vis* the norm laid down by the Indian Public Health Standards (IPHS) for a hilly/mountainous State revealed the availability of an adequate number of DHs⁴⁷ in the

⁴⁷ The IPHS lays down that for a district with a population of 10 lakh, the requirement of a DH would be of 300 beds. Hence, a DH with 100 beds would cater to a population of 3,33,333. Each district in Sikkim had population below the IPHS norm.

State. There was, however, a shortage of CHCs (6), PHCs (11) and PHSCs (83) in three districts⁴⁸ of the State. Details are shown in **Appendix 2.8**.

2.4.3 Service availability in the DH, CHCs and PHCs in the State

The IPHS categorises service availability in the DHs, CHCs and PHCs as **essential services** (minimum assured services) and **desirable services** (services that a DH should aspire to achieve).

Out of four DHs in the State, *Namchi* DH had all 12 essential services; *Singtam* and *Geyzing* DHs had 11 services and *Mangan* DH had eight services available. The detailed status of availability of essential services in four DHs of the State is highlighted in **Appendix 2.9**.

Two DHs (*Namchi* and *Geyzing* DH) out of four had functional ICUs for general patients while the other two DHs, *Mangan* and *Singtam*, did not have general ICU⁴⁹ facilities. Although *Singtam* DH had two ICU facilities, one for paediatric care and other for trauma care for road accident victims, both were non-functional due to lack of required paraphernalia and manpower to run the units. While *Namchi* DH and *Mangan* DH had dedicated ICUs for road trauma victims, *Geyzing* DH did not have a trauma care ICU.

None of the four DHs had desirable services like forensic and endoscopy services, Magnetic Resonance Imaging (MRI), Electroencephalogram (EEG), Angiography and Echocardiography.

The IPHS norms have categorised specialist services in general medicine, surgery, obstetrics and gynaecology, paediatrics, dental service and anaesthesia as essential services for Community Health Centres (CHC). The two CHCs in the State (*Rhenock* CHC and *Jorethang* CHC) did not have the above specialty services and hence functioned as mere PHCs with additional beds.

2.4.4 Availability of Doctors, Nurses and Paramedics

The IPHS has prescribed manpower requirements for the DHs, CHCs and PHCs based on the service delivery norms of each health facility. The State Government had neither formulated manpower requirement norms for its hospitals and health centres nor notified sanctioned strength of human resources required for its health institutions. In the absence of notified sanctioned strength of manpower, audit examined the deployment of manpower in the health institutions with reference to the IPHS norms.

➤ Manpower in District Hospitals

Audit noticed that the deployment of specialists, doctors, nurses and paramedics in the DHs was not as per IPHS norms. Detailed status of manpower in the DHs is given in **Appendix 2.10**.

- *Mangan* DH did not have any specialist posted in seven essential Departments and in addition there was a shortage of 11 medical officers, 21 nurses and five paramedics in the DH.
- *Singtam* DH had a shortage of two General Surgery specialists, one Anaesthetist and one Radiologist.
- *Geyzing* DH had a shortage of one Medicine Specialist, two General Surgeons, and six medical officers.

⁴⁸ East, West and South Districts. There was no shortage of health facilities in the North District.

⁴⁹ The ICUs in the DHs of the State are categorised as Paediatric ICU, Trauma ICU, Covid-19 ICU and general ICU for other ailments.

Thus, several Departments of the DHs suffered a shortage of manpower *vis-à-vis* IPHS norms.

➤ **Human Resources in CHCs**

In terms of the IPHS, a CHC is required to have five essential services in the disciplines of general medicine, paediatrics, general surgery, obstetrics & gynaecology and anaesthesia. The two CHCs (*Rhenock & Jorethang*) in the State did not have any specialists posted in them.

The CHCs also did not have any manpower in the essential positions of Medical Superintendent, Public Health Specialists and Public Health Nurse while there was excess manpower in dental Department (dentists) to the extent of 100 *per cent* (*Rhenock*, CHC), and 500 *per cent* (*Jorethang*, CHC) as compared to overall excess of 1283 *per cent* dentists in the State⁵⁰ and excess staff nurses to the extent of 30 *per cent* (*Rhenock*, CHC) and 120 *per cent* (*Jorethang*, CHC) as compared to overall excess of 90 *per cent* staff nurses in the State and short deployment of eight paramedics in *Jorethang* CHC as compared to overall excess of 232 paramedics in the State. Thus, while several essential positions in the CHC had no manpower posted in them, the deployment of dentists, nurses and paramedics in the CHCs was done without adhering to the norms. Details are given in **Appendix 2.11**.

In the absence of specialists, the sampled CHC (*Rhenock*) was compelled to refer 668 patients during 2017-22 seeking specialist consultation and care to the District Hospital, *Singtam* or to the STNM Hospital Gangtok. This deprived sick people under the CHC of essential healthcare services expected from a CHC closer to their homes.

➤ **Human Resources in PHCs**

Detailed status of manpower position of 26 UPHC / PHCs in the State is shown in **Appendix 2.12(a) & (b)**.

Audit observed that 85 doctors, 188 nurses, 219 paramedics and a staggering 446 ‘other staff’⁵¹ were more than IPHS norms in the State’s PHCs during 2021-22. Further, the deployment of doctors, nurses, paramedics and ‘other staff’ was also not uniform across the PHCs but was extremely random ranging from one doctor in a PHC to 11 doctors in another PHC, four nurses in a PHC to 23 nurses in another PHC, one paramedic in a PHC to 21 paramedics in another and four ‘other staff’ in a PHC to 39 such staff in another PHC. Thus, at the PHC level, the deployment of manpower was haphazard and did not adhere to the IPHS norms.

2.4.5 Outpatient Department (OPD) Services in the District Hospitals

According to the IPHS, the District Hospitals are supposed to provide OPD services in General Medicines, General Surgery, Obstetrics & Gynaecology, Paediatrics, Ophthalmology, ENT, Orthopaedics, Psychiatry, Dental Care, *etc.*

Audit noticed that the four District Hospitals in the State were providing OPD Services in 11 Departments according to availability of Specialist Doctors. There was maximum OPD footfall in the general medicine department followed by paediatrics, gynaecology & obstetrics, ophthalmology and dental departments as detailed in **Appendix 2.13**.

Since there was no specialist service in the essential department of Surgery in *Geyzing*, *Singtam* and *Mangan* DHs, there was no footfall in the OPDs of this department in the

⁵⁰ 4 DHs, 2 CHCs and 26 PHCs.

⁵¹ other staff includes safai karmachari, guard, driver, dhobi *etc.*

three DHs. However, in the department of Dermatology & Venereology, which was a desirable service, there was considerable footfall in the OPDs of two DHs (*Namchi* DH, *Singtam* DH) that had this service.

2.4.6 Availability of Beds in the District Hospitals

IPHS categories District Hospitals into five grades⁵² from Grade-I to Grade -V according to bed strength of each hospital. The four DHs of Sikkim were categorised as Grade-I with bed capacity of 100 beds each. Hospital beds were distributed among different wards viz., Medicine ward, Surgical Ward, Orthopaedic Ward, Paediatric Ward, Obstetrics and Gynaecology, Ophthalmology ward, etc. Separate wards for Maternal care and Child-care were available in each District Hospital. The distribution of beds in the wards of the DHs was done depending upon the demand for each service from time to time.

2.4.7 IPD Services in the District Hospitals

District Hospitals provide IPD Services in Medicine, Surgery, Maternity, Paediatrics, Nursery, Isolation related cases, Burn cases, Orthopaedics, Ophthalmology, Malaria and Infectious Disease-related cases.

The four District Hospitals of Sikkim provided IPD Services based on availability of Specialist Doctors with each Hospital. Maximum in-patients in the DHs pertained to general medicine, gynaecology, and paediatrics. In dermatology department in *Singtam* and *Namchi* DHs, which had this desirable service, there were no in-patients. Only *Namchi* DH had in-patients in Surgery Department as this DH had specialist service in Surgery. *Mangan* DH had in-patients in all four departments available in the DH (medicine, obstetrics & gynaecology, paediatrics and psychiatry). Details are given in **Appendix 2.14**.

2.4.8 Availability of Diagnostic Service in the District Hospitals

According to the IPHS, the District Hospital laboratory and other diagnostic services shall serve the purpose of public health and be able to perform all tests required to diagnose epidemics or important diseases. The Laboratory services which are to be available in a District Hospital are i) Clinical Pathology ii) Pathology iii) Microbiology iv) Serology v) Biochemistry vi) Cardiac investigation vii) Ophthalmology viii) ENT ix) Radiology x) Endoscopy and xi) Respiratory function tests.

Audit noticed that all four DHs in the State had facilities for i) Clinical Pathology ii) Pathology iii) Microbiology iv) Serology v) Biochemistry tests. However, tests like Stress Test, ECG under Cardiac Investigation, Endoscopy for ENT and Audiometry test, all kinds of Endoscopy and Pulmonary function tests under Respiratory investigation were not available in the DHs in the State.

In respect of Radiology investigations, CT scan and MRI Services were not available in the DHs.

2.4.9 Availability of Blood Bank and Blood Storage Facility

IPHS norms prescribe availability of blood bank in a DH and blood storage facility in every CHC as essential facility. Three DHs (*Singtam*, *Geyzing* and *Namchi*) in the State had functional Blood Banks while the fourth DH (*Mangan*) did not have a functional Blood Bank. The two CHCs in the State (*Rhenock* and *Jorethang*) did not have any

⁵² Grade -I DH with 100 beds, Grade-II with 200 beds, Grade-III with 300 beds, Grade-IV with 400 beds and Grade-V with 500 beds.

Blood storage facility to cater to patients requiring blood transfusion. All the four DHs in the State had valid licenses for operating the Blood Banks issued by the Central License Approving Authority, Drugs and Cosmetics Cell, Health and Family Welfare Department, Government of *Sikkim*.

2.4.10 Dietary Service in the District Hospitals in the State

According to the IPHS, dietary service of a hospital is an important therapeutic tool. Apart from normal diets, diabetic, semi-solid diets and liquid diets shall also be available. Food shall be distributed in covered containers.

The four DHs of the State provided seven types of diets free of cost for different category of patients *viz.*, normal non-vegetarian diet, normal vegetarian diet, diabetic non-vegetarian diet, diabetic vegetarian diet, paediatric non-vegetarian diet, paediatric vegetarian diet and churned diet / full fluid diet for severe acute malnutrition for adult and children. Food was carried for distribution in covered containers.

2.4.11 Hospital Linen Service in the District Hospitals in the State

IPHS prescribes the number of different types of linen⁵³ that are required for patient care services for DHs with different bed capacities in the category of 101 to 200, 201 to 300, and 301 to 500. The four DHs in Sikkim were categorised as 100 bedded hence the IPHS norm could not be strictly applied.

Audit noticed that no norms had been laid down by the Department for the DHs for providing various types of linen, periodicity of changing linen for the patients and methodology for washing and cleaning of linen. The DHs adopted their own method as suitable to them for cleaning and washing of linen. While the *Geyzing* DH outsourced laundry services, the other three DHs (*Singtam*, *Namchi*, and *Mangan*) had regular appointed dhobis for washing hospital linen. Records relating to changing of soiled linens and issue of fresh linens were, however, not maintained by any of the DHs in the State. Joint Physical verification of the sampled DHs (*Singtam* and *Geyzing* DH) revealed that the patients preferred to use their own linen rather than those provided by the Hospitals. Images below corroborate the observation.



Image 2.14 & 2.15: Patients preferred using their own bedspreads, blankets, cloths *etc.* in the DHs

⁵³ Abdominal sheets for OT, Bed sheets, Bedspreads, Blankets (Red and Blue), Doctor's overcoats, Draw sheets, Hospital worker OT coats, Leggings, Mackintosh sheets, Mats (Nylon), Mattresses (Foam) for adults, Mortuary sheets, over-shoe pairs, paediatric mattresses, Patient's coats (Female), Patient's pyjamas, Shirts (Male), Patna towels, Perennial sheets for OT, Pillows, Pillow cover and Tablecloths.

2.4.12 Ambulance Service

In terms of the IPHS (Clause XVI Hospital Transport Services) norms, a District Hospital shall have well equipped Basic Life Support (BLS) and desirably one Advanced Life Support (ALS) ambulance.

The NHM guidelines prescribe the availability of tele-ambulance services which can be availed by calling telephone numbers 108 and 102 for attending to patients of critical care, trauma (accident) victims *etc.*, (108) and basic patient transport to cater to the needs of pregnant women, children *etc.* (102).

Audit noticed that there were 13 ambulances in four DHs of the State (*Singtam DH- four; Namchi DH- four; Geyzing DH – three & Mangan DH - two*). The DHs provided free ambulance service as referral transport to higher health facilities. The ambulances were provided with basic life support facility *viz.*, Oxygen Cylinder, First Aid Box, trained paramedics, *etc.* as required under the IPHS norms. However, only one ambulance under *Geyzing DH* in West district was connected with 102 national ambulance service catering to pregnant women, sick infants and sterilisation cases while ‘108 Emergency Transport System’ service for all other medical emergencies was not available in the State.

2.4.13 Good practices

The following good practices were noticed in the District Hospitals of the State:

➤ Management of Bio Medical Waste

Biomedical waste management (BMW) is an integral part of infection control activities of the hospital. According to the Bio-Medical Waste Management Rules, 2016 (BMW Rules) hazardous, toxic and bio-medical waste has to be separated into 10 categories for the purpose of safe transportation to specific sites for specific treatment. Further, the BMW Rules *inter alia* stipulate the procedures for collection, handling, transportation, disposal and monitoring of the bio-medical Waste with clear roles for waste generators.

Audit noticed that all four DHs were segregating hospital wastes in separate-coloured bins, available at the point of generation of waste, particularly in the ward areas, OTs, *etc.* as per the BMW rules. Incinerators were available in all four DHs for burning of the BMW and deep burial pits (sharp pits) were available for burial of sharp objects calling for such burial. General solid wastes were collected by the concerned municipal authorities for disposal while recyclable items were handed over to agencies collecting such items.

➤ Mortuary Service in the District Hospitals

IPHS provides that every District Hospital should have the facilities for keeping of dead bodies and conducting autopsy.

Audit noticed that all the DHs in the State had a mortuary service for keeping the dead bodies and conducting of autopsy as per norms.

2.4.14 Status of Implementation of AB-PMJAY in Sikkim

Ayushman Bharat- Pradhan Mantri Jan Aarogya Yojana (AB-PMJAY) is a flagship health scheme of the GoI, launched (23 September 2018) to achieve Universal Health Coverage (UHC) as recommended in the National Health Policy, 2017. PM-JAY aims to provide health insurance cover of ₹ five lakh per family per year for secondary and

tertiary care hospitalisation. Under PMJAY, the States are free to choose the modalities of implementation of the Scheme. State can implement the scheme through insurance company or directly through the Trust / Society or mixed model. Sikkim chose to implement the PMJAY Scheme in trust mode where a Government of India (GoI) empanelled Third Party Agency (TPA) was appointed to support implementation of the Scheme.

The scheme was rolled out in the State on the same day it was launched nationally (23 September 2018). State Empanelment Committee (SEC) was formed on 06 February 2023 with the objective of providing requisite support and physical verification of the health facilities for their empanelment under the AB-PMJAY. District Implementation Units (DIUs) were simultaneously set up in four districts (East District, West District, North District and South District) with the objective of supporting implementation of the Scheme in each district included under the Scheme. Further, 801 Contact points were established at district, sub-division and block levels for registration of beneficiaries. All the empanelled hospitals also had beneficiary registration facilities. The State had empanelled 17 hospitals (16 public hospitals and one private hospital) as of March 2022.

On being pointed out about delay in establishment of SEC, the Department stated that the delay was due to existence of a standing Hospital Empanelment Committee since August 2018 which performed the functions of the SEC.

As per Socio Economic Caste Census (SECC) 2011, there were 1.39 lakh members of 39,791 distinct households in the State eligible for availing benefits under the AB-PMJAY scheme. However, as of 31 March 2022, only 0.45 lakh (32 *per cent*) members of 14,966 (38 *per cent*) households had been registered. A total of 5198 beneficiaries had been admitted under the scheme in various hospitals of the State during 2018-22 against whom claims amounting to ₹ 3.01 crore had been paid by Government to various hospitals during the period.

2.4.15 Operationalisation of Health and Wellness Centres (HWCs)

Government of India announced (February 2018) creation of 1.50 lakh Health and Wellness Centres (HWCs) by transforming existing Sub Centres and Primary Health Centres as the base pillar of *Ayushman Bharat*. These centres would deliver Comprehensive Primary Health Care (CPHC) bringing healthcare closer to homes of people covering both maternal and child health services and non-communicable diseases, including free essential drugs and diagnostic services.

In Sikkim, all 26 Primary Health Centres (PHCs/UPHCs) and 144 Public Health Sub Centres (PHSCs) have been transformed (March 2023) into Health and Wellness Centres (HWCs) as envisaged by the Government of India. A total of 5.17 lakh patients in the State had been served by the HWCs as of March 2023.

2.4.16 Medical Colleges in the State

There was no Government Medical college in the State as of March 2023.

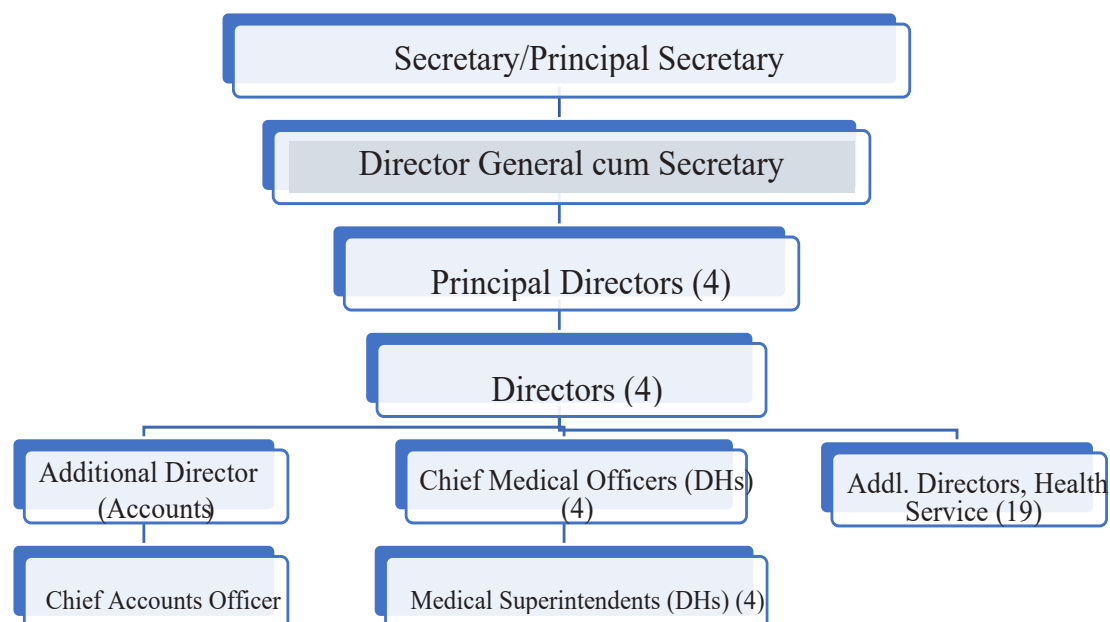
2.4.17 Organisational Set-up

The Health and Family Welfare Department (H&FWD), Government of Sikkim, is responsible for maintaining and developing healthcare system in the State and guiding and supervising implementation of the Health and Family Welfare Programmes. The

services offered by the Department are mainly Preventive Healthcare Services, Promotive Healthcare Services, Routine Curative Services, and Rehabilitation Services.

The Secretary (H&FWD) is the Administrative Head of the Department and is assisted by a Director General, four Principal Directors, four Directors, 19 Additional Directors, and four Chief Medical Officers at the district level for supervising, managing and operating the overall Healthcare system in the State. The Organisational Structure of the H&FW Department, Government of Sikkim is depicted in **Chart 2.4**.

Chart 2.4: Organisational Structure of H&FW Department



2.4.18 Audit objectives

The Subject Specific Compliance Audit was conducted to ascertain whether:

- Funds provided for Healthcare were adequate and utilised efficiently,
- Adequate Healthcare infrastructure and services were available and properly managed,
- Support services in the health facilities were available and adequate,
- Assets created for medical emergencies like Covid-19 pandemic were utilised efficiently, and
- Health and wellbeing of people improved as per the SDG 3.

2.4.19 Audit criteria

The criteria for the Compliance audit have been derived from:

- National Health Policy, 2017,
- Indian Public Health Standards, 2012,
- Assessors' Guidebook for Quality Assurance for PHCs, CHCs and DHs,
- State specific targets and National Indicators under the SDG,
- Government of India/Government of Sikkim policies, norms, orders, circulars, and annual/administration reports, *etc.*

2.4.20 Scope and methodology

This Audit covers the period 2017-22. Relevant records in the Health and Family Welfare Department at the State level, two District Hospitals (East and West Districts), two PHCs & one CHC in East District and 3 PHCs in West District were examined⁵⁴. Information was also obtained from the Home Department and State Disaster Relief Fund (Land Revenue & Disaster Management Department) relating to funds provided for handling Covid-19 pandemic. Audit was conducted during 2022-23 including joint physical verification of sampled units.

Audit methodology included scrutiny of files/records, gathering of evidence by issue of audit enquiries and conducting joint physical verification (JPV) with departmental officials and obtaining photographic evidence in the sampled units.

2.4.21 Sampling methodology

A Performance Audit of Select District Hospitals (*Geyzing DH, Singtam DH and STNM Hospital Gangtok*) in Sikkim for the period from 2014-15 to 2018-19 was conducted during 2019-20 and the Report placed in the State Legislature on 26 March 2021.

For this audit, conducted during 2022-23, the same two District Hospitals (*Geyzing DH and Singtam DH*), one CHC and two PHCs in East District and three PHCs in West District were selected using Sample random sampling without replacement (SRSWOR). There is no CHC in West District.

2.4.22 Audit findings

Audit objective 1: Whether funds provided for healthcare were adequate and managed efficiently?

2.4.22.1 Health Sector Funding vis-à-vis National Health Policy

The State Government had not formulated any policy or strategy in line with the National Health Policy 2017 (NHP 17) till March 2023 to determine the size of budget to be allocated to the Health Sector, either as percentage of the overall State budget or the GSDP. The National Health Policy 2017 (NHP 17) envisaged raising Public Health Expenditure to more than eight *per cent* of the budget by 2020 and 2.5 *per cent* of GSDP by 2025.

Audit studied the status of funding by the State Government for health sector for the period 2017-22. Findings are highlighted in the succeeding paragraphs:

The overall budget allotment and expenditure of the State Government and of the Health and Family Welfare Department during 2017-22 is given in **Table 2.8**.

⁵⁴ DHs – Singtam (East District) and Geyzing (West District). CHC- Rhenock (East). PHCs – Machong, Pakyong (East); Soreng, Sombarey, Rinchengpong (West).

Table 2.8: Utilisation of State Government funds during 2017-22

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Overall Budget Allocation (State)	7463.77	8427.95	9562.80	10440.51	10399.38	46294.41
Overall Expenditure	6019.07	7083.41	7337.10	7963.01	8105.50	36508.09
Outlay on Health	489.95	465.33	479.96	757.46	647.86	2840.56
Expenditure on Health	463.58	423.19	432.61	639.13	623.68	2582.19
Shortfall of expenditure on Health w.r.t. Budget Allocation on Health	26.37	42.14	47.35	118.33	24.18	258.37
Percentage of Shortfall on Health Expenditure w.r.t Budget Allocation on Health	5.38	9.06	9.87	15.62	3.73	9.10
Percentage of Health Sector budget against State Budget	6.56	5.52	5.02	7.26	6.23	6.14
Percentage of Expenditure on Health to Overall Expenditure	7.70	5.97	5.90	8.03	7.69	7.07
State Gross Domestic Product (GSDP)	25971	28402	31441	31800	36825	154439
Percentage of Expenditure on Health to GSDP	1.78	1.49	1.38	2.01	1.69	1.67

Source: Appropriation Accounts of respective years.

The State did not achieve NHP 17 stipulated eight *per cent* budgetary allocation for health sector in any of the five years during the period 2017-22. The budgetary allocation for health ranged between 5.02 *per cent* and 7.26 *per cent* of the total State outlay on health. During 2017-22, average yearly expenditure on Health Sector was 7.07 *per cent* of the State's yearly expenditure. Thus, the State was unable to meet the NHP stipulated eight *per cent* expenditure on health throughout the audit period of 2017-22.

During 2017-22, the State's expenditure on health sector ranged between 1.38 *per cent* and two *per cent* of the GSDP.

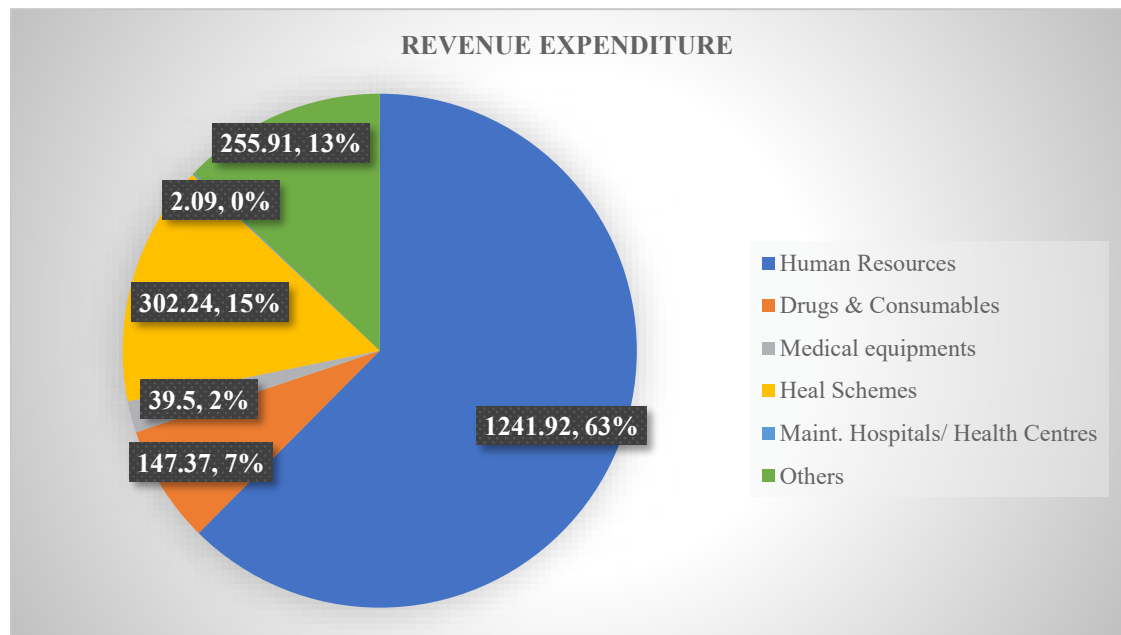
Shortfall in the allocation/expenditure of funds for health sector as compared to the amount stipulated under NHP 17 resulted in inability to provide essential specialist services in the two CHCs of the State and some vital specialist services in the DHs of North, East and West districts like surgery, paediatrics, anaesthesia, ophthalmology, *etc.* while desirable services, which the CHCs and DHs were to aspire for, were missing in all the CHCs and DHs of the State. Short allocation of funds for the health sector also resulted in neglect of upkeep of the hospitals, health centres and other residential/ non-residential buildings of the Department, as discussed in *paragraph 2.4.22.2*.

2.4.22.2 Revenue Expenditure on Health

Revenue expenditure of the Department indicates the ongoing operational expenditure to run its day-to-day operations. Out of the total expenditure of ₹ 2572.57 crore incurred by the H&FW Department during 2017-22, revenue expenditure constituted ₹ 1989.03 crore (77 *per cent*) and capital expenditure ₹ 583.54 crore (23 *per cent*).

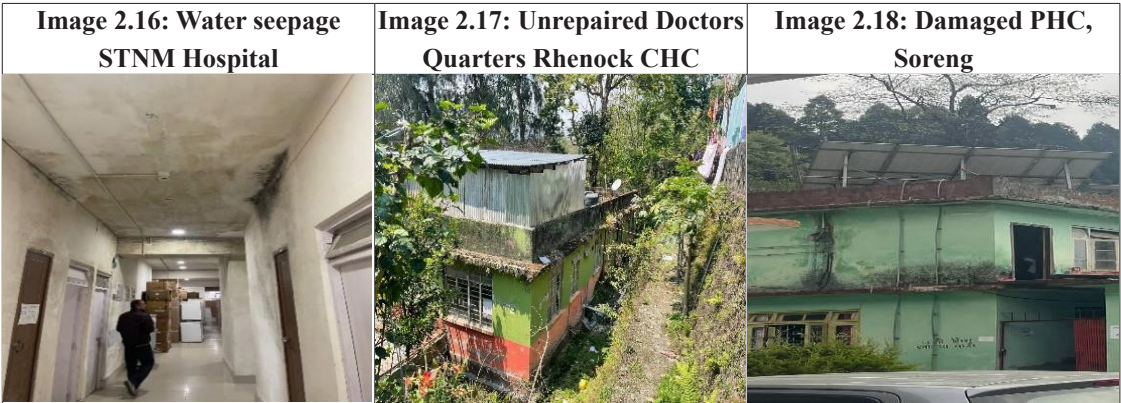
Component-wise revenue expenditure incurred by the H&FW Department during 2017-22 is presented in **Chart 2.5**:

Chart 2.5: Component wise revenue expenditure during 2017-22 (in crore/in per cent)



As can be seen above, 63 *per cent* of the revenue expenditure was incurred on salary and allowances; 15 *per cent* on various State /Central health schemes and grants-in-aid to health-care agencies; seven *per cent* on procurement of drugs and consumables; two *per cent* on purchase of equipment and 13 *per cent* towards other items of expenditure like office expenses, TA, motor vehicle, repair/maintenance, minor works, *etc.*

It was further observed that while 63 *per cent* of the revenue expenditure was incurred on salaries, a meagre share of 0.11 *per cent* of the revenue expenditure was spent on maintenance of the hospitals, health centres and other buildings indicating lower priority given for upkeep of the existing health infrastructure. Joint Physical verification (April 2023) of the sampled units revealed absence of regular repairs of the health facilities resulting in their gradual deterioration, as corroborated by following images:



2.4.22.3 Availability of Health Care facilities and in-patient beds

The following was the status of availability of health facilities in the State at the end of March 2017 and March 2022:

Table 2.9: Availability of Bed facilities in the State

Sl No	Health care facility	2017		2022		Change in hospital bed capacity
		Number	Bed Capacity	Number	Bed Capacity	
1	State Referral Hospital (STNM)	01	300	01	1000	700
2	District Hospitals	04	400	04	400	00
3	CHC	02	60	02	60	00
3	PHCs/UPSCs	24	240	26	250	10
4	PHSCs	147	0	148	0	00
5	Ayush Hospital	01	50	02	60	10
6	T.B. Hospital	01	60	01	60	00
7	Covid Hospital	00	00	01	50	50
	Total	180	1110	185	1880	770

*One UPHC (Ranipool) has no bed

The above table indicates that over the period 2017-22, the number of health facilities in the State had increased by five and the in-patient bed capacity by 770 units. With the addition of new infrastructure over time, it was inevitable that the Health Sector needed increasing funds to ensure proper upkeep of its infrastructure. However, the trend of funds allocation for maintenance of health infrastructure decreased over the years, as highlighted in the succeeding paragraphs, indicating reduced priority by the State Government in maintaining its hospitals and health centres.

2.4.22.4 Upkeep of physical infrastructure

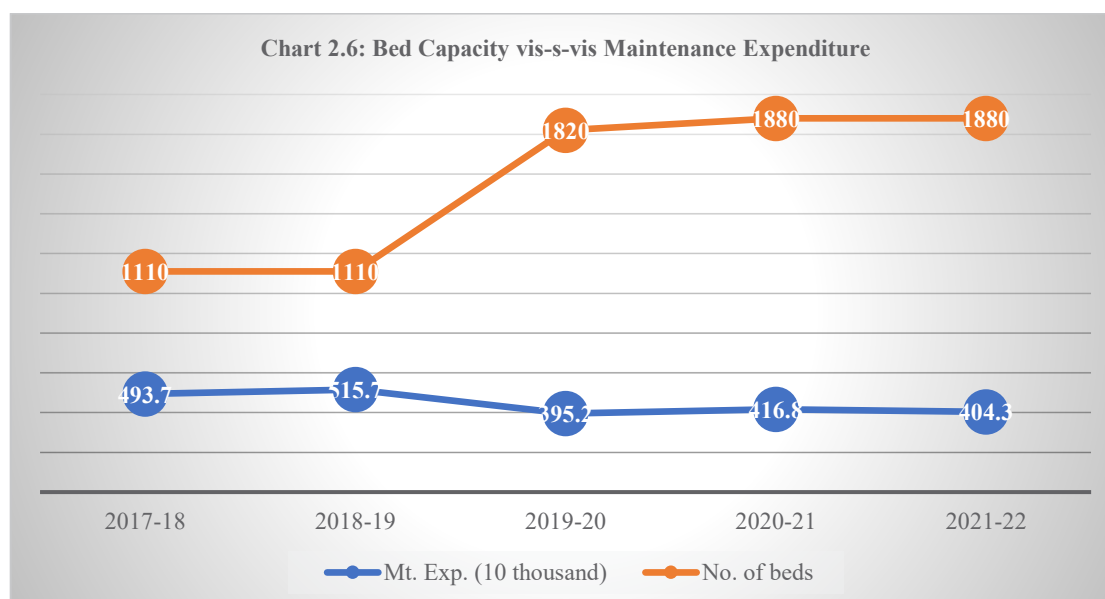
The table below depicts the budget allocation and expenditure on maintenance of the State's hospitals, health centres and other buildings during 2017-22.

Table 2.10: Budget & Expenditure for Repair & Maintenance of Hospital & Health Centres, etc.
(₹ in lakh)

Year		Budget Allocation	Expenditure
2017-18		49.92	49.37
2018-19		51.65	51.57
2019-20		43.07	39.52
2020-21		41.80	41.68
2021-22		41.75	40.43
Total		228.19	222.57

Source: Demand for Grants

The budget allocation/ expenditure on maintenance of hospitals, health centres and other buildings was on a decreasing trend since 2019-20 despite addition of five new health-care facilities and increase in bed capacity by 770 units over the period 2017-22. The increase in bed capacity *vis-à-vis* maintenance expenditure during 2017-22 is depicted in Chart 2.6.



The expenditure of ₹ 2.23 crore on maintenance and repair of the hospitals, health centres and other buildings during 2017-22 constituted 0.11 *per cent* of the total revenue expenditure of ₹ 1989.03 crore for the same period. The declining expenditure on maintenance of physical infrastructure led to poor upkeep of assets as elucidated in *Paragraph 2.4.22.2*.

2.4.22.5 Inefficient / irregular utilisation of funds

a) *Infructuous expenditure of ₹ 6.23 crore*

The Department took up (May 2016) the work ‘Construction of *Tshangu* PHC, *Chipsu* in East Sikkim’ at a cost of ₹ 6.23 crore sanctioned by Government of India (GoI) under the NHM. The objective of the project was to provide a PHC facility in the area along with residential quarters for doctors and other staff. The building was also proposed to serve as acclimatisation centre for pilgrims and tourists visiting *Mansarovar*.

The work stipulated to be completed within 24 months by May 2018 was completed in November 2019 after a delay of over a year and expenditure of ₹ 6.23 crore.

Scrutiny of records revealed that while the provision in the SPW Manual⁵⁵ provides for calling of open tenders for selection of contractors for undertaking any public work, the Department in contravention of the same, requested (May 2016) the area MLA⁵⁶ to identify contractors for calling quotations to carry out the construction work. Out of three contractors recommended by the MLA, one contractor⁵⁷ was selected based on quotations obtained from them. Thus, the manner of allocation of work was irregular and against the SPW manual provisions.

Further, the facility had neither been handed over till date (March 2023) to the concerned authority (CMO, East, *Singtam* DH) for its operation as a PHC nor was it being utilised for any other purpose like acclimatisation centre for pilgrims. There was also no record of posting of any manpower (doctors, paramedics, *etc.*) to the PHC nor provision of

⁵⁵ SPWM Para 11.1 - Wide publicity should be given to the NIT. Tenders must be invited in the most open and transparent manner possible by advertisement in Sikkim Herald and other National and Local papers, and by notice pasted in public places and duly hosting in the Departmental Websites *etc.*

⁵⁶ Gnathong Machong Constituency.

⁵⁷ Sh. Karma Gompu Bhutia.

equipment for diagnostic and investigative purposes. Thus, the facility remained non-functional as of March 2023 leading to idle expenditure of ₹ 6.23 crore.

Joint physical verification of the PHC building (26 August 2023) revealed that the building was locked and was lying unused and idle. Dust and debris had collected everywhere in the floors, tables, chairs, etc. due to prolonged idling of the facility. Damages and dampness were visible in the walls, doors, ceiling, etc. Images below corroborate the findings of the joint physical verification:

<p>Image 2.19: Idle PHC Building, Chipsu in locked condition</p> 	<p>Image 2.20: Empty room with damp wall</p> 
<p>Image 2.21: Empty Hall gathering dust and debris</p> 	<p>Image 2.22: Damaged window pane</p> 

Power and water connection had not been provided to the building and neither was any equipment provided for diagnostic purposes. The facility also had not been provided with essential equipment and other paraphernalia for use of people requiring acclimatisation. The entire expenditure of ₹ 6.23 crore has so far been idling.

It is recommended that the PHC be repaired and made functional at the earliest.

b) Unwarranted excess expenditure of ₹ 2.93 crore on purchase of medicines/consumables

The Central Health Stores Organisation (CHSO) of the H&FW Department, Government of Sikkim is assigned with responsibility of procurement, storage and distribution of medicines and consumables for various health facilities of the State Government.

The CHSO invited bids in July 2019 for procurement of medicines and consumables for the State’s Hospitals and Health Centres. After evaluation of the financial bids, the CHSO worked out (November 2019) the total cost of medicines and consumables to ₹ 51.92 crore. The Finance Department approved sanction of ₹ four crore in December 2019 and balance amount of ₹ 47.92 crore in February 2020.

Audit noticed that after utilisation of the medicines and consumables purchased from the funds of ₹ four crore and based on fresh requirement from various health facilities, the

CHSO re-worked (April 2020) the total cost of medicines and consumables to ₹ 40 crore on the basis of the tendered rates obtained earlier.

However, the H&FW Department decided that the procurement of the medicines and consumables may be made from the SIMFED⁵⁸ on the plea that it was difficult to call fresh tenders due to the lock-down. Audit noticed that Quotations from SIMFED were invited in June 2020 and supply orders for the medicines and consumables were issued to SIMFED in August 2020 and September 2020 respectively for ₹ 40 crore and the supplies were completed by March 2021.

It may be mentioned that SIMFED had not been authorised by the State Government in its allocation of business to supply medicines and medical consumables to the H&FW Department. It was also unclear as to how the Department presumed SIMFED would be able to supply medicines and consumables at reasonable rates promptly during lockdown without calling for competitive bids.

Thus, despite having valid tendered rates, the Department's decision to procure medicines and consumables from SIMFED, despite SIMFED not being authorised to supply medical items, on the plea of inability to call fresh tenders due to lockdown, was irregular.

Audit noticed that out of 237 items purchased from SIMFED, 19 items were purchased at rates equal to the tendered rates, 42 items at rates slightly lower than the tendered rates leading to saving of ₹ 27.39 lakh and 176 items at much higher rates leading to excess expenditure of ₹ 2.93 crore. Thus, there was net excess expenditure of ₹ 2.66 crore from the public exchequer on purchase of medical items from SIMFED, despite the Department having valid lower tendered rates.

2.4.22.6 Conclusion

- The State had neither formulated its Health Policy nor did it adhere to the NHP 17 stipulation of allocating adequate funds to the Health Sector. The State's expenditure on health was below two *per cent* of the GSDP during 2017-22 and fell short of the NHP 17 stipulation during the period.
- Shortfall in the allocation/expenditure of funds for health sector as compared to the NHP 17 resulted in inability to provide essential specialist services in the two CHCs of the State and some vital services in the DHs of North, East and West districts like surgery, paediatrics, anaesthesia, ophthalmology, etc. while desirable services, which the CHCs and DHs were to aspire for, were missing in all the CHCs and DHs of the State.
- The meagre revenue expenditure of 0.11 *per cent* for maintenance of health infrastructure negatively impacted the upkeep of infrastructure to the required standard.
- Rather than increasing funds for repair and maintenance of infrastructure over time, the State Government kept downsizing funds, from ₹ 49.37 lakh during 2017-18 to ₹ 40.43 lakh during 2021-22.
- There were instances of unwarranted expenditure of ₹ 2.93 crore on procurement of medicines and consumables as well as infructuous expenditure of ₹ 6.23 crore on construction activities.

⁵⁸ Sikkim State Cooperative Supply and Marketing Federation Limited (SIMFED).

2.4.22.7 Recommendations

- i) The State may endeavour to increase its allocation to and expenditure on the Health Sector to bring it at par with the target under the National Health Policy 2017 with a view to provide all essential specialist services and also desirable services in the DHs and CHCs of the State.
- ii) The Department may take steps to increase funding for maintenance and upkeep of its physical infrastructure.
- iii) The Department may take urgent steps to make the PHC at Chipsu, Tshangu functional.
- iv) The Department may work out proper policy for procurement of medicines and consumables to avoid unwarranted and infructuous expenditure.

Audit objective 2: Whether healthcare infrastructure and services were available and properly managed?

2.4.23 Physical infrastructure

2.4.23.1 Shortage of Health Facilities

The number of primary and secondary healthcare facilities required as per the IPHS and their availability in the sampled districts (East District & West District) as of March 2022 is given in **Table 2.11**.

Table 2.11: Health facilities in selected districts

District Hospital (100 beds)/ District	Population	Requirement as per IPHS Norms ⁵⁹ (Hilly Region)				Available Facilities				Excess (+) / Shortage(-)			
		DH	CHC	PHC	PHSC	DH	CHC	PHC	PHSC	DH	CHC	PHC	PHSC
Singtam/ East	317216	1	4	16	106	1	1	8	48	0	-3	-8	-58
Geyzing/ West	152616	1	2	8	51	1	0	7	42	0	-2	-1	-9
Total	469832	2	6	24	157	2	1	15	90	0	-5	-9	-67

Between the two sampled districts, East District had the highest shortage of CHCs (3), PHCs (8) and PHSCs (58), with the total shortage of health facilities in the District being 69, while West District had no CHC despite requirement of two CHCs as per the IPHS and minor shortages in PHC (1) and PHSC (9). There was, however, no shortage of DHs in the two districts.

Shortage of PHSCs, PHCs and CHCs deprived the rural population of the districts the benefits of proper healthcare facilities and services from qualified professionals near their place of residence.

2.4.23.2 Availability of Operation Theatre and Blood Storage facilities

District Hospital

As per IPHS norms, Operation Theatre (OT) is an essential facility that a District Hospital and Community Health Centre (CHC) should have. Blood Storage unit should be in close proximity to the pathology department and at an accessible distance to OT and Emergency and Accident Departments.

⁵⁹ One PHSC per 3000 population; one PHC per 20000 population; one CHC per 80000 population.

Audit noticed that in both the sampled DHs (*Singtam, Geyzing*) there was no General Surgery Department to undertake major surgeries, *etc.* Hence the OTs in the DHs were functioning partially for addressing minor injuries and minor surgical procedures like suturing, dressing of minor cuts & wounds, abscess, *etc.* and could not function full-fledged as required for a District Hospital under the IPHS.

Community Health Centre

The OT facility available in the *Rhenock* CHC sampled for audit had six equipment out of 11 required under the IPHS for a CHC-OT. The CHC also did not have blood storage facility as required under the IPHS. Further, there was no surgeon posted in the CHC therefore OT facility could not provide required services and was used to provide only basic first aid and minor surgical procedures like suturing, dressing of minor injuries, wounds, abscess, *etc.*

2.4.23.3 Availability of manpower in the sampled health facilities

Primary Health Centre (PHC). A PHC provides Out-Patient Department (OPD), Inpatient Department (IPD), Maternal and Child Health care and 24 hour emergency services. The status of availability of manpower in the sampled five PHCs is provided in **Table 2.12:**

Table 2.12: Manpower position in selected PHCs

Required service delivery	Manpower requirement as per norms		Availability of manpower in the selected PHCs				
			<i>Machong</i> PHC	<i>Pakyong</i> PHC	<i>Soreng</i> PHC	<i>Sombarey</i> PHC	<i>Rinchengpong</i> PHC
OPD services, 24 hours emergency services, In-patient services, Maternal and Child health Care, Immunisation	Essential						
	Medical Officers (MBBS)	1	1	2	3	1	2
	Staff Nurse	3	12	21	23	11	10
	Desirable						
	Medical Officers (Ayush)	1	0	0	1	0	0
	Staff Nurse	1	0	0	0	0	0

Source: Departmental Records.

Audit noticed that for essential services in the PHCs, one to two additional medical officers beyond the IPHS norms were provided in three out of the five sampled PHCs which indicated a positive trend. However, there was excess deployment of Staff nurses in the sampled PHCs ranging from five to 20 against the norm of three staff nurses for a PHC. Medical officer for AYUSH, desirable under the IPHS, was provided in one PHC (*Soreng*) while dental service was available in all the sampled PHCs.

There being no dearth of essential manpower in the sampled PHCs in terms of the IPHS, the population covered by these PHCs could be expected to receive adequate medical care as required under a PHC.

Community Health Centres (CHCs): CHCs are to provide routine and emergency care which include specialist services in Surgery, Medicine, Obstetrics and Gynaecology,

Paediatrics and Anaesthesia. Besides, Dental and *AYUSH* services were also to be delivered.

Audit noticed that the *Rhenock* CHC did not have any specialist. The CHC also did not have Medical Superintendent, Public Health Specialist and Public Health Nurse, as required under the IPHS. Non-availability of specialist doctors and other essential manpower in the CHC effectively reduced the functionality of the CHC to a PHC with additional beds. Detailed analysis of availability of manpower in the sampled CHCs is highlighted in **paragraph 2.4.4**.

District Hospital: In terms of the IPHS, a District Hospital is expected to provide effective and affordable health care services, including specialist services, to both urban population (district headquarter town) and the rural population of the district. The essential services (minimum assured services) required to be provided by a DH, *inter alia*, comprised specialist services in general medicine, general surgery, obstetrics & gynaecology, paediatrics, emergency services, critical care /intensive care units, anaesthesia, ophthalmology, ENT, orthopaedics, radiology including imaging, psychiatry, geriatric, dental care and AYUSH.

The availability of specialist services in the two DHs sampled for Audit is shown in **Appendix 2.10**.

The following points were noticed during audit of the two sampled DHs:

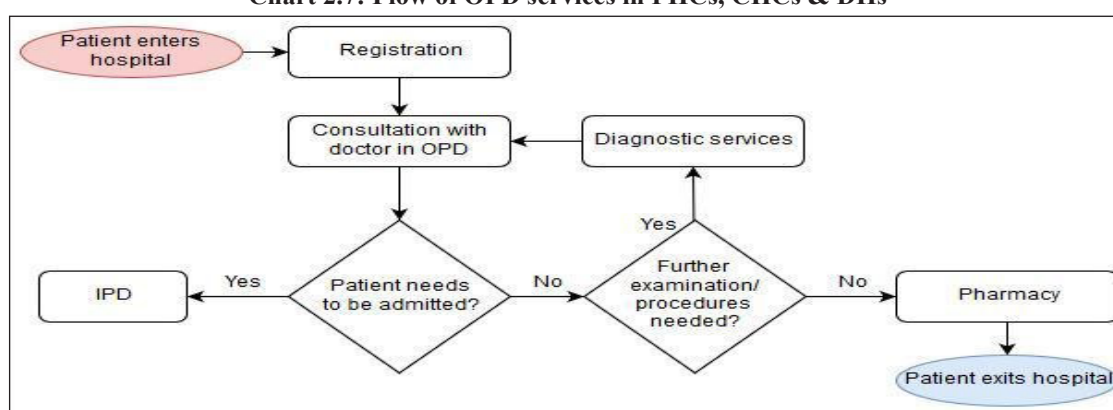
- The two sampled DHs had essential specialist services in all Departments except in General Surgery and Radiology Department. Absence of the two vital specialties in the DHs affected the DHs' ability to handle cases calling for major surgeries and essential imaging diagnostic services required for almost all types of critical diseases.
- Shortage and excess of specialists and other manpower were noticed in several Departments in the DHs. While *Singtam* DH had two excess specialists for General Medicine and five excess general medical officers, there was shortage of one medicine specialist and six medical officers in *Geyzing* DH. Both the DHs suffered from shortage of specialty services in Anaesthesia, which would affect operations by specialists.
- There was excess deployment of 38 and 19 paramedics as well as nine and 13 nurses in the *Singtam* and *Geyzing* DH, respectively, beyond the IPHS norm. The *Geyzing* DH also had excess deployment of 13 dentists beyond the IPHS norms.

Thus, the deployment of specialists, medical officers, nurses and paramedics in the two DHs was haphazard and non-uniform. This resulted in non-availability of adequate services in Departments with shortage of manpower and under-utilisation of manpower in Departments which were overstaffed.

2.4.23.4 Outpatient Department Services in DHs, PHCs and CHCs

The Outpatient Department (OPD) is the first point of contact between patient and hospital staff. An OPD or outpatient clinic is the part of a hospital designed for the treatment of out-patients *i.e.*, people with health problems who visit the hospital for diagnosis or treatment, but do not at this time require a bed or to be admitted for overnight care. It normally remains integrated with the in-patient services and is staffed by physicians and surgeons who also attend inpatients in the wards. The treatment procedure followed in the Public Health Institutions in the State is depicted in **Chart 2.7**.

Chart 2.7: Flow of OPD services in PHCs, CHCs & DHs



Audit findings pertaining to OPD services like registration, consultation, waiting time and other basic OPD facilities/ services are discussed below.

2.4.23.5 Registration facility for OPD

The registration counter is the entry point of contact with the hospital for a patient and is an important component of the hospital for patients and their attendants. NHM Assessor guidebook (Vol-I) estimates 3-5 minutes per patient as the average time required for registration, which roughly works out to about 20 to 12 patients/hour per counter.

The average daily patient load on a registration counter in the sampled health centres during 2021-22, is shown in **Table 2.13**.

Table 2.13: Patient Load in the Registration Counter during 2021-22

Name of the Health Facilities	Number of counters	Total Number of OPD Patients	Average number of patients per counter per month	Average number of patients per counter per hour ⁶⁰
Singtam DH	1	64,570	5,381	41
Geyzing DH	1	49,766	4,147	32
Rhenock CHC	1	22,347	1,862	15
Machong PHC	1	4,049	337	3
Pakyong PHC	1	27,449	2,287	18
Soreng PHC	1	22,589	1,882	15
Sombarey PHC	1	8,820	735	6
Rinchengpong PHC	1	2,188	182	2

Source: Hospital records

It can be seen from **Table 2.13** that all the eight health facilities sampled for Audit (two DHs, one CHC, and five PHCs) had a single registration counter each. The average patient load per counter per hour during 2021-22 in the sampled DHs was 32 to 41 patients per hour, in the CHC it was 15 patients and in the five PHCs the average patient load per hour ranged between two and 18 patients. *Singtam* DH had the highest patient load among the two DHs and *Pakyong* PHC the highest patient load per hour among the sampled PHCs. In the *Singtam* and *Geyzing* DHs, registration load exceeded the prescribed norm of 20 to 12 patients per hour, which made the waiting period for registration of patients in the two DHs longer than prescribed.

⁶⁰ OPD hours in Sikkim is 9.00 AM to 3.00 PM i.e., 6 hours and 22 OPD days are available in one month.

The CHCs and the PHCs followed manual system for registration of patients. The sampled DHs, CHC and the PHCs had adequate seating arrangement, drinking water facility, provision of electrical fans and separate toilets for ladies and gents available in the Registration Counter area. However, during joint physical verification (April 2023), it was noticed that *Singtam* DH often faced water shortages leading to inconvenience to the patients as well as the hospital staff.

2.4.23.6 Patient load in OPD

The number of out-patients attending OPDs in the sampled DHs, CHCs and PHCs during the period 2017-2022, is shown in **Table 2.14**.

Table 2.14: Number of out-patients in the sampled DHs, CHCs and PHCs

Year	<i>Singtam</i> DH	<i>Rhenock</i> CHC	<i>Machong</i> PHC	<i>Pakyong</i> PHC	<i>Geyzing</i> DH	<i>Soreng</i> PHC	<i>Sombarey</i> PHC	<i>Rinchengpong</i> PHC
2017-18	1,04,876	26,860	5,892	44,204	59,188	17,954	5,081	3,981
2018-19	1,13,408	32,623	5,835	43,738	64,844	21,691	6,730	4,317
	(+) 8.13	(+) 21.45	(-)0.96	(-)1.05	(+)9.55	(+)20.81	(+)32.45	(+)8.44
2019-20	1,21,848	36,906	6,807	49,359	1,04,184	24,294	6,989	5,655
	(+)7.44	(+)13.12	(+)16.65	(+)12.85	(+)60.66	(+)12.00	(+)3.84	(+)30.99
2020-21	75,415	21,308	4,457	28,598	42,435	22,065	6,963	4,986
	(-)38.10	(-)42.26	(-)34.52	(-) 42.06	(-)59.26	(-)9.17	(-)0.37	(-)11.83
2021-22	64,570	22,347	4,049	27,449	49,766	22,589	8,820	2,188
	(-)14.38	(+)4.87	(-)9.15	(-)4.01	(+)17.27	(+)2.37	(+)26.66	(-)56.11

Source: Information furnished by DHs/CHC/PHCs. (+) indicate % increase. (-) indicate % decrease of OPD patients in context of previous year

The OPDs in the DHs and CHCs were to be run by specialist doctors in terms of the IPHS. The two sampled DHs had essential specialist services in all Departments except General Surgery and Radiology (both DHs) while the *Rhenock* CHC did not have any specialist services. People seeking medical care under *Rhenock* CHC were thus deprived of the benefit of specialist services in the CHC and were forced to move to higher health facilities elsewhere.

The patient load in all the health facilities declined during 2020-21 compared to the previous year, which could be due to the impact of Covid-19 pandemic and lockdown.

AYUSH is categorised as essential service at the CHC level and desirable at the PHC level as per the IPHS norms. The facility was available in CHC *Rhenock* and in one PHC out of the five sampled PHCs. Dental facility was available in all five PHCs. The State Government had neither formulated any norms or policies for posting *AYUSH* doctors/specialists in the CHCs and PHCs nor adhered to the IPHS norms. This resulted in non-availability of specialist doctors in the CHCs and absence of *AYUSH* services in most PHCs.

2.4.23.7 OPD Cases per doctor

The IPHS stipulated a total of six hours OPD services and minimum OPD attendance of 40 patients per doctor per day.

OPD cases per doctor are an indicator for measuring efficiency of OPD services in a hospital. Audit observed increase in the number of out-patients during 2017-18 to 2021-22 in the two DHs, one CHC and five sampled PHCs. The OPD cases across all

sampled units, however, declined substantially during 2019-20 to 2021-22, as highlighted under **Paragraph 2.4.23.6** and **Table 2.14**, which could be due to the Covid-19 pandemic.

The OPD cases per doctor per annum/per day during 2021-22 in the units sampled for audit is depicted in **Table 2.15**.

Table 2.15: OPD cases per doctor per annum/per day

Health facilities	OPD Patient	Doctors available	OPD cases per doctor per year	OPD cases per doctor per day
<i>Singtam</i> DH	64570	41	1575	6
<i>Geyzing</i> DH	49766	35	1422	5
<i>Rhenock</i> CHC	22347	5	4469	17
<i>Machong</i> PHC	4049	1	4049	15
<i>Pakyong</i> PHC	27449	2	13725	52
<i>Soreng</i> PHC	22589	3	7530	29
<i>Sombarey</i> PHC	8820	1	8820	33
<i>Rinchengpong</i> PHC	2188	2	1094	4

OPD cases per doctor per day ranged between five and six in the two sampled DHs during 2021-22. In the sampled CHC, the OPD cases per doctor per day was 17 while in the five sampled PHCs, the OPD patient per doctor per day ranged between four and 52. The CHC and the PHCs (except *Rinchengpong* PHC) catered to more patients per doctor per day than the two DHs. The *Pakyong* PHC handled maximum patients per doctor (13725) among the sampled Health facilities.

2.4.23.8 Availability of diagnostic services

Diagnostic tests play a crucial role at every step of disease management. The diagnostic tests that are required to be conducted in terms of IPHS *vis-a-vis* their availability in the sampled health facilities are shown in **Table 2.16**.

Table 2.16: Availability of diagnostic tests in the sampled health facilities

Name of the health institution	X-Ray for chest, skull, spine, bones, abdomen and Dental X-Ray		Number of Clinical Pathology Services and other essential tests		ECG Tests		Ophthalmology Services		Quality Assurance of Pathology Services	
	To be done (IPHS)	Tests actually available	No. of tests to be done (IPHS)	Tests actually available	To be done (IPHS)	Tests actually available	No. of tests to be done (IPHS)	Tests actually available	To be obtained (IPHS)	Whether obtained
<i>Singtam</i> DH	Yes	Yes	84	40	Yes	No	3	3	Yes	No
<i>Geyzing</i> DH	Yes	Yes	84	40	Yes	Yes	3	1	Yes	No
<i>Rhenock</i> CHC	Yes	Yes	35	18	Yes	No	3	1	Yes	No
<i>Machong</i> PHC			9	9	Desirable	No	0	0	Yes	No
<i>Pakyong</i> PHC			9	8	Desirable	No	0	0	Yes	No
<i>Soreng</i> PHC			9	6	Desirable	No	0	0	Yes	No
<i>Sombarey</i> PHC			9	7	Desirable	No	0	0	Yes	No
<i>Rinchengpong</i> PHC			9	8	Desirable	No	0	0	Yes	No

Source: Information furnished by the health facilities.

It is observed that the two DHs sampled for Audit (*Singtam & Geyzing*) had only 40 out of the 84 prescribed pathological services and tests. While *Singtam* DH did not have Electrocardiogram (ECG) facility, the *Geyzing* DH had only one out of the three prescribed ophthalmological services.

Audit noticed that CHC *Rhenock* had only 18 out of the 35 prescribed clinical pathological services and tests and did not have ECG service while out of three prescribed ophthalmological tests, only one test was available.

As regards the five PHCs sampled for audit, availability of Clinical Pathology services and other tests ranged between six and nine services out of the prescribed nine services. Non-availability of equipment and qualified technicians were the main reasons for absence of the desired level of services and the referred out cases as discussed in **Paragraph 2.4.23.12.**

Audit further noticed that none of the sampled DHs, CHC and the PHCs had any system for obtaining quality assurance for the pathological tests despite the IPHS stipulation for ensuring external monitoring through performance evaluation and external quality assessment of laboratories. The H&FW Department had not established any system or procedure for conducting quality checks and validation of pathological tests by any External Quality Testing Agency.

It is recommended that the Department establish a system for quality checks and validation.

2.4.23.9 In-Patient Department (IPD) Services in the PHCs, CHCs and DHs

In terms of the IPHS, a District Hospital, *inter alia*, should have minimum assured specialist services (essential services) for the In-patient Department in general medicine, general surgery, obstetrics & gynaecology, paediatrics, emergency services, critical care / intensive care units, anaesthesia, ophthalmology, ENT, orthopaedics, radiology including imaging, psychiatry, geriatric, dental care and AYUSH. The two DHs sampled for Audit had significant number of specialist services available as discussed in **Paragraph 2.4.23.3 (District Hospital)**. Both the DHs, however, did not have the essential specialist service on General Surgery. Among the desirable services (eight), both the DHs had dialysis services available while *Singtam* DH had dermatology and venereology service. *AYUSH* facilities were available in both DHs.

It is recommended that the Department may establish system of quality checks and validation of the pathological tests by external quality testing agencies.

2.4.23.10 Availability of in-patient services in the Community Health Centres

The Community Health Centres (CHCs) are the 30 bedded health facility centres in the State. In terms of the IPHS, CHCs should provide specialist in-patient service pertaining to General Medicine, General Surgery, Obstetrics & Gynaecology and Paediatrics.

Audit observed that the required specialist services were not available in the sampled CHC (*Rhenock*). Absence of specialist services for General Medicine, Surgery, Obstetrics & Gynaecology and Paediatrics in the CHC led to 668 patients having maternal issues, child diseases and other issues to travel to the nearest District Hospital (*Singtam* DH) or the STNM Hospital, Gangtok seeking treatment.

2.4.23.11 In-patient services in the Primary Health Centres

The Primary Health Centres (PHCs) are the 10 bedded health facility centres in the State which are managed by Medical Officers. Specialist services, which are categorised as

‘desirable services’ by the IPHS for the PHCs, were not available in any of the sampled PHCs. General medicine service, Normal Vaginal Deliveries (NVD) with Anti and Post Natal Care and Immunisation services were found delivered by the sampled PHCs as envisaged in the IPHS.

2.4.23.12 Referrals of patients to higher facilities for better treatment

Referral is a dynamic process, in which a health worker at one level of the health system, having insufficient resources (drugs, equipment, skills) to manage a clinical condition of a patient, seeks the help of a better facility at the same or higher level.

Audit noticed that out of 3.25 lakh patients visiting the sampled health facilities, 8344 patients were referred to the District and State Hospitals during 2017-18 to 2021-22. The detailed position is shown in **Table 2.17**.

Table 2.17: Referrals by the health institutions

Name of the health facility	Number of OPD patients during 2017-18 to 2021-22	Number of patients admitted during 2017-18 to 2021-22	Number of patients referred out for better treatment	per cent of referral to number of Admission	Number of patients referred in maternal cases	per cent of maternal referral to total referral
Singtam DH	4,80,117	20,375	2,552	12.53	1,688	8.28
Geyzing DH	3,20,417	19,689	2,981	15.14	442	2.24
Rhenock CHC	1,40,044	6,542	668	10.21	345	5.27
Machong PHC	27,040	495	79	15.96	79	15.96
Pakyong PHC	1,93,348	4,703	351	7.61	358	7.46
Soreng PHC	1,08,593	2,690	257	9.55	230	8.55
Sombarey PHC	34,583	2,461	537	21.82	75	3.05
Rinchengpong PHC	21,127	1,219	919	75.39	243	19.93
Total	13,25,279	58,174	8,344		3,460	41.47

Source: Hospital data

Among the two DHs, maximum referred out cases of 2981 pertained to Geyzing DH and 442 cases were related to maternity issues. Higher medical facilities for referral outside Geyzing were available either at Gangtok or Siliguri, both about 120 Kms away from Geyzing. This indicated that the referred out cases involved substantial journey distress and extra out of pocket expenditure for the patients.

The Singtam DH had 2552 referred out cases maximum of which related to maternity issues (1688). Singtam DH being closer to Gangtok (25 Kms), journey distress suffered by the referred-out cases would be comparatively lower. Among the PHCs, Rinchengpong PHC had the highest number of referred out cases of 919 (75 per cent) out of the total inpatient admission of 1219 patients.

2.4.23.13 Maternal and Child Care

(i) MMR and IMR

Maternal Mortality Rate (MMR) refers to the number of maternal deaths per 100,000 live births due to causes related to pregnancy or within 42 days of termination of pregnancy,

regardless of the site or duration of pregnancy. Infant Mortality Rate (IMR) indicates the number of deaths of infants (under one year) per 1,000 live births.

The All India MMR during 2014-16 stood at 130 per 100,000 live births which declined to 113 in 2016-18. The All India IMR which stood at 34 per 1000 live births in 2016 came down to 28 in 2020.

Trend of MMR and IMR in Sikkim during 2017-22 is shown in **Table 2.18**.

Table 2.18: Trend of MMR and IMR of Sikkim during 2017-22

Year	Number of reported			IMR in India (on 1,000 live births)	IMR in Sikkim (on 1,000 live births)
	Live births	Maternal deaths	Infant deaths		
2017-18	7,268	9	107	33	15
2018-19	7,041	11	128	32	18
2019-20	7,188	15	91	30	13
2020-21	7,205	16	80	29	11
2021-22	6,715	15	62	28	9

Source: Health Management Information System (HMIS) data, Sikkim

As the live births in Sikkim ranged between 6715 and 7268 during 2017-22, which was much below the level of one lakh live births per year, the MMR of Sikkim was not calculated. The IMR of the State was on a declining trend which declined from 15 in 2017-18 to nine in 2021-22, in comparison to the All-India average, which is positive for the State.

(ii) Antenatal Care

Antenatal care is the systemic supervision of women during pregnancy to monitor the progress of foetal growth and to ascertain the well-being of the mother and the foetus. A proper antenatal check-up provides necessary care to the mother and helps identify any complications of pregnancy such as anaemia, pre-eclampsia, hypertension, etc.

Antenatal Care (ANC) check-up

As per instructions issued by the Maternal Health Division, Ministry of Health and Family Welfare, all pregnant women (PW) are required to be registered and minimum four Antenatal Care (ANC) check-ups are needed to be conducted. Each pregnant woman is given a unique ID while registering her name and details in the Reproductive and Child Health (RCH) Register in the facility and is given a Mother and Child Protection (MCP) card. All the investigations done and date of visit have to be recorded in the MCP card and the same is required to be updated in the RCH Register. All pregnant women who are registered with MCP card are to be given Iron Folic Acid (IFA) tablets and Calcium tablets compulsorily. IFA tablets (180) have been prescribed for six months during pregnancy and are to be continued for six months post-partum.

During the period 2017-18 to 2021-22, the position of mandated ANC check-up conducted in two sampled Districts was as given in the **Table 2.19**:

Table 2.19: Antenatal Care in Singtam DH

Year	Total PW registered for ANC	Registered within first trimester (12 weeks)	PW who received four or more ANC check-ups (percentage)	PW who received less than four ANC check-ups	No. of PW with severe anaemia
2017-18	4669	3222	2882 (62)	1787	59
2018-19	5193	3509	3038 (59)	2155	57
2019-20	5064	3525	2832 (56)	2232	52
2020-21	3650	2624	2625(72)	1025	89
2021-22	3687	2815	2597 (70)	1090	55
Total	22263	15695	13974	8289	312

Sources: HMIS data

Table 2.20: Antenatal Care in Gyalshing DH

Year	Total PW registered for ANC	Registered within first trimester (12 weeks)	PW who received four or more ANC check-ups (percentage)	PW who received less than four ANC check-ups	No. of PW with severe anaemia
2017-18	1864	1601	1478 (79)	386	0
2018-19	1737	1500	1432(82)	305	3
2019-20	1824	1556	1467(80)	357	4
2020-21	1815	1567	1499 (83)	316	2
2021-22	1718	1493	1456(85)	262	1
Total	8958	7717	7332	1626	10

Source: HMIS data

Audit noticed that the percentage of ANC carried out ranged between 56 to 72 per cent of the registered PW in case of Singtam DH and 79 to 85 per cent in case of Gyalshing DH. Further analysis of the data on ANC during 2017- 22 revealed that:

- During the period 2017- 20, against 22263 and 8958 PWs registered for ANC, 15695 (70 per cent) and 7717 (86 per cent) were registered within the first trimester of pregnancy in Singtam DH and Gyalshing DH respectively. There was shortfall of 30 and 14 per cent in registration of PWs in Singtam DH and Gyalshing DH respectively.
- During the period covered by audit, 8289 and 1626 PW representing 37 and 18 per cent did not receive minimum four ANC check-ups in Singtam DH and Gyalshing DH respectively during the pregnancy period.
- Out of 22,263 and 8958 PWs registered for ANC in these two hospitals, 312 and 10 PWs suffered from severe anaemia which was a major cause of maternal and infant mortality as per maternal mortality review.

Distribution of Iron Folic Acid (IFA) and Calcium Tablets

The status of distribution of IFA and Calcium tablets to PW by sampled DHs during the period 2017-18 to 2021-22, is shown in the following table:

Table 2.21: Distribution of IFA and Calcium tablets in sampled DHs

Year	<i>Singtam DH</i>			<i>Gyalsing DH</i>		
	Total PW registered for ANC	PW provided with		Total PW registered for ANC	PW provided with	
		IFA tablet	Calcium tablet		IFA tablet	Calcium tablet
2017-18	4669	2730	2914	1864	1470	1217
2018-19	5193	3012	2708	1737	1483	1341
2019-20	5064	2413	2722	1824	1566	1591
2020-21	3650	2843	2815	1815	1564	1546
2021-22	3687	4855	12540	1718	1561	1604
Total	22263	15853	23699	8958	7644	7299

Source: HMIS data

It can be seen from the above table that:

- Percentage of PWs who were given IFA tablets ranged from 47 (2019-20) to 132 *per cent* (2021-22) in *Singtam DH* and 79 (2017-18) to 91 *per cent* (2021-22) in *Gyalsing DH* during the period from 2017-18 to 2021-22 against the total number of PWs registered for ANC in the respective year.
- Percentage of PWs who were given Calcium tablets ranged from 52 (2018-19) to 340 *per cent* (2021-22) in *Singtam DH* and 65 (2017-18) to 93 *per cent* (2021-22) in *Gyalsing DH* during the period from 2017-18 to 2021-22 against the total number of PWs registered for ANC in the respective year.
- It was seen that IFA tablets were not distributed to 1939 PWs, 2181 PWs, 2651 PWs and 807 PWs during 2017-18, 2018-19, 2019-20 and 2020-21, respectively, in *Singtam DH* and 394 PWs, 254 PWs, 258 PWs, 251 PWs and 157 PWs during 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22, respectively, in *Gyalsing DH* which would impact health of mothers as well as new-born babies.

The higher percentage of distribution of IFA and Calcium tablets by *Singtam DH* during 2021-22 could be due to migrant labour and also due to reporting of PW of other health centres in the DH as *Singtam DH* is located adjacent to border of South District with easy accessibility.

(iii) Stillbirths

(a) Trend of Stillbirths (State)

As per the National Family Health Survey-5⁶¹ (NFHS-5), the rate of stillbirth in India is 0.90 *per cent* of live births. The trend of stillbirths in Sikkim is given in **Table 2.22**.

Table 2.22: Number and rate of stillbirths in the State

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Total number of deliveries	7,323	7,107	7,111	7,285	6,735
Number of stillbirths	145	146	113	146	90
Percentage of stillbirth with reference to deliveries	1.98	2.05	1.58	2.00	1.33

Source: HMIS data

⁶¹ National Family Health Survey-5 data.

It can be seen from **Table 2.22** that the rate of stillbirths during 2017-22 in the State ranged between 1.33 to 2.05 which was much higher than the national average of 0.9 *per cent*.

Discrepancy was however noticed between the figures of total live births, total deliveries *vis-a-vis* the total number of still births in the State, captured in the health management information system data bank (HMIS) of the Department, reflected in **Tables 2.22** and **2.23**. The difference between total deliveries and total live births should be the total number of stillbirths. This difference, however, did not match with the figures of stillbirths depicted for the State in the HMIS. This fact cast doubts on the efficacy and authenticity of the data capturing system in the Department for HMIS. The Department may ensure that robust data capturing systems are in place.

(b) Trend of Stillbirths (sampled health institutions)

Audit also observed that stillbirth rate varied between 0 *per cent* and 2.35 *per cent* in the sampled DHs, CHC and PHCs during 2017-22 as shown in **Table 2.23**. *Geyzing* DH registered highest stillbirth rate of 2.35 *per cent* followed by *Rinchengpong* PHC at 1.72 *per cent*.

Table 2.23: Stillbirth rate in the sampled Units

Hospital	Number of deliveries during 2017-18 to 2021-22	Number of still birth	Percentage of still birth to deliveries
<i>Singtam</i> DH	2,636	45	1.70
<i>Rhenock</i> CHC	253	2	0.79
<i>Machong</i> PHC	53	0	0
<i>Pakyong</i> PHC	230	2	0.86
<i>Geyzing</i> DH	2,297	54	2.35
<i>Soreng</i> PHC	1,432	6	0.41
<i>Sombarey</i> PHC	704	9	1.27
<i>Rinchengpong</i> PHC	232	4	1.72

Source: Hospital records

The reasons for the high stillbirth rates in Sikkim could not be ascertained due to non-availability of stillbirth review reports.

2.4.23.14 Conclusion

- The shortage of PHSCs, PHCs and CHCs in the three districts of the State deprived the benefits of proper healthcare facilities from being provided to the rural population of the districts near their place of residence.
- OTs in the sampled DHs *Singtam* & *Geyzing* suffered from lack of essential equipment as well as the specialist doctors in surgery. As a result, the OTs functioned only partially for addressing minor surgical procedures. OT in the *Rhenock* CHC also remained non-functional due to non-availability of surgeon and the blood storage facility.
- Absence of specialist services in the *Rhenock* CHC deprived sick people of essential healthcare services expected from a CHC closer to their homes.
- Deployment of specialists, medical officers, nurses and paramedics in the two sampled DHs was done without considering either actual requirement or the IPHS

norm. This resulted in non-availability of services in some Departments while leading to underutilisation of manpower in Departments having excess staff.

- The State was experiencing higher still birth rate (percentage) over and above the all India average.
- There were discrepancies in the figures of total live births, total deliveries and the total number of stillbirths captured in the health management information system (HMIS) of the Department indicating flaws in the process of data collection and data management.

2.3.23.15 Recommendations

- i) The Department may take initiative to make good the shortage of essential equipment and ensure availability of required specialist services and blood storage facility in the OTs of the DHs and CHCs.
- ii) Specialist services viz., Surgery, Medicine, Obstetrics & Gynaecology, Paediatrics and Anaesthesia, *etc.* may be introduced in the CHCs in the State as required under the IPH norms.
- iii) Specialists, medical officers, nurses and paramedics in the sampled DHs (Singtam and Geyzing) may be redeployed based on IPH norms and actual requirement.
- iv) Government may take steps to set up new PHSCs, PHCs and CHCs to mitigate the shortages (five CHCs, nine PHCs and 67 PHSCs) in the two districts of the State and to ensure availability of proper healthcare facilities near the place of residence of people of those areas.
- v) The Department may take steps to identify reasons for high stillbirth rates in the State and take corrective measures to reduce the rate.
- vi) The Department may take steps to ensure robust data entry and validation processes.

Objective 3: Whether Support services in the health facilities were available and adequate

2.4.24 Other Support Services

The operational activities of a health facility comprise a wide variety of support services viz., management of linens, dietary management, ambulance service, sweeping and cleaning service, hospital security service, *etc.* Management of support services in the sampled health institutions is discussed in **Paragraphs 2.4.24.1 to 2.4.24.6.**

2.4.24.1 Hospital linen services

As per IPHS, the number of linen (OT coats, bed sheets, bed covers, pillows, blankets, pillow covers) required in DHs, CHCs & PHCs has been quantified as per the bed strength of each health facility.

During physical verification (April 2023), use of hospital issued linens like bed sheets, blankets and pillows by the patients was found very rare. There was no provision for providing patient-dresses to the in-patients. Most of the patients preferred to use their own linens and blankets rather than that provided by the hospitals. Washing machines for cleaning the hospital linen were available, however, ironing facilities were not available in the sampled health facilities.

2.4.24.2 Good Practices in Staff Immunisation and Hospital Disinfection

➤ Staff immunisation

Periodic medical check-up and immunisation of staff is a part of the hospital infection control programme and to be followed by the DHs, CHCs and the PHCs as per norms. Audit noticed that the sampled health facilities provided Hepatitis B and Tetanus injections to all its health care workers and ensured immunisation of staff from infectious diseases.

➤ Disinfection and sterilisation

To prevent hospital acquired infections in patients, visitors and staff, the NHM Assessor's Guidebook 2013 required each DH to frame a schedule of procedure to be followed by the health care facilities known as Standard Operating Procedures (SOP) for septic procedures, culture surveillance and determination of hospital acquired infections. The facility should also have standard procedures for processing disinfection and sterilisation of equipment and instruments.

Audit observed that both DHs had functional Infection Control Committees headed by CMO of the respective DH and had SOPs for septic procedures, culture surveillance and determination of hospital acquired infections. The sampled hospitals adopted boiling, autoclaving, and chemical sterilisation processes for disinfection and sterilisation of hospital equipment and instruments.

2.4.24.3 Disaster management and fire security

NHM Assessor's Guidebook envisages that a Disaster Management Plan (DMP) be prepared for each health facility. Besides, disaster management training for hospital staff and conducting periodic mock drills in the hospitals is necessary. Standard Operating Procedures (SOPs) should be available, and a disaster management committee should be constituted.

Audit noticed that the sampled hospitals had disaster management plan but had not developed SOPs on disaster management. Mock drills on disaster management and fire safety drills were conducted periodically. Though the sampled health facilities had adequate number of fire extinguishers, fire detection alarms were not available in any of the sampled health centres.

2.4.24.4 Power back-up and water supply

Physical verification of the sampled units revealed (April 2023) availability of 24x7 power supply including back-up arrangement in both the DHs. Besides, the DHs also had power inverters installed in the Emergency wards and OTs. However, in respect of the PHCs, the DG sets provided were functional in only two PHCs (*Sombaria* and *Pakyong*) out of the sampled five PHCs. The DG set provided to the CHC *Rhenock* was also non-functional. The DG sets were non-functional due to lack of recharge or nonreplacement of the dead batteries used in the DG sets to start.

Singtam DH had frequent water shortages due to absence of a dedicated supply line of water and absence of dedicated maintenance plan and manpower to ensure regular upkeep of the water supply system.

2.4.24.5 Ambulance Service

In terms of the IPHS (Clause XVI Hospital Transport Services) norms, a District Hospital shall have well equipped Basic Life Support (BLS) and desirably one Advanced Life Support (ALS) ambulance. For a DH of bed capacity 101 to 200 beds (Clause-XIII), availability of three ambulances was prescribed. The NHM guidelines prescribe availability of national ambulance services which can be availed by calling telephone numbers 108 and 102 for attending to patients of critical care, trauma, and accident victims *etc.* (108) and basic patient transport to cater to the needs of pregnant women, children *etc.* (102).

Audit noticed that there were three standby ambulances in Geyzing DH for referral services in case of emergencies. These ambulances were fitted with basic life support (BLS) system having oxygen support and suction machines. Besides, there were an additional seven ambulances in the PHCs of West District which could be availed through Call Centre No. 102 for pregnancy related cases.

Singtam DH had four ambulances with BLS system. Apart from these four ambulances, there was at least one ambulance in each of the five PHCs and two ambulances in the Rhenock CHC under Singtam DH that were used for transporting patients. The ambulances under Singtam DH were, however, not connected with the 102 national ambulance service.

For all other critical cases, 108 connectivity was however not available in the test checked health facilities.

2.4.24.6 Evaluation of In-patient Services through Outcome Indicators

This paragraph presents an assessment of overall Health Indicators of the State and the IPD services provided during 2017-22 in the sampled health facilities. The Outcome Indicators (OIs) prescribed in IPHS guidelines are Bed Occupancy Rate (BOR), Referral out Rate (ROR), *etc.* **Table 2.24** gives the categorisation and methodology of evaluating these standards.

Table 2.24: Calculation of quality indicators

Type	Quality Indicator	Numerator	Denominator
Productivity of hospital	BOR (per cent)	Total patient bed days X 100	Total No. of functional beds X No. of days during the period
Efficiency	ROR (per 1000)	Total No. of cases referred to higher facility X 1000	Total No. of admissions

Source: IPHS

The bed occupancy rate (BOR) is the average occupancy of hospital beds within a given period. It is an indicator of the productivity of the hospital services and is a measure of verifying whether the available infrastructure and processes are adequate for delivery of health services. In terms of the IPHS, the BOR of hospitals should be at least 80 *per cent*. Similarly, the referral out rate (ROR) of a hospital denotes the total number of cases referred to higher facilities out of the total admissions in the hospital during a given period, per 1000 new admissions.

The BOR⁶² and ROR of the sampled health facilities during 2021-22 as worked out by audit is shown in **Table 2.25**.

⁶² For calculation of BOR, average three days stay in the hospital for each in-patient (patient bed days) is taken in the absence of complete data on the number of days each in-patient occupied a hospital bed.

Table 2.25: Outcomes vis-à-vis availability of resources in the sampled health facilities

Sl. No.	Name of the Health Facilities	Outcome Indicators	
		BOR (per cent)	ROR per 1,000
1	Singtam DH	33.48	125
2.	Geyzing DH	32.37	151
3.	Rhenock CHC	35.85	102
4.	Machong PHC	8.13	160
5.	Pakyong PHC	77.31	76
6	Soreng PHC	44.22	96
7	Sombarey PHC	40.44	218
8	Rinchengpong PHC	20.04	753

Source: Records of sampled health facilities. NA-Not available.

2.4.24.7 Assessment of Performance

All the eight hospitals and health centres sampled for Audit had BOR ranging between eight to 78 *per cent*, which was below the IPHS norm of 80 to 100 *per cent*. Machong PHC had the lowest BOR of 8.13 while Rinchengpong PHC had the second lowest BOR of 20.04. This was despite these two PHCs having excess manpower (29 and 40) in various cadres. Pakyong PHC had highest BOR of 77.31 *per cent* and lowest referral out rate of 76 indicating relatively better patient care and better availability of services at that PHC. All the health centres, excepting Pakyong PHC, had much higher ROR which indicated dearth of adequate facilities and services in those centres compelling the hospital authorities to refer critical and emergent cases for better medical service from elsewhere.

2.4.24.8 Conclusion

Ambulance service under Call Centre No.102 for pregnancy related cases was available only in the West District in the State while the service under call centre No. 108 for other emergencies was not available in any of the test checked health facilities.

2.4.24.9 Recommendations

- i) The Department may take immediate steps to provide dedicated water supply line to the Singtam District Hospital and ensure its regular maintenance.
- ii) Ambulance service under Call Centre No.102 for pregnancy related cases and 108 for other emergencies may be made available for all health facilities.

Audit objective 4: Whether assets created for medical emergencies like Covid-19 pandemic were utilised efficiently?

2.4.25 Status of utilisation of Covid-19 funds

The availability of funds and expenditure for handling Covid-19 pandemic during 2019-22 in Sikkim was as under:

Table 2.26: Fund position for handling Covid-19 pandemic

(₹ in crore)

Year	Funds available			Expenditure
	NHM	State Budget	Others	
2019-20	1.93	0	0	1.93
2020-21	6.52	0	3.75	9.71
2021-22	42.56	2.00	0.15	14.71
Total	51.01	2.00	3.90	26.35

Funds of ₹ 51.01 crore including interest amounting to ₹ 11.65 lakh was made available to the Health Department under the NHM for dealing with Covid-19 pandemic. State also provided ₹ two crore in its budget, in addition to providing its share under NHM, while ₹ 3.90 crore was received from various other sources (NEC, SDRF, CM's Relief Fund, etc.). Total funds available were ₹ 56.91 crore against which expenditure incurred was ₹ 26.35 crore. There was balance of ₹ 30.56 crore at the end of 2021-22. The balance was due to receipt of major share of the funds (₹ 21.38 crore) towards the end of the year⁶³.

2.4.26 Utilisation of created assets

The following health facilities were created in the State during 2020-23 for handling the Covid-19 pandemic:

Table 2.27: Facilities created during 2020-23 for handling COVID – 19 Pandemic

Sl. No.	Facility details	Location
1	Virology Lab for testing Covid-19 infection	STNM Hospital
2	ICU facilities and Covid Wards	STNM Hospital (ICU & Covid ward); Geyzing DH (ICU); Singtam DH (paediatric ICU)
3	50 bedded Dedicated Covid-19 Hospital	Karfector, South Sikkim
4	Six Oxygen Generating Plants of total capacity 3900 lpm	STNM (2) and four DHs (4)
5	20 bedded oxygen support unit for Covid-19 patients	CHC Rhenock
6	Ventilators & O ₂ Concentrators	STNM Hospital; DHs; CHCs; PHCs

The status of utilisation of the assets are highlighted in the succeeding paragraphs.

2.4.26.1 Virology lab (RT-PCR testing facilities)

Audit noticed that Virology lab for conduct of RT-PCR⁶⁴ test was established in the State only in one hospital, the New STNM Super Specialty Hospital, Gangtok during 2020-21 to conduct RT-PCR test. The status of Covid-19 tests conducted in the virology lab, confirmed cases and deaths in Sikkim is shown in Table 2.28.

Table 2.28: Status of Covid-19 tests

Period	2019-20	2020-21	2021-22	2022-23	Total
Capacity of testing lab	NA	200/day	350/day	450/day	--
Total No. of Tests conducted	NA	54136	105372	29158	188666
Total no. of confirmed cases	NA	5585	15817	1714	23116
Total deaths from Covid-19					500

Source: Virology lab, New STNM Super Specialty Hospital.

⁶³ 26 March 2022.

⁶⁴ Reverse Transcription-Polymerase Chain Reaction.

Audit further noticed that none of the two DHs had functioning virology labs as of March 2023 for testing Covid-19. Although RT-PCR testing kits had been provided (June 2021) by the UNICEF for *Geyzing* DH and *Singtam* DH, the Department had not set up testing facility due to lack of adequate space for housing the equipment, want of manpower to conduct the tests and non-availability of bio-safety cabinets, *etc.* The RTPCR testing kits thus remained unused and in packed condition. The warranty period of six out of the seven components of the RTPCR kits had already expired in March 2023.

Image 2.23: Virology Lab, New STNM	Image 2.24: Idle RTPCR Test Equipment, Singtam DH
	

2.4.26.2 ICU facilities for Covid-19 patients

a) Singtam District Hospital- non- functioning of paediatric ICU and Trauma ICU

A six bedded paediatric ICU unit had been established in *Singtam* DH during December 2022 under Emergency *Covid* Response Package (ECRP -II) funded under NHM with two ventilators. The Department, however, had not provided specific manpower and equipment/ accessories to run the unit and make it functional. During joint physical verification (April 2023) it was noticed that the unit remained idle and unused.



Image 2.25: Idle Paediatric ICU Singtam-DH

There was also a six bedded trauma ICU unit in the DH with four ventilators. This unit was also non-functional as surgery services were not available in the DH. The ventilators in the two ICU units had also not been tested for functionality and hence it was not known whether they were in working condition.



Image 2.26: Idle Paediatric ICU, Singtam DH



Image 2.27: Idle Trauma ICU, Singtam DH

b) Rhenock Community Health Centre-idle expenditure ₹ 31.18 lakh



Image 2.28: Idle 20 bedded O₂ Support Unit Rhenock, CHC

Funds of ₹ 34.49 lakh had been provided by the GoI under Emergency Covid Response Package (NHM, ECRP-II) for creating a twenty bedded pre-fabricated oxygen support unit for treating Covid affected patients under East District. A concrete unit on the terrace of the Rhenock CHC was created (December 2022) from the funds at a cost of ₹ 31.18 lakh. The facility, however,

remained idle (April 2023) as it was yet to be provided with essential equipment like beds, ventilators, oxygen connection etc.

c) Idle Covid-Hospital at Karfectar



Image 2.29: Idle Covid Hospital, Karfectar

The Chief Minister inaugurated a 50 bedded Covid Health Centre at the State Institute of Capacity Building at Karfectar in August 2022 equipped with Intensive Care Unit beds (17), High Care Unit beds (19), Bedside Monitors (25), Ventilators (13), Digital X-Ray (one), Jumbo Oxygen Cylinders (150), Defibrillator (one), ECG Machine (one), Arterial Blood Gas (ABG) Machine etc. The Covid Hospital was, however, lying idle and in locked condition

and was not being used for any purpose. No manpower was deputed in the facility and neither were any patients treated since its creation. The Department / Government had also not taken any decision till date (September 2023) for using the facility as a regular hospital or any other allied purpose. Damage of the equipment and accessories provided to the hospital due to prolonged disuse could not be ruled out in audit.

2.4.26.3 Idle ventilators and oxygen concentrators

The STNM Hospital had 63 ventilators pre-installed in its wards prior to start of the Covid-19 pandemic. After the pandemic hit the State, the H&FW Department received various types of equipment, specially, ventilators, oxygen concentrators and laboratory equipment during 2020-21 to 2022-23 (up to December 2022) from various sources. Details are tabulated in **Table 2.29**.

Table 2.29: Status of ventilators and oxygen concentrators

Particulars	Qty received	Qty issued to hospitals / health centres	Qty idle	Qty missing
Ventilators	108	41	51	16
Oxygen Concentrators	1155	1143	12	00

The State received 108 ventilators from various sources⁶⁵. Out of the 108 ventilators, 41 ventilators were issued to the New STNM Hospital, 51 ventilators were lying idle in the Store and the whereabouts of 16 ventilators were not known, from records produced to Audit.

⁶⁵ 651154 O2 concentrators – PM Cares (108); WHO (50); CM's Office (127); Zomato (15); Sai Samiti (29); Thailand (30); Ireland (60); Denmark & Qatar (100); Spain (15); China (51); Niti Aayog (100); Unicef (100); Italy (50); GoI (30); Others (40).

108 ventilators - Tata (10), SBI (10); GoI (59); MPLAD (2); CM S (NHM)(20); Health Minister's Office (7).

Similarly, 1155 oxygen concentrators were received by the Central Health Stores at *Tadong*, Gangtok from various sources out of which 1143 were issued to various hospitals and health centres. During JPV (March 2023), it was noticed that out of 564 concentrators issued to the STNM Hospital, 237 concentrators were lying idle and unopened while 12 Oxygen concentrators were lying unused at the Central Medical Stores (total 249). The remaining 579 oxygen concentrators were issued to CHCs/ PHCs/ DHs.

The Department should consider using the O2 concentrators in the STNM hospital to reduce its dependence on bottled oxygen.



The Health Department could not produce documents like delivery challans, warranty papers, specifications, user manuals, *etc.* relating to the Ventilators and Oxygen concentrators received from various sources in donation, indicating improper record keeping.

