सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Social, Economic, Revenue and General Sectors
for the year ended March 2022

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

GOVERNMENT OF SIKKIM

Report No. 2 of 2023

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Comptroller and Auditor General of India
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Government of Sikkim

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2022 has been prepared for submission to the Governor of Sikkim under Article 151 of the Constitution of India.

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

The cases mentioned in the Report are those which came to notice in test audit during the period 2020-21 and 2021-22, as well as those which came to notice in earlier years, but could not be dealt with in the previous reports. Matters relating to the period subsequent to 2020-22 have also been included appropriately in the Report.

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

OVERVIEW

OVERVIEW

This Audit Report consists of seven chapters. Chapters II to VI deal with Social, Economic (non-PSU), Economic (Public Sector Undertakings), Revenue and General Sectors and Chapter I and Chapter VII deal with Introduction and Follow up of Audit observations respectively.

This Report contains one Performance Audit, one Subject Specific Compliance Audit on transitional credits under GST in Sikkim and eight Compliance Audit Paragraphs besides the introductory chapters. The Reports of Performance Audit, Subject Specific Compliance Audit and Compliance Audit Paragraphs were sent to the Secretaries of the Departments concerned by the Principal Accountant General (Audit) with request to furnish replies. Replies received have been suitably incorporated in the Report.

SOCIAL SECTOR

The Chapter on Social Sector consists of one Compliance Audit Paragraph.

COMPLIANCE AUDIT

Health and Family Welfare Department did not realise lease fee of ₹ 4.92 crore from the Manipal Group for the land and buildings leased out to the Group since September 1998 for establishment of the Central Referral Hospital and Medical College. Further, department failed to monitor compliance to the provisions of the agreement in respect of social benefits.

Recommendation: *Department may take necessary steps to recover lease rent from SMIMS and devise a suitable format / returns to be submitted by Manipal Group periodically to ensure compliance to the conditions of the agreement.*

(Paragraph 2.3; Page-8)

ECONOMIC SECTOR

The Chapter on Economic Sector consists of two Compliance Audit Paragraphs.

COMPLIANCE AUDIT

Due to failure to use loan within stipulated period and execute the project as per schedule, the Sikkim Housing Development Board (SHDB) had to pay ₹ 2.34 crore to HUDCO towards avoidable regular interest, penal interest and deferment charges.

Recommendation: *The SHDB may carefully execute financial arrangements to the project to avoid unnecessary financial cost to the project. Also, the State Government may fix the responsibility for lapses and should ensure the timely utilisation of loan to avoid the penal charges in future during execution of Phase-II of CMRHM project.*

(Paragraph 3.3; Page-15)

Interest free advances amounting to ₹ 17.83 crore were granted to the contractors for execution of 34 road works by Rural Development Department, even though the sites of works were not ready due to which, the works could not commence even after 14 to 40 months of schedule date of completion, leading to extension of undue benefit to the contractors and loss of interest of ₹ 4.95 crore.

Recommendations:

- *Department should ensure that encumbrance-free sites are available before releasing mobilisation advances; also Department should take all necessary measures in recovering the advances already paid wherever there is inordinate delay in completion of the works.*
- *The Department should fix responsibility for the lapses observed in execution of PMGSY works and develop a proper mechanism to ensure that mobilization advances are released in not less than two instalments and proof of utilisation of advances are obtained from the contractors along with renewed Bank guarantees.*

(Paragraph 3.4; Page-17)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS AND POWER DEPARTMENT)

As on 31 March 2022, the State of Sikkim had 17 working PSUs (13 working Government Companies and four working Statutory Corporations) under the audit purview of the Comptroller and Auditor General of India (CAG). During the period 2020-22, the investment of the State Government (capital and long-term loans) in 17 PSUs amounted to ₹ 101.70 crore consisting of 96 *per cent* (₹ 97.64 crore) towards capital and 4 *per cent* (₹ 4.06 crore) towards long term loans.

(Paragraphs 4.1.1 and 4.1.2.1; Page-21)

The State's budgetary support to PSUs decreased from ₹ 2.50 crore (2019-20) to ₹ 0.51 crore (2021-22) during the period from 2019-20 to 2021-22. As per the information furnished by the PSUs, during 2020-22, the State Government provided grants amounting to ₹ 14.02 crore in one PSU namely Temi Tea Estate.

(Paragraph 4.1.4; Page-23)

As on 30 September 2022, 41 accounts of 13 PSUs had not been finalised.

(Paragraph 4.1.6; Page-25)

As per the latest finalised accounts of PSUs as on 30 September 2022, the aggregate paid-up capital and accumulated losses of 17 working PSUs were ₹ 3,716.86 crore and (-) ₹ 2,502.10 crore respectively, which included accumulated losses (₹ 5.46 crore) of three PSUs which did not have capital.

(Paragraphs 4.1.8.2; Page-29)

The Chapter consists of one Performance Audit and one Compliance Audit Paragraph.

PERFORMANCE AUDIT – DDUGJY & SAUBHAGYA

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 up to 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. The Performance Audit was conducted to assess whether the Power Department (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.* and the following significant findings were revealed among others:

- REC approved and sanctioned total four DPRs each for both the schemes for implementation in four districts at a cost of ₹ 89.29 crore. 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.

  (Paragraph 4.2.12; Page 39)

- 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, increase in demand due to provision of power to new connections, requirement for additional generating and transmission capacity to meet the increased demand and the unmetered consumers requiring metering. Further, it was noticed that the RE Plan was not revised/ updated after its formulation in 2014.

(Paragraph 4.2.13.1; Page-40)

- 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.

(Paragraph 4.2.13.2; Page-40)

- 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, DPRs were to be submitted by 06 November 2017. However, PD submitted the DPRs on 19 June 2018 after delay of more than seven months.

(Paragraph 4.2.13.3; Page-40)

- 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 PD did not maintain any centralised data for electrified and un-electrified villages/ habitations and failed to furnish the detailed beneficiary list to REC/ MoP at the time of submission of DPRs. There were variations in the estimated cost as per DPRs and estimated cost as per award of work in the sample districts under Saubhagya scheme. Requirements in the DPR were underestimated pointing towards faulty DPRs and they 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). Several un-electrified schools were omitted to be covered under the Scheme.

(Paragraph 4.2.13.4; Page-41)

- 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). However, 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). Further, in four villages, the DTRs provisioned under the schemes were either not installed or installed but not charged. It was also noticed that in one village, the proposed DTR was installed in another village.

(Paragraph 4.2.13.6; Page-44)

- DDUGJY and Saubhagya schemes were sanctioned at an estimated cost of ₹ 89.04 crore to be jointly funded by GoI - ₹ 75.68 crore (85 *percent*) and GoS - ₹ 13.36 crore (15 *per cent*). However, the projects under DDUGJY were awarded at a premium of ₹ 24.96 crore 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.

(Paragraph 4.2.14.1; Page-45)

- 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 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.

(Paragraph 4.2.14.4; Page-47)

- 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 2333 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.

(Paragraph 4.2.14.5; Page-48)

- 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 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.

(Paragraph 4.2.15.4; Page-53)

- PD, in contravention to scheme guidelines, had neither formulated any Implementation Plan nor categorised the villages before implementation of the scheme. Out of 28 villages of blocks selected for audit where infrastructures were erected, in nine villages, 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. PD also incurred irregular expenditure on ineligible works amounting to ₹ 1.58 crore.

(Paragraph 4.2.15.6; Page-54)

- As per the guidelines, 50 *per cent* of the 10 *per cent* funded by means of loan or otherwise would be sanctioned as additional grant by the GoI on achievement of few prescribed milestones. Similarly, universal electrification was a pre-requisite for claiming additional grant under Saubhagya. PD failed to achieve the prescribed milestones and thus failed to avail additional grant of ₹ 4.46 crore.

(Paragraph 4.2.16.3; Page-58)

- PD had not conducted any awareness programme under the 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.

(Paragraph 4.2.16.4; Page-58)

Recommendations:

- *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

- 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.

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

  (Paragraph 4.3; Page-79)

REVENUE SECTOR

The Chapter on Revenue Sector contains one Subject Specific Compliance Audit Paragraph and two Compliance Audit Paragraphs. This Chapter also gives an overview of revenue receipts which shows during the period 2020-22, the revenue raised by the State Government (₹ 3,564.03 crore) was 28 *per cent* of the total revenue receipts. The balance 72 *per cent* of the receipts during 2020-21 was from Government of India.

(Paragraph 5.1.1; Page-85)

- During the period from 2017-18 to 2021-22 the actual revenue collected was more than the projected revenue in all the years except 2020-21, hence compensation was payable to Sikkim only during 2020-21.

(Paragraph 5.2.2; Page-88)

- The analysis of arrears of revenue as on 31 March 2022 showed that ₹ 2.34 crore was outstanding, of which, ₹ 0.37 crore was outstanding for more than five years.

(Paragraph 5.3; Page-90)

SUBJECT SPECIFIC COMPLIANCE AUDIT -GST

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

- Instances of non-compliance to the provisions under Section 140 (1) of SGST Act 2017 where transitional credit amount carried forward to Electronic Credit Ledger was more than the closing balance of VAT credit in the last VAT returns, which resulted in short GST revenue collection by ₹ 75.88 lakh.
- Instances of irregular claims of transitional credit by the taxpayers involved in execution of Works Contract under Section 13 (1) of the State VAT Act 2005 which resulted in enhanced credit (Comprehensive checks on works contract could not be conducted due to non-production of relevant records).
- The mechanism for selection and verification of transitional credit claims was not established.
- Non-declaration of stock details in Form GST TRAN 2 under Rule 117 (2) (b) read with Rule 117 (4) (b) (iii) of SGST Rules 2017.
- Further, mismatches of data captured in two modules (ECL and TRAN 1) of the State system and with GSTN data were also detected. Hence, the verification mechanism, if at all established in future, would be hindered by such data discrepancies.

(Paragraph 5.12.9; Page-106)

Recommendations

In order to address the non-compliance to relevant provisions of the acts and rules which directly impacted the GST revenue collection and to ensure establishment of an effective verification mechanism, the following recommendations are made:

- *CTD should ensure that all data captured in the various modules of the State system are accurate.*
- *An effective verification mechanism should be set up to check the veracity of the transitional credit availed and for which guidelines need to be framed on the lines of those prepared by CBIC.*

COMPLIANCE AUDIT

- Failure of the State Sales Tax Authorities to exercise due diligence in assessing the sales turnover of liquor dealers of the State by cross verifying with the sales data maintained by the Excise Department resulted in short payment of Sales Tax of ₹ 130.87 crore by the seven dealers during the period 2018-21.

  Recommendations:*Immediate action may be initiated by the Department/ Government to realise the actual Sales Tax due from the defaulting Liquor Dealers along with penalty in a time bound manner; a mechanism of inter-departmental cross verification needs to be evolved so as to leave no scope for evasion of Taxes; levy and collection of State Sales Tax from the liquor dealers henceforth may be done simultaneously; and State Government may verify levy of Sales Tax on Liquor Dealers since 01 January 2015, i.e.; the date of revision of Sales Tax from 20 to 25 per cent.*

  (Paragraph 5.13; Page-107)

- The Urban Development Department failed to ensure whether Pharmaceutical Companies in the State were complying with the Sikkim Trade License and Miscellaneous Rule 2011 and also could not collect the license fees from these Companies which led to non-realisation of revenue to the tune of ₹ 30.87 lakh.

  Recommendations:

- *The Department should develop coordination between different departments of State machinery to ensure that businesses are carried out in the State only after trade licenses are obtained by them.*
- *The Department should review all the cases of non- payment of license fee by traders/ manufacturers including all 116 Pharmaceutical companies in the State and recover license fee/ renewal fee/ late fee and any other due from manufacturers.*
- *The Department may fix responsibility for lackadaisical approach in collection of government revenue.*

  (Paragraph 5.14; Page-110)

GENERAL SECTOR

The Chapter on General Sector consists of two Compliance Audit Paragraphs.

COMPLIANCE AUDIT

- The Food and Civil Supplies Department (FCSD) procured edible oils at much higher rates than the retail rates leading to excess payment of ₹ 1.54 crore.

  Recommendation: *The Department may follow the prescribed tendering process as per General Financial Rule even if in case of all Emergency related purchases and the Department may take appropriate steps to recover the amount paid as undue favour to supplier.*

  (Paragraph 6.3; Page-115)

- The Finance Department (FD) failed to provide required fund to Sikkim Power Investment Corporation Limited for repayment of loan availed from Power Finance Corporation leading to delay in repayment of loan and resultant avoidable payment of penalty to the tune of ₹ 14.35 crore.

  Recommendation: *The Department may fix the responsibility for non-allocation of funds despite commitment and take prompt action to provide fund for repayment henceforth.*

  (Paragraph 6.4; Page-117)

FOLLOW UP OF AUDIT OBSERVATIONS

- As on March 2022 Public Accounts Committee had completed discussions of Audit Reports for the year up to 2013-14 and discussions on Audit Report 2014-15 were in progress. Recommendations on the Audit Reports for the year up to 2012-13 had been issued by the PAC.

  (Paragraph 7.2; Page-121)

- As of March 2022, 1,007 Inspection Reports (IRs) (3,669 paragraphs) issued from 1990-91 onwards were pending for settlement. The large pendency of IRs indicates absence of adequate action to rectify defects, omission and irregularities by the Heads of Offices and Heads of Departments as pointed out by audit through IRs.

  (Paragraph 7.4; Page-122)

- During 2020-22, no physical Audit Committee Meetings were held due to Covid. However, 136 IRs and 211 paragraphs were settled through Video conference. During 2021-22, one Audit Committee Meeting was held with Commissioner, Commercial Tax Division, Finance Department where 10 IRs and 17 paragraphs were discussed, out of which four IRs and nine paragraphs were settled.

  (Paragraph 7.5; Page-123)

CHAPTER I
INTRODUCTION

CHAPTER I
INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the performance audits and test audit of transactions of various departments of the Government of Sikkim pertaining to Social, Economic (non-PSU), Economic (PSU), Revenue and General Sectors.

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

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

1.2 Historical Background and Authority for Audit

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

Under the directions of the CAG, the Office of the Principal Accountant General (Audit), Sikkim conducts audit of Government departments, Public Sector Undertakings, Autonomous Bodies and other Institutions[1] under Social, Economic, Revenue and General Sectors, which are spread all over the State. The Principal Accountant General (Audit) is assisted by a Deputy Accountant General.

The authority of audit is derived from the Article 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C & AG's (DPC) Act). Under Section 13 of the C & AG's (DPC) Act the Office of the Principal Accountant General (Audit) has been entrusted with the audit of all expenditure incurred from the Consolidated Fund of Government of Sikkim. This office conducts audit of revenue receipts of the Government of Sikkim under Section 16 of the C & AG's (DPC) Act. The office of Principal Accountant General (Audit) conducts supplementary audit of the accounts of four State

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

Government companies under Section 143 (6) (a) of the Companies Act 2013, as these companies are registered under the Companies Act 2013. The Companies Act 1956 as well as Companies Act 2013 have not been extended to the State of Sikkim. Therefore, other companies of the State Government, (except the above four companies) are registered under State's own "Registration of Companies Act Sikkim 1961". Audit of these companies are entrusted to the CAG of India by the State Government from time to time.

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

1.3 Planning and conduct of Audit

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

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

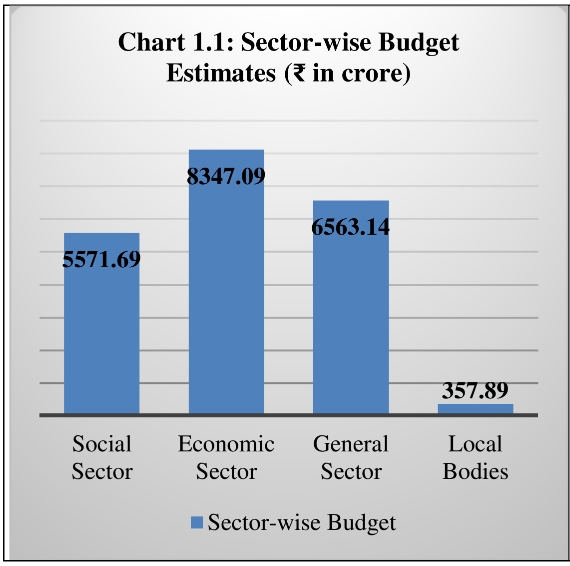
Audit Plan is prepared in such a way that it fits into the long term and short-term goals of audit in consonance with the overall "Vision and Mission" of the Supreme Audit Institution of India. It is prepared after carrying out risk assessment and keeping in view the available manpower. Elements of the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

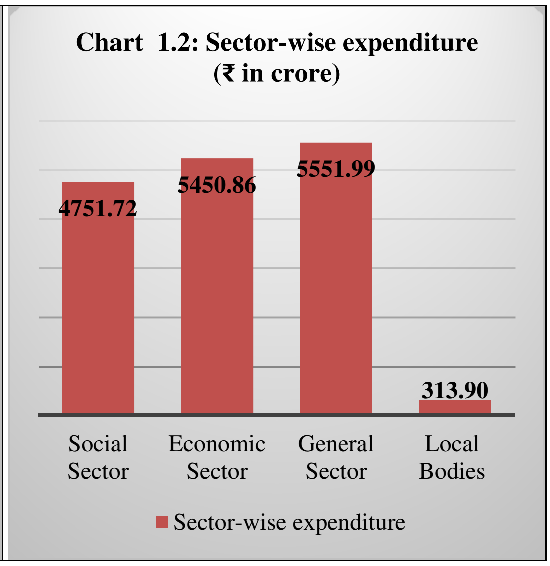
Considering the availability of resources, focus has been given in areas of high financial risk than to thinly spreading out the resources throughout the Government activities. This would have better socio-economic impact and add value to governance.

Out of 785 auditee units[2], 228 units[3] were planned for audit during 2020-22 after carrying out risk assessment and keeping in view the available human resources, of which 214 units[4] were actually audited during 2020-22.

1.4 Significant Audit Observations

During the period 2020-21, the State Government had incurred an expenditure of ₹ 7,963.01 crore against the budget provision of ₹ 10,440.51 crore and during the period 2021-22, the State Government had incurred an expenditure of ₹ 8,105.50 crore against the budget provision of ₹ 10,399.38 crore under Social, Economic and General Sectors and Local Bodies. Sector wise budget estimates and expenditure during the period 2020-22 is depicted in the Chart 1.1 and 1.2 respectively.





Source: Appropriation Accounts 2020-21& 2021-22

This Report *inter alia* contains one Performance Audit on "*Deendayal Upadhyay Gram Jyoti Yojana (DDUGJY)/ Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)*" along with one Subject Specific Compliance Audit paragraph on "*Transitional Credits under GST in Sikkim*" and eight audit paragraphs on major findings of audit from test check of the transactions of 214 units in the Social, Economic, Revenue and General Sectors involving an expenditure of ₹ 8,642.94 crore. These are discussed in the respective succeeding chapters.

2 Including 202 Commercial Units
3 Including 78 Commercial Units
4 Including 61 Commercial Units

CHAPTER II
SOCIAL SECTOR

CHAPTER II
SOCIAL SECTOR

2.1 Introduction

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

The names of the Government departments, total budget allocation and expenditure of the Government under the Social Sector during the period 2020-21 and 2021-22 are given in the table below:

Table No. 2.1: Departments, budget allocation and expenditure under Social Sector during 2020-22

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation		Expenditure	
		2020-21	2021-22	2020-21	2021-22
1	Culture Department	55.52	38.90	36.57	38.79
2	Ecclesiastical Affairs	21.52	41.52	9.44	40.93
3	Education Department	1,553.18	1,574.56	1,313.98	1,377.04
4	Food and Civil Supplies	48.40	37.87	31.11	29.69
5	Health Department	757.46	647.86	639.14	623.68
6	Labour Department	6.13	7.12	5.78	6.9
7	Social Justice, Empowerment and Welfare	328.04	362.75	237.68	280.39
8	Sports and Youth affairs	61.37	29.49	53.00	27.60
	TOTAL	**2,831.62**	**2,740.07**	**2,326.70**	**2,425.02**

Source: Appropriation Accounts

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

Table No. 2.2: Major transfers for implementation of flagship programmes of the Central Government

(₹ in lakh)

<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Name of the Department</th><th rowspan="2">Name of the Scheme/Programme</th><th rowspan="2">Implementing Agency</th><th colspan="2">Funds transferred during the period</th></tr>
<tr><th>2020-21</th><th>2021-22</th></tr>
<tr><td rowspan="7">1</td><td rowspan="7">Social Justice, Empowerment and Welfare</td><td rowspan="2">Aid to Voluntary Organisations working for the Welfare of Scheduled Tribes.</td><td>Muyal Liang Trust (MLT)</td><td>9.47</td><td>0.00</td></tr>
<tr><td>Human Development Foundation of Sikkim (HUMANSIKKIM)</td><td>0.00</td><td>27.18</td></tr>
<tr><td>Research/Studies and Development of Schemes for Minorities</td><td>Primitive Tribe Welfare Board</td><td>25.00</td><td>0.00</td></tr>
<tr><td rowspan="2">Scheme for differently Abled persons</td><td>DDRC Gangtok</td><td>12.00</td><td>0.00</td></tr>
<tr><td>Unique Disability Identity</td><td>0.00</td><td>9.00</td></tr>
<tr><td>Top class education for SCs</td><td>NIT Sikkim</td><td>6.03</td><td>4.04</td></tr>
</table>

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the period	
				2020-21	2021-22
		National Fellowship and Scholarship for Higher education of ST students	NIT Sikkim	0.00	1.28
		Samarthya BBBP Creche PMMVY Gender Budget Research Sikkim	District Collector, BBBP, North Sikkim	0.00	22.2
		Sambal (One Stop Centre Mahila Police Volunteer Women Helpline	DC, OSC, South Sikkim, Social Justice Empowerment and Welfare	0.00	137.61
		Designing Innovative Solutions for Holistic Access to Justice in India	Sikkim State Commission for Women	0.00	19.48
2	Education Department	Atal Innovation Mission	Government Senior Secondary School	12.00	0.00
		Atal Innovation Mission (AIM) including Self Employment and Talent Utilization (SETU)	AIC SMU Technology Business Incubation Foundation	170.00	0.00
			Eklavya Model Residential School Swayem North Sikkim	0.00	12.00
		R & D in IT/Electronics/CCBT	National Institute of Technology Sikkim	29.13	8.00
			NIELIT Gangtok	0.00	120.00
		Bio Technology Research and Development	Rhenock Education Society	7.02	0.00
			Sikkim University	105.16	82.84
			Sikkim Government Colleges	0.00	11.69
			Sikkim Manipal Institute of Technology	0.00	29.82
		Electronic Governance	Centre for Research & training in Informatics	0.00	173.35
3	Cultural Department	Kala Sanskriti Vikas Yojana	Khachoed Pema Woeling Trust	9.04	0.00
			Himalayan Heritage Research and Development Society	5.00	7.50
			Sikkim Mahila Kalyan Sangh	2.50	0.00
			Sivik Samdup Maneylhakhang Managing Committee	12.50	0.00
			Thubten Gatsal Ling Sumin Gumpa Managing Committee	10.00	0.00
			Tingkye Gonjang Nyingma Trust	0.00	15.00

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the period	
				2020-21	**2021-22**
4	Health Care, Human Services and Family Welfare	India Covid-19 Emergency Response and health system preparedness	State Health Society Sikkim	172.00	3,152.00
		National AIDS and STD Control Programme	Sikkim State AIDS Control Society	774.24	873.62
		National Rural Health Mission	State Health Society Sikkim	0.00	983.00
		National Action Plan for Drug Demand Reduction	Association for Social Health in India	0.00	23.47
			Sanjeevani Rehab Society	0.00	22.26
5	Sports and Youth affairs Department	National Service Scheme	Sikkim State NSS Cell	101.81	113.65
		National Programme for Youth and Adolescent Development	Sports and Youth affairs Department	13.50	0.00
		Khelo India	Khelo India SYDB Sports and Youth affairs	371.00	547.22
TOTAL				**1,847.40**	**6,396.21**

Source: Finance Accounts

2.2 Planning and conduct of audit

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

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

Test audits were conducted involving expenditure of ₹ 1,384.44 crore (including expenditure of ₹ 639.74 crore of previous years) during 2020-21 and ₹ 1,360.35 crore (including expenditure of ₹ 758.12 crore of previous years) during 2021-22 of the State Government under Social Sector. The details of year-wise break-up are given in ***Appendix 2.1***.

