CHAPTER IV
ECONOMIC SECTOR
(PUBLIC SECTOR UNDERTAKINGS AND POWER DEPARTMENT)

4.1 Functioning of State Public Sector Undertakings (SPSEs)

4.1.1 Introduction

The Public Sector Enterprises (SPSEs) 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 2022, 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 (CAG). Besides, there were six non-working SPSEs for which audit entrustment had not been extended to the CAG by the State Government as detailed in ***Paragraph No. 4.1.10***. The details of the SPSEs in Sikkim as on 31 March 2022 are given below.

Table No. 4.1: Total number of SPSEs as on 31 March 2022

Type of SPSEs	Working SPSEs
Government Companies registered under Sikkim Registration of Companies Act, 1961	09[1]
Government Companies registered under Companies Act, 2013	04[2]
Statutory Corporations	04
Total	**17**

None of the 13 working Government companies were listed in the stock exchange. During the period 2020-22, no new PSU was incorporated and no existing PSU 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 2022[3], the investment of the State Government (capital and long-term loans) in 17 SPSEs amounted to ₹ 50.85 crore as detailed in **Table No.4.2**.

Table No. 4.2: Details of total investment in 17 SPSEs

(₹ in crore)

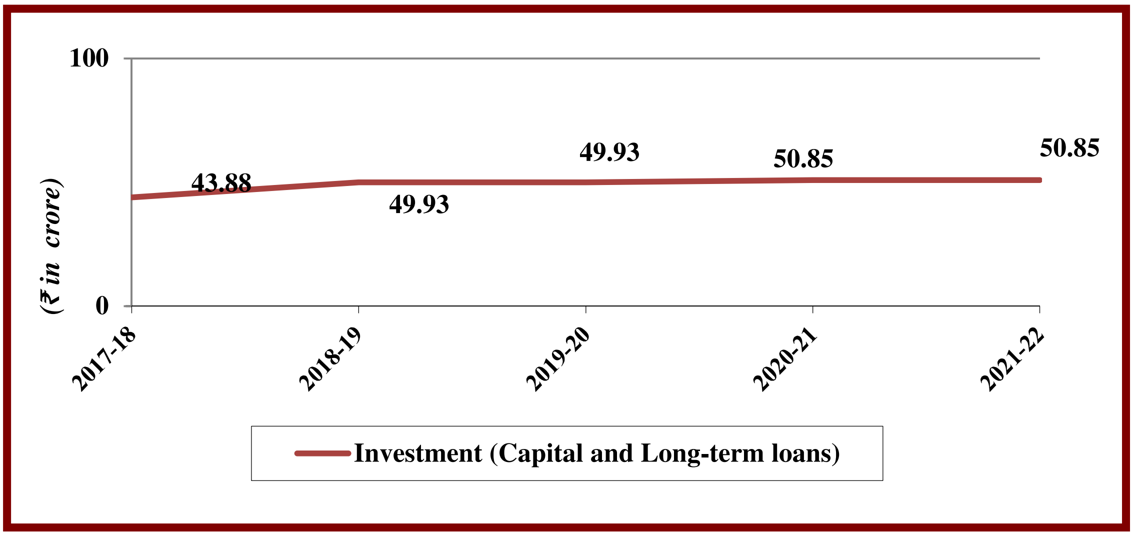
Year	Equity Capital	Long Term Loans	Total Investment
2021-22	48.82	2.03	50.85
2020-21	48.82	2.03	50.85
2017-18	41.85	2.03	43.88

As can be noticed form the **Table 4.2** above, the investment of State Government in SPSEs as on 31 March 2022 consisted of 96 *per cent* towards capital and four *per cent* in long term loans. The investment had increased by 15.88 *per cent* from ₹ 43.88

1 Audited by CAG on entrustment basis under section 20(1) of CAG (DPC)'s Act 1971
2 The Companies Act 2013/1956 had not been extended to the state of Sikkim. Hence, these four companies have their registered offices in New Delhi and Darjeeling (West Bengal).
3 Except of Sikkim Poultry Development Corporation Limited (2017-18), Sikkim Hatcheries Limited (2017-18)

crore (2017-18) to ₹ 50.85 crore in 2020-21 and remained the same in 2021-22 as shown in **Chart 4.1** below:

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 important sectors at the end of 31 March 2018 and 31 March 2022 are given in **Table No. 4.3** below:

Table No.4.3: Sector-wise investment in SPSEs

(₹ in crore)

Name of Sector	Government Companies		Statutory Corporation		Total Investment	
	2017-18	2021-22	2017-18	2021-22	2017-18	2021-22
Power	17,324.97	17,126.16	0	0	17,324.97	17,126.16
Finance	42.14	38.41	178.78	68.14	220.92	106.55
Service	6.46	6.46	1.61	280.21	8.07	286.67
Infrastructure	188.70	581.47	0	0	188.70	581.47
Manufacturing	0	0.92	0	0	0	0.92
Agriculture & Allied	1.16	1.16	0	0	1.16	1.16
Total	**17,563.43**	**17,754.58**	**180.39**	**348.35**	**17,743.82**	**18,102.93**

It may be seen from **Table No. 4.3** that during 2021-22, the thrust of PSU-investment was mainly in power sector companies[4], which constituted more than 91*per cent* of the total investment (₹ 18,102.93 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 2022 is given in **Table No. 4.4**.

[4] TUL, TPTL, SPICL & SPDC

Table No.4.4: Variation between Finance Accounts and records of SPSEs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
Equity	53.07	48.82	4.25
Loans	2.03	2.03	0
Guarantees	3,831.95	1,296.34	2,535.61

As on 31 March 2022, there were unreconciled differences in the figures of equity (₹ 4.25 crore) and guarantee (₹ 2,535.61crore) as per two sets of records. The differences in equity occurred in respect of eight SPSEs[5].

Though the process of reconciliation of these differences have 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 correct the system of financing the SPSEs and the Finance Accounts be updated.*

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 No. 4.5** for three years ended 2021-22.

Table No. 4.5: Details regarding budgetary support to SPSEs

(₹ in crore)

Sl. No.	Particulars	2019-20[6]		2020-21		2021-22	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
1.	Equity Capital outgo from budget	1	2.50	0	0	1	0.51
2.	Loans given from budget	0	0	0	0	0	0
3.	Grants/Subsidy from budget	1	6.50	1	6.50	1	8
	Total	**2**	**9.00**	**1**	**6.50**	**2**	**8.50**
4	Waiver of loans and interest	1	1.63	2	19.92	1	0.82
5	Guarantees issued	0	0	4	548.04	1	424.13
6	Guarantee Commitment	0	0	4	813.37	0	0

It may be seen from **Table No. 4.5** above that the budgetary outgo to SPSEs has decreased from ₹ 2.50 crore in 2019-20 to ₹ 0.51 crore in 2021-22. During the year 2021-22, the State Government had provided loan amounting to ₹ 3.85 crore to one PSU namely Sikkim Power Investment Corporation Limited. Further, equity amounting to ₹ 0.51 crore was infused into two[7] SPSEs.

[5] SABCCO, SIDICO, SPICL, SPDC, STDC, NSCL, STCS, SHHDCL.

[6] As on 31.03.2020 except of Sikkim Poultry Development Corporation Limited (2017-18), Sikkim Hatcheries Limited (2017-18), Sikkim Livestock Processing and Development Corporation Limited (2013-14)

[7] SPICL & SABCCO

During the period 2020-22, the State Government provided grants amounting to ₹ 14.50 crore to one PSU namely Temi Tea Estate. It can be noticed from Table No.4.5 above, that during 2020-22, the Guarantee issued increased from Nil (2019-20) to ₹ 424.13 crore (2021-22). Thus, the companies borrowed funds from market.

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, four companies were registered under the Companies Act, 1956/2013 while remaining nine were registered under the 'Registration of Companies Act, Sikkim, 1961'.

The four companies registered and governed by the Companies Act, 2013/1956 included Teesta Urja Limited (TUL), Teesta valley Power Transmission Limited (TPTL), Namchi Smart City Limited (NSCL) and Gangtok Smart City Development Limited (GSDCL).

During the year 2015-16, one State Government Company[8] acquired 51 *per cent* of equity share capital of TUL, which is the Holding company of TPTL. The other two companies (NSCL and GSCDL) 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 (TUL, TPTL, NSCL and GSCDL) 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 (CAG) 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 CAG. In addition to the statutory audit conducted by the Statutory Auditors, supplementary audit of these Companies is conducted by the CAG 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

[8] Sikkim Power Investment Corporation Limited

(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 CAG based on the entrustment/request for their audit by the Governor under Section 19(3) of the CAG'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 CAG 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 CAG thereon are to be placed before the legislature under section 396 of the Companies Act, 2013. Similarly, the Annual Reports of the Statutory Corporations along with the Separate Audit Reports of CAG 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. One company i.e., Namchi Smart City Limited was yet to finalise its accounts for the year 2021-22.

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 No. 4.6 provides the details of progress made by SPSEs in finalisation of their accounts as of 30 September 2022.

Table No. 4.6 Position relating to finalisation of accounts of SPSEs

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Number of Working SPSEs	16	16	16	17	17
2.	Number of accounts finalised during the year	7	39	11	9	11

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
3.	Number of accounts in arrears	46[9]	22	27	40	41
4.	Number of Working SPSEs with arrears in accounts	13	12	14	12	13
5.	Extent of arrears (numbers in years)	1 to 9	1 to 6	1 to 6	1 to 7	1 to 7

As can be seen from **Table No. 4.6**, the arrear of accounts of SPSEs had increased due to delay in finalisation of accounts by 13 SPSEs[10] during the year. As on 30 September 2022, a total of 41 accounts of 13 SPSEs were pending for finalisation. The highest pendency of accounts pertained to Sikkim Handloom & Handicrafts Development Corporation Limited (seven years) followed by Sikkim Livestock & Processing Development Corporation Limited (six years), SC/ST & OBC Development Corporation Limited (six years) and Sikkim Tourism Development Corporation Limited (five years).

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 No. 4.7** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2021) on the accounts of Statutory Corporations in the State Legislature.

Table No. 4.7: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporations	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	23.12.2019	
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	-	-	
4	Sikkim Power Investment Corporation Limited	2019-20	2020-21	09.02.2022	Nil
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	

9 Includes 2016-17 accounts of Namchi Smart City Ltd. However, the company combined the 2016-17 and 2017-18 accounts with permission from Registrar as it was incorporated only in March 2017.

10 SPDCL, SHL, SLPDC, SABCCO, SIDICO, SPDCL, STDC, SHHDCC, SBS, STCS, GFPF, TEMI TEA, NSCL

Sl. No.	Name of Statutory Corporations	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	
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 No. 4.7** above, that total nine SARs relating to seven SPSEs were pending (five to 46 months delay) for placement since issued to the State Government without intimating the reasons for delay.

Recommendations:

- *The State Government may set up a special cell to oversee the clearance of arrears and set the targets for individual SPSEs, which may be monitored by the cell;*
- *The State Government may ensure that the existing vacancies in the accounts department of SPSEs are timely filled up with persons having domain expertise and experience;*
- *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 No. 4.8** provides the details of working SPSEs turnover and GSDP for a period of five years ending 2021-22.

Table No. 4.8: Details of SPSEs turnover *vis-à-vis* State GDP

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover[11]	290.83	2,119.51	2,518.51	2,758.84	3,413.87
GSDP[12]	25,970.82	28,402.43	30,808.99	32,724.47	36,825.00
Percentage of SPSEs Turnover to GSDP	1.12	7.46	8.17	8.43	9.27

As can be noticed from Table 4.8 above, the SPSEs turnover as well as GSDP have shown an increasing trend during the period of five years from 2017-18 to 2021-22. During 2020-22, a growth (₹ 655.03 crore) PSU turnover was recorded mainly due to

[11] Turnover of working PSUs as per the latest finalized accounts as of 30 September of respective year.

[12] Source: Department of Economic, Statistics, Monitoring and Evaluation, Government of Sikkim.

increase in the turnover of one power sector PSU[13] during the year. This had correspondingly increased PSU turnover to GSDP from 8.43 *per cent* (2020-21) to 9.27 *per cent* (2021-22).

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 No. 4.9:**

Table No. 4.9: Debt Turnover Ratio relating to the SPSEs of the State

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Debt	14,080.24	13,284.89	13,468.47	14,858.77	14,386.07
Turnover[14]	290.83	2,119.51	2518.51	2758.84	3,413.84
Debt-turnover Ratio	48.41:1	6.27:1	5.35:1	5.39:1	4.21:1
Interest Payments	474.89	1,533.90	1725.66	1,644.28	1620.27
Accumulated losses	756.05	2,089.94	2,266.61	2,753.38	2,502.10

Debt-Turnover Ratio

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

PSU Debt

During the period of five years, the SPSEs debt had registered an overall increase of ₹ 305.83 crore (2.17*per cent*) from ₹ 14,080.24 crore (2017-18) to ₹ 14,386.07 crore (2021-22). Major portion of PSU debts during 2021-22 amounting to ₹ 13,414.91 (93.24 *per cent*) pertained to three power sector SPSEs/SPV[15].

Further, during 2017-22, the PSU turnover had shown growth of ₹ 3,123.01 crore (1,073.82 *per cent*) from ₹ 290.83 crore (2017-18) to ₹ 3,413.84 crore (2021-22) mainly due to appreciation of ₹ 740.68 crore in the turnover of one power sector SPSEs[16]from ₹ 2,612.90 crore (2021-22) as compared to ₹ 1,872.22 crore (2020-21) after commencement of operations. Resultantly, the DTR of SPSEs have correspondingly improved from 48.41:1(2017-18) to 4.21:1 (2021-22).

During the last five years, the accumulated losses of SPSEs had registered an overall increase of (₹ 1,746.05 crore) from ₹ 756.05 crore (2017-18) to ₹ 2,502.10 crore (2021-22). Major portion (₹ 2,478.83 crore) of these accumulated losses (₹ 2,502.10 crore) was contributed by two power sector SPSEs[17].

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13 The power sector PSU (Teesta Urja Limited) had registered the turnover of ₹ 2612.90 crore as per its accounts (2021-22) finalized as on 30 September 2022 as compared to the turnover of ₹ 1872.22 crore as per its accounts (2020-21) finalized as on 30 September 2021.

14 Turnover of working PSUs as per their latest finalized accounts as on 30 September of respective year.

15 Teesta Urja Limited (₹ 10,069.46 crore), Sikkim Power Investment Corporation Limited (₹ 3,229.13 crore) and Teesta valley Power Transmission Limited (₹ 895.25 crore).

16 Teesta Urja Limited

17 Teesta Urja Limited (₹ 1,267.85 crore) and Sikkim Power Investment Corporation Ltd. (₹ 1210.98 crore)

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 2022 were ₹ 3,716.86 crore and (-) ₹ 2,502.10 crore respectively ***(Appendix 4.1)***, which included accumulated losses (₹ 5.46 crore) of three[18] SPSEs which did not have any capital. Return on Equity (RoE) of eight[19] out of 17 SPSEs was 10.01 *per cent* while one PSU[20] was negative. The accumulated losses (₹ 1,322.37 crore) of four[21] SPSEs had completely eroded their paid-up capital (₹ 76 crore) and remaining four[22] SPSEs did not have any capital. Hence, RoE of these eight SPSEs was not workable. The primary erosion of paid-up capital was in respect of two SPSEs as detailed in the **Table No. 4.10** below:

Table No. 4.10: SPSEs with primary erosion of paid up capital

(₹ in crore)

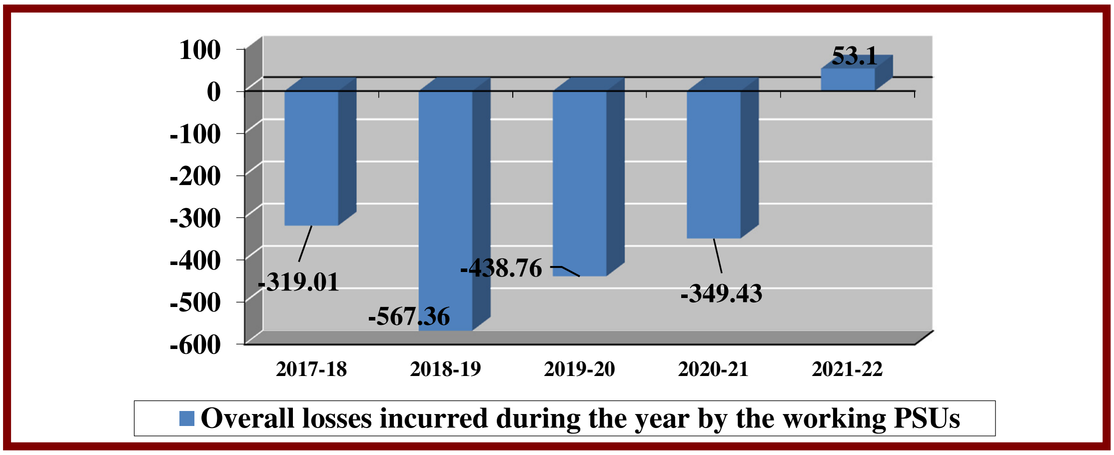
Name of PSU	Latest finalised accounts	Paid up capital	Accumulated losses
Sikkim Power Investment Corporation Limited	2020-21	0.01	(-) 1,210.98
Sikkim Power Development Corporation Limited	2020-21	74.84	(-) 107.64

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 2017-18 to 2021-22 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 four-year period 2017-18 to 2020-21. However, during the year 2021-22, the working SPSEs earned overall profit of ₹ 53.10 crore. The reasons attributed towards

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18 SPDCL, GSCDL and Temi Tea Estate
19 SIDICO, NSCL, TUL, TPTL, STDC, SHHDCL, SBS & STCS
20 SABCCO
21 SHL, SLPDC, SPICL & SPDC
22 SPDCL, GSCDL, GFPF & TEMI

the turnaround in the overall performance of the working SPSEs was mainly due to profit amounting to ₹ 254.22 crore earned by two SPSEs namely Teesta Urja Limited (₹ 230.98 crore) and State Bank of Sikkim (₹ 23.24 crore).

