



**CHAPTER-III**  
**AUDIT ON TRANSACTIONS OF**  
**PANCHAYAT RAJ INSTITUTIONS**



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### AUDIT ON TRANSACTIONS OF PANCHAYAT RAJ INSTITUTIONS

#### *3.1 The additional guest house constructed at a cost of ₹ 76.72 lakh at Tashiding was not utilized as required under the scheme.*

**The additional guest house at Tashiding constructed at a cost of ₹ 76.72 lakh from Special Central Assistance to Tribal Sub-Plan was neither utilised for the intended purpose of accommodating tourists nor did it help in promoting tribal welfare through family oriented income generating schemes, as envisaged under the scheme.**

According to scheme guidelines, Special Central Assistance is given to States/UTs to supplement their efforts in tribal development through Tribal Sub-Plan. This assistance is meant for family-oriented income-generating schemes in the sectors of agriculture, horticulture, minor irrigation, soil conservation, animal husbandry, forests, education, cooperatives, fisheries, village and small scale industries and for minimum needs programme.

Rural Management & Development Department (RMDD) took up (October 2007) 'Construction of an additional guest house at Tashiding, along with repair and maintenance of existing guest house' at Tashiding, West Sikkim at an estimated cost of ₹ 83.89 lakh (₹ 68.76 lakh for additional guest house and ₹ 15.13 lakh for repairing of existing guest house). The construction of the guest house was taken up to facilitate accommodation for the visiting tourists to Tashiding, which is a remote area having high concentration of Schedule Tribes and falls under the Buddhist religious circuit, thereby visited by a large number of devotees and tourists.

The project was sanctioned (September 2007) by the State Cabinet and the cost was met from Special Central Assistance to Tribal Sub-Plan (SCA to TSP) head under Social Justice Empowerment & Welfare Department. The estimate was later revised (November 2007) to ₹ 82.49 lakh (from ₹ 83.89 lakh) excluding the component of repair of existing guest house (₹ 15.13 lakh).

The work was put to tender (August 2008) for ₹ 76.71 lakh which included civil work (₹ 56.83 lakh), external electrification (₹ 9.94 lakh) and water supply (₹ 9.94 lakh) and was awarded (October 2008) to the lowest bidder at 8 *per cent* above the estimated cost with stipulation for completion within one year (i.e. by September 2009). The work commenced from October 2008 and was completed in February 2012, recording a delay of almost two and half years (October 2009 to January 2012).

Audit noticed that even after belated completion of the guest house, the ZP (West) had not ensured the utilisation of the assets for the intended purposes. This is primarily due to the fact that tourists and pilgrims visited once in a year in January and preferred to stay at private accommodation rather than in the guest house. Even at the time of proposal (November 2007) of the additional guest house, tourists were not staying in the existing guest house. Infact, the existing (old) guest house was utilised for



Existing (old) guest house utilised for Community Service Centre (CSC) and Gram Prasasan Kendra

Community Service Centre (CSC) and Gram Prasasan Kendra (GPK) at the time of proposal as shown in the photograph. Even today, the guest house (old) continued to be utilised for housing the CSC and GPK. The newly constructed guest house was also not utilised for the intended purpose of tourist accommodation. The building was temporarily utilised for accommodating newly formed Gram Vikas Kendra (GVK), Tashiding since January 2013 (after one year of completion of construction) till the construction of new GVK building.

Thus, the ZP(West) and RMDD misled the State Government with the proposal for construction of guest house citing reasons that a large number of devotees and tourists visiting Tashiding were in need of guest house accommodation. As a result, expenditure of ₹ 76.72 lakh incurred on the project from SCA to TSP neither helped in promotion of tribal welfare by way of family-oriented income generating schemes nor facilitated accommodation of tourists, for whom the asset was purportedly constructed. Besides, the decision of debiting the cost to SCA to TSP was unauthorised as the scheme guidelines permitted expenditure related to income generating activities alone.

The penalty of ₹ 0.77 lakh as envisaged in the agreement (para-2) was also not levied for delayed completion of the project by almost two and half years, resulting in undue favour to the contractor.

The matter was reported to the Government (October 2013); reply is awaited (April 2014).

