CHAPTER-VI

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

6.1.1 Introduction

As of 31 March 2022, there were seven Public Sector Undertakings (PSUs)[152] in Nagaland as shown in **Table 6.1.1**.

Table 6.1.1: Total number of PSUs as on 31 March 2022

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies[153]	5	2	7
Statutory Corporations	Nil	Nil	Nil
Total	**5**	**2**	**7**

Source: Information as provided by PSUs

None of these companies are listed on the stock exchange which means that the shares of the PSUs cannot be traded in the stock exchange. During the year 2021-22, no new PSU was incorporated and no existing PSU was closed down.

Regarding one PSU *viz.* Kohima Smart City Development Limited (***KSCDL***), analysis is not covered in the report due to non-submission of Accounts.

6.1.2 Investment in PSUs

The investment in PSUs include the investments made by the State Government and Others (including the Central Government, Holding companies, Banks, Financial Institutions, *etc.*). The State Government's stake in these PSUs is mainly of three types:

- **Share Capital and Loans:** In addition to the share capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support:** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees:** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

As on 31 March 2021 and 2022, total investment of the State Government and Others (capital, and long-term loans) in six PSUs was ₹119.30 crore in 2020-21 and ₹118.59 crore[154] in 2021-22 as per details shown in **Table 6.1.2**.

[152] All Government Companies
[153] Government Companies include 'Other companies' referred to in Section 139(5) and 139(7) of the Companies Act 2013
[154] Investment figures are provisional and as per the information provided by the PSUs, as none of the six PSUs has finalised accounts for 2021-22 as of September 2022

Table 6.1.2: Details of total investment in six PSUs as on 31 March 2021 and 31 March 2022

(₹ in crore)

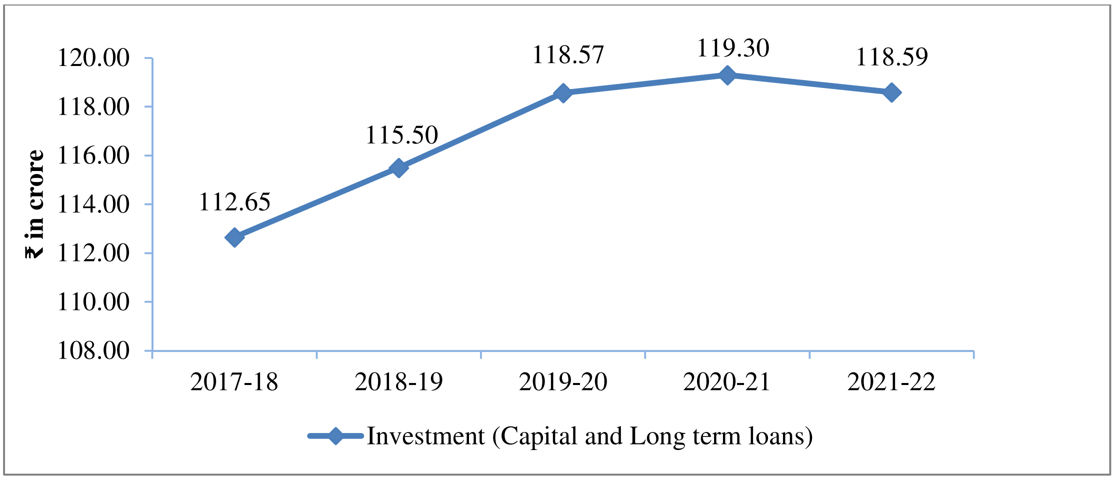
Particulars	2020-21			2021-22		
	Equity Capital	Long term Loans	Total	Equity Capital	Long term Loans	Total
State Government	34.34	0.81	35.15	34.34	0.81	35.15
Others*	7.92	76.23	84.15	7.92	75.52	83.44
Total	**42.26**	**77.04**	**119.30**	**42.26**	**76.33**	**118.59**

Source: Information as provided by PSUs

* *Others include Central Government, holding companies, banks/FIs, etc.*

The total investment consisted of 35.64 *per cent* towards capital and 64.36 *per cent* in long-term loans as of 31 March 2022. The investment in 2021-22 was decreased by ₹0.71 crore from 2020-21 due to loan waiver/ repayment. The investment grew by 5.67 *per cent* from ₹112.65 crore in 2017-18 to ₹118.59 crore in 2021-22 as shown in **Chart 6.1.1** below:

Chart 6.1.1: Total investment in PSUs



Source: Information as provided by PSUs

Further, it can be seen from **Table 6.1.2** above that, around 30 *per cent* (₹35.15 crore) of the total investment (₹118.59 crore) in PSUs as on 31 March 2022 was contributed by the State Government. However, there was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the PSUs. During 2021-22, out of five working PSUs, only one PSU (Nagaland State Mineral Development Corporation Limited) recorded profit (₹2.50 crore) as per its latest finalised accounts (2018-19) ***(Appendix 6.1.2)***. However, no dividend was declared by this PSU.

6.1.2.1 Sector-wise investment in PSUs

The total investment by the State Government and Others (Central Government, Holding companies, Banks, Financial Institutions, *etc.*) in various important sectors at the end of 31 March 2018 and 31 March 2022 is shown in **Table 6.1.3**.

Table 6.1.3: Sector-wise investment in PSUs as on 31 March 2022

(₹ in crore)

Name of Sector	Year of investment	
	2017-18	2021-22
Finance	71.79	81.99
Manufacturing	10.68	10.68
Service	10.91	5.61
Miscellaneous	19.27	20.31
Total	**112.65**	**118.59**

Source: Information as provided by PSUs

As can be seen from **Table 6.1.3** above, the thrust of PSU investment during 2017-18 and 2021-22 was in Finance sector[155], which had increased by 14.21 *per cent* from ₹71.79 crore (2017-18) to ₹81.99 crore (2021-22). The share of this Sector in overall investment has increased by 5.51 *per cent* during 2021-22 (69.14 *per cent*) from 63.73 *per cent* during 2017-18.

6.1.3 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per the records of PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the PSUs concerned should carry out reconciliation of differences. The position in this regard as of 31 March 2021 and 2022 is shown in **Table 6.1.4**.

Table 6.1.4: Variation between Finance Accounts and records of PSUs

(₹ in crore)

Outstanding in respect of	2020-21			2021-22		
	Amount as per Finance Accounts	Amount as per records of PSUs[156]	Difference	Amount as per Finance Accounts	Amount as per records of PSUs[157]	Difference
Equity	111.05	34.34	76.71	111.05	34.34	76.71
Loans[158]	0.48	0.81	0.33	0.48	0.81	0.33
Guarantees	59.03	15.62	40.62	59.03	19.28	39.75

Source: As per the State Finance Accounts2021-22 and information furnished by PSUs

From **Table 6.1.4** above, it can be noticed that there were unreconciled differences in the figures of equity (₹76.71 crore), and guarantees (₹40.62 crore in 2020-21 and ₹39.75 crore in 2021-22) as per two sets of records. The differences for equity occurred in respect of all the PSUs while differences for guarantee relate to two PSUs[159]. As regards Loan figures, the Finance Department of GoN disburses the loans to various Departments of GoN for different sectoral activities and books the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective

155 Finance Sector included only one PSU (Nagaland Industrial Development Corporation Limited)
156 Information as provided by PSUs and includes only the investment made by the State Government
157 Information as provided by PSUs and includes only the investment made by the State Government
158 In the State Finance Accounts, 2021-22, the loan figures appear sector-wise and not PSU-wise, hence, the figures of the State Government loans provided to PSUs are not available in Finance Accounts
159 Serial no. A1and A4 of ***Appendix 6.1.2***

PSUs functioning under their administrative control. Hence, figures of State Government loans provided to PSUs are not available in the State Finance Accounts.

Though the Principal Secretary, Finance Department, Government of Nagaland as well as the Management of the PSUs concerned were apprised regularly about the differences impressing upon the need for early reconciliation, no significant progress was noticed in this regard.

Recommendation: The Government and the PSUs concerned may take concrete steps to reconcile the differences and account for the loans given by Departments to their PSUs in a time-bound manner.

6.1.4 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 01 April 2014 is governed by the provisions of the Companies Act, 2013 and audit of the financial statements in respect of financial years that commenced prior to 01 April 2014 continue to be governed by the Companies Act, 1956. The new Act has brought about increased regulatory framework, wider management responsibility and higher professional accountability.

6.1.4.1 Statutory Audit/ Supplementary Audit

Statutory Auditors appointed by the C&AG audit the financial statements of a Government Company. In addition, C&AG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

6.1.4.2 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Government appoints the Chief Executives and Directors on the Board of these PSUs.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the C&AG thereon are required to be placed before the Legislature under Section 394 of the Act.

6.1.5 Arrears in finalisation of accounts

The financial statements of the companies are required to be finalised within six months after the end of the financial year *i.e.* by 30 September in accordance with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. As per the Act, the SPSU and every officer of the SPSU who is at default shall be punishable with fine which may extend up to ₹one lakh and in the case of a continuing default, with a further fine which may extend upto ₹5,000 for every day during which such default continues.

Moreover, timely finalisation of accounts is important for the State Government to assess the financial health of the PSUs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of the provision of the Companies Act, 2013.

Table 6.1.5 below provides the details of progress made by the five working PSUs[160] in finalisation of their annual accounts as on 30 September 2022.