During the year 2021-22, out of 17 working SPSEs, 11 SPSEs[23] earned an aggregate profit of ₹ 265.55 crore, while six[24] SPSEs incurred loss of ₹ 212.45 crore. The details of major contributors to overall profits and losses of working SPSEs are given in **Table No. 4.11**:

Table No. 4.11: Major contributors to profits and losses of working SPSEs

(₹ in crore)

Name of PSU	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to profit		
Teesta Urja Limited	2021-22	(+) 230.98
State Bank of Sikkim	2018-19	(+) 23.24
Total		**(+) 254.22**
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 employed[25].

During 2021-22, the overall Capital Employed in 17 working SPSEs as per their latest accounts was ₹ 15,737.75 crore while the ROCE of the SPSEs ranged from (-) 200 *per cent* (Sikkim Hatcheries Limited) to (+) 68.89 *per cent* (Government Fruits Preservation Factory). Further, out of 17 working SPSEs, only 12 SPSEs[26] had positive ROCE ***(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 SPSEs, 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 SPSEs by the sum of the PV of the Government investments.

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[23] SIDICO, NSCL, TUL, TPTL, SPDC, STDC, SHHDCL, SBS, STCS, GFPF & TEMI

[24] SHL, SPDCL, SLPDC, SABCCO, SPICL & GSCDL

[25] Capital employed=Paid up share capital + Free Reserves and surplus +Long-term loans – Accumulated losses – Deferred revenue expenditure

[26] SABCCO, SIDICO, NSCL, TUL, TPTL, SPICL, SPDC, STDC, SHHDCL, SBS, STCS & GFPF

During 2021-22, as per their latest finalised accounts, out of 10[27] working SPSEs where State Government had made direct investment, three[28] SPSEs incurred loss and seven[29] SPSEs earned profit. On the basis of return on historical value, the State Government investment had eroded by 106.85 *per cent* as of 2021-22. As per the RoRR where the PV of investment is considered, the State Government investment eroded by 73.17 *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 Companies[30] and one Statutory Corporation[31]) for which audit entrustment to CAG had expired between 2003-04 and 2016-17. Since then the audit of these six non-working SPSEs has not been entrusted to CAG, 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 the five out of six non-working SPSEs (except Sikkim Mining Corporation) had been disposed of and the proceeds remitted (December 2012) to the Government of Sikkim. The liquidation of the sixth non-working PSU (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

Eight SPSEs[32] forwarded their 11 audited accounts to the Principal Accountant General (Audit), Sikkim (PAG) during the year 2021-22 (October 2021 to September 2022) out of which eight Accounts of six SPSEs[33] were taken up for supplementary audit. Further, 12 accounts of six SPSEs[34] who had submitted their accounts previously were also take up for supplementary audit. The audit certificate under Companies Act 2013 for two SPSEs[35] (Company/ Corporations)[36] was issued.

The details of the aggregate money value of comments of statutory auditors and CAG for last three years (2019-22) are given in **Table No. 4.12**.

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27 SLPDC, SABCCO, SIDICO, SPICL, SPDC, STDC, NSCL, STCS, SBS & SHHDCL.

28 SLPDC, SABCCO & SPICL

29 SIDICO, SPDC, STDC, NSCL, STCS, SBS & SHHDCL

30 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).

31 Sikkim Mining Corporation Limited (2016-17)

32 SIDICO, STCS, SBS, TUL, TPTL, GSCDL, SPICL & NSCL

33 SIDICO, STCS, NSCL, TUL, TPTL & GSCDL

34 GFPF, SPDCL, SHL, SPDC, SPICL & SHL

35 TUL & TPTL

36 NSCL, SPDC (Power), GSCDL (2 Accounts), TUL (2 Accounts) and TPTL (2 Accounts)

Table No. 4.12 Audit comments on SPSEs

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	1.03	3	1.03	2	1.25
2.	Increase in loss	4	89.65	4	89.65	0	0
3.	Non-disclosure of material facts	3	328.48	3	328.48	2	36.45
4.	Errors of classification	0	0	0	0	3	14.22

4.1.11.1 Gist of some important comments of the statutory auditors and CAG in respect of accounts of the SPSEs are as under:

(i) Sikkim Industrial Development and Investment Corporation (2020-21)

(a) Long Term Borrowings (Schedule 4)

Secured Loans: ₹ 313.22 crore

The Corporation had understated the above head by ₹ 35.95 crore due to non-accounting of interest charged on the secured loans by the State Bank of Sikkim for the years 2015-16 to 2020-21. This led to understatement of "Long Term Borrowings" and "Long Term Loans & Advances" by the same extent.

(b) Non-Current Investment (Note-9)

Investment in Mutual Fund ₹ 51.10 lakh

The Corporation had overstated the above head by ₹ 51.10 lakh due to wrongly debiting the "Investment in Liquid Fund" account instead of "Interest Receivable" account towards accrued interest on mutual funds. During 2019-20, SIDICO had accounted the accrued interest of ₹ 58.10 lakh by debiting "Investment in Liquid Fund" account instead of "Interest Receivable" account. Further, during 2020-21, SIDICO had earned interest of ₹ 7.00 lakh which was adjusted by crediting the "Investment in Debt/ Liquid Fund".

This has also resulted in understatement of "Interest Receivable" account by the same extent.

(ii) State Trading Corporation of Sikkim (2020-21)

(a) Reserve and Surplus (Sch-2): ₹ 7.42 crore

The Corporation had overstated the above head by ₹ 0.47 crore due to inappropriate recognition of the interest earned during the year 2018-19 against investment of Government Sponsored Scheme Fund (Construction of Multi-Specialty Hospital), as Company's own income instead of accounting the same as 'Liability payable to the State Government'. This has correspondingly resulted in understatement of "Other Current Liabilities- Payable to State Government (Schedule 7)" to the same extent.

(b) Current Assets/ Loans and Advances (Schedule 13)

Advance to Suppliers: ₹ 37.46 crore

The Corporation had overstated the above head by ₹ 0.65 crore due to not providing for the advances given to four suppliers prior to 2007. Since no details/records were available for the said advance, the same should have been provided for. This has correspondingly resulted in overstatement of 'Profit for the year' to the same extent.

(c) Other Current Assets (Schedule 14): ₹ 0.31 crore

The Corporation had understated the above head by ₹ 0.50 crore due to non-recognition of the 'Administrative Charges' receivable for prior periods against facilitating the Long Term Borrowings (₹ 300 crore) to the State Government for construction of Multi-Specialty Hospital as committed (May 2018) by the State Government. This has correspondingly resulted in understatement of the 'Profit for the year' to the same extent.

(iii) Namchi Smart City Limited (2020-21)

(a) Other Current Assets (Sch 8 (ii)): ₹ 35.55 crore

The Company had overstated the above head by ₹ 10.47 crore due to non-adjustment of Mobilisation Advance recovered from the various contractors.

During the year, the Company has recovered an amount of ₹ 10.47 crore against the Mobilization Advance from the RA Bill of various contractors. However, the Company instead of adjusting the amount from the above head, it had booked a separate head under current liabilities. Thus, it has resulted in overstatement of Current Assets and Current Liabilities by the same extent.

4.1.12 Follow up action on Audit Reports

4.1.12.1 Submission of Explanatory notes

The Report of the CAG 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 CAG 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 2022 was given in **Table No. 4.13** below.

Table No. 4.13 Explanatory notes not received (as on 30 September 2022)

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	0
2015-16	18 March 2017	1	1	1	1
2016-17	12 July 2018	1	0	1	NA
2017-18	2 August 2019	0	4	NA	4
2018-19	8 December 2021	0	2	NA	2
TOTAL		**3**	**13**	**2**	**8**

From the **Table No. 4.13**, it may be seen that the 'explanatory notes' to eight paragraphs and two performance audits (PA), which pertained to nine Companies/ Corporations[37] had not been received (October 2021).

4.1.12.2 Discussion of Audit Reports by the Public Accounts Committee

In the state of Sikkim, there is no separate Committee on Public Sector Undertakings (COPU). The findings related to SPSEs are also discussed in the PAC. The status of discussion by the PAC as on 31 December 2022 on PAs and Paragraphs (relating to SPSEs) featured in Audit Reports has been detailed in **Table No. 4.14**.

Table No.4.14: Performance Audits/ Paragraphs relating to SPSEs featured in Audit Reports *vis-à-vis* discussed as on 31 December 2022

Year of Audit Report	Appeared in Audit Report		Selected for discussion by the PAC		Number of PAs/paragraphs Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
2013-14	1	4	1	2	1	2
2014-15	0	2	NA	1	NA	Nil
2015-16	1	1	Selection awaited		NA	NA
2016-17	1	0	Selection awaited		NA	NA
2017-18	0	4	Selection awaited		NA	NA
2018-19	0	2	Selection awaited		NA	NA
Total	**3**	**13**	**1**	**3**	**1**	**2**

It can be seen from the **Table No. 4.14,** that six Audit Reports containing three performance audits and 13 paragraphs relating to the SPSEs were placed in the State Legislature. As on 31 December 2022, only one Performance Audit and two paragraphs were discussed by the PAC.

4.1.12.3 Compliance to Reports of Public Accounts Committee

As of October 2022, PAC had issued total three PAC Reports containing three recommendations relating to Audit Reports for the years 2010-11, 2011-12 and 2012-13 which were presented in the State Legislature. Action Taken Notes (ATNs) against two recommendations relating to Audit Report for the year 2011-12 and 2012-13 has not been received from the concerned PSU.

It is recommended that the Government may ensure:

(a) furnishing of 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.

4.1.13 Coverage of this Report

This Chapter contains one Performance Audit of Deen Dayal Upadhyaya Gram Jyoti Yojana and Saubhagya scheme and one compliance audit paragraph pertaining to

[37] SBS, SPDCL, SHDB, SIDICO, EPD, SIMFED, SPICL, SABCCO and NSCL.

Gangtok Smart City Development Limited (GSCDL) which is under the administrative control of the Urban Development Department.

PERFORMANCE AUDIT

POWER DEPARTMENT

4.2 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) & Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

4.2.1 Introduction

Ministry of Power (MoP), Government of India (GoI) launched (December 2014) Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) subsuming the targets laid down under the erstwhile Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as a separate rural electrification sub-component by carrying forward the approved outlay for the RGGVY to the DDUGJY with two additional objectives, viz., (i) separation of agriculture and non-agriculture feeders to facilitate judicious rostering of power supply to the agricultural and non-agricultural consumers in rural areas and (ii) strengthening and augmentation of sub-transmission and distribution infrastructure in rural areas, including metering at distribution transformers (DTs)/ feeders/and consumers. DDUGJY aimed at a quantitative and qualitative transformation of the rural electricity infrastructure.

In Sikkim, the scheme did not include segregation of agricultural and non-agricultural feeders as there was no large-scale dependence on electricity for agricultural irrigation.

Main focus of rural electrification upto 2017 was electrification of villages. However, village electrification did not result in electrification of all the households (HHs) as the village was considered electrified even on the electrification of 10 *per cent* HHs. Thus, GoI launched (October 2017) "Pradhan Mantri Sahaj Bijli Har Ghar Yojana – Saubhagya" to achieve universal household electrification in the country. The objective of Saubhagya Scheme was to achieve universal house hold electrification by providing last mile connectivity and electricity connections to all households in rural and urban areas.

4.2.2 Implementing Agency

Power Department (PD), Government of Sikkim (GoS) is solely responsible for generation, transmission and distribution of electricity in Sikkim. Thus, the PD was responsible for the implementation of DDUGJY and Saubhagya schemes.

4.2.3 Scheme Outcomes

As per 2011 Census data, 84,043 rural households (RHHs) (90.09 *per cent*) out of 93,298 RHHs in four districts of Sikkim had access to electricity. The PD had claimed to have electrified 14,900 RHHs under the schemes. However, during beneficiary survey conducted by the Audit, instances of already electrified RHHs being included in the schemes were also noticed, as detailed in ***paragraph 4.2.13.4***.

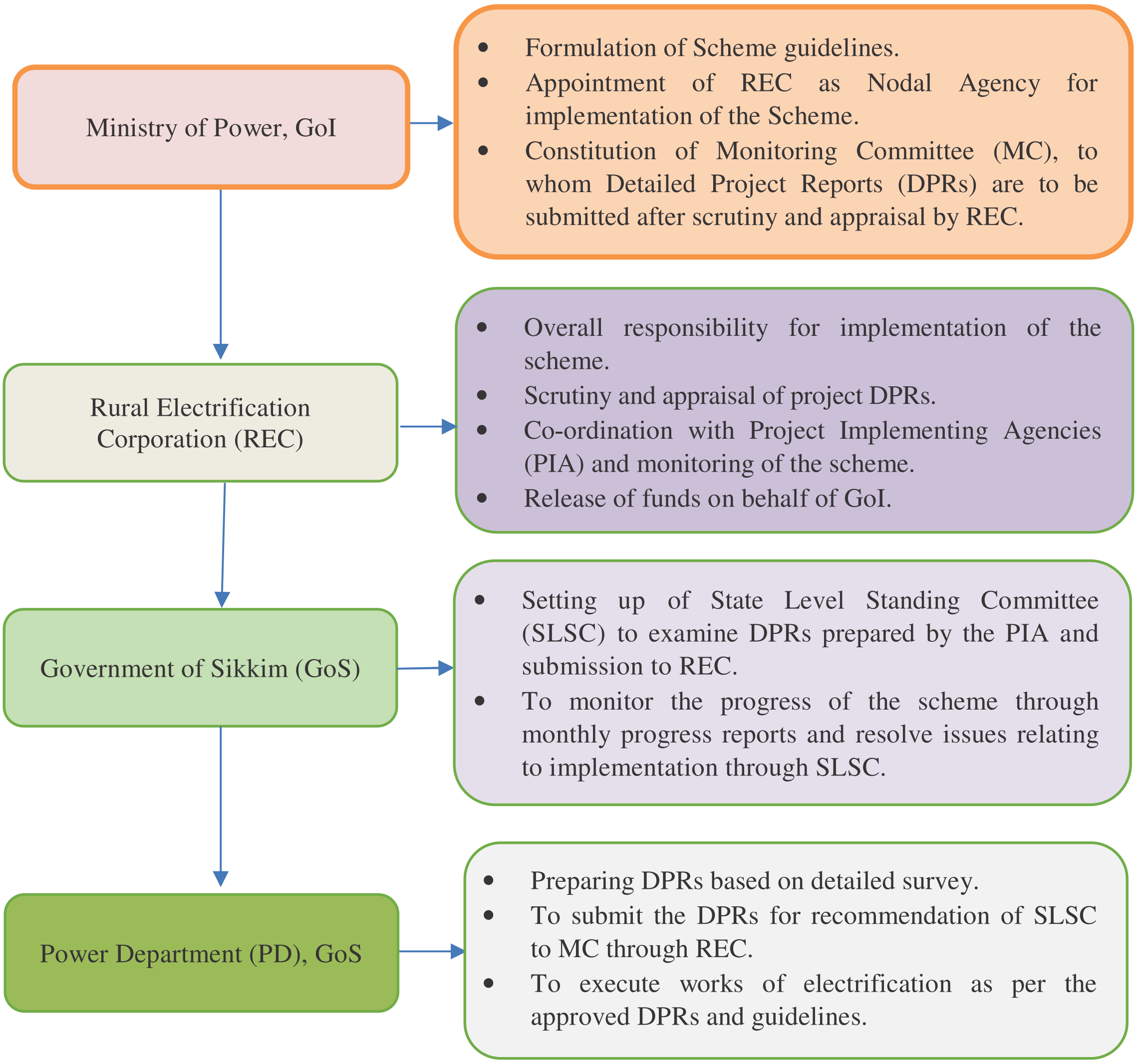
4.2.4 Funding Pattern

The GoI and GoS financed the schemes in the proportion of 85:15. While GoI was to provide 85 *percent* funding by way of capital subsidy, GoS was required to contribute five *per cent* of the scheme cost out of its own resources and balance 10 *per cent* by availing loan from the Rural Electrification Corporation Limited (REC)/ banks/ financial institutions. However, GoS funded 15 *per cent* from its own resources. GoI capital subsidy included subsidy of ₹ 3,000 per household for free connections to 8,380 poor rural households (BPL: 3,413; SECC poor: 4,967 under DDUGJY and Saubhagya respectively).

4.2.5 Role of various entities

Roles of various entities in the scheme formulation, approval and implementation are shown in the Chart below:

Roles of entities



4.2.6 Organisational Setup

The PD was headed by the Principal Chief Engineer-cum-Secretary (PCE-cum-Secretary) who was assisted by Principal Chief Engineers, Chief Engineers and

Additional Chief Engineers. The PCE-cum-Secretary was responsible for the overall implementation of schemes.

A Nodal Team consisting of one Chief Engineer and Superintending Engineer (HQ) was formed to assist PCE-cum-Secretary for monitoring implementation of the schemes. The Superintending Engineers (SEs), Distribution Circles of the PD were responsible for execution of Scheme works in the areas within their jurisdiction in accordance with the provisions of the agreement.