### 3.2 Wasteful expenditure on distribution of piglets and poultry

**Due to selection of beneficiaries without reference to their keenness in the trade, absence of follow-up and monitoring by the ZP / line department; ₹ 37.64 lakh incurred towards distribution of piglet and poultry failed to achieve the intended objectives of the programme of enhancing cattle<sup>15</sup> production in the District.**

The Backward Region Grant Fund (BRGF) scheme was launched (February 2006) by Government of India to fill the gap of increasing regional imbalances in economic and social development. The scheme aimed at catalysing development by providing livelihood opportunities to help in poverty alleviation duly considering the local resources

<sup>15</sup> Cattle here includes poultry, piggery etc. as per the Detailed Project Report.

and skill endowments. To ensure that the objective of the scheme was achieved, the BRGF guidelines (Para 5.6) stipulated setting up of strong concurrent and independent monitoring systems for planning and implementation having a judicious mix of external and local agencies.

The District Planning committee (DPC), West District sanctioned (April 2011) ₹ 3.24 crore for execution of various works during 2011-12 by the ZP (West) as per the recommendation of the GP/ZP of West District, which *inter-alia* included distribution of piglets and poultry for ₹ 37.64 lakh.



Zilla Panchayat (West) Building

Audit scrutiny of the above programme (distribution of piglets and poultry) revealed (April 2013) that no survey had been undertaken to identify the existing gaps in infrastructure or assessment of livelihood opportunities, keeping in mind the available local resources and skill endowments of the local people before launching of the programme. The available funds of BRGF were distributed equally among six Block Administrative Centres and ZP (West) instead of apportionment of the funds on need basis to help in poverty alleviation based on assessment and survey.

Audit scrutiny revealed (March 2013) that ₹ 37.64 lakh was allocated for distribution of piglets and poultry to enhance cattle population to make the District self-reliant and also to raise the income level of beneficiaries. While ₹ 5,000 per beneficiary was allocated for distribution of two piglets (one each of male and female to 150 beneficiaries); ₹ 30,000 was allocated for poultry towards construction of shed (₹ 10,000), cost of chicken (₹ 5,800) and equipment (₹ 14,200) to 100 beneficiaries.

Physical verification (April 2013) by Audit in the presence of Panchayat functionaries and departmental officers revealed that instead of two piglets, only one piglet was distributed to each beneficiary (300 beneficiaries). Besides, beneficiaries were given feed for the piglet, which was not a component of the approved programme. It was noticed that the assistance given to the beneficiaries with the objective of increasing cattle population in the district for achieving self-reliance and also to provide self-employment to the beneficiaries was not achieved, as the beneficiaries did not adopt the programme of rearing and multiplying the piglet but used the piglets for self-consumption.

Similarly, in case of poultry distribution, although ₹ 30 lakh was incurred towards assistance to 100 beneficiaries, for poultry farming as a trade, none of the beneficiaries had adopted poultry rearing as an activity. Physical verification, in test checked cases by Audit, in the presence of departmental officers and Panchayat functionaries revealed (April 2013) that sheds for poultry as envisaged in the programme were not constructed by 25 (out of 28) beneficiaries, chicken was not seen in the premises of 24 (out of 28) beneficiaries and equipment (feeding tray, bucket, mug) were not procured by 27 (out of 28) beneficiaries.

Thus, expenditure of ₹ 37.64 lakh incurred towards implementation of the programme failed to achieve the intended objectives due to selection of beneficiaries in lackadaisical manner without reference to their keenness in the trade. This not only proved to be an obstacle in District becoming self-reliant in cattle population but also hindered in raising the income level of beneficiaries.

The matter was reported to the Government (October 2013); reply is awaited (April 2014).

### 3.3 Irregular diversion of fund

**The Backward Region Grant Funds of ₹ 25.75 lakh was unauthorisedly diverted towards construction of co-operative society building in violation of BRGF guidelines.**

According to Backward Region Grant Fund (BRGF) scheme guidelines (Para-4.32), the funds meant for creation of infrastructure should be utilised for rural electrification and drinking water supply.

Scrutiny of records of ZP (West) revealed (April 2013) that ₹ 25.75 lakh<sup>16</sup> was allocated (December 2011) by the State Government (DPC) towards construction of cooperative society buildings across the District. The fund of ₹ 25.61 lakh (out of ₹ 25.75 lakh) was transferred (December 2011) by the ZP (West) to a newly formed (July 2011) Co-operative society, i.e. West Sikkim Marketing and Cooperative Society (WSMCS), Gyalshing for uplifting cooperative societies of West Sikkim.