Table 6.1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Number of Working PSUs	5	5	5	4	5[161]
2.	Number of accounts finalised during the year	6	8	2	14	3
3.	Number of accounts in arrears	21	18	21	9	15
4.	Number of Working PSUs with arrears in accounts	5	5	5	4	5
5.	Extent of arrears (nos. in years)	1 to 8	1 to 9	1 to 10	1 to 3	1 to 5

Source: Department records

As can be seen from **Table 6.1.5** above, the arrears in accounts of the working PSUs had improved in the current year. The main reason for increase in arrears was due to non-submission of accounts by Kohima Smart City Development Limited (KSCDL) since its inception (24 March 2017). Further, two PSUs, namely Nagaland State Mineral Development Corporation and Nagaland Hotels Limited, did not submit any account during the year 2021-22.

The administrative departments, which have the responsibility to oversee the activities of the PSUs, have to ensure that the PSUs finalise and adopt their accounts within the stipulated period. The Principal Accountant General (Audit), Nagaland had been regularly pursuing the issue with the Chief Secretary of Nagaland and the administrative departments concerned for liquidating the arrears of accounts of PSUs. However, the State Government and the PSUs concerned could not address the issue to clear pendency of accounts of the PSUs in a time-bound manner.

6.1.6 Investment by State Government in PSUs whose accounts are in arrears

The State Government had invested ₹4.28 crore in one PSU (*Nagaland Industrial Development Corporation Limited*) during the years for which accounts were not finalised as detailed in ***Appendix 6.1.1***. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred were properly accounted for and the purpose for which the amount was invested was achieved.

[160] As on 30 September 2022, Nagaland Handloom & Handicraft Development Limited finalised its accounts upto 2019-20 and Nagaland Industrial Development Corporation Limited upto 2020-21. One PSU, namely Kohima Smart City Development Limited, has not submitted its first accounts as of 30/09/2022.

[161] Includes Kohima Smart City Development Limited incorporated on 24/03/2017.

Recommendations:

The Government may consider-

(i) ***setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of PSUs.***

(ii) ***outsourcing the work, where there is lack of staff expertise, relating to preparation of accounts and take punitive action against Company Management responsible for arrears of accounts.***

(iii) ***stop further financial assistance to such companies until the accounts are made as current as possible.***

6.1.7 Special support and guarantees to PSUs during the year

State Government provides financial support to PSUs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/subsidies in respect of PSUs for three years are shown in **Table 6.1.6**.

Table 6.1.6: Details of budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	0	0.00	0	0.00	0	0.00
2.	Loans given from budget	1	3.41	1	0.62	1	4.28
3.	Grants/Subsidy from budget	5	24.49	5	26.76	4	28.30
	Total Outgo (1+2+3)		**27.90**		**27.38**		**32.58**
4.	Guarantees issued	1	3.41	1	0.62	1	4.28
5.	Guarantee Commitment	1	15.00	1	15.00	1	15.00

Source: Information as provided by the PSUs

It may be seen from **Table 6.1.6** above that the year-wise budgetary outgo to PSUs had increased during 2021-22 by ₹5.20 crore as compared to the previous year (2020-21). During all three years under reference, the significant portion of budgetary support ranging between 87 *per cent* (2019-20) and 86.86 *per cent* (2021-22) was provided in the form of grants/subsidy.

State Government also guarantees the repayment of loans (with interest) availed by the PSUs from Banks/Financial Institutions subject to the prescribed limits and payment of guarantee fee of one *per cent* of the guarantee amount by the PSUs concerned. The State Government issued guarantees of ₹0.62 crore in 2020-21 and ₹4.28 crore in 2021-22 against the borrowings availed by one PSU (Nagaland Industrial Development Corporation Limited). The PSU had not paid any guarantee fee to the State Government during 2020-21 and 2021-22 in absence of any demand from the State Government.

6.1.8 Performance of PSUs as per their latest finalised accounts

The financial position and working results of working PSUs (all Government companies) as per their latest finalised accounts are detailed in **Appendix 6.1.2**. The comparative details of working PSU turnover and State GDP for five years ending 2021-22 is shown in **Table 6.1.7**.

Table 6.1.7: Details of working PSUs turnover *vis-à-vis* State GDP

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover[162]	6.48	6.70	6.78	6.52	6.05
State GDP	23,623.00	26,637.00	30,508.00	29,313.00	32423.00
Percentage of Turnover to State GDP	0.03	0.03	0.02	0.02	0.02

Source: Information as provided by PSUs

A ratio of PSU-turnover to State GDP shows the extent of PSU activities in the State economy. It may be noticed from **Table 6.1.7** above that during the last five years (2018-22), the State GDP had grown by 37.25 *per cent* while the turnover of PSUs during the corresponding period had decreased by 6.64 *per cent*. Thus, the year-wise increase in PSU-turnover during the period of five years was not commensurate with the growth in the State GDP during the corresponding period. The percentage of PSU-turnover to GSDP, has decreased to 0.02 *per cent* due to rounding off of percentage figures to two decimal points.

6.1.8.1 Key parameters

Some other key parameters of working PSUs performance as per their latest finalised accounts as on 30 September of the respective year are shown in **Table 6.1.8**.

Table 6.1.8: Key Parameters of working PSUs

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Debt	67.20	70.05	73.72	71.63	71.85
Turnover[163]	6.48	6.70	6.78	6.52	6.05
Debt/Turnover Ratio	10.37:1	10.46:1	10.87:1	10.99:1	11.88:1
Interest Payments[164]	2.06	2.08	2.06	1.61	1.09
Accumulated Profits/(Losses)	(78.50)	(66.38)	(68.62)	(67.75)	(73.33)

Source: Annual Accounts, PSUs

Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can be a sign of having too much debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments.

PSU Debt

It can be noticed from **Table 6.1.8** above that during the period of five years (2017-22), the PSU debt had been more than 10 times of their turnover indicating acute difficulties in repayment and servicing of debts by the PSUs. Consequently, the DTR had been at high levels during all the five years under reference. Further, during 2017-22, the PSU debts had registered an overall increase of 6.92 *per cent* (₹4.65 crore) while there was an overall decrease of 6.64 *per cent* (₹0.43 crore) in PSU-turnover during the

[162] Turnover of working PSUs as per the latest finalised accounts as on 30 September of the respective year

[163] Turnover of working PSUs as per the latest finalised accounts as on 30 September of the respective year

[164] Interest payments of working PSUs as per the latest finalised accounts as of 30 September of the respective year

corresponding period. As a result, the DTR of working PSUs increased from 10.37:1 (2017-18) to 11.88:1 (2021-22) during five years (2017-22) indicating deteriorated position of PSUs in servicing and repayment of their long-term debts as compared to previous years.

Further, the high PSU debts had caused additional pressure on the PSUs in servicing their debts by way of interest liability. However, as can be noticed from **Table 6.1.8** above, the figures of interest payment by PSUs during 2019-20 to 2021-22 are not consistent with the PSU debts during the corresponding years. This was mainly due to non-payment and non-accounting of interest liability against long term debts by one PSU (Nagaland Industrial Development Corporation Limited) during these years. The unaccounted accumulated interest liability of Nagaland Industrial Development Corporation Limited as per its latest finalised Accounts (2020-21) as of September 2022 stood at ₹6.61 crore.

6.1.8.2 Erosion of capital due to losses

The paid-up capital and accumulated losses of four working PSUs as per their latest finalised accounts as on 30 September 2022 were ₹26.45 crore and ₹73.33 crore respectively ***(Appendix 6.1.2)***.

The accumulated losses (₹82.89 crore) of three working PSUs had completely eroded their paid-up capital (₹24.85 crore) as per their latest finalised accounts as shown in **Table 6.1.9**.

Table 6.1.9: PSUs with erosion of paid-up capital

(₹ in crore)

Name of PSU	Latest finalised accounts	Paid up capital	Accumulated losses
Nagaland Industrial Development Corporation Ltd., Dimapur	2020-21	23.20	-54.49
Nagaland Hotels Ltd., Dimapur	2017-18	0.82	-22.09
Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	2019-20	0.83	-6.31
Total	--	**24.85**	**-82.89**

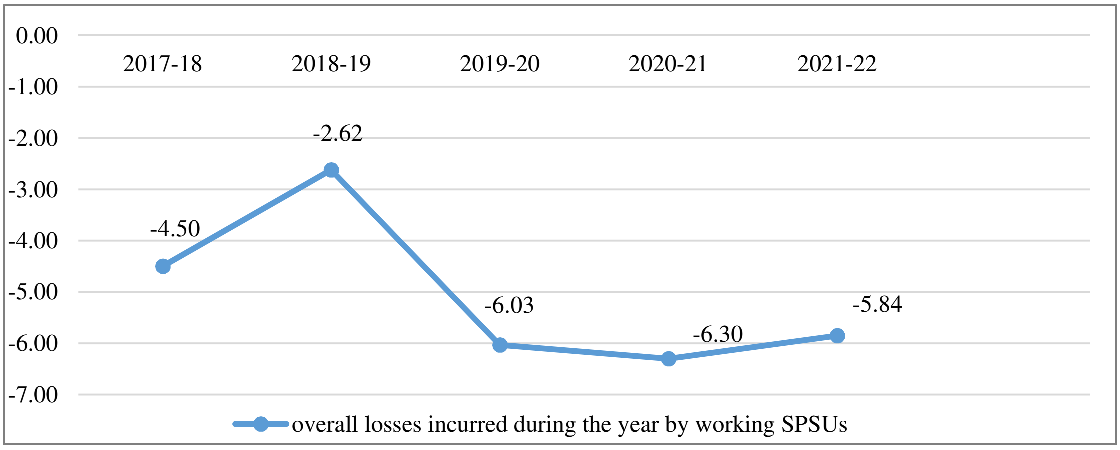
Source: Department records

The Return on Equity (ROE)[165] of these three PSUs was not workable due to complete erosion of their equity capital. ROE in respect of the remaining PSU (Nagaland State Mineral Development Corporation Limited) was positive.