4.2.7 Scheme Implementation

DDUGJY provided for development of a Rural Electricity Distribution Backbone (REDB) with installation of at least one 33/11 KV sub-station of adequate capacity in blocks where these did not exist as well as augmentation of existing sub-stations. Likewise, Village Electrification Infrastructure (VEI) was to be established with Distribution Transformers (DTRs) of appropriate capacity in the State. Saubhagya aimed for universal household electrification by providing last mile connectivity and electricity connections to all households in rural and urban areas.

In Sikkim, four projects each under DDUGJY and Saubhagya were implemented. Thus, in all, eight projects were implemented as detailed in the **Table 4.15**.

Table 4.15: Sanctioned cost *vis-à-vis* awarded cost of the projects

(₹ in crore)

District	DDUGJY			Saubhagya		
	Sanctioned cost	Awarded cost	Actual Expenditure as on 31.03.2021	Sanctioned cost	Awarded cost	Actual Expenditure as on 31.03.2021
East	12.35	18.51		2.47	4.21	
South	13.83	17.61		3.40	8.01	
West	11.96	17.42		6.63	6.96	
North	11.55	20.28	58.40	28.15	20.42	27.10
	49.69	**73.82**	**58.40**	**40.65**	**39.60**	**27.10**

A bipartite agreement was entered (28 April 2017) between the REC (on behalf of GoI) and the GoS for implementation of DDUGJY scheme. However, for Saubhagya at the time of acceptance of implementation of the scheme by the State, no agreement was drawn between REC and GoS.

A single tier (level) of control was defined to ensure the quality of work wherein the PD was solely responsible and accountable for assuring quality in DDUGJY works. However, the PD was to engage a third-party evaluation agency for undertaking independent assessment of the project implementation and assessment of socio-economic impact of the scheme on beneficiaries. REC was to appoint REC Quality Control Monitors (RQM) to verify quality of works carried out under the scheme.

The same monitoring mechanism was to be followed under Saubhagya scheme.

As per scheme guidelines, projects were to be implemented on turnkey basis. However, the PIAs were allowed to execute the projects departmentally in exceptional cases, with adequate justification, with the approval of the Monitoring Committee

(MC) of MoP. The PD executed the DDUGJY projects through the Turnkey Contractor (Contractor) selected through limited tender and projects under Saubhagya scheme were executed departmentally.

4.2.8 Audit Objectives

The Performance Audit was conducted to assess whether the PD/ GoS implemented the schemes in an economical, efficient and effective manner in all stages of project implementation viz., planning, execution, financial controls, monitoring and supervision, *etc.*

4.2.9 Audit Criteria

The Audit criteria which were considered for the purpose of this Performance Audit are:

- DDUGJY office memoranda and guidelines issued by GoI;
- National Rural Electrification and State Rural Electrification Policy;
- The Electricity Act, 2003;
- General Financial Rules and CVC guidelines;
- Instructions issued by GoI/REC/GoS and Bipartite agreement executed between the REC and the GoS;
- General Information and Scope of Works (Technical specifications for Rural electrification works) issued by REC for the Scheme; and
- Records of Co-ordination Committee meetings with respect to rural electrification works;
- Contract Agreements.

4.2.10 Audit Sample, Scope and Methodology

For conducting the Performance Audit, two districts *i.e.* North District and West District out of four districts in the State, were test checked. The projects with sanctioned cost of ₹ 52.61 crore (59.09 *per cent* of total sanctioned cost of ₹ 89.04 crore) under both the schemes were implemented in these two districts. Two blocks each from the sampled districts were selected for detailed audit. For the physical verification of scheme works and beneficiary survey, Audit selected 10 villages from North district and 13 villages from West district through simple random sampling.

The present audit was conducted during December 2020 to August 2021. Audit methodologies included beneficiary surveys, collection of data and analysis thereof, examination of records maintained by the PD and issue of audit enquiries, and physical verifications. Audit held an Entry Conference (20 January 2021) and Exit Conference (30 November 2021) with the Principal Chief Engineer-cum-Secretary, PD and the officers of the PD.

4.2.11 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the officers of PD, GoS at their Headquarters and field offices for conduct of the PA.

Audit Findings

The Audit findings are discussed in the succeeding paragraphs.

4.2.12 Physical Progress of Scheme works

REC approved and sanctioned total four DPRs each for both the schemes for implementation in four districts at a cost of ₹ 89.29 crore[38]. The PD was required to complete the projects under DDUGJY within 18 months (August 2019) after issuing (February 2018) the work orders. Similarly, projects under Saubhagya scheme (including creation of additional infrastructures) were to be completed within five months (March 2020) after issuing (November 2019) the work orders. However, there were considerable delays in completion of projects under both the schemes. DPR-wise progress of physical works taken up under the scheme in four districts as on 31 March 2021 is depicted in the **Table No. 4.16**.

Table No. 4.16: Status of Physical Progress of Scheme Works as on 31 March 2021

District	No of villages approved as per DPR		No. of villages completed as per MPR		Completed villages (*per cent*)		Beneficiaries provided electricity connection	
	DDUGJY	Saubhagya	DDUGJY	Saubhagya	DDUGJY	Saubhagya	DDUGJY	Saubhagya
North	39	28	39	28	100	100	1,125	687
West	66	56	66	54	100	96	3,338	3,581
South	44	16	44	73	100	456	3,559	493
East	63	15	63	23	100	153	1,911	206
Total	**212**	**115**	**212**	**178**			**9,933**	**4,967**

Source: DPRs, MPRs and other departmental records

It can be seen that, against the envisaged target of 212 and 115 villages to be covered under the two schemes, the PD had completed 212 and 178 villages while achieving universal electrification by extending electricity connections to 14900 RHHs. It was seen that against 115 villages proposed under Saubhagya scheme, the PD had covered 178 villages. However, it was observed that, in the sampled districts, five villages[39] proposed were not taken up for electrification. In its place, three new villages[40] were taken up for electrification. As per the MPRs, the PD had executed the works under Saubhagya scheme in more villages *vis-a-vis* the targets set in the DPRs. However, during Joint Physical Verification (JPV) conducted by the Departmental officers and Audit, instances of short execution of works, which were shown as completed in the MPRs were noticed which have been discussed in ***paragraph 4.2.16.6***.

The PD replied (December 2021) that considering the change in site requirement, the original DPRs proposed in July 2018 was revised to suit the sanctioned amount and site conditions. As required, the change in scope of work along with letter of award was communicated to RECL.

38 DDUGJY ₹ 49.69 crore, Saubhagya ₹ 2.24 crore& Additional DDUGJY ₹ 37.36 crore
39 North: Lachen& Salem Pakel, West: Malbasey, Chumbong & Zoom
40 North: Chungthang & Lachung; West: Mendo Gaon

The reply is to be viewed with the fact that during JPV, instances of short execution of works were noticed although the same were declared as completed as per the MPRs.

4.2.13 Project Planning

4.2.13.1 Delay in notifying State Rural Electrification Plan

As per the Rural Electrification Policy (REP) issued by GoI in August 2006, the State Governments were required to prepare and notify a Rural Electrification Plan (RE Plan) within six months of notification of the REP *i.e.* by February 2007. The RE Plan was to be a roadmap for generation, transmission, sub-transmission and distribution of electricity in a State to ensure achievement of the objectives within the stipulated timeframe. The draft template issued by MoP (April 2008) included plans to energise villages being electrified and strengthening of sub-transmission system to cater to the additional load after electrification of villages.

Audit noticed that the first RE Plan was notified by the GoS in November 2014 after a delay of seven years and nine months. Moreover, the RE Plan did not address the issues comprehensively as it failed to identify and assess:

- the gaps in the sub-transmission and distribution network
- total number of partially un-electrified villages and fully electrified census villages.
- the increase in demand due to provision of power to new connections
- requirement for additional generating and transmission capacity to meet the increased demand was not envisaged in the RE Plan.
- the unmetered consumers requiring metering.

Further, it was noticed that the RE Plan was not revised/ updated after its formulation in 2014.

The PD while accepting the audit observation stated (December 2021) that as required under REP 2006, henceforth, it shall ensure the preparation and publication of RE Plan.

4.2.13.2 Non-preparation of Need Assessment Document

As per guidelines of schemes, the PIAs were to prepare Need Assessment Documents (NAD) to substantiate the proposed works and cost estimates. Audit observed that PD, responsible for distribution of electricity in State, had not prepared NAD.

The PD accepted the observation and replied (December 2021) that although NAD was prepared and submitted to REC, the same was not followed up and regularised.

4.2.13.3 Delay in submission of Detailed Project Reports

As per the note submitted to the Union Cabinet for approval of the DDUGJY, the Detailed Project Reports (DPRs) were to be submitted within six months from approval of the DDUGJY scheme (03 December 2014), though the detailed guidelines for the implementation of scheme formulated by REC and approved by MC did not indicate any time limit for submission of DPRs. Audit observed that DPRs were submitted with a delay of six months.

Further, as per Saubhagya guidelines (Paragraph10), DPRs were to be submitted by06 November 2017. However, PD submitted the DPRs on 19 June 2018 after delay for more than seven months.

The PD while accepting the audit observation stated (December 2021) that henceforth, the Department shall ensure timely submission of such scheme proposals.

4.2.13.4 Preparation of DPRs without proper field survey

Based on the broad scope of work validated by Nodal Agency (REC), the PD was to prepare/ formulate district-wise DPRs for the schemes based on detailed field survey. For implementation of DDUGJY, the PD had identified a total of 14,225 un-electrified RHHs as on 31 March 2015. However, as the sanctioned cost was less as compared to the estimated project cost originally conceived, the PD proposed to electrify 12,266 RHHs under DDUGJY. Out of these, 7,801 un-electrified RHHs were proposed to be covered under the sampled districts. However, at the time of launch of Saubhagya scheme and before the implementation of DDUGJY in the State, the PD had identified 14,900 un-electrified RHHs as on 10 December 2017.

The Audit observed that:

- The PD did not maintain any centralised data for electrified and un-electrified villages/ habitations. It was observed that there were huge variations in number of RHHs proposed to be electrified as per DPRs and claimed to have been electrified. Under the sampled blocks, 3,844 RHHs were proposed for electrification, against which, the PD was able to furnish the executed details of 1,048 RHHs, thereby leading to shortfall of 2,796 RHHs. Scrutiny of the Demand Registers revealed that out of the 1,048 RHHs claimed to have been electrified by the PD under the schemes, 433 RHHs were already electrified prior to the implementation of the schemes. The above facts suggests that the DPRs were prepared without any detailed field survey. Thus, the PD had included these already electrified 433 RHHs as new beneficiaries under the schemes and claimed additional subsidy of ₹ 0.13 crore[41] from GoI.
- The PD failed to furnish the detailed beneficiary list to REC/ MoP at the time of submission of DPRs.
- There were variations in the estimated cost (₹ 34.78 crore) as per DPRs and estimated cost (₹ 27.37 crore) as per award of work in the sample districts under Saubhagya scheme.
- As per DPR, 133 DTRs were proposed under the Saubhagya scheme for West district. However, monthly progress report (MPR) up to 31 March 2021 (the

[41] 433 RHHs X ₹ 3000

scheme was also completed on this date) depicted that only 84 DTRs had been erected. Similarly, against 155 km 11 KV line and 359.55 km Overhead LT line proposed in DPR, only 102.70 km 11 KV line and 258.30 km Overhead LT line were shown as executed. Thus, lack of survey led to projection of excessive requirements and inflated DPR.

Similarly, against the proposed 39.9 km 11 KV line and 76.6 km Overhead LT line in DPR for North district, the MPR up to 31 Mach 2021 depicted that 44 km 11 KV line and 83.36 km Overhead LT line had been erected. Thus, requirements in the DPR were underestimated pointing towards faulty DPRs.

- The DPRs did not contain any analysis/ assessment of the spare capacity available with the existing infrastructure (DTs). Further, no estimates were prepared to determine the quantum of additional energy required to cater to the needs of the new connections (households proposed). During audit, instances of suppression of existing capacity of DTRs in the DPRs were noticed (as detailed in ***paragraph 4.2.13.6***).
- Contrary to the DDUGJY guidelines, the PD failed to include 96 un-electrified schools[42] in its DPRs. Most of these schools were functioning without electricity whereas some of them had tapped electricity from nearby poles. This fact was corroborated during beneficiary survey wherein Audit noticed that four schools in three villages were un-electrified. As such, these un-electrified schools were omitted to be covered under the Scheme.

The above facts indicate that the DPRs were prepared without conducting detailed survey.

The PD stated (December 2021) that the DPRs were prepared and formulated based on Census 2011 for identifying census villages and their population, Report of Department of Drinking Water Survey and Department's Field Survey was referred for identifying habitations. For the creation of village electricity infrastructures, the field survey report and requisition were considered for formulating the DPRs. Further, the DPRs were prepared much before the commencement of the work and some habitations may have been electrified under the various ongoing scheme in the State. Thus, instances of already electrified households were likely attributable to the same. Moreover, the methodology adopted for the selection of beneficiaries was as per the recommendation of the Panchayats. In addition to above, some schools may not have availed the electricity connections due to the absence of internal electrification.

The reply is not acceptable as there was wide variation in the number of un-electrified RHHs as per Census 2011 *vis-à-vis* that was proposed under the schemes. The reply also does not provide explanation regarding short coverage of the RHHs proposed for electrification. Moreover, the justification that the instances of already electrified households were likely attributable to time gap between the DPR preparation and commencement of work is not justified as the PD had shown these already electrified

[42] Data furnished by Education Department

HHs (41 *per cent*) as newly electrified HHs under the scheme. PD/ Contractor should have verified the status of un-electrified HHs at the time of execution, instead of depending on the Panchayats. The fact that the schools remained un-electrified after the completion of the schemes suggests lack of co-ordination between the PD and the Education Department.

4.2.13.5 Deficiencies in Detailed Project Reports (DPRs):

The basic records for considering the number of un-electrified households while preparing the DPRs was the Census 2011. As per the Census 2011 data, out of 93,298 RHHs, only 9,255 RHHs (9.92 *per cent*) were un-electrified in the entire State. Against this, the PD had shown 14,225 RHHs (15.25 *per cent*[43]) as un-electrified during DDUGJY project formulation (October 2015) and identified 14,900 un-electrified RHHs as on October 2017 during project formulation of Saubhagya scheme and before the implementation of the two schemes.

Moreover, as per the records of MoP, GoI, the number of un-electrified was only 5,628 RHHs in Sikkim as on 15 January 2018. DDUGJY and Saubhagya schemes were implemented from February 2018 and November 2019 respectively in the State and the PD claimed that it had successfully electrified 14,900 RHHs under these schemes. Thus, there were huge variations in number of un-electrified RHHs.

During the scrutiny of the records of sample districts, it was seen that the DPRs had the details of HHs as detailed in **Table No. 4.17**.

Table No. 4.17: Details of un-electrified villages as per DPRs

District	Total Population	Urban	Rural	Total RHHs	RHHs electrified	Un-electrified RHHs	% age un-electrified
North	43,709	4,644	39,065	7,819	6,007	1,812	23.17
West	1,36,435	5,248	1,31,187	26,890	19,971	6,919	25.73
					Total	**8,731**	

Thus, as per DPRs, the total number of un-electrified RHHs was 8,731 {North-1,812 (23.17 *per cent)* and West- 6,919 (25.73 *per cent*)}. However, as per Census 2011 figures, the total un-electrified RHHs in these two districts were only 3,656 {North-1,048 (13.40 *per cent)* and West- 2,608 (9.70 *per cent*)}. Thus, there was difference of 5,075 RHHs in sample districts alone.

This was further corroborated during examination of the records in sampled blocks, wherein it was noticed that 433 RHHs taken up for electrification under the schemes were already electrified prior to the implementation of the schemes. Instances of duplicity in beneficiaries across the two schemes were also noticed in Audit.

The PD while accepting the audit observation stated (December 2021) that while executing both the schemes, utmost care was taken to avoid duplicity, and the scheme implementation report submitted by the project implementing circle did not show any such instances of duplicity. However, since the scheme is not yet closed the issue will be verified and looked into and will ensure that there are no such discrepancies.

[43] 14900x 93288 % (total RHHs)

4.2.13.6 Excess provision of Distribution Transformers (DTRs) in DPRs

Village Electrification Infrastructure (VEI) was to be created with provision for DTRs of appropriate capacity, keeping in view the load required for electrification of RHHs and public places. It was seen that the DPRs did not contain any analysis/ assessment of the spare capacity available with the existing infrastructure. Further, no estimates were prepared to determine the quantum of additional energy required to cater to the needs of the new connections (HHs proposed).

Audit noticed that in three villages[44], the depiction of the quantity and capacity of DTRs existing prior to the implementation of the schemes in the DPRs differed from the actual quantity and capacity noticed during the Joint Physical Verification (JPV) as shown in the table below:

Table No. 4.18: Excess depiction of DTRs in the DPRs

District	Village	As shown in DPRs			Results of JPV	
		No. of DTRs (capacity) existing prior to implementation of the schemes	Capacity proposed under the schemes	Total	No. of existing DTRs(excluding newly installed) verified	Actual capacity (KVA)
North district	Sentam	2 X 25 KVA (50 KVA)	163	213	3X25 KVA 1 X 100 KVA 1 X 200 KVA	375
	Phodong	1x63 KVA 1 X 10 KVA (73 KVA)	75	148	1 x 25 KVA 1X63 KVA 1x 100 KVA	188
West district	Chongrang	1x10 KVA 1x 25 KVA 1x 63 KVA (98 KVA)	50	148	2x 25 KVA 1x 63 KVA	113
	Total	**221 KVA**	**288**	**509**		**676**

It can be seen from the above that although in these three villages there were 11 DTRs with aggregate capacity of 676 KVA prior to the implementation of the schemes, the PD, in its DPRs, had depicted seven DTRs with aggregate capacity of 221 KVA. The PD had envisaged the capacity requirement of the DTRs on completion of the schemes to be at 509 KVA for these villages. However, the proposal of 288 KVA capacity DTRs under these villages was unwarranted considering the fact that these villages already had the installed capacity of 676 KVA before the implementation of the schemes.

