

III - I

AUDIT OF TRANSACTIONS

3.1 Unwarranted expenditure on purchase of steel tree guard under State Green Mission

Three ZPs utilized steel tree guard instead of bamboo tree guard without any indepth need analysis, justification and cost benefit ratio leading to unwarranted additional expenditure of ₹ 36.75 lakh.

The State Government decided to introduce scheme of 'State Green Mission' with effect from April 2008 to provide a multi dimensional support in eco-tourism, greenery, etc. under the aegis of Forest, Environment and Wildlife Department. The notification envisaged upon all the functional departments to transfer fund to ZPs and GPs for carrying out plantation and other related works. Accordingly, Roads & Bridges Department, Government of Sikkim transferred ₹ 2 crore (₹1.40 crore for ZPs and ₹ 60 lakh for 163 GPs) under State Green Mission to ZPs and GPs with stipulation to carry out avenue plantation in a stretch of 172.25 km (East 31.25 Km, West 45 Km, North 43 Km and South 53 Km) involving ₹ 1.27 crore (@ ₹ 73,554/- per Km). Besides, ₹ 73.30 lakh was meant for additional plantation and maintenance.

The rates of ₹ 73,554/- per km for the avenue plantation worked out by Forest, Wild Life and Management Department included purchase of planting materials (₹ 19,099), contingencies, publicity and monitoring (₹ 1,330), tree guard bamboo 35 x 50 (₹ 17,500), Metal wire mesh 35 X 875 (₹ 30,625) and carriage of sapling (₹ 5,000).



Audit scrutiny of records relating to three ZPs revealed the following irregularities:

- 35 steel tree guards per kilometer were used instead of bamboo tree guards by all the three ZPs for protecting the saplings without indepth need analysis, justification and cost benefit ratio. Audit analysis revealed that steel tree guards did not have any additional advantage as the guard could not be used for the second time. Steel tree guards were removed in similar fashion as bamboo tree guards once the saplings attained the age of 2 to 3 years. Thus, use of steel tree guard resulted in additional cost of ₹ 825 (₹ 875 – ₹ 50) per piece entailing an unwarranted expenditure of ₹ 36.75 lakh (4454X ₹ 825) on purchase of 4,454 steel guards by three ZPs.



- Sikkim Financial Rule (Rule 127) and Finance Department's notification (September 2004) stipulated adoption of open competitive tender for purchase of stores from open market, with wide publicity in the leading newspapers allowing one month time when cost of stores exceeds rupees. one lakh. Audit noticed that ZP instead of going for open tender issued notice Inviting Quotation from local suppliers. Thus, purchases were effected without adhering to SFR and economy of rates was not ensured. In reply, the ZP (East) stated that steel tree guards had advantage over bamboo tree guards as it was sturdy and long lasting thereby enhancing the chances of survival of the plantation. The bamboo tree guards on the other hand were susceptible to damage by the grazing cattle. The reply was not tenable as both bamboo and steel tree guards were used to protect the plantation and the ratio of bamboo tree guards and steel tree guards were 10 and one over a stretch of one KM indicating that bamboo tree guards were equally useful in protecting the plants.

3.2 Unwanted and irregular expenditure on implementation of Rural Water Supply for Kanchangdozanga Tourist Villa

Execution of rural water supply work for ₹ 1.94 crore under BRGF to Kanchanjunga Tourist Villa and three villages were unwarranted and against the guidelines of the Fund as the Fund was meant to bridge the critical gaps in local infrastructure and other development requirements which were not being adequately met through existing inflows.

The project 'Rural water supply to Kanchanjunga Tourist Villa' at an estimated cost of ₹ 1.94 crore was taken up by ZP (East) under BRG Fund to provide water supply to three GPs. The project report inter-alia included provisioning of drinking water to three villages in addition to newly constructed amusement park i.e. Kanchanjunga Tourist Villa. The ZP, East accordingly invited tenders in which three contractors submitted their bids. Based on the lowest rate quoted the work was awarded (August 2008) to the contractor with stipulation to complete within 12 months (by July 2009). The work was completed (December 2010) and payment of ₹ 1.84 crore paid to the contractor for different components of work as shown below:

Sl.	Item	Qty	Rate	Total cost
1	Fitting fixing of GI pipe 100 mm dia	4866 mtr	1346.95	65.55
2	Providing & laying concrete pillar	180	12380	26.10 (22.28)
3	Provide & laying Anchor block	290	5891	20.12 (17.08)
4	Provide and laying saddle block	50	5395	3.48 (2.70)
5	Providing & laying thrust block	59	5688	4.21 (3.36)
6	Protective work			7.08
7	Head work			49.19
8	Sedimentation Tank			2.53
9	Protective work			
10	Intake Tank			2.86
			Total	184.00

Audit scrutiny revealed following:

- ☉ The three villages were already equipped with the water supply provided by Rural Management & Development Department from the nearest source since last several years. The availability of water supply through RM&DD was confirmed by Audit



through physical verification of the area in presence of Panchayat functionaries. Thus in essence the project was not required for provisioning of the water supply to these three villages.



