

CHAPTER-III

COMPLIANCE AUDIT OF TRANSACTION OF PANCHAYATI RAJ INSTITUTIONS

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AUDIT ON TRANSACTIONS OF PANCHAYAT RAJ INSTITUTIONS

3.1 Avoidable expenditure on augmentation of Rural Water Supply Scheme (RWSS) at Maniram Bhanjyang

The ZP (South) executed the project augmentation of RWSS at Maniram Bhanjyang during 2013-15 despite the fact that all the households of Gram Panchayat (GP) were fully covered with water supply leading to unwarranted execution and avoidable expenditure of ₹ 1.07 crore.

Based on the recommendation (April 2013) of Village Water and Sanitation Committee and District Water Sanitation Committee, Rural Management and Development Department (RMDD) prepared (April 2013) a project for 'Augmentation of water supply at Maniram Bhanjyang' under Maniram Phalidara by way of installation of new pipe/augmentation/repair at an estimated cost of ₹ 1.07 crore.

The estimate was vetted by State Technical Agency (STA) and recommended (September 2013) for approval, subject to re-verification of adequacy and quality and preparation of detailed working drawings before actual execution by implementing agency (IA).

The work was tendered (October 2013) by ZP (South) and awarded (November 2013) to contractor (Mr. Tashi Namgyal Sherpa) *at par* the estimated cost (₹ 1.07 crore) with stipulation to complete within 12 months (October 2014). The work was physically completed to 70 *per cent* and ₹ 31.02 lakh was released to the contractor as of March 2016.

Scrutiny of records revealed that the households of Maniram Bhanjyang Gram Panchayat were already declared as fully covered during 2009-10. The Village Development Action Plan (VDAP) also recorded (2011) that all households of Maniram Bhanjyang GP is connected with water supply from various water sources such as Chawrey, Gurungkhola, Manpurkhola, Ranrang, Dharakhola and Long Khola. VDAP also noted that the water supply was sufficient and the discharge was not declining even during winter season except for one source (Ranrang) which catered water requirement to Lower Phalidara. Accordingly, Rural water Supply Scheme (RWSS) drawn from Gurungkhola at Lower Phalidara was executed (2011-12) at a cost of ₹ 30.72 lakh to cater water requirement to remaining households of Lower Phalidara.

Physical verification by Audit in presence of Gram Panchayat functionaries confirmed (September 2016) that the households of Maniram Bhanjyang were fully covered with water supply and the existing arrangement was adequate. Physical verification also revealed that works relating to 'Augmentation of water supply at Maniram Bhanjyang was completed to the extent of 70 per cent only.

Thus, despite full coverage of households, execution of augmentation of RWSS at Maniram Bhanjyang at a cost of ₹ 1.07 crore during 2013-15 was unwarranted and led to avoidable expenditure of ₹ 1.07 crore.

3.2 Avoidable expenditure towards carriage charges for non-stock materials

The ZP (South) released payment towards carriage of non-stock materials without insisting on compliance of terms of contract for submission of Permits issued by Forest Department, leading to avoidable expenditure of ₹ 21.08 lakh and undue benefit of equal amount to contractors as no carriage was involved.

Government of Sikkim sanctioned 16 works relating to 'Construction of Suspension Foot Bridges (SFB) in South District' at an estimated cost of ₹ 664.76 lakh to be funded by Ministry of Development of North Eastern Region, Government of India during 2009-10. The works were put to tender (July 2010) and awarded (July 2011) to contractors by Zilla Panchayats (ZP), South with stipulation to complete the works between June 2012 and March 2013. The contractors accordingly commenced the works and completed 10 works between April 2014 and March 2015 and 6 works were in progress as of September 2016. The physical progress of six works-in-progress ranged between 40 and 65 per cent as of September 2016.

Scrutiny of records revealed that the estimate included carriage of non-stock materials from a distance of 20-30 km and additional head load of 1,000 meter for stone. The terms of contract also stipulated that the carriage bills for non-stock materials should be supported by permits issued by Forest Department to indicate the distance of quarry from construction sites and also the volume of materials actually brought in by the contractors for use in works.