2.4.26.4 Oxygen Generating Plants

The State had six Oxygen generation plants of total generation capacity of 3900 litres per minute (lpm). The Plants were installed during 2021-22 in the STNM Superspeciality Hospital and the four DHs. Four of the Oxygen plants had been provided under PM CARES, one as aid from the Turkey Government and one purchased by Department from funds provided by the NEC. Details are given in **Table 2.30**.

Table 2.30: Status of Oxygen Plants in the State

Sl No	Capacity of Plant (litres per minute)	Date of in- stallation	Hospital where the plants were installed	Source
1	500	June 2021	STNM Hospital, Gangtok	NEC Funded
2	1000	22.06.2021	STNM Hospital, Gangtok	PM CARES
3	200	26.06.2021	<i>Singtam</i> DH, East Sikkim	Turkey Aid
4	200	28.06.2021	<i>Geyzing</i> DH, West Sikkim	PM CARES
5	1000	16.08.2021	<i>Namchi</i> DH, South Sikkim	PM CARES
6	1000	22.08.2021	<i>Mangan</i> DH, North Sikkim	PM CARES
Total	3900			

The status of functioning of the Oxygen plants installed in the Hospitals of the State is highlighted below:

- i) The 1000 lpm plant at Gangtok functioned intermittently due to maintenance issues.
- ii) The 200 lpm oxygen plant in *Gyalshing* DH was functional since 28 June 2021 and had run 5913 hours as on 31 March 2023. The plant, however, was functioning

only when there was electricity as the DG set provided for the plant was non-functional.

- iii) The 200 lpm Oxygen Plant in *Singtam* DH was idle for want of dedicated DG set to run the plant, very long starting period (> one hour) before oxygen could actually generate and flow to the patients. The Hospital therefore was still using bottled oxygen to cater to the needs of patients.
- iv) The plant installed (August 2021) in *Mangan* DH more than two years ago, remained idle due to low demand and non-provision of DG set to operate it. The Hospital thus had to continue using bottled Oxygen procured from the State budget.

Thus, the oxygen plants in the State had been established without ensuring availability of supporting equipment like DG sets and without ensuring prompt repairs due to which the plants either remained idle or functioned only intermittently. Due to this fact the Department continued using bottled oxygen purchased from the Government funds for the in-patients.

2.4.26.5 Non-reduction in consumption of bottled oxygen

Audit observed that even after installation of the oxygen generation units of 3900 lpm capacity during 2021-22, there was no reduction in the procurement of bottled oxygen, as depicted in **Table 2.31** (excluding 2020-22 being pandemic affected years).

Table 2.31: Refilling and Expenditure on bottled oxygen

Year	No. of cycles of refilling	Expenditure on refilling (₹ in lakh)
2017-2018	3843	6.70
2018-2019	4037	10.67
2019-2020	8000	33.06
2020-2021	11156	45.53
2021-2022	21020	93.39
2022-2023	7869	39.40
Total	55925	228.75

During the year 2021-22 when the oxygen plants had actually been installed in the State's five hospitals, the Department procured maximum quantity of liquid oxygen valuing ₹ 93.39 lakh. Even after *Covid* period of 2021-22, the quantity of bottled oxygen purchased remained higher than the quantity purchased during 2017-19 prior to the *Covid* period. This was despite installation of the six oxygen plants of such high installed capacity of 3900 lpm and also despite 249 oxygen concentrators (**Paragraph 2.4.26.3**) lying idle with the Department. Thus, installation of six oxygen plants of such high capacity of 3900 lpm besides existence of surplus oxygen concentrators with the Department did not help reduce the Department's dependence on bottled oxygen as the oxygen plants remained inoperative while 249 oxygen concentrators languished in disuse in the Department's stores.



Image 2.33: Idle Covid Hospital, Karfectar

2.4.26.6 Unfruitful expenditure of ₹ 21.27 lakh on construction of shed for O2 Plant

The Government of India, Department of Health and Family Welfare, requested (November 2020) the State Government for sharing site readiness confirmation for

installation of Oxygen Generating Plants in the State's Hospitals. The plants were proposed to be provided by the Government of India free of cost. The State Health Society accordingly spent ₹ 21.27 lakh (April 2021) from the NHM funds for construction of a shed for housing the Oxygen Generating Plant in the STNM Hospital Complex.

During joint physical verification (March 2023) it was noticed that the shed was constructed at a location away from the location of the manifold system for supply of oxygen to the hospital beds, with no approach road for ferrying the Oxygen plant equipment and other paraphernalia. The structure thus remained idle and unused resulting in an unfruitful expenditure of ₹ 21.27 lakh.

2.4.26.7 Conclusion

- The State had established RTPCR testing facility only in the STNM Hospital at Gangtok. None of the district hospitals had functioning RTPCR facility during 2020-22.
- The 50 bedded Covid Hospital at Karfector remained idle for more than a year since its creation in August 2022. The Department / Government had not taken any decision to utilise the building.
- Out of the six O₂ generating plants having total installed capacity of 3900 lpm set up during 2021-22 in the five hospitals in the State, two plants of 1200 lpm set up in Mangan and Singtam DH were lying idle due to non-provisioning of DG sets while one plant of 1000 lpm installed at the STNM Hospital functioned only intermittently.
- A large number of Ventilators (51) and Oxygen concentrators (12) were lying idle and unused in the Departmental Stores and the Stores of STNM Hospital
- Despite installation of the oxygen plants and idling of existing oxygen concentrators, the dependence on bottled oxygen in the hospitals had not reduced.

2.4.26.8 Recommendations

- i) *The Department may make RTPCR cum Virology labs functional in the DHs.*
- ii) *The Department /Government should prepare an action plan for utilising the idle newly constructed 50 bedded Covid Hospital constructed at Karfector at the earliest.*
- iii) *The Department may ensure regular repair and upkeep of the Oxygen generating plants with a view to ensure their utility.*
- iv) *The Department may take stock of the idle ventilators and concentrators in the stores and ensure their usage or disposal, as appropriate.*

Audit Objective 3: Assess status of improvement of health and wellbeing of people of the State as envisaged under SDG Goal 3.

2.4.27.1 United Nations Sustainable Development Goals (Goal-3 Health and Wellbeing)

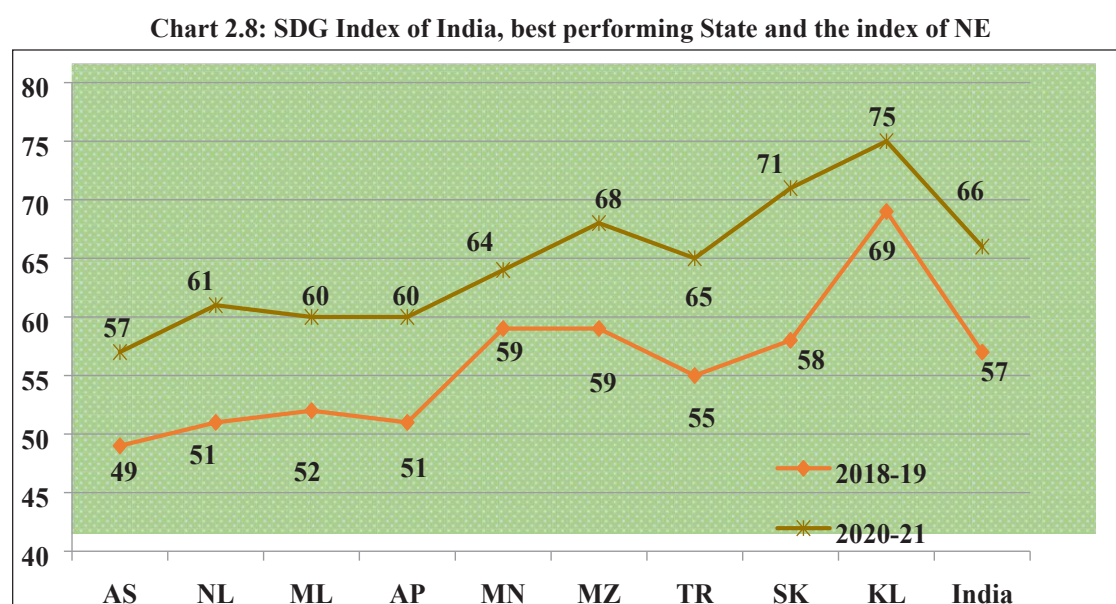
United Nations General Assembly adopted (September 2015) the 2030 Agenda for Sustainable Development which included 17 Sustainable Development Goals (SDGs) with the objective of transforming the world into a better place for all people.

Goal 3 of the SDG concern ‘Good Health and Well-being’ which is committed to ensure healthy lives and promote well-being for all at all ages. There are 13 sub-goals⁶⁶ under Goal 3.

Government of India entrusted *NITI Aayog* as nodal agency for helping India chart its quest for attaining the commitments under the SDGs. Findings of Audit relating to adoption and fulfilment of SDG 3 goals by the State are elaborated below.

2.4.27.2 Status of SDGs in India and the North Eastern (NE) States

The progress made by different States individually and India as a whole on the SDGs, as per the *NITI Aayog* Report on ‘SDG Index India and Dashboard of 2021’, is depicted in **Chart 2.8**.



Description of Legends: AS-Assam, NL-Nagaland, ML-Meghalaya, AP- Arunachal Pradesh, MN-Manipur, TR-Tripura, **SK-Sikkim**, KL-Kerala

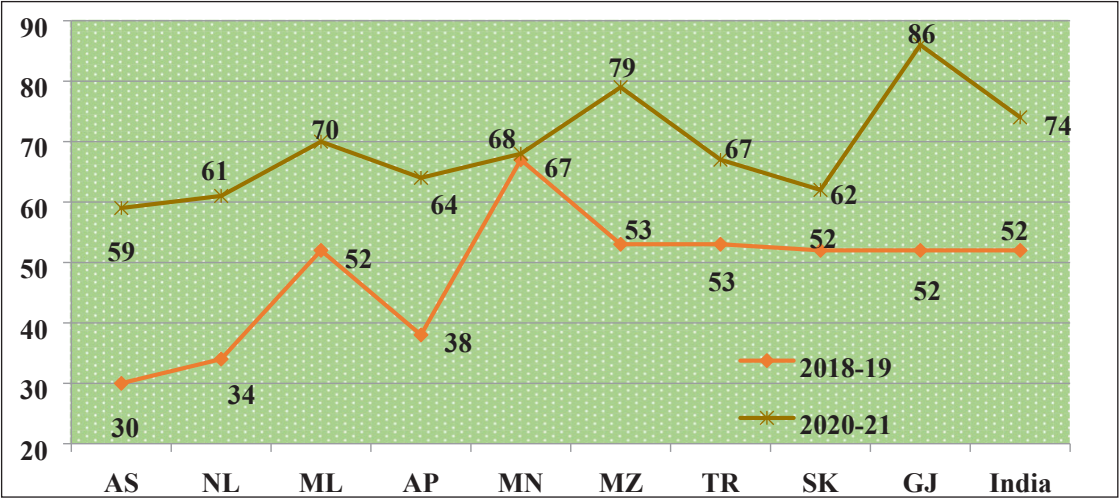
It can be seen from **Chart 2.8** that all the States and India as a whole showed improvement in achieving the 17 SDG Goals over the years 2018 to 2021. While Kerala emerged as the best performing State with a score of 75 at pan India level, Sikkim with a score of 71 was the best performer among the NE States.

⁶⁶ By 2030, reduce global MMR to < 70 per 100,000 live births; end preventable deaths of new-borns & children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births; end epidemics of AIDS, TB, malaria etc. & combat hepatitis, water-borne diseases and other communicable diseases; reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being; strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol; by 2020, halve the number of global deaths and injuries from road traffic accidents; by 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes; achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all; substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination; strengthen the implementation of the WHO Framework Convention on Tobacco Control in all countries, as appropriate; substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.

2.4.27.3 Performance of NE States on Good Health and Well Being (SDG 3)

The performance of NE States in respect of SDG Goal 3 on Good Health and Well Being vis-à-vis the best performing State (Gujarat) in the country is depicted in **Chart 2.9**.

Chart 2.9: SDG Index of India, best performing State and the index of NE



Description of Legends: AS-Assam, NL-Nagaland, ML-Meghalaya, AP- Arunachal Pradesh, MN-Manipur, TR-Tripura, SK-Sikkim, KL-Kerala

While Gujarat was the best performing State on SDG 3 with a score of 86, Mizoram performed best among the NE States with a score of 79. Sikkim ranked sixth among NE States with a score of 62, although Sikkim’s score moved upwards from 52 to 62 during 2018-19 to 2020-21. Thus, in-spite of better score in the overall SDG index, in the health index, Sikkim’s performance needs improvement.

2.4.27.4 Performance of Sikkim on health specific Indicators

NITI Aayog has framed indicators for different Goals under the SDGs in the Indian context. The indicators and targets under SDG-3 on the Health and Well-being of the people of Sikkim and the achievement of Sikkim vis-à-vis National average are shown in **Table 2.32**.

Table 2.32: Status of achievement of SDG-3 in the State vis-a-vis all India achievement

Sl. No.	SDG Indicators	Target	Achievement at		Remarks, if any.
			All India	State	
1.	Maternal Mortality Ratio (per 1,00,000 live births)	70	113	NA	Maternal mortality is not calculated in the State since annual live birth figure is below 100,000
2.	Under 5 mortality rate (per 1,000 live births)	25	36	NA	Data not available for Sikkim in the SDG India Index dashboard 2021.
3.	Percentage of children in the age group 9-11 months fully immunised	100	91	62	Sikkim’s performance against this indicator was much below the All India achievement.
4.	Total case notification rate of Tuberculosis per 1,00,000 population	242	177	218	Sikkim performed better than the national average.

Sl. No.	SDG Indicators	Target	Achievement at		Remarks, if any.
			All India	State	
5.	HIV incidence (per 1,000 uninfected population)	0	0.05	0.03	HIV incidence in the State was better than All India average but was yet to meet the '0' target set under the SDG.
6.	Suicide rate (per 1,00,000 population)	3.5	10.4	33.10	Suicide rate in Sikkim was extremely high and was almost 3 times the national average.
7.	Death rate due to road traffic accidents (per 1,00,000 population)	5.81	11.56	12.63	The performance of Sikkim was far below the SDG target and even the national average.
8.	Percentage of institutional deliveries out of the total deliveries reported	100	94.40	99.40	The performance in this indicator was higher than the national average and met the SDG goal.
9.	Monthly per capita out-of-pocket expenditure on health as a share of Monthly Per capita Consumption Expenditure (MPCE)	7.83	13	a	This data for Sikkim is not available.
10.	Total physicians, nurses and midwives per 10,000 population	45	37	25	The availability of physicians, nurses and midwives for Sikkim was much less than the national average and the SDG goal.

Out of the 10 SDG-3 Health Indicators shortlisted in the SDG India Index, data on three indicators, viz, maternal mortality rate (MMR)⁶⁵, under five mortality and monthly per capita out-of-pocket expenditure on health was not available for Sikkim on the SDG Index India and Dashboard of 2021.

Out of the data available on remaining seven indicators, Sikkim scored lower than the all India average in four indicators. One of the important Indicators in which Sikkim lagged glaringly behind other States was the extremely high suicide rate which was more than 300 *per cent* of the national average. This was a case of serious concern for the State Government.

2.4.27.5 Performance of Sikkim vis-à-vis NE States

The performance of Sikkim *vis-a-vis* the seven north-eastern States in respect of seven health indicators for which data was available in the SDG India Index Dash-board 2021 is highlighted in **Table 2.33**.

Table 2.33: Performance of Sikkim vis-à-vis Northeastern States

Sl. No.	NE States	Percentage of children in the age group 9-11 months fully immunised	Total case notification rate of Tuberculosis per 1,00,000 population	HIV incidence per 1,000 uninfected population	Suicide rate (per 1 lakh population)	Death rate due to road traffic accidents (per 1 lakh population)	Percentage of institutional deliveries out of the total deliveries reported	Total physicians, nurses and midwives per 10,000 population
1	Arunachal Pradesh	68	182	0.05	7.4	7.23	89.6	22
2	Assam	85	141	0.04	6.9	9.43	91.1	23
3	Manipur	82	83	0.34	1.9	5.01	84.6	38

⁶⁵ MMR is not calculated for Sikkim since annual live births in the State is below 1,00,000.

Sl. No.	NE States	Percentage of children in the age group 9-11 months fully immunised	Total case notification rate of Tuberculosis per 1,00,000 population	HIV incidence per 1,000 uninfected population	Suicide rate (per 1 lakh population)	Death rate due to road traffic accidents (per 1 lakh population)	Percentage of institutional deliveries out of the total deliveries reported	Total physicians, nurses and midwives per 10,000 population
4	Meghalaya	99	154	0.23	6.1	5.45	60.4	25
5	Mizoram	92	237	1.18	5.9	5.27	89.9	50
6	Nagaland	54	233	0.73	1.9	1.02	83	1
7	Sikkim	62	218	0.03	33.1	12.63	99.4	25
8	Tripura	95	70	0.11	18.2	5.97	93.5	22

The above data indicate that Sikkim did appreciably well in two indicators (i) percentage of institutional deliveries out of the total deliveries reported and, (ii) HIV incidence per 1,000 uninfected population. The State was placed in between the NE States in respect of two indicators, viz, total case notification rate of tuberculosis per 1,00,000 population and total physicians, nurses and midwives per 10,000 population. The State, however, fared poorly in respect of the other three health indicators as compared with the NE States viz percentage of children in the age group 9-11 months fully immunised and suicide rate and death due to road accidents.

2.4.27.6 Conclusion

- The State was lagging behind in four health indicators in comparison to the National average as per the SDG India Index Dash-Board 2021– percentage of immunisation of children in the age group 9-11 years, suicide rate; death rate due to road accidents and total number of physicians, nurses and midwives per 10000 population.
- The State fared poorly in respect of three health indicators as compared with the NE States viz percentage of children in the age group 9-11 months fully immunised and suicide rate and death due to road accidents.
- The State's suicide rate was extremely high and was more than 300 *per cent* of the national average. This was a matter of serious concern for the State Government.

2.4.27.7 Recommendations

- Government should take appropriate action towards regular monitoring and supervision of the health and family welfare programmes with a view to ensure achieving the SDG 3 targets.*
- Government may take serious note to ascertain the reasons for the high suicide rate and deaths due to road accidents in the state and make concerted efforts to contain the same.*

CHAPTER III

ECONOMIC SECTOR

CHAPTER III

ECONOMIC SECTOR

3.1 Introduction

This chapter of the Audit Report deals with audit observations on the functioning of the Government departments under the Economic Sector.

The names of the departments and the total budget allocation and expenditure of the Government under Economic Sector during the period 2022-23 are given in the table below:

Table 3.1: Details of budget allocation and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
		2022-23	2022-23
1	Animal Husbandry & Veterinary Services Department	128.97	92.45
2	Buildings and Housing Department	330.47	299.48
3	Commerce and Industries Department	90.00	82.82
4	Co-operation Department	23.44	21.48
5	Power Department	635.40	630.61
6	Agriculture Department	220.67	168.86
7	Forest & Environment Department	295.65	153.21
8	Horticulture Department	128.92	87.38
9	Water Resources Department	178.64	137.42
10	Mines & Geology Department	8.21	7.27
11	Roads and Bridges	592.99	434.06
12	Rural Development Department	1,145.77	947.21
13	Tourism and Civil Aviation	490.75	259.08
14	Transport Department	83.83	69.36
15	Motor Vehicles	19.63	18.50
16	Urban Development Department	386.44	287.68
17	Public Health Engineering Department	176.97	138.98
18	Science and Technology Department	9.89	8.27
Total		4,946.64	3844.12

Source: Appropriation Accounts

Besides, the Government of India had been transferring funds directly to the implementing agencies under the Economic Sector. The major transfers for implementation of flagship programmes of the Central Government are detailed in **Table 3.2**:

Table 3.2: Details of funds directly transferred to the implementing agencies

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/ Programme	Implementing Agency	Funds transferred during the year
1	Rural Development Department	<i>Jal Jeevan Mission (JJM)/</i> National Rural Drinking Water Mission	SWSM Sikkim, Gangtok	18,891.62
		<i>Mahatma Gandhi</i> National Rural Guarantee Program	State Rural Employment Guarantee Agency	9,337.10
		Management Support to Rural Development Programs and Strengthening of District Planning Process	State Institute of Rural Development, Sikkim	137.75
2	Animal Husbandry & Veterinary Services Department	<i>Rastriya Gokul</i> Mission	Sikkim Livestock's Development Board	574.42
		Livestock Health and Disease Control		13.05
		National Programme for Dairy Development	North District Milk Producers Co-operative Union Ltd. Mangan, North Sikkim	5.60
			Sikkim Cooperative Milk Producers Union Ltd.	477.18
3	Agriculture Department	Organic Value Chain Development for North East Region	Sikkim Organic Mission	1,542.17
4	Science and Technology Department	Supporting Community Radis Movement in India	Arithang Neel Gagan Development society	6.80
Total				30,985.69

Source: Finance Accounts

3.2 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test check basis, Inspection Reports (IRs) containing audit findings are issued to the heads of the departments. The departments are required to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled based on reply/ action taken or further action is required by the audited entities for compliance. Some of the important audit observations arising out of these IRs are processed for inclusion in the Audit Reports. The Audit Reports are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature for taking further appropriate action.

Test audits were conducted involving expenditure of ₹ 3,071.43 crore (including expenditure of ₹ 1,967.26 crore of previous years) during the year 2022-23 of the State Government under Economic Sector. The details of year-wise break-up are given in *Appendix 3.1*.

This Chapter contains one Performance Audit Report and one Compliance Audit Paragraph.

PERFORMANCE AUDIT

RURAL DEVELOPMENT DEPARTMENT

State Rural Roads Development Agency

3.3 Performance Audit on Implementation of the Pradhan Mantri Gram Sadak Yojana (PMGSY)

3.3.1 Introduction

Rural Road Connectivity, and its sustained availability, is a key component to Rural Development. Despite rural roads being a state subject and the responsibility of providing connectivity to all village/habitations resting with the state governments, the Government of India, acknowledging the expected socio-economic benefits to the rural population from rural roads and as a strategy for poverty alleviation and to overcome deficiencies in rural road planning, introduced (December 2000) a centrally sponsored scheme ‘*Pradhan Mantri Gram Sadak Yojana*’ (PMGSY) to provide all-weather road⁶⁸ connectivity including necessary bridges to eligible unconnected habitations in rural areas.

The objective of the PMGSY is to provide connectivity, by way of an ‘all-weather road’ to the eligible unconnected habitations (Census 2001) in the rural areas with a population of 500 persons and above in plain areas and 250 persons in hilly areas.

PMGSY-I was initially a 100 *per cent* centrally sponsored scheme, but from the year 2015-16, the funding is shared between the Centre and the State as 90:10 for North Eastern and Himalayan States.

As the Programme unfolded, a dire need to consolidate the entire rural road network by upgradation⁶⁹ of selected Through Routes⁷⁰ and some Major Rural Links (MRLs) was felt and accordingly a new intervention was evolved in May 2013 namely PMGSY-II. PMGSY-II envisages consolidation of the existing Rural Road Network by covering upgradation of selected rural roads based on their economic potential and their role in facilitating the growth of rural market centres and rural hubs.

National Rural Infrastructure Development Agency (NRIDA) was registered (January 2002) as a society for extending technical and management support to the GoI in implementation of PMGSY.

⁶⁸ An **All Weather Road** is one which is negotiable during all weathers, with some permitted interruptions. Essentially this means that at cross-drainage structures, the duration of overflow or interruption at one stretch shall not exceed 12 hours for ODRs and 24 hours for VRs in hilly terrain, and 3 days in the case of roads in plain terrain. The total period of interruption during the year should not exceed 10 days for ODRs and 15 days for VRs. The pavement should be negotiable during all-weathers, but this does not necessarily imply that it should be paved or sealed or blacktopped.

⁶⁹ **Upgradation** shall cover the improvement of surface drainage and constructing all missing cross-drainage works to make the road all-weather; improvement the road pavement to standards required for the traffic, subject to condition and road geometrics to prescribed standards and improving road safety.

⁷⁰ **Through Routes** are the roads which collect traffic from several link roads or a long chain of Habitations and lead it to Marketing centres either directly or through the higher category roads i.e., the District Roads or the State or National Highway.

At the State level, Rural Development Department (RDD) is a Nodal Department responsible for implementation of PMGSY Scheme in Sikkim. The Department had set up (August 2003) a state level autonomous Agency, to be called the State Rural Roads Development Agency (SRRDA), with distinct legal status under the Registration of Societies Act.

SRRDA had identified Programme Implementation Unit (PIU) in each District as Executing Agency for the execution of the Programme. The PIU at the District Level is usually headed by a Superintending Engineer/ Executive Engineer.

3.3.2 Road connectivity in Sikkim

Road connectivity plays a vital role in socio economic development of a state. The road density is an indicator of road infrastructure available per 1000 sqkm and per 1000 population. The road connectivity position in Sikkim as on 31 March 2019, is as below:

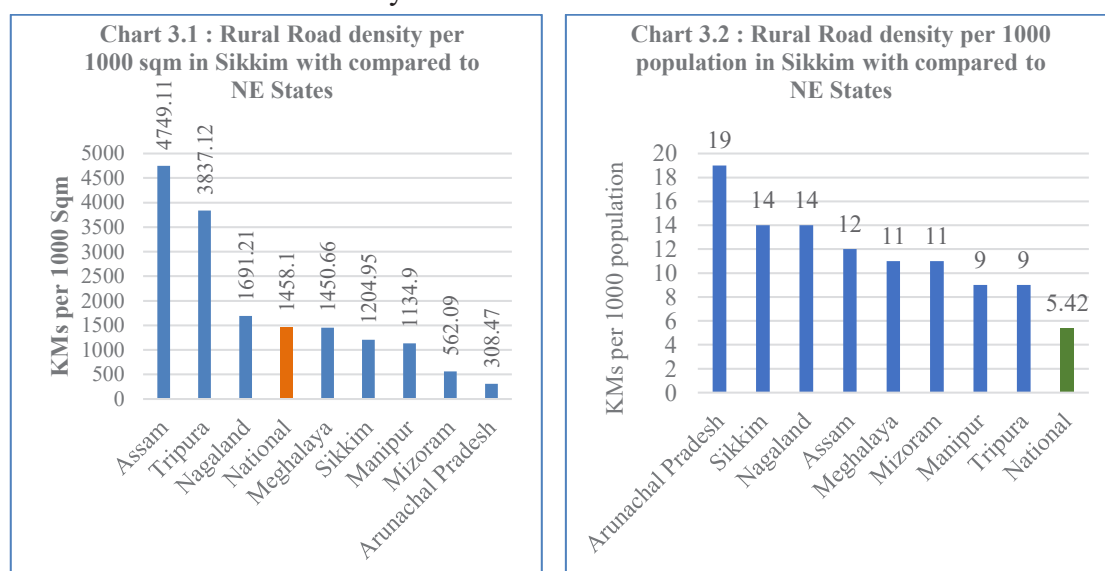
Table 3.3: Status of road connectivity in Sikkim as of March 2019

Category of road	National Highway	State Highway	District road	Rural Road	Urban Road	Project Road	Total	National status
Length (in km)	463	663	1469	8550	156	881	12182	NA
Road density (per 1000 sqkm)	65.2	93.4	207	1207.95	22.02	124.10	1716.72	1926.02
Road density (per 1000 population)	0.76	1.1	2.4	14	NA	1.44	20	5.23

Source: Basic roads statistics of India (2018-19) issued by Ministry of Road Transport & Highways (MORTH), GoI

From the above table, it can be seen that, Sikkim fared better than the national average in road density per 1000 population.

The status of rural road density in Sikkim is shown in **Chart 3.1 & 3.2**:



Source: Basic roads statistics of India (2018-19) issued by MORTH, GoI

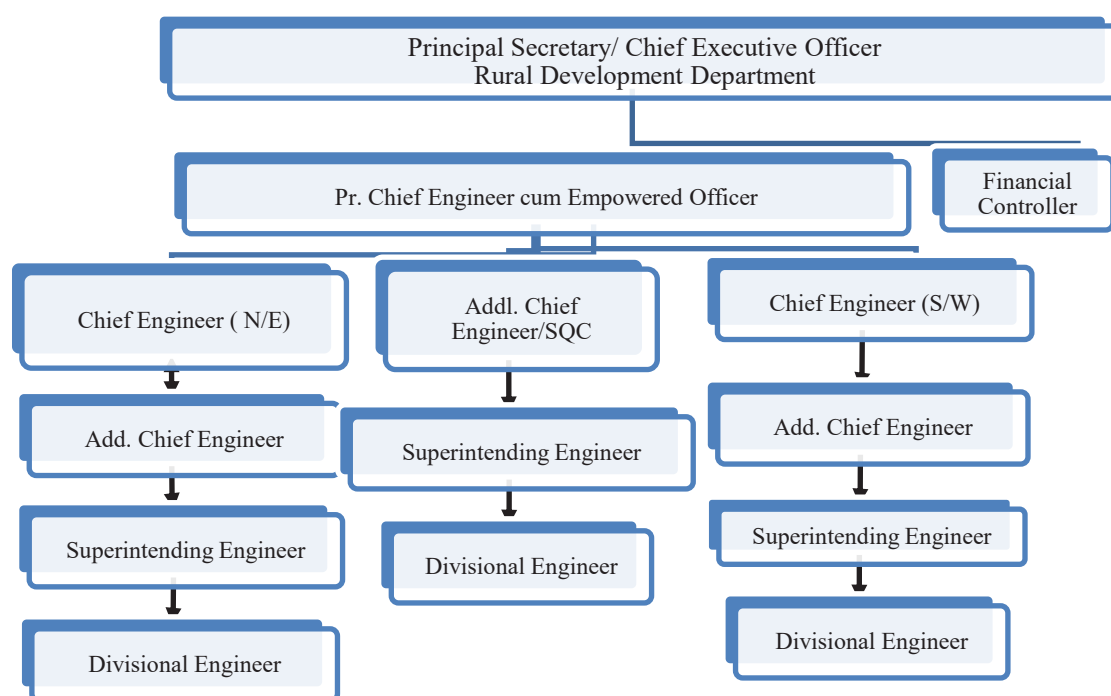
It can be seen from the above chart that, amongst the North Eastern States, Sikkim has second highest road density (14) per 1000 population after Arunachal Pradesh (19) and 5th highest road density per 1000 sq. km.

3.3.3 Organisational set-up

The Ministry of Rural Development (MoRD), GOI has been entrusted with the task of organising the PMGSY programme at the National Level. The Rural Development Department (RDD) was the State Level Nodal Department with overall responsibility for implementation of PMGSY. The State Government created (August 2003) a state level autonomous agency - the State Rural Roads Development Agency (SRRDA) headed by Chief Executive Officer cum Secretary, RDD as the Nodal Officer.

The Principal Chief Engineer, RDD as the Chief Empowered Officer of the scheme was supported by two Chief Engineers, Addl. Chief Engineers, Director of Accounts, Superintending Engineers, Divisional Engineers and Assistant Engineers and other subordinate staff. State Level Standing Committee⁷¹ (SLSC) is headed by the Chief Secretary and comprised the Additional Chief Secretary, Planning and Development Department; Secretary, RDD; Secretary, Roads and Bridges Department. The organisational set up of SRRDA is as given below:

Chart 3.3: Organisational structure of SRRDA



All **PMGSY** proposals are vetted by SRRDA and put up to SLSC before they are sent to the NRIDA for clearance by MoRD.

3.3.4 Audit Objectives

The performance audit was conducted with the objective of assessing whether:

- The Department has followed proper directives and guidelines of PMGSY schemes during planning and there was preparedness for implementation of the scheme;
- Financial management of the programme implementation was sound and the funds for execution of scheme were adequate and available on time ;

⁷¹ Consisting of the Secretary, Rural Development Department, Secretary Roads and Bridges Department, Secretary Forest, Wildlife and Environment Management Department and the Development Officer, Planning and Development Department, Government of Sikkim.

- Implementation of the schemes was economical, efficient and effective;
- The monitoring system and quality control mechanism was adequate and effective for achieving the desired objective?

3.3.5 Scope of Audit, sampling and methodology

The performance audit covered the period from April 2017 to March 2023. The audit involved scrutiny of records at the SRRDA Headquarters and the four Project Implementing Units (PIUs) at district level.

A total of 433 PMGSY works (Roads-178, Bridges-97, maintenance-124 and 34 upgradations under PMGSY-II) were under execution or maintenance during the audit period which was sanctioned during 2007-08 to 2021-22. Out of 178 road works, only 87 new roads were sanctioned (2017-18) during the audit period. Further, out of a total of 97 bridges under execution, 58 bridge⁷² were sanctioned during the audit period.

A total of 113 out of 433 works were selected on PPSWOR method as detailed in Table 3.4.

Table 3.4: Sampling of works

Type of works	Total nos. of works	Sample selected
Roads	178	46
Bridges	97	24
Maintenance	124	34
PMGSY-II (Upgradation)	34	9
Total	433	113

Source: SRRDA information

An entry conference (25 November 2022) was held with the Principal Secretary, RDD and the Principal Chief Engineer cum Empowered Officer, SRRDA wherein audit objectives, scope, methodology and criteria were explained.

Based on audit scrutiny and joint physical inspection, audit observations were issued to the SRRDA. Audit findings were discussed in the 'Exit Conference' (15 March 2024) and the responses received from SRRDA has been incorporated in the report.

3.3.6 Audit Criteria

The observations in this report are benchmarked against the following criteria:

- Guidelines of both Programme PMGSY-I and PMGSY-II and subsequent amendments issued by the Ministry of Rural Development, GoI.
- Operations Manual, Accounts Manual of PMGSY, and Notification, order issued by State Government and GoI.
- Norms and regulations prescribed by the Rural Roads Manual.
- General Financial Rules, Sikkim Public Works Code and Manual
- Standard Bidding Document

3.3.7 Audit findings

The important audit findings *vis-à-vis* the audit objectives have been discussed in the succeeding paragraphs:

⁷² 2017-18: 32, 2020-21: 14 and 2021-22:12.

3.3.8 Planning

The process of selection and execution of road works under PMGSY is detailed in **Chart 3.4**.

Chart 3.4 – Planning process under PMGSY I and II

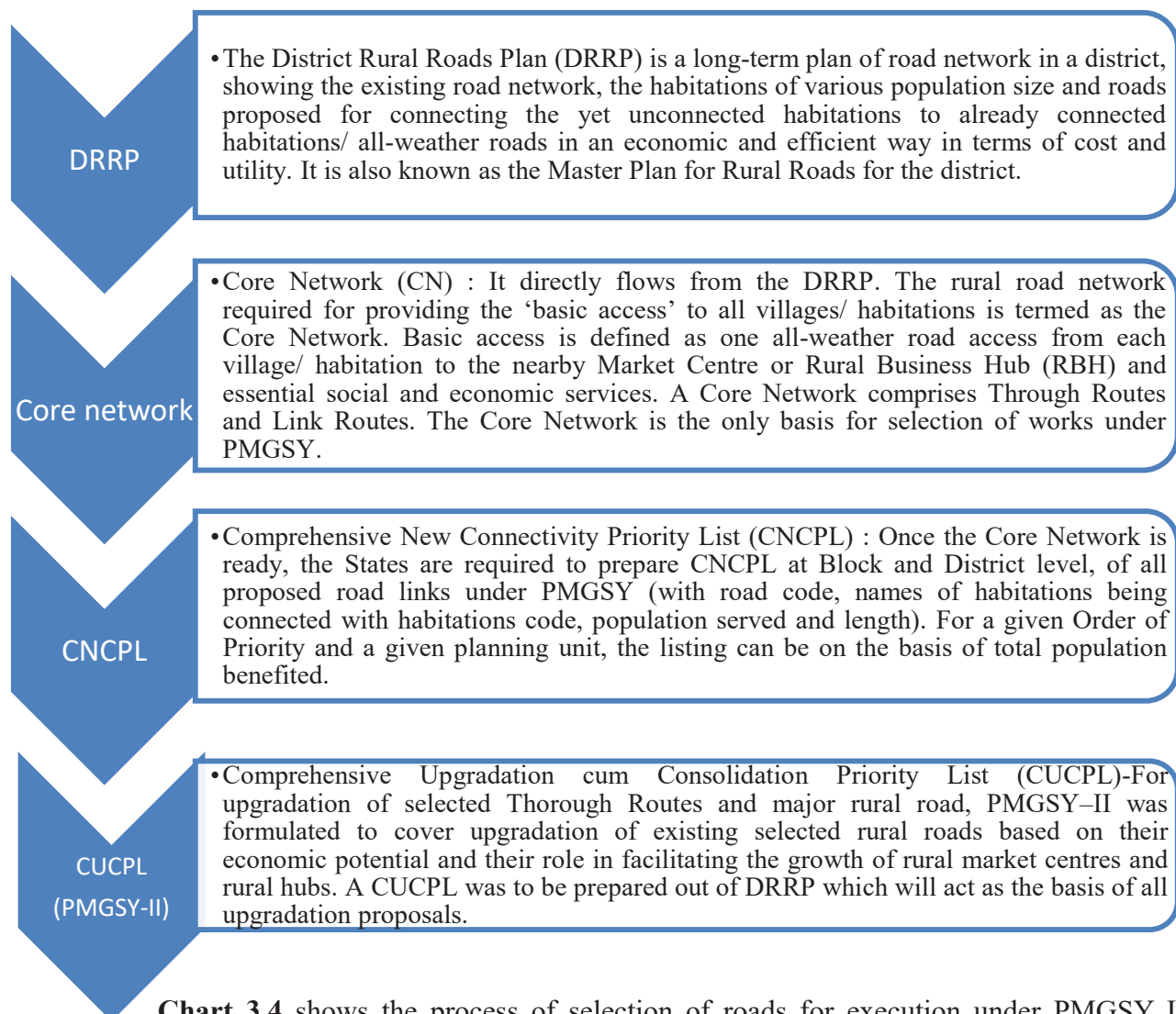
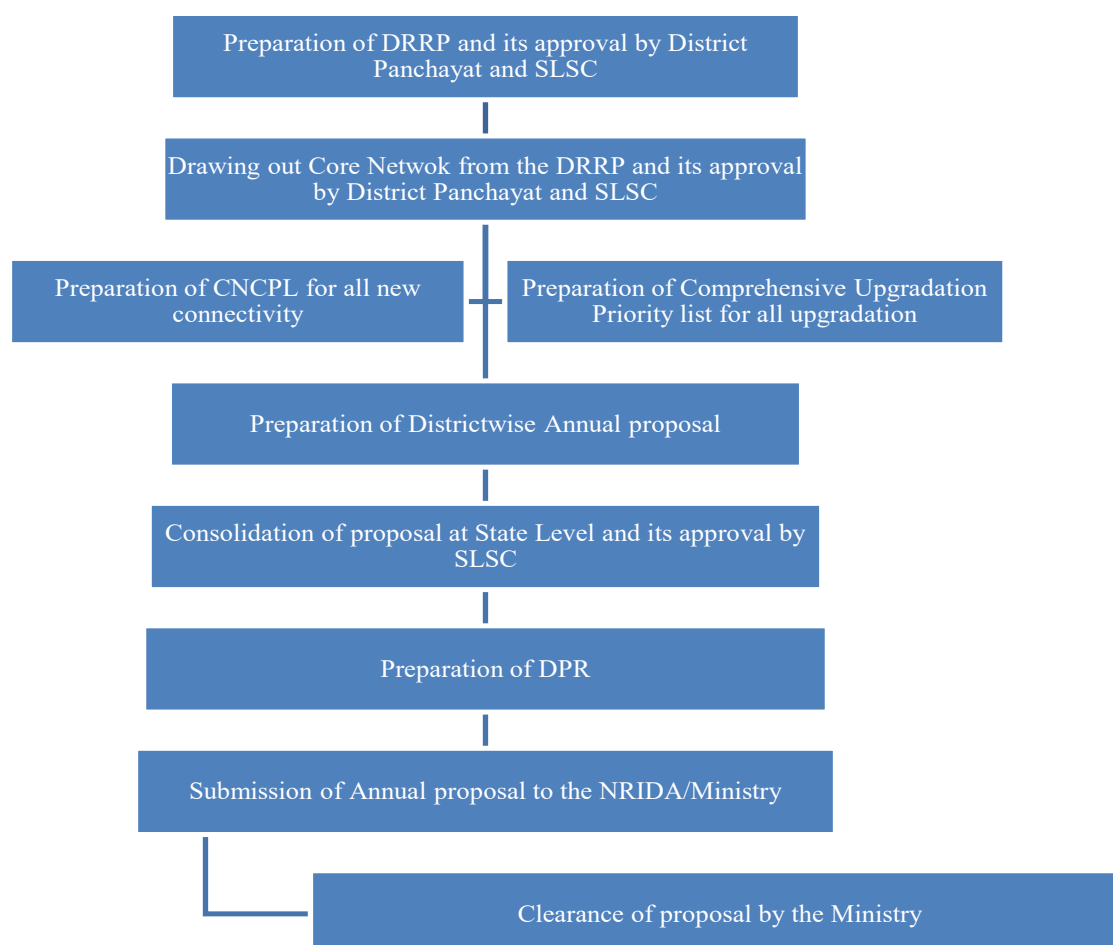


Chart 3.4 shows the process of selection of roads for execution under PMGSY I, where initially DRRP is prepared. From DRRP, Core Network and lastly CNCPL is prepared out of the Core Network before final selection of roads for execution. Further, A Comprehensive Upgradation cum Consolidation Priority List (CUCPL) is prepared out of DRRP which will act as the basis of all upgradation proposals under PMGSY II scheme. A separate DRRP has to be prepared by SSRDA for the purpose of PMGSY II, which should clearly demarcate through routes and link routes. However, SSRDA had not prepared DRRP for PMGSY II as stipulated in guidelines. The process flow of selection and approval of PMGSY roads is shown in **Chart 3.5**.

Chart 3.5: Process flow of selection and approval of PMGSY Roads



In the case of Hill States, PMGSY I works are to be executed in two stages; Stage I-consisting of formation cutting⁷³, slope stabilisation⁷⁴, protective works and drainage works and Stage II-consisting of Water Bound Macadam (WBM) layers and bituminous surface (Black topping) course. The second stage was to be taken up after two rainy seasons have elapsed to ensure adequate stabilisation of the side slopes.

Audit observed shortcomings in the planning process as discussed in the succeeding paragraphs.

3.3.8.1 Selection of road projects

PMGSY Operations Manual vide Paragraph 3.1.2 stipulates that District Rural Roads Plan (DRRP) shall be prepared as compendium of the existing and proposed road network system in the District. It forms the basis for selection of road works under PMGSY. Further, Paragraph 4.6 of PMGSY guidelines states that no road work may be proposed under the PMGSY for New connectivity or Upgradation (where permitted) unless it forms part of the Core Network. Furthermore, Paragraph 6.4 of the guidelines envisaged that the Comprehensive New Construction Priority List (CNCPL) shall be the basis of all new connectivity under PMGSY-I works. It is thus clear that if any work is to be executed under PMGSY-I, it has to be included in all the above three lists DRRP, Core Network and CNCPL in hierarchy.

⁷³ Formation Cutting: Earth work in excavation in ordinary soil soft rock and hard rock.

⁷⁴ Slope stabilization: Earth work in embankment with suitable materials including protection of slopes.

Scrutiny of DRRP, Core Network and CNCPL showed that eight road works valuing ₹ 68.64 crore were not part of either of the three lists {DRRP (one work⁷⁵), Core Network (one work⁷⁶) and CNCPL (six works⁷⁷)}, however, these road works were executed by SRRDA in violation of the scheme guidelines.

On this being pointed out, RDD stated that one road was approved and sanctioned by MoRD and the road is included in the Core Network. Regarding the non-inclusion of six roads in CNCPL, the RDD stated that these roads were considered for the sanction by NRIDA, MoRD on recommendations of the State Government despite not being included in the CNCPL.

Reply of the RDD validates the audit contention that the projects were proposed in violation of Paragraph 4.6 of the Scheme Guidelines.

Thus, execution of above eight works by SRRDA in violation of PMGSY guidelines resulted in unwarranted execution of ineligible road works valuing ₹ 68.64 crore, despite having targeted and identified road works to unconnected habitations under priority list *i.e.*, CNCPL awaiting to be executed. This indicated misplaced priority of works by SRRDA.

3.3.8.2 Connecting ineligible habitations in deviation of scheme objectives

The primary objective of the PMGSY is to provide connectivity by way of an all-weather road to the eligible unconnected habitation in the rural area with a population of 500 and above (Census 2001) in plain area and 250 in a special category state including Sikkim.

Roads, and Bridges Department (RBD) is the primary Department responsible for construction of roads. Alongside, Rural Development Department (RDD) is responsible for the implementation of PMGSY scheme.

As on 31 March 2023, the connectivity status of habitations since beginning of the scheme is given in **Table 3.5**.

Table 3.5: Status of connectivity of eligible habitations under the scheme as on 31 March 2023.

District	Habitations			Connected			Eligible habitation yet to be connected
	Eligible	Ineligible	Total	Eligible	Ineligible	Total	
East	248	74	322	75	16	91	173
North	64	63	127	32	08	40	32
South	219	93	312	51	09	60	168
West	242	84	326	67	11	78	175
Total	773	314	1087	225	44	269	548

Source: Core Network and CNCPL

From the above table, it can be seen that, as per the Core Network, there are a total of 1,087 habitations out of which 773 are eligible⁷⁸ for connectivity under PMGSY. As of 31 March 2023, 225 eligible habitations have been connected. Despite having

⁷⁵ Gurung Turning to Gairi Gaon via Sansari Dara (₹ 6.02 crore).

⁷⁶ SPWD road to Dipawalitar Upper Tumin via Ramakrishna Mandir (₹ 10.89 crore).

⁷⁷ Dorong to Namphong (₹ 2.94 crore), Tashiding Legship to Phamtam (₹ 8.18 crore), Lower Ribdi to Lower Okharey (₹ 12.58 crore), PWD road to Anden (₹ 16.30 crore), Lungchok to Ramthang Phague Tanek (₹ 5.46 crore), U Mamley Chamgaon to Doling gaon PWD Road (₹ 6.27).

⁷⁸ Having population more than 250 in hilly area and 500 in plain area.

548 habitations remaining to be connected, audit noticed that 44 ineligible habitations were provided with connectivity.

Scrutiny of records revealed that out of 46 sampled road works, there were three road works which did not fulfil the mandatory parameters of population 250 or above, indicating that mandatory checks were not exercised by SRRDA while preparing the proposal as stipulated in PMGSY guidelines. The details are as follows:

Table 3.6: Details of least populated habitations

(₹ in lakh)

Sl. No	Sub-division	Road Name (Sanction year)	Sanctioned cost	Population as per Core Network/ CNCPL
1	Kaluk	Bermiok to Tadong Jaubari Gumpa (2017-18)	147.88	190
2	Mangan	DSM to Katammantayam (2016-17)	2,069.98	140
3	Soreng	Nayabazar to Dhargaon (2016-17)	307.61	175
		Total	2,525.47	

Source: CNCPL and Core network provided by SRRDA

Despite having 548 eligible unconnected habitations, the SRRDA had taken up three road works valuing ₹ 25.25 crore which covered ineligible habitations, which in turn is indicative of planning without adhering to the PMGSY guidelines and consequent inability to provide connectivity to eligible habitations on priority basis.

On this being pointed out, RDD stated (March 2024) that these are cases of cluster habitations. According to PMGSY guidelines, initially unconnected habitations having populations 1000 or more are selected for covering under the scheme, thereafter, unconnected habitations having population with 500 or more are selected. After that unconnected habitations having population of 250 or more are selected. Thereafter, two or more habitations (cluster habitations) put together having population of 250 or more are selected.

The justification provided by the Department is not acceptable as CNCPL data does not include road works regarding any cluster habitation amongst the unconnected habitations, as stated in the reply.

With 548 unconnected habitations having population more than 250 lacking connectivity, expenditure on ineligible roads not only violated the scheme guidelines but also affected the objectives of the scheme.

3.3.8.3 Deficiencies in preparation of Detailed Project Reports

Paragraph 8.4 of the Scheme Guidelines, 2015 provided that at the time of preparation of Detailed Project Report (DPR), PIU should organise “Transect Walk”, along the alignment, together with the Panchayat Pradhan/ Ward, local revenue and forest officials, wherein issues relating to alignments, land and impact on environment and landowners shall be discussed. At the end of the walk, alignment shall be finalised after recording the issues. Copy of these minutes along with digital photographs of transect walk must be attached to the finalised DPR.

Paragraph 5.3.1 of PMGSY operation Manual stipulates that reconnaissance starts with a field inspection by walking, riding on ponies (in hills) or driving in jeeps. All information of value, either in design, construction, maintenance or operation of the facility should

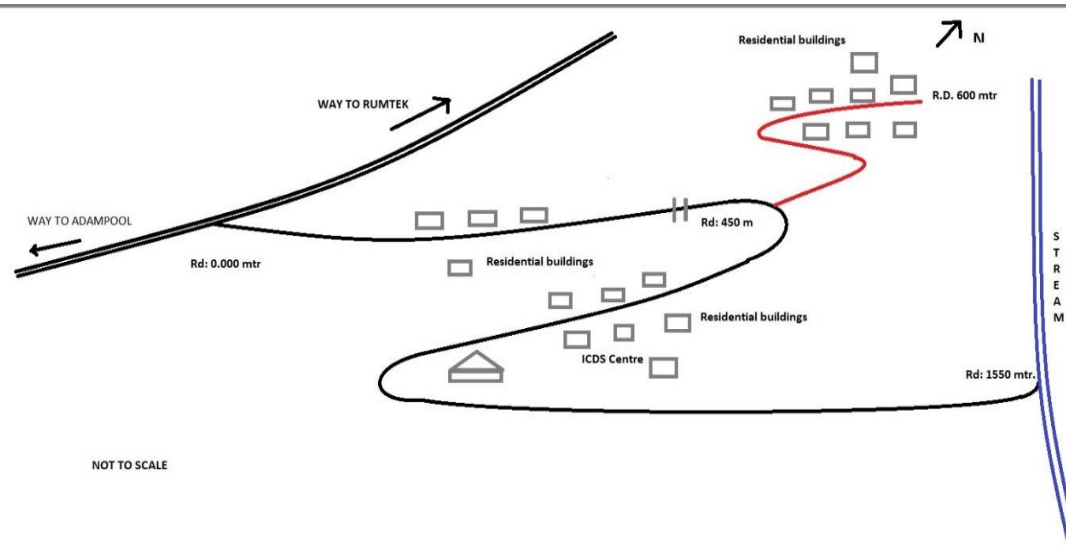
be collected, which may include details of route, requirements of cross-drainage works, villages, hamlets and market centres connected, economic factors – population served, agricultural and economic potential of the area etc.

The estimates/DPR prepared after consideration of the above, shall reflect the true scope, quantum and cost of works, based on detailed surveys and investigations. SRRDA had prepared estimates for PMGSY roads/bridges.

In this regard, it was observed that:

- The Department had no records to indicate that transect walk was organised. Hence, deviations from DPRs were seen while implementing the projects such as execution of multiple branches as mentioned above, abandonment of execution due to non-availability of land (**Paragraph 3.3.10.2**).
- SRRDA had not conducted preliminary survey and investigation as prescribed in operation manual and prepared DPR in an adhoc manner. In one road work “Upper *Lingi* 9th mile turning to *Lingding*”, SRRDA had not provided cross drainage structures due to which entire formation was washed out (**Paragraph 3.3.10.3**). Another work “40 mtr. Bridge construction work on *Bhusuk Khola*” was constructed at the end of the road and there was no road connectivity on one side and no sizable population at the other side of the bridge (**Paragraph 3.3.10.4**).
- Scrutiny of records as well as physical verification of work sites showed that out of 46 sampled PMGSY-I roads, 21 roads were executed in such a manner that part of the road works were executed at a different location as against the original work site sanctioned by NRIDA (**Appendix 3.2**). Further, audit noticed that the deviations were done without the required approval of NRIDA. An illustrative example of deviation in alignment is shown in the image below:

Image 3.1: Illustration of revised alignment of road *Rumtek to Arigaon* with 600 meter branch road



Note: Single line in black represents original alignment and red line the deviation

As could be seen from image above, the road “*Rumtek to Arigaon*” was sanctioned from one point to another point with an original length of 2.15 km, however, after achieving connectivity to targeted habitation by 1.55 km only, the SRRDA had revised the alignment and constructed one additional branch having length of 600 meter as shown in red.

Further, scrutiny of records showed that in five out of 21 road works, under PMGSY I, connectivity to the targeted habitations was achieved without exhausting sanctioned length of roads and remaining length was executed out of the savings, at other habitations which were already connected by another road. Due to nonconduct of proper planning exercise, construction of roads to the habitation already connected was taken up which was avoidable and in violation to scheme guidelines, as detailed in **Table 3.7**.

Table 3.7: List of roads already connected

Sl. No.	Name of the roads (sanction year)	Approved Habitations to be covered	Length of the road (in km)	Length of branch road constructed apart from original alignment	Cost of the branch roads (₹ in lakh) **	Branch Roads (E) Connecting to other roads/ habitations which were already connected
A	B	C	D	E	F	G
1	Gurung Turning to Gairi Gaon via Sansaridara (2017-18)	Damlakha	4.13	300 mtr	41.343	Pacheykhani to Dikling PMGSY road
2	T01 to U.Sentam (2016-17)	U Sentam	6.75	800 mtr	110.248	Mangan-Chungthang SPWD road
3	Melli Jorethang road to Lower Rambong (2016-17)	L. Rambong	7.50	300 mtr	41.343	Turung PWD road to Panchghari extension PMGSY road
4	SPWD road to Chumlok Omchu (2016-17)	L. Omchu & L Chumlok	8.86	300 mtr	41.343	PWD road at Omchu school
5	PWD Road to Anden (2017-18)	Rangyang Thongling	10.95	4300 mtr	592.583	Connecting to very less habitation at end point which was already connected by another PMGSY road (Nagi to Alley Dara) distance between end point of both road is 50 mtr only
					826.86	

** ₹ 137.81 lakh per km for composite roads (Stage I & II) Ministry letter No. P-17024/23/2017 RC dated 11th July 2017)

Thus, it is evident from the above instances that mandated survey and investigation were not carried out at the time of preparation of DPR leading to truncation of length of the roads/ multiple branches/diversion /change in alignment of works during execution.

Moreover, the expenditure of ₹ 8.27 crore incurred on execution of unapproved sections of road work could have been utilised for providing connectivity to remaining eligible unconnected habitations as discussed in **Paragraph 3.3.9.1**.

The RDD while accepting the fact, stated (March 2024) that there are deviations of the road alignment from the original alignment in 21 roads due to various reasons such as huge time gap between initial survey and execution, land acquisition issues and recommendations received from public representative for connectivity to new habitation established. Further, RDD added that the road cannot be taken through the original alignment. In such cases, there are changes in the road alignment leading to decrease

or increase in the road length. However, it is ensured that the targeted habitation is invariably connected.

The reply of the RDD is not acceptable as original estimates and sanction accorded to the works were defective as it was not based on actual survey and investigation to be carried out at the initial stage. Such deviation from the original Plan/DPR was carried out without the approval of NRIDA in violation of guidelines. Further, as per guidelines, the view of public representatives should have obtained before finalization of the CNCPL.

3.3.9 Financial Management

SRRDA maintains three separate accounts for meeting Programme cost, administrative expenses and Maintenance cost as detailed below:

- **Programme Account:** The expenditure related to construction of new connectivity and upgradation work are met from this account.
- **Administrative Account:** The administrative and travel expenses of PIUs and SRRDA are met from the fund released to State as Administrative Expenses.
- **Maintenance Account:** This account was used for funding maintenance of PMGSY roads and was budgeted by the State Government solely. During the period covered in audit, State Government received ₹ 1,126.46 crore from GoI out of which, the State Government released ₹ 968.57 crore to SRRDA and kept the remaining funds of ₹ 157.89 crore in government accounts. Funds available and expenditure of *Pradhan Mantri Gram Sadak Yojana* (PMGSY) are given below:

Table 3.8:-Receipts and expenditure

(₹ in crore)

Year	Opening Balance	Interest	Receipts			Total Funds (2+3+4+5+6)	Expenditure	Closing Balance (7-8)
			GOI	State	Misc.			
1	2	3	4	5	6	7	8	9
Programme Fund								
2017-18	8.46	1.64	231.66	19.36	0	261.12	222.86	38.26
2018-19	38.26	3.64	295.62	16.80	26.03	380.35	202.18	178.17
2019-20	178.17	10.84	0	13.65	0	202.66	158.51	44.15
2020-21	44.15	1.60	195.50	22.00	0	263.25	152.78	110.47
2021-22	110.47	3.35	106.06	23.93	0	243.81	156.71	87.10
2022-23	87.10	0.65	109.97	18.10	0	215.82	193.78	22.04
Total	--	21.72	938.81	113.84	26.03	1567.01	1086.82	--
Administrative Fund								
2017-18	0.12	0.10	5.33	0.69	0	6.24	5.65	0.59
2018-19	0.59	0.13	3.78	0.42	0	4.92	4.82	0.10
2019-20	0.10	0.14	4.39	0.49	0	5.13	3.56	1.57
2020-21	1.57	0.07	0	0	0	1.72	0.73	0.99
2021-22	0.91	0	1.22	0.14	0	2.35	1.14	1.21
2022-23	1.13	0	0.84	0.85	0	2.90	0.54	2.36
Total		0.44	15.56	2.59	0	23.26	16.44	--
Maintenance Fund								
2018-19	4.29	0.34	14.21	5.00	0	23.84	11.61	12.23
2019-20	12.23	0.21	0	1.59	0	14.03	9.40	4.63
2020-21	4.63	0.60	0	1.60	0	6.96	2.35	4.49

Year	Opening Balance	Interest	Receipts			Total Funds (2+3+4+5+6)	Expenditure	Closing Balance (7-8)
			GOI	State	Misc.			
1	2	3	4	5	6	7	8	9
2021-22	4.49	0	0	0	0	4.49	1.60	2.89
2022-23	2.89	0	0	5.37	0	8.26	3.50	4.76
Total	--	1.15	14.21	13.56	0	57.58	28.46	--

Source: Information furnished by SRRDA (details of Maintenance Fund for 2017-18 was not provided)

During the period covered in audit, State Government provided ₹ 129.99 crore as its share under Programme, Administrative and Maintenance Fund.

Further, interest of ₹ 23.31 crore had accrued from Programme, Administrative and Maintenance Funds during the period covered under Audit.

The observations on Financial Management by SRRDA are discussed in subsequent paragraphs

3.3.9.1 Delay in transfer of funds by State Government

As per the programme guidelines, funds are released to the Consolidated Fund of the State with the stipulation to transfer the fund to SRRDA's account within three days from the date of its receipt failing which the State government is liable to pay interest at 12 per cent per annum for the period of delay beyond the specified period.

Audit observed that funds released during audit period were transferred to SRRDA with delays ranging from 3 to 61 days. As a result, the State Government was liable to pay interest of ₹ 2.83 crore to SRRDA as detailed in **Table 3.9**.

Table 3.9: Interest on delay transfer of fund by State Govt.

(₹ in crore)

Sanctioned order date	Year	Amount (₹ in crore)	Date of deposit in Govt A/cs	Date of released by Govt	Delay (Days)	Interest due
02.08.2017	2017-18	2.67	16.08.2017	25.08.2017	6	0.01
15.12.2017	2017-18	2.67	04.01.2018	10.01.2018	3	0.00
27.04.2017	2017-18	115.83	11.05.2017	20.05.2017	6	0.23
09.03.2018	2017-18	100.00	14.03.2017	17.05.2018	61	2.01
02.07.2018	2018-19	195.63	06.07.2018	18.07.2018	9	0.58
29.06.2018	2018-19	3.78	06.07.2018	18.07.2018	9	0.01
Total						2.83

Source: SRRDA records

Thus, due to non-release of funds within the stipulated time period, the State Government accrued an interest liability of ₹ 2.83 crore.

3.3.9.2 Non-recovery of Liquidated damage

Clause 44 of Standard Bidding Document (SBD) stipulates that one per cent of the initial contract price per week would be the amount of Liquidated Damages (LDs) for delay in completion subject to a maximum of 10 per cent of the initial contract price.

Examination of records revealed that 37 delayed works were under execution during audit period which were sanctioned during 2007-08 to 2021-22. In all these works, RDD had attributed the delay to the contractors and had issued notices to them from time to time. However, LD at the prescribed rate amounting to ₹ 17.21 crore had not been levied on the contractors by invoking Clause 44 of the SBD.

Thus, RDD provided undue financial benefit of ₹ 17.21 crore to the contractors and could not get the works completed in a time bound manner by using LD as a deterrent.

The RDD stated (March 2024) that the State witnesses heavy and prolonged monsoon in addition to severe winter in some areas so limited working season is available for execution of the work leading to delay in completion of the works. It was further, stated that the works were also delayed for want of timely release of State Share, Forest clearance issues, non-release of land compensation. Since in most cases the delay in work was caused due to the above reasons and not due to the contractor's lapses the liquidation damages were not imposed to the contractors.

The RDD contention that the delays were not attributable to the contractors, is contradictory to the reasons for delay, as mentioned in notices issued to the contractors.

3.3.9.3 Status of equipment advances granted to contractors

Clause 45 of Standard Bidding Document stipulates that on the request of the Contractor, the Employer will make the following advance payment to the Contractor against submission by the Contractor of an Unconditional Bank Guarantee from a scheduled Commercial bank acceptable to the Employer in amounts equal to 110 *per cent* of the amount of the advance payment being requested:

- Mobilisation advances up to five *per cent* of the initial contract price excluding the contract price for routine maintenance
- Equipment Advance up to 90 *per cent* of the cost of the new equipment brought to the site, subject to a maximum of 10 *per cent* of the initial contract price excluding the contract price for routine maintenance

The Bank Guarantee shall remain effective until the advance payment has been repaid, but the amount of the guarantee shall be progressively reduced by the amounts repaid by the contractors. Interest will not be charged on the advance payment. However, if the Contract is terminated due to default of the Contractor, the Mobilisation Advance and the Equipment Advance shall be deemed to be an interest bearing advance at the base rate of the State Bank of India, from the date of such advance payment.

Further, the Contractor is to use the advance payment only to pay for Equipment, plant and Mobilisation expenses required specifically for execution of the Works and the contractor shall supply copies of invoices or other documents to the Engineer. The details of mobilisation and equipment advances are as follows:

Table 3.10: Details of outstanding advances

Particulars	Works	Balance		Total
		Mobilisation advance	Equipment advance	
Up to Phase XI	41	1.89	3.80	5.69
Phase XII U	54	4.81	9.62	14.43
PMGSY II	6	0.21	0.59	0.80
Bridges	9	0.38	0.76	1.14
	110	7.29	14.77	22.06

Source: SRRDA information

Scrutiny of records showed that SRRDA made advances of ₹14.77 crore towards procurement of new equipment for use in the works.

While scrutinising work files and related records, Audit noticed that the contractors did not provide copies of invoices or other documents to the Engineer as stipulated in the agreement nor did SRRDA pursue the matter with the contractor to submit the same.

Thus, audit could not draw any assurance that the advances were used for the purpose for which they were requested by the contractors and that the equipment were brought to the worksite.

On this being pointed out, RDD stated (March 2024) that after drawing equipment/ machinery advances, the contractor have to bring the required machineries to the work site without which work cannot be executed. The PIU and field engineer ensures that the required machineries are present at site.

The reply is not acceptable as neither were details regarding procurement of new equipment available in records produced to Audit nor could the RDD provide any documentary evidence i.e bills in support of the reply.

3.3.10 Implementation of the scheme

After the clearance of the project proposal and technical sanction, the executing agency invites tenders for construction and maintenance of roads following the Standard Bidding Documents (SBD) prescribed by NRIDA. Issues noticed in the implementation of the scheme viz., delay in execution, deficiency in execution, lack of maintenance, *etc.* are discussed in the following paragraphs.

3.3.10.1 Delay in execution of works

According to Para 13.1(iii) of PMGSY guidelines, all works have to be completed within 18 months from the date of award.

Audit also observed that, during 2017-2023, 275 works (excluding maintenance and PMGSY-II) were in execution which were sanctioned during 2007-08 to 2021-22, out of which four works were completed in time, and remaining works exceeded the scheduled completion date. During the audit period (2017-2023), 87 new road works (2017-18) and 58 bridges were sanctioned. The completion timeline for the last set of works sanctioned in April 2021 was fixed as March 2022. The age wise analysis of delayed works is provided in the table below:

Table 3.11: Age wise analysis of the delay in completion of works

Sl. No.	Delayed period	Number of works
1	Up to 1 year	38
2	1-5 year	205
3	5-10 year	25
4	Above 10 year	3
		271

Source: SRRDA information

Further, none of the 55 sampled works were completed within the scheduled date of completion. It was noticed that 15 works were delayed due to the Contractor's fault, another three works could not be completed in time due to delay in obtaining forest clearance, six works were delayed due to non-execution of the Stage I works within scheduled time, two works due to Covid-19 and four works were delayed due to land acquisition issues.

It was further observed that the delay occurred due to non-adherence to scheme guidelines, non-acquisition of land, prior forest clearances, lack of monitoring of the progress of the work and ineffective contract management. Further, PIUs had also not monitored the progress of the work and extension was allowed to the contractor on routine basis without any justified reason. It was also observed that no contractor was penalised for delay in completion of the above 15 works where works were delayed due to contractors fault and extension was granted to the contractor without any justification.

Cases of delayed completion of two sampled works/projects are elucidated below:

- **RCR from Lower Nandok to Lower Syari and 5 other works:** The package was awarded (January 2017) with scheduled date of completion in July 2018, to contractor *Shri N.B. Dahal* with contract value of ₹ 22.52 crore (8.21 per cent below). Accordingly, Mobilisation Advance of ₹ 3.10 crore was released (January 2017) for entire package of six works.

SRRDA issued letter (18 March 2017) to the contractor to proceed with the work and to complete the work within the scheduled date. However, due to inordinate delay by the contractor, a final notice was served for delay in progress of work on 04 March 2019. Audit found in Joint Physical verification (January 2023) that the work was still ongoing even after lapse of three and a half years from the scheduled date of completion *i.e.*, March 2019.

- **Timbong to Nung in North Sikkim (Stage-II)**-The road work was awarded (October 2014) to a contractor for ₹ 266.71 lakh for sanctioned length of 3.26 km. The 3rd RA bill was paid in March 2020 with a financial progress of ₹ 215.58 lakh leaving an unspent balance of ₹ 51.13 lakh. After March 2020, the work was stalled due to unknown reasons. Joint Physical Verification of the road (January 2023) showed that the road formation of entire length had completely deteriorated, and all layers need to be reconstructed along with compaction. It was further noticed that only 300 mtrs road was carpeted. The pavement layers, culvert/CDs were also in deplorable condition as can be seen in Image below:

Image 3.2 & 3.3: Deteriorated condition of road “Timbong to Nung”



Surface condition of road



Damaged culvert wall and slab

Thus, due to lack of proper monitoring and supervision by SRRDA, the works were inordinately delayed which defeated the scheme objectives to connect the unconnected habitations within 18 months from award of the work.

While accepting the audit contention, the RDD stated (March 2024) that

- (i) The work “RCR from Lower Nandok to Lower Syari and five other works” were initially delayed due to non-availability of land, forest clearance issues and landslides along various stretches of the road. However, now all the works are physically completed.

- (ii) The work “*Tingvong to Nung* in North Sikkim” was delayed due to massive landslide at *Mantam*, Upper *Dzongu* in August 2016 which led to the formation of lake and rise in the water level, and totally cutting off the road network of many villages including *Tingvong*. Due to the landslide and damages to the area, the vehicular road connectivity was cut off for almost four years.

The reply of the RDD was factually incorrect as in case of road “Lower *Nandok* to Lower *Syari* and five other works”, the work was delayed due to lapses by the contractor as stated in the RDD’s records itself and there were no records available to indicate that delay was due to forest clearance and land issues.

With regard to road work “*Tingvong to Nung* in North Sikkim”, the due date of completion was April 2016; as such, the landslide in August 2016 cannot be the reason for delayed execution of the work.

3.3.10.2 Infructuous expenditure of ₹ 0.52 crore due to non-execution of Stage-II

Para 4.3.5 of PMGSY Operations Manual states that as work commences on preparation of DPRs, the PIUs will conduct the Transect Walk and prepare necessary papers to obtain land, forest clearance *etc.* so that before road work is put to tender, the land for the road is available. It is the responsibility of the State Government/ District Panchayat to oversee that land is available for taking up the proposed road works. A certificate that land is available, must accompany the proposal for each road work. It must be noted that PMGSY does not provide funds for acquisition of land. The details of land made available should be reflected in the local land records to avoid dispute. As far as possible, voluntary donations should be documented through agreements, copy of which should be forwarded to the local revenue officials for making necessary changes in the ownership/ possession record of the land.

Audit observed that in three out of 46 sampled works under PMGSY I, SRRDA had not taken possession of land prior to execution of the work. SRRDA started the work after obtaining NOC for acquisition of their land from landowners for roads. However, the landowners refused to part with their land during execution of work due to various reasons including non-payment of land compensation. As a result, SRRDA was forced to stall the work which ultimately resulted in delay/ abandonment of the works. It was noticed that execution of 580 metres of Stage II works was abandoned due to land dispute during execution of work as detailed below:

Table 3.12:-List of roads where Stage-II was not executed

Sl. No.	Name of the roads (sanction year)	Sanctioned cost of (₹ in crore)	Status of work	Sanctioned length (in KM)	Stage II not done (in metre)	Cost of the abandoned length (₹ in crore)
i.	<i>Chakung Khanisherbong</i> SPWD road to Lower <i>Khanisherbong</i> (2017-18)	2.00	Completed	2.92	180	0.13
ii.	PWD road to <i>Anden</i> (2017-18)	16.30	Ongoing	10.95	150	0.22
iii.	PWD road to <i>Rong bul</i> (2016-17)	3.01	Ongoing	4.43	250	0.17
		21.31			580	0.52

Source: Departmental information

Though Stage I works was completed in all the three cases, the chances of completion of stage-II works are remote. It was also observed that in two cases (Sl. No. i & iii of Table above), out of ₹ 29.73 lakh worth of assessed compensation for house damage, only ₹ 6.10 lakh was paid to the land owner.

Thus, the objective of last mile connectivity with all-weather roads to the targeted habitations in respect of the three roads was affected. Further, due to non-execution of the abandoned length (580 metre), works costing ₹ 52.09 lakh of Stage I were rendered infructuous.

In respect of non-execution of Stage II work in the three cases stated above, the RDD replied (March 2024) that sanctioned length of 2.747 km the Stage II in respect of the work “*Chakung, Khaniserbong SPWD Road to Lower Khaniserbong*” was completed and total length has been achieved without any savings. With regard to remaining two roads, the sanctioned length was not achieved due to land acquisition issue.

The reply regarding “*Chakung, Khaniserbong SPWD Road to Lower Khaniserbong*” was factually incorrect as the JPV conducted by audit along with PIUs engineers showed that the work was completed without achieving last mile connectivity.

➤ ***Non-monitoring of the land acquisition process***

Audit noticed that RDD spent an amount of ₹ 12.19 crore during 2017 to 2022 towards land compensation and crop compensation.

Scrutiny of records showed that land compensation valuing ₹ 46.87 crore relating to 184 works was pending for payment as on March 2023. However, the SRRDA did not maintain any details regarding total land acquired for the scheme, status of ownership/transfer of ownership of the acquired land, granular details of how much compensation was paid or was pending in respect of each individual, *etc.* indicating laxity on the part of the SRRDA regarding the crucial aspect of Land acquisition.

While accepting the audit observation, the RDD stated (March 2024) that it is compiling data in regard to total land acquired from the individual, data for standing properties, house damages, *etc.* The data of compensation which has been paid is also being compiled. Accordingly, letters will be issued to the Land & Revenue Department for transfer of land ownership from the land owner to the RDD. With regard to 184 numbers of land acquisition cases, the State Government has now constituted a committee which shall shortly recommend method to verify and proceed for settlement of compensation issues. Further, RDD stated that the relevant documents regarding land compensation and acquisition is with the concerned Subdivision Magistrate Office and the Land & Revenue Department.

3.3.10.3 Absence of All-weather Road connectivity due to damages to the roads

According to Para 3.1 of PMGSY scheme guidelines “the spirit and the objective of the PMGSY is to provide good all weather road connectivity to the eligible unconnected habitations”. Further, as per PMGSY scheme guidelines para 8.5 (VI b), the habitation concerned will not be counted as “connected” till the second stage is taken up.

The Indian Road Congress (IRC) Hill Roads Manual stipulates the following: The water courses and high intensity of rainfall calls for effective drainage of roads which causes problems like soft surfaces, potholes, rutting, washout shoulders and even failure of complete section of roadway structures. Prevention of such failures requires good degree

of drainage (Clause 8.1.1). Clause 8.10.1 *ibid* stipulates that whenever streams have to cross the road, cross drainage (CD) structures have to be provided.

Further, clause 9.3.1 *ibid* stipulates that the masonry or RCC structures supporting the up hill slopes along a road are termed as Breast Wall for protection against instability at places from failing by slumping, sliding, toe failure.

Thus, work component regarding the pavement formation along with provision of cross drainage structure and protective wall should be suitably incorporated in the DPR by concerned PIUs based on site requirement of the rural roads to achieve the objective of PMGSY. Further, in ongoing works, routine maintenance work such as clearance of drainage should have also been carried out regularly.

Scrutiny of records and JPV of four out of 55 sampled roads (PMGSY I-46 and PMGSY II-9) revealed that these roads were not accessible till the last mile and the targeted habitations remained unconnected even after incurring expenditure amounting to ₹ 28.66 crore due to various reasons as detailed below:

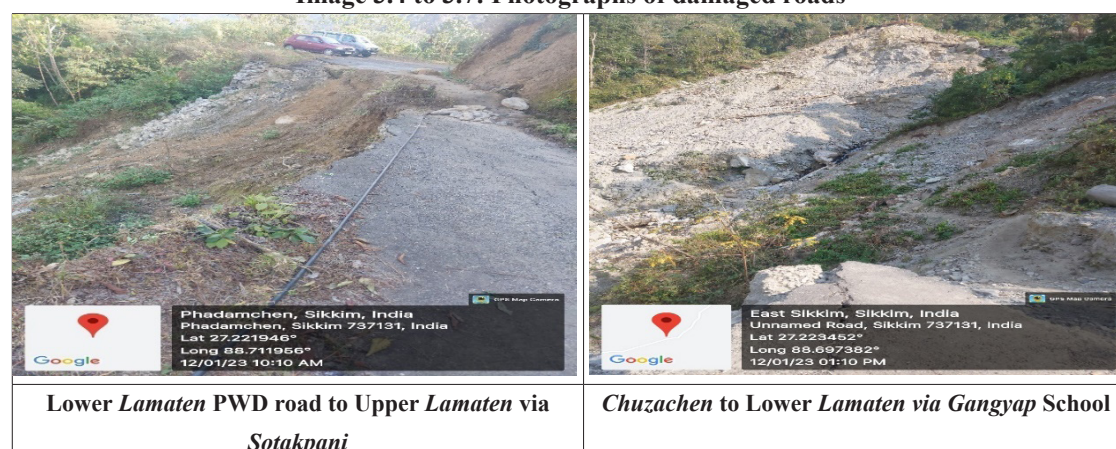
Table 3.13: Roads where all weather connectivity was hindered

Sl. No.	Name of the roads (Sanction Year/ Date of completion)	Sanctioned cost (₹ in crore)	Brief findings in JPV
1	Lower <i>Lamaten</i> PWD road to Upper <i>Lamaten</i> via <i>Sotakpani</i> (2017-18/ March 2022)	10.90	RD 1500- entire road formation approx. 40 mtr washed out due to blockage in drain
2	<i>Chuzachen</i> to Lower <i>Lamaten</i> via <i>Gangyap</i> School (PMGSY II) (2018-19/ January 2020)	5.60	Only 2900 mtr against 6300 mtr road was accessible due to large slide. Entire formation of 80 to 100 mtr was washed out due to absence of protective wall.
3	Upper <i>Mamley Chamgaon</i> to Doling SPWD Road (2016-17/ March 2022)	6.27	The road was accessible in only 5100 mtr from take-off point against 9.41 Km road length. Slide at 5200 mtr due to absence of Protective wall.
4	Upper <i>Lingi</i> 9 th Mile Turning to <i>Lingding</i> (2017-18/ Stage-II ongoing)	5.89	A water stream was crossing the road where cross drainage structure was not provided in DPR which resulted in entire formation of road being washed out at RD 3200 meter.
		28.66	

Source: SRRDA information

Some of the images taken during physical verification are given below:

Image 3.4 to 3.7: Photographs of damaged roads





This indicated that site survey/planning for inclusion of drainage provision, cross drainage structure and retaining wall/breast wall was not provided in the DPR as per site requirement and as a result, objective of the PMGSY to provide good all weather road connectivity to the eligible unconnected habitations was affected.

In reply, the RDD stated (March 2024) that due to falling in Zone IV of the Seismic Zonation Map of India the state is subjected to heavy rainfall, flash floods and frequent earthquakes, throughout the year. This factor leads to landslides, land subsidence and in absence of immediate restoration due to lack of fund the damages are more pronounced on the passage of time. The damages are due to the forces of nature which cannot be pre-determined or anticipated and hence provision for same cannot be kept while framing the DPR. Further, RDD stated that construction and requirement of bridges along PMGSY roads are proposed on conducting detailed survey and investigation with regard to the catchment areas, vulnerability of the area *etc.* During the inspection of the audit team, the damages observed were due to the monsoon which now has been restored.

The reply of the RDD is not tenable as roads were damaged due to absence of regular maintenance and non-providing of adequate protective works. Further, in case of “Lower Lamaten PWD road to Upper Lamaten via Sotakpani”, it was observed that the road formation was washed out due to choking of drain and not caused by any natural calamity. In case of “Chuzachen to Lower Lamaten via Gangyap School (PMGSY II)”, the road was damaged due to insufficient protective work provided in the Roads. “Upper Mamley Chamgaon to Doling SPWD Road” was damaged due to non-inclusion of necessary retaining wall as per cite condition. The road “Upper Lingi 9th Mile Turning to Lingding” was damaged due to non-providing of necessary cross drainage structure.

Thus, SRRDA had not taken adequate measures like inclusion of cross drainage structure, protective works, cleaning of drain to avoid damages and further, SRRDA had not initiated necessary action to repair the damaged roads resulting in affecting connectivity to the targeted habitations.

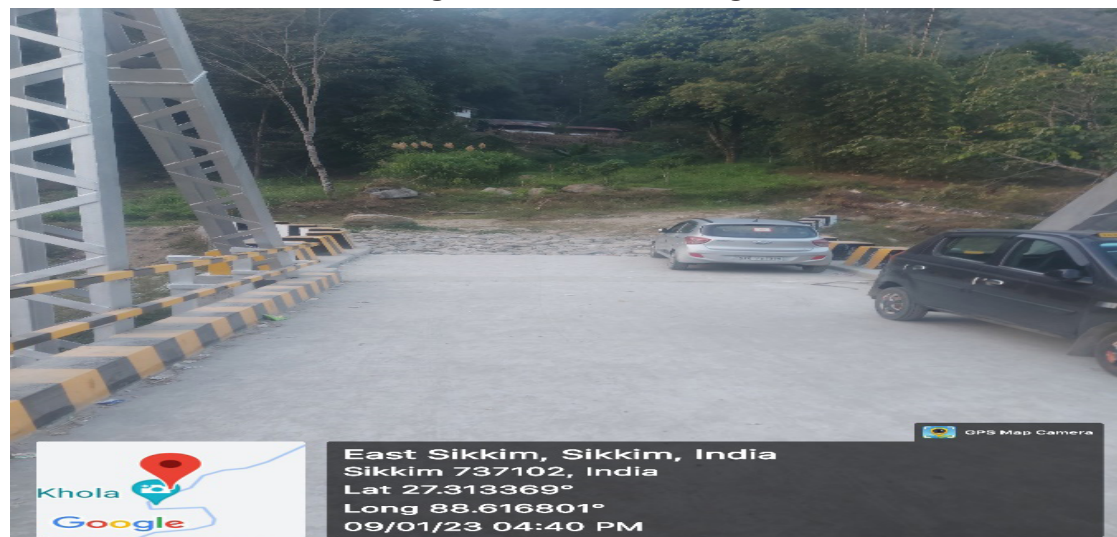
3.3.10.4 Unwarranted expenditure on bridge construction

The objective of PMGSY is to provide connectivity, by way of an ‘all-weather road’ to the eligible unconnected habitations (Census 2001) in the rural areas with a population of 500 persons and above in plain areas and 250 persons in hilly areas alongwith necessary bridges/culvert.

While scrutinising the bridge works taken up under the PMGSY scheme, audit observed that the 40-meter bridge construction work on “Bhusuk Khola” was sanctioned during 2017-18 at a cost of ₹ 3.06 crore. The work was awarded (June 2018) to contractor and completed within March 2022.

Scrutiny of records and JPV revealed that the bridge was constructed at the end of PMGSY road “Lower Syari to Lower Nandok”. The road ends at the bank of river (*Bhusuk Khola*) and there was no road connectivity on other side of the river, however, SRRDA had constructed bridge at the end of the road which was not justified as shown below:

Image 3.8: *Bhusuk Khola Bridge*



Bhusuk Khola bridge Road ending at dead end.

In reply, the RDD stated (March 2024) that prior to preparation of DPR, mandatory transect walk was carried out by the field Engineers, land revenue officers, office bearers at the village level as alignment of the road and location of the bridge is fixed after due consultation with the area MLA, Panchayats, and the villagers.

Regarding the bridge constructed at the end of PMGSY road “Lower Syari to Lower Nandok”, it was constructed to connect the above road from Lower Nandok to the villages located in the opposite bank where there was also a proposal to construct a Sewage Treatment Plant. The bridge now serves as connectivity to a sizable population and is now connected by a vehicular road.

The reply is not tenable as PMGSY guidelines stipulate providing connectivity to rural areas with a population of 500 persons and above in plain area and 250 persons in hilly areas. Further, there is no provision in the guidelines to provide connectivity to a Sewage Treatment Plant. Subsequently, physical verification of the site (April 2024) revealed that no road was constructed at the other side of the bridge and RDD could not furnish details regarding habitation on the other side. This led to idling of expenditure to the tune of ₹ 3.06 crore.

3.3.10.5 Execution of road works with deficient length resulting in undue benefit to the contractor

The primary objective of PMGSY scheme is to provide all weather road connectivity to eligible habitations. The implementing agency was to decide the length of the eligible road after survey of habitation.

On scrutiny of records and JPV of 45 road works (December 2022 to February 2023) out of 55 sampled roads (PMGSY I - 46 and PMGSY-II-9), it was noticed that the road length of 1570 meter in four roads was lesser than sanctioned length as detailed below. However, SRRDA had paid contractor for the full sanctioned length.

Table 3.14: Execution of roads length lesser than sanctioned

Sl. No.	District/ Sub-division	Name of the roads (sanction year)	Sanctioned cost (₹ in crore)	Sanctioned length (in mtr)	Length found (in mtr)	Length deficient (in mtr)	Excess cost (₹ in crore)
a	b	c	d	e	f	g	h (d/e*g)
1	Geyzing/ Soreng	PWD road to <i>Anden</i> (2017-18)	16.30	10950	10,800	150	0.22
2	Geyzing/ Geyzing	<i>Geyzing Lingchom</i> 2 nd KM to Lower <i>Bongten</i> (2011-12)	3.68	7000	6,400	600	0.32
3	Geyzing/ Soreng	RCR from <i>Geyzing</i> to <i>Lingchom</i> (2018-19)	4.39	6720	6400	320	0.21
			24.37	24670		1070	0.75

Thus, PIUs had not assessed/measured the actual work executed by the contractors and payment was made on the basis of the estimated/sanctioned length of roads which resulted in undue benefit to the contractor amounting to ₹ 1.10 crore. The payment for 1570 metre length of road to the contractor which was actually not executed by the contractor is indicative of excess payment to the contractor.

In reply, RDD stated (March 2024) that

- Regarding the work “PWD road to *Anden*” the work was ongoing and was not completed at the time of site visit by the Audit team. Moreover, the length of the road or the distance was measured by vehicle odometer hence accuracy could not be attained. On completion of the work, the detailed measurement was done at site and payment entered as per the actual work done at site.
- Further proportionate saving of ₹ 11.00 lakh will be surrendered to the Ministry, GOI for works not taken up at site.
- Regarding the work “*Geyzing Lingchom* 2nd KM to Lower *Bongten*” - the road was carpeted for total of 7 km and the same has been entered in Online Management, Monitoring and Accounting System (OMMAS). The road has been physically and financially completed. However, due to the highway construction by NHIDCL, total of 600 m of completed road has been overlapped by National Highways and Infrastructure Development Corporation Limited (NHIDCL). Letters with regard to the damage compensation etc., has been issued to NHIDCL and on receipt of such compensation, the same shall be surrendered to the Ministry.
- Regarding the work “RCR from *Geyzing* to *Lingchom* (6.72 km)” the works are ongoing and the field engineers are trying to achieve full length. The final bill will be released as per the detailed measurement.

The contention of the Department about saving in the length of the roads being surrendered to the Ministry and inaccuracy in the measurement of length of the road using the vehicle odometer are not acceptable as despite reduction in length, payment had been made for the entire sanctioned length and the vehicle odometer reading was accepted by the Departmental officer during JPV. Further, while conducting physical verification of the work “*Geyzing Lingchom* 2nd KM to Lower *Bongten*” - the road was found carpeted for 6.4 km only and the overlapping of 600 metre road by NHIDCL is a later development.

3.3.10.6 Execution of roads with deficient width

Paragraph 10.8.1 of IRC Hill Roads Manual provides the width of carriage width⁷⁹ and specifies that the pavement width will be arrived at based on the traffic census *i.e* for single lane- 3.75 meter, Intermediate lane- 5.5 meter and for double lane- 7 meter.

SRRDA prepared the estimates of road works with carriage way of 3.75 meter in DPR and the roads were sanctioned by the Ministry accordingly.

Scrutiny of records and physical verification of 45 road works out of 55 sampled roads (PMGSY I-46 and PMGSY-II-9) revealed that in case of six road works, carriage width of the roads was found less than 3.75 meter as detailed below:

Table 3.15: List of roads having less width

Sl. No.	Name of the roads	Sanction year	Width found during JPV
1	Chinzeygaon to Chinzey School	2016-17	3.25 mtr
2	Maney Sisney to Thoker	2008-09	3.70 mtr
3	Singtam to Pallung	2016-17	3.70 mtr
4	Upper MamleyChamgaon to Doling SPWD road	2016-17	3.70 mtr
5	Geyzing to Lingchom	2018-19	3.65 mtr, 3.35 mtr, 3.38 mtr, 3.20 mtr and 3.70 mtr
6	Nandugaon to water pumping site via Samsebong and Harrabotey	2018-19	3.30, 3.40 and 3.70 mtr

However, payment to contractors was made with carriage width of 3.75 mtr which indicated that payment was made without proper measurement by the field engineers.

Reduced carriage width, in effect means, reduced width for plying of vehicles. Also, this increases the risk of accidents, especially in hill roads. Execution of road work with lesser width resulted in undue favour to contractor to that extent.

This indicates deficiency in monitoring mechanism on the part of the PIUs/SRRDA as well as extending undue benefit to the contractors.

In reply, the RDD stated (March 2024) stated that the carriageway width of 3.75 mtr as specified by the PMGSY guidelines has been maintained. Nominal difference observed is due to the scouring at edges during heavy rainfall.

Regarding the work “Geyzing to Lingchom road”, it was taken over by PMGSY from Sikkim Public Work Department (SPWD) in a deteriorated condition. At places where sub-base and base were in good condition, only WBM⁸⁰-III was provided. Widening has been carried out at most of the places where widening can be possible. The works are ongoing, and the field engineers are still trying to achieve full width wherever possible. The final bill will be released as per the detailed measurement of the existing length and width achieved.

The reply is not factually correct as the measurement was carried out during Physical Verification in the presence of concerned engineers and it was found that the width of the road at the site where measurement was taken was not as per the laid down norms however, payment was made to the contractor as per sanctioned width *i.e* 3.75 meter. Further, scouring by rainfall in the edges was also not noticed during JPV.

⁷⁹ **Carriage width**-A portion of the road that allowed movement of traffic without the shoulder. It is also known as width of the pavement. In all weather road, carriage width defines the black top area of the road.

⁸⁰ Water Bound Macadam.

3.3.10.7 Deficiency in overall thickness of road works

Paragraph 10.4.1 of Hill Roads Manual read with Paragraph 10.1.2 *ibid* stipulates design of pavements which requires considerations of wheel load of vehicle, traffic, climate, terrain, sub grade condition etc. Further, para 10.15.3 *ibid* stipulates that the thickness of layers should be minimum 250 mm (Sub-base-100 mm and base-100 mm).

SRRDA prepared DPR after analysis of various factors provided by Hill Roads Manual and guidelines and work was awarded to different contractors.

Scrutiny of records of SRRDA and JPV revealed that in case of four out of 55 rural roads, thickness of roads was less than required thickness specified in DPRs/estimate which ranged between 25 mm and 125 mm as detailed in table below:

Table 3.16: List of roads with lesser thickness

Sl. No.	Name of the roads	Sanction year	Overall thickness required	Actual thickness found during JPV	Thickness deficient
1	SPWD road to <i>Dipawali</i> tar Upper <i>Tumin</i> via <i>Ramakrishna Mandir</i>	2017-18	250 mm	150 mm	100 mm
2	Upper <i>Lingi</i> 9 th mile Turning to <i>Lingding</i>	2017-18	275 mm	150 mm	125 mm
3	SPWD road to <i>Chumlok Omchu</i>	2017-18	250 mm	225 mm	25 mm
4	<i>Dong Ambotey School</i> to Approach road to <i>Adhikari gaon</i>	2018-19	275 mm	212.50 mm	62.5 mm

Image 3.9: Thickness test



Thickness test at *Dong Ambotey School* to Approach road to *Adhikari gaon*

However, the payment to the contractors was made according to the estimate, *i.e* by considering the excess thickness, resulting in excess payment.