This Chapter contains one Compliance Audit Paragraph.

COMPLIANCE AUDIT PARAGRAPH

HEALTH AND FAMILY WELFARE DEPARTMENT

2.3 Non-realisation of lease fees and deprival of social benefits to the stakeholders

Health and Family Welfare Department did not realise lease fees of ₹ 4.92 crore from the Manipal Group for the land and buildings leased out to the Group since September 1998 for establishment of the Central Referral Hospital and Medical College. Further, the Department failed to ensure social benefits to citizens of Sikkim as agreed between Manipal Group and Government of Sikkim.

With the objective of improving educational opportunities and health services in State of Sikkim, Government of Sikkim (GoS) entered into an agreement with Manipal Education and Medical Group (Manipal Group) in March 1992 to collaborate for establishment of an institute of medical sciences for medical, dental, nursing, pharmacy and allied health training courses at undergraduate, graduate and post graduate levels and to establish a referral teaching hospital. GoS agreed to provide land measuring 25 acres at 5th Mile, Tadong, Gangtok to the Manipal Group for this purpose. As per clauses 4 and 5 of the agreement, the Manipal Group was required to construct a 500 bedded referral hospital on turn-key basis, within three years (March 1995) from the date of signing the agreement for which GoS agreed to pay ₹ 30.00 crore.

On completion of construction (September 1998) of the building and other infrastructure by Manipal Group, the State Government executed (September 1998) a lease deed with the Manipal Group for leasing out the land and associated infrastructure to the Manipal Group in perpetuity. In terms of clause 1 of the Lease Deed, the State Government demised land measuring 25.113 acres as well as all the buildings and facilities standing thereon at a yearly lease fee of ₹ 15 lakh *per annum.* The lease fee was payable by the lessee on or before 31 March of every year, which was subject to enhancement by 15 *per cent* in every five years.

Audit scrutiny (March 2021) of records of Health and Family Welfare Department showed that the Department had not realised lease fee at the specified rate from Manipal Group till date. The total lease fee due but not received amounted to ₹ 4.92 crore till September 2022.

In terms of the Lease Deed, the Secretary of the Department as Lessor was responsible for ensuring timely collection of lease rent from the Lessee. The Lease Deed further envisaged that if, the Lessee fails or neglects to pay the lease fees or contravenes any clauses of the Deed, the Lessor shall be entitled to issue notice to the Lessee asking him to fulfil conditions of the Deed and in the event the Lessee fails to comply with the Lessor's demands within three months, terminate the Lease and re-enter the property in accordance with the law. Despite having such clear provisions in the Lease Deed, there was no record of the Secretary (Lessor) having ever issued any notice to Manipal Group (Lessee) for payment of the lease fees.

Moreover, the agreement also had provisions for other social benefits *viz.,* specialised medical facilities, concessional medical treatment, free drugs to the patients, reservations in admission for Sikkimese students, scholarships, *etc.* to be provided by the Manipal Group to residents of Sikkim. However, the Department had not developed any mechanism to monitor compliance to the agreed upon social benefits by the Group.

Thus, the Department failed to realise annual lease fees from Manipal Group for the land and buildings leased out to the Group which aggregated to ₹ 4.92 crore as of September 2022 nor did it monitor compliance to the provisions of the agreement in respect of social benefits.

The Department in its reply (October 2022) stated that it did not have all the details and information relating to the matter readily available with it. It was following up the matter with Manipal Group and would submit replies after comprehensive examination of the matter.

Recommendation: *The Department may take necessary steps to recover lease fees from SMIMS and devise a suitable format/ returns to be submitted by Manipal Group periodically to monitor the extent of compliance with the conditions of the agreement.*

CHAPTER III
ECONOMIC SECTOR

CHAPTER III
ECONOMIC SECTOR

3.1 Introduction

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

The names of the departments and the total budget allocation and expenditure of the Government under Economic Sector during the period 2020-22 are given in the table below:

Table No. 3.1: Details of budget allocation and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation		Expenditure	
		2020-21	2021-22	2020-21	2021-22
1	Animal Husbandry & Veterinary Services Department	98.40	122.18	79.00	105.53
2	Buildings and Housing Department	76.23	257.70	58.52	229.84
3	Commerce and Industries Department	83.56	57.15	43.49	53.34
4	Co-operation Department	21.49	18.26	17.44	16.84
5	Power Department	501.40	400.18	475.43	390.19
6	Agriculture Department	176.90	211.87	96.99	116.14
7	Forest & Environment Department	243.66	272.55	161.49	157.19
8	Horticulture Department	134.06	106.95	103.36	77.25
9	Water Resources Department	187.24	247.07	98.46	81.15
10	Mines & Geology Department	6.37	7.4	5.45	6.25
11	Roads and Bridges	662.81	595.04	495.80	426.14
12	Rural Development Department	1,195.92	1,067.03	575.73	516.09
13	Tourism and Civil Aviation	157.42	232.56	123.69	207.53
14	Motor Vehicles & Transport Department	96.36	95.38	81.81	91.54
15	Urban Development Department	348.75	274.16	228.80	110.32
16	Public Health Engineering Department	159.99	204.89	88.21	108.47
17	Science and Technology Department	6.68	19.48	5.14	18.25
TOTAL		**4,157.24**	**4,189.85**	**2,738.81**	**2,712.05**

Source: Appropriation Accounts

Besides, the Government of India had been transferring funds directly to the implementing agencies under the Economic Sector. The major transfers for implementation of flagship programmes of the Central Government are detailed in **Table No. 3.2**:

Table No. 3.2: Details of funds directly transferred to the implementing agencies

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during 2020-21	Funds transferred during 2021-22
1	Forest and Environment	Environmental Education, Awareness and Training	State Environment Agency	48.88	0
		Environmental Information Systems	-do-	70.13	180.64
			Sikkim State Council of Science and Technology	27.22	109.32
		Conservation of Aquatic Ecosystems	State Environment Agency	0	0.6
		Environmental Education, Awareness and Training		0	65.99
		Conservation Development and Sustainable Management of Medicinal Plants	Regional Ayurveda Research Institute Gangtok	0	25
			SMPB Sikkim	0	27
2	Agriculture & Horticulture	Pradhanmantri Kisan Samman Nidhi	Department of Food Security	573.22	678.76
		Pradhan Mantri Kisan Sampada Yojana	Sikkim livestock Processing and Development Corporation Ltd.	90.51	0
			Government Fruit Preservation Factory	83	0
		Organic Value Chain Development for NE Region	Sikkim Organic Mission	0	795.69
3	Science and Technology	Innovation Technology Development and Deployment	Sikkim University	0	4.22
			Sikkim State Council of Science and Technology	85.84	94.7
		Research and Development DST		125.86	0
		Research and Development DST	NIT Sikkim	3.5	8
			Sikkim University	0	29.43
		Science and Technology Institutional and Human Capacity Building	Sikkim Manipal Institute of Technology	2.2	0.3
			Sikkim State Council of Science and Technology	78.24	0
			Sikkim University	38.19	0
4	Tourism and Civil Aviation	Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan)	Sikkim Tourism Development Corporation Ltd.	2,443.48	893.14
		Schemes of North East Council-Special Development Projects	Travel agents association of Sikkim	73.54	76.82
			Sikkim University	51.49	0
			Tourism Department	2	0
			District Collectors	10	0
			Sikkim Industrial Development and Investment Corporation Ltd (SIDICO)	139.45	34.87
			Sikkim Manipal Institute of Technology	0	6

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during 2020-21	Funds transferred during 2021-22
		Domestic Promotion and Publicity including Market Development Assistance	Sikkim Tourism Development Corporation Ltd.	0	50
		Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive		0	900.44
5	Commerce and Industries Department	Ambedkar Hasthshilp Vikas	Sikkim Handloom & Handicrafts Dev. Corporation Ltd. (SHHDC)	1	0
		National Handloom Development Programme		19.73	59.7
		NER Textiles Promotion Scheme		68.7	0
		Design and Technical Upgradation Scheme		1.66	0
		Marketing Support and Services		0	3.01
		Start-up India Seed Fund Scheme	AIC SMU Technology Business Incubation Foundation	0	126
6	Power	Ongoing Programmes and Schemes – Power	SPV-Aspirational West Sikkim	535.2	0
		Official development Assistance for SDGs		0	1.2
		Promotion of Apprenticeship	NHPC Ltd.	0	3.85
			PIA – NHPC Ltd. Rangit Power Station	0	1.12
		Solar Power-Off Grid	Sikkim Renewable Energy Development Agency	0	2.94
7	Rural Development	Management Support to Rural Development Programmes and Strengthening of District Planning Process	State Institute of Rural Development	215.92	0
		ASPIRE (Promotion of Innovation, Rural Industry and Entrepreneurship)		0	100
		Management Support to Rural Development Programmes and strengthening of District Planning Process		0	498.83
		SARDP for NER financed from NIF	District Collector West	814.05	0
		MGNREGA	State Rural Employment Guarantee Agency	0	7462.55
		Incentivisation of Panchayats	Rhenock GPU	0	5
			Singhik Sentam GPU	0	10
			Tingovong GPU	0	5
			Budangkamarey GPU	0	8
			Lungchokkamarey GPU	0	8
			EDZP Sikkim	0	50
8	Animal Husbandry	National Animal Disease Control Programme for Foot and Mouth Disease (FMD) and Brucellosis	Sikkim Livestocks Development Board	10.26	0

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during 2020-21	Funds transferred during 2021-22
		Development Programme	-Do-	0	251.82
			Sikkim Cooperative Milk Producers Union Ltd.	0	637.2
		Rashtriya Pashudhan Vikas Yojana	Sikkim Livestocks Development Board	0	16.96
		Livestock Health and Disease Control		0	183.57
9	Transport	Research, Training and studies of Road safety schemes	Sikkim Nationalised Transport	587.61	0
10	Water Resources	National Hydrology Project	Water resources and River Development Department	190	0
		Jal Jeevan Mission (JJM)/ National Rural Drinking Water Mission	SWSM Sikkim Gangtok	0	16358.96
	Total			**6,390.88**	**29,774.63**

Source: Finance Accounts

3.2 Planning and conduct of audit

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

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

Test audits were conducted involving expenditure of ₹ 2,390.54 crore (including expenditure of ₹ 1,202.93 crore of previous years) during the year 2020-21 and ₹ 4,330.86 crore (including expenditure of ₹ 2,693.84 crore of previous years) during the year 2021-22 of the State Government under Economic Sector. The details of year-wise break-up are given in ***Appendix 3.1***.

This Chapter contains two Compliance Audit Paragraphs.

COMPLIANCE AUDIT PARAGRAPH

RURAL DEVELOPMENT DEPARTMENT

3.3 Avoidable expenditure

Due to failure to use loan within stipulated period and execute the project as per schedule, the Department had to pay ₹ 2.34 crore to HUDCO towards avoidable regular interest, penal interest and deferment charges.

The State Government launched Chief Minister Rural Housing Mission (CMRHM) in May 2016 with the objective to make the State "Kutcha House Free" by 2018-19 to be implemented by the Rural Development Department (RDD), the Nodal Department. Under Phase I (2016-19) of the Mission, 3,000 out of those 6,394 kutcha houses identified in the photo survey were to be converted into pucca houses. The work of construction of houses for Phase- I was awarded (March 2017) to a contractor (M/s Mungipa Trade Links (P) Ltd.) to be completed by March 2019 at a cost of ₹ 379.20 crore. However, the Projects were completed in August 2020 with delay of one year five months.

The RDD borrowed (March 2017) ₹ 361.00 crore at an interest rate of 9.45 *per cent* per annum from Housing and Urban Development Corporation Limited (HUDCO) through Sikkim Housing Development Board (SHDB), a State Government undertaking, and ₹ 123 crore had been released by the State Government as State share for implementation of CMRHM Phase–I. The re-payment of loan including interest was to commence from February 2019, i.e. after two years' moratorium period. The terms of agreement executed (7th March 2017) between HUDCO and SHDB envisaged project period of two years i.e. December 2016 to November 2018. However, actual work commenced from June 2018 due to delay in finalisation of beneficiary list.

As per clause 2.2(A)(iii) of agreement, in the event of default in the payment of the instalment of loan and /or interest in respect of the loan or different components of the loan on the due dates, the Borrower without prejudice to the right of HUDCO to recall the loan as provided in the General Condition shall pay to HUDCO in addition to the compounded interest under the preceding proviso, additional interest at the penal rate of 3.00 *per cent* per annum or such other applicable rate as may be fixed by HUDCO from time to time on such overdue payments for the delayed period.

Further, section 3.2(iv) of the agreement provides that if the loan or different components of the loan disbursed under the loan agreement was/were not used by the borrower within six months from the date of release due to any reason the borrower shall immediately refund such amount to HUDCO and in any case before the expiry of six months from the date of disbursement of the loan failing which the borrower, notwithstanding anything to the contrary stated herein will pay to HUDCO such increased rate of interest in addition to the penal interest as defined in the loan agreement, as may be fixed by HUDCO. In case of refund of release amount no penal interest / increased interest shall be levied and the amount so surrendered may be released upon request by the borrower indicating progress of work.

Scrutiny of the records revealed that the Department could not utilise the loan released by HUDCO within stipulated time period and paid penal interest amounting to ₹ 58.81 lakh for delayed utilization of fund of ₹ 24.01 crore at three *per cent* per annum for 298 days (September 2018).

The Department was having an option to defer the loan amount at nominal deferment charges (0.50 *per cent* of balance amount) along with service tax at applicable rate on the amount outstanding in the loan account at the time of submission of request for deferment to HUDCO as envisaged at section 3.3(ii) of the agreement to avoid penal interest.

Clause 5.2 (ii) of Article 5 of loan agreement stipulated that the loan amount shall be automatically curtailed to the amount so far disbursed, if the Borrower fails to draw or avail further disbursement within eight months or such other time period as may be specified by HUDCO from time to time, from the date of previous release and there is either no request pending from the Borrower for further release or the Borrower has not fully complied with the terms and conditions and other requirement of the loan agreement or is in default to HUDCO.

Further, Section 3.1(ii)(b) of Article 3 of general term and conditions of loan agreement stipulated that HUDCO is satisfied after such inquiry as it may think fit to make, and at its sole discretion that the implementation of the said scheme has made satisfactory progress and that the amounts already disbursed by HUDCO have been prudently, properly and satisfactorily utilized for the purposes for which the same were advanced. The payment of any such further instalment as aforesaid shall not amount to acceptance by HUDCO of the prudent, proper and satisfactory utilization of the previous instalment for the purpose for which these were disbursed.

HUDCO intimated the State Government (April 2018) that the physical and financial progress achieved at site was not up to the desired level for availing the 2nd release which had become due on 30.11.2017. In view of above, HUDCO suggested that the scheme requires restructuring of the implementation schedule by at least two quarters considering that the implementation/expenditure at site is lower than the projection of the investment and loan drawl schedule.

Foreseeing a delay in execution of project, SHDB requested (June 2018) HUDCO for deferment of loan drawl schedule by four quarters, after fifteen months of disbursement of loan amount from HUDCO (March 2017) against the allowed period of six months of non-utilisation of loan. HUDCO approved deferment of loan drawl by four quarters (June 17 to May 2018) and repayment of loan by four quarters (February 2019 to February 2020) subject to payment of deferment charges and applicable taxes thereon amounting to ₹ 50.99 lakh.

Thus, failure of the Department to initiate the project within stipulated period and imprudent financial planning which also necessitated the deferment of payment and repayment schedule of loan led to avoidable expenditure of ₹ 109.81 lakh towards unwarranted penal interest and deferment charges.

While accepting the audit observation, the Department replied (February 2021) that the payment of penal interest and deferment charges to HUDCO was due to various reasons (a) the beneficiaries shortlisted earlier had to be re-confirmed with respect to the suitability of land available for construction (b) shorter execution time period due to the inclement weather condition and ban in excavation work from June to September (c) The Gorkhaland (Darjeeling) strike over 100 days affected the flow of construction of materials. Because of these reasons, the progress of work was slow leading to delayed utilization of funds and eventual payment of penal interest. The deferment charges were repercussion of the slow progress of work and the loan had to be rescheduled to meet up the target.

The reply was not acceptable as re-confirmation of suitability of land, shorter execution time, should have been taken care of during planning stage before going for loan. Further, foreseeing unfavorable conditions in execution of work, SHDB could have refunded unutilized disbursed amount of ₹ 24.01 crore within prescribed time of six months and renegotiated after removal of encumbrances to the project to avoid penal interest (at the rate of three *per cent*) and regular interest (at the rate of 9.45 *per cent*) on payment of deferment charges (at the rate of 0.5 *per cent*) only and could have saved penal interest (₹ 58.81 lakh) and regular interest (₹ 1.75[1] crore) thereon.

Thus, lackadaisical approach in execution of project and unintelligent financial management led to avoidable financial cost amounting to ₹ 2.34 crore to exchequer.

Recommendation: *The SHDB may carefully execute financial arrangements to the project to avoid unnecessary financial cost to the project. Also, the State Government may fix the responsibility for lapses and should ensure the timely utilisation of loan to avoid the penal charges in future during execution of Phase-II of CMRHM project.*

RURAL DEVELOPMENT DEPARTMENT

3.4 Extension of undue benefits to the contractors

Interest free advances amounting to ₹ 17.83 crore were granted to the contractors for execution of 34 road works, even though the sites of works were not ready due to which, the works could not commence even after 14 to 40 months of schedule date of completion, leading to extension of undue benefit to the contractors and loss of interest of ₹ 4.95 crore.

According to Paragraph 31 of Standard Bidding Document (SBD) of PMGSY for Construction and Maintenance (December 2015), interest free advance as provided in Part I General Conditions of Contract (GCC) can be released to the contractors. Paragraph 45 of GCC lays down that on the request of the Contractor, Mobilisation

[1] Avoidable regular interest (for 298 days) on unutilized disbursed amount of ₹ 24.01 crore had it been refunded to HUDCO= ₹ 24.01 crore @ {9.45% -0.5% (deferment charges)} = ₹ 1.75 crore

Advance (MA) up to five *per cent* of the initial contract price and Equipment Advance (EA) up to 90 *per cent* of the cost of the new equipment brought to the site (subject to a maximum of 10 *per cent* of the initial contract price) against submission of an Unconditional Bank Guarantee (BG) from a scheduled Commercial bank by the Contractor equal to 110 *per cent* of the amount of the advance can be granted. The BG would remain effective until the advance payment has been repaid, but the amount of the guarantee shall be progressively reduced by the amounts repaid by the Contractor. The Contractor shall demonstrate that the EA had been used for equipment and plant and MA for mobilisation expenses required specifically for execution of the works by providing copies of invoices or other documents to the Engineer. The advance payment shall be recovered by deducting proportionate amounts from payments otherwise due to the Contractor for the construction work, following the schedule of completed percentages of the works on a payment basis.

Scrutiny of the records (November 2021) in the Office of the Chief Executive Officer, (Office) PMGSY Cell, Gangtok showed that 227 road construction works were awarded to different contractors during the period from 2011-12 to 2018-19 which were yet to be completed (November 2021). The office had granted advance of ₹ 161.88 crore (MA: ₹ 65.35 crore and EA: ₹ 96.53 crore) for these works to the contractors, of which ₹ 71.78 crore had been recovered as of October 2021.

In this regard, the Audit observed the following:

➢ Out of above mentioned 227 works, 193 works were at different stages of construction and 34 works (details in ***Appendix 3.2***) valuing ₹ 130.79 crore had not been commenced even after lapse of two to five years from the date of drawal of advances. Audit analysis further showed that 34 works had not commenced due to various reasons such as: Non-obtaining of forest clearance (five works), NOC from owners and land dispute (five works), Non-completion of Stage-I works (13 works), Defective DPRs (two works), Non-connetivity to site (four works), Natural calamity (two works) and in eight cases, the PMGSY Cell did not mention any reasons. Although the scheduled date of completion had already elapsed by 14 to 40 months in respect of 32 works (excepting two cases of natural calamity),neither the works were initiated nor any efforts were found made for recovery of the advances so granted. Thus, even though the executing divisions were not in position to make encumbrance free work sites available to the contractors in respect of 32 cases, yet the contractors were accorded undue favour by way of grant of advances of ₹ 17.30 crore (MA: ₹ 5.56 crore; and EA: ₹ 11.74 crore). It may be noted that on one hand, the State Government was paying an average interest @ 7.16 *per cent* (2017-18) on the funds borrowed from Financial Institutions; while on the other hand, the State Government sanctioned interest free advances of ₹ 17.30 crore to others. The interest implication of such advances works out to ₹ 4.95 crore[2].

[2] ₹ 4.95 crore =₹ 17.30 crore x 7.16% x 4 years *(7.16% is average interest rate on borrowed funds)*

- As per Central Vigilance Commission's Circular dated February 2011, the MA should not be paid in less than two installments, except in special circumstances for which the reasons should be recorded. This would keep check on contractors from misutilising the full advance, when the work is delayed considerably. However, the office in contravention of this circular, sanctioned the advances for all works in one installment.

- In all 34 works, the Department failed to ensure submission of documents proving utilisation of MA (₹ 5.74 crore) and EA (₹ 12.09 crore) for mobilisation expenses and procurement of plants/ equipment respectively in contravention of the provisions of the SBD of PMGSY.

- The Bank Guarantees (BGs) against the advances granted for all 34 works had not been renewed as of October 2021. It was seen that neither the contractors had submitted the renewed BGs to the PMGSY Cell nor the PMGSY Cell had directed the contractors to submit renewed BGs. Thus, the Department failed to safeguard Government's interests and extended undue financial benefits to contractors.

The Department while accepting the audit observation informed (August 2022) that it had not anticipated such a long delay in these works due to the non-availability of encumbrance free site and also added that the advice of audit shall be duly taken into account in all the PMGSY works in future. The Department subsequently added (January 2023) that six works had still not commenced and remaining 28 works which were to be completed by September 2022 remained incomplete as of December 2022. Further, the Department also stated that one out of the 34 works is still not renewed. However, the Department has not furnished any details regarding completion of work, renewal of the rest of the BGs or issuance of notices to concerned contractors.

Recommendation:

i. The department should ensure that encumbrance-free sites are available before releasing mobilisation advances; also, Department should take all necessary measures in recovering the advances already paid wherever there is inordinate delay in completion of the works.

ii. The Department should fix responsibility for the lapses observed in execution of PMGSY works and develop a proper mechanism to ensure that mobilization advances are released in not less than two instalments and proof of utilisation of advances are obtained from the contractors along with renewed Bank guarantees.

