

## CHAPTER - III

### AUDIT OF TRANSACTIONS

#### 3.1 *Wasteful expenditure of ₹22.50 lakh on construction of RCC Bridge*

**Unscientific approach of Department in survey and investigation and non-preparation of design as per site condition resulted in washing away of newly constructed bridge leading to loss of Government property to the tune of ₹22.50 lakh.**

Zilla Panchayat (ZP), North took up 'Construction of 15 meter span Reinforced Cement Concrete (RCC) foot bridge over Toga khola' at Toga village under Lachen Dzumsa in North Sikkim at an estimated cost of ₹22.50 lakh for providing all weather connectivity and to ease the sufferings of the public of Toga village in crossing the river especially during rainy season. The administrative approval of the work was accorded by the Adhyakshaya, ZP, North in May 2008.

The work was awarded (July 2008) to lowest bidder *at par* the estimated cost with stipulation to complete the work within six months (December 2008). The contractor completed the work in scheduled time (December 2008) and payment of ₹22.50 lakh was also released (December 2008) to the contractor. The entire structure however was washed away in July 2009. The Departmental engineers reported the unprecedented shower as the reason for the washing away of the bridge.

Audit scrutiny revealed that the estimate was prepared by Rural Management & Development Department (North) without any proper survey and investigation. There was no semblance of collection and collation of basic data such as water discharge of the river at various intervals of a year, glacial flow, etc. The Departmental engineers assigned with the responsibility to oversee the construction work had neither indicated appropriate specification for construction to withstand the water pressure during monsoon nor initiated efforts to ascertain the actual reason of washing away of the bridge. Even the experience of the contractor was not taken into consideration before awarding the work. The Departmental engineers and the ZP had not even initiated any effort to analyse actual reason for collapse of the bridge; defect, if any in construction of bridge; let alone the imposition of penalty to the contractor for such poor quality of workmanship. This also indicated absence of adequate and robust supervision by the Departmental engineers.

Thus, due to unscientific approach of Department in survey and non preparation of design as

per site condition resulted in washing away of bridge leading to wasteful expenditure of ₹22.50 lakh on construction of RCC Bridge. Besides, the much needed connectivity by an all weather road to the public of Tonga village remained unavailable despite spending government funds.

### 3.2 *Loss of public money amounting to ₹34.56 lakh on purchase of milch cow*

**Improper selection of beneficiaries and inclusion of cows of low lactation resulted in non attainment of targeted production of milk and loss of public money of ₹34.56 lakh in execution of project by two ZPs (North and East).**

Animal Husbandry & Veterinary Services Department prepared (April 2010) a project proposal to enhance the milk production to the level of national average of 252 gm. per person per day from existing 225 gm. per person per day in the State. The project envisaged distribution of high yielding cross bred lactating cows with calves to each beneficiary, breeding bulls for the cluster of villages in the project area, vaccination against major diseases, package of mineral mixture and de-worming, veterinary health care, provision of 15 litres capacity milk-can to the beneficiaries, training and capacity building, etc. The beneficiaries were to be selected on the basis of their capacity to rear cows and contribute towards enhancing the milk production in the State.

The Zilla Panhayats of East (₹52.70 lakh) and North (₹5.40 lakh) districts were assigned with the responsibilities to implement the projects in their respective districts at a cost of ₹58.10 lakh. The project report envisaged distribution of 135 High Yielding crossbred cows to equal number of beneficiaries selected from amongst the rural poor of East (120) and North (15) district to enhance the milk production to atleast 8 to 10 litres per cows per day and thereby supporting sustainable livelihood to the dairy farmers of Sikkim. As against this, only 96 cows were procured (upto March 2011) at ₹34.56 lakh and distributed to beneficiaries between June 2010 to March 2011.

Audit scrutiny revealed (March 2011) the following:

- The project preparation was defective as the important aspect of cost benefit ratio was not incorporated in the project. The operational cost, generation of additional income to the beneficiaries, etc. was not analysed in the project report to ensure viability of the project.
- The Purchase Committee consisting of Deputy Director, Animal Husbandry and Veterinary Services; District Planning Officer; and ZP functionaries was constituted to ensure compliance to appropriate purchase procedures, viability and economy of

rates. The Committee however failed to carry out any exercise in fulfillment of above objectives. Instead, the Committee procured cows from adjacent hilly town of neighboring West Bengal State without considering the yield per day of the cows, the reasonability of rates, etc. The Committee had neither followed the purchase procedures laid down in Sikkim Financial Rules for wide advertisement, nor recorded the basis of arriving at the rates, thereby giving no rationality for the rates fixed.