Further, in four villages[45], the DTRs provisioned under the schemes were either not installed or installed but not charged. It was also noticed that in one village[46], the proposed DTR was installed in another village[47].

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44 Sentam: 2 X 25 KVA instead of 3X25 KVA, 1 X 100 KVA and 1 X 200 KVA); Phodong: 1x63 KVA & 1 X 10 KVA instead of 1 x 25 KVA, 1X63 KVA and 1x 100 KVA; Chongrang: 1x10 KVA, 1x 25 KVA and 1x 63 KVA instead of 2x 25 KVA and 1x 63 KVA

45 Sentam, Phodong, Umchung and Chongrang

46 Sentam

47 Meyong

Even though the sanctioned DTRs were not installed/ energised in the above-mentioned villages, the RHHs were being supplied electricity adequately which was corroborated by the fact that the RHHs covered under the beneficiary survey were satisfied with the status of power supply.

This inflated estimation led to installation of excess capacity of 326 KVA valued at ₹ 0.45 crore. Further, it also corroborates that the DPRs were not based on any field survey.

The PD stated (December 2021) that the methodology adopted for determining the capacity of DTRs under DDUGJY scheme was based on the practise followed for Rural Electrification wherein an average of 250 to 500 Watt load per household is considered, and yearly incremental demand based on the CAGR, which in our case the range varied from 5 to 7 per cent depending on the area. The CAGR assessed has been depicted in the scheme DPRs. Further, the 200 KVA DTR installed at Sentam Village in North Sikkim was not meant for village electrification, the said DTR is dedicated to the office building (RMDD).

The reply does not provide the explanation for depicting less quantity of DTRs already available leading to proposal for installation of DTRs in excess of the requirement. The reply also corroborates the audit contention that field survey was not conducted for preparation of DPRs. Thus, the PD failed to assess the actual capacity available under these villages.

4.2.14 Financial Management

The details of funding arrangement for the schemes are shown in ***paragraph 4.2.4***.

The **Table No. 4.19** depicts the year-wise position of receipt and utilisation of scheme funds (Grants from GoI and contribution of GoS) during the years from 2017-18 to2020-21:

Table No.4.19: Sanctioned cost *vis-à-vis* expenditure incurred

Year	Amount sanctioned (₹ in crore)		Amount released to PD (₹ in crore)		Actual expenditure incurred (₹ in crore)	
	DDUGJY	Saubhagya	DDUGJY	Saubhagya	DDUGJY	Saubhagya
2017-18	75.23	0	4.23	0	0.28	0
2018-19	0	39.60	21.85	0	11.38	0
2019-20	0	0	0	9.33	8.91	7.00
2020-21	0	0	32.37	17.77	37.82	20.02
Total	**75.23**	**39.60**	**58.45**	**27.10**	**58.39**	**27.02**

Source: Records of the PD

As on 31 March 2021, the PD had received ₹ 85.55 crore against which ₹ 85.41 crore was spent thereby leaving an unspent schemes funds of ₹ 0.14 crore.

4.2.14.1 Non-contribution of mandatory State share

DDUGJY and Saubhagya schemes were sanctioned at an estimated cost of ₹ 89.04 crore[48] to be jointly funded by GoI - ₹ 75.68 crore (85 *per cent*) and GoS-

48 DDUGJY (New): ₹ 49.44 crore (excluding PMA component), Saubhagya: ₹ 2.24 crore, Additional Infra under DDUGJY1; ₹ 37.36 crore

₹ 13.36 crore (15 *percent*). However, the projects under DDUGJY were awarded at a premium of ₹ 24.96 crore[49] which was to be borne by the State Government. Apart from this, the Project Management Agency (PMA) cost of ₹ 0.83 crore under DDUGJY was to be borne by GoI (₹ 0.25 crore) and GoS (₹ 0.58 crore). As such, the total contribution of GoI was ₹ 75.93 crore and that of GoS was ₹ 38.90 crore.

Audit noticed that as of March 2021, although GoI had already released ₹ 63.88 crore (84 *per cent* of its share), against which the GoS had released only ₹ 21.68 crore (56 *per cent* of its share) resulting in short release of ₹ 10.84 crore[50]. The entire amount of ₹ 21.68 crore released by the GoS was solely for DDUGJY projects.

Table No. 4.20: Release of fund by GoI & GoS

(₹ in crore)

Project Cost	GoI share	GoI released	GoS share	GoS released	Proportionate share to be released by GoS	Short release by GoS
114.83	75.93	63.88	38.90	21.68	32.52	10.84

The PD accepted the audit observation and stated (December 2021) that under DDUGJY, the GoI had contributed ₹ 36.77 crore out of their share of ₹ 42.27 crore and State had contributed ₹ 23.67 crore out of ₹ 32.96 crore. Under Saubhagya, the GoI had contributed 100 *per cent* of the eligible subsidy (₹ 1.90 crore) and State also had contributed 100 *per cent* of share (0.34 crore) as of December 2021. Under Addl. Infra under DDUGJY, the GoI had contributed ₹ 25.43 crore out of ₹ 31.75 crore and remaining 10 *per cent* will be released after the approval of the scheme closure proposal. A provision of ₹ 5.60 crore had been made in the budget (Supplementary 2021-22).

4.2.14.2 Non adoption of REC's guidelines on Mobilisation Advance

Clause 8 (Terms of Payment) read with Appendix-1 (Terms and Procedures of Payment) of REC's Standard Bidding Document (SBD) provides that 15 *per cent* of the contract value could be paid as interest bearing Mobilisation Advance (MA).

It was noticed that the contract agreement for DDUGJY entered into in March 2018 did not contain any provision for grant of MA. However, the contract agreement was subsequently amended in June 2018 wherein the clause of release of interest free MA @ 15 *per cent* of the contract value, for the original contract period, against a valid Bank Guarantee (BG) was incorporated. In case of delay in execution of the project beyond the due date, an interest @10 *per cent* was to be levied on the Contractor on the balance MA. Accordingly, the PD granted MA of ₹ 11.07 crore to the contractor in July 2018.

Audit observed that since neither the SBD issued by REC nor the original agreement between the PD and the Contractor contained any provision for grant of interest free MA and the fact that the Contractor *had offered its best price factoring the non-inclusion of MA clause in the SBD/ agreement*, the grant of interest free MA

[49] ₹ 73.82 crore - ₹ 48.86 crore

[50] GoS share to be released as on date: ₹ 32.52 crore (84 per cent); actual release: ₹ 21.68 crore (56 percent). Short release: ₹ 10.80 crore

subsequently by drawing a supplementary agreement resulted in undue favour to the Contractor and loss of interest of ₹ 1.06 crore to the Exchequer.

Thus, arbitrary grant of interest free MA in contravention to the REC's SBD led to extension of undue benefit to the Contractor and resultant loss of interest of ₹ 1.06 crore. Moreover, drawing up of supplementary agreement for granting MA lacked financial prudence.

The PD stated (December 2021) that the practice of State for grant of MA was followed and the MA was granted with the approval of the Government. Further, it was stated that the MA was released as per the terms & conditions of the agreement against the equivalent BG, and deduction was made in all progressive RA Bills. The entire amount was deducted from the contractors claim and realised before the expiry of BG.

The reply is indicative of the fact that MA was given in contravention of the REC's SBD. Further, the PD failed to implement the provisions of the supplementary agreement as the work could be completed only in March 2021 as against the due date of August 2019. Further, as on August 2019, MA amounting to ₹ 9.57 crore was outstanding for recovery which was recovered only in August 2020. As such, an interest of ₹ 0.95 crore was to be levied in terms of Paragraph 5.1.04 of the supplementary agreement.

4.2.14.3 Non-remittance of interest earned on capital subsidy

Paragraph 6.3 of Chapter IV of DDUGJY guidelines requires that interest earned on DDUGJY capital subsidy/ grant should be remitted to MoP's bank account on quarterly basis. Audit observed that the PD had remitted ₹ 0.34 crore out of ₹ 0.73 crore[51] interest earned in two instalments[52] with a delay of more than 15 months[53] and 14 months[54] respectively. Since the project was under closure, interest of ₹ 0.39 crore was yet to be adjusted.

The PD accepted the audit observation and stated (December 2021) that the remaining interest will also be remitted after completion of the external audit process. Further, it also stated that the account in operation was linked with PFMS and all entries had been made in the PFMS portal.

4.2.14.4 Excess claim of capital subsidy

As per the General Terms and Conditions of the scheme, the State taxes/ local cess were not admissible under DDUGJY and were to be borne by the State Government.

Audit noticed that the project cost of ₹ 89.04 crore[55] was inclusive of taxes, as Schedule of Rates (SoR), based on which the estimates were prepared was inclusive

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51 This includes interest earned on Saubhagya & Additional Infra funds as well as same account was utilised for three schemes

52 1st Instalment (22 April 2019) ₹ 1161894 and 2nd Instalment (21 September 2020) ₹ 2288756

53 01.01.2018 to 21.04.2019 (First amount received on 01.11.2017, remittance due on 01.01.2018)

54 01.07.2019 to 20.09.2020 (from the quarter ending from the date of last payment)

55 DDUGJY: ₹ 49.44 (excluding PMA cost); Saubhagya: ₹ 39.60

of VAT/ Sales Tax, and Labour Cess. The PD did not segregate the State taxes/local cess from the project cost, as a result of which, the State taxes/local cess were charged on the grant funds instead of it being borne entirely by the State Government. This led to claiming of excess capital subsidy of ₹ 0.74 crore ***(Appendix 4.3)*** on account of Labour Cess. Moreover, audit could not quantify the excess claim of capital subsidy on account of VAT/ Sales Tax in the absence of segregation of State Taxes/ Local Cess.

The PD stated (December 2021) that in case of Sikkim, sanction cost was ₹ 49.44 crore and award cost was ₹ 73.82 crore and after removing state taxes from award cost, effective award cost is still higher than sanctioned cost and therefore claim is calculated on the sanctioned cost for Sikkim State. State taxes and cost overrun was still being borne by the State Government and entitled subsidy is only claimed/released by REC as earmarked by MoP. The funding and disbursement mechanism of MoP, GoI does not permit any excess claim against eligible subsidy. All Local Taxes were being borne by the State**.**

The reply substantiates the fact that the taxes were not segregated from the project cost. Further, the reasons put forward by the PD is not justified as the State Government has not revised the SoRs after 2009 and the project cost, in the instant case, was also based on SoR 2009.

4.2.14.5 Inclusion of economically poor households already sanctioned under DDUGJY

As per paragraph 2.7 of Saubhagya guidelines, if PIAs were not able to find adequate number of BPL households in the project are as to meet the target of BPL household electrification already sanctioned under DDUGJY, they were allowed to release electricity connections to equivalent number of remaining un-electrified households in accordance with the Saubhagya. Such number of households shall not be considered for funding of service connection cost of ₹ 3,000 under Saubhagya to avoid any possibility of duplication.

Audit noticedthat the PD identified 14,900 RHHs to be electrified under DDUGJY and Saubhagya scheme. Out of 14,900 RHHs, 12,266 RHHs were proposed under DDUGJY and executed the electrification for 9,933 RHHs. Since, the balance 4,967 RHHs (including 2,333 RHHs) were decided to be taken up under Saubhagya scheme, the cost of service connection of 2,333 RHHs sanctioned under DDUGJY were to be refunded to the REC. However, the PD failed to refund ₹ 0.70 crore to REC.

The PD stated (December 2021) that under DDUGJY and Saubhagya schemes 3,421 BPL RHHs and 4,967 RHHs respectively were provided free one point service connections and the connections released under both the schemes were verified by the third party inspection (RQM).

The reply is not acceptable as 2,333 RHHs which were already sanctioned under DDUGJY were again put up for sanction under Saubhagya scheme thereby defeating the objective of the guidelines to avoid duplication.

4.2.14.6 Short deduction of Security Deposit from the Contractor's bill

The Contract Agreement stipulated that five *percent* of the amount of bill should be deducted as Security Deposit (SD) from all Running Account (RA) bills of the Contractor under DDUGJY. However, Audit noticed that in respect of 15 out of 30 RA bills, the PD had deducted only ₹ 0.72 crore against due amount of ₹ 1.91 crore. This has resulted in short collection of security deposit to the tune of ₹ 1.19 crore (***Appendix 4.4***) and undue favour to the Contractor.

The PD accepted the observation and stated (December 2021) that the short deduction of SD to the tune of ₹ 1.19 crore will be regularised from the subsequent RA bills.

4.2.14.7 Short deduction of Earnest Money Deposit

The contract agreements/ job orders for works under Saubhagya scheme stipulated that the Earnest Money Deposit (EMD) at the rate of 2.5 *per cent* shall be deducted from the gross amount of each RA bill of the contractors which will be retained as Performance Security till the defect liability period. However, Audit observed that in 15 out of 38 RA bills, the PD had not deducted EMD amounting to ₹ 0.17 crore (***Appendix 4.5***). This resulted in short deduction of EMD to the tune of ₹ 0.17 crore and undue favour to the contractors.

The PD accepted the audit observation and stated (December 2021) that deduction of EMD was inadvertently missed out during the release of payment and the same shall be regularised from subsequent RA Bills as full payment has not been released yet.

4.2.14.8 Diversion of funds for non-DDUGJY purposes

Paragraph 6.5 of Chapter IV of DDUGJY guidelines requires that the PIA 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. Audit observed that the PD had released an amount of ₹ 0.21 crore to another supplier[56] for maintenance of electrical installations created under DDUGJY scheme. As maintenance of the assets created was the sole responsibility of the State Government under Paragraph 3 of Chapter-II of the Guidelines, as such, expenditure of ₹ 0.21 crore was irregular.

The PD stated (December 2021) that the fund of ₹ 0.21 crore was utilised from the available provision under Overhead Charges (contingencies) of the scheme for procurement of petty materials for the maintenance of assets created under RE schemes. The fund was utilised from the State share and Grant fund was not utilised for the purpose. The provision of overhead charges (contingencies) was sanctioned by the Government. As such, no scheme fund was diverted.

The reasons put forward for diversion of DDUGJY is not in consonance with Paragraph 3 of Chapter-II of the Guidelines.

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[56] M/s Goyal Brothers

4.2.15 Project Management

The observations relating to the project management under the sampled districts are discussed in the succeeding paragraphs.

4.2.15.1 Restricted tendering and violation of CVC guidelines

DDUGJY scheme was proposed (17th March 2017) to be executed under five packages under full turnkey contract and the same was approved by the GoS on 10 April 2017. As per e-tender floated (19th May 2017) for ₹ 48.86 crore, only Class 1AA contractors/ firms/ companies empanelled with PD, GoS were eligible to participate. The PD revised the tender twice and ultimately floated a fresh e-tender on 4th August 2017 by rectifying inconsistencies in the tenders so floated. In response to the e-tender (August 2017), three firms/ contractors submitted their bids wherein the lowest bidder quoted the price of ₹ 77.49 crore. In view of the excessively high quote, the PD requested (16th October 2017) the L1 bidder to analyse the rates afresh and to submit justification for such high rates. Subsequently, the PD negotiated the price and awarded the contract to the L1 bidder at a cost of ₹ 73.82 crore.

The following deficiencies in tendering process were observed in audit:

- The PD decided (May 2017) to float e-tender as "Single package Full Turnkey", but approval of GoS for deviating from multiple packages, as originally proposed, to single package was not obtained by PD. The decision restricted wider participation for securing fair rates, as the pre-qualification criteria for both technical[57] and commercial[58] aspects, which were directly linked with the project volume and cost respectively, were set at a higher benchmark. This is further corroborated by the fact that the execution of works under "Saubhagya-Creation of Additional Infrastructure" carried out in five packages, were executed at much lesser rate.
- The PD instead of calling for open tenders floated a limited tender restricting the bidding to Class 1AA contractors/ firms empanelled with the PD, which was in contravention of the Standard Bidding Document (SBD) issued by REC. This was also in violation of the CVC guidelines[59] which stipulate that limited tendering system, which restricts competition to approved contractors needs to be discouraged.

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57 The bidder must have successfully erected, tested & commissioned transmission lines/feeders 22 KV or 11 KV voltage class (as the case may be in bid) in a single turnkey contractin last 7 years as on the date of bid opening, having installation of at least 50% of the DT Capacity considered in proposed bid (i.e. Sum of KVA ratings of DTs proposed in the present bid) and 50% of length of lines considered in proposed bid (i.e. sum of 22 / 11 KV and LT lines proposed in the bid), and the system so created must be in satisfactory operation for at least two (2) years as on date of opening of bid

58 Experience in single completed workof projects execution in electrical Transmission or sub-transmission & distribution sector costing not less than the amount equal to 50% of the estimated amount of the project.

59 OM No. 8/2/04 dated 05.02.2004

- The PD in contravention to Section 13 (13.31 (xiii)) of the Sikkim Public Works (SPW) Manual 2009, asked the L1 bidder to submit the analysis of rates and justify the rates quoted by him instead of the PD itself working out the reasonability of the rates as per the prescribed criterion. Further, this was also against the guidelines issued by the CVC which provide that before acceptance of offer, reasonability of the quoted rates should be established based on estimated rates and prevailing market rates.
- Award of contract to L1 bidder after negotiation was against the CVC guidelines *ibid* which stipulated that negotiations shall be done only in exceptional circumstances.