CHAPTER IV
ECONOMIC SECTOR
(Public Sector Undertakings and Power Department)

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)

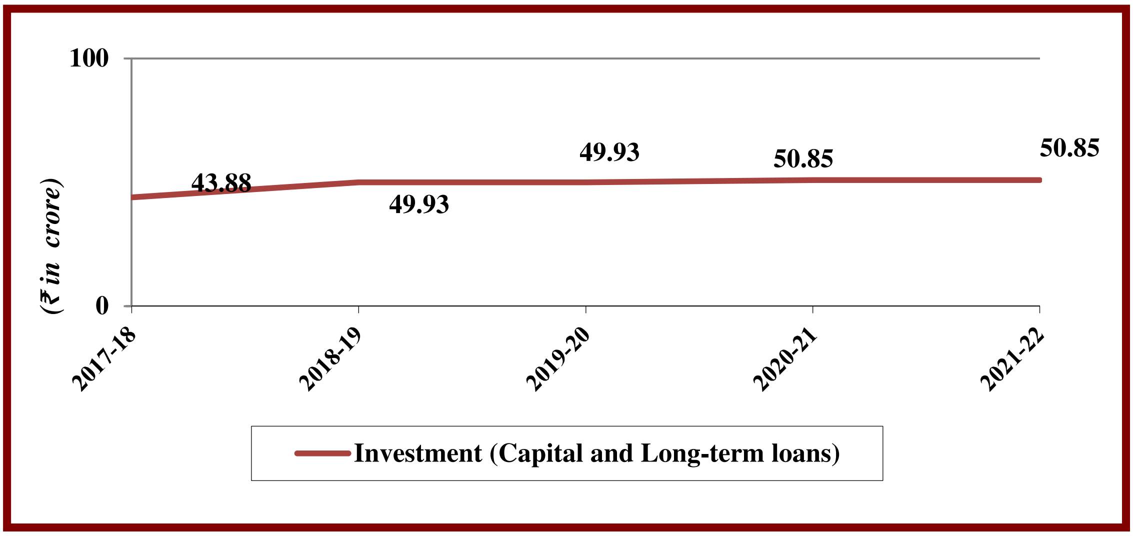
Year	Equity Capital	Long Term Loans	Total Investment
2021-22	48.82	2.03	50.85
2020-21	48.82	2.03	50.85
2017-18	41.85	2.03	43.88

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

<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Name of Statutory Corporations</th><th rowspan="2">Year up to which SARs placed in Legislature</th><th colspan="2">Year for which SARs not placed in Legislature</th><th>Reasons for delay</th></tr>
<tr><th>Year of SAR</th><th>Date of issue to the Management/ Government for printing</th><th></th></tr>
<tr><td>1</td><td>State Bank of Sikkim</td><td>2016-17</td><td>2017-18</td><td>23.12.2019</td><td rowspan="7">Nil</td></tr>
<tr><td>2</td><td>State Trading Corporation of Sikkim</td><td>2018-19</td><td>2019-20
2020-21</td><td>22.04.2022</td></tr>
<tr><td>3</td><td>Government Fruit Preservation Factory</td><td>2011-12 to 2017-18</td><td>-</td><td>-</td></tr>
<tr><td>4</td><td>Sikkim Power Investment Corporation Limited</td><td>2019-20</td><td>2020-21</td><td>09.02.2022</td></tr>
<tr><td>5</td><td>Sikkim Power Development Corporation Limited</td><td>2019-20</td><td>2020-21</td><td>13.12.2021</td></tr>
<tr><td rowspan="2">6</td><td rowspan="2">Sikkim Industrial Development Investment Corporation Limited</td><td rowspan="2">NA</td><td>2016-17
2017-18</td><td>17.07.2019</td></tr>
<tr><td>2019-20</td><td>03.08.2022</td></tr>
</table>

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)

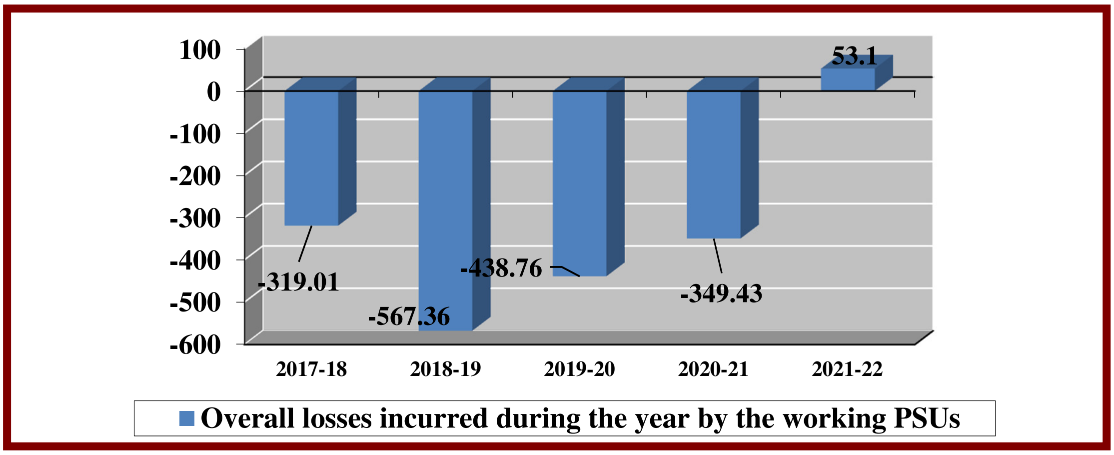
Name of PSU	Latest finalised accounts	Paid up capital	Accumulated losses
Sikkim Power Investment Corporation Limited	2020-21	0.01	(-) 1,210.98
Sikkim Power Development Corporation Limited	2020-21	74.84	(-) 107.64

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					Number of PAs/paragraphs	
	Appeared in Audit Report		Selected for discussion by the PAC		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

Ministry of Power, GoI
- Formulation of Scheme guidelines.
- Appointment of REC as Nodal Agency for implementation of the Scheme.
- Constitution of Monitoring Committee (MC), to whom Detailed Project Reports (DPRs) are to be submitted after scrutiny and appraisal by REC.

Rural Electrification Corporation (REC)
- Overall responsibility for implementation of the scheme.
- Scrutiny and appraisal of project DPRs.
- Co-ordination with Project Implementing Agencies (PIA) and monitoring of the scheme.
- Release of funds on behalf of GoI.

Government of Sikkim (GoS)
- Setting up of State Level Standing Committee (SLSC) to examine DPRs prepared by the PIA and submission to REC.
- To monitor the progress of the scheme through monthly progress reports and resolve issues relating to implementation through SLSC.

Power Department (PD), GoS
- Preparing DPRs based on detailed survey.
- To submit the DPRs for recommendation of SLSC to MC through REC.
- To execute works of electrification as per the approved DPRs and guidelines.

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	58.40	2.47	4.21	27.10
South	13.83	17.61		3.40	8.01	
West	11.96	17.42		6.63	6.96	
North	11.55	20.28		28.15	20.42	
	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

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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 (17^{th} 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 (19^{th} 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 4^{th} 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 (16^{th} 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.

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[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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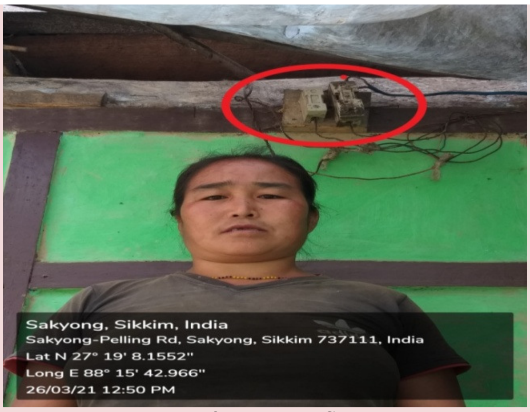
[69] 518 X ₹ 500

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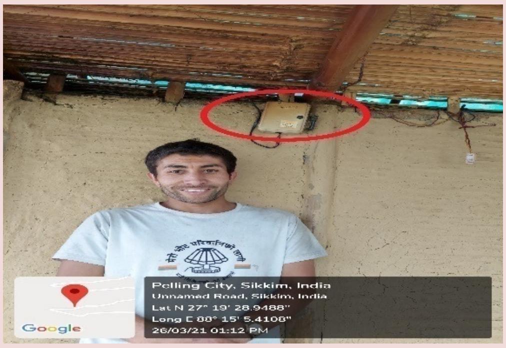
[71] Umchung
[72] Nambu 1; Bhaluthang-5; Labing-3
[73] Labing- 4, Nambu- 3, Unglok-4, Darap-1, Bhaluthang-1 and Labi-1

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:

[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

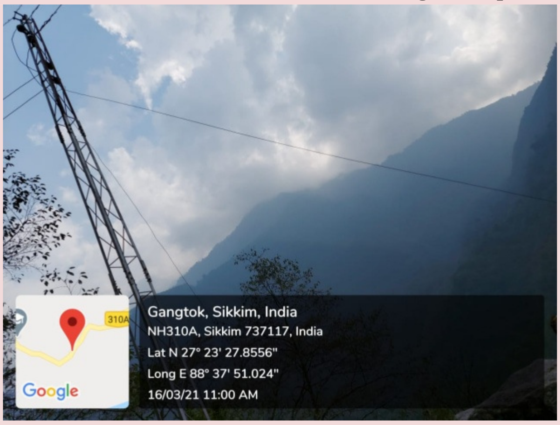
During the JPV it was noticed that in many cases the concreting used in foundations of electricity poles, DTRs etc. were not as per the specified standards as given in the technical specification and tender drawings. Similarly, defective workmanship in painting of lattice poles was also observed. Some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

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

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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.

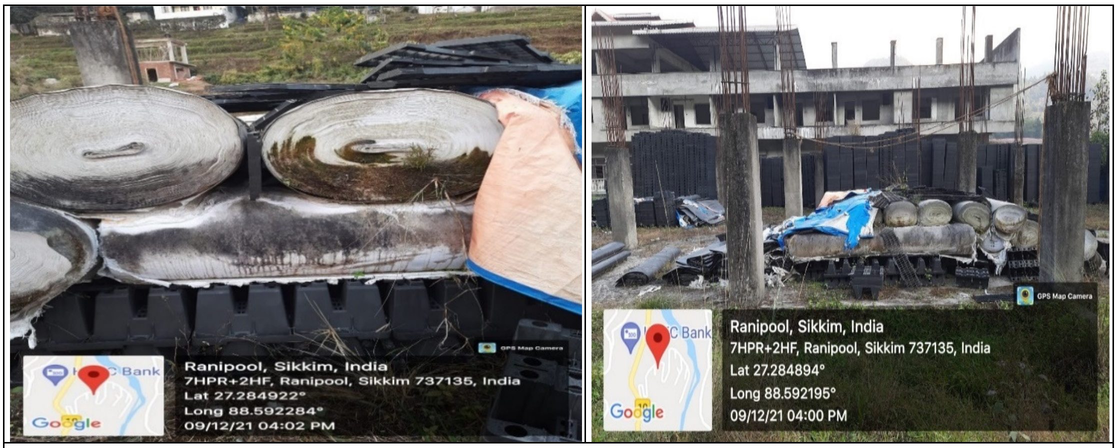

Image 7: Deteriorated conditions of materials found at store in Ranipool

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.*

CHAPTER V
REVENUE SECTOR

CHAPTER V
REVENUE SECTOR

5.1 Trend of revenue receipts

5.1.1 The Revenue Receipts of the State comprises,

- Tax and non-tax revenues raised by the Government of Sikkim,
- State's Share of Net Proceeds of divisible Union taxes and duties assigned to the State, and
- Grants-in-Aid received from the Government of India.

The details along with the corresponding figures for the preceding four years have been depicted in **Table No. 5.1:**

Table No. 5.1: Trend of Revenue Receipts

(₹ in crore)

Sl. No.		2017-18	2018-19	2019-20	2020-21	2021-22
I	Revenue raised by the State Government					
	• Tax revenue	688.33	892.92	970.41	966.70	1,254.41
	• Non-tax revenue	654.38	6,57.78	693.40	662.29	680.63
	Total	**1,342.71**	**1,550.70**	**1,663.81**	**1,628.99**	**1,935.04**
II	Receipts from Government of India					
	• State's share of net proceeds of divisible Union taxes	2,634.66	2,794.67	2,295.56	2,302.27	3,287.55
	• Grants-in-aid	1,235.42	1,574.99	881.90	1,676.56	1,858.13
	Total	3,870.08	4,369.66	3,177.46	3,978.83	5,145.68
III	**Total receipts of State Government (I + II)**	**5,212.79**	**5,920.36**	**4,841.27**	**5,607.82**	**7,080.72**
IV	Percentage of I to III	26	26	34	29	27

Source: Finance Accounts

Revenue Receipts of the State increased by 35.8 *per cent* from ₹ 5,212.79 crore in 2017-18 to ₹ 7,080.72 crore in 2021-22 at an annual average rate of 7.16 *per cent*. During 2021-22, Revenue Receipts increased by ₹ 1,472.9 crore (26.26 *per cent*) as compared to the previous year, mainly on account of increase in States share of net proceeds of divisible Union taxes. About 27.32 *per cent* of Revenue Receipts during 2021-22 came from State's Own Resources while Central Tax Transfers and Grants-in-Aid together contributed 72.68 *per cent*.

Tax Revenue constituted 17.71 *per cent* of Revenue Receipts and increased by ₹ 287.71 crore during 2021-22, recording an increase of 29.76 *per cent* compared to the previous year. Non-Tax Revenue in 2021-22 constituted 9.61 *per cent* of the total Revenue Receipts and increased by ₹ 18.34 crore at a rate of 2.77 *per cent* over the previous year.

5.1.2 The details of tax revenue raised during the period from 2017-18 to 2021-22 are given in **Table No. 5.2**.

Table No. 5.2: Details of Tax Revenue

(₹ in crore)

Sl. No.	Head of revenue	2017-18		2018-19		2019-20		2020-21		2021-22		% of increase (+) or decrease (-) in 2021-22 over 2020-21	
		BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals	BEs	Actuals
1	State Goods and Services Tax (SGST)	0.00	171.39	363.65	405.72	660.00	454.89	650.00	463.04	579.00	655.55	-11	42
2	Sales Tax/Value Added Tax (VAT)	388.26	249.66	154.00	188.20	200.00	197.63	220.00	195.25	220.00	227.18	0	16
3	Taxes on Income and Expenditure other than Corporation Tax	10.00	8.04	10.00	15.63	15.00	15.17	15.00	14.29	15.00	15.40	0	8
4	State Excise	155.00	150.47	158.54	183.09	237.00	207.15	248.13	210.27	275.00	249.20	11	19
5	Stamps and Registration Fees	7.82	13.57	13.34	14.95	16.14	13.30	16.44	13.13	11.78	23.35	-28	78
6	Taxes on Vehicles	28.50	29.37	31.05	33.10	49.15	41.08	39.16	28.96	43.50	39.09	11	35
7	Other Taxes and Duties on Commodities and Services	72.84	58.39	32.63	43.13	44.32	36.79	44.57	28.43	42.6	35.11	-4	24
8	Land Revenue	7.09	7.44	7.10	9.08	8.60	4.40	8.60	13.33	8.60	9.53	0	-29
	Total	**669.51**	**688.33**	**770.31**	**892.92**	**1,230.21**	**970.41**	**1,241.9**	**966.7**	**1,195.48**	**1,254.41**		

**** BE: Budget Estimates***

Source: Estimates of Receipts, Finance Department, GoS and Finance Accounts 2019-20

It appears from the above table that the actual realization was 4.92 *per cent* higher than the Budget Estimates (BEs). The percentage of realisation under different heads ranged between 82 *per cent* and 198 *per cent* of the BE which indicates that the budget was not prepared based on realistic estimates.

Tax Revenue increased by ₹ 287.71 crore (29.76 *per cent*) in 2021-22 as compared to previous year, the increase was mainly due to increase in SGST by ₹ 192.51 crore (41.57 *per cent*), State Excise by ₹ 38.93 crore (18.51 *per cent*) and Sales Tax/VAT by ₹ 31.93 crore (16.35 *per cent*).

5.1.3 The details of non-tax revenue raised during the period 2017-18 to 2021-22 are given in **Table No. 5.3**:

Table No. 5.3: Details of Non-Tax Revenue realised

(₹ in crore)

Sl. No.	Head of Revenue	2017-18		2018-19		2019-20		2020-21		2021-22		Percentage of increase (+) or decrease (-) in 2021-22 over 2020-21	
		BEs	Actual	BEs	Actual	BEs	Actual	BEs	Actual	BEs	Actual	BEs	Actual
1	Power	160.10	310.26	190.10	269.44	320.10	256.37	372.38	346.05	380.00	306.77	2	-11
2	Interest receipts	50.41	114.76	50.41	125.33	96.99	143.82	51.88	126.95	77.51	49.92	47	-61
3	Police	52.74	45.39	57.11	46.64	88.12	86.77	78.71	26.17	70.01	112.38	-11	329

Sl. No.	Head of Revenue	2017-18		2018-19		2019-20		2020-21		2021-22		Percentage of increase (+) or decrease (-) in 2021-22 over 2020-21	
		BEs	Actual	BEs	Actual	BEs	Actual	BEs	Actual	BEs	Actual	BEs	Actual
4	Road Transport	55.00	52.08	59.00	53.96	65.00	57.10	62.00	47.87	65.00	61.78	5	29
5	Forestry and Wild Life	13.50	14.21	13.50	17.53	18.50	15.78	18.70	14.88	19.00	24.31	2	63
6	Other Adminis-trative Services	4.83	5.30	7.79	5.04	23.23	12.65	21.84	12.00	21.68	19.45	-1	62
7	Public Works	4.37	15.38	4.59	28.01	21.75	23.13	15.38	14.24	31.94	14.84	108	4
8	Water Supply and Sanitation	5.00	4.88	10.00	4.29	8.00	4.92	5.61	5.52	5.85	5.15	4	-7
9	Education, Sports, Art and Culture	1.15	2.31	1.17	2.32	1.32	3.55	1.61	14.29	1.42	10.59	-12	-26
10	State Lotteries	50.00	55.03	55.00	57.82	40.00	40.10	31.96	22.37	55.18	6.48	73	-71
11	Others[1]	29.36	34.78	33.25	47.4	51.54	49.21	50.59	31.95	47.63	68.96	-5.85	115.8
	Total	**426.46**	**654.38**	**481.92**	**657.78**	**734.55**	**693.4**	**710.66**	**662.29**	**775.22**	**680.63**		

Source: Finance Accounts 2020-21, 2021-22 and Estimates of Receipts, Finance Department, GoS.

It appears from the above table that the actual realisation was 12.20 *per cent* less than the Budget Estimates. The percentage of realisation under different heads ranged between 45 *per cent* and 746 *per cent* of the BEs which indicates that the budget was not prepared based on realistic estimates.

Non-tax revenue increased by ₹ 18.34 crore (2.76 *per cent*) in 2021-22 over the previous year. The increase was mainly under Police by ₹ 86.21 crore (329.42 *per cent*), Road Transport by 13.91 crore (29.05 *per cent*) and Forestry and Wildlife by ₹ 9.43 crore (63.37 *per cent*). The increase was offset by decrease mainly under Interest Receipts by ₹ 77.03 crore (60.7 *per cent*) and Power by ₹ 39.28 crore (11.3 *per cent*).

5.2 Revenue and return filling trends

5.2.1 GST Revenue of Government of Sikkim: Comparison between budget estimates and actual receipts

The comparison of budget estimates and the corresponding actual collection of Goods and Service Tax (GST) during the period from 2017-18 to 2021-22 are shown in **Table No. 5.4**.

[1] Revenue head 'Others' comprise of non-tax revenue realised under Plantations, Tourism, Medical and Public Health, Other Rural Development Programmes, Stationery and Printing and Crop Husbandry.

Table No. 5.4: Revenue from GST during 2017-22

(₹ in crore)

Year[2]	State GST		
	Budget Estimates (BEs)	Revised Estimates (REs)	Actuals
2017-18	--	221.99	171.39
2018-19	253.07	253.07	405.72
2019-20	415.00	415.00	454.89
2020-21	650.00	431.06	463.41
2021-22	579.00	579.00	655.55

Source: Budget estimates

It could be seen from **Table No. 5.4** that, the actual collection of revenue from SGST during 2018-19 to 2021-22 exceeded the estimates.

5.2.2 Compensation under GST

As per the GST Act, any shortfall in revenue by the State is required to be compensated by the Central Government. Compensation under GST (Compensation to the States) Act 2017 is payable when the actual revenue collected by the State under GST and pre-GST arrears is less than the projected revenue. In Sikkim during the period from 2017-18 to 2021-22 the actual revenue collected was more than the projected revenue in all the years except 2020-21. Details are shown in **Table No. 5.5**.

Table No. 5.5: Projected Revenue figure for compensation and actual collection of SGST

(₹ in crore)

Sl. No.	Year	Projected Revenue	SGST collection along with pre-GST arrears
1	2017-18	239.24	264.76
2	2018-19	363.65	425.33
3	2019-20	414.56	457.00
4	2020-21	472.60	463.05
5	2021-22	538.76	655.55

Source: Respective years' State Finances Audit Reports

5.2.3 Trends of Integrated GST apportionment to the State and its cross utilisation

The Integrated GST (IGST) collected is apportioned between the Centre and the State where the goods or services are consumed. The revenue is apportioned to the Centre at the CGST rate, and the remaining amount is apportioned to the consuming State.

Trends of IGST apportionment to the State and its cross utilisation are given in **Table No. 5.6**.

Table No. 5.6: Integrated Goods and Services Tax

(₹ in crore)

IGST component	2017-18	2018-19	2019-20	2020-21	2021-22
IGST[3] apportioned to the State as per Section 17 of IGST Act, 2017	11.00	39.87	8.28	23.31	16.88
IGST provisionally/ad-hoc apportioned to the State	23.16	45.84	63.58	55.74	390.83

[2] GST data on Budget Estimates for the Financial year 2017-18 is not applicable as GST was implemented from July 2017.

[3] IGST: It is a tax collected by the Central Government for an inter-State sale

IGST component	2017-18	2018-19	2019-20	2020-21	2021-22
IGST cross utilised between					
SGST[4] as IGST	(+)24.05	(+)52.93	(+)49.39	(+)41.69	(+) 640.76
IGST as SGST	(-)77.41	(-) 194.18	(-) 262.98	(-) 205.13	(-) 1744.62

Source: Sanction letter of Ministry of Finance

5.2.4 Registration under GST

The total registrations under GST as on 1 April 2022 were 10,367, of which normal taxpayers accounted for 88.06 *per cent* and composition taxpayers were around 7.78 *per cent*. Of the total registrations, 2,305 were migrated from pre-GST regime, accounting for around 22.23 *per cent*, while balance were new registrations. The category wise registrations under GST is given in **Table No. 5.7**.

Table No. 5.7: Details of GST registrations upto 1 April 2022

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	9,129	88.06
Composition taxpayers	807	7.78
Tax Deductors at Source	347	3.35
Tax Collectors at Source	82	0.79
Input Service Distributors	2	0.02
Total Registrants	**10,367**	**100**

Source: GSTN Daily summary registration reports as on 1 April 2022

5.2.5 GST Return filling pattern of GSTR-1 and GSTR-3B

The trends of filing of GSTR-1[5] and 3B[6] as on 30 June 2022 for the period 2020-21 and 2021-22 as collected from the gst.gov.in, have been depicted in **Table No. 5.8** and **Table No. 5.9** respectively.