- The enhancement in milk production as envisaged in the project was not achieved despite spending ₹34.56 lakh towards purchase of 96 cows as of March 2011. This was primarily owing to induction of low yielding cows instead of high yielding cross bred varieties and capacity of the individual beneficiaries to rear cows.
- Physical verification of cows and interview with beneficiaries (10) confirmed that the induction was of low yielding cows giving 3 to 5 liters milk per day against the stipulation to provide cows yielding 8 to 10 liters of milk per day. These low yielding cows were a burden to the beneficiaries as cost of feeding was more than the income generation from sale of milk. In contrast, the cows yielding 8 to 10 litres of milk per day were not provided with sufficient feed as per the requirement of the cows owing to inability on the part of the beneficiary cow owners.

Thus, improper selection of beneficiaries and induction of cows of low lactation resulted in non fulfillment of targeted production of milk and loss of public money of ₹34.56 lakh.

### **3.3 Diversion of Backward Region Grant Fund (BRGF)**

**Approach road to Horticulture Centre by diverting BRG Fund of ₹52.06 lakh was taken up on emergency basis for International florishow. The approach road was completed belatedly. As a result, the entire cost of construction was of no use during the festival.**

The International Florishow was organized (14-16 March 2008) in Sikkim with the objective to showcase the development in the field of commercial floriculture in the State. The programme schedule of International Florishow also included visit to the Horticulture Centre, Lingey in view of availability of 55,000 cymbidium plants in the Centre. Accordingly, proposal for construction of 0.37 km. approach road to Horticulture Centre at an estimated cost of ₹52.06 lakh from BRG Fund was approved (November 2007) by the State Government. As the work was emergent in nature, the work was awarded to Class I 'A' contractor by ZP, East without inviting any tender on the plea that the contractor possessed sufficient manpower, machinery and financial resources to complete the work. The work was awarded to the contractor with the instruction (February 2008) to complete the work before the florishow (March 2008). The formal work order, however, was issued in April 2008 only.

Audit noticed that the work was not completed within stipulated time i.e. before hosting of Florishow (March 2008). Instead the construction work took more than a year to complete. Besides following inconsistencies were also noticed:

- The BRG Fund was meant for gap funding arising between Plan fund and actual requirement. The utilization of fund for other work such as florishow festival was not only against the objective of the scheme but also resulted in diversion of fund.
- Though the work was taken up on emergency basis, it took more than a year to complete the work by then the flower festival was over. This indicated that work was not taken up with due seriousness by the ZP authorities and was beneficial to the contractor only.
- The estimate was exaggerated by insertion of additional work relating to cutting, protection and cross drainage work etc., in excess of requirement. This enhanced the estimated cost much in excess of average cost as compared to the similar works under Prime Minister Gram Sadak Yojana (PMGSY) and other State Plan schemes. This was confirmed by the fact that for a length of 0.37 km. road work, estimate of ₹52.06 lakh was framed which was much on a higher side as compared to PMGSY road work.
- The approach road was completed belatedly. As a result, the entire cost of construction was of no use during the International Florishow. The road was not put to use even post Florishow as the road was not frequently used by general public, visitors or passersby in absence of habitation in the vicinity of the Horticulture Centre.

### 3.4 *Wasteful expenditure of developmental fund due to improper planning*

**An expenditure of ₹12.77 lakh was incurred towards imparting training to 66 beneficiaries in cutting and tailoring and bamboo crafting in three GPs. Due to faulty selection of beneficiaries, none of the beneficiary had taken up the trade in which they were trained as their profession to earn their livelihood, resulting in wasteful expenditure of ₹12.77 lakh.**

As per policy of the State Government, untied fund of ₹10 lakh were given to each GP with the instruction to utilize the fund as per the guidelines issued by the State Government. During 2006-07, Government of Sikkim allotted untied fund to PRIs for undertaking various activities in three sectors viz. infrastructure, productive and social sector. Government of Sikkim sanctioned ₹3.50 lakh per GP under productive sector for income generation, employment generating schemes such as village cottage industries and economically viable enterprises that are congenial to local conditions. Self -Help Groups of not less than 10 households were also to be constituted for implementation of the above programme.

Three (out of 18) GPs Phensong, Tingchim Mangshila and Tingvong of North district utilized the productive sector fund for imparting training to 66 beneficiaries on tailoring and cutting (14 beneficiaries) and bamboo crafting (52 beneficiaries).

Audit scrutiny revealed (May 2010) that Self-Help Groups, as stipulated in the guidelines issued by State Government, were not constituted by any of the three GPs. Training was provided to individuals without drawing up any basic parameters for selection, such as financial status of beneficiaries, cost benefit ratio and the aptitude of the individual beneficiaries towards the trade such as cutting and tailoring and bamboo crafting, etc.