Audit noticed that the WSMCS deposited (February 2012) ₹ 16 lakh (out of ₹ 25.61 lakh) in fixed deposits (FD) and released (July 2012) ₹ 10 lakh to five cooperative societies equally as loan for developing tourism in West Sikkim. The interest of ₹ 0.84 lakh earned from the FD was also utilised to meet the differential cost and repair of two cooperative society shops though the shop was under the jurisdiction of Co-operation Department, Government of Sikkim.

According to the terms of sanction of loan by WSMCS to the co-operative societies, the loan was to be refunded by the borrowing cooperative societies within one year (by July 2013) from the date of release, failing which interest at the rate of 10 *per cent* per annum would be charged. It was noticed that none of the cooperative societies excepting one<sup>17</sup> (refunded ₹ 0.50 lakh out of ₹ 2 lakh) refunded the loan. The societies were also not charged with interest (₹ 1 lakh) as of September 2013.

Thus, the decision to incur BRG fund towards construction of co-operative societies rather than rural electrification, drinking water supply, etc. was in violation of BRGF guidelines and was in effect unauthorised diversion of scheme funds. The ZP (West) not only diverted the funds for unauthorised purposes but also misled GOI that the funds had been utilised for the intended purposes while forwarding utilisation certificates.

<sup>16</sup> ₹ 50,000 X 25 TC+₹ 25000 X 53 GP = ₹ 25.75 lakh

<sup>17</sup> Pragati Sangh Cooperative Society

The matter was reported to the Government (October 2013); reply is awaited (April 2014).

### 3.4 Unfruitful expenditure on appointment of Panchayat Account Assistants (PAAs)

**The GPs and the RMDD failed in ensuring maintenance of accounts in the prescribed new accounting format by the PAAs for which they were primarily appointed, leading to unfruitful expenditure of ₹ 2.99 crore.**

The Ministry of Panchayat Raj and Comptroller & Auditor General of India prescribed (January 2009) new accounting formats for Panchayat Raj. The Thirteenth Finance Commission (TFC) recommended (December 2009) implementation of new accounting formats with effect from 2010-11 with the objective to facilitate a gradual shift to the accrual system. Non-implementation of the new accounting format would disqualify the States for General Performance Grants of the TFC.

The Rural Management & Development Department (RMDD), Government of Sikkim informed (April 2010) the Government of India that it had adopted the new accounting format with effect from 2010-11. For implementation of the new accounting formats, the State Government imparted (July-September 2010) training to Rural Development Assistants (RDAs) at the State Institute of Rural Development (SIRD), Karfector and also printed a number of registers, formats, etc. at a cost of ₹ 1.50 lakh and issued (September 2010) the same to the GPs to enable them to maintain accounts as prescribed in the new accounting format.

Besides, the RMDD also appointed (April and September 2010) 166 Panchayat Account Assistants (PAA) at a consolidated salary of ₹ 5,000 per month. The terms of appointment of the PAAs included maintenance of accounts in the Gram Panchayats in the new accounting formats.

Audit scrutiny revealed (March 2013) that the accounts of the GPs were not maintained in the new accounting format as prescribed by the Ministry of Panchayat Raj and Comptroller & Auditor General of India. Instead, the accounts continued to be maintained in the old single entry system. This was despite the State Government's commitment (April 2010) to GOI regarding adoption of the new accounting formats with effect from 2010-11 and also imparting training to the RDAs (July-September 2010) and PAAs (March-April 2011) by the SIRD for maintenance of accounts as per the new accounting formats.

However, the services of the PAAs were not utilised towards maintenance of accounts as per the new accounting formats. As a result, expenditure of ₹ 2.99<sup>18</sup> crore incurred towards salary (April 2010 to March 2013) of the newly appointed PAAs across the State remained largely unfruitful as the objective of maintaining accounts in the new format had not taken place.

<sup>18</sup> ₹ 5,000 pm X 36 months X 166 GPs= ₹ 298.80 lakh.

Thus, the GPs and the RMDD failed in ensuring maintenance of accounts in the prescribed new accounting format. Till September 2013, ₹ 46.94 crore had been received by way of TFC grants by GPs and ZPs even though the new accounting formats have not been implemented in the GPs in Sikkim.

The matter was reported to the Government (October 2013); reply is awaited (April 2014).