Thus, due to opting for limited tender, the selection of the contractor was arbitrary and due to lack of competition, the contracts were awarded at high rates as elaborated in ***paragraph 4.2.15.2***. Further, the benchmark for participation in the tender was also set at a higher side.

The PD stated (December 2021) that as per the prevailing practice, the tender for DDUGJY (New) works amounting to ₹ 48.86 crore was invited from eligible Class I AAA contractors empanelled with the PD through e-tender portal of the Government. The item wise rate quoted by the L-1 bidder was found to be high, as such, the L-1 bidder was asked to justify the rates quoted for all items. On examination of the justification and analysis of rates, the revised item wise rates were found to be reasonable, and as such the tender was negotiated at a total value of ₹ 73.82 crore Prior to accepting the rates quoted, analysis of item rates was exercised considering the base rates on which the cost was estimated and prevailing market rates of materials, labour and transportation charges. Some reasonability was found on the revised item rates quoted. Owing to time constraint and need to implement the scheme in a time bound manner and to maintain uniformity of rates and execution of works across the State, the execution of the work through a single agency was thought best in the interest of the work. Considering the merit of single package, the work at a value of ₹ 48.86 crore was put to tender as a single package full turnkey basis. However, the observation of the audit was appreciated, and in future all such exercises and activities will be put on record.

The justification provided by the PD is not acceptable as inviting tenders only from the empanelled contractors restricted wide participation for fair competition and was also in contravention of REC guidelines and CVC guidelines. Moreover, award of works as a single package did not yield the expected result as the completion of works was delayed by 19 months.

4.2.15.2 Award of contract at a comparatively higher rate

In addition to the provisions of the SPW Manual 2009 and CVC guidelines as discussed under ***paragraph 1.15.1*** *supra*, the Manual of Procurement of Works 2019 issued by MoF also stipulates that reasonableness of the rates must be declared and comparison may be made with the similar contracts awarded elsewhere.

Audit noticed that:

- The L1 bidder had quoted ₹ 77.48 crore against which the work was awarded for ₹ 73.82 crore which was 51 *per cent above* the tendered value (₹ 48.86 crore). PD, however, in contravention of SPW Manual, without analysing the reasonableness of such significantly higher rates (up to *128 per cent*), requested the Contractor to justify his quoted rates and awarded the work at a negotiated rate of ₹ 73.82 crore. Analysis of the rates of items of work awarded which were comparable with the interim SoR 2017-18 revealed that the work awarded to the extent of ₹ 55.38 crore for 338 items could have been completed at ₹ 45.89 crore.
- This issue assumes more importance as the works under "Creation of additional Infrastructure for electrification of remaining RHHs under Saubhagya", though taken up at a later date, were executed based on the Interim SOR 2017-18.

Thus, due to the failure of the PD to exercise due diligence in analysing the quoted rates under DDUGJY coupled with non-adherence of the CVC guidelines not only resulted in undue favour to the Contractor but also let to excess financial burden to the State Exchequer by ₹ 9.49 crore.

The PD stated that (December 2021) the work was awarded on turnkey basis against e-tendering following the tender procedures based on the lowest quotations (L-1). Inflation of materials prices and labour cost were one of the main reasons for higher rates. Moreover, SOR was prepared during 2008-09 and the work was awarded during 2018 after a gap of more than 10 years. Furthermore, the change of applicable Taxes from VAT to GST also resulted in increase in price of items, as the work was put to tender during VAT regime and awarded during GST regime.

The reply is not acceptable as had the PD invited open tender and analysed the justifiability of the rates quoted by the L1 bidder, the chances of obtaining fair/ competitive rates was very high. Moreover, the PD had subsequently implemented the Saubhagya scheme at par with the SOR rates. As such, awarding the work under DDUGJY at a premium was irregular.

4.2.15.3 Delay in award of work

Paragraph 8 (Mode of Implementation) of Chapter II of DDUGJY guidelines stipulates that the projects had to be awarded within six months of date of communication of the approval by the MC. However, it was observed that the works were awarded (19 February 2018) with a delay of two months beyond the due date (13 December 2017).

Further, as per Saubhagya guidelines, work was to be awarded by 31 December 2017.Auditobservedthatwork was awarded (7 November 2019) after delay of 22 months.

The PD stated (December 2021) that considerable time was taken due to re-tendering, for obtaining approval of the financial bids and sanction of the Government which contributed to delay in award of work and all these factors resulted in delay in execution of work. The execution of the project got delayed due to various reasons like rainy season, landslides, road blockage, difficult terrain, etc.

The reasons attributed for delay in award of work were not justifiable as re-tendering was necessitated due to lapses in framing tender documents.

Changes made in the approved DPRs

4.2.15.4 Irregular reduction of scope of work under DDUGJY

The PD, in its DPRs, had provided for 37,076 electricity meters and 20,579 electricity meters for replacement and new connections respectively. Though only 14,900 un-electrified HHs were proposed for electrification under both the schemes. However, the PD decided to revise (17 July 2018) the scope and quantity to 26,846 electricity meters and 19,123 electricity meters for replacement and new connections respectively. The revision was done by citing reasons such as additional items like meter boxes under "replacement of meters" which were not considered at the time of preparation of re-casted DPR. However, approval from REC was not sought for the same.

Thus, it can be seen that requirements were not assessed properly while preparing DPRs.

The PD stated (December 2021) that the scope under metering was revised as per the requirement with the approval of the competent authority and the same was updated in the MPR and scope of work submitted to REC. The revision was warranted as the requirement was assessed during 2014-15 and implemented during 2018-19.

The reply is not acceptable as the PD while preparing the DPR failed to include the above components under "replacement of meters" while the same was included under "new meters" which indicates lack of proper planning while framing the DPRs. Further, the claim that the scope was revised with the approval of the competent authority is not correct as approval of REC, the Nodal Agency was not on record for such revisions.

4.2.15.5 Lack of due diligence

Scrutiny of the Bills of Quantity (BOQ) revealed that the cost of concreting a smaller lattice structure was more than that the contracting having a larger dimension as detailed in **Table No. 4.21**.

Table No. 4.21: BOQ

Sl. No.	Particulars	Rate in ₹
1	Concreting of 9 Mtrs. Lattice Structure / Swaged Steel Tubular Pole in 1:4:8 cc in 0.9x0.9x1.75 mtrs Pit, Construction of parapet 0.61 x 0.61x0.153 mtrs. In 1:3:6 cc i/c 12mm cement plaster of parapet in 1:4 Mix	2,725.00
2	Concreting of 8.5 mtrs structure in 1:4:8 cc in 0.9x0.9x1.50 mtrs pit, construction of parapet 0.35x0.475x0.153 mtrs. In 1:3:6cc i/c 12 mm cement plaster of parapet in 1:4 mix.	3,108.00

Further, the interim SOR prepared by the PD has listed rates of above two items at same rate. Thus, allowing higher rates for items with lower specification is not justifiable which has resulted in excess payment of ₹ 0.26 crore[60]. The excess payment has been calculated to the extent the payments have been released. The actual excess payment would be more at the time of financial closure.

The PD stated (December 2021) that the rate awarded was as per the item rate accepted during the tender, and though item rate mode was followed the overall project cost was also considered and stressed upon. The reason for higher rate for L.T structure concreting could be due to higher cost involved for carriages of materials (Head load Charges), as most of the L.T structures are farther away from accessible site as compared to HT structure.

The reply is to be viewed with the fact that the rates of concreting the LT and HT structure are the same in the approved SOR. The justification that LT concreting could be higher due to inaccessible locations lacks merit as it is assumptive and the reply seems to be an afterthought.

4.2.15.6 Extra expenditure on inclusion of ineligible works

As per the Saubhagya guidelines, while working out the incremental infrastructure required for providing last mile connectivity for releasing service connections for the remaining HHs, infrastructure already created/ to be created in villages under ongoing sanctioned projects of DDUGJY should be suitably factored in. The REC was also required to examine this in detail while appraising the DPRs. Further, Paragraph 8.1 of Saubhagya guidelines stipulates that to ensure smooth and speedy implementation of projects as well as completion of projects within the stipulated time period, the PIA was required to formulate an effective Implementation Plan. In addition, Paragraph 8.2 "***Categorisation of villages***" of guidelines *ibid* stipulated that the Utility should first categorise the villages on the basis of available data on existing level of household electrification, availability of electricity infrastructure as under:

- Villages where no additional infrastructure required and only service connections need to be released by DISCOMs/ Department.
- Villages where significant additional infrastructure is required to release connections to households.
- Villages, where additional infrastructure is required for some households and some households, can be provided connections with existing infrastructure.

Audit observed that, the PD, in contravention to above scheme guidelines, had neither formulated any Implementation Plan nor categorised the villages before implementation of the scheme. Thus, in absence of both the Implementation Plan and village categorisation, audit was unable to ascertain whether the infrastructures proposed under the scheme were actually required in the particular villages. Further, it was noticed that out of 28 villages[61] from blocks selected for audit where

[60] 6769 qty X (₹ 3108-₹ 2725)
[61] North: Mangan-06; Kabi Tinda-08; and West: Gyalsing-10; Yuksom-06

infrastructure was erected, in nine villages[62], not a single beneficiary was electrified under Saubhagya Scheme. Thus, the cost of creation of additional infrastructure in these nine villages resulted in ineligible expenditure of ₹ 1.63 crore. Further, the inclusion in DPRs of these nine villages where no beneficiaries' houses were to be electrified under the scheme, indicates that scheme was implemented here in violation of the guidelines based on unverified fraudulent data.

The PD stated (December 2021) that the infrastructure was created to support the new APL connections and to regularise temporary APL connections. The infrastructure so created had improved the power supply situations in the villages and also had the capacity to take care of any load increments of the villages.

The reply is not acceptable as the scheme guidelines permitted creation of infrastructure required for providing last mile connectivity for releasing service connections for the SECC poor RHHs as discussed in ***paragraph 4.2.16.7***.

Paragraph 2 (v) of Chapter II of DDUGJY guidelines lists out the works that are not eligible under the scheme, such as service lines to APL consumers, underground cable works, purchase of vehicles, office equipment, etc.

Audit noticed that in contravention to *the* scheme guidelines, the PD had incurred irregular expenditure on ineligible works amounting to ₹ 1.58 crore (Service connections to APL consumers: ₹ 1.30 crore and purchase of vehicles: ₹ 0.28 crore).

The PD stated (December 2021) that the service connections cost was borne by the APL consumers, the PD provided only infrastructure support to such consumers through the scheme. The vehicle was procured with prior approval of the Government for monitoring the scheme. For the purchase, the GoI Grant fund was not utilised, the sanctioned provision under Utility Charges (Contingencies Charges) funded by the State was utilised.

The reply is not based on facts as the amount of ₹ 1.30 crore involves expenditure incurred towards meter supplied free of cost for the APL households i.e. service connections. Further, purchase of vehicle was not permissible as per DDUGJY guidelines.

4.2.15.7 Non-collection/ non provisioning of Contract Performance Security (CPS)

The SBD of DDUGJY, provided for an unconditional and irrevocable Contract Performance Security (CPS) of 10 *per cent* of the total contract price to be obtained from the Contractor at the time of agreement.

However, it was observed that neither the L1 bidder deposited CPS amounting to ₹ 7.38 crore[63] nor the PD insisted for the same leading to undue benefit to the Contractor.

62 North: Mangan-03; Kabi Tinda-05; and West: Gyalsing-01

63 ₹ 73.82 crore X 10 per cent=₹ 7.382 crore

Audit further noticed that the PD failed to incorporate the clause for submission of CPS in the job orders under Saubhagya scheme. Thus, CPS amounting to ₹ 3.73 crore[64] could not be obtained by the PD.

Thus, the PD failed to safeguard the interests of the Government in case of failure of the contractor to execute the work or in the event of sub-standard execution of works.

The PD accepted (December 2021) the audit observation.

Undue favour to the Contractor on:

4.2.15.8 Non-submission of survey reports and insurance certificates

The agreement entered into by the PD with the Contractor for the execution of projects under DDUGJY stipulated that a Foot Survey Report and Single Line Diagram (SLD) must be submitted by the Contractor. These documents were to be used as a basic document by Quality Inspecting officials for inspecting the works executed in the field. Similarly, for DTRs a detailed survey of existing habitations/ villages was to be performed by the Contractor. Further, insurance, handling at site, storage etc. were also the responsibility of the Contractor.

Audit noticed that while negotiating the tendered price, the Contractor had justified his quoted rate[65] by stating that cost component such as survey and insurance amounting to ₹ 0.98 crore @ one *percent*[66]of the project work. It was observed that the PD had not insisted for submission of survey reports, SLDs and insurance related documents from the contractor based on which the premium on estimated cost was justified by the Contractor. Further, in the absence of Survey Reports and SLDs, the PD was not able to verify/ compare the actual work done by the Contractor. However, the Contractor submitted 'As Built Drawings' after completion of the work.

Thus, the PD extended an undue favour of ₹ 0.98 crore to the Contractor.

The PD stated (December 2021) that the work was executed in Turnkey mode and the Contractor has submitted the SLD as per the actual works executed at site. The major materials like DTRs and other distribution system equipment's were in operation for the last 2 to 3 years without any instances of failure. The actual work done has been verified by the site engineers of the Department and ten per cent inspection and checks have also been done by the Third Party (RQM).

The justification provided by the Department is not acceptable in view of the agreement entered into with the contractor as well as the scheme guidelines. Further, there was undue favour to the contractor as the contractor had justified its high rates considering the survey and insurance components.

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[64] ₹ 18.59 crore (East) +₹ 7.86 crore (South) +₹ 4.15 crore (West) +₹ 6.74 crore (North) =₹ 37.34 crore x 10 per cent=₹ 3.73 crore

[65] 58.58 per cent above the actual tender value (₹ 49 crore)

[66] Cost of Survey ₹ 0.49 crore and Cost of Insurance ₹ 0.49 crore

4.2.16 Project Execution

Audit examined execution of projects in two sampled districts (sanctioned cost of ₹ 52.61 crore) out of four districts (sanctioned cost of ₹ 89.04 crore).

4.2.16.1 Delay in execution of work

Paragraph 9 of Chapter II of DDGUJY guidelines stipulates that the projects under the scheme shall be completed within a period of 24 months from the date of issue of letter of award (LoA) by the Utility, in case of turnkey implementation. However, work for the entire state was awarded on a turnkey contract at a cost of ₹ 73.82 crore with scheduled date of completion being 18 months from the date of award of works.

The details of Sanctioned cost, date of work awarded, scheduled and actual dates of completion of projects is given in the **Table No. 4.22**.

Table No. 4.22: Project completion schedule

(₹ in crore)

Scheme Name	Sanctioned cost	Date of award of work	Scheduled date of completion	Actual date of completion
DDUGJY	49.70	19.02.2018	19.08.2019	31.03.2021

As can be seen from above, the work was completed on 31 March 2021 with a delay of 19 months from the scheduled date of completion.

It was further observed that the PD had granted extension twice, first in October 2019 and then in February 2020. The reasons for delay as attributed by the contractor were (i) difficult terrain (ii) local hindrances (iii) landslides during monsoon (iv) unrest in various other places, etc. However, Clause 6.3 of bidding documents[67] states that each bidder was to fully inform himself of all local conditions and factors, which may have any effect on the execution of the project. Thus, granting of extension up to 31 March 2021 for the generic reasons lacked justification and was in contravention of the SBD. Due to the grant of extension of time on the basis of generic reasons, the Department could not levy the Liquidated Damages (LD) [68]for the delay which otherwise was leviable.

Delay in execution of projects by the Contractor correspondingly contributed towards delay in overall implementation of the scheme in the State.

The projects under Saubhagya scheme were to be completed within five months (March 2020) after issuing (November 2019) the work orders. However, it was seen that projects were physically completed only in March 2021 with delay of 12 months.

However, both the schemes had not been financially closed as of 31 March 2021.

The PD stated (December 2021) that considerable time was taken due to re-tendering, for obtaining approval of the financial bids and sanction of the Government which contributed to delay in award of work and all these factors resulted in delay in execution of work. The execution of the project got delayed due to various reasons like rainy season, landslides, road blockage, difficult terrain, etc.

[67] (volume I) Section II-Instruction to bidders
[68] ₹ 0.58 crore

4.2.16.2 Non achievement of milestones for claiming additional grants of ₹ 4.46 crore

As per the DDUGJY guidelines, 50 *percent* of the 10 *per cent* funded by means of loan or otherwise would be sanctioned as additional grant by the GoI on achievement of the prescribed milestones. Similarly, universal electrification was a pre-requisite for claiming additional grant under Saubhagya. The milestones were as under:

- Timely completion of the scheme as per the laid down milestones;
- Reduction of AT&C losses as per the trajectory finalised by MoP in consultation with the State Governments;
- Upfront release of admissible revenue subsidy by the State Government based on metered consumption; and
- Achievement of universal electrification.

Audit noticed that the PD had failed to achieve the above milestones as set out in the guidelines of the schemes, thus, it failed to avail additional grant of ₹ 4.46 crore (DDUGJY: ₹ 2.48 crore, Saubhagya & Additional Infra: ₹ 1.98 crore).

The PD accepted (December 2021) the audit observation.

4.2.16.3 Awareness programme under the schemes

Awareness programme plays a major role in creating awareness among beneficiaries about the DDUGJY/ Saubhagya schemes and its objectives. Installation of signboards was meant not only for the identification of assets but also for promoting public awareness of the schemes among citizens.