No functionaries from line departments were ever involved during implementation for technical guidance and to ensure proper utilization of fund for fulfillment of stated objectives. None of the beneficiaries trained in tailoring and cutting or bamboo crafting had taken up the trade in which they were trained for earning their livelihood.

Thus, faulty selection of beneficiaries and lack of involvement of functionaries from line Department for providing necessary technical guidance at all levels such as planning, execution and marketing resulted in a wasteful expenditure of ₹12.77 lakh<sup>10</sup>.

### 3.5 *Diversion of Grant to meet salary*

**Fund meant for developmental works at GP level were utilized for repair and maintenance of water supply work due to non release of O&M funds despite provision in the ARWSP guidelines to utilize 10 per cent of the scheme funds for repair and maintenance of the existing projects.**

Accelerated Rural Water Supply Project (ARWSP) scheme guidelines permitted utilization up to 10 per cent of the scheme funds towards operation and maintenance (O&M) of assets created under the scheme. This is subject to (i) ceiling of matching grant provided by the States out of the Minimum Need Programme provision, (ii) the approved norms circulated to the States, and (iii) preparation of a separate project for taking up O&M activities. According to this stipulation, the State was entitled to spend ₹4.56 crore (10 per cent of ₹45.60 crore released to State) towards O&M activities during the 2006-11.

Scrutiny of records, however, revealed that no separate project for O&M activities was ever prepared by the Rural Management and Development Department (RMDD). During 2006-11, only a provision of ₹25 lakh was kept for O&M activities under ARWSP and even this amount remained unspent.

<sup>10</sup>Expenditure incurred for training purpose-(i) Phensong-₹ 3.50 lakh, + ₹1.49 lakh ii) Tingchim Mangshila- ₹ 3.50 lakh + ₹ 0.78 lakhs and iii) Tingvong-₹ 3.50 lakh

Audit analysis revealed that out of 246 ARWSP projects executed at ₹13.44 crore during 2006-11 in the West district alone, 144 projects (59 *per cent*) involving ₹9.50 crore pertained to repairs/augmentation/extension nature. This showed a clear preference for undertaking new works instead of repair / maintenance works of the existing projects despite provision in the scheme guidelines. Not only this, the completed projects were handed over to the concerned Panchayats without any matching provisioning of funds for operation and maintenance of the projects. Reluctance to pass on the O&M funds to the Panchayats affected the maintenance of the projects and also the delivery of quality water supply to the rural people.

Non provisioning of funds for O&M activities led to payment of salary of barefoot engineer (Pipe line fitter) appointed at Gram Panchayat level for maintenance of water supply at GP level by diversion of funds provided by the line departments for execution of developmental works. During 2006-11, GPs paid ₹2.84 crore as salary to barefoot engineers by diverting fund provided by other line departments. Had the RMDD provided funds for repair and maintenance of water supply projects under ARWSP, the funds provided by the line departments could have been fruitfully utilized towards developmental works instead of defraying the cost of salary to the barefoot engineers.

Thus, fund meant for developmental works at GP level were utilized for repair and maintenance of water supply work despite provision in the ARWSP guidelines to utilize 10 *per cent* of the scheme funds for repair and maintenance of the existing projects.

### **3.6 Diversion of fund for payment of salary**

**ZP, East utilized ₹65 lakh from Community Development Fund to meet establishment cost by keeping the community developmental works proposed to be executed through this fund pending, resulting in diversion of fund from intended purposes.**

The State Government (RMDD) released (July 2008) ₹65 lakh to Zilla Panchayat, East towards Community Development Fund for the year 2008-09 to meet the obligatory duties of Zilla Panchayat (ZP). These duties included construction and maintenance of Panchayat ghars; construction, repair and maintenance of small irrigation projects; regulating supply of water for irrigation or drinking water supply schemes; regulating maintaining and developing of lands vested on ZP for promotion of social forestry and environmental conservation; organizing plantation programme in the public land, road sides and such other places as may be specified for promotion of social forestry and environmental conservation; establishing and maintaining primary schools and organizing adult education centres; establishing health centres and maternity and child welfare centres; etc.

Audit scrutiny revealed that community development fund was not utilized for the above purposes by the ZP, East. Instead, ₹65 lakh was diverted from this fund to meet establishment cost for the period 17 November 2008 to 14 May 2009 by keeping the works to be executed from this fund pending. This was as per the decision taken in District Planning Committee meeting (7 August 2008). Thus, the diversion was not only un-authorized but it led to non fulfillment of intended objectives for which the funds were released to the ZP.

**Gangtok  
The**



**L. A. C. Singh  
Principal Accountant General (Audit)  
Sikkim**