The overall position of the aggregate losses incurred by working PSUs during 2017-18 to 2021-22 shown in **Chart 6.1.2**.

165 ROE = (Net Profit after taxes *minus* preference dividend) ÷ Shareholders' Fund/Equity; Where, Shareholders' Fund/Equity = Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

Chart 6.1.2: Losses of working PSUs



Source: Latest finalised accounts of the PSUs as on 30 September of the respective years

As can be noticed from **Chart 6.1.2**, the losses of working PSUs has decreased by 7.30 *per cent* in 2021-22 as compared to 2020-21. The PSUs mostly depend on the State Government grants to meet the salary expenditure of its employees since they have less or no income from operations.

6.1.9 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 investment in the State PSUs, 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 (if any), has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) of the PSUs by the sum of the PV of Government investment.

During 2021-22, as per their latest finalised accounts, three PSUs where State Government had made direct investment, incurred losses and one PSU, Nagaland State Mineral Development Corporation, had shown a net profit of ₹2.50 crore which is mainly the grant received from the State Government while one PSU *i.e.*; Kohima Smart City Development Limited had not finalised its first accounts nor furnished any information. On the basis of return on historical value, the State Government's investment in PSUs had eroded by 0.91 *per cent* during 2021-22. As per the RORR where the PV of investment is considered, the State Government investment eroded by 0.81 *per cent* as shown in ***Appendix 6.1.3***. This difference in the percentage of investment erosion was on account of the adjustment made in the investment amount for time value of money.

6.1.10 Impact of Audit Comments on Annual Accounts of PSUs

During October 2020 to September 2022, four working Companies forwarded seventeen audited accounts to the Principal Accountant General (Audit), Nagaland. Of these, fourteen accounts were issued Non Review Certificate and three Accounts were selected for audit. Out of these three accounts audited, two were audited during 2020-21 and one in 2021-22.

The Statutory Auditors had given qualified certificates to all the three accounts. The details of aggregate money value of comments of Statutory Auditors and C&AG during the last three years is shown in **Table 6.1.10**.

Table 6.1.10: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Increase in loss	2	1.63	2	2.90	1	1.67
2.	Decrease in profit	0	0	0	0	0	0
3.	Errors of classification	1	0.06	2	5.66	0	0
Total		**3**	**1.69**	**4**	**8.56**	**1**	**1.67**

Source: Comments issued to PSUs by statutory auditors and C&AG

From the above **Table 6.1.10**, it can be noticed that the money value of comments of statutory auditors and C&AG during last three years ranged between ₹1.67 crore (2021-22) and ₹8.56 crore (2020-21) indicating deficiencies in with the requirements of 'Generally Accepted Accounting Principles' (GAAP) and Accounting Standards (AS) by the PSUs.

6.1.11 Follow up action on Audit Reports

6.1.11.1 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. The Administrative Departments concerned are required to submit the explanatory notes to paragraphs/performance audits included in the Audit Reports of the C&AG after their presentation to the Legislature, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). However, the Finance Department, Government of Nagaland had not issued any specific instructions in this regard.

The State Audit Reports[166] for the years from 2013-14 to 2018-19 included four compliance audit paragraphs[167] on PSUs in the PSU Chapters of these Reports. As per the status available as on 30 September 2022, no explanatory notes were pending to be received from the Administrative Departments concerned against these compliance audit paragraphs.

[166] The State Audit Reports for five years (2013-14 to 2017-18), were placed in the State Legislature between 17 March 2015 and 15 February 2020 and Audit Report 2018-19 was placed on 5 August 2021

[167] One compliance audit paragraph appeared in each of the State Audit Report for the year 2013-14 and 2016-17 and two paragraphs appeared in 2018-19

6.1.11.2 Discussion of Audit Reports by COPU

The status as on 30 September 2022 of Performance Audits and paragraphs on the State PSUs that appeared in State Audit Reports and discussed by the COPU was as under:

Table 6.1.11: Details of performance audits and paragraphs featured in the State Audit Reports and their discussion held in the COPU

Period of Audit Report	Number of reviews/ paragraphs as on September 2021	
	Paragraphs appeared in Audit Report	Paragraphs discussed
2013-14	1	1
2014-15	0	-
2015-16	0	-
2016-17	1	1
2017-18	0	-
2018-19	2	Nil
2019-20	0	Nil
Total	**4**	**2**

Source: Audit Reports of the respective years

During the period 2013-14 to 2020-22, four paragraphs relating to PSUs had featured in the State Audit Reports against which two paragraphs were pending for discussion by COPU (February 2022).

6.1.12 Reforms in Power sector

As part of the power sector reforms, a separate State-owned Company was to be formed under the Companies Act, 1956 to look after the activities of generation, transmission and distribution of electricity in the State. In Nagaland, the Government constituted (February 2008) the Nagaland Electricity Regulatory Commission as part of reforms envisaged by the Electricity Act of 2003. The State Government, however, had not taken any action for restructuring of the power sector and formation of a separate Company for taking up the activities of power sector in the State. At present, all the activities relating to generation, transmission and distribution of electricity in the State are managed and controlled solely by the Power Department of the State Government.

Performance Audit

DEPARTMENT OF POWER

6.2 Implementation of Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya)

The Electricity Act, 2003 mandates that Government of India (GoI) shall endeavour to supply electricity to all areas including villages and hamlets to ensure rapid economic development. As per Ministry of Power[168] (MoP), a village was considered as electrified if:

- Basic infrastructure such as distribution transformer and distribution lines were provided in the inhabited locality as well as the dalit basti/hamlet where it exists;

[168] New definition of village electrification was issued by MOP, *vide* their letters No. 42/1/2001-D (RE) dated 05/02/2004 and No. 42/1/2001-D (RE) dated 17/02/2004

- Electricity was provided to public places like schools, panchayat offices, health centres, dispensaries, community centres, etc.; and
- The number of households electrified was at least 10 per cent of the total number of households in the villages.

Highlights

- *The Department could not achieve the objectives of DDUGJY/Saubhagya schemes to provide 24x7 power supply and reduction of Aggregate Technical & Commercial (AT&C) losses.*

(Paragraph 6.2.6.2)

- *There was cost-overrun of ₹4.66 crore on re-tendering, forfeiture of ₹11.45 crore additional GoI grant due to delay in completion of works and extra expenditure of ₹2.46 crore on procurement of consumer meters.*

(Paragraphs 6.2.8.2, 6.2.8.6 and 6.2.8.11)

- *The Department incurred idle expenditure of ₹25.74 crore on metering of rural BPL households and ₹9.85 crore on metering of Distribution Transformers and free electricity connections provided to ineligible beneficiaries.*

(Paragraphs 6.2.8.10, 6.2.8.12 and 6.2.8.13)

- *The Quality Assurance Inspection and Monitoring was ineffective.*

(Paragraphs 6.2.9.2 and 6.2.9.3)

6.2.1 Introduction

6.2.1.1 DDUGJY and Saubhagya

Government of India (GoI) launched (December 2014) Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) subsuming the targets of the erstwhile Rajeev Gandhi Grameen Vidyutikaran Yojana (RGGVY) as a separate rural electrification sub-component. Two additional objectives were included, *viz.* (i) separating agriculture and non-agriculture feeders to facilitate judicious rostering of power supply in rural areas and (ii) strengthening and augmenting the sub-transmission and distribution infrastructure in the rural areas. In Nagaland, the scheme did not include segregation of agricultural and non-agricultural feeders as there was no dependence on electricity for agriculture as most of the agricultural activities were carried out through jhum cultivation, natural downhill streams, rainwater and minor irrigation canals.

GoI also launched (September 2017) Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) to achieve universal household electrification by providing last mile connectivity to all households in rural and urban areas.

The status of rural electrification prior to the launch of DDUGJY/Saubhagya scheme and number of un-electrified (UE)/partially electrified (PE) village sanctioned/ covered is shown in **Table 6.2.1**.

Table 6.2.1: Details of rural electrification prior to the scheme and after the scheme

Villages as per Census 2011	Details of villages in December 2014		Details of villages sanctioned under scheme		Details of villages covered/ electrified as on 31 March 2021		Balance PE village to be covered as on 31 March 2021
	UE	PE	UE	PE	UE	PE	
1,433	82	1,351	82	818	82	711	107

Source: Approved DPRs and reply of Department

As seen from **Table 6.2.1**, against the envisaged target of 900 villages (UE: 82 + PE: 818), Department of Power, Nagaland (DoPN) completed electrification works in 793 villages (88 *per cent)* under the scheme as on 31 March 2021.

6.2.2 Role of major stakeholders

MoP is the Nodal Ministry for the implementation of DDUGJY and Saubhagya schemes. The Rural Electrification Corporation (REC) is the Nodal Agency for operation and implementation of the DDUGJY/Saubhagya schemes. DoPN is responsible for preparation of Need Assessment Document (NAD)/ Detailed Project Reports (DPRs), implementation of the scheme, appointment of Project Management Agency (PMA), establishment of project implementation cell at central/district level, submission of progress of project to the Nodal Agency and ensuring availability of power to achieve target of 24x7 power supply. The State Government is responsible to provide support on policy issues, provide land for sub-stations and facilitate in obtaining statutory clearances, ensure implementation of National Optical Fibre Network component, arrange for State contribution and furnish guarantee for the loan component under the scheme.

6.2.3 Funding pattern of the scheme

Funding mechanism of DDUGJY and Saubhagya schemes is detailed in **Table 6.2.2**.

