

CHAPTER - II

AUDIT OF TRANSACTIONS

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2.1 Irregular expenditure of ₹ 36.48 lakh from BRG Fund towards purchase of water tank and chaff cutters

District Planning Committee (East) irregularly incurred an expenditure of ₹ 36.48 lakh on distribution of poly pipe/tank and chaff-cutter to individual beneficiaries instead of undertaking community benefit activities envisaged in BRG Fund guidelines for gap filling in local infrastructure relating to rural electrification, drinking water supply, etc.

In order to supplement the efforts of State Governments for development of areas with special problems, the Central Government provides Additional Central Assistance under Backward Regions Grant Fund (BRGF).

The district component of the BRGF has two funding windows i.e. the Capability Building Fund (CBF) and a substantial Untied Grant. While the CBF is used to facilitate participatory planning, decision making, implementation and monitoring to reflect local felt needs; the Untied Grant fund is required to be used for gap filling in local infrastructure such as rural electrification, drinking water supply in hilly and tribal areas, augmenting Indira Awaas Yojana (IAY), etc.

Scrutiny of records of Zilla Panchayat (East) revealed (July 2012) that an amount of ₹ 36.48 lakh was utilized towards distribution of 356 poly tank and pipe (₹ 24.16 lakh) and 152 chaff cutters (₹ 12.32 lakh) from Untied Grant Fund. Priority to gap filling in local infrastructure relating to rural electrification; drinking water supply



in hilly and tribal areas; and augmenting IAY as required under the BRGF guidelines were not accorded due priority by the District Planning Committee (DPC), East which was in contravention to the BRGF guidelines.

Thus, the DPC, ignoring the basic objective of BRGF scheme, incurred an expenditure of ₹ 36.48 lakh towards distribution of poly pipe/ tank and chaff cutter to provide benefits to individual beneficiaries instead of undertaking community benefit activities in East district.

As a result, gap filling in important areas in local infrastructure linked to flagship programmes, Rural Electrification, adoption of appropriate technology options by Panchayats for drinking water supply, etc. were ignored.

2.2 Incomplete construction of Community Centre resulting in blocking of ₹ 70.81 lakh

Inaction in the part of the Zilla Panchayat (East) for not initiating adequate steps to negotiate with the lowest tenderer led to extra expenditure of ₹ 19.04 lakh. Inadequate action to ensure completion of Community Centre within the stipulated date of completion led to non-accrual of intended benefits besides blocking of Government fund of ₹ 70.81 lakh.

Zilla Panchayat (East) took up construction of Community Centre at Jitlang under Duga Block for ₹ 70.81 lakh for safeguarding the culture, traditions and customs of the Schedule Caste community and also to facilitate better exposure to younger generation in the field of cultural activities. The fund was met from the grant provided by Social Justice, Empowerment & Welfare Department, Government of Sikkim under Tribal Sub-Plan. The administrative approval for construction of the Centre was accorded by the State Government and technical sanction was given by the Divisional Engineer, ZP (East). The Zilla Panchayat (East) assigned the task of soil testing and preparation of estimate to M/s Building, Space & Design, Tadong, Gangtok. The civil work (₹ 48.26 lakh) was put to tender (July 2009) and the 2nd lowest

tenderer (out of three participants) was awarded the work at 12 *per cent* above the estimated cost with the stipulation to commence the work by September 2009 and complete within 12 months (by August 2010). The Contractor commenced the work belatedly in January 2010 against the stipulated date of commencement of September 2009 and date of completion was re-scheduled to December 2010. Even the



re-scheduled date of completion was not adhered to and the project remained incomplete as of May 2012; the progress of completion was 40 *per cent*. Meanwhile, the Contractor has been paid ₹ 27.21 lakh as of March 2012.

Scrutiny of records revealed that:

- The tender selection committee rejected the lowest tenderer who quoted 40 *per cent* below the estimated cost on the frivolous ground that the contractor had not initialed/authenticated the overwriting as 40 *per cent* below the estimated cost. Had the

Zilla Panchayat accepted lowest bidder, it could have saved ₹ 19.04 lakh.

- Notwithstanding the allotment of work order at higher rate, the Zilla Panchayat did not take adequate action to ensure completion of work within stipulated time (December 2010) even after re-scheduling the completion time from September 2009 to December 2010. There was no progress of work after March 2011. The Contractor had neither resumed the work nor sought time extension for completion of work.
- The term of agreement (clause 2) required levy of penalty @ one per cent on unfinished value of project beyond the stipulated date of completion. The above penalty clause was not invoked by the Zilla Panchayat, leading to undue favour to the Contractor to the tune of ₹ 0.48 lakh.

Despite recording a delay of 18 months from the schedule date of completion (December 2010), the work of construction of Community Centre remained incomplete as of May 2012 after making payment of ₹ 27.12 lakh to the Contractor. Not only the intended benefit envisaged from the Community Centre was not forthcoming in absence of completion of building but Government fund of ₹ 70.81 lakh also remained blocked.

Thus, failure of the Zilla Panchayat (East) to negotiate with the lowest tenderer led to extra expenditure of ₹ 19.04 lakh. Inadequate action to ensure completion of Community Centre within the stipulated date of completion led to non-accrual of intended benefits besides blocking of Government fund of ₹ 70.81 lakh and undue favour to contractor (₹ 0.48 lakh) on non-invoking of penalty on delayed completion.

