



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

**Annual Technical Inspection Report on
Panchayati Raj Institutions
and
Urban Local Bodies
for the year ended March 2022**



GOVERNMENT OF SIKKIM
Office of the Accountant General (Audit), Sikkim

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**Government of Sikkim
Office of the Accountant General (Audit), Sikkim**

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PREFACE

This Report for the year ended March 2022 has been prepared for submission to the Government of Sikkim in terms of Technical Guidance and Supervision to audit of PRIs and ULBs under Section 20 (1) of CAG's (DPC) Act 1971.

The Report contains significant results of the audit of the Panchayati Raj Institutions and Urban Local Bodies in the State including the departments concerned.

The issues noticed in the course of test audit for the period 2021-22 as well as those issues which came to notice in earlier years, but could not be dealt with in the previous Reports, have also been included, wherever necessary.

The audit has been conducted in conformity with auditing standards issued by the Comptroller and Auditor General of India.



OVERVIEW

OVERVIEW

This report contains two Chapters. Chapter I contains an overview of the functioning, accountability mechanism and financial reporting issues of *Panchayati Raj* Institutions in the State and Chapter II contains an overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies.

1. An overview of *Panchayati Raj* Institutions

The State Government transferred only 20 functions to the PRIs as against 29 functions as of March 2022.

(Paragraph 1.3.2)

Social Audit although institutionalised and made functional in the State, follow up mechanism was found to be inadequate. As a result, out of 13,804 issues raised, 40 *per cent* remains unsettled. Further, 61 *per cent* of recovery pointed out remained unsettled.

(Paragraph 1.5)

2. An overview of the Urban Local Bodies

Out of 18 functions listed in the XIIth Schedule of the Constitution, the State Government partially transferred only seven functions to the Gangtok Municipal Corporation; five functions to the *Rangpo* Nagar Panchayat and four functions to the five ULBs (*Namchi* Municipal Council, *Naya Bazar – Jorethang* Municipal Council, *Geyzing* Municipal Council, *Singtam* Nagar Panchayat and *Mangan* Nagar Panchayat).

(Paragraph 2.3)

The State Government had not set up Property Tax Board as of March 2022 for realisation of potential property tax of ₹ 3.08 crore as per estimation of the 4th State Finance Commission.

(Paragraph 2.6)

The revenue collection recorded increased during 2021-22 over previous year (2020-21) in case of the five ULBs (NMC, NJNP, RNP, SNP and MNP) and decrease in two ULBs (GMC and GeNP).

(Paragraph 2.9.1)



PART – A
PANCHAYATI RAJ INSTITUTIONS



CHAPTER I
**AN OVERVIEW OF THE FUNCTIONING,
ACCOUNTABILITY MECHANISM AND
FINANCIAL REPORTING ISSUES OF
PANCHAYATI RAJ INSTITUTIONS (PRIs)**



CHAPTER I

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS (PRIs)

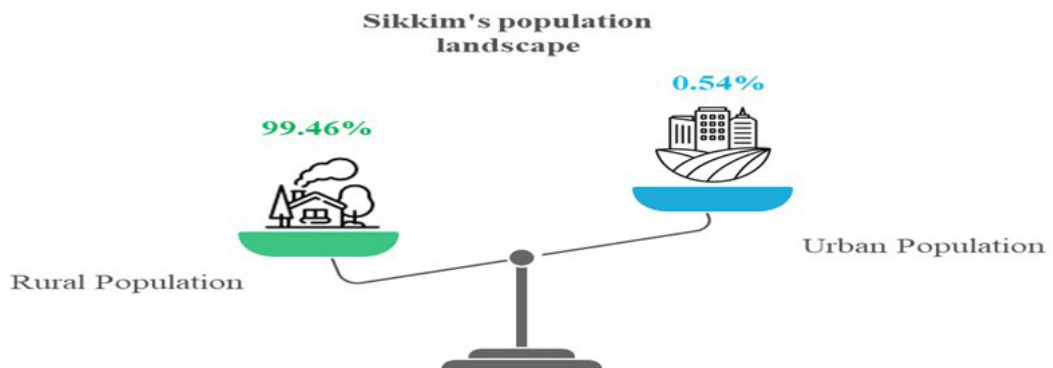
Functioning of the *Panchayati Raj* Institutions (PRIs) in the State

1. Introduction

The 73rd Constitutional Amendment Act, 1992 gave a constitutional status to *Panchayati Raj* Institutions (PRIs) and provided for a uniform structure, holding regular elections, regular flow of funds through Finance Commissions, *etc.* As a follow up, the States were required to entrust the PRIs with specified powers, functions and responsibilities to enable them to function as institutions of self-governance. The PRIs are required to prepare plans and implement schemes for economic and social development.

Consequently, Government of Sikkim (GoS) enacted Sikkim *Panchayat* Act, (SPA) 1993. A two-tier system of PRIs *viz.* *Gram Panchayat* (GPs) at village level and *Zilla Panchayat* (ZP) at district level was established under this Act. As on March 2022, there were four ZPs¹ consisting of 113 Territorial Constituencies (TCs) and 185 GPs comprising of 1,040 wards in the State². Out of 185 GPs, there are two traditional institutions of self-governance at Lachung and Lachen in North Sikkim, also known as the *Dzumsas*. The head of the *Dzumsa* known as *Pippon* is selected by the public. The *Dzumsas* were deemed to be Gram Panchayat Units (GPU) for the purpose of Sikkim *Panchayat* Act, 1993 and exercised their traditional powers besides carrying out the functions of *Gram Panchayats*. The Government of Sikkim (GoS) promulgated Sikkim *Zilla Panchayat* (Financial) Rules, 2001; Sikkim *Zilla Panchayat* (Financial) Amendment Rules, 2004; Sikkim *Gram Panchayat* (Financial) Rules, 2003; Sikkim *Gram Panchayat* (Financial) Amendment Rules, 2005.

The important statistics relating to rural population, sex ratio, literacy rate, *etc.* are given in *Appendix 1.1*.



¹ Gangtok, Mangan, Namchi, Geyzing.

² Source: Departmental Reply.

1.1.1 Evolution of Local Self-governance in Sikkim

Though the GoS enacted *Panchayati Raj Act* in 1993 in compliance to the 73rd Constitutional Amendment Act, the roots of *Panchayati Raj* in the State date back to the time when Sikkim was a kingdom under the Namgyal Dynasty. During that period, landlords or *Zamindars* were known as *Kazis*. Under the *Kazis* there were *Mandals* and *Karbaris* to assess the crop cultivation and collect taxes in form of *Dhuri Khazana*.

Panchayats were created after the abolition of *Zamindari* in 1948. The Panchayats consisted of the landlord or his representative and four other members from the block, selected by the people in a meeting convened for the purpose. These Panchayats filled the gap created by the abolition of *Zamindari* and were essentially quasi-judicial in nature or *Nyaya Panchayats*.

Formally, the Sikkim Panchayat Act (SPA), 1965 which came into effect from December 1965, was enacted to consolidate and amend laws relating to Panchayats in Sikkim. The objective of establishing the Panchayats was to facilitate rural development and to enable participation by all communities at the village level. The term of these Panchayats was three years and the Panchayats were assigned 16 duties and functions. To fulfil these duties, the Panchayats had resources comprising of house tax, a proportion (10 per cent) of the land revenue of the block, matching grants by the *Darbar* for original work (for which public contribution was collected), sanitation cess and water cess. The Act also provided reservations for minorities. This arrangement continued till enactment of the SPA, 1993.

1.2 Organisational structure of PRIs

The Principal Secretary, Rural Development Department (RDD), is the administrative head of PRIs. He is assisted by Director (Panchayat) in exercising overall control and supervision of PRIs in the State. The ZPs and the GPs are headed by Adhyakasha and President, respectively.

The following charts depicts the organisational structure of the Department and the PRIs.

Chart 1.1: Administrative Body

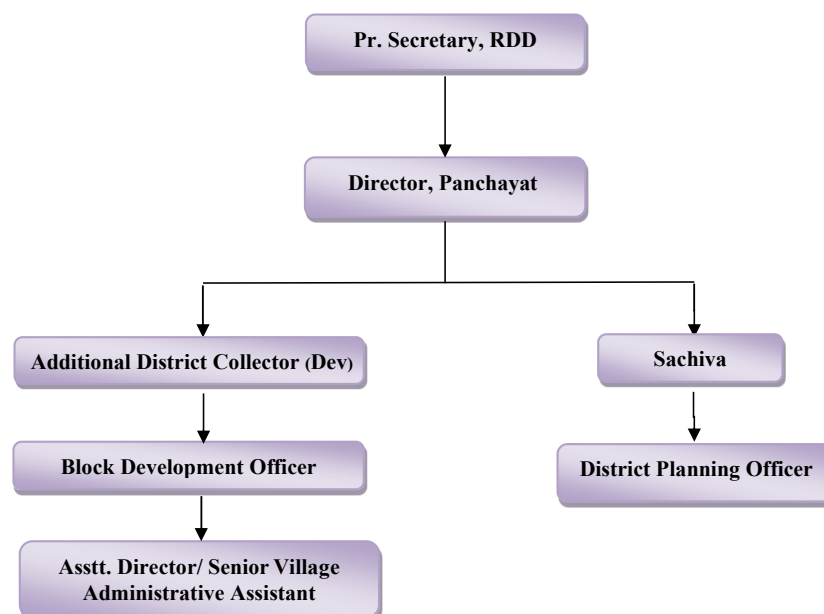
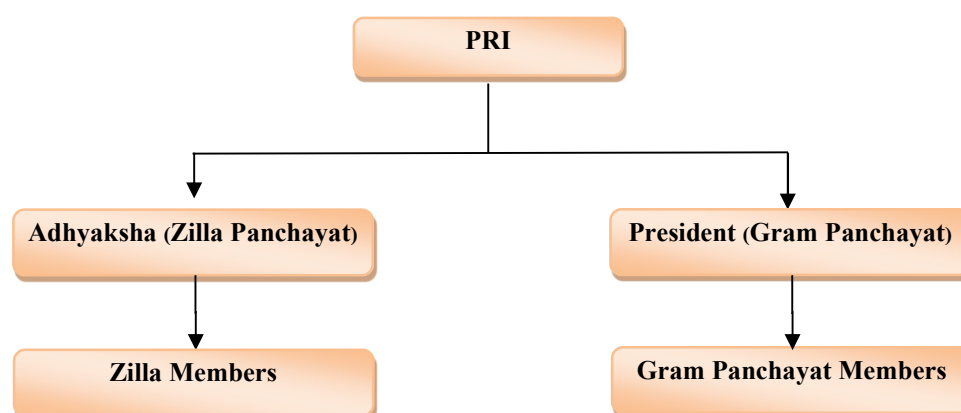


Chart 1.2: Elected Body



1.3 Legal framework and functions of PRIs

As per the SPA 1993 and rules made thereunder, the State Government exercises its powers, as detailed in *Appendix 1.2*. The SPA, 1993 also entrusts the State Government with the following powers to exercise control over functioning of the PRIs:

- call for any record, register, plan, estimate, information, *etc.*, from the PRIs; (under section 109 of SPA, 1993);
- inspect any office or any record or any document of the PRIs; (under section 109 of SPA, 1993);
- inspect works and development schemes implemented by PRIs; (under section 109 of SPA, 1993);
- remove *Adhyaksha* and *Upadhyaksha* of ZP after following appropriate procedure; (under section 64 of SPA, 1993); and
- take action on faults of a *Panchayat Sabhapati*, *Up-Sabhapati*, *Sachiva* of *Gram Panchayat* (under section 113 of SPA, 1993).

1.3.1 Devolution of Functions

In order to operationalise decentralisation of funds, functions and functionaries among PRIs, the Ministry of Rural Development, Government of India (GoI) constituted (July 2001) the Central Task Force (CTF) for suggesting the manner of transfer of functions to each tier of PRIs so that devolution of all the 29 functions listed in the XIth Schedule of the Constitution could be completed by March 2002. Article 243 G of the Constitution contains provision for transfer of these functions to different tiers (ZP and GP) of PRIs. The list of 29 functions to be transferred to the PRIs by the State Government is detailed in *Appendix 1.3*. For effective functioning of State Government and PRIs, it is necessary to delineate the role and responsibilities of the State Government and each tier of PRIs for every transferred functions. This exercise was done through activity mapping³ in April 2008.