Table 6.2.2: Details of funding mechanism of the scheme

Agency	Nature of support	Quantum of support	
		Others	Special Category States[169]
Government of India (GoI)	Grant	60 *per cent*	85 *per cent*
Department of Power, GoN	Own Fund	10 *per cent*	5 *per cent*
Lender (FIs/ Banks)	Loan	30 *per cent*	10 *per cent*
Additional Grant from GoI on achievement of prescribed milestones	Grant	50 *per cent* of total loan component *i.e.*, 15 *per cent* of total project cost	50 *per cent* of total loan component *i.e.*, five *per cent* of total project cost
Maximum Grant by GoI (including additional grants)	Grant	75 *per cent*	90 *per cent*

Source: Departmental records

The Government of Nagaland (GoN) had availed loan from REC to finance the contribution of 15 *per cent* of the Scheme.

[169] Special Category States (All North Eastern States including Nagaland)

6.2.4 Audit Approach

6.2.4.1 Audit objectives

The Performance Audit was undertaken to ascertain whether:

- NAD and DPRs were prepared as per the Scheme guidelines;
- Financial management was efficient and effective and Scheme funds were utilised as per the Scheme guidelines;
- Project Management was effective, efficient and transparent in:
- Strengthening and augmentation of sub-transmission and distribution system in rural areas including metering of distribution transformers/ feeders/ consumers.
- Electrification of villages and households as per the scheme.
- Monitoring and evaluation of projects was effective and ensured timely corrective measures.

6.2.4.2 Audit criteria

The audit criteria for the performance audit were derived from the following:

- Scheme guidelines issued by the Ministry and additional guidelines issued by REC regarding Quality control and Procurement of Goods and services, etc.;
- Bipartite/Tripartite agreement among REC, State Government, State Power Department**;**
- Minutes of the Monitoring Committee meetings;
- Instructions/circulars/orders issued by MoP and REC regarding the scheme;
- Approved Detailed Project Reports;
- Applicable General Financial Rules; and
- Contract Agreements.

6.2.4.3 Audit scope and methodology

GoI approved 63 DPRs (₹315.35 crore) for implementation of DDUGJY and Saubhagya schemes in all the 11 districts of Nagaland (2014-20). Out of 11 districts, 30 DPRs in six districts[170] (₹213.52 crore) were selected for audit (***Appendix-6.2.1***)

An entry conference was held (11 December 2020) with the representatives of the Government and Department of Power wherein audit criteria and methodology were discussed. The audit methodology included collection, analysis of data and issue of audit queries/audit observations. In addition, beneficiary survey was also conducted in the sampled villages. The findings of the performance audit were discussed in the exit conference (21 December 2021). Replies of the State Government have been suitably incorporated in the Report.

6.2.5 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Department during the course of the Performance Audit.

[170] Dimapur, Wokha, Peren, Mon, Phek and Tuensang

Audit findings

6.2.6 Planning

6.2.6.1 Non-conduct of detailed field survey before preparation of DPRs

The Scheme guidelines stipulate that the implementing agency should prepare DPRs based on detailed field survey to identify beneficiaries and villages/habitations for electrification.

It was observed that field survey was not conducted and the DPRs were prepared based on NAD. Instances where the scheme could not be executed due to non-conduct of field survey before preparation of DPR are discussed below:

i) As per the DPR of DDUGJY additional 1.6 MVA, 33/11 KV sub-station at Kikruma, Phek was required to be established. It was however observed that, the work order was issued for installation of 2.5 MVA, 33/11 KV SS.

The Government stated (September 2022) that distribution sector being dynamic in nature where the load growth can be exponential, the DoPN found that 1.6 MVA would become overloaded within no time and therefore, opted for higher 2.5 MVA/ 11 KV capacity transformer.

The reply is indicative of the fact that the DPRs had been prepared as a matter of routine without assessing the present and future requirements.

ii) Monitoring Committee of Saubhagya sanctioned electrification of 24,566 poor urban HHs at a cost of ₹7.37 crore. It was observed that, during execution, DoPN could identify and cover only 7,697 poor urban HHs which resulted in revision of the project cost to ₹2.35 crore.

The Government stated (September 2022) that the DPR figure was an estimated data of poor urban HHs collected from concerned Divisions. However, the DoPN executed the work as per actuals and the project cost was reduced/ revised accordingly.

The reply confirms the fact that the DPR did not capture the actual number of un-electrified poor urban HHs indicating non-conduct of field survey.

iii) There was mismatch in identification of BPL HHs for electrification as per DPRs and actual coverage in the selected six districts as shown in **Table 6.2.3**.

Table 6.2.3: Details showing mismatch between DPRs and actual coverage

Sl. No.	Selected District	BPL HHs identified in DPRs for electrification						Actual BPL HHs electrified	Difference
		RGGVY XII	DDUGJY New I	DDUGJY New II	Saubhagya (Rural)	Saubhagya (Urban)	Total		
State (Nagaland)		**37,751**	**4,743**	**16,800**	**66,766**	**7,697**	**1,33,757**	**1,33,014**	**743**
1.	Dimapur	6,963	554	2,377	10,946	1,844	**22,684**	**20,370**	2,314
2.	Mon	1,924	622	1,817	6,734	735	**11,832**	**11,809**	23
3.	Peren	4,851	760	1,155	4,528	919	**12,213**	**9,649**	2,564
4.	Phek	2,880	150	1,382	7,486	250	**12,148**	**12,295**	(147)
5.	Tuensang	3,020	1,299	2,959	6,221	250	**13,749**	**15,065**	(1,316)
6.	Wokha	3,776	722	1,202	5,795	250	**11,745**	**11,461**	284
Total		**23,414**	**--**	**--**	**--**	**--**	**84,371**	**80,649**	**--**

Source: DPRs and reply of Department

It can be seen from above that in the six selected districts, electrification of 80,649 BPL HHs was taken up against the estimated 84,371 in DPRs. In four districts, (Dimapur, Mon, Peren and Wokha) the DPRs had inflated numbers whereas in Phek and Tuensang, DPR figures was lower than actuals.

The above observations indicate that detailed field survey was not conducted before preparation of DPRs.

6.2.6.2 Mismatch of approved DPRs with overall objective of scheme

Strengthening/augmentation of transmission and distribution infrastructure in rural areas is one of the objectives of DDUGJY/Saubhagya scheme to provide reliable and quality supply of power. Accordingly, the scope of work was to ensure (i) 24x7 power supply for non-agricultural consumers and (ii) reduction of Aggregate Technical & Commercial (AT&C) losses as per trajectory finalised by the Ministry of Power in consultation with the State.

The mismatch between actual infrastructure requirements *vis-a-vis* the sanction under the schemes is shown in **Table 6.2.4**.

Table 6.2.4: Details showing mismatch between actual requirements and sanction of MoP, GOI

Sl. No.	Item of works	Require-ment as per NAD	Sanctioned by MoP, GoI				Difference
			DDUGJY	DDUGJY New & Addl.	Saubhagya	Total	
		(i)	(ii)	(iii)	(iv)	(v)	(vi)
1.	33 KV line (in CKM)	172.00	36.00	49.40	0	85.40	**86.60**
2.	11 KV line (in CKM)	2,076.34	274.18	409.59	121.96	805.73	**1,270.61**
3.	LT line (CKM)	1,810.80	241.28	221.43	369.60	832.31	**978.49**
4.	Distribution Transformer (Nos.)	2,304	305	226	131	662	**1,642**

Source: Need Assessment Document and Sanction orders from GoI

From **Table 6.2.4**, it can be seen that the works sanctioned under the Scheme were not sufficient to meet the critical gap in sub-transmission and distribution network infrastructure in rural areas. The impact of the same can be observed in non-achievement of targeted AT&C losses as shown in **Table 6.2.5** and non-fulfilment of 24x7 power supply as detailed in **Table 6.2.6**.

Table 6.2.5: Trajectory finalised by MOP *vis-à-vis* the actual AT&C loss figures

(Figures are in *per cent*)

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
AT&C Loss trajectory	64.21	59.21	53.21	47.21	41.21	35.21	29.21
AT&C Loss Actual	67.72	67.97	66.42	66.41	62.01	63.14	63.14

Source: Departmental records

Table 6.2.6: Gap in Power availability and Power demand in the State

Year	Power availability (in MUs)	Power demand (in MUs)	AT&C losses (in *per cent*)
2014-15	694.256	728.96	67.72
2015-16	750.088	787.50	67.97
2016-17	761.527	814.83	66.42
2017-18	765.164	818.72	66.41

Year	Power availability (in MUs)	Power demand (in MUs)	AT&C losses (in *per cent*)
2018-19	793.516	833.19	62.01
2019-20	841.260	883.32	63.14
2020-21	838.460	880.38	63.14

Source: Department's reply

The critical gap in sub-transmission and distribution network infrastructure in rural areas, shortage of power availability against the demand and chronic Aggregate Technical & Commercial (AT&C) losses have resulted in unreliable and limited hours of power supply defeating the overall objective of the schemes.

The Government (September 2022) accepted the gap in infrastructure and the mismatch between actual requirements and sanctions under the scheme. It was also assured by DoPN that every effort will be put in place to check the leakage of power to reduce AT&C losses.

6.2.7 Financial Management

The Ministry of Power, GoI had sanctioned ₹315.35 crore for the Scheme as detailed in **Table 6.2.8**. The Bipartite agreement (January2015) between REC and GoN provided a fund sharing pattern in the ratio of 85:15 (90:10 if scheme is completed in scheduled time). For financing 15 *per cent* of the project cost, the GoN availed loan from REC.

The receipt and utilisation of Scheme funds during 2014-15 to 2020-21, as on 31 March 2021, is given in **Table 6.2.7**.