2.3 Blocking of Twelfth Finance Commission (TFC) grants of ₹ 47.08 lakh on creation of data base

Even after spending ₹ 47.08 lakh of TFC grants towards LAN connectivity, the project was not operationalised as of September 2012 and the intended benefit of providing LAN connectivity to the panchayats in Sikkim were not achieved.

High Power Committee constituted by Government of Sikkim for utilization of Twelfth Finance Commission Grant earmarked ₹ 1.00 crore for creation of data base in the PRIs in Sikkim. The Rural Management & Development Department (RMDD) took up (January 2009) the pilot project at a cost of ₹ 78.46 lakh for providing Local Area Network (LAN) and connectivity for South District covering 45 GPUs on Radio Frequency (RF) connectivity linking with Head Office (RMDD) through M/s. Instrumentation Limited, Kolkata, a Government of India Enterprise. Memorandum of Understanding (MOU) was signed (28 February 2009) between the Enterprise and Government of Sikkim (RMDD) which inter-alia included the following:

- To develop and expand a “Local Area Network” (LAN) Connectivity across

Panchayats in Sikkim and facilitate a two way communication and efficient data transfer between the different tiers of governance.

- To successfully cover all the “Gram Panchayats Units” and the “Block Administrative Centres” of the South District.
- To complete the project within ninety (90) days of signing of the MOU.
- To submit physical and financial progress report periodically and convene review meeting from time to time by the Secretary, RMDD with the vendor's representatives.



Scrutiny of records revealed (September 2012) that the M/s Instrumentation Ltd. supplied and installed (February 2010) material in 40 GPUs (against 45). Payment of ₹ 47.08 lakh was released (July 2010) to the enterprise towards mobilisation advance (₹ 23.54 lakh) and cost of material (₹ 23.54 lakh).

It was, however, observed that the enterprise had not completed the entire installation within 90 days (i.e. 28 May 2009). Out of total equipment worth ₹ 56.30 lakh, 86 per cent equipment were supplied and installed in 40 GPUs (out of 45 GPUs envisaged in MOU). Even the installations were not provided with Radio Frequency (RF) connectivity as of September 2012 to facilitate LAN connectivity.

The Zilla Panchayat (ZP), South and the RMDD did not insist upon the enterprise for periodical submission of progress reports as envisaged in the MOU. The review meetings with the representatives of the enterprise was convened only once by the Secretary, RMDD to expedite completion of the project objectives for providing LAN connectivity to panchayats in Sikkim.

Thus, inadequate monitoring and follow up by the ZP (South) and also RMDD to ensure completion of the project within the scheduled date of completion (May 2009), coupled with the failure of the enterprise to take appropriate steps to deliver and install materials in all the 45 GPUs and providing of RF connectivity, led to non completion of project for more than three years after the scheduled date of completion besides blockage of TFC grants of ₹ 47.08 lakh.

As of September 2012 the project which was envisaged to be completed within 90 days i.e. by 28 May 2009 was still incomplete (November 2012). Nodal Department (RMDD) accepted the audit observation and assured to do needful action.

2.4 Additional expenditure of ₹ 37.06 lakh on construction of Rural Water Supply Scheme at Meynam Cultural Centre, Yangyang

Execution of 'Rural Water Supply Scheme at Meynam Cultural Heritage Centre' at Yangyang by Rural Management & Development Department instead of ZP (South) led to an additional expenditure of ₹ 37.06 lakh towards higher tender premium cost (₹ 30.76 lakh) and unwarranted payment towards cost of sockets (₹ 6.30 lakh).

The Construction of Rural Water Supply Scheme at Meynam Cultural Centre, Yangyang was taken up (February 2009) by Zilla Panchayat, South at an estimated cost of ₹ 2.59 crore with stipulation to complete by March 2010. The scheme would provide safe drinking water to inhabitants of Meynam Heritage Centre and village of Rangang block of Yangang Rangang Gram Panchayat of South District. The project was envisaged to provide safe drinking water, avoid incidence of water borne diseases arising out of harmful effect of excessive chemical in water and increased cattle produce and better health for their cattle.

The project commenced from February 2009 and was completed in March 2012. Payment of ₹ 2.14 crore was released to the Contractor between February 2009 and March 2012.

The project was funded from Backward Region Grant Fund (BRGF), the guideline, of which, inter-alia stipulated implementation of projects by the Panchayats / Municipalities at the appropriate level. Further, State Government circular envisaged execution of all works upto ₹ 2 crore in ZPs *at par* the estimated cost.

Scrutiny of records revealed (September 2012) that as against the requirement of BRGF guidelines to execute work through ZPs, the project was tendered at Department (RMDD) level and higher premium cost of ₹ 30.76 lakh allowed to the Contractor, which should not have arisen, had the project been taken up at ZP level.

Audit also noticed that ₹ 6.30 lakh was released to the Contractor towards cost of sockets, although the pipes came fitted with sockets.

Thus, execution of 'Rural Water Supply Scheme at Meynam Cultural Heritage Centre' at Yangyang by Rural Management & Development Department instead of ZP (South) led to an additional expenditure of ₹ 37.06 lakh towards higher tender premium cost (₹ 30.76 lakh) and unwarranted payment towards cost of sockets (₹ 6.30 lakh) to the contractor.

Angam Chand

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

Gangtok
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