In reply, the RDD stated that (March 2024) all PMGSY works are inspected by the State Quality Monitors (SQM) and National Quality Monitors (NQM) on a regular basis to ensure that the quality of work is not compromised in any way. Mandatory field tests are carried on during the inspection and in case of failure of the tests, the works are graded accordingly and until and unless the rectification works are carried out; no payments are made to the contractor. Field tests are conducted again in the same pit and also

randomly to verify the rectification work done and then only after the ATRs are accepted by NRIDA are the payments released. In reply, the RDD stated that (March 2024) all PMGSY works are inspected by the State Quality Monitors (SQM) and National Quality Monitors (NQM) on a regular basis to ensure that the quality of work is not compromised in any way. Mandatory field tests are carried on during the inspection and in case of failure of the tests, the works are graded accordingly and until and unless the rectification works are carried out; no payments are made to the contractor. Field tests are conducted again in the same pit and also randomly to verify the rectification work done and then only after the ATRs are accepted by NRIDA are the payments released.

However, contrary to RDD’s reply, during joint physical verification in presence of SRRDA officers, it was found that the thickness of roads was less than the required thickness as specified in DPRs/estimate even though it was inspected by SQM and NQM.

Thus, lack of monitoring of the implementation of works by PIUs and lack of supervision by the field engineers not only resulted in substandard execution of PMGSY works but also in extending undue benefit to the contractors.

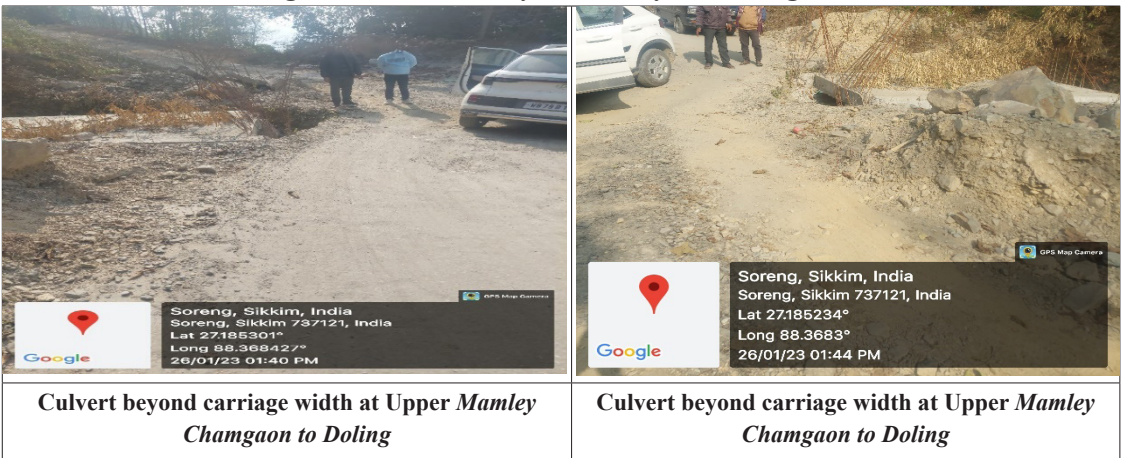
3.3.10.8 Improper execution of work

(i) Faulty construction of culvert/CDs

Clause 8.10.1 of the IRC stipulates that whenever streams have to cross the road, cross drainage (CD) structures have to be provided. Similarly, water from the side drain is taken across by this cross drain to divert the water away from the road to a water course or valley. Further, Para 4.3.1 of Operation Manual stipulates that in the case of Hill States, the estimates for new construction works may be prepared in two parts, the first stage will consist of formation cutting, slope stabilisation, protection works and drainage works. The second stage will include the WBM layers and bituminous surface course. The second stage may be taken up after two rainy seasons have elapsed to ensure adequate stabilisation of the side slopes.

Audit noticed during JPV (January 2023) of one work, “Upper Mamley Chamgaon to Doling in South Sikkim”, that though Stage-II work was ongoing and the rural road was carpeted, the construction of culverts/CDs was being constructed beyond the carriage width of the road which would not serve any purpose.

Image 3.10 & 3.11: Faulty culvert beyond carriage width



Thus, culvert/CD was being constructed after Stage-II works at the site. The alignment of culvert/CD was not designed properly leading to construction of CD/culvert outside the carriage width which did not serve any purpose and would result in wasteful expenditure.

(ii) Inferior stock material utilised without Quality Control Certificate

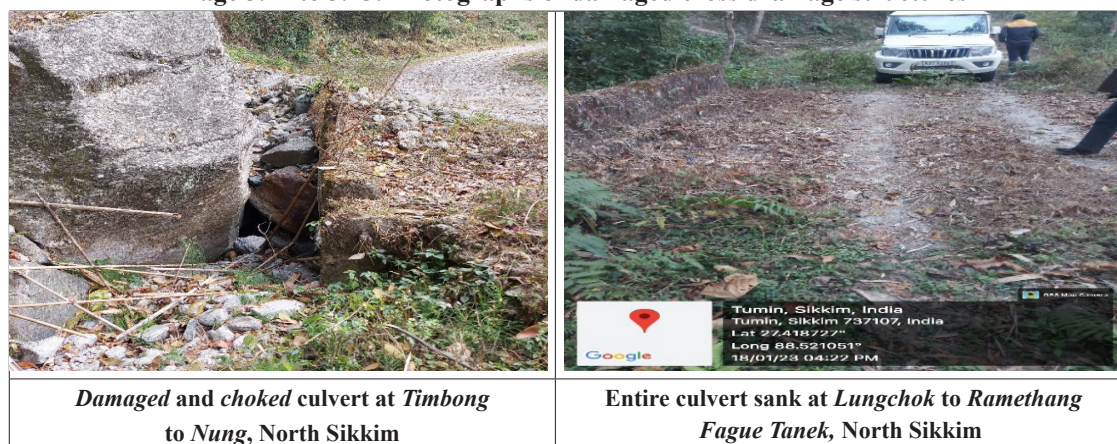
Section 1000.5 of Quality Assurance Handbook for Rural Roads (equipment and test procedures) issued by NRIDA stipulates that all steel being used in the PMGSY works shall be subject to routine inspection and testing by manufacturer or supplier in accordance with this standard and shall be kept by manufacturer or the supplier. The record shall be available for inspection by the purchaser, or his representative and such certificate should be obtained by the quality control personnel. In case of any doubt, test may be performed at a standard laboratory. Further, the design and specification of culvert (a cross drainage structure up to 7 meter) /CDs should have been based on average traffic density to achieve the objective prescribed in the guidelines.

Audit found that SRRDA neither ensured quality of the stock materials used at the site nor did they insist for quality certificate from the Contractors.

During Joint Physical Verification in presence of SRRDA engineers, it was found that the culvert/CDs were constructed using TMT bars without ensuring quality of material in 12 cases as the quality certificate was not obtained. Audit noticed in seven cases out of 65 Roads /bridge works that culvert/CDs were damaged/collapsed resulting in blockage/hindrance in targeted connectivity in road/bridge work as detailed in **Table 3.17** along with status of CD noticed during JPV in **Image 3.12 to 3.15**.

Table 3.17: List of damaged road/bridge works

Sl. No.	Name of the work	Sanction year(Date of completion)	Brief findings in JPV
1	<i>Timbong to Nung, North Sikkim</i>	2014-15 (ongoing)	Culvert damaged
2	<i>Lungchok to Ramethang Fague Tanek, North Sikkim</i>	2016-17 (ongoing)	Entire culvert slab sank
3	<i>Upper Aho to Saramsa, East Sikkim</i>	2016-17 (ongoing)	Culvert damaged
4	<i>Tikjek Khola, West Sikkim</i>	2014-15 (June 2018)	Approach slab wall damaged
5	<i>Tashiding Ligship to Phamtam</i>	2017-18 (April 2022)	2 nos. of culvert damaged
6	<i>Geyzing Lingchom 2nd KM to Lower Bongten</i>	2011-12 (February 2022)	Culvert damaged
7	<i>T01 to Upper Sentam</i>	2016-17 (ongoing)	Culvert damaged

Image 3.12 to 3.15: Photographs of damaged cross drainage structures



Thus, SRRDA had not ensured the quality of TMT bars which were being used in road/bridge works by way of obtaining quality control certificate, which resulted in not only execution of sub-standard works but also hindered the connectivity to the targeted habitations.

In reply, the RDD stated (March 2024) that the culvert of “*Timbondong to Nung, North Sikkim*” had been choked due to the debris collected as a result of heavy rainfall. With regard to “*Lungchok to Ramthang Fague Tanek, North Sikkim*” and “*Upper Aho to Saramsa, East Sikkim*”, RDD stated that the culverts were damaged due to the plying of heavily loaded trucks beyond the design load capacity.

The reply of the SRRDA is not acceptable as it could not provide quality certificate for the stock material used at the site which was further corroborated by the JPV report. Thus, roads were constructed with inferior stock materials which coupled with poor maintenance led to choking of culverts/drains resulting in damage to the roads which affected the purpose of providing all weather road connectivity.

3.3.10.9 Irregularities in upgradation work under PMGSY II

Para 3.6 of PMGSY-II guidelines stipulates that the roads selected under PMGSY-II are to be based on parameters such as: Growth Centre’s Rank and condition of the road in terms of Pavement Condition Index⁸¹ (PCI) survey subject to requisite maintenance funds invested during the last three years on the road.

As per Hill Roads Manual (Paragraph 10.16.4), thickness of layers should be minimum 250 mm (Sub-base-100 mm and base-150 mm) where commercial vehicles per day (CVD) ranged from 45 to 150 and California Bearing Ratio (CBR) is less than 20.

Further, Paragraph 10.8.1 of Hill Roads Manual provides the width of carriage way and therefore the pavement width will be arrived at based on the traffic census *i.e.*, for single lane- 3.75 metre, Intermediate lane- 5.5 metre and for double lane- 7 metre.

Audit scrutiny of work “*Geyzing to Lingchom*” (6.72 km) which is one out of nine sampled works under PMGSY II revealed the following observations.

- The work order was awarded (May 2019) to a contractor at a cost of ₹ 4.39 crore. As per detailed Project Report of the work, the CVD was 81 and CBR was 7.3 and the overall pavement design as well as carriage width was provided as per PMGSY guidelines.

⁸¹ A simple Pavement Condition Index based on visual inspection or driving speed or driving comfort would be used and prioritisation methodology applied for determining upgradation as well as maintenance priorities.

- The sub-base course (100 mm) and WBM-II (75 mm) were provided for only one fourth of the total length and WBM-III (75 mm) was provided for full length against the requirement of 250 mm pavement for entire length. In addition, the SRRDA/PIU should conduct the detailed existing road crust study along with PCI survey prior to preparation of estimates as envisaged in Hill Road Manual and scheme guidelines.
- However, audit found that SRRDA/PIU had not conducted PCI survey and existing crust study to ascertain the existing condition of the road such as width, pavement, drainage etc.
- During JPV, it was observed that PIU provided inadequate pavement thickness in estimates of 75-100 mm only against the requirement of 250 mm due to which, the road condition was poor and in deteriorated condition.
- The carriage width of the road test checked ranged between 3.35 meter to 3.75 meter at different stretches.
- Further, it was also observed that SRRDA had executed the work limiting the scope to repair of the existing road instead of upgradation work as the hill side drain was not constructed as per specification of PMGSY. The box drain, which was earlier constructed by Roads and Bridges Department (RBD) was in dilapidated condition which resulted in water logging and damaged the pavement formation at numerous places. In addition, lesser carriage width against that prescribed at different stretches corroborates the fact that PIU had not taken up the work of widening of carriage width.
- The State Quality Monitor had also given unsatisfactory overall grading (March 2021) in width and inadequate pavement, however, the SRRDA had not taken any follow up action in this regard._

Had SRRDA conducted PCI survey of the road and DPR prepared accordingly prior to execution, the above deficiencies could have been avoided.

Thus, improper planning of work and deficiency in preparation of DPR by SRRDA in violation of scheme guidelines resulted in irregular expenditure as well as unfruitful expenditure of ₹ 4.39 crore.

In reply RDD stated (March 2024) that the said road was taken over by PMGSY from RBD in a deteriorated condition. Since the carpeting was done earlier by RBD, the DPR for the base course was prepared as per the site condition. At places where sub-base and base were in good condition, only WBM-III was provided. The 1100 m stretch was provided with sub-base, WBM-II and WBM-III since it was severely damaged during handing taking. Widening has been carried out at most of the places where widening can be possible. The work is ongoing, and the field engineers are still trying to achieve full width wherever possible. The final bill will be released as per the detailed measurement of the existing length and width achieved.

The reply of RDD is not acceptable as during physical verification, carriage width of the road was found less than 3.75 meters at different stretches of the road already carpeted and even the roads as well as hill side drain were in deteriorated conditions at numerous places where work was executed. Further, the widening of the carriage width is also not possible at already completed stretches. Moreover, the pavement of the road had also deteriorated due to non-providing of WBM and GSB for required stretches.

3.3.10.10 Non-provision of insurance cover

According to Paragraph 9.3.1 of the Operations Manual and Clause 13.1 of General Conditions of Contract (GCC), the contractor at his cost shall provide all risk insurance cover in the joint name of the Employer and the Contractor on the amount of full contract price in the Contract Data. The insurance shall be effective from the start date, up to the date of actual completion of the work. The scope of the insurance shall cover fire, lightning, explosion, impact, flood, inundation, storm, earthquake, subsidence, landslide, theft, burglary, R&S and terrorist damage. Lack of insurance cover is a fundamental breach of the General Conditions of Contract (GCC), which entails termination of the contract agreement by the SRRDA.

Further, clause 13.3(a) stipulates that the Contractor at his cost shall also provide, in the joint names of the Employer and the Contractor, insurance cover from the date of completion to the end of Defects Liability Period, in the amounts and deductibles stated in the Contract Data for personal injury or death, which are due to the Contractor's risks:

Audit scrutinised 113 sampled works (Roads-55, Bridges-24 and Maintenance-34) and found that the contractors did not provide the required insurance cover for work execution period as well as for five years (defect liability period) after completion of construction for all works.

In the absence of insurance coverage by the contractors, SRRDA remained at risk of bearing financial burden of damages caused to roads /bridges, personal injury/death due to accidents during execution.

Audit noticed that in absence of required insurance cover, SRRDA had to bear an expenditure of ₹ 1.32 crore towards restoration of two works in ongoing sites from the PMGSY programme fund as detailed below:

- The work "Construction RCR from *Gurung Gaon to Gairi Gaon via Sansaridara*" was sanctioned for ₹5.99 crore and was awarded to *Shri Kailash Rai*. The road formation and cutting work was completed and protective wall, drainage and pavement work was under way. However, heavy rain on the night of 03 July 2019 caused major landslide, slip and choking drains damaging the protective walls. Accordingly, the estimate was revised with additional expenditure on protective walls for restoration costing ₹ 95.94 lakh which was met from overall saving of the project.
- The work "Construction RCR from NSH via Upper Gyer" sanctioned for ₹ 6.99 crore was awarded (July 2018) to *Shri P.D, Denzongpa*. Heavy rain (May 2020) choked the drains, slips which ultimately damaged the overall Geometrics of the pavement, formation width. Accordingly, the estimate was revised for additional expenditure on pavement surface (₹1.62 lakh) and protective wall (₹ 34.76 lakh) was provided for restoration. The additional financial implication of ₹ 36.38 lakh was met from overall saving of the project.

Thus, inability on the part of the SRRDA to enforce insurance cover over PMGSY works by the contractor led to unwarranted burden of ₹ 1.32 crore on the scheme fund which was equivalent to the cost of construction of one km road.

While accepting the facts, the RDD stated (March 2024) that in accordance to the Para 9.3.1 of the OM and Clause 13 of GCC, the contractors were directed to provide all risk insurance cover, however, it was informed later to RDD that the insurance companies were reluctant to provide the insurance cover for PMGSY roads.

However, RDD had not furnished documents indicating that the insurance companies were not willing to provide insurance cover.

3.3.10.11 Irregular re-awarding of rescinded works without tendering valuing ₹ 22.51 crore

Clause 8.15 of the Operations Manual stipulates that if the bidder who is awarded the work does not start the work within the time stipulated, the contract may be terminated as per the Condition of Contract and the entire bidding process repeated.

SRRDA awarded (January 2017) the work “RCR from Lower *Nandok* to Lower *Syari* and 5 other works packages with contract value of ₹ 2,251.92 lakh (8.21 per cent below) to contractor *Shri N.B. Dahal*. Accordingly, Mobilisation Advance of ₹ 3.10 crore was released (January 2017) for the entire package of six works. Since there was inordinate delay on the part of the contractor in commencing the work, SRRDA issued letter (18 March 2017) to the contractor to proceed with the work. Time extension was given till 31 March 2019 for completion of the work. However, as the progress of work was unsatisfactory, a final notice was served for delay in progress of work on 04 March 2019.

Audit noticed that the contractor requested (11 March 2019) SRRDA for cancellation of entire six works on the plea that he will be contesting the forthcoming General Election. Accordingly, SRRDA terminated (15 March 2019) the agreement and intimated the contractor.

However, the contractor subsequently requested (July 2019) SRRDA to revoke the cancellation of works and allow him to continue the entire package of six works. SRRDA accepted (02 September 2019) the request of the contractor and allowed to continue with the contract.

Scrutiny of records of SRRDA revealed that at the time of rescinding of works, the balance MA outstanding with the contractor was ₹ 2.48 crore which was not recovered/ surrendered by the contractor. Further, bank guarantee had also expired (29 December 2017) at the time of termination which was not renewed by the contractor. Thus, the contractor irregularly retained the advance paid to him for more than four months outside government account which resulted in loss of interest amounting to ₹ 6.39 lakh to the state exchequer.

Thus, allowing the contractor to retain the MA of ₹ 2.48 crore for more than four months even after termination of contract establishes that SRRDA not only could not adhere to PMGSY guidelines but also did not exercise financial diligence.

RDD in its reply stated (March 2024) that the matter pertaining to termination of contract and re-awarding of the work was intimated to MoRD, GoI and the matter was discussed with authorities of GoI and they have suggested that award/ cancellation of the work contract is the matter of the State Government. Hence, in view of the fact that re-tendering of the work would take substantial amount of time and would cause further delay of work and since certain portion of the work had already been completed by the contractor so in the best interest of the work and as directed and approved by the Government, the same contractor was allowed to resume the work. He has successfully completed all the works awarded to him.

The reply is not acceptable as at the time of rescinding the work, RDD should have recovered all the dues and the remaining Mobilisation advance from the Contractor. SRRDA did not follow due procedure for termination of the contract agreement in first place. This shows the lackadaisical approach of SRRDA and undue favour to contractor.

Further, the reply of RDD that to avoid further delay of work the work was re awarded to same contractor was not tenable as the work was already delayed by more than two years before the termination of contract and RDD had frequently served notices to the contractor for delayed progress of work.

3.3.10.12 Maintenance of assets created under PMGSY

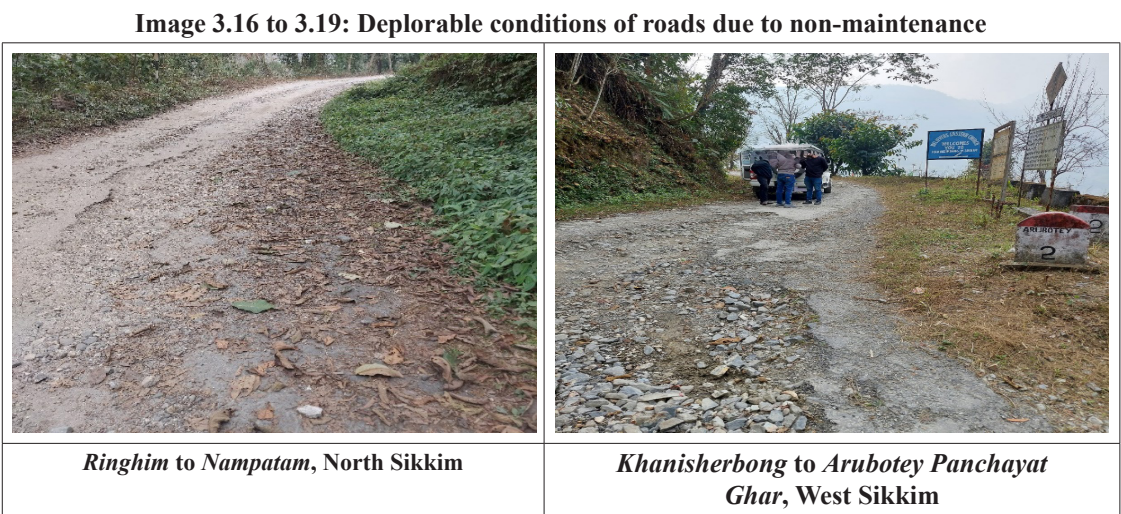
In terms of PMGSY scheme guidelines, a separate maintenance component funded by the State Government out of its resources was required to be provided in the DPR. In respect of hill roads where construction was done in two stages, interim maintenance, clearing of slips, *etc.* in the period between the first and the second stage were to be done departmentally. For maintenance after the second stage, initial five-year maintenance was to be contracted out to the same contractor at the time of awarding the work for the second stage (Paragraph 8.7 of guidelines). As per Paragraph 32.4 of the Standard Bidding Document which forms part of the agreement, contractor shall carry out monthly inspection of roads under maintenance, based on which, he shall submit monthly bills on e-Marg and e-governance solution for maintenance of rural road under PMGSY online as detailed in subsequent clauses.

The routine maintenance standards shall meet the following minimum requirements: -

- (a) Potholes on the road surface to be repaired soon after (but not more than 15 days to rectify)
- (b) Road shoulders to be maintained in proper condition
- (c) Cleaning of surface drains, culvert and other cross drainage structures
- (d) Maintenance of road signs, pavement markings *etc.*
- (e) clearing of tree branches to keep the sight distance visible
- (f) maintenance operation required to keep the road traffic worthy at all times during the maintenance period.

Despite the necessity of regular maintenance and upkeep to preserve the life of the roads created under PMGSY and despite clear instructions by GoI, the maintenance of roads and bridges in the State was not adequate as the roads/bridges had not been properly maintained (ascertained from conduct of JPV) as required under the PMGSY guidelines as detailed below:

During JPV, audit had visited 21 out of 34 sampled roads under maintenance and it was noticed that all the PMGSY roads completed during 2017-21 were in dilapidated conditions. The drains were covered by shrubs, culverts and CDs were damaged and choked, with slips and landslides at numerous sites, surface of roads having been damaged *etc* as shown in Images below.





During JPV of eight completed bridges out of 24 sampled bridges, it was noticed that the bridges were not maintained properly, and that steel part of bridges had started to rust.

Image 3.20 & 3.21: Rusty and broken bridge parts due to maintenance



While accepting the fact, RDD stated (March 2024) that the post DLP of five years maintenance need to be taken up under the State Plan funding. The Department has been proposing post DLP maintenance funds to the State Government. The maintenance works will be taken up as and when, funds are provided in the budget allocation. Further, the RDD stated that request for Maintenance fund as per OMMAS is placed with the government every year. However, release of fund depends on the State Government. There has been shortfall in the allocation.

3.3.11 Monitoring

3.3.11.1 National Quality Monitor (NQM) and State Quality Monitor (SQM)

According to Para 15.2 of PMGSY guidelines, a three tier quality control mechanism is envisaged wherein the State Government would be responsible for the first two tiers of monitoring. Further, 15.6 stipulates that the National Quality Monitors shall inspect the road works with particular reference to quality who shall then cause to submit the report to NRIDA which shall in turn send it to the State Quality Coordinator within a specified period. The Project Implementing Units (PIU) shall ensure that the contractor replaces the materials or rectifies the workmanship in case the SQM and NQM report reveals unsatisfactory work. The results of NQM and SQM inspections during April 2017 to March 2023 are summarised in the following table:

Table 3.18- Details of NQM and SQM inspection

	Year of Visit	Number of inspections	Quality (number of inspections graded as)		
			Satisfactory	Unsatisfactory	Required improvement
NQM	April 2017 to March 2023	559	411	79	69
SQM	April 2017 to March 2023	1,507	1,423	55	29

As can be seen from the table above, NQM carried out a total 559 inspections wherein 14 *per cent* works were graded as unsatisfactory and 12 *per cent* works required improvement. Similarly, SQM had carried out 1,507 inspections and graded four *per cent* works as unsatisfactory while two *per cent* works were graded as requiring improvement. However, there was no record of action taken by SRRDA to rectify the works.

In reply, RDD stated (March 2024) that as per the Programme Guidelines, in respect of quality grading awarded as ‘Unsatisfactory/Satisfactory but Requires Improvement’ by NQMs, issues in work quality with proper rectifications will be taken by PIU and the Action Taken Report after re-verification by the SQMs at site will be communicated to NRIDA through the SQC with proper annexure documents and photographs. Accordingly, action as required by SRRDA is being done and the work is re-graded as Satisfactory after scrutiny by the Central Quality Controller (CQC), NRIDA. With regard to quality grading awarded by SQMs as ‘Unsatisfactory/ Satisfactory but Requires Improvement’, the work during assignment of the inspection is re-verified by other SQMs after proper rectifications have been completed by the PIUs and is regraded which is further examined and scrutinised by SQC and higher officials of SRRDA. There has been no such procedure of uploading the ATRs with respect to SQMs grading as per guidelines of PMGSY.

However, while a total of 232 works were graded as unsatisfactory/required improvement, RDD did not provide any records to prove that rectification as per NQM and SQM observation/recommendation was carried out.

3.3.11.2 Quality control laboratories

Paragraph 15.1 of the Programme Guidelines envisage that a site Quality Control Laboratory will be set up by the contractor for each package. Para 9.4(a) of the OM provides that as per Clause 9 of General Conditions of Contract, the contractor is required to employ technical personnel and records in support of tests shall be maintained. Further, as per guidelines, quality control laboratories were to be set up by the contractor and it is mandatory to carry out contractual stipulated test which should be recorded in the Quality Control Register (QCR).

To assess the implementation of PMGSY, Joint Physical Verification of 86 works⁸² out of 113 sampled works (roads-55, bridges-24 and maintenance-34) in four districts was carried out by audit teams in the presence of staff of the implementing agencies.

During JPV of ongoing 30 roads and 17 bridges works, it was found that the site laboratories maintained were deficient⁸³ in 28 out of 30 road works as well as in case of 16 out of 17 sampled bridge works. Quality control instruments along with required

⁸² Roads(45), Bridge(20) and maintenance(21).

⁸³ Required equipment were not available for testing of construction material at site laboratory.

technical person was not available at worksite to ensure technical specification of the works. Further, the Quality Control Register for recording the test results were also not available.

In reply, RDD stated (March 2024) that Quality Control Labs are being maintained for the ongoing works. However, once the works are completed, the labs are removed by the contractor but are made available on event of the inspections by the QMs. With regard to the Quality Control Register, based on the directives of Central Quality Control (CQC), NRIDA, the scanned copies duly graded by the SE and State Quality Controller (SQC) have to be scanned and uploaded in OMMAS for ease of viewing online in lieu of hard copies through respective login IDs of the Quality Monitors. Since, the QCRs are now being maintained online and the registers are kept with the concern JEs, the same could not be produced when required, the same will be made available during the time of audit in future.

However, the quality control laboratories were deficient as noticed during the JPV in the presence of SRRDA engineers. Further, quality control registers were not produced along with reply.

3.3.11.3 State Level Standing Committee (SLSC) meetings

Paragraph 2.4 of PMGSY Operations Manual stipulated that a State Level Standing Committee (SLSC) set up preferably under the chairmanship of the Chief Secretary will be responsible for close and effective monitoring of programme and to oversee the timely and proper execution of works. Further, SLSC is to meet every quarter for close and effective monitoring of implementation of the programme.

A State Level Standing Committee (SLSC) set up under the chairmanship of the Chief Secretary, was responsible for close and effective monitoring of the programme and to oversee the timely and proper execution of works. The Committee was to vet the Core Network, the CNCPL and CUCPL and clear the annual project proposals. Since the primary purpose of PMGSY (and indeed of rural connectivity) is to enable basic access to the rural hinterland and thus increase the tempo of economic activity and reach of social services, the SLSC's role is crucial to exploiting the development potential created by the new assets.

However, no records relating to meetings held and minutes of the SLSC meetings held during the period 2017-2023 against the requirement of 24 meetings to be conducted were available with SRRDA which indicated that no SLSC meetings were held during the period 2017-2023. This indicated ineffective monitoring of progress of works, non-settlement of land disputes etc. under PMGSY.

While accepting the audit contention, the RDD stated (March 2024) that there were deficiencies in conducting the SLSC meeting in the past. However, now the RDD is ensuring that SLSC meetings are conducted on regular basis.

3.3.12 Conclusion

SRRDA could not prioritise unconnected eligible habitations while identifying road works under PMGSY and expended resources in less priority road works. SRRDA prepare estimates by conducting appropriate ground studies and field surveys, which not only resulted in infructuous expenditure but also in undue benefit to the contractor. Inability of SRRDA in ensuring timely land acquisition resulted in delay in implementation of

the road works. The project implementation was plagued by various deviations which resulted from inadequate planning and groundwork. Also, in a few road works, suitable structures like Culverts were not built appropriately, to prevent damage to roads by rainfall and water streams, thus affecting the objective of providing all weather connectivity to the habitations. Inadequate provision of funds towards maintenance by the State Government led to poor upkeep of the roads and caused damage to them. SRRDA also did not take necessary rectification measures towards quality issues raised by the NQMs and SQMs.

3.3.13 Recommendations

It is recommended that

- *Responsibility of the officials concerned may be fixed for selecting ineligible habitations, preparing deficient DPRs and execution of unapproved portions of works.*
- *SRRDA may effectively coordinate with other Departments for getting land/ forest clearances and ensure timely land acquisition towards early execution of the projects.*
- *SRRDA may monitor the progress of road works with reference to the prescribed milestones and quality and stringent action be initiated against defaulting contractors to avoid delay in execution.*
- *SRRDA may ensure that the roads built are in compliance with the quality specifications as specified in the guidelines and may take necessary rectificatory measures on the recommendations of NQM and SQM.*
- *SRRDA may streamline the existing mechanism for routine maintenance of PMGSY roads and bridges such that the roads and bridges remain serviceable through out their service life, without deterioration.*

COMPLIANCE AUDIT PARAGRAPH

RURAL DEVELOPMENT DEPARTMENT

3.4 Excess expenditure

Rural Development Department erroneously paid ₹ 4.32 crore as labour cess was included in the estimate for the work and the rate quoted by the contractor was inclusive of all taxes including labour cess. Similarly, RDD had also paid ₹ 0.38 crore (including cess) on inadmissible items, which was avoidable.

According to the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act), the Government had implemented (September 2010) labour cess at the rate of one *per cent* on bills on construction works.

To make Sikkim a *Kutchha* House free state, the Rural Development Department (RDD) identified 6,394 *Kutchha* house during 2015 and decided to construct 3000 *Pucca* houses under Chief Minister Rural Housing Scheme Phase-I (CMRHM-I) in 2016-17. After tendering (December 2016), the RDD awarded (March 2017) the work of construction of 3000 houses under CMRHM-Phase-I to the contractor at a total cost of ₹ 379.20 crore on *turnkey basis* with stipulated time of completion by March 2019. All the 3,000 houses were completed by August 2020.

Subsequently, in December 2018, RDD proposed to construct another 3000 houses (which was later increased to 3050 in March 2019) under CMRHM Phase-II later renamed *Sikkim Garib Abas Yojana* (SGAY) at an estimated cost of ₹ 443.49 crore. The Department awarded the SGAY works to the same contractor/firm in January 2019 at a cost of ₹ 443.49 crore as continuation of phase-I on the same terms and conditions. Further, the provision for Television and furniture was also added for all 3050 houses (March 2020) at a cost of ₹ 45.05 crore. This work was completed in June 2022.

Scrutiny of records revealed that Clause 17 of standard conditions of contract entered into (February 2019) between RDD and the contractor for construction of the houses under SGAY (CMRHM) stipulated that “the rate quoted by the contractor shall be deemed to be inclusive of all taxes including labour cess that the contractor will have to pay” as labour cess was already included in the estimate for the work. However, in contravention of the terms of agreement RDD had paid the contractor as below:

- **Per unit house cost** - Initially, the work order was issued for construction of 3000 houses which was later enhanced to 3050 houses (March 2019) at a cost of ₹ 13,12,478/unit⁸⁴.
- **Payment of labour cess on civil work** - As per estimates, the labour cess was included in per unit cost. Accordingly RDD had paid ₹ 4.32 crore to the contractor as labour cess component.

Avoidable payment of cess on inadmissible items - As per given codal provision one *per cent* labour cess should have been collected on only construction works, however, it was seen that RDD had paid ₹ 0.38 crore (including cess) to the contractor, for purchase of TV and furniture to the newly constructed houses under SGAY, which was not admissible and led to excess and avoidable expenditure of ₹ 0.38 crore.

Thus, RDD made irregular payment amounting to ₹ 4.70 crore, comprising cess at one *per cent* of (i) the civil work and (ii) purchase of TV and furniture, which resulted in excess expenditure to the tune of ₹ 4.70 crore.

In reply (November 2023), the Department admitted that the quoted rate of the contractor was taking into consideration the labour cess provided in the estimate.

The Department should take urgent action to recover ₹4.70 crore from the contractor. The State Government needs to fix responsibility on the officials concerned for such a lapse.

⁸⁴ Including 1 per cent labour cess and 43.60 per cent tender premium but excluding GST.

CHAPTER IV
ECONOMIC SECTOR
(PUBLIC SECTOR UNDERTAKINGS)

CHAPTER IV

ECONOMIC SECTOR

(PUBLIC SECTOR UNDERTAKINGS)

4.1 Functioning of State Public Sector Enterprises (SPSEs)

4.1.1 Introduction

The Public Sector Enterprises (PSEs) consist of the State Government Companies and Statutory Corporations. The SPSEs are established to carry out economic and commercial activities for the overall development of the State and its people. As on 31 March 2023, there were 17 SPSEs (13 working Government Companies and four working Statutory Corporations) under the audit purview of the Comptroller and Auditor General of India (C&AG). Besides, there were six non-working SPSEs for which audit entrustment had not been extended to the C&AG by the State Government as detailed in **Paragraph 4.1.10**. The details of the SPSEs in Sikkim as on 31 March 2023 are given below:

Table 4.1: Total number of SPSEs as on 31 March 2022

Type of PSEs	Working PSEs
Government Companies registered under Sikkim Registration of Companies Act, 1961	09 ⁸⁵
<i>Government Companies registered under Companies Act, 2013</i>	04 ⁸⁶
Statutory Corporations	04
Total	17

None of the 13 working Government companies were listed in the stock exchange. During the year 2022-23, no new PSE was incorporated and no existing PSE was closed down.

4.1.2 Investment in SPSEs

4.1.2.1 State Governments investment in SPSEs

The State's investment in its SPSEs was by way of share capital and long-term loans. As on 31 March 2023⁸⁷, the investment of the State Government (capital and long-term loans) in 17 SPSEs amounted to ₹ 82.65 crore as detailed in **Table 4.2**.

Table 4.2 Details of total investment in 17 SPSEs

(₹ in crore)

Year	Equity Capital	Long Term Loans	Total Investment
2022-23	55.63	27.02	82.65
2021-22	48.82	2.03	50.85
2020-21	48.82	2.03	50.85

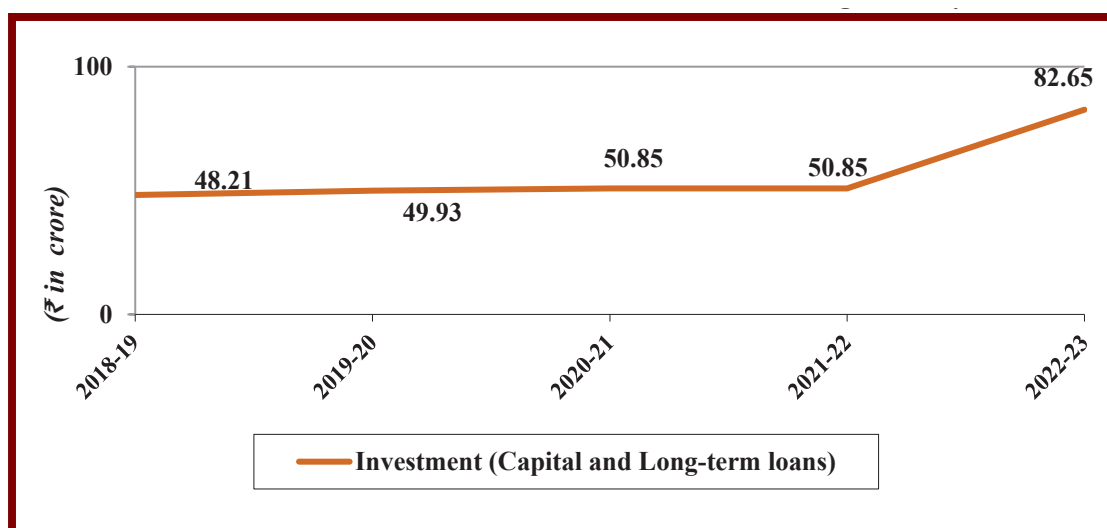
⁸⁵ Audited by C&AG on entrustment basis under section 20(1) of C&AG (DPC)'s Act 1971.

⁸⁶ The Companies Act 2013/1956 had not been extended to the state of Sikkim. Hence, these four companies (serial no. A1, A2, A10 & A11 of Appendix 4.1) have their registered offices in New Delhi and Darjeeling (West Bengal).

⁸⁷ Six SPSEs (serial no. A1, A2, A5, A6, B16 and B17 of **Appendix 4.1**) had no direct investment (equity capital and long term loans) from the State Government as on 31 March 2023.

As can be noticed from **Table 4.2**, the investment of State Government in SPSEs as on 31 March 2023 consisted of 67.31 *per cent* towards capital and 32.69 *per cent* in long term loans. The investment had increased by 71.44 *per cent* from ₹ 48.21 crore (2018-19) to ₹ 82.65 crore (2022-23) as shown in **Chart 4.1**:

Chart 4.1: Status of State Government investment in SPSEs during last five years



4.1.2.2 Sector-wise investment in SPSEs

The details of total investment by Government and other stakeholders (Central Government, holding companies, Banks, Financial institutions, *etc.*) in SPSEs under various sectors at the end of 31 March 2019 and 31 March 2023 are given in **Table 4.3**:

Table 4.3: Sector-wise investment in SPSEs

(₹ in crore)

Name of Sector	Government Companies		Statutory Corporation		Total Investment	
	2018-19	2022-23	2018-19	2022-23	2018-19	2022-23
Power	17,798.82	15,386.37	0	0	17,798.82	15,386.37
Finance	38.61	38.14	68.14	211.29	106.75	249.43
Service	6.46	7.76	1.61	194.01	8.07	201.77
Infrastructure	358.48	1,081.83	0	0	358.48	1,081.83
Manufacturing	0	0.92	0	0	0	0.92
Agriculture & Allied	1.13	1.13	0	0	1.13	1.13
Total	18,203.50	16,516.15	69.75	405.30	18,273.25	16,921.45

It may be seen from **Table 4.3** that during 2022-23, the thrust of PSE-investment was in power sector companies⁸⁸, which constituted 90.93 *per cent* of the total investment (₹ 16,921.45 crore) in the SPSEs.

4.1.3 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per the records of SPSEs should agree with that of the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the Finance Department and the SPSEs concerned should carry out reconciliation of differences in figures. The position in this regard as of 31 March 2023 is given in **Table 4.4**.

⁸⁸ SUL, SPTL, SPICL & SPDC.

Table 4.4: State's investment as per State Finance Accounts vis-a-vis records of SPSEs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
Equity	56.58	55.63	0.95
Loans	37.11	27.02	10.09
Guarantees	4786.25	1986.61	2799.64

As on 31 March 2023, there were unreconciled differences in the figures of equity (₹ 0.95 crore), loans (₹ 10.09 crore) and guarantee (₹ 2,799.64 crore) as per two sets of records. The differences in equity occurred in respect of eight SPSEs⁸⁹. Analysis of reasons for difference in loan figures was, however, not possible as the Finance Accounts did not provide the SPSE-wise details of the loans provided by the State Government.

Though the process of reconciliation of these differences had been initiated (September 2018) by the office of the Sr. Deputy Accountant General (A&E), Sikkim in consultation with the Finance Department, Government of Sikkim and SPSEs concerned, no significant progress has been achieved in this regard.

Recommendation: The State Government and the SPSEs concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should ensure correct classification of the funding allocated to SPSEs and ensure that the Finance Accounts are updated accordingly.

4.1.4 Special support and guarantees to SPSEs during the year

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans, grants/ subsidies, loans written-off and interest waived along with the position of guarantee in respect of SPSEs are given in Table 4.5 for three years ended 2022-23.

Table 4.5: Details regarding budgetary support to SPSEs

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of PSEs	Amount	No. of PSEs	Amount	No. of PSEs	Amount
1.	Equity Capital outgo from budget	0	0	1	0.51	2	6.30
2.	Loans given from budget	0	0	0	0	1	24.99
3.	Grants/Subsidy from budget	1	6.50	1	8	5	66.35 ⁹⁰
	Total	1	6.50	2	8.50	8	97.64
4	Waiver of loans and interest	2	19.92	1	0.82	1	0.27 ⁹¹
5	Guarantees issued	4	548.04	1	424.13	1	121.34 ⁹²
6	Guarantee Commitment	4	813.37	0	0	2	600 ⁹³

⁸⁹ SABCCO, SIDICO, SPDC, STDC, STCS, SHHDCL, SPICL and NSCL.

⁹⁰ GSCDL: ₹ 45.00 crore, NSCL: ₹ 11.85 crore, Temi: ₹ 8.00 crore, SABCCO: ₹ 1.00 crore & SIDICO: ₹ 0.50 crore.

⁹¹ SIDICO.

⁹² SIDICO.

⁹³ SPICL (₹225 cr) & SUL (₹ 375 cr).

It may be seen from **Table 4.5** that during last three years (2020-21 to 2022-23), the budgetary outgo to SPSEs in the form of equity and loans has increased from ₹ nil (2020-21) to ₹ 31.29 crore (equity: ₹ 6.30 crore; loans: ₹ 24.99 crore) in 2022-23. During the year 2022-23, the State Government had provided loan (₹ 24.99 crore) to one PSE (Sikkim Power Investment Corporation Limited) while the equity investment (₹ 6.30 crore) was infused in two SPSEs (Sikkim Power Development Corporation: ₹ five crore and Sikkim Tourism Development Corporation: ₹ 1.30 crore). Further, more than 85 *per cent* (₹ 56.85 crore) of total Government Grants (₹ 66.35 crore) provided during 2022-23 was received by Gangtok Smart City Development Limited (₹ 45.00 crore) and *Namchi* Smart City Limited (₹ 11.85 crore).

4.1.5 Accountability framework

The Companies Act, 2013 and the erstwhile Companies Act, 1956 had not been extended to the State of Sikkim. Out of 13 Government Companies existing in the State of Sikkim, only four companies were registered under the Companies Act, 1956/2013 while the remaining 9 were registered under the ‘Registration of Companies Act, Sikkim, 1961.

The four companies registered and governed by the Companies Act, 2013/1956 included Sikkim *Urja* Limited (SUL), Sikkim Power Transmission Limited (SPTL), *Namchi* Smart City Limited (NSCL) and Gangtok Smart City Development Limited (GSDCL).

During the year 2015-16, one State Government Company⁹⁴ acquired 51 *per cent* of equity share capital of SUL, which is the Holding company of SPTL. The other two companies (NSCL and GSDCL) were incorporated during 2016-17 and 2017-18 by the State Government under the Companies Act, 2013 with headquarters in Darjeeling, West Bengal. Thus, all these four companies (SUL, SPTL, NSCL and GSDCL) are covered under the definition of a State Government company owned and controlled (directly and indirectly) by the State Government.

4.1.5.1 Statutory Audit/Supplementary Audit

The accounts of nine State Government Companies registered under the ‘Registration of Companies Act, Sikkim, 1961’ are audited by Statutory Auditors (Chartered Accountants) directly appointed by the Board of Directors (BoDs) of the respective Companies. In addition to the statutory audit conducted by the Statutory Auditors, supplementary audit of these Companies is conducted by the Comptroller and Auditor General of India (C&AG) on request of the Governor of the State under Section 20(1) of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971.

The accounts of four Companies registered under Companies Act, 2013/1956 are audited by the Statutory Auditors (Chartered Accountants) who are appointed by the C&AG. In addition to the statutory audit conducted by the Statutory Auditors, supplementary audit of these Companies is conducted by the C&AG under Section 143(6) (a) of the Companies Act, 2013.

Besides, there are four Statutory Corporations in the State (namely, State Bank of Sikkim, State Trading Corporation of Sikkim, Government Fruit Preservation Factory and Temi Tea Estate), established under the proclamation of the erstwhile *Chogyal* (King) of Sikkim. The accounts of these Corporations are audited by the Chartered Accountants directly appointed by the Board of Directors (BoDs) of the respective Corporations. Supplementary Audit of these Corporations was taken up by C&AG based on the

⁹⁴ *Sikkim Power Investment Corporation Limited.*

entrustment/request for their audit by the Governor under Section 19(3) of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

4.1.5.2 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Government appoints the Chief Executives and Directors on the Board of these SPSEs.

The State Legislature also monitors the accounting and utilisation of Government investments in the SPSEs. For this purpose, the Annual Accounts of the State Government Companies together with the Statutory Auditors report and Separate Audit Reports of C&AG are required to be placed before the Legislature under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The Annual Reports of four Government Companies incorporated under the Companies Act, 2013/1956 together with the Statutory Auditors Reports and comments of C&AG thereon are to be placed before the State Legislature under section 396 of the Companies Act, 2013. Similarly, the Annual Reports of the Statutory Corporations along with the Separate Audit Reports of C&AG are required to be placed before the Legislature as per the stipulations made under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

4.1.6 Arrears in Finalisation of accounts

In respect of four companies registered under the Companies Act, 2013/1956, the financial statements of the companies are required to be finalised within six months of the end of the financial year i.e. by September end in accordance with the provisions of Section 96(1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of Companies Act, 2013. Out of these four companies, two companies namely, *Namchi Smart City Limited* (latest accounts finalised for 2020-21) and *Gangtok Smart City Development Limited* (latest accounts finalised for 2021-22) had pendency of two and one year Accounts respectively as on 30 September 2023.

As regards nine companies registered under the Registration of Companies Act, 1961 and four Statutory Corporations, there is no stipulated timeframe for finalisation of financial statements in their respective governing Acts.

Table 4.6 provides the details of progress made by SPSEs in finalisation of their accounts as of 30 September 2023.

Table 4.6: Position relating to finalisation of accounts of SPSEs

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Number of Working SPSEs	16	16	17	17	17
2.	Number of accounts finalised during the year	39	11	9	11	5
3.	Number of accounts in arrears	22	27	40	46	58
4.	Number of Working SPSEs with arrears in accounts	12	14	12	13	14
5.	Extent of arrears (numbers in years)	1 to 6	1 to 6	1 to 7	1 to 7	1 to 9

As can be seen from **Table 4.6**, the arrear of accounts of SPSEs had shown an increasing trend during the last five years. The pendency of accounts of the SPSEs was highest (58 Accounts) during 2022-23 mainly due to low number of accounts (only five Accounts) finalised compared to previous years. The highest pendency of accounts pertained to

Sikkim Livestock & Processing Development Corporation Limited (nine Accounts), Sikkim Handloom & Handicrafts Development Corporation Limited (eight Accounts) followed by SC/ST & OBC Development Corporation Limited (seven Accounts) and Sikkim Tourism Development Corporation Limited (six Accounts).

The delays in finalisation of accounts were mainly due to delay in compilation/adoption of accounts by the BoDs of the respective SPSEs. The administrative departments of the SPSEs concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of these SPSEs are finalised and adopted within the stipulated period. The departments concerned were informed regularly (on quarterly basis) about the arrears in finalisation of accounts by these SPSEs.

4.1.7 Placement of Separate Audit Reports

The position depicted in **Table 4.7** shows the status of placement of Separate Audit Reports (SARs) issued by the C&AG (up to 30 September 2023) on the accounts of Statutory Corporations/Companies registered under Sikkim Registration of Companies Act, 1961 in the State Legislature.

Table 4.7: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporations/Company	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		Reasons for delay
			Year of SAR	Date of issue to the Management/ Government for printing	
1	State Bank of Sikkim	2016-17	2017-18 & 2018-19	23.12.2019 & 21.01.2021	Not furnished
2	State Trading Corporation of Sikkim	2018-19	2019-20 2020-21	22.04.2022	
3	Government Fruit Preservation Factory	2011-12 to 2017-18	2018-19	31.03.2023	
4	Sikkim Power Investment Corporation Limited	2019-20	2020-21	09.02.2022	
5	Sikkim Power Development Corporation Limited	2019-20	2020-21	13.12.2021	
6	Sikkim Industrial Development Investment Corporation Limited	NA	2016-17, 2017-18	17.07.2019	
			2019-20	03.08.2022	
7	Sikkim Tourism Development Corporation Limited	NA	2016-17	15.02.2019	

NA= Preparation of SAR commenced from subsequent years

Timely placement of SARs in the State Legislature is important to ensure timely reporting on the functioning of the Corporation to the stakeholders and fix accountability of the Management for its performance. However, it can be noticed from **Table 4.7**, that total 11 SARs were pending (6 to 46 months) for placement in the State Legislature after these were issued to the State Government without intimating the reasons for the delay.

Recommendations:

- The State Government may oversee the clearance of arrears and set the targets for individual SPSEs, which may be monitored by the controlling Department of respective SPSEs.

- The SPSEs may get the figures of equity and loans reconciled with the State Government Departments and arrear of accounts are cleared.

4.1.8 Performance of SPSEs as per their latest finalised accounts

The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Appendix 4.1**. A ratio of SPSEs turnover to State Gross Domestic Product (GSDP) shows the extent of SPSEs activities in the State economy. **Table 4.8** provides the details of working SPSEs turnover and GSDP for a period of five years ending 2022-23.

Table 4.8: Details of SPSEs turnover Vis-à-Vis State GDP

(₹ in crore)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Turnover ⁹⁵	2,119.51	2,518.51	2,758.85	3,413.88	4,054.82
*GSDP ⁹⁶	28,402	31,441	33,018	37,557	42,756
Percentage of SPSEs Turnover to GSDP	7.46	8.01	8.36	9.09	9.48

*Rounded off to nearest 'Rupees in crore'.

As can be noticed from **Table 4.8**, the SPSEs-turnover as well as GSDP have shown increasing trend during the period of five years from 2018-19 to 2022-23 leading to corresponding growth in the contribution of SPSE-turnover to GSDP from 7.46 per cent (2018-19) to 9.48 per cent (2022-23). During 2022-23, SPSEs-turnover registered an increase of 18.77 per cent (₹ 640.94 crore), which was attributable mainly to the appreciation of ₹ 495.63 crore (18.97 per cent) in the turnover of one power sector SPSE⁹⁷ (Sikkim Urja Limited) from ₹ 2612.90 crore (2021-22) to ₹ 3108.53 crore (2022-23).

4.1.8.1 Key parameters

Some other key parameters of SPSEs performance as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.9**.

Table 4.9: Debt Turnover Ratio relating to the SPSEs of the State

(₹ in crore)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Debt	13,284.88	13,468.46	14,858.76	14,386.06	13,057.73
Turnover ⁹⁸	2,119.51	2,518.51	2,758.85	3,413.88	4,054.82
Debt-turnover Ratio	6.27:1	5.35:1	5.39:1	4.21:1	3.22:1
Interest Payments	1,534.21	1,726.13	1,644.35	1,620.61	1,310.12
Accumulated losses	2,085.94	2,265.10	2,751.87	2,500.84	1,149.09

Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal having too much of debt against the income of PSEs from core activities. Thus, the SPSEs having lower DTR are more likely to comfortably manage their debt servicing and repayments.

⁹⁵ Turnover of working PSEs as per the latest finalized accounts as of 30 September of respective year.

⁹⁶ Source: Department of Economic, Statistics, Monitoring and Evaluation, Government of Sikkim.

⁹⁷ The power sector PSE (Sikkim Urja Limited) had registered the turnover of ₹ 3108.53 crore as per its accounts (2022-23) finalized as on 30 September 2023 as compared to the turnover of ₹ 2612.90 crore as per its accounts (2021-22) finalized as on 30 September 2022.

⁹⁸ Turnover of working PSEs as per their latest finalized accounts as on 30 September of respective year.

SPSE Debt

As can be noticed from **Table 4.9**, the SPSE-debts as on 31 March 2023 stood at ₹ 13,057.73 crore, major portion (₹ 11,638.96 crore) of which pertained to three power sector SPSEs⁹⁹. During the period of five years (2018-23), the SPSE-debt registered a marginal decrease of ₹ 227.16 crore (1.71 *per cent*) from ₹ 13,284.88 crore (2018-19) to ₹ 13,057.73 crore (2022-23). During the same period of five years (2018-23), however, the SPSE-turnover had grown by 91.31 *per cent* (₹ 1,935.31 crore) from ₹ 2,119.51 crore (2018-19) to ₹ 4,054.82 crore (2022-23) mainly due to appreciation of ₹495.63 crore in the turnover of one power sector (*Sikkim Urja Limited*). This has led to corresponding improvement in the DTR of SPSEs from 6.27:1 (2018-19) to 3.22:1 (2022-23).

During the last five years, the accumulated losses of SPSEs had registered an overall decrease of (₹ 936.85 crore) from ₹ 2,085.94 crore (2018-19) to ₹ 1,149.09 crore (2022-23). This reduction was mainly attributable to two power sector companies¹⁰⁰, which started earning profits after commencement of their commercial operations. During 2022-23, the said power sector companies earned an aggregate profit of ₹ 1,333.47 crore as per their latest finalised accounts (2022-23).

4.1.8.2 Erosion of capital due to losses

The aggregate paid-up capital and accumulated losses of 17 working SPSEs as per their latest finalised accounts as on 30 September 2023 were ₹ 3,716.86 crore and (-) ₹ 1,149.09 crore respectively (**Appendix 4.1**). As on 31 March 2023, out of total 17 SPSEs in the State, 9 SPSEs had accumulated losses amounting to ₹ 1,343.70 crore and of these, six SPSEs incurred losses aggregating to ₹ 212.45 crore as per their latest finalised accounts as of 30 September 2023.

The Net Worth of six¹⁰¹ out of these nine SPSEs was ‘negative’ as the ‘Paid up Capital’ (₹ 76.00 crore) of these SPSEs had been completely eroded by their ‘Accumulated Losses’ (₹ 1,326.32 crore). The Net Worth of these six SPSEs was negative at (-) ₹ 1,250.32 crore as on 31 March 2023. Out of six SPSEs whose Net Worth (Capital) had been eroded, one SPSE had earned aggregate profit of ₹ 3.76 crore during 2022-23. Out of the said six SPSEs, which had negative Net Worth, one SPSE¹⁰² had outstanding Government loans of ₹ 24.99 crore as on 31 March 2023. The details of SPSEs whose net worth had been completely eroded by their accumulated losses have been given in **Table 4.10**.

Table 4.10: Details of SPSEs whose net worth has been eroded as per their latest finalised accounts

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of Account	Total Paid up capital	Net profit (+)/ (-) after Interest & Tax	Accumulated losses	Net worth
1	Sikkim Power Investment Corporation Limited	2020-21	0.01	-210.69	-1,210.98	-1,210.97

⁹⁹ *Sikkim Urja Limited* (₹ 7725.27 crore), *Sikkim Power Investment Corporation Limited* (₹ 3,229.13 crore) and *Sikkim Power Transmission Limited* (₹ 684.56 crore).

¹⁰⁰ *Sikkim Urja Limited* and *Sikkim Power Transmission Limited*.

¹⁰¹ SPSEs at serial no. A3, A4, A5, A6, A7 and A12 of **Appendix 4.1**.

¹⁰² *Sikkim Power Investment Corporation Limited*.

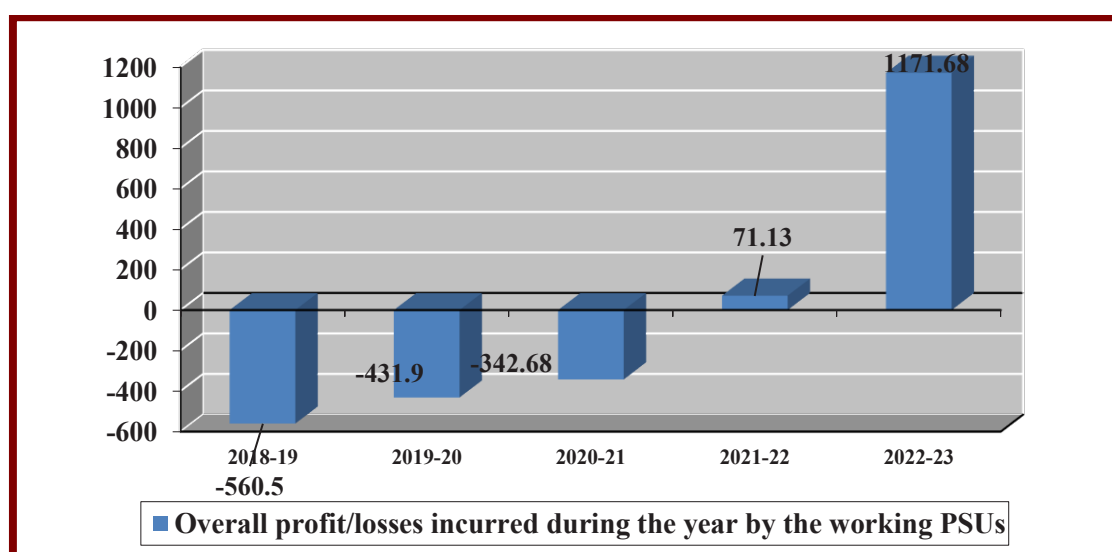
Sl. No.	Name of SPSE	Latest year of Account	Total Paid up capital	Net profit (+)/ (-) after Interest & Tax	Accumulated losses	Net worth
2	Sikkim Power Development Corporation Limited	2020-21	74.84	3.76	-107.64	-32.80
3	Sikkim Poultry Development Corporation Limited	2017-18	Nil	-0.15	-1.72	-1.72
4	Sikkim Hatcheries Limited	2017-18	0.46	-0.14	-2.71	-2.25
5	Sikkim Livestock Processing and Development Corporation Limited	2013-14	0.69	-0.02	-1.04	-0.35
6	Gangtok Smart City Limited	2021-22	Negligible	-1.21	-2.23	-2.23
	Grand Total		76.00	-208.45	-1,326.32	-1,250.32

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

The overall position of profit earned/ losses incurred by the working SPSEs from 2018-19 to 2022-23 as per their latest finalised accounts as of 30 September of the respective year has been depicted below in **Chart 4.2**.

Chart 4.2: Overall losses of working SPSEs

(& in crore)



(Figures in brackets show the number of working SPSEs in respective years)

From the **Chart** above, it can be seen that the working SPSEs incurred losses during the three-year period 2018-19 to 2020-21 and earned overall profit of ₹ 71.13 crore during the year 2021-22. Further, during the year 2022-23, the working SPSEs earned significantly high profit of ₹ 1171.68 crore. The turnaround in the overall performance of the working SPSEs was mainly attributable to the aggregate profits of ₹ 1370.51 crore earned by two power sector PSEs namely *Sikkim Urja Limited* (₹ 1270.19 crore) and

Sikkim Power Transmission Limited (₹ 63.28 crore). Besides, State Bank of Sikkim also earned profit of ₹ 37.04 crore during 2022-23 as per its latest finalised accounts.

During the year 2022-23, out of 17 working SPSEs, 11 SPSEs earned an aggregate profit of ₹ 1,384.13 crore, while remaining six SPSEs¹⁰³ incurred aggregate loss of ₹ 212.45 crore. The details of major contributors to overall profits and losses of working SPSEs are given in **Table 4.11**:

Table 4.11: Major contributors to profits and losses of working SPSEs

(₹ in crore)		
Name of SPSEs	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to profit		
Sikkim Urja Limited	2022-23	(+) 1,270.19
Sikkim Power Transmission Limited	2022-23	(+) 63.28
State Bank of Sikkim	2021-22	(+) 37.04
Total		(+) 1,370.51
Contributors to losses		
Sikkim Power Investment Corporation Limited	2020-21	(-) 210.69
Total		(-) 210.69

4.1.8.3 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long-term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed. ROCE is an important decision metric for long term lenders. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed¹⁰⁴.

During 2022-23 the overall Capital Employed in 17 working SPSEs as per their latest accounts was ₹15,630.61 crore while the ROCE of the SPSEs was 15.42 *per cent*. Further, out of 17 working SPSEs, only 12 SPSEs had positive ROCE while the ROCE of remaining five SPSEs¹⁰⁵ was not workable due to the negative Capital Employed (**Appendix 4.1**).

4.1.9 Return on Investment on the basis of Present Value of Investment

The Rate of Real Return (RoRR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. To determine the RoRR on Government Investments in the State PSEs, the investment of State Government in the form of equity, interest free loans and grants / subsidies given by the State Government for operational and management expenses less the disinvestments has been considered and indexed to their present value and summated. The RoRR is then calculated by dividing the Profit After Tax (PAT) of the PSEs by the sum of the PV of the Government investments.

During 2022-23, as per their latest finalised accounts, out of 15¹⁰⁶ working SPSEs where State Government had made direct investment, six¹⁰⁷ SPSEs incurred loss and remaining

¹⁰³ SHL, SPDCL, SLPDC, SABCCO, SPICL & GSCDL.

¹⁰⁴ Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated loss - deferred revenue expenditure.

¹⁰⁵ Serial no. A5, A6, A7, A10 and B17 of **Appendix 4.1**.

¹⁰⁶ Excluding two SPSEs (SUL and SPTL), in which State Government had no direct investment in the form of equity, loans or grants, etc.

¹⁰⁷ SHL, SPDCL, SLPDC, SABCCO, SPICL & GSCDL.

nine SPSEs earned profit. On the basis of return on historical value, the State Government investment eroded by 200.27 *per cent* during 2022-23. If the Rate of Real Return where the present value of investment is considered, the State Government investment eroded by 40.86 *per cent* as shown in **Appendix 4.2**. This difference in percentage of investment erosion was on account of the adjustment made in the investment amount for time value of money.

4.1.10 Winding up of non-working SPSEs

There were six non-working SPSEs (five Companies¹⁰⁸ and one Statutory Corporation¹⁰⁹) for which audit entrustment to C&AG had expired between 2003-04 and 2016-17. Since the audit of these six non-working SPSEs has not been entrusted to C&AG, therefore the present report has not covered their functioning.

The Government Companies in Sikkim are registered under the Registration of Companies Act, 1961 while Statutory Corporations are governed by the proclamation of the erstwhile *Chogyal* (King) of Sikkim. There was no prescribed procedure for liquidation of Government Companies/ Statutory Corporations under their respective governing Act/ Statute.

As per the latest available information, the assets of five out of the said six non-working SPSEs (except Sikkim Mining Corporation) had been disposed of and the proceeds remitted (December 2012) to the Government of Sikkim. As per the latest information available, the liquidation of the sixth non-working PSE (Sikkim Mining Corporation) was approved (October 2016) by the Department of Mines, Minerals and Geology, Government of Sikkim and its liabilities (₹ 6.85 crore) had also been waived (October 2016) by the State Government.

4.1.11 Audit Comments on Annual Accounts of SPSEs

Five SPSEs¹¹⁰ forwarded their five audited accounts to the Accountant General (Audit), Sikkim (AG) during the year 2022-23 (October 2022 to September 2023). Out of these five Accounts, supplementary audit of three Accounts of three SPSEs¹¹¹ was taken up while the audit of remaining two Accounts was pending as on 30 September 2023. Further, seven accounts of three SPSEs¹¹² which had submitted their accounts during previous year (October 2021 to September 2022) were also taken up for supplementary audit.

The details of aggregate money value of comments of statutory auditors and C&AG for last three years (2019-22) are given in **Table 4.12**.

Table 4.12: Impact of audit comments on SPSEs

(₹in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	1.03	2	1.25	1*	146.25
2.	Increase in loss	4	89.65	0	0		

¹⁰⁸ Sikkim Flour Mills Limited and Chandmari Workshop and Automobiles Limited (2002-03), Sikkim Jewels Limited and Sikkim Times Corporation (2010-2011) and Sikkim Precision Industries Limited (2012-13).

¹⁰⁹ Sikkim Mining Corporation Limited (2016-17).

¹¹⁰ SBS, SPTL, SUL, STCS & SIDICO.

¹¹¹ SBS, SPTL & SUL.

¹¹² SHL, SLPDC & SBS.

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
3.	Non-disclosure of material facts	3	328.48	2	36.45	0	0
4.	Errors of classification	0	0	3	14.22	0	0

*State Bank of Sikkim (2021-22)

4.1.11.1 Gist of important comments of the statutory auditors and C&AG

State Bank of Sikkim (2021-22)

Comment on Auditors' Report

1. Refer the positive assurance/opinion expressed by the Auditors on the *true and correctness* of the Accounts of the Bank for the year ended 31 March 2022 vide their Audit Report dated 20 July 2022 (*refer para 14*) and the '*Disclaimer of Opinion*' given on adequacy of provisions maintained by the Bank against bad debts (*refer para (iii) - Others under Para 6-Basis for Disclaimer of Audit Opinion*).

As per the criteria prescribed under the 'Loan Recovery Policy 2014' (Policy) of the Bank, the Bank is required to classify its assets ('Loans' and 'Advances') into 'standard assets' and 'sub-standard assets/non-performing assets (NPAs)'. The 'Guidelines on Income Recognition, Asset Classification and Provisioning pertaining to Advances' (Guidelines) issued by the Bank further prescribed the norms to maintain necessary provisions against NPAs, which ranged between 15 *per cent* (sub-standard assets) and 100 *per cent* (loss assets).

However, the Bank has neither classified its assets in the above categories nor maintained the mandatory provisions against NPAs as per the requirements of its own Policy/Guidelines. Based on the information provided by the Bank, as against Bank's total loan assets of ₹ 2,801.23 crore, the total NPAs (including bad debts and interest suspense) worked out to ₹ 1368.79 crore (48.86 *per cent*) as on 31 March 2022.

Even after considering the minimum mandatory provision of 15 *per cent* applicable to 'sub-standard assets' (loan assets/accounts which remained NPA for less than or equal to 12 months), the Bank was required to maintain provisions of ₹ 205.32 crore against the NPAs (₹ 1,368.79 crore) as on 31 March 2022. On the contrary, however, the Bank has kept *ad hoc* provisions of ₹ 22.03 crore (cumulative) towards NPAs as on 31 March 2022. Thus, short provisioning against NPAs has resulted in understatement of 'Other Liabilities & Provisions' by ₹ 183.29 crore.

Further, as an impact of the above comment, the 'Profit for the year' (₹ 37.04 crore) as reported in the financial statements of the Bank for the year ended 31 March 2022 would turn into 'Loss' of ₹ 146.25 crore. As such, the positive assurance/opinion expressed by the Auditors on the 'true and correctness' of the Accounts of the Bank for the year ended 31 March 2022 vide their Audit Report dated 20 July 2022 (refer para 14), was not sustainable.

4.1.12 Follow up action on Audit Reports

4.1.12.1 Submission of Explanatory notes

The Report of the C&AG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the

executive authorities. As per the extant instruction of the Finance Department, Government of Sikkim, all the administrative departments concerned were required to furnish 'Explanatory Notes' on the paragraphs/ performance audits included in the Audit Reports of the C&AG within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the Public Accounts Committee (PAC). The status of receipts of 'Explanatory Notes' to paragraphs/performance audits from the State Government/Administrative Departments concerned as on 30 September 2023 was given in **Table 4.13**.

Table 4.13: Explanatory Notes not received (as on 30 September 2023)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs appeared in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	17 March 2015	1	4	0	1
2014-15	28 March 2016	0	2	-	0
2015-16	18 March 2017	1	1	0	1
2016-17	12 July 2018	1	0	0	-
2017-18	2 August 2019	0	4	-	1
2018-19	8 December 2021	0	2	-	2
2019-20	29 March 2023	0	1	-	1
TOTAL		3	14	0	6

From the **Table 4.13**, it may be seen that the 'Explanatory Notes' to six paragraphs which pertained to seven Companies/ Corporations¹¹³ had not been received (October 2022).

4.1.12.2 Discussion of Audit Reports by Public Accounts Committee

In the State of Sikkim, there is no separate Committee on Public Sector Undertakings (COPU) and hence, the findings related to PSEs are also discussed by PAC. The status of discussion by the PAC as on 30 September 2023 on PAs and Paragraphs (relating to PSEs) which featured in Audit Reports has been detailed in **Table 4.14**.

Table 4.14: Performance Audits/ Paras relating to PSEs featured in Audit Reports *vis-à-vis* discussed as on 30 September 2023

Year of Audit Report	Appeared in Audit Report		Selected for discussion by the PAC Paras discussed		Number of PAs/ paragraphs	
	PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
2013-14	1	4	1	2	1	2
2014-15	0	2	NA	1	NA	1
2015-16	1	1	1	Nil	Nil	NA
2016-17	1	0	1	NA	Nil	NA
2017-18	0	4	NA	3	NA	Nil
2018-19	0	2	Selection Awaited		NA	NA
2019-20	0	1	Selection Awaited		NA	NA
Total	3	14			Nil	Nil

¹¹³ SPICL, SPDC, SABCCO, SIDICO, NSCL, SBS and STCS.

It can be seen from **Table 4.14**, that seven Audit Reports containing three performance audits and 14 paragraphs relating to SPSEs were placed in the State Legislature. As on 30 September 2023, one performance audit and three paragraphs were discussed by the PAC.

4.1.12.3 Compliance to Reports of Public Accounts Committee

As of October 2023, PAC had issued total three PAC Reports containing six recommendations relating to Audit Reports for the years 2012-13, 2013-14 and 2014-15 which were presented in the State Legislature. Action Taken Notes (ATNs) against five recommendations of the PAC relating to Audit Report for the year 2013-14 and 2014-15 had not been received from the concerned PSEs.

It is recommended that the Government may ensure:

- (a) furnishing the replies/Explanatory Notes to Paragraphs/ Performance Audits and ATNs on the recommendations of PAC as per the prescribed time schedule;*
- (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period;*
- (c) revamping of the system of responding to audit observations.*

CHAPTER V

REVENUE SECTOR

CHAPTER V

REVENUE SECTOR

5.1 Trend of revenue receipts

5.1.1 The Revenue Receipts of the State comprises,

- Tax and non-tax revenues raised by the Government of Sikkim,
- State's Share of Net Proceeds of divisible Union taxes and duties assigned to the State, and
- Grants-in-Aid received from the Government of India.

The details along with the corresponding figures for the preceding four years have been depicted in **Table 5.1:**

Table 5.1: Trend of Revenue Receipts

(₹ in crore)

Sl. No.		2018-19	2019-20	2020-21	2021-22	2022-23
I	Revenue raised by the State Government					
	• Tax revenue	892.92	970.41	966.70	1254.41	1497.26
	• Non-tax revenue	657.78	693.40	662.29	680.63	976.11
	Total	1,550.70	1,663.81	1,628.99	1,935.04	2473.37
II	Receipts from Government of India					
	• State's share of net proceeds of divisible Union taxes	2,794.67	2,295.56	2,302.27	3,287.55	3,864.75
	• Grants-in-aid	1,574.99	881.90	1,676.56	1,858.13	1,765.68
	Total	4,369.66	3,177.46	3,978.83	5,145.68	5,630.43
III	Total receipts of State Government (I + II)	5,920.36	4841.27	5607.82	7080.72	8103.80
IV	Percentage of I to III	26	34	29	27	30

Source: Finance Accounts

Revenue Receipts of the State increased by 36.88 *per cent* from ₹ 5,920.36 crore in 2018-19 to ₹ 8,103.80 crore in 2022-23 at an annual average rate of 10.38 *per cent*. During 2022-23, Revenue Receipts increased by ₹ 1023.08 crore (14.45 *per cent*) as compared to the previous year, mainly on account of increase in States share of net proceeds of divisible Union taxes. About 30.52 *per cent* of Revenue Receipts during 2022-23 came from State's Own Resources while Central Tax Transfers and Grants-in-Aid together contributed 69.48 *per cent*.

Tax Revenue constituted 18.48 *per cent* of Total Receipts and increased by ₹ 242.85 crore during 2022-23, recording an increase of 19.36 *per cent* compared to the previous year. Non-Tax Revenue in 2022-23 constituted 12.04 *per cent* of the total Revenue Receipts and increased by ₹ 295.48 crore at a rate of 43.41 *per cent* over the previous year.

5.1.2 The details of the tax revenue raised during the period from 2018-19 to 2022-23 are given in **Table 5.2**.

Table 5.2: Details of Tax Revenue

(₹ in crore)

S I . No.	Head of revenue	2018-19		2019-20		2020-21		2021-22		2022-23		% of increase (+) or decrease (-) in 2022-23 over 2021-22	
		BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
1	State Goods and Services Tax (SGST)	363.65	405.72	660.00	454.89	650.00	463.04	579.00	655.55	686.82	804.23	18.62	22.68
2	Sales Tax/Value Added Tax (VAT)	154.00	188.20	200.00	197.63	220.00	195.25	220.00	227.18	233.00	248.77	5.91	9.50
3	Taxes on Income and Expenditure other than Corporation Tax	10.00	15.63	15.00	15.17	15.00	14.29	15.00	15.40	16.00	16.72	6.67	8.51
4	State Excise	158.54	183.09	237.00	207.15	248.13	210.27	275.00	249.20	297.00	298.46	8.00	19.77
5	Stamps and Registration Fees	13.34	14.95	16.14	13.30	16.44	13.13	11.78	23.35	14.33	26.52	21.65	13.58
6	Taxes on Vehicles	31.05	33.10	49.15	41.08	39.16	28.96	43.50	39.09	46.00	49.69	5.75	27.12
7	Other Taxes and Duties on Commodities and Services	32.63	43.13	44.32	36.79	44.57	28.43	42.6	35.11	34.67	44.08	(-) 18.62	25.55
8	Land Revenue	7.10	9.08	8.60	4.40	8.60	13.33	8.60	9.53	8.60	8.79	0.00	(-) 7.76
Total		770.31	892.9	1230.21	970.41	1241.9	966.7	1195.48	1254.41	1336.42	1497.26		

* **BE: Budget Estimates**

Source: Estimates of Receipts, Finance Department, GoS and Finance Accounts 2022-23

It appears from the above table that the actual realisation was 12.04 *per cent* higher than the Budget Estimates (BEs). The percentage of realisation under different heads ranged between 102 *per cent* and 185 *per cent* of the BE which indicates that the budget was not prepared based on realistic estimates.

Tax Revenue increased by ₹ 242.85 crore (19.36 *per cent*) in 2022-23 as compared to previous year and the increase was mainly due to increase in State Goods and Services Tax by ₹ 148.68 crore (22.68 *per cent*), State Excise by ₹ 49.26 crore (19.77 *per cent*) and Sales Tax/VAT by ₹ 21.59 crore (9.50 *per cent*).

The respective departments reported the following reasons for variation:

State Goods and Services Tax: Increase was mainly due to growth of economic activities in the State.

State Excise: Increase was mainly due to production & sale of alcoholic products. Extensive inspection by Excise Department.

Land Revenue: Decrease was mainly due to less registration of land compared to previous year.

Taxes on Vehicles: Increase was mainly due to increase in the realisation of Revenue during 2022-23 over 2021-22 due to the lifting of concessions approved by the Government during the COVID period.

5.1.3 The details of non-tax revenue raised during the period 2017-18 to 2021-22 are given in **Table 5.3**:

Table 5.3: Details of Non-Tax Revenue*(₹ in crore)*

Sl. No.	Head of Revenue	2018-19		2019-20		2020-21		2021-22		2022-23		Percentage of increase (+) or decrease (-) in 2022-23 over 2021-22	
		BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
1	Power	190.1	269.44	320.1	256.4	372.38	346.05	380.00	306.77	394.44	402.72	3.80	31.28
2	Interest Receipts	50.41	125.33	96.99	143.8	52.88	126.95	77.51	49.92	58.30	66.13	-24.78	32.47
3	Police	57.11	46.64	88.12	86.77	78.71	26.17	70.01	112.38	70.00	125.55	899.86	11.72
4	Road Transport	59	53.96	65	57.1	62.00	47.87	65.00	61.78	84.88	68.34	30.58	10.62
5	Forestry and Wild Life	13.5	17.53	18.5	15.78	18.70	14.88	19.00	24.31	23.19	180.26	22.05	641.51
6	Other Administrative Services	7.79	5.04	23.23	12.65	21.84	12.00	21.68	19.45	9.29	15.02	-57.15	-22.78
7	Public Works	4.59	28.01	21.75	23.13	15.38	14.24	31.94	14.84	36.00	13.97	12.71	-5.86
8	Plantations	7	2.41	2.5	2	2.50	0	3.00	1.35	3.00	2.00	0.00	48.15
9	Water Supply and Sanitation	10	4.23	8	4.92	5.61	5.52	5.85	5.15	6.40	6.31	9.40	22.52
10	Tourism	4.64	6.16	10	11.67	8.50	3.44	4.00	4.12	4.40	9.87	10.00	139.56
11	Medical and Public Health	2.5	2.37	5.75	2.48	6.04	2.83	6.98	4.49	7.08	3.43	1.43	-23.61
12	Other Rural Development Programmes	1.5	0.98	1.65	0.31	1.73	1.09	1.80	1.85	1.83	2.98	1.67	61.08
13	Stationery and Printing	1.95	1.52	3.1	2.6	3.52	2.78	3.52	1.97	3.52	3.87	0.00	96.45
14	Crop Husbandry	0.63	0.37	0.69	0.68	0.73	0.48	0.73	0.43	0.75	2.54	2.74	490.70
15	Education, Sports, Art and Culture	1.17	2.32	1.32	3.55	1.61	14.29	1.42	10.59	12.64	9.51	790.14	-10.20
16	State Lotteries (Net)	55	-10	40	40.1	31.96	22.37	55.18	6.48	30.42	10.60	44.87	63.58
17	Others	15.03	33.65	27.85	29.47	55.34	21.33	27.60	54.75	243.95	63.61	783.88	16.18
Total		481.92	657.78	734.6	693.4	710.66	662.29	775.22	680.63	990.09	976.11	27.72	43.41

Source: Finance Accounts and Estimates of Receipts, Finance Department, GoS of respective years.

It appears from the above table that the actual realisation was 1.41 *per cent* less than the Budget Estimates. The percentage of realisation under different heads ranged between 26.08 *per cent* and 777 *per cent* of the BEs which indicates that the budget was not prepared based on realistic estimates.

Non-tax revenue increased by ₹ 295.48 crore (43.41 *per cent*) in 2022-23 over the previous year. The increase was mainly under Forestry and Wildlife by ₹ 155.95 crore (641.51 *per cent*), Power by ₹ 95.95 crore (31.28 *per cent*) and Interest Receipts by ₹ 16.21 crore (32.47 *per cent*). The increase was offset by decrease mainly under Other Administrative Services by ₹ 4.43 crore (22.78 *per cent*) and Education, Sports, Art and Culture by ₹ 1.08 crore (10.20 *per cent*).

The respective departments reported the following reasons for variation:

Forestry and Wild Life: Increase is mainly due to payment of ecosystem services.

Interest Receipts: Increase in revenue mainly due to deposit of interest earned out of the state share of fund deposited under Single nodal accounts by the implementing departments.

Education, Sports, Art and Culture: Decrease in revenue mainly due to sale of tender forms & storage charge etc. which depends on the fund entrusted for various works which happens in lesser scale in current financial year.

Police: Increase in revenue mainly due to maximum receipt of deployment charge & reimbursement for maximum tourism influx, increase in number of renewal of gun licenses during 2022-23.

Road Transport: Increase in revenue was due to induction of new fleet of heavy commercial vehicles in the department fleet. Due to increase in construction activities post Covid in the State and subsequent increase in movement of Heavy Vehicles which resulted in increase in movement of Heavy Vehicles which resulted in increase in supervision collection and total revenue collection.

Plantation: Increase in revenue was mainly due to increased sale of tea.

Water Supply and Sanitation (PHE): Increase in revenue mainly due to increase in number of consumer and realisation of arrears and increase in number of consumers in the mid of the financial year.

Tourism: Increase in revenue mainly due to revenue generation during 2020-21 & 2021-22 being affected by the Covid pandemic which picked up after the pandemic settled.

Medical and Public Health: Decrease is mainly due to less tender fees collected since there was extension of contracts related to CMC/AMC of Bio Medical equipment & supply of medicine & consumable. The firm were given one year extension with due approval of Government. This led to decrease in collection of tender fees.

Stationery and Printing: Increase in revenue mainly due to more jobs executed being by the department especially printing of school text books.

State Lotteries: Increase in revenue was mainly due to payment of Bank interest.

5.2 Revenue and return filling trends

5.2.1 GST Revenue of Government of Sikkim: Comparison between budget estimates and actual receipts

The comparison of budget estimates and the corresponding actual collection of Goods and Service Tax (GST) during the period from 2018-19 to 2022-23 is shown in **Table 5.4**.

Table 5.4: Revenue from GST during 2018-22

Year ¹¹⁴	State GST		
	Budget Estimates (BEs)	Revised Estimates (REs)	Actuals
2018-19	253.07	253.07	405.72
2019-20	415.00	415.00	454.89
2020-21	650.00	431.06	463.41

(₹ in crore)

¹¹⁴ GST data on Budget Estimates for the financial year 2017-18 is not applicable as GST was implemented from July 2017.

Year ¹¹⁴	State GST		
	Budget Estimates (BEs)	Revised Estimates (REs)	Actuals
2021-22	579.00	579.00	655.55
2022-23	686.82	786.82	804.23

Source: Budget estimates

It could be seen from **Table 5.4** that, the actual collection of revenue from SGST during 2018-19 to 2022-23 exceeded the estimates.

5.2.2 Trends of Integrated GST apportionment to the State and its cross utilisation

The Integrated GST (IGST) collected is apportioned between the Centre and the State where the goods or services are consumed. The revenue is apportioned to the Centre at the CGST rate, and the remaining amount is apportioned to the consuming State.

Trends in IGST apportionment to the State and its cross utilisation are given in **Table 5.5**.

Table 5.5: Integrated Goods and Services Tax

(₹ in crore)

IGST component	2018-19	2019-20	2020-21	2021-22	2022-23
IGST ¹¹⁵ apportioned to the State as per Section 17 of IGST Act, 2017	39.87	8.28	23.31	16.88	15.04
IGST provisionally/ad-hoc apportioned to the State	45.84	63.58	55.74	112.48	179.00
SGST ¹¹⁶ as IGST	(+)52.93	(+)49.39	(+)41.69	(+) 62.76	(+) 69.44
IGST as SGST	(-) 194.18	(-) 262.98	(-) 205.13	(-) 327.89	(-) 413.85

Source: Sanction letter of Ministry of Finance

5.2.3 Registration under GST

The total registrations under GST as on 30 June 2023 were 10,571, of which normal taxpayers accounted for 87.96 *per cent* and composition taxpayers were 7.32 *per cent*. Of the total registrations, 2110 were migrated from pre-GST regime, accounting for 19.96 *per cent*, while balance were new registrations. The category wise registrations under GST are given in **Table 5.6**.

Table 5.6: Details of GST registrations up to 30 June 2023

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	9298	87.96
Composition taxpayers	774	7.32
Tax Deductors at Source	385	3.64
Tax Collectors at Source	108	1.02
Input Service Distributors	4	0.04
Casual Taxpayers	2	0.02
Total Registrants	10571	100.00

Source: [gst.gov.in](https://www.gst.gov.in)

¹¹⁵ IGST: It is a tax collected by the Central Government for an inter-State sale.

¹¹⁶ SGST: It is a tax collected by the State Government for an intra-State sale.

5.2.4 GST Return filing pattern of GSTR-1 and GSTR-3B

The trends of filing of GSTR-1¹¹⁷ and 3B¹¹⁸ as on 30 November 2023 for the period 2022-23 as collected from gst.gov.in, have been depicted in **Table 5.7**.

Table 5.7: Details of return filing (GSTR-1 and GSTR-3B) during 2022-23

Return Type	GSTR-1			GSTR-3B				
Months	Due for filing (Nos.)	Returns filed (Nos.)	Filing of Return in per cent	Due for filing	Returns filed as on November 2023	Filing of Return in per cent	Returns filed by due date (nos.)	Percentage of filing of return by due date
Apr-22	6,036	4,961	82.19	6,036	5,084	84.23	3,825	63.37
May-22	6,124	5,022	82.01	6,124	5,139	83.92	3,777	61.68
Jun-22	9,262	7,928	85.60	9,262	8,079	87.23	6,258	67.57
Jul-22	6,202	5,091	82.09	6,202	5,184	83.59	3,845	62.00
Aug-22	6,226	5,154	82.78	6,226	5,269	84.63	3,891	62.50
Sep-22	9,386	8,288	88.30	9,386	8,282	88.24	6,015	64.08
Oct-22	6,315	5,332	84.43	6,315	5,337	84.51	3,768	59.67
Nov-22	6,446	5,420	84.08	6,446	5,442	84.42	3,994	61.96
Dec-22	9,604	8,439	87.87	9,604	8,426	87.73	6,476	67.43
Jan-23	6,642	5,478	82.48	6,642	5,489	82.64	2,488	37.46
Feb-23	5,628	5,587	99.27	5,628	5,586	99.25	4,263	75.75
Mar-23	8,802	8,741	99.31	8,802	8,719	99.06	6,268	71.21

Source: gst.gov.in

The filing of GSTR-3B for April 2022 was 84.23 *per cent* and for the month of March 2023 it was 99.06 *per cent*. However, the percentage of filing of GSTR-3B returns within the due date was ranging from as low as 37.46 *per cent* to 75 *per cent* during April 2022 to March 2023.

During 2022-23, the average *per cent* of filing of GSTR 3B within due date was only 62.89 *per cent* and the average filing of GSTR 3B after due date was 87.45 *per cent* indicating noncompliance of GST Rules and provisions relating to due dates for GSTR 3B return filing by 37.11 *per cent* of taxpayers.

5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2023 in respect of some Heads of Revenue as reported by the departments amounted to ₹ 454.91 crore, of which, ₹138.28 crore was outstanding for more than five years (as detailed in **Table 5.8**).

Table 5.8: Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding		Replies of Department
		As on 31 March 2023	For more than five years	
1	Power	417.14	109.72	Non-payment of Electricity bill by consumers.

¹¹⁷ Form GSTR-1 is a monthly/quarterly Statement of Outward Supplies of Goods and Services or both.

¹¹⁸ Form GSTR-3B is a summary return for GST liabilities and discharge of these liabilities during the period.

Sl. No.	Head of revenue	Total amount outstanding		Replies of Department
		As on 31 March 2023	For more than five years	
2	Roads and Bridges Department	3.96	1.63	The revenue section is in the process of reconciliation of outstanding arrear with the sub divisions.
3	Tourism & Civil Aviation Department	9.43	8.61	Non-payment of rent (Under legal action).
4	Transport Department	20.78	15.68	Not furnished.
5	Printing & Stationery Department	3.6	2.64	Non-payment by the indenting departments.
Total		454.91	138.28	

Source: Information received from Departments concerned.

5.4 Response of the departments/ Government towards Audit

The Accountant General (AG), Sikkim conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in Rules and procedures. Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot are issued to the heads of the offices inspected with copies to the next higher authorities for prompt corrective action. The heads of the offices/ departments are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

It was seen that 252 paragraphs involving ₹ 702.01 crore relating to 85 IRs remained outstanding at the end of June 2023. The details along with the corresponding figures for the preceding two years are mentioned in **Table 5.9**:

Table 5.9: Details of pending Inspection Reports

Particulars	June 2021	June 2022	June 2023
Number of outstanding IRs	95	97	85
Number of outstanding audit observations	265	268	252
Amount involved (₹ in crore)	331.66	310.66	702.01

5.4.1 The department-wise details of the IRs, the audit observations outstanding as on 30 June 2023 and the amounts involved are mentioned in **Table 5.10**:

Table 5.10: Department-wise details of IRs

Sl. No.	Name of Department	Nature of Receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (₹ in crore)
1	Finance, Revenue and Expenditure (Commercial Tax Division)	VAT/Taxes on Sales, Trade, etc.	15	51	366.71
2	Excise (<i>Abkari</i>)	State Excise	10	30	16.12
3	Land Revenue and Disaster Management	Land Revenue	10	16	0.51

Sl. No.	Name of Department	Nature of Receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (₹ in crore)
4	Transport (Motor Vehicles Division)	Taxes on Motor vehicles	4	13	20.77
5	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	0	0	0
6	Forest, Environment and Wildlife Management	Forestry and Wildlife	15	32	55.45
7	Finance, Revenue and Expenditure (Directorate of Sikkim State Lotteries)	Lottery	5	15	133.51
8	Urban Development and Housing	UD & HD	17	47	21.23
9	Energy and Power	Power	9	48	87.71
Total			85	252	702.01

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of nine nos. of IRs (issued during 2022-23) till June 2023. Pendency of IRs due to non-receipt of the replies was indicative of heads of offices and heads of the departments not initiating adequate action to rectify the defects, omissions and irregularities pointed out by the AG through IRs.