Table No.5.8: Details of return filing (GSTR-1 and GSTR-3B) during 2020-21

Return Type	GSTR-1			GSTR-3B				
Months	**Due for filing (Nos.)**	**Returns filed (Nos.)**	**Filing of Return in *per cent***	**Due for filing**	**Returns filed as on June 2021**	**Filing of Return in *per cent***	**Returns filed by due date (Nos.)**	***Percentage of filing of return by* due date**
Apr-20	7,488	2,658	35.50	7,507	6,593	87.82	1,112	14.81
May-20	6,492	2,676	41.22	7,513	6,602	87.87	1,952	25.98
Jun-20	7,574	6,233	82.29	7,574	6,643	87.71	2,307	30.46
Jul-20	4,791	2,701	56.38	7,650	6,683	87.36	2,480	32.42
Aug-20	4,633	2,707	58.43	7,695	6,702	87.10	3,248	42.21
Sep-20	7,706	6,263	81.27	7,706	6,701	86.96	4,478	58.11
Oct-20	4,195	2,729	65.05	7,795	6,727	86.30	4,312	55.32
Nov-20	4,132	2,792	67.57	7,846	6,782	86.44	4,771	60.81
Dec-20	7,893	6,437	81.55	7,893	6,817	86.37	5,046	63.93
Jan-21	5,263	3,894	73.99	5,264	4,163	79.08	2,499	47.47
Feb-21	5,091	4,014	78.85	5,086	4,281	84.17	2,499	49.13
Mar-21	7,885	6,738	85.45	7,885	7,126	90.37	4,639	58.83

Source: gst.gov.in

4 SGST: It is a tax collected by the State Government for an intra-State sale

5 Form GSTR-1 is a monthly/quarterly Statement of Outward Supplies of Goods and Services or both

6 FORM GSTR-3B is a summary return for GST liabilities and discharge of these liabilities during the period.

The filing of GSTR-3B for April 2020 was 88 *per cent* and for the month March 2021 it was 90 *per cent.* However, the percentage of filing of GSTR-3B returns within the due date was ranging from as low as 15 *per cent* to 64 *per cent* during April 2020 to March 2021.

During 2020-21, the average *per cent* of filing of GSTR 3B within due date was only 45 *per cent* and the average filing of GSTR 3B after due date was 41 *per cent* indicating non-compliance of GST Rules and provisions relating to due dates for GSTR 3B return filing by 55 *per cent* of taxpayers.

Table 5.9: Details of return filing (GSTR-1 and GSTR-3B) during 2021-22

Return Type	GSTR-1			GSTR-3B				
Months	Due for filing (Nos.)	Returns filed (Nos.)	Filing of Return in *per cent*	Due for filing	Returns filed as on June 2021	Filing of Return in *per cent*	Returns filed by due date (Nos.)	*Percentage of filing of return by* due date
Apr-21	5,479	4,501	82.15	5,479	4,753	86.75	1,124	20.51
May-21	5,462	4,477	81.97	5,462	4,696	85.98	1,118	20.47
Jun-21	8,047	6,845	85.06	8,047	7,141	88.74	4,175	51.88
Jul-21	5,619	4,498	80.05	5,619	4,707	83.77	3,218	57.27
Aug-21	5,711	4,523	79.20	5,711	4,775	83.61	3,351	58.68
Sep-21	8,314	7,002	84.22	8,314	7,306	87.88	5,305	63.81
Oct-21	5,709	4,504	78.89	5,709	4,742	83.06	3,389	59.36
Nov-21	5,805	4,659	80.26	5,805	4,828	83.17	3,512	60.50
Dec-21	8,632	7,369	85.37	8,632	7,539	87.34	5,851	67.78
Jan-22	5,837	4,616	79.08	5,837	4,752	81.41	3,451	59.12
Feb-22	5,912	4,737	80.13	5,912	4,853	82.09	3,508	59.34
Mar-22	8,941	7,544	84.38	8,941	7,711	86.24	5,756	64.38

Source: gst.gov.in

The filing of GSTR-3B for April 2021 was 86.75 *per cent* and for the month March 2022 was 86.24 *per cent.* However, the percentage of filing of GSTR-3B returns within the due date was ranging from as low as 20.47 *per cent* to 67.78 *per cent* during April 2021 to March 2022.

The average per cent of filing of GSTR 3B within due date was only 53.59 *per cent* and the average filing of GSTR 3B after due date was 31.41 *per cent* indicating non-compliance of GST Rules and provisions pertaining to due date for GSTR 3B return filing by 46.41 *per cent* of taxpayers.

5.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2022 in respect of some Heads of Revenue as reported by the departments amounted to ₹ 2.34 crore, of which, ₹ 0.37 crore was outstanding for more than five years (as detailed in **Table No. 5.10**).

Table No. 5.10: Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding		Replies of Department
		As on 31 March 2022	For more than five years	
1	Animal Husbandry	0.15	0.15	Entry tax of ₹ 34.98 lakh, due from a firm M/S Uttara Foods & Feed Pvt. Ltd., was only partially paid by the firm leaving a balance of ₹ 14.58 lakh.
2	Roads and Bridges Department	2.19	0.22	The road machineries of the department were mostly deployed for the departmental works. Payment was not made despite serving several reminders for clearing the dues.
	Total	**2.34**	**0.37**	

Source: Information received from Departments concerned.

5.4 Response of the departments/ Government towards Audit

The Principal Accountant General (PAG), Sikkim conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the Rules and procedures. Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot are issued to the heads of the offices inspected with copies to the next higher authorities for prompt corrective action. The heads of the offices/ departments are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

It was seen that 268 paragraphs involving ₹ 435.27 crore relating to 97 IRs remained outstanding at the end of June 2022. The details along with the corresponding figures for the preceding two years are mentioned in **Table No. 5.11**:

Table No. 5.11: Details of pending Inspection Reports

Particulars	June 2020	June 2021	June 2022
Number of outstanding IRs	93	96	97
Number of outstanding audit observations	264	266	268
Amount involved (*₹ in crore*)	718.07	456.27	774.41

5.4.1 The department-wise details of the IRs, the audit observations outstanding as on 30 June 2022 and the amounts involved are mentioned in the following **Table No. 5.12:**

Table No. 5.12: Department-wise details of IRs

Sl. No.	Name of Department	Nature of Receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (*₹ in crore*)
1	Finance (Commercial Taxes Division)	VAT/Taxes on Sales, Trade, etc.	15	51	366.22
2	Excise (Abkari)	State Excise	9	26	14.88
3	Land Revenue and Disaster Management	Land Revenue	19	29	0.92
4	Transport (Motor Vehicles Division	Taxes on Motor Vehicles	9	22	19.70

Sl. No.	Name of Department	Nature of Receipts	No. of outstanding IRs	No. of outstanding Audit observations	Money value involved (*₹ in crore*)
5	Mines, Minerals and Geology	Non-ferrous Mining and Metallurgical Industries	0	0	0
6	Forest, Environment and Wildlife Management	Forestry and Wildlife	15	32	55.10
7	Finance (Directorate of State Lotteries)	State Lotteries	4	13	85.44
8	Urban Development and Housing	Urban Development	17	47	19.83
9	Energy and Power	Power	9	48	212.32
Total			**97**	**268**	**774.41**

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of 06 numbers of IRs (issued during 2021-22) till June 2022. Pendency of IRs due to non-receipt of the replies was indicative of heads of offices and heads of the departments not initiating adequate action to rectify the defects, omissions and irregularities pointed out by the PAG through IRs.

The Government may consider having an effective system for prompt and appropriate response to audit observations.

5.5 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During 2020-21 and 2021-22 one Audit Committee Meeting was held with Commissioner, Commercial Tax Division, Finance Department where 10 IRs and 17 paragraphs were discussed, out of which four IRs and nine paragraphs were settled.

The overall progress on settlement of paragraphs needs to be improved in view of the huge pendency of IRs and paragraphs.

5.6 Response of the departments to the draft audit paragraphs

The PAG forward the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India to the Principal Secretaries/ Secretaries of the Department concerned, drawing their attention to audit findings and requesting them to send their response within four weeks. The fact of non-receipt of replies from the departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Four draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2022 were forwarded to the heads of Departments through demi-official letter and replies in respect of three paragraphs were received.

5.7 Follow up on Audit Reports - summarised position

The Rules of Procedures of the Committee on Public Accounts of the Sikkim Legislative Assembly (internal working) lays down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the departments shall initiate action on the audit paragraphs and the Government should submit the action taken explanatory notes within three months of tabling the Report for consideration of the Committee. In spite of these provisions, the explanatory notes on the audit paragraphs of the Reports were being delayed inordinately.

Reports of the Comptroller and Auditor General of India of the Government of Sikkim for the years ended 31 March 2014, 2015, 2016, 2017, 2018 and 2019 containing 18 paragraphs under Revenue Sector were placed before the State Legislative Assembly between March 2015 and December 2021. Action taken explanatory notes in respect of 10 paragraphs from six departments {Excise; Finance[7]; Transport (Motor Vehicles Division); Urban Development; Power; and Directorate of Sikkim State Lotteries} had not been received for Audit Reports for the years ending 31 March 2015, 2016, 2017, 2018 and 2019.

During 2020-21, the PAC discussed four PAs, eight paragraphs and two State Finance Audit Reports and during 2021-22 the PAC discussed five paragraphs.

5.8 Motor Vehicles Division, Transport Department - Analysis of the mechanism for dealing with issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/ Audit Reports by the departments/ Government, action taken on the paragraphs and Performance Audits (PAs) included in the Audit Reports pertaining to the last 10 years in respect of Transport Department (Motor Vehicles Division) was evaluated and included in this Report.

The succeeding Paragraphs 5.8.1 to 5.8.3 discuss the performance of the Transport Department (Motor Vehicles Division) in dealing with the cases detected in course of local audit conducted during the last ten years and also the cases included in the Audit Reports pertaining to the last 10 years.

5.8.1 Position of IRs

The summarised position of IRs issued during the last ten years, paragraphs included in these Reports and their status as on 30 June 2022 are given in the following **Table No. 5.13:**

Table No. 5.13: Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2012-13	6	18	1.62	1	6	1.54	0	4	0.98	7	20	2.17
2013-14	7	20	2.17	0	0	0.00	1	5	0.99	6	15	1.19
2014-15	6	15	1.19	1	5	0.93	1	7	2.06	6	13	0.05
2015-16	6	13	0.05	1	22	7.67	0	6	3.90	7	29	3.81
2016-17	7	29	3.81	1	3	0.60	4	26	3.79	4	6	0.62
2017-18	4	6	0.62	1	5	0.38	0	0	0.00	5	11	1.00
2018-19	5	11	1.00	1	4	2.56	0	2	0.11	6	13	3.45

[7] Commercial Taxes Division and Directorate of Sikkim State Lotteries

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2019-20	6	13	3.45	1	5	4.25	0	2	0.27	7	16	7.43
2020-21	7	16	7.43	1	7	18.71	0	4	7.37	8	19	18.77
2021-22	8	19	18.77	1	6	2.66	1	3	1.73	8	22	19.70

No Departmental Audit Committee meetings were held during 2020-22.

5.8.2 Recovery in accepted cases

The position of paragraphs included in the Audit Reports pertaining to the last 10 years accepted by the Department and recovery affected there-against is mentioned in **Table No. 5.14**:

Table No. 5.14: Details of accepted paragraphs and recovery thereof

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs (*₹ in crore*)	Number of paragraphs accepted	Money value of accepted paragraphs (*₹ in crore*)	Amount recovered during the year (*₹ in crore*)	Cumulative position of recovery of accepted cases (*₹ in crore*)
2010-11	No paragraphs featured in the Audit Report					
2011-12	01	0.56	01	0.56	Nil	Nil
2012-13	No paragraphs featured in the Audit Report					
2013-14						
2014-15	03	1.34	02	1.09	Nil	Nil
2015-16	01	3.21	01	3.21	Nil	Nil
2016-17	No paragraphs featured in the Audit Report					
2017-18						
2018-19						
2019-20						

It was evident from the above table that the progress of recovery even in accepted cases was very slow during the last ten years. The recovery in accepted cases was to be pursued as arrears recoverable from the parties concerned. The Department/ Government had not put in place any mechanism for pursuance of the accepted cases. In the absence of a suitable mechanism, the Department could not monitor the recovery in accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

5.8.3 Action taken on the recommendations accepted by the departments/ Government

The draft reports on Performance Audits (PAs) conducted by the PAG are forwarded to the Government/ Department concerned for their information with a request to furnish their replies. These PAs are also discussed in the exit conference and the Department's/ Government's views are included while finalizing the PAs for the Audit Reports.

The following TA on Transport Department (Motor Vehicles Division) had featured in the Audit Report 2014-15. The details of recommendations and their status are given in **Table No. 5.15:**

Table No. 5.15: Details of recommendations and their status

Year of AR	Name of the PA	Details of the Recommendations	Status
2014-15	**Thematic Audit on Collection of Revenue from outsourced activities in Motor Vehicles Tax**	Suitable action may be taken to provide HSRP to public at competitive rates as prevailing in other States. Timely action to ensure response to tender should be taken.	After being pointed out in audit, the rate of HSRP has been reduced from ₹ 2,250 to ₹ 1,450
		Suitable action may be taken to link royalty from operation of AETC to number of registered vehicles.	The Department offered no reply on the recommendation
		Action may be taken to provide various forms free of cost for availing different services.	The Department offered no reply on the recommendation
		Adherence to the provisions of CMV Act/Rules and SMV Rules for issuance of PUC certificates should be ensured.	The PUC issuance is made centralized and acquired online, hence its updating has been made mandatory.
		Steps like tendering for selection of outsourced agents through competitive bidding, adherence to the terms and conditions of the agreements may be taken to safeguard Government and public interest.	The Department offered no reply on the recommendation

NB: Status as in the table is based on departmental replies

5.9 Audit Planning

The unit offices under various departments were categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan was prepared on the basis of risk analysis which *inter alia* included critical issues in Government revenues and tax administration, *i.e.,* budget speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years *etc.*

During 2020-21, there were nine auditable units, of which four units (44.44 *per cent*) were planned and audited similarly during 2021-22 there were nine auditable units, of which four units (44.44 *per cent*) were planned and audited.

5.10 Results of audit

Test check of the records of four units under Revenue departments {Finance Department, Transport Department, Excise Department, Power Department, Land Revenue Department, Forest and Environment Department, Mines and Geology Department and Urban Development Department} was carried out during the year 2020-21 as well as 2021-22. It revealed irregularities involving revenue aggregating to ₹ 6.27 crore in 12 cases during 2020-21 and ₹ 5.26 crore in 24 cases during 2021-22. During the course of the year, the departments concerned accepted all observations.

5.11 Coverage of this Report

This Chapter contains one Subject Specific Compliance Audit and two compliance audit paragraphs involving financial effect of ₹ 131.95 crore.

COMPLIANCE AUDIT PARAGRAPHS

FINANCE DEPARTMENT
(COMMERCIAL TAX DIVISION)

5.12 Subject Specific Compliance Audit on transitional credits under GST in Sikkim

5.12.1 Introduction

Introduction of Goods and Services Tax (GST) is a significant reform in the field of indirect taxes in our country, which replaced multiple taxes levied and collected by the Centre and States. GST is a destination-based tax on supply of goods or services or both, which is levied at multiple-stages wherein the taxes move along with supply. The tax accrues to the tax authority which has the jurisdiction over the place of supply. Tax is levied simultaneously by the Centre and States on a common tax base. Central GST (CGST) and State GST (SGST) /Union Territory GST (UTGST) are levied on intra-state supplies and Integrated GST (IGST) is levied on inter-state supplies. Availability of input tax credit (ITC) of taxes paid on inputs, input services and capital goods for set off against the output tax liability is one of the key features of GST. This avoids cascading effect of taxes and ensures uninterrupted flow of credit from the seller to buyer. To ensure the seamless flow of input tax from the existing laws to GST regime, transitional arrangements for input tax were included in the GST Acts to provide for the entitlement and manner of claiming input tax in respect of appropriate taxes or duties paid under the existing laws. Transitional credit provisions are important for both the Government and business.

5.12.2 Transitional arrangements for input tax credit – Legal provisions

Section 140 of the Sikkim GST Act 2017 enables the taxpayers to carry forward the ITC under the existing VAT laws to the GST regime. This section, read with Rule 117 of SGST Rules 2017 prescribes elaborate procedures in this regard. All registered taxpayers, except those who are opting for payment of tax under composition scheme (under Section 10 of SGST Act), are eligible to claim transitional credit by filing Tran 1 Returns within 90 days from the appointed day[8]. The time limit for filing TRAN 1 Returns was extended till 31.03.2020. Under transitional arrangements for ITC, the ITC of various taxes paid under the existing law and State Value Added Tax (VAT) can be carried forward to GST regime as under:

(a) Closing balance of the credit in the last Returns: The closing balance of the VAT credit available in the Returns filed under the existing law for the period immediately preceding the appointed day can be taken as credit in ECL.

(b) Un-availed credit on capital goods: The balance instalment of un-availed credit on capital goods can be taken by filing the requisite declaration in GST TRAN 1.

(c) Credit on duty paid stock: A registered taxable person, other than the manufacturer or service provider, may take the credit of the duty/ tax paid on goods held in stock based on the invoices.

8 01.07.2017

(d) Credit on duty paid stock when Registered Person does not possess the document evidencing payment of VAT: For traders who do not have excise or VAT invoice, there is a mechanism to allow credit to them on the duty paid stock.

(e) Credit relating to exempted goods under the existing law which are now taxable: ITC of VAT in respect of input, semi-finished and finished goods in stock attributable to exempted goods or services which are now taxable in GST.

(f) Input/input services in transit: The input or input services received on or after the appointed day but the duty or tax on the same was paid by the supplier under the existing law.

(g) Tax paid under the existing law under composition scheme: The taxpayers who had paid tax at fixed rate or fixed amount in lieu of the tax payable under the existing law, now working under normal scheme under GST can claim credit on their input stock, semi-finished and finished stock on the appointed date.

(h) Credit in respect of tax paid on any supply both under VAT Act and under Finance Act, 1994: Transitional credit in respect of supplies which attracted both VAT and Service tax under the existing laws, for which tax was paid before the appointed date and supply of which is made after the appointed date.

5.12.3 Context and materiality

The transitional credit was a one-time flow of input tax credit from the legacy regime into the GST regime, which could be availed both by the taxpayers migrating from the previous regime as well as new registrants under GST regime. The components of transitional credit claimed by taxpayers in the appropriate tables of forms –TRAN 1 and TRAN 2, pertaining to conditions specified under relevant Sections and Rules of the SGST Act 2017 and SGST Rules 2017 respectively, are mentioned below:

Table No. 5.16: Components of transitional credit under SGST Act 2017 and SGST Rules 2017

Returns	Table No.	Relevant Section or Rule for Transitional Credit
TRAN-1	5(c)	**Section 140. (1):** Balance credit of the amount of VAT ITC as shown in the last return.
	7(b)	**Section 140 (5):** Inputs received on or after the appointed day but tax paid under the VAT, invoices have been recorded in the books of account.
	7 (c)	**Section 140 (3):** Dealers not liable to be registered or dealing in exempted goods during VAT regime but has invoices of VAT of inputs held in stock and semi-finished goods. **Section 140(4):** Dealers involved in sale of both taxable goods or exempted goods but are liable to be tax under this GST Act. **Section 140 (6):** Dealers who were composite tax payer under VAT regime.
	7 (d)	**Rule 117 (4) (a):** Dealers not registered during VAT can avail credit of stock even if not in possession of invoice. (The rate of ITC would be 60 % if SGST is 9 % or more and 40 % if SGST is less than 9 %.
	11	**Section 142 (11) (c):** Credit in respect of tax paid before the appointed day and supply made after the appointed day.
TRAN-2	5	**Rule 117 (4) (b):**Credit afforded on stocks held on appointed date

Further, as per Rule 117 (1) of SGST Rules 2017 all taxpayers availing credit under Section 140 (1) should file TRAN 1. As per Rule 117 2 (b) of SGST Rules 2017, taxpayers who were unregistered under the existing law or who were dealing in taxable goods and exempted good under the existing law: claiming transitional credit under sub-section (3) or clause (b) of sub-section (4) or sub-section (6) or sub-section (8) of Section 140 should furnish details of stock held and, as per Rule 117 (4) (b), the details of stock should be filed in form TRAN 2.

5.12.4 Audit scope and methodology

The scope of audit comprised a review of transitional credit claim Returns, both Tran 1 and Tran 2, filed by the taxpayers under the transitional arrangements for input tax credit provided under Section 140 of the SGST Act. The period of review was from the appointed date to the end of March 2020. The methodology for verification of transitional credit claims of the selected taxpayers involved verification and scrutiny of quarterly VAT returns filed under the existing laws, immediately preceding the appointed date, along with the evidence in support of such claims. In respect of input tax credit claimed on goods held in stock, verification involved examination of necessary documents or records evidencing purchase of such goods. Verification also involved cross checking of TRAN 1 data with last VAT returns and ECL records available in the state GST system and accessing relevant information/records called from the Commercial Tax Division (CTD).

The audit commenced with entry conference held on 21 June 2021 during which the audit objectives, scope and criteria were discussed with the Department. After the conclusion of audit, the draft report was issued to the CTD on 30 December 2021 and the exit conference was held on 21 January 2022 where audit findings were discussed. The replies of the Department wherever received, have been duly incorporated in the report.

5.12.5 Audit objectives

The audit of transitional arrangements for ITC under GST was taken up with the following audit objectives with a view to seeking an assurance on:

i. Whether the mechanism envisaged by the Department for selection and verification of transitional credit claims was adequate and effective (System issues).

ii. Whether the transitional credits carried over by the individual taxpayers into GST regime were valid and admissible (Compliance issues).

5.12.6 Audit criteria

The criteria against which the audit objectives and sub-objectives were verified comprise the provisions of Section 140 of the SGST Act 2017 read with Rule 117 of the SGST Rules 2017, circulars, notifications and instructions issued by CTD, Sikkim.

5.12.7 Audit sample

The total number of transitional credit claims was 237 amounting to ₹ 116.27 crore, out of which 86 cases amounting to ₹ 4.89 crore were selected for detailed checking.

5.12.8 Audit findings

Scrutiny of relevant data, records and information pertaining to transitional credit revealed the following:-

Table No. 5.17: Details of Audit scrutiny and results thereof

(₹ in lakh)

Nature of Audit Observation	Audit sample		Deficiencies noticed		Deficiencies as percentage of sample	
	Nos.	Amount	Nos.	Amount	Nos.	Amount
Excess carry forward of input tax credit	54	177.63	49	75.88	90.74	42.72
Irregular utilisation of transitional credit without filing last VAT returns	54	177.63	2	3.95	3.70	2.22
Irregular utilisation of transitional credit on works contract service	9	351.09	2	53.55	22.22	15.25
Non-declaration of stock details in Form GST TRAN 2	86	489.47	9	49.60	10.47	10.13

5.12.8.1 Non-production of records

(i) Out of the 86 cases selected for audit, in nine cases the taxpayers had received transitional credit under table 7 (b) and (c) of the Tran-1 application. Invoices in support of their claims for transitional credit were called for scrutiny on 31 August 2021. Invoices in respect of two taxpayers[9] were not made available to Audit.

(ii) In order to examine transitional credit pertaining to Works Contract, the works bills in respect of five taxpayers, pertaining to their last VAT returns (*i.e.* April-June 2017-18) were called for scrutiny on 10 September 2021.The work bills were not furnished to Audit.