Table 6.2.7: Receipt and utilisation of Scheme fund

Year	Opening balance (₹in crore)	Amount receipt (₹ in crore)		Total available (₹ in crore)	Actual expenditure (₹ in crore)	Closing balance (₹ in crore)
		GoI subsidy	REC Loan			
1	**2**	**3**	**4**	**5=2+3+4**	**6**	**7=5-6**
2014-15	0	0	0	0	0	0
2015-16	0	24.92	2.77	27.69	19.44	8.25
2016-17	8.25	21.51	0	29.76	21.28	8.48
2017-18	8.48	23.64	5.46	37.58	30.62	6.96
2018-19	6.96	94.48	6.73	108.17	93.07	15.10
2019-20	15.10	24.01	16.18	55.29	27.72	27.57
2020-21	27.57	10.48	0.25	38.30	15.95	22.35
Total	**--**	**199.04**	**31.39**	**230.43**	**208.08**	**--**

Source: Sanction orders and Departmental records

As seen from **Table 6.2.7**, against the sanction of ₹315.35 crore, DoPN received ₹230.43 crore (₹199.04 crore grant and ₹31.39 crore loan) from GoI and REC respectively against which expenditure amounting to ₹208.08 crore was incurred as of September 2022.

Audit findings on financial management are discussed in the succeeding paragraphs:

6.2.7.1 Financial and Physical Progress of works

REC approved and sanctioned 63 DPRs at ₹315.35 crore for implementation of the Scheme in 11 districts. DoPN was required to complete all works within 30 months from the date of sanction. The financial and physical progress (March 2021) are shown in **Tables 6.2.8** and **6.2.9**.

Table 6.2.8: Scheme-wise Financial Progress

(₹ in crore)

Scheme	Date of sanction	Sanction[171]	Receipt	Expenditure
DDUGJY (RGGVY) XII	01/03/2014	92.35	76.02	62.98
DDUGJY New I	18/08/2015	42.38	37.95	39.90
DDUGJY New II	09/01/2017	42.18	35.31	26.06
DDUGJY Addl.	31/01/2020[172]	51.99	10.73	2.73
Saubhagya & Infra	08/10/2018	86.45	70.42	76.41
Total		**315.35**	**230.43**	**208.08**

Source: Sanction orders and Departmental records

Table 6.2.9: Scheme-wise Physical Progress

Works	RGGVY XII		DDUGJY New		Saubhagya		Total Progress	
	LOA	Prog.	LOA	Prog.	LOA	Prog.	LOA	Progress
New 33 KV SS (in nos.)	1	0	6	2	0	0	**7**	**2**
Augmentation of SS (in nos.)	4	4	0	0	0	0	**4**	**4**
33 KV line (in CKm)	36.00	28.00	49.40	40.20	0	0	**85.40**	**68.20**
11 KV line (in CKm)	274.18	145.30	409.59	242.23	121.96	121.96	**805.73**	**509.49**
LT line (in CKm)	241.28	123.36	221.43	95.10	369.60	369.60	**832.31**	**588.06**
DT (in nos.)	305	164	226	106	131	131	**662**	**401**
DTR meter (in nos.)	305	150	697	548	0	0	**1002**	**698**
Feeder meter (in nos.)	0	0	191	144	0	0	**191**	**144**

Source: Letter of Awards (LOAs) and Departmental records

As can be seen from **Tables 6.2.8** and **6.2.9**, DoPN could not complete the works within the scheduled time (March 2021). Against the envisaged electrification target of 900 villages, DoPN undertook works in 793 villages (88 *per cent*) covering 1,33,014 BPL households (81 *per cent*) out of the targeted 1,63,504 beneficiaries.

As a result of the delay in completion of the works within the stipulated timeframe, the State Government lost an opportunity to convert five *per cent* of the loan component into grants from GoI as discussed in detail in **Paragraph 6.2.8.6**.

The Government (September 2022) stated that all works have been completed as on 31 March 2022 and closure reports have been submitted to REC.

6.2.7.2 Non-maintenance of dedicated bank accounts

Paragraph 2.3.2 of DDUGJY guidelines and Paragraph 4.1 of Saubhagya guidelines stipulates that the utility shall open separate dedicated bank accounts in a nationalised bank and the nature of the account shall be current account with Corporate Liquid Term Deposit facility.

Further, Paragraph 6.5 of DDUGJY guidelines stipulates that the utility shall ensure that funds released under DDUGJY is utilised for the purpose for which it is released and will not be diverted for any other purpose other than DDUGJY.

171 Final sanction cost of schemes would be determined on completion of projects

172 In-principle sanctioned by REC on 13/10/2018

It was observed that in contrary to the Scheme guidelines, DoPN operated a single bank[173] account for both DDUGJY and Saubhagya schemes. It was observed that an amount of ₹5.99 crore of DDUGJY fund was diverted (March 2021) to meet liabilities for Saubhagya works.

The Government accepted (September 2022) the observation and stated that due to tremendous pressure to complete Saubhagya, the DoPN was compelled to make payments for Saubhagya works from DDUGJY funds, as a temporary measure. Consequently, on receipt of Saubhagya fund, the DDUGJY fund was recouped.

The operation of single bank account for both DDUGJY and Saubhagya was in contravention to the Scheme guidelines and led to temporary diversion of funds.

6.2.7.3 Non-remittance of interest earned on Grant

Paragraph 6.3-of DDUGJY guidelines and Paragraph 4.3- of Saubhagya guidelines require that interest earned should be remitted to MoP on regular basis and at least once in a quarter.

It was observed that interest of ₹3.06 crore was earned (2015-21) on capital subsidy but only ₹2.29 crore was remitted to MoP (***Appendix-6.2.2***) leaving a balance of ₹0.77 crore yet to be transferred. It was also seen that interest earned on capital subsidy was not remitted regularly to MoP as envisaged in the scheme guidelines.

While accepting the audit observation, the Government apprised (September 2022) that the interest earned has been duly refunded to MoP.

6.2.7.4 Excess Service Charges paid to Project Management Agency (PMA)

Paragraph 11- of DDUGJY guidelines and Clause 3.3 (iv-c) of Saubhagya guidelines stipulate that grant would be provided by GoI for expenditure on PMA upto 0.50 *per cent* of the project cost.

DoPN awarded PMA contract to M/s WAPCOS Ltd. for DDUGJY and Saubhagya schemes with service charges at 0.75 *per cent* ₹2.36 crore against GoI grant provision of ₹1.57 crore. Due to higher rate of service charge fixed by DoPN in contravention to the scheme guidelines, there was an extra financial burden of ₹0.79 crore[174].

Further, as per contract agreement, the terms of payment for PMA were (i) 30 *per cent* as advance on acceptance of the work, (ii) 30 *per cent* on completion of Stage-1, 25 *per cent* on completion of Stage-2 and 15 *per cent* after submission of the final report.

It was observed that payments were made based on the claims submitted by PMA instead of the contractual terms of payment wherein balance 15 *per cent* of final instalment of fund was to be released only after submission of the final report and release of final instalment of fund.

[173] Punjab & Sind Bank A/c No. XXXXX308

[174] ₹2.36 crore - ₹1.57 crore = ₹0.79 crore

It was further noticed that due to non-linking of the payments to be made to the PMA as per the achievement of milestones, DoPN paid (September 2021) excess amount of ₹45 lakh as PMA fees for two components of the schemes as shown in (***Appendix-6.2.3)***.

The Government accepted (September 2022) the audit observation and stated that PMA was selected from the list of empanelled consultants and the rate fixed for PMA at 0.75 *per cent* was arrived at after negotiations. The Government has requested REC to allow PMA charges at 0.75 *per cent* for Nagaland and permission from REC was awaited.

6.2.7.5 Delay in submission of Utilisation Certificates (UCs)

Paragraph 7-Chapter IV of DDUGJY guidelines and Paragraph 5-Chapter V of Saubhagya guidelines stipulate that UCs should be submitted latest by 30 April of the succeeding year.

It was observed that there was delay in submission of UCs ranged between one month and eight months as detailed in **Table 6.2.10.**

Table 6.2.10: Delay in submission of UCs

Financial Year	Due date of UC	Actual date of UC submission		Delay	
		DDUGJY	Saubhagya	DDUGJY	Saubhagya
2015-16	30/04/2016	06/01/2017	NA	8 months	-
2016-17	30/04/2017	26/09/2017	NA	5 months	-
2017-18	30/04/2018	02/05/2018	NA	-	-
2018-19	30/04/2019	11/06/2019	11/06/2019	1 month	1 month
2019-20	30/04/2020	28/09/2020	01/05/2020	5 months	-
2020-21	30/04/2021	25/05/2021	25/05/2021	-	1 month

Source: Departmental records

The Government accepted (September 2022) the observation and stated that the main reason for delay was time taken in compiling the expenditures, checking of MBs, *etc.* from various field divisions.

6.2.7.6 Payment without ensuring insurance documentation

The terms of the contract agreement stipulate that the Contractor was to take insurance policy in the joint name of DoPN and the Contractor. The insurance policies should be valid till the date of operational acceptance of the project. The freight charges included in the estimates were inclusive of insurance charges.

It was observed that the contractors had not submitted any insurance policy or premium receipt to DoPN. The Department did not ensure submission of copies of insurance policies by the contractors before authorising payments of freight charges as per the estimated rates. The payment made without the proof of insurance amounts to undue financial benefit to the contractors.

The Government accepted (September 2022) the audit observation and assured to work towards proper documentation of insurance papers.