The PD had not conducted any awareness programme under these schemes at the District/ Village level. Further, no such signboards indicating various details of the schemes (such as broad objectives and envisaged benefits of the scheme, area and population covered, timeline for completing the projects, cost of works involved, etc.) were installed at prominent public places to create awareness of the schemes to the general public. Moreover, since the PD adopted the practice of selecting the beneficiaries on the recommendations of the Panchayats, it was necessary to sensitise the Panchayats regarding the schemes. However, no documentary evidence was available to substantiate that such activities were carried out. This fact was corroborated during the beneficiary survey where none of the beneficiaries surveyed were aware of the scheme benefits.

The PD accepted the audit observation and stated (December 2021) that the signboards have been installed in every DTR erected in habitations/ villages. The Department further added that the awareness programmes would be conducted as required.

4.2.16.4 Release of electricity connections to non-eligible households

Paragraph 2.2 of Saubhagya guidelines stipulates that the prospective beneficiary HHs for free electricity connections under the scheme would be identified using Socio

Economic Caste Census (SECC), 2011 data so that all economically poor HHs can be benefited from the scheme. Since the scheme envisages universal HH electrification, any un-electrified HHs not found eligible as per SECC data would also be provided electricity connection on payment of ₹ 500 per HHs which shall be recovered by the respective DISCOM/ Department in 10 instalments along with electricity bills.

Audit noticed that out of 687 HHs selected under North district, only 169 households were from the SECC data list as maintained by the Rural Development Department (RDD), GoS. Thus, the remaining 518 RHHs were not eligible for free electricity connections. Thus, the PD should have recovered ₹ 0.03 crore[69] from the remaining beneficiaries under North district. Further, as neither the PD nor RDD could furnish the SECC 2011 data for West district, similar analysis could not be made with respect to the beneficiaries under West district.

The PD stated (December 2021) that the connections under Saubhagya were released during Gram Swaraj Programme which was monitored by the concerned District Collectors and Panchayats and the connections were released to SECC poor RHHs and those recommended by the concerned Panchayats.

The reply is not acceptable as the PD did not maintain any SECC poor RHHs list in its database and the SECC database as maintained by RDD, GoS did not include 518 RHHs (75.40 *per cent*) out of 687 RHHs stated to have been covered by PD under the scheme.

4.2.16.5 Beneficiary Survey and Joint Physical Verification

Audit selected 23 villages (North district: 10; West district: 13) for beneficiary survey. From each selected village, total of 10 beneficiaries HHs were to be selected including at least five BPL HHs. However, in respect of nine villages[70], numbers of beneficiary HHs electrified were less than 10. As such, beneficiary survey of 213 HHs in 23 villages was carried out. In addition, joint physical verifications (JPV) (i.e. by the Audit and officers/ officials of PD) of assets created under these schemes in selected 23 villages were also conducted.

During beneficiary survey and joint physical verifications (JPV) the following were noticed:

Non installation of meters

Installation of meters in all RHHs was essential for revenue sustainability and to ensure proper billing of the consumers. Thus, PD was required to provide meters to all RHHs. However, during the beneficiary survey, it was observed that no meters were installed in 49 HHs (North: 21; West: 28). Some instances are depicted in the following photographs:

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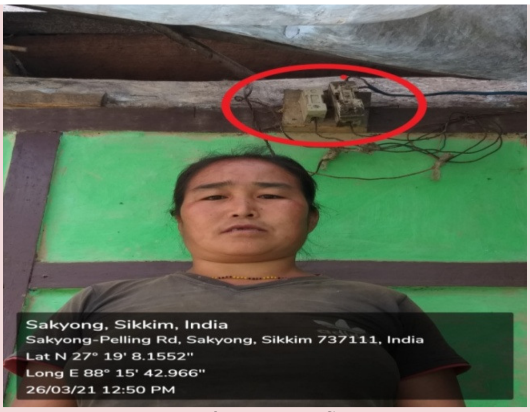
[69] 518 X ₹ 500

[70] Ringhim, Nampatam, Labi, Unglok, Umchung, Bhaluthang, Dubdi, Singlitam, Mangnam,

House of Sukrani Limboo
Village: Nambu; Gyalsing, West District



House of Dhan Bdr. Subba
Village: Bhaluthang; Gyalsing, West District

Non-providing of earthing in energy meters

To ensure safety of the beneficiaries, the earthing was essential component to be installed with the energy meters. However, during the beneficiary survey, it was observed that out of 164 meters installed, earthing with the energy meters were not provided in 162 RHHs (North:71; West:91). Some instances are depicted below:

Earthing provided House of Chopel Lepcha
Village: Ringhim, Mangan, North Sikkim

Earthing not provided House of Chanu Lepcha
Village: Tsozo, Yuksom, West Sikkim

Non-provisioning of BPL/ Service connection kits

During the beneficiary survey, it was further observed that items like internal wiring, meter boards, switch boards, MCB kits, etc. which were integral parts of free connections to BPL HHs/ SECC poor HHs were not provided as detailed in the **Table No. 4.23**.

Table No. 4.23: Kits not provided to BPL/SECC HH

Service Connection (SC) Kits to be provided to BPL/ SECC HHs	No. of BPL/ SECC HHs not provided with SC Kits	
	North (sample size 94)	West (sample size 119)
Internal wiring	93	107
Meter Board	59	60
MCB	31	30
Service Cable	29	32
Switch Board	73	53
LED lamp	30	36

Source: beneficiary survey

Beneficiaries already electrified

It was observed that out of 213 beneficiary HHs surveyed, 93 beneficiary HHs were already electrified prior to the implementation of the schemes. Since, the schemes commenced from February 2018, release of scheme benefit to already electrified RHHs was not justified.

Connection released at the instance of Audit

In one village[71] under West district, it was noticed that three beneficiaries to whom the connections were claimed to have been released, were found not electrified on the date of survey. However, the PD, at the instance of Audit, electrified these beneficiaries within few days under intimation to audit as depicted below:

Status of RHHs during beneficiary survey

House of Suk Maya Rai Village: Umchung, West Sikkim	House of Lt Chandra Bdr Rai Village: Umchung, West Sikkim	House of Kumar Darjee Village: Umchung, West Sikkim

Electrified at the instance of audit

Unconnected Households

It was seen during the beneficiary survey that nine beneficiary[72] HHs to whom service connection kits were released but not connected with electricity lines, were found using electricity by tapping from nearby poles. Similarly, 14 beneficiary[73] HHs were provided with service connection kits but were yet to be electrified. The PD, in contravention of Section 126 (1) of the Electricity Act, 2003; failed to carry out any inspection to ascertain whether any person is indulging in unauthorised use of electricity or not and to penalise them as per the provisions of the Act. Some instances are depicted below:

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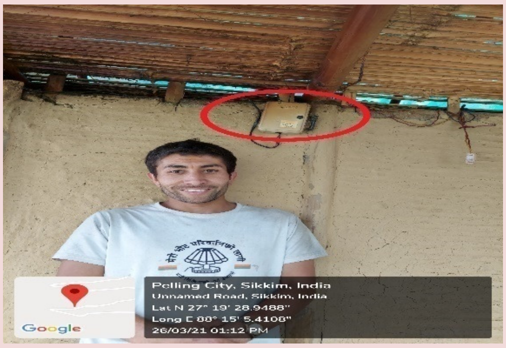
71 Umchung
72 Nambu 1; Bhaluthang-5; Labing-3
73 Labing- 4, Nambu- 3, Unglok-4, Darap-1, Bhaluthang-1 and Labi-1

House of Bhim Bdr Limboo
Village: Labing, West Sikkim

House of Damber Singh Subba
Village: Bhaluthang, West Sikkim



House of Kumar Chettri
Village: Umlok, West Sikkim

House of Tadup Lepcha
Village: Labing, West Sikkim

Sanction of Double Connection

During beneficiary survey, it was noticed that 23 beneficiary[74] HHs were claimed to have been electrified under DDUGJY as well as Saubhagya. Further, in two villages[75] covered under Saubhagya scheme, 15 beneficiary HHs having identical account numbers were shown electrified under both the villages. Moreover, out of these 38 HHs, 37 HHs[76] were already electrified prior to the implementation of the schemes.

Sanction of double meters to single consumer

It was observed that the selection of beneficiaries was done on the recommendation of the Panchayats. Instances were noticed where already electrified HHs were also recommended by the Panchayats. During beneficiary survey it was seen that in one village *i.e.* Phodong, the service connection kits instead of being installed directly by the contractors, were given to the Panchayat for distribution to the beneficiaries. The service connection kits issued to these HHs were not installed. It was seen that five HHs in above mentioned village, were provided with two meters *i.e.* once under new connection, then during replacement of old meters. Some instances are depicted below:

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74 Sentam-12, Phamtam- 5, Tingda-5 & Labing-1
75 Pakshep and Kazor
76 Excluding DorjeeLepcha, Labing

House of Tensung Bhutia
Village: Phodong, North Sikkim

House of Palden Bhutia
Village: Phodong, North Sikkim

Unnecessary Billing

Electricity consumption upto 100 units per month by the consumers of rural areas is supplied free by the PD. During the beneficiary survey, it was seen that the bills were being issued to the HHs whose consumption was below 100 units. Since no collection is required to be made in such cases, there was no need to generate and distribute such bills.

Non-inclusion of consumer accounts in departmental records

Further, accounts of 53 HH of the sample villages to whom connections had been released were not entered in the Demand Register for raising the bills. Thus, due to non-inclusion of the consumers in the Demand Register, PD could not raise the bill resulting in loss of potential revenue to the tune of ₹ 0.03 crore[77].

The PD while accepting the audit observation stated (December 2021) that it would ensure that all eligible RHHs connected under DDUGJY and Saubhagya Schemes are provided with meter and proper earthing.

Regarding already electrified RHHs, PD stated that some RHHs were electrified temporarily with makeshift arrangements and under these schemes such connections were regularised and provided service connection. The reply is not acceptable as these RHHs were already enlisted in its demand registers (regular consumers) prior to the implementation the scheme. Moreover, the JPV and beneficiary survey was conducted after the completion of the scheme by which time the PD should have completed the inspection of these RHHs whom its implementing circles had stated to have completed electrification.

4.2.16.6 Short execution of work against completed works

As per Monthly Progress Report (Jan 2021), works of creation of various infrastructures were shown as completed. However, during Joint Physical Verification (JPV) carried out (March & April 2021) by the officers/ officials of the PD in presence of Audit, in 20 villages out of 23 villages, 213 HT poles and 660 LT poles amounting to ₹ 2.62 crore[78] were not found installed.

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77 Considering that these households would draw over 100 units per month
78 Cost includes all components like insulators, conductors, etc.

As, the PD had not segregated payment released to the Contractor for each village separately, Audit was unable to ascertain whether payment for the above works was released to the Contractor or not. Thus, the PD may analyse whether the payment of ₹ 2.62 crore was already released to the Contractor and accordingly restrict or recover the same from the Contractor.

The above deficiencies are only illustrative and not exhaustive. As such, similar deficiencies could be possible in other villages. The same may be thoroughly investigated and recoveries if any may be made.

The PD stated (December 2021) that as JPV was conducted during restricted period COVID-19 and Department officer assigned for JPV was unaware of the work sites as the site engineer who was involved in execution of the work was not able to accompany the JPV Audit team due unavoidable circumstances. The PD further stated that all the works had been covered and completed as per target. The Audit may re-inspect and verify the works. In addition to above, the Geo-tagging of major assets created under the schemes were being carried out, and on completion of this exercise, a report shall also be made available to the Audit.

The reply is not acceptable as the JPV was conducted by audit when COVID restriction (March and April 2021) was temporarily relaxed in the State. The JPV was conducted with the officials who were responsible for the implementation of the scheme. The JPV report was further accepted by District/Circle Nodal Officer of the respective sampled districts. This is further corroborated by the fact that cases of incomplete works on DTRs were also noticed during JPV in few of the sampled villages while the same was stated to have been completed as per the MPRs.

4.2.16.7 Inferior quality of works

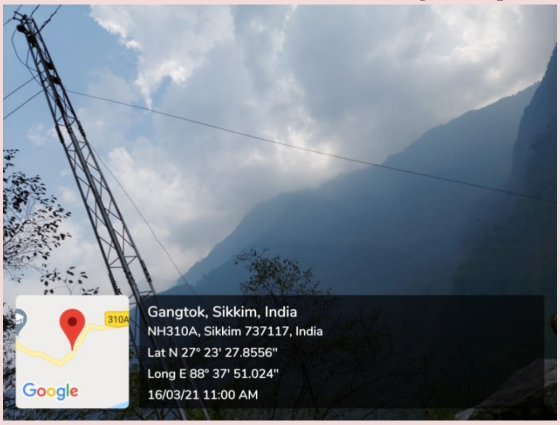
During the JPV it was noticed that in many cases the concreting used in foundations of electricity poles, DTRs etc. were not as per the specified standards as given in the technical specification and tender drawings. Similarly, defective workmanship in painting of lattice poles was also observed. Some of the visible defects/ discrepancies observed were as follows:

- As per the required standards, placement of Low Tension Distribution Board (LTDB) in a parapet of size 2x0.61x0.35x0.61 mtrs. with 1:3:6 cc mix including 12 mm thick cement plaster of 1:4 Mix was to be done. However, in many cases LTDBs in DTR substation were either mounted on stones or casually placed on nearby concrete base of lattice poles. Some instances are depicted in photographs below:

LTDB placed on stone and concrete base of lattice poles
Village: Labi, Block: Kabi Tingda, North Sikkim

➢ Concreting of lattice poles and stay wires were not found done in some cases. Instances were noticed where guy insulators were not installed in the stay wires, thereby exposing the human/ animal lives to risk of electrocution. Some instances are depicted below:

Concreting of LT Poles not done.
Village: Darap, Block: Gyalshing, West Sikkim



Guy insulator not used in stay set
Tingda, Kabi Tingda, North Sikkim

Guy insulator not used in stay set
Lingchom, Gyalsing, West Sikkim

➢ Rusting was seen at the recently painted lattice poles, steel structures of DTR substations and in some cases lattice poles were either not painted or partially painted. In some instances, the service cables were inadequately provided. The barbed wires for wrapping the lattice poles were either not provided or were inadequate. Some of the defects noticed are as under:

Visible rusting at Lattice poles of DTRs
Village: Pakshep, Block: Mangan, North Sikkim

Visible rusting at Lattice poles
Village: Nambu, Block: Gyalshing, West Sikkim

Unpainted LT pole
Village: Phodong, Block: KabiTingda, North Sikkim

Partially painted LT pole
Village: Labing, Block: Yuksom, West Sikkim

No barbed wire used
Village: Lingchom, Block: Gyalshing, West Sikkim

Lesser quantity of barbed wire used
Village: Ringhim, Block: Mangan, Dist: North Sikkim

Internal wiring cable knotted with the service cable due to short supply of 2.5 mm service cable
Village: Chojo, Block: Yuksom, West Sikkim

- The above instances clearly depict defective works executed under the DDUGJY and Saubhagya schemes. The PD failed to take note of these defects promptly and notify the contractors of such defects for rectification. Further, inspite of these defects noticed by Audit and non-conformities pointed out by PMA, the payments were proportionately not deducted until such non-conformities were rectified. This has not only led to undue benefit to the contractors but also suggests that the quality of works executed was also not up to the standards.

The PD accepted (December 2021) the audit observation**.**

Other findings

4.2.16.8 Procurement of excess energy meters

The PD had projected 14,225 un-electrified HHs in the DPRs out of which 12,266 HHs were proposed to be executed under DDUGJY. However, as per the technical sanction, the provision of new meters of 22,544 meters was made *i.e.* 84 *per cent* more than the number proposed in the DPRs. Moreover, out of 12,266 HHs where new connections were to be provided, only 9,933 HHs were electrified under the DDUGJY scheme and remaining 4,967 HHs (14,900 - 9,933) were covered under Saubhagya scheme. Since the total number of HHs covered under both the schemes combined was 14,900 only, the procurement of excess 7,644[79] metres amounting to ₹ 1.53 crore[80] was not justifiable.

Further, as per the provisions of the Saubhagya guidelines, the electricity connections to un-electrified households included provision of service line cable, energy meter, single point wiring, LED lamp and associated accessories. Thus, while awarding the work under Saubhagya scheme, the PD had not deducted the cost of meters already procured from DDUGJY funds. Failure to do so resulted in excess payment of ₹ 0.99 crore (4,967 @ ₹ 2,000/meter).

The PD stated (December 2021) that there was no excess procurement of energy meters. Meters were procured for New Consumers (14,900), Replacement of Defective meters and Replacement of all Electromechanical meters to Electronics. The cost awarded to the contractor included only the service connection materials and meter cost was not included as this was being met from meters procured under DDUGJY.

The reply is not acceptable as the PD had obtained cabinet approval for ₹ 75.23 crore and awarded the contract at a cost of ₹ 73.82 crore which included procurement of 22,544 meters while only 12,266 RHHs were identified under DDUGJY out of which only 9,933 RHHs were electrified under the scheme. Further, the service connection charges awarded to the contractor under Saubhagya was equivalent to the cost of service connection charges (which also included cost of meters) as per the guidelines. As such, award of sanction of ₹ 2,996 per service connection charges without the meter component is irregularly high considering the fact that the cost of meter component (₹ 2,000) within the service connection charges (₹ 3,670) under DDUGJY was 55 *per cent*.

[79] 22544- 14900

[80] @ ₹ 2000 per meter

4.2.16.9 Assets not put to use

In order to ensure energy accounting, auditing and checking of commercial losses, meters were required to be installed at DTRs in the villages electrified under the schemes. Superintending Engineer/ Executive Engineer of respective Circles/ Distribution Divisions were required to ensure that energy accounting was being carried out through meters installed at DTRs.