- ☉ Even the Kanchandzonga Tourist Villa locality which falls under Ranka was already having water supply facility provided by Rural Management and Development Department. The RM&DD was having full fledged water supply system, the nearest reservoir.
- ☉ The connection to the tourist

villa could have easily been taken at a very nominal cost (₹ 15.56 lakh) by laying the pipelines of 32mm dia from the nearest point.

☀ The ZP executed 4,866 meter of fitting and fixing of GI pipe involving an expenditure of ₹ 65.55 lakh (at the rate of ₹ 1,346.95 per meter). This included cost of pipe, laying of pipe, fitting and fixing of pipe, excavation of trenches and refilling. Audit



scrutiny revealed that in addition to above the ZP (East) also executed (i) providing & laying concrete pillar, (ii) provide & laying Anchor block, (iii) provide and laying saddle block and (iv) Providing & laying thrust block at an expenditure of ₹.53.91 lakh. This is more so as the purpose of Pillar, Anchor block, saddle block and thrust block is to provide support to pipe of heavy duty and big diameter if it runs over the ground and follow steep gradient. Execution of work relating to Pillar, Anchor block, saddle block and thrust block was not required as pipelines were not running through steep, uneven gradient as seen in the photograph. In view of completion of digging & refilling, laying & fitting and fixing of pipe execution of anchor block, pillar and saddle block, pillar and saddle blocks at an expenditure of ₹ 53.93 lakh was unwarranted.

☀ The ZP East submitted misleading information to include three villages although these villages were already provided with water supply through RM&DD since last several years. Physical verification by Audit in presence of Panchayat functionaries confirmed the fact of availability of water to the villagers through RM&DD.

Thus execution of work for ₹ 1.94 crore under BRGF to KanchanZonga Tourist Villa and three villages were unwarranted and against the guidelines of the Fund which categorically stipulates that BRG Fund was meant to bridge the critical gaps in local infrastructure and other development requirements which were not being adequately met through existing inflows.

3.3 Avoidable expenditure on Construction of BAC at Nanduk

Failure of the ZP to complete the construction work of Block Administrative Centre in time not only led to blockage of Government fund of ₹ 59.47 lakh but also entailed an avoidable expenditure of ₹ 2.40 lakh on payment of rent towards the rented building on which the BAC was presently functioning. Pending completion of the BAC, Nandok the Block Development Office continued to function in the unhygienic condition without adequate space and requisite furniture to the officers and staff.

The State Government of Sikkim sanctioned construction of 19 Block Administrative Centres (BAC) across the State at an estimated cost of ₹1.38 crore per BAC aggregating to ₹ 26.22 crore. The cost included 38 *per cent* escalation (later reduced to 28 *per cent*) on the plea that the estimate was based on Schedule of Rates, 2002. Based on the Cabinet approval (May 2007) the work of construction of BAC, Nandok of East District was put to tender (June 2007) in which 21 contractors submitted (July 2007) their bids of which the lowest rate of 25 *per cent* below the estimated cost accepted. The schedule date of completion of the work was June 2008 and justified the workability of rates on the ground that:



Based on the Cabinet approval (May 2007) the work of construction of BAC, Nandok of East District was put to tender (June 2007) in which 21 contractors submitted (July 2007) their bids of which the lowest rate of 25 *per cent* below the estimated cost accepted. The schedule date of completion of the work was June 2008 and justified the workability of rates on the ground that:

- Nandok village was very near to the village of the contractor and hence transportation charge would be less;
- Stock of old serviceable form works were available with her which would reduce the cost of construction too;
- The labour cost will be reduced as she possessed considerable regular labour strength;
- Availability of sand at quarry point was very near to the construction site which would reduce the cost;

- She possessed mechanical equipments such as mixture machine, vibrator etc;
- The old serviceable tools were available with her.