6.2.8 Project Management

6.2.8.1 Non-adherence to the guidelines resulted in delay in award of contracts

Clause 8 of DDUGJY guidelines and Clause 8.3 of Saubhagya guidelines stipulate that the projects shall be implemented on turnkey contract through e-tendering. In exceptional circumstances, partial turnkey/departmental basis would be permitted. Further, the scheme guidelines stipulate that the works shall be awarded within six months from the date of sanction. It was noticed that there was delay in award of work orders ranging between 65 and 93 days (***Appendix-6.2.4)***.

It was further observed in the case of DDUGJY (RGVVY-XII) works that DoPN had requested (03 March 2014) for REC's approval on manual tendering for implementation of DDUGJY in Nagaland citing lack of expertise in e-tendering process but simultaneously issued (04 March 2014) Notice Inviting Tender (NIT) in national and regional newspapers. In response to the NIT, four firms participated and Letter of Award (LOA) was issued (May 2014) to the L1 firm[175] for ₹97.46 crore. It was however seen that REC communicated (September 2014) its disapproval for manual tendering, with directions for fresh tendering of works through e-tender and to complete the process by November 2014. Accordingly, DoPN cancelled (November 2014) the LOA and e-tendering was done with the assistance of E-Procurement Cell of the State Government. After evaluation of two valid bids, M/s Diamond Power Infrastructure Limited, Vadodara (DPIL) was declared L1 and LOA was issued (November 2014) for ₹91.52 crore on turnkey contract with scheduled completion period of 24 months. Thus, due to non-observance of the guidelines, the award of work was delayed beyond the stipulated period of six months with consequential delay in completion and loss of five *per cent* additional assistance.

The Government stated (September 2022) that delay was due to rejection of manual tendering for which re-tendering was done. Further, due to COVID-19 pandemic and consequent SOPs restricting all activities, the works could not be completed in time.

6.2.8.2 Cost over-run of ₹4.66 crore on terminated contract borne by the Government

Clause 36 of General Conditions of Contract provides that on termination of the contract due to the contractor's default, the Contractor shall be liable for any excess cost for completing the balance works.

Examination of records revealed that DoPN terminated (June 2018) the contract with M/s DPIL due to slow progress of works under DDUGJY. Out of the contract value of ₹91.52 crore, DoPN had paid ₹33.21 crore against the work done till the date of termination. Consequently, the balance work was put to tender (estimated cost worth ₹22.77 crore) and was carried out departmentally (estimated cost of ₹35.54 crore). The e-tendered work was awarded (March 2019) to M/s Spectrum Infra Ventures Private

[175] Joint venture of M/s Spectrum Meghalaya Cement Company Private Limited, Guwahati and M/s Diamond Power Infrastructure Limited, Vadodara

Limited for ₹27.43 crore, which exceeded the sanctioned amount by ₹4.66 crore. The cost overrun of ₹4.66 crore should have been recovered from the original contractor (M/s DPIL) as delay in completion of the work was attributable to the contractor. Audit observed that the bank guarantee of ₹0.92 crore only was forfeited (July 2018) from the original contractor.

As a result of termination of the original contract, the work scheduled to be completed in June 2019, was still ongoing (August 2021).

In reply, the Government stated (September 2022) that the cost escalation of ₹4.66 crore on re-tendering arose due to time lapse on cancellation of the original contract for slow progress of work and the Government assured to bear the additional cost and not charge it to scheme funds.

The State Government accepted the audit observation and as such, the contractor was liable to bear the cost escalation of the project in terms of Clause 36.

6.2.8.3 Delay in execution of works

Chapter II Para 9 of DDUGJY guidelines states that the works should be completed within 24 months from the date of award of work.

It was observed that out of seven new Sub-Stations (33 KV SSs) and four augmentation of SSs sanctioned under various component of the scheme, the work of only two new SSs and four augmentation of SSs was completed and commissioned as of March 2021 as shown in **Table 6.2.11**.

Table 6.2.11: Details of execution of SSs and augmentation of SSs

Sl. No.	Compo-nent	Name of Sub-Station	LOA date	Scheduled completion date	Remarks
1.	DDUGJY (RGGVY XII)	2.5 MVA Sub-Station at Niuland, Dimapur	08/03/2019	08/03/2021	Complete but not charged.
		Augmentation of SSs at Longleng, Mokokchung, Zunheboto			Complete
2.	DDUGJY NEW	2.5 MVA Sub-Station at Chen, Mon	06/07/2017	06/07/2019	In progress
		2.5 MVA Sub-Station at Naltoqa, Zunheboto			Complete
		1.6 MVA Sub-Station at Sangsanyu, Tuensang	27/08/2018	27/08/2020	Complete
3.	DDUGJY ADDL.	2.5 MVA Sub-Station at Athibung, Peren 2.5 MVA Sub-Station at Chetheba, Phek 2.5 MVA Sub-Station at Kikruma, Phek	06/03/2019	06/03/2021	In progress

Source: Departmental records

The above SS works were sanctioned to cater to the additional load requirement of village/ household electrifications covered under the Scheme. However, due to non-completion/non-commissioning of the SSs, the villages had to endure unreliable power supply.

The Government stated in its reply (September 2022) that all works has been completed since.

6.2.8.4 Delay in receipt of materials from Supplier

The work order for supply of items under RGGVY/ DDUGJY XII Package-B[176] for ₹five crore was awarded to M/s Spectrum Infra Ventures Private Limited with completion period of three months. The items, however, were yet to be received from the supplier (March 2021) as shown in **Table 6.2.12**.

Table 6.2.12: Items to be received under RGGVY XII Package B

Sl. No.	Items	Quantity ordered	Received
1.	25 KVA, 11/0.44 KV DT (in nos.)	58	39
2.	63 KVA, 11/0.44 KV DT (in nos.)	6	0
3.	ACSR Mink Conductors (in Km)	56.36	0.00
4.	ACSR Weasel Conductors (in Km)	355.76	178.00
5.	AAC ANT Conductors (in Km)	495.00	143.32

Source: Departmental records

The Government stated (September 2022) that the remaining items were received during 2021-22.

The reply confirms the delay in supply of items by more than two years.

6.2.8.5 Non-levy of Liquidated Damages for delay in execution of works

As per the Bipartite Agreement between REC and GoN, DoPN was to incorporate provision for levy of Liquidated Damages (LDs) in the agreements for delay in completion of projects.

It was seen in all the sampled six districts that tendered works agreement included a clause on levy of LDs for failure to complete the work within the scheduled date. However, LDs was neither invoked nor was any attempt made to fix responsibility on the contractors, even in cases where delay was attributable solely to the contractor. Non-levy of LDs also attributed to the delay in execution of works as contractors became complacent without any penalty for delay/slow progress.

The Government (September 2022) stated that the initial delay was due to rejection of manual tendering and re-tendering. Also, there were many factors for delay which was informed to REC, and extension was granted from time to time. Moreover, due to COVID pandemic the works could not be completed in time. For these reasons, no liquidated damages were levied on contractors.

The reasons put forward by the Government are not acceptable as the audit observation is based on the cases where the Department concerned have themselves attributed the delay in execution of work to the contractors.

6.2.8.6 Additional GoI grant forgone due to delay in completion of works

Chapter II Paragraph 9 of DDUGJY guidelines stipulate that project under the scheme should be completed within a period of 24 months from the date of issue of LOA in turnkey implementation. For execution on partial turnkey/departmental basis, the project was to be completed within 30 months from the date of communication of the

---

[176] *Vide* No.CEL/DDUGJY-XII/PKG-B/LOA/1992 dated 08/03/2019

approval of the MC. The amendment[177] to DDUGJY guidelines provide for additional GoI grant of five *per cent* on timely completion of projects.

In Nagaland, the works under DDUGJY scheme were executed on partial turnkey/ departmental basis and therefore should be completed within 30 months from the date of sanction. The works under Saubhagya scheme was scheduled to be completed by December 2018. Details of sanction and completion of works are shown in **Table 6.2.13.**

Table 6.2.13: Details of sanction date and completion date

Components of Scheme	Sanction Date	Scheduled completion date	Status
RGGVY XII	01/03/2014	August 2016	Works under progress
DDUGJY New (I)	18/08/2015	February 2018	Works under progress
DDUGJY New (II)	19/01/2017	July 2019	Works under progress
DDU Addl.	13/10/2018	April 2021	Works under progress
Saubhagya and Infra	25/07/2018	December 2018	Works completed but closure reports not submitted

Source: Departmental records

As can be seen from **Table 6.2.13**, the works under DDUGJY were still under progress beyond the scheduled completion period (April 2021) which resulted in loss of additional GoI grant of ₹11.45 crore (five *per cent* of ₹228.90 crore) and the State Government lost an opportunity to decrease their total outstanding debt to that extent.

6.2.8.7 Non-validation of performance security deposits by the contractor

Clause 9.1.1 of General Condition of Contract (GCC) stipulates that the Contractor shall, within 28 days of the notification of Letter of Intent, provide a performance security for the due performance of the Contract equivalent to 10 *per cent* of the Contract Price, with a validity upto 90 days beyond the Defect Liability Period (12 months). Apart from the Contractor's performance security, the Contractor was required to arrange additional performance securities, as specified in GCC within 28 days of the notification of award in favour of the employer in the form acceptable to the employer. No payment to the Contract shall be released unless the required Bank Guarantee(s) towards contract performance is/are furnished by the contractor.

Examination of records revealed that the contractor executing Package-A (₹16.91 crore), B (₹5.00 crore) and C (₹5.53 crore) works under DDUGJY failed to extend the Bank Guarantee (BG) or Performance Guarantee (PG) which was valid up to November 2019. DoPN released payments without verifying the validity of the BG or PG (10 *per cent* of work order *i.e.* ₹2.74 crore) thereby giving undue benefit to the contractor.