³ Activity Mapping is an exercise to devolve various functions to be discharged by the GPs and ZPs.

1.3.2 Functions not transferred as per 73rd Constitutional Amendment

The State Government through Notification No. 3/RMDD/P dated 29 April 2008 has transferred only 20 functions to the PRIs. The remaining nine functions were still with the State Government (detailed in *Appendix 1.4*). These functions were being discharged by the respective departments.

1.4 Audit arrangement

1.4.1 Primary Auditor

Director, Local Fund Audit (DLFA) is the primary auditor to conduct the audit of PRIs and ULBs in the State of Sikkim. ‘The Sikkim Local Fund Audit Act, 2012’ provided for establishment of DLFA (June 2012) to regulate the audit of Local Funds. The DLFA is headed by an Additional Director and assisted by one Joint Director, one Sr. Accounts Officer and other supporting staff. The GoS had not delineated specific sanctioned strength for the DLFA even after more than 12 years since its formation as evidenced from the **Table 1.1** below:

Table 1.1: Sanctioned strength vis-à-vis men in position

Year	Sanctioned strength	Person-in-position	Vacancy
2018-19	NA	15	NA
2019-20	-do-	12	NA
2020-21	-do-	11	NA
2021-22	-do-	10	NA

Source: Information furnished by DLFA

NA: Not available

The State Government had also not specified the terms of tenure for DLFA. The Head of Department (HoD) was transferred frequently as shown in *Appendix 1.5*. The tenure of HoD ranged between five months and 48 months. Similarly, for Joint Director, the tenure varied from one to four years.

Further, training to officer and staff were not imparted during 2018-22 despite the fact that majority of officers and staff were posted from Finance Department with no exposure to audit related works in Local Bodies.

Audit observed that the effectiveness of the Department of Local Fund Audit (DLFA) was limited during the period 2018–19 to 2020–21, as audit coverage ranged from only 15 to 35 *per cent* of the planned units. However, there was a marked improvement in 2021–22, with DLFA achieving 100 *per cent* audit coverage of the targeted units as shown below:

Table 1.2: Units planned for audit and actually audited

Year	No. of units planned for audit	No. of units audited	Percentage of Units audited	No. of audit reports issued
2018-19	182	64	35	64
2019-20	191	39	20	39
2020-21	189	28	15	28
2021-22	189	189	100	189

Source: Information furnished by DLFA, Government of Sikkim

1.4.2 Audit by the Comptroller and Auditor General of India

As per recommendations of the Thirteenth Finance Commission (XIII FC) and guidelines issued by the Ministry of Finance, GoI, the State Government entrusted (June 2011) the audit of accounts of PRIs to CAG under Section 20(1) of CAG's (DPC) Act 1971, under standard terms and conditions of the Technical Guidance and Supervision.

Subsequently, as per Sikkim Panchayat (Amendment) Act, 2017, the CAG shall provide Technical Guidance and Supervision over the audit of GPs and submit its Annual Technical Inspection Report for placing it before State Legislature.

Accordingly, test audit of GPs and ZPs is being conducted by the office of the Accountant General (Audit), Sikkim. During 2021-22 accounts of 30 PRIs (four ZPs and 26 GPs) were 100 *per cent* covered and audited by the office of the Accountant General (Audit), Sikkim.

The year-wise position of units planned to be audited and actually audited during the period 2017-18 to 2021-22 is given in **Table 1.3**:

Table 1.3: Units planned for audit and actually audited

Year	No. of units planned for audit	No. of units audited	Percentage of units audited	No. of reports issued
2017-18	92	92	100	92
2018-19	92	92	100	92
2019-20	92	82*	89	82
2020-21	29	20*	68.9	20
2021-22	30	30	100	30

* Due to Lock down, 19 units could not be audited. (10 in 2019-20 & 9 in 2020-21)

Source: Master Programme Register of office of the Accountant General (Audit), Sikkim

As would be seen, all units planned were audited during 2017-18 to 2018-19 except 19 units in 2019-20 and 2020-21 due to lockdown and other measures announced (March 2021) by Government to curb the spread of corona pandemic. The unit plan was as per approved AAP based on availability of Human Resource.

1.4.3 Response to Audit Observations

After completion of audit, Inspection Reports (IRs) are issued by the Office of the Accountant General (Audit), Sikkim to PRI authorities with a copy to the State Government. PRI authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions and report their compliance within four weeks from the date of issue of IRs.

During 2021-22, a total of 30 IRs were issued, but reply was not received from PRI authorities within four weeks as shown below:

Table 1.4: No of IRs issued and departments reply received

Sl. No.	Units	IRs issued	Replies furnished within 4 weeks	Reply furnished after 4 weeks	Replies not received
1.	ZP	5	-	-	5
2.	GP	25	-	-	25
Total		30	-	-	30

Position of outstanding IRs and paragraphs in respect of PRIs as on 31 March 2022 is shown in **Table 1.5**.

Table 1.5: Outstanding Inspection Reports and Paragraphs

(₹ in lakh)

Year	No. of Inspection Reports	No. of outstanding paras	Money value of observations
Upto 2017-18	139	590	237.26
2018-19	61	249	9.16
2019-20	81	252	16.86
2020-21	29	88	7.24
2021-22	30	148	0
Total	340	1327	270.52

Source: Outstanding Paras Register maintained in office of the Accountant General (Audit), Sikkim

The persistent pendency of audit observations highlights a serious lapse in accountability and internal controls within the Panchayati Raj Institutions (PRIs) of Sikkim. As of March 2022, 1,327 audit paras across 340 Inspection Reports, involving financial implications of ₹270.52 lakh, remained unaddressed. Notably, none of the 30 IRs issued in 2021–22 received timely responses within the prescribed four-week period, and as of March 2024, 25 IRs were still pending for replies.

This sustained non-compliance reflects the PRIs' failure to institutionalise a responsive audit follow-up system and undermines the effectiveness of audit as a tool for improving governance and financial discipline.

1.4.4 Placement of Annual Technical Inspection Report (ATIR)

The Annual Technical Inspection Reports (ATIRs) for the years 2007-08 to 2016-17 were placed in the State Legislature. As of March 2022, no ATIR has been discussed in the Public Accounts Committee (PAC).

1.4.5 Technical Guidance and Supervision (TGS)

The Regulations on Audit and Accounts, 2007, (Regulation 152) read with State Government letter No. 13(34) FCD/Fin/1000 dated 16 June 2011, CAG may provide suitable TGS to primary auditor of PRI viz., the DLFA for the purpose of strengthening Public Finance Management and Accountability in Rural Local Bodies. The parameters of such TGS as given in Regulation 152 are following:

- The Local Fund Auditor shall prepare an annual audit plan (AAP) for the next financial year by the end of March every year;
- The audit methodology and procedure for the audit of PRIs by the DLFA shall be

as per various Acts and Statutes enacted by the State Government and guidelines prescribed by the CAG of India;

- Copies of Inspection Reports (IRs) shall also be forwarded by DLFA to the AG (Audit) for advice on system improvement;
- DLFA shall furnish returns in such format as may be prescribed by the CAG for advice and monitoring;
- AG (Audit) would conduct test check of some units in order to provide technical guidance and report of the test check would be sent to the DLFA for pursuance of action;
- Irrespective of the money value, any serious irregularities shall be intimated to the AG (Audit);
- DLFA shall develop a system of Internal Control (IC) in its organisation in consultation with the AG (Audit);
- AG (Audit) shall also undertake training and capacity building of the Local Fund Staff.

Audit noticed that the DLFA had neither adopted the system of preparation of AAP nor developed IC in its organisation. Copies of IRs, list of serious irregularities, were also not furnished to AG (Audit) by DLFA. The issue having been taken up by Accountant General with DLFA from time to time, latest in January 2022.

Accountability Mechanism and Financial Reporting issues

Accountability Mechanism

To promote accountability mechanism in the Local Bodies (PRI and ULB), the State Government was required to appoint Ombudsman and Lokayukta for the investigation of administrative action taken by or on behalf of the Government or certain local and public authorities in certain cases and for matter connected therewith and matters involving acts of injustice, corruption or favouritism and initiate Social Audit. Though the Lokayukta was appointed in February 2014 by the State Government, Ombudsman has not been appointed. No case was registered with Lokayukta during 2021-22.

Position in respect of other parameters effecting accountability mechanism in the PRIs are given below:

1.5 Social Audit

Government of Sikkim initiated Social Audit in 2007-08 as envisaged (Section 17) in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005. Thereafter in compliance to MGNREGA Audit of Scheme Rules, 2011, the State Government appointed one Non-Governmental Organisation (NGO)⁴ to function as Social Audit Unit (SAU). An independent Social Audit Director heads the SAU. Four District Resource Institutes (DRI) have also been set-up in four districts. During 2021-22,

⁴ *Voluntary Health Association of Sikkim.*

38 GPs were covered under Social Audit with involvement of State Resource Persons⁵, District Resource Persons⁶ and beneficiaries.

During the course of Social Audit for the period 2013-22, a total of 13,804 issues were raised with ‘Recovery’ of ₹458.35 lakh been pointed out and recovered ₹176.78 lakh (39 per cent) during 2013-22 as detailed below:

Table 1.6: Statement showing issues raised and settled

Year	GPs covered	Issues			Recovery (₹ in lakh)		
		Raised	Settled	Unsettled	Pointed out	Recovered (percentage)	Yet to be recovered (percentage)
2013-14 to 2016-17	176	7,184	3,800 (53)	3,384 (47)	230.48	42.14 (18)	188.34 (82)
2017-18	176	2,052	1,468 (72)	584 (28)	45.76	17.66 (39)	28.10 (61)
2018-19	185	1,790	1,087 (61)	703 (39)	13.00	1.57 (12)	11.43 (88)
2019-20	185	1,833	1,362 (74)	471 (26)	55.85	16.61 (30)	39.24 (70)
2020-21	96	669	468 (70)	201 (30)	106.00	97.74 (92)	8.26 (8)
2021-22	38	276	70 (25)	206 (75)	7.26	1.06 (15)	6.20 (85)
Total		13,804	8,255 (60)	5,549 (40)	458.35	176.78 (39)	281.57 (61)

Source: Annual Reports of Social Audit Unit, Sikkim
Figures in bracket indicates percentage.

As would be seen, till March 2022, out of 13,804 issues raised during 2013-14 to 2021-22 in Social Audit, 5549 (40 per cent) issues remained unsettled of which 3,384 pertained to the period 2013-14 to 2016-17 and 2,165 pertained to the period 2017-18 to 2021-22. The percentage of amount actually recovered against total recovery pointed out ranged between 18 per cent for the period 2013-14 to 2016-17 and 12 to 92 per cent for the period 2017-18 to 2021-22. As against the recovery of ₹458.35 lakh pointed out, recovery was only ₹176.78 lakh leading to outstanding recovery of ₹281.57 lakh (61 per cent) as on March 2022.

The large volume of unresolved issues and substantial shortfall in recoveries indicate systemic weaknesses in grievance redressal, enforcement of accountability, and follow-up mechanisms. This undermines the core purpose of Social Audit, which was to ensure transparency, detect irregularities and promote corrective action, and risks rendering the exercise ineffective in practice.

Recommendation: RDD may establish a time-bound escalation mechanism for unresolved issues and pending recoveries flagged in Social Audits, with clear accountability at the district and state levels to ensure prompt closure and enforcement.

⁵ Members of the Social Audit Unit. They take the lead in planning, training of DRIs, preparation of training material, finalising the formats of reports and review of the Social Audit Reports prepared by the DRIs.

⁶ Facilitators of Social Audit in Gram Panchayat and members of the District Resource Institution. They prepare the Social Audit Report following prescribed process and format in co-ordination with the SAU.

1.6 Internal Audit and Internal Control System of PRIs

Internal Audit is an important instrument to examine and evaluate the level of compliance of rules and procedures as envisaged in the relevant Acts as well as Financial/Accounting Rules. It provides reasonable assurance that the general objectives of organisations are achieved duly fulfilling accountability obligations; compliance of applicable rules and regulations and implementation of programmes in an orderly, economical, efficient and effective manner.

Internal control mechanism is an integral function of an organisation which helps to govern its activities effectively and achieve the objectives of the organisation. Existence of effective internal control measures would minimise the risk of errors and irregularities.