This was informed to the CTD (28 December 2021). During the exit conference, the officers of CTD replied that they had asked the taxpayers to submit the required documents. However, the work bills were not furnished to Audit (April 2022). Consequently, Audit could not derive assurance as to the correctness of transitional credit claims of ₹ 86.10 lakh.

5.12.8.2 Verification of Transitional credit

Transitional credit was a one-time flow of input credit from the VAT regime into the GST regime, which could be availed both by the taxpayers migrating from the previous regime as well as new registrants under GST regime. The credit availed was adjusted against GST output liability of the taxpayers. Hence, the claims had a direct impact on GST revenue collection. Accordingly, the verification of transitional arrangements for ITC under GST was of outmost importance. In this regard the

9 GSTIN 11AAACI5120L1Z1 and 11AAACN0255D1ZB

Central Board of Indirect Taxes and Customs (CBIC) issued a letter[10] instructing all field formations to verify correctness of transitional credits in a focussed and concreted manner. A detailed guidance notes to aid and assist the field formations of CBIC in verification of transitional credit was also issued.

It was noticed that the CTD, Sikkim had not set up any mechanism for selection and verification of transitional credit.

This was intimated to the Department on 15 September 2021. During the exit conference, the Departmental representatives replied that as the GST was a new taxation system, the CTD was busy with understanding the GST regime and its implementation and the verification would be done in due course. Even after five years of implementation of GST, neither the Department had checked the veracity of the transitional credits claimed nor was any post facto validation done.

In absence of any verification of the transitional credit claims, the Department so far had not detected any irregular transitional credits and other lacunas as illustrated in the subsequent paras. Further, the State Tax Department had not prepared any guidance note that provides for completion of verification within a fixed time frame.

5.12.8.3 Loss of Revenue due to excess carry forward of input tax credit

As per Section 140 (1) of SGST Act 2017, 'A registered person, other than a person opting to pay tax under Section 10, shall be entitled to take, in his ECL, credit of the amount of VAT, and Entry Tax, if any, carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed.

As per Rule 117 (1) of SGST Rules 2017, every registered person entitled to take credit of input tax under Section 140 shall, within ninety days of the appointed day, submit a declaration electronically in Form GST TRAN-1, duly signed, on the common portal specifying therein, separately, the amount of ITC of eligible duties and taxes, to which he is entitled under the provisions of the said section:

Thus, as per the relevant provision of the SGST Act and Rules 2017 the balance of VAT credit immediately preceding the appointed date could be carried forward to the GST regime, for which the taxpayer had to submit Form TRAN 1 electronically. TRAN 1 consists of various tables out of which the balance of credit of VAT could be carried forward to ECL through Table 5 (c).

Audit observed that in 54 out of 86 cases, VAT credit was carried forward. Cross verification of the last quarterly VAT returns with the transitional credit amount revealed that there were deviations in 49 cases amounting to ₹ 75.88 lakh out of 54 cases.

Transitional credits allowed were more than the credit balance of VAT in the quarterly Returns in five cases amounting to ₹ 22.36 lakh and in 44 cases, transitional

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10 No D.O. F. No. 267/8/2018-CX.8 Dated: 14 March, 2018 (No such circular has been issued by the State Tax Department)

credits amounting to ₹ 53.52 lakh were carried forward where no credits were available as per VAT returns. This resulted in setting off of GST liability from the said credit which had directly impacted the GST revenue to the tune of ₹ 75.88 lakh ***(Appendix 5.1)***.

Audit pointed out these findings to the Department on 10 September 2021. During the exit conference, the Department replied that the defaulting taxpayers have been informed. The Department subsequently forwarded (14 February 2022) the replies of 30 taxpayers in which all the taxpayers had made the same statements, that on the VAT portal the taxpayers could claim ITC only when the buyers approved the sales uploaded by the sellers which was possible only after end of the respective month. The amount of ITC claimed in the last VAT return was approved only after the appointed date and was remaining unutilised. Therefore, the ITC of the last VAT return was carried forward into the GST.

The replies of the taxpayers forwarded by the CTD are not acceptable on the ground that as per Rule 33 of the State VAT Rules 2005, the last quarterly Return (April to June 2017) could have been filed till the end of July 2017 which could include all the purchases made during that last quarter (April–June 2017). The replies forwarded to Audit were not supported by any documentary evidence (invoices issued by the seller but not uploaded). The said documentary evidence was called for checking on 23 February 2022. However, the CTD has not furnished any evidence to support the veracity of the claims (December 2022).

5.12.8.4 Transitional credit allowed to taxpayer without filing VAT returns

As per Section 140 (1) of SGST Act 2017, a registered person shall not be allowed to take credit in the following circumstances, namely: – (i) where the said amount of credit is not admissible as input tax credit under SGST Act; or (ii) where he has not furnished all the returns required under the existing law for the period of six months immediately preceding the appointed date.

Hence, the taxpayers were required to file last two quarterly VAT Returns to avail transitional credit. Audit observed that two taxpayers[11] out of 54 taxpayers had availed transitional credit of ₹ 3.95 lakh, without filing the last two quarterly VAT Returns for the period of January to June 2016-18.

Audit pointed this out to the Department on 22 October 2021. During the exit conference, the Departmental officers replied that they would check for the availability of the returns in the State system. However, further reply was awaited (December 2022).

5.12.8.5 Irregular Transitional credit

As per Section 13 (1) of the Sikkim Value Added Tax (SVAT) Act 2005, 'every taxpayer shall pay for each year, a tax under this Act on his taxable turnover for transfer of property in goods (whether as goods or in some other form) involved in the

[11] GSTIN: 11AEAPK6185Q1Z7 & 11ANYPP6755A1ZS

execution of works contracts, determined at the rates specified for the same goods in the Schedules mentioned in Section 12.

Provided that all amounts towards labour charges and other like charges not involving any transfer of property of goods actually incurred in connection with the execution of works contract, shall be allowed to be deducted from gross turnover of such taxpayer in determining his taxable turnover.

Provided further that if the amount towards labour charges and other like charges not involving any transfer of property in goods, actually incurred in connection with the execution of works contract are not ascertainable from the books of accounts maintained and produced by a taxpayer before the appropriate assessing authority, such taxpayer shall be allowed to deduct from his gross turnover such amount towards labour charges and other like charges as the said authority shall determine on the basis of the nature of works, records available before him and making such verification as may be necessary, but not exceeding forty *per cent* of the total value of the works executed by such taxpayer:

Provided further that the appropriate assessing authority shall determine the turnover taxable as applicable as per the rates of tax specified in the Schedules from the total taxable turnover ascertained after allowing deductions on account of labour charges and other like charges, on the basis of the records available before him and making such verifications as may be necessary on this behalf.

Provided also that the appropriate assessing authority shall record in writing the reasons of determination of taxable quantum and applicable tax rate on such taxable quantum.'

Hence as per the provision of the SVAT Act 2005, VAT would be levied on the value of transfer of goods which is equal to gross amount of the work bill minus 'labour charges and other like charges.

Out of 86 cases selected for detailed checking, in nine cases the taxpayers were registered as Works Contractors. Out of these nine taxpayers, five taxpayers[12] had availed transitional credit of SGST. Scrutiny of the last quarterly (April-June of 2017-18) VAT returns of the five taxpayers revealed Irregular claims of Transitional credit in two cases as detailed below:

(i) M/s AIREF Engineers Pvt. Ltd had claimed a transitional credit of ₹ 21.81 lakh and as per the last revised VAT return, the gross value of the bill was as ₹ 1,565.63 lakh and the total amount of 'labour and like other charges was ₹ 1,422.45 lakh; hence the taxable value of property transferred in goods was ₹ 143.18 lakh (₹ 1,565.63 lakh - ₹ 1,422.45 lakh).

Scrutiny also revealed that the 'labour and like other charges' consisted of five components and profit *i.e.* one of its components was calculated at a

12 Out of nine taxpayers, three had availed credit of zero hence excluded, one taxpayer had not filed the complete VAT return and there was no balance credit availed in the VAT return. Hence, only five taxpayers have been considered for availing of transitional credit of SGST.

disproportionately high rate of 73.35 *per cent* of the gross value of the work. If the profit margin is taken at a reasonable rate of 10[13]*per cent*, there would not have been any credit balance of VAT and the taxpayer would not be eligible for transitional credit. Thus, as the result of the inflated profit the undue transitional credit of ₹ 21.81 lakh was claimed by the taxpayer and was allowed by the Department without any assessment.

The above observations were intimated to the CTD on 10 September 2021. In response the CTD had simply forwarded (31 January 2022) the reply furnished by the taxpayer wherein the taxpayer has submitted the revised VAT return on 13.08.2018 to justify transitional credit of ₹ 21.81 lakh. Even after six months of issue of the audit observation (September 2021) the CTD has not offered any comment on the correctness of the profit (December 2022).

(ii) In the case of M/s U Narayan Sharma, the taxpayer had claimed a transitional credit of ₹ 31.74 lakh and as per the last VAT Return the gross value of the bill was ₹ 2,114.67 lakh and the total amount of 'labour and like other charges' was ₹ 554.47 lakh, therefore the taxable value of property transferred in goods was ₹ 1,560.20 lakh (₹ 2,114.67 lakh - ₹ 554.47 lakh). However, taxable value as disclosed in the return was only ₹ 261.96 lakh. Due to the suppression in taxable value (*i.e.,* ₹ 261.96 lakh in place of ₹ 1,560.20 lakh) there was credit balance of ₹ 31.74 lakh in the last VAT return. This resulted in irregular claim of transitional credit of ₹ 31.74 lakh, the tax payable at different 'value of property transferred in goods' which was allowed by the department.

Table 5.18: Credit balance in last VAT return

(₹ in lakh)

Particulars	Total value of bill Amount	Total value of labour and like other charges	Value of property transferred in goods or Sales	Tax payable	Total credit availed in last VAT return	Balance of credit
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(4)-(5)
As disclosed by the taxpayer in the return	2,114.67	554.47	261.96	10.56	42.29	-31.74
As per the provision of SVAT Act 2005	2,114.67	554.47	1,560.20	62.88[14]	42.29	20.59

Hence, as per the provision of the SVAT Act 2005, the taxpayer was not eligible for the transitional credit of ₹ 31.74 lakh.

This was intimated to the CTD on 10 September 2021. In response, the CTD had forwarded (10 February 2022) the reply furnished by the taxpayer wherein the

13 In Sikkim there was no separate Schedule of Rates pertaining to Tunnel Works. Karnataka' Schedule of Rates pertaining to the same work i.e. Tunnel and Allied works provides for profit of 10 percent.

14 Tax amount of ₹ 10.56 lakh was collected when sale declared was ₹ 261.96 lakh, proportionately if the sales was taken as ₹ 1,560.20 lakh the tax collected would have been ₹ 62.88 lakh.

taxpayer stated that there was credit balance of ₹ 31.73 lakh and the same was carried forward to the GST via TRAN – 1. The taxpayer had further stated that if they have wrongly taken the credit, they would refund the amount of ₹ 31.73 lakh on issue of demand notice. However, no such notice had been issued by the CTD (April 2022).

5.12.8.6 Non-declaration of stock details in Form GST TRAN 2

As per Rule 117 (1) of SGST Rules 2017 all taxpayers availing credit under Section 140 (1) should file TRAN 1. As per Rule117 (2) (b), 'every declaration under sub-rule (1) shall in the case of a claim under sub-section (3) or clause (b) of sub-section (4) or sub-section (6) or sub-section (8) of Section 140, specify separately the details of stock held on the appointed day'. Rule 117 (4) (b) (iii) provides that the registered person availing of this scheme and having furnished the details of stock held by him in accordance with the provisions of clause (b) of sub-rule (2), should submit a statement in **Form GST TRAN 2** by 30 June 2018, for each of the six tax periods during which the scheme is in operation indicating therein, the details of supplies of such goods effected during the tax period.

Hence, in terms of Rule 117 (2) (b) read with Rule 117 (4) (b) (iii), the taxpayer who filed transitional credit under Table 7 (c) and 7 (d) also had to furnish details of stock held by him in statement Form GST TRAN 2. The form GST TRAN 2 contains details of stocks held by the taxpayer: opening stock, outward supplies made during the tax period and the closing stock.

Scrutiny of the returns revealed that out of 86 cases selected for audit, ten taxpayers had availed transitional credit of ₹ 49.98 lakh under Tables 7 (c): four and 7 (d): six. These taxpayers were to submit statement of stock held by them in TRAN 2. However, nine taxpayers[15] with transitional credit amounting to ₹ 49.6 lakh out of these 10 taxpayers had not submitted the stock declaration in TRAN 2. This not only led to non-compliance to Rules 117 (2) (b) read with 117 (4) (b) (iii) of SGST Rules 2017, but is also fraught with the risk of possible tax evasion. The details of the taxpayers who availed the transitional credit but failed to declare the details of stock held by them are given below:

Table 5.19: Details of taxpayers who failed to declare details of stock

(₹ in lakh)

GSTIN	Legal Name	Table	ITC availed
11AAACY3532C1Z0	Yuksom Breweries Limited	7C	1.99
11AACCB4167A1ZG	BVSR Constructions Private Limited	7C	0.18
11AAICA5591M1ZG	Alembic Pharmaceuticals Limited	7C	3.70
11CFWPS0136J1Z8	Surendra Kumar Sarda	7C	1.11
11ACRPA2124N2ZU	Bijay Kumar Agarwal	7D	0.21
11AJHPB3716G1ZW	Karma Loday Bhutia	7D	38.14
11ANRPR5139D1ZZ	Kumar Rai	7D	3.01
11BGGPP9514F1ZJ	Narendra Prasad	7D	0.53
11BIYPD0820J1ZG	Prema Devi	7D	0.72
TOTAL			**49.60**

15 One taxpayer out of ten had filed GST TRAN 2.

Audit pointed this out to the Department on 10 September 2021. During the exit conference, the Departmental officer replied that they have informed the taxpayers. However, further reply is awaited (December 2022).

5.12.8.7 Mismatch of transitional credit data of GSTN with State System

As per Rule 117 (1) of SGST Rules 2017, every registered person entitled to take credit of input tax under Section 140 shall, within ninety days of the appointed day, submit a declaration electronically in Form GST TRAN-1, duly signed, on the common portal specifying therein, separately, the amount of ITC of eligible duties and taxes, to which he is entitled under the provisions of the said section.

The claim of transitional credit was to be initiated by filing up Form Tran 1 on the common portal which would get credited in the ECL and this data of the common portal gets transferred to the State IT system through API[16]. Hence, the data pertaining to transitional credit in different modules such as ECL and Tran 1 is stored in both GSTN and State System.

To test the reliability of the data in the system, Audit made cross-verification of data from three sources (credit amount in GSTN, TRAN 1 data of State system and ECL data of State system) pertaining to 86 selected taxpayers. Audit found mismatch of data in 13 cases, as shown below:

Table No. 5.20: Mismatch of data between GSTN data and State system

(₹ in lakh)

Sl. No.	GSTIN (highlight means - return not furnished by CTD)	Legal name in State System	Tran Application amount	*SGST* credit ledger amount	GSTN Tran amount
1.	11AACCB4167A1ZG	BVSR Constructions Private Limited	0.18	0.18	0.00
2.	11CFWPS0136J1Z8	Surendra Kumar Sarda	1.12	1.12	0.00
3.	11AAICA5591M1ZG	Alembic Pharmaceuticals Limited	3.70	3.70	0.00
4.	11AAACN0255D1ZB	NTPC Limited	6.98	6.98	0.00
5.	11AAACY3532C1Z0	Yuksom Breweries Limited	2.60	2.61	0.61
6.	11ACRPA2124N2ZU	Bijay Kumar Agarwal	0.21	0.00	0.21
7.	11AABCT6921F1ZR	Thyssenkrupp Elevator (India) Private Limited	0.38	0.00	0.38
8.	11BIYPD0820J1ZG	Prema Devi	1.18	0.46	1.18
9.	11BGGPP9514F1ZJ	Narendra Prasad	1.06	0.53	1.06
10.	11AABCG0541J1Z7	Golden cross Pharma Private Limited	25.03	24.86	25.03
11.	11AJHPB3716G1ZW	Karma Loday Bhutia	38.14	0.00	38.14
12.	11AABCA9521E1ZA	Alkem Laboratories Ltd	0.00	1.33	1.33
13.	11AAACI1220M1Z6	Ipca Laboratories Limited	0.00	3.53	3.53
14.	11ACIPA8111E1ZG	Pradeep Kumar Agarwal	0.25	0.49	0.71
15.	11AABCT2439G1ZS	Topsel Private Limited	1.56	0.00	0.83
16.	11ANRPR5139D1ZZ	Kumar Rai	3.01	0.00	1.85

16 Application Programming interface (API) is a software interface format that allows two applications to interact with each other without any user intervention.

i) In case of five taxpayers (Sl. Nos. 1 to 5 above), TRAN-1 application amount and the SGST credit ledger amount are the same but the GSTN TRAN amount is different.

ii) In six cases (Sl. Nos. 6 to 11 above), TRAN-1 application amount and the GSTN Tran amount are the same but the SGST credit ledger amount is different.

iii) In two cases (Sl. Nos. 12 & 13), SGST credit ledger amount and the GSTN TRAN amount are the same but the TRAN-1 application is different.

iv) In the remaining three cases (Sl. Nos. 14 to 16 above), all the figures are different.

Audit pointed this out to the Department on 13 September 2021. During the exit conference, the Department replied that the mismatch could be due to technical glitch during pulling data into the State system from the GSTN and *vice versa*. The Department further stated that they would look into the matter. Further reply was awaited (December 2022)

5.12.9 Conclusion

The Subject Specific Compliance Audit on Transitional Credits under the GST regime revealed the following compliance and systemic deviations:

1) Instances of non-compliance to the provisions under Section 140 (1) of SGST Act 2017 where transitional credit amount carried forward to ECL was more than the closing balance of VAT credit in the last VAT returns, which resulted in short GST revenue collection by ₹ 75.88 lakh.

   Instances of irregular claims of transitional credit by the taxpayers involved in execution of Works Contract under Section 13 (1) of the State VAT Act 2005 which resulted in enhanced credit (Comprehensive checks on works contract could not be conducted due to non-production of relevant records).

2) The mechanism for selection and verification of transitional credit claims was not established.

3) Non-declaration of stock details in Form GST TRAN 2 under Rule 117 (2) (b) read with Rule 117 (4) (b) (iii) of SGST Rules 2017.

Further, mismatches of data captured in two modules (ECL and TRAN 1) of the State system and with GSTN data were also detected. Hence, the verification mechanism, if at all established in future, would be hindered by such data discrepancies.

5.12.10 Recommendations

In order to address the non-compliance to relevant provisions of the acts and rules which directly impacted the GST revenue collection and to ensure establishment of an effective verification mechanism, the following recommendations are made:

- *CTD should ensure that all data captured in the various modules of the State system are accurate.*
- *An effective verification mechanism should be set up to check the veracity of the transitional credit availed and for which guidelines need to be framed on the lines of those prepared by CBIC.*

FINANCE DEPARTMENT
(COMMERCIAL TAX DIVISION)

5.13 Short payment of sales tax by seven liquor dealers

Failure of the State Sales Tax Authorities to exercise due diligence in assessing the sales turnover of liquor dealers of the State by cross verifying with the sales data maintained by the Excise Department resulted in short payment of Sales Tax of ₹ 130.87 crore by the seven dealers during the period 2018-21.

Section 4 of Sikkim Sales Tax (SST) Act, 1983 envisages that every dealer who sells goods (manufactured, imported, produced or purchased by him) in the State, shall pay a Sales Tax on the sales made by him from the date of commencement of the Act. For the purpose of Sales Tax on liquor, the distilleries, breweries and licensed importers of liquor are themselves the registered Dealers and constitute the first point of sale[17] responsible for collecting and paying Sales Tax to the Government. The rate of Sales Tax on liquor as fixed by the State Government was 25 *per cent*[18] with effect from January 2015.

Further, in terms of Rule 62 of Sikkim Excise (Distillery) for manufacture of spirit and foreign liquor) Rules, 2000 and Rule 21 of Sikkim Excise (Brewery) Rules 2000, every distillery / brewery shall be placed by the Commissioner under the charge of an Excise Inspector or Excise Sub-Inspector to be designated as Officer-in-charge of the distillery / brewery.

Scrutiny of the records of the Secretary, Excise Department (ED) revealed (April 2021) that the Excise Officers posted at each distillery, brewery and importer's warehouse regularly maintain details of sales of liquor on actual and real time basis. Such details are submitted to the Commissioner of Excise, Gangtok every month/ year by the Excise officials posted at the units (distilleries, breweries, etc.).

With a view to ascertain the quantum of Sales Tax to be paid by liquor dealers for the period from 2018-19 to 2020-21, Audit worked out (June 2021) the value of Sales Tax payable by seven Liquor Dealers of the State based on the sales data maintained by the Excise Department and compared the same with the Sales Tax actually paid as per the sales returns filed by these Dealers to the Commercial Tax Department. The comparison showed that there was short payment of Sales Tax amounting to ₹ 130.86 crore by the seven Liquor Dealers due to suppression of sales turnover by the Dealers in their Sales Tax returns as detailed in the following table:

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17 Sale point where goods, whether manufactured or imported, are invoiced and transported out for the first time in the State.

18 As per Notification No. 113/CTD/2014 dated 20 November 2014 of the State Government, the tax payable by the Liquor dealers on sale of alcoholic liquor for human consumption is 25 per cent w.e.f. January 2015.

Table No. 5.21: Short Payment of Sales Tax during 2018-19 to 2020-21

(₹ in crore)

Particulars	Krishna Trade links	Shruti Warehouse	Pawan Kr. Gurung	Sikkim Distilleries	Mount Distilleries	Lahag/ Esvegee	Denzong Albrew	Grand total
Local sales data maintained by Excise Department*	91.53	87.87	94.31	350.60	161.50	84.47	87.14	
Local sales as reported by the Dealers concerned in their Returns*	7.57	13.02	31.95	56.36	152.52	11.12	51.39	
Local sales suppressed	83.96	74.85	62.36	294.24	8.98	73.35	35.75	633.49
Sales Tax payable (25%)	22.88	21.97	23.58	87.65	40.38	21.12	21.78	239.36
Sales Tax actually paid	9.82	6.59	4.16	34.39	39.93	2.49	11.12	108.50
Short Realisation of Sales Tax	**13.06**	**15.38**	**19.42**	**53.26**	**0.45**	**18.63**	**10.66**	**130.86**
Assessments done up to	2018-19	2019-20	Not assessed	2019-20	Not assessed	Not assessed	Not assessed	

**Exclusive of Sales Tax*

The above table shows that:

a. there was a total suppression of sales turnover of ₹ 633.49 crore during 2018-21, and

b. the suppression of sales turnover by the Dealers led to short payment of SST of ₹ 130.86 crore during the period 2018-21, which was of substantial value seen against the backdrop of the State's own tax revenue.

Thus, failure of the Commercial Tax Authorities to use the sales data of liquor maintained by the Excise officers posted at the premises of each Liquor Dealer for cross verifying the returns filed by Dealers resulted in short payment of Sales Tax by ₹ 130.86 crore by the seven dealers during the period 2018-21. Year-wise details of short-payment of sales tax are shown in ***Appendix 5.2***.

On this being pointed out, the Department stated (November 2021) that records of the seven Liquor Dealers were being reviewed for verification and scrutiny of their sales tax returns and accordingly requested two months' time for submission of reply.