The Government may consider having an effective system for prompt and appropriate response to audit observations.

5.5 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During 2022-23, two Audit Committee Meetings were held with the District Collector, East and District Collector, North wherein 13 paragraphs involving ₹ 53.31 lakh relating to 10 IRs were settled.

The overall progress on settlement of paragraphs needs to be improved in view of the huge pendency of IRs and paragraphs.

5.6 Response of the departments to the draft audit paragraphs

The Accountant General forwards the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India to the Principal Secretaries/ Secretaries of the Department concerned, drawing their attention to audit findings and requesting them to send their response within four weeks. The fact of nonreceipt of replies from the departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

A Subject Specific Compliance Audit (SSCA) on 'Department's Oversight on GST Payments and Returns Filing' proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2023 was forwarded to the heads of Departments through demi-official letter and replies in respect of three paragraphs were received.

5.7 Follow up on Audit Reports - summarised position

The Rules of Procedures of the Committee on Public Accounts of the Sikkim Legislative Assembly (internal working) lay down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the Government should submit the action taken explanatory notes within three months of tabling the Report for consideration of the Committee. In spite of these provisions, the explanatory notes on the audit paragraphs of the Reports were being delayed inordinately.

Reports of the Comptroller and Auditor General of India of the Government of Sikkim for the years ended 31 March 2015, 2016, 2017, 2018, 2019 and 2020 containing 15 paragraphs under Revenue Sector were placed before the State Legislative Assembly between March 2015 and March 2023. Action taken explanatory notes in respect of nine paragraphs from six departments {Excise; Finance¹¹⁹; Police, Urban Development and Rural Development} had not been received for Audit Reports for the years ending 31 March 2015, 2016, 2017, 2018, 2019 and 2020.

During 2022-23, the PAC discussed four paragraphs and two Performance Audit Reports.

5.8 Commercial Tax Division, Finance Department - Analysis of the mechanism for dealing with issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/ Audit Reports by the departments/ Government, action taken on the paragraphs and Performance Audits (PAs) included in the Audit Reports pertaining to the last 10 years in respect of Commercial Tax Division, Finance Department was evaluated and included in this Report.

The succeeding *Paragraphs 5.8.1 to 5.8.3* discuss the performance of the Commercial Tax Division, Finance Department in dealing with the cases detected in course of local audit conducted during the last ten years and also the cases included in the Audit Reports pertaining to the last 10 years.

5.8.1 Position of IRs

The summarised position of IRs issued during the last ten years, paragraphs included in these Reports and their status as on 30 June 2023 are given in the following **Table 5.11**:

Table 5.11: Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2013-14	7	20	2.17	0	0	0.00	1	5	0.99	6	15	1.19
2014-15	6	15	1.19	1	5	0.93	1	7	2.06	6	13	0.05
2015-16	6	13	0.05	1	22	7.67	0	6	3.90	7	29	3.81
2016-17	7	29	3.81	1	3	0.60	4	26	3.79	4	6	0.62
2017-18	4	6	0.62	1	5	0.38	0	0	0.00	5	11	1.00
2018-19	5	11	1.00	1	4	2.56	0	2	0.11	6	13	3.45
2019-20	6	13	3.45	1	5	4.25	0	2	0.27	7	16	7.43
2020-21	7	16	7.43	1	7	18.71	0	4	7.37	8	19	18.77
2021-22	8	19	18.77	1	6	2.66	1	3	1.73	8	22	19.70
2022-23	8	22	19.70	1	8	19.29	5	17	18.22	4	13	20.77

No Departmental Audit Committee meeting was held in 2022-23.

¹¹⁹ Commercial Taxes Division and Directorate of Sikkim State Lotteries.

5.8.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports pertaining to the last 10 years accepted by the Department and recovery affected there-against is mentioned in **Table 5.12:**

Table 5.12: Details of accepted paragraphs and recovery thereof

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative position of recovery of accepted cases (₹ in crore)
2010-11	No paragraphs featured in the Audit Report					
2012-13	03	30.03	2	28.94	Nil	Nil
2013-14	No paragraphs featured in the Audit Report					
2014-15	1	2.59	0	0	Nil	Nil
2015-16	No paragraphs featured in the Audit Report					
2016-17						
2017-18						
2018-19	1	0.86	1	0.86		
2019-20	No paragraphs featured in the Audit Report					
2020-21						
2021-22						

It was evident from the above table that the progress of recovery even in accepted cases was very slow during the last ten years. The recovery in accepted cases was to be pursued as arrears recoverable from the parties concerned. The Department/ Government had not put in place any mechanism for pursuance of the accepted cases. In the absence of a suitable mechanism, the Department could not monitor the recovery in accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

5.8.3 Action taken on the recommendations accepted by the departments/ Government

The draft reports on Performance Audits (PAs) conducted by the AG are forwarded to the Government/ Department concerned for their information with a request to furnish their replies. These PAs are also discussed in the exit conference and the Department's/ Government's views are included while finalising the PAs for the Audit Reports.

The following SSCA on Commercial Tax Division had featured in the Audit Report 2019-20. The details of recommendations and their status are given in **Table 5.13:**

Table 5.13: Details of recommendations and their status

Year of AR	Name of the PA	Details of the Recommendations	Status
2019-20	Subject specific Compliance audit on processing of refund claims under GST in Sikkim	Compliance to relevant provisions of the act and rules should be monitored and ensured by CTD, Sikkim at each stage of refund process right from issue acknowledgement up to the credit of refund amount into the taxpayers account within the prescribed time limit.	In case of refunds pertaining to excess balance in the Cash Ledger auto acknowledgement is issued by the system. But for all other case refunds processing is done as per provision of the law.

Year of AR	Name of the PA	Details of the Recommendations	Status
2019-20	Subject specific Compliance audit on processing of refund claims under GST in Sikkim	The CTD may address issues relating to auto calculation of interest in the system in case of delay in sanction of refund.	Currently the auto calculation of interest is not enabled. However while issuing RFD05 officer can add the interest amount manually.
		The CTD may consider putting in place a system of post-audit of refund cases by issuing detailed instructions/guidelines.	Currently the refund is processed by seven member committee with Checker. Maker and approver system. With junior officer having the role of the maker and senior officer having the role of checker and maker. After the approver approves the returns then the checker can pass the order.
		The CTD should take necessary systemic steps to ensure that the data captured by the State's system is fully consistent with that in the common GST portal.	The department stated that there may be some data mismatch due to cron failure. To reduce such errors, the departmental IT team makes effort to identify such errors and repull data when necessary. However, cron failures are unavoidable due to various factors beyond human control.

NB: Status as in the table is based on departmental replies

5.9 Audit Planning

The unit offices under various departments were categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan was prepared on the basis of risk analysis which inter alia included critical issues in Government revenues and tax administration, *i.e.* budget speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years *etc.*

During 2022-23, there were nine auditable units, of which three units (33.33 *per cent*) were planned and audited.

5.10 Results of audit

Test check of the records of three units under Revenue departments {Excise Department, Motor Vehicle Division, Transport Department, Directorate of Sikkim State Lotteries, Finance Department} were carried out during the year 2022-23. It revealed irregularities involving revenue aggregating to ₹ 123.05 crore in 20 cases. During the course of the year, the departments concerned accepted 44 observations.

5.11 Coverage of this Report

This Chapter contains Subject Specific Compliance Audit on 'Department's Oversight on GST Payments and Returns Filing'.

COMPLIANCE AUDIT

5.12 Subject Specific Compliance Audit on Department's Oversight on GST Payments and Returns Filing for the year 2017-18

5.12.1 Introduction

Introduction of Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 01 July 2017, is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST/Union Territory GST (UTGST) are levied on intra-state supplies and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Sikkim Goods and Services Tax Act, 2017 (SGST Act) stipulates GST as a self-assessment based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested with the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a nil return mandatorily. Further, Section 61 of the SGST Act read with Rule 99 of Sikkim Goods and Services Tax Rules, 2017 (SGST Rules) stipulate that the proper officer may scrutinise the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Commercial Taxes Division, Finance Department, Government of Sikkim, (CTD) in this new tax regime.

5.12.2 Audit objectives

This audit was oriented towards providing assurance on adequacy and effectiveness of systems and procedures adopted by the CTD with respect to tax compliance under GST regime. This audit was taken up with the following audit objectives to seek an assurance on:

- (i) Whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and
- (ii) Whether the scrutiny procedures, internal audit and other compliance functions of the Sectors were adequate and effective.

5.12.3 Audit methodology and scope

This SSCA was predominantly conducted based on data analysis, which highlighted risk areas and red flags pertaining to the period July 2017 to March 2018. Through data analysis, a set of 12 deviations were identified across the domains of input tax credit, discharge of tax liability, registration and return filing. Such deviations were followed up through a **centralised audit**¹²⁰, whereby these deviations were communicated to the relevant Sectors and action taken by the Sectors on the identified deviations was ascertained without involving field visits. The centralised audit was supplemented by a

¹²⁰ Centralised Audit did not involve seeking taxpayer's granular records such as financial statements related ledger accounts, invoices, agreements etc.

detailed audit involving field visits for verification of records available with the Sectors. The returns and related attachments and information were accessed through the State CTD's tax application (<http://www.sikkimtax.gov.in/>) as much as feasible to examine data/documents relating to taxpayers (*viz.* returns, tax payment, *etc.*). The detailed audit also involved accessing relevant granular records from the taxpayers such as invoices through the Sectors. This apart, compliance functions of the Sectors such as scrutiny of returns, conduct of internal audit, action on late filers/non-filers *etc.* were also reviewed in selected Sectors.

In Sikkim, the functional organisation of the CTD under GST is based on Sectors or nature of business (such as Manufacturer, Trader, Service Provider, *etc.*). Therefore, the audit of functions of selected Sectors was taken up.

The review of the scrutiny of returns by the CTD and verification of taxpayers' records covered the period from July 2017 to March 2018, while the audit of the functions of selected Sectors covered the period from July 2017 to March 2021. The SSCA covered only State administered taxpayers. The field audit was conducted from 1 April 2022 to 1 February 2023.

Entry Conference of this SSCA was held on 1 April 2022 with a team of officers from the CTD headed by the Commissioner in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held on 01 February 2023 with a team of concerned officers from the CTD in which the audit findings were discussed. The views expressed by the CTD team during the Exit Conference and the written replies to the draft report have been suitably incorporated in the relevant paragraphs.

5.12.4 Audit sample

A data-driven approach was adopted for planning, as also to determine the nature and extent of substantive audit. The sample for this SSCA comprised a set of deviations identified through data analysis for centralised audit that did not involve field visits; a sample of taxpayers for detailed audit that involved field visits and scrutiny of taxpayer's records at the CTD's premises; and a sample of Sectors for evaluating the compliance functions of the Sectors.

There were three distinct parts of this SSCA as under:

- (i) **Part I-Audit of Sectors:** Three Sectors with jurisdiction over more than one selected sample of cases for detailed audit were considered as the sample of Sectors for evaluation of their oversight functions.
- (ii) **Part II-Centralised Audit:** The sample for centralised audit was selected by identification of high-value or high-risk deviations from rules and inconsistencies between returns through data analysis for evaluation of the adequacy and effectiveness of the scrutiny procedure of the CTD. Accordingly, 93 cases were selected for centralised audit under this SSCA.
- (iii) **Part III-Detailed Audit:** It was conducted by accessing taxpayers' records through Sectors for evaluation of the extent of tax compliance by taxpayers. The sample of taxpayers for detailed audit was selected on the basis of various risk parameters such as excess ITC, tax liability mismatch, disproportionate exempted turnover to total turnover and irregular ITC reversal. Fourteen taxpayers selected for detailed audit

comprised large¹²¹, medium¹²² and small¹²³ strata taxpayers as well as taxpayers selected randomly.

5.12.5 Audit criteria

The source of audit criteria comprised the provisions contained in the SGST Act, IGST Act, and Rules made there under. In addition, the notifications and circulars issued by State CTD relating to filing of returns, notifying the effective dates of filing of various returns, extending due dates for filing returns, rates of tax on goods and services, payment of tax, availing and utilising ITC also formed part of the audit criteria.

5.12.6 Audit findings

The audit findings are categorised into the following four categories:

- 1) Audit findings of Sector Audit
- 2) Audit findings of Centralised/ Limited Audit
- 3) Audit findings of Detailed Audit
- 4) Inadequacy of return data in State system

5.12.6.1 Audit findings of Sector Audit

For evaluation of oversight functions of Sectors, three out of total four Sectors¹²⁴ of the CTD with jurisdiction over more than one sample cases of detailed audit were selected. The selected Sectors were Industries, Services and Trading. The observations are brought under four broad categories: scrutiny of returns, internal audit, late/non-filing of returns and cancellation of registrations.

In Sector Audit, due to non-production/non-availability of the records pertaining to Sectoral functions, Audit could not comprehensively ascertain the effectiveness of the overseeing mechanism on returns filing and other functions of the Sectors.

a) Deficient monitoring mechanism on returns scrutiny

As per Section 61(1) of the SGST Act, the proper officer may scrutinise the returns and related particulars furnished by the registered person to verify the correctness of the return and inform him of the discrepancies noticed, if any, in such manner as may be prescribed and seek his explanation thereto.

To assess the scrutiny functions of the CTD, details¹²⁵ of the scrutiny conducted by the selected Sectors during the period July 2017 to March 2021 were called for in Audit. During Entry Conference (1 April 2022), the CTD intimated that the scrutiny function was done in the application itself and there is no module to record the scrutiny conducted. However, CBIC has formulated a Standard Operating Procedure (SOP) for scrutiny of returns which will act as an interim measure till such module to record scrutiny is made available in the system.

¹²¹ First category strata comprising large taxpayers – top 2 per cent of taxpayers based on turnover.

¹²² Second category strata comprising medium taxpayers – next 8 per cent of taxpayers based on turnover.

¹²³ Third category strata comprising small taxpayers – remaining 90 per cent of taxpayers based on turnover.

¹²⁴ i) Industries and Banking (ii) Works Contract (iii) Services and (iv) Trading.

¹²⁵ Number of taxpayers whose returns were scrutinized, Number of returns scrutinized, Number of repeated taxpayers, Number of cases where ASMT-10 were issued, Cases where discrepancy accepted by taxpayers and other follow up action taken.

CTD did not respond to audit queries as to whether any such SOP for scrutiny of returns has been formulated by them. Only one Sector (*i.e.* Industries) stated that four taxpayers were scrutinised by the CTD under Section 61 and notices were issued under ASMT-10. No further records were produced by other Sectors to prove that scrutiny function has been undertaken. Therefore, Audit understands that out of total 10940 taxpayers, only four taxpayers were scrutinised and ASMT-10 were issued during the period from 2017-18 to 2020-21. Further, the modalities of scrutiny adopted by the CTD, the basis for selection of taxpayers for scrutiny, the checks that were done in the application itself, any data analytics methods adopted and reports of DGARM¹²⁶ received, if any, and action taken thereon were called for (September 2022) in Audit, but the CTD had not responded till date (November 2023). Due to non-production of these records, the scrutiny function carried out by the Sectors on return filing could not be assessed comprehensively by Audit.

Recommendation 1: *The CTD may put in place proper mechanism for scrutiny of returns to ensure compliance of rules pertaining to returns filing and tax payments by all taxpayers. The CTD may prepare a Standard Operating Procedure for manual scrutiny of returns in line with one prepared by CBIC, for use till automation of scrutiny is completed.*

b) Lack of action on late-filers and non-filers

Section 46 of the SGST Act read with Rule 68 of SGST Rules stipulates issue of a notice in Form GSTR-3A requiring filing of return within fifteen days if the taxpayer had failed to file the return within the due date. Further, Section 62 of SGST Act read with Rule 100 of SGST Rule stipulates that in case, the taxpayer fails to file the returns even after such notice, the competent officers may proceed to assess the tax liability of the said person to the best of their judgement, considering all the relevant material which is available or gathered and issue an assessment order in Form ASMT-13. Section 29(2) (c) of the SGST Act provides that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where, any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months.

Filing of returns is related to payment of tax as the due date for both the actions are same. This implies risk of non-payment of tax/penalty in the case of non-filers.

To assess the CTD's action on late/non-filers of the returns, information¹²⁷ on non/late filers identified and action taken by three selected Sectors during July 2017 to March 2021 were called for in Audit. Despite issue of several reminders, no information was furnished to the Audit till date (November 2023). In this regard, however, the CTD responded on 12 September 2022 that non-filers are not applicable under GST regime. The contention of the CTD is not acceptable as Section 29(2) (c) of the SGST Act clearly provides that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months.

¹²⁶ Directorate General of Analytics and Risk Management.

¹²⁷ such as number of non-filers identified, number of GSTR-3A issued, number of returns filed in pursuance of GSTR-3A and follow up action taken.

Further, Audit observed that out of the fourteen taxpayers selected for detailed audit, three¹²⁸ had filed GSTR-1 return(s) after a delay of more than six months, three¹²⁹ had filed GSTR-3B returns after a delay of more than six months and two¹³⁰ taxpayers had not filed GSTR-9 and GSTR-9C¹³¹ till July 2023. Yet no action for cancellation of their registration was seen to have been initiated by the CTD (November 2023).

Recommendation 2: CTD may establish mechanism to regularly identify late-filers and non-filers and take necessary steps to recover tax, interest and late fee from them.

c) Inadequacy of verification mechanism for cancellation of registration

Section 29(1) of SGST Act, 2017 stipulates that the proper officer may, either on his own motion, or on application filed by registered person or his legal heir cancel the registration having regard to circumstances where the business has been discontinued, change in constitution of business or the taxable person is no longer liable to be registered.

Section 29(2) of the SGST Act, 2017 allows for *suo moto* cancellation of the registration of taxpayer by tax officer on the grounds of contravention of the Acts or Rules by the taxpayer, composition taxpayers not filing return for three consecutive tax periods, normal taxpayers not filing return for continuous period of six months, registered persons not commencing business within six months from date of registration and registration obtained by means of fraud, willful misstatement or suppression of facts.

Rule 22(1) of SGST Rules, 2017 prescribes that where proper officer has reasons to believe that registration of a person is liable to be cancelled under Section 29, he shall issue a notice to such person in form GST REG-17, requiring him to show cause, within a period of seven working days, from the date of serving of such notice, as to why his registration should not be cancelled.

To assess CTD's action on cancellation of registration, information¹³² pertaining to action taken for cancellation of registration by the selected Sectors during July 2017 to March 2021 was called for in Audit.

In response, the CTD (September 2022) furnished only a list of 577 taxpayers whose registrations were cancelled on voluntary basis. No information was furnished to Audit regarding *suo-moto* cancellations or cancellations initiated by the Sector officer in the State till date (November 2023). Therefore, in the absence of complete information on cancellation of registrations initiated by tax authorities and follow up action taken by them, the function of the Sectors on verification mechanism for cancellation of registration could not be assessed.

¹²⁸ (i) M/s Vodafone Mobile Services (GSTIN - 11AAACS4457Q1Z3) for the month of March 2018 (ii) M/s Sikkim Nationalised Transport Department (GSTIN - 11AAAGS1563B1ZX) for the month of November 2017 to March 2018 and (iii) M/s Sikkim Organics (GSTIN - 11ABBFS1390P1Z2) for the month of October 2017 to March 2018. Details in **Appendix 5.11 (a)**.

¹²⁹ (i) M/s Sikkim Nationalised Transport Department (GSTIN - 11AAAGS1563B1ZX) for the months November 2017 to March 2018, (ii) M/s Sikkim Organics (GSTIN - 11ABBFS1390P1Z2) for the months of August 2017 to March 2018 and (iii) Dhaneshwar Prasad (GSTIN - 11CBIPS1024H1Z2) for the month of February 2018. Details in **Appendix 5.9 (a)**.

¹³⁰ (i) M/s M/s Sikkim Nationalised Transport Department (GSTIN - 11AAAGS1563B1ZX) (ii) M/s Sikkim Organics (GSTIN - 11ABBFS1390P1Z2).

¹³¹ The total turnover of both the taxpayers were more than ₹ 5 crore.

¹³² number of requisitions received for cancellation, number of cancellations initiated by Sector Officer on own motion, number of show cause notices issued, number of GSTR-10 filed and other follow up action taken on cancellation of non-filers, etc.

Recommendation 3: CTD may establish mechanism to regularly identify taxpayers who have not filed GST returns for more than six months and take necessary steps to recover applicable tax, interest and late fee from them and cancel the registrations.

d) Internal Audit

As per Section 65 of the SGST Act, the Commissioner or any officer authorised by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed. Section 2 (13) of the SGST Act defines “Audit” as the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the Rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the Rules made thereunder.

To assess the internal audit function of the CTD, information¹³³ on internal audit conducted by the selected Sectors during July 2017 to March 2021 was called for in Audit.

In response to audit requisitions, CTD (September 2022) furnished only a list of 10 taxpayers¹³⁴ selected for audit by the CTD under Section 65. However, details of internal audit undertaken in respect of these taxpayers not furnished. In the absence of requisite information/records, internal audit function could not be examined by Audit.

5.12.6.2 Audit findings on Centralised Audit

Audit analysed GST returns data pertaining to 2017-18 as made available by Goods and Services Tax Network (GSTN). Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 12 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

Out of the 13 prescribed GST returns¹³⁵, following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies, and mismatches between GST returns/data:

- **GSTR-1:** monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both, and contains details of outward supplies of goods and services.
- **GSTR-3B:** monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- **GSTR-6:** monthly return for Input Service Distributors providing the details of their distributed input tax credit and inward supplies.

¹³³ Number of units planned for audit, Number of units covered, deviations, etc.

¹³⁴ four from Industries, two from Services and four from Trading sectors.

¹³⁵ GSTR-1, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-5 (non-resident taxable person), GSTR-5A (Non-resident OIDAR service providers), GSTR-6 (Input service distributor), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual Return), GSTR-10 (Final return), GSTR-11 (person having UIN and claiming a refund), CMP-08, and ITC-04 (Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker).

- **GSTR-8:** monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- **GSTR-9:** annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deductor at Source/Tax Collector at Source, Casual Taxable Person and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- **GSTR-9C:** annual audit form for all taxpayers having a turnover above ₹ five crore in a particular financial year. It is basically a reconciliation statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.
- **GSTR-2A:** a system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their Form GSTR-1/5, ISD details from GSTR-6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE Portal of Indian Customs.

The taxpayers identified on the basis of data analysis pertaining to the 12 identified parameters and extent of deviations/inconsistencies observed are summarised in **Table 5.14**.

Table 5.14: Summary of inconsistencies/deviations identified for Centralised/Limited Audit

(₹ in crore)

Sl. No.	Parameter	Algorithm used	Number of deviations	Amount
Domain: ITC				
1	ITC mismatch between GSTR-2A and GSTR-3B	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A (5) (accrued on domestic supplies) considering the reversals in Table 4B (2) but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR-9	10	6.29
2	ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	RCM payments in GSTR-3B Table 3.1(d) were compared with ITC availed in GSTR-9 Table 6C, 6D and 6F. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B - tax discharged in Table 3.1(d) vis-à-vis ITC availed Table 4A (2) and 4A (3)	10	0.67
3	Short payment of tax under RCM vs. ITC availed in GSTR-3B/ GSTR-9	RCM payments in GSTR-9 Table 4G (tax payable) was compared with ITC availed in GSTR-9 Table 6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4(A) (2) and 4(A) (3). Greater of difference in GSTR-9 and GSTR-3B considered where both were available.	3	0.01
4	Incorrect availment of ISD credit	ISD transferred in GSTR-9 Table 6G or GSTR-3B Table 4(A) (4) was compared with the sum of Table 5A, Table 8A, and Table 9A of GSTR-6 of ISD.	10	1.05

Sl. No.	Parameter	Algorithm used	Number of deviations	Amount
5	Mismatch of ITC availed between annual returns and books of accounts	Positive figure in GSTR-9C Table 12F.	10	3.05
6	Reconciliation between ITC availed in annual returns with expenses in financial statements	Positive figure in GSTR-9C Table 14T.	8	16.83
Domain: Tax payment				
7	Mismatch in turnover declared in GSTR-9C Table 5R	Negative figure in GSTR-9C Table 5R.	3	9.26
8	Mismatch in taxable turnover declared in GSTR-9C Table 7G	Negative figure in GSTR-9C Table 7G.	10	113.46
9	Mismatch in tax paid between books of accounts and returns	Negative figure in GSTR-9C Table 9R.	9	1.86
10	Unsettled liabilities	Greater of tax liability between GSTR1 (Table 4 to 11) and GSTR-9 (Table 4N, 10 & 11) was compared with tax paid details in GSTR-3B Table {3.1 (a) + 3.1 (b)}. In cases where GSTR-9 was not available, tax paid in GSTR-3B was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and GSTR-9 were duly considered.	10	3.41
11	GSTR-3B was not filed but GSTR-1 is available	Taxpayers who had not filed GSTR-3B but filed GSTR-1 or where GSTR-2A available, indicating taxpayers had carried the business without discharging tax.	1	0.00*
12	Short payment of interest	Interest calculated at the rate of 18 per cent on cash portion of tax payment on delayed filing of GSTR-3B vis-a-vis Interest declared in GSTR3B Table 6.1.	9	0.98
Total			93	156.87

* ₹ 3,024 (Amount in ₹)

a) Non-submission of reply by the CTD

Audit selected a sample of 93 cases (18 from Industries Sector, 46 from Service Sector and 29 from Trading Sector) from amongst the top deviations/inconsistencies in each of the 12 parameters for the year 2017-18. The audit queries were issued to the respective Sectors on 19 May 2022. Audit checks in these cases were limited to verifying the CTD's action on the identified deviations/mismatches. Out of 93 queries issued, responses were received in 38 cases and no response was received (November 2023) in 55 cases.

The details of 55 inconsistencies (where response was not received) communicated to the CTD, which represent mismatches/inconsistencies of ₹ 118.81 crore¹³⁶ are given in **Table 5.15**.

¹³⁶ 48 mismatches/inconsistencies pertaining to ITC, tax & interest amounting to ₹ 23.60 crore and seven mismatches/ inconsistencies of turnover amounting to ₹ 95.21 crore.

Table 5.15: Reply not received

(₹ in crore)

Audit Dimension Number		Sample		CTD reply not received	Percentage of reply not received		
		Amount	Number	Amount	Number	Amount	Amount
1	ITC mismatch between GSTR-2A and GSTR-3B	10	6.29	5	1.56	50.00	24.80
2	ITC availed under RCM without payment of tax in GSTR-3B/GSTR-9	10	0.67	6	0.56	60.00	83.58
3	Short payment of tax under RCM vs. ITC availed in GSTR-3B/GSTR-9	3	0.012	2	0.007	66.67	58.33
4	Incorrect availment of ISD credit	10	1.05	6	0.09	60.00	8.57
5	Mismatch of ITC availed between annual returns and books of accounts	10	3.05	3	2.37	30.00	77.70
6	Reconciliation between ITC availed in annual returns with expenses in financial statements	8	16.83	5	14.46	62.50	85.92
7	Mismatch in turnover declared in GSTR-9C Table 5R	3	9.26	2	8.44	66.67	91.14
8	Mismatch in taxable turnover declared in GSTR-9C Table 7G	10	113.46	5	86.77	50.00	76.48
9	Mismatch in tax paid between books of accounts and returns	9	1.86	5	1.15	55.56	61.83
10	Unsettled liabilities	10	3.41	8	2.46	80.00	72.14
11	GSTR-3B was not filed but GSTR-1 is available	1	0.00*	0	0	0.00	0.00
12	Short payment of interest	9	0.98	8	0.94	88.89	95.92
Total		93	156.87	55	118.81	59.14	75.74

*₹ 3,024 (Amount in ₹)

Considering the amount involved in these cases, the CTD may expedite verification of the cases on a priority. Details of the cases are listed in *Appendix 5.1* and the top ten cases under each dimension are given in **Table 5.16**.

Table 5.16: Dimension wise cases with highest value where CTD did not respond

Si. No.	Dimension	GSTIN	Sector	Amount (₹ in crore)
1	ITC mismatch between GSTR-2A and GSTR-3B	11AACCC5192J1ZT	Service	0.43
2	ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	11AACCT1282E1ZW	Service	0.28
3	Short payment of tax under RCM vs. ITC availed in GSTR-3B/ GSTR-9	11BKSP2027H2Z7	Trading	0.004
4	Incorrect availment of ISD credit	11AAACT5456A1ZY	Manufacturing	0.08
5	Mismatch of ITC availed between annual returns and books of accounts	11AAACY3532C1Z0	Manufacturing	2.19
6	Reconciliation between ITC availed in annual returns with expenses in financial statements	11AAMCS4609N1Z3	Trading	9.69
7	Mismatch in turnover declared in GSTR-9C Table 5R	11AAICS3218B1Z1	Service	7.02
8	Mismatch in taxable turnover declared in GSTR-9C Table 7G	11AABCE3886A1Z6	Service	85.44
9	Mismatch in tax paid between books of accounts and returns	11AEOPM7357L1Z1	Trading	0.91
10	Unsettled liabilities	11ABBFA0749A1ZE	Service	0.91
11	Short payment of interest	11AYCPG8739N2Z5	Service	0.53

Recommendation 4: CTD may urgently pursue the 55 inconsistencies/deviations pointed out by Audit for which responses have not been provided and intimate the results there-of.

b) Results of centralised audit

Based on responses received from the CTD to the audit queries, the extent to which each of the 12 parameters translated into compliance deviations is summarised in Table 5.17:

Table 5.17: Summary of deficiencies observed in Centralised Audit

(₹ in crore)

Si. No.	Audit Dimension	Cases where reply received		Department reply accepted by Audit		Compliance deviations					
						Amount recovered		Department's reply not acceptable to Audit (Rebuttal)		Total	
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1		2	3	4	5	6	7	8	9	10	11
1	ITC mismatch between GSTR-2A and GSTR-3B	5	4.68 ¹³⁷	3	3.05	0	0	2	1.63	2	1.63
2	ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	4	0.11	1	0.05	0	0.00	3	0.06	3	0.06
3	Short payment of tax under RCM vs. ITC availed in GSTR-3B/ GSTR-9	1	0.01	1	0.01	0	0.00	0	0.00	0	0.00

¹³⁷ In one case, mismatch amount of ₹ 1.41 crore reduced to ₹ 1.37 crore on the basis of reply..

Si. No.	Audit Dimension	Cases where reply received		Department reply accepted by Audit		Compliance deviations					
						Amount recovered		Department's reply not acceptable to Audit (Rebuttal)		Total	
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
4	Incorrect availment of ISD credit	4	0.96	1	0.00	1	0.001	2	0.96	3	0.96
5	Mismatch of ITC availed between annual returns and books of accounts	7	0.68	3	0.21	0	0	4	0.47	4	0.47
6	Reconciliation between ITC availed in annual returns with expenses in financial statements	3	2.38	3	2.38	0	0.00	0	0.00	0	0.00
7	Mismatch in turnover declared in GSTR-9C Table 5R	1	--- ¹³⁸	0	0.00	0	0.00	1	---	1	---
8	Mismatch in taxable turnover declared in GSTR-9C Table 7G	5	--- ¹³⁹	1	---	0	0.00	4	---	4	---
9	Mismatch in tax paid between books of accounts and returns	4	0.71	1	0.31	2	0.24	1	0.16	3	0.40
10	Unsettled liabilities	2	0.95	1	0.76	0	0.00	1	0.19	1	0.19
11	GSTR-3B was not filed but GSTR-1 is available	1	0.00*	0	0.00	1	0.00	0	0.00	1	0.00*
12	Short payment of interest	1	0.04	1	0.04	0	0.00	0	0.00	0	0.00
	Total	38	10.52	16	6.81	4	0.24	18	3.47	22	3.71

*₹ 3,024 (Amount in ₹)

Summary of Centralised Audit

Out of total 93 inconsistencies/mismatches pointed out by Audit, the CTD provided responses in case of 38 inconsistencies/mismatches amounting to ₹ 10.52 crore. Out of those 38 replies, Audit noticed deviations from the provisions of the SGST Act in 22 cases involving amount of ₹ 3.71 crore. Out of 22 compliance deviations, the CTD accepted audit observations and made recoveries in four cases with tax effect of ₹ 0.24 crore and in 18 cases, the replies were not acceptable to Audit, hence, suitable rebuttal were provided.

Out of 38 cases, in 16 cases, the Department's reply was acceptable to Audit, which includes 4 cases of data entry errors and 12 cases under other valid explanations.

¹³⁸ This dimension is based on turnover. Therefore, tax liability under this dimension was not quantified. Total unreconciled turnover (TO) in Table 5R of GSTR 9C in three cases is ₹ 9.26 crore out of which Department's reply in respect of mismatched TO of ₹ 8.44 crore in two cases is yet to be received and in one case involving mismatched TO of ₹ 0.82 crore compliance deviation has been observed.

¹³⁹ This dimension is based on taxable turnover. Therefore, tax liability under this dimension was not quantified. Total unreconciled taxable turnover (TTO) in Table 7G of GSTR 9C in 10 cases is ₹ 113.46 crore out of which Department's reply in respect of mismatched TTO of ₹ 86.77 crore in five cases is yet to be received, in one case involving mismatched TTO of ₹ 7.02 crore valid explanation was provided by the Department and the compliance deviations in the remaining four cases involving mismatched TTO of ₹ 19.67 crore have been observed.

The 93 inconsistencies/mismatches are listed in *Appendix 5.1 to 5.5* and the highest value cases of each dimension are illustrated in **Table 5.18**:

Table 5.18: Top case for each dimension of Centralised Audit

Sl. No.	Dimensions	GSTIN	Amount of Mismatch (₹ in crore)	Action taken
1.	ITC mismatch between GSTR-2A and GSTR-3B	11AAACI5120L1Z1	1.41	Reply received, Partly accepted.
2.	ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	11AACCT1282E1ZW	0.28	No response received
3.	Short payment of tax under RCM vs. ITC availed in GSTR-3B/ GSTR-9	11BKSP2027H2Z7	0.004	No response received
4.	Incorrect availment of ISD credit	11AABCA9521E1ZA	0.56	Cited technical reason but lacks supporting documents
5.	Mismatch of ITC availed between annual returns and books of accounts	11AAACY3532C1Z0	2.19	CTD stated that GSTR-9C was not available in the State system and was under process for integration. However, no further response received
6.	Reconciliation between ITC availed in annual returns with expenses in financial statements	11ALHPP0553F1ZJ	3.12	
7.	Mismatch in turnover declared in GSTR-9C Table 5R	11AAABS2047P1ZH	6.36	
8.	Mismatch in taxable turnover declared in GSTR-9C Table 7G	11AABCE3886A1Z6	85.44	
9.	Mismatch in tax paid between books of accounts and returns	11AAAJ0288R1ZS	0.04	No response received
10.	Unsettled liabilities	11ABBFA0749A1ZE	0.91	No response received
11.	GSTR-3B was not filed but GSTR-1 is available	11EFHPS3962D1ZI	0.00*	Liability discharged on 8-9-2022
12.	Short payment of interest	11AYCPG8739N2Z5	0.53	No response received

*₹ 3,024 (Amount in ₹)

(i) ITC mismatch between GSTR-3B and GSTR-2A

GSTR-2A is a purchase related dynamic tax return that is automatically generated for each business by the GST portal, whereas GSTR-3B is a monthly return in which summary of outward supplies along with ITC declared and payment of tax are self-declared by the taxpayer.

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR-3B and GSTR-2A for the year 2017-18, and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer.

Audit observed that in case of a taxpayer, *M/s Intas Pharmaceuticals* (GSTIN - 11AAACI5120L1Z1) under Industries Sector, ITC available as per GSTR-2A was ₹ 28.74 crore and the ITC availed in table 4(A)(5) of GSTR-3B was ₹ 30.15 crore (including ITC ₹ 2.23 crore availed in the subsequent year 2018-19 from Table 8C of GSTR-9). This resulted in mismatch of ITC availed for ₹ 1.41 crore which was communicated to the CTD on 19 May 2022. In response, CTD furnished (April 2023) three justifications

for the excess ITC as follows:

- (a) Total ITC for ₹ 29.82 crore and not ₹ 28.75 crore was being arrived after deducting import from SEZ. This contention was not acceptable as the ITC availed figure arrived at by Audit did not include the figures of table 4(A) (1) of GSTR-3B (imports).
- (b) The excess ITC was further justified by furnishing the amended invoices pertaining to ITC of ₹ 0.97 crore. However, the original invoices in this case were not produced to Audit. Therefore, the Audit was unable to verify the claim of amendment of invoices in this case.
- (c) There was ITC of ₹ 0.04 crore pertaining to purchase invoices of 2017-18 uploaded by the suppliers in 2018-19, this was checked in GSTR-1 of suppliers for 2018-19 and found correct. Therefore, the observation is amended by Audit to that extent.

Hence, excess ITC of ₹ 1.37 crore was due to the state exchequer from *M/s Intas Pharmaceuticals*.

(ii) ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9

Under the Reverse Charge Mechanism, the liability to pay tax is fixed on the recipient of supply of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the SGST Act, 2017 and under sub-section (3) or sub-section (4) of Section 5 of the SGST Act, 2017.

GSTR-9 is an annual return to be filed once for each financial year, by the registered taxpayers who were regular taxpayers, including SEZ units and SEZ developers. The taxpayers are required to furnish details of purchases, sales, input tax credit or refund claimed, or demand created etc.

To analyse the veracity of ITC availed on tax paid under Reverse Charge Mechanism (RCM) for the year 2017-18, the datasets pertaining to GSTR-3B and annual return GSTR-9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid.

Audit observed that in case of a taxpayer, *M/s ATC Telecom Infrastructure Pvt. Ltd.* (GSTIN - 11AACCT1282E1ZW) under Service Sector, ITC available in table 3.1(d) of GSTR-3B was ₹ 0.03 crore and the ITC availed in table 4A (2) & (3) of GSTR-3B was ₹ 0.31 crore resulting in mismatch of ITC availed for ₹ 0.28 crore. This was communicated to the CTD on 19 May 2022 followed by reminders on 19 July 2022 and 31 August 2022. No response was received from the CTD (November 2023).

(iii) Short payment of tax under RCM vs. ITC availed in GSTR-3B/GSTR-9

The extent of availing of ITC under RCM for the year 2017-18 without discharging equivalent tax liability or, in other words, short payment of tax under RCM was analysed by comparing the datasets pertaining to GSTR-3B and annual return GSTR-9 to check whether the tax has been discharged fully on the activities/transactions under RCM. In cases where GSTR-9 was filed, the RCM payments in Table 4G¹⁴⁰ was compared with ITC availed in Table 6C, 6D and 6F. In cases, where GSTR-9 was not available, RCM payments in GSTR-3B Table 3.1(d)¹⁴¹ was compared with GSTR-3B 4(A) (2)¹⁴² and 4(A) (3)¹⁴³.

¹⁴⁰ Inward supplies on which tax is to be paid on reverse charge basis.

¹⁴¹ Inward supplies (liable to be reverse charge).

¹⁴² Import of services.

¹⁴³ Inward supplies liable to be reverse charge other than Import of Goods and Services.

Audit observed that in case of a taxpayer, *M/s Anu Enterprises* (GSTIN - 11BKSP2027H2Z7) under Trading Sector, the RCM payments in table 4G of GSTR-9 was nil (GSTR-3B also shows Nil RCM payment) and the ITC availed in table (6C+6D+6F) of GSTR-9 was ₹ 36,947. This resulted in excess availment of ITC on RCM without payment of tax amounting to ₹ 36,947 which was communicated to the CTD on 19 May 2022. No response was received from the CTD (November 2023).

(iv) Incorrect availment of ISD credit

To analyse whether the ITC availed by the taxpayer is more than that transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayer is compared with the ITC transferred by the ISD in their GSTR-6.

In case of a taxpayer, *M/s Alkem Laboratories Ltd.* (GSTIN - 11AABCA9521E1ZA) under Industries Sector, Audit observed that the ITC availed in table 6G of GSTR-9 was ₹ 1.11 crore and the ITC transferred by the ISD in table (5A+8A+9A) of GSTR-6 was ₹ 0.55 crore. This resulted in excess availment of ITC transferred by the ISD amounting to ₹ 0.56 crore which was communicated to the CTD on 19 May 2022.

The CTD replied (April 2023) that the ISD transfer of ₹ 0.56 crore was not reflected in GSTR-6 table 5A due to technical glitch in GST portal. The reply is not acceptable as no documentary evidence was furnished to prove that excess ITC availed under ISD for ₹ 0.56 crore was eligible.

(v) Mismatch of ITC availed between annual returns and books of accounts

Table 12 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed as per audited annual financial statement or books of accounts. Column 12F of this table deals with unreconciled ITC.

The certified reconciliation statement submitted by the taxpayer as required under the Rule 80(3) of SGST Rules in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the Financial Statements.

In case of a taxpayer, *M/s Yuksom Breweries Ltd.* (GSTIN - 11AAACY3532C1Z0) under Industries Sector, unreconciled ITC of ₹ 2.19 crore declared in Table 12F of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on financial statements was noticed and communicated to the CTD on 19 May 2022. In response to audit queries pertaining to GSTR-9C, the CTD intimated (September 2022) that data pertaining to GSTR-9C was in the process of integration with State system and the above query would be addressed after completion of the integration. No further reply was received from the CTD (November 2023).

(vi) Reconciliation between ITC availed in annual returns with expenses in financial statements

Table 14 of GSTR-9C reconciles ITC declared in annual return (GSTR-9) with ITC availed on expenses as per audited annual financial statement or books of accounts. Column 14T of this table deals with unreconciled ITC.

Certified reconciliation statement submitted by the taxpayer as required under the Rule 80(3) of SGST Rules in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in ITC declared in the Annual Return with the expenses reported in the Financial Statements.

In case of a taxpayer, M/s Goodwill Enterprises (GSTIN - 11ALHPP0553F1ZJ) under Trading Sector, unreconciled ITC of ₹ 3.12 crore declared in Table 14T of GSTR-9C, being ITC availed in GST returns in excess of eligible ITC based on expenses reported in financial statements was noticed and communicated to the CTD on 19 May 2022 followed by reminders on 19 July 2022 and 31 August 2022. No response was received from the CTD (November 2023).

(vii) Mismatch in turnover declared in GSTR-9C Table 5R

Table 5 of GSTR-9C is the reconciliation of turnover declared in audited annual financial statement with turnover declared in annual turnover (GSTR-9). Column 5R of this table captures the unreconciled turnover between the annual return GSTR-9, and that declared in the Financial Statement for the year after the requisite adjustments.

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of SGST Rules in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the turnover declared in GSTR-9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of supplies leading to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies.

Audit query on unreconciled turnover in Table 5R of GSTR-9C for ₹ 6.36 crore was issued in respect of a taxpayer, M/s Sikkim University (GSTIN - 11AAABS2047P1ZH) under Service Sector and communicated to the CTD on 19 May 2022 followed by reminders on 19 July 2022 and 31 August 2022. No response was received from the CTD (November 2023).

(viii) Mismatch in taxable turnover declared in GSTR-9C Table 7G

Table 7 of GSTR-9C is the reconciliation of taxable turnover. Column 7G of this table captures the unreconciled taxable turnover between the annual return GSTR-9 and that declared in the financial statement for the year after the requisite adjustments.

The certified reconciliation statement submitted by the taxpayer as required under the Rule 80(3) of SGST Rules in Form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the taxable turnover in GSTR-9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies.

Audit query on unreconciled taxable turnover in Table 7G of GSTR-9C for ₹ 85.44 crore was issued to the CTD in respect of a taxpayer, M/s E-cool Gaming Solutions (GSTIN -11AABCE3886A1Z6) under Service Sector on 19 May 2022 followed by reminders on 19 July 2022 and 31 August 2022. No response was received from the CTD (November 2023).

(ix) Mismatch in tax paid between books of accounts and returns

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of SGST Rules in form GSTR-9C for the year 2017-18 was analysed at data

level to review the extent of identified mismatch in tax paid between the Annual Return and the books of accounts. Table 9 of the form 9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR-9.

The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or vice versa or incorrect levy of CGST/SGST/IGST. There can also be situations wherein supplies/tax declared are reduced through amendments (net of debit notes/credit notes) in respect of the 2017-18 transactions carried out in the subsequent year from April to September 2018. Consequential interest payments - both short payments and payments under incorrect heads also need to be examined in this regard.

Unreconciled payment of tax declared in Table 9R of GSTR-9C for ₹ 0.04 crore in case of a taxpayer *M/s Prasar Bharati Broadcasting Corporation of India* (GSTIN - 11AAAJ0288R1ZS) under Service Sector was communicated to the CTD on 19 May 2022 followed by reminders on 19 July 2022 and 31 August 2022. No response was received from the CTD (November 2023).

(x) Unsettled liabilities

GSTR-1 depicts the monthly details of outward supplies of Goods or Services. These details also assessed by the taxpayer and mentioned in annual return GSTR-9 in the relevant columns. Further, taxable value and tax paid thereof also shown in GSTR-3B.

To analyse the undischarged tax liability, relevant data were extracted from GSTR-1 and GSTR-9 for the year 2017-18 and the tax payable in these returns was compared with the tax paid as declared in GSTR-9. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and GSTR-3B was resorted to. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose.

During Audit, it was observed that in case of a taxpayer, *M/s Annapurna Trading Company* (GSTIN - 11ABBFA0749A1ZE) under Service Sector, the tax payable in Table 4 to 11 of GSTR-1 was ₹ 1.86 crore and the tax payable declared in tables 3.1(a) & 3.1 (b) of GSTR-3B was ₹ 0.95 crore. This resulted in mismatch of tax liability of ₹ 0.91 crore between GSTR-1 and GSTR-3B which was communicated to the CTD on 19 May 2022 followed by reminders on 19 July 2022 and 31 August 2022. No response was received from the CTD (November 2023).

(xi) GSTR-3B not filed but GSTR-1 available

GSTR-3B return under Rule 61(5) of SGST Rule is the only instrument through which the tax liability is offset and ITC is availed.

Effort was made through data analysis to identify those taxpayers who had not filed GSTR-3B but had filed GSTR-1 or whose GSTR-2A was available. The very availability of GSTR-1 and 2A coupled with non-filing of GSTR-3B indicates that the taxpayers had undertaken/carried on the business during the period but had not discharged their tax liability. It may also include cases of irregular passing on of ITC.

One taxpayer *M/s Punnya Raj Shakya* (GSTIN - 11EFHPS3962D1ZI) under Industries Sector had filed GSTR-1 with tax liability of ₹ 3,024 but did not file GSTR-3B during 2017-18. As GSTR-3B is the return through which liability is discharged. Therefore, availability of GSTR-1 and non-filing of GSTR-3B indicated possibility of non-payment of tax by the taxpayer.

This was intimated to the CTD on 19 May 2022 and the reasons for the inconsistencies and the details of action taken, if any, under Section 61 of the SGST Act was called for in Audit. In response, the CTD stated that the taxpayer's registration was already cancelled by Tax authority on 29 October 2021 and further stated that the taxpayer had discharged the liability along with interest totalling ₹ 5,776 (tax ₹ 3,024 + interest ₹ 2,752) on 8 September 2022. However, it was only at the instance of Audit, action was taken and taxpayer had discharged the liability.

(xii) Short/Non-payment of interest

Section 50 of the SGST Act stipulates that every person liable to pay tax in accordance with the provisions of this Act or the Rules made there under but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short/non-payment of interest on account of delayed remittance of tax during 2017-18 was identified using the tax paid details in GSTR-3B and the date of filing of the GSTR-3B. Only the net tax liability (cash component) had been considered to work out the interest payable.

Audit observed that *M/s Prahlad Gurung* (GSTIN- 11AYCPG8739N2Z5) under Service Sector filed returns (GSTR-3B) with delay which were pertaining to the tax period 2017-18 involving tax liability amounting to ₹ 1.21 crore but no interest was paid on such delayed payment of tax. This resulted in non-payment of interest of ₹ 0.53 crore. The issue was communicated to the CTD on 19 May 2022 followed by reminders on 19 July 2022 and 31 August 2022. No response was received from the CTD (November 2023).

c) Analysis of causative factors

Considering the CTD's response to 38 cases, out of the sample of 93 data deviations/inconsistencies, the factors that caused the deviations/inconsistencies are as follows:

i) Deviations from GST law and rules

Out of the 38 deviations for which the CTD had provided replies, in 22 cases (Col. 6 to 11 of **Table 5.17**) it was observed that the cause for the deviation was non-compliance with SGST law and the rules.

- **Compliance deviations where action was taken by the CTD:** Out of these 22 cases, in four cases, the CTD accepted the audit observations and made recoveries of ₹ 0.24 crore. Details are given in **Appendix 5.2**.

An illustrative case is given below:

Table 9 of the GSTR-9C attempts to reconcile the tax paid as per the Annual Financial Statement and that declared in Annual Return (GSTR-9). In case of *M/s Archtech Consultation Pvt. Ltd.* (GSTIN -11AACCA1989R1ZA) under Service Sector, Audit noticed that the total taxes paid as per the Annual Return was ₹ 3.79 crore and as per the AFS was ₹ 3.96 crore. Hence, there was an unreconciled tax payment of ₹ 0.17 crore. This was communicated to the CTD on 19 May 2022. The amount of the mismatch had been paid at the instance of Audit, on 20 March 2023 vide DRC – 03.

- **Compliance deviations where Audit did not agree with Department's response**
Out of the 22 cases pertaining to compliance deviations, 18 cases involving amount of ₹ 3.47 crore were due to incorrect interpretation of the Act/Rules or lack of appropriate

documentary evidence. Details of these 18 cases along with the Audit rebuttal are provided in **Appendix 5.3**.

An illustrative case is given below:

In case of M/s AVR Infraspaces Pvt. Ltd. (GSTIN - 11AAMCA7281L1ZF), Audit noticed mismatch of ITC available in GSTR-2A and that availed in GSTR-3B ₹ 0.26 crore as detailed in **Table 5.19**:

Table 5.19: mismatch of ITC available in GSTR-2A and that availed in GSTR-3B

(₹ in crore)				
ITC available in GSTR-2A	ITC availed in GSTR-3B Table 4(A)5	ITC used in subsequent year GSTR-9 Table 8(c)	Total ITC availed after adjusting ITC used in subsequent year	Difference (Excess ITC)
2.81	2.97	0.10	3.07	0.26

This was communicated to the CTD on 19 May 2022. As per the reply (6 April 2023), excess ITC of ₹ 0.26 crore was due to bills involving tax/ITC of ₹ 0.03 crore shown in 2018-19 and invoices involving tax/ITC of ₹ 0.23 crore not uploaded by the suppliers and the balance of ₹ 0.05 crore was paid vide challan.

The reply is not acceptable because the copies of the invoices involving tax/ITC of ₹ 0.23 crore (sales not uploaded by the suppliers) and of ₹ 0.03 crore (shown in 2018-19) were not furnished to Audit, only the list of invoices were submitted. Moreover, the challan of ₹ 0.05 crore was paid vide cash which got credited in the cash ledger and was not debited for payment, therefore, can be utilised by the taxpayer for discharge of tax liability. Hence, it cannot be considered as payment of excess ITC.

ii) Inconsistencies where the Department's reply is accepted by Audit

- **Data entry errors by taxpayers:** The data entry errors constituted 4 out of 38 replies of the total responses received. The data entry errors were related to wrong entries in GSTR-3B and wrong entry in GSTR-1 with no revenue implication. The details of the four cases are given in **Appendix 5.4**.

An illustrative case is brought out below:

Audit observed that in case of M/s Amber Electronics (GSTIN - 11CRYP54405G1ZK) under Trading Sector, ITC available as per GSTR-2A was ₹ 2.65 crore and the ITC availed in table 4A (5) of GSTR-3B was ₹ 5.14 crore (including ITC ₹ 2.23 crore availed in the subsequent year 2018-19 from Table 8C of GSTR-9). This resulted in mismatch of ITC availed for ₹ 2.49 crore (₹ 5.14 crore - ₹ 2.65 crore) which was communicated to the CTD on 19 May 2022. As per the response received, during March 2018, ITC of ₹ 2.77 crore was claimed due to data entry error instead of ₹ 0.28 crore, hence the difference of ₹ 2.49 crore has been reversed in April 2018, the same was found correct.

- **Mismatches due to other valid reasons:** Out of 38 responses, in 12 cases which were accepted by Audit, the taxpayers justified the mismatches/inconsistencies on various grounds such as:-
 - (A) The difference in ITC availed and ITC available was due to Tran-1 or Tran 2 credits, which were checked and found correct.
 - (B) The excess ITC claimed was reversed through GSTR-3B.

The details are given in **Appendix 5.5**.

An illustrative case is given below:

Audit observed that in case of a taxpayer, M/s Kansas and Co. (GSTIN -11AWEPG0550D2ZF), Audit noticed mismatch of ITC available in GSTR-2A and that availed in GSTR-3B of ₹ 0.30 crore as detailed in **Table 5.20**:

Table 5.20: mismatch of ITC available in GSTR-2A and that availed in GSTR-3B

(₹ in crore)				
ITC available in GSTR-2A	ITC availed in GSTR-3B Table 4(A)5	ITC used in subsequent year GSTR-9 Table 8(c)	Total ITC availed after adjusting ITC used in subsequent year	Difference (Excess ITC)
5.82	5.14	0.98	6.12	0.30

This was communicated to the CTD on 19 May 2022. As per the reply, excess ITC of ₹ 0.30 crore claimed during 2017-18 had been reversed in the month of March 2019 (IGST ₹ 0.29 crore, CGST ₹ 0.005 crore and SGST ₹ 0.005 crore), the same was found correct.

Recommendation 5: *The CTD may conduct similar data analysis (as conducted by Audit for Centralised/ limited Audit) of GST returns and other related data of all the taxpayers under State jurisdiction to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable.*

5.12.6.3 Detailed Audit

In a self-assessment regime, the onus of compliance with the law is on the taxpayer. The role of the CTD is to establish and maintain an efficient tax administration mechanism to provide oversight. With a finite level of resources, for an effective tax administration, to ensure compliance with law and collection of revenue, an efficient governance mechanism is essential. An IT driven compliance model enables maintaining a non-discretionary regime of governance on scale and facilitates a targeted approach to enforce compliance.

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST returns through data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of 14 taxpayers was selected for this part of the review. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers as part of the GSTR-9C and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations, and red flags. Desk Review was carried out at the office of the Accountant General (Audit), Sikkim. Based on desk review results, detailed audit was conducted in the office of the Commissioner, CTD, Government of Sikkim, by requisitioning corresponding granular records of taxpayers such as purchase invoices, sales invoices, and other relevant documents to identify causative factors of the identified risks and to evaluate compliance by taxpayers. The details of risks identified are given in **Appendix 5.6 and 5.7**.

In reply to audit requisitions for information/documents like annual financial statements and purchase/sales invoices required for detailed audit, the Department furnished records only in case of one taxpayer out of 14 selected taxpayers.

In seven cases, no information/records were furnished by the CTD as required by the Audit. The details are in **Appendix 5.8 (a)** and the top three cases are listed in **Table 5.21**.

In case of six out of 14 taxpayers, records were partially produced. The details of the partial production are given in **Appendix 5.8 (b)** and the top three cases are listed in **Table 5.22**. Consequently, in these partially produced cases, Audit was restricted to the information available in the returns filed by the taxpayers. Thus, Audit could not assess eligibility of ITC claimed and correctness of classification of goods and rates at which GST was paid, which constituted a significant scope limitation.

Table 5.21: Top three cases of non-production of records*(₹ in crore)*

Sl. No.	GSTIN	Name of the taxpayers	Sector	Amount of ITC mismatch in GSTR-2A and 3B
1.	11AAACS4457Q1Z3	Vodafone Mobile Services	Service	0.70
2.	11AAMCS5267J1Z3	Sikkim Agrochem	Industries	0.40
3.	11AAICM8044M1ZA	Golden Gaming	Service	0.16

Table 5.22: Top three cases of partial production of records*(₹ in crore)*

Sl. No.	GSTIN	Name of the taxpayers	Sector	Remarks	Amount of ITC mismatch between 2A and 3B
1.	11AAACG1895Q1ZB	Zydus Healthcare	Industries	AFS furnished. Purchase/sales invoices not furnished.	4.60
2.	11AAICA5591M1ZG	Alembic Pharmaceuticals	Industries	AFS not furnished. Purchase/sales invoices partially furnished.	3.97
3.	11AAMCS4609N1Z3	STCS	Trading	AFS furnished. Purchase/sales invoices partially furnished.	2.04

Audit findings - Detailed Audit

As brought out in the previous paragraphs, detailed audit involved a desk review of GST returns and other basic records to identify risks and red flags, which were followed up by field audit to identify the extent of non-compliance by taxpayers and action taken by the CTD. Noncompliance by taxpayers at various stages ultimately impacts the veracity of returns filed, utilisation of ITC and discharge of tax payments. As such, the audit findings are categorised under: (a) Returns (b) Utilisation of ITC (c) Discharge of tax liability and (d) Other findings.

(a) Audit findings related to GST Returns

The audit observations pertaining to filing of returns – delay in filing, non-payment of interest and late fee, etc. are brought out below:

(i) Non-payment of interest taxpayers

Section 39(1) of SGST Act 2017 read with Rule 61 of SGST Rules provides that the return of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars as may be prescribed are required to be filed on or before the twentieth day of the month succeeding such calendar month or part thereof.

Further, as per Section 50(1) of SGST Act, the rate of interest on delayed payment of tax is 18 per cent.

Audit observed that in nine out of 14 sample cases, taxpayers had filed returns with delays, but did not pay the interest liability of ₹ 1.05 crore for such delayed payment of tax. Cases of non-payment of interest is detailed in **Appendix 5.9** and the details of calculation is given in **Appendix 5.9(a)**.

Out of the nine cases intimated to the CTD on 14 July 2022, in five cases¹⁴⁴, no response was furnished by the CTD (November 2023); in two cases¹⁴⁵, the CTD stated that the taxpayer had discharged the interest liability of ₹ 44,595.12 and ₹ 7,783.64, but no supporting documents were furnished to Audit and in remaining two cases¹⁴⁶, the taxpayers paid the interest of ₹ 2,051 and ₹ 4,645 at the instance of Audit.

(ii) Non-payment of Late fee by taxpayers

GSTR-1: Section 37 of SGST Act read with Rule 59 of SGST Rules provides for filing of monthly return of outward supplies in GSTR-1 by the regular taxpayer and the returns are to be filed on or before the 10th day of the month succeeding such calendar month or part thereof. Section 47(1) of the SGST Act provides that any registered person who fails to furnish the details of outward or inward supplies required under section 37 or section 38 or returns required under section 39 or section 45 by the due date shall pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum amount of five thousand rupees.

Further as per Notification No. 74/2019, GST/Sikkim, dated 26th December 2019, the amount of late fee payable shall stand waived for the taxpayers who failed to furnish the details of outward supplies in form GSTR-1 for the period from July 2017 to November 2019 by the due date but furnishes the said details in form GSTR-1 between the period 19 December 2019 to 10 January 2020.

GSTR-3B: Section 39(1) of SGST Act read with Rule 61 of SGST Rules provides that the return of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars as may be prescribed are required to be filed on or before the twentieth day of the month succeeding such calendar month or part thereof.

As per CTD's notification no. 76/2018, dated 31-12-2018, the amount of late fee payable under Section 47 of the SGST Act shall stand waived for the registered persons who failed to furnish the return in FORM GSTR-3B for the months of July 2017 to September 2018 by the due date but furnishes the said return between the period from 22 December 2018 to 31 March 2019.

As per CTD's notification no. 19/2021, dated 1 June 2021, for the registered persons who failed to furnish the return in FORM GSTR-3B for the months/quarter of July 2017 to April 2021, by the due date but furnished the said return between the period from the 1st day of June 2021 to the 31st day of August 2021, the total amount of late fee under section 47 of the said Act shall stand waived which is in excess of five hundred rupees.

¹⁴⁴ (i) M/s Sikkim Organics (ii) M/s Sikkim Agrochem (iii) M/s Sikkim Nationalised (iv) M/s Punj Lloyd under and (v) M/s Rajeev Electronic.

¹⁴⁵ (i) M/s Golden gaming and (ii) M/s Scorpion Containers.

¹⁴⁶ (i) M/s SIMFED and (ii) M/s Vikky Enterprise.

Audit observed that out of 14 sample taxpayers, three had filed GSTR-1/3B/9 with delays, but late fee payable ₹ 0.02 crore was not discharged by them. Cases of nonpayment of late fee given in *Appendix 5.10* and the calculation of late fee in respect of GSTR-3B, 1 and 9 are given in *Appendix 5.9(a), 5.11 (a) and 5.11 (b)* respectively.

The issue was intimated to the CTD on 10 February 2023. In response, the CTD replied (6 April 2023) that Notification No. 75/2018¹⁴⁷ dated 31 December 2018 had waived the late fee under Section 47 of SGST Act 2017 for the taxpayers who failed to furnish the details of outward supplies in form GSTR-1 for the period from July 2017 to September 2018 by the due date but furnishes the said details in form GSTR-1 between the period 19 December 2018 to 31 March 2019.

The reply is not acceptable as the late fee pointed out by Audit was calculated as per the latest notification No.74/2019-GST/Sikkim dated 26th December 2019. The late fees were calculated where taxpayers had filed GSTR-1 after due date of 10 January 2020. No further response was received from the Division in case of late fee on delay in filing of GSTR-3B and GSTR-9 (November 2023).

(iii) Non-filing of Return

As per CTD's Notification 47/2019 dated 9 October 2019, every registered person whose aggregate turnover in a financial year does not exceed two crore rupees shall have the option to furnish the annual returns in GSTR-9 under Section 44(1) read with Rule 80(1).

As per SGST Rule 80(3), every registered person whose aggregate turnover during a financial year exceeds two crore rupees shall get his accounts audited as specified under sub-section (5) of section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9C, electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Audit observed that two out of total 14 sample taxpayers - M/s Sikkim Nationalised Transport (GSTN - 11AAAGS1563B1ZX) under Service Sector and M/s Sikkim Organics (GSTIN - 11ABBFS1390P1Z2) under Industries Sector with turnover of ₹ 16.29 crore and ₹ 33.13 crore respectively did not file GSTR-9 (Annual return) and GSTR-9C (reconciliation statement).

The matter was intimated to the CTD on 14 July 2022 and the reasons for the non-filing of returns and the details of action taken, if any, by the Division under Section 61 of the SGST Act was also called for.

In response, the CTD intimated (12 September 2022) that audit under Section 65 had been initiated and further reply would be provided after completion of audit. No further response was received from the CTD (November 2023).

(iv) Filing of returns without showing proper tax liability

Section 39(1) of SGST Act read with Rule 61 of SGST Rules provides that the return of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars as may be prescribed are required to be filed on or before the twentieth day of the month succeeding such calendar month or part thereof.

¹⁴⁷ Corresponding notification issued by the CTD is not available.

Further, as per Section 13 of the SGST Act 2017, the liability to pay tax on services arise at the time of supply of the services which is determined as earliest of:

- a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under sub-section (2) of Section 31 or the date of receipt of payment, whichever is earlier; or
- (b) the date of provision of service, if the invoice is not issued within the period prescribed under sub-section (2) of Section 31 or the date of receipt of payment, whichever is earlier; or
- (c) the date on which the recipient shows the receipt of services in his books of account, in a case where the provisions of clause (a) or clause (b) do not apply:

Scrutiny of GSTR-3B revealed that one taxpayer viz. M/s Sikkim Nationalised Transport (GSTN-11AAAGS1563B1ZX), a transport service provider whose transaction takes place on the daily basis, had declared tax liability only in March 2018 and filed nil returns during the period from November 2017 to February 2018.

Further, as per the records furnished (25 January 2023), it was noticed that the taxpayer had generated 1523 invoices from November 2017 to March 2018 with monthly totals ranging from ₹ 2.29 crore to ₹ 6.42 crore as detailed in *Appendix 5.12*.

On this being pointed out (July 2022), the CTD stated (6 April 2023) that M/s Sikkim Nationalised Transport's appeal was sub-judice in the appellate tribunal regarding GST registration during the transition period from Service tax to GST. There was no clarity whether SNT was liable to pay SGST as goods transport agency and rent a cab. The Tribunal ruled and issued the order dated 01 September 2017, but the sealed order was received by SNT only on February 2018.

The reply is not acceptable as SNT had been discharging tax liability only in March even in the subsequent years (2018-19 and 2019-20) and in 2020-21, the tax liability was not discharged at all, even in March 2021.

(v) Inconsistency between CGST and SGST rate in returns

The CGST and the SGST rates are levied at equal rates as per schedules notified by the Central and the State governments as per provisions contained in Section 9 of the CGST Act 2017 and State GST Act 2017 respectively.

Audit checked the GST liability figures of 14 sample taxpayers and observed that the SGST liability figures were more than the CGST liability figures by ₹ 46,035 in case of one taxpayer viz. M/s Vodafone Mobile services (GSTIN - 11AAACS4457Q1Z3) under Service Sector (Details given in *Appendix 5.13*).

This was intimated to the CTD (4 January 2023) with request to furnish the reasons for inconsistency and action taken by the CTD, if any, under Section 61 of the SGST Act. No response was received from the CTD till date (November 2023).

(b) Audit findings relating to Utilisation of Input Tax Credit

Input Tax Credit (ITC) means the Goods and Services Tax (GST) paid by a taxable person on purchase of goods and/or services that are used in the course or furtherance of business. To avoid cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off for payment of taxes on outward supplies.

The audit observations pertaining to utilisation of ITC are as follows:

(i) ITC mismatch between GSTR-2A and GSTR-3B

Section 16(2) of the SGST Act prescribes the conditions for availing ITC. The prerequisites for availing ITC are:

- Taxpayer should be in possession of tax invoice or any other specified tax paying document
- Taxpayer has received the goods or services
- Tax has actually been paid by the supplier
- Taxpayer has furnished the return to avail the ITC
- The value of the goods or services along with the tax should have been paid to the supplier within 180 days from the date of issue of invoice.

Rule 36 of SGST Rules prescribe the documentary requirements for claiming ITC. A taxpayer can avail ITC based on (a) Invoice issued by a supplier of goods or services or both, (b) Invoice issued by recipient along with proof of payment of tax, (c) A debit note issued by supplier, (d) Bill of entry or similar document prescribed under Customs Act, (e) Revised invoice and (f) Document issued by Input Service Distributor. No ITC shall be availed beyond September of the following financial year to which invoice pertains or date of filing of annual return, whichever is earlier.

To check the correctness of the ITC claim, Audit compared the ITC claimed by the taxpayers with the ITC available in GSTR-2A. Out of total 14 sample cases, mismatch were observed in 11 cases where taxpayers had availed excess ITC of ₹ 13.90 crore. (Details given in **Appendix 5.14**)

To check the veracity of the ITC claim, Audit called for purchase invoices of selected months from the CTD on 29 June 2022. The same was not furnished to the Audit till July 2023.

Out of 11 cases, no response was furnished by the CTD (November 2023) in six cases¹⁴⁸, however, clarifications were furnished (6 April 2023) by the CTD in respect of five taxpayers. None of the replies furnished were acceptable to Audit as summarised in **Table 5.23** and further observation were made as detailed in **Appendix 5.14 (a)**.

Table 5.23: Clarification furnished by CTD and rebuttal thereon

Sl. No.	GSTIN: Evaluation	Clarification furnished by CTD and rebuttal thereon (April 2023)
1.	11AADAS4451M1ZI (M/s SIMFED): ITC availed (₹4,68,03,280) was more than the ITC available as per GSTR 2A (₹ 3,48,49,286) by ₹ 1,19,53,994.	The CTD replied that the excess ITC was due to non-filing of 29 invoices in GSTR 1 and wrong filing of 39 invoices in GSTR 1 by the suppliers and non-issuing of 5 invoices for the purchase made from suppliers. However complete documentary evidences to support the claim was not furnished. Only a list of 73 invoices (29+39+5) was furnished to Audit, the tax liability of which amounts to ₹ 120.18 lakh)

¹⁴⁸ (i) M/s Zydus Healthcare, (ii) M/s Punj Lloyd Ltd, (iii) M/s Vodafone Mobile Services, (iv) M/s Golden Gaming, (v) M/s Sikkim Agrochem and (vi) M/s Rajeev Electronics.

Sl. No.	GSTIN: Evaluation	Clarification furnished by CTD and rebuttal thereon (April 2023)
2.	11AAICA5591M1ZG (M/s Alembic Pharmaceuticals): ITC availed (₹21,49,82,429) was more than the ITC available as per GSTR 2A (₹17,52,46,852) by ₹ 3,97,35,577.	The CTD stated that the reason behind the difference in ITC figure of GSTR 3B and 2A was that the GSTR 2A figure did not include the import of goods of ₹ 407 lakh and there was reversal of ₹ 14.74 lakh. The reply was not tenable as the GSTR 3B figure taken by the Audit for comparison of ITC did not include the import of goods.
3.	11AAICS4086K1Z6 (M/s Scorpion Containers): ITC availed (₹4,17,17,502) was more than the ITC available as per GSTR 2A (₹3,68,66,162) by ₹ 48,51,340.	The CTD stated that the reason behind the difference in ITC figure of GSTR 3B and 2A was that the import of goods of ₹ 68.53 lakh was not included in the GSTR 2A. The reply was not tenable as the GSTR 3B figure taken by the Audit for comparison of ITC did not include the import of goods.
4.	11AAMCS4609N1Z3 (M/s STCS): ITC availed (₹9,61,92,663) is more than the ITC available as per GSTR 2A (₹7,57,72,163) by ₹ 2,04,20,501.	The CTD stated that the difference was due to the fact that the invoices were not seen in the GSTR 2A of the taxpayer and it was further intimated that the tax authority had seen all the original invoices. The reply is not tenable as only four invoices involving tax ₹ 31.60 lakh pertaining to the year 2017-18 were furnished i.e. proper documentary evidence to support the claim was not furnished.
5.	11CBIPS1024H1Z2 (M/s Vikky Enterprise): ITC availed (₹35,44,224) is more than the ITC available as per GSTR 2A (₹22,66,027) by ₹ 12,78,197.	The CTD replied that the ITC availed was ₹ 28.50 lakh (and not ₹ 35.44 lakh) and GSTR 2A was ₹ 22.67 lakh, hence the excess ITC was ₹ 5.83 lakh (not ₹ 12.78 lakh). It was further stated that the excess ITC of ₹ 5.83 lakh was due to: (i) non-filing of GSTR 1 by the suppliers: ₹ 4.33 lakh and (ii) Reversal of ₹ 1.30 lakh not shown and the balance of ₹ 18,578 had been discharged through DRC 03. The reply is not tenable as (i) the ITC availed figure of ₹ 35.44 lakh taken by Audit for comparison included the GSTR 9 8C figure (ITC received in the current year but availed in the following year) of ₹ 6.94 lakh and (ii) evidence of reversal of ₹ 1.30 lakh was neither furnished nor found in the State system.

(ii) ITC availed under RCM without payment of tax in GSTR-3B/GSTR-9

Section 9(4) of the SGST Act, 2017 stipulates that the State tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both. Further Rule 36(b) of the SGST Rules 2017, provides that ITC under Reverse Charge Mechanism (RCM) can be claimed subject to the payment of tax.

To check the veracity of ITC claim under RCM, Audit checked the ITC availed under RCM declared in Tables 6C, 6D and 6F of Annual return GSTR-9 and compared that with tax paid under RCM figure of GSTR-3B. Out of total 14 sample cases, mismatches were observed in two cases where taxpayers had availed excess ITC under RCM for ₹ 0.02 crore along with interest of ₹ 0.02 crore¹⁴⁹. (Details given in **Appendix 5.15**)

¹⁴⁹ calculated at 24 percent for four years (2018-19, 2019-20, 2020-21 and 2021-22).

The above mismatches were intimated to the CTD on 14 July 2022 followed by reminder on 31 August 2022. Out of the two cases, no response was furnished in one case (*M/s Punj Lloyd*). In case of *M/s Sikkim Agrochem* (GSTIN: 11AAMCS5267J1Z3), the CTD responded (6 April 2023) that the excess ITC under RCM availed in July 2017 was reversed in September 2018 which was not disclosed in GSTR 9 by mistake. Although reversal of ₹ 0.45 crore was made in September 2018, no documentary evidence was furnished to support that the said reversal included the excess RCM ITC of 2017-18.

(iii) Incorrect availment of ISD credit

Section 2(61) of the SGST Act defines “Input Service Distributor” (ISD) as an office of the supplier of goods or services or both which receives tax invoices towards the receipt of input services and issues a prescribed document for the purposes of distributing the ITC to a supplier of taxable goods or services or both having the same Permanent Account Number (PAN) as that of the said office. Section 20 of the Act prescribes the manner of distribution of credit by ISD. As per Section 20(2), ISD may distribute the credit available for distribution in the same month in which it is availed. ISD shall issue invoice in accordance with the provisions made under Rule 39(1) of the SGST Rules.

In this regard, Rule 54 (1A)(a) of the SGST Rules provides for a registered person, having the same PAN and State code as an ISD, to issue an invoice or, as the case may be, a credit or debit note to transfer the credit of common input services to the ISD.

Out of 14 sample taxpayers, Audit observed mismatch in case of one taxpayer i.e. *M/s Alembic Pharmaceuticals* (GSTIN - 11AICA5591M1ZG) for ₹ 0.17 crore. The taxpayer received ITC of ₹ 1.27 crore from ISD through GSTR-6 whereas the taxpayer had declared an amount of ₹ 1.44 crore as ITC received from ISD in Table 6G of GSTR9. This indicated excess availing of ITC under ISD by ₹ 0.17 crore along with the interest of ₹ 0.17 crore¹⁵⁰.

This was intimated to CTD on 14 July 2022 and the reasons for inconsistencies and details of action taken, if any, under Section 61 of the SGST Act was also called for. In response, the CTD intimated (12 September 2022) that as GSTR-6 of the ISD was not integrated with the State GST portal, data would be obtained from the concerned taxpayer and manual verification would be conducted. The CTD further added that similar verification shall be conducted for other taxpayers who have availed credit from ISDs. The report of verification would be forwarded to Audit. It was further replied (6 April 2023) and clarified that in case of *M/s Alembic Pharmaceuticals*, the difference amount of ₹ 0.173 crore was due to ISD invoice of ₹ 0.169 crore and that there was only difference of ₹ 0.004 crore.

The reply is not acceptable as the taxpayer had furnished ISD invoice of ₹ 0.169 crore only which was not sufficient to establish veracity of the entire ITC of ₹ 1.44 crore availed under ISD. In absence of adequate documentary evidence for the entire ITC of ₹ 1.44 crore, Audit could not vouchsafe that the ITC of ₹ 0.169 crore was in addition to the ITC amount of ₹ 1.27 crore received through GSTR-6.

(iv) Reconciliation between ITC availed between Annual Return with expenses in financial statement

To check if there is any difference in ITC claimed by the taxpayers in GSTR-9 and as declared in their Annual Financial Statements (AFS), Audit examined the Table 12F and 14T of GSTR-9C filed by the taxpayer. The figures in table 12 and 14 of GSTR-9C

¹⁵⁰ calculated at 24 percent for four years (2018-19, 2019-20, 2020-21 and 2021-22).

highlights the difference between figures of ITC claimed by the taxpayer in GST returns and those detailed in AFS.

Audit observed that out of 14 sample taxpayers, 12 taxpayers were required to file GSTR-9C but only 10 taxpayers had filed GSTR-9C, and out of those 10 taxpayers, unreconciled ITC was seen in four cases for total sum of ₹ 15.11 crore (Details given in *Appendix 5.16*)

The matter was intimated to the CTD on 14 July 2022 and the reasons for the inconsistencies and the details of action taken, if any, under Section 61 of the SGST Act was also called for. In response, the CTD intimated (12 September 2022) that GSTR-9C was in process of integration with State system and the observation made by Audit would be addressed after the integration. Out of four cases, CTD further responded (6 April 2023) in respect of following two cases:

- 1) With regard to M/s *Zydu*s Healthcare, the unreconciled ITC of ₹ 0.29 crore was reversed during September 2018. Scrutiny of GSTR-3B revealed that there was reversal of ₹ 1.67 crore made in September 2018 pertaining to other reversal (Table 4B (2) of GSTR-3B). In absence of any supporting documents, Audit could not vouchsafe the reversal of ₹ 1.67 crore included the excess ITC of ₹ 0.29 crore of 2017-18. The entire amount of reversal pertaining to the period 2018-19 also cannot be ruled out.
- 2) With regard to M/s *Sikkim Agrochem*, the unreconciled ITC of ₹ 0.45 crore was because of excess ITC of July 2017 for ₹ 0.40 crore (₹ 0.33 crore of SGST and ₹ 0.07 crore of CGST) and was reversed in the GSTR-3B of September 2018. Total ITC reversed in September 2018 was ₹ 0.45 crore (₹ 0.37 crore IGST and ₹ 0.07 crore CGST). Relevant documents, to support the amount of ₹ 0.45 crore stated to be reversed during September 2018 pertained to excess ITC of 2017-18, was not furnished to Audit. Hence same could not be confirmed.

No further responses were furnished in respect of remaining two¹⁵¹ cases till date (November 2023).

(v) Short reversal of ITC

Section 17(2) of the SGST Act, 2017 stipulates that where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

Rule 42 of SGST Rules 2017, provides for the manner to determine input tax credit in respect of inputs or input services, which attract the provisions of sub-section (1) or sub-section (2) of section 17.

Rule 42 (i) of the SGST Rules 2017 stipulates that ‘the amount of input tax credit attributable towards exempt supplies, denoted as D1 and calculated as $D1 = (E \div F) \times C2$ where, ‘E’ is the aggregate value of exempt supplies during the tax period, ‘F’ is the total turnover in the State of the registered person during the tax period and C2 is the common credit.

¹⁵¹ (i) M/s *SIMFED* and (ii) M/s *STCS*.

Rule 43 of SGST Rules 2017 provides for the manner to determine input tax credit in respect of capital goods, which attract the provisions of sub-section (1) or sub-section (2) of section 17 and Rule 43(g) provides that the amount of common credit attributable towards exempted supplies, be denoted as T_e , and calculated as $T_e = (E \div F) \times Tr$ where, E is the aggregate value of exempt supplies, made, during the tax period, and F is the total turnover of the registered person during the tax period. 'Tr' is the amount of input tax credit, at the beginning of a tax period, on common capital goods.

Audit observed that out of 14 sample taxpayers, one taxpayer i.e. M/s Zyduz Healthcare (GSTIN - 11AAACG1895Q1ZB) under Industries Sector did not reverse ITC of ₹ 0.11 crore pertaining to common inputs/input services/capital goods under Rule 42 and 43 used for effecting Nil/Exempted supplies. The details are as given below:

Table 5.24: ITC required to be reversed under Rule 42 and 43 of the SGST Act

(₹ in crore)

SGST Rule	Total Nil/ Exempted supplies (E)	Total Turnover (F)	Net Input tax credit availed (C)	Net Input tax credit attributable to Nil/ Exempted supplies $D1 = (E \div F) \times C2 / Tr^{152}$	Reversal done	Short reversal
Rule 42 (ITC reversal of Non-capital goods and services)	23.16	990.06	38.80 ¹⁵³	0.91		
Rule 43 (ITC reversal of Capital goods)	23.16	990.06	5.94	0.14	0.94	0.11
Total				1.05	0.94	0.11

Since no reversal was shown in GSTR-9, it was observed that there was short reversal of input credit of ₹ 1.05 crore (₹ 0.91 crore under Rule 42 and ₹ 0.14 crore under Rule 43) arising out of nil/exempted supplies.

The same was intimated to the CTD on 10 February 2023. The CTD stated (6 April 2023) that the ITC reversal required was ₹ 0.92 crore (i.e., ₹ 0.78 crore under Rule 42 and ₹ 0.14 crore under Rule 43) and against which the actual reversal done was ₹ 0.94 crore ITC resulting in an excess reversal of ₹ 0.02 crore.

However, the reply is not acceptable because under Rule 42, the CTD had calculated the net ITC availed (column C of table 8 above) incorrectly as the ITC pertaining to 2017-18 but availed in 2018-19 as shown in table 8C of GSTR-9 for ₹ 6.89 crore and ITC reversal pertaining to 2017-18 but reversed in 2018-19 for ₹ 1.55 crore (in table 12 of GSTR-9) were not taken into consideration for calculation of the net tax credit availed.

Total reversal required was therefore ₹ 1.05 crore (₹ 0.91 crore under Rule 42 and ₹ 0.14 crore under Rule 43), out of which ₹ 0.94 crore was reversed in September 2018. Hence, non-reversal of ITC under Rule 42 and 43 amounts to ₹ 0.11 crore. This was intimated to the CTD on 11 May 2023. Further response of the CTD is awaited (November 2023).

¹⁵² C2 would be applicable for non-capital goods and Tr would be applicable for capital goods.

¹⁵³ ITC of all inputs and input services in table 6 (B, C and D) ₹ 33.46 crore plus ITC under table 8C was ₹ 6.89 crore minus reversal under table 12 ₹ 1.55 crore which equals to ₹ 38.80 crore. Department calculated only the first part; ITC of all inputs and input services in table 6 (B, C and D) ₹ 33.46 crore, in order to arrive at the Net ITC availed.

(c) Audit findings relating to discharge of tax liability

The audit findings pertaining to undischarged tax liability emanating from tax liabilities compared between returns (GSTR-1 and GSTR-9/GSTR-3B) and examination of the reconciliation statement (GSTR-9C) were as follows:

(i) Unsettled liabilities

To check if there were any unsettled liabilities, the tax liability were calculated on the basis of details contained in GSTR-1 (outward supplies) and was compared with the GSTR-9 tax liability. Where GSTR-9 was not filed, the GSTR-1 tax liability was compared with the GSTR-3B tax liability. Then to identify the short payment of tax, the greater of the tax liabilities as per GSTR-1 and GSTR-9/GSTR-3B was compared with the tax payment declared in GSTR-9.

Audit observed that out of 14 sample cases, in eight cases tax paid were less than the tax liability. The total difference was ₹ 0.57 crore. (Details given in **Appendix 5.17, 5.17(a) and 5.17 (b)**)

The discrepancies were communicated to the CTD on 14 July 2022. Out of the eight cases intimated to CTD, no response was furnished in six cases (November 2023) and in case of two taxpayers viz. M/s State Trading Corporation of Sikkim and M/s SIMFED, the CTD intimated (5 December 2022) that they had paid the excess liability of ₹ 0.12 crore (on 22 November 2022) and ₹ 14,164 (on 2 September 2022) through DRC-03. Thus, the amount was paid on being pointed out by Audit.

(ii) Mismatch of turnover declared in GSTR-9C table 5R and 7G of ₹ 0.11 crore and mismatch of tax paid between book of accounts and returns (GSTR-9C table 9R)

The certified reconciliation statement submitted by the taxpayer as required under the Rule 80(3) of SGST Rules in form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in total turnover, taxable turnover and taxes paid reported in the Annual Return vis-à-vis the Financial Statements.

Table 5R of the Form 9C captures the unreconciled turnover, Table 7G of the Form 9C captures the unreconciled taxable turnover and Table 9 of the Form 9C attempts to reconcile the tax paid between the annual return GSTR-9 and that declared in the financial statement for the year after the requisite adjustments.

To check if the taxpayers had any unreconciled turnover and tax payments, the Audit examined the relevant Tables- 5, 7 and 9 of GSTR-9C. Audit observed that there was unreconciled turnover in case of two taxpayers of ₹ 0.11 crore and unreconciled tax payment in case of two taxpayers of ₹ 0.16 crore. Details given in **Appendix 5.18(a) and 5.18 (b)**.

Out of the four cases mentioned above (two for unreconciled turnover and two for unreconciled tax payment), reply was furnished (6 April 2023) in respect of only one taxpayer. As per the reply, M/s Civil Engineers Enterprises (GSTIN - 11AABCC0354P1ZW) had paid the unreconciled tax of ₹ 0.07 crore at the instance of Audit on 20 March 2023.

(d) Other findings

(i) Cross verification of Annual Financial Statement with GST records.

To check the facts and figures contained in the GST Returns of 14 sample taxpayers in comparison with their Annual Financial Statements (AFS), Audit called for AFS of 14 taxpayers from the CTD (23 February 2022) followed by reminders on 11 May 2022, 29 June 2022, 19 July 2022, and 31 August 2022. Out of 14, only four AFSs were furnished by the CTD (12 September 2022).

The Audit compared the total sale figures of four taxpayers for 2017-18 as contained in their GST and VAT returns with those as declared in their Annual Financial Statements and found difference of ₹ 44.57 crore in case of two taxpayers as detailed below.

M/s Sikkim Organic (GSTIN - 11ABBFS1390P1Z2): As per AFS 2017-18, total Sales figures amounts to ₹ 73.31 crore. However, as per GSTR-1, the gross turnover was ₹ 32.33 crore (for the period from July 2017 to March 2018) and the total sales under VAT was ₹ 14.39 crore. Hence, the total taxable sales reported in the GST and VAT returns were ₹ 46.72 crore. Hence, cross-verification of AFS with GST and VAT returns revealed suppression of sales of ₹ 26.60 crore. As the goods were taxed at the rate of 18 percent under GST, there was short payment of tax of ₹ 4.79 crore. The matter was intimated (28 September 2022) to the CTD. No reply was furnished by the CTD till date (November 2023).

M/s SIMFED (GSTIN - 11AADAS4451M1ZI): Total sales as per the AFS was ₹ 72.28¹⁵⁴ crore but as per the GSTR-9 total sales was ₹ 42.71 crore (of which taxable value was ₹ 31.73 crore and exempted and nil rated value was ₹ 10.98 crore), in respect of the period from July 2017 to March 2018. Scrutiny of VAT returns revealed that during 1st Quarter of 2017-18, total taxable value was ₹ 11.60 crore. The total sales reported in GST and VAT returns was ₹ 54.31 crore (₹ 42.71 crore + ₹ 11.60 crore). Hence cross-verification of sales figure of AFS with VAT and GST returns revealed that there was suppression of sales of ₹ 17.97 crore (₹ 72.28 crore - ₹ 54.31 crore) in the returns. As per the GSTR-9 figure, when the total sales was ₹ 42.71 crore (which included both taxable and exempted/nil rated goods) the tax liability was ₹ 4.39 crore hence proportionately the tax liability on suppressed sales of ₹ 17.97 crore works out to ₹ 2.07 crore. The matter was intimated (28 September 2022) to the CTD. No reply was furnished by the CTD (November 2023).

Recommendation 6: The department may initiate remedial action for all the compliance deviations pointed out through this report before they get time-barred.

5.12.6.4 Inadequacy of return data in the State System:

Although Audit was given access to the State system, it was found that certain data/information as detailed below was not available in the State GST portal.

GSTR-9C: GSTR-9C along with the attachments was not available in the State system. It may be mentioned that checking GSTR-9C was one of the means of establishing the veracity of data in GSTR-9 as it reflects any differences with the AFS. Even after five years of implementation of the GST Act, the State system had not integrated the data of GSTR-9C. At the instance of Audit, the CTD intimated (12 September 2022 and 5 December 2022) that GSTR-9C was in the process of integration with State system; and

¹⁵⁴ As per the AFS, total sales was ₹ 72.28 crore. However, the turnover as per AFS reported in GSTR 9C was ₹ 43.24 crore.

the observation made by Audit pertaining to GSTR-9C would be addressed after the integration.

It was only in May 2023, the GSTR-9C had been integrated with the State GST system.

GSTR-2A: GSTR-2A is an auto populated return which is supposed to capture ITC data received by the taxpayer from various sources such as supplies from registered taxpayers along with the debit/credit note issued and amendments (GSTR-1 data of the suppliers), ISD credit received (GSTR-6 of ISD), TCS/TDS (GSTR-7/8 of deductor or collector) etc. However, in the State system under GSTR-2A, Table no. 4 (B2B Inward supplies on reverse charge), Table no. 5 (Debit/credit note including amendments), Table no. 6 (ISD credit), Table no. 7 (TDS and TCS) were not available, only data pertaining to B2B invoices were available. Hence even though Audit was given access to the State system, complete data, or information of GSTR-2A for comprehensive scrutiny of data was not available in the system.

This was intimated to the CTD on 21 October 2022. No reply was furnished by the CTD (November 2023).

5.12.7 Conclusion

The Subject Specific Compliance Audit on Department's Oversight on GST Payments and Returns Filing was undertaken with an objective of assessing the adequacy of the system in monitoring returns filing and tax payments by the taxpayers, extent of compliance by the taxpayers and other departmental oversight functions. The audit was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2017-18 by the taxpayers.

The department was unable to provide records pertaining to scrutiny of returns, action taken on late/non-filers, cancellation of registrations as well as on internal audit. This indicated that the oversight functions of Sectors were not done as envisaged by the GST Act and Rules. Audit also observed that the CTD had not formulated any Standard Operating Procedure (SOP) for scrutiny functions as done by the CBIC. Therefore, due to absence of an institutional mechanism in the Sectors to establish and maintain effective oversight on returns filing, taxpayers' compliance and tax payments, cases of non-compliance by taxpayers were observed during the Audit.

Out of total 93 inconsistencies/mismatches identified during Centralised Audit, in 55 cases Department did not furnish any response to audit queries. Upon analysing the responses of the Department received in remaining 38 cases, 22 cases involving amount of ₹ 3.71 crore turned out to be compliance deficiencies. A relatively higher rate of deficiencies was noticed in mismatch of ITC availed between annual returns and books of accounts, excess RCM ITC availed, mismatch in tax paid between books of accounts and returns and incorrect availment of ISD credit. In four cases, the CTD recovered the amount of ₹ 0.24 crore from the taxpayers on compliance deviations being pointed out by the Audit. The data entry errors caused the inconsistencies in four cases and 12 cases had valid explanations.