1.6.1 Internal Audit

The RDD appointed Chartered Accountant firms to audit the accounts of PRIs and audit had to be completed by 31 March 2023. The accounts for 2021-22 had been audited by the CAs.

1.6.2 Internal control system in PRIs

The internal control system for PRI were designed by GoS through the Sikkim Panchayat Act, 1993, Sikkim Zilla Panchayat (Financial) Rules, 2001 and Sikkim Gram Panchayat (Financial) Rules, 2003; besides application of State Government's own rules and policies relating to finance, budget and personnel administration. Significant provision of internal control mechanism *vis-à-vis* position of test checked PRIs is given in the following table:

Table 1.7: Internal Control System in PRIs – Provisions vs Actual Position

Area	Legal Provision	Audit Observation	Audit Suggestion
Budget Preparation	Sec. 46 & 83 of Sikkim Panchayat Act, 1993	Budgets prepared by GPs/ZPs, but 4 out of 10 GPs excluded key schemes like MGNREGA.	GPs should prepare comprehensive budgets reflecting all receipts and expenditures.
Accounts Maintenance	Sec. 48(1) & 85 of the Act	Accounts captured only Part-I (Govt grants); Part-II (PF, loans, deposits) not maintained in any GP/ZP.	Implement full Model Accounting System including Part-II.
Internal Audit	Sec. 48(2) & 86 of the Act	Chartered Accountant firms conducted audits; accounts for 2021-22 audited.	—
Supervision by Sachiva	Sec. 68(1)(2) of the Act	No records of supervision available in test-checked GPs.	State Govt must ensure supervision by Sachiva and compliance with inspection notes.
Loss/Wastage Reporting	Sec. 90(2)(c) of the Act	No reports on losses/wastage were available in test-checked PRIs.	—
Work Inspection	Sec. 109(1) of the Act	Inspections conducted, but inspection notes not available to initiate corrective action.	Ensure inspection notes are issued and acted upon.
Annual Reporting	Sec. 122 of the Act	No annual report submitted by any GP/ZP.	ZPs/GPs should submit annual reports regularly.

Area	Legal Provision	Audit Observation	Audit Suggestion
Asset Register Maintenance	Rule 7(2)(d) of ZP Rules; Rule 7(2)(f) of GP Rules	Registers not maintained as per rules; lacked key details like contractor name, bill number, location of asset, etc.	Maintain asset registers in prescribed format with all required details.

Source: Information compiled from Audit Inspection Reports of GPs/ZPs.

Audit scrutiny revealed systemic weaknesses in internal controls across all key functional areas of PRIs in Sikkim. Core financial functions such as budgeting and accounting were found to be incomplete or only partially compliant, while no evidence of supervision, inspection follow-up, or reporting mechanisms was available in test-checked units. The absence of proper asset records and annual reporting further reflects a lack of institutional discipline and oversight. These deficiencies undermine transparency, accountability, and effective governance in the decentralized setup and call for urgent corrective action by the State Government and PRI functionaries.

1.7 Financial Reporting Issues

Financial reporting in the PRIs is a key element of accountability. The provisions relating to drawal of funds, form of bills, incurring of expenditure, maintenance of accounts, rendering of accounts by the ZPs and GPs are governed by the provisions of the Sikkim Panchayat (SP) Act, 1993; Sikkim Zilla Panchayat (Financial) Rules, 2001; Sikkim Gram Panchayat (Financial) Rules, 2003; Sikkim Financial Rules; Sikkim Public Works Accounts Code; Sikkim Public Works Manual; and Standing Orders and Instructions.

The PRIs are solely funded through Grants-in-aid from Central and State Government for general administration as well as developmental activities. Funds are initially reflected in the State Budget and released to PRIs. The ZPs and GPs, in turn, deposit their funds in the savings account maintained with nationalised banks.

The budget provision kept in the State Budget, expenditure there against and Excess/ Savings during the period from 2017-18 to 2021-22 is given below:

Table 1.8: Budget of PRIs vis-à-vis Expenditure

(₹ in crore)

Year	Budget		Total allocation	Expenditure	Excess (+) / Saving(-)
	Central	State			
2017-18	134.66	42.99	177.65	168.13	(-) 9.52 (5 per cent)
2018-19	29.67	58.29	87.96	87.95	(-) 0.01 (0)
2019-20	40.09	68.99	109.08	108.99	(-) 0.09 (0)
2020-21	42.00	58.80	100.80	100.80	0.00(0)
2021-22	31.00	76.66	107.66	107.66	0.00(0)

Source: Detailed Appropriation Accounts

The funds received from State Government were utilised towards establishment cost, payment of honorarium, discretionary grants and repair and maintenance of assets. The fund received from Central Government (15th Finance Commission Grants) was utilised towards creation of assets for providing basic services.

From 2018–19 to 2021–22, the Panchayati Raj Institutions (PRIs) in Sikkim demonstrated commendable efficiency in fund utilisation, with expenditures closely matching the allocated budgets. In fact, for four consecutive years, the variance between budgeted allocations and actual expenditure was either nil or negligible, indicating sound financial management practices at the aggregate level. However, this trend was not consistent throughout the five-year period. In 2017–18, a notable underutilisation of ₹ 9.52 crore, amounting to five *per cent* of the total allocation, was observed, suggesting potential issues in planning, delayed fund releases, or limited execution capacity during that year.

It is also evident that the financial health of PRIs in Sikkim is heavily reliant on grants from the Central and State Governments. With no significant own-source revenues, the PRIs lack financial autonomy, and their operations are almost entirely sustained through external funding. The allocation and use of these grants reveal a functional division: while State grants were primarily directed towards establishment costs, honorarium payments, discretionary grants, and maintenance, Central grants—especially those received under the 15th Finance Commission—were earmarked for capital investments and creation of basic public infrastructure.

This pattern reflects an overall adherence to the intended use of funds but also underscores the vulnerability of PRIs in the absence of fiscal independence and robust local revenue mobilisation mechanisms.

1.7.1 Source of Funds

The main sources of funds of PRIs include grants from Central and State Government. The details of grants released by Central and State Government are given below:

Table 1.9: Grants released by Central and State Government

(₹ in crore)

Year	Central Grant		State Grants						Grand Total		Expenditure	
			5 th SFC (Primary & Improvement Grant)		5 th SFC (Share of net proceeds)		Direction & Administration					
	ZP	GP	ZP	GP	ZP	GP	ZP	GP	ZP	GP	ZP	GP
2017-18	0.00	134.66	3.38	6.74	3.53	8.23	6.57	14.54	13.48	164.17	9.51	158.62
2018-19	0.00	29.67	3.46	7.11	3.67	8.58	10.89	24.58	18.02	69.94	18.01	69.94
2019-20	0.00	40.09	3.51	6.79	5.97	13.93	13.44	25.35	22.92	86.16	22.83	86.16
2020-21	6.30	35.70	0.00	0.00	7.36	13.67	11.83	25.94	25.49	75.31	34.41	66.39
2021-22	4.65	26.35	0.00	3.88	9.54	17.41	13.95	31.87	28.14	79.51	28.14	79.52
Total	10.95	266.47	10.35	24.52	30.07	61.82	56.68	122.28	10805	475.09	112.90	460.63

Source: Detailed Appropriation Accounts

Analysis revealed the following:

- **Central Grants:** The non-receipt of grants from Central Government during 2017-18 to 2019-20 was due to non-release of MGNREGS fund to the ZPs as the funds were released to Districts/ Blocks. The funds from 15th FC was released to ZPs from 2020-21 onwards. Similarly, the funds shown against GPs was the grants released by the CFC.

- **State Grants:** The Fifth State Finance Commission (FSFC), Sikkim recommended (July 2017) to allocate ₹ 21.66 crore towards Grants and meeting administrative expenses the PRIs for the year 2021-22. As against this, the actual allocation was ₹30.84 crore during 2021-22, leading to additional release of ₹ 9.18 crore. Release of fund by the State Government more than the FSFC recommendation helped strengthened the financial position of the PRIs.

Table 1.10: Actual transfer of funds to PRIs during 2021-22 vis-à-vis FSFC recommendation

(₹ in lakh)

Sl. No.	Head	Tax receipt	Collection cost deduction (10 per cent of Col. 3)	Net tax receipt (Col. 3-4)	Funds to be transferred to Local Bodies (5.5 per cent of Net tax receipt) ⁷	Funds to be transferred to PRIs (75 per cent of Col. 6) ⁸	Tax Transferred to PRIs
1	2	3	4	5	6	7	8
1.	Land Revenue	952.92	95.29	857.63	47.17	35.38	3,083.54
2.	Stamp & Registration	2,334.77	233.48	2,101.29	115.57	86.68	
3.	State Excise	24,919.97	2,492.00	22,427.97	1,233.54	925.16	
4.	Taxes on Sales, Trades etc.	22,718.08	2,271.81	20,446.27	1,124.54	843.40	
5.	Taxes on vehicles	3,909.26	390.91	3,518.35	193.51	145.13	
6.	Other Taxes and Duties	3,511.55	351.16	3,160.39	173.82	130.36	
Total		58,346.55	5,834.65	52,511.90	2,888.15	2,166.11	

Source: Finance Accounts,

- **Overall financial position of PRIs:** RDD could not furnish information on financial position, viz. opening balance, total receipts, total expenditure and closing balance to assess the availability of funds and its utilisation by the GPs and ZPs during 2021-22. Audit accordingly requisitioned for relevant information's directly from ZPs and GPs. However, only 45 GPs (out of 185) and the four ZPs furnished the information. Analysis of information furnished by these 49 units, revealed that amount of ₹102.68 crore was available with these PRIs during 2021-22 out of which only ₹53.99 crore was spent, leaving an unspent balance of ₹48.69 crore as shown below:

⁷ Para-9.5 (4.5 per cent), 9.6 (0.5 per cent) and 9.7 (0.5 per cent) of the 5th State Finance Commission Report and accepted by State Government in Action Taken on the Recommendations of SFC issued in March 2018.

⁸ Para-9.5 of Action Taken on the Recommendations of the 5th State Finance Commission Report issued in March 2018.

Table 1.11: Total fund and expenditure of ZPs and GPs

(₹ in crore)

ZP / GP	Total fund available	Expenditure	Balance (per cent)
ZPs (4 ZPs)	59.20	37.60	21.59 (36)
East Sikkim (13 GPs)	12.15	5.32	6.83
West Sikkim (14GPs)	16.76	4.32	12.44
North Sikkim (4 GP)	2.58	1.36	1.22
South Sikkim (14GPs)	11.99	5.39	6.60
Total GPs (45 GPs)	43.48	16.39	27.09 (62)
Total (4ZPs and 45GPs)	102.68	53.99	48.69 (47)

Source: Information furnished by ZPs & GPs

Audit noticed that the unspent/ closing balances during 2021-22 of these PRIs was 47 per cent (36 and 62 per cent for ZPs and GPs respectively) of the total funds available, which was high and indicative of inadequate absorption capacity of the PRIs.

➤ **Levy of Taxes and Fees**

Sections 39(1) and 40(1) of SPA, 1993, envisage constitution of *Gram Panchayat Fund* and levy of Taxes, Rates, and Fees on the subjects mentioned in clauses (a) to (i) of Section 40(1) by the GPs.

In line with Third State Finance Commission (TSFC) recommendations (February 2010), the State Government notified (September 2010) for levying of Household Tax (₹ five to ₹ 15 per month); Water & Sanitation Tax (₹ one per month for each household); Village Road & Environment Tax (₹ two per month per household); *Panchayat Recommendation/ Clearance/ Certificate Fees @ ₹ 20 per case/ application*; Building Construction Fees @ ₹ two for *pucca* construction and ₹ one for *kuchcha* construction per square feet of plinth area and other miscellaneous receipts by the *Gram Panchayat*.

Test check of records of GPs revealed that GPs had initiated measures to collect revenue through garbage fee, tender fee, trade license *etc.* However, GPs failed to realise Household Tax: ₹154.81 lakh⁹ per year, Water & Sanitation Tax: ₹15.48¹⁰ lakh per year, Village Road & Environment Tax: ₹30.96¹¹ lakh per year. No record was maintained for Building and construction fees.