Audit noticed that the DTRs/ LT Distribution Switchboards came equipped with ammeter, voltmeter and electronic meters. It was further noticed in both the sampled districts the transformer-wise energy accounting, auditing and checking of energy losses was not being carried out by the Circles/ Distribution Divisions to facilitate effective monitoring of distribution and consumption of energy load. Due to this PD had no means to ensure whether the energy supplied was being properly accounted for.

The PD while accepting the audit observation stated (December 2021) that the cost of the meters would be less as compared to the cost of the entire LTDB system and as such, blockage of fund if at all would be very less. However, the fact remains that the PD failed to ensure energy accounting, auditing and checking of commercial losses of these DTRs.

4.2.17 Monitoring

As per Para 11 of Chapter of IV of DDUGJY projects shall have a single tier Quality Assurance Mechanism (QAM). The single tier QAM shall exclude the in-house process quality checks followed by the PIA during the physical execution of the project. The PIA i.e. PD shall be solely responsible and accountable for assuring quality in DDUGJY works. The PIA shall formulate a detailed comprehensive Quality Assurance Plan (QAP) for the works to be carried out under DDUGJY scheme with an objective to create quality infrastructure works. The PD was to ensure that the quality of materials/ equipment supplied at site and execution of works carried out at field under DDUGJY scheme is in accordance with the QAP. The same monitoring mechanism was to be followed under Saubhagya scheme.

Audit noticed the following:

4.2.17.1 Non-adherence of quality assurance guidelines under DDUGJY

Audit observed following inadequacies in the quality assurance mechanism of PD and the Contractor:

- The PD had not carried out the pre-dispatch inspections of 250 KVA and 315 KVA DTRs. Moreover, the PD, in contravention to the scheme guidelines failed to verify the quality of works executed in the villages, verification of BPL HHs connections released, 100 *per cent* verification of materials utilised under the scheme, 100 *per cent* verification of metering works including connection and installation of meters *etc.* No documentary evidence such as inspection reports was furnished by the PD. This is corroborated by the fact that during JPV and beneficiary survey, instances of unelectrified RHHs, inferior works, etc., were noticed ***(paragraph 4.2.16.6 & 4.2.16.8)***.

The PD stated (December 2021) that the Stage Inspection of the DTR was carried and in case of 250 & 315 KVA DTR, PDI was not done due to travel restrictions. However, the DTRs procured and installed has been in operation and in service for last 2 to 3 years without any failure. Moreover, the DTRs has been guaranteed for five years. All energy meters installed under DDUGJY was carried out by the Contractor in presence of department and at the time of installation no defects were observed.

The reply is not acceptable as the PD failed to carry out any other quality assurance checks other than pre dispatch inspection

- All the material for DDUGJY works were required to be purchased from the authorised vendors approved by their Quality Assurance Department (QAD) of PIA and approved vendor list was required to be uploaded periodically (monthly) on PIA's web-portal.

  Audit however observed that no QAD existed in the PD for assessing and approving vendors/ suppliers for procuring of DDUGJY materials. The vendor list was not uploaded on its web portal. Contrary to the guidelines, the PD approved the vendors/ suppliers/ manufacturers proposed by the Contractor and there were no records to substantiate whether the PD had assessed the capacity of the vendors.

The PD accepted the audit observation and stated (December 2021) that although the Quality Assurance cell has not been formed in the department, the materials were procured as per approved GTP from the State registered vendors. However, the fact remains that the vendors were proposed by the turnkey contractor instead from the empanelled vendors.

- Standard Field Quality Plan (FQP) checklist and checklist[81] of approved QAP as prescribed in the REC's QAM was required to be complied by the PD and the PMA. Contrary to the provisions of REC's QAM on conducting and maintaining proper documentation of FQP for verification and future references, neither the PD nor the PMA[82] conducted verification as per the FQP/ QAP as no documentary evidence for field inspection/ tests as mentioned under the approved standard FQP/ QA checks were maintained by the District/ Circle offices.

The PD accepted the audit observation and stated (22 December 2021) that FQP checklist and checklist of approved QAP as prescribed in the REC's QAM were not done by PD & PMA, Joint physical verification was done by PMA & PIA officials regularly time to time. However, no documentary evidence was on record to substantiate that any inspections/ tests was done by the PD.

[81] Annexure I and II of approved QA plan
[82] Except for seven inspections carried out as per Format B

- Guidelines of QAM issued by REC (March 2019) stipulate that the PD and the Contractor were fully responsible for ensuring that the same materials, as approved during pre-dispatched inspections, have been received at site. However, the PD failed to ensure the same as no documentary evidence of material received as per pre-dispatch inspections as well tests of material as per approved standard FQP & QA checks were maintained by the District/ Circle offices.

The PD replied (December 2021) that the materials as approved during pre-dispatched inspections had been received at site. However, as the documentary evidence are not maintained by the districts/circles, the same can be verified in the Head office.

The reply is not acceptable as the documentary evidence of only Joint Inspection Reports of Contractor's central store conducted by the Department was available and the same was considered by the Department as the verification report of pre-dispatched materials received at site. However, there were no reports as such in district/circle level which could substantiate the fact that the same pre-dispatched materials were received at site

- Contrary to the REC guidelines, the PD failed to carry out any pre-commissioning tests of the materials.

The PD accepted the audit observation and stated (December 2021) that pre-commissioning test was not done owing to non-availability of testing equipment's at site. However, all equipment erected have been in operation for the last two years without any problem.

4.2.17.2 Non-existence of Quality Assurance Evaluation mechanism under Saubhagya

Audit observed that the PD had not prepared the Comprehensive Quality Plan (QP) or Inspection Plan (IP) for the works executed under the scheme. The records of inspections (material/ village inspection) carried out by the PD and the Contractors were not maintained by the District/ Circle offices, as such audit was unable to verify whether the PD had carried out necessary quality assurance checks. Thus, the failure of PD to formulate a comprehensive QA and IP plan under Saubhagya scheme coupled with not carrying out the inspections, there was no assurance whether the works executed under the scheme were of required quality.

The PD stated (December 2021) that comprehensive Quality Plan (QP) or Inspection Plan (IP) for the works executed under the scheme was prepared. The records of inspection (material/village inspection) carried out by the PD will be provided to Audit officials in case not furnished.

The reply is not acceptable as only QP/ IP for DDUGJY scheme had been prepared and for Saubhagya scheme neither the QP/IP nor the records of inspection was furnished to audit for scrutiny.

4.2.17.3 Monitoring Committees not holding regular meetings

Monitoring of the progress of implementation of schemes in the State, was entrusted by the GoS to the existing State Level Coordination Committee (SLCC) formed

(September 2006) during the implementation of RGGVY scheme. The roles and responsibilities of SLCC included recommending of DPRs for approval of MC, ensuring there is no duplication/ overlapping of works with other similar GoI schemes, monitoring progress, quality control and resolve issues relating to implementation of sanctioned projects *viz.* allocation of land for substation, right of way, forest clearances etc.

The SLCC was required to hold review meetings at regular intervals for effective monitoring of progress of works. It was, however, observed that during the five-year period upto March 2021, against 60 meetings only three meetings of SLCC were convened in which only DDUGJY scheme was discussed.

The PD stated (December 2021) that SLCC meetings were conducted for formulation of DPR and recommendation of SLCC was obtained prior to submission of DPRs to MoP, GoI.

The reply is not acceptable as the role of SLCC is not only limited to formulate and recommending the DPRs but also to ensure periodical monitoring of the work progress and timely resolving of any issues arising during project implementation.

District Electricity Committee (DEC) was also constituted (April 2015) to review and monitor central schemes in Power Sector *i.e.* DDUGJY and Integrated Power Development Scheme (IPDS). The Committee was required to hold at least one meeting in District Headquarters in every three months. Later, District Development Coordination & Monitoring Committee (DISHA) was constituted (July 2016) by subsuming District Vigilance and Monitoring Committee (DVMC) and DEC. The MoP, instructed the State to hold at least one meeting in every quarter, first meeting to be held on 13 August 2016.

Audit observed that out of 88 DEC/ DISHA meetings required to be held in the last five years in four districts, only 13 meetings[83] had been conducted wherein only DDUGJY projects were discussed.

The PD stated (December 2021) that the DISHA meetings are called and organised by RMDD and the same are being held regularly. However, except during 2020 and early 2021 (COVID period) DISHA meetings were suspended.

The reply is not acceptable as the PD was able to furnish minutes of only 13 DEC/DISHA meetings held during the scheme implementation period (Jan 2016 to April 2021). Even after considering suspension of meetings during COVID period (2020 and early 2021), there was still a shortfall of 68 meetings.

4.2.17.4 Deficiency noticed in Dashboard of the Schemes

The updated progress of implementation of the schemes is reflected on the Dashboard of MoP. The following discrepancies between the progress of works reflected on the Dashboards *vis-à-vis* actual progress as per the records of the PD were observed:

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[83] As per the minutes of the meeting furnished by the PD. North:2, West;3, East:4 & South;4

- As per the Dashboard, 14,900 households were shown to have been electrified as of January 2019. However, the electrification of 4967 households under Saubhagya scheme was taken up only from November 2019.
- The status of infrastructure created under the schemes as reflected in the Dashboard and the actual infrastructure created as per PD's records on 31 March 2021, when the schemes were physically completed did not match as shown in **Table No. 4.24**.

Table No.4.24: Details of infrastructure created as per MoP's dashboard *vis-à-vis* Department's record

Particulars	Infrastructure created under the Schemes		
	As per Dashboard	As per records of PD	Difference
	a	b	c=a-b
Distribution Transformers (DTRs)	800	378	422
11 KV line (km)	1,086	387.06	698.94
LT line (km)	1,906	914.72	991.28

Thus, it could be seen that the Dashboard reflecting the HHs electrification status and infrastructures created in Sikkim as on date seemed to be incorrect and misleading.

The PD while accepting the audit observation stated (December 2021) that the infrastructures created under the schemes have been communicated to REC in the form of MPR. The mismatch could be due to non updation, the REC will be informed about the matter with a request to update the portal dashboard from their end.

4.2.17.5 Failure to raise inspection calls for conducting periodical RQMs inspection

As per the single tier QAM followed, an independent agency *viz.* REC Quality Control Monitors (RQM) appointed by the Nodal Agency (REC) along with the PD were responsible to ensure quality of materials procured and verify quality of works carried out under the DDUGJY scheme. The same monitoring mechanism was to be followed for Saubhagya scheme.

Further, as per the QAM guidelines the periodicity of village inspections required to be carried out by RQM were as under:

Stage-I inspection of RQM shall commence in a project when 50 *per cent* of un-electrified (UE) and 30 *per cent* of Intensively Electrified[84] (IE) villages are completed in all respect. Five villages in a project are to be thoroughly inspected at the very beginning when the electrification of these is completed. These villages after rectification of defects shall become modal quality village. The findings of inspection of these five villages shall be used as training resource and necessary improvement in Quality Assurance.

[84] Prior to 2017 a village is considered electrified if at least 10% of its households are electrified. Intensive electrification, on the other hand, refers to deepening the electricity infrastructure to provide access to the remaining un-electrified houses.

Stage-II inspection of RQM shall commence and end in a project when 100 *per cent* of UE & 70 *per cent* of IE villages are completed in all respect.

Audit observed that the RQM inspections were not done as per stages specified above. The RQM on its own issued inspection call (05 November 2020) and carried out the village inspections only during February 2021 when the project was under the verge of completion. Prior to this visit, no such inspections of villages were conducted by the RQM as the PD failed to raise any village inspection calls to REC for RQM visit.

Thus, due to the failure of the PD to raise inspection calls to REC, the quality assurance measures envisaged in the schemes for identifying defects at early stage, their timely rectification, and lessons to be learnt from such inspections to prevent defects in works executed under the projects, were not ensured. Had the PD raised inspection calls for RQMs in timely manner, the defects/ discrepancies as mentioned in ***paragraph 4.2.16.6, 4.2.16.7 & 4.2.16.8*** would have been identified at an early stage for timely rectification. As such, the defects/ discrepancies noticed stood unrectified as on March 2021.

The PD stated (December 2021) that under the scheme, the inspection calls were to be raised by the Nodal Agency REC, the RQM inspection call was raised by REC, and the same has also been completed. The defects pointed out by the RQM has been attended, and both the RQM observations and RQM compliance Reports has been uploaded in the QAP portal of the scheme (sahksya).

The reply is not acceptable as the PD failed to timely upload documents in the portal such as BOQ, SLD, consumer connection details, GPC etc., to enable the REC to depute its RQM for inspection. As such, RQM inspection was belatedly carried out. Moreover, REC had also withheld certain portion of central grants due to noncompliance of the requirements.

4.2.17.6 Non-appointment of third-party evaluation agency

As per the Memorandum issued (October 2018) by MoP, a third-party evaluation was required to be carried out by an independent agency for DDUGJY and other continuing schemes. The scope of work of the third-party evaluating agency *inter alia* included assessment of electrification works *vis-a-vis* approved DPR, assessment of quality mechanism followed by PIA, examination of the quality of material supplied at the field and the quality of workmanship executed at the field, examination of the socio-economic impact of the schemes on beneficiaries etc.

Audit observed that the PD, contrary to the MoP's directives, had failed to appoint a Third-Party Evaluation Agency (TPEA) for the schemes. As such, independent assessment of the implementation of the scheme, assessment of socio-economic impact of the schemes on beneficiaries, etc. were not ensured.

The PD stated that (December 2021) under the scheme, there is no provision for appointing TPEA by the PIA, however, REC appoints a third-party agency for quality monitoring and RQM for site inspection. As required, all major materials were inspected at manufacturers premise jointly by PIA and Inspector appointed by REC. Further, the materials so erected has been in operation and service for the last two years without any report of failures. Further, the engagement of TPEA involves additional expenditure, hence, no third party evaluation agency was appointed by the Department.

The reply is not acceptable as the requirement for appointment of (TPEA) was envisaged to ensure not only the quality of work but was to independently assess the implementation of the scheme, assessment of socio-economic impact of the schemes on beneficiaries, etc. which was not achieved in the instant case.

4.2.17.7 Non-submission of Monthly Progress Report by the Contractor

The agreement for DDUGJY entered into by the PD with the Contractor for the execution of projects stipulated that the Contractor shall submit a Monthly Progress Report (MPR) to the Project Manager/ Site Engineer every month and as and when required. Further, the PD was required to conduct a monthly Contract Review Meeting (CRM) with senior most officers of the Contractor at their headquarters or at project site. Performance of Contractor was to be reviewed based on commitment and actual achievement on ground in these CRMs.

Audit observed that, contrary to the above stipulated conditions, neither the Contractor submitted Monthly Progress Reports (MPRs), nor the PD conducted monthly CRMs for monitoring Contractor's performance in terms of commitment and actual achievement. Although, PMA had regularly notified the PD on this issue, no action was taken by the PD. Thus, the failure on the part of the PD to seek MPRs and to hold any CRM for monitoring progress of the projects, the time schedule as planned and committed in the PERT Chart could not be achieved. This eventually led to inordinate delay (19 months) in completion of the projects.

The PD stated (December 2021) that a monthly report (MPR) was prepared based on the information and data availed from the District Nodal Cells and Contractor with the work progress being monitored by PIA site engineers and District Nodal appointed for the scheme.

The reply is not acceptable as obtaining the MPR from the contractor and holding regular CRM with the contractor was with the objective to monitor the progress of work by the contractor to enable the PD to ensure completion of the projects within the scheduled time frame and in case of delay by the contractor a suitable action could be initiated.

4.2.17.8 Deployment of inadequate manpower by PMA

As per the guidelines of PMA, the PMA had to establish its offices, ensure deployment of requisite manpower, vehicles and other infrastructure to supervise the project suitably at Headquarters and Circle/ District level as per the requirement, for ensuring smooth interface with the PD and the Contractor on daily basis. Further, as per approved QAP, the PMA was required to designate an experienced and qualified engineer as Site Engineer for each district or as per requirement, who was responsible for ensuring all the quality checks were carried out and ensure to keep proper records for quality maintained at site.

Audit however observed that, the PMA deployed only one personnel for implementation of DDUGJY scheme who was entrusted both Headquarter[85] and field[86] works. As DDUGJY project was being executed in all four districts of the State, it was essential for the PMA to depute adequate number of site engineers for quality assurance and timely implementation of the works. However, no site engineers were appointed in any of the project sites which was in contravention to the QAP prepared by the PMA. Moreover, with inadequate manpower deployed at the project sites, the quality checks as envisaged in the approved QAP could not be achieved as mentioned in ***paragraph 4.2.17.1***.

In this regard it is worthwhile to mention that PMA services were hired at the rate of 1.5 *per cent* (₹ 0.83 crore) of the project cost, out of which GoI was to bear 0.5 *per cent* of the project cost.

The PD stated (December 2021) that PMA had deployed manpower time to time for execution of DDUGJY Project. Due to slow progress of work PMA Engineer were deployed at Head quarter level for both field work & Head quarter work. PMA had visited site from time to time to inspect the quality of work which was being executed by Turnkey Contractor & PMA had submitted their inspection report to the PIA. The inspection report was also furnished during Audit.

As a matter of fact, non-deployment of adequate site engineers in each project site was in contravention to the scheme guidelines and the approved QAP which was prepared by PMA itself. One of the prime responsibilities of site engineers was ensuring quality checks as per the QAP and keeping proper records of works executed at site. It was observed that no such quality checks or records were prepared or maintained by the PMA as stated under the QA plan format. Further, the claim that the PMA had visited site time to time is not justified as the PMA had visited the North district only after audit observed that the PMA had not inspected the district.