The Government accepted (September 2022) the audit observation and stated that Bank Guarantee/Performance Guarantee has been renewed as per the advice of audit.

177 Approved by Monitoring Committee in its meeting held on 02 September 2015

6.2.8.8 Inconsistency in identification of un-electrified rural households

RGGVY XII/ DDUGJY scheme provides for free electricity connections to rural BPL households in villages. Similarly, the objective of Saubhagya scheme was to achieve universal household electrification by providing last mile electricity connectivity to all Unelectrified (UE) households in rural and UE households (BPL) in urban areas.

Status of HHs electrification as per Census 2011 and prior to implementation of DDUGJY scheme is shown in **Table 6.2.14**.

Table 6.2.14: HHs electrification as per Census 2011 and prior to implementation of DDUGJY

Sl. No.	District	Census of India 2011						DPR of RGGVY XII / DDUGJY (2014)		
		Rural HHs	Urban HHs	Total HHs	UE Rural HH	UE Urban HH	Total UE HHs	UE RR Non-BPL HHs	UE RR BPL HHs	Total UE Rural HH
1.	Dimapur	36,034	40,698	76,732	4,463	856	5,319	12,512	9,934	22,446
2.	Kiphire	13,400	3,255	16,655	2,324	184	2,508	445	3,277	3,722
3.	Kohima	26,421	25,715	52,136	1,114	298	1,412	4,170	1,737	5,907
4.	Longleng	9,896	1,684	11,580	4,902	262	5,164	1,288	1,722	3,010
5.	Mokokchung	30,016	12,328	42,344	1,984	206	2,190	1,510	2,477	3,987
6.	Mon	35,804	5,543	41,347	26,531	418	26,949	1,351	2,227	3,578
7.	Peren	15,850	2,841	18,691	4,643	189	4,832	1,827	4,851	6,678
8.	Phek	32,889	5,002	37,891	1,633	76	1,709	5,004	2,880	7,884
9.	Tuensang	32,185	6,802	38,987	13,739	250	13,989	119	3,302	3,421
10.	Wokha	27,028	6,241	33,269	7,917	84	8,001	11,296	4,754	16,050
11.	Zunheboto	25,388	4,945	30,333	1,342	145	1,487	15,645	6,397	22,042
Total		**2,84,911**	**1,15,054**	**3,99,965**	**70,592**	**2,968**	**73,560**	**55,167**	**43,558**	**98,725**

Source: Section II Table 4 of Census of India 2011 - District-wise series 14 Part XII-B prepared by Directorate of Census Operations Nagaland and approved DPR of RGGVY XII/ DDUGJY

As can be seen from **Table 6.2.14**, there was an increase in UE rural HHs from 70,592 in 2011 to 98,725 (including 43,558 BPL HHs) in 2014. However, the number of free electrifications sanctioned under various components of DDUGJY scheme was 1,33,757 BPL HHs which is much higher than 43,558 UE BPL HHs identified prior to implementation of scheme as shown in **Table 6.2.15**.

Table 6.2.15: Free electrifications sanctioned under various components of DDUGJY

Sl. No.	District	RGGVY XII/ DDUGJY		Rural BPL HHs			SAUBHAGYA		Total BPL HHs (c)+(d)+(e)+(f)+(g)
		Rural APL HHs	Public places	RGGVY XII	DDUGJY New I	DDUGJY New II	Rural BPL HHs	Urban BPL HHs	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1.	Dimapur	96	240	6,963	554	2,377	10,946	1,844	22,684
2.	Kiphire	0	74	3,277	235	852	2,887	1,632	8,883
3.	Kohima	424	30	1,737	56	1,255	4,281	1,317	8,646
4.	Longleng[178]	1,293	84	449	167	959	1,057	0	2,632
5.	Mokokchung	0	77	2,477	178	1,096	6,546	0	10,297
6.	Mon	1,152	47	1,924	622	1,817	6,734	735	12,135

[178] Longleng is catered from Mokokchung Division

Sl. No.	District	RGGVY XII/ DDUGJY		Rural BPL HHs			SAUBHAGYA		Total BPL HHs (c)+(d)+(e)+ (f)+(g)
		Rural APL HHs	Public places	RGGVY XII	DDUG JY New I	DDUGJ Y New II	Rural BPL HHs	Urban BPL HHs	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
7.	Peren	0	64	4,851	760	1,155	4,528	919	12,213
8.	Phek	760	343	2,880	150	1,382	7,486	250	12,148
9.	Tuensang	80	54	3,020	1,299	2,959	6,221	250	14,031
10.	Wokha	8,935	222	3,776	722	1,202	5,795	250	12,723
11.	Zunheboto	15,645	127	6,397	0	1,746	10,285	500	18,928
Total		**28,385**	**1,362**	**37,751**	**4,743**	**16,800**	**66,766**	**7,697**	**1,33,757**

Source: Extract from approved DPRs and Central Store Records

It was also observed that the electrification was to cover 1,63,504 connections (28,385 APL HHs, 1,362 public places and 1,33,757 BPL HHs) as per the approved DPR. The financial assistance is provided only for BPL HHs connection at the rate of ₹3,000 per HH consisting of purchase of materials *i.e.,* Energy Meter, LED lamp, PVC Boards, MCB, DP switch, angle holder and PVC wire and installation charges.

As per the scheme, DoPN should have purchased electrification materials for 1,63,504 connections out of which electrification of 28,385 APL HHs and 1,362 public places should have been carried out on payment basis. However, it was seen that against the requirement of 1,63,504 connections, DoPN had issued work orders to procure materials for 1,33,014 BPL HHs only.

The Government (September 2022) stated that the figures in DPR was an estimate and there is bound to be variation in execution and REC was informed about the actual coverage.

The reply does not provide justification to the observations raised in the paragraph as APL HHs and public places remain to be electrified.

6.2.8.9 Non-release of connections to APL and public places

The objective of the Scheme is to provide access to electricity to all categories of rural households including APL HHs. DoPN had assessed the required capacities of transformers based on the combined load requirement of BPL HHs, APL HHs and public places in each village/habitation. Further, Ministry of Power considered a village as electrified only when electricity was provided to public places like schools, panchayat offices, health centres, *etc.* apart from the HHs.

As per approved DPRs of DDUGJY, DoPN had identified 28,385 APL HHs and 1,362 public places like schools, health centres, *etc.*, for electrification, on payment basis. Contrary to the provisions included in the approved DPRs, DoPN did not formulate any mechanism to ensure actual release of electricity connections to HHs other than the BPL HHs. DoPN did not provide any records to confirm actual coverage of the APL HHs and public places under the Scheme. Further, it was observed during field survey[179] that 80 *per cent* of public places like schools and health centres were temporarily electrified but not metered.

The Government stated (September 2022) that the public places like schools, health centres, *etc.,* are electrified as and when the application is received from the concerned departments. Therefore, the metering of APL and public places was taken up outside the scheme as normal service connection followed by the Department.

The reply is factually incorrect as documentary evidence suggested that apart from the BPL HHs, no other HHs and public places were electrified. Further, without electrification of public places and individual HHs, the village cannot be declared as an electrified village as per the new definition of village electrification.

6.2.8.10 Free electricity connections provided to ineligible beneficiaries

Under Saubhagya scheme, the beneficiary households for free electricity connections were to be identified using SECC (Socio-Economic Caste Census), 2011 data. However, UE households not covered under SECC data, would also be provided electricity connections under the scheme on payment of ₹500 which shall be recovered by DoPN in 10 instalments through electricity bill.

As per SECC 2011, there were 70,592 UE rural HHs inclusive of BPL HHs in the State. Subsequently, DoPN identified 43,558 UE rural BPL HHs prior to implementation of the scheme in 2014. It was observed that only 43,558 BPL HHs were eligible for free electricity connections, however, DoPN provided free connections to 1,33,014 BPL HHs which was more than the SECC 2011 figure. As a result, 89,456 BPL HHs[180] ineligible beneficiaries were provided free electricity connections.

The Government (September 2022) stated that the objective of the Scheme was to electrify all left out BPL households to achieve 100 *per cent* electrification. Thus, DoPN carried out electrification keeping the broader objective of the Scheme.

The reply is not tenable as free electricity connections were to be provided only for UE BPL HHs as per SECC 2011 and the remaining were to be provided electrification at a cost of ₹500 each.

6.2.8.11 Extra expenditure on purchase of consumer meters

Standard Bidding Document (SBD) of the Scheme stipulates technical specification of consumer energy meter for BPL HH electrification.

It was seen that REC provided (December 2018) relaxation in the e-tendering process and permitted departmental execution of household electrification. Accordingly, DoPN issued work orders to existing vendors/suppliers of the Department. The work order for supply of consumer meters specified technical specification for 40,000 meters, whereas the work orders for 93,014 meters specified the brand name in addition to technical specification. It was further observed that DoPN procured 40,000 meters (technical

179 Audit surveyed 86 sampled villages, out of which in 32 villages electrification of public places (on payment basis) was sanctioned

180 1,33,014 – 43,558 = 89,456

specifications) @ ₹1,250 each whereas the rates for 93,014 meters (Brand Name) ranged between ₹1,450 and ₹1650 each. This not only resulted in violation of the procurement procedure but also resulted in extra expenditure of ₹2.46 crore[181] as detailed in (***Appendix-6.2.5)***.

The Government stated (September 2022) that during the procurement process of the consumer meters for Saubhagya scheme, there was a huge gap in demand and supply of consumer meters by the manufacturer. Thus, the small differences in prevailing market prices had to be overlooked for early completion of consumer metering.