1.7.2 Non-Maintenance of Records

Rules 7 (1) & 7 (2) of Sikkim Gram Panchayat (Financial) Rules, 2004 stipulate maintenance of various records such as (i) Cash Book, (ii) Monthly Receipt and Payment Register, (iii) Annual Receipts and Payment Accounts, (iv) Balance Sheet, (v) Monthly Reconciliation Statement, (vi) Inventory Register for Moveable Assets, and (vii) Inventory Register for Immoveable Assets for proper depiction of accounts of the Gram Panchayat Funds.

⁹ Total rural household= 1,29,006

Total Household tax= 1,29,006 x 10 x 12= ₹154.81 lakh.

¹⁰ Water Sanitation tax=1,29,006 x 1 x 12=₹15.48 lakh.

¹¹ Village Road & Environment Fees=1,29,006 x 2 x 12=₹ 30.96 lakh.

Scrutiny of records of 30 GPs related to maintenance of Registers and Records is given in the **Table 1.12** below:

Table 1.12: Register and Records maintained at GP level

Sl. No.	Rule	Register/ records	Status	Effect
1	Sikkim GP (Financial) Rules, 2004	Balance Sheet	Balance Sheet not prepared in any of the GPs checked in Audit.	Lack of information on Assets and Liabilities
2	-do-	Monthly Reconciliation Statement	Monthly reconciliation not done in three GPs checked in Audit.	Risk of frauds and errors remaining undetected.
3	The SP Act and	Asset Register	Not maintained in any of the GPs checked in Audit.	Lack of information on Assets available with GPs
4	Financial Rules	Annual physical verification	Not carried out in any of the GPs checked in Audit.	Risk of misstatement and unreliability of financial statements.

Thus it is recommended that the PRIs may initiate adequate steps to maintain important registers as prescribed in the Sikkim GP (Financial) Rules and the SP Act.

1.7.3 Reconciliation of Balances of Cash Book with Bank Pass Book

Sikkim Zilla Panchayat Financial Rules, 2001 (Rule 4 and 5) and Sikkim Gram Panchayat (financial) Rules, 2003 (Rule 4 and 5) stipulates that it shall be the responsibility of the *Sachiva* of ZP and *Sachiva* of GP respectively for ZP and GP to ensure maintenance of Cash Book and it should be reconciled with the balance in the Banks.

Scrutiny of Cash Books in 30 GPs disclosed that (i) Cash Book balances was not certified by the President of the GPs and (ii) none of the GPs had reconciled the Cash Book balances with the balances of the Banks. Thus, the differences between the Cash Book and Bank balances remained unreconciled during 2021-22. This could lead to frauds remaining undetected. The *Sachiva* had also not initiated any effort to detect the differences as prescribed in the Rules mentioned above.

PART – B
URBAN LOCAL BODIES



CHAPTER II
AN OVERVIEW OF THE FUNCTIONING,
ACCOUNTABILITY MECHANISM AND
FINANCIAL REPORTING ISSUES OF
URBAN LOCAL BODIES (ULBs)



CHAPTER II

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES (ULBs)

Functioning of the Urban Local Bodies (ULBs) in the State

2.1 Introduction

Consequent upon the 74th Constitutional Amendment Act, 1993, the Urban Local Bodies (ULBs) were to be made full-fledged institutions of Local Self-Governance and with significant increase in responsibilities with greater powers and distinct sharing of resources with the State Government. The amendment aimed to empower the ULBs to function efficiently and effectively and to deliver services for economic development and social justice with regard to 18 subjects listed in the XIIth Schedule of the Constitution. Government of Sikkim enacted the Sikkim Municipalities Act, 2007 empowering ULBs to function as institutions of Self-Governance and to accelerate economic development in urban areas. As per the section 6 of the Sikkim Municipalities Act, 2007 (enacted in March 2007), on the expiry of one month from the date of publication of the notification and after consideration of all or any of the objections which may be submitted, the Governor may, by notification, constitute such city, town, or transitional area as a municipal area under this act. The ULBs (*viz.* Municipal Corporation, Municipal Council and *Nagar Panchayats*) were formed only in 2010-11.

The category-wise ULBs in the State as of March 2022 are shown in **Table 2.1**.

Table 2.1: Category-wise ULBs in Sikkim

Sl. No.	Category of ULBs	Number of ULBs
1.	Municipal Corporation	1
2.	Municipal Council	1
3.	<i>Nagar Panchayats</i>	5
Total		7

Source: Urban Development & Housing Department

Area of each ULB is divided into a number of wards, which are determined and notified by State Government.

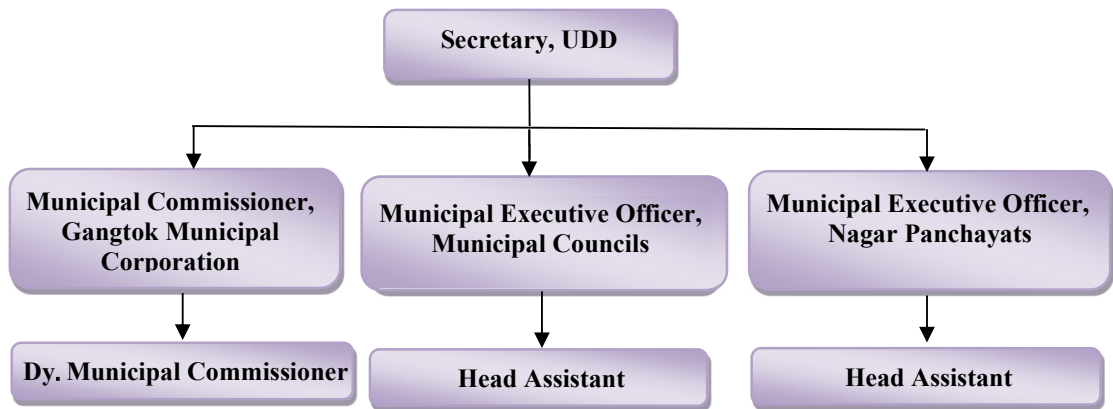
Important statistics relating to urban population, sex ratio, literacy *etc.* in the State of Sikkim is given in **Appendix 2.1**.

2.2 Organisational set up

The Secretary, Urban Development Department (UDD) is the overall in charge of ULBs in the State. The Municipal Commissioner is the executive head of the *Gangtok* Municipal Corporation (GMC) while the other Municipal Councils/*Nagar Panchayats* (NP) are headed by the Municipal Executive Officers.

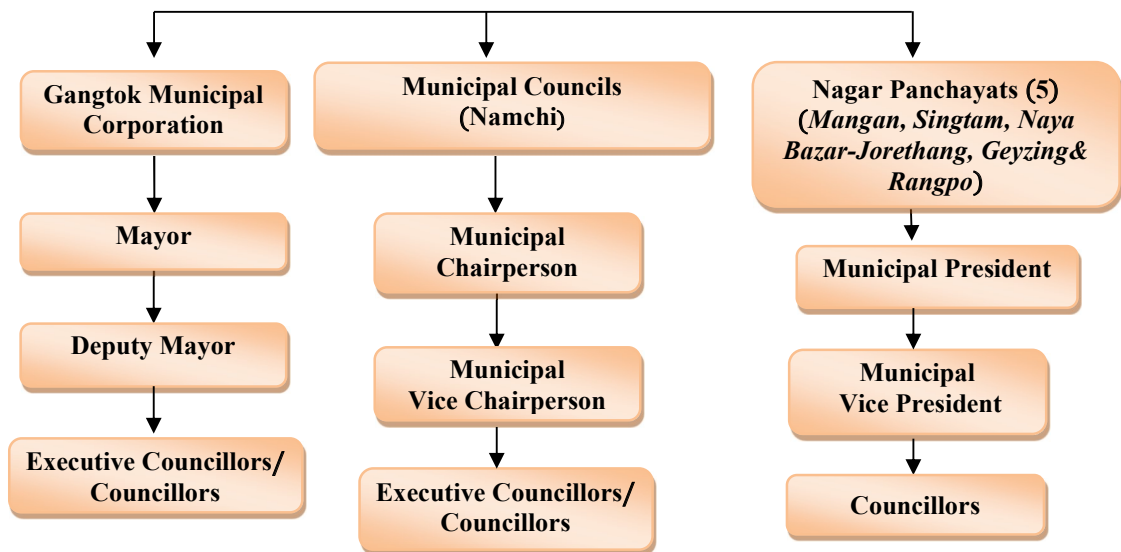
The organisational structure with respect to functioning of ULBs in the State is as follows:

Chart 2.1: Administrative Body



All the ULBs have a body comprising of Councillors/Members elected by the people under their jurisdiction as shown in **Chart 2.2** below. The Mayor presides over the meetings of Municipal Corporation and the Chairperson/President presides over the meetings of the Municipal Councils/*Nagar Panchayats* and are responsible for the overall functioning of the ULB concerned.

Chart 2.2: Elected Body



2.3 Functioning of ULBs

The Sikkim Municipalities Act, 2007 envisages transfer of functions of various departments of the State Government to ULBs. Out of 18 functions listed in the XIIth Schedule of the Constitution, the State Government transferred only seven functions partially to the Gangtok Municipal Corporation, five functions partially to *Rangpo Nagar Panchayat* and four functions partially to five ULBs (*Namchi Municipal Council, Naya Bazar – Jorethang Nagar Panchayat, Geyzing Nagar Panchayat, Singtam Nagar Panchayat* and *Mangan Nagar Panchayat*) as of March 2022. The details are given in *Appendix 2.2*.

2.4 Formation of various Committees

As per Section 27 (1) of Sikkim Municipality Act 2007, a Municipal Corporation may constitute a Subject Committee consisting of Councillors to deal with issues like, (a) water-supply, drainage and sewerage and solid waste management, (b) urban environment management and land use control and (c) slum services. Besides, a Municipal Corporation or a Municipal Council or a Nagar Panchayat, singly or jointly, may constitute an *ad hoc* Committee or a Joint Committee to perform such functions as the State Government may direct.

However, the Municipal Corporation, the Municipal Councils, the Nagar Panchayats had not constituted any committee as of September 2023.

2.5 Audit arrangement

2.5.1 Audit by DLFA

Director, Local Fund Audit (DLFA) was established in June 2012 is the primary auditor to conduct the audit of ULBs of Sikkim. The ULBs were audited by the DLFA since 2014-15 and coverage of units ranged between nil (in 2017-18) and 100 (in 2018-19) *per cent* as shown in **Table 2.2** below.

Table 2.2: Units planned for audit and actually audited

Year	No. of units to be audited	No. of units audited (<i>per cent</i>)	No. of Inspection reports issued
2017-18	7	0 (0)	0
2018-19	7	7 (100)	7
2019-20	7	2 (28)	2
2020-21	7	3 (43)	3
2021-22	7	2 (28)	2
Total	35	14 (40)	14

Source: Information furnished by DLFA, Government of Sikkim

Figures in bracket indicate percentage.

Thus, the coverage of audit by DLFA has not been satisfactory as the units audited has shown decline from 2018-19 (100 *per cent*) to 28 *per cent* in 2021-22.

Department stated (September 2020) that auditing is so far based on the specific proposals & programme approved by Government within the scope of time frame and manpower in position of LFA. Such system is able to cover 25 *per cent* to 30 *per cent* of GPs & ULBs during a particular year and thus all the GPs and ULBs are covered within a block of three to four consecutive financial years.

It is recommended that units planned should be audited in full to attain the target and state government shall focus on augmenting the manpower resources to cover all units

2.5.2 Annual Audit Report

According to Section 60 (1) of the Sikkim Municipalities Act, 2007, municipal accounts including the accounts of special funds, if any, and the Balance Sheet shall be examined and audited by the DLFA or an Auditor appointed by the Municipality from the panel of professional Chartered Accountants enlisted by the Government.

The CAs had completed audit of four ULBs (GMC, NMC, RNP and NJNP) for the year 2021-22 and that of remaining three ULBs (GeNP, SNP and MNP) are yet to be completed.

2.5.3 Audit by Comptroller and Auditor General of India

Based on the recommendations of the 13th Finance Commission, the State Government entrusted (June 2011) audit of all ULBs in the State under Technical Guidance and Supervision (TGS) arrangement to the C&AG as per standard terms and conditions under Section 20 (1) of CAG's DPC Act, 1971. Accordingly, the audit of ULBs is being conducted from 2012-13 on a test check basis, by office of the Accountant General (Audit), Sikkim. The coverage of unit planned was as shown below:

Table 2.3: Units planned for audit and actually audited

Year	No. of units planned for audit	No. of units audited	No. of Inspection reports issued
2017-18	4	4	4
2018-19	4	4	4
2019-20	4	4	4
2020-21	4	3	3
2021-22	4	4	4
Total	20	19	19

Source: Master Programme Register

During 2021-22, a total of four units (out of seven) were audited and four Inspection Reports (IRs) containing 25 paras were issued to the ULBs.