In a subsequent reply (April 2022), the Department stated that:

(i) the comparison of turnover of Sales Tax with turnover of excise duty was not fair as incidence of levy of Sales Tax and levy of excise duty were different;

(ii) turnovers of sales declared in the self-assessed quarterly returns were exclusive of admissible deductions on account of sales returns, discounts, etc.; and

(iii) the quantity of liquor shown as sold in the State in terms of the Excise Department data was disproportionately high for the population of Sikkim and hence the corresponding amount of sales turnover for liquor in the State was presumptuous.

The reply furnished by the CTD was not based on facts in view of the following:

(i) the incidence of levy of Sales Tax as well as Excise Duty are same by virtue of liquor being taxed at the first point of sale;

(ii) the calculation of audit is based on the data maintained by the Excise Department and Excise Duty was levied on that particular data;

(iii) there is no provision of discounts in the Sales Tax Act on the sale of liquor in the Sales Tax Act and Rules. Moreover, there was not a single instance of mention of sales returns or discounts on sales in the sales data/ sales returns provided to Audit, in case of the seven dealers during the period 2018-21; and

(iv) the CTD's comparison of sale of liquor with that of population of Sikkim is not logical in view of liquor being taxed at first point of sale. Further, huge inflow of tourist into the State and cross border trafficking of liquor into States neighbouring Sikkim was ignored by the Department.

Recommendation:

Immediate action may be initiated by the Department/ Government to realise the actual Sales Tax due from the defaulting Liquor Dealers along with penalty in a time bound manner; a mechanism of inter-departmental cross verification needs to be evolved so as to leave no scope for evasion of Taxes; levy and collection of State Sales Tax from the liquor dealers henceforth may be done simultaneously; and State Government may verify levy of Sales Tax on Liquor Dealers since 01 January 2015, i.e.; the date of revision of Sales Tax from 20 to 25 per cent.

URBAN DEVELOPMENT DEPARTMENT

5.14 Non-realisation of revenue

The Urban Development Department failed to ensure whether Pharmaceutical Companies in the State were complying the Sikkim Trade License and Miscellaneous Rule 2011 and also could not collect the license fees from these Companies which led to non-realisation of revenue to the tune of ₹ 30.87 lakh.

State Government vide notification dated 16.04.2011 made Sikkim Trade License and Miscellaneous Provision (STLMP) Rules, 2011 for control and regulation of trade licenses in the State of Sikkim. Rule 3 (1) of STLMP Rules, 2011, *inter alia* provides that no person shall manufacture, store, sell, exhibit for sale, use any place for the purpose of trade of any goods, etc. as enumerated in Schedule I except under license issued by the Urban Development Department (UDD) under the Rules *ibid*. Further, the licensee after obtaining license from other Departments as envisaged in Rule 3(2) of STLMP Rules, 2011 should obtain trade license from Urban Development Department (UDD) for carrying out on any trade or business on payment of License fee as per Schedule I of the said Rules as amended (16 July 2011). Moreover, Licensee has to pay annual renewal fee (equivalent to License fee) to retain the trade license to continue their business. Accordingly, all the registered Companies for "Manufacturing & Storage, Assembling and Fabrication" are liable to pay license fee @ ₹ 15,000, ₹ 10,000 and ₹ 1,500 per annum as per the category of unit *i.e.* Large, Medium and Small respectively. Further, Rule 21 of STLMP Rules, 2011 provides for imposition of fine up to ₹ 20,000 on contravention of provisions of the Sikkim (Repeal and Miscellaneous Provisions) Act or STLMP Rules, 2011 by the applicant.

During scrutiny of the records of UDD (February 2020), details of 40 Pharmaceutical Companies (PCs) out of 116 PCs in the State were test checked (Annexure). Scrutiny revealed that none of these 40 PCs, had obtained mandatory trade license from the UDD to run their businesses in the State.

PCs never applied for trade license from UDD nor UDD had ensured that no business may commence without valid trade license under the provisions of Rule 6 of STLMP Rules. This also led to undue advantage to the tune of ₹ 30.87 lakh to the PCs on account of non-payment of trade license fee and renewal fee as given in the **Table No. 5.22**.

Table No. 5.22: Trade License fee and Renewal fee due from PCs

Sl. No.	Units Category	Rate of License fee/ renewal per annum	No of companies not paid tax	Period ranging between	Total license renewal charges (in ₹)
1	Large scale units	₹ 15,000	33	3 years to 9 years	29,40,000
2	Medium scale units	₹ 10,000	4	3 years to 9 years	1,20,000
3	Small scale units	₹ 1,500	3	3 years to 9 years	27,000
Total			**40**		**30,87,000**

Further, conditions for renewal of License as envisaged in Rule 12(1) and 12(2) of the STLMP Rules, 2011 states that renewal application shall be made before the expiry of validity of license, any application for renewal of a license submitted after the period prescribed in these Rules shall be accompanied by a late fee of ₹ five for every day of delay. However, UDD did not monitor renewal of trade license with respect of these PCs ever since this notification came into effect.

Thus, due to lackadaisical approach by UDD in implementation of the STLMP Rules, 2011, non-realisation of revenue to the tune of ₹ 30.87 lakh on account of non-payment of license fee/ renewal fee/ late fee in the State.

The Department in its reply (August 2022) accepted audit observation and stated that 05 Large scale units and one Medium scale unit have paid the license fee of ₹ 3,75,000 and ₹ 70,000 (including advance payment of ₹ 2,00,500 of four companies) respectively for the year 2022-23. However, the Department had not recovered fine for contravention of the provisions of these Rules from these five companies.

The UDD should review all the cases of non- payment of license fee by traders/ manufacturers including all 116 Pharmaceutical companies in the State and recover due license fee/ renewal fee/ late fee and any other fine as determined by the UDD on contravention of the provisions of these rules.

Recommendation:

i. The Department should develop coordination between different departments of State machinery to ensure that businesses are carried out in the State only after trade licenses are obtained by them.

ii. The Department should review all the cases of non- payment of license fee by traders/ manufacturers including all 116 Pharmaceutical companies in the State and recover license fee/ renewal fee/ late fee and any other due from manufacturers.

iii. The Department may fix responsibility for lackadaisical approach in collection of government revenue.

CHAPTER VI
GENERAL SECTOR

CHAPTER VI
GENERAL SECTOR

6.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2022 deals with the observations on audit of the State Government units under General Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under General Sector during the year 2020-22 are given in the table below:

Table 6.1: Details of budget allocation and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation		Expenditure	
		2020-21	2021-22	2020-21	2021-22
1	Department of Personnel	23.45	28.41	10.94	13.36
2	Election Department	6.97	6.88	6.12	6.61
3	Finance Department	1,907.97	2,064.14	1,686.78	1,833.72
4	Governor	10.47	11.66	9.81	11.26
5	Home Department	89.39	98.30	79.08	83.17
6	Information and Public Relation Department	20.51	15.87	14.78	14.28
7	Information Technology Department	8.06	16.94	5.4	7.86
8	Judiciary	61.69	61.78	41.49	47.55
9	Land Revenue and Disaster Management Department	406.36	275.83	234.82	122.62
10	Law Department	3.6	3.46	3.1	3.18
11	Parliamentary Affairs Department	14.93	13.85	11.94	12.96
12	Planning & Development Department	78.88	63.60	72.72	59.89
13	Printing and Stationery Department	15.70	14.31	13.78	14.24
14	Sikkim Legislature Assembly	26.93	27.11	23.37	25.74
15	Sikkim Police	502.60	518.80	460.5	501.89
16	Sikkim Public Service Commission	6.05	6.72	5.16	5.71
17	Skill Development Department	57.56	49.85	42.05	24.89
18	State Excise (Abkari) Department	11.63	13.21	10.6	11.47
19	Vigilance Department	9.06	10.61	9.02	10.13
Total		**3,261.81**	**3,301.33**	**2,741.46**	**2,810.53**

Source: Appropriation Accounts

Besides the above, the Central Government had transferred a sizeable amount of funds directly to the State's implementing agencies under the General Sector. The State's implementing agencies received total fund of ₹ 19.15 crore during 2020-22 for implementation of flagship programmes of the Central Government, the major transfers are detailed in Table 6.2:

Table 6.2: Details of funds directly transferred to the implementing agencies during 2020-22

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year	
				2020-21	2021-22
1	High Court of Sikkim	*e*-Court Phase - II	Registrar General, High Court of Sikkim	101.22	77.10
2	Land Revenue and Disaster Management Department	MPs Local Area Development Schemes (MPLADS)	District Collector, East	750	200
		Land Records Modernization Programme	Sikkim Geo-Tech Society	0.00	786.73
Total				**851.22**	**1,063.83**

Source: Finance Accounts

6.2 Planning and conduct of audit

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

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

Test audits were conducted involving expenditure of ₹ 520.27 crore (including expenditure of ₹ 336.10 crore of previous years) during 2020-21 and ₹ 353.16 crore (including expenditure of ₹ 504.09 crore of previous years) during 2021-22 of the State Government under General Sector. The details of year-wise break-up are given in ***Appendix 6.1***.

This chapter contains two compliance audit paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

LAND REVENUE & DISASTER MANAGEMENT DEPARTMENT AND FOOD SUPPLY &CIVIL SUPPLIES DEPARTMENT

6.3 Excess payment due to procurement of edible oils at higher rates

The Food and Civil Supplies Department (FCSD) procured edible oils at much higher rates than the retail rates leading to excess payment of ₹ 1.54 crore.

The Home Department, Government of Sikkim (GoS) brought out a notification on 27 March 2020 announcing free distribution of ration (rice, pulses, cooking oil, potatoes and onions) to needy families, daily wage earners etc. to mitigate hardships faced by the people due to the lockdown on accounts of prevailing COVID pandemic. The free ration was proposed to be provided over and above normal PDS entitlement subject to the family not having any member working in the Government / PSU including temporary, muster roll or ad hoc employees.

The State Government decided (31 March 2020) to meet the expenditure of distribution of free food from the State Disaster Relief Fund (SDRF) administered by the Land Revenue and Disaster Management Department. Accordingly, an amount of ₹ 17.83 crore[1] was spent from the SDRF during March-June 2020 on purchase of the food items for distribution to the general public during the pandemic. The Food and Civil Supplies Department (FCSD) and Sikkim State Co-operative Supply and Marketing Federation Ltd (SIMFED) were identified as agencies responsible for procurement and distribution of the relief materials in coordination with the Block Development Officers (BDOs) under supervision of the respective District Commissioners (DCs).

Scrutiny of records of FCSD revealed (December 2020) that Secretary, FCSD constituted (28 March 2020) a four-member Departmental Tender Selection Committee for procurement of the food items, which collected quotations from four Gangtok based agencies[2] (28 March 2020) and one Singtam based agency[3] (29 March 2020). The Committee opened the bids on 29 March 2020 and the rates quoted by a firm M/s Shiva Enterprises, Singtam (Supplier) being lowest was recommended by the Committee which in-turn approved (31 March 2020) by the Government. Supply Order was issued to the Supplier on 31 March 2020 and payment of ₹ 10.61 crore was made to the Supplier by June 2020.

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1 ₹ 12.38 crore withdrawn from the SDRF and released (3/2020 to 6/2020) to FCSD and deposited in a separate bank account in the SISCO Bank from which payments were made to the supplier for three the items - Masur dal, cooking oil & salt. ₹ 4.70 crore spent from SDRF for procurement of rice from FCI by FCSD under PDS. Purchase of onions & potatoes was done through the SIMFED at ₹ 2.52 crore (₹ 1.77crore paid from the separate FCSD account and ₹ 74.60 lakh directly from SDRF), which were also stated to be distributed to the affected families from the food godowns located at various places in the State.

2 M/s Achheylall Mangal Prasad; Swaminath Premchand; Suraj & Company and Sikkim Food Products.

3 M/s Shiva Enterprises, Singtam

During scrutiny following irregularities in tendering process and purchase of essential items were noticed:

a. Award of order for supply to unauthorised Agency

The quotations were obtained from the four Gangtok based agencies on 28 March 2020 and from the one Singtam agency the next day on 29 March 2020. It is pertinent to mention that there were 136 licensed wholesale dealers[4] of essential commodities (groceries/ provision stores) in Gangtok / Singtam. The Committee, however, collected quotations from only five dealers. Out of the five dealers from whom quotations were collected, only one dealer (M/s Swaminath Premchand) was a wholesale dealer of essential commodities while other three Gangtok based dealers (M/s Achheylall Mangal Prasad, Suraj & Company and Sikkim Food Products) were retailers. The fifth agency (M/s Shiva Enterprises) based at Singtam which was selected by the Committee did not possess the mandatory Trade License to trade in essential commodities. Audit found out that the description of business of the selected dealer (M/s Shiva Enterprises) in its Trade License were grinding, husking, oil extraction units/atta mill and transport only. Thus, while the quotation collection process was restrictive, arbitrary and casual, which lessened the chances of obtaining the best rates for the items to be procured, the selection of the agency M/s Shiva Enterprises Singtam, which did not even possess the mandatory Trade License to deal in essential commodities and hence ineligible to trade in essential commodities was highly irregular.

b. Purchase of edible oils at higher rates:

It was further seen that the retail rates of mustard oil and soya oil in Gangtok as shown in the website of the Department of Consumer Affairs (Price Monitoring Division), GoI, for the period March 2020 to June 2020, were ₹ 117.41 and ₹ 104.27 respectively *(exclusive of GST)*. Though the FCSD purchased these oils in bulk, yet the purchase prices were much higher than even the retail prices as shown in the Table 6.3:

Table 6.3: Rate comparison of commodity

(Amount in ₹)

Commodity	**Quantity procured (In litres)**	**Rate per litre**		**Total amount paid to the Supplier**	**Amount as per Retail Market Rate**	**Difference (*Excess Payment)***
		Paid to the Supplier	***Retail Market Rate***			
Mustard oil	1,56,194	144.00	117.41	2,24,91,936	1,83,38,738	42,63,198
Refined oil	3,06,163	134.00	104.27	4,30,77,133	3,19,23,616	1,11,53,517
Total						**1,54,16,715**

[*]Conversion: Weight of 1 litre cooking oil (mustard, soya) = 0.92 Kg. Rates are exclusive of GST

The Committee had ignored the prevailing market rates of cooking oils in Gangtok, which were being assessed by the FCSD itself, before deciding on the reasonability of rates quoted by the selected Supplier. Hence the selection of an unauthorized dealer was not only irregular but was also done without exercising due diligence. This led to

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4 Gangtok – 124 licenced dealers. Singtam – 12 wholesale dealers

excess expenditure and consequent undue favour to the tune of ₹ 1.54 crore to the Supplier.

The Department replied (August 2021) that the purchases were made invoking Section 50 of the Disaster Management Act, 2005 and by relaxing the tender procedure mandated under the Sikkim Financial Rules (SFR) by the Government. The rates offered by the Agency were not higher than the retail prices of the items in Gangtok at the time and were lower than the rates offered by the wholesale dealer M/s Swaminath. It would not be fair to compare the rates of normal time with rates offered at the time of pandemic which had lots of constraints as to availability and transportation of goods.

Replies of the Department were not acceptable as Section 50 of the DM Act 2005, *inter alia*, envisaged waiver of inviting to tenders for emergency procurement for rescue or relief but did not condone arbitrary and non-transparent collection of quotations and award of contract to an ineligible agency while there were 136 other wholesale dealers in Gangtok and Singtam out of which quotation was collected from only one wholesale dealer (M/s Swaminath). The procedure for inviting tenders prescribed by SFR by publicity in newspapers have not been commented in Audit considering relaxation of provisions of SFR by the Government.

The contention of the Department that rates offered by the Agency were not higher than retail prices was factually incorrect as the rates uploaded in the website of Department of Consumer Affairs (Price Monitoring Division), were sourced from FCSD itself. Further, constraints relating to availability and transportation of goods, it is added that the movement of essential commodities was never restricted in the State during the lockdown, moreover, the supplier was allowed additional costs towards transportation and packing charges over and above his quoted rates to mitigate the difficulties in transportation in hilly terrain and during lockdown.

Recommendation: *The Department may follow the prescribed tendering process as per General Financial Rule even if in case of all Emergency related purchases and the Department may take appropriate steps to recover the amount paid as undue favour to supplier.*

FINANCE DEPARTMENT

6.4 Avoidable payment of penalty

Finance Department (FD) failed to provide required fund to Sikkim Power Investment Corporation Limited for repayment of loan availed from Power Finance Corporation leading to delay in repayment of loan and resultant avoidable payment of penalty to the tune of ₹ 14.35 crore.

The delayed repayment of loan or interest thereon can have serious consequences in terms of additional financial burden on account of penalties and affects creditability of the Borrower in a very negative manner. Therefore, it is of utmost importance that the

Borrower carefully plans for the mobilisation of required funds to ensure repayments of principal and interest are strictly done as per schedule of repayments of the loan.

Power Department (PD), Government of Sikkim (GoS) had incorporated Sikkim Power Investment Corporation Limited (SPICL) in February 2012 for multiple objectives and one of the objectives was 'to engage in business of financing and support financial services for Power sector and other infrastructure, and its development in the State of Sikkim and in India by promotion of special purpose companies or joint ventures or otherwise.'

A tripartite agreement amongst GoS, SPICL, and Power Finance Corporation (PFC), was entered on 06 January 2017 to enable SPICL (Borrower) to avail loans aggregating to ₹ 2700.38 crore from PFC (Lender) for equity infusion in two hydel projects[5] in four tranches[6]. As per the terms and conditions of PFC for sanctioning of loans, in the event of the interest or the principal not being paid to PFC by the borrower on due date, the defaulted amount would carry further interest at the applicable lending rate of the loan besides a penal interest @ two *per cent* compounded on quarterly basis would also be charged. The PFC was to raise demand on quarterly basis and SPICL was to pay within 15 days of the demand.

Subsequently an Addendum to the tripartite agreement was signed on 24 December 2018 which provided for execution of quadripartite agreement amongst GoS, SPICL, PFC, and Teesta Urja Limited (TUL). Accordingly, a quadripartite agreement was signed on 24 December 2018 which *inter alia* included the following provisions:

1. The GoS was to furnish a revolving guarantee of ₹ 225 crore in favour of PFC for the entire loan period, which issued on 24 December 2018.

2. GoS was to provide a letter of comfort and an undertaking for the entire loan including interest, additional interest, charges and expenses, *etc.*, provided on 21 December 2018 which is valid till final settlement of the loan

3. GoS was to authorise TUL to release all the 12 *per cent* state share of revenue towards repayment of PFC loan

4. GoS was to make allocation in the State budget every year to meet the debt obligation along with interest and other charges.

The SPICL commenced the repayment of the loans from 2017-18 by sourcing the funds from TUL, PD and borrowings from State Bank of Sikkim (SBS).

Scrutiny of records of SPICL revealed that due to low energy generation during winter season TUL's did not make payment of free power at the rate of 12 *per cent* to SPICL. Despite being informed, GoS neither made allocation for repayment of loan in its budget nor provided any financial support to SPICL for its committed liability. The

[5] TeestaUrja Limited undertaking of 1200 MW Teesta-III HEP and Jal Power Corporation Limited Undertaking 120 MW Rangit IV HEP

[6] ₹ 600 crore (February 2013) + ₹ 367.44 crore (December 2014) + ₹ 776.60 crore (August 2015) + ₹ 956.34 crore (January 2017)

SPICL had borrowed ₹ 132 crore from SBS for repayment of the said loans. Moreover, due to delay in repayment of loan, SPICL lost interest rebate and became liable to penal interest by PFC.

Thus, in spite of GoS/FD's commitment to make budgetary allocation for repayment of said loan, FD did not make any budgetary provision and SPICL was forced to avail loan from SBS for the same purpose as the royalty revenue from TUL was not sufficient vis-à-vis the repayment obligations. Since the SPICL does not have own source of revenue and in absence of budgetary support from GoS, SPICL did not repay the loan availed from SBS.

The Audit observed that during the period from 2017-18 to 2021-22, the SPICL had paid penal interest amounting to ₹ 14.35[7] crore to the PFC on account of delayed payment of quarterly instalments.

Thus, due to failure of FD to provide the funds required for repayment of loans and interest as per schedule, SPICL had to pay avoidable penalty to the tune of ₹ 14.35 crore.

Recommendation: *The Department may fix the responsibility for non-allocation of funds despite commitment and take prompt action to provide fund for repayment henceforth.*

[7] 2017-18: ₹ 0.14 crore, 2018-19: ₹ 5.82 crore, 2019-20: ₹ 6.92 crore, 2020-21: ₹ 0.72 crore and 2021-22: ₹ 0.75 crore.

CHAPTER VII
FOLLOW UP OF AUDIT OBSERVATIONS

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FOLLOW UP OF AUDIT OBSERVATIONS

7.1 Follow up action on earlier Audit Reports

Audit observations on financial irregularities and deficiencies in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the audited departments and to the higher authorities through Inspection Reports (IRs).

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India (Audit Reports) and presented to the State Legislature. According to the instructions issued by the Finance Department, Government of Sikkim, all the concerned administrative departments were required to furnish explanatory notes on the paragraphs/Performance Audits included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that as of March 2022, in 29 *per cent* cases (inclusive of PSU and Revenue Sectors), the concerned administrative departments had not submitted the explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2013-14. In respect of Audit Reports for the years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19, explanatory notes had not been submitted by concerned departments in 37, 75, 94, 100 and 100 *per cent* cases respectively. The position of *suo motu* explanatory notes not received as on 31 March 2022 is shown in the table below:

Table 7.1: Explanatory notes not received (as on 31 March 2022)

Year of Audit Report	Date of placement of Audit Report in the State Legislature	Total performance audits (PAs) and Paragraphs in the Audit Reports		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	17.03.2015	04	10	**01**	**03**
2014-15	28.03.2016	04	15	**01**	**06**
2015-16	18.03.2017	04	12	**04**	**08**
2016-17	12.07.2018	06	12	**06**	**11**
2017-18	02.08.2019	02	14	**02**	**14**
2018-19	08.12.2021	01	07	**01**	**07**

7.2 Response of the departments to the recommendations of the Public Accounts Committee

The Finance, Revenue and Expenditure Department (FRED) issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by the Public Accounts Committee (PAC) for their consideration within 15 days of presentation of the PAC's Reports to the Legislature. The PAC's Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executives to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

As on March 2022 PAC had completed discussions of Audit Reports for the year up to 2013-14 and discussions on Audit Report 2014-15 were in progress. Recommendations on the Audit Reports for the year up to 2012-13 had been issued by the PAC. As of

March 2022, ATNs had been received in respect of 614 out of 648[1] recommendations of the PAC, made for the Audit Reports for the years between 1990-91 and 2012-13.

7.3 Monitoring

The following Committees had been formed at the Government level to monitor the follow up action on Audit related matters:

Departmental Audit and Accounts Committee: Departmental Audit and Accounts Committee (DAAC) had been formed (November 2010) by all departments of the Government under the Chairmanship of the departmental Secretary/Head of Department to monitor the follow up action on Audit related matters. The DAAC's function was to monitor the response and corrective action on findings reported in the IRs issued by the Principal Accountant General (PAG). It was to hold meetings once in three months and to send quarterly action taken report on the issues to the State Audit and Accounts Committee. During 2020-21 and 2021-22, no DAAC meeting was held.

State Audit and Accounts Committee: State Audit and Accounts Committee (SAAC) had been formed (June 2010) at the State level under the Chairmanship of the Chief Secretary. This was to monitor the response and corrective action on the findings reported by Audit to review and oversee the working of DAAC and also to hold meetings once in three months. The information in this regard was not furnished, though called for.