As regards Detailed Audit, out of samples of 14 taxpayers in seven cases other granular records were not produced at all and in six cases partial records were produced, which significantly limited the scope for Detailed Audit. Detailed Audit among others also pointed towards non-compliance on five major issues with tax implication of

₹ 30.78 crore: (i) Non-payment of interest by nine taxpayers of ₹ 1.05 crore (ii) mismatch of tax liability of ₹ 0.57 crore involving eight taxpayers, (iii) mismatch between returns in availing ITC of ₹ 13.90 crore by 11 taxpayers, (iv) unreconciled ITC of ₹ 15.11 crore involving four taxpayers (v) unreconciled taxes paid of ₹ 0.16 crore by two taxpayers. In five cases, tax amount of ₹ 0.19 crore was paid by the taxpayers at the instance of Audit.

5.12.8 Summary of Recommendations

After evaluation of records furnished and analysis of data available in the State system, the following recommendations are made:

1. *The CTD may put in place proper mechanism for scrutiny of returns to ensure compliance of rules pertaining to returns filing and tax payments by all taxpayers. The CTD may prepare a Standard Operating Procedure for manual scrutiny of returns in line with one prepared by CBIC, for use till automation of scrutiny is completed.*
2. *CTD may establish mechanism to regularly identify late-filers and non-filers and take necessary steps to recover tax, interest and late fee from them.*
3. *CTD may establish mechanism to regularly identify taxpayers who have not filed GST returns for more than six months and take necessary steps to recover applicable tax, interest and late fee from them and cancel the registrations.*
4. *CTD may urgently pursue the 55 inconsistencies/deviations pointed out by Audit for which responses have not been provided and intimate the results there-of.*
5. *The CTD may conduct similar data analysis (as conducted by Audit for Centralised/ limited Audit) of GST returns and other related data of all the taxpayers under State jurisdiction to identify inconsistencies and take necessary steps to recover dues from the taxpayers wherever applicable.*
6. *The department may initiate remedial action for all the compliance deviations pointed out through this report before they get time-barred.*

CHAPTER VI

GENERAL SECTOR

CHAPTER VI
GENERAL SECTOR

6.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2023 deals with the observations on audit of the State Government units under General Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under General Sector during the year 2022-23 are given in the table below:

Table 6.1: Details of budget allocation and expenditure

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
		2022-23	2022-23
1	Department of Personnel	47.14	26.15
2	Election Department	8.18	7.35
3	Finance Department	2,170.43	2,164.17
4	Governor	11.81	11.81
5	Home Department	112.56	106.39
6	Information and Public Relation Department	20.22	19.43
7	Information Technology Department	65.88	62.32
8	Judiciary	66.57	62.88
9	Land Revenue and Disaster Management Department	377.78	173.56
10	Law Department	3.71	3.71
11	Parliamentary Affairs Department	16.97	14.93
12	Planning & Development Department	87.28	85.42
13	Printing and Stationery Department	15.07	14.33
14	Sikkim Legislature Assembly	28.83	27.74
15	Sikkim Police	577.78	549.44
16	Sikkim Public Service Commission	7.31	6.43
17	Skill Development Department	46.95	15.03
18	State Excise (Abkari) Department	14.58	13.89
19	Vigilance Department	11.52	10.60
Total		3,690.57	3,375.58

Source: Appropriation Accounts

Besides above, the Central Government had transferred a sizeable amount of funds directly to the State’s implementing agencies under the General Sector. The State’s implementing agencies received total fund of ₹ 1.30 crore during 2022-23 for implementation of flagship programmes of the Central Government and the major transfers are detailed in Table 6.2:

Table 6.2: Details of funds directly transferred to the implementing agencies during 2022-23

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/ Programme	Implementing Agency	Funds transferred during 2022-23
1	Police	<i>Sambal</i> (One Stop Centre <i>Mahila</i> Police Volunteer Women Helpline	OSC South Sikkim	15.65
2	Land Revenue and Disaster Management Department	Land Records Modernisation Programme	Sikkim Geo-Tech Society	44.87
3	Development, Planning, Economic Reforms	Capacity Development CSO and NSSO	Director of Economics and Statistics, M & E, Sikkim	69.88
Total				130.40

Source: Finance Accounts

6.2 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, *etc.*

After completion of audit of each unit on a test-check basis, Inspection Reports (IRs) containing audit observations are issued to the heads of the departments. The departments are required to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled based on reply/action taken or the audited entities are required to take further action for compliance. Some of the important audit observations arising out of these IRs are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India. These Audit Reports are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature for taking further appropriate action.

Test audits were conducted involving expenditure of ₹ 1,327.43 crore (including expenditure of ₹ 885.89 crore of previous years) during 2022-23 of the State Government under General Sector. The details of year-wise break-up are given in **Appendix 6.1**.

This chapter contains one Subject Specific Compliance Audit.

COMPLIANCE AUDIT

TOURISM AND CIVIL AVIATION DEPARTMENT

6.3 Subject Specific Compliance Audit on *Swadesh Darshan* Scheme

6.3.1 Introduction

Swadesh Darshan is the flagship scheme of Ministry of Tourism (MoT), Government of India (GoI) for development of tourism infrastructure in the country. MoT launched this Central Sector Scheme in January 2015. The objective of the scheme was to develop tourist circuits and promote the cultural and heritage value of the country. Further, the scheme also aims to generate livelihood and employment opportunities through active

involvement of local communities. Under the scheme, 15 circuits¹⁵⁵ have been identified in India for development.

Tourist Circuit is defined as a route on which at least three major tourist destinations falling in different towns, villages or cities are located but not separated by a long distance which should have well-defined entry and exit points. A tourist who enters should be motivated to visit all the places identified on the circuit.

The MoT approved two projects *Swadesh Darshan-I* (SD-I) and *Swadesh Darshan-II* (SD-II) under North-East Circuit for the state of Sikkim. The entry point was defined in SD- I at *Rangpo* and exit point at *Singtam*. In respect of *Swadesh Darshan-II* the entry point was at *Singtam* and exit point at *Melli*. The details of both the circuits have been shown in **Image 6.1 and 6.2**.

SD-I	SD-II
	
<p>Image 6.1: Rangpo (Entry point) Rorathang, Aritar, Gangtok, Makha, Singhik, Tingbong, Lachen, Thangu, Singtam (Exit point)</p>	<p>Image 6.2: Singtam (Entry point), Makha, Temi, Bermoik Tokal, Phongla, Namchi, Jorethang, Sombaria, Daramdin, Jorethang, Melli (Exit point)</p>

The MoT sanctioned 24 and 21 components of works under *Swadesh Darshan-I* and II respectively such as construction of Tourism Information/Interpretation centre, Wayside Amenities, Construction of approach roads, Parking facilities, Construction of craft *haats/bazaars/souvenir shops/cafeteria*, and Toilet, Cloak room facilities and waiting rooms.

6.3.2 Organisational arrangement

Tourism and Civil Aviation Department (TCAD), the nodal Department in Sikkim for implementation of the Scheme, is headed by the Principal Secretary, who is assisted by the Secretary, Principal Chief Engineer, Chief Engineer, Additional Chief Engineer, Director (Accounts), Additional Secretary and other officers.

6.3.3 Financial Overview

According to the Scheme Guidelines (2015), the funds would be released to the State Government as under:-

- 1st instalment – 20 per cent of the project cost on approval/sanction of the project.
- 2nd instalment - 60 per cent of the project cost after receipt of utilisation certificate for the first instalment.

¹⁵⁵ Himalayan Circuit, North East Circuit, Krishna Circuit, Buddhist Circuit, Coastal Circuit, Desert Circuit, Tribal Circuit, Eco Circuit, Wildlife Circuit, Rural Circuit, Spiritual Circuit, Ramayan Circuit, Heritage Circuit, Tirthankar Circuit and Sufi Circuit.

3. 3rd instalment- Remaining 20 per cent of the project cost on completion of work and receipt of the utilisation certificate.

For the Himalayan and NE States, different funding pattern and duration of projects may be determined by the Mission Directorate keeping in view the difficulties in these areas.

As per Scheme Guidelines 2017, funding pattern was revised from three instalments to five instalments. Audit observed that the funds were released in five instalments by Government of India. It was noticed that GoI sanctioned an amount of ₹ 193.37 crore¹⁵⁶ for both SD-I and SD-II. An amount of ₹ 187.95 crore had been released by GoI, as of March 2023. Details of fund released and expenditure incurred in respect of *Swadesh Darshan* I and II are given in **Table 6.3**.

Table 6.3: Details of fund released and expenditure incurred

(₹ in crore)

Year	SD -I		SD -II	
	Amount Released	Expenditure	Amount Released	Expenditure
2015-16	19.61	4.89	19.06	0.00
2016-17	29.41	12.98	0.00	0.39
2017-18	22.55	23.95	54.16	11.68
2018-19	6.87	30.57	3.03	21.22
2019-20	14.33	6.03	0.00	12.69
2020-21	0.00	12.00	0.00	19.00
2021-22	0.00	2.34	8.93	17.89
2022-23	4.64	2.11	5.36	6.28
Total	97.41	94.87	90.54	89.15

Source: Departmental figures

6.3.4 Audit Objectives

The Subject Specific Compliance Audit was conducted to ascertain whether:

- the tourist circuits were identified, prioritised, and planned properly so as to increase tourist potential at the sites.
- identified projects were executed in a manner so as to achieve integrated development of quality (world class) infrastructure, and
- proper monitoring mechanisms were established towards impact assessment of the Scheme and projects, in terms of achievement of respectively stated objectives of sustainable tourism, enhancement of tourist potential, employment generation, generating livelihoods, community-based development etc.

6.3.5 Audit Scope, sampling and methodology

The Audit covered a period of seven years from 2014-15 to 2022-23. The scope of audit included two circuits viz. *Swadesh Darshan*-I and *Swadesh Darshan*-II. SD-I and II had a total of 13 and eight destinations points respectively.

¹⁵⁶ ₹ 98.05 crore sanctioned under SD-I and ₹ 95.32 crore sanctioned under SD-II.

All destinations (13)¹⁵⁷ of SD-I comprising 77 works were selected for audit scrutiny. In case of SD-II, 50 works created under three¹⁵⁸ (out of eight) destinations have been selected using the Probability Proportional to Size Without Replacement (PPSWOR) method.

Table 6.4: Sample Selection of Components and Infrastructure for Audit

SI No.	Particulars	SD-I		SD-II	
		Total	Selected	Total	Selected
1	Destinations	13	13	8	3
2	Components (As per sanction)	24	24	21	11
3	Works under component	77	77	118	50

The Audit commenced with an entry conference on 11 November 2022 with the Secretary of the Tourism and Civil Aviation Department (TCAD) wherein audit objectives, criteria, scope and methodology were discussed. Records relating to *Swadesh Darshan-I* and II were scrutinised at the office of the TCAD. The Audit team along with the engineers/officers of TCAD conducted physical verification of works. At the end of audit, the draft report was shared with the Principal Secretary, TCAD for obtaining their replies. On conclusion of audit, Exit Conference with the Secretary TCAD was convened on 23 April 2024. The SSCA report was finalised duly considering the replies during audit and views of TCAD expressed during the Exit Conference.

6.3.6 Audit Criteria

The criteria for the Compliance audit have been derived from:

- Scheme guidelines/circulars issued by the GoI.
- Minutes of National Steering Committee (NSC), Central Sanctioning and Monitoring Committee (CSMC) and Mission Directorate meetings.
- Conditions of the Sanctions accorded to the project.
- Sikkim Financial Rules.
- Third party impact assessment Report by National Productivity Council.
- Sikkim Public Works Department (SPWD) Works Manual and Code and
- Instructions/circulars/orders issued by Govt. of Sikkim from time to time.

6.3.7 Acknowledgement

The Office of the Accountant General (Audit), Sikkim acknowledges the cooperation and assistance extended by Principal Secretary, Secretary and other senior officers of the Department at their Headquarters and field offices in carrying out the Performance Audit.

¹⁵⁷ Development of Tourist Infrastructure at Rangpo, East Sikkim (3), Development of Tourist Infrastructure at Rorathang (on the way to Pakyong Green Field Airport) (1), Development of Tourist Infrastructure at Rhenock-Aritar-Rongli, East Sikkim (7), Development of Tourist Infrastructure at Tsomgo Lake, East Sikkim (3), Development of Tourist Infrastructure at Gangtok, East Sikkim (18), Development of Tourist Infrastructure at Singhik/Mangan, North Sikkim (5), Development of tourist Infrastructure at Thangu Valley, North Sikkim (3), Development of Tourist Infrastructure at Tholung, North Sikkim (3), Development of Tourist Infrastructure at Lachen, North Sikkim (4), Development of Tourist Infrastructure at Tingvong, North Sikkim (1), Development of Tourist Infrastructure at Dikchu, East Sikkim (1), Development of Tourist Infrastructure at Makha, East Sikkim (3), Development of Tourist infrasture at Tumin Lingee (25).

¹⁵⁸ lingmoo-lingee, South Sikkim (18), Rangang-yangang, South Sikkim (23), development of wayside amenity (9).

Audit findings

6.3.8 Identification and Selection of circuits

6.3.8.1 *Improper selection of Circuits/ Destinations*

Identification of the tourist circuit and the destinations is a vital component of the scheme. The tourist circuits/destinations were to be identified by MoT in consultation with the stakeholders and States based on a pre-dominant tourism theme, considering factors such as current tourist traffic, connectivity potential and significance attached to the sites, holistic tourist experience etc.

However, audit observed that the DPR prepared by the department did not have any reference to such consultations, indicating absence of the same. Neither was the basis for selection of projects/components specified in the Cabinet Memos nor did the Department conduct any feasibility study before implementing the scheme.

Such deficiencies in planning affected the overall execution and implementation of the projects as audit noticed numerous cases of delay in completion of the projects, non-utilisation of infrastructure, improper utilisation of infrastructure created as elucidated in succeeding paragraphs.

In reply, the Department stated (March 2024) that meetings were held at different occasions with both internally as well as with various stakeholders to discuss and identify the requirements of tourism facilities along with tourist circuit to be undertaken under SD schemes however, minutes of these meeting could not be traced. The reply of the department was not acceptable as department had neither produced any document in support of holding of meetings with stakeholders nor was any reference made in the DPR regarding consultation with various stakeholders.

6.3.8.2 *Deficiencies in preparation of DPR*

As per the scheme guidelines, a comprehensive DPR should be prepared for each circuit after consultation with the respective State Government/UT Administration, Local Bodies, other stake holders for the components to be funded by public funding. The DPR shall be prepared as per toolkit of Ministry of Tourism. A toolkit was prepared by Ministry of Tourism to help State Governments/Department of Tourism/Tourism Development Corporation in preparation of Detailed Project Reports to be submitted for funding under *Swadesh Darshan* Scheme to Ministry of Tourism, Government of India. Further, according to Para 4(a) of Part B of toolkit, Destination wise Assessment of Tourist profiling consisting of Category of tourists, Footfall of tourists, Carrying capacity of the destination/site, duration of stay, *etc.*, have to be included in the DPR.

However, audit noticed that instead of destination-wise information, State-wide information was provided in the DPRs. Further, information regarding profiling of tourists and socio-economic benefits required to be included in the DPR were not included. In the absence of such vital data, performance in respect of important objectives of the scheme such as increase in tourist traffic in the identified circuits and employment generation could not be evaluated or assessed.

In reply the department accepted (March 2024) that destination-wise data was not provided and overall state data were taken in the DPR.

6.3.8.3 Deviation from the DPR

According to para 4.6 of the revised scheme guidelines 2017, if there is any escalation/variation from approved DPR, SGs/UT Administrations must inform MoT and seek its approval for the same before commencing work on the component. Further, Para 7 of sanction letter (30 June 2015) of MoT Government of India stipulated that funds will be utilised only for the purpose for which they are released.

However, deviations from DPR with respect to cost, changes in scope of work and execution of works not included in DPR were noticed in nine cases. The details of the deviation are furnished in *Appendix 6.2*.

The above deviations were done without the approval of the GoI in violation of the scheme guidelines. They also indicate lack of proper site survey, planning and feasibility study, on the part of the department.

In reply, Department accepted (March 2024) that certain revision of items for befitting the requirements as per site condition and necessity were undertaken in the best interest of the project.

Reply was not acceptable as the Department had neither nor informed MoT nor taken approval from MoT before commencing the deviation, in contrast to the guidelines. Further, requirement and site conditions were to be brought to the notice of MoT before implementing the deviations.

6.3.9 Project execution

The department carried out 127 works under 35 selected components, out of which 126 works were handed over to the Assets cell of the Department by the Engineering cell after completion of the works for leasing out and one asset (Development of Adventure Tourism with International Standard Zipline from *Hathipailay* to *Aritar Lake*) was not handed over to asset cell.

Further audit scrutiny revealed that out of 127 assets, only 19 assets¹⁵⁹ were being utilised for the purposes for which they were created and 77 were lying unutilised till the date of audit and 31 were being used for other unintended purposes. In other words, only 19 assets had been leased out till the date of audit (April 2024) and 31 of them were constructed within the premises of Monasteries/Temples which were handed over to the concerned Monasteries/Temples. The Engineering cell of the Department took 3 days to 3 years to handover the constructed works to the Assets cell after completion of construction.

Details are furnished in *Appendix 6.3*. The reasons for non-utilisation of completed projects was attributed to non-availability of suitable bidders at the base price.

¹⁵⁹ 1. Development of Cafeteria cum Public Convenience and Construction of Car Park Area along the North Sikkim Highway, 2. Development of Eco Log Huts at Aritar, 3. Development of Souvenir Shops, 4. Construction of Car Park Area, 5. Development of Cafeteria cum toilet, 6. Construction of Car Park Area, 7. Development of Wayside Amenity, 8. Development of Cafeteria cum Public Convenience, 9. Construction of Wayside Amenity, 10. Construction of Traditional Eco Log Huts, 11. Construction of Wayside Amenity, 12. Development of Walkways, 13. Development of Wayside Amenity at Triveni Mandir, Melli, 14. Construction of Parking Area at Triveni Mandir, Melli, 15. Development of Wayside Amenity at Bermoik. South Sikkim, 16. Construction of Parking Area at Bermoik, 17. Development of Wayside amenity at Sangmoo South Sikkim with Late Ganju Lama Victoria Cross Memorial Interpretation Centre, 18. Construction of Parking Area at Sangmoo enroute Ravangla, and 19. Construction of Approach Road enroute Ravangla.

During Joint physical verification of works under SD-I (January 2022) and SD-II (December 2022) audit observed the following:

Table 6.5: Details of works which were being used for other purposes/lying idle

Circuit, Destination, Location and work undertaken.	Remarks
<p>SD-I, <i>Gangtok</i>, Development at Zero point.</p> <ol style="list-style-type: none"> 1) Craft Haats 2) Toilet block 3) Car park 	<p>The craft <i>haats</i>, toilet blocks and car park were sanctioned at a cost of ₹ 4.38 crore and the works were completed in August 2018 and handed over to Directorate of Handicraft and Handloom, Government of Sikkim (March 2019).</p> <p>Audit noticed that the Engineering cell of Tourism Department had constructed a main building consisting of two blocks (Block A and Block B). The top floor of main building (Block A) was being utilised by the Tourism and Police Department for issuing road permit to the tourists for visiting restricted areas like <i>Tsongmo</i> and <i>Nathula</i> Pass. The building further had 27 shops (20 shops in Block A and 7 shops in Block B), which were lying idle as of the date of audit (June 2023).</p>  <p style="text-align: center;">Image 6.3: Idle shop at Zero point</p>
<p>SD-I, <i>Gangtok Bakthang falls</i> cafeteria,</p> <ol style="list-style-type: none"> 1) Cafeteria and toilet 2) Car Parking 	<p>The Cafeteria, toilet and Car Park Area at Bakthang waterfalls, East Sikkim were constructed at a cost of ₹1.02 crore and completed by 31.03.2018.</p> <p>Cafeteria was leased out for five years till 30 September 2023. However, lessee did not pay the rent and left the Cafeteria 16.07.2020. Further, cafeteria has been leased out to another lessee from 08.08.2021.</p>
<p>SD-I, <i>Rhenock-Aritar-Rongli</i>, East Sikkim</p> <ol style="list-style-type: none"> 1) Eco log huts 2) Zip line 3) Flower Exhibition cum Interpretation Centre at the Flower Valley 4) Walkway 5) Car park 6) Approach road 7) Terracing and land Development 	<p>Flower Exhibition cum Interpretation Centre at the Flower Valley, <i>Lunchok</i>, was constructed at a total cost of ₹ 3.35 crore and completed on 04.06.2019.</p> <p>During Physical verification on 01.01.2022 at <i>Lunchok</i> it was found that the Interpretation Centre was lying idle and terracing and land development done for flower cultivation work was in dilapidated condition as it was covered with wild grass.</p>  <p style="text-align: center;">Image 6.4: Terracing and land development for flower cultivation</p> <p>The International Standard Zip line at <i>Hattipalley</i> was completed at a total cost of ₹ 0.35 crore. However, even after more than one year of completion, the zipline was not leased out for operation.</p>

Circuit, Destination, Location and work undertaken.	Remarks
<p>SD – I & II, Wayside amenities at <i>Rorathang, Ranka, Singhik, Thangu, Dikchu, Suntaley, Kaw payong, Melli, Bermoik, Tinkitam, Sangmoo</i></p> <ol style="list-style-type: none"> 1) Wayside amenity, Rorathang 2) Wayside amenity Ranka 3) Wayside amenity, Singhik 4) Wayside amenity, Thangu 5) Wayside amenity, Dikchu 6) Wayside amenity, Suntaley 7) Wayside amenity, Kaw paying 8) Wayside amenity, Melli 9) Wayside amenity, Bermoik 10) Wayside amenity, Tinkitam 11) Wayside amenity, Sangmoo 	<p>11 Wayside amenities were to be developed under the scheme to make road travel more convenient for tourists as well as provide adequate facilities for rest and refreshment. Out of 11 (SD-I :07 SD-II :04) selected wayside amenities one was not constructed (Ani gumpa), one was in dilapidated condition (Suntaley) and the remaining five wayside amenities were not utilised even after one year to two years of completion.</p>
<p>SD -I, <i>Makha</i>, East Sikkim</p> <ol style="list-style-type: none"> 1) Cafeteria cum Souvenir Shops 2) Eco log huts 3) Boundary fencing 	<p>The Department had constructed two Cafeteria Cum Souvenir Shops (<i>Makha & Kokolay</i>), four Log Huts, Development of Walkway & Boundary fencing of Jurassic park at a total cost of ₹4.20 crore (sanctioned cost ₹ 4.83 crore) and completed the work on 26.09.2019.</p> <p>During the physical verification on 03.02.2022 Audit observed the following:</p> <ul style="list-style-type: none"> ➤ Cafeteria Cum Souvenir Shop in <i>Makha</i> was handed over to Block Administrative Centre, <i>Makha</i> by Tourism Department. However, it was found that the area designated for cafeteria on the first floor was lying idle and the area designated for two souvenir shops on the ground floor was rented out by the BAC to private parties. Further, the shops were being used as vegetables and groceries stores which was not related to tourism. <div data-bbox="749 1261 1428 1680" data-label="Image"> </div> <p>Image 6.5: Souvenir Shop at <i>Makha</i> used as vegetables and groceries shops</p> <ul style="list-style-type: none"> ➤ As per DPR approved by GoI, ₹ 1.15 crore was sanctioned for boundary fencing of infrastructure (cafeteria cum souvenir shops and log huts) created at <i>Makha</i>. However, it was found that the Department had not constructed boundary fencing around the infrastructure created at <i>Makha</i>. Instead, the Department had incurred ₹ 0.79 crore on construction of the boundary/fencing of Jurassic Park which was 15-20 KM away from Tourist Infrastructure at <i>Makha</i> and was not a component of <i>Swadesh Darshan</i> Scheme. Further, the park was also not in operation.

Circuit, Destination, Location and work undertaken.	Remarks
<p>SD-I, <i>Tumin Lingee Guptishwar Dham</i>, Interpretation Centre cum Cafeteria</p> <ol style="list-style-type: none"> 1) View Tower 2) Walkway 3) Boundary fencing 	<p>GoI had sanctioned amount of ₹ 2.56 crore for construction of Interpretation Centre cum Cafeteria, View Tower, walkway and boundary fencing at <i>Guptishwar Dham</i>. The work was completed on 15.03.2019. However, during physical verification it was found that Interpretation Centre cum Cafeteria constructed at a total cost of ₹ 1.15 crore was lying idle and occupied by the pujari and his family.</p>
<p>SD- I, <i>Tumin Lingee</i>, Suntaley.</p> <ol style="list-style-type: none"> 1) Wayside amenity 2) Walkway 	<p>The Development of Tourist Infrastructure at <i>Suntaley, Tumin Lingee</i> work was awarded on 10.02.2016 which consisted of two works viz, Construction of Wayside Amenity amounting to ₹ 1.99 crore and Development of Walkways amounting to ₹ 8.12 lakh.</p> <p>During the physical verification on 02.12.2022, it was seen that the wayside amenity which was completed by the department during 15.03.2019 at a cost of ₹ 2.07 crore was damaged by unknown miscreants. Doors and windows were permanently taken off the hinges and thrown on the floor. Litter and debris were thrown everywhere. Wild bushes surrounded the asset. The assets were lying idle for more than three years from the date of completion and were in deteriorated condition.</p> <div data-bbox="791 885 1386 1164" data-label="Image"> </div> <p>Image 6.6: Deteriorated condition of Wayside amenity of Suntaley in South Sikkim</p>
<p>SD- I, <i>Tumin Lingee, Phegyal Monastery</i>, Interpretation centre cum Souvenir shop</p>	<p>Construction of two storied Interpretation Centre cum Souvenir Shop was completed on 15.03.2019 at a total cost of ₹ 1.74 crore at <i>Phegyal Monastery</i>. It was found that the Interpretation centre was located on the ground floor and souvenir shops on the first floor. However, a kitchen had also been constructed which was not a requirement of the Interpretation centre. Further, both the Interpretation centre and souvenir shops were lying idle since completion.</p>
<p>SD-I, <i>Tumin Lingee, Sapta Kanya</i>.</p> <ol style="list-style-type: none"> 1) Cafeteria 2) Seating area cum view point 3) Walkway 4) Approach road 	<p>Development of Infrastructure at <i>Sapta Kanya, waterfall, Kaw Payong South Sikkim</i> was at the cost of ₹ 4.18 crore. The Construction of cafeteria (₹ 99.53 lakh), Seating cum view point (₹79.15 lakh), Development of walkways (₹101.45 lakh), Approach Road (₹137.97 lakh) works were awarded to a contractor on 10.02.2016. During physical verification on 01.12.2022, audit observed the following:</p> <p>The single storied cafeteria was in very dilapidated condition, and Windows were broken, electric board and wires were exposed, no electricity and running water supply were found. No sources of waterfall were found nearby.</p> <p>Further, the Rain shelter was seen dilapidated with the railings covered in rust as it had been lying unused for a long time. The Walkway leading to the infrastructure was also found damaged, with huge stone boulders along the walkway, which made it very difficult to walk through to the site.</p> <p>The approach road constructed to connect the infrastructure was found damaged in several places. Carpeting work was not done at some places of the approach road due to its location in sinking areas.</p>

Circuit, Destination, Location and work undertaken.	Remarks
SD-I <i>Tumin Lingee, Purey waterfall.</i> 1) Rain Shelter 2) Walkway	The Construction of Rain shelter (₹21.63 lakh) and Development of Walkways (₹ 81.16 lakh) was completed in March 2019. During joint physical verification on 02.12.2022, it was found that the walkway leading towards <i>Purey Waterfall</i> and rain shelter was with massive stone boulders, in a condition rendering it unusable. The actual date from which the infrastructure has been lying unused due to blockage of the walkway was not found on record. Besides, the department had not initiated any action to clear the walkway till the date of audit (June 2023).

It is evident from the above-mentioned facts that the Department focused only on construction of these assets as it had not initiated necessary steps to make these assets operational. As a result of which, the objectives of generating revenue, employment and promotion of tourism in the identified circuit remained unfulfilled.

Thus, due to improper utilisation or non-utilisation, the assets created could not generate revenue or promote culture & heritage of the State as envisaged under the scheme. This led to infructuous expenditure of ₹ 17.68 crore and idling of assets valuing ₹ 18.98 crore.

In reply, though, the department stated (March 2024) that all the assets created are leased out to private parties or handed over to the monasteries and are now actively serving the tourists and earning revenue to the government. However, supporting documents for evidencing the leased out property of only 19 assets were furnished to audit.

6.3.9.1 Infrastructures created in Monastery and Temple land

According to Para 8.3 of Scheme guidelines issued (2015) and para 4.3 of revised guidelines 2017, improvement/investment in assets/structures owned by the private entities were not admissible under the schemes. In this connection, TCAD submitted the land availability certificate along with the DPR to MoT stating that all lands were free from encumbrance to accommodate all the features of the project under *Swadesh Darshan* and the lands were in possession of the Department.

Scrutiny of records revealed that tourist infrastructure in nine destinations were constructed in the land belonging to either Monastery or temple as detailed in **Appendix 6.4**, which resulted in affecting the State's ownership of the project/assets as well as its access to revenue from the project.

In reply, Department stated (March 2024) that the temples and monasteries serve as significant tourist attractions and vital sources of livelihood within the state. Monastic tourism plays a central role in promoting tourism. It's essential to involve these religious sites in tourism circuits to enrich the overall experience. The reply of the department was not tenable, since creation of infrastructure in private land was not admissible as per the scheme guidelines.

6.3.9.2 Delay in award of work/project

According to the guidelines of the *Swadesh Darshan* Scheme, invitation and finalisation of all tenders for the project were to be completed within three months from the date of sanction of the project.

Scrutiny of records revealed that projects under *Swadesh Darshan-I* and II were sanctioned by the GoI on 30.06.2015 and 16.09.2016 respectively. However, audit noticed that there was an inordinate delay in awarding the tenders for the SD-I and II.

The delay in finalisation of tender ranged from 139 days to 419 days (SD-I) and 90 days to 243 days (SD-II) from the due date of award of tender (three months from the date of sanction) due to belated process for tendering, retendering due to non-fulfilment of tendered conditions, etc. as detailed in **Appendix 6.5**. Two such cases of inordinate delay are highlighted below:

- Award of tender in case of Development of Zipline and *Angling* Infrastructure at *Menglee, Yangang* under SD-II was delayed by 243 days mainly due to delay in initiation of tendering process (as due date of finalisation of tender was December 2016 i.e., three months from the date of sanction of the project. However, tender was invited only in February 2017). One bidder out of three participants failed to submit valid tender documents due to which the tendering process was cancelled as minimum three bidders were required in the process. Further, retendering was floated (July 2017) only after five months.
- Development of tourist Infrastructure at *Ani Gumpa* under SD-I (Gangtok) was delayed by 419 days mainly due to delay in initiation of tender process as due date of finalisation of tender was September 2015 i.e., three months from the date of sanction of the project. However, first tender was called only in March 2016. Subsequently, retendering was resorted to twice (May and September 2016). The reasons for re-tendering were due to insufficient valid tender documents and insufficient bidders.

Due to delay in awarding of works, 21 works were delayed ranging from four months to 37 months from the stipulated date of completion which affected early generation of employment.

In reply, department stated (March 2024) that the Project involved a large Circuit with many sites and many components in each site, a fair amount of time was spent in formulation of packages for tendering. Many works also had to be re-tendered causing time overruns.

6.3.9.3 Delay in completion of work

According to sanction letter of MoT, GoI, the State Government will execute the project through the Engineer Wing, Department of Tourism, GoS which shall have to commence the work immediately to ensure timely utilisation of funds and to avoid escalation of cost. The project should be commissioned within the maximum period of 24 months from the date issue of sanction.

Audit noticed that none of the 35 components under 21 destinations (SD-I: 13 and SDII: 8) selected by audit were completed within the stipulated time schedule. Works were delayed ranging from four months to 37 months from the stipulated date of completion as detailed in **Appendix 6.6**.

Further, out of 21 works test checked by audit, four works were delayed due to blockage of road during monsoon season, two works¹⁶⁰ were delayed due to non-obtaining of No Objection Certificate (NOC) from landowner and Forest Department, two works were delayed due to non-availability of stock materials in the store of the Department, and in two works due to Covid-19 restrictions. In all 21 cases, time extension was allowed by the Department on the plea of the contractors. Audit noticed that the time extension granted by the department in eight out of 21 works on the basis of reasons cited by the contractors was not justifiable as detailed below:

¹⁶⁰ *Development of Tourist Infrastructure at Gangtok and Development of Tourist Infrastructure at Tumin Lingee.*

- In the case of Development of tourist infrastructure at *Singhik*, North Sikkim and *Makha*, East Sikkim completion of work was delayed by one year and ten months, and one year and nine months respectively from the scheduled date of completion due to non-availability of stock materials at store. Non-availability of stock is not a valid reason for the delay as the department had allowed the contractors to self-procure the stock material.
- The delay in completion of four works¹⁶¹ ranged from four months to 16 months was stated to be due to obstruction of work by heavy rainfall during monsoon season. However, heavy rainfall during monsoon season is a regular feature in Sikkim and should have been factored accordingly at the time of awarding the work.
- In the work Development of Tourist infrastructure at *Tumin Lingee*, there was a delay of 11 months due to non-obtaining of NOC from Forest Department and in the work Development of Tourist Infrastructure at Gangtok, there was a delay of 11 months due to delay in release of land compensation to the land owner.

Thus, due to avoidable reasons, works under SD-I and SD-II were considerably delayed indicating ineffective implementation and monitoring of the scheme by the Department.

In reply, Department stated (March 2024) that due to unpredictable and untimely rains, disruptions in road connectivity and extended monsoons, excavation and site development works cannot be carried out which seriously hamper the progress of work. The reply was not tenable since department was aware about the weather condition while implementing the scheme.

6.3.9.4 Splitting of work

As per para 12 of the scheme guidelines (January 2015) and Para 4.6 of revised guidelines 2017, the implementing agency shall follow all codal formalities while awarding contracts for work/material/equipment procurement and ensure complete transparency in its transactions. E-tendering/e-procurement will be compulsorily followed for all tenders. Further, the Road & Bridges Department (R&BD), GoS vide Notification (July 2015) stipulated that Call of Tender for civil work value above ₹ two crore and up to ₹ five crore shall be done within the district through e-tender under the jurisdiction of Divisional Engineer/Superintending Engineer.

Scrutiny of records revealed that the Government of India, Ministry of Tourism sanctioned fund amounting to ₹ 5.78 crore for “Development of Eco Log Huts (6 Nos) at *Aritar*” under *Aritar-Rhenock-Rongli* component under *Swadesh Darshan* Scheme. The Department divided the works in three parts *i.e.* (i) Construction of 3 Nos of Log Huts valuing of ₹ 2.63 crore, (ii) Construction of 2 Nos Log Huts valuing of ₹ 1.75 crore and (iii) Construction of 1No Log Hut & Staff accommodation valuing of ₹ 1.45 crore and tendered the work within the territorial Jurisdiction of *Gram Panchayat*. The Gram Panchayat Unit (GPU) awarded the entire work to M/s *Aritar B, Educated Unemployed Co-operative Society Ltd.* in April 2016 in three parts at the rate of 22 *per cent* above SoR 2012 with stipulated time of 24 months for completion of the work. The works were completed in December 2018.

However, the work was awarded to contractor on GPU level instead of e-tendering within the district against the stipulations in the government notification of July 2015 which

¹⁶¹ i) Development of Tourist Infrastructure at *Rhenock-Aritar-Rongli*, East Sikkim ii) Development of Tourist Infrastructure at *Lachen*, North Sikkim iii) Development of Tourist Infrastructure at *Tingvong*, North Sikkim iv) Development of Tourist Infrastructure at *Dikchu*, East Sikkim.

restricted the possibility of more bidders from participating, to ensure competitive price discovery.

In reply (March 2024), Department decided to split the works and tender them separately at GPU level for ease of execution as well as to ensure speedy progress of work. Reply was not tenable because splitting of work was against the above codal provision and there was delay in completion of work by nine months.

6.3.9.5 Expenditure on Information, Education and Communication (IEC)

As per the scheme Guidelines, 10 per cent of the project cost was earmarked for IEC for capacity development like workshops, seminars, publication, stake holder outreach, skill development etc. and professional and administrative services.

Scrutiny of records revealed that the department neither kept provision for IEC in the DPR submitted to the Government of India nor had GoI provided any fund for the IEC programme. Thus, no major IEC activities were conducted by the Department to create awareness about the tourist destinations.

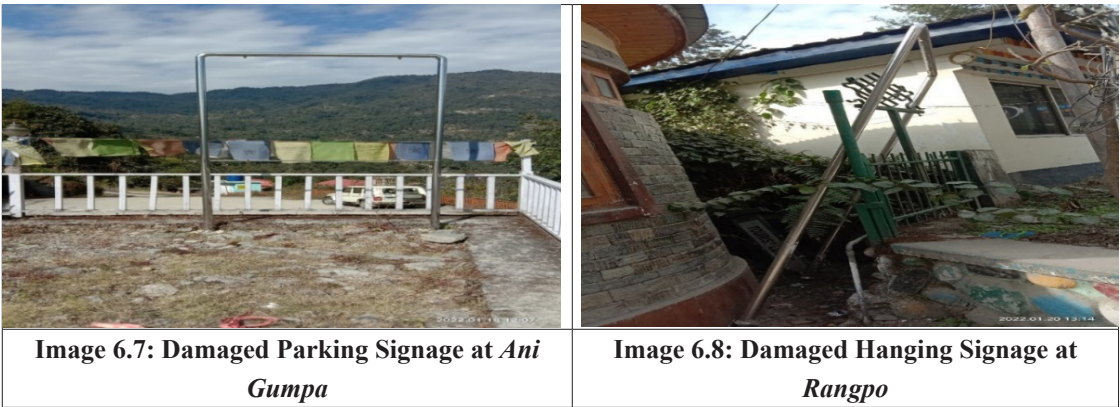
In reply, Department accepted (March 2024) that the IEC funds were not sanctioned under the Project, and hence no IEC activities could be carried out from the Project funds. However, such activities were carried out through the regular programme out of the State budget. However, the department had not furnished any supporting documents in respect of the activities carried out from the State budget.

6.3.9.6 Damaged Signages

As per Detailed Project Report approved by the MoT, the State Government had kept one per cent provision for the signages stating that the provision has been incorporated as per standard procedure and practice.

Scrutiny of records revealed that the lowest bidder Maark Pictures Production & Advertisement, Development Area, Gangtok was shortlisted for supply of stainless steel signage, Tourism Logo Signage, Map signage, hanging signage, Interpretation signage, Granite Carved signage, Acrylic Letter signage, Toilet signage, Parking signage, Book Style signage and QR signage (with short clip) vide supply order of March 2020.

Audit noticed that the work for installation of 80 signages commenced in March 2020 and installation was completed on 08.02.2021. The total amount paid to Maark Picture for supply and installation of signages was ₹ 43.68 lakh. However, during physical verification (January 2022) along with the officers of TCAD, sixteen signages valuing ₹ 8.62 lakh were not available at the site and two signages were found damaged as shown in the images below.



This indicates inability of the department to ensure that the assets created were being maintained properly.

While accepting the audit contention the Department stated (March 2024) that few signages were damaged or stolen by miscreants, and they will be repaired or replaced using state funds as soon as they become available.

6.3.9.7 Lack of information/publicity

Under *Swadesh Darshan-I* scheme, the Department had mapped *Rangpo* as the entry point and *Singtam* as the exit point covering *Rorathang*, *Aritar*, *Gangtok*, *Makha*, *Singhik*, *Tingbong*, *Lachen*, and *Thangu* as tourist destinations between the entry and exit points. Similarly, under *Swadesh Darshan-II* scheme, the entry point was Singtam and exit point was *Melli* and covered the tourist destinations *Makha*, *Temi*, *Bermoik Tokal*, *Phongla*, *Namchi*, *Jorethang*, *Sombaria*, *Daramdin* and *Jorethang*.

Rangpo: *Rangpo* is a border town which has all the facilities for tourists whereas lacks space of tourist facilities such as recreation centre, reception centre, and interpretation centre.

Rorathang: Wayside Amenity is located nearby *Pakyong* Airport and alternative route to *Gangtok*. *Rhenock -Aritar* is surrounded by Lake, monasteries, *Sanskrit Pathsala*.

Audit noticed during physical verification of entry points viz. *Rangpo* (SD-I) and *Singtam* (SD-II) that important information like tourist map was not available at the entry point i.e. *Rangpo* and *Singtam*. There was no information on departmental the website regarding the circuit or the destinations under it. Thus, the department did not provide vital information about the circuits thereby affecting the objective of the scheme to motivate the tourists to visit all places identified under a circuit.

In reply Department assured (March 24) that all new literature, fliers, brochures will be updated to include such newly created assets and website will be updated.

6.3.9.8 Undue benefit to contractors

(i) Non deduction of storage charges ₹ 0.73 crore

Sub-section 20.12 of Section 20 of Sikkim Public Works Manual (SPWM) 2009 envisaged that the Department should recover 5 per cent storage charges that have been incorporated in the Analysis of Rate (AOR) over and above the market rate while finalising the rates in Schedule of Rates and credit to the appropriate Revenue Receipts Head of the Department. Further, during the approval of self-procurement by the Department, it was also mentioned that the department may recover 5 per cent storage charges as incorporated in Analysis of relevant Schedule of Rate.

Audit noticed that the Estimate for SD I and II was prepared on the basis of the AOR 2012 in which the five per cent storage charges were incorporated. However, for the construction of various infrastructure under the *Swadesh Darshan Scheme I*, the Department issued stock materials valuing ₹ 6.11 crore (SD-I: ₹ 2.03 crore and SD-II: ₹ 4.08 crore) and allowed self-procurement of materials valuing ₹ 8.52 (SD-I: ₹ 3.07 crore and SD-II : ₹ 5.45 crore). However, the Department had not deducted five per cent storage charge from the Running Account (RA) Bills/Final Bills of any of the contractors till date of Audit (February 2023). Details are in **Appendix 6.7**.

Thus, non-deduction of five per cent storage charge from the RA bills/Final Bills of the contractors not only led to undue benefit to the contractor but also loss of government revenue to the tune of ₹ 0.73 crore.

In reply, Department stated (March 2024) that there is no handling of Stores by the Department and the same is being managed by the contractors from their own resources, Storage Charges were not deducted from the contractors. Reply was not tenable because storage charges as incorporated in the AoR 2012 should be recovered from contractor bills. Further, during the approval of self-procurement, it was also mentioned that the Department may recover five per cent storage charges as incorporated in Analysis of relevant Schedule of Rate.

(ii) Irregular grant of mobilisation Advance

State Government Order dated 22.02.2016 (amendment to Sikkim Public Works Code & Manual 2009) issued by Finance, Revenue & Expenditure Department (FRED), Government of Sikkim stipulates that the practice of providing mobilisation advances to the Contractors should be withdrawn with immediate effect.

The Department, however, granted mobilisation advances amounting to ₹ 11.56 crore (ranging from ₹ 0.32 crore to ₹ 2.06 crore) @ five *per cent* compound interest during the period from 31.03.2016 to 03.05.2018 to 14 contractors under *Swadesh Darshan* scheme I & II after the issue of aforesaid order. The details of MA granted are shown in **Appendix 6.8**.

The granting of mobilisation advances clearly violated the Government order and hence was not regular.

In reply, Department stated (March 24) that the provisions relating to grant of mobilisation advance have been temporarily suspended by the Government. The Department had released Mobilisation Advance in some unavoidable cases. However, reasons for grant of mobilisation advance in violation of Government order were neither specified in the reply nor recorded in the files produced to Audit.

6.3.10 Financial Management

6.3.10.1 Non-segregation of interest component between SD-I and SD-II

According to the sanction letter dated 30 June 2015 of MoT Government of India, the State Government of Sikkim will not keep the amount released by the Central Government unutilised for more than six months. In case the funds cannot be utilised by such time, the same will have to be surrendered to Central Government along with the interest earned. State Implementing Agencies must open a Separate Account for each project and interest earned shall be refunded to the Ministry of Tourism at the end of the financial year.

First instalment of ₹19.61 crore for SD-I was received in the Finance Department, Government of Sikkim in June 2015 and was credited to the State Government account in July 2015. Subsequent instalments of both the circuits- SD I and II were deposited in a single savings bank account opened during September 2016. But separate bank accounts for SD I and II were opened only in June 2017. The first instalment for SD- I of ₹ 19.61 crore was released (30 June 2015) by GoI. As per the records only ₹ 0.49 crore was utilised by December 2015 i.e. within six months by the Department. However, the Department neither took approval of GoI for revalidation/utilisation after stipulated time nor surrendered the amount to GoI in violation of scheme guidelines.

Audit also noticed that total interest earned from the single account as well as separate accounts of SD-I and SD-II was ₹ 7.91 crore, but only ₹ 4.57 crore was segregated

between SD-I (₹1.64 crore) and SD-II (₹2.93 crore) as required under the guidelines and the remaining interest amounting to ₹ 3.34 crore was not segregated.

In reply, Department stated (March 24) that the segregation of interest between the two Circuits under Swadesh Darshan was not found necessary, since no such requirement was communicated. Reply was not acceptable as interest was needed to be segregated since bank accounts were opened separately.

6.3.10.2 Irregular expenditure from accrued interest

According to Additional guidelines for processing of projects sanctioned before 2017, State Implementing Agencies must open a Separate Account for each project and interest earned shall be refunded to the Ministry of Tourism at the end of the financial year.

Scrutiny of records revealed that the Department earned interest amounting to ₹ 7.91 crore from the fund received from GoI for implementation of Swadesh Darshan (SD). However, instead of refunding this amount back to Ministry of Tourism, GoI, Department utilised ₹ 5.95 crore for various purposes such as supply of tourist map, restoration, and maintenance of infrastructures, payment of MR wages, payment of supply of garden benches, development of approach road, protective work, and payment to conducting of audit, etc., and only ₹ 1.34 crore was returned to GoI in August 2020 while remaining amount is still lying with the Department as of September 2023.

In reply, Department stated (March 2024) that a part of the interest earned from SD Scheme was utilised to support the gap of infrastructure under the said scheme which includes improvement of connectivity to SD Scheme site, mitigation of flood damage to SD Scheme site, value addition and promotion work etc. to ensure best utility of these tourism assets. However, interest was to be refunded to the MoT at the end of the financial year.

6.3.10.3 Irregular expenditure for repair and maintenance of assets.

As per the undertaking given (June 2015) by the State Government, it would be solely responsible for sustainable operation and maintenance of the identified/developed projects under the Scheme. It will have necessary arrangements/agreements with the public/private agencies for operation/maintenance of the assets created under the scheme. Further, according to scheme guidelines the components inadmissible under the schemes were land acquisition, resettlement & rehabilitation package, operation, maintenance and management of the assets created etc.

Scrutiny of records revealed that TCAD had incurred (November 2021) expenditure amounting to ₹ 0.56 crore on restoration and maintenance of Tourist Infrastructure at 12 sites under *Swadesh Darshan* Scheme from the interest accrued from (June 2015 to March 2023) SD fund in deviation to the guidelines. Details are in **Appendix 6.9**.

In reply Department stated (March 2024) that no such fund was provided and the Department did face difficulty in supporting such important feature of works deemed necessary in view of technical requirements to bring best of its utility of the created assets. Accordingly, a part of the interest earned from SD Scheme was utilised to support the gap of infrastructure under the said scheme which includes improvement of connectivity to SD Scheme site, mitigation of flood damage to SD Scheme site, value addition and promotion work etc. to ensure best utility of these tourism assets. Reply of the Department was not tenable, since operation and maintenance of the developed sites were to be borne by State Government and accrued interest was needed to be refunded to the Ministry of Tourism.

6.3.10.4 Irregular utilisation of funds

According to Paragraph 2 (20) of the Sikkim Public Works Code 2009, Contingencies (Works) when used in respect of the accounts of a work, indicate incidental expenses of a sundry nature, which cannot be classified under any Sub-head or sub-work but pertain to the work. Further, as per Sikkim Public Works Manual 2009, the contractor shall provide at his own cost all materials (except such special materials, if any, as may in accordance with the contract be supplied by the Engineer-in-Charge's stores), plant, tools, appliances, implements, ladders, cordage, tackle, scaffolding, altered or substituted and whether included in the specifications or other documents forming part of the contract.

Audit noticed that the department had kept a three *per cent* provision for contingency in the DPRs of both SD-I and SD-II which was later bifurcated into two *per cent* contingency and one *per cent* tools and plants charges. Audit observed that the provision given for plant and tools was utilised for procurement of ten vehicles amounting to ₹ 1.28 crore during the period 2016-17 to 2018-19, which was inadmissible.

In addition, an amount of ₹ 0.40 crore was utilised for the payment of House rent for Tourist Information Centre (TIC) *Namchi*, MR bill for the work construction of Trekking Trails, Log bridges and supply of furniture cum furnishing for *Khamsel* ceremony at *Tholung*, Construction of Trekking Trails, Log bridges and supply of furniture cum furnishing for *khamsel* ceremony at *Tholung* under *Dzongu* in North Sikkim, which were not related to the schemes/works under SD. Besides during 2022-23, an amount of ₹ 17.36 lakh was incurred on site footage with drone for *Bhaleydunga* Ropeway and other activities which were not related to *Swadesh Darshan*.

Hence, expenditure to the extent of ₹ 1.85 crore was irregular.

In reply, Department stated (March 2024) that, it was found necessary to procure utility vehicles or inspection vehicles for the technical officials for regular and effective monitoring of the Schemes. Reply was not acceptable because procurement of vehicles was not admissible as per scheme guidelines nor did they form part of incidental expenses of a sundry nature.

6.3.10.5 Inadmissible expenditure

According to para 8.3 of guidelines, operation, maintenance and management of the assets is not permissible under the schemes. Further, as per the undertaking given by the State Government, it would be solely responsible for sustainable operation and maintenance of the identified developed project under the Scheme and it will bear the expenditure on account of construction of approach road, external electrifications, external water supply, sewerage lines and other items.

Audit noticed that the Department incurred ₹ 0.78 crore on external electrification, external water supply, sewerage, furniture and other items from SD fund which were inadmissible as detailed in **Appendix 6.10**.

Further, it was observed that nine approach roads were constructed under the subcomponent 'construction of approach road' for ₹ 6.26 crore¹⁶² in contravention of the undertaking given by the State Government. The details are given in **Appendix 6.11**.

¹⁶² 1. Development of Tourist Infrastructure at Rangpo (₹ 10.48 lakh), 2. Development of Tourist Infrastructure at Rhenock-Aritar-Rongli.

Subsequently, it was also observed that the construction of approach road at *Dikchu* at a cost of ₹ 14.14 lakh was not approved by the GoI as it is not reflected in the DPR submitted to GoI and hence not authorised.

Thus, an expenditure of ₹ 7.04 crore was incurred in violation of the scheme guidelines and in deviation of the undertaking submitted by the State Government to GoI.

In reply, Department accepted (March 2024) that the basic needs of construction of approach road, external electrification, external water supply, sewerage, etc. are to be provided by the State. However, in select sites it was found that provision for such facilities through State schemes would take a long time to materialise, and immediate measures had to be taken to get such facilities in place. Justification given by the Department was not acceptable as expenditure on such facilities was to be from State fund as per the guidelines.

6.3.10.6 Diversion of scheme fund: ₹ 41.91 lakh

Para 7 of the sanction letter of scheme guidelines stipulated that the Central Financial Assistance (CFA) will be utilised for the purpose for which funds are released.

Scrutiny of records revealed that department had prepared DPR for the project Development of tourist circuit linking Singtam-Makha-Temi-Bermoik-Phongla-Namchi-Jorethang-Okharey-Melli (Exit) under SD II at a cost of ₹ 90.09 crore. This included a provision of ₹ 57.70 lakh for cost of signages (Site specific) kept @ one per cent, similar to the provisions made in the DPR for SD-I. Subsequently, it was observed that the department added ₹ one crore to the project cost as cost of signages (Signages along the Highway, Direction to the site signages and Site specific signages) in the DPR. It was seen that out of ₹ one crore, ₹ 50.00 lakh was for site specific signages which was redundant as it was already included in the project cost (one per cent).

Subsequently, it was observed that an expenditure of ₹ 41.91 lakh (₹ 22.60 lakh + ₹ 19.31 lakh) was incurred for the work “design and fabrication and installation of signages for SD-I” from SD-II fund which was to be recouped from the SD-I project itself. However, this amount was not recouped even after a lapse of one and a half years till date of audit. Details are in **Appendix 6.12**.

Thus, the excess amount which was kept as provision for signages was diverted from SD-II to SD-I project which was in contravention to the sanction order.

In reply, Department stated (March 2024) that direction signage and site-specific signages were approved by MoT and signage components were executed as per the sanction component of the DPR. However, reply was not tenable as department had already included the signage cost twice @ one per cent component-wise while estimating the cost of project and ₹ 50.00 lakh separately in the overall cost of the project. Further, Department stated that expenditure of ₹ 41.91 lakh earlier booked under SD-II was later recouped and booked under SD-I after the receipt of fund from the Ministry under SD-I scheme. However, department had not furnished the supporting documents regarding recoupment of fund.

6.3.10.7 Irregular expenditure towards provision for Wi-Fi: ₹ 20.65 lakh

Para 4.2 of scheme guidelines stipulated that Wi-Fi connectivity and development, informative push- apps for tourism destinations would be eligible for Central Financial Assistance and para 4.4 stipulated that Safety, security and internet connectivity measures

shall be taken into consideration during preparation of DPR. Further, para 8 of sanction letter dated 16.09.2016 stipulated that the Central Financial Assistance (CFA) will be utilised for the purpose for which funds are released.

Scrutiny of records revealed that fund amounting to ₹ 25.90 lakh was sanctioned for Wi-Fi connection at sites. However, no Wi-Fi connection was available at any site as found during the physical verification of sites. Instead the department had incurred ₹ 20.65 lakh on internet connection for the Department head office at Gangtok, purchase of computers and other accessories. Details are in **Appendix 6.13**.

Thus, ₹ 20.65 Lakh provided by MoT, GoI to provide internet facility to tourists at the destination was diverted for internet connection at the Department office, purchase of computers and other accessories in contravention of the scheme guidelines.

In reply, Department stated (March 2024) that Computers were purchased with the objective of upgrading and enhancing the tourist handling capacity of Tourist Information Centers (TICs) and Permit Cells. This investment aimed to modernise the facilities and streamline operations within these centers. Reply was not tenable, since funds were sanctioned by the MoT for Wi-Fi connection at sites under Swadesh Darshan.

6.3.11 Monitoring and impact assessment

6.3.11.1 Formation of State Level Monitoring Committee

As per revised guidelines of the scheme, the States UT Administration shall appoint a State Level Monitoring Committee for timely implementation of the project. The purpose of the committee is to provide feedback on the progress of implementation to the GoI regularly. On the basis of this, the Department constituted a monitoring committee consisting of six members headed by Chief Engineer as Chairman on 10.02.2016 after a lapse of seven months of issue of sanctioned letter.

Scrutiny of records revealed that no records existed in the department to indicate that SLMC met regularly after its formation. This is particularly important since audit has observed numerous cases of delays in implementation of the projects as indicated in **paragraph 6.3.9.3**. Since monitoring of the overall progress of the scheme was one of the objectives of formation of SLMC, the monitoring mechanism envisaged by the scheme guidelines was rendered ineffective as no meetings were held by the SLMC. In absence of effective functioning of the monitoring mechanism, delay in completion of works ranging from four months to 37 months could not be avoided.

In reply, Department stated (March 2024) that State Level Monitoring Committee headed by the Chief Engineer has been constantly monitoring the Schemes right from conceptualisation till completion, but proceedings of the meetings have not been recorded. Reply was not tenable in the absence of proceeding of the meetings.

6.3.11.2 Analysis of Monthly Progress Reports (MPR)/Quarterly Progress Reports (QPR) of the project

As per the standard procedures for processing projects sanctioned before October 2017 under *Swadesh Darshan* Scheme, all the States shall mandatorily submit MPRs in the prescribed formats giving physical and financial progress to the ministry so that ministry can review the progress of the projects.

During scrutiny of the MPR (October 2021) submitted to MoT by Department of Tourism, Government of Sikkim, it was seen in the MPR that the components approved

in DPR were shown with the sanctioned amount. However, while implementing the project (Development of Tourist Infrastructure at Singhik/Mangan), the components had been revised (two log huts were constructed instead of four projected in DPR) and the sanctioned amount was also revised (such as ₹ 56.42 lakh incurred on wayside amenity at *Singhik* against sanctioned amount of ₹ 215.65 lakh) which indicate that the MPRs were not based on actual facts and figures.

The absence of correct figures relating to financial and physical progress would mislead the GoI regarding the execution of the scheme and actual expenditure incurred against it.

While accepting, the Department stated (March 2024) that the several changes have occurred at site during the course of execution necessitating minor to major deviations from the original estimates in almost all sites. Such deviations may not have been correctly reflected during reporting in many cases.

6.3.11.3 Assessment mechanisms

As per paragraph 15 of scheme guidelines, the outcome of the Integrated Development of the tourist circuit in mission mode would be measured in terms of increase in tourist traffic, employment generation, and increase in revenue generation, *etc.* in the identified circuits. The outcome would be regularly evaluated and measured through survey by independent agency. Further, according to Para 4(a) of Part B of toolkit, Destination wise assessment of Tourist profiling consisted of Category of tourist, Footfall of tourists, carrying capacity of the destination/site, duration of stay, *etc.*, which had to be included in the DPR.

However, Audit noticed that the Department did not maintain vital data such as tourist traffic data either for the individual destination or for the circuit. Further, it was seen that the Department neither spelt out the figures of proposed employment generation in DPR nor maintained any records regarding the employment generated under the schemes. Besides, 77 assets were lying idle during the audit period affecting fulfilment of objective of the SDS.

Thus, due to absence of such vital information, achievement of the scheme with respect to increase in tourist traffic, employment generation, increase in revenue generation, *etc.*, could not be assessed by the department.

In reply, Department accepted (March 24) and stated that it is in the process of devising a method for maintenance of such data both through conventional means as well as through digital intervention.

6.3.12 Conclusion

1. Basis for selection of projects/components had not been specified in the Cabinet memos and the Projects to be implemented were selected without proper feasibility study, which was against the provisions of the scheme guidelines. Audit also noticed cases of significant deviations from approved DPR's indicating lack of proper implementation of the scheme.
2. Execution of the works under the scheme were impaired with significant delay, both in terms of tendering as well as execution of the work.
3. Physical verification of assets created under the scheme revealed that much of the infrastructure created were either lying idle or were being used for purposes other than those envisaged under the scheme. SLMC, which was stipulated to monitor

the progress of implementation of the scheme was ineffective as no meetings were held during audit period.

6.3.13 Recommendations

1. *Department should ensure that before selection of a project, proper survey, feasibility studies and consultation with shareholder are ensured. DPR should be able to spell out clearly the reasons for selection of a project. No deviation from approved DPR shall be permitted.*
2. *Department shall make every effort to ensure that the assets created under Swadesh Darshan I and Swadesh Darshan II are utilised for the purpose for which they were created.*
3. *Department shall ensure that a proper monitoring system may be developed to capture key data pertaining to tourist footfall, employment generation for effective implementation of the scheme.*
4. *The expenditure incurred on procurement of vehicles from contingencies should be recouped from State Consolidated Fund.*
5. *The issue of construction of infrastructure at Monastery and Temple premises may be taken up with GoI for regularisation.*

CHAPTER VII

LOCAL BODIES

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LOCAL BODIES

7.1 Functioning of the Panchayati Raj Institutions (PRIs) in the State

7.1.1 Introduction

The 73rd Constitutional Amendment Act, 1993 gave a constitutional status to *Panchayati Raj* Institutions (PRIs) and provided for a uniform structure, holding regular elections, regular flow of funds through Finance Commissions, *etc.*

Consequently, Government of Sikkim (GoS) enacted Sikkim Panchayat Act (SPA), 1993. A two-tier system of PRIs viz., *Gram Panchayat* (GPs) at village level and *Zilla Panchayat* (ZP) at district level was established under this Act. As on March 2023, there were six ZPs¹⁶³ consisting of 124 Territorial Constituencies (TCs) and 199 GPs comprising 1,149 wards in the State. Out of 199 GPs, there are two traditional institutions of self-governance at *Lachung* and *Lachen* in North Sikkim, also known as the *Dzumsas* deemed to be *Gram Panchayat* Units (GPU). GoS promulgated *Sikkim Zilla Panchayat* (Financial) Rules, 2001; *Sikkim Zilla Panchayat* (Financial) Amendment Rules, 2004; *Sikkim Gram Panchayat* (Financial) Rules, 2003; and *Sikkim Gram Panchayat* (Financial) Amendment Rules, 2004.

7.1.2 Allocation of Fund to PRI

The main sources of funds of PRIs include grants from Central and State Government. The details of grants from Central and State Government in respect of GPs and ZPs during the period from 2020-21 to 2022-23 are tabulated in **Table 7.1**.

Table 7.1: Details of revenue of PRIs from 2020-23

(₹ in crore)

Year	Central Grant		State Grants						Grand Total	
			5 th SFC (Primary & Improvement Grant)		5 th SFC (Share of net proceeds)		Direction & Administration			
	ZP	GP	ZP	GP	ZP	GP	ZP	GP	ZP	GP
2020-21	6.30	35.70	0.00	0.00	7.36	13.67	11.83	25.94	25.49	75.31
2021-22	4.65	26.35	0.00	3.88	9.54	17.41	13.95	31.87	28.74	79.51
2022-23	4.95	28.05	0.00	4.96	12.40	21.56	14.61	34.03	31.96	88.60
Total	15.90	90.10	0.00	8.84	29.30	52.64	40.39	91.84	86.19	243.42

Source: Detailed Appropriation Accounts 2021-22 & 2022-23 of GoS (Grant No.43- Panchayati Raj Institutions)

Finances of PRIs comprise grants and assistance from Union Government, State Government released through Rural Development Department (RDD) and also receipts from own source of revenue¹⁶⁴. However, the record on own source of revenue was not maintained by RDD.

¹⁶³ Gangtok, Pakyong, Mangan, Namchi, Geyzing and Soreng.

¹⁶⁴ Garbage fee, tender fee, trade license etc.

7.1.3 Planning and conduct of Audit

The audit process starts with the risk assessment of Government departments based on expenditure incurred, criticality/complexity, level of delegated financial powers, assessment of overall internal controls *etc.*, In 2022-23, 34 units (GP-30 and ZP-4) were audited. As of March 2023, against 205 PRIs (199 GPs and six ZPs), there were 380 IRs containing 1533 paras for the period from 2005-06 to 2022-23 which were outstanding for settlement.

7.2 Functioning of the Urban Local Bodies (ULBs) in the State

7.2.1 Introduction

Consequent upon the 74th Constitutional Amendment Act, 1993, the Urban Local Bodies (ULBs) were to be made full-fledged institutions of Local Self-governance and with significant increase in responsibilities with greater powers and distinct sharing of resources with the State Government. GoS enacted the Sikkim Municipalities Act, 2007 empowering ULBs to function as institutions of Self-governance and to accelerate economic development in urban areas. Though the Sikkim Municipalities Act was enacted in March 2007, the ULBs (*viz.*, Municipal Corporation, Municipal Council and Nagar Panchayats) were formed only during 2010-11.

As of March 2023, there were seven ULBs (Municipal Corporation: 1, Municipal Council: 1 and Nagar Panchayats: 5) in the State.

7.2.2 Financial position

The sources of funds of the ULBs comprise own revenues generated by the ULBs from different sources¹⁶⁵ and State Government grants-in-aid (GIA) released through the Director, Urban Affairs Department for maintenance & development purposes. The details of own revenue and State Government GIA of all the seven ULBs during the period from 2020-21 to 2022-23 is tabulated in **Table 7.2**.

Table 7.2: Details of revenue of ULBs from 2020-23

(₹ in crore)

Year	GMC				Remaining Councils / NPs			
	Central Grants	State Grants	Own Revenue	Total	Central Grants	State Grants	Own Revenue	Total
2020-21	18.84 ¹⁶⁶	6.62	9.02	34.48	5.53	5.72	3.59	14.84
2021-22	12.26	5.71	7.75	25.72	3.64	5.07	5.02	13.73
2022-23	25.74	10.14	11.72	47.60	7.16	8.63	4.97	20.76
Total	56.84	22.47	28.49	107.80	16.33	19.42	13.58	49.33

Source: Information furnished by the ULBs

7.2.3 Planning and conduct of Audit

The audit process starts with the risk assessment of Government department based on expenditure incurred, criticality/complexity, level of delegated financial powers, assessment of overall internal controls, *etc.* In 2022-23, four units were audited. As of March 2023, against seven ULBs there were 26 IRs containing 124 paras for the period from 2015-16 to 2022-23 which were lying outstanding.

The chapter on Urban Local Bodies contains one Performance Audit on ‘Solid Waste Management in Urban Local Bodies’ and one Subject Specific Compliance Audit

¹⁶⁵ Solid waste management, Parking fee, trade license, *etc.* are major sources of own revenue for ULBs.

¹⁶⁶ includes ₹ 46.89 lakh of SBM-IEC & CB.

on 'Efficacy in Implementation of 74th Constitutional Amendment Act in Sikkim' as discussed in the following paragraphs.

URBAN DEVELOPMENT DEPARTMENT

7.3 Performance Audit on Solid Waste Management in Urban Local Bodies

Government of Sikkim (GoS), in the State Policy on Solid Waste Management Strategy notified in April 2019 has envisioned to establish a 'Zero Waste System' for Solid Waste Management in the state by the year 2030 with a mission to enable the community to visualise experience and own up utilisation of resources along with conservation of environment for sustainable development.

The performance audit of Solid Waste Management (SWM) in Urban Local Bodies (ULBs) for the period 2018-23 was carried out (August- September 2022 and May-June 2023) with the objective to assess the efficacy of SWM including collection, segregation, storage, transportation and disposal of waste. The ULBs stated to have collected entire quantity of solid waste generated (68.9 tonnes per day (tpd) during 2022-23, of which 23.78 tpd was processed and remaining 45.12 tpd was dumped at landfill/ dumpsite. While the State Government formulated (April 2019) 'State Policy on Solid Waste Management Strategy and Action plan for SWM', by laws, etc. and successfully implemented green protocol for waste reduction through ban on use of plastic, polystyrene, ethens, etc.,; the ULBs had neither prepared SWM Plan nor complied with the action plan circulated by the State Government in respect of Cluster Plan for Municipal Solid Waste (MSW) management, disposal of waste at cluster level, stringent law for source segregation and resource recovery. While the segregation of waste was not in practice by majority of the households, transportation of waste was done by the ULBs in uncovered vehicles without any partition thereby mixing various types of waste. Processing of waste was minimal ranging between 17 and 34.51 *per cent* due to underutilisation of processing facilities and not setting up Material Recovery Facility (MRF) and waste to energy plants, resulting in significant *per cent* of waste going to the landfill/dumpsite. The landfill/dumpsites were located near the river and were overburdened due to dumping of unprocessed mixed waste, thereby reducing the shelf life. Though the Information Education and Communication (IEC) activities were carried out, behavioural changes had not come about as the dumping of waste at *jhoras*¹⁶⁷ continued.

Highlights

The data on waste generated, submitted by ULBs was based on estimation without assessing the quantity and composition of waste generated through sample collection.

(Paragraph 7.3.9.3)

Test checked ULBs had not carried out assessment of the financial viability of SWM services on a stand-alone basis to ensure their sustainability. While user charges were not realised in full by two ULBs (GyNP and MNP), the ULBs were dependent on government grants for SWM services to the extent of 35 to 94 *per cent* as only 6 to 65 *per cent* of expenditure on SWM services was met from user charges/ outsourced contract fees.

(Paragraph 7.3.10.2 & 7.3.10.3)

¹⁶⁷ *Jhoras are Seasonal stream of water.*

Two ULBs (GMC and NJNP) had outsourced the services of door-to-door collection of waste and transportation up to landfill/ dumpsite to garbage contractors. The garbage contractors had not complied with the terms and conditions of the contract towards bearing cost of fuel, minor repair and maintenance of garbage truck provided to contractors for rendering SWM services (collection and transportation). Resultantly, GMC and NJNP incurred expenditure of ₹ 1.30 crore towards fuel, repair and maintenance of garbage trucks during 2022-23, leading to avoidable expenditure and undue favour to the contractors.

(Paragraph 7.3.10.4 & 7.3.10.5)

Joint physical verification showed that source segregation of waste was not being carried out by majority of the households. The households bring in waste in single bin without segregating, dump the unsegregated waste in the garbage truck, which did not have separate compartment for dry and wet waste, thereby indicating lack of efforts at segregation.

(Paragraph 7.3.11.3)

The performance of the ULBs regarding processing of waste was very minimal, ranging between 17 and 34.51 *per cent* of waste generation, due to limited number of processing units (51.80 tpd capacity), majority (50 tpd) of which (at *Martam* and *Gangtok*) were non-functional from November 2021 to January 2023 and again from June 2023.

(Paragraph 7.3.11.6)

The only sanitary landfill (SLF) at *Martam*, initially designed for 25 years (up to 2040) for catering to only one ULB (Gangtok MC), was catering to four ULBs as of March 2023. Due to excessive dumping of mixed waste, coupled with very limited processing of waste, the shelf life of landfill would end within two years (2025), requiring urgent action by the State Government.

(Paragraph 7.3.12.1)

The monitoring by UDD and ULB was lax as direction of State Level Committee (SLC) and National Green Tribunal (NGT) was not acted upon as of June 2023 with regards to source segregation and safe disposal as unsegregated waste (mixed waste) was collected and transported by the garbage vehicles and the landfill/ dumpsite continued to receive mixed waste instead of inert waste.

(Paragraph 7.3.14.1 & 7.3.14.2)

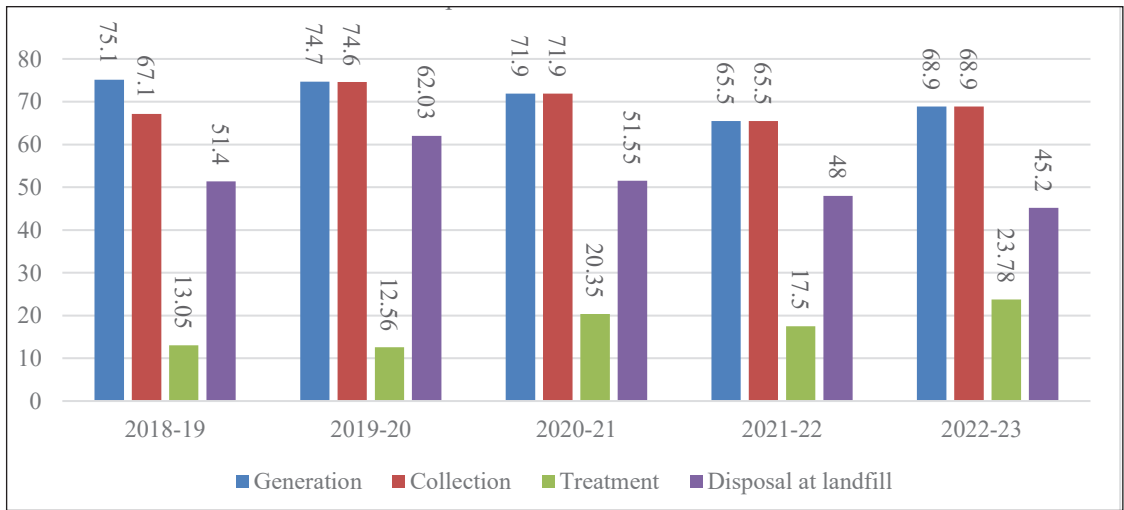
7.3.1 Introduction

Municipal Solid Waste Management (MSWM) in urban areas has emerged as one of the biggest challenges that our country faces today. The situation is aggravated by rapid urbanisation. Inadequate management of waste has significant negative externalities in terms of public health and environmental outcomes. Besides, it has an adverse impact on the aesthetic appearance of the municipal areas.

For effective management of solid waste, GoI formulated the Municipal Solid Waste (Management and Handling) Rules, 2000, the Solid Waste Management Rules, 2016 and respective Manuals, *etc.* The Urban Local Bodies (ULBs) are responsible for implementation of the Solid Waste Management (SWM) Rules, 2016 within their

jurisdiction. Position of generation, collection, processing and disposal during 2018-23 is shown in **Chart 7.1**.

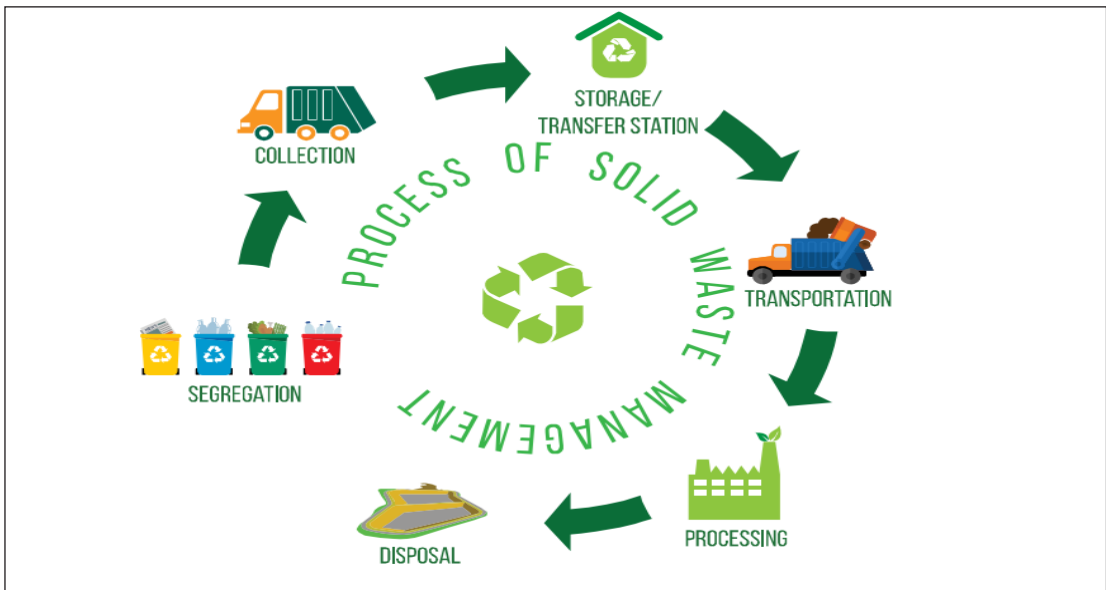
Chart 7.1: Position of Municipal Solid waste in Sikkim from 2018-19 to 2022-23



Source: Annual Reports of SPCB Sikkim for respective years

Municipal Solid Waste Manual, 2016 provides for segregation, storage, collection, transportation, processing and disposal of municipal solid waste for proper management of solid waste. The waste that is generated should be segregated and collected at source. Thereafter, it should be transported and processed in accordance with the principles of 3 Rs (Reduce, Reuse and Recycle). The inert material remaining after processing must be safely disposed. Segregation and disposal of waste is the responsibility of ULBs, the process of which is shown in **Chart 7.2**.

Chart 7.2 Process of waste management



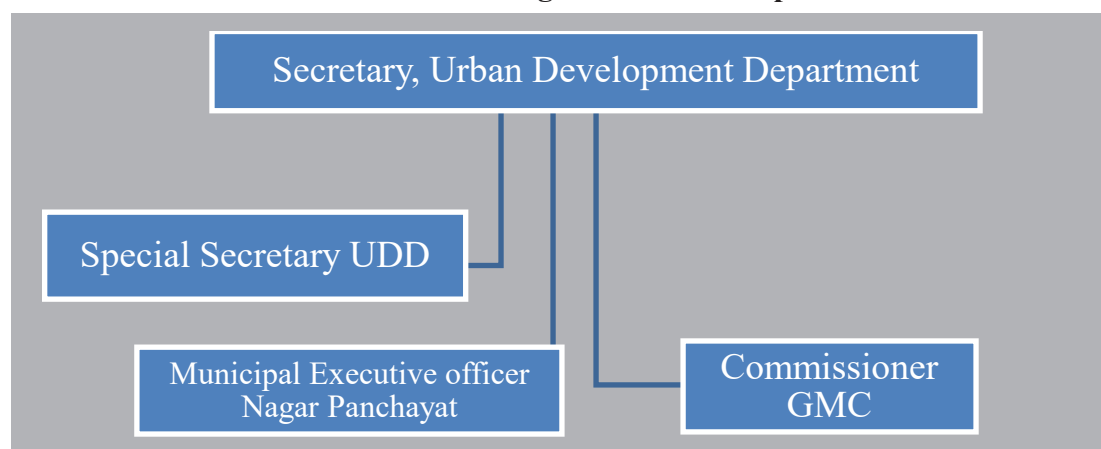
Source: MSWM Manual 2016

7.3.2 Organisational Set up

The Principal Secretary, Urban Development Department (UDD) is responsible for ensuring implementation of the MSW Rules by all the ULBs. The Additional Chief Secretary-cum-Principal Chief Conservator of Forests, Forests and Environment Department, assisted by State Pollution Control Board (SPCB) is responsible for

monitoring compliance of the standards as prescribed under MSW Rules. SPCB is the prescribed authority to grant authorisation and oversee the implementation of the Rule in seven ULBs in Sikkim. The organisational structure with respect to functioning of ULBs in the State is given below:-

Chart 7.3: Organisational set up



7.3.3 Audit objectives

The objectives of the Performance audit were to assess whether:

- Strategy and planning of SWM in ULBs was commensurate with the solid waste generated and concurrent with the prevailing legal framework;
- Financial management for discharging SWM functions were efficient and effective;
- Municipal tasks associated with SWM including collection, segregation, storage, transportation, disposal and social inclusion of informal waste workers were effective, efficient and economical; and
- Monitoring and evaluation of SWM was adequate and effective.

7.3.4 Audit criteria

The criteria for evaluating the performance of SWM were derived from:

- The Municipal Solid Waste (Management and Handling) Rules, 2000 and SWM Rules, 2016 and respective Manuals (Ministry of Urban Development);
- Guidelines of Swatch Bharat Mission, 2017;
- Sikkim State Policy on Solid Waste Management Strategy, 2019;
- Sikkim By-laws on Solid Waste Management, 2019;
- State Action plan on Solid Waste Management, 2019; and
- Central Pollution Control Board (CPCB)/Sikkim Pollution Control Board (SPCB) and National Green Tribunal (NGT) orders and guidelines.

7.3.5 Scope of Audit

The Performance Audit on SWM, covering a period of five years (2018-23), was conducted through scrutiny of records in UDD, Mission Director of Swatch Bharat Mission, Sikkim Pollution Control Board (SPCB) and four sampled ULBs as shown below.

Table 7.3: Number of ULBs selected for audit

Sl. No.	Category of ULBs	Total number of ULBs in the State	Number of sampled ULBs
1	Municipal Corporation	1	1 (100 per cent)
2	Municipal Council	1	Nil
3	Nagar Panchayat	5	3 (60 per cent)

Simple Random Sampling (SRS) method was adopted to select the sample of four¹⁶⁸ (out of seven) ULBs. The selected ULBs (60 per cent) accounted for approximately 82 per cent of waste generated in the State during the review period.

7.3.6 Audit methodology

An entry conference was held on 17 August 2022 with the Secretary, Urban Development Department (UDD); Member Secretary, State Pollution Control Board (SPCB); and Municipal Commissioner, Gangtok Municipal Corporation (GMC) in which the audit methodology, scope, objectives, and criteria were explained. The audit methodology involved document analysis, responses to audit queries, joint physical verifications (JPV) with municipal staff and collection of photographic evidence. While framing the conclusions and recommendations, good practices regarding waste management in Sikkim have also been quoted. The results of the performance audit were discussed with the Secretary, UDD and the Member Secretary, SPCB in an exit conference on 04 December 2023. Replies from the State Government, wherever received, were suitably incorporated.

7.3.7 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the officers and staff of UDD, all the four ULBs and SPCB in conducting the performance audit.

7.3.8 Audit findings

Audit findings are organised into five processes (generation, segregation, collection, transportation, processing and disposal) as per waste management cycle including planning and policy, and financial management which are discussed in the subsequent paragraphs.

7.3.9 Strategy and planning

Solid Waste Management is an integral component of municipal services delivered by ULBs, which are responsible for the safe and healthy environment of a city. Therefore, preparation and implementation of a strategic and detailed Municipal Solid Waste Management Plan is essential¹⁶⁹.

7.3.9.1 State Policy and Strategy on Solid Waste Management

Rule 11(1)(A) of SWM Rules, 2016 (notified on 08 April 2016) stipulated that the State Government should prepare a State Policy and Strategy on SWM within one year of notification of the Rules. The policy should emphasise waste reduction, reuse, recycling, recovery and optimum utilisation of various components of solid waste to ensure minimisation of waste going to the landfill and minimise impact of solid waste on human health and environment.

¹⁶⁸ GMC, MNP, NJNP and GyNP.
¹⁶⁹ SBM2-Solid Waste Management Plan (para-1).

Audit observed that the State Government brought out (April 2019) State Policy on Solid Waste Management (SWM) Strategy in 2019, after a delay of two years. The Policy (*paragraph 9.1*) emphasised waste reduction by promoting responsible resource use and eco-friendly practices (green protocol), segregation at source, decentralised solid waste management and disposal, *etc.* The State Government issued green protocol during April 2019 as shown in the box placed alongside.

Audit further observed that policy initiative was taken for segregation of waste at source vide the State Policy (*paragraph 9.2*), making it mandatory for all to follow minimum of two bin segregation at source and disposal of segregated discards through biological methods (*vermi-composting, aerobic composting or anaerobic digestion*). Non-biodegradable discards were to be sent for further segregation and recovery at waste pickers / scrap dealers' facility or Material recovery facility. However, in practice, source segregation was not adopted by most of the households as discussed in **Paragraph 7.3.11.2**.

Similarly, the State Policy on SWM Strategy (*paragraph 9.3*) stipulated decentralised mode of waste management considering tough and undulating terrain, scarce availability of land for SWM, effort, cost and infrastructure required to transport the waste to a common/centralised facility.

Audit observed that even four years after the policy initiative was approved in 2019, as of June 2023, only two (out of seven) ULBs had decentralised solid waste processing facilities at *Mangan Nagar Panchayat (MNP)* and *Gangtok Municipal Corporation (GMC)* as discussed in **Paragraph 7.3.11.6 (a)**.

Thus, due to inability of ULBs to ensure segregation of waste at source coupled with inadequate decentralised processing units, minimisation of waste going to landfill/dumpsites waste was not adequately ensured to reduce negative impact on human health and environment. Conversely, a large percentage of waste was dumped at landfill/dumpsites as discussed in **Paragraph 7.3.11.6**.

Green Protocol

The State Government imposed ban on

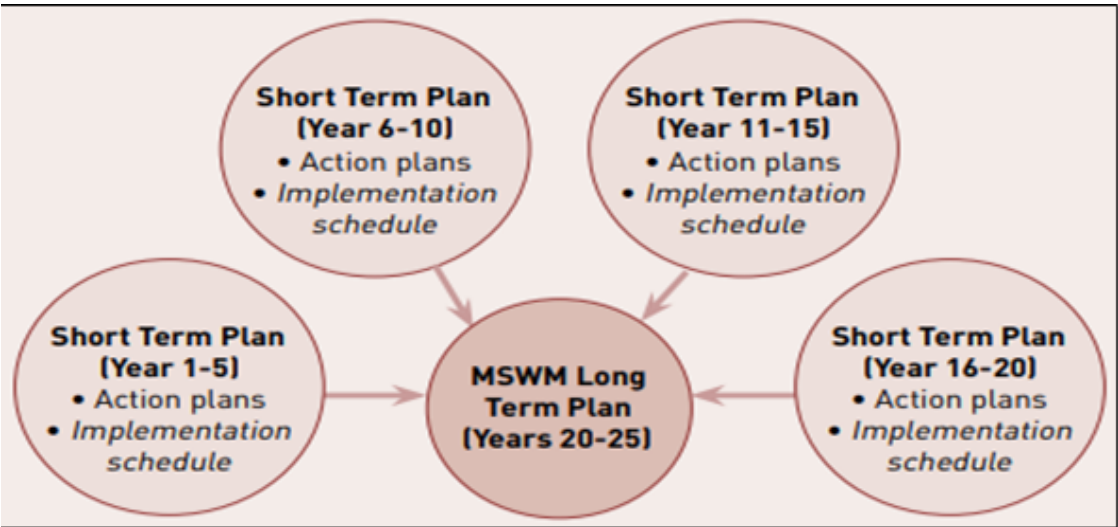
- Use of plastic bags, wrappers, etc. In June 1998
- Use of plastic water in May 2016
- Sale and use of plastic (less than 50 micron thickness) and single use plastic items in all forms in August 2019,
- Ear bud with plastic sticks, plastic sticks with balloons, plastic flex, candy sticks, polystyrene items, plastic plates, cups, glasses cutlery such as forks, spoons, trays, wrapping or packing films in August 2022

7.3.9.2 Municipal Solid waste management plan

The SWM Rules (*Paragraph 15*) stipulated that the ULBs shall prepare solid waste management plan (SWMP) as per State Policy and Strategy on SWM within six months from date of notification of State Policy and Strategy for submission to State Government.

Further, MSWM Manual (Part-II), 2016 (Section 1.4.5 and 1.4.6) emphasised the need for ULBs to prepare a detailed SWM plan, short term (one to five years) and long-term (20-25 years) action plans. Each short-term plan should be reviewed by the ULBs every two to three years to ensure institutional strengthening, community mobilisation, waste minimisation initiatives, waste collection and transportation, treatment and disposal, and financial outlay. The planning process is as shown in **Chart 7.4**:

Chart-7.4: Municipal Solid Waste Management Action Plan



Source: Municipal Solid Waste Management Manual (Part-II) – 2016

MSWM Manuals, 2016 (Section 5.4 read with Section 4.5.1.9) also stipulated that ULBs should prepare contingency plans for appropriate storage of waste to tide over situations of non-performance of processing/treatment/disposal facilities and to control surface water impacts resulting from the production of leachate¹⁷⁰ in a quantity greater than expected or with a quality worse than expected.

Audit also observed that the State Government prepared an action plan as per State Policy and Strategy on SWM in April 2019. The action plan envisaged preparation of Cluster Plan for SWM by ULB's, disposal of waste at cluster level, stringent law for not adopting source segregation and initiation of maximum resource recovery.

Audit observed that the ULBs had neither prepared SWMP as required under the Rules as of June 2023 nor prepared short-term/long-term action plans during 2018-23 as mandated by SWM Rules, 2016. Even the contingency plan had not been prepared by the ULBs as of June 2023 as mandated by the MSWM manual, 2016.

MNP stated (March 2023) that the SWMP would be drawn up immediately in consultation with SPCB and SBM Team of UDD; the GMC informed (March 2023) that the draft action plan was under process for approval from State High Power Committee. With regard to contingency plans, the UDD informed (January 2023) that due to non-availability of land, the ULBs were not able to frame contingency plan for processing, storage, treatment and disposal of waste generated. The UDD added that the Department had taken up the matter seriously and submitted proposal for allotment of lands for the purpose.

After being pointed out by audit, the UDD stated (December 2023) that all seven ULBs had adopted (November 2023) the action plan of the State. Thus, the ULBs had not formulated the action plan as of October 2023, recording a delay of four years (from October 2019 to October 2023).

¹⁷⁰ Leachate -The liquid that seeps through solid waste and has extracts of dissolved or suspended material from it.

7.3.9.3 Unreliable assessment of quantity and composition of waste generated.

According to MSW Manual, 2016 Part II (Clause 1.4.3.3), ULBs should assess the quantity and composition of waste generated to plan for and design MSWM systems effectively. The quantity and composition of MSW generated in the ULB determine collection, processing, and disposal options that could be adopted. Further, the Manual also prescribes the methodology of assessment of waste generation (clause 1.4.3.3.1 & 1.4.3.3.2). Audit scrutinised the data with respect to waste generation, collection, treatment and disposal. Observations in this regard are discussed below:

Table 7.4: Details of waste generated by all ULBs during 2018-23

(in Tonnes per day)

Year	2018-19	2019-20	2020-21	2021-22	2022-23*
Generation	75.10	74.70	71.90	65.50	68.90
Collection	67.10	74.60	71.90	65.50	68.90
Treatment	13.05	12.56	20.35	17.50	23.78
Disposal at landfill	51.40	62.03	51.55	48.00	45.20

Source: Annual Reports of SPCB Sikkim for respective years

* Form-V not submitted for 2022-23.

Quantification of waste not reliable

Audit noticed that the data was arrived based on estimation and the same was submitted (in Form-IV) to the SPCB. The quantification was not reliable in absence of supporting evidence, absence of weighing equipment at disposal points to measure the waste (except for one weighbridge¹⁷¹ at *Martam* landfill site, catering to the need of GMC) during 2018-23. Thus, the data on waste generation, treatment, *etc.* provided by the ULBs was not authentic.

This was evident by the fact that the data for 2018-19 did not add up to the total collection of waste (67.10 TPD)¹⁷².

The UDD, while accepting that the methodology of assessment might not be as per the guidelines, stated (January 2023) that assessment of waste was being done by the ULBs and waste collected were weighed at landfill on daily basis and assessment report was submitted every month. The reply is not acceptable as the weighing equipment was available only at *Martam* landfill, which caters to GMC and not to NJNP, MNP and GyNP. Thus, daily weighing at landfill was not factually correct.

During exit conference, the Department stated (December 2023) that the quantification is based on number of trips of tipping vehicle carrying garbage. The reply is not tenable as the quantification did not include waste deposited at unauthorised places, waste recovered by informal waste pickers, *Kabadi* system, quantity of waste in the tipping vehicle, *etc.*

Composition of waste

According to SWM Manual 2016 Part II (Clause 1.4.3.3.1), for the purpose of long-term planning, the average amount of waste disposed by a specific class of generator should be estimated by averaging data from several samples. Audit observed that sample collection of waste was not done as of June 2023. In reply, the UDD stated (January 2023)

¹⁷¹ Installed in February 2020. During January 2023 a total of 73.56 to 50.56 tpd of waste received at *Martam* landfill.