2.5.4 Technical Guidance and Supervision (TGS)

The Regulations on Audit and Accounts, 2007 (Regulation 152) read with State Government letter no. 13(34) FCD/Fin/1000 dated 16 June 2011, CAG may provide suitable TGS to primary auditor of ULB viz., the DLFA for the purpose of strengthening Public Finance Management and Accountability in Urban Local Bodies. The parameters of such TGS as given in Regulation 152 are following:

- The Local Fund Auditor shall prepare an annual audit plan (AAP) for the next financial year by the end of March every year;
- The audit methodology and procedure for the audit of ULBs by the DLFA shall be as per various Acts and Statutes enacted by the State Government and guidelines prescribed by the CAG of India;
- Copies of Inspection Reports (IRs) shall also be forwarded by DLFA to the AG (Audit) for advice on system improvement;
- DLFA shall furnish returns in such format as may be prescribed by the CAG for advice and monitoring;
- AG (Audit) would conduct test check of some units in order to provide technical guidance and report of the test check would be sent to the DLFA for pursuance of action;
- Irrespective of the money value, any serious irregularities shall be intimated to the AG (Audit);

- DLFA shall develop a system of internal control (IC) in its organisation in consultation with the AG (Audit);
- AG (Audit) shall also undertake training and capacity building of the Local Fund Staff.

Audit noticed that the DLFA had neither adopted the system of preparation of AAP nor developed IC in its organisation. Copies of IRs, list of serious irregularities, were also not furnished to AG (Audit) by DLFA.

DLFA stated (September 2020) that there was no advanced routine planning process for Local Bodies due to limited manpower and basic registers were not maintained. Thus, in absence of advance planning for audit in the DLFA, not only indicated adhoc manner of taking up audit without any specific target, coupled with non-submission of copies of IRs and serious irregularities to the Accountant General by DLFA, led to compromise in strengthening Public Finance Management and Accountability in Urban Local Bodies through effective TGS to the DLFA. It is recommended that the State Government should focus on augmenting the necessary manpower to carry out advanced routine planning process for Local Bodies.

2.5.5 Response to Audit Observations

After completion of audit, the office of the Accountant General (Audit), Sikkim issued its Inspection Reports (IRs) to ULB authorities with a copy to the State Government. ULB authorities were required to comply with the observations contained in the IRs and rectify the defects and omissions and report their compliance within four weeks from the date of issue of IRs.

During 2021-22, Four IRs were issued, but reply was not received as shown below:

Table 2.4: Reply of IRs

Sl. No.	Units	IRs issued	Reply furnished within 4 weeks	Reply furnished after 4 weeks	Reply not received
1.	GMC	1	-	-	1
2.	Other ULBs	3	-	-	3
Total		4	-	-	4

Position of outstanding IRs and paragraphs in respect of ULBs as on 31 March 2022 is shown in **Table 2.5**.

Table 2.5: Outstanding IRs and Paragraphs

Year	No. of Inspection Reports	No. Of outstanding paras	Money value (₹ in lakh)
2017-18	4	13	0.06
2018-19	1	11	42.99
2019-20	2	13	11.28
2020-21	3	18	138.80
2021-22	6	36	87.95
Total	16	91	281.08

Source: Outstanding para register maintained in office of the AG (Au), Sikkim

The audit analysis of responses to Inspection Reports (IRs) issued by the Accountant General (Audit), Sikkim, highlights persistent non-compliance by Urban Local Bodies (ULBs) in addressing audit findings.

In 2021–22, four IRs were issued: one to the Gangtok Municipal Corporation (GMC) and three to other ULBs. However, no replies were received from any of the ULBs within or beyond the stipulated four-week period, indicating a complete lack of response to audit observations during that year.

As of 31 March 2022, a total of 16 Inspection Reports remained outstanding, comprising 91 audit paragraphs with a cumulative monetary value of ₹281.08 lakh. A year-wise breakdown shows that:

The number of outstanding paras has steadily increased, with the highest accumulation (36 paras) in 2021–22 alone.

The financial implication of unresolved audit issues also surged, with ₹138.80 lakh in 2020–21 and ₹87.95 lakh in 2021–22, together accounting for over 80 *per cent* of the total monetary value.

This trend indicates not only a growing backlog of unresolved audit issues but also a substantial accumulation of financial irregularities.

The continued failure of ULBs in Sikkim to respond to audit observations reflects serious weaknesses in their internal accountability mechanisms. The accumulation of 91 outstanding audit paragraphs across 16 Inspection Reports, involving a monetary value of ₹281.08 lakh, points to systemic neglect of audit follow-up. The absence of timely compliance undermines financial oversight, delays corrective action, and compromises the transparency and integrity of urban local governance. Immediate intervention by the State Government is essential to enforce accountability and strengthen audit responsiveness at the ULB level.

2.5.6 Placement of Annual Technical Inspection Report (ATIR)

The Annual Technical Inspection Reports (ATIRs) for the years 2007-08 to 2016-17 were placed in the State Legislature. As of March 2022, no ATIR has been discussed in the Public Accounts Committee (PAC).

Accountability Mechanism and Financial Reporting issues

Accountability Mechanism

To promote accountability mechanism in the Local Bodies (PRI and ULB), the State Government was required to appoint Ombudsman and Lokayukta and initiate Social Audit. While the Ombudsman was not appointed during 2021-22 and no case was registered with Lokayukta during 2021-22, Social Audit of ULBs had not been conducted.

Position in respect of other parameters affecting accountability mechanism in the ULBs are given below:

2.6 Property Tax Board

Despite clear recommendations by the Thirteenth Finance Commission (TFC) and the Fourth State Finance Commission (SFC), as well as an enabling legal provision in Section 96 of the Sikkim Municipal Act, 2007, the State Government had not established a Property Tax Board as of March 2022. This institutional lapse has had significant fiscal implications.

The Fourth SFC had estimated a revenue potential of ₹3.08 crore in 2019–20 from property tax alone. Had the Property Tax Board been set up and made operational, a similar or greater revenue could reasonably have been expected during 2021–22. The absence of this revenue source led to Own Source Revenue (OSR) constituting only 32.25 *per cent* of the total grants received by Urban Local Bodies (ULBs) in that year, leaving them heavily dependent on state grants for routine operations.

This financial dependency not only limits the fiscal autonomy of ULBs but also undermines the constitutional principle of self-governance for urban local bodies as envisaged under the 74th Constitutional Amendment. Moreover, it reflects a missed opportunity for the State Government to strengthen municipal finances through a sustainable and accountable revenue stream.

The failure to establish a Property Tax Board, despite statutory backing and multiple finance commission recommendations, reflects a critical policy and implementation gap. This has resulted in forgone revenue of at least ₹3.08 crore annually and perpetuated fiscal dependence of ULBs on state grants. Strengthening the institutional framework for property tax administration is essential to enhance municipal revenue, promote local self-governance, and reduce the structural reliance on external funding.

2.7 Service Level Benchmark

As a follow-up to reforms stipulated by the 13th FC and also to provide good services to the public, the State Government adopted (September 2013) Service Level Benchmarks for solid waste management.

The data from *Appendices 2.3 and 2.4* presents service level benchmarks for Solid Waste Management (SWM) across Gangtok Municipal Corporation and six other Urban Local Bodies (ULBs) in Sikkim. The analysis below identifies trends, gaps, and relative performance.

i. Coverage & Collection Efficiency

(in per cent)

Year	GMC Coverage	Avg. ULB Coverage	GMC Collection	Avg. ULB Collection
2016–17	100	~88	100	~90
2020–21	100	100	100	100

By 2020–21, all ULBs including GMC achieved 100 *per cent* coverage and collection efficiency, showing a strong and uniform statewide push for universal SWM service outreach.

ii. Extent of Segregation & Recovery

(in per cent)

Year	GMC Segregation	Avg. ULB Segregation	GMC Recovery	Avg. ULB Recovery
2016–17	80	~45	75	~55
2020–21	100	100	100	100

GMC was ahead of the curve in early years (2016–18), but by 2020–21, all ULBs converged at 100 *per cent* performance, showing effective scale-up of segregation and material recovery initiatives across the state.

iii. Scientific Disposal of Waste

(in per cent)

Year	GMC	Avg. ULB
2016–17	50	~45
2020–21	100	100

All ULBs, including GMC, made consistent progress in scientific disposal, achieving 100 *per cent* compliance by 2020–21. GMC showed early leadership, but the performance gap was closed by smaller ULBs by 2019–20.

iv. Complaint Redressal Efficiency

(in per cent)

Year	GMC	ULBs
2016–17 to 2020–21	100	100

Uniformly high across all ULBs throughout the five-year period, suggesting strong governance and public interface mechanisms at the municipal level.

v. Cost Recovery

(in per cent)

Year	GMC	Avg. ULB
2016–17	80	~63
2020–21	80	~90 (Some ULBs at 100 <i>per cent</i>)

GMC's cost recovery plateaued at 80 *per cent* from 2016–17 onwards, while other ULBs such as *Namchi*, *Singtam* and *Rangpo* reached 100 *per cent*, indicating better financial sustainability efforts in smaller municipalities.

Conclusions

1. While GMC led the early years (2016–18) in most parameters, other ULBs rapidly caught up, and by 2020–21, uniform 100 *per cent* benchmarks were achieved in coverage, collection, segregation, recovery, scientific disposal, and complaint redressal.
2. Despite strong operational benchmarks, GMC has not improved its cost recovery beyond 80 *per cent* since 2016–17, lagging behind smaller ULBs like *Namchi*, *Rangpo*, and *Singtam* that achieved full recovery, indicating room for reform in fee collection, tariff setting, or cost optimisation.
3. The data reflects effective implementation of State Government's solid waste management policies, with all ULBs showing progressive gains, particularly between 2018 and 2021.

2.8 Internal Audit and Internal Control System of ULBs

According to the Sikkim Municipalities Act, 2007 (Para-60), Internal Audit of ULBs is to be conducted by Chartered Accountants (CAs) from the panel of CAs maintained by the State Government. The CAs had completed audit of four (out of seven) ULBs for the year 2021-22.

2.9 Financial Reporting Issues

Finances of ULBs comprise of receipts from own sources, grants and assistance from Union Government and State Government. The ULBs receive funds from the State Government through in shape of devolution of net proceeds of total tax revenue as recommended by the State Finance Commission. While power to collect certain taxes are vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemption, concessions, *etc.* are vested with the State Government.

Own non-tax revenue of ULBs comprises fee for solid waste management, parking fee and renewal of trade license, rents of property *etc.* Grants and assistance released by the Governments are utilised for extending civic facilities to the urban population.