After formation of the SAAC by the State Government, not a single meeting was held.

7.4 Outstanding Inspection Reports

The PAG conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up by issuing IRs on irregularities detected during the inspection and not settled on the spot, to the Heads of the Offices inspected, with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of the issue of the IRs. Serious irregularities are reported to the Heads of the departments and the Government.

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of State Public Sector Undertakings) audit as of March 2022 is shown below:

Table 7.2: Position of outstanding Inspection Reports and Paragraphs

Year	Civil (*including works, Forest and Autonomous Bodies*)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto2016-17	434	1,322	71	176	70	242
2017-18	77	287	6	17	4	15
2018-19	89	346	10	29	7	32
2019-20	101	451	3	10	5	31

[1] 34 (648-614) ATNs relates to Audit Report 2011-12 (4 ATNs) and 2012-13 (30 ATNs)

Year	Civil (*including works, Forest and Autonomous Bodies*)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
2020-21	67	406	3	10	2	12
2021-22	54	263	3	15	1	5
Total	**822**	**3,075**	**96**	**257**	**89**	**337**

As of March 2022, 1,007 Inspection Reports (IRs) and 3,669 paragraphs issued from 1990-91 onwards were pending for settlement. This large pendency of IRs was indicative of inadequate actions by the Heads of offices and departments in respect of remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

7.5 Departmental Audit Committee Meetings

During 2020-21, no physical Audit Committee Meetings were held due to Covid. However, a virtual meeting was held on 20.06.2020, wherein 136 IRs and 211 paragraphs were settled after reviewing them in the audit office. During 2021-22, one Audit Committee Meeting was held with Commissioner, Commercial Tax Division, Finance Department where 10 IRs and 17 paragraphs were discussed, out of which four IRs and nine paragraphs were settled.

Gangtok
The: 04 April 2023

(HIMANSHU KASHYAP DHARMADARSHI)
Principal Accountant General (Audit), Sikkim

Countersigned

New Delhi
The: 05 April 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix 2.1
Audit conducted during 2020-21 under Social Sector
(*Reference: Paragraph 2.2*)

(₹ in lakh)

2020-21						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2016-17	2017-18	2018-19	2019-20	2020-21
1	Principal Secretary, Labour	--	--	455.07	580.82	--
2	Secretary, Social Welfare Division	--	3,827.93	--	4,346.90	--
3	Pr. Director, AIDS Control Society	--	--	439.21	647.52	--
4	Secretary, Welfare Division	--	--	--	12,748.74	--
5	Secretary, Women and Child Dev. Division	--	2,790.02	--	2,980.14	--
6	Project Director, Samagrah Shiksha	--	--	9,984.01	9,439.58	--
7	Director, Technical Education	--	134.15	184.88	263.23	--
8	Joint Director/East, Education	--	15,510.31	18,510.84	26,460.86	--
9	Director, Higher and Technical Education	933.07	1,906.43	670.91	3,391.88	--
10	Director, SCERT	--	--	297.63	374.94	--
11	Nodal Officer, NCC	--	169.76	182.26	224.20	--
12	ACS, Education	--	7,955.00	-	12,992.93	--
13	Welfare Officer, Welfare Division, SJED	--	--	22.77	18.20	--
	TOTAL	**933.07**	**32,293.6**	**30,747.58**	**74,469.94**	--

Audit conducted during 2021-22 under Social Sector

(₹ in lakh)

2021-22						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Principal Secretary, Labour	--	455.07	580.82	577.79	--
2	Principal Secretary, ESIC	204.00	--	--	536.48	--
3	Secretary, Social Welfare	3,827.93	--	4,346.90	7,792.79	--
4	Secretary, Health and Family Welfare	--	25,092.00	--	15,562.00	--
5	Dy. Director/Namchi, Social Welfare	--	160.90	--	162.30	--
6	Welfare Officer/Gyalshing, Social Welfare	--	--	--	41.74	--
7	Secretary, Transport (SNT)	--	6,525.00	--	6,888.00	--
8	Secretary, Culture	3,411.89	4,101.20	--	2,742.86	--
9	Director, Tibetology	0	--	388.56	372.12	--
10	Secretary, Women and Child Development	2,790.02	--	2,980.14	10,812.43	--
11	CDPO, Urban Slum Project	--	--	--	114.89	--
12	Director, NRHM	--	--	--	4,964.92	--
13	Principal, Advanced Tech. Trg. Centre	--	--	--	827.80	--
14	ACS, Education	7,955.00	--	12,992.93	8,826.30	--
	TOTAL	**18,188.84**	**36,334.17**	**21,289.35**	**60,222.42**	--

Appendix 3.1
Audit conducted during 2020-21 under Economic Sector
(*Reference: Paragraph 3.2*)

(*₹ in lakh*)

2020-21						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2016-17	2017-18	2018-19	2019-20	2020-21
1	CCF, Wildlife Circle	--	--	--	99.92	--
2	DFO (East), Wildlife	277.49	290.71	469.52	626.38	--
3	Secretary, RDD	--	60,481.29	8,256.19	16,346.68	--
4	DFO/East, Social Forestry	107.36	119.61	169.55	249.97	--
5	National Hydrology Project, WRD	--	--	--	113.00	--
6	Project Director, JICA	--	--	--	9,015.00	--
7	Joint Director/East, Agriculture	--	475.66	603.70	823.88	--
8	Pr. Secretary, Agriculture	--	7,141.00	0	11,758.00	--
9	CEO, PMGSY	--	--	21,372.00	1,628.00	--
10	Secretary, Commerce & Industries	--	--	430.23	586.60	--
11	Secretary, Food & Civil Supplies	--	--	0	832.39	--
12	Project Director, NESRIP	--	--	0	3,828.10	--
13	Secretary, Transport Division	--	--	0	7,883.00	--
14	DCSO/East, Food and Civil Supplies	--	--	165.91	245.56	--
15	Secretary, AHVS	--	--	0	13,409.66	--
16	Joint Director/West, AHVS	441.12	397.18	625.42	839.90	--
17	SE/South-West, RDD	--	--	616.04	1,687.87	--
18	Secretary, Urban Development	--	--	0	888.00	--
19	Empowered Officer, NRDWP	--	--	0	1,526.99	--
20	PCE-cum-Secretary, Water Resources	--	--	910.65	655.32	--
21	DE/South, Water Resources	--	--	1,464.71	949.38	--
22	PCE-cum-Secretary, Building & Housing	--	--	--	6,029.00	--
23	PCE-cum-Secretary, Roads and Bridges	--	--	--	25,575.35	--
24	DE/South, Building & Housing	--	362.35	469.79	402.51	--
25	Addl. Controller/(N/E), Legal Metrology	--	--	162.98	183.13	--
26	Jt. Director/(S/W), Legal Metrology Unit	--	--	28.60	37.19	--
27	Project Director, SIRD	--	--	643.00	607.00	--
28	ADC(Development), Chungthang	26.82	36.05	37.13	31.07	--
29	DE/West, Building & Housing	--	139.84	271.11	220.99	--
30	Joint Secretary/South-West, UDD	--	0	650.00	1,059.00	--
31	Pr. Director, SUDA, UDD	--	0	0	2,078.71	--
32	Pr. Director, SREDA	182.00	168.38	181.91	115.64	--
33	PCE-cum-Secretary, PHED	0	4,828.00	7,290.00	8,427.00	--
	TOTAL	**1,034.79**	**74,440.07**	**44,818.44**	**1,18,760.19**	**--**

Audit conducted during 2021-22 under Economic Sector

(*₹ in lakh*)

2021-22						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	PCCF, Forest and Environment	--	32,182.00	--	32,445.00	--
2	Secretary RDD	60,481.29	8,256.19	16,346.68	60,705.92	--
3	Project Director, SIRD	--	643.00	607.00	328.00	--
4	CEO, Sikkim Rural Livelihood Mission	--	--	--	1,320.95	--
5	Pr. Secretary, Agriculture	7,141.00	--	11,758.00	7,601.00	--
6	Jt. Director/ Namchi, Agriculture	--	--	--	505.96	--

2021-22						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2017-18	2018-19	2019-20	2020-21	2021-22
7	Jt. Director/Gyalshing, Agriculture	--	374.99	--	453.25	--
8	CEO, PMGSY	--	21,372.00	1,628.00	1,558.60	--
9	Secretary, Food & Civil Supplies	--	--	832.39	605.79	--
10	DCSO/Mangan, FCS	--	78.16	--	81.09	--
11	DCSO/Namchi, FCS	--	340.08	--	279.80	--
12	Secretary, AHVS	1,954.02	--	13,409.66	1,078.30	--
13	Director, Fisheries	0	--	--	212.59	--
14	Jt. Director/Gangtok, AHVS	0	872.47	--	116.23	--
15	Jt. Director/Namchi, AHVS	0	673.19	--	809.11	--
16	Pr. Director, SIPMIU, UDD	1,442.00	1,039.00	--	788.00	--
17	Secretary, Tourism and Civil Aviation	3,005.51	12,662.35	--	8,780.64	--
18	PCE-cum-Secretary, PHED	4,828.00	7,290.00	8,427.00	6,477.00	--
19	Divisional Engineer/Mangan, PHED	--	43.18	--	152.04	--
20	Divisional Engineer/Namchi, PHED	--	327.85	--	463.36	--
21	PCE-cum-Secretary, Water Resources	--	910.65	655.32	736.95	--
22	Superintending Engineer, Hydrology	--	73.15	116.00	260.58	--
23	SE/Jorethang, WRD	--	1,464.71	--	940.60	--
24	CEO, Sikkim Livestock Dev. Board	--	--	--	339.51	--
25	Secretary, Urban Development	--	--	888.00	228.79	--
26	Secretary, Horticulture	--	--	8,313.00	10,342.00	--
27	Jt. Director/Mangan, Horticulture	--	--	--	488.00	--
28	Jt. Director/Gangtok, Horticulture	--	--	--	1,655.00	--
29	Empowered Officer, NRDWP	--	--	1,526.99	4,480.98	--
30	PCE-cum-Secretary, Roads and Bridges	--	--	25,575.35	17,863.56	--
31	ADC(Development), Gyalshing	--	710.04	--	813.32	--
32	Pr. Director, SUDA, UDD	--	--	2,078.71	790.00	--
	TOTAL	**87,909.11**	**89,313.01**	**92,162.1**	**1,63,701.92**	**--**

Appendix 3.2

Statement showing non-commencement of works despite payment of mobilisation advance

(Reference: Paragraph 3.4)

Sl. No.	Dist	Stage	Name of work	Length *(In Kms)*	Name of contractor	Sanc-tioned cost	Date of NIT	Scheduled date of start	Scheduled date of completion	Progress of work		MA payment		MA out-standing as on date	Reasons for non-commence-ment of works
										Phy	Fin (%)	Mob	Mech		
1	Gangtok	S-II	Nehcudara to BahunGaon	5.8	BinodSubba	860.37	26.01.18	10.07.18	10.07.20	0%	6	54.06	0	54.06	Stage-I: Reason not mentioned
2	Gangtok	S-II	30 mtrs bridges over RakseyKhola	0.03	Devi Dhakal	177.67	26.01.18	28.05.18	27.11.19	0%	14	8.26	16.52	24.78	Stage-I
3	Gangtok	S-II	20 mtrs bridges over Andheri Khola	0.02	Devi Dhakal	132.41	26.01.18	28.05.18	27.11.19	0%	11	1.61	12.31	13.92	Stage-I
4	Gangtok	S-II	SPWD Road to NimtarMangthang	3	Prahlad Gurung	233.15	26.01.17	26.09.17	26.09.19	0%	15	11.66	23.32	34.98	Defective DPR
5	Tadong	S-II	ChinzeyGaon to Chinzey School	2.84	Binod Subba	212.11	26.01.18	22.06.18	22.06.20	0%	17	11.77	23.55	35.32	Forest clearance
6	Tadong	S-II	Ranka Barbing to BingruGaon	2.15	Durga Pradhan	160.21	26.01.18	21.06.18	21.06.20	0%	13	6.75	13.5	20.25	Stage-I
7	Tadong	S-I	NH10 to Samdur	2.02	Lakpa Tsh. Bhutia	286.67	26.01.17	30.09.19	30.09.20	0%	14	13.85	27.71	41.56	NOC from landowner awaited
8	Tadong	S-I	Bridge over Chauhan Khola	0.03	Lakpa Tsh. Bhutia	254.99	26.01.17	30.09.19	30.09.20	0%	14	12.24	24.49	36.73	NOC from landowner awaited
9	Pakyong	S-I	Tarethang to Kerabari over Rangpo Khola	0.05	N.B. Dahal	438.58	24.08.16	10.01.17	09.07.18	0%	12	17.51	35.01	52.52	No connectivity at site
10	Pakyong	S-II	20 mtrs bridge over DiklingKhola	0.02	Yogendra P. Chettri	165.55	24.08.17	13.05.18	12.05.19	0%	14	7.91	15.81	23.72	Stage-I
11	Pakyong	S-I	Riwa to L/Gangyap	7.29	Mohan Mittal	530.49	24.08.17	22.05.18	21.05.19	0%	10	0	51.19	51.19	Land dispute
12	Pakyong	S-II	Riwa to L/Gangyap (Bridge)	0.03	Mohan Mittal	185.61	24.08.17	22.05.18	21.05.19	0%	14	8.96	17.91	26.87	Stage-I

Sl. No.	Dist	Stage	Name of work	Length *(In Kms)*	Name of contractor	Sanc-tioned cost	Date of NIT	Scheduled date of start	Scheduled date of completion	Progress of work		MA payment		MA out-standing as on date	Reasons for non-commence-ment of works
										Phy	Fin (%)	Mob	Mech		
13	Pakyong	S-II	Bridge over BhusukKhola	0.04	Gyaltsen Bhutia	189.59	24.08.17	19.06.18	18.06.19	0%	15	9.18	18.35	27.53	Stage-I
14	Pakyong	S-II	Bridge over TalchamchuKhola	0.04	Gyaltsen Bhutia	212.07	24.08.17	19.06.18	18.06.19	0%	15	10.26	20.53	30.79	Reason not mentioned
15	Pakyong	S-II	L/Nandok to L/Syari	3.42	Gyaltsen Bhutia	269.85	24.08.17	19.06.18	18.06.19	0%	15	13.06	26.12	39.18	Stage-I
16	Rongli	S-II	Bridge over Nimachen to Premlakha	0.04	Raghubir Agarwal	386.11	24.08.17	07.11.17	06.11.18	0%	14	17.86	35.72	53.58	Reason not mentioned
17	Namchi	S-II	Adarshgaon to Burul	6.5	Sanat Kr. Bhujel	860.03	26.08.17	05.01.18	04.06.19	0%	14	40.81	81.62	122.43	Stage-I awaiting forest clearance
18	Jorethang	S-II	30mtr bridge over Sikkip to AmboteyChisopani	0.03	Bikash Pradhan	156.50	26.01.18	30.05.19	31.12.21	0%	19	9.82	19.65	29.47	Abutment washed out
19	Jorethang	S-II	20mtr bridge over Sikkip to AmboteyChisopani	0.02	Bikash Pradhan	155.68	26.01.18	30.05.19	31.12.21	0%	15	7.79	15.59	23.38	Abutment washed out
20	Jorethang	S-II	SPWD road to ChumlokOmchu	8.86	Dawgyal Lepcha	525.31	26.08.20	01.05.21	31.12.21	0%	17	28.90	57.81	86.71	Forest clearance
21	Gyalshing	S-II	Bridge over Reshi-II Khola	0.02	Pema Gyaltsen	134.64	26.08.17	20.06.18	19.12.19	0%	15	6.73	13.46	20.19	No connectivity at site
22	Gyalshing	S-II	Bridge over Reshi-I Khola	0.02	Pema Gyaltsen	136.65	26.08.17	20.06.18	19.12.19	0%	14	6.51	13.03	19.54	No connectivity at site
23	Gyalshing	S-II	Bridge over LigayKhola	0.02	Pema Gyaltsen	125.27	26.08.17	20.06.18	19.12.19	0%	15	6.26	12.53	18.79	No connectivity at site
24	Gyalshing	S-II	RCR from Nar Khola to U/Narkhola	12.03	Pempa Bhutia	829.65	26.08.17	05.07.18	04.01.20	0%	15	42.76	85.51	128.27	Stage-I

Sl. No.	Dist	Stage	Name of work	Length *(In Kms)*	Name of contractor	Sanc-tioned cost	Date of NIT	Scheduled date of start	Scheduled date of completion	Progress of work		MA payment		MA out-standing as on date	Reasons for non-commence-ment of works
										Phy	Fin (%)	Mob	Mech		
25	Gyalshing	S-II	SPWD road to U/Dhupidara via L/Dhupidara	14.65	Ram Kumar Rai	1029.17	26.08.17	09.09.18	31.03.20	0%	17	58.08	116.16	174.24	Stage-I
26	Ravangla	S-II	L060-Tinkitam to BhirGaon via ICDS centre	6.61	K.T. Bhutia	487.75	26.08.17	04.06.18	31.12.19	0%	15	24.95	49.91	74.86	Defective DPR
27	Kaluk	S-II	RrinchenpongMeyong to TaklakMeyong	11.83	Prem Kr. Chandak	844.37	26.08.17	05.07.18	04.01.20	0%	15	40.87	81.73	122.60	Stage-I
28	Kaluk	S-II	DentamPelling to Legship via Majgaon	16.52	M.B. Gurung	1175.47	26.08.17	20.04.18	19.09.19	0%	9	0	109.08	109.08	Stage-I
29	Mangan	S-II	Thangshing to Sordong	2.25	R.T. Bhutia	142.66	26.08.17	24.07.18	23.07.20	0%	15	7.09	14.18	21.27	Reason not mentioned
30	Mangan	S-II	Nampatam to Punjukyoj	4.1	R.T. Bhutia	212.76	26.08.17	24.07.18	23.07.20	0%	15	10.51	21.03	31.54	Reason not mentioned
31	Mangan	S-II	Gairee to U/Gairee	3.26	R.T. Bhutia	222.27	26.08.17	24.07.18	23.07.20	0%	15	11.05	22.11	33.16	Reason not mentioned
32	Mangan	S-II	Upper Lingdum to Lavan	4.63	R.T. Bhutia	241.40	26.08.17	24.07.18	23.07.20	0%	15	12.00	23.99	35.99	Reason not mentioned
33	Mangan	S-II	DSM to Katammantyem	14.3	Suresh Kr. Mittal	687.00	26.08.17	31.08.18	30.08.20	0%	15	34.14	68.28	102.42	Reason not mentioned
34	Mangan	S-II	DAC app road to RingimGumpa	7.15	Suresh Kr. Mittal	416.89	26.08.17	31.08.18	30.08.20	0%	15	20.72	41.45	62.17	Reason not mentioned
			TOTAL	**139.6**		**13078.90**						**573.93**	**1209.16**	**1783.09**	

Appendix 4.1

Summarised financial position and working results of SPSEs as per their latest finalised accounts as on 30.09.2022

(*Reference: Paragraph 4.1.8, 4.1.8.2 & 4.1.8.3*)

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Free Reserves & Surplus	Turnover	Net profit (+)/ loss (-)	Net impact of Accounts Comment	Capital Employed*	Earning before interest and taxes**	Return on Capital Employed	Manpower
											12=5+6+7+8		14=13/12*100	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A. Working Government Companies														
Agriculture and Allied														
1	Sikkim Poultry Development Corporation Limited (SPDCL)	2017-18	2018-19	0.00	0.00	-1.72	2.80	0.00	-0.15	0.00	1.08	-0.15	-13.89	NA
2	Sikkim Hatcheries Limited (SHL)	2017-18	2018-19	0.46	0.00	-2.71	2.32	0.06	-0.14	0.00	0.07	-0.14	-200.00	NA
3	Sikkim Livestock Processing and Development Corporation (SLPDC)	2013-14	2014-15	0.69	0.01	-1.04	1.40	0.06	-0.02	0.00	1.06	-0.02	-1.89	NA
Sector wise total		**-**	**-**	**1.15**	**0.01**	**-5.47**	**6.52**	**0.12**	**-0.31**	**0.00**	**2.21**	**-0.31**	**-14.03**	
Finance														
4	Schedule Caste, Schedule Tribe and Other Backward Classes Development	2015-16	2018-19	18.31	20.10	-15.40	0.00	1.87	-0.24	0.02	23.01	0.49	2.13	27.00

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Free Reserves & Surplus	Turnover	Net profit (+)/ loss (-)	Net impact of Accounts Comment	Capital Employed*	Earning before interest and taxes**	Return on Capital Employed	Manpower
											12=5+6+7+8		14=13/12*100	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Corporation Limited (SABCCO)													
Sector wise total				**18.31**	**20.10**	**-15.40**	**0.00**	**1.87**	**-0.24**	**0.02**	**23.01**	**0.49**	**2.13**	**27.00**
Infrastructure														
5	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	2020-21	2021-22	17.14	562.28	14.28	0.00	3.30	0.06	0.00	593.70	0.08	0.01	32.00
6	Gangtok Smart City Development Limited (GSCDL)*	2021-22	2022-23	0.00	0.00	-2.23	0.00	0.00	-1.21	0.00	-2.23	-2.23	0.00	**28.00**
7	Namchi Smart City Limited (NSCL)*	2020-21	2020-21	2.05	0.00	-0.29	0.00	0.00	0.05	0.00	1.76	0.04	2.27	**57.00**
Sector wise total				**19.19**	**562.28**	**11.76**	**0.00**	**3.30**	**-1.10**	**0.00**	**593.23**	**-2.11**	**-0.36**	117.00
Power														
8	TeestaUrja Limited (TUL)	2021-22	2022-23	3,205.39	9,397.33	-1,267.85	1.22	2,612.90	230.98	0.00	11,336.09	1,422.85	12.55	100.00
9	Teestavalley Power Transmission Limited (TPTL)	2021-22	2022-23	388.45	788.45	81.51	0.00	239.55	6.00	0.00	1,258.41	135.50	10.77	56.00
10	Sikkim Power	2020-21	2021-22	0.01	3,229.13	-1,210.98	0.00	204.60	-210.69	0.00	2,018.16	153.59	7.61	5.00

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Free Reserves & Surplus	Turnover	Net profit (+)/ loss (-)	Net impact of Accounts Comment	Capital Employed*	Earning before interest and taxes**	Return on Capital Employed	Manpower
											12=5+6+7+8		14=13/12*100	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Investment Corporation Limited (SPICL)													
11	Sikkim Power Development Corporation Limited (SPDC)	2020-21	2021-22	74.84	42.56	-107.64	58.69	15.07	3.77	0.00	68.45	7.18	10.49	69.00
Sector wise total		**-**	**-**	**3,668.69**	**13,457.47**	**-2,504.96**	**59.91**	**3,072.12**	**30.06**	**0.00**	**14,681.11**	**1,719.12**	**11.71**	**230.00**
Service														
12	Sikkim Tourism Development Corporation (STDC)	2016-17	2018-19	6.46	0.00	-1.69	0.00	2.53	0.06	0.00	4.77	0.08	1.68	65.00
Sector wise total		**-**	**-**	**6.46**	**0.00**	**-1.69**	**0.00**	**2.53**	**0.06**	**0.00**	**4.77**	**0.08**	**1.68**	**65.00**
Manufacturing														
13	Sikkim Handloom and Handicraft Development Corporation Limited (SHHDCL)	**2014-15**	**2021-22**	**0.92**	**0**	**0.09**	**0**	**1.33**	**0.29**	**0**	**1.01**	**0.29**	**28.71**	**NA**
				0.92	**0**	**0.09**	**0**	**1.33**	**0.29**	**0**	**1.01**	**0.29**	**28.71**	
Total A (All sector wise working Government companies)		**-**	**-**	**3,714.72**	**14,039.86**	**-2,515.67**	**66.43**	**3,081.27**	**28.76**	**0.02**	**15,305.34**	**1,717.56**	**11.22**	**439.00**