¹⁷² Collection = Treatment+ Disposal.

that the sample could not be collected in absence of technical expert and environmental scientist.

Thus, absence of reliable data has constrained UDD and the ULBs to plan and design MSWM systems effectively.

The State Government brought out (April 2019) State Policy on Solid Waste Management (SWM) Strategy and also an action plan. The ULBs had neither prepared MSWMP, short term and long-term plan, contingency plan nor maintained authentic data for waste generation, treatment and disposal etc. for effective management of solid waste.

7.3.10 Financial Management

Financial management refers to management of funds economically, efficiently and effectively. It also includes budget management, both receipt and payment and assets and liabilities. The position of financial management in ULBs is discussed below.

7.3.10.1 Receipts and expenditure

According to Clause 15(x) of SWM Rules 2016, ULBs were required to make adequate provisions of funds for capital investment as well as operation and maintenance of SWM services in annual budget ensuring that funds for discretionary functions of local bodies were allocated only after meeting the requirement of necessary funds for SWM and other obligatory functions. The details of receipt and expenditure of four test checked ULBs for 2018-23 are given in the table below:

Table 7.5: Receipt and expenditure of four test checked ULBs for 2018-23

(₹ in lakh)

ULB	Opening balance ¹⁷³	Receipt	Total	Total Expenditure	Closing Balance	Expenditure on SWM
GyNP	16.40	686.85	703.25	576.19	127.06	132.44
MNP	50.96	1,051.28	1,102.24	948.23	154.01	79.67
GMC	662.68	16,638.83	17,301.51	16,686.43	615.08	3037.00
NJNP	42.55	1,604.32	1,646.87	1,532.03	114.84	217.65

Source: Information furnished by ULBs

Analysis of expenditure for the period 2018-23 on SWM revealed that major portion of revenue expenditure was towards salary of drivers and *safaikarmacharis* (₹19.19 crore¹⁷⁴), followed by fuel (₹ 6.34 crore¹⁷⁵), repairs and maintenance (₹3.78 crore) and others (₹6.66 crore), *etc.* Details of funds receipts and expenditure thereof is given in **Appendix 7.1**.

Audit observations on the management of finances with respect to SWM are discussed in the subsequent *paragraphs*.

7.3.10.2 Assessment of requirement of funds

According to SWM Manual 2016 Part II (u/s 1.4.5.6.2), SWM services are sustainable only if they are financially viable on a stand-alone basis. Therefore, the assessment of financial viability is an important step in planning SWM system.

Audit scrutiny revealed that assessment of financial viability of SWM services on a stand-alone basis and their sustainability was not carried out by any of the ULBs test

¹⁷³ Own sources revenue, State FC, Central FC and SBM.

¹⁷⁴ GyNP: ₹ 74.96 lakh, MNP: ₹ 32.89 lakh, GMC : ₹ 1635.22 lakh and NJNP: ₹ 175.89 lakh.

¹⁷⁵ GyNP: ₹ 68.79 lakh MNP: ₹ 8.99 lakh GMC : ₹ 539.93 lakh NJNP: ₹ 16.25 lakh.

checked. Though the ULBs were primarily dependent on government grants for SWM, ranging from 35 to 94 *per cent* of the total expenditure, none of the test checked ULBs had either assessed financial viability of SWM services nor prepared Detailed Project Reports (DPRs) for SWM during 2018-23 for obtaining funds under SBM for improved solid waste management, especially relating to processing and treatment of solid waste. This had resulted in inadequate infrastructure for the management of the waste generated in the selected ULBs.

In reply (January 2023), the UDD stated that the Department had sought support from MoHUA for assessment of financial planning and preparation of action plan of ULBs. However, as of June 2023, neither financial assessment was done, nor action plans were prepared by the ULBs.

Further, audit analysis of expenditure incurred towards SWM *vis-à-vis* user charges/ outsourced contract fees collected by four test checked ULBs during 2021-22 revealed that only 6 to 65 *per cent* of expenditure on SWM services was met from user charges/ outsourced contract fees, leading to operational losses, as shown in **Table 7.6**:

Table 7.6: Operational losses towards SWM activities during 2021-22

(₹ in lakh)

ULB	Expenditure on SWM	User charges/ outsourced contract fees collected	Operational loss	Remarks
(1)	(2)	(3)	(4) = (3)- (2)	
GMC	594.65	211.20 (37)	383.45 (63)	Collection and transportation of waste was outsourced to contractors
NJNP	55.63	03.20 (6)	52.43 (94)	
MNP	28.44	13.57 (65)	14.87 (35)	Done by ULB staff
GyNP	32.07	18.20 (57)	13.87 (43)	Done by ULB staff

Figure in parentheses indicate percentages.

While accepting that the user fee is not sufficient to carry out waste management services, UDD stated (Jan 2023) that the Department was considering revising user fee and fee collection mechanisms.

However as of June 2023 the user charges were not revised. Further, the user charges were realised only for 20 to 40 *per cent* of households in test checked ULBs MNP and GyNP as pointed out in succeeding **Paragraph 7.3.10.3**. Had the ULBs collected the user fees for all the households the operational loss would have been marginally reduced.

7.3.10.3 Levy and collection of user charges for solid waste management

Clause 15(f) of SWM Rules, 2016 provides for levy of SWM user charges for purpose of collection, transportation and disposal of solid waste. As per the notification (August 2019) issued by UDD, user charges @ ₹ 30 per month per household should be levied. For commercial establishments, the user charges ranged from ₹30 to ₹ 35,000 per month depending on nature of business, which was to be paid along with renewal fee of trade license.

Audit observed that the user charges were collected by deputing ULB staff in GyNP and MNP. In case of GMC and NJNP, user charges were collected by contractors, to whom the task of handling of solid waste had been outsourced.

Audit observed that the GMC and NJNP did not mention the number of households from whom the user fees were to be collected for waste collection services by the contractor. The actual amount of user fee collected by these contractors from the households could not be ascertained in Audit as they were not required to submit the details of collection to the ULBs.

In absence of these records, audit could not ascertain whether the annual fee charged by the ULB to contractor was sufficient or not.

Similarly, in case of MNP and GyNP, user charges were collected by the ULBs by deputing their staff as fee collectors. It was observed that the ULBs had not maintained the database of ward-wise number of households. Further, ULBs also could not produce ward-wise monthly challans for the period of audit. Thus, the possibilities of leakage of revenue cannot be ruled out.

Analysis of available documents revealed that regular collection of user fee was not ensured. The user charges realised ranged from 20 to 30 *per cent* households in case of MNP and GyNP respectively as against the target of 90 *per cent* collection efficiency stipulated in the SLB set by the State Government, even after considering the total households as per 2011 census.

7.3.10.4 Extra expenditure by GMC towards garbage vehicles

GMC had outsourced its waste collection and transportation activities to 18 contractors who were L₁ in 20 wards of the city as of 2022-23 based on open tender.

The agreement drawn between the outsourced contractor and GMC *inter-alia* provided that (i) the contractor shall collect garbage and municipal waste 6-6.30 AM daily and do all the waste management in compliance with MSW Rules, 2016 till its disposal at landfill; (ii) One driver and two *safaikaramcharis* will be provided by GMC to each truck and salary of them will be borne by GMC, (ii) fuel in garbage truck to be provided by the contractor; (iii) all the minor maintenance and repair of garbage truck provided to the contractors will be borne by contractor; (iv) user fee will be collected by the contractor from the household as per the latest notification of UDD without revenue sharing with GMC, *etc.*

The contract was liable to be terminated in case of violation of terms and conditions of the contract and forfeiture of the contract amount deposited by the contractor.

Audit scrutiny revealed that the contractors were not adhering to the terms of contract relating to cost of fuel and minor repair and maintenance of garbage truck to be borne by the Contractors. Instead, the cost of fuel and repair and maintenance of garbage truck was borne by GMC in contravention of the agreement. It was also noticed that GMC did not maintain data for minor and major repair and maintenance separately.

As a result, GMC had to incur additional expenditure of ₹ 82.78 lakh towards providing fuel during 2022-23, leading to avoidable expenditure and undue favour to the contractors. Further an amount of ₹ 36.61 lakh was incurred towards repair and maintenance of Garbage trucks during 2022-23. However, in absence of segregation of expenditure between minor and major repair and maintenance, Audit could not ascertain the actual amount of additional expenditure towards minor repair and maintenance of vehicle which should have been borne by the contractor.

GMC however, had not initiated any action against the defaulting contractors to terminate the contract and effect forfeiture of contract amount deposited by the contractor.

Not only this, the ULBs had neither attempted to assess the surplus revenue earned by these agencies in collection and transportation of waste nor explored possibilities of revenue sharing model with these agencies.

During exit conference (04 December 2023), the Department stated that the ULBs had to bear the expenditure towards minor repair and maintenance and fuel as the Garbage contractors have expressed their inability to bear this expenditure in view of high operational cost.

The reply is not tenable as the contractors were liable to bear the expenditure as per the terms and condition of the contract. Hence, either the contract amount should be forfeited from the contractors or GMC should ensure that the cost of cost and minor repairs are borne by the contractor in compliance to the conditions of contract immediately.

7.3.10.5 Extra expenditure by NJNP towards garbage vehicles

Similarly, NJNP had also outsourced its waste collection and transportation activities to one contractor during 2022-23 at ₹ seven lakh per annum.

The agreement provided that (i) the contractor shall collect garbage and municipal waste before 9:00 AM daily and transfer the same to *Sipchu* dumpsite; (ii) the contractor shall collect specified user charges from households and commercial establishments; (ii) token fee of motor vehicles to be borne by the contractor; (iii) the contractor shall maintain the garbage vehicles provided to them such as expenditure towards repair of tyres, *etc.*; (iv) salary of drivers and *safaikarmacharis* to be borne by the contractor.

The contract was liable to be terminated in case of violation of terms and conditions of the contract and forfeiture of the contract amount deposited by the contractor. The schedule appended with the contract agreement specified a rate ranging between ₹80 (for Readymade cloth shop) to ₹ 1,500 per month (for hotels star category).

Audit scrutiny revealed that while the contractor levied the user fee as per the schedule appended with the contract agreement but higher than the rates specified in the state government notification (November 2019) as pointed out in Paragraph 7.3.10.3. However, the contractor was not adhering to the terms of contract relating to repair and maintenance of garbage truck and salary of driver and *safaikramcharis* as required under the agreement. As a result, NJNP had to incur additional expenditure of ₹ 47.37 lakh towards minor repair and maintenance (₹1.59 lakh) of the four Garbage vehicles and salary of drivers and *safaikarmacharis* (₹ 45.78 lakh) engaged in garbage vehicles during 2022-23, leading to avoidable expenditure in one year alone and undue favour to the contractors.

NJNP had not initiated any action against the defaulting contractors to terminate the contract and for forfeiture of the contract amount deposited by the contractor as of November 2023.

7.3.10.6 Infructuous expenditure on procurement of Eco-bins

The State Government (UDD) proposed (October 2018) to procure 8,728 numbers of compost eco bins at a cost of ₹ one crore with an objective to convert waste generated into compost at household level for use as manure in the terrace for organic produce. The State Cabinet approved (27.11.2018) the proposal of UDD vide Cabinet memo No.

55/Secy/SBM/UDHD/GoS/15-16 dated 27.11.2018 to procure eco-bins and identify the beneficiaries by the UDD before procurement of the bins.

Audit observed that the objective of procurement of eco-bins to convert waste into compost at household level for use as manure was not achieved as the households were not comfortable with continued use of eco-bins as it was a difficult and time-consuming process.

Based on Cabinet approval, UDD placed the order (December 2018) with SIMFED for supply of compost bin (eco bin) at Gangtok (6,982 nos.), *Jorethang* (1,571 nos.), and *Mangan* (175 nos.). The Department released 100 *per cent* advance payment of (₹ one crore for eco-bins) to SIMFED (December 2018) against supply of 8,728 compost eco bins.

The details of receipt and distribution of eco-bins are shown as in **Table 7.7**.

Table 7.7: Details of receipt and distribution of eco-bins

Sl. No	ULB	No of households	To be received as per Supply Order	Final allotment (Actual receipt by ULBs)*	Actual distribution to beneficiaries by ULBs	Difference
	(1)		(2)	(3)	(4)	(5)=(3-4)
1	GMC	23,773	6,982	5,935 (25)	3935	2000
2	NJNP	2,107	1,571	611 (29)	Data not furnished	611
3	MNP	1,054	175	175 (17)	175	0
4	RNP	2,500	Nil	698 (28)	698	0
5	SNP	1,144	Nil	349 (31)	349	0
6	NMC	3,368	Nil	698 (21)	Data not furnished	698
7	GyNP	881	Nil	262 (30)	262	0
	Total	34,827	8728	8728 (25)	5419	3309

Figure in Parenthesis represents per cent distribution to total household

Audit observed that

- The UDD did not devise the criteria for identification of beneficiaries nor identified the beneficiaries before procurement and left it to the ULBs to distribute them to the beneficiaries at their own level in contravention of the Cabinet direction.
- The allotment of eco-bins was made to only 17 to 31 *per cent* households.
- A total of 2000 eco-bins (₹ 22.80 lakh) at GMC were lying undistributed as of November 2023 and status of distribution of 5,506 eco-bins (₹ 62.77 lakh¹⁷⁶) pertaining to NMC (698), GyNP (262), GMC (3,935) and NJNP (611) were not available for verification.
- The UDD had distributed eco-bins to all the ULBs instead of three ULBs (GMC, MNP and NJNP) as per original supply order. The eco-bins were supplied to additional four ULBs (RNP, SNP, GyNP and NMC) by diverting the eco-bins initially allotted to NJNP and GMC for further distribution to beneficiaries.
- While 2000 eco-bins were lying unutilised in GMC, the utilisation of 5,506 ecobins for intended purposes of composting remained unascertained for more than four years (November 2023).

¹⁷⁶ ₹ 1,140 X 5,506 nos. = ₹ 62.77 lakh.

During exit conference (December 2023), the Department stated that due to high altitude and cold weather, the composting was a difficult and time-consuming process and thus some of the households were not comfortable with continued use of eco-bins. The Department, however, assured that the beneficiaries would be persuaded to use compost bins.

The reply is not tenable as the department (UDD) had not considered the suitability of compost bins for hilly terrain such as Sikkim where composting is difficult, before the procurement of eco-bins. The reply is also silent on reasons for non-distribution of 2000 ecobins by GMC and the status of utilisation of 5,506 eco-bins at NMC, GyNP, GMC, and NJNP which were purchased for minimising waste going to landfill.

Thus the objective of the procurement of eco-bins to convert waste into compost at household level for use as manure was not achieved despite incurring ₹ one crore due to inability of UDD to devise the criteria for identification of beneficiary, coverage of only 17 to 31 *per cent* households and non-assessment of the suitability of compost bins to the State.

7.3.10.7 Human resource management in Solid waste management

Audit observed that mostly contractual employees were involved in discharging of MSW services. The status of human resources involved in disposal of solid waste is as follows:-

Table 7.8: Status of human resources

Name of the ULB	No of <i>Safai karmcharis</i> employed		No of drivers employed	
	Regular	Temporary (including Casual labour)	Regular	Temporary
GMC	11	216	5	35
GyNP	2	10	-	3
MNP	2	6	-	1
NJNP	3	16	-	4

Since the sanctioned strength is not delineated, the excess/ shortages could not be ascertained in audit.

7.3.11 Management of solid waste

Solid waste management refers to all the activities associated with handling of discarded solid materials, from generation, prevention, treatment, handling, reuse and ultimate residual disposition of solid waste¹⁷⁷. The position of solid waste management in the ULBs of Sikkim is discussed below.

7.3.11.1 Information, Education and Communication (IEC)

SWM Rules, 2016 (Clause 15 (zg)) and Manuals on MSWM, 2016 (Section 1.4.5.13) stipulated undertaking of IEC activities by the ULBs to create public awareness and educate waste generators to achieve the overall objectives of SWM. The IEC campaign should target households, shops, and commercial and institutional premises as well as other stakeholders such as municipal officials, elected representatives, schools, NonGovernment Organisations (NGOs), the informal sector, media, *etc.*, to ensure behavioural changes to adopt effective management of municipal waste.

¹⁷⁷ *Compendium of Global Good Practices-Urban Solid Waste Management, issued by National Institute of Urban Affairs in January 2015.*

The status of IEC activities undertaken by four test checked ULBs through various medium of communication during the audit period from 2018-19 to 2022-23 is given in Table 7.9:

Table 7.9: Status of IEC Activities in the selected ULBs during 2018-19 to 2022-23

S No.	Modes of Communications	Name of the ULB			
		GMC	MNP	GyNP	NJNP
1	Audio	✓	✓	✓	✓
2	Video	✓	✓	✗	✗
3	Mass Communication	✓	✓	✗	✓
4	Wall Paintings	✓	✓	✓	✓
5	School Campaign	✓	✓	✓	✓
6	Hoardings	✓	✓	✓	✓
7	Street Campaign	✓	✓	✓	✓
8	Pamphlets	✗	✓	✓	✓

Source: Information furnished by selected ULBs

Some snapshots of IEC activities undertaken in the sampled ULBs are shown below:



Image 7.1: School Painting Campaign: MNP



Image 7.2: Street Campaign: GMC dated: 23.05.2023



Image 7.3: Mass awareness program: MNP



Image 7.4: Street Campaign GMC dated: 06.03.2023

As would be noticed, the ULBs carried out IEC activities to create public awareness and to educate the waste generators by incurring an expenditure of ₹ 13.99 lakh by GMC (₹ 10.53 lakh) and MNP (₹ 4.64 lakh) during 2018-23.

While break-up of expenditure on various mode of communication was not maintained by any of the four test checked ULBs, the two ULBs (GyNP and NJNP) had not maintained expenditure details on IECs.

It was also observed that behavioural changes as envisaged were not brought about in full as instances of dumping of waste at *jhoras* (shown in image), non-segregation of waste, disposal of waste in mixed form and handling of solid waste with partial use of PPE kits were noticed.



Image 7.5: Jhora Cleaning GMC dated: 11.04.2023



Image 7.6: Mass awareness program: MNP dated: 23.03.2023

7.3.11.2 Generation of waste

The total solid waste generation by the seven ULBs of the State was stated to be 68.8 tpd for 2022-23. The four-test checked ULBs accounted for 56.6 tpd of waste generated during 2022-23. The trend of solid waste generation in respect of GMC is shown in table below:

Table 7.10: Trend of solid waste generation in GMC

Population as per 2011 census (100286)	Population projection				
Year	2018-19	2019-20	2020-21	2021-22	2022-23
Per cent of Growth	76	86	97	108	119
Population projection	176493	186521	197552	208582	219613
Waste generation (in TPD)	50	50	50	46	48
Per capita waste generation (in gm)	283	268	253	221	219

Source: Information furnished by ULBs in Form-IV to SPCB, Sikkim and Population projection rate by Census India.

Audit analysis revealed that the per capita waste generation in case of GMC had decreased marginally during 2018-19 (from 283 gm/day) to 2022-23 (219 gm/day) but was still high as against the national average per capita waste generation (98 to 117 gm/day) as reflected in the CPCB report. In absence of weighing equipment, data of waste generation in other three test checked ULBs (MNP, GyNP and NJNP) was not reliable. Hence, audit could not ascertain the trend of waste generation in these ULBs.

7.3.11.3 Segregation of waste

Segregation of solid waste is required for separating recyclable material, organic waste for processing and residual inert material for disposal. MSW Manuals, 2000 (Section 8.10.1(a) and SWM rules 2016 (Section 4.1(a)) stipulate that ULBs must accord highest priority for segregation of waste at source.

The State Policy on Solid Waste Management Strategy (April 2019) emphasised (*paragraph 9.2*) segregation of waste at source for efficient and safe handling of discards and made it mandatory for all to follow minimum of two bin segregation at source. While setting the target under Service Level Benchmark (2016), the ULBs had set the target of 100 *per cent* source segregation of solid waste.

The State Government reiterated (November 2022) compulsory segregation of waste by the waste generators to reduce burden to landfill and scientific disposal of waste, failing which violators would be penalised as per rules.

All the four test checked ULBs claimed that solid waste was stored at source in segregated form by the households/ commercial establishments and 89 to 100 *per cent* of premises were segregating the waste at source.

Joint physical verification by Audit along with municipal staff, however, revealed (April 2023) that majority of households were not adopting source segregation, as shown in images.



Image 7.7: Gangtok



Image 7.8: Mangan



Image 7.9: Gyalshing

Thus, segregation of waste by households, as reported by ULBs was not in practice, despite reiteration (November 2022) by the State Government. The ULBs also had not initiated stringent measures such as refusal of unsegregated waste from households during collection of waste by garbage vehicle. The violators were neither identified by the ULBs nor penalised as envisaged in the rules as of June 2023.

The UDD stated (January 2023) that compulsory source segregation of municipal waste in urban areas has been notified from the office of Chief Secretary and also by the ULBs. The Department added that waste processing plant and MRF has also been proposed to be installed at landfill and ULBs for segregation of waste. Training for Self Help Groups (SHGs) and NGOs in source segregation was also proposed.

However, source segregation was not being carried out and waste processing plant and MRF were yet to be installed and operationalised as of June 2023.

➤ **En-route segregation of waste**

Audit observed that instead of adopting segregation at source, limited quantity of segregation was done enroute by the *safaikarmachari* deployed in the garbage vehicle, while transporting the waste to landfill. The recyclable items such as plastic, glass, hard board, *etc.* were separated enroute by *Safaikarmacharis* (as shown in images) and stored in separate sacks for handing over to scrap dealer by these staff at landfill site.



Image 7.10: Gyalshing



Image 7.11: Mangan

However, the exact quantity of such items disposed to scrap dealers was not verifiable in the absence of documentary evidence. The contractor, engaged for overseeing the *Sipchu* landfill site, was remitting ₹20,000 per month towards sale of recyclable items to NJNP. The contractor had not maintained any documents despite direction (May 2022) from NJNP to maintain logbook to keep track of volume and type of waste accumulated at dumpsite. Even the agreement (April 2021 and April 2022) with the contractor for overseeing the *Sipchu* landfill site provided for proper quantification of segregated waste.

Similarly, for *Martam* landfill, a contractor was engaged to lift recyclable items for sale to scrap dealer on payment of annual fee of ₹ 50,000 to GMC. However, no details regarding the amount of recycled waste received/processed at the landfill were maintained by him too.

The ULBs did not accord due priority to segregation of waste at source. Even the limited quantity of waste segregated enroute was also not quantifiable in absence of proper records relating to quantity of re-cyclable waste segregated and sold to scrap dealers during 2018-23.

7.3.11.4 Collection of waste

Manual on MSW, 2000 (u/s 10.3 and 10.4) envisaged upon ULBs to arrange for collection of all types of solid waste¹⁷⁸ from doorstep or community bins regularly to ensure that waste stored at source is not disposed of on the streets, drains, water bodies, etc.

The Handbook of service level benchmarking, 2018 (*paragraph 2.3.1*) also emphasised doorstep level collection as an essential and critical starting point in the entire chain of scientific SWM services. Waste-free clean roads and drains, scientific treatment of waste, recycling and disposal can all be achieved in a sustainable manner only if door-to-door collection of waste is sustained.

Audit observed that door-to-door collection was done in all the four test checked ULBs through motorised vehicles. While door-to-door collection of waste was done by ULBs in GyNP and MNP, the activity was outsourced to GMC (to NGOs) and NJNP (private individual). Garbage trucks were deployed early in the morning and bell ring system was adopted to alert the households to bring their waste for collection at a pre-determined point in the locality. The truck collected waste from these points from households and institutions and then transported to landfill/ dumpsite. The coverage of door-to-door collection was 100 per cent for residential and non-residential buildings through motorised vehicles as of March 2023. The effort of ULBs in this regard was appreciable.

¹⁷⁸ domestic, trade and institutional, food/biodegradable waste, recyclable waste material/non-biodegradable waste.

Audit, however, observed that the vehicles used were uncovered (open top) and non-compartmentalised (no separate compartment for carrying wet and dry waste) as discussed in **Paragraph 7.3.11.5**. Further, staff deployed for door-to-door collection were not found to be using protective gears as mentioned in subsequent *paragraphs*.

➤ **Street sweeping and cleaning on daily basis**

MSW Manual, 2016 (u/s 2.4.1 & 2.4.2) stipulated well-planned, time-bound daily system of street sweeping including adequate staff and equipment. Street sweepers should report daily for duty at designated locations having provisions for storing street sweeping equipment and wear proper protective gear such as boots, gloves, *etc.*

Audit observed that all the four-test checked ULBs ensured daily sweeping of entire stretch (38.5 km) of streets under their respective jurisdiction manually by *safaikarmacharis*, engaged by the ULBs, through long broom and hand cart.

However, ULBs had not adopted or deployed mechanised vehicle for sweeping as being practised in other parts of the country.

➤ **Use of personal protection equipment not ensured**

SWM Rules, 2016 (clause 15 (zd)) envisaged upon ULBs to ensure provisioning of personal protection equipment including uniform, hand gloves, raincoats, appropriate footwear and masks to all workers handling solid waste and their use by workforce.

Audit observed during physical verification (April-June 2023) that work force involved in manual handling of waste used protective equipment partially, in test-checked ULBs (NJNP, MNP and GMC at *Martam*). While boots were used, hand gloves were not used in some cases as shown in the following image.



Image 7.12: *Martam* (Under GMC)



Image 7.13: *Sipchu* (Under NJNP)

There was no improvement on this count despite being pointed out by SPCB in their inspection (November 2020) report of *Martam* landfill about employees working without wearing safety gear. The ULBs may conduct awareness program through IEC activities to encourage the workers engaged in SWM activities to use protective gears to ensure safe disposal of municipal waste.

Non-utilisation of protective equipment is risky and may lead to serious health hazards. Efforts taken for enforcing use of protective gears by the workers on the part of the ULBs were not available for audit verification.

The effort of the ULBs about 100 *per cent* door to door collection of waste was appreciable, street sweeping was carried out on daily basis manually by the *safaikarmacharis*, without exploring possibilities of deploying mechanical means, as was being done in other parts

of the country. The work force involved in manual handling of waste continued to use protective gear partially even after being pointed out by SPCB in November 2020.

7.3.11.5 Transportation of waste

The transportation of solid waste from source of generation to the authorised destination is important to ensure its proper disposal.

MSW Rule 2000 (clause 4 of Schedule II) and MSW Manual, 2016 (paragraph 2.3.2 and 2.3.12.1) stipulated that vehicles used for transportation of waste shall be covered and fitted with GPS, duly synchronised with the GIS, to monitor and track waste transportation vehicles and identify any irregularities in waste movement. Waste should not be visible to public, nor exposed to open environment preventing their scattering.

Byelaws (paragraph 6.18) of Solid Waste (Management & Handling) Cleanliness and Sanitation for Urban sector of Sikkim (April 2019) also emphasised that ULB shall ensure to transport the collected waste to the final disposal place in closed vehicles.

A total of 30 vehicles (Tipping truck-18; non-tipping truck-5; compactors-4; JCB loader-1 and others-2) were used for handling of waste by four test checked ULBs during 2022-23.

Audit noticed that none of the tipping vehicles used were covered (closed top type) having separate compartment for carrying segregated waste (bio-degradable and recyclable) and fitted with GPS, which was in violation of Rules as stated above.

The ULBs stated (April-May 2023) that although the vehicles were open type, waste was covered before transportation to landfill/ dumpsite.

Physical verification (June 2023) of 10 vehicles at *Martam* landfill conducted by Audit along with Municipal staff revealed that all the ten vehicles (checked at *Martam*) transported waste in uncovered vehicles without compartment as shown in image:



Image 7.16: Sipchu

In reply, UDD (January 2023) stated that instructions were issued to all ULBs to adopt hygienic methods while transporting waste to landfill.

However, the waste continued to be transported in uncovered vehicles without partition for carrying dry and wet waste separately as of June 2023.

The ULBs transported waste in uncovered vehicles without partition for carrying dry and wet waste separately, making waste visible to public and exposed to open environment. The ULBs were not able to monitor and track the waste transportation vehicles to identify any irregularities in waste movement in absence of GPS in the vehicles.

7.3.11.6 Processing of Municipal Solid Waste

According to the CPCB Guidelines (*paragraph 4.1*) for Disposal of Legacy Waste (Old Municipal Solid Waste), processing means any scientific process by which segregated solid waste is handled for the purpose of reuse, recycling or transformation into new products (*paragraph 2(xvii)*).

MSW Rules 2016 (clause 15(v) (a) & (b)) envisaged upon Secretary, UDD and ULB authorities to lay emphasis on waste reduction by installing processing facilities and associated infrastructure to ensure minimisation of waste going to the landfill thereby minimising impact of solid waste on human health and environment.

Though the State Policy on SWM Strategy (April 2019) laid emphasis on reduction, reuse and recycle, major portion of waste generated still reached the landfill/ dump site during 2018-22 due to limited processing as discussed below:

a) Underutilisation of processing facilities

The State Policy on Solid Waste Management Strategy 2019 envisaged (Para-4.1 and 13.1) zero waste policy and recommended incentivising and having a delineated chain of command for implementation of Zero Waste systems, which included Secretary, UDD and others.

Audit observed that as against the generation of 68.9 tpd of waste (2022-23), the available processing facilities in the State accounted for only 51.8 tpd, leading to shortage of 25 *per cent* in terms of capacity. Even these available facilities were not functional for major part of the review period.

Audit observed that only two (out of seven) ULBs had decentralised solid waste processing facilities (aggregating to 51.80 tpd) at *Mangan* and *Gangtok* as of June 2023. Out of the total 51.80 tpd processing capacity of the State, 51 tpd was under GMC, and 0.8 tpd was with MNP. The remaining ULBs did not have any waste processing infrastructure.

Audit also observed that the waste processing facility (50 tpd) at *Martam* landfill site was non-functional since 13 November 2021 to 23 February 2023 and after working for a brief period of four months (from 24 February to 31 May 2022), went nonfunctional again from June 2023. Thus, due to underutilisation of these facilities, processing of

waste in the State ranged between 17 and 34.51 per cent of waste generation as shown in the table below.

Table 7.11: Solid waste generated and processed by all ULBs in the State

(in tons per day)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Waste generated	75.10	74.70	71.90	65.50	68.9
Waste collected	67.10	74.60	71.90	65.50	68.9
Uncollected	08.00	0.10	-	-	-
Processed	13.05	12.56	20.35	17.50	23.78
Waste to landfill	51.40	62.03	51.55	48.00	45.12
Per cent of processing	17	17	28	27	34.51

Source: Report submitted by ULBs to SPCB

The position of four test checked ULBs with regard to processing of waste was no different as shown below:

Table 7.12: Solid waste processed by four test checked ULBs during 2018-23

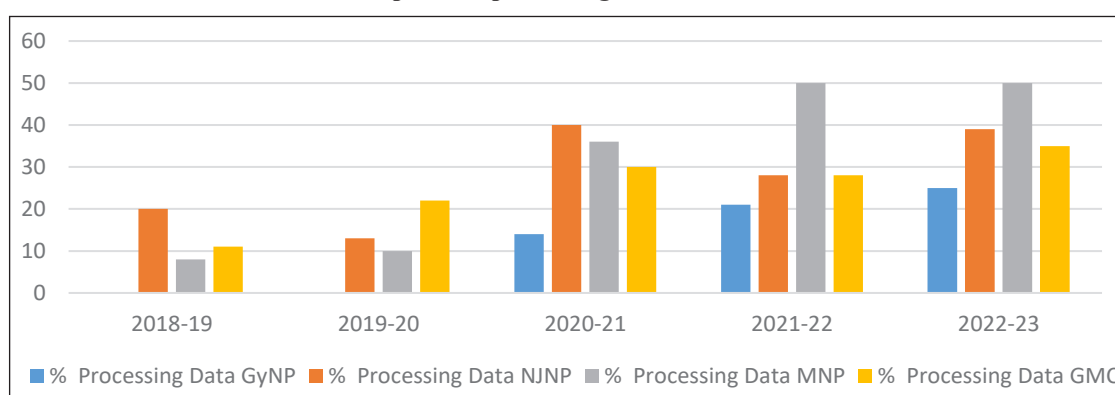
(in tons per day)

ULB	2018-19	2019-20	2020-21	2021-22	2022-23
GMC	5(11)	11 (22)	15 (30)	13 (28)	17 (35)
MNP	0.05 (8)	0.06 (10)	0.25 (36)	0.5 (50)	0.5 (50)
NJNP	1 (20)	0.5 (13)	2 (40)	1.4 (28)	2.2 (39)
GyNP	0 (Nil)	0 (Nil)	0.5 (14)	0.4 (21)	0.5 (25)

Source: Information furnished by the ULBs Figure in parentheses indicate percentages.

Analysis revealed that processing ranged between 11 and 35 per cent for GMC, 8 and 50 per cent for MNP, 20 and 39 per cent for NJNP and nil and 25 per cent for GyNP during 2018-23 as shown in **Chart 7.5**

Chart 7.5 per cent processing in test checked ULBs



The low percentage of processing was owing to inadequate infrastructure and lack of appropriate strategies as explained in subsequent paragraphs.

b) Inadequate infrastructure for processing

As per Clause 15(v) of SWM Rule-2016, ULBs should facilitate construction, operation and maintenance of solid waste processing facilities and preference shall be given to decentralised processing to minimise transportation cost and environmental impacts such as bio-methanation, micro composting, vermin composting, anaerobic digestion or any other appropriate processing for bio-stabilisation of bio-degradable wastes.

The State Policy on Solid Waste Management Strategy (*paragraph 9.3*) stipulated decentralised mode of waste management considering tough and undulating terrain, scarce availability of land for SWM, effort, cost and infrastructure required to transport the waste to a common/centralised facility.

Audit observations in this regard are discussed below.

➤ **Composting centres**

Composting¹⁷⁹ is a controlled process involving microbial decomposition of organic matter. Only two ULBs (MNP -0.80 tpd and GMC-51 tpd) possessed composting plants. While the compost plant of 50 tpd was set up at *Martam* Sanitary landfill field (SLF), another 1 tpd was set up at *Kanchanjunga* market complex at Gangtok by GMC. Details of processing are reflected in **Paragraph 7.3.11.6(a)**. The compost plant at *Mangan* was functional and processed waste was sold to market and also utilised by ULB.

➤ **Material Recovery Facility (MRF)**

Materials Recovery Facility (MRF) means a facility where non-compostable solid waste can be temporarily stored by the local body or any person/ agency authorised by ULBs to facilitate segregation, sorting, recycling and/or recovery of recyclables from various components of waste by authorised informal sector of waste pickers, informal recyclers or any other work force engaged by the local body before the waste is delivered or taken up for its processing or disposal¹⁸⁰.

The State Government sanctioned (May 2022) construction of seven MRFs, one in each ULB and simultaneously released fund of ₹ 105.63 lakh (@ ₹ 15.09 lakh /MRF). Only two MRFs (NJNP and GMC) were completed as of June 2023, of which the facility at NJNP was not functional.

Joint physical verification of MRF at NJNP by Audit along with municipal staff showed (May 2023) that the MRF, though complete by 22.11.2022, was not functional as machinery (such as shredder, compressor, conveyor belt, weigh bridge, *etc.*) were not installed. No action was initiated by the ULB to start the process of obtaining these machineries and installing the same to make the MRF functional, for the last seven months. As a result, not only was the fund of ₹ 30.85 lakh¹⁸¹, incurred towards construction not yielding value for money but five tpd waste could not be processed.

While the MRF was under construction in case of MNP; GyNP had not commenced construction for want of suitable land as of June 2023.



Image 7.17: Non-Functional MRF/RRC at Gyalshing

It was also observed that existing MRF of GyNP was not functional since April 2022 owing to damage caused by landslide as shown in the image.

¹⁷⁹ As per CPCB Guidelines for Disposal of Legacy Waste (Old Municipal Solid Waste).

¹⁸⁰ As per CPCB Guidelines (para 2(xv)) for Disposal of Legacy Waste (Old Municipal Solid Waste).

¹⁸¹ ₹ 30.46 lakh paid in December 2022- material (₹ 17.98 lakh) and muster roll (₹ 12.47 lakh). The additional cost was met from 15 FC fund.

Audit further observed that the other two MRFs completed at NJNP and GMC were completed within one and a half years of sanction, while the remaining five MRF (MNP, SNP, RNP, GyNP and NMC) were yet to be completed even after two years of sanction of the project. Even the scheduled date of completion was not found on record.

➤ **Bio mining of waste**

Biomining refers¹⁸² to the excavation of old dumped waste and making windrow of legacy waste thereafter stabilisation of the waste through bio-remediation i.e. exposure of all the waste to air along with use of composting bio-cultures, i.e. screening of the stabilised waste to recover all valuable resources (like organic fines, bricks, stones, plastics, metals, clothes, rags *etc.*) followed by its sustainable management through recycling, co-processing, road making *etc.*

The SWM Rules, 2016 (clause 15 (zj) and zk) envisaged upon ULBs to investigate and analyse all old open dumpsites and existing operational dumpsites for their potential of bio-mining and bioremediation and wherever feasible, take necessary action to bio-mine or bio-remediate the sites.

Audit observed that the ULBs had not initiated necessary action for bio-mining and bioremediation of old and open dumpsites as of June 2023, except once by inviting expression of interest (EoI) in August 2022 for preparation of DPR for *Martam* landfill. Thereafter, no follow up was done to commence bio-mining and bioremediation as of June 2023.

➤ **Waste to Energy plants**

As per Clause 21 of SWM Rule 2016, non-recyclable waste having calorific value of 1,500 kilocalorie per kilogram (kcal/kg) or more shall not be disposed of to landfill and shall only be utilised for generating energy either through refuse derived fuel or by giving away as feed stock for preparing refuse derived fuel. High calorific wastes shall be used for co-processing in cement or thermal power plants. The ULBs should propose to set up waste to energy processing plant of more than five TPD.

A total of 20.2 (out of 56.55) TPD was processed during 2021-22 by four test checked ULBs. However, no facility to convert waste to energy by applying technology such as incineration, gasification, pyrolysis, or any other technology was available with ULBs. Waste to energy plant was not set up in any of test checked ULBs during 2018-23.

Inadequate emphasis by UDD and ULBs on waste reduction by non-installation of processing facilities such as bio remediation, waste to energy plants, *etc.* and underutilisation of compost plant (at *Martam*), led to a large *percentage* of waste (40 to 100 *per cent*) reaching the landfill/ dumpsite during 2018-23 thereby impacting human health and environment.

7.3.12 Disposal of solid waste

According to CPCB guidelines (*paragraph 2*) for Disposal of Legacy Waste (Old Municipal Solid Waste), disposal of solid waste means the final and safe disposal of post-processed residual solid waste, inert street sweepings and silt from surface drains on land as specified in Schedule I of SWM Rules, 2016 to prevent contamination of ground water, surface water, ambient air and attraction of animals or birds.

Schedule-I of the MSW Rules, 2000 provided the time schedule of December 2001 or earlier for improvement of existing Sanitary Land Fills (SLF) and December 2002 or earlier for identification of landfill sites for future use and making site(s) ready for operation.

¹⁸² According to CPCB Guidelines (*para- 4.1*) for Disposal of Legacy Waste (Old Municipal Solid Waste) issued in February 2019.

Clause 11 (f) and 12 (a) of MSW Rules, 2016 also provides that the State and District authorities shall facilitate identification and allocation of suitable land for sanitary landfill for setting up solid waste processing and disposal facilities to local authorities within one year from the date of notification of the Rules.

Audit noticed that ULBs did not have sanitary landfill sites for disposal of solid waste, except for Gangtok town, operated by GMC. Three (out of 7) ULBs (NNP, NJNP and GyNP) used dumping yard at *Sipchu* in West Sikkim for disposal of waste. Another four ULBs (GMC, RNP, SNP and MNP) used landfill site at *Martam* as of March 2023. MNP was dumping waste at *Chandey* dumping yard but due to public complaints, the *Chandey* site was closed from March 2023. Thereafter, MNP had been dumping their waste at *Martam*, which is located at a distance of nearly 100 km from *Mangan*.

One site at *Ringdam* in North Sikkim has been identified (April 2017) for developing a landfill. However, construction work had not commenced as of March 2023 for want of environment clearance.

Thus, two ULBs (*Rangpo* and *Singtam*) were yet to identify land for setting up of sanitary landfills and another ULB (*Mangan*) though identified the site, had not been able to develop the same even after 21 years of stipulated time frame (since December 2002).

Audit observations on the functioning of these landfills/dump sites are given below.

7.3.12.1 Martam Sanitary landfill

Martam SLF was handed over to GMC in 2017 by UDD having a capacity of 50 tpd for waste treatment. It is located 18 km from Gangtok and 0.5 km from main road. The SLF is managed by GMC and caters to waste disposal of three ULBs (*Rangpo*, *Singtam* and *Managan*) besides GMC. Important points noticed during audit are discussed below.

➤ Land fill near river

Schedule I of SWM Rule 2016 (A) (vii) stipulated that the landfill site shall be 100 meter away from river, 200 meter from highways, habitations and water supply wells. It was noticed that the landfill was situated near river *Ranikhola*, at a distance of hardly 10 to 25 meters at various stretches, on the hill slope, as shown in **Images 7.18 and 7.19**.

Further, the area occupied by solid waste dumping increased from 0.99 ha in May 2017 to 1.44 ha in December 2022 and height of waste accumulation also increased as shown in satellite **Images 7.18 and 7.19**.

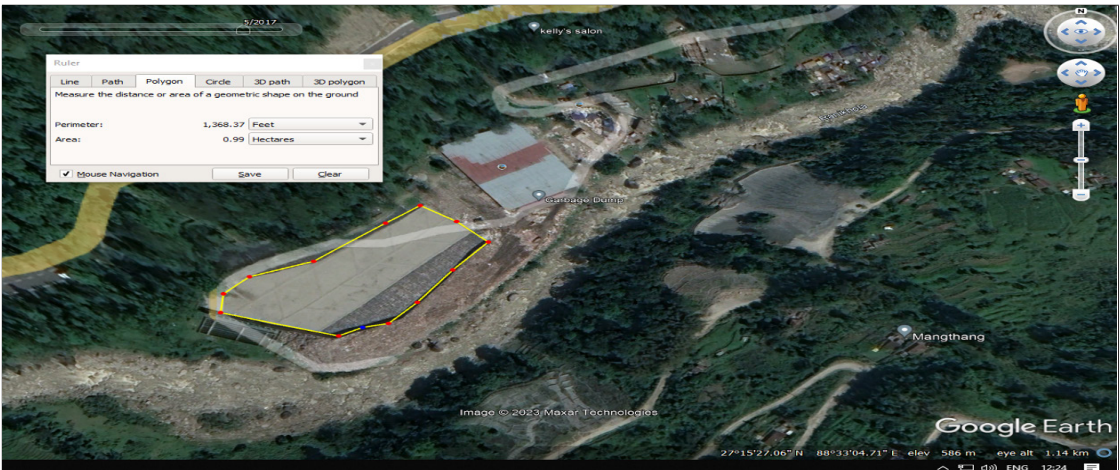


Image 7.18: Satellite Image at the time of completion of landfill (November 2017)



Image 7.19: Landfill during March 2023

➤ *Lifespan of landfill sites*

The *Martam* SLF was designed for 25 years (up to 2040) to cater to GMC. It was, however, observed that lifespan of SLF was depleting fast primarily owing to dumping of mixed waste, in violation of the MSW Rules 2000 (Schedule II (6) and low composting due to underutilisation of existing processing facilities (50 tpd plant at *Martam*) and inadequate initiatives by ULBs to install processing facilities through Refused derived fuel (RDF), waste to energy, *etc.*



Image 7.20: Martam Landfill site

The State Pollution Control Board, Sikkim cautioned (September 2020) that the solid waste processing sites at *Martam* and *Sipchu* would not last for more than five more years (up to 2025) and advised more scientific waste management approaches such as recycling, conversion of 100 *per cent* of biodegradable wastes to compost and non-biodegradable waste to Refuse Derived Fuel / Waste to Energy technology¹⁸³.

The SPCB advised setting up of an RDF Plant at *Martam* and *Sipchu* to reduce the solid waste load and increase the life of these two sites.

Audit observed that this advisory was not acted upon and no follow up was done as of June 2023. The ULBs continued to dump a large percentage of waste to landfill/ dumpsites and scientific waste management approach was yet to be adopted.

➤ *Disposal of unprocessed waste to landfills*

As mentioned in the preceding *paragraph*, compost plant of 50 tpd at *Martam* SLF was non-functional for more than one year. According to SWM Rule 2016 (*paragraph (iii)* of Schedule I), waste processing facility shall be planned as an integral part of the land fill site.

¹⁸³ SPCB Annual Report 2020-21.

Audit observed that waste processing facility of 50 tpd was installed at *Martam Sanitary Landfill (SLF)*. However, since 13 November 2021, the facility was not in operation due to damage to the processing plant during the course of widening of NH by NHIDCL. The GMC claimed (April 2022) compensation of ₹63 lakh towards repair of machineries, roofing system, entrance gate, segregating and stacking area, *etc.*, of the plant from NHIDCL. As the repair by NHIDCL was not initiated as of December 2022, despite communication with NHIDCL on 24.11.2021 followed by reminders (April 2022 and May 2022), GMC issued work order (20 December 2022) for repair of plant at ₹ 1.44 lakh and made the facility operational from February 2023.



Image 7.21: Non-functional Processing facilities

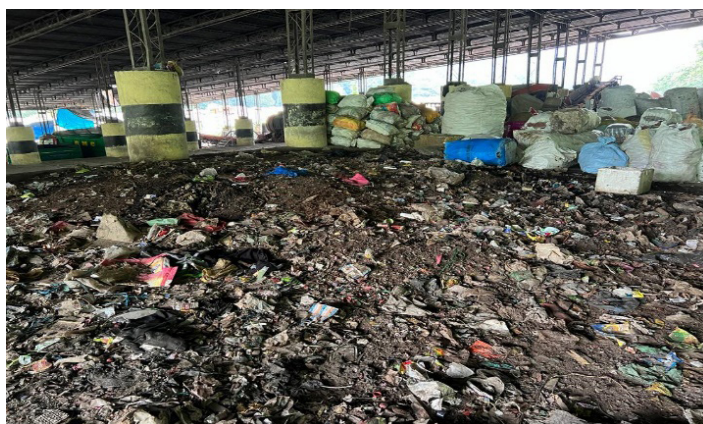


Image 7.22: Wet waste Stacked at processing facility Martam

Further, Joint physical verification (15-16 June 2023) by by Audit in presence of municipal staff disclosed that the processing plant was non-functional (seen in image) since as of 01 June 2023. Resultantly, wet waste was stacked haphazardly in in the available space on the floor.

Thus, due to inordinate delay in resolving the issue with NHIDCL, the facility remained non-operational for more than one year (December 2021 to January 2023) and again since 1 June 2023. As a result, 19,642 mt (46 tpd X 427 days) of unprocessed waste had to be dumped in the landfill (shown in image), leading to avoidable burdening of the land fill site.

➤ ***Legacy waste not disposed***

According to SWM Rules, 2016 (15(zi)), only non-usable, non-recyclable, non-biodegradable, non-combustible and non-reactive inert waste and pre-processing rejects and residues from waste processing facilities were allowed to go to sanitary landfill to achieve the desired objective of zero waste going to landfill.

The SWM Rules, 2016 (*paragraph-15(zj)*) directed ULBs to clear legacy waste dumps as well as existing operational dumpsite down to pre-existing ground level through a process called bioremediation or biomining, which refers to an environment-friendly

technique to separate soil and recyclables from legacy waste¹⁸⁴. The need for remediation of these dumpsites was also directed (July 2019) by NGT¹⁸⁵.

Audit observed that the SLF at *Martam* and *Sipchu* dumpsite had not complied with these requirements to achieve zero waste to landfill. As a result, three lakh tonnes¹⁸⁶ of accumulated waste (legacy waste), occupying 20.52 acre of land was lying at these sites as of March 2023. However, as of June 2023, legacy waste was still lying at landfill as shown in image.



Image 7.23: Legacy Waste lying at landfill

The formal contract agreement for the execution of Bio-Mining of legacy waste at *Martam* landfill at an estimated cost of ₹ 22.00 crore has been concluded with M/s Greentech Environ Management Pvt. Ltd. and GNS Builders-Gangtok (Joint venture) on 18.10.2023 and work had commenced.

During exit conference (December 2023), the Department stated that the National Highway from *Siliguri* to worksite had been closed for heavy vehicles due to flash flood of *Teesta* on 4 October 2023. Once the traffic ability/traffic mobility is normalised the heavy machinery like trammel/segregator machine will reach the site and the work will gain pace.

➤ ***Capping layer of earth covering waste and leachate treatment***

As per Schedule 1 (Clauses ii and iii of C) of SWM Rule 2016, waste shall be covered immediately or at the end of each working day with minimum 10 cm of soil, inert debris or construction material. Prior to monsoon season, an intermediate cover of 40- 65 cm thickness of soil should be placed on landfill with proper compaction and grading to prevent infiltration during monsoon. Proper drainage berms should be constructed to divert run-off away from the active cell of the landfill to prevent further damage to the environment.

Physical verification by Audit along with GMC official revealed (June 2023) that earth covering over waste was not done on daily basis as required. Even prior to monsoon season, earth covering over waste was not done to avoid



Image 7.24: Leachate at landfill

¹⁸⁴ Advisory on Landfill Reclamation (p-14), issued in June 2020 by GoI.

¹⁸⁵ By NGT Order in OA 519/2019 dated 17/7/2019.

¹⁸⁶ According to SBM (Urban) website (<https://sbmurban.org/swachh-bharat-mission-progress>) of GoI.

erosion and collection of leachates at landfills sites. The waste was left open and exposed to open environment as shown in the image. Drainage berms were also not constructed to divert run-off away from the active cell of the landfill to prevent further damage to the environment.

➤ ***Lack of proper facilities in land fill sites***

The landfill was not fenced, hedged or provided with proper gate to monitor incoming vehicles, unauthorised persons, stray animals *etc.* Internal roads were in bad condition and free movement of vehicle and other machinery at landfill site was feasible at certain stretch only.

7.3.12.2 Sipchu dumpsite

The landfill site was handed over to NJNP in 2019-20 which catered to South and West Sikkim. In one portion of the site, civil work relating to construction of processing units, landfill, *etc.* was under execution through a contractor by the UDD. Pending completion of sanitary landfill, a portion of the complex was used as dumping yard for dumping unprocessed waste, currently. Important points noticed during audit are discussed below:

➤ ***Dumpsite near the river***

Rule 20 of MSWM Rules 2016 stipulated that construction of landfill on the hill shall be avoided in the hilly areas. Further, Schedule I of SWM Rule 2016 (A) (vii) stipulated that the landfill site shall be 100 meter away from river, 200 meter from Highways, Habitations and water supply wells.

It was noticed that the landfill was situated nearby river *Rambang*, at a distance of hardly 10 to 25 meters at various stretches, on the hill slope, as shown in image placed alongside.



Image 7.25: Sipchu dumpsite near river

➤ ***Non-completion of landfill site at Sipchu***

For catering to the needs of South and West district of ULBs and others, landfill site at *Sipchu*, near *Jorethang* was identified. Accordingly, work order for construction of ‘Regional facility for solid waste treatment and disposal project’ at *Sipchu* was issued (October 2018) to the contractor (*Shri Karcho Bhutia*) at a cost of ₹ 17.49 crore with stipulation to complete within eighteen months (by March 2020). The contractor had been paid ₹ 9.30 crore as of March 2023. During joint physical verification (May 2023) of the landfill, audit observed that the progress of work was very slow and as against the expenditure of ₹ 9.30 crore, only the work relating to site levelling and boundary wall was completed as of the date of JPV.

The estimate was revised (January 2023) to ₹ 27.21 crore (from ₹ 17.49 crore) on the ground of change in scope of work such as strengthening of RCC structure, river training works to deviate the course of river, protective work at the approach road to

site, inclusion of 18 per cent GST, etc. and cost escalation in labour and material due to passage of time. The revised work order was issued to the contractor in February 2023 with stipulation to complete within one year (by February 2024).



Image 7.26: Sipchu landfill Under Construction

However, as of June 2023, the work relating to site levelling and boundary wall was only completed. This required to be completed at the earliest as the site being used for dumping waste currently was almost saturated and would not be capable of handling waste any further.

➤ **Lack of proper facilities within landfill sites**

The dumpsite was not fenced, hedged or provided with a proper gate to monitor incoming vehicles, unauthorised persons, stray animals etc. which was in the contravention of SWM rules 2016 clause (B) Schedule I.

7.3.12.3 Chandey dumpsite

The MNP was dumping its solid waste at forest land at *Chandey* near *Mangan*, located adjacent to the river belt on the hill slope as shown in the image.

In July 2018, the public of *Chandey* objected to garbage dumping citing health hazard to the populace residing in the vicinity. The garbage truck of MNP was not allowed to dump the waste in the dumpsite for two weeks. Only after intervention from district



Image 7.27 Chandey Dumpsite near River at Hill slope

administration, on the condition of fumigation of site, was the dumping of waste for one year (up to July 2019) agreed to by the public. The MNP accordingly requested the State Government to expedite construction of Landfill at *Ringdam* to resolve the issue permanently.

Pending completion of *Ringdam* MNP continued to dump garbage in *Chandey* till March 2023. The public again objected to this dumping and with the intervention of ADC, *Mangan* the MNP stopped dumping at *Chandey* site from March 2023.

The UDD invited (April 2018) EoI and also issued (October 2018) work order to the contractor for ₹ 15.99 crore with stipulation to complete within 18 months (by April 2020). The mobilisation advance of ₹ 2.30 crore was also released (August 2019) to the contractor against the bank guarantee.

Audit observed that action towards environment clearance as required under the norms, was initiated only in September 2018, and final clearance was received in November 2021. The project could not commence as of June 2023 even after obtaining environment clearance.

The solid waste, therefore, had to be transported to *Martam*, which is located 88 km away, leading to unnecessary burdening of landfill at *Martam* and avoidable extra expenditure on transportation.

The *Martam* SLF and *Sipchu* dumpsite were situated near the river-bed in violation of SWM rules, unprocessed and mixed waste were being disposed of to these sites, and the capping layer of earth covering was not provided over waste to avoid erosion and collection of leachates at landfills sites. The waste was left open and exposed to open environment. Drainage berms were also not constructed to divert run-off away from the active cell of the landfill to prevent further damage to the environment. A total of 3 lakh tonnes of accumulated waste (legacy waste), occupying 38.22 acre of land was lying at these two sites without remediation as of March 2023, despite NGT's order to remediate the waste on priority. The shelf life of the SLF and dumpsite had depleted fast owing to dumping of unprocessed and mixed waste, and would last only up to 2025, unless urgent action was initiated by the Government to enhance processing and dump only inert waste to these sites.

7.3.13 Integration of waste pickers in SWM system

The SWM Rules, 2016 (Clause 11 (c) and 15 (c)) requires State Government to provide broad guidelines regarding integration of waste pickers or informal waste collectors with SWM system and ULBs to establish a system to recognise organisations of waste pickers or informal waste collectors and promote and establish a system for integration of these authorised waste pickers and waste collectors to facilitate their participation in Solid Waste Management (SWM) including door to door collection of waste.

Accordingly, State Policy on Solid Waste Management Strategy (April 2019) prescribed for integration of the informal sector (waste pickers and scrap dealers) with the State level Solid Waste management regime as primary partners. The informal sector would be represented in State Level Advisory Body. The waste pickers and scrap dealers would be identified and authorised to collect /receive, discards from public and government institutions for recycling.

The policy also envisioned providing training to the waste pickers and provision of free medical check-up and insurance for them.

Audit observed that though the ULBs had identified waste pickers and scrap dealers they were to be yet integrated into the system as of November 2023 by ensuring their representation in the State Level Advisory Body. They were also not provided with training, free medical check-up and medical insurance as envisaged in the policy.

7.3.14 Monitoring

A comprehensive monitoring and evaluation (M&E) system should be adopted for proper implementation of the MSWM plan and for assessing progress towards meeting the targets of the plan¹⁸⁷. Position of monitoring of MSWM services in the ULBs is given below.

7.3.14.1 Partial compliance to direction of State Level Committee (SLC) on SWM

The State Government constituted (February 2019) a State level committee (SLC)¹⁸⁸, headed by Former Judge of High Court of Sikkim, to execute the orders of National Green Tribunal (NGT) relating to implementation of Municipal Solid Waste Management Rules, 2016. The Member Secretary, SPCB is the Member Secretary to the Committee. The Committee met from time to time and directed.

- i. Preparation of state waste management policy (February 2019), action plan for urban areas, to hold inter departmental meetings so as to converge the line department for efficient implementation of waste management rules;
- ii. Framing of by-laws for solid waste management (March 2019);
- iii. UDD to upload information about ULBs on their website on status of municipal solid waste for information to general public (April 2019);
- iv. Forest Department to reconstitute state environment impact assessment authority (SEIAA) urgently for expediting environmental clearance to *Ringdam* waste processing facilities at *Mangan* (December 2019).

Audit observed that direction of the Committee relating to formulation of state waste management policy, action plan for urban areas, by-laws for solid waste management, *etc.* was complied with and notified by the State Government.

However, direction relating to inter departmental meetings to converge the line department for efficient implementation of waste management rules, uploading of information on status of MSW, and reconstitution of SEIAA was not acted upon as of June 2023. Absence of efficient implementation of waste management rules, especially relating to scientific disposal of waste was fraught with the risk of leaching and contamination of water. This was compounded by lack of facilities for assessing status of ambient air, ground water, leachate quality, compost quality, *etc.* in waste processing/ landfill sites in Sikkim¹⁸⁹. The SPCB although had advised (September 2020) adopting more scientific waste management approaches by ULBs, had not followed up and ensured their compliance.

7.3.14.2 Inadequate compliance to NGT order

The NGT vide OA no. 606/ 2018 had raised a number of issues pertaining to SWM in Sikkim. The NGT in its recent hearing ordered (03 November 2022) that the State Government should take time bound measures for effective management of waste generated on day-to-day basis as well as ensuring necessary remedial actions on waste accumulated over the years at landfill sites.

¹⁸⁷ A comprehensive monitoring and evaluation (M&E) system should be adopted for proper implementation of the MSWM plan and for assessing progress towards meeting the targets of the plan.

¹⁸⁸ vide notification no. 12/ Home/ 2019 dated 08.02.2019,

¹⁸⁹ MSW Annual Report 2023-24 of SPCB sent to CPCB vide letter no. 430/SPCB/664 dated 29.07.2024.

In compliance, the State Government issued (30 November 2022) directions for compliance by all concerned including ULBs, which inter-alia included (i) compulsory source segregation at household level; (ii) only segregated waste to be collected by garbage vehicles of ULBs; (iii) ULBs to be responsible for ensuring implementation of collection and scientific disposal of solid waste as per norms; (iv) landfill shall henceforth accept only inert waste; *etc.* Any violation was to be viewed seriously and actions to be initiated as per rules.

Audit observed that these directions were not acted upon in full as of June 2023 which can be seen that the deficiency in source segregation continued at household level (**Paragraph 7.3.11.3**), unsegregated waste (mixed waste) was collected and transported by the garbage vehicles (**Paragraph 7.3.11.5**), (iii) the landfill continued to receive mixed waste instead of inert waste (**Paragraph 7.3.12**). The ULBs and UDD had not taken any action against the defaulters as of June 2023.

Audit observed that this advisory was not acted upon and no follow up was conducted as of June 2023. The ULBs continued to dump a large percentage of waste to landfill/dumpsites and scientific waste management approach was yet to be adopted.

Non-disposal of waste in a scientific manner in accordance with norms stated in SWM Rules was fraught with the risk of leeching and contamination of water as mentioned in the preceding (**Paragraph 7.3.12.1**).

7.3.14.3 Non-compliance to Inspection report by SPCB

According to SWM Rules, 2016 (Clause 16(1)(b)), the SPCB shall monitor environmental standards and adherence to conditions as specified under schedule-I of the Rules for waste processing and disposal sites which stipulated the specifications for Sanitary Landfills.

Audit observed that SPCB had conducted inspection (27.11.2020) of *Martam* landfill site and noted that (i) e-waste, plastic waste and other solid waste were mixed with MSW; (ii) segregated waste were not being brought by ULBs; (iii) criteria for landfill disposal laid down in SWM rules 2016 had not been complied with as sanitary landfill was filled with unsegregated and pre filled waste; (iv) landfill was generating foul smell and polluting gases (methane, H₂S, *etc.*) due to dumping of bio degradable waste along with other waste; (v) ETP plant for treatment of leachate being generated from sanitary landfill had not been completed. Similarly, SPCB had also observed (18.06.2018) that (i) safety gears such as gloves and masks were not being used by employees during segregation of waste.

Audit noted that, the deficiencies pointed out by SPCB persisted as of June 2023 as confirmed during physical verification (June 2023) of landfill site at *Martam* by Audit in presence of GMC officials (as mentioned in **Paragraph 7.3.12.1**).

7.3.14.4 Environment and health impact assessment (EHIA)

SWM manual 2000 (*paragraph 22.2.1*) stipulated EHIA of MSW to identify and predict the impact of SWM activities, suggest appropriate preventive measures to safeguard environment and human health and wellbeing, and to interpret and communicate information about the impact.

Audit observed that EHIA had not been conducted as of June 2023. As a result, identification of environmental and health hazards, interpretation of environmental and health risk, and preventive measures for environmental and health risk could not be initiated. This was despite SPCB pointing out (June 2018) about non assessment of health and environment hazard.

UDD stated that (January 2023) a thorough study in coordination with SPCB will be carried out for assessment of damage to environment and human health posed by the waste. In June 2023 the local residents of the surrounding area of *Martam* landfill site raised this issue and sought immediate redressal.

However, assessment of damage to environment and human health posed by waste was not carried out by UDD as of August 2023.

7.3.14.5 Management Information System

According to SWM Manual 2016 (6.1.1 and 6.1.3), a management information system (MIS) should be set up to record and monitor all information or data on MSWM and was one of the best way to ensure achievement of target through a computerised MIS.

Audit observed that no such MIS was developed by the ULBs nor any efforts taken to implement the same for the last four years since adoption of the rules in April 2019. In the absence of MIS, online monitoring of SWM activities by the ULBs was not possible to assess the extent of success/ shortfall in SWM services.

7.3.14.6 Ward level committee not formed

According to MSW Manual 2016 (Section 6.1), ward level committees should be constituted for ensuring and monitoring SWM services including segregation, collection, transportation, street sweeping, drain cleaning, and prohibition of littering.

However, in test-checked ULBs, ward level committees were not yet constituted till the date of audit nor timeline prescribed though State Government made a provision for it through State policy on solid waste management strategy notified in 2019. This indicated deficiencies in monitoring of SWM activities.

7.3.14.7 Data regarding waste not displayed

The Bye-laws (April 2019) of Solid Waste (Management & Handling) Cleanliness and Sanitation for Urban sector of Sikkim (*paragraph 6.70*) envisaged upon ULBs to release monthly data about waste received at landfill and waste processing sites. Such information was to be maintained at the ULB Office and displayed on their website.

However, it was observed that ULBs had not maintained the required data.

7.3.14.8 Designated officers and periodic reports

The Bye-laws of Solid Waste (Management & Handling) Cleanliness and Sanitation for Urban sector of Sikkim (*paragraph 6.15*) envisaged upon ULBs to designate officers responsible for implementing the obligatory responsibilities specified under these Rules/ Bye-laws by ULBs. The specific plans and time schedules and achievements against the same along with reasons for shortfalls, if any, were to be shared publicly by the official/ authority of the ULBs and their website.

Audit observed that though officers were designated for SWM activities, however, specific plans, time schedules and achievements there against along with reasons for shortfalls, were not shared publicly by the ULBs.

7.3.14.9 Service level benchmarks

Ministry of Urban Development (MoUD), Government of India, launched (2008) the Service Level Benchmarking (SLB) initiative covering water supply, waste water, and SWM and storm water drainage. The 14th FCs and SBM also endorsed the principle of benchmarking and included SLB as one of the conditions for the allocation of performance-based grants to ULBs.

Audit observed that State Government (UDD) initially fixed target (September 2013) of SLB for Gangtok Municipal Corporation (GMC) only. This was subsequently revised (April 2016) and the target was fixed for all the ULBs.

A comparison of target prescribed by GoI *vis-à-vis* target fixed by the State Government disclosed that while the target in respect of efficiency in collection of user charges was not set, target in respect of collection efficiency, extent of segregation, scientific disposal was below the target in case of GMC and GyNP and cost recovery was below the target for GMC, GyNP and MNP as shown below:

Table 7.13: Prescribed performance indicator *vis-à-vis* target set of SLB

(in per cent)

Sl. No	Performance indicator	Target by SWM Manual	Target Set by State Government (2020-21)			
			Gangtok	Joethang	Mangan	Gyalshing
1	Coverage	100	100	100	100	100
2	Collection Efficiency	100	95	100	100	98
3	Extent of Segregation	100	80	100	100	70
4	Extent of Recovery	80	85	100	100	85
5	Extent of Scientific disposal	100	75	100	100	90
6	Complaint/Redressal Efficiency	80	100	100	100	100
7	Cost Recovery	100	80	100	80	90
8	Efficiency in collection of User charges	90	Nil			

Source: Notification No. 5/GOS/UDHD/2015-16/10/852 dated 20.4.2016 issued by Government of Sikkim, Department of Urban Development & Housing.

However, the assessment of achievement by ULBs against the above target was not carried out as of June 2023 by the UDD to determine the extent of achievement and shortfall in providing basic services to citizens.

7.3.15 Conclusion

The performance audit disclosed that the ULBs had not formulated any MSWM plan for appropriate handling of waste. The door-to-door collection of waste was largely done by deploying garbage trucks at the roadside (garbage collection point) and entire waste generated was being collected, as indicated by the records provided. The source segregation of waste was not being adopted by most of the households. The households bring in waste in single bins without segregating. The municipal staff segregate waste

enroute during transportation and recyclable items were collected and sold to scrap dealers of the neighbouring state of West Bengal.

The performance of the ULBs regarding processing of waste was very minimal as there were only two decentralised processing units and one centralised processing unit at *Martam* landfill, aggregating to total capacity of only 51.80 tpd. These processing units (at *Martam* of 50 tpd) also remained non-functional from November 2021 to January 2023. The only SLF at *Martam*, initially designed to cater to one ULB (GMC), was catering to four ULBs as of June 2023.

This SLF was designed for 25 years (up to 2040), however, due to excessive dumping of mixed waste, coupled with very limited processing of waste, the shelf life was expected to end within two years (2025).

The situation would be very alarming, unless urgent action was initiated well in time, as the SLF would cease to be operational soon. While the legacy waste of three lakh tonnes was yet to be remediated despite advisory of NGT, leachate treatment was also not initiated.

Though the air and water quality were found to be satisfactory, the advisory and counsel by State Advisory Board and SPCB was only partially acted upon as of June 2023.

7.3.16 Recommendations

Based on the findings as reflected in the report, following recommendations are made for further strengthening of SWM in the ULBs in Sikkim:

- *The Municipal Solid Waste Management Plan should be drawn up duly assessing the quantity and composition of waste for scientific management of increased quantum of waste.*
- *The department should take immediate steps to increase the user fee and ensure collection of user fee from all concerned to augment the revenue base of ULB.*
- *The source segregation should be strictly implemented and vehicles having compartment must be used for waste collection and transportation to ensure that the segregated waste is not mixed up with other waste.*
- *The processing of waste should be increased to ensure only inert waste (up to 20 per cent of total waste generated) reaches the landfill to avoid unnecessary burden on landfill.*
- *The legacy waste should be immediately remediated as recommended by NGT.*
- *Urgent action should be initiated to locate alternative site for landfill for Gangtok and Pakyong district, expeditious establishment of landfill at Ringdang for Mangan district and completion of Sipchu landfill expeditiously.*
- *Monitoring should be strengthened to ensure full compliances to NGT orders, advisories issued by State Level Advisory Board (SLAB) and SPCB to ensure efficacious implementation of SWM Rules.*

COMPLIANCE AUDIT

Urban Development Department

7.4 Subject Specific Compliance Audit on Efficacy of implementation of 74th Constitutional Amendment Act in Sikkim

7.4.1 Introduction

The Constitution (74th Amendment) Act (CAA), 1992 which came into effect on 01 June 1993, provided a constitutional status to Urban Local Bodies (ULBs). The CAA added the 12th schedule in the Constitution of India. The 12th Schedule of the Constitution enumerates 18 specific functions (listed in *Appendix 7.2*) to be devolved to ULBs. Accordingly, Government of Sikkim (GoS) enacted the Sikkim Municipalities Act, 2007 to give effect to these provisions of the Constitution. Sikkim has seven ULBs (Municipal Corporation - one; Municipal Councils - one and Nagar Panchayat - five). All ULBs have an elected body comprising Councilors.

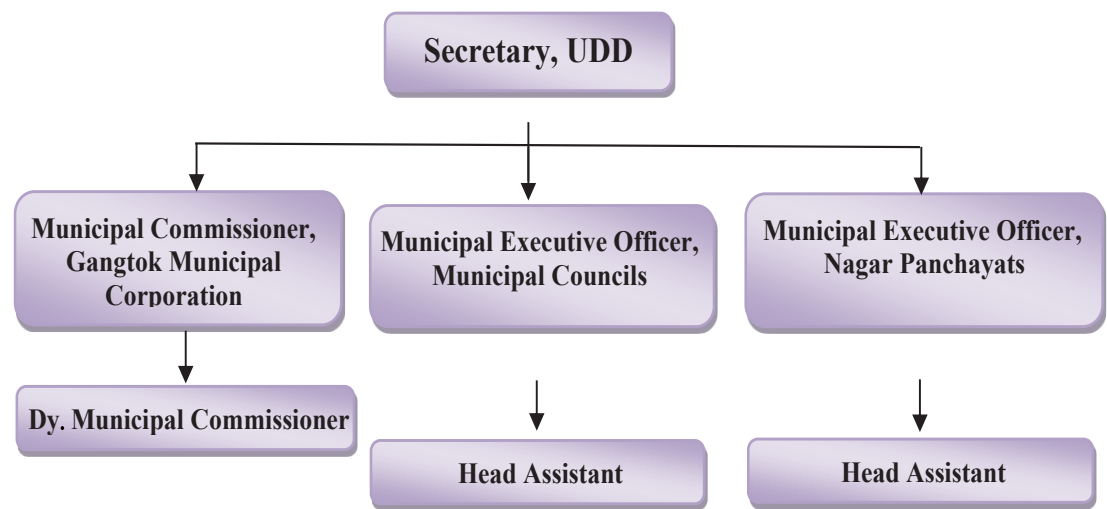
The Audit was taken up with the objective to assess whether the provisions of 74th CAA have been implemented effectively in the State to enable the ULBs to function as an effective institution of local self-governance.

7.4.2 Organisational set-up of Urban Local Bodies

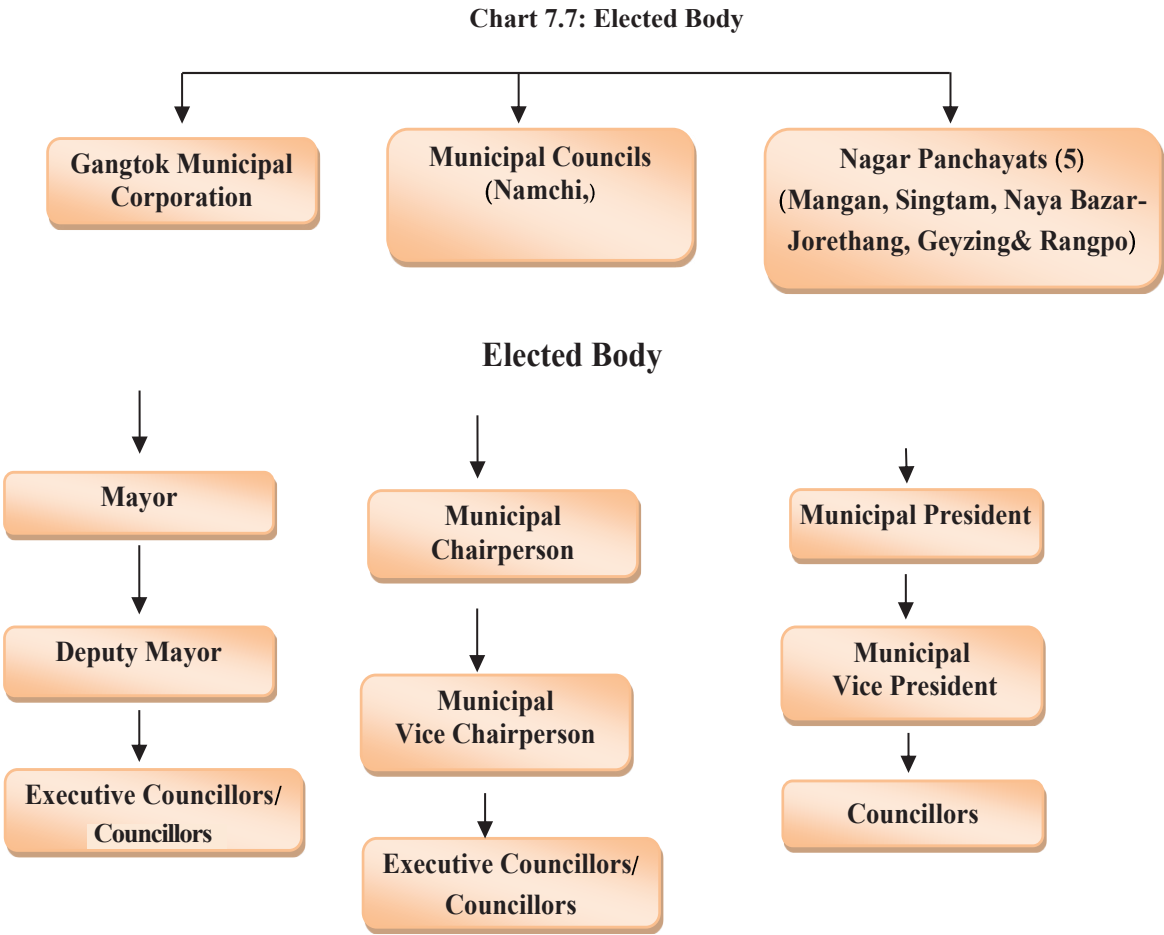
The Secretary, Urban Development Department (UDD) is the overall in charge of ULBs in the State. The Municipal Commissioner is the executive head of the Gangtok Municipal Corporation (GMC) while the other Municipal Councils/Nagar Panchayats (NP) are headed by the Municipal Executive Officers.

The organisational structure with respect to functioning of ULBs in the State is as follows:

Chart 7.6: Administrative Body



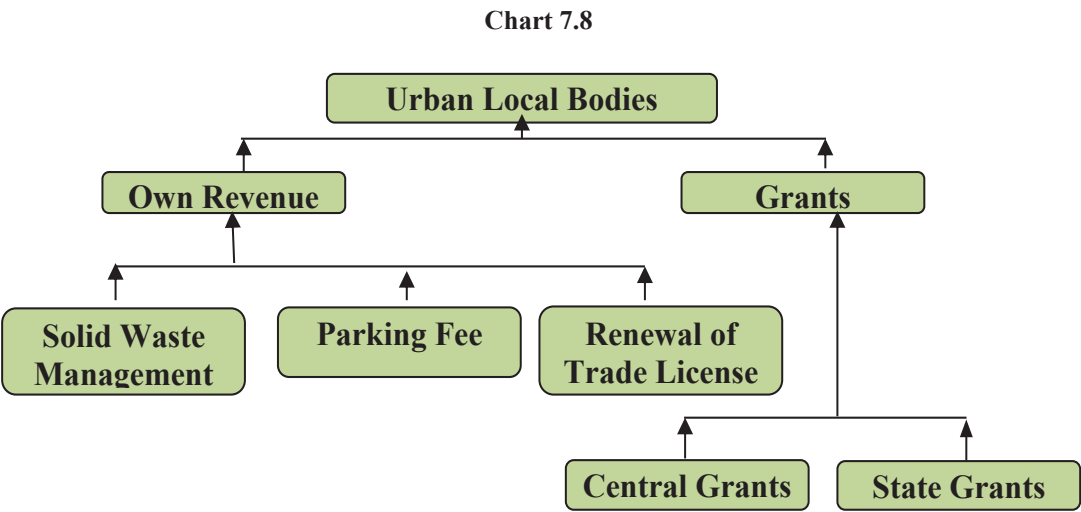
All the ULBs have a body comprising Councillors /Members elected by the people under their jurisdiction as shown in **Chart 7.7** below. The Mayor presides over the meetings of Municipal Corporation and the Chairperson/President presides over the meetings of the Municipal Councils/Nagar Panchayats and are responsible for the overall functioning of the ULB concerned.



The results of audit are mentioned in the following paragraphs:

7.4.3 Financial resources of ULBs

Sufficient and sustainable financial resources are paramount to ensure discharge of functions assigned to ULBs so as to make them institutions of self-government. The financial resources of ULBs in Sikkim comprised grants from GoI (Central Finance Commission grants) and the State Government (State Finance Commission and other grants) and a small percentage of own revenue from levy of taxes and fees as shown in **Chart 7.8** below:-



7.4.3.1 Allocation of fund by State Government to ULB

The position of fund allocation by the State Government to the ULBs and expenditure there against is given below:

Table 7.14: Position of budget and expenditure by State Government towards ULBs during 2018-23
(₹ in lakh)

Year	Budget Provision		Expenditure		Surrender		Savings(-) /Excess(+)	
	SFC	CFC	SFC	CFC	SFC	CFC	SFC	CFC
2018-19	942.06	382.8	869.21	130.8	72.82	252	(-)0.03	0
2019-20	1251.3	453.32	443	345.32	808.27	108	0	0
2020-21	4208.6	81.62	2947	81.44	1261.5	0	(-)0.08	(-)0.18
2021-22	2542.8	93.99	2542.8	93.95	0	0.04	0.01	0
2022-23	2873.4	73.46	2273.4	73.42	600	0.04	0	0
Total	11,818.16	1,085.19	9,075.41	724.93	2,742.59	360.08	(-)0.10	(-)0.18

Source: Detailed Appropriation Account, Government of Sikkim

7.4.3.2 Position of funds of ULBs

Grants received and expenditure therefrom

Receipts and expenditure by the GMC, One Municipal Council and five NPs during the year 2022-23 are shown in **Table 7.15**:

Table 7.15: Statement showing grants received and expenditure incurred by ULBs during 2022-23
(₹ in lakh)

Name of ULBs	Opening balance	Central Grants			Opening balance	State Grants			Own Revenue	
		Receipts	Expenditure	Balance		Receipts	Expenditure	Balance	Receipts	Expenditure
GMC	156.01	2574.35	2216.00	514.36	0.00	1014.00	1014.00	0.00	1172.35	1550.00
NJNP	110.45	179.29	257.90	31.84	0.26	220.11	150.70	69.67	91.13	72.88
Gey. NP	39.60	75.93	39.73	75.80	31.30	81.44	61.79	50.95	31.81	31.80
NMC	169.78	181.12	148.29	202.61	0.00	122.86	122.86	0.00	108.68	246.33
MNP	33.62	71.27	89.53	15.36	7.52	150.32	104.59	53.25	65.44	62.63
SNP	68.26	63.01	70.28	60.99	458.79	99.65	401.00	157.44	88.90	85.26
RNP	83.54	145.77	206.54	22.77	8.39	188.39	160.73	36.05	111.43	111.43
Total	661.26	3290.74	3028.27	923.73	506.26	1876.77	2015.67	367.36	1669.74	2160.33

Source: Information furnished by ULBs

* Opening Balance and Closing Balance about Own Revenue has not been maintained by ULBs. **Table 7.15** shows that expenditure is more (₹ 490.59 lakh) than the total Receipt of Own Revenue.

From the above, it is seen that ULBs could not utilise the entire funds received during 2022-23 relating to Central Grants. Analysis of closing balances revealed that unutilised funds were kept in various banks without being utilised by ULBs indicating lack of adequate absorption capacity of the ULBs.

Collection of own revenue by the seven ULBs during the last five years is shown in **Table 7.16**:

Table 7.16: Statement showing collection of own revenue of seven ULBs

(₹ in lakh)						
Sl. No.	Name of the ULB	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Gangtok Municipal Corporation (GMC)	823.46	918.66	901.82	774.57	1172.35
2.	Namchi Municipal Council (NMC)	98.51	109.03	98.57	99.15	108.68
3.	Naya Bazar -Jorethang Nagar Panchayat (NJNP)	89.77	87.26	57.26	82.29	91.13
4.	Geyzing Nagar Panchayat (GeNP)	44.89	46.56	37.72	36.24	31.81
5.	Rangpo Nagar Panchayat (RNP)	72.92	81.35	75.22	117.91	111.43
6.	Singtam Nagar Panchayat (SNP)	107.74	70.57	36.98	109.86	88.90
7.	Mangan Nagar Panchayat (MNP)	57.51	60.67	53.61	56.40	65.44
	Total	1,294.80	1,374.10	1,261.18	1,276.42	1,669.74

Source: Information furnished by the ULBs

The own revenue consisted of fees towards issue of various certificates such as non-marriage certificate, no objection certificate and sanitation fees, tender fees, etc.

The above table indicates that the revenue collection recorded increase during 2022-23 over previous year 2021-22 in case of the ULBs (GMC, NMC, NJNP and MNP) and decrease in case of GeNP, RNP and SNP.

The Department accepted the facts and offered no comment on the above para.

7.4.4 Empowerment of ULBs

The 74th CAA introduced Articles 243Q to 243ZG relating to municipalities. State Governments were required to incorporate these provisions in the respective Municipalities Acts. Scrutiny of the Sikkim Municipalities Act (SMA), 2007 revealed that the provisions of the 74th CAA had been appropriately incorporated in the SMA, 2007 by the State Legislature. The details are shown in **Appendix 7.3** and **Appendix 7.4**.

It was however observed in Audit that the legal provisions were not backed by decisive actions leading to compromise in attaining the spirit of the 74thCAA as discussed below:

7.4.4.1 Devolution of functions to the ULBs

Government of Sikkim through amendments to ‘the Sikkim Municipalities Act, 2007’ transferred (June 2010)¹⁹⁰ six (out of 18) functions to ULBs in 2012 as shown below: -

Table 7.17: Status of devolution

Sl. No.	Functions as per 12 th Schedule	Activities	Status of devolution
1	Regulation of land-use and construction of buildings	<ul style="list-style-type: none"> Regulating land use Approving building plans (BP) Demolishing illegal buildings 	Only regulation of building construction and approval of BP is devolved to only one ULB i.e. Gangtok Municipal Corporation (GMC).

¹⁹⁰ Six functions are notified vide GOS/UD&HD/6/502/10/37 dated 25.6.2010.

Sl. No.	Functions as per 12 th Schedule	Activities	Status of devolution
2	Public health, sanitation conservancy and solid waste management.	<ul style="list-style-type: none"> • Maintaining hospitals, dispensaries • Immunisation/ Vaccination • Cleaning and disinfection of localities affected by infectious disease • Solid-waste management • Control and supervision of public markets • Trade Licenses 	Only solid waste management is devolved to all the ULBs.
3	Urban poverty alleviation.	<ul style="list-style-type: none"> • Identifying beneficiaries • Livelihood and employment • Street vendors 	Devolved to all the ULBs.
4	Provision of urban amenities and facilities such as parks, gardens, playgrounds.	<ul style="list-style-type: none"> • Creation of parks and gardens • Operation and Maintenance • Playgrounds 	Only Parks and Gardens are devolved to all the ULBs.
5	Vital statistics including registration of births and deaths.	<ul style="list-style-type: none"> • Coordinating with hospitals/ crematoriums etc. for obtaining information • Maintaining and updating database 	Devolved to only one ULB i.e. to GMC.
6	Public amenities including street lighting, parking lots, bus stops and public conveniences	<ul style="list-style-type: none"> • Installation and maintenance of street lights • Deciding and operating bus routes • Creation and maintenance of parking lots • Creation and maintenance of public toilets 	Only Parking lots, bus stops and public conveniences devolved to all the ULBs except Namchi Municipal Council.

Source: Information furnished by Urban Development Department, Government of Sikkim

Audit observed that in practice, the ULBs were solely responsible for one function¹⁹¹, had limited role in five functions¹⁹² and had no role in the remaining 12 functions¹⁹³. Thus, the ULBs were constrained in performing functions and implementing schemes in full with respect to 17 subjects specified in the 12th Schedule.

In absence of transfer of all important functions (such as urban/town planning, regulation of land use, roads and bridges, water supply and sanitation, urban poverty alleviation,

¹⁹¹ (i) Urban poverty alleviation.

¹⁹² (i) Regulation of land-use and construction of building.; (ii) Public health, sanitation conservancy and solid waste management; (iii) Provision of urban amenities and facilities such as parks, gardens, playgrounds; (iv) Vital Statics including registration of birth & death and (v) Public amenities including street lighting, parking lots, bus stops and public conveniences.

¹⁹³ (i) Urban Planning including town planning (ii) Planning for economic development and social development.; (iii) Roads and Bridge; (iv) Water supply for domestic, industrial and commercial purpose; (v) Fire Service; (vi) Urban forestry protection of the environment and promotion of ecological aspects; (vii) Safeguarding the interests of the weaker section of the society, including the handicapped and the mentally retarded; (viii) Slum improvement and up-gradation; (ix) Promotion of culture, educational and aesthetic aspects.(x) Burials, burial grounds; cremations, cremation grounds and electric crematoriums; (xi) Cattle pounds, prevention of cruelty to animals; and (xii) Regulation of slaughter houses and tanneries.

slum development *etc.*), these functions continued to be executed by various departments of the State Government without involving ULBs as shown in **Appendix 7.5**.

Analysis of records pertaining to Solid Waste Management which is one of the functions devolved fully to ULBs showed that the ULBs faced financial constraints in dealing with waste management functions. The revenue collection through user charges was not sufficient to meet the expenditure towards waste collection and disposal for the four ULBs test checked in audit. It is pertinent to mention that the user charge for solid waste management is being fixed by UDD even though the function is fully devolved.

Thus, non-devolution of functions to the ULBs undermined the spirit of decentralisation and the spirit of 74th CAA. Furthermore, even in fully devolved functions such as Solid waste management, audit noticed that full autonomy to impose appropriate fees/ user charges to make up the entire expenditure on this activity was not available with the ULBs.

The Department accepted the facts and offered no comment on the above para.

7.4.4.2 Effectiveness of institutional framework for ULBs

The objective of the 74th CAA was to entrust delivery of major civic functions to ULBs so as to enable them become institutions of self-government.

Accordingly, the State Government was required to establish and empower appropriate institutions (such as State Election Commission, State Finance Commission, District Planning Committee, *etc.*). Position of their constitution and effectiveness is discussed below:

a) State Election Commission

Article 243ZA and 243K stipulate that the State Election Commission (SEC) should be constituted and vested with powers of superintendence, direction, and control of the preparation of electoral rolls for, and the conduct of elections in respect of Panchayats and ULBs.

It was observed in audit that rules for conducting municipal election were framed in 2007 and first-ever municipal election was held in 2010. The SEC has so far conducted three elections (April 2010; October 2015; and March 2021) in respect of ULBs. There were delays in holding of elections in 2015 by five months and in 2021 by 16 months.

The Department accepted the facts and offered no comment.

b) State Finance Commission

According to Article 243-I of the Constitution, the State Government has to constitute State Finance Commission (SFC) within one year of the commencement of the 74th CAA and thereafter on expiry of every five years with a mandate to review the financial position of the local bodies and to make recommendations to the Government for devolution of funds to these bodies.

Audit observed that the State Government had accepted 13 (out of 20) recommendations pertaining to 3rd to 5th SFCs for the ULBs. The recommendations not accepted by the State Government are given in **Appendix 7.6**. Out of 13 accepted recommendations, no action was initiated on 8 recommendations as of November 2023 as detailed in **Appendix 7.7**.

Audit noticed that the Third SFC recommended (February 2010) a levy of property tax by ULBs to generate revenue.

Audit observed that ULBs were not given adequate powers with respect to collection of the property tax, which is a major source of revenue for ULBs. The Thirteenth Central Finance Commission (TFC) had recommended (December 2009) for setting up of Property Tax Board and levy of Property Tax on lands and buildings in urban areas. The Fourth State Finance Commission (4th SFC) report envisaged (May 2013) revenue generation of ₹ 3.08 crore during 2019-20 from Property Tax. The Government accepted (November 2014) the recommendation of the Commission and directed the administrative department i.e., UDD to devise an appropriate methodology to impose and collect the revenue. However, as of November 2023, no such methodology was finalised and consequently property tax could not be levied. Thus, the ULBs in Sikkim were constrained to become institutions of self-Government through deficient financial empowerment.

Audit observed that due to non-compliance of accepted recommendations, the ULBs could not enhance their revenue base, especially the revenue from property tax.

The department accepted the facts and offered no comment.

c) Delay in release of 15th Finance Commission grants to ULBs

According to Operational Guidelines for implementation of the recommendations of the Fifteenth Finance Commission (FC-XV) on Urban Local Bodies (ULB), State Government was required to release Grants to ULBs within 10 working days of receipt of fund, failing which penal interest at the rate of market borrowing would be paid to ULBs.