Scrutiny of records revealed that the work remained incomplete as of March 2011, the progress was only to the extent of 30 *per cent*, even after a lapse of 2 years 9 months of the schedule date of completion (June 2008) and expenditure of ₹ 59.47 lakh towards payment to the contractor. This was despite release of mobilization advance of ₹ 24.09 lakh to the contractor before the commencement of the works. There is no such provision to this effect in the PWD manual and there was no mention in the agreement for release of any mobilisation advance to the contractor. Audit analysis further revealed that the justification for workability of the rates below the estimated cost was not analysed appropriately before award of work by the Department. The justification of the rates was not appropriate on the following grounds:

- Transportation cost of contractor do not make any impact on rate;
- Rate of form works is analysed based on old serviceable form items;
- Regular labour strength can not reduce cost of construction as labour rate incorporated in SOR should be paid to labour of any type;
- Availability of sand and stone at quarry point will not changed rate of construction as quarry of sand and stone is totally labour component which a contractor had to pay in any circumstances. Further, carriage of stone and sand cannot be source of profit for contractor as he / she will be paid carriage charge as per actual distance;
- Mixture machine, vibrator and old serviceable tools and plants do not make any impact on rate.

This was more so as all other BACs in different parts of the State including that of East districts were carried out at par the estimated cost. The construction works were completed and the BACs were functioning in new premises.

3.4 Construction of multipurpose playground at Naga- Namgyor and observation thereof

Instead of utilising site for intended purpose, the site is being used for mere a platform for further constructional work of tourism department. Hence the objective of developing infrastructure in and around Mangan for helping very poor, multipurpose activities throughout the year, organizing different events as per local calendar was baseless

The ZP, North through Rural Management & Development Department proposed to construct Multipurpose all season venue at Naga – Namgyor, North Sikkim a village situated at sixteen kilometre away from district headquarters on the way to Chungthang. The objective of the project was to help in developing infrastructure in and around Mangan and facilitate organising of various functions and activities throughout the year. The venue would help in fulfilling the void created between tourist inflow and the requisite infrastructure. The project proposal comprised of construction of ground measuring 120 meter X 80 meter and approach road to the ground from North Sikkim Highway (75 meter) at an estimated cost of rupees one crore under BRG Fund.

Accordingly the project was put to tender (Oct 2008) and awarded (Oct 2008) to the lowest bidder Shri Gangtokgay Lepcha at par the estimated cost with stipulation to complete within 18 month i.e. by March 2010. The work was completed (May 2010) and payment of ₹ 95.65 lakh released to the contractor between October 2008 and May 2010.

- The original estimate was framed after receipt of fund from Government of India i.e. scheme was sanctioned for the year 2007-08 and estimate was prepared in May 2007. The ZP did not carry out any survey and investigation before finalising the estimate. This was



further confirmed by the fact that the original estimated quantities of mixed

and hard rock and protective work was grossly inaccurate in the estimate. The cutting for mixed and hard rock was estimated as 22,200 cubic meter as against the actual execution of 72,659 cubic meter and the protective work was estimated as 3,572 cubic meter as against the actual execution of 2,001 cubic meter indicating an fluctuation of 227 per cent in case of cutting work and 44 per cent in case of protective work as detailed in **Appendix-IV**.

During execution of work 31,179.63cum of hard rock was obtained through manual cutting, of which 6,403.18 cum was utilized in protective and road works. The balance quantity of stone of 24,776.45 cum were



however neither used in the project nor stacked near the work site although this belonged to ZP (North) as per additional terms and condition of contract agreement. The physical verification (March 2011) by Audit in presence of ZP officials confirmed the fact that the balance quantity of stone were missing from the site. The ZP, North had neither initiated any action to trace the missing stone nor recovered the value of the stone which worked out to ₹ 49.84 lakh³ from the contractor as it was the responsibility of the contractor to keep all material, obtained in the work in site, good condition and surrender to the Government (Clause 1 of Agreement – Additional condition).

The multipurpose playground constructed with the objective of serving as all season venue for various activities by local public was not put to any use except for organizing a mela (October 2010) since its completion in (May 2010). Physical verification of the playground by Audit in presence of ZP officials revealed that instead of utilizing the site for intended purposes, the site was being used merely as a platform for further constructional work of Tourism Department.

Thus, the expenditure of constructing multipurpose play ground at Naga-Namgyar involving an expenditure of ₹ 95.65 lakh was characterized by slack attitude of the ZP officials in ensuring recovery of ₹ 49.84 lakh from contractor towards unused stones and non-use of playground for the intended purpose.