It was, however noticed in Audit that the ZP did not insist for submission of permits issued by Forest Department to indicate the quarries from where non-stock materials were brought, distance of quarries from work-sites and volume of non-stock materials actually brought in for utilisation in works before release of payment to contractors on account of carriage of non-stock materials.

Physical verification (4 out of 16) of work sites by Audit team along with the Panchayat functionaries revealed that the contractors had utilised the stone available at site and claimed full amount of carriage charges applicable for carriage of stone from a distance of 20-30 kms as per the estimate. The ZP also, without verifying the fact and not insisting on compliance of terms of contract for submission of proof of distance, released the bills. This led to avoidable expenditure of ₹ 21.08 lakh and undue benefit to contractors as no carriage was involved towards utilisation of non-stock materials in works.

3.3 Irregular expenditure on Suspension Foot Bridge at Lower Borong, Phamtam

Execution of work ‘Suspension Foot Bridge at Lower Borong, Phamtam’ was characterised by extra expenditure on account of acceptance of higher tender premium (₹ 7.20 lakh); allowing of self-purchase of stock material of lower grade leading to undue benefit to contractor (₹ 3.50 lakh) besides the risk of sub-standard works; and excess expenditure on purchase of bridge materials (₹ 22.69 lakh).

The work relating to “Construction of 140 meter span Suspension Foot Bridge (SFB) over Rangit khola at lower Borong, Phamtam” was sanctioned (May 2010) by Rural Management and Development Department (RMDD) to ease over the problem of crossing the river by local inhabitant during rainy season.

Zilla Panchayat (ZP), South took up (May 2010) execution of work. Accordingly, an estimate of ₹ 92.93 lakh was framed by ZP (South) and awarded (July 2010) to the lowest bidder at 15 *per cent* above the estimated cost with stipulation to complete the work by September 2011. The work was completed in January 2015 at a cost of ₹ 121.15 lakh after recording a delay of 50 months.

Scrutiny of records revealed (February 2016) that execution of work was characterised by extra expenditure on account of acceptance of higher tender premium (₹ 7.20 lakh); allowing self-purchase of stock material of lower grade leading to undue benefit to contractor (₹ 3.50 lakh) besides the risk of sub-standard works and excess expenditure (₹ 22.69 lakh) on account of purchase of bridge materials as detailed below:

- The ZP (South) accepted the rate of 15 *per cent* above the estimated cost quoted by contractor which was not justified as all works of similar nature implemented in ZP (South) in previous occasions were executed by contractors *at par* the estimated cost. This entailed extra expenditure of ₹ 7.20 lakh on tender premium.

- The contractor was allowed (October 2010) self- purchase of stock materials with stipulation to purchase Jaypee /Lafarge/Birla/ Ultratech /ACC brand (Priced between ₹ 340 and ₹ 360 per bag) having grade OPC 43. As against this, the contractor purchased and utilised Bhutan Pendent cement at ₹ 215 per bag FOR destination. This led to undue benefit of ₹ 3.50 lakh to the contractor as the price of Bhutan cement was less by ₹ 125 per bag as compared to the approved brand.
- The utilisation of Bhutan cement was fraught with execution of sub-standard work as the quality of Bhutan cement is lower than the approved brand. The Government also sustained a loss of ₹ 96,320 on account of 16 *per cent* Excise duty on Bhutan cement which would have been levied, had the contractor purchased approved brand of cement manufactured in the country.
- The RMDD, Store Division, Jorethang issued (November 2010) bridge materials for utilisation in the work and effected recovery in two bills (i.e. August 2011 and February 2015). While recovering cost of stock materials in 2nd and final bill (February 2015), the store division enhanced (January 2015) the cost of material by ₹ 22.69 lakh from original value of ₹ 43.24 lakh to ₹ 65.94 lakh which was released by ZP (South) for onward release to the supplier. This was irregular as the rates prevailing at the time of supply should be treated final. The subsequent upward revision of rates led to excess expenditure of ₹ 22.69 lakh.