Audit noticed that the State Government delayed the release of XV FC fund by 27 and 88 days in two cases amounting to ₹ 30 crore as shown below:

Table 7.18: Delay in release of XV FC fund

SI No.	Fund Received on	Amount (₹ in crore)	Delay in transfer (in days)	Penalty Amount (in ₹)
1.	05.11.2020 (1 st Instalment Tied Grant)	15.00	88	1,98,356
	19.05.2020 (1 st Instalment)			6,74,411
2	28.07.2022 (2 nd Instalment of United Grant)	15.00	27	1,56,452
Total				10,29,219

As would be seen, the State Government had to release a penal interest of ₹10.29 lakh to ULBs due to delayed release of fund. The delay was due to Covid-19 lockdown in 2020-21 and delayed release of resources by Finance Department during 2021-22.

d) District Planning Committee

In pursuance of Article 243ZD of the Constitution of India and Section 127 of the Sikkim Panchayat (SP) Act, 1993, the State Government constituted (July 2008) District Planning Committee (DPC) in each district. The Committee was headed by *Adhyaksha*, *Zilla Panchayat* and the members comprised MP/MLA from the District, elected head of ULBs, etc. The Committee, in terms of reference of DPC, was assigned the role and responsibility of consolidating plans prepared by the ZPs, GPs, Nagar Panchayats and

Municipal Corporation in the District and preparing a draft development plan for the district as a whole.

Audit observed that the DPCs finalised the Annual District Development Plans (ADDPs) pertaining to *Zilla Panchayat* alone. It had neither obtained input from various line departments nor forwarded the ADDP to the State Government for integration with the state plan.

Thus, the DPC was not discharging its full responsibility of preparation of draft development plan for the district as a whole as plan for ULBs was not included therein.

The Department accepted the facts and offered no comment.

7.4.5 Human resources of ULBs

Adequate and qualified manpower is essential for the empowerment of ULBs. According to the 4th SFC recommendation (May 2013), the ULBs should have discretionary powers to recruit the human resources required for functioning, which was accepted (November 2014) by the Government. The SMA, 2007 Act (Section 29), however, empowered the State Government to transfer officer/ staff of ULBs to any other ULBs or any Government department and *vice-versa*. The powers to promote officials, initiate disciplinary action, impose penalties, *etc.*, in respect of the officials of ULBs, had also not been delegated to ULBs.

Audit observed that the State Government posted staff to ULBs without any consultation with ULBs as to the actual requirement. Not only were the powers not vested with ULBs for assessment, recruitment, promotion of staff of ULBs; the staff posted were in excess of sanctioned strength in Gangtok Municipal Corporation. The State Government had also not formulated municipal cadre in the State as of November 2023, even after accepting the recommendations in November 2014.

Thus, the ULBs were not independent as far as manpower assessment, recruitment, mobilisation and incentivisation of human resources is concerned.

The department accepted the facts and offered no comment.

7.4.6 Conclusion

Audit observed that the State Government had appropriately constituted SFC, SEC and DPC to give effect to the 74th CAA and to empower the ULBs to function as institutions of self-government. The empowerment of ULBs was however compromised as only the function of Urban Property Alleviation has been entirely devolved to the ULBs. Five of the functions *viz.* (i) Regulation of land-use and construction of building.; (ii) Public health, sanitation conservancy and solid waste management; (iii) Provision of urban amenities and facilities such as parks, gardens, playgrounds; (iv) Vital Statics including registration of birth & death and (v) Public amenities including street lighting, parking lots, bus stops and public conveniences were devolved partially. The remaining twelve functions are yet to be devolved.

The partial transfer of functions placed constrained on the functions of the ULBs as envisaged by the Constitution of India.

The ULBs were not able to generate sufficient revenue due to delays in finalisation of property tax by the State Government and were heavily dependent on Government grants and thus were not able to function as institutions of self-Government.

Even after a lapse of almost 30 years since the 74th Constitutional amendment in 1992, concrete actions were not initiated by the State Government to fully empower the ULBs to function as institutions of self-government by transferring all the 18 functions as well as requisite autonomy to recruit and promote manpower, levy and collect property tax, etc.

7.4.7 Recommendations

- *State Government should empower ULBs to function as institutions of self-government by devolving all the 18 functions enlisted in the 12th Schedule of the Constitution urgently.*
- *The State Government should empower the ULBs to generate maximum possible revenue, especially through early finalisation of modalities of property tax and levy of other fees/taxes independently by ULBs to augment the resource base of ULBs and enable them to function as institutions of self-governance.*
- *The State Government should initiate efforts to empower the ULBs by ensuring compliance to the accepted recommendations of various SFCs.*

CHAPTER VIII

FOLLOW UP OF AUDIT OBSERVATIONS

CHAPTER VIII

FOLLOW UP OF AUDIT OBSERVATIONS

8.1 Follow up action on earlier Audit Reports

Audit observations on financial irregularities and deficiencies in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the audited departments and to the higher authorities through Inspection Reports (IRs).

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India and presented to the State Legislature. According to the instructions issued by the Finance Department, Government of Sikkim, all the concerned administrative departments were required to furnish *suo moto* explanatory notes on the paragraphs/Performance Audits included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that as of March 2023, in 21 *per cent* cases, the concerned administrative departments had not submitted explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2013-14. In respect of Audit Reports for 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19, explanatory notes had not been submitted by concerned departments in 16, 25, 33, 56 and 100 *per cent* cases respectively. The position of *suo moto* explanatory notes not received as on 31 March 2023 is shown in the table below:

Table 8.1: Explanatory notes not received (as on 10.01.2024)

Year of Audit Report	Date of placement of Audit Report in the State Legislature	Total performance audits (PAs) and Paragraphs in the Audit Reports		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	17.03.2015	04	10	00	03
2014-15	28.03.2016	04	15	00	03
2015-16	18.03.2017	04	12	00	04
2016-17	12.07.2018	06	12	01	05
2017-18	02.08.2019	02	14	01	08
2018-19	08.12.2021	01	07	01	07

8.2 Response of departments to recommendations of Public Accounts Committee

The Finance, Revenue and Expenditure Department (FRED) issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by the Public Accounts Committee (PAC) for their consideration within 15 days of presentation of the PAC's Reports to the Legislature. The PAC's Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executives to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

As on March 2023, the PAC had completed discussions of Audit Reports for the year up to 2014-15 and discussions on Audit Report for the year 2015-16 were in progress. Recommendations on the Audit Reports for the year up to 2014-15 had been issued by the PAC. As of March 2023, ATNs had been received in respect of 629 out of 667 recommendations¹⁹⁴ of the PAC, made for the Audit Reports for the years between 1990-91 and 2014-15.

¹⁹⁴ 38 (666-628) ATNs relates to Audit Report 2011-12 (1 ATN), 2012-13 (22 ATNs), 2013-14 (07 ATNs) and 2014-15 (8 ATNs).

8.3 Monitoring

The following Committees had been formed at the Government level to monitor the follow up action on Audit related matters:

Departmental Audit and Accounts Committee: Departmental Audit and Accounts Committee (DAAC) had been formed (November 2010) by all departments of the Government under the Chairmanship of the Departmental Secretary/Head of Department to monitor the follow up action on Audit related matters. The DAAC's function was to monitor the response and corrective action on findings reported in the IRs issued by the Accountant General (AG). It was to hold meetings once in three months and to send quarterly action taken report on the issues to the State Audit and Accounts Committee. During 2022-23, no DAAC meeting was held.

State Audit and Accounts Committee: State Audit and Accounts Committee (SAAC) had been formed (June 2010) at the State level under the Chairmanship of the Chief Secretary. This was to monitor the response and corrective action on the findings reported by Audit to review and oversee the working of DAAC and also to hold meetings once in three months. The information in this regard was not furnished, though called for.

After formation of the SAAC by the State Government, not a single meeting was held.

8.4 Outstanding Inspection Reports

The AG conducts periodical inspection of the Government departments to test check the transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up by issuing IRs on irregularities detected during the inspection and not settled on the spot, to the Heads of the Offices inspected, with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices are required to promptly comply with the observations contained in IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of the issue of the IRs. Serious irregularities are reported to the Heads of the departments and the Government.

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of State Public Sector Undertakings) audit as of March 2023 is shown below:

Table 8.2: Position of outstanding Inspection Reports and Paragraphs

Year	Civil (including works, Forest and Autonomous Bodies)		Revenue		Commercial	
	IRs	Paragraphs	IRs	Paragraphs	IRs	Paragraphs
Up to 2017-18	554	1,651	58	169	74	257
2018-19	62	218	11	30	7	32
2019-20	74	328	3	11	5	31
2020-21	46	230	4	16	2	12
2021-22	37	181	1	3	1	5
2022-23	74	311	8	8	3	23
Total	847	2,919	85	237	92	360

As of March 2023, 847 Inspection Reports (IRs) and 3,516 paragraphs issued since 1996-97 onwards were pending for settlement. This large pendency of IRs was indicative of inadequate actions by the Heads of offices and departments in respect of remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

8.5 Departmental Audit Committee Meetings

The position of Audit Committee Meetings for the year 2022-23 are detailed below:

Table 8.3: Position of Audit Committee meetings held and IRs/Paragraphs discussed/settled

Sector	No. of meetings	Discussed		Settled	
		IRs	Paragraphs	IRs	Paragraphs
Civil (<i>including Works, Forest and Autonomous Bodies</i>)	2	14	57	5	38
Revenue	2	14	19	9	13
Commercial	0	0	0	0	0
Total	4	28	76	14	51

During 2022-23, four Audit Committee Meetings were held with Animal Husbandry and Veterinary Services, State Disaster Relief Fund and District Collectors where 28 IRs and 76 paragraphs were discussed and 14 IRs and 51 paragraphs were settled.

Gangtok
The : 24 September 2025


(NARMADHA R.)
Accountant General (Audit), Sikkim

Countersigned

New Delhi
The : 08 October 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

APPENDICES

Appendix 2.1
Audit conducted during 2022-23 under Social Sector
(Reference: Paragraph 2.2)

(₹ in lakh)

2022-23						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2018-19	2019-20	2020-21	2021-22	2022-23
1	Addl. Chief Secretary, Education	--	12992.93	8826.30	4466.82	--
2	CDPO, <i>Mangan</i>	--	--	--	113.37	--
3	CDPO, Rural Slum Project, <i>Gangtok</i>	--	--	--	39.64	--
4	CDPO, Women and Child Dev., <i>Gyalshing</i>	--	--	--	368.15	--
5	CDPO, Women and Child Welfare, <i>Namchi</i>	--	--	--	490.12	--
6	District Civil Supplies Officer/East, FCS	--	217.17	--	264.85	--
7	District Civil Supplies Officer/West, FCS	--	252.71	--	311.13	--
8	Government B.Ed. College, <i>Soreng</i>	--	--	--	230.43	--
9	Government Degree College, <i>Kamrang</i>	--	--	--	708.57	--
10	Law College, <i>Burtuk</i>	--	--	--	300.57	--
11	Principal Secretary, Labour	455.07	580.82	577.79	692.06	--
12	Principal, DIET	--	--	--	402.33	--
13	Principal, ITI, <i>Rongpo</i>	218.29	--	--	486.66	--
14	Principal, Sikkim Govt. College, Tadong	--	--	--	1834.84	--
15	Principal, SIST, <i>Chisopani</i>	--	--	--	243.49	--
16	Science College, <i>Chakung</i>	--	--	--	205.40	--
17	Secretary, Ecclesiastical	--	3830.39	--	2876.93	--
18	Secretary, Food and Civil Supplies	1084.17	870.49	1766.12	1278.31	--
19	Sikkim Government College, <i>Gyalshing</i>	179.49	--	--	214.68	--
20	Sikkim Government College, Rhenock	--	--	--	404.09	--
21	State Project Director, <i>Samagra Shiksha</i>	5104.00	--	9439.58	9976.69	--
22	Vocational College, <i>Dentam</i>	--	--	--	107.79	--
23	WO/Social Welfare, <i>Mangan</i>	--	42.02	--	46.41	--
	Total	7041.02	18786.53	20609.79	26063.33	--

Appendix 2.2
Methodology of Sampling
(Reference: Paragraph 2.3.4)

1. Selection of Districts:

The State of Sikkim has four districts namely, East, West, North & South during the period covered under Performance Audit (2017-18 to 2021-22). The State Building and Other Construction Workers Welfare Board (SBOCW WB) had not maintained the data of district wise collection of Labour Cess. Thus, selection of district is made by considering the district wise population of the State (census data 2011) and district wise GDP of the State obtained from the State department¹⁹⁵. Based on these two criteria, **East and South districts** have been selected for the Performance audit.

2. Selection of Schemes: Under SBOCW WB vide notification no. **06/DL dated 12/03/2015**, 22 welfare schemes¹⁹⁶ were created for the SBOCW WB workers. In addition to this, the State vide notification no. **22DL dated 14 June 2018** promulgated eight schemes specified for Financial Assistance for the SBOCW WB workers viz., i) Maternity (ii) Marriage (iii) Minor injury sustained in the course of employment (iv) Funeral (v) Medical (vi) Pension (vii) Partial disability sustained in the course of employment (viii) Permanent disability/death occurred in the course of employment. Further, one-time Financial Assistance vide. GOI notification no. **-11017/09/2019-RW dated 27.03.2020** was also released by the State Government to registered SBOCW WB workers.

For selection of schemes, the criteria of the PA guidelines stipulated as under:

Total 10 welfare schemes were to be selected based on Stratified Random Sampling. The schemes will be stratified into three strata stratified based on amount of assistance disbursed as below:

- (i) five schemes with maximum amount of financial assistance.
- (ii) three schemes with moderate amount of financial assistance.
- (iii) two schemes having zero beneficiaries, if applicable.

Considering the expenditure involved in 22 schemes, it was noticed that only nine schemes were being actively implemented by the SBOCW WB Board. The expenditures incurred during 2017-22 were as depicted in tabled below:

¹⁹⁵ Directorate of Economics, Statistics, Monitoring and Evaluation, Govt. of Sikkim.

¹⁹⁶ 1. Vocational training to the family members of the workers, 2. Free legal aid facilities, 3. Library cum reading room, 4. Awareness Programme on HIV/AIDs and other Social issues, 5. Organising seminars/ Workshops for creating awareness about the right of the workers and other social issues, 6. Cultural Programmes, 7. Blood donation camp, 8. Medical Camps and health checkup melas, 9. Creche, 10. Facilities for informal and non-formal education of workers, 11. Periodic awareness Programme for sanitation & basic health awareness, 12. Benefit for accident victims rendered physically handicapped for alternative employment, 13. Special awareness scheme for female workers, 14. Marriage of female workers and their female children (Kanyadan), 16 Ex-gratia compensation, hospital treatment and funeral expenses of the workers and their family members, 17. Distribution of tools & other related materials, 18. Death Compensation and Permanent Disablement Compensation as approved by the Welfare Board, 19. Provision of school for children of registered workers and educational infrastructure etc., 20. Provision of accommodation for offices of Welfare Board, Hostels, Training Centers etc., 21. Skill Development of the registered workers and their dependents and 22. Any other schemes, initiatives and welfare measures including initiatives to build capacity, skill of labours and their dependents.

(₹ in lakh)

Sl. No.	Name of the Scheme	Expenditure
1	Distribution of Welfare Items incl. carriage	2016.26
2	Creche/recreation	156
3	Financial Assistance 1 (COVID)	152.35
4	Provision for the accommodation of Offices of welfare Board, Hostel, Training center	52.69
5	Schools/education Infrastructure for the children of BOCW (Hostel Expenses) includes tuition fees	32.12
6	Awareness programme (Organising Seminars-workshop for awareness for the right of the workers)	30.58
7	Distribution of Tools and other related materials	16.85
8	Vocational Training	8.18
9	Financial Assistance for Medical, Death and funeral, Partial/Permanent disability, Maternity/ Child birth, Marriage, Compensation and Permanent Disablement Compensation)	14.08

Source: Financial Statements of SBOCW Board, Cash Book, Departmental reply

However, out of the above 9 schemes, only two schemes included FA schemes *i.e.*, sl. 3 and 9 (9 includes all FA schemes as was notified (June 2018) by the Board. The expenditures figures of the FA schemes (2017-22) are as illustrated below:

(₹ in lakh)

Sl. No	Name of financial assistance scheme	Amount (2017-22)
1	Medical	2.20
2	Maternity/Childbirth	1.38
3	Marriage	1.00
4	Minor injury sustained in the course of employment	0.1
5	Funeral	0.8
6	Pension	0
7	Partial and Permanent disability sustained in the course of employment	3.10
8	Death occurred in the course of employment and natural death	5.50
	Total	14.08

Thus, in compliance with the Headquarters guidelines based on the expenditure involved on FA provided to the beneficiaries the following eight schemes were selected for the beneficiary survey:

Sl. No	Particulars	Selected schemes
1	Four schemes with maximum amount of financial assistance.	(i) Permanent disability/death occurred in the course of employment. (ii) Medical Assistance (iii) Partial disability sustained in the course of employment (iv) Marriage
2	Three schemes with moderate amount of financial assistance.	(i) Maternity/Childbirth (ii) Funeral (iii) Minor Injury sustained in the course of employment
3	One scheme having zero beneficiaries.	(i) Pension scheme

In addition to above, other SBOCWWB schemes having high expenditures e.g., Distribution of Welfare items, School/Education infrastructure development and Financial Assistance during COVID-19 *etc.* as depicted in Table 2 were also scrutinised separately.

3. Selection of Beneficiaries:

From the above FA schemes (Table 3), during 2017-22 only 61 nos. of beneficiaries from all four districts¹⁹⁷ had availed the assistance and accordingly, the Board had disbursed a total amount of ₹14.08 lakh to these beneficiaries. Thus, considering the maximum amount of disbursement from each district **East and South** districts were selected for the beneficiary survey.

District wise selection of beneficiary survey for 100 nos. at each district is as under:

- A) **East District:** Out of 100 beneficiaries to be selected for sample survey, all 57 beneficiaries who had availed the FA schemes were covered. 28 workers were selected by random sampling basis from the latest list of registered workers who had not availed any FA by their name in alphabetical order. Remaining 15 unregistered workers were covered at the time of joint physical inspection of unregistered establishments.
- B) **South District:** Similarly, out of 100 beneficiaries to be covered in survey, two beneficiary who had availed FA schemes were selected. 68 registered workers were selected similar in line of East District and remaining 30 unregistered workers were covered at the time of joint physical inspection of unregistered establishment.

4. Selection of 4 Registered and 4 Unregistered Establishment for joint inspection:

(i) Registered Establishment:

As per the list provided to audit as of date there were only 70 active registered establishments in East (34) & South (36) Districts.

Thus, four registered establishment from each district was selected on random Sampling basis.

(ii) Selection of Unregistered establishment: Based on the information (latest Monthly Progress Report) collected from the Works Departments and list of registered Establishments maintained by SBOCWWB, four unregistered establishments from each district were selected by using PPSWOR sampling method based on Estimated cost of the works/establishments for joint physical verification.

(iii) Selection of accident and incident cases: The Board had not maintained any records of accident/incident cases. Neither any site inspections records were available with Board for reporting such cases. However, during scrutiny of FA related records, audit and JPV of establishment 6 cases of incident/accident were found which were analysed and comments were incorporated draft.

¹⁹⁷ North: Beneficiaries (03); Expenditure (₹ 0.18 lakh), South: Beneficiaries (02); Expenditure (₹ 0.20 lakh), East: Beneficiaries (57); Expenditure(₹ 13.60lakh), West: Beneficiary (01); Expenditure (₹ 0.10 lakh).

Selection of works units: Based on expenditure figures obtained from the Detailed Appropriation Account for the year 2019-20, 2020-21 and 2021-22, works expenditure of 61 DDO units across 10 works Departments were analysed and two, DDO units from each district i.e. **DDO Gangtok, Rural Development Department and DDO Gangtok, Power Department** from East District and **DDO Namchi, Roads & Bridges Department and DDO Jorethang, Power Department** from South district were selected for audit

Appendix 2.3

List of Welfare Schemes

(Reference: paragraph 2.3.4)

1. Vocational training to the family members of the workers, 2. Free legal aid facilities, 3. Library cum reading room, 4. Awareness Programme on HIV/AIDs and other Social issues, 5. Organising seminars/Workshops for creating awareness about the right of the workers and other social issues, 6. Cultural Programmes, 7. Blood donation camp, 8. Medical Camps and health checkup melas, 9. Creche, 10. Facilities for informal and non-formal education of workers, 11. Periodic awareness Programme for sanitation & basic health awareness, 12. Benefit for accident victims rendered physically handicapped for alternative employment, 13. Special awareness scheme for female workers, 14. Marriage of female workers and their female children (Kanyadan), 16 Ex-gratia compensation, hospital treatment and funeral expenses of the workers and their family members, 17. Distribution of tools & other related materials, 18. Death Compensation and Permanent Disablement Compensation as approved by the Welfare Board, 19. Provision of school for children of registered workers and educational infrastructure etc., 20. Provision of accommodation for offices of Welfare Board, Hostels, Training Centers etc., 21. Skill Development of the registered workers and their dependents and 22. Any other schemes, initiatives and welfare measures including initiatives to build capacity, skill of labours and their dependents.

i) Maternity/Childbirth (ii) Marriage (iii) Minor injury sustained in course of employment (iv) Funeral (v) Medical (vi) Pension (vii) Partial Disability sustained in the course of employment (viii) Permanent disability/ Death

Appendix 2.4
Details of labour who had crossed 60 years of age
(Reference: paragraph 2.3.13.1)

SI No	Name of the Labour	Date of Birth	Name of Employer	Age as on March 2022
1	Naina Singh Tamang	1961	Khusendra Sharma, West Sikkim	61
2	Bishnu Pd. Sharma	06.07.1961	Roads & Bridges Department,	60.6
3	Som Kumar Pradhan	1961	Daramdin, West Sikkim	61
4	Dubal Singh Chettri	19.05.1955	Roads & Bridges Department,	67
5	Bal Kr. Subba	08.09.1960	Daramdin, West Sikkim	66.4
6	Damber Singh Rai	04.11.1960	Roads & Bridges Department,	61.2
7	Dadi Ram Sharma	1954	Daramdin, West Sikkim	68
8	Nanda Lall Sharma	17.09.1953	Roads & Bridges Department,	68.4
9	Krishna Pd Chettri	1954	Daramdin, West Sikkim	68
10	Dil Maya Subba	07.09.1938	Roads & Bridges Department,	83
11	Prem Bdr Chettri	1954	Daramdin, West Sikkim	68
12	Karna Bdr Subba	1955	Roads & Bridges Department,	67
13	Hari Pd Sharma	1952	Daramdin, West Sikkim	70
14	Aita Bdr Subba	11.06.1947	Roads & Bridges Department,	74
15	Bishnu Lall Darjee	03.04.1955	Daramdin, West Sikkim	67
16	Durga Bdr Gadaily	11.03.1952	Roads & Bridges Department,	70
17	Harka Lall Subba	03.04.1942	Daramdin, West Sikkim	80
18	Kul Bdr Chettri	04.06.1952	Roads & Bridges Department,	70
19	Pancha Bdr Rai	1957	Daramdin, West Sikkim	65
20	Ran Dhoj Rai	01.01.1946	Roads & Bridges Department,	76
21	Padam Lall Chettri	12.03.1960	Daramdin, West Sikkim	62
22	Bhawani Sharma	07.09.1955	Roads & Bridges Department,	66
23	Mangal Singh Subba	1955	Daramdin, West Sikkim	67
24	Uma Kant Sharma	1955	Roads & Bridges Department,	67
25	Lakpa Sherpa	1948	Daramdin, West Sikkim	74
26	Lakpa Sherpa	08.12.1950	Roads & Bridges Department,	71
27	Man Bdr Rai	03.04.1955	Daramdin, West Sikkim	66
28	Am Bdr Sunuwar	02.01.1956	Roads & Bridges Department,	66
29	Bal Bdr Rai	08.11.1947	Daramdin, West Sikkim	72
30	Mingma Norbu Sherpa	05.12.1949	Roads & Bridges Department,	72
31	Suk Man Subba	11.02.1956	Daramdin, West Sikkim	66
32	Mangal Singh Subba	11.05.1946	Roads & Bridges Department,	76
33	Man Bdr Darjee	16.10.1944	Daramdin, West Sikkim	77
34	Dhan Bdr Kami	10.02.1955	Roads & Bridges Department,	67
35	Chura Mani chettri	15.1.1960	Daramdin, West Sikkim	62
36	Lall Bdr. Subba	15.3.1961	Roads & Bridges Department,	61
37	Damber Chettri	03.04.1943	Daramdin, West Sikkim	78
38	Bal Krishna Sharma	1954	Roads & Bridges Department,	68
39	Ram Pd. Chettri	1957	Daramdin, West Sikkim	65
40	Phur Dorjee Sherpa	1949	Roads & Bridges Department,	73
41	Pemba Sherpa	25.11.1943	Daramdin, West Sikkim	78

Appendix 2.5
Details of payments through Hand receipt/DBT
(Reference: paragraph 2.3.13.4)

Sl. No.	Companies/ Contractors	Hand receipt	DBT	Total workers	Amount per worker (in ₹)	Total Amount (in ₹)	Remarks
1	129 RCC GREF Phenengla	0	724	724	2,000	14,48,000	
2	130 RCC GREF, Rongli	0	1113	1113	2,000	22,26,000	Refunded 1.84 lakh for 92 workers, details not provided
3	Abir Infrastructure, Pvt. Ltd. Rangpo	73	0	73	2,000	1,46,000	
4	Arch tech Consultants Pvt Ltd.	113	0	113	2,000	2,26,000	
5	Civil Enterprise Pvt. Ltd. (Medical College)	198	0	198	2,000	3,96,000	
6	Taden Wangyal Bhutia	22	0	22	2,000	44,000	Out of 24 only 22 UCs received
7	Anand Kr. Agrawal	30	0	30	2,000	60,000	
8	Khushendra Sharma	100	0	100	2,000	2,00,000	
9	Bijoy Sakya, Rawtey Rumtek, Sajong	24	0	24	2,000	48,000	
10	Civil Engineering Pvt. Ltd. (Ethnic Cultural Centre)	23	0	23	2,000	46,000	
11	Harka Bdr (HB) Subba, Lingchom, West Sikkim	20	0	20	2,000	40,000	
12	Dinesh Gurung, Dentam	27	0	27	2,000	54,000	Out of 29 only 27 UCs received
13	86 RCC GREF, Mangan	0	780	780	2,000	15,60,000	
14	107 RCC GREF	0	366	366	2,000	7,32,000	Refunded ₹ 0.28 lakh for 14 workers
15	Bikash Pradhan, Namchi	0	181	181	2,000	3,62,000	
16	Norden D Shangderp, Ravangla	23	27	50	2,000	1,00,000	
17	Prahlad Gurung	0	71	71	2,000	1,42,000	
18	M/S RASP Infrastructure, Namchi	72	41	113	2,000	2,26,000	

Sl. No.	Companies/ Contractors	Hand receipt	DBT	Total workers	Amount per worker (in ₹)	Total Amount (in ₹)	Remarks
19	Sunil Kr Agrawal, Ropeway Bhalaydhunga	0	0	0	0	0	Refunded ₹ 27 lakh
20	NCC Ltd (SU), Yangang, South Sikkim	192	0	192	2,000	3,84,000	
21	Dans Energy Pvt. Ltd, Chisopani	0	22	22	2,000	44,000	
22	Zero Level Pvt. Ltd	2	11	13	2,000	26,000	Out of 14 only 13 nos of Ucs received
23	Temi Tea Estate	0	222	222	2,000	4,44,000	
24	U Narayan Sharma, Rangpo	0	33	33	2,000	66,000	
25	S&P Infrastructure, Ravangla	29	94	123	2,000	2,46,000	
26	M/S MKM construction and Services (NHPC)	0	34	34	2,000	68,000	
27	AB construction	14	0	14	2,000	28,000	
28	Kamkhaya Enterprise, Rangitnagar (NHPC)	0	12	12	2,000	24,000	
29	Bal Kumar Chettri, Upper Legship (NHPC)	0	8	8	2,000	16,000	
30	Birendra Kumar Yadav, Upper Legship (NHPC)	0	9	9	2,000	18,000	
31	AG construction, Legship (NHPC)	0	9	9	2,000	18,000	
32	H L Rai, Upper Legship(NHPC)	0	18	18	2,000	36,000	
33	L Bhutia & Rai Construction, Kewzing Bazar South (NHPC)	0	26	26	2,000	52,000	
34	Mahamaya construction (NHPC)	2	51	53	2,000	1,06,000	
35	RS construction, Rangitnagar South Sikkim (NHPC)	12	0	12	2,000	24,000	Out of 13 only 12 UC received
36	Suraj Chettri	12	0	12	2,000	24,000	
37	M/S PB Rai, Legship (NHPC)	0	28	28	2,000	56,000	
38	BB Rai (NHPC)	0	19	19	2,000	38,000	

Sl. No.	Companies/ Contractors	Hand receipt	DBT	Total workers	Amount per worker (in ₹)	Total Amount (in ₹)	Remarks
39	Chandra Shekhar Rai (NHPC)	0	14	14	2,000	28,000	
40	MD Khallique, Hingdam, South Sikkim (NHPC)	0	12	12	2,000	24,000	
41	Roads and Bridges Department, Sikkim	0	1796	1796	2,000	35,92,000	Refunded ₹ 6.78 lakh for 339 workers
42	Alembic Pharmaceuticals Ltd (SC of U Narayan Sharma)	72	0	72	2,000	1,44,000	
43	Lupin Pharmaceuticals (SC of U Narayan Sharma)	22	0	22	2,000	44,000	
44	Macelod Pharmaceuticals (SC of U Narayan Shama)	35	0	35	2,000	70,000	Out of 164 nos only 162 received
45	Arjun Rai, Assam Lingzey	12	0	12	2,000	24,000	
46	M/S Nima Lama and Co., Gangtok	0	61	61	2,000	1,22,000	Out of 62 only 61 UCs received
	Total	1129	5782	6911		1,38,22,000	18,000

Appendix 2.6
Details of UCs received
(Reference: paragraph 2.3.13.4)

Sl. No.	Companies/Contractors	No of workers	Total amount (in ₹)	UCs received	Unutilized (in ₹)
1	129 RCC GREF Phenengla	724	1448000	Y	0
2	130 RCC GREF, Rongli	1205	2410000	Y	184000
3	Abir Infrastructure, Pvt. Ltd.Rangpo	73	146000	Y	0
4	Arch tech Consultants Pvt Ltd.	113	226000	Y	0
5	Civil Enterprise Pvt. Ltd, Medical College and Hospital	198	396000	Y	0
6	Taden Wangyal Bhutia	24	48000	Y	0
7	Anand Kr. Agrawal, Gyalshing	30	60000	Y	0
8	Khusendra Sharma	100	200000	Y	0
9	Bijoy Sakya	24	48000	Y	0
10	Civil Engineering Pvt. Ltd. (Ethnic Cultural Centre)	23	46000	Y	0
11	HB Subba, Gyalshing	20	40000	Y	0
12	Dinesh Gurung, Dentam	29	58000	Y	0
13	86 RCC GREF, Mangan	780	1560000	Y	0
14	107 RCC GREF	380	760000	Y	28000
15	Bikash Pradhan, Namchi	181	362000	Y	0
16	Norden D Shangderp, Ravangla	50	100000	Y	0
17	Prahlad Gurung, Tingley	71	142000	Y	0
18	RASP Infra (IV)	113	226000	Y	0
19	Sunil Kr Agrawal, Ropeway Bhalaydhunga	135	270000	Y	270000
20	NCC Ltd, Sikkim University	192	384000	Y	0
21	Dans Energy Pvt. Ltd, Chisopani	22	44000	Y	0
22	Zero Level, Alkem Samardung	14	28000	Y	0
23	Temi Tea Estate	222	444000	Y	0
24	U N Sharma, Alembic, Samrdung	80	160000	Y	0
25	S&P Infrastructure Ltd., Ravangla	123	246000	Y	0
26	MKM Construction	34	68000	Y	0
27	AB construction	14	28000	Y	0
28	Kamakhya Enterprise	12	24000	Y	0
29	Bal Kr chettri	8	16000	Y	0
30	Birendra Kr yadav	9	18000	Y	0
31	AG construction	9	18000	Y	0
32	HL rai	18	36000	Y	0
33	L Bhutia & Rai Construction	26	52000	Y	0
34	Mahamya Construction	53	106000	Y	0
35	RS construction	13	26000	Y	0
36	Suarj Chettri	12	24000	Y	0
37	PB Rai	28	56000	Y	0
38	BB Rai	19	38000	Y	0
39	Chandrasekhar rai	14	28000	Y	0

Sl. No.	Companies/Contractors	No of workers	Total amount (in ₹)	UCs received	Unutilized (in ₹)
40	Md Khalique	12	24000	Y	0
41	Roads and Bridges Department, Sikkim	2135	4270000	Y	678000
42	U Narayan Sharma, Rangpo	84	168000	Y	0
43	M/S Nima Lama and Co., Gangtok	62	124000	Y	0
44	Arjun Rai, Assam Lingzey	12	24000	Y	0
	Total	7500	15000000	Unutilised Amount	1160000
	Difference	6920	13840000	Unutilised nos.	580
	UC not received	9	18000		
	Total FA received	6911	13822000		

Appendix 2.7

Excess procurement of Welfare items

(Reference: paragraph 2.3.13.5)

Sl. No.	Period	Vr No. Date	Items	No. of quantity	Amount in ₹	Total No. of registered workers at the time of distribution	Excess quantity	Excess Amount in ₹
1	2017-18	264/BOCW dt. 31.03.18	Woolen Sweater Mink Blanket	6500	2,06,45,950	4099	2401	76,26,296
2	2018-19	152-155/ BOCW dt. 26.11.18	Summer welfare Gumboot, Jacket, Air Mask	7500	1,75,23,004	6993	507	11,84,555
3	2018-19	202-207/ BOCW dt. 7.03.19	Pressure cooker, Steel Flask, Tea Saucepan	8792	3,64,27,700	6993	1799	74,53,757
4	2020-21	32/ BOCW dt. 12.06.2020	Track Suit	8250	1,73,15,183	7836	414	8,68,907

Appendix 2.8
Primary and secondary healthcare facilities in the State during 2021-22
(Reference: Paragraph 2.4.2)

District Hospital (100 beds)	District	Population	Requirement as per IPHS Norms ¹⁹⁸ (Hilly Region)				Available Facilities				Excess (+) / Shortage (-)			
			DH	CHC	PHC	PHSC	DH	CHC	PHC	PHSC	DH	CHC	PHC	PHSC
Singtam	East	317216	1	4	16	106	1	1	1	8*	48	0	-3	-8
Geyzing	West	152616	1	2	8	51	1	0	0	7	42	0	-2	-1
Mangan	North	48893	1	0	2	16	1	0	0	5	19	0	0	+3
Namchi	South	164264	1	2	8	55	1	1	1	6	39	0	-1	-2
Total		682989	4	8	34	228	4	2	2	26	148	0	-6	-8

*Includes two UPHCs.

¹⁹⁸ one PHSC per 3000 population; one PHC per 20000 population; one CHC per 80000 population.

Appendix 2.9
Availability of essential services in the DHs
(Reference: Paragraph 2.4.3)

Sl. No.	Name of essential service	Status of availability in the DHs (Available-Yes; Not Available-No)			
		<i>Singtam</i>	<i>Geyzing</i>	<i>Mangan</i>	<i>Namchi</i>
1	Medicine	Yes	Yes	Yes	Yes
2	Surgery	No	No	No	Yes
3	Obstetrics and Gynaecology	Yes	Yes	Yes	Yes
4	Paediatrics	Yes	Yes	Yes	Yes
5	Anaesthesia	Yes	Yes	No	Yes
6	Orthopaedics	Yes	Yes	Yes	Yes
7	Ophthalmology	Yes	Yes	Yes	Yes
8	ENT	Yes	Yes	Yes	Yes
9	Pathology	Yes	Yes	No	Yes
10	Radiology	Yes	Yes	No	Yes
11	Dental	Yes	Yes	Yes	Yes
12	Psychiatry	Yes	Yes	Yes	Yes

Appendix 2.10
Manpower position in District Hospitals during 2021-22
(Reference: Paragraph 2.4.4, 2.4.23.3)

Specialist/ Doctors/ Others	Required as per IPHS	Availability of manpower in DHs							
		<i>Singtam</i> (test checked)		<i>Geyzing</i> (test checked)		<i>Mangan</i>		<i>Namchi</i>	
		Actual	Excess / Short	Actual	Excess/ Short	Actual	Excess / Short	Actual	Excess / Short
Specialists									
Essential									
Medicine	2	4	(+) 2	1	(-) 1	1	(-) 1	2	0
Surgery	2	0	(-) 2	0	(-) 2	0	(-) 2	1	(-) 1
Obstetric & Gynae	2	2	0	3	(+)1	1	(-) 1	8	(+) 6
Paediatrics	2	2	0	2	0	0	(-) 2	3	(+) 1
Anaesthesia	2	1	(-) 1	1	(-)1	0	(-) 2	0	(-) 2
Orthopaedics	1	1	0	1	0	7	(+) 6	2	(+) 1
Ophthalmology	1	1	0	1	0	0	(-) 1	1	0
Radiology	1	0	(-) 1	1	0	0	(-) 1	0	(-) 1
Pathology	1	1	0	1	0	0	(-) 1	0	(-) 1
ENT	1	2	(+) 1	2	(+) 1	1	0	1	0
Dental	1	2	(+) 1	14	(+)13	6	(+) 5	14	(+) 13
MOs	11	16	(+) 5	5	(-) 6	0	(-) 11	0	(-) 11
Psychiatry	1	2	(+) 1	1	0	1	0	0	(-) 1
AYUSH	1	4	(+) 3	1	0	2	(+) 1	2	(+) 1
Total	29	38	(+) 09	34	(+) 05	19	(-) 10	34	(+) 5
Nurses	45	54	(+)9	58	(+) 13	24	(-) 21	92	(+) 47
Para medics	31	69	(+)38	50	(+) 19	26	(-) 5	NA	NA

Appendix 2.11
Manpower position at Community Health Centres during 2021-22
(Reference: Paragraph 2.4.4)

Manpower requirement as per IPHS norms (Essential)		Availability of manpower CHCs	
		CHC <i>Rhenock</i>	CHC <i>Jorethang</i>
Medical Superintendent	1	0	0
Public Health Specialist	1	0	0
Public Health Nurse	1	0	0
Specialist Doctors	5	0	0
Medical Officer MBBS	2	2	2
Medical Officer- Dental	1	2	6
Medical Officer- Ayush	1	1	1
Staff Nurse	10	13	22
Paramedics	11	11	03

Appendix 2.12 (a)
Manpower – PHCs Sikkim
(Reference: Paragraph 2.4.4)

		North Sikkim PHCs					East Sikkim PHCs							West Sikkim PHCs							South Sikkim PHCs						
Manpower	IPHS norms	Chungthang	Hee Gyathang	Phodong	Passingdong	Dikchu	Gangtok UPHC	Ranipool UPHC	Sang	Samdong	Rongli	Rangpo	Pakyong	Machong	Yuksom	Senek	Sombaria	Rinchenpong	Mangalbaria	Soreng	Dentam	Kavangla	Namthang	Melli	Temi	Bermiok Tokal	Yangyang
Doctors	1	3	2	5	2	3	9	8	1	5	5	3	2	1	4	1	6	6	4	11	5	6	3	2	4	2	8
Nurses	3	8	5	8	7	7	17	6	10	12	14	6	21	12	4	7	11	10	7	23	14	17	10	4	8	6	12
P / Medics	6	6	7	12	10	2	18	10	16	21	7	11	19	1	1	5	8	5	1	18	8	9	8	3	2	1	12
Others*	3	11	8	16	5	14	22	10	10	4	24	9	39	28	5	24	24	32	32	24	36	38	17	12	32	34	14

* Others includes safaikarmchhari, driver, guard, etc.

Appendix 2.12 (b)
Manpower position of Primary Health Centres during 2021-22
(Reference: Paragraph 2.4.4)

Manpower	Manpower as per IPHS norm per PHC/UPHC	Total manpower required for 26 PHC/UPHC	Available	Excess
Doctors	1	26	111	85
Nurses	3	78	266	188
Paramedics	6	156	375	219
Others ¹⁹⁹	3	78	524	446

Appendix 2.13
OPD Services in the DHs
(Reference: Paragraph 2.4.5)

Sl No.	Name of the Department	Number of OPD patients - 2021-22			
		DH Geyzing	DH Namchi	DH Singtam	DH Mangan
1.	Dental	3861	10258	5068	1587
2.	ENT	2364	5446	5232	876
3.	Ophthalmology	2462	11329	7645	1869
4.	Medicine	15214	14815	14959	4770
5.	Obs & Gynae	2575	6374	4644	1575
6.	Ortho	3372	4617	5947	601
7.	Paediatric	4692	5053	5989	NA
8.	Psychiatry	875	1710	1017	62
9.	Surgery	00	2849	00	Nil
10.	Dermatology & Venereology	Nil	4509	5866	Nil
11.	Ayush	616	1369	2500	309

NA: Not available. Patient Data of the Emergency Departments was not captured by the DHs in the HMIS.

¹⁹⁹ Multi-skilled Group D Worker (2), sanitary worker-cum-Watchman (1).

Appendix 2.14
Footfall for IPD Services in the DHs in the State during 2021-22

(Reference: Paragraph 2.4.7)

Sl No.	Name of the Department	Number of IPD patients - 2021-22			
		DH Gyalshing	DH Namchi	DH Singtam	DH Mangan
1.	Dental	00	00	00	00
2.	ENT	82	138	00	00
3.	Ophthalmology	54	105	96	00
4.	Medicine	769	2581	1615	580
5.	Obs & Gynae	1658	1129	1144	132
6.	Ortho	55	278	00	00
7.	Paediatric	1140	768	168	101
8.	Psychiatry	21	00	31	12
9.	Surgery	00	548	00	00
10.	Dermatology & Venereology	00	00	00	00

Appendix 3.1
Audit conducted during 2022-23 under Economic Sector
(Reference: Paragraph 3.2)

(₹ in lakh)

2022-23						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2018-19	2019-20	2020-21	2021-22	2022-23
1	ADC, Gangtok	--	850.35	--	826.30	--
2	ADC, Ravangla	--	123.86	--	123.79	--
3	ADC/Development, Namchi	321.42	--	--	375.29	--
4	ADC/Development, Mangan	334.16	--	--	357.03	--
5	ADC/Development, Pakyong	88.94	--	--	112.55	--
6	Addl. Director/North, AHVS	--	645.00	--	567.00	--
7	Addl. Director/West, AHVS	--	835.00	--	992.00	--
8	Administrator, IHCAE, Tourism	50.00	--	--	54.74	--
9	Assistant Director, Handicrafts, Mangan	--	--	--	256.92	--
10	Assistant Director, Handicrafts, Namchi	--	--	--	140.09	--
11	Assistant Director, Handicrafts, Pelling	--	--	--	294.07	--
12	CEO, MOVCD, Agriculture	--	1,346.00	--	855.22	--
13	CEO, SFAC, Horticulture	--	2,650.00	--	2,212.02	--
14	CEO, State Medicinal Plant Board	--	38.87	--	77.35	--
15	DE/East, Water Resources	--	--	--	399.64	--
16	DE/Mangan, Building and Housing	--	122.36	--	105.02	--
17	DE/Namchi, Building and Housing	--	--	488.81	501.94	--
18	DE/North, Water Resources	--	--	--	178.08	--
19	Deputy Director/East, Fisheries	169.65	--	--	130.53	--
20	Deputy Director/South, Fisheries	61.83	--	--	73.89	--
21	DFO-Env. & Soil Conservation/ Gangtok	--	--	--	56.97	--
22	DFO-Env. & Soil Conservation/ Gyalshing	83.20	--	--	146.10	--
23	DFO-Env. & Soil Conservation/ Mangan	106.60	--	--	143.33	--
24	DFO-Env. & Soil Conservation/ Namchi	85.41	--	--	143.33	--
25	DFO-Social Forestry, Gangtok	--	179.84	--	199.55	--
26	DFO-Social Forestry, Gyalshing	--	--	--	105.35	--

2022-23						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2018-19	2019-20	2020-21	2021-22	2022-23
27	DFO-Social Forestry, Mangan	57.00	--	--	65.85	--
28	DFO-Social Forestry, Namchi	--	117.32	--	92.91	--
29	Director, Fisheries	--	--	212.59	236.02	--
30	Director, SICB	500.00	--	--	181.00	--
31	Joint Director/East, Agriculture	--	234.23	--	639.11	--
32	Joint Director/North, Agriculture	--	218.51	--	195.14	--
33	Jt. Registrar, South, Cooperation	--	279.00	--	263.00	--
34	Jt. Registrar, West, Cooperation	202.90	--	--	211.90	--
35	Member Secretary, SPCB	311.80	--	--	104.61	--
36	PCE-cum-Secretary, Building and Housing	--	1,643.00	1,922.00	2,079.00	--
37	PCE-cum-Secretary, PHED	7,290.00	8,427.00	6,477.00	8,502.00	--
38	PCE-cum-Secretary, Water Resources	910.65	655.32	736.95	1,030.67	--
39	Pr. Secretary, Agriculture	--	11,758.00	7,601.00	8,976.53	--
40	Project Director, NERIP, Roads & Bridges	1,850.75	3,828.10	2,946.72	2,280.04	--
41	Project Director, SRDA	--	303.47	--	244.95	--
42	Project Director/JICA	--	2,283.90	2,109.00	1,878.00	--
43	RTO, Gangtok	--	--	--	480.50	--
44	RTO, Gyalshing	--	--	--	142.84	--
45	RTO, Pakyong	--	--	--	480.50	--
46	RTO, Singtam	--	--	--	480.50	--
47	Secretary, Rural Development	8,256.19	16,346.68	60,705.92	50,943.57	--
48	Secretary, Animal Husbandry	--	13,409.66	1,078.30	5,670.72	--
49	Secretary, Commerce and Industries	--	586.60	--	1,188.73	--
50	Secretary, Cooperation	--	811.53	--	707.39	--
51	Secretary, STRIVE	--	--	--	56.70	--
52	Secretary, Tourism and Civil Aviation	12,662.35	--	8,780.64	2,592.82	--
53	Secretary, Urban Development	--	888.00	228.79	9,954.00	--
54	Sikkim Organic Mission	--	1,000.54	--	764.37	--
55	Sikkim State Organic Certification Agency	--	63.39	--	136.17	--
56	SE, National Hydrology Project	73.15	116.00	260.58	409.07	--
Total		33,416.00	69,761.53	93,548.30	1,10,416.70	--

Appendix 3.2
List of roads with Multiple Branches
(Reference: Paragraph 3.3.8.3)

Sl. No.	District	Sub-division	Name of the roads	Sanction year	Total length	Nos. of branches except main road
1	Gangtok	Gangtok	SPWD road to Dipawali tar Upper Tumin via Ramakrishna Mandir	2017-18	8.02	02
2	Gangtok	Tadong	Rumtek road to Arigaon	2016-17	2.15	01
3	Gangtok	Pakyong	Gurung Turnungti Gairi gaon via Sansari Dara	2017-18	3.76	01
4	Gangtok	Pakyong	Daragaon to mullaso	2016-17	7.1	01
5	Gangtok	Pakyong	Assam lingzay school to Limboogaon	2016-17	3.78	02
6	Gangtok	Pakyong	Lower Nandok to Lower Syari	2016-17	3.42	01
7	Gangtok	Rongli	Lower Lamaten PWD road to Upper Lamaten via Sotakpani	2017-18	8.075	03 (3 KM away from main road)
8	Gangtok	Rongli	Maney Sisney to Thokor	2008-09	15.57	03 (5 KM away from main road)
9	Mangan	Mangan	T01 to U Sentam	2016-17		02
10	Mangan	Mangan	DSM to katammnatyam	2016-17	14.3	04
11	Namchi	Namchi	Nizremeng Primary School to U phong	2016-17	13	01 (7 Km away from main road)
12	Namchi	Namchi	Singtam to Pallung	2016-17	6.45	02
13	Namchi	Ravangla	Ben PWD road katuja to Lower Namphok	2017-18	8.3	04 (all branches not connected to each other)
14	Namchi	Jorethang	Melli Jorethang road to lower Rambong	2016-17	7.5	03
15	Namchi	Jorethang	SPWD road to ChumlokOmchu	2016-17	8.86	01
16	Geyzing	Soreng	PWD to Anden	2017-18	10.95	03 Independent branches approximately 10 KM far from each other
17	Geyzing	Soreng	Lower Tikpur to jersey gaon	2017-18	7	03
18	Geyzing	Geyzing	Kabirthang to Ratomatey	2016-17	10	02
19	Geyzing	Geyzing	Narkhola to Upper Narkhola and Lower Narkhola	2017-18	12.025	03
20	Geyzing	Geyzing	TashidingLigship to Phamtam	2017-18	11.32	01 (Branch road is 25 KM away from main branch)
21	Geyzing	Kaluk	Legship Reshi RatomaieiThansingh road 4 th KM to meyong	2016-17	7.78	01

Appendix 4.1
(Referred to in paragraph 4.1.8)
Summarised financial position and working results of State Public Sector Enterprises (Government Companies and Statutory Corporations) as per their latest finalised accounts as on 30 September 2023

Sl No	Name of SPSE	Period of accounts	Paid up capital	Loan outstanding at the end of the year	Net profit/loss before interest and taxes	Net profit (+)/loss(-)	Turnover	Net worth	Capital Employed	Accumulated Profit (+)/loss(-)	Return on Capital Employed (per cent)	Interest	Tax
A. Government Companies													
Power Sector SPSEs													
1	Sikkim Urja Limited (SUL)	2022-23	3205.39	7725.27	2040.83	1270.19	3108.53	3207.6	10932.87	2.21	18.67	872.5	-101.86
2	Sikkim Power Transmission Limited (SPTL)	2022-23	388.45	684.56	149.37	63.28	251.21	519.75	1204.31	131.3	12.4	63.25	22.84
3	Sikkim Power Investment Corporation Limited (SPICL)	2020-21	0.01	3229.13	153.65	-210.69	204.6	-1210.97	2018.16	-1210.98	7.61	364.34	0
4	Sikkim Power Development Corporation Limited (SPDC)	2020-21	74.84	42.56	7.18	3.76	15.07	-32.8	9.76	-107.64	73.57	3.42	0
Sector wise Total			3668.69	11681.52	2351.03	1126.54	3579.41	2483.58	14165.1	-1185.11	16.6	1303.51	-79.02
Agriculture and Allied SPSEs													
5	Sikkim Poultry Development Corporation Limited (SPDCL)	2017-18	0	0	-0.15	-0.15	0	-1.72	-1.72	-1.72	Not workable	0	0
6	Sikkim Hatcheries Limited (SHL)	2017-18	0.46	0	-0.14	-0.14	0.06	-2.25	-2.25	-2.71	Not workable	0	0

Sl No	Name of SPSE	Period of accounts	Paid up capital	Loan outstanding at the end of the year	Net profit/ loss before interest and taxes	Net profit (+)/ loss(-)	Turnover	Net worth	Capital Employed	Accumulated Profit (+)/ loss(-)	Return on Capital Employed (per cent)	Interest	Tax
7	Sikkim Livestock Processing and Development Corporation (SLPDC)	2013-14	0.69	0	-0.02	-0.02	0.06	-0.35	-0.35	-1.04	Not workable	0	0
Sector wise Total			1.15	0	-0.31	-0.31	0.12	-4.32	-4.32	-5.47	0	0	0
Finance													
8	Schedule Caste, Schedule Tribe and Other Backward Classes Development Corporation Limited (SABCCO)	2015-16	18.31	20.1	0.49	-0.24	1.87	2.91	23.01	-15.4	2.13	0.73	0
Sector wise Total			18.31	20.1	0.49	-0.24	1.87	2.91	23.01	-15.4	2.13	0.73	0
Infrastructure													
9	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	2022-23	17.14	1062.64	0.58	0.41	4.82	43.97	1106.61	24.25	0.05	0	0.17
10	Gangtok Smart City Development Limited (GSCDL)	2021-22	0	0	-1.21	-1.21	0	-2.23	-2.23	-2.23	Not workable	0	0
11	Namchi Smart City Limited (NSCL)	2020-21	2.05	0	0.04	0.04	0	1.76	1.76	-0.29	2.27	0	0

Sl No	Name of SPSE	Period of accounts	Paid up capital	Loan outstanding at the end of the year	Net profit/loss before interest and taxes	Net profit (+)/loss(-)	Turnover	Net worth	Capital Employed	Accumulated Profit (+)/loss(-)	Return on Capital Employed (per cent)	Interest	Tax
Agri & Allied													
16	Government fruit Preservation factory (GFPF)	2018-19	0	0	0.62	0.62	5.19	0.81	0.81	0.81	76.54	0	0
17	Temi Tea (Temi)	2017-18	0	0	7.11	7.11 ²⁰⁰	7.19	Nil	Nil	Nil	Not workable	0	0
Sector wise Total			0	0	7.73	7.73	12.38	0.81	0.81	0.81	76.54	0	0
Total B (All sector wise working Statutory corporations)			2.14	293.47	60	46.1	464.74	41.43	334.9	36.76	146.14	5.88	8.02
Grand Total (A+B)			3716.86	13057.73	2410.99	1171.68	4054.82	2572.88²⁰¹	15630.61	-1149.09	15.42	1310.12	-70.81

NB:

- Earnings before Interest and Tax (EBIT)** have been derived by adding back the Interest and Tax Expenses to the ‘Net Profit/Loss for the year’ as reported in the Profit and Loss Account.
- Networth** means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits but do not include reserves created out of revaluation of assets and write back of depreciation provision.
- Capital Employed** represents Shareholders’ Fund *plus* Long-Term Borrowings where, Shareholders Fund represents ‘Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure.
- Return on Capital Employed** has been depicted the EBIT as a percentage of the Capital Employed.
- The **paid up capital** of SPSEs at serial no. 10 was negligible (₹ 70.00 only) while in case of other three SPSEs (serial no 5,16 & 17), there was no paid up equity capital. Hence, the paid up capital in respect of said four SPSEs has been taken as ‘zero’.

²⁰⁰ After taking into account the Government Grant of ₹ 10.94 crore received from the State Government (₹ 9.79 crore) and Government of India (₹ 1.14 crore).
²⁰¹ Net Worth after taking into account the Free Reserves of ₹ 5.11 crore in respect of Sikkim Industrial Development and Investment Corporation Limited (₹ 2.58 crore) and State Trading Corporation of Sikkim (₹ 2.53 crore).

Appendix 4.2 Statement showing Rate of Real Return on Government Investment
(Referred to in paragraph 4.1.9)

Financial year	PV of cumulative Government investment at the beginning of the year	Funds infused by the Government during the year in the form of				Total investment at the end of the year	Average rate of interest on Government borrowings (in per cent)	PV of cumulative Government investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings (Profit after tax) for the year
		Equity (less disinvestment)	Revenue Grants / Subsidy	Interest free Loan	Total					
a	b	c	d	e	f = c + d + e	g = b + f	h	i = g*(1+h/100)	j = g*h/100	k
Prior to 2002	-	17.29	0	2.03	19.32	19.32	4.04	20.1	0.78	-
2002-03	20.10	3.85	0	0	3.85	23.95	11.47	26.70	2.75	-3.26
2003-04	26.70	5.84	0	0	5.84	32.54	10.33	35.90	3.36	-22.49
2004-05	35.90	1.17	0	0	1.17	37.07	9.78	40.69	3.63	-3.05
2005-06	40.69	4.82	0	0	4.82	45.51	9.45	49.81	4.30	-3.05
2006-07	49.81	0.30	0	0	0.3	50.11	9.25	54.75	4.64	-4.05
2007-08	54.75	0.00	0	0	0	54.75	8.92	59.63	4.88	-3.41
2008-09	59.63	3.05	1.21	0	4.26	63.89	8.6	69.39	5.49	-2.69
2009-10	69.39	2.10	2.25	0	4.35	73.74	8.28	79.84	6.11	-2.17
2010-11	79.84	0.96	1.79	0	2.75	82.59	7.92	89.14	6.54	-11.59
2011-12	89.14	0.00	0	0	0	89.14	7.74	96.03	6.90	-7.03
2012-13	96.03	0.00	0	0	0	96.03	7.4	103.14	7.11	-15
2013-14	103.14	0.00	0.18	0	0.18	103.32	7.74	111.32	8.00	-17.1
2014-15	111.32	0.00	0.16	0	0.16	111.48	7.95	120.34	8.86	-27.76
2015-16	120.34	0.00	0.18	0	0.18	120.52	8.1	130.28	9.76	-80.12
2016-17	130.28	0.00	0.11	0	0.11	130.39	8.22	141.11	10.72	-335.17
2017-18	141.11	0.00	11.6	0	11.6	152.71	8.22	165.26	12.55	-319.01
2018-19	165.26	6.03	10.79	0	16.82	182.08	7.35	195.46	13.38	-254.35
2019-20	197.15	2.50	6.5	0	9	206.15	7.42	221.45	15.30	-184.69
2020-21	223.05	0.92	8	0	8.92	231.97	6.66	247.42	15.45	-176.38
2021-22	250.46	0.50	8.5	0	9	259.46	6.38	276.01	16.55	-177.03
2022-23	279.83	6.30	66.35	24.99	97.64	377.47	6.1	400.50	23.03	-161.79
Total	1393.44	55.63	117.62	27.02	200.27					

Year	Total earnings/ loss in 2022-23	Investment by the State Government as per total of the column H above	Return on State Government investment on the basis of historical value	Present value of State Government investment at the end of 2022-23	Real return on State Government investment considering the present value of investments
	A	B	C	D	E
2022-23	-161.79	200.27	-80.79	395.93	-40.86

Appendix 5.1
Reply not furnished
(Reference: Paragraph 5.12.6.2 a, b)

Sl No.	Dimension		GSTIN	Deviation Amount (₹)
1.	1	ITC Mismatch between GSTR 3B and GSTR 2A	11AAACC6253G1Z6	29,14,887
2.	1		11AACCC5192J1ZT	42,91,385
3.	1		11AADCG4590P1ZC	32,34,511
4.	1		11AADAS4692L1Z9	28,10,379
5.	1		11AABCR1718E1Z2	23,83,494
6.	2	ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	11AHCPG7114Q1ZG	1,24,125
7.	2		11AACCC5192J1ZT	2,64,799
8.	2		11AACCT1282E1ZW	28,40,942
9.	2		11BIYPD0820J1ZG	19,12,748
10.	2		11AEJPL9161Q1ZZ	1,21,228
11.	2		11DDKPB8618B1Z2	3,23,624
12.	3	Short payment of tax under RCM vs. ITC availed in GSTR-3B/ GSTR-9	11AJLPT1525H2ZC	32,992
13.	3		11BKSP2027H2Z7	36,947
14.	4	Incorrect availment of ISD credit	11AAACT5456A1ZY	7,70,877
15.	4		11AABCI6363G1ZW	32,515
16.	4		11AADCE1344F1ZD	100
17.	4		11AAQCS5845Q1ZL	67
18.	4		11APDPG0356H1ZJ	86,525
19.	4		11AKGPT0082K1Z7	24,668
20.	5	Mismatch of ITC availed between annual returns and books of accounts	11AAACY3532C1Z0	2,18,92,504
21.	5		11AAACN0255D1ZB	8,33,613
22.	5		11AAMCA7281L1ZF	10,00,372
23.	6	Reconciliation between ITC availed in annual returns with expenses in financial statements	11AGUPC4400E1Z2	66,60,309
24.	6		11ALHPP0553F1ZJ	3,12,29,898
25.	6		11AYFPA0378Q1ZG	56,65,555
26.	6		11BNNPP0760M1ZS	41,17,668
27.	6		11AAMCS4609N1Z3	9,68,91,980
28.	7	Mismatch in turnover declared in GSTR-9C Table 5R	11AAABS2047P1ZH	-6,35,75,768
29.	7		11AJZPN6927F1ZT	-2,08,01,668
30.	8	Mismatch in taxable turnover declared in GSTR-9C Table 7G	11AABCE3886A1Z6	-85,44,16,320
31.	8		11ACYFS3186R2Z2	-51,70,296
32.	8		11BCCPB6050L2Z2	-39,84,862
33.	8		11AAAJ0288R1ZS	-27,62,068
34.	8		11AEOPM7357L1Z1	-14,14,626
35.	9	Mismatch in tax paid between books of accounts and returns	11AAACT7974M1ZY	-3,84,539
36.	9		11AABCE3886A1Z6	-7,82,097
37.	9		11AAAJ0288R1ZS	-3,97,225
38.	9		11AEOPM7357L1Z1	-90,62,797
39.	9		11AAMCS4609N1Z3	-8,91,163

Sl No.	Dimension		GSTIN	Deviation Amount (₹)
40.	10	Unsettled liabilities	11ABBFA0749A1ZE	90,70,015
41.	10		11AMYPT0890M1Z9	53,78,927
42.	10		11ARDPP2143B1ZL	24,72,165
43.	10		11AAAJ0288R1ZS	8,78,920
44.	10		11AABCE3886A1Z6	23,32,817
45.	10		11BGNPA3499K1Z8	8,51,550
46.	10		11AAMCA7281L1ZF	16,32,492
47.	10		11AFYPA4807N1Z8	19,90,229
48.	12	Short payment of interest	11BZVPS7138E3ZY	5,91,358
49.	12		11ANAPT8552B1ZB	5,26,244
50.	12		11AYCPG8739N2Z5	52,66,863
51.	12		11AAOCA5768L1Z9	8,50,131
52.	12		11AAWPK7553Q2ZU	6,95,970
53.	12		11BZEPS9272E1ZA	4,22,859
54.	12		11FUOPS3025N2Z7	6,27,628
55.	12		11AACCE1903H1ZD	4,27,089

Appendix 5.2
Four cases where action taken by the CTD
(Reference: Paragraph 5.12.6.2 b, c(i))

Sl No	GSTIN	Nature of observation	Amount (in ₹)	Action taken
1	11AABCG2434N1ZV	4-Incorrect availment of ISD credit	14,558	The taxpayer discharged the liability on 18 March 2023
2	11AAACCA1989R1ZA	9-Mismatch in tax paid between books of accounts and returns	16,95,414	The taxpayer discharged the liability on 20 March 2023
3	11AABCC0354P1ZW	9-Mismatch in tax paid between books of accounts and returns	6,77,643	The taxpayer discharged the liability on 20 March 2023
4	11EFHPS3962D1ZI	11-GSTR-3B was not filed but GSTR-1 is available	3,024	The taxpayer discharged the liability on 8 September 2022
	Total		23,90,639	

Appendix 5.3

Limited/Centralised Audit – Replies not accepted by Audit

(Reference: Paragraph 5.12.6.2 b, c(i))

Sl. No.	GSTIN	Dimension	Amount in ₹	Audit rebuttal
1.	11AAACI5120L1Z1	1:ITC Mismatch between GSTR 3B and GSTR 2A	1,37,18,109 ²⁰²	Excess ITC ₹ 1,41,07,002 revised to ₹ 1,37,18,109 on the basis of reply: The CTD furnished three justifications for excess ITC out of which one was accepted which is as follows: - There was ITC of ₹ 3,88,893 pertaining to purchase invoices of 2017-18 uploaded by the suppliers in 2018-19, this was checked in GSTR 2A of 2018-19 and found correct. Therefore, the observation amount is reduced by ₹ 3,88,893. Hence excess ITC revised to ₹ 1,37,18,109.
2.	11AAMCA7281L1ZF	1:ITC Mismatch between GSTR 3B and GSTR 2A	25,96,784	As per the reply (6 April 2023) excess ITC of ₹ 25.97 lakh was due to bills involving tax/ITC of ₹ 2.55 lakh shown in 2018-19 and invoices involving tax/ITC of ₹ 22.82 lakh not uploaded by the suppliers and the balance of ₹ 5.49 lakh was paid vide challan. The reply is not acceptable because only the list of five invoices involving tax/ITC of ₹ 2.55 lakh had been submitted without the copies of invoices. Moreover, the challan of ₹ 5.49 lakh was paid vide cash which got credited in the cash ledger which can be utilised by the taxpayer for discharge of tax liability hence it cannot be considered as payment of excess ITC.
3.	11AAXCS7643D1Z5	2: ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	1,25,873	As per the reply, the excess RCM ITC availed during 2017-18 had been reversed in the month of March 2018. Examination revealed that the total reversal in March 2018 was ₹ 9.27 lakh. In absence of any credible evidence, Audit could not vouchsafe that the excess ITC of RCM of ₹ 1.26 lakh was included in the reversal of March 2018.
4.	11ARJPC1527C1ZO	2: ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	2,34,331	As per reply (6 April 2023) the taxpayer applied for cancellation and was duly approved by the cancellation authority on 4 February 2022. Now, that the taxpayer's registration is cancelled, the excess ITC of ₹ 2.34 lakh is a loss to the state exchequer, this indicated inadequacy of scrutiny of taxpayers returns by the tax authority even at the time of approving the cancellation of registration.

²⁰² The excess ITC revised from ₹ 1,41,07,002 to ₹ 1,37,18,109 on the basis of reply furnished by the CTD.

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Sl. No.	GSTIN	Dimension	Amount in ₹	Audit rebuttal
5.	11BOIPG9303P1ZT	2: ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	3,00,000	As per reply, the taxpayer while accepting the observation stated that ITC of ₹ 3.00 lakh was wrongly taken and same was still lying in the credit ledger. However, no action had been taken by CTD to reverse the wrongly availed ITC under RCM.
6.	11AAACI5120L1Z1	4:Incorrect availment of ISD credit	39,72,001	To justify the excess ITC availed under ISD of ₹ 39.72 lakh following were stated: (i) the taxpayer had taken ISD of ₹ 14.62 lakh manually in January 2018 for which letter was submitted to GSTN, (ii) had wrongly taken credit under ISD instead of normal credit of ₹ 14.76 lakh, the head office was informed and ISD credit of June 2018 was reduced by the same amount and (iii) ISD credit of ₹ 9.88 lakh was taken manually in December 2017 as GSTR 6 was operational only from June 2018. The reply is not acceptable because supporting documents to establish their claim was not furnished to Audit, only two invoices involving tax of ₹ 48,961 and ₹ 60,595 was furnished to Audit.
7.	11AABCA9521E1ZA	4:Incorrect availment of ISD credit	55,61,655	As per the reply ISD transfer of ₹ 55.61 lakh was not getting reflected in GSTR 6 table 5A due to technical glitch in GST portal. The reply is not acceptable as no documentary evidence was furnished to support excess ITC availed under ISD amounting to ₹ 55, 61, 655 were actually eligible.
8.	11ARDPP2143B1ZL	5:Mismatch of ITC availed between annual returns and books of accounts	33,94,084	As per the reply balance sheet is prepared for contract business only whereas ITC was availed for procurement of Hotel business also. Further the reason for the unreconciled ITC as mentioned in GSTR 9C table 13 A also states that balance sheet is for Contract business where as the taxpayer is also involved in supply of services (hotel was under construction stage) for which ITC was claimed but not recorded in the books of account for Contract business. The reply is not acceptable because Section 17 (5) (d) of the SGST Act 2017 provides that: Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

Sl. No.	GSTIN	Dimension	Amount in ₹	Audit rebuttal
9.	11AAACT5131A1ZA	5:Mismatch of ITC availed between annual returns and books of accounts	5,01,270	As per the reply, the payment of unreconciled ITC has been made through DRC -03. Payment of ₹ 7.43 lakh was done on 5 April 2021. The reply is not acceptable because the payment made under said DRC-03 was for supply of goods and not for excess or unreconciled ITC.
10.	11AABCO6063D1ZZ	5:Mismatch of ITC availed between annual returns and books of accounts	2,73,838	As per the reply, the difference of ITC was due to input related to cross charge distributed by the corporate head. The reply is not acceptable as under cross charge the ITC is not distributed, instead invoice is raised by corporate head for the supply of goods or services amongst distinct persons; and no evidence was furnished to support that the invoices raised by the corporate head was not included in their annual financial statement.
11.	11BTFPB1791L1ZV	5:Mismatch of ITC availed between annual returns and books of accounts	5,45,029	As per the reply, the excess claim of 2017-18 had been adjusted by claiming less ITC during financial year 2018-19. The reply is not acceptable as there was no evidence to support that the excess ITC of ₹ 5.45 lakh made during 2017-18 had been adjusted in the subsequent year.
12.	11AAFCS1221B1ZD	7-Mismatch in turnover declared in GSTR-9C Table 5R	82,41,468	To justify the difference of ₹ 82.41 lakh the taxpayer stated the following: (i) ₹ 28.94 lakh was the insurance claim. (ii) ₹ 53.47 lakh was the interest income. Reply is not acceptable as no documentary evidence was furnished.
13.	11ARDPP2143B1ZL	8-Mismatch in taxable turnover declared in GSTR-9C Table 7G	3,88,76,124	As per the reply the Financial statement is prepared on accrual basis and uncertified bill has been accounted for. One bill (of ₹ 3.60 crore) was raised by one contractee (M/s Bridge and Roof Limited) in March 2018 whereas the payment was made in May 2018 hence it was not reflected in the annual returns in 2017-18. The reply is not acceptable because as per Section 13 of SGST Act 2017 the time of supply should be earliest of the (a) the date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier; or (b) the date of provision of service, if the invoice is not issued within the period prescribed under sub-section (2) of section 31 or the date of receipt of payment, whichever is earlier. Besides no supporting documents (i.e. copy of the particular bill) was furnished to Audit to justify the unreconciled amount of ₹ 3.89 crore.

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Sl. No.	GSTIN	Dimension	Amount in ₹	Audit rebuttal
14.	11AVPPR9672P1ZI	8-Mismatch in taxable turnover declared in GSTR-9C Table 7G	-1,17,79,757	As per the reply while accepting the observation the taxpayer simply stated that out of ₹ 1.18 crore, ₹ 6.73 lakh was shown in the GSTR 1 of April 2018 and balance of ₹ 1.11 crore was not shown in the GST return. Reply is not acceptable as no documentary evidence was furnished.
15.	11AAACI1070P1ZS	8-Mismatch in taxable turnover declared in GSTR-9C Table 7G	2,12,07,406	To justify less turnover shown in GSTR 9 the taxpayer stated the following: (i) ₹ 206.71 lakh was budgetary support benefit under GST (ii) ₹ 5.36 lakh capital subsidy received. Reply is not acceptable as no documentary evidence was furnished.
16.	11AABCA9521E1ZA	8-Mismatch in taxable turnover declared in GSTR-9C Table 7G	12,47,96,880	To justify less turnover shown in GSTR 9 the taxpayer stated the following: (i) ₹ 1,234.40 lakh was due to refund of IGST, (ii) ₹ 10.83 lakh was due to refund of excise duty, (iii) ₹ 26.19 lakh due to foreign exchange fluctuation, (iv) ₹ 2.40 lakh due to cash discount, (v) ₹ 2,776 due to wrongly booked invoice, (vi) ₹ 48 rounding off difference. Reply is not acceptable as no documentary evidence was furnished.
17.	11AAMCA7281L1ZF	9-Mismatch in tax paid between books of accounts and returns	16,32,492	In response the CTD simply stated that the mismatch was due to clerical error, IGST of ₹ 16.32 lakh was not shown in the 2017-18 returns but shown in the annual returns of 2017-18, and also in September 2018. The reply is not acceptable as the documents to support the mismatch was not furnished to Audit.
18.	11AABFL1873F1ZS	10-Unsettled liabilities	19,28,054	As per the reply, the taxpayer had shown the complete sales in GSTR 1 as B2C and not passed on any incorrect input to any other taxpayer. The reply is not acceptable as during the months February 2018 and March 2018 total tax liability under B2B was ₹ 29.09 lakh which alone was more than the tax paid vide GSTR 3B.

Appendix 5.4
Data Entry error cases
(Reference: Paragraph 5.12.6.2 b, d(i))

Sl. No.	Taxpayer	Dimension	Amount (in ₹)	Audit rebuttal
1	11CRYPS4405G1ZK	1:ITC Mismatch between GSTR 3B and GSTR 2A	2,48,75,195	As per the reply during March 2018 ₹ 277.18 lakh ITC was claimed due to entry error instead of ₹ 27.71 lakh, hence the difference of ₹ 249.4 lakh has been reversed in April 2018, same was found correct.
2	11BYFPS3747A1ZR	2: ITC availed under RCM without payment of tax in GSTR-3B/ GSTR-9	4,65,311	As per the reply taxpayer had made wrong entry in Table 4(A)(3) it was actually inward supplies of which should have been entered in table 4(A)(5). The two concerned invoices have been furnished in support of the claim. Examination of records revealed that the two invoices pertained to inward supplies from two registered suppliers of November 2017 and September 2017 and taxes involved were ₹ 2.15 lakh and ₹ 2.50 lakh which adds up to exact amount of the amount in question, hence the reply is found correct.
3	11AKXPT5707EIZX	3: Short payment of tax under RCM vs. ITC availed in GSTR-3B/ GSTR-9	52,333	As per the reply during 2017-18 the ITC of ₹ 52,333 which should have been entered in table 4(A)(5) was wrongly entered in Table 4(A)(3). Relevant invoices have been furnished and found correct.
4	11AAWPK7553Q2ZU	10-Unsettled liabilities	75,72,866	In the reply furnished by CTD (April 2023), the taxpayer has stated that sale to registered dealer involving tax amount of ₹ 75.72 lakh was inadvertently included in the GSTR 1 as B2C in October 2017 and the same was again included in GSTR 1 as B2B in March 2018 tax liability of ₹ 75.72 lakh was added twice in GSTR 1. This was checked in the GSTR 1 of October 2017 and March 2018 and was found correct.

Appendix 5.5

Limited/Centralised Audit – Mismatch due to Other Valid reasons (Amount in ₹)

(Reference: Paragraph 5.12.6.2 b, d(ii))

Sl. No.	GSTIN	Audit dimension	Amount	Justification furnished by the CTD/taxpayer
1.	11ABPPV5158E1ZH	1:ITC Mismatch between GSTR 3B and GSTR 2A	26,03,864	As per the reply, ITC of ₹ 26.04 lakh was wrongly claimed in the months of September, October and November 2017 and the same has been reversed in the month of September 2019, same was found correct.
2.	11AWEPG0550D2ZF	1:ITC Mismatch between GSTR 3B and GSTR 2A	30,49,700	As per the reply, excess ITC of ₹ 30.49 lakh claimed during 2017-18 had been reversed in the month of March 2019 (IGST ₹ 29.48 lakh, CGST ₹ 0.51 lakh and SGST ₹ 0.51 lakh), same was found correct.
3.	11ABPPV5158E1ZH	4:Incorrect availment of ISD credit	43,689	The taxpayer had wrongly taken credit under ISD in February 2018 and the same was reversed in September 2018. Verification of GSTR 3B of September 2018 revealed that reversal of the amount of ₹ 43,689 was done.
4.	11AAACC6253G1Z6	5:Mismatch of ITC availed between annual returns and books of accounts	9,43,994	As per the reply, the unreconciled ITC of ₹ 9.44 lakh has been paid and reflected in GSTR 9 table 9A. The same was checked and found correct.
5.	11BLIPK0958F1ZD		6,34,228	The mismatch was due to transition credit through TRAN-2 of ₹ 6.34 lakh. The same was checked in GSTR 9 (table 6L) and the credit was checked in ECL and found correct.
6.	11BLIPK0957L1Z1		5,18,851	The mismatch was due to transition credit through TRAN-2 of ₹ 5.19 lakh. The same was checked in GSTR 9 (table 6L) and the credit was checked in ECL and found correct.
7.	11AAMFG7577J1Z0	6-Reconciliation between ITC availed in annual returns with expenses in financial statements	75,72,863	The unreconciled amount of ITC was due to TRAN 1 credit. Same was checked in TRAN 1 and found correct.
8.	11AANCS5537N1ZX	6-Reconciliation between ITC availed in annual returns with expenses in financial statements	63,05,525	The unreconciled amount of ITC was due to TRAN 1 credit. Same was checked in Electronic credit ledger and found correct.

Sl. No.	GSTIN	Audit dimension	Amount	Justification furnished by the CTD/taxpayer
9.	11AAXCS7643D1Z5	6-Reconciliation between ITC availed in annual returns with expenses in financial statements	98,99,972	As per the reply, in pursuance of CBIC Notification No 56/2019 dated: 14 November 2019, the taxpayers had the option not to fill the table 14 of GSTR 9C however, the taxpayer had disclosed the audited financial statement pertaining to ITC in table 12 and the same had reconciled. This was verified and found correct.
10.	11AAICS3218B1Z1	8-Mismatch in taxable turnover declared in GSTR-9C Table 7G	7,02,16,344	As per the reply, the difference of turnover of ₹ 702.16 lakh is due to inclusion of turnover of another unit of another state (UP) with GSTN 09AAICS3218B1ZM. The GSTR 9C of 09AAICS3218B1Z1M submitted and the exact figure has been reported in the table 7 A of the taxpayer of the common PAN.
11.	11AVPPR9672P1Z1	9-Mismatch in tax paid between books of accounts and returns	30,89,142	As per the reply, the unreconciled tax payment of ₹ 30.89 lakh consists of ₹ 19.99 lakh of tax and 10.39 lakh of interest portion. The tax liability of ₹ 33,640 was shown in GSTR 1 of April 2018 (which was found correct) and the balance amount of ₹ 30.55 lakh was paid vide DRC 03 of 2/09/2020 and 09.01.2021.
12.	11AAXCS7643D1Z5	12-Short payment of Interest	4,31,349	As per the CTD's reply, the taxpayer has discharged the interest liability on 28 January 2020 which was checked and found correct.

Appendix 5.6
Non-production of Purchase invoices
(Reference: Paragraph 5.12.6.3)

Sl. No.	Name of the Taxpayer	GSTIN	Observation			Purchase invoices of top two months with highest ITC claimed, called for in Audit
			ITC availed in 3B	ITC as per 2A	ITC Mismatch	
1.	Zydus Healthcare	11AAAACG1895Q1ZB	45,05,95,856	40,46,30,289	4,59,65,567	February 2018 and March 2018
2.	Punj Lloyd Ltd	11AAACP0305Q1ZR	61,46,588	50,80,899	10,65,689	February 2018 and March 2018
3.	Vodafone Mobile Services	11AAACS4457Q1Z3	4,24,58,010	3,54,53,466	70,04,544	February 2018 and January 2018
4.	SIMFED	11AADAS4451M1ZI	4,68,03,280	3,48,49,286	1,19,53,994	March 2018 and January 2018
5.	Alembic Pharmaceuticals	11AAICA5591M1ZG	21,49,82,429	17,52,46,852	3,97,35,577	September 2017 and March 2018
6.	Golden Gaming	11AAAJCM8044M1ZA	64,72,994	49,19,849	15,53,145	January 2018 and March 2018
7.	Scorpion Containers	11AAIICS4086K1Z6	4,17,17,502	3,68,66,162	48,51,340	February 2018 and March 2018
8.	STCS	11AAMCS4609N1Z3	9,61,92,663	7,57,72,163	2,04,20,501	November 2017 and February 2018
9.	Sikkim Agrochem	11AAMCS5267J1Z3	1,08,43,148	68,00,710	40,42,438	July 2017 and December 2017
10.	Rajeev Electronics	11AUKPM3609H1ZU	45,88,259	34,74,489	11,13,770	July 2017 and September 2017
11.	Vikky Enterprise	11CBIPS1024H1Z2	35,44,224	22,66,027	12,78,197	February 2018 and March 2018

Appendix 5.7
Classification of goods & services – Non-production of Purchase and Sales invoices
(Reference: Paragraph 5.12.6.3)

Sl. No.	GSTIN	Audit observation	Months selected for checking Sales and Purchase invoices
1.	11AAACG1895Q1ZB (Zydus Healthcare)	“As per https://services.gst.gov.in , the taxpayer dealt in goods with HSN 21069099, 23099090, 30029090, 30049099 and 33049990 with GST rates 5, 0, 12, 12 and 28 respectively. However as per the HSN wise summary data of outward supplies in GSTR1(s) and GSTR9 the taxpayer has made outward supplies under GST rates 0, 5, 6, 10, 12, 17 and 18 per cent.	November 2017 January 2018
2.	11AAACP0305Q1ZR (Punj Lloyd)	“As per https://services.gst.gov.in , the taxpayer dealt in goods with HSN 30042064, 27131100, 68101110, 72223099, 98010019 and 98010030 with GST rates 18 per cent each. The taxpayer has not filled sufficient HSN wise details of outward supplies in GSTR 1(s) filed by him which is required to draw assurance that the classification of goods/services have been done correctly and the GST has been paid at due rates.	January 2018 February 2018
3.	11AAAGS1563B1ZX (SNT)	“As per https://services.gst.gov.in , the taxpayer dealt in three services - (i) Goods transport operator, (ii) Transport of goods and (iii) Rent a cab operator. The rate of GST for Goods Transport agency is 0 per cent (carrying agricultural produce, newspaper, military equipment, etc.) for others it is 5 per cent (5 per cent with no ITC and 12 per cent with ITC). The taxpayer has not declared HSN wise details of outward supplies in GSTR 1(s) and GSTR 9 filed by him.	March 2018
4.	11AABCC0354P1ZW (Civil Engineers)	As per https://services.gst.gov.in , the taxpayer dealt in goods / services with HSN 440410 with GST rates 18 per cent. The taxpayer has not filled sufficient HSN wise details of outward supplies in GSTR 1(s) filed by him which is required to draw assurance that the classification of goods/services have been done correctly and the GST has been paid at due rates.	October 2017 September 2017
5.	11AADAS4451M1ZI (SIMFED)	“As per https://services.gst.gov.in , the taxpayer dealt in goods / services with HSN 6012010, 25232100, 54071015, 84322100, 94033010 and 440249 with GST rates 0, 28, 5, 12, 28 and 0 per cent respectively. However as per HSN-wise summary data of outward supplies in GSTR1(s) revealed that the taxpayer had made outward supplies under the GST rates of 0, 5, 7, 8, 12, 16, 18, 23, 24 and 100 per cent.	March 2018 January 2018

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Sl. No.	GSTIN	Audit observation	Months selected for checking Sales and Purchase invoices
6.	11AAICA5591M1ZG (Alembic)	As per https://services.gst.gov.in , the taxpayer dealt in goods / services with HSN 30042061, 30042062, 30042064, 3004907 and 30049099 with GST rates 12 per cent each. However as per the HSN-wise summary data of outward supplies in GSTR1(s) revealed that he had made outward supplies under GST rates of 5, 8, 10, 11, 12, 18 and 19 per cent.	September 2017 November 2017
7.	11AAICM8044M1ZA (Golden Gaming)	“As per https://services.gst.gov.in , the taxpayer dealt in goods/services with HSN 00440595 with GST rate 28 per cent. The taxpayer has not declared HSN wise details in the GSTR 1(s) and GSTR 9.	March 2018 February 2018
8.	11AAAMCS4609N1Z3 (STCS)	As per https://services.gst.gov.in , the taxpayer dealt in goods/services with HSN 26180000, 27111100, 27131100, 38160000 and 73081000 with GST rate 5, 18, 18 and 18 per cent respectively. However, the taxpayer has not made any declaration of HSN-wise details of outward supplies in GSTR1(s) and GSTR 9.	November 2017 February 2018
9.	11AAAMCS526711Z3 (Sikkim Agrochem)	As per https://services.gst.gov.in , the taxpayer dealt in goods/services with HSN 1005 and 72061010 with GST rate 5 and 18 per cent respectively. The taxpayer has not filled sufficient HSN wise details of outward supplies in GSTR 1(s) filed by him which is required to draw assurance that the classification of goods/services have been done correctly.	December 2017 January 2018
10.	11AUKPM3609H1ZU (Rajeev Electronics)	As per https://services.gst.gov.in , the taxpayer dealt in goods/services with 84151010, 84182900 and 85281211 with GST rate 28 per cent each. The taxpayer has not filled sufficient HSN wise details of outward supplies in GSTR 1(s) filed by him which is required to draw assurance that the classification of goods/services have been done correctly.	July 2017 and September 2017
11.	11CBIPS1024H1Z2 (Dhaneshwar)	As per https://services.gst.gov.in , the taxpayer dealt in goods / services with HSN 0405, 1104, 1905, 4817 and 6901 with GST rate 12, 5, 18, 18 and 28 per cent respectively. Whereas HSN wise summary data of outward supplies in GSTR 1(s) revealed that besides the rate stated above the taxpayer had made outward supplies under various rates such as 0, 1, 2, 3, 4, 6, 7, 8, 9, 11, 13, 14, 15, 16, 17, 19, 20, 22, 25 and 27.	February 2018 and March 2018

Appendix 5.8(a)
Cases of non-production of Records (Amount in ₹)
(Reference: Paragraph 5.12.6.3)

Sl. No.	GSTIN	Name	Amount of Mismatch
4.	11AAACs4457Q1Z3	Vodafone Mobile Services	70,04,544
5.	11AAMCS5267J1Z3	Sikkim Agrochem	40,42,438
6.	11AAICM8044M1ZA	Golden Gaming	15,53,145
7.	11AUKPM3609H1ZU	Rajeev Electronics	11,13,770
8.	11AAACP0305Q1ZR	Punj Lloyd	10,65,689
9.	11AAAAGS1563B1ZX	SNT	-
10.	11AABCC0354P1ZW	Civil Engineers	-

Appendix 5.8 (b)
Cases of Partial production of Records (Amount in ₹)
(Reference: Paragraph 5.12.6.3)

Sl. No.	GSTIN	Name of the taxpayer	Remarks	Amount of mismatch
4.	11AAACG1895Q1ZB	Zydus Healthcare	AFS furnished. Purchase/sales invoices not furnished.	4,59,65,567
5.	11AAICA559IM1ZG	Alembic Pharmaceuticals	AFS not furnished. Purchase/sales invoices partially furnished.	3,97,35,577
6.	11AAMCS4609N1Z3	STCS	AFS furnished. Purchase/sales invoices partially furnished. Exempted invoices not furnished.	2,04,20,501
7.	11AADAS4451M1ZI	SIMFED	AFS furnished. Purchase/sales invoices partially furnished	1,19,53,994
8.	11AAICS4086K1Z6	Scorpion Containers	AFS not furnished. Purchase/sales invoices partially furnished.	48,51,340
9.	11CBIPS1024H1Z2	Vikky Enterprise	AFS not furnished. Purchase/sales invoices partially furnished. Exempted Invoices not furnished.	12,78,197

Appendix 5.9:
Cases of Short payment of interest
(Reference: Paragraph 5.12.6.3 a (i))

Sl. No.	GSTIN	Name of the Taxpayer	Sector	Interest liability (in ₹)
1	11AAICM8044M1ZA	Golden Gaming	Service	44,595
2	11AAICS4086K1Z6	Scorpion Containers	Industries	7,784
3	11CBIPS1024H1Z2	Dhaneshwar Prasad	Trading	4,645
4	11AADAS4451M1ZI	SIMFED	Trading	2,051
5	11ABBFS1390P1Z2	Sikkim Organics	Industries	62,12,666
6	11AAMCS5267J1Z3	Sikkim Agrochem	Industries	350
7	11AAAGS1563B1ZX	Sikkim Nationalised Transport	Service	41,00,076
8	11AAACP0305Q1ZR	Punj Lloyd	Service	1,20,259
9	11AUKPM3609H1ZU	Rajeev Electronics	Trading	821
	Total			1,04,93,247

Appendix 5.9 (a)
GSTR 3B - INTEREST AND LATE FEE (Late fee and interest in ₹)
(Reference: Paragraph 5.12.6.3 a (i), (ii))

* Blank entries under column 5 indicates - the dates are not available in the State GST Application

GSTIN	Name	Return Period	Due Dates	Filing Date*	Cash Setoff	Delay (in days)	Interest (interest rate 18 <i>per cent</i>)	No. of days of delay for calculation of late fee (date for calculating delay – 31- 3-2019)	Late fee (₹ 200 per day each under SGST & CGST Act	Applicable late fee (limited of ₹ 5000 each under SGST & CGST Act)
1	2	3	4	5	6	7	8	9	10	11
11AAACP0305Q1ZR	Punj Lloyd Ltd	July 2017	25-08-2017		12,79,402			0		
		August 2017	20-09-2017		11,57,435			0		
		September 2017	20-10-2017		56,603			0		
		October 2017	20-11-2017	22-12-2017	15,33,824	32	24,205	0		
		November 2017	20-12-2017	22-12-2017	100	2	0	0		
		December 2017	22-01-2018	02-02-2018	28,28,857	11	15,346	0		
		January 2018	20-02-2018	28-03-2018	34,76,123	36	61,713	0		
		February 2018	20-03-2018	28-03-2018	27,77,824	8	10,959	0		
		March 2018	20-04-2018	30-04-2018	16,29,449	10	8,036	0		
		November 2017	20-12-2017	30-09-2020	0	1015	0	549	109800	10000
11AAAGS1563B1ZX	Sikkim Nationalised Transport Department	December 2017	22-01-2018	30-09-2020	0	982	0	549	109800	10000
		January 2018	20-02-2018	30-09-2020	0	953	0	549	109800	10000
		February 2018	20-03-2018	30-09-2020	0	925	0	549	109800	10000
		March 2018	20-04-2018	04-02-2021	81,43,040	1021	41,00,076	676	135200	10000

GSTIN	Name	Return Period	Due Dates	Filing Date*	Cash Setoff	Delay (in days)	Interest (interest rate 18 <i>per cent</i>)	No. of days of delay for calculation of late fee (date for calculating delay – 31- 3-2019)	Late fee (₹ 200 per day each under SGST & CGST Act)	Applicable late fee (limited of ₹ 5000 each under SGST & CGST Act)
1	2	3	4	5	6	7	8	9	10	11
11AADAS4451M1ZI	Sikkim State Cooperative Supply And Marketing Federation Limited	July 2017	25-08-2017		0			0		
		August 2017	20-09-2017		3,960			0		
		September 2017	20-10-2017	15-12-2017	0	56	0	0		
		October 2017	20-11-2017	16-12-2017	1,250	26	16	0		
		November 2017	20-12-2017	18-12-2017	48,132	0	0	0		
		December 2017	22-01-2018	19-01-2018	2,25,716	0	0	0		
		January 2018	20-02-2018	27-02-2018	5,56,190	7	1,920	0		
		February 2018	20-03-2018	21-03-2018	2,32,456	1	115	0		
		March 2018	20-04-2018	05-03-2018	14,34,805	0	0	0		
		July 2017	25-08-2017	29-01-2018	67,198	157	5,203	0		
		August 2017	20-09-2017	29-01-2018	47,634	131	3,077	0		
		September 2017	20-10-2017	29-01-2018	87,558	101	4,361	0		
11AAICM8044M1ZA	Golden Gaming International Private Limited	October 2017	20-11-2017	29-01-2018	54,704	70	1,888	0		
		November 2017	20-12-2017	29-01-2018	2,000	40	39	0		
		December 2017	22-01-2018	22-02-2018	0	31	0	0		
		January 2018	20-02-2018	31-03-2018	1,550	39	30	0		
		February 2018	20-03-2018	31-03-2018	13,07,265	11	7,091	0		
		March 2018	20-04-2018	21-05-2018	14,98,253	31	22,905	0		

GSTIN	Name	Return Period	Due Dates	Filing Date*	Cash Setoff	Delay (in days)	Interest (interest rate 18 <i>per cent</i>)	No. of days of delay for calculation of late fee (date for calculating delay – 31- 3-2019)	Late fee (₹ 200 per day each under SGST & CGST Act)	Applicable late fee (limited of ₹ 5000 each under SGST & CGST Act)
1	2	3	4	5	6	7	8	9	10	11
11AAICS4086K1Z6	Scorpion Containers Private Limited	July 2017	25-08-2017		16,07,810			0		
		August 2017	20-09-2017		29,03,566			0		
		September 2017	20-10-2017		3,12,053			0		
		October 2017	20-11-2017	24-11-2017	11,35,547	4	2,240	0		
		November 2017	20-12-2017	29-12-2017	12,41,187	9	5,509	0		
		December 2017	22-01-2018	23-01-2018	70,622	1	35	0		
		January 2018	20-02-2018	20-02-2018	50	0	0	0		
		February 2018	20-03-2018	20-03-2018	31,506	0	0	0		
		March 2018	20-04-2018	20-04-2018	37,638	0	0	0		
11AAMCS5267J1Z3	Sikkim Agro Chem Private Limited	July 2017	25-08-2017		22,595			0		
		August 2017	20-09-2017		22,386			0		
		September 2017	20-10-2017		0			0		
		October 2017	20-11-2017		16,743			0		
		November 2017	20-12-2017	13-12-2017	7,984	0	0	0		
		December 2017	22-01-2018	22-01-2018	25,785	0	0	0		
		January 2018	20-02-2018	19-02-2018	22,057	0	0	0		
		February 2018	20-03-2018	23-04-2018	12,475	34	209	0		
		March 2018	20-04-2018	29-05-2018	7,300	39	140	0		

GSTIN	Name	Return Period	Due Dates	Filing Date*	Cash Setoff	Delay (in days)	Interest (interest rate 18 <i>per cent</i>)	No. of days of delay for calculation of late fee (date for calculating delay – 31- 3-2019)	Late fee (₹ 200 per day each under SGST & CGST Act)	Applicable late fee (limited of ₹ 5000 each under SGST & CGST Act)
1	2	3	4	5	6	7	8	9	10	11
11ABBFS1390PIZ2	Sikkim Organics	July 2017	25-08-2017		32,61,988			0		
		August 2017	20-09-2017	05-12-2017	88,46,957	76	3,31,579	0		
		September 2017	20-10-2017	20-12-2017	1,23,38,619	61	3,71,173	0		
		October 2017	20-11-2017	14-04-2019	66,61,021	510	16,75,292	14	2800	2800
		November 2017	20-12-2017	24-04-2019	33,61,999	490	8,12,406	24	4800	4800
		December 2017	22-01-2018	02-04-2021	39,50,449	1,166	22,71,562	733	146600	10000
		January 2018	20-02-2018	02-04-2021	8,86,634	1,137	4,97,147	733	146600	10000
		February 2018	20-03-2018	02-04-2021	4,53,809	1,109	2,48,190	733	146600	10000
		March 2018	20-04-2018	02-04-2021	10,000	1,078	5,316	733	146600	10000
		July 2017	25-08-2017		0			0		
		August 2017	20-09-2017		0			0		
		September 2017	20-10-2017	16-04-2018	0	178	0	0		
		October 2017	20-11-2017	16-04-2018	0	147	0	0		
11AUKPM3609HIZU	Rajeev Mishra	November 2017	20-12-2017	16-04-2018	7,350	117	424	0		
		December 2017	22-01-2018	16-04-2018	5,850	84	242	0		
		January 2018	20-02-2018	17-04-2018	4,200	56	116	0		
		February 2018	20-03-2018	17-04-2018	2,800	28	39	0		
		March 2018	20-04-2018	17-04-2018	1,400	0	0	0		

GSTIN	Name	Return Period	Due Dates	Filing Date*	Cash Setoff	Delay (in days)	Interest (interest rate 18 <i>per cent</i>)	No. of days of delay for calculation of late fee (date for calculating delay – 31- 3-2019)	Late fee (₹ 200 per day each under SGST & CGST Act)	Applicable late fee (limited of ₹ 5000 each under SGST & CGST Act)
1	2	3	4	5	6	7	8	9	10	11
11CBIPS1024H1Z2	Dhaneshwar Prasad Sharma	July 2017	25-08-2017		0			0		
		August 2017	20-09-2017		47,343			0		
		September 2017	20-10-2017		0			0		
		October 2017	20-11-2017		67,151			0		
		November 2017	20-12-2017	20-12-2017	12,776	0	0	0		
		December 2017	22-01-2018	18-01-2018	0	0	0	0		
		January 2018	20-02-2018	18-02-2018	0	0	0	0		
		February 2018	20-03-2018	04-11-2018	4,28,134	229	48,350	0		
		March 2018	20-04-2018	20-04-2018	49,777	0	0	0		

Appendix 5.10
Non-payment of late fee
(Reference: Paragraph 5.12.6.3 a (ii))

Sl. No.	GSTIN	Name of the Taxpayer	Sector	Returns filed with delay	Return period	Late fee for delay (in ₹)
1.	11ABBFS1390P1Z2	Sikkim Organics	Industries	GSTR 1 and GSTR 3B	Oct. 2017 to March 2018	1,07,600
2.	11AAAAGS1563B1ZX	Sikkim Nationalised Transport	Service	GSTR 1 and GSTR 3B	Nov. 2017 to March 2018	1,00,000
3.	11CBIPS1024H1Z2	Dhaneshwar Prasad Sharma	Trading	GSTR 9	2017-18	3,200
		Total				2,10,800

Appendix 5.11 (a)
Delay in filing of GSTR 1
(Reference: Paragraph 5.12.6.3 a (ii))

Sl. No.	Taxpayer	GSTIN	GSTR 1 Return Period	Due Date	Filing Date	Delay (in days)	Date after which late fee is applicable	Late fee for delay ²⁰³ (in ₹)
1	Vodafone Mobile Services	11AAACS4457Q1Z3	March 2018	10-05-2018	07-01-2019	242	10-01-2020	0
2	Sikkim Nationalised Transport	11AAAAGS1563B1ZX	November 2017	10-01-2018	30-09-2020	994	10-01-2020	10000
3			December 2017	10-02-2018	30-09-2020	963	10-01-2020	10000
4			January 2018	10-03-2018	30-09-2020	935	10-01-2020	10000
5			February 2018	10-04-2018	30-09-2020	904	10-01-2020	10000
6			March 2018	10-05-2018	04-02-2021	1001	10-01-2020	10000
7	Sikkim Organics	11ABBFS1390P1Z2	October 2017	10-01-2018	19-02-2021	1136	10-01-2020	10000
8			November 2017	10-01-2018	19-02-2021	1136	10-01-2020	10000
9			December 2017	10-02-2018	19-02-2021	1105	10-01-2020	10000
10			January 2018	10-03-2018	19-02-2021	1077	10-01-2020	10000
11			February 2018	10-04-2018	19-02-2021	1046	10-01-2020	10000
12			March 2018	10-05-2018	19-02-2021	1016	10-01-2020	10000
	Total							110000

²⁰³ This includes the late fee for both CGST and SGST i.e., 5000 each for each of the return period.