4.2.17.9 Non-rectification of defects on observations of PMA

As per the DDUGJY guidelines, the PIA was solely responsible and accountable for assuring quality. The PD was required to ensure that the quality of materials/ equipment supplied at site and execution of field works were in accordance with the QAP.

Audit noticed that the several defects pointed out by PMA were not rectified in spite of several reminders issued to the PD for instructing the Contractor to rectify the defects. Further, the PD did not forward the Assessment Reports of PMA or the Compliance Reports on PMA's observations to REC.

[85] Assisting Nodal Officer, DPR finalisation, Preparation of Monthly Progress Report, MIS etc.
[86] Material inspection at manufacturer premises, site visit etc.

The PD stated that (December 2021) the defects pointed out by the PMA has been attended by the contractor, which were further inspected by the site engineer. All compliances as observed by RQM has also been attended and the same has been uploaded in the QAP portal.

The fact remains that there was laxity on the part of the PD to rectify the defects immediately. Further, the claim of the PD that the defects have been rectified is not supported with any documentary evidence like compliance report from the contractor/ inspection reports of the PMA/PD. Moreover, the PD needs to inspect the work at all its sites across the State to observe the non-conformities and get it rectified by the contractor immediately.

4.2.18 Conclusion

The objectives of DDUGJY and Saubhagya schemes were to electrify each and every household by 31 March 2019 so as to enhance the satisfaction level of the consumers and improve the quality of life of people through 24x7 power supply at affordable cost. Audit noticed that DDUGJY and Saubhagya schemes could not be completed within scheduled time due to various deficiencies in implementation. DPRs were prepared without proper field surveys, the data of un-electrified RHHs were inconsistent *vis-à-vis* Census 2011 data and MoP data, the approved DPRs were revised, the DPRs were submitted with delays. The State had short contributed its share of funds for the schemes. Only the Contractors empanelled with PD were allowed to bid for projects under DDUGJY. These projects were awarded at 48.53 *per cent* above the sanctioned cost. The interest free Mobilisation Advance was granted to the Contractor, in arbitrary manner. The PD had not segregated the local taxes from the project costs, thereby resulting in excess claim of capital subsidy. Due to non-fulfilment of required conditions by the PD, the REC had withheld the central grant. The Implementation Plan for Saubhagya scheme was not prepared. The Contract Performance Security and Insurance Certificates were not obtained from the Contractor. Further Liquidated Damages were not claimed from the Contractor. Due to failure of PD to achieve work milestones, the PD could not claim additional grants. Instances of release of electricity connections to non-eligible RHHs were noticed. Joint Physical Verification of project works and Beneficiary Survey revealed various irregularities such as inclusion of already electrified consumers, the same consumers being shown in two villages, non-installation of meters connections and earthing, incorrect progress reports, inferior quality of works *etc*. The electricity meters were procured in excess of requirement. The energy accounting and auditing were not done despite installation of meters in DTRs.

The PD did not set up effective system for monitoring of projects, which was provided for in the guidelines of the schemes. Despite the delay in implementation, the role of the State Level Monitoring Committee/ DISHAs to ensure quality and timelines sin scheme implementation was not effective due to their failure to hold regular meetings for monitoring of scheme works. The monthly Contract Review Meetings with the Contractor to review the progress of works were never held, further the Contractor had failed to submit the Monthly Progress Reports to the PD. The PD had failed to adhere to the Quality Assurance mechanisms envisaged under the schemes. It was seen that the inspection of works executed in the villages, verification of BPL HH connections released, verification of materials utilised under the schemes, and verification of works were not carried out by the PD. The materials for the works were purchased from the vendors suggested by the Contractor, as the PD did not have Quality Assurance Department. The records of inspection/ verification carried out by the PMA were not maintained. The defects pointed out by the PMA, were not got rectified by the PD. Inspection of material received at site was not conducted. The PD had failed to raise inspection calls for RQM inspections. Third party evaluation agency was not appointed. The PD had not prepared the comprehensive quality plan for Saubhagya scheme.

As per records of PD, there were 14,900 un-electrified HHs in the State as on 31 March 2015. The Dashboard of MoP showed all these 14,900 HHs electrified as of January 2019. But it was seen the electrification of 4,967 HHs was taken up under Saubhagya scheme only from November 2019.

4.2.19 Recommendations

It is recommended that:

- *Detailed Project Reports (DPRs) should be prepared after collecting comprehensive data though field surveys, so that the cost as well as quantity of works could be estimated realistically.*
- *The approved DPRs as well as scheme guidelines should be adhered to in project execution so that the benefits of the schemes reach intended beneficiaries.*
- *In order to obtain competitive rates, participation of bidders in tenders should not be restricted, in violation of the schemes guidelines. The rates offered by the bidders should be scrutinised carefully to examine the reasonability of such rates. Responsibility for non-adherence to the CVC guidelines and loss to the exchequer may be fixed.*
- *Works being executed under the schemes should be monitored closely to ensure that the works are being carried out strictly as per the prescribed specification. Further, the Department should ensure the Contractor/s fulfil its obligations like insurance, contract performance security etc.*
- *Department should ensure execution of works to be in conformity with scheme guidelines with respect to quality of materials/ equipment supplied at site and execution of works carried out at field.*
- *Deficiencies noticed during beneficiary survey such as inferior work, unconnected households, unnecessary billing etc. Responsibility may be fixed for shortcomings observed in achievement of the intended objective of the schemes.*
- *The PD through proper monitoring should ensure that the milestones prescribed under the schemes for receiving additional grants are achieved.*

- *The PD should verify the works before making payments and fix responsibility in cases of short execution and undue payments, if any, should be recovered.*
- *The monitoring mechanism should be strengthened to ensure timely execution of projects as well as quality works.*
- *The Quality Assurance Mechanisms as prescribed under the schemes should be put in place to ensure the quality of works.*
- *Third-party evaluation as per Memorandum of MoP, should be conducted to assess the quality assurance system, quality of material supplied and workmanship, and socio-economic benefits of the schemes.*

COMPLIANCE AUDIT PARAGRAPH

GANGTOK SMART CITY DEVELOPMENT LIMITED

4.3 Irregularities in execution of project

Gangtok Smart City Development Limited (GSCDL), undertook a project relating to construction of Rain Water Harvesting Structures. The project was executed in ad-hoc manner, as estimated costs and locations of works were changed at various stages; actual execution was not as per agreement. In addition, due to defective estimates, excess payment of ₹ 1.91 crore was made to the Contractor.

With increasing demand of potable water due to the city witnessing a growth of population and number of tourist arriving in large number in the Gangtok City, Gangtok Smart City Development Limited (GSCDL) initiated a project for construction of Rain Water Harvesting Structures (RWHSs) under Smart Cities Mission. Accordingly Detailed Project Report (DPR) was prepared by the Project Development and Management Consultant (PDMC), M/S Grant Thornton India LLP[87]. As per DPR, the RWHSs with aggregate capacity of 3,002 cum were to be constructed at 15 locations[88] at an estimated cost of ₹ 16.25 crore.

Water distribution pipes near Pani House, Gangtok

The tender for project "Design, Supply, Construction and Installation of Copolymer Cross wave Technology based Rain Water Harvesting System at Gangtok Municipal Corporation under Smart Cities Mission, Sikkim" valuing ₹ 20 crore was invited on 20 September 2018. Though only two bidders participated in the tender, but GSCDL did not retender the work. As per Section 9.6 (vi) of the Sikkim Public Works (SPW) Manual 2009 stipulates participation of at least three tenders to make the tender process more competitive and for proper evaluation of the rates offered by the Contractors. Tenders received in less than three valid tenders shall be summarily rejected and fresh tender shall be invited. Further, Section 9.6 (i) of SPW Manual states that all works proposed for execution by contract will be notified in a form of invitation to tender. However, the Company in contravention to the provisions of the Manual awarded the work to the L1 bidder amongst the two participating bidders.

It was observed that although the estimated project cost of ₹ 16.25 crore was projected, Request for Proposal (RFP) was issued (05 September 2018) to the

[87] Appointed as project consultant for the projects undertaken by the Company under Smart City Mission

[88] Bhojoghari SSS, Burtuk JHS, Deorali SSS, Enchey SSS, TNA, Krishi Bhawan, Modern SSS, Tadong SSS, TNSS, West Point SSS, Nirman Bhawan, Power Secretariat, Tourism Secretariat, Yatayat Bhawan & Tashiling Secretariat.

participating bidders amounting to ₹ 22.72 crore and tender was floated (20 September 2018) valuing ₹ 20.00 crore. However, the nature of items proposed as per the DPR had undergone changes while issuing the RFP. The locations and aggregate capacity of the RWHSs were changed at these stages. No reasons for such changes were available on record. Audit could not ascertain whether any revised estimate was prepared as GSCDL could not furnish the same. Further, there were no records to show whether the revised estimates were prepared/ vetted by the PDMC which had prepared the original DPR.

The work was awarded (October 2018) to M/S Ashwath Infratech Pvt. Ltd, New Delhi for ₹ 22.61 crore (below 0.5 *per cent* of estimated cost as per RFP) to be completed within eight months *i.e.*by 30 June 2019. The total cost of the project including tax and contingency charges was estimated at ₹ 25.96 crore. The agreement with the Contractor provided for construction of RWHSs at 16 locations[89] with aggregate storage capacity of 4,260 cum. However, out of 15 locations conceived at DPR stage, only six locations were included and 10 new locations were identified. Subsequently, during execution, total l9 locations[90] were identified by the GSDCL by replacing nine locations with additional 12 new locations.

Change of location: It was observed that, work at 12 locations[91] with aggregate capacity of 2,064.65 cum were taken up as of July 2022. Out of the above 12 locations, only six locations were taken up as per the agreement and remaining six locations were again new locations identified during execution. No reasons for these deviations were available on records.

Delay in completion: The project was to be completed by June 2019, which was later extended up to February 2020. However, as of July 2022, works at only eight locations[92] were completed and physical progress in respect of four locations[93] ranged from 75 to 90 *per cent*. For the same, GSDCL had released ₹ 18.69 crore. The work was yet to commence in the remaining seven locations[94].

Difference in rates: It was further observed that rates of comparable items as per the original estimated cost *vis-à-vis* as claimed by the contractor (as per RFP) were exorbitantly high as detailed:

[89] Bhojoghari SrSS, Burtuk JHS, Deorali GSSS, Enchey SSS, TNA school, Krishi Bhawan, Modern SSS, Tadong SSS, Tashi Namgyal SSS, West Point SSS, Nirman Bhawan, Power Secretariat, Tourism Secretariat, New Hospital Ground, Paljor Stadium & Guards Ground

[90] Bhojoghari Sr SS, Burtuk JHS, Deorali GSSS, Enchey SSS, TNA school, Krishi Bhawan, Labour office, DESME Office, Tadong College (Girls Hostel), Tadong College (Volleyball court), DIET College, Palzor Namgyal Girls School, New STNM, Dechenling Crematorium, Burtuk law college, Transport workshop, Enchey Monastery, DAC & Hanuman Tok,

[91] Tadong College (Girls Hostel), Tadong College (Volleyball court), Krishi Bhawan, DIET college, Bojoghari SrSS, Enchey SSS, DESME Office, Labour department, Deorali GSSS, PNG School, TNA school, Burtuk JHS

[92] DIET college, DESME Office, Labour department, Deorali Girls High School, PNG School, TNA school, Burtuk Junior High School &Krishi Bhawan

[93] BhojoghariSrSS, Enchey SSS, Tadong College (Girls Hostel) &Tadong College (Volleyball court)

[94] New STNM, Dechenling Crematorium, Burtuk law college, Transport workshop, Enchey Monastery, DAC & Hanuman Tok,

Table No. 4.25: Difference in rates

Item	Qty supplied	Rate as per DPR	Rate claimed	Diff.	Excess payment
		(Amount in ₹)			
Non-woven textile Non-SoR item	15,300 Sqm	82	913	831	1,27,14,300
Earth work in excavation by mechanical/ manual means (Hydraulic excavator/ manual over areas) in soils (lead up to 50 meters) (SoR item)	4,959.97 (Cum)	164.74	257.17	92.43	4,58,450
					1,31,72,750

It was also seen that the scope of three items[95] of works included providing (supply) and fixing (installation), however, the BoQ had again provided for the installation charges on these items of works, which resulted in extra payment of ₹ 0.59 crore[96] to the Contractor. Thus, in all an excess payment of ₹ 1.91 crore was made to the Contractor. It was also observed that for executing 12 RWHSs with a capacity of 2,065 cum, GSDCL has already incurred ₹ 18.69 crore even though four out of 12 sites are at various stages of completion and work at seven locations are yet to be started. Thus, the possibility of completing the projected capacity of 4,260 cum at the awarded cost of ₹ 22.61 crore is very unlikely.

Result of Joint Physical Verification: During the Joint Physical Verification of seven out of eight completed locations conducted (December 2021) by the Officials of GSCDL and Audit, it was noticed that in two[97] locations the facilities created were not being used since its completion and the RWHSs were non-functional. In two out of the remaining five locations the beneficiary institutions stated that these facilities were used occasionally as the regular supply of water from PHE source was sufficient to cater to their needs.

Other defects/discrepancies identified during JPV included defective works, materials lying at sites after completion of works, improper storage of materials are depicted below:

Image 1: Closure lids of chambers not as per specification Deorali Girls High School

Image 2: Liners, Geotextile, Cross wave lying at DESME office although project was completed

95 1) Non-woven Geo Textile Fibre, 2) EVA Liner& 3) Copolymer based RWH including supply of cross-wave structure

96 ₹ 58.66 lakh= ₹ 7,64,218 + ₹ 3,77,836 +₹ 47,24,332

97 DESME Office and TNA School

Image 3: Lid of chambers buried 0.50 to 1.00 foot beneath the playground, PNG School

Image 4: Damaged PVC pipe at Enchey School where work was ongoing

As per Operation Manual for RWHS, the lid of the RWHs is to be placed over ground for cleaning and maintenance purpose. However, it was noticed that at four locations (PNG School, Enchey SSS, Bojoghari SSS and Burtuk JHS) lid of chambers of RWHSs were buried 0.50 to 1.00 foot beneath the playground, which will make it difficult for maintenance of the facilities.

Moreover, the Physical verification of stores maintained by the Turnkey Contractor revealed that the materials were lying in open environment and were in deteriorated conditions and the usage of the same seemed highly doubtful. Further, the payments for these materials were already released to the Turnkey Contractor.

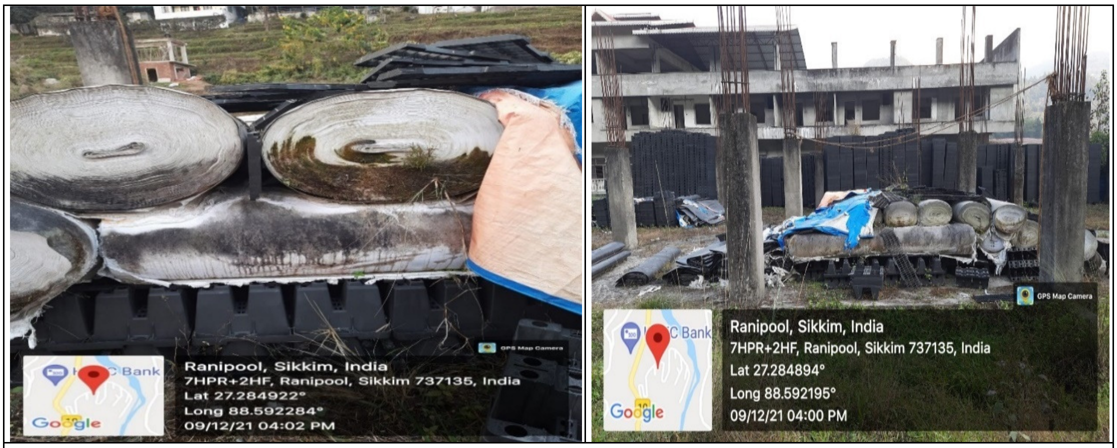

Image 7: Deteriorated conditions of materials found at store in Ranipool

Thus, it can be corroborated from the finding of JPV that the project was executed in ad-hoc manner, as locations of work and cost of project were changed at various stages and execution was not as per the agreement.

GSCDL, in its reply stated (June 2021) that due to increase in capacity to 4,260 cum from initial estimate of 3,002 cum, the revised estimate cost was arrived at ₹ 22.72 crore. It was explained that the decision to go ahead with awarding work without re-tendering was taken as there was no considerable prospect of getting a better offer and subsequent increase in project cost was a corrective measure to rectify a mistake. It also stated that changes in locations were due to lack of NOC and the new locations were all need based and justified. Further, the work was put to item rate tender and payment to Contractor was made based on agreement rates and was not irregular.

Delay in work execution was attributed to delay in obtaining NOC and the ongoing pandemic situation.

However, the reply does not provide any justification for change in the rate of items in such a short period as the DPR was prepared in August 2018 and RFP was issued in September 2018. The reasons for making extra payment towards installation charges although the same was already included in the item cost was also not explained. Further, reasons for increase in project cost and change of locations in DPR were not properly documented. Also, delay in work was to some extent attributable to lack of planning as timely obtaining NOC is necessary before pinning on locations for project. Further, need analysis was to be done at DPR stage and not during execution which resulted in cost and time over run.

Thus, failure in execution of project due to inadequate planning, defective framing of estimates and change in locations led to excess payment of ₹ 1.91 crore to Contractor; wastage of material and inability to provide encumbrance free sites to the Contractor before issue of work order resulted in considerable delay in completion of the project.

Recommendation: *Management should ensure proper planning and estimations before embarking on a project to ensure smooth and timely execution of the work.*