3.4 Irregular payment on inferior work execution

The ZP (East) instead of penalising the contractors for poor workmanship of less underground burying and forceful bending of pipes instead of use of fittings released full amount to the contractor. This led to sub-standard work and irregular payment of ₹14.47 lakh to contractor towards burying.

Under National Rural Drinking Water Programme (NRWDP), Government of Sikkim executed various water supply works through Rural Management & Development Department (RMDD). The work was executed in the name of Village Water Supply and Sanitation Committee (VWSC) through Zilla Panchayats in four districts. The works were implemented through Block offices.

A total of 132 works amounting to ₹ 26.13 crore were taken up (2013-14) for execution by ZP (East). The works were tendered and awarded (October 2013) to contractors with stipulation to complete within 10 to 12 months from the date of work orders. 65 works (out of 132) were completed and 67 were in progress as of March 2016. The incomplete works had attained a physical progress ranging between 0 and 80 *per cent* as of March 2016. ₹ 12.15 crore was released towards the works as of March 2016.

Scrutiny of records and physical verification of various works in three blocks of ZP (East) revealed the following:

(i) Technically sanctioned estimate and the drawings for the works stipulated use of fittings such as tee, bend, etc. for changing the direction of water flow without affecting the velocity and also without deforming the shape of pipes. Physical verification of projects by Audit team along with Panchayat functionaries and concerned Engineering personnel revealed (July 2016) that in 20 (out of 43) cases pipes were bent as per terrain to change the flow instead of using fittings such as tee, bend etc. The bending of pipes affected the velocity of water supply downstream, besides enhancing the chances of water leakages. This depicted poor workmanship and warranted penalty from contractors for the poor work. Instead of penalising the contractor for such poor work, the ZP (East) released full payment of ₹ 234.15 lakh towards laying of pipes to the contractors.

(ii) Similarly, technically sanctioned estimate and the drawings for the works stipulated bury of pipes under the soil upto to 0.50 metre by digging trench of dimension of length of pipes x 0.50 metre x 0.30 metre to protect pipes from oxidation which causes rusting and reduces the longevity of pipe. However, against this stipulation, the contractors buried pipes 10 to 15 cm underground thereby compromising the execution of works by 70 *per cent*. The ZP (East), instead of penalising the contractor for this lapse, released full amount to the contractors without effecting deduction for less burying. Thus, less underground burying of pipes were not only against the technically sanctioned estimate drawings but also fraught with the risk of oxidation and thereby reduction of age of pipe due to rusting. This also led to irregular payment of ₹ 14.47 lakh to the contractor.

3.5 Extra expenditure on purchase of sand and cement

The GPs of Daramdin Block procured sand and cement at the rates higher than the approved rates which led to excess expenditure of ₹34.53 lakh.

Sikkim Financial Rules (Para-122 read with 127) envisaged upon the Indenting officers to procure materials at the most competitive rates after reasonable market survey.

GPs executed various works under MGNREG schemes. The works were executed with the help of job card holders of the GPs and materials for the works were procured from the suppliers empanelled by State Government for supplying materials for MGNREGS.

Scrutiny of records of GPs of Daramadin block revealed (August 2015) that cement and sand for the construction work was procured at different rate from same or different suppliers. The rate of cement per bag ranged from ₹ 332 to ₹ 460 and the rate of sand per cubic feet ranged from ₹ 18 to ₹ 42. Whereas the approved rates for cement and sand were ₹ 332 per bag and ₹ 18 for cft respectively. Thus cement and sand were purchased at higher rate of ₹ 128 to ₹ 40 per bag and sand ₹ 24 to ₹ 5 without any valid reason leading to extra expenditure of ₹ 34.53 lakh as detailed in *Appendix-3.1*. Had the GPs purchased cement and sand after analysing rates, the GP could have saved ₹ 34.53 lakh on procurement of cement (19,790 bags) and sand (98,640 cft).