Flow chart of finance of ULBs is as follows:

Chart 2.3: Flow chart of finance of ULBs

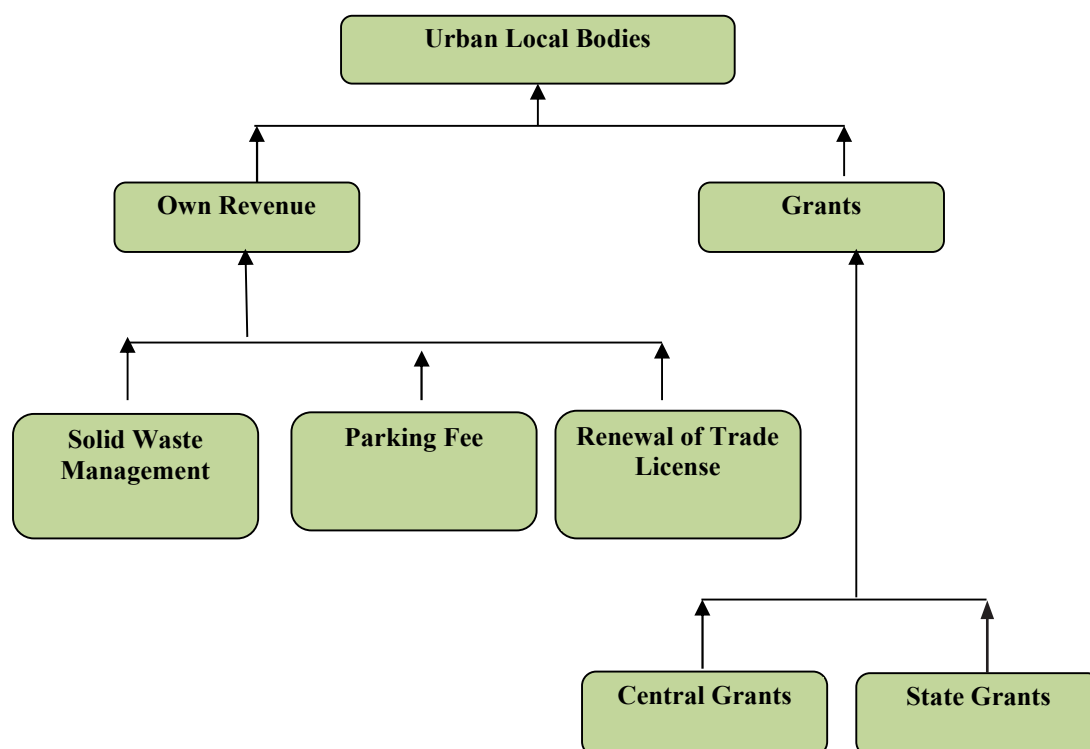


Table 2.6: Statement showing the position of funds of ULBs for the last five years

(₹ in lakh)

Year	GMC				Remaining Councils / NPs			
	Central Grants	State Grants	Own Revenue	Total	Central Grants	State Grants	Own Revenue	Total
2017-18	469.85	339.25	763.75	1,572.85	236.43*	225.65*	269.12*	731.20*
2018-19	599.45	344.15	823.46	1,767.06	393.32	404.60	471.34	1,269.26
2019-20	463.29	82.31	918.66	1,464.26	239.95	334.73	455.44	1,030.12
2020-21	1,883.64	661.52	901.82	3,446.98	553.05	571.55	359.36	1,483.96
2021-22	1,226.08	570.62	774.57	2,571.27	364.32	507.80	501.85	1,373.97

Source: Information furnished by the ULBs.

*Information not furnished by one ULB (Naya Bazar Jorethang Nagar panchayat)

i. Composition of Funds – GMC vs Other ULBs (2021–22)

Source	GMC (₹ lakh)	Per cent of Total	Other ULBs (₹ lakh)	Per cent of Total
Central Grants	1,226.08	47.7	364.32	26.5
State Grants	570.62	22.2	507.80	36.9
Own Revenue	774.57	30.1	501.85	36.5

- GMC derives nearly 48 per cent of its funding from the Centre, while Other ULBs are more balanced, with State grants and Own Revenue together forming nearly 74 per cent of total funds.
- Own Source Revenue (OSR) contributes substantially for both GMC and other ULBs (30–36 per cent), reflecting efforts toward fiscal self-reliance.

ii. Fluctuations in Central and State Grants

- GMC:
 - Central grants peaked in 2020–21 (₹1,883.64 lakh) and remained high in 2021–22.
 - State grants dropped drastically in 2019–20 (₹82.31 lakh), but rebounded in subsequent years.
- Other ULBs:
 - Received a more stable stream of State grants compared to GMC.
 - Central grants for Other ULBs peaked in 2020–21 and reduced in 2021–22, though not as dramatically.

Conclusions

- GMC dominates urban fund allocation in the State, handling over 60–70 per cent of total urban funds annually, and depends more heavily on central grants than other ULBs.
- Own Source Revenue (OSR) has shown encouraging growth across all ULBs, constituting a significant share (30–36 per cent) of total funds by 2021–22.
- The surge in funding during 2020–21 suggests special grants or one-time inflows, possibly related to pandemic support or central devolution under 15th Finance Commission.

- iv) The variability in state grants, especially for GMC in 2019–20, may point to delayed releases or changed budget priorities, indicating the need for more predictable intergovernmental fiscal transfers.

2.9.1 Own Revenue

Collection of own revenue by the seven ULBs during the last five years is shown in Table 2.7:

Table 2.7: Statement showing collection of own revenue of seven ULBs

Sl. No.	Name of the ULB	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Gangtok Municipal Corporation (GMC)	763.75	823.46	918.66	901.82	774.57
2.	Namchi Municipal Council (NMC)	70.12	98.51	109.03	98.57	99.15
3.	Naya Bazar - Jorethang Nagar Panchayat (NJNP)	*	89.77	87.26	57.26	82.29
4.	Geyzing Nagar Panchayat (GeNP)	27.18	44.89	46.56	37.72	36.24
5.	Rangpo Nagar Panchayat (RNP)	79.99	72.92	81.35	75.22	117.91
6.	Singtam Nagar Panchayat (SNP)	50.42	107.74	70.57	36.98	109.86
7.	Mangan Nagar Panchayat (MNP)	41.41	57.51	60.67	53.61	56.40
Total		1,032.87	1,294.80	1,374.10	1,261.18	1,276.42

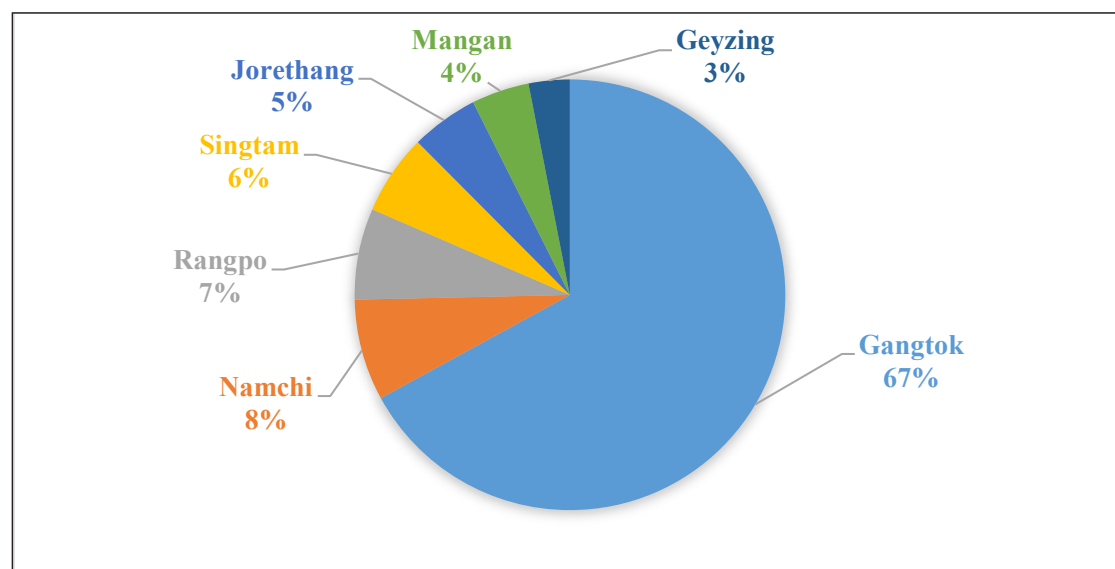
(₹ in lakh)

Source: Information furnished by the ULBs

*Information not furnished

This table presents the collection of Own Source Revenue (OSR) by the seven Urban Local Bodies (ULBs) in Sikkim over a five-year period. The data offers insights into financial self-reliance, trends in revenue performance, and disparities across ULBs.

Chart 2.4: ULB Revenue Rankings (2017–22)



- Gangtok Municipal Corporation (GMC) – Dominant Contributor
 - GMC alone contributed 60–75 per cent of total OSR across all years.
 - OSR peaked at ₹918.66 lakh in 2019–20, followed by a slight decline in the next two years to ₹774.57 lakh in 2021–22.

- Despite the drop, GMC remains the financial backbone of urban self-revenue in the State.
2. Fluctuating Trends in Other ULBs
- NMC shows a stable upward trend, peaking at ₹109.03 lakh (2019–20), maintaining ~₹99 lakh in 2021–22.
 - NJNP data is missing for 2017–18, but shows a dip in 2020–21 before recovering to ₹82.29 lakh in 2021–22.
 - GeNP and MNP have remained relatively small contributors, with consistent performance in the ₹35–60 lakh range.
 - RNP shows a strong increase in 2021–22 to ₹117.91 lakh, its highest in five years.
 - SNP also shows a strong rebound in 2021–22 to ₹109.86 lakh, after a dip to ₹36.98 lakh in 2020–21.
3. Total OSR Trend

Year	Total OSR (₹ in lakh)	Year-on-Year Change (in per cent)
2017–18	1,032.87	—
2018–19	1,294.80	+25.4
2019–20	1,374.10	+6.1
2020–21	1,261.18	-8.2
2021–22	1,276.42	+1.2

- After steady growth from 2017–20, there was a decline in 2020–21, likely due to COVID-19 impacts.
- A modest recovery is seen in 2021–22, but growth has not returned to pre-pandemic momentum.

The data reflects a concentrated dependence on GMC for urban own revenue generation in Sikkim, with other ULBs showing gradual but uneven progress. Although total OSR has generally increased over the five-year period, external shocks like the pandemic disrupted revenue collection in 2020–21. The recovery in 2021–22, particularly in smaller ULBs like *Rangpo* and *Singtam*, suggests positive potential for broadening the revenue base if supported by strengthened tax administration, valuation reforms, and citizen engagement.

The revenue ranking chart above highlights the total own revenue collected by each Urban Local Body (ULB) from 2017–18 to 2021–22. Gangtok far outpaces all others, collecting ₹4,182.26 lakh over five years—nearly nine times more than the next ULB, *Namchi*. This underscores Gangtok’s central role in municipal revenue generation in Sikkim.

2.9.2 Grants received and expenditure therefrom

Receipts and expenditure by the GMC, one Municipal Council and five NPs during the year 2021-22 are shown in **Table 2.8**:

**Table 2.8: Statement showing grants received and expenditure thereof
from ULBs during 2021-22**

(₹ in lakh)

Name of ULBs	Central Grants				State Grants				Own Revenue	
	Opening balance	Received	Expenditure	Balance	Opening balance	Received	Expenditure	Balance	Received	Expenditure
GMC	117.81	1,226.08	1,187.88	156.01	220.35	570.62	790.97	0	774.57	1001.72*
NJNP	66.30	98.77	54.62	110.45	5.56	82.64	87.94	0.26	82.29	81.47
NMC	167.33	90.97	88.52	169.78	0	69.07	69.07	0	99.15	83.74
MNP	41.80	3.04	43.31	1.53	0.28	84.87	75.56	9.31	56.40	28.43
SNP	44.90	65.59	42.23	68.26	88.62	101.66	140.79	49.49	109.86	88.21
RNP	131.67	85.44	135.95	81.16	29.42	102.90	123.93	8.39	117.91	77.99
Total	618.65	1,601.08	1,592.94	626.79	344.45	1,083.40	1,328.82	98.75	1,276.42	1,397.77

* Expenditure done from previous year's balance

Source: Information furnished by ULBs

Key Observations:

1. Under-utilisation of Central Grants
 - Total Central Grant Received: ₹1,601.08 lakh
 - Total Central Grant Expenditure: ₹1,592.94 lakh
 - Unspent Closing Balance: ₹626.79 lakh, including carryovers
 - GMC had a significant opening balance of ₹117.81 lakh and received ₹1,226.08 lakh, but spent ₹1,187.88 lakh, resulting in a closing balance of ₹156.01 lakh. Notably, GMC's own revenue expenditure (₹1,001.72 lakh) exceeded the amount collected in 2021–22 (₹774.57 lakh), implying use of prior year's surplus.
 - Other ULBs, particularly RNP and NMC, also reported large residual balances (e.g., ₹81.16 lakh and ₹169.78 lakh respectively), indicating underutilisation of grants.
2. State Grants – Partial Utilisation
 - Total State Grant Received: ₹1,083.40 lakh
 - Total State Grant Expenditure: ₹1,328.82 lakh
 - This indicates that some ULBs (e.g., GMC, SNP) may have utilised previous year's balances to cover excess spending, but five out of seven ULBs still showed closing balances, suggesting delayed or inefficient utilisation.
3. Own Revenue Performance
 - Total Own Revenue Collected: ₹1,276.42 lakh
 - Total Own Revenue Expenditure: ₹1,397.77 lakh
 - This slight over-expenditure reflects ULBs dipping into reserves or carryover balances to meet expenses—a sign of proactive fiscal use, but also possible over-dependence on past savings.