Sl. No.	Sector/Name of the company	Period of accounts	Year in which accounts finalised	Paid up capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ loss(-)	Free Reserves & Surplus	Turnover	Net profit (+)/ loss (-)	Net impact of Accounts Comment	Capital Employed*	Earning before interest and taxes**	Return on Capital Employed	Manpower
											12=5+6+7+8		14=13/12*100	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
B Statutory Corporations														
Finance														
14	State Bank of Sikkim (SBS)	2018-19	2019-20	0.53	67.61	6.85	70.40	188.16	23.24	0.49	145.39	31.96	21.98	615.00
Sector wise total		**-**	**-**	**0.53**	**67.61**	**6.85**	**70.40**	**188.16**	**23.24**	**0.49**	**145.39**	**31.96**	**21.98**	
Service														
15	State Trading Corporation of Sikkim (STCS)	2020-21	2021-22	1.61	278.60	7.42	0.00	132.07	0.23	1.12	287.63	0.31	0.11	NA
Sector wise total				**1.61**	**278.60**	**7.42**	**0.00**	**132.07**	**0.23**	**1.12**	**287.63**	**0.31**	0.11	
Agriculture & Allied														
16	Government fruit Preservation factory (GFPF)	2018-19	2019-20	**0.00**	**0.00**	**0.81**	**0.09**	**5.19**	**0.62**	**0.00**	**0.90**	**0.62**	**68.89**	**NA**
17	Temi Tea	2017-18	2019-20	**0.00**	**0.00**	**-1.51**	**0.00**	**7.18**	**0.25**	**0.00**	**-1.51**	**0.25**	**-16.56**	**NA**
Sector wise total				**0.00**	**0.00**	**-0.70**	**0.09**	**12.37**	**0.87**	**0.00**	**-0.61**	**0.87**	**-142.62**	
Total B (All sector wise working Statutory corporations)		**-**	**-**	**2.14**	**346.21**	**13.57**	**70.49**	**332.60**	**24.34**	**1.61**	**432.41**	**33.14**	**7.66**	**615.00**
Grand Total (A+B)		**-**	**-**	**3,716.86**	**14,386.07**	**-2,502.10**	**136.92**	**3,413.87**	**53.10**	**1.63**	**15,737.75**	**1,750.70**	**11.12**	**1,054.00**

* Capital Employed= Paid up Capital +Free reserves & Surplus+ Long term loans+ Accumulated Profit/Loss

** EBIT represents Total Income-Expenses (Excluding Interest and tax expenses from P & L Accounts of respective PSUs)

*** Return on Capital Employed= Percentage of EBIT in Capital Employed

Appendix 4.2
Statement showing Rate of Real Return on Government Investment
(*Reference: Paragraph 4.1.9*)

Financial year	PV of cumulative Government investment at the beginning of the year	Funds infused by the Government during the year in the form of				Total investment at the end of the year	Average rate of interest on Government borrowings (in *per cent*)	PV of cumulative Government investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings (Profit after tax) for the year
		Equity (*less* disinvestment)	Revenue Grants / Subsidy	Loan	Total					
a	b	c	d	e	f = c + d+e	g = b + f	h	i = g*(1+h/100)	j = g*h/100	k
Prior to 2002	**0**	**17.29**	**0**	**2.03**	**19.32**	**19.32**	**0**	**19.32**	**0**	**0**
2002-03	19.32	3.85	0	0	**3.85**	**23.17**	11.47	**25.83**	**2.66**	-3.26
2003-04	25.83	5.84	0	0	**5.84**	**31.67**	10.33	**34.94**	**3.27**	-22.49
2004-05	34.94	1.17	0	0	**1.17**	**36.11**	9.78	**39.64**	**3.53**	-3.05
2005-06	39.64	4.82	0	0	**4.82**	**44.46**	9.45	**48.66**	**4.20**	-3.05
2006-07	48.66	0.30	0	0	**0.30**	**48.96**	9.25	**53.49**	**4.53**	-4.05
2007-08	53.49	0.00	0	0	**0**	**53.49**	8.92	**58.26**	**4.77**	-3.41
2008-09	58.26	3.05	1.21	0	**4.26**	**62.52**	8.6	**67.90**	**5.38**	-2.69
2009-10	67.90	2.10	2.25	0	**4.35**	**72.25**	8.28	**78.23**	**5.98**	-2.17
2010-11	78.23	0.96	1.79	0	**2.75**	**80.98**	7.92	**87.39**	**6.41**	-11.59
2011-12	87.39	0.00	0	0	**0**	**87.39**	7.74	**94.16**	**6.76**	-7.03
2012-13	94.16	0.00	0	0	**0**	**94.16**	7.4	**101.13**	**6.97**	-15
2013-14	101.13	0.00	0.18	0	**0.18**	**101.31**	7.74	**109.15**	**7.84**	-17.1
2014-15	109.15	0.00	0.16	0	**0.16**	**109.31**	7.95	**118.00**	**8.69**	-27.76
2015-16	118.00	0.00	0.18	0	**0.18**	**118.18**	8.1	**127.75**	**9.57**	-80.12
2016-17	127.75	0.00	0.11	0	**0.11**	**127.86**	8.22	**138.37**	**10.51**	-335.17
2017-18	138.37	0.00	11.6	0	**11.60**	**149.97**	8.22	**162.30**	**12.33**	-319.01
2018-19	162.30	6.02	10.79	0	**16.81**	**179.11**	8.28	**193.94**	**14.83**	-254.35
2019-20	193.94	2.50	6.5	0	**9.00**	**202.94**	8.2	**219.58**	**16.64**	-184.69
2020-21	219.58	0.92	8	0	**8.92**	**228.50**	7.97	**246.71**	**18.21**	-182.8
2021-22	246.71	50.04	8	0	**58.04**	**304.75**	7.85	**328.67**	**23.92**	-183.25
Total	1,364.52	**98.86**	**50.77**	**2.03**	**151.66**					

Appendix 4.3
Excess claim of capital subsidy
(Reference: Paragraph 4.2.14.4)

Particulars	DDUGJY (New)	Saubhagya	Additional Infra under DDUGJY	Total
Total value of works (A)	49.44	0.75	37.36	87.55
Labour Cess @ 1 %	0.4944	0.0075	0.3736	0.8755
Total value of works after excluding Local Taxes (B)	48.9456	0.7425	36.9864	86.6745
Capital subsidy claimed{85% of (A)}	42.024	0.6375	31.756	74.4175
Capital subsidy to be claimed{85% of (B)}	41.6038	0.6311	31.4384	73.6733
Excess claim (H=F-G)	**0.4202**	**0.0064**	**0.3176**	**0.7442**

Appendix 4.4
Short collection of security deposit
(Reference: Paragraph 4.2.14.6)

Sl. No.	Date as per Expenditure book	Total value of Work as per RA bills	Actual Security Deposit @ 5 % to be deducted from the total value of works	Security deposit deducted by the department	Short deduction of Security deposit
1	21.04.2020	87,312,826.00	4,365,641.30	0.00	4,365,641.30
2	10.08.2020 & 06.11.2020	16,478,011.42	823,900.57	200,315.00	623,585.57
3	10.08.2020 & 06.11.2020	18,219,288.44	910,964.42	274,320.00	636,644.42
4	10.08.2020 & 06.11.2020	13,959,910.00	697,995.50	343,926.00	354,069.50
5	10.08.2020& 06.11.2020	9,626,223.00	481,311.15	159,114.00	322,197.15
6	10.08.2020& 06.11.2020	16,989,311.00	849,465.55	472,046.00	377,419.55
7	10.08.2020 & 23.12.2020	21,759,491.48	1,087,974.57	674,778.00	413,196.57
8	10.08.2020 & 23.12.2020	29,401,264.96	1,470,063.25	999,554.00	470,509.25
9	10.08.2020& 23.12.2020	15,330,155.39	766,507.77	401,532.00	364,975.77
10	10.08.2020& 23.12.2020	13,098,816.64	654,940.83	306,700.00	348,240.83
11	10.08.2020& 23.12.2020	6,335,763.48	316,788.17	19,270.00	297,518.17
12	10.08.2020& 23.12.2020	49,363,940.80	2,468,197.04	1,679,968.00	788,229.04
13	10.08.2020& 23.12.2020	17,515,296.46	875,764.82	494,400.00	381,364.82
14	10.08.2020& 23.12.2020	52,916,314.71	2,645,815.74	815,000.00	1,830,815.74
15	10.08.2020& 23.12.2020	13,835,191.44	691,759.57	337,996.00	353,763.57
Total		**382,141,805.22**	**19,107,090.26**	**7,178,919.00**	**11,928,171.26**

Appendix 4.5
Short deduction of Earnest Money Deposit
(Reference: Paragraph 4.2.14.7)

Statement showing Non deduction of Earnest Money Deposit from the Contractors Bill

Total Bill amount on which EMD @ 2.5% was not levied (East District)	Amount of EMD @ 2.5% not deducted	Total Bill amount on which EMD @ 2.5% was not levied (North District)	Amount of EMD @ 2.5% not deducted	Total Bill amount on which EMD @ 2.5% was not levied (West District)	Amount of EMD @ 2.5% not deducted	Total amount of EMD not deducted
B	C	D	E	F	G	H=C+E+G
15,05,433	37,635.83	54,46,739	1,36,168.5	19,19,000	47,975	
15,15,253	37,881.33	1,03,21,595	2,58,039.9	2,77,07,300	6,92,682.5	
10,30,777	25,769.43			1,10,73,125	2,76,828.1	
12,65,038	31,625.95					
22,88,318	57,207.95					
16,97,073	42,426.83					
6,81,129	17,028.23					
6,03,112	15,077.8					
10,26,079	25,651.98					
5,84,030	14,600.75					
1,21,96,242	**3,04,906.1**	**1,57,68,334**	**3,94,208.4**	**4,06,99,425**	**10,17,486**	**17,16,600.50**

Appendix 5.1
Undue availment of transitional credit
(Reference: Paragraph 5.12.8.3)

Sl. No.	GSTIN	Legal Name	ITC available as per the VAT return of 2017-18 April to June	Credit in the ledger - SGST (₹)	Transitional credit availed over and above the ITC available in the last VAT return
1.	11CBIPS1024H1Z2	Dhaneshawar Prasad Sharma	1,56,719	5,00,144	3,43,425
2.	11AAMCS4609N1Z3	State trading Corporation Of Sikkim	19,44,874	37,72,200	18,27,326
3.	11BGWPM1565R1ZM	Sushil Kumar Mull	3,890	33,411	29,521
4.	11CSHPS2267Q1Z6	Mahesh Chandra Sharma	3,673	36,209	32,536
5.	11AEAPK6185Q1Z7	Narayan Kumar	1,354	4,392	3,038
6.	11BGGPP9514F1ZJ	Narendra Prasad	2	52,817	52,815
7.	11ANYPM3175F1ZT	AbhisekhMoulik	0	3,530	3,530
8.	11DGHPP7214K1ZC	Ganga Maya Pradhan	0	1,802	1,802
9.	11BIYPD0820J1ZG	Prema Devi	0	46,149	46,149
10.	11AABCG0541J1Z7	Goldencross Pharma Private Limited	0	24,86,121	24,86,121
11.	11ASYPA7980M1Z3	Pradeep Kumar Agarwal	0	8,70,920	8,70,920
12.	11AOUPP8599M1ZR	Shree NathPrashad	0	8,191	8,191
13.	11AQTPA7604H1Z2	Mahabir Agarwal	0	1,36,329	1,36,329
14.	11CLQPP4745Q1ZB	Sujit Kumar Prasad	0	1,47,925	1,47,925
15.	11BLIPK0957L1Z1	Sunita Kiran	0	66,145	66,145
16.	11AUFPP7432E2ZW	Swami Nath Prasad	0	2,43,523	2,43,523
17.	11AOYPP0635E1ZZ	Mohan Prasad	0	1,93,865	1,93,865
18.	11DGRPK5370M1ZY	DikBir Kami	0	1,71,319	1,71,319
19.	11BFTPS0566N1ZU	Dhaneshwar Singh	0	77,674	77,674
20.	11CSLPS5820B1Z0	ManojSarda	0	13,017	13,017
21.	11BLAPP7560A1ZM	Anand Kumar Periwal	0	33,850	33,850
22.	11AZTPP0290K2Z1	Raj Dhari Prasad	0	1,611	1,611
23.	11AUFPP7432E1ZX	Swami Nath Prasad	0	44,305	44,305
24.	11AACCN6100B1ZH	Nextgen Printers Private Limited	0	1,00,765	1,00,765
25.	11AMMPP1345F1ZC	Manager Prasad	0	12,298	12,298
26.	11ANYPP6755A1ZS	Prabhu Prasad	0	3,90,497	3,90,497
27.	11ACIPA8111E1ZG	Pradeep Kumar Agarwal	0	49,324	49,324

Sl. No.	GSTIN	Legal Name	ITC available as per the VAT return of 2017-18 April to June	Credit in the ledger - SGST (₹)	Transitional credit availed over and above the ITC available in the last VAT return
28.	11HODPS6721E1Z3	Om Prakash Sarda	0	2,215	2,215
29.	11AFOPL8092E1ZD	Urmila Lamichaney	0	31,747	31,747
30.	11AVKPS4075J1ZB	LaxmiSurana	0	47,786	47,786
31.	11BEOPG3065C1Z0	Kailash ChandarGolwa	0	3,284	3,284
32.	11BVHPS5400B1Z7	YashitSinghi	0	5,650	5,650
33.	11BHTPR8651R1Z9	Devika Rai	0	23,343	23,343
34.	11AVVPG7498N1ZN	Kedar Mall Gupta	0	5,601	5,601
35.	11BDFPC9518L2ZL	TseringWongyalChankapa	0	475	475
36.	11BAZPB5926Q1Z3	Anju Bothra	0	8,859	8,859
37.	11BDAPP4456R1Z7	Mahabir Prasad	0	15,460	15,460
38.	11BGVPS1866G2ZZ	Sunil Kumar Sarda	0	3,392	3,392
39.	11AZQPS0925F2ZE	TarunSarda	0	21,922	21,922
40.	11BUUPM0348C1ZV	KalyaniMoulik	0	1,986	1,986
41.	11BYPPS7883F1ZU	Sunil Kumar Sirohia	0	652	652
42.	11BDAPP4456R2Z6	Mahabir Prasad	0	9,929	9,929
43.	11AJTPL3066F1Z9	DawaDomaLepcha	0	8,610	8,610
44.	11APZPP6407N1Z7	Rajendra Prasad	0	2,721	2,721
45.	11BKMPP2010C1ZX	Anita Prasad	0	3,621	3,621
46.	11ADAPR9116P1ZB	Ashok Kumar Rathi	0	991	991
47.	11CHKPR4173G1ZB	Shanti Rai	0	1,178	1,178
48.	11ATEPC0457C1ZM	Karma Gelay Chungyalpa	0	292	292
49.	11ADTPL3288P1ZT	Puspa Lata Lama	0	500	500
	TOTAL				75,88,035

Appendix 5.2
Year-wise details of short-payment of sales tax
(Reference: Paragraph 5.13)

(₹ in crore)

1. Krishna Trade Links

Particulars	2018-19	2019-20	2020-21	Total
Local sales data maintained by Excise Department*	81.11	10.42	0	91.53
Local sales as reported by the dealers concerned in their returns*	7.29	0.28	0	7.57
Local sales suppressed	73.82	10.14	0	83.96
Sales tax payable (25%)	20.28	2.60	0	22.88
Sales Tax actually paid	3.52	1.55	4.75	9.82
Short Realisation of Sales Tax	16.76	1.05	(-) 4.75	13.06

2. Shruti Warehouse

Particulars	2018-19	2019-20	2020-21	Total
Local sales data maintained by Excise Department*	0	81.10	6.77	87.87
Local sales as reported by the dealers concerned in their returns*	0	12.61	0.41	13.02
Local sales suppressed	0	68.49	6.36	74.85
Sales tax payable (25%)	0	20.28	1.69	21.97
Sales Tax actually paid	0	2.44	4.15	6.59
Short Realisation of Sales Tax	0	17.84	(-) 2.46	15.38

3. Pawan Kr. Gurung

Particulars	2018-19	2019-20	2020-21	Total
Local sales data maintained by Excise Department*	0	0	94.31	94.31
Local sales as reported by the dealers concerned in their returns*	0	0	31.95	31.95
Local sales suppressed	0	0	62.36	62.36
Sales tax payable (25%)	0	0	23.58	23.58
Sales Tax actually paid	0	0	4.16	4.16
Short Realisation of Sales Tax	0	0	19.42	19.42

4. Sikkim Distilleries

Particulars	2018-19	2019-20	2020-21	Total
Local sales data maintained by Excise Department*	118.30	117.24	115.06	350.60
Local sales as reported by the dealers concerned in their returns*	13.80	13.52	29.04	56.36
Local sales suppressed	104.50	103.72	86.02	294.24
Sales tax payable (25%)	29.58	29.31	28.76	87.65
Sales Tax actually paid	3.82	3.60	26.97	34.39
Short Realisation of Sales Tax	25.76	25.71	1.79	53.26

5. Mount Distilleries

Particulars	2018-19	2019-20	2020-21	Total
Local sales data maintained by Excise Department*	52.57	59.21	49.72	161.50
Local sales as reported by the dealers concerned in their returns*	47.78	63.38	41.36	152.52
Local sales suppressed	4.79	(-) 4.17	8.36	8.98
Sales tax payable (25%)	13.15	14.80	12.43	40.38
Sales Tax actually paid	13.15	14.58	12.20	39.93
Short Realisation of Sales Tax	0	0.22	0.23	0.45

6. Lahag / Esvegee

Particulars	2018-19	2019-20	2020-21	Total
Local sales data maintained by Excise Department*	26.72	31.91	25.84	84.47
Local sales as reported by the dealers concerned in their returns*	3.79	3.87	3.46	11.12
Local sales suppressed	22.93	28.04	22.38	73.35
Sales tax payable (25%)	6.68	7.98	6.46	21.12
Sales Tax actually paid	0.65	1.07	0.77	2.49
Short Realisation of Sales Tax	6.03	6.91	5.69	18.63

7. Denzong Albrew

Particulars	2018-19	2019-20	2020-21	Total
Local sales data maintained by Excise Department*	22.06	27.17	37.91	87.14
Local sales as reported by the dealers concerned in their returns*	18.47	20.01	12.91	51.39
Local sales suppressed	3.59	7.16	25.00	35.75
Sales tax payable (25%)	5.51	6.79	9.48	21.78
Sales Tax actually paid	4.54	3.25	3.33	11.12
Short Realisation of Sales Tax	0.97	3.54	6.15	10.66

**Exclusive of Sales Tax*

Appendix 6.1
Audit conducted during 2020-21 under General Sector
(*Reference: Paragraph 6.2*)

(*₹ in lakh*)

2020-21						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2016-17	2017-18	2018-19	2019-20	2020-21
1	Secretary, Law	--	0	1,206.48	1,407.25	--
2	Director, Vigilance	--	0	825.09	901.25	--
3	Secretary, Skill Development	--	205.87	--	286.63	--
4	SP/East, Police	--	0	4,668.73	5,726.93	--
5	DIG/Check Post	--	0	--	1,861.82	--
6	Secretary, Sports & Youth Affairs	--	0	--	3,017.48	--
7	Member Secretary, SCST	--	0	536.79	312.18	--
8	CEO, Election	--	0	2,061.79	2,434.00	--
9	Addl. CS, Finance	--	0	862.68	993.65	--
10	Commissioner, Planning & Development	--	0	--	722.00	--
11	Secretary, IPR	--	0	1,736.04	1,175.85	--
12	Director, Pension, GPF, GIC, Finance	--	0	474.09	562.71	--
13	Commandant, Home Guards	--	0	--	314.29	--
14	Relief Commissioner, SDRF	--	0	8,389.00	3,481.00	--
15	Secretary, Land Revenue	--	728.00	6,264.00	9,279.00	--
16	Director,Capacity Building	2,071.46	861.37	70.30	--	--
17	SDM, Dentam	92.52	114.69	142.37	156.70	--
18	SDM, Yuksam	--	54.54	70.38	133.98	--
19	SDM, Soreng	--	149.45	173.32	234.15	--
20	Commandant, 3rd IRB, Battalion	--	0	--	3,779.73	--
21	SDM, Jorethang	55.66	65.77	92.48	125.83	--
22	Commandant, 2nd IRB Battalion	--	--	--	3,370.00	--
23	Commandant, 1st IRB Battalion	--	--	--	4,679.00	--
24	SP/North	--	--	1,043.16	1,304.03	--
25	Secretary, Home	--	--	--	5,134.56	--
26	SDM, Pakyong	--	--	--	336.00	--
27	Secretary, Rajya Sainik Board	--	288.00	304.98	297.28	--
	TOTAL	**2,219.64**	**2,467.69**	**28,921.68**	**52,027.30**	--

Audit conducted during 2021-22 under General Sector

(*₹ in lakh*)

2021-22						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Secretary, Skill Development	205.87	--	286.63	288.55	--
2	Director General of Police	1,512.00	1,657.00	--	2,735.74	--
3	DIG/Check Post	--	--	1,861.82	2,082.92	--
4	Secretary, Sports & Youth Affairs	1,630.94	--	3,017.48	2,999.46	--
5	Jt. Director/Namchi, Sports	--	--	--	294.56	--
6	Member Secretary, SCST	--	536.79	312.18	304.12	--
7	CEO, Election	--	2,061.79	--	612.01	--
8	Member Secretary, Election Commission	--	--	--	477.30	--
9	Addl. CS, Finance	--	862.68	993.65	729.80	--
10	Commissioner, Planning & Development	3,032.90	0	722.00	612.01	--
11	Secretary, IPR	--	1,736.04	1,175.85	830.98	--
12	District Information Officer/Gyalshing	--	--	--	43.89	--

2021-22						
Sl. No.	Name of the Unit	Expenditure of the Unit (i.e. of the Unit for the financial year for which audit conducted)				
		2017-18	2018-19	2019-20	2020-21	2021-22
13	District Information Officer/Mangan	--	--	--	26.13	--
14	District Information Officer/Namchi	--	--	--	38.70	--
15	Commandant, Home Guards	--	0	314.29	198.92	--
16	Relief Commissioner, SDRF	--	8,389.00	3,481.00	10,302.57	--
17	Secretary, Land Revenue	728.00	6,264.00	9,279.00	1,029.82	--
18	SDM, Ravangla	--	--	--	166.98	--
19	Commandant, 3rd IRB, Battalion	--	--	3,779.73	2,452.65	--
20	Commandant, 2nd IRB Battalion	--	--	3,370.00	3,520.00	--
21	Commandant, 1st IRB Battalion	--	--	4,679.00	5,118.00	--
22	Secretary, RajyaSainik Board	288.00	304.98	297.28	298.05	--
23	Secretary, Excise	--	711.00	--	152.00	--
	TOTAL	**4,048.90**	**18,267.70**	**28,091.80**	**35,315.16**	--

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