³24776.45 cum x quarry of stone@Rs.201.16=Rs.49,84,031/-

3.5 Excess payment to contractor for construction of Panchayat Ghar

Casual approach of the ZP official in failing to segregate the actual estimated cost with that of the probable estimated cost led to loss of ₹ 7.83 lakh to the Government and undue favour of equivalent amount to the contractor.

SPWD Mannual (Para 60 of chapter VI) envisaged upon the implementing department to tender the work based on estimated cost prepared on the basis of applicable Schedule of Rates. It was however, noticed during the audit of ZP, North that the ZP issued tender invitation notice in case of construction of three Panchayat Ghar at Namok, Singhik and



Naga in North Sikkim at the estimated cost of ₹ 29 lakh each which had an inbuilt component of cost escalation of ₹ 2.61 lakh each. The lowest tenderer in case of three works quoted at par the estimated cost and accordingly the agreement was drawn allowing him the escalation portion (₹.2.61 lakh) over and above the actual estimated cost of ₹ 22 lakh. The works were completed (July 2010) and payment of ₹ 24.61 lakh each released to the contractors between October 2010 and March 2011 leading to aggregated extra expenditure of ₹ 7.83 lakh.



Audit point was borne out of the fact that in all other works, the cost escalation portion, although factored in while preparing the estimate, was neither included while floating the NIT nor allowed to the contractors for payment. Thus, casual approach of the ZP official in failing to segregate the actual estimated cost with that of

the probable estimated cost duly factoring in the cost escalation based on the tender bid led to loss of ₹ 7.83 lakh in case of three works to the Government and undue favour of equivalent amount to the contractor.

3.6 Non observance of Codal Provisions

3.6.1 Irregularities in tender process

Sikkim Public Works Code prescribed elaborate procedure for tendering and award of works. It was however noticed that the ZPs had not followed the stipulation as envisaged as mentioned below:

- Tendering were not done in the most open and transparent manner by advertisement in the Sikkim Herald and in the local news paper or other leading news papers even in cases where the value of work exceeded ` 5 lakh which was in violation of PWD code.
- In 200 cases (out of 249) scrutinized by Audit, works commenced even before the conclusion of the agreement which was not only in violation of PWD code but also facilitated the contractor to ignore many of the important clauses of the contract. To cite a few, such as penalty for no adherence of time period, compensation for damage of property due to contractor negligence etc was not adhered.
- In 150 cases (out of 200) tenders were invited allowing short notice without any valid reason which not only vitiated the wide publicity and fair competition but also the mandatory provision under PWD code. Absence of wide publicity due to very short tender notice deprived the genuine bidders for fair competition. This also constrained the contractors to visit site before submission of tender form as the submission time of tender form after purchase of tender form was allowed 0 to 1 day.

3.6.2 Other irregularities

- **Diversion of fund:** The State Government (RMDD) released⁴ (July 2008) ₹ 60.56 lakh towards Community development fund for the year of 2008-09 to meet the obligatory duties of ZP such as regulating melas or haats; construction and maintenance of Panchayat ghars; construction, repair and maintenance of small irrigation projects; etc.

Audit scrutiny revealed that community development fund was not utilized for the purposes for which it was transferred to ZP. Instead, ₹ 65 lakh transferred from works account to meet establishment cost for the period from 17.11.08

⁴vide letter no.253/RM&DD dated 21/07/2008.

to 14.5.09 as per the decision taken in DPC meeting (7 August 2008) to keep pending the works to be executed with this fund, resulting in diversion of fund from intended purposes.

- **Non deduction of Storage charges:** Schedule of Rate framed by PWD includes 5% storage charges on stock materials presuming that this amount will be utilized for the expenses of stores run by departments. However, this amount should be deducted from contractor bill as it cannot be source of income for contractor.

Scrutiny of records revealed that storage charges of ` 2,00,285/- (Appendix-V) was not deducted from contractors' bill.

- **Irregular utilization of Interest amount of ₹ 2.84 lakh from BRGF**

Backward Region Grant Fund stipulates that interest accrued on the deposits to be treated as additional resources under the BRGF and should be utilized as per the guidelines of the programme.

Scrutiny of records however revealed that interest of ₹ 2.84 lakh earned from deposit of BRG Fund was utilized for salary, wages payment etc., which were beyond the scope of approved list leading to unauthorised diversion of BRG fund.

Gangtok
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