ULBs with Highest Unspent Balances

ULB	Unspent Central + State Grant (₹ lakh)
GMC	156.01 (Central) + 0 (State) = 156.01
NMC	169.78 (Central) + 0 (State) = 169.78
RNP	81.16 (Central) + 8.39 (State) = 89.55
SNP	68.26 (Central) + 49.49 (State) = 117.75

These balances suggest a need for improved planning and fund absorption capacity, especially when unspent grants lie idle in bank accounts, as noted.

The analysis reveals a pattern of persistent under-utilisation of central and state grants across multiple ULBs, with a cumulative closing balance of ₹725.54 lakh (Central + State Grants). While some ULBs have shown initiative in spending beyond their current-year own revenues using prior reserves, others continue to retain significant idle funds, affecting service delivery and reflecting inefficiencies in planning and execution.

Better fund management, timely project execution, and monitoring mechanisms are essential to ensure optimal utilisation of devolved resources and strengthen the fiscal performance of urban governance bodies in Sikkim.

Conclusions

- i) GMC dominates urban fund allocation in the State, handling over 60–70 *per cent* of total urban funds annually, and depends more heavily on central grants than other ULBs.
- ii) Own Source Revenue (OSR) has shown encouraging growth across all ULBs, constituting a significant share (30–36 *per cent*) of total funds by 2021–22.
- iii) The surge in funding during 2020–21 suggests special grants or one-time inflows, possibly related to pandemic support or central devolution under 15th Finance Commission.
- iv) The variability in state grants, especially for GMC in 2019–20, may point to delayed releases or changed budget priorities, indicating the need for more predictable intergovernmental fiscal transfers.

2.10 Recommendation of State Finance Commission (SFC)

The 5th SFC recommended (Para 5.24 and Table 5.4) transfer of ₹ 28.88 crore for seven ULBs during 2021-22 (5.5 *per cent* of the divisible pool of taxes) for vertical sharing to the Local Bodies (PRIs – 75 *per cent* & ULBs – 25 *per cent*) which was approved by the State Government. Thus, ULBs were entitled to ₹ 7.22 crore. As against this, ₹ 10.43 crore was transferred to ULBs during 2021-22 leading to excess release of ₹ 3.21 crore. Details are given below:

Table 2.9: Actual transfer of funds to ULBs during 2021-22 vis-à-vis FSFC recommendation

(₹ in lakh)

Sl. No.	Head	Tax receipts	Collection cost deduction (10 per cent of Column 3)	Net tax receipt (Column 3-4)	Funds to be transferred to Local Bodies (5.5 per cent of Net tax receipt)	Funds to be transferred to ULB (25 per cent of Col. 6)	Tax Transferred to ULB
1	2	3	4	5	6	7	8
1.	Land Revenue	952.92	95.29	857.63	47.17	11.79	1042.77
2.	Stamp & Registration	2334.77	233.48	2101.29	115.57	28.89	
3.	State Excise	24919.97	2492.00	22427.97	1233.54	308.39	
4.	Taxes on Sales, Trades etc.	22718.08	2271.81	20446.27	1124.54	281.14	
5.	Taxes on vehicles	3909.26	390.91	3518.35	193.51	48.38	
6.	Other Taxes and Duties	3511.55	351.16	3160.39	173.82	43.45	
Total		58346.55	5834.65	52511.90	2888.15	722.04	1042.77

Source: Finance Accounts 2021-22 and information furnished by Urban Development Department.

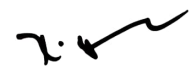
The 5th State Finance Commission (SFC) recommended that ₹28.88 crore (5.5 per cent of the divisible pool of taxes) be transferred to Local Bodies during 2021–22, of which ₹7.22 crore (25 per cent) was earmarked for Urban Local Bodies (ULBs). However, the actual transfer to ULBs was ₹10.43 crore, resulting in an excess release of ₹3.21 crore beyond the recommended amount.

This over-release occurred despite clear SFC guidelines and vertical sharing ratios approved by the State Government.

Such deviations from the prescribed formula raise concerns about fiscal discipline, transparency in intergovernmental transfers, and adherence to SFC recommendations. This could also affect equitable distribution and predictability of funds for Local Bodies, which are essential for strengthening grassroots governance.

Timely reconciliation and adherence to SFC guidelines are essential to avoid such anomalies and ensure a balanced devolution framework.

Gangtok
Dated : 27 November 2025


(NARMADHA R.)
Accountant General (Audit), Sikkim



APPENDICES



Appendix 1.1
Statement showing vital statistics of Rural Sikkim
(Reference: Paragraph 1.1)

Indicator	Unit	State value	National value
Area	Sq.km.	7,096	32,87,263
Rural area	<i>Per cent</i>	99.46	72.20
District	Numbers	4	640
Village	Numbers	451	6,38,588
Population	In lakh	6.11	12,101.93
PRIs	Numbers	199	2,46,062
Municipal Corporation	Numbers	1	139
Municipal Council	Numbers	1	1,595
Nagar Panchayat	Numbers	5	2,108
Gender Ratio	1000 male	890	940
Poverty	<i>Per cent</i>	19.33	26.10
Literacy	<i>Per cent</i>	81.42	74.04
Total Households	Numbers	1,29,006	19,35,79,954

Source: Census report 2011 and information furnished by the State Government

Appendix 1.2

Statement showing powers of PRIs

(Reference: Paragraph 1.3)

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
1. Agriculture & Food Security	Identification of areas for all programmes; National Agricultural Insurance Scheme; extension and demonstration on organic farming; conducting crop competition demonstration; deconstruction programme; compensation for crop loss due to natural calamities; establishment of storage facilities; and generation of crop statistics.	Selection of beneficiaries for demonstration and organic manure production; assisting in organising crop competition & exhibition; selection of beneficiaries for special program of organic farming; generating yield data; reporting of crop loss; maintenance of infrastructures and organizing & motivation for agriculture production.
2. Horticulture & Cash Crop	Extension & demonstration on organic farming related to horticulture; conducting crop competition & exhibition; training & demonstration of horticulture crops including fruits, vegetables, potato, ginger & cardamom; creating awareness in floriculture as commercial venture; assessment, verification and compensation of horticulture crop losses due to natural calamities; establishment of storage facilities; generation of horticulture crop statistics and motivation and implementation of crop insurance.	Extension & demonstration of organic farming related to horticulture and development of local entrepreneurs for production of organic manures; assisting in organising crop competitions & exhibitions; training & demonstration of horticulture crops through selection of right beneficiaries and areas; assessment and reporting of horticulture crop losses; maintenance of storage facilities; generating horticulture crop statistics; and motivation of crop insurance programme.
3. Animal Husbandry, Livestock, Veterinary Services	Rabies control, vaccination & elimination of affected animals; distribution of preventive materials for control of animal diseases; compilation of reports & dissemination of information; identification of areas for different types of animal development programme; quality monitoring; meat inspection & certification; programmes for fodder production; management of marketing of animal products; processing centres; training & awareness of animal husbandry related training workshops & programmes; cross breeding management of artificial insemination programmes; execution of works between ₹ 2 to ₹ 5 lakh; and identifying areas for various types of fisheries.	Identification of beneficiaries for various purposes under Animal Husbandry Sector; distribution of fodder; collection of products for large markets; assessment of production collection centres; supervision of delivery of Government services; identification of training needs of farmers; requisition of training programmes; distribution of high bred varieties of farm animals; execution of works up to ₹ two lakh; and supervision of implementation.
4. Education	Overall supervision of Junior High School (JHS) except appointment and transfer of teachers; all repairs & maintenance of JHS; supporting state authorities in survey & related projects; literacy programmes; and monitoring the programmes.	Overall supervision of functioning of Primary School (PS) and Lower Primary School (LPS) except appointment and transfer of teachers; conducting all repairs & maintenance works up to ₹ 10 lakh; identification of learners; and assisting in Literacy Supervision programmes.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
5. Health & Family Welfare	To facilitate the formation of village health and sanitation committees at the Gram Panchayat level; to ensure and help district health mission under NRHM to prepare a need based socio-demographic plan at the district level; to oversee effective implementation of health and family welfare programmes at the district level by monitoring and supervising the functions and functionaries, training, equipping and empowering Panchayat members suitably to manage and supervise the functioning of health care infrastructure and man-power and further co-ordinate works of different departments such as Health & Family Welfare, Social Welfare, Public Health Engineering, Rural Development, <i>etc.</i> at the district level; and to ensure unbiased selection of Accredited Social Health Activist (ASHA).	Village health and sanitation committee comprising of Auxiliary Nurse Midwife (ANM) / Multipurpose Health Worker (Male) {MPHW(M)}, Accredited Social Health Activist (ASHA), Non-Government Organisations (NGOs) and village representatives with adequate representation for women members (Existing village sanitation campaign may be re-designated as Village Health and Sanitation Committees); to ensure and help village level health committees under NRHM to prepare an area specific, need based, demand driven, socio-demographic plan at the village/ sub-centre level; to grant approval and ensure proper utilisation of funds earmarked as untied funds under NRHM; to ensure selection of sincere and dedicated ASHA in village; to improve health care standard at the household level through female health activist (ASHA); to demonstrate exemplary performance in compulsory registration of births, deaths, marriage and pregnancies; ensuring safe deliveries to bring a reduction in Infant Mortality Rate (IMR) and Maternal Mortality Rate (MMR); identification of people in need of service and facilitate in providing service in collaboration with village level health workers in respect of National programmes like Reproductive and Child Health, Blindness, Tuberculosis (TB) Control, Sexually Transmitted Disease (STD) / Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Syndrome (AIDS), <i>etc.</i> keeping provision of fund for maternal and child health activities (referral of high risk cases, <i>etc.</i>) in the PRI budget; awareness generation regarding all health and family welfare related issues and to generate demand from the community for services under different National and State health programmes; and to increase service utilisation at different levels through different effective locally acceptable approaches.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
6. Forests, Environment and Wildlife	Facilitation for marketing of saplings for Government & private plantation; providing marketing facilities for medicinal plants & other forestry products; training for cultivation; protection support to <i>Smriti Van</i> ¹² ; support for control of forest fire, prevention & control; awareness and promotion on regulated grazing; promotion of Non-timber Forest Produce (NTFP) -bamboo plantations; promotion of timber substitutes-marketing; identification of Gram Panchayats for the programme; monitoring of the programme; and harvesting & distribution of fuel wood.	Establishment of community nurseries; establishment of medical plants gardens for commercial purpose; establishment of <i>Smriti vans</i> ; control of forest fires; co-ordination with Joint Forest Management Committee (JFMC); control of grazing in forest land; implementation of regulated grazing; plantation of Non Timber Forest Produces (NTFP) production; micro- planning & implementation of soil conservation works; planning & implementation of Green mission works; planning & implementation of fuel wood plantation in community lands; identification of sites; and upkeep of parks & gardens.
7. Commerce & Industries	Providing assistance to trained beneficiaries to start their own units including credit support; organizing entrepreneurial development programmes; providing marketing facilities for cottage and village products; and identifying locations for specific industrial & commercial activity.	Identification of beneficiaries for training; distribution of raw materials and promotion of cottage industries based on locally available materials.
8. Disaster management	Assisting in assessment of damages during natural calamity; providing training on rescue and relief operation; coordinating with District Relief Committee and Village Relief Committee; investment in preventive and preparedness measures; and maintenance & minor repair works between ₹ 10 to ₹ 20 lakh.	Awareness generation on disaster management; mock drill; and rescue & relief operation.
9. Irrigation	Creation of minor irrigation channels.	Identification of locations for minor irrigation channels; and all repairs of minor irrigation channels.
10. Cultural activities	Identification and preservation of heritage sites.	Promotion of folk art; preservation of traditional culture and customs; and opening and maintenance of rural (village) Libraries.
11. Rural water Supply	All maintenance works and new schemes between ₹ 10 to ₹ 20 lakh.	Minor repairs and new schemes up to ₹ 10 lakh.
12. Rural bridges	All maintenance works and new schemes between ₹ 10 to ₹ 20 lakh.	Minor repairs and new schemes up to ₹ 10 lakh.
13. Rural sanitation	Promoting environment friendly means of disposal of solid and liquid waste; maintenance of environmental hygiene; construction and maintenance of institutional and community latrines and bathing places.	Conducting environment friendly waste management through Gram Panchayat level Water and Sanitation Committees; and construction and maintenance of Individual Sanitary latrines and bathing cubicles.