The justification provided by the Government is not acceptable as the rates should have been negotiated with the suppliers keeping in mind the quantity procured.

6.2.8.12 Idle expenditure on purchase of consumer meters

Under DDUGJY/Saubhagya schemes, 1,33,757 BPL HHs were sanctioned for electrification. Against this, 1,33,014 BPL HHs were taken up for electrification (March 2021). The purpose of metering was to capture actual energy consumption of the individual HH consumer and to issue accurate billing to reduce AT&C losses.

Physical verification of the selected villages revealed that household electricity connection was provided through a community single point meter (SPM) in rural areas of Nagaland. Under SPM, the Village Electricity Monitoring Board (VEMB) of each village collects fixed monthly electricity charges from electrified households, irrespective of energy consumption and deposits it to DoPN after deducting collection charges. Individual HH meter reading was not done in the villages. Since rural BPL households are billed on fixed rate, the meters provided under the scheme have served no purpose leading to idle expenditure of ₹25.74 crore[182]. Moreover, this incorrect billing system under SPM is also a major factor for high AT&C losses figures in the State.

In reply, the Government stated (September 2022) that under the Nagaland Communitisation Act of Public Institutions and Services Act, 2002, the electricity supply in villages were communitised and billing is done through SPM. The HHs metering under the scheme was meant to provide a basis for determining individual HH consumption and collection of electricity charges by VEMB which will facilitate the VEMBs to serve bills as per the individual meter reading. Also, Electricity Act, 2003 mandates that no licensee shall supply electricity except through a meter.

The reply is not acceptable as presently the billing is not carried out based on meter and VEMB does not do meter reading in the villages. Thus, the expenditure on providing consumer meter in villages remains an idle investment.

[181] ₹14,08,93,100 *minus* ₹11,62,67,500= ₹2,46,25,600

[182] Cost of 1,33,014 meters (₹19.09 crore) + Cost of meter installation (₹6.65 crore *i.e.* 1,33,014 meter at ₹500 average cost of installation per meter) = ₹25.74 crore

6.2.8.13 Unfruitful expenditure on installation of DTR/Feeder meters

Clause 2(iv) of DDUGJY guidelines envisages for installation of meters on Distribution Transformers (DTs) in the electrified villages to collect DT-wise consumption data and utilise the same to ascertain load usage and monitoring of distribution loss for each feeder. So, apart from metering at consumer end, the metering arrangement at distribution transformers and feeders would facilitate building up a mechanism for proper energy accounting which will help in identifying high loss pockets and initiating remedial measures towards reduction of AT&C losses. Further, for proper energy accounting a suitable Meter Data Acquisition System (MDAS) software should be a part of the metering process and should be in place prior to installation of DTs and Feeder meters.

DoPN had issued (July 2015, October 2017 and August 2018) work orders for supply and installation of energy meters on 1,002 DTRs and 191 Feeders under the Scheme with scheduled completion date of 31 March 2019 as shown in **Table 6.2.16**.

Table 6.2.16: Supply and Installation of energy meters on DTRs and Feeders

(₹ in crore)

Work Order	Particulars	Contractor	Scheduled completion	Total Work Cost	Paid till date
No.CEL/RGGVY/XII/NIT/1329 dated 15/07/2015 (part)	Supply & installation of 305 DTR meter	Diamond Power	21/06/2017	1.02	0.82
No.CEL/DDUGJY/UEV/LOA-DTR/1898 dated 05/10/2017	Supply & installation of 83 DTR meter	National Power System	05/01/2018	0.30	0.26
No.CEL/DDUGJY-Meter/PKG(A)/ 1495 dated 27/08/2018	614 DTR meter 191 Feeder meter	Spectrum Infra Ventures Pvt. Ltd.	31/03/2019	9.26	8.77
Total				**10.58**	**9.85**

Source: Departmental records

Against the work order, DoPN had received (March 2021) 906 DT meters and 191 Feeder meters with a delay of two years from the scheduled date of supply. It was observed that an amount of ₹9.85 crore was spent for the purchase of 906 DT meters and 191 Feeder meters and installation of 698 DT meters and 144 Feeder meters as of August 2021. However, in absence of MDAS, DoPN could not carry out transformer-wise energy accounting, auditing and checking of energy losses. Thus, the expenditure of ₹9.85 crore was rendered unfruitful as it failed to secure the intended benefits of the Scheme to monitor and check the distribution losses.

The Government (September 2022) stated that Meter Data Acquisition System (MDAS) was available only in nine Restructured Accelerated Power Development and Reforms Programme (RAPDRP) towns in Nagaland and the fund required for MDAS with IT component could not be incorporated in DDUGJY Schemes and this issue was deferred to Revamped Distribution Sector Scheme (RDSS) launched by GoI in July 2021. DoPN is making all efforts to manually collect meter reading data for the DTR and feeder meters installed under DDUGJY till such time the MDAS is in place under RDSS.

The justification provided by the Government is not acceptable as provisions for MDAS, which was a pre-requisite for energy accounting and auditing, should have been made prior to installation of DT and Feeder meters.

6.2.9 Monitoring

6.2.9.1 No plan for execution of Scheme awareness programme

Chapter-III of Saubhagya guidelines stipulates that the communication campaign/ awareness programme at the State/local levels was to be taken up by DoPN. REC had sanctioned ₹57.98 lakh for taking up awareness campaigns in 11 districts as shown in ***Appendix-6.2.6***.

It was observed that DoPN did not book any expenditure against communication head and no documentary evidence of conduct of any such awareness programme was available with DoPN. Further, out of 197 HHs surveyed in sampled villages, 162 HHs stated that they were not aware of Saubhagya Scheme.

On this being pointed out, the Government submitted (September 2022) photographic evidence of awareness program conducted by the DoPN. Further, it was stated that the provision for scheme awareness was made only in DPRs and was not mentioned in sanction order. Hence, some expenditure was made for scheme awareness as part of erection cost and no separate expenditure was booked.

The reply that some expenses towards awareness program had been clubbed with other expenses substantiates the audit observation that no expenses were booked under communication head separately. Moreover, 82 per cent of the HHs surveyed clearly stated that they were not aware of Saubhagya Scheme which corroborates lack of awareness programme.

6.2.9.2 Ineffective Quality Assurance Inspections

The Quality Assurance Mechanism (QAM) under RGGVY XII has a three-tier quality monitoring mechanism *i.e.*, TPIA[183], RQM[184]and NQM[185] whereas under DDUGJY and Saubhagya there is a single tier QAM in addition to in-house quality process checks. The status of inspections by TPIA/PMA/RQM and compliance of defects by DoPN (March 2021) are shown in (***Appendix-6.2.7)***. There were considerable defects noticed during inspections which are yet (March 2021) to be rectified by DoPN. However, NQM had not conducted any inspection as on 31 March 2021.

In reply, the Government accepted (September 2022) the audit observation and assured that all rectifications would be carried out in due course of time.

[183] WAPCOS is the Third-Party Inspecting Agency (TPIA) for RGGVY XII and Project Management Agency (PMA) for DDUGJY and Saubhagya projects appointed by DoPN

[184] REC Quality Monitors (RQM) is appointed by REC

[185] National Quality Monitors (NQM)

6.2.9.3 Ineffective monitoring

In compliance to Scheme guidelines and Bipartite Agreement between GoN and REC, the State Level Standing Committee (SLSC) was constituted (October 2013) with Chief Secretary, Nagaland as Chairman. The Committee was to recommend the project proposal formulated by the implementing agency and also monitor progress, quality control and resolve issues relating to the implementation of projects *viz.*, allocation of land for Sub-Stations, right of way, forest clearance, *etc.*

It was however observed that SLSC held only four meetings[186] to recommend the DPRs to REC for approval by MoP, GoI. Further, there was nothing on record to suggest that the SLSC monitored the implementation of schemes which led to various shortcomings in implementation and compromised the timelines for implementation of the Schemes as discussed in the preceding paragraphs *inter alia* **Paragraphs 6.2.8.6** (delay in completion of the works), **6.2.8.12** (idle expenditure on individual consumer meters in communitised electrified villages) and **6.2.8.13** (unfruitful expenditure on installation of DTR/Feeder meters).

In reply, the Government stated (September 2022) that SLSC did detailed scrutiny of the DPR prepared by the Department and recommended the same to REC and the Scheme was implemented with assistance of PMA for effective monitoring.

The reply confirms the Audit contention that supervision, guidance and monitoring of scheme implementation at State level was lacking due to ineffective monitoring by SLSC.

6.2.10 Conclusion

DDUGJY and Saubhagya Schemes was implemented in 11 Districts of the State with an objective to provide 24 x 7 power supply and reduce AT&C losses. However, critical gap in sub-transmission and distribution infrastructure, shortfall in supply against demand of power and delay in completion of village electrification infrastructure resulted in non–achievement of both the objectives of the Scheme. Moreover, the execution and management of the scheme works was flawed with deficiency. Audit noticed instances of poor planning, financial mismanagement and non-adherence to scheme guidelines in project execution, undue benefit to the contactors by way of accepting higher price of materials and ineffective monitoring mechanism. The role of SLSC to ensure quality and timelines in scheme implementation was ineffective due to failure to hold meetings for monitoring of Scheme works.

[186] 27/01/2014, 13/07/2015, 20/11/2015 & 31/05/2018

6.2.11 Recommendations

The State Government should-

(i) ***ensure conduct of detailed field study prior to preparation of DPRs.***

(ii) ***devise effective systems to ensure efficient billing based on actual meter reading and collection of revenue to reduce AT&C losses.***

(iii) ***institute a system for conduct of periodic Energy Accounting and Audit.***