Appendix 5.11 (b)
Delay in filing of Annual Return
(Reference: Paragraph 5.12.6.3 a (ii))

Taxpayer	GSTIN	Turnover	Due Date of filing GSTR 9	Filing Date	Delay (in days)	Late fee (in ₹)
Vikky Enterprise	11CBIPS1024H1Z2	2,96,73,701	7/02/2020	23/02/2020	16	3200

Appendix 5.12
Invoices generated by SNT during November 2017 to March 2018
(Reference: Paragraph 5.12.6.3 a (iv))

Month	No. of invoices generated	Invoice Amount (in ₹)	GST (in ₹)	Invoice Total (in ₹)	Cash sales amount (in ₹)	GST collected in cash (in ₹)	Total GST (in ₹)	Gross Monthly sales (in ₹)
Nov. 2017	535	6,11,33,794	30,56,690	6,41,90,484	5,74,163	28,708	30,85,398	6,47,93,355
Dec. 2017	125	1,34,30,612	6,71,531	1,41,02,143	75,768	3,788	6,75,319	1,41,81,699
Jan. 2018	363	4,00,58,603	20,02,930	4,20,61,533	2,86,255	14,312	20,17,242	4,23,62,100
Feb. 2018	239	2,17,93,635	10,89,682	2,28,83,317	2,12,816	10,640	11,00,322	2,31,06,773
Mar. 2018	261	2,53,88,254	12,69,413	2,66,57,667	1,11,157	5,558	12,74,971	2,67,74,382
Total	1,523	16,18,04,899	80,90,245	16,98,95,144	12,60,159	63,006	81,53,251	17,12,18,309

Appendix 5.13
Difference between SGST and CGST liabilities of M/s Vodafone Mobiles Services
(Reference: Paragraph 5.12.6.3 a (v))

(Amount in ₹)

GSTR 3B Return Period	CGST Liability	SGST Liability	Difference
July 2017	35,23,244	35,23,244	0
Aug. 2017	54,77,520	54,77,520	0
Sept. 2017	45,47,425	45,53,674	6,249
Oct. 2017	43,77,208	43,84,583	7,375
Nov. 2017	39,23,326	39,23,326	0
Dec. 2017	40,31,634	40,63,154	31,520
Jan. 2018	37,52,420	37,52,941	521
Feb. 2018	32,98,243	32,98,243	0
March 2018	39,16,023	39,16,393	370
Total difference			46,035

Appendix 5.14
Comparison of ITC availed with ITC available in GSTR 2A (Amount in ₹)
(Reference: Paragraph 5.12.6.3 b (i))

Sl. No.	Name of the Taxpayer	GSTIN	R3B tab 4A(5)	R3B tab 4B(2)	R9 tab 8C	ITC availed GSTR3B 4A(5)-4(B2) + GSTR9 8C	ITC available in GSTR-2A R2A tab 3 + 5	Excess ITC availed
1.	Zydus Healthcare	11AAACG1895Q1ZB	38,16,99,072	0	6,88,96,784	45,05,95,856	40,46,30,289	4,59,65,567
2.	Punj Lloyd Ltd	11AAACP0305Q1ZR	61,46,588	0	0	61,46,588	50,80,899	10,65,689
3.	Vodafone Mobile Services	11AAACS4457Q1Z3	3,70,57,508	20,594	54,21,096	4,24,58,010	3,54,53,466	70,04,544
4.	SIMFED	11AADAS4451M1Z1	4,68,03,280	0	0	4,68,03,280	3,48,49,286	1,19,53,994
5.	Alembic Pharmaceuticals	11AAICA5591M1ZG	20,88,51,600	14,73,876	76,04,705	21,49,82,429	17,52,46,852	3,97,35,577
6.	Golden Gaming	11AAICM8044M1ZA	64,72,994	0	0	64,72,994	49,19,849	15,53,145
7.	Scorpion Containers	11AAICS4086K1Z6	4,06,72,352	0	10,45,150	4,17,17,502	3,68,66,162	48,51,340
8.	STCS	11AAMCS4609N1Z3	9,31,08,112	0	30,84,551	9,61,92,663	7,57,72,163	2,04,20,501
9.	Sikkim Agrochem	11AAMCS5267J1Z3	1,08,43,148	0	0	1,08,43,148	68,00,710	40,42,438
10.	Rajeev Electronics	11AUKPM3609H1ZU	45,88,259	0	Null	45,88,259	34,74,489	11,13,770
11.	Vikky Enterprise	11CBIPS1024H1Z2	28,49,725	0	6,94,498	35,44,224	22,66,027	12,78,197
	Total							13,89,84,762

Appendix 5.14 (a)

Further audit observation on clarification furnished by CTD on excess ITC availed

(Reference: Paragraph 5.12.6.3 b (i))

Sl. No.	GSTIN: Evaluation	Clarification furnished by CTD (April 2023)	Further audit observation																											
1.	11AADAS4451M1ZI (M/s SIMFED): ITC availed (₹ 4,68,03,280) was more than the ITC available as per GSTR 2A (₹ 3,48,49,286) by ₹ 1,19,53,994.	Excess ITC was due to non-filing of 29 invoices in GSTR 1 and wrong filing of 39 invoices in GSTR 1 by the suppliers and non-issuing of 5 invoices for the purchase made from suppliers. (Only list of 73 invoices (29+39+5) were furnished to Audit, the tax liability of which amounts to ₹ 120.18 lakh)	<p>The reply is not acceptable on the following grounds:</p> <p>(i) With regard to 73 invoices not reflected in GSTR 2A, scrutiny of six invoices revealed that the tax liability paid in GSTR 3B was less than the invoices issued as detailed below:</p> <table> <tr> <th>GSTIN of the supplier</th><th>Invoice No and Date</th><th>Tax liability as per invoice</th><th>Tax paid in GSTR 3B during the month</th></tr> <tr> <td>11ANFPJ6633G1ZC</td><td>003, 16 March 2018</td><td>2,54,491</td><td>Nil</td></tr> <tr> <td rowspan="2">11ATPPPB7952E1ZU</td><td>GSU/17/2017-18,</td><td rowspan="2">8,11,037</td><td rowspan="2">1,458</td></tr> <tr> <td>16 November 2017</td></tr> <tr> <td rowspan="2">11BMHPD3688K1ZZ</td><td>GSU/16/2017-18,</td><td rowspan="2">11,70,998</td><td rowspan="2">1,83,276</td></tr> <tr> <td>16 November 2017</td></tr> <tr> <td rowspan="2">11BMHPD3688K1ZZ</td><td>42, 14 March 2018</td><td rowspan="2">3,54,046</td><td rowspan="2">Nil</td></tr> <tr> <td>43, 14 March 2018</td></tr> <tr> <td>11ACCPA3117G1ZM</td><td>MTC/02/2016-17, 10 September 2017</td><td></td><td></td></tr> </table>	GSTIN of the supplier	Invoice No and Date	Tax liability as per invoice	Tax paid in GSTR 3B during the month	11ANFPJ6633G1ZC	003, 16 March 2018	2,54,491	Nil	11ATPPPB7952E1ZU	GSU/17/2017-18,	8,11,037	1,458	16 November 2017	11BMHPD3688K1ZZ	GSU/16/2017-18,	11,70,998	1,83,276	16 November 2017	11BMHPD3688K1ZZ	42, 14 March 2018	3,54,046	Nil	43, 14 March 2018	11ACCPA3117G1ZM	MTC/02/2016-17, 10 September 2017		
GSTIN of the supplier	Invoice No and Date	Tax liability as per invoice	Tax paid in GSTR 3B during the month																											
11ANFPJ6633G1ZC	003, 16 March 2018	2,54,491	Nil																											
11ATPPPB7952E1ZU	GSU/17/2017-18,	8,11,037	1,458																											
	16 November 2017																													
11BMHPD3688K1ZZ	GSU/16/2017-18,	11,70,998	1,83,276																											
	16 November 2017																													
11BMHPD3688K1ZZ	42, 14 March 2018	3,54,046	Nil																											
	43, 14 March 2018																													
11ACCPA3117G1ZM	MTC/02/2016-17, 10 September 2017																													
2.	11AAICA5591M1ZG (M/s Alembic Pharmaceuticals): ITC availed (₹ 21,49,82,429) was more than the ITC available as per GSTR 2A (₹ 17,52,46,852) by ₹ 3,97,35,577.	GSTR 2A figure did not include import of goods of ₹ 407 lakh and there was reversal of ₹ 14.74 lakh.	<p>(ii) None of the 39 invoices pertaining to wrong filing of GSTR 1 were furnished to Audit.</p> <p>The reply is not acceptable as the ITC availed figure under GSTR 3B (₹ 2149.82 lakh) calculated by Audit did not include the import figure and the reversal figure had already been deducted.</p>																											

Sl. No.	GSTIN: Evaluation	Clarification furnished by CTD (April 2023)	Further audit observation																				
3.	11AAICS4086K1Z6 (M/s Scorpion Containers): ITC availed (₹ 4,17,17,502) was more than the ITC available as per GSTR 2A (₹ 3,68,66,162) by ₹ 48,51,340.	Import of goods of ₹ 68.53 lakh was not included in the GSTR 2A, to support this import invoices with Bill of Entry was furnished to Audit.	The reply is not acceptable because for the calculation of excess ITC by Audit, ITC availed under table 4 (A)(1) (i.e., ITC from import of goods) was not included.																				
4.	11AAMCS4609N1Z3 (M/s STCS): ITC availed (₹ 9,61,92,663) is more than the ITC available as per GSTR 2A (₹ 7,57,72,163) by ₹ 2,04,20,501.	The difference was due to the fact that the invoices were not seen in the GSTR 2A of the taxpayer and it was further intimated that the tax authority had seen all the original invoices.	<p>The reply is not acceptable because to justify the excess ITC only a statement of 440 invoices with total tax amount ₹ 696.27 lakh had been furnished. However out of the 440 invoices, only 166 invoices pertained to the year 2017-18. Remaining 273 invoices pertained to the year 2018-19. Further, only four invoices pertaining to 2017-18 involving tax amount of ₹ 31.60 lakh were attached with the statement. Further cross verification also revealed that the tax liability paid in GSTR 3B was less than the invoices issued in cases of four suppliers as detailed below:</p> <table> <tr> <th>GSTIN of the supplier</th><th>Invoice No and Date</th><th>Tax liability as per invoice</th><th>Tax paid in GSTR 3B of the relevant month(s)</th></tr> <tr> <td>11AEQPH6190G1Z1</td><td>20/17-18, 14-03-2018</td><td>1,02,548</td><td>GSTR 3B not filed</td></tr> <tr> <td>11AECPH6711D2ZA</td><td>1,2,3 & 4 dt. 24-11-2017 2 & 3 dt. 28-2-2018</td><td>3,99,181</td><td>2,55,593</td></tr> <tr> <td>11AHWPN2223K1ZG</td><td>LEJO09/17-18, 16-1-2018 and LE/10/1718 & LE/12/17-18, 2-2-2018</td><td>8,13,600</td><td>GSTR 3B not filed</td></tr> <tr> <td>11AUFPROO85H1ZU</td><td>48 invoices of July 2017 to March 2018 except February 2018</td><td>7,61,782</td><td>GSTR 3B not filed</td></tr> </table>	GSTIN of the supplier	Invoice No and Date	Tax liability as per invoice	Tax paid in GSTR 3B of the relevant month(s)	11AEQPH6190G1Z1	20/17-18, 14-03-2018	1,02,548	GSTR 3B not filed	11AECPH6711D2ZA	1,2,3 & 4 dt. 24-11-2017 2 & 3 dt. 28-2-2018	3,99,181	2,55,593	11AHWPN2223K1ZG	LEJO09/17-18, 16-1-2018 and LE/10/1718 & LE/12/17-18, 2-2-2018	8,13,600	GSTR 3B not filed	11AUFPROO85H1ZU	48 invoices of July 2017 to March 2018 except February 2018	7,61,782	GSTR 3B not filed
GSTIN of the supplier	Invoice No and Date	Tax liability as per invoice	Tax paid in GSTR 3B of the relevant month(s)																				
11AEQPH6190G1Z1	20/17-18, 14-03-2018	1,02,548	GSTR 3B not filed																				
11AECPH6711D2ZA	1,2,3 & 4 dt. 24-11-2017 2 & 3 dt. 28-2-2018	3,99,181	2,55,593																				
11AHWPN2223K1ZG	LEJO09/17-18, 16-1-2018 and LE/10/1718 & LE/12/17-18, 2-2-2018	8,13,600	GSTR 3B not filed																				
11AUFPROO85H1ZU	48 invoices of July 2017 to March 2018 except February 2018	7,61,782	GSTR 3B not filed																				

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Sl. No.	GSTIN: Evaluation	Clarification furnished by CTD (April 2023)	Further audit observation
5.	11CBIPS1024H1Z2 (M/s Vikky Enterprise) : ITC availed (₹ 35,44,224) is more than the ITC available as per GSTR 2A (₹ 22,66,027) by ₹ 12,78,197.	ITC availed was ₹ 28.50 lakh (and not ₹ 35.44 lakh) and GSTR 2A was ₹ 22.67 lakh, hence the excess ITC was ₹ 5.83 lakh (not ₹ 12.78 lakh). It was further stated that the excess ITC of ₹ 5.83 lakh was due to: (i) non-filing of GSTR 1 by the suppliers: ₹ 4.33 lakh and (ii) Reversal of ₹ 1.30 lakh not shown and the balance of ₹ 18,578 had been discharged through DRC 03.	The reply of the CTD is not acceptable as the ITC availed was ₹ 28.50 lakh but the figure of ₹ 6.94 lakh under Table 8C ²⁰⁴ was not considered, which, if included, would total to ₹ 35.44 (28.50 + 6.94 = 35.44) lakh. Moreover, evidence of the reversal of ₹ 1.30 lakh was neither furnished nor found in the State system.

²⁰⁴ ITC on inward supplies (other than imports & inward supplies liable to reverse charge but includes services received from SEZs) received during current year but availed during next year.

Appendix 5.15
Short payment of tax under RCM vs. ITC availed in GSTR-3B/ GSTR-9
(Reference: Paragraph 5.12.6.3 b (ii))

Sl. No.	Taxpayer	GSTIN	ITC availed	Tax paid under RCM	Difference
1	Punj Lloyd	11AAACP0305Q1ZR	56,605	0	56,605
2	Sikkim Agrochem	11AAMCS5267J1Z3	1,66,570 ²⁰⁵	26,986	1,39,584
Total					1,96,189

Appendix 5.16
Unreconciled ITC
(Reference: Paragraph 5.12.6.3 b (iv))

Sl. No.	Taxpayer	GSTIN	ITC claimed as per the financial statements	ITC availed as per GSTR 9	Unreconciled ITC
1	Sikkim Agrochem	11AAMCS5267J1Z3	72,41,231	1,17,27,284	44,86,053
2	Zydus Healthcare	11AAACG1895Q1ZB	39,39,34,847	39,68,13,630	28,78,783
3	SIMFED	11AADAS445IM1ZI	0	4,68,07,238	4,68,07,238
4	STCS	11AAMCS4609N1Z3	0	9,68,91,980	9,68,91,980
Total					15,10,64,054

²⁰⁵ ₹ 149827 (RCM table 6C+D+F of GSTR 9) + ₹ 16743 (as per the taxpayer's reply, this amount of ITC under RCM wrongly taken as ITC under ISD).

Appendix 5.17
Unsettled Liabilities – GSTR 1/9 liabilities vs. Taxes paid (Amount in ₹)
(Reference: Paragraph 5.12.6.3 c (i))

Sl. No.	Name Of Taxpayer	The GSTIN year 2017-18	GSTR-1 Liability including delta value amendments and credit/debit notes (detail workout in Appendix 5.17(a))	GSTR-9 Liability including debit note issued in next year and excluding reverse charge & credit note issued in next year (detail workout in Appendix 5.17 (b))	Greatest of GSTR-1 liability and GSTR-9 liability (excluding RCM)	GSTR-9 payments (excluding RCM as given in GSTR 9 table 4G)	GSTR 3B – Tax paid	Excess of tax liability over Taxes paid detailed in GSTR 9	Excess of tax liability over Taxes paid detailed in GSTR 3B (for cases where GSTR 9 not filed)
	1	2	3	4	5	6	7	8 (=5-6)	9 (=5-7)
1.	Punj Lloyd Ltd	11AAACP0305Q1ZR	2,51,24,582	2,51,24,401	2,51,24,582	2,37,55,803	-	13,68,779	-
2.	Vodafone Mobile Services	11AAACS4457Q1Z3	7,49,51,728	7,48,96,993	7,49,51,728	7,38,14,058	-	11,37,671	-
3.	SIMFED	11AADAS4451M1ZI	4,93,18,252	4,93,04,088	4,93,18,252	4,93,04,088	-	14,164	-
4.	Golden Gaming	11AAICM8044M1ZA	95,35,846	95,35,932	95,35,932	95,29,606	-	6,326	-
5.	STCS	11AAMCS4609N1Z3	9,85,05,248	9,82,28,736	9,85,05,248	9,73,37,575	-	11,67,673	-
6.	Sikkim Agro Chem	11AAMCS5267J1Z3	67,12,024	67,12,032	67,12,032	66,96,830	-	15,202	-
7.	Sikkim Organic	11ABBFS1390P1Z2	5,96,25,564	-	5,96,25,564	-	5,81,91,324	-	14,34,240
8.	Rajeev Electronics	11AUKPM3609H1ZU	49,98,262	-	49,98,262	-	44,25,855	-	5,72,407

Appendix 5.17(a)
Detailed calculation of GSTR 1 Tax liability (Amount in ₹)
(Reference: Paragraph 5.12.6.3 c (i))

Sl. no.	Name of the taxpayer	GSTIN	Sum of all B2B invoices in GSTR-1	Sum of all B2C invoices in GSTR-1	Net increase in Tax liability of invoice due to amendments	Net decrease in Tax liability of invoice due to amendments	Net increase in Tax liability of credit due to amendments	Net decrease in Tax liability of credit due to amendments	GSTR-1 Liability including delta value amendments and credit/ debit notes
	1	2	3	4	5	6	7	8	9 (=3+4+5+6+7+8)
1.	Punj Lloyd Ltd	11AAACP0305Q1ZR	2,37,24,672	0	0	0	13,99,910*	0	2,51,24,582
2.	Vodafone Mobile	11AAACS4457Q1Z3	5,77,25,760	1,36,44,708	28	0	35,83,356*	-2,111*	7,49,51,728
3.	SIMFED	11AADAS4451M1ZI	0	4,93,18,252	0	0	0	0	4,93,18,252
4.	Golden Gaming	11AAICM8044M1ZA	0	95,35,846	0	0	0	0	95,35,846
5.	STCS	11AAMCS4609N1Z3	0	9,85,05,248	0	0	0	0	9,85,05,248
6.	Sikkim Agrochem	11AAMCS5267J1Z3	67,12,024	0	0	0	0	0	67,12,024
7.	Sikkim Organic	11ABBFS1390P1Z2	5,81,91,324	0	0	0	14,34,240*	0	5,96,25,564
8.	Rajeev Electronics	11AUKPM3609H1ZU	35,68,172	14,30,090	0	0	0	0	49,98,262

* The figures mentioned above in columns 7 and 8 were as per the GSTN data in GSTR 1. However, same could not be seen in GSTR 1 of the State system.

Appendix 5.17(b)
GST R 9 Tax liability (Amount in ₹)
(Reference: Paragraph 5.12.6.3 c (i))

Sl. No.	Name of the taxpayer	GSTIN	GSTR 9 table 4 - Tax payable as per state system	GSTR 9 table 10 - Transactions of 2017-18 declared in 2018-19 - Supplies/ tax declared through Amendments (+) (net of debit notes)	GSTR 9 table 11 - Transactions of 2017-18 declared in 2018-19 - Supplies/tax reduced through Amendments (-) (net of credit notes)	GSTR 9 table 14 - Differential tax paid	GSTR 9 table 4G - Tax payable under RCM as per state system	GSTR-9 Liability including debit note issued in next year and excluding reverse charge & credit note issued in next year
	1	2	3	4	5	6	7	8 (=3+4-5+6-7)
1.	Punj Lloyd Ltd	11AAACP0305Q1ZR	2,37,81,096	13,99,910	0	0	56,605	2,51,24,401
2.	Vodafone Mobile	11AAACS4457Q1Z3	8,24,52,145	0	32,499	0	75,22,652	7,48,96,993
3.	SIMFED	11AADAS4451M1ZI	4,93,08,048	0	0	0	3,960	4,93,04,088
4.	Golden Gaming	11AAICM8044M1ZA	97,89,526	0	0	0	2,53,594	95,35,932
5.	STCS	11AAMCS4609N1Z3	9,82,28,737	0	0	0	0	9,82,28,736
6.	Sikkim Agrochem	11AAMCS5267J1Z3	68,61,859	0	0	0	1,49,827	67,12,032
7.	Sikkim Organic	11ABBF51390P1Z2		0	0	0	0	0
8.	Rajeev Electronics	11AUKPM3609H1ZU		0	0	0	0	0

Appendix 5.18(a)
List of unreconciled turnover
(Reference: Paragraph 5.12.6.3 c (ii))

(in ₹)

Sl. No.	Taxpayer	Turnover as per the AFS	Turnover as per GSTR 9	Difference
1	Punj Lloyd (GSTIN - 11AAACP0305Q1ZR)	13,72,15,219	13,71,93,391	-21,828
2	STCS (GSTIN - 11AAMCS4609N1Z3)	60,66,74,027	60,56,17,516	-10,56,511
Total				-10,78,339

Appendix 5.18 (b)
List of unreconciled tax payment
(Reference: Paragraph 5.12.6.3 c (ii))

(in ₹)

Sl. No.	Taxpayer	Tax paid as per the AFS	Tax paid as per GSTR 9	Difference
1	Civil Engineers Enterprises (GSTIN - 11AABCC0354P1ZW)	23,74,62,186	23,74,62,187	-6,77,643
2	STCS (GSTIN - 11AAMCS4609N1Z3)	9,82,28,737	9,73,37,574	-8,91,163
Total				-15,68,806

Appendix 6.1
Audit conducted during 2022-23 under General Sector
(Reference: Paragraph 6.2)

(₹ in lakh)

2022-23						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2018-19	2019-20	2020-21	2021-22	2022-23
1	Addl. CS, Finance	862.68	993.65	729.80	797.32	--
2	Commandant, 1 st IRB Battalion	--	4679.00	5118.00	5590.00	--
3	Commandant, 2 nd IRB Battalion	--	3370.00	3520.00	3453.00	--
4	Commandant, 3rd IRB, Battalion	--	3779.73	2452.65	3486.28	--
5	Commandant, Home Guards	--	314.29	198.92	253.43	--
6	Commissioner, Commercial Tax Division	--	--	--	1091.92	--
7	Deputy Director, NSS, Sports	--	76.40	--	49.30	--
8	DIG/Check Post	--	1861.82	2082.92	2613.14	--
9	Director General of Police	1657.00	--	2735.74	2117.14	--
10	Director, Sikkim Fire Service	--	1383.23	--	1449.70	--
11	Director, State Lotteries	--	--	--	273.36	--
12	District and Session Court, Gyalshing	--	--	--	431.90	--
13	District and Session Court, Mangan	267.02	--	--	304.01	--
14	IGP, Communication	--	1058.49	--	1177.84	--
15	IGP, Training	--	533.95	--	435.98	--
16	Jt. Comnr, Commercial Tax, Jorethang	-	--	--	248.28	--
17	Principal Director, AATI	183.71	--	--	168.95	--
18	Principal Director-Pension, GIS and GPF	524.11	--	--	542.30	--
19	Relief Commissioner, SDRF	8389.00	3481.00	10302.57	8528.79	--
20	Secretary, Department of Personnel	--	--	--	756.42	--
21	Secretary, Land Revenue	6264.00	9279.00	1029.82	1097.18	--
22	Secretary, Legal Service Committee	--	--	--	23.79	--
23	Secretary, Printing and Stationery	--	--	--	1423.84	--
24	Secretary, Raj Bhawan	968.30	--	--	1125.70	--
25	Secretary, Rajya Sainik Board	304.98	297.28	298.05	355.75	--
26	Secretary, Sikkim Legislative Assembly	--	2607.77	--	2577.33	--
27	Secretary, Sports & Youth Affairs	--	3017.48	2999.46	1522.79	--
28	SP, State Central Prison, Namchi	183.53	--	--	333.28	--
29	SP, State Central Prison, Rongyek	498.78	--	--	751.97	--
30	Special Secretary, Land Records Survey	--	--	--	96.04	--
31	Sub-Divisional Magistrate, Chungthang	--	--	--	137.52	--
32	Sub-Divisional Magistrate, Dzongu	--	--	--	31.10	--
33	Sub-Divisional Magistrate, Rongpo	--	--	--	143.80	--
34	Sub-Divisional Magistrate, Yangang	--	--	--	125.41	--
35	Superintendent of Police, Gyalshing				303.97	--
36	Superintendent of Police, Namchi	285.20	--	--	333.28	--
37	SP, Foreign Registration	--	--	--	1.84	--
Total		20388.31	36733.09	31467.93	44153.65	

Appendix 6.2
Deviation from the DPRs
(Reference: Paragraph 6.3.8.3)

Sl. No	Item	Amount (₹ in lakh)		Excess/ less	Nature of irregularities
		As per DPR	As per actual execution		
Development of Tourist Infrastructure at Singhik/Mangan (SD-I)					
1	Construction of traditional eco huts	248.83	309.41	(+) 60.58	Only two log huts were constructed instead of four projected in DPR
2	Construction of Wayside Amenity	215.65	56.42	(-) 159.23	Only ₹ 56.42 lakh incurred out of sanctioned amount of ₹ 215.65 lakh
3	Approach road	7.30	32.43	(-) 25.13	₹ 32.43 lakh incurred against the sanctioned amount of ₹ 7.30 lakh
4	Shifting & Construction of new electrical Power Sub-station at Singhik	0	28.55	(+) 28.55	Not reflected in DPR
5	Car park and Jhora training	0	19.50	(+) 19.50	Not reflected in DPR
Development of TIC at Gyantashi Monastery (SD-II)					
6	Development of yard and protective wall (additional work)	0	28.66	(+) 28.66	Not reflected in DPR
7	Construction of additional gate	0	3.29	(+) 3.29	Not reflected in DPR
8	Restoration of existing Gumpa	0	19.96	(+) 19.96	Not reflected in DPR
Development of Tourist Information Centre TIC at Sat Kanya Kalika Devi Mandir (SD-II)					
9	Car Parking	0	8.88	(+) 8.88	Not reflected in DPR

Appendix 6.3
Status of infrastructure
(Ref: Paragraph 6.3.9)

Leasing out infrastructures					
Sl. No	Destination	Sl. No	Components	Sl. No	Works under component
1	Development of Tourist Infrastructure at Rhenock-Aritar-Rongli, East Sikkim	1	Development of Tourist Infrastructure at Rhenock-Aritar-Rongli, East Sikkim	1	Development of Eco Log Huts at Aritar
2	Development of Tourist Infrastructure at Tsomgo Lake, East Sikkim	1	Development of Tourist Infrastructure at Tsomgo Lake, East Sikkim	2	Development of Souvenir Shops
				3	Construction of Car Park Area
3	Development of Tourist Infrastructure at Gangtok, East Sikkim	1	Development of Tourist Infrastructure Bakthang Falls, East Sikkim	4	Development of Cafeteria cum toilet
				5	Construction of Car Park Area
		1	Ani Gompa, Ranka, East Sikkim	6	Development of Wayside Amenity
		1	Development of Tourist Infrastructure at Gonzang Monastery, East Sikkim	7	Development of Cafeteria cum Public Convenience
				8	Construction of Car Park Area along the North Sikkim Highway
4	Development of Tourist Infrastructure at Dikchu, East Sikkim	1	Development of Tourist Infrastructure at Dikchu, East Sikkim	9	Construction of Wayside Amenity
5	Development of Tourist Infrastructure at Makha, East Sikkim	1	Development of Tourist Infrastructure at Makha, East Sikkim	10	Construction of Traditional Eco Log Huts
6	Development of Tourist infrastructure at Tumin Lingee	1	Development of Tourist Infrastructure at Suntaley	11	Construction of Wayside Amenity
				12	Development of Walkways
7	Development of Wayside Amenity	1	Development of Wayside Amenity Melli, South Sikkim	13	Development of Wayside Amenity at Triveni Mandir, Melli
				14	Construction of Parking Area at Triveni Mandir, Melli
		1	Development of Wayside Amenity at Bermoik, South Sikkim	15	Development of Wayside Amenity at Bermoik, South Sikkim
				16	Construction of Parking Area at Bermoik

Leasing out infrastructures					
Sl. No	Destination	Sl. No	Components	Sl. No	Works under component
		1	Development of Wayside amenity at Sangmoo South Sikkim	17	Development of Wayside amenity at Sangmoo South Sikkim with Late Ganju Lama Victoria Cross Memorial Interpretation centre
				18	Construction of Parking Area at Sangmoo enroute Ravangla
				19	Construction of Approach Road enroute Ravangla
Uses for other purposes of infrastructures					
1	Development of Tourist Infrastructure at Gangtok, East Sikkim	1	Enchey Monastery, East Sikkim	1	Development of Tourist Meditation Centre
				2	Development of Tourist Interpretation Centre
				3	Development of Tourist Information Centre
				4	Development of Log Huts
				5	Construction of Car Park Area
				6	Development of toilet blocks
				7	Construction of Reception Counter
		1	Ani Gompa, Ranka, East Sikkim	8	Development of Interpretation Tower
				9	Development of Walkways
				10	Construction of Approach Road
2	Development of Tourist Infrastructure at Tholung, North Sikkim	1	Development of Tourist Infrastructure at Tholung, North Sikkim	11	Construction of Traditional Eco Log Hut at Tholung Monastery
				12	Development of Walkways
				13	Development of toilet blocks
3	Development of Tourist Infrastructure at Tingvong, North Sikkim	1	Development of Tourist Infrastructure at Tingvong, North Sikkim	14	Construction of wayside amenity
4	Development of Tourist infrastructure at Tumin Lingee	1	Development of Tourist Infrastructure at Guptishwar Dham	15	Construction of Interpretation Centre cum Cafeteria
				16	Construction of view tower
				17	Development of Walkways
				18	Construction of boundary fencing
		1	Development of Tourist Infrastructure at Phegyal Monastery, Payong	19	Construction of interpretation Centre cum souvenir shops
				1	Development of Tourist Infrastructure at Ronkan Fall, Sripong View Point, Leesong Ney Monastery, Namrang Dhunga, Dhan Bari Doodh Pokhari and Maha Bhit
		21	Construction of cafeteria		
		22	Construction of Log Hut		
		23	Construction of Rain shelter cum view point		
		24	Development of Walkways		
25	Construction of Car Park Area				

Leasing out infrastructures					
Sl. No	Destination	Sl. No	Components	Sl. No	Works under component
5	Rangang-Yangang, South Sikkim	1	Development of Tourist Infrastructure at Gvan Tashi Palden Monastery at Yanang	26	Development of Tourist Interpretation Centre including toilets Exhibition Area. Halls. Souvenir Shops etc
				27	Construction of Parking Area
				28	Development of walkways
				29	Construction of Ethnic Reception Gate
		1	Development of Tourist Infrastructure at Sat Kanya Kalika Deri Mandir (Gateway to Baleydunga Skywalk). Upper Yangang	30	Development of Public Facility Block including Souvenir Shops. Cloak Room. Drinking water points. Store. Bhandra Area etc
				31	Construction of Ethnic Reception Gate
Lying idle of infrastructures					
1	Development of Tourist Infrastructure at Rangpo, East Sikkim	1	Development of Tourist Infrastructure at Rangpo, East Sikkim	1	Development of reception cum interpretational centre, Rangpo
				2	Development of recreational facilities at the tourist Lodge, Rangpo
				3	Construction of Approach road
2	Development of Tourist Infrastructure at Rorathang (on the way to Pakyong Green Field Airport)	1	Development of Tourist Infrastructure at Rorathang (on the way to Pakyong Green Field Airport)	4	Construction of Wayside Amenity
3	Development of Tourist Infrastructure at Rhenock-Aritar-Rongli, East Sikkim	1	Development of Tourist Infrastructure at Rhenock-Aritar-Rongli, East Sikkim	5	Development of Adventure Tourism with International Standard Zipline from Hathipailay to Aritat lake
				6	Development of Flower Exhibition cum Interpretation centre at the Flower Valley, Lunchok
				7	Development of Walkways at Lunchok
				8	Construction of Car Park Area at Lunchok
				9	Construction of Approach road at Lunchok
				10	Terracing & Land Development for flower cultivation at Lunchok
4	Development of Tourist Infrastructure at Tsomgo Lake, East Sikkim	1	Development of Tourist Infrastructure at Tsomgo Lake, East Sikkim	11	Development of Walkways
5	Development of Tourist Infrastructure at Gangtok, East Sikkim	1	Zero Point, East Sikkim	12	Development of Craft Haats
				13	Development of toilet blocks
				14	Construction of Car Park Area 2 layers

Leasing out infrastructures					
Sl. No	Destination	Sl. No	Components	Sl. No	Works under component
6	Development of Tourist Infrastructure at Singhik/Mangan, North Sikkim	1	Development of Tourist Infrastructure at Singhik/Mangan, North Sikkim	15	Construction of Wayside Amenity.
				16	Construction of Traditional Eco Log Huts.
				17	Construction of Approach Road
				18	Development of Walkways.
7	Development of tourist Infrastructure at Thangu Valley, North Sikkim	1	Development of tourist Infrastructure at Thangu Valley, North Sikkim	19	Construction of Wayside amenity at Tahngu
				20	Construction of Traditional Eco Log Huts at Thangu Monastery
				21	Construction of Car Park Area
8	Development of Tourist Infrastructure at Lachen, North Sikkim	1	Development of Tourist Infrastructure at Lachen, North Sikkim	22	Construction of Interpretation Centre with Craft & Souvenir Shops
				23	Construction of Tourist Information Centre
				24	Development of Walkways in and around Lachen
				25	Development of trekking trails from Tigoglen to Lugrap
					Construction of car park
9	Development of Tourist Infrastructure at Makha, East Sikkim	1	Development of Tourist Infrastructure at Makha, East Sikkim	26	Construction of cafeteria cum souvenir shops
				27	Construction of Boundary fencing
10	Development of Tourist infrastructure at Tumin Lingee	1	Development of Organic Eco Tourism at Lingee	28	Construction of Reception cum Cafeteria
				29	Construction of Traditional Eco Log Huts
				30	Development of Walkways
				31	Construction of Car Park Area
		1	Development of Tourist Infrastructure at Sapta Kanya Waterfall, Kaw Payong	32	Construction of cafeteria
				33	Construction of seating area cum view point
				34	Development of walkways
				35	Construction of Approach road
		1	Development of Tourist Infrastructure at Purey Waterfall	36	Construction of Rain shelter
				37	Development of Walkways
				38	Construction of Wayside Amenity
		1	Development of Organic Eco Tourism at Lingee	39	Construction of Car Park Area
				40	Construction of Reception cum Cafeteria
				41	Construction of Traditional Eco Log Huts
				43	Development of Walkways
				44	Construction of Car Park Area

Leasing out infrastructures					
Sl. No	Destination	Sl. No	Components	Sl. No	Works under component
11	Lingmoo-Lingee, south Sikkim	1	Development of Paragliding & Archery Infrastructure at Lingmoo-Lingee, South Sikkim	45	Construction of Tourist Facilitation Centre with Cafeteria with toilets. Exhibition Area Permits .Souvenir Corners <i>etc</i>
				46	Development of Common Toilet block for Paragliding & Archery
				47	Development of Paraphernalia Facilities for Paragliding A Archery with Display area, Store. hiring of Equipments <i>etc</i>
				48	Yard Development for Archery. Paragliding landing & Camping Site
				49	Construction of Walkways
				50	Construction of Boundary Fencing
				51	Construction of Ethnic Reception Gate
				52	Construction of Viewing Deck
		2	Development of an Eco Organic Tourism Village at Chowridara, Lingec. South Sikkim	53	Construction of Cafeteria with Ethnic Cuisine Stalls
				54	Development of Cultural cum Heritage Centre
				55	Development of Ethnic log Huts
				56	Construction of Gazebo
				57	Construction of Ethnic Reception Gate
				58	Development of Common Toilet block
				59	Construction of Open Air Theatre
				60	Development of Walkways
12	Rangang-Yangang, South Sikkim	1	Development of Tourist Infrastructure at Lepcha Heritage Centre at Satam, Yangang	63	Development of Lepcha Art & Craft Exhibition cum sale counter
				64	Development of Traditional Food Court
				65	Construction of Parking Area
				66	Development of Walkways
				67	construction of Ethnic Reception Gate
		2	Development of Zipline & Angling Infrastructure at Menglee, Yangang-	68	Development of Cafeteria with Ethnic Cuisine Stalls
				69	Development of Log Huts
				70	Development of Common Toilet Block for Zipline & Angling
				71	Development of Paraphernalia facilities for Zipline & Angling including Station Towers .Changing Room Equipment on Hire Stalls. First Aid Store <i>etc</i>
				72	Construction of Approach & Service road
				73	construction of Ethnic Reception Gate
				74	Development of Riverside Promenade Walkways/Angling Deck
				75	Construction of boundary fencing

Leasing out infrastructures					
Sl. No	Destination	Sl. No	Components	Sl. No	Works under component
		1	Development of Wayside Amenity at Tinkitam, South Sikkim	76	Development of Wayside Amenity at Tinkitam, South Sikkim with Faranium orchid interpretation centre
				77	Construction of Parking area at Tinkitam, South Sikkim enroute Ravangla-Temi

Total Destinations: 16 (SD-I : 13 and SD-II : 03)

Total Components: 35 (SD-I : 24 and SD-II: 11)

Total infrastructure created: 127 (SD-I:77 and SD-II : 50)

Appendix 6.4
Tourist infrastructures constructed either on the land of Monastery or temple
(Reference: Paragraph 6.3.9.1)

Sl. No	Name of work	Cost of infrastructure (₹ in crore)
1	Development of Tourist Infrastructure at Gangtok (Enchey)	10.09
2	Development of Cafeteria cum Public Convenience at Gonzang Monastery	0.90
3	Development of Interpretation Tower and wayside amenities at Ani Gonpa, Ranka, East Sikkim	1.67
4	Development of Tourist Infrastructure at Tholung Monastery, North Sikkim	3.98
5	Construction of Nature Interpretation centre and log huts under Development of Tourist Infrastructure at Namrang Dhunga Dhanbari (Mandir) and Development of Tourist Infrastructure at Sripong (Monastery)	1.64
6	Development of Tourist Infrastructure at Guptishwar Dham (Mandir)	1.15
7	Development of Tourist Infrastructure at Sat Kanya Kalika/devi Mandir (Mandir)	1.88
8	Development of Tourist Infrastructure at Phegyal monastery (monastery)	1.43
9	Development of Tourist Infrastructure at Gyan Tashi Palden Monastery (monastery)	2.83
Total		25.57

Appendix 6.5
Delayed award of works
(Reference: Paragraph 6.3.9.2)

Sl. No	Name of component	Date of sanction	Due date of award of tender	Actual date of award of work order	Delay in awarding the work (days)	Reasons for delay in awarding work
SD-I						
1	Development of Infrastructure at Lachen, North Sikkim	30.06.2015	30.09.2015	11.05.2016	221	Tender conducted at GPU level on 19.01.2016.
2	Development of Infrastructure at Thangu, North Sikkim	30.06.2015	30.09.2015	11.05.2016	221	Tender conducted at GPU level on 29.01.2016.
3	Development of Infrastructure at Tholung Monastery, North Sikkim	30.06.2015	30.09.2015	21.06.2016	264	Time consumed in getting approval and sanction of the cabinet, package formation and tendering process, post tendering negotiation, getting approval and awarding the work.
4	Development of Tourist Infrastructure at Gangtok	30.06.2015	30.09.2015	24.11.2016	419	
5	Development of Tourist Infrastructure at Tumin Lingee, South Sikkim	30.06.2015	30.09.2015	6.04.2016	188	Tender conducted at GPU level on 28.01.2016.
6	Development of Tourist Infrastructure at Rorathang	30.06.2015	30.09.2015	04.05.2016	218	Tender conducted at GPU level on 15.03.2016.
7	Development of Tourist Infrastructure at Rangpo	30.06.2015	30.09.2015	25.05.2016	237	Tender was carried out at GPU level on 19.04.2016.
8	Development of Tourist Infrastructure at Makha	30.06.2015	30.09.2015	12.04.2016	194	Tender open only on 06.04.2016.
9	Development of Tourist Infrastructure at Rhenock-Rongli-Aritar	30.06.2015	30.09.2015	17.02.2016	139	Two components were tendered separately at GPU level at Rhenock and Aritar and tender concluded only on 21.01.2016.

Sl. No	Name of component	Date of sanction	Due date of award of tender	Actual date of award of work order	Delay in awarding the work (days)	Reasons for delay in awarding work
10	Development of Tourist Infrastructure at Dikchu	30.06.2015	30.09.2015	27.02.2016	149	Tender was carried out at GPU level on 13.02.2016.
11	Development of Tourist Infrastructure at Singhik	30.06.2015	30.09.2015	21.06.2016	263	Tender was carried out at GPU level on 30.05.2016.
12	Construction of Meditation Center-cum-community Centre at Tingvong	30.06.2015	30.09.2015	20.07.2016	293	Work transferred to GPU for conduction of tendering the work, and GPU informed to department for successful conduction of tender on 7.7.2016.
13	Development of Tourist Infrastructure at Tsongmo	30.06.2015	30.09.2015	17.03.2016	169	Tender was carried out at GPU level on 17.03.2016.
	SD-II					
1	Development of Eco Organic Tourism Village at Chowridara, Lingee,	16.09.2016	16.12.2016	10.03.2017	90	Time consumed in getting approval and sanction of the cabinet, package formation and tendering process, post tender negotiation and getting approval and awarding the work.
2	Development of Paragliding & Archery Infrastructure at Nalipong Dara, Lingmo-Lingee,	16.09.2016	16.12.2016	10.03.2017	90	
3	Development of Zipline and Angling Infrastructure at Menglee, Yangang	16.09.2016	16.12.2016	31.08.2017	243	Time consumed in getting approval and sanction of the cabinet, package formation and tendering process, post tender negotiation and getting approval and awarding the work.
4	Development of Tourist Infrastructure at Lepcha Heritage Centre at Satam, Yangang	16.09.2016	16.12.2016	31.08.2017	243	

Sl. No	Name of component	Date of sanction	Due date of award of tender	Actual date of award of work order	Delay in awarding the work (days)	Reasons for delay in awarding work
5	Development of Tourist Infrastructure at Sat Kanya Kalika /devi Mandir, Upper Yangang	16.09.2016	16.12.2016	18.07.2017	212	Time consumed in getting approval and sanction of the cabinet, package formation and tendering process, post tender negotiation and getting approval and awarding the work.
6	Development around Yangang, lake at Yangang	16.09.2016	16.12.2016	18.07.2017	212	
7	Development of Tourist Infrastructure at Gyan Tashi Palden Monastery	16.09.2016	16.12.2016	18.07.2017	212	Time consumed in getting approval and sanction of the cabinet, package formation and tendering process, post tender negotiation and getting approval and awarding the work.
8	Development of wayside amenities	16.09.2016	16.12.2016	18.07.2017	212	

Appendix 6.6
Delay in completion of work
(Reference: Paragraph 6.3.9.3)

Sl. No	Name of the destination	Date of commencement	Due date of completion	Actual date of completion	Delayed by	Reason for delay
1	Development of Tourist Infrastructure at Rangpo, East Sikkim	25.04.16	24.04.2018	30.09.2019	1 year 5 months	Due to frequent VIP movement at one guest house one work could not completed on time.
2	Development of Tourist Infrastructure at Rorathang (on the way to Pakyong Green Field Airport)	25.04.2016	24.04.2016	30.09.2019	1 year 5 months	Due to heavy rainfall during one monsoon and due to widening of road by NHIDCL.
3	Development of Tourist Infrastructure at Rhenock-Aritar-Rongli, East Sikkim	22.02.2016	21.02.2018	04.06.2019	1 year 4 months	Due to heavy monsoon rainfall and blockage of road.
4	Development of Tourist Infrastructure at Tsomgo Lake, East Sikkim	20.05.2016	19.05.2018	31.07.2019	1 year 2 months	Prolonged snow coverage and road blockages work could not be completed in time.
5	Development of Tourist Infrastructure at Gangtok	20.12.2016	20.12.2018	14.11.2019	11 months	Due to interference of land owner as he has not received compensation of land from department.
6	Development of Tourist Infrastructure at Singhik/ Mangan, North	28.06.2016	27.12.2017	27.11.2019	1 year 10 months	Due to non-availability of stock materials and road blockage.
7	Development of Tourist Infrastructure at Lachen, North Sikkim	26.05.2016	24.11.2017	22.10.2018	11 months	Due to road blockage and connectivity issues.
8	Development of tourist Infrastructure at Thangu Valley, North Sikkim	23.05. 2016	22.08.2017	22.02.2018	6 months	Due to blockage of road due to snowfall work was delayed.

Sl. No	Name of the destination	Date of commencement	Due date of completion	Actual date of completion	Delayed by	Reason for delay
9	Development of Tourist Infrastructure at Tholung, North Sikkim	19.08.2016	18.02.2018	31.12.2018	10 months	Due to prolonged snow coverage work was delayed.
10	Development of Tourist Infrastructure at Tingvong, North Sikkim	27.07.2016	26.08.2018	31.12.2019	4 months	Due to blockage of road.
11	Development of Tourist Infrastructure at Makha , East Sikkim	26.04.2016	25.10.2017	26.09.2019	1 year 9 months	Due to non-availability of stock material getting hampered in work and work could not completed in time due to natural calamities of road.
12	Development of Tourist infrastructure at Tumin Lingee	24.02.2016	24.03.2018	15.03.2019	11 months	Delay in obtaining the NOC from Forest Department.
13	Development of Tourist Infrastructure at Dikchu, East Sikkim	05.03.2016	04.03.2018	22.09.2018	6 months	Due to rainy season carpeting work was not completed.
14	Development of Eco Organic Tourism Village at Chowridara, Lingee,	10.03.2017	10.03.2019	06.10.2021	1 year 7 months	Due to extended monsoon during the working period blockage of road prolonged. Also due to Covid-19 lockdown.
15	Development of Paragliding & Archery Infrastructure at Nalipong Dara, Lingmo-Lingee,	10.03.2017	10.03.2019	06.10.2021	2 years 7 months	Due to extended monsoon during the working period blockage of road prolonged. Also due to Covid-19 lockdown.
16	Development of Zipline and Angling Infrastructure at Menglee, Yangang	31.08.2017	31.12.2018	28.02.2022	3 years 1 month	The reason for delay was Covid -19 which affect the shortage of labour.

Sl. No	Name of the destination	Date of commencement	Due date of completion	Actual date of completion	Delayed by	Reason for delay
17	Development of Tourist Infrastructure at Lepcha Heritage Centre at Satam, Yangang	31.08.2017	31.12.2018	28.02.2022	3 years 1 month	The reason for delay was Covid -19 which affect the shortage of labour.
18	Development of Tourist Infrastructure at Sat Kanya Kalika /devi Mandir, Upper Yangang	18.07.2017	18.10.2018	31.01.2022	2 years 3 months	Due to prolonged monsoon during the working period and also the flash flood that occurred the work was hampered. It also lead to non-availability of stock materials.
19	Development around Yangang, lake at Yangang	18.07.2017	18.10.2018	31.01.2022	2 years 3 months	Due to prolonged monsoon during the working period and also the flash flood that occurred the work was hampered. It also lead to non-availability of stock materials.
20	Development of Tourist Infrastructure at Gyan Tashi Palden Monastery	18.07.2017	18.10.2018	31.01.2022	2 years 3 months	Due to flash flood at Yangang during the working period blockage of road prolonged.
21	Development of wayside amenity	18.07.2017	18.10.2018	31.01.2022	2 years 3 months	Due to non-availability of stock materials and road blockage.

Appendix 6.7
Storage charges deductible on self-procurement
(Reference: Paragraph 6.3.9.8)

Swadesh Darshan I					
Name of item	Store procured	Issue/self- procured	Quantity	Value (₹ in crore)	Storage charge to be deducted @ five per cent
Cement	Store		36071 Bags	1.32	0.07
TMT Bars	Store		159.95 MT	0.71	0.04
Cement	Self-procured		71013 bags	1.83	0.09
TMT Bars	Self-procured		359.59 MT	1.24	0.06
Swadesh Darshan II					
Cement	Store		41270 bags	1.79	0.09
TMT Bars	Store		374.23 MT	2.29	0.11
Cement	Self-procured		92033 bags	3.38	0.17
TMT Bars	Self-procured		410.76 MT	2.07	0.10
Total				14.63	0.73

Appendix 6.8
Irregular grant of mobilization advances
(Reference: Paragraph 6.3.9.8)

Sl. No	Name of Contractor	Name of Component	Date of payment	Amount (in ₹)
1	Mr Khem Raj Koirala	Development of Tourist Infrastructure at Lessang Ley Siripang Kaw Payang under Tumin Lingee	31.03.2016	9704850
2	Mr Nischal Sharma	Development of Tourist Infrastructure at Phagya Monastery and Puray at Tumin Lingee	31.03.2016	3234329
3	Mr Churamani Adhikari	Development of Tourist infrastructure at Guptishwar Dham Saptya Kanya at Tumin Lingee constituency	31.03.2016	9795142
4	Mr Sonam Topden Bhutia	Development of Tourist infrastructure at Gangtok, East Sikkim (Enchey Monastery and Zero point)	31.03.2016	17948400
5	Mr Susang Lepcha	Development of Infrastructure at Namrang Dhunga in East Sikkim	13.06.2016	5476140
6	Mr Parash Nepal	Development of Tourist Infrastructure at Makha, East Sikkim	29.07.2016	5560335
7	M/S Aritar 'B' Educated Unemployed Cooperative Society	Construction of 1Nos of Eco log Huts & Staff Accommodation under development of Tourist Infrastructure at Rhenock, Aritar East Sikkim	07.10.2016	5925144
8	Sh. Bimal Rai	Development of Helen Lepcha (Sawitri Devi) Memmorial at Assangthang	22.07.2017	6318150
9	Sh. Suman Gurung	Development of Tourist Infrastructure at World famous Singalila pass Ribdi Okharey in West	22.07.2017	8066250
10	Sh. Mingma Sherpa	Dev. Of tourist infrastructure at Angden Monastery, Sombaria and Ahley Dara	04.08.2017	6064800
11	Sh. Kishore Deokota	Development of Tourist Infrastructure at Katterbhotay and Sungfu waterfall in West Sikkim	29.08.2017	5355300
12	Sh. Manoj Kumar Agarawal	Development of paragliding and archery infrastructure at Nalipong Dara Lingmo-Lingee and Eco organic Tourism village at Chawridara	21.11.2017	20673724
13	Sh. Divashkar Bista	Development of Tea tourism at Temi, South Sikkim	15.01.2018	5767500
14	Sh. Nar Bahadur Pradhan	Development of paragliding & Tarey bhir & wayside Amenity at Melli, South Sikkim	03.05.2018	5716650
Total				115606714

Appendix 6.9
Details of Restoration and Maintenance expenditure
on various Component under SD
(Reference: Paragraph 6.3.10.3)

Sl No.	Bill/Vr. No/ Date	Name of Component	Amount (in ₹)
1	25/26.11.21	Development of Tourist Infrastructure, Rangpo	63295
2	17/26.11.21	Development of Tourist Infrastructure, Rorathang	63764
3	15/26.11.21	Development of Tourist Infrastructure, Rorathang	289100
4	23/26.11.21	Development of Tourist Infrastructure, Zero Point	206500
5	21/26.11.21	Development of Tourist Infrastructure, Lungchok	111561
6	13/26.11.21	Development of Tourist Infrastructure, Aritar	394274
7	19/26.11.21	Development of Tourist Infrastructure, Enchey	330400
8	28/26.11.21	Development of Tourist Infrastructure, Tsongmo	199800
9	16/26.11.21	Development of Tourist Infrastructure, Ani Gumpa	270900
10	20/26.11.21	Development of Tourist Infrastructure, Rorathang	469300
11	22/26.11.21	Development of Tourist Infrastructure, Lungchok	666600
12	24/26.11.21	Development of Tourist Infrastructure, Zero Point	373700
13	17/26.11.21	Development of Tourist Infrastructure, Dikchu	299700
14	18/26.11.21	Development of Tourist Infrastructure, Rorathang	135600
15	17/26.11.21	Development of Tourist Infrastructure, Aritar 464800	
16	26/26.11.21	Development of Tourist Infrastructure, Rangpo	186400
17	29/26.11.21	Development of Tourist Infrastructure, Namrang Dhunga & Dhanbari	419700
18	30/26.11.21	Development of Tourist Infrastructure, Makha	449700
19	27/26.11.21	Development of Tourist Infrastructure, Bakthang falls	199700
Total			5594794

Appendix 6.10
Details of inadmissible expenditure
(Reference: Paragraph 6.3.10.5)

Sl No	Name of Component	Items	Amount (₹ in lakh)
1	Development of tourist infrastructure at Rangpo, East Sikkim	Sony LED Smart Andriod TV (55 inch)	1.04
		Sofa set Damro	2.40
		Centre Table standard	0.75
		Side Table standard	0.48
2	Construction of traditional Eco Log Hut-I at Singhik, North Sikkim	Furniture & Furnishing	5.99
		Shifting & Construction of new electrical Power Sub-station at Singhik	28.55
		Jhora training work at Singhik	9.65
3	Development of wayside amenity, Sangmoo, South Sikkim	Furniture (including GST)	5.74
4	Construction of Approach road, sangmoo	Garden bench and dustbin	1.48
5	Development of Tourist infrastructure around Yangang Lake	External water supply system (5 th RA)	2.43
		Garden Chair & dustbin	1.89
6	Development of Tourist infrastructure at Suntaley	External water Supply	8.44
		Extension of 11 KV line & installation of 25 KVA Sub-station at Suntaley	4.48
7	Development of Tourist infrastructure at Guptishwar Dham	Mandir illumination and installation of 25 KVA Sub-station at Guptishwar Dham	5.05
Total			78.37

Appendix 6.11
Construction of Approach Roads
(Reference: Paragraph 6.3.10.5)

Sl No	Name of component	Name of subcomponent	Amount (in lakh)
1	Development of Tourist Infrastructure at Rangpo	Construction of approach road at Rangpo	10.48
2	Development of Tourist Infrastructure at Rhenock-Aritar-Rongli	Construction of approach road at Lunchok	75.92
3	Ani Gumpa, Ranka, East Sikkim	Construction of approach road	42.44
4	Development of Tourist Infrastructure at Singhik/Mangan, North Sikkim	Construction of approach road	32.43
5	Development of Tourist Infrastructure at Sapta Kanya, Waterfall, Kaw paying	Construction of approach road	161.42
6	Development of Tourist Infrastructure at Dikchu	Construction of approach road	14.14
7	Development of Eco Tourism Village at Chowridara	Construction of approach road	166.15
8	Development of Zipling & Agling Infrastructure at Menglee	Construction of approach road	76.05
9	Development of wayside Amenity at Sangmoo	Construction of approach road	46.53
Total			625.56

Appendix 6.12
Detailed of Diversion of fund
(Reference: Paragraph 6.3.10.6)

Sl. No	Particulars	Amount (₹ in lakh)
1	Payment to Maark picture for the 1st and final bill for the work 'design and fabrication and installation of signages for the SD-I	22.60
2	Payment to SAI production for the 1st and final bill for the work 'design and fabrication and installation of signages for the SD-I	19.31
Total		41.91

Appendix 6.13
Irregular utilization of fund provided for wi-fi connection at tourist destinations
(Reference: Paragraph 6.3.10.7)

Sl. No.	Name of items	Amount (₹ in lakh)
1	Dedicated Internet Connection (Optical fibre) from NIC to Paryatan Bhawan, Gangtok	2.32
2	Wi-Fi connection at Paryatan Bhawan, Gangtok	8.24
3	Wi-Fi internet connection at TIC's Permit Cell and Paryatan Bhawan	0.64
4	Desktop Computer	2.83
5	Laptop	2.60
6	Photocopy Machine	0.65
7	Printer	1.18
8	Computer accessories	2.19
Total		20.65

Appendix 7.1
Receipts and Expenditure by four ULBs during 2018-23
(Reference: Paragraph 7.3.10.1)

(₹ in lakh)

Name of the ULB	Sources of Fund	2018-19		2019-20		2020-21		2021-22		2022-23	
		R	E	R	E	R	E	R	E	R	E
GMC	MF	1,339.65	1,130.81	1,231.84	1,568.76	1,155.78	1,155.20	884.62	940.23	1,785.71	1,461.69
	4th SFC	324.17	324.17	48.92	48.92	405.97	405.97	-	-	-	
	14 FC	2,247.17	2,116.32	1,478.86	1,489.18	1,150.24	1,651.63	842.68	954.85	314.82	318.16
	SBM	0.08	1.04	0.05	1.85	46.89	-	-	0.22	108.21	107.54
	5th SFC	-	-	-	-	220.35	-	570.62	790.97	388.37	388.37
	15th FC	-	-	-	-	686.51	684.35	383.40	233.04	1,023.92	913.17
GyNP	MF	51.78	48.08	56.45	60.57	63.42	60.29	26.66	29.51	26.11	26.39
	4th SFC	53.05	44.78	5.77	12.77	23.15	25.48	-	-		
	14 FC	29.56	39.83	22.24	15.9	39.71	19.71	0.88	28.00	6.02	7.67
	SBM	3.74	3.36	0.04	0	5.28	0	2.55	6.59	26.99	1.19
	5th SFC	-	-	-	-	-	-	71.64	40.56	81.44	61.79
	15th FC	-	-	-	-	27.45	13.65	0.37	6.24	62.55	23.83
MNP	MF	88.27	117.08	168.39	58.04	53.61	129.94	64.59	24.3	66.18	66.36
	4th SFC	32.92	28.68	25.41	33.32	68.82	68.72	-	-	-	-
	14 FC	42.03	9.66	23.99	30.69	41.21	34.54	0.44	36.55	-	-
	SBM	0.06	0.9	0.02	0.74	2.49	0.25	2.53	3.27	22.65	13.88
	5th SFC	-	-	-	-	-	-	84.59	77.35	150.47	106.47
	15th FC					31.8	28.54	0.07	3.31	80.74	75.64
NJNP	14th FC	75.61	72.37	42.77	29.09	74	62.12	0.91	38.96	3.67	15.92
	15th FC					61.77	61.66	94.36	6.69	91.56	164.9
	SBM Fund	0.57	4.8	0.01	0.17	15.93	0.5	3.5	8.87	37.94	18.3
	SFC	162.92	150.88	101.32	126.64	162.08	158.83	82.64	87.94	220.12	150.7
	MF	70.53	65.21	72.76	78.24	46.88	46.28	70.76	69.88	111.7	113.08

Source: Information furnished by ULBs

Appendix 7.2

List of 18 functions to be devolved to ULBs as per 12th Schedule of the Constitution
(Reference: Paragraph 7.4.1)

SI	Functions
1	Urban planning including town planning.
2	Regulation of land use and construction of buildings.
3	Planning for economic and social development.
4	Roads and bridges
5	Water supply for domestic, industrial and commercial purposes.
6	Public health sanitation, conservancy and solid waste management.
7	Fire services
8	Urban forestry protection of the environment and promotion of ecological aspects.
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10	Slum improvement and upgradation.
11	Urban poverty alleviation.
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13	Promotion of cultural, educational and aesthetic aspects.
14	Burials and burial grounds, cremations, cremation grounds and electric crematoriums.
15	Cattle pounds, prevention of cruelty to animals.
16	Vital statistics including registration of births and deaths.
17	Public amenities including street lighting, parking lots, bus stops and public conveniences.
18	Regulation of slaughter houses and tanneries.

Appendix 7.3
List of provisions in Articles 243Q to 243ZG incorporated by the State
Government in SMA
(Reference: Paragraph 7.4.4)

Sl. No.	Provision of Constitution of India	Requirement as per provision of Constitution of India	Provision of State Act/ Acts
1	Article 243Q	Constitution of Municipalities: It provides for constitution of three types of municipalities namely a Nagar Panchayat for transitional area, a Municipal Council for a smaller urban area and a Municipal Corporation for a larger urban area.	Section 3 of SMA
2	Article 243R	Composition of Municipalities: All the seats in a Municipality shall be filled by direct elections and by persons with special knowledge in municipal administration nominated by Government. The Legislature of a State may by law, provide for representation to the Municipality Members of Parliament and Legislative Assembly whose constituencies lie within the municipal area and Members of the council of State and State Legislative Council who are registered as electors within the city.	Section 13 of SMA
3	Article 243S	Constitution and composition of Wards Committee: This provides for constitution of Wards Committees in all municipalities with a population of 3 lakh or more	Section 26 of SMA
4	Article 243T	Reservation of seats: The seats to be reserved for SC/ST, women and Backward classes for direct election.	Section 15 of SMA
5	Article 243U	Duration of Municipalities: The municipality has a fixed tenure of 5 years from the date of its first meeting and re-election to be held within the six months of end of tenure	Section 17 of SMA
6	Article 243V	Disqualifications for membership: A Person shall be disqualified for a member of a Municipality- <ul style="list-style-type: none"> • If he is so disqualified by or under any law for the time being in force for the purposes of elections of the Legislature of the State concerned. • If he is so disqualified by or under any law made by the Legislature of the State. 	Section 18 of SMA
7	Article 243W	Powers, authority and responsibilities of the Municipalities: All municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of self-government. The State Government shall entrust with such powers and authority to enable them to carry out the responsibilities in relation to the 12 th Schedule.	Section 21 of SMA

Sl. No.	Provision of Constitution of India	Requirement as per provision of Constitution of India	Provision of State Act/ Acts
8	Article 243X	Power to impose taxes by, and funds of the Municipalities: <ul style="list-style-type: none"> Municipalities would be empowered to levy and collect the taxes, fees, duties <i>etc.</i>, Grant-in-aid would be given to the Municipalities from the State Constitution of funds for crediting and withdrawal of moneys by the Municipality 	<ul style="list-style-type: none"> Section 89 (2) of SMA states that State Government may give direction from time to time to levy and collect taxes, fees, duties <i>etc.</i> Grants in aid Funds
9	Article 243Y read with Article 243I	Finance Commission: State Government shall constitute Finance Commission for <ul style="list-style-type: none"> Review the financial position of the Municipalities and taking such steps that help in boosting the financial condition of the Municipal bodies Distributing between the state and the Municipalities of the net proceeds of the taxes, fees, tolls and duties that are charged by the State Government. Allotting the funds to the municipal bodies in the state from the consolidated fund of the State. 	Section 88 of SMA
10	Article 243Z	Audit of accounts of Municipalities: This provides provision for maintenance of accounts by the Municipalities and the auditing of such accounts.	Section 60(2) of SMA
11	Article 243ZA read with Article 243K	Elections to the Municipalities: The Superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the State Election Commission (SEC)	Section 14 of SMA
12	Article 243 ZD	Committee for District Planning: <ul style="list-style-type: none"> Constitution of District Planning Committee at district level. Composition of District Planning Committee. Preparation of draft development plan and forwarded to the Government. 	Section 127 of Sikkim Panchayat Act 1993. The DPC was however assigned the role of Consolidating the planned proposal of ULBs also into District Development Plans.
13	Article 243ZE of Constitution of India	Committee for Metropolitan Planning: Provision for constitution of Metropolitan Planning Committee (MPC) in every Metropolitan area with a population of 10 lakh or more.	Not applicable as there are not metropolitan of area with the population of 10 lakh or more.

Source: Information furnished by UDD, Government of Sikkim

Appendix 7.4
Statement showing functions to be transferred to ULBs
and actually transferred to ULBs
(Reference: Paragraph 7.4.4)

Sl. No.	Name of Subjects / Functions listed in 12 th Schedule	Gangtok Municipal Corporation	Namchi Municipal Council	Naya Bazar – Jorethang Municipal Council	Geyzing Municipal Council	Singtam Nagar Panchayat	Rangpo Nagar Panchayat	Mangan Nagar Panchayat
1	Urban Planning including town planning	Only regulation of building construction and approval of BPP.	×	×	×	×	×	×
2	Regulation of land-use and construction of building	×	×	×	×	×	×	×
3	Planning for economic development and social development	×	×	×	×	×	×	×
4	Roads and Bridge	×	×	×	×	×	×	×
5	Water supply for domestic, industrial and commercial purpose	×	×	×	×	×	×	×
6	Public health, sanitation conservancy and solid waste management	Only solid waste management						
7	Fire Service	×	×	×	×	×	×	×
8	Urban forestry protection of the environment and promotion of ecological aspects	×	×	×	×	×	×	×
9	Safeguarding the interests of the weaker section of the society, including the handicapped and the mentally retarded	×	×	×	×	×	×	×

Sl. No.	Name of Subjects / Functions listed in 12 th Schedule	Gangtok Municipal Corporation	Namchi Municipal Council	Naya Bazar – Jorethang Municipal Council	Geyzing Municipal Council	Singtam Nagar Panchayat	Rangpo Nagar Panchayat	Mangan Nagar Panchayat
10	Slum improvement and up-gradation	×	×	×	×	×	×	×
11	Urban poverty alleviation	Transferred	Transferred	Transferred	Transferred	Transferred	Transferred	Transferred
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Parks and Gardens only	Parks and Gardens only	Parks and Gardens only	Parks and Gardens only	Parks and Gardens only	Parks and Gardens only	Parks and Gardens only
13	Promotion of culture, educational and aesthetic aspects	×	×	×	×	×	×	×
14	Burials, burial grounds; cremations, cremation grounds and electric crematoriums	×	×	×	×	×	×	×
15	Cattle pounds, prevention of cruelty to animals	×	×	×	×	×	×	×
16	Vital statistics including registration of births and deaths	Transferred	×	×	×	×	×	×
17	Public amenities including street lighting, parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	×	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences
18	Regulation of slaughter houses and tanneries	×	×	×	×	×	×	Transferred
Total		6	×	4	4	4	4	5

Source: Information furnished by the ULBs

Appendix 7.5

List of functions/activities implemented by government departments instead of ULBs (Reference: Paragraph 7.4.4.1)

Sl.	Functions as per CAA / 12 th Schedule	Activities as per CAA / 12 th Schedule	Authorities discharging the function	Remarks
1	Urban planning including town planning	Master Planning/ Development Plans/Zonal Plans	Urban Development Department (UDHD)	Master plan prepared by UDD
		Enforcing master planning regulations		
		Enforcing building bye-laws and licenses	ULBs	
		Group Housing Development of Industrial areas	State Housing & Development Board, Industries Department	
2	Regulation of land-use and construction of buildings	Regulating land use	Land Revenue Department	Land conversion from agriculture to non-agriculture, granting of land to various purposes is done by Land Revenue Department
		Approving building plans	UDD and ULBs	UDD - Verification of land conversion, Layout / individual plot approval and technical opinion in respect of building licenses such as setbacks as per zonal regulations, FAR etc. ULBs - Issue of building licenses, renewal of building licenses, ensuring building bye-laws are not violated
		Demolishing illegal buildings	UDD	-
3	Planning for economic and social development	Program implementation for economic activities	Social Welfare Department and UDD	UDD - Implementation of Welfare schemes (comprises of Housing, Employment, Health, Education and Basic necessities) such as SC/ST, other poor and Physically challenged persons.
		Policies for social development		

Sl.	Functions as per CAA / 12 th Schedule	Activities as per CAA / 12 th Schedule	Authorities discharging the function	Remarks
				Social Welfare Department - Safeguarding welfare of SC/ST and other weaker sections of the population, implementation of various programmes and schemes for the upliftment of SC/ST for their socio-economic and educational advancement, implementation of SCP and TSP schemes, various scholarships and maintenance of hostels.
4	Roads and bridges	Construction and maintenance of roads	UDD, Public Works Department	
		Construction and maintenance of bridges, drains, flyovers and footpaths	UDD and National Highway Authority	
5	Water supply for domestic, industrial and commercial purposes	Distribution of water	Public Health and Engineering Department	Public Health & Engineering Department, Government of Sikkim do all the activities.
		Providing connections	PHED	
		Operation & Maintenance (O&M)		
		Collection of charges		
6	Public health, sanitation conservancy and solid waste management.	Maintaining hospitals, dispensaries	Health, UDD and ULBs	Health Department - Public Health Services. Implementation and monitoring of various National and State Health Programmes, maintenance of hospitals/ dispensaries, Health Care services such as immunisation/ vaccination, control of contagious diseases and registration of births and deaths UDD do solid waste management except garbage disposal ULBs - do registration of births and deaths and Garbage disposal and control and supervision of public markets.
		Immunisation/Vaccination		
		Registration of births and deaths		
		Cleaning and disinfection of localities affected by infectious disease		
		Solid-waste management		
		Control and supervision of public markets Trade Licenses		

Sl.	Functions as per CAA / 12 th Schedule	Activities as per CAA / 12 th Schedule	Authorities discharging the function	Remarks
7	Fire services	Establishing and maintaining fire brigades	State Fire and Emergency Services	Fire Department
		Providing fire NOC / approval certificate in respect of high rise buildings		
8	Urban forestry, protection of the environment and promotion of ecological aspects.	Afforestation	Forest Department	Forest Department
		Greenification		
		Awareness drives		
		Protection of the environment and promotion of ecological aspects		
		Maintenance of natural resources like water bodies <i>etc.</i>	ULBs and Forest Department	
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Identifying beneficiaries	Social Welfare Department	
		Providing tools/benefits such as tricycles	Social Welfare Department	
		Housing programs	SHDB	
		Scholarships	Social Welfare Department and Education Department	
10	Slum improvement and upgradation	Identifying beneficiaries	UDD	
		Affordable Housing		
		Upgradation		
11	Urban poverty alleviation	Identifying beneficiaries	UDD	ULBs– Welfare schemes through SFC and own funds Department - Central and State Government schemes
		Livelihood and employment		
		Street vendors	ULBs	
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Creation of parks and gardens	ULBs and UDD	ULBs - O & M of parks, gardens, playgrounds, installation of play and gymnasium equipment in parks.
		Operation and Maintenance		

Sl.	Functions as per CAA / 12 th Schedule	Activities as per CAA / 12 th Schedule	Authorities discharging the function	Remarks
				UDD – Not doing any work towards reservation of not less than 15 <i>per cent</i> of the total area of the layout for public parks and play grounds and an additional area of not less than 10 <i>per cent</i> of the total area of the layout for civic amenities at the time of approval of residential layouts.
13	Promotion of cultural, educational and aesthetic aspects.	Schools and education	Education Department	Education department do activities related with education
		Fairs and festivals	ULBs and Culture Department	ULBs do organize fairs
		Cultural buildings / institutions		Culture Department do organize festivals
		Heritage	Eccelestical Department	
		Public space beautification	ULBs and UDD	
14	Burials and burial grounds; cremations, cremation grounds	Construction and O&M of crematoriums and burial grounds and electric crematoriums.	ULBs	
15	Cattle pounds; prevention of cruelty to animals	Catching and keeping strays	Animal Husbandry Department	-
		Sterilisation and anti-rabies	-do-	
		Ensuring animal safety	-do	
16	Vital statistics including birth and death registration	Coordinating with hospitals / crematoriums <i>etc.</i> for obtaining information	ULBs and Health and Family Welfare Department	Both ULB and the Department are maintaining database of births and deaths. ULBs register and issue the certificates of birth and death.
		Maintaining and updating database		
17	Public amenities including street lighting, parking lots, bus slops and public conveniences.	Installation and maintenance of street lights	ULBs and Power Department	
		Deciding and operating bus routes	Transport Department	Sikkim Nationalised Transport Department- Operating buses routes
		Creation and maintenance of parking lots	UDD and ULBs	
		Creation and maintenance of public toilets	UDD and ULBs	

Sl.	Functions as per CAA / 12 th Schedule	Activities as per CAA / 12 th Schedule	Authorities discharging the function	Remarks
18	Regulation of slaughter houses and tanneries	Ensuring quality of animals and meat	Animal Husbandry Department	
		Disposal of waste	ULBs	
		O & M of slaughter houses	Animal Husbandry Department	

Source: Information furnished by the ULBs

Appendix 7.6
List of SFC recommendations not accepted by State Government
along with impact

(Reference: Paragraph 7.4.4.2)

Sl	Recommendations in detail with para references of Report	Reason for not acceptance	Impact on revenue or any other
1. SFC-III (February 2010)			
1.	The Commission has recommended that the power to approve the rates for levying of taxes & fees may be delegated to District Planning Committee (DPC).	This power has been retained by the Government since, the District Planning Committee is statutory body specifically constituted to supervise the formulation of the Developmental Plan at the ULBs level. However, Government decided to constitute an appropriate mechanism to oversee this.	Due to non-involvement of DPC there was ineffective planning in all ULBs. Works were done on adhoc basis. Emphases were not given for the outcome of the works executed by ULBs.
2.	The Commission recommended that all the plan funds of the various Departments reflected in the respective budget of various Line Departments should be placed at the disposal of the Development Commissioner who will re-allocate the fund to the District Planning Officer (DPO).	This recommendation may not be acted upon in view of the fact that from this current financial year a separate head of demand for grants has been created for PRIs in the Government budgets.	Non acceptance of SFC recommendation resulted in short release or non-release.
2. SFC-IV (May 2013)			
3.	Matters/activities related to other line departments as listed in the Twelfth Schedule should be fully devolved to ULBs, particularly since the ULBs will be in their fifth year of existence, and have gained requisite operational experience and administrative strength. (Para no.12.13 (ii))	Government rejected the recommendation in view of inadequate experienced manpower.	Due to non-formation of municipal cadre and frequent transfer of officers posted in ULBs, work of ULBs was suffering.
4.	In the interest of the Nagar Panchayats, the Commission recommends that a suitable accounts official be transferred to them, which will not only enhance their capacities to deal with various transactions, but state of financial accountability will also be enhanced. (Para 7.41)	The Government did not accept the above recommendation of the Commission, however advised Nagar Panchayats to appoint suitable man power as per their requirements.	Accountants appointed in Nagar Panchayat were not much experienced and training was also not imparted to them.

Sl	Recommendations in detail with para references of Report	Reason for not acceptance	Impact on revenue or any other
5.	After, due consultations with GMC, and studying reports related to collection of Tourist Tax from tourists in other places in India, this Commission recommends that a minimum of Rs. 5.00 per tourist can be collected by the ULBs, and GMC shall develop a mechanism for collection of tourist tax from the tourists. (Para 7.12)	This recommendation cannot be acted upon.	ULBs were losing revenue from an assured source as fixed by Commission.
6.	The Commission recommends that in revenue heads/functions where cost of collection is more than the actual collection of revenue/income, the concerned Line Departments may involve the Local Bodies for collection of such revenues duly paying them necessary service charges, and wherever it is practicable to assign the entire function to the Local Bodies, the concerned Line Departments may transfer such functions, as well. (Para 7.18)	Status quo to be maintained as this may cause further loss of revenue.	Justification from Government for non-acceptance of this recommendation was not justified. Had the ULBs taken responsibility of collection of such revenue, cost of collection could have been reduced from the part of government expenditure. For instance cost of collection of water charges was ₹ four crore during 2019-20 whereas collection of water charges was ₹ three crore for GMC area.
7.	The Commission recommends that suitable legislative provision be introduced to empower the SFCs to address those accepted recommendations (pertaining to the award period of immediate/previous SFC) but not being implemented with corrective measures, as the subsequent SFC is being constituted for its report submission, well in advance of the termination/lapse of the previous SFC award period. (Para 10.5)	This recommendation cannot be acted upon.	Non acceptance of this recommendation, resulted in LBs to depend upon State and Central grant.

Source: SFC Reports and Government orders

Appendix 7.7

List of SFC recommendations not complied with by ULBs along with impact (Reference: Paragraph 7.4.4.2)

Sl	Recommendations in detail with para references of Report	Action to be taken as per State Government's acceptance	Complied/Not complied along with Impact
1. SFC-III (February 2010)			
1.	The Commission has recommended that the proposed 7 nos. of Municipalities may impose & collect the following revenues (as per details in Table 16 of the Report) a) Property Tax b) Toll Tax c) Other Taxes d) Sanitation Charges e) Parking fees f) Rent from Premises g) Other Charges h) Blue print fee i) License Fee j) Other fees k) Fines.	The Government has accepted the recommendation of the Commission. The administrative department i.e. UD& HD shall devise appropriate methodology to impose and collect the revenue.	Not complied with, due to non-finalising the methodology to impose and collect the property tax.
2.	The Commission has recommended for sharing of entertainment tax and trade tax/ VAT out of the net proceeds of the state revenue as per details provided in Table 19 of the Report of the Commission	The Government has accepted the recommendation with devolution to be limited to 1.5 <i>per cent</i> of the net collection. Further, Grants to be released subject to review of performance of ULBs.	Being complied.
3.	The District Planning Committees in the State have been constituted, however, their functioning is not effective. To make the District Planning Committee more effective to fulfill the mandate provided by the Constitution, the Commission recommended that the DPC should be under direct administrative control of Planning and Developing Department. The DPO shall also be under the control of PDD Department. The Planning Department should create a separate cell within the Planning Department to monitor the functions of the DPCs.	The Government has accepted the recommendation of the Commission. Separate Demands No. 43 and 46 are proposed to be opened for PRIs and ULBs respectively under the administrative control of Development Commissioner, PDD.	Being complied.
2. SFC-IV (May 2013)			
4.	The Commission recommends that constitutionally mandated DPCs should be given their rightful ownership in deciding the decentralized district development planning priorities through their involvement as parties to the agreement as per the relevant guidelines. (Para 2.15)	The Government accepted the above recommendation of the Commission.	Being complied partially as the DPC finalized Annual plan of Zilla Panchayat only.

Sl	Recommendations in detail with para references of Report	Action to be taken as per State Government's acceptance	Complied/Not complied along with Impact
5.	The Commission recommends that the District Plans should invariably be integrated into State Plan as per the guidelines in force. (Para 2.16)	The Government accepted the above recommendation of the Commission.	Not complied with
6.	The Commission recommends that the DPO shall be the district level nodal official for all the Local Bodies (PRIs and ULBs) and for all planning activities arising from the Local Bodies. The DPO should be an officer of PDD posted in district, which would enable the DPO to optimally perform the role of Member Secretary-DPC, and thus allow him/her to coordinate with the Local Bodies and State Planning Department - DPER&NECAD, in a streamlined manner. (Para 4.28)	The Government has accepted the above recommendation of the Commission.	Being complied. DPO is functioning as member Secretary of DPC.
7.	The Commission recommends that the existing activity mapping be revisited by the State Government, and all the functions be devolved fully to PRIs and ULBs along with necessary functionaries and funds, so that all Local Bodies will be in a position to maximize their own revenues. (Para 7.17)	The Government has accepted the above recommendation of the Commission.	Not complied with.
8.	The Commission recommends that Social Audit-cum-Vigilance Committee should also perform Social Audit for the works/schemes of all the Line Departments as per the activity mapping, irrespective of whether the works/schemes are implemented by the Local Bodies or directly by the Line Departments. ULBs should also adhere to similar social audit mechanism. (Para 11.1)	The Government has accepted the above recommendation of the Commission.	Not complied with. Social Audit had not started in ULBs.
SFC-V (July 2017)			
9.	The Commission has emphasized on enhancing local resource mobilization through various initiatives such as optimization of collection of local taxes, fees and charges, and also undertaking local entrepreneurship initiatives such as local tourism. (Chapter 9.1)	The Government accepts the recommendation as it is desirable but is constrained due to limited scope of resource mobilization. The matter is to be pursued with the 15th Finance Commission and Central Government Agencies.	Not complied with. Optimization of collection of local taxes, fees and charges, and also undertaking local entrepreneurship initiatives such as local tourism was not initiated by ULBs.

Sl	Recommendations in detail with para references of Report	Action to be taken as per State Government's acceptance	Complied/Not complied along with Impact
10.	The Commission recommends that an amount of at least 4.5 <i>per cent</i> of the net proceeds of State's taxes, fees and levies should be devolved to PRIs and ULBs for the period of 2020- 2025. (Para 5.26)	The Government accepts the recommendation of the Commission for devolving at least 4.5 <i>per cent</i> of the net proceeds of the State's taxes, fees and levies to the PRIs and ULBs for the period 2020-2025 subject to the actual collection.	Being complied with. Government released 4.5 <i>per cent</i> of the net proceeds of the State's taxes, fees and levies.
11.	The Commission recommends for enhanced collection of taxes, fees and levies by ULBs which may vary in different ULBs in different regions. (Para 6.6)	The Government accepts the recommendation	Not complied with. The Government had not approved the proposal of ULBs to enhance levy of taxes/fees.
12.	The Commission recommends that ULBs and local corporates should develop project partnerships as part of the Clause 1 of Section 135 of the Indian Companies Act 2013. (Para 6.9)	The Government accepts the recommendation. Urban Development Department may formulate operation and management guidelines in consultation with Commerce and Industries Department and Energy and Power Department and, notify them before the commencement of financial year 2020.	Not complied with. Urban Development Department had not formulated operation and management guidelines (October 2023).
13.	The Commission recommends the creation of Panchayats and Municipal Cadres, and Directorate of ULBs. Under this, the Commission recommends: (i) The nodal departments (RM&DD and UD&HD) must review staffing at every Panchayat and Municipality and suggest the redressal measures in terms of redeployments and recruitments, if necessary. (Para 7.6)	The Government accepts the recommendation. The Administrative Departments may initiate necessary action.	Not complied with. The Municipal cadre was yet to be formed (October 2023).

Source: SFC Reports and Government orders

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