¹² “*Smriti Van*” is a piece of land where medicinal plants have been planted through community participation.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
14. Cooperatives	Promotion of Co-operative movement in the district.	Generating awareness about cooperatives.
15. Miscellaneous	Regulating building construction; rural street lighting and its maintenance; establishment & maintenance of crematoriums and burial places; regulating disposal of carcasses; construction of Integrated Child Development Scheme (ICDS) Centres; disbursement of Old Age Pension (OAP) & Sumptuary Allowance (SA); implementation of Small Family Benefits Scheme; implementation of National Family Benefit Scheme; promotion of eco-tourism; maintaining tourist's infra-structure and amenities at the district level; identification of potential places for development of tourism; promotion of use of renewable energy sources; maintaining <i>haat</i> sheds at the Sub-divisional level markets not falling under the jurisdiction of ULBs; and assisting the State Govt. in collection of data / survey / maintenance of law & order and Information, Education and Communication (IEC) activities.	Enforcing regulation for building construction; establishing facilities for generation of renewable energy sources; reporting on presence of carcasses; supervision and maintenance of ICDS Centres; maintaining tourist infra-structure and amenities at the village level; regulating the use of <i>haat</i> sheds at the Sub- Divisional level markets not falling under the jurisdiction of ULBs; collection of data for the State Govt. and reporting to the District Administration of the Law & Order situation including potential dangers and disturbances.
All centrally sponsored schemes	As per guidelines given by the GOI.	As per guidelines given by the GOI.

Source: Rural Management and Development Department Notification No. 3/RMDD/P dated 29.04.2008

Appendix 1.3
Statement showing functions to be transferred to PRIs
(Reference: Paragraph 1.3.1)

Sl. No.	Functions to be transferred
1.	Agricultural including agricultural extension
2.	Minor irrigation, water management and watershed development
3.	Animal husbandry, dairy and poultry
4.	Fisheries
5.	Social forestry and farm forestry
6.	Minor forest produce
7.	Small scale industries including food processing industries
8.	Khadi, village and cottage industries
9.	Drinking water
10.	Fuel and fodder
11.	Roads, culverts, bridges, ferries, waterways and other means of communication
12.	Rural electrification including distribution of electricity
13.	Non-conventional energy sources
14.	Primary and Secondary education
15.	Cultural activities
16.	Market and fairs
17.	Health and Sanitation including Hospitals, primary health centres and dispensaries
18.	Family welfare
19.	Women and child development
20.	Maintenance of community assets
21.	Land improvement, implementation of land reforms, land consolidation and soil conservation
22.	Rural housing
23.	Poverty alleviation programme
24.	Technical training and vocational education
25.	Adult and non-formal education
26.	Libraries
27.	Social welfare including welfare of handicapped and mentally retarded
28.	Welfare of the weaker sections and in particular SC and ST
29.	Public distribution system

Source: Eleventh Schedule (Article 243 G) of the Constitution (Seventy Third) Amendment Act, 1992

Appendix 1.4
Statement showing functions not transferred to PRIs
(Reference: Paragraph 1.3.2)

Sl. No.	Functions not transferred
1.	Land improvement, implementation of land reforms, land consolidation and soil conservation
2.	Rural housing
3.	Poverty alleviation programme
4.	Technical training and vocational education
5.	Adult and non-formal education
6.	Libraries
7.	Social welfare including welfare of handicapped and mentally retarded
8.	Welfare of the weaker sections and in particular SC and ST
9.	Public distribution system

Source: Eleventh Schedule (Article 243 G) of the Constitution (Seventy Third) Amendment Act, 1992

Appendix 1.5
Statement showing frequent transfer of Officers of DLFA
(Reference: Paragraph 1.4.1)

Post	Person-in-position		
	Name	Designation	Period
Principal Director/ Director/ Additional Director	Sri L.B. Rai	Director	February 2012 to September 2013
	Sri Kuber Bhandari	Director	September 2013 to December 2013
	Sri D.N. Sharma	Pr. Director	January 2014 to October 2015
	Sri L.B. Rai	Director	November 2015 to June 2016
	Sri S.B. Subba	Pr. Director	June 2016 to October 2016
	Sri Govind P. Kaushik	Pr. Director	November 2016 to October 2020
	Sri B.B. Subba	Director	November 2020 to till date
Joint. Director	Sri Patrick Rai	Joint Director	November 2013 to October 2014
	Sri C.N. Sherpa	Joint Director	April 2015 to October 2019
	Sri K.P. Sapkota	Joint Director	September 2017 to till date
Sr. Accounts Officer / Accounts Officer	Sri J.B. Karki	Sr. Accounts Officer	October 2013 to August 2014
	Sri Ashok Sharma	Accounts Officer	September 2012 to September 2014
	Sri T.N. Sapkota	Accounts Officer	October 2014 to September 2017
	Sri Asaf Sharma	Accounts Officer	July 2017 to September 2017
	Sri Prakash Sharma	Sr. Accounts Officer	September 2017 to March 2023
	Sri Palden Thakarpa	Sr. Accounts Officer	October 2019 to till date
	Sri Phuchung Bhutia,	Accounts Officer	December 2020 to till date
	Sri Govind Lamichaney	Accounts Officer	April 2021 to till date
	Sri Balaram Sharma	Accounts Officer	April 2021 to till date

Source: Information furnished by DLFA, Government of Sikkim

Appendix 2.1
Statement showing vital statistics of Urban Sikkim
(Reference: Paragraph 2.1)

Particular	State	Urban Sikkim
Population (in lakh)	6.11	1.54
Sex ratio (in males)	890/1000	913/1000
Literacy rate (in <i>per cent</i>)	81.42	88.71
Area (in sq km)	7096	38.25
Poverty (in <i>per cent</i>)	8.19	3.6
Household	1,29,006	35,718

Source: Census Report 2011

Appendix 2.2
Statement showing functions to be transferred to ULBs and actually transferred to ULBs
(Reference: Paragraph 2.3)

Sl. No.	Name of Subjects / Functions listed in 12 th Schedule	Gangtok Municipal Corporation	Namchi Municipal Council	Naya Bazar – Jorethang Municipal Council	Geyzing Municipal Council	Singtam Nagar Panchayat	Rangpo Nagar Panchayat	Mangan Nagar Panchayat
1	Urban Planning including town planning	Only regulation of building construction and approval of BPP.	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
2	Regulation of land-use and construction of building	Only regulation of building construction and approval of BPP.	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
3	Planning for economic development and social development	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
4	Roads and Bridge	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
5	Water supply for domestic, industrial and commercial purpose	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
6	Public health, sanitation conservancy and solid waste management	Only solid waste management	Only solid waste management	Only solid waste management	Only solid waste management	Only solid waste management	Only solid waste management	Only solid waste management
7	Fire Service	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
8	Urban forestry protection of the environment and promotion of ecological aspects	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
9	Safeguarding the interests of the weaker section of the society, including the handicapped and the mentally retarded	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred

Annual Technical Inspection Report on Panchayati Raj Institutions and Urban Local Bodies for the year ended March 2022

Sl. No.	Name of Subjects / Functions listed in 12 th Schedule	Gangtok Municipal Corporation	Namchi Municipal Council	Naya Bazar – Jorethang Municipal Council	Geyzing Municipal Council	Singtam Nagar Panchayat	Rangpo Nagar Panchayat	Mangan Nagar Panchayat
10	Slum improvement and up-gradation	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
11	Urban poverty alleviation	Transferred	Transferred	Transferred	Transferred	Transferred	Transferred	Transferred
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Transferred	Transferred	Transferred	Transferred	Transferred	Transferred	Transferred
13	Promotion of culture, educational and aesthetic aspects	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
14	Burials, burial grounds; cremations, cremation grounds and electric crematoriums	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
15	Cattle pounds, prevention of cruelty to animals	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
16	Vital statistics including registration of births and deaths	Transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred
17	Public amenities including street lighting, parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences	Parking lots, bus stops and public conveniences
18	Regulation of slaughter houses and tanneries	Not transferred	Not transferred	Not transferred	Not transferred	Not transferred	Transferred	Not transferred
	Total	7	4	4	4	4	5	4

Source: Information furnished by Urban Development Department, Government of Sikkim

Appendix 2.3
**Statement showing service level benchmark for solid waste
management service for Gangtok Municipal Corporation**

(Reference: Paragraph 2.7)

Year	Coverage (per cent)	Collection Efficiency (per cent)	Extent of Segregation (per cent)	Extent of Recovery (per cent)	Extent of Scientific Disposal (per cent)	Complaint Redressal Efficiency (per cent)	Cost Recovery (per cent)
2011-12	60	70	-	0	0	50	25
2012-13	80	-	-	10	0	70	35
2013-14	90	90	20	20	0	90	40
2014-15	95	95	40	50	10	95	50
2015-16	99	95	60	70	40	99	70
2016-17	100	100	80	75	50	100	80
2017-18	100	100	90	80	60	100	80
2018-19	100	100	100	85	70	100	80
2019-20	100	100	100	90	90	100	80
2020-21	100	100	100	100	100	100	80

Source: Notification No. GOS/UDHD/2013-14/SLBM/01 dated 26.09.2013 issued by Government of Sikkim, Department of Urban Development & Housing

Appendix 2.4

Statement showing service level benchmark for solid waste management service for all Urban Local Bodies

(Reference: Paragraph 2.7)

Year	Coverage (Per cent)	Collection Efficiency (Per cent)	Extent of Segregation (Per cent)	Extent of Recovery (Per cent)	Extent of Scientific Disposal (Per cent)	Complaint Redressal Efficiency (Per cent)	Cost Recovery (Per cent)
Gangtok Municipal Corporation							
2016-17	70	75	55	65	50	100	60
2017-18	80	80	65	70	60	100	65
2018-19	85	85	70	75	65	100	70
2019-20	90	90	75	80	70	100	75
2020-21	100	95	80	85	75	100	80
2021-22	<i>Under Process</i>						
Namchi Municipal Council							
2016-17	80	98	30	30	40	100	100
2017-18	85	100	60	60	80	100	100
2018-19	90	100	80	80	100	100	100
2019-20	100	100	100	100	100	100	100
2020-21	100	100	100	100	100	100	100
2021-22	<i>Under process</i>						
Naya Bazar-Jorethang Nagar Panchayat							
2016-17	100	80	25	40	40	100	60
2017-18	100	90	40	50	40	100	70
2018-19	100	90	60	60	60	100	100
2019-20	100	100	80	75	90	100	100
2020-21	100	100	100	100	100	100	100
2021-22	<i>Under Process</i>						
Gyalshing Nagar Panchayat							
2016-17	70	80	30	30	20	100	50
2017-18	75	80	40	55	40	100	60
2018-19	85	85	55	75	60	100	70
2019-20	90	90	60	80	80	100	80
2020-21	100	98	70	85	90	100	90
2021-22	<i>Under Process</i>						
Rangpo Nagar Panchayat							
2016-17	100	90	60	85	50	100	70
2017-18	100	90	70	95	70	100	80
2018-19	100	90	80	100	80	100	100
2019-20	100	95	90	100	90	100	100
2020-21	100	100	100	100	100	100	100
2021-22	<i>Under Process</i>						
Singtam Nagar Panchayat							
2016-17	100	90	55	85	70	100	80
2017-18	100	100	75	95	75	100	90

Year	Coverage (Per cent)	Collection Efficiency (Per cent)	Extent of Segregation (Per cent)	Extent of Recovery (Per cent)	Extent of Scientific Disposal (Per cent)	Complaint Redressal Efficiency (Per cent)	Cost Recovery (Per cent)
2018-19	100	100	85	100	80	100	100
2019-20	100	100	90	100	100	100	100
2020-21	100	100	100	100	100	100	100
2021-22	<i>Under Process</i>						
<i>Mangan Nagar Panchayat</i>							
2016-17	75	100	50	50	0	100	25
2017-18	80	100	65	70	40	100	35
2018-19	85	100	80	85	60	100	60
2019-20	95	100	90	95	80	100	70
2020-21	100	100	100	100	100	100	80
2021-22	<i>Under Process</i>						

Source: Notification No. 5/GOS/UDHD/2015-16/10/852 dated 20.04.2016 issued by Government of Sikkim, Department of Urban Development & Housing

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