

CHAPTER-II

PERFORMANCE AUDIT AND OTHER TOPICS

2.1 SAMPOORNA GRAMIN ROZGAR YOJANA.

Sampoorna Grameen Rozgar Yojana was launched by GOI as a centrally sponsored scheme by merging Jawahar Gram Samridhi Yojana (JGSY) and the Employment Assurance Scheme (EAS) to provide greater thrust to additional wage employment, infrastructural development for sustainable employment and food security in rural areas. Performance Audit of SGRY for the period 2002-03 to 2006-07 disclosed selection and sanction of works by SGRY cell instead of GPs and ZPs themselves negating the intent of the Government to empower the Panchayats, inadequate fund management and engagement of contractors etc. Inadequacies were noticed in fund management as there were inconsistencies between actual expenditure and the UCs submitted to GOI; delayed receipt of funds from GOI and the consequential delay in its release to the ZPs and Panchayats; non- release of state share within the prescribed time and in full; non-utilisation and blockage of funds; etc. Programme implementation was characterized by non preparation of Annual Action plan; failure to earmark appropriate funds for SC/ST, endemic labour, etc.; diversion of programme fund for unauthorised works; non- execution of labour intensive works; non- payment of wages in presence of Panchayat members; failure to utilise locally available manpower and materials; delayed payment of wages to labourers; disbursement of wages in cash instead of cash and food grain; failure to ensure reservation of 30 per cent mandays for women; disbursement of food grains without acknowledgement of the beneficiaries; etc .

Analysis of execution of works revealed engagement of contractors for execution of works in violation of guidelines; non- framing of Rural Schedule of Rates; repetition of work leading to wasteful expenditure; execution of works which did not help in infrastructural development; absence of coordination with other scheme such as PMGSY; submission of incorrect utilisation certificates; etc. Flaw in distribution of foodgrains as part of wages under SGRY as evidenced by diversion of foodgrains for National Food for Work Programme, wastage of rice owing to prolonged storage and leakages in the godowns; etc. reduced the effectiveness of the scheme.

Highlights

First and second instalment of Central share of Rs. 77.90 lakh and Rs 1.23 crore for stream – II for the year 2001-02 and 2002-03 was received belatedly in April 2002 and April 2003 respectively leading to delayed

execution of programme. The State Government not only defaulted by delayed release of funds ranging between 30 and 180 days but persistently short released its share aggregating Rs 139.54 lakh.

(Paragraph-6.2&6.3)

Inordinate and avoidable delay in remittance of fund between SRDA and SGRY Cell (both housed in the same building in Gangtok) ranged between 8 days and 92 days, and that of SGRY Cell to ZPs and GPs ranged between 50 days and 120 days leading to delayed implementation of the programme besides loss of interest of Rs. 6.75 lakh. This was further compounded by delay in release of funds by ZPs to GPs ranging between 15 days and three months.

(Paragraph-6.3)

None of the ZPs (4) and GPs (166) prepared AAP during the period covered under audit and in many cases works for execution by ZPs and GPs were sanctioned by SGRY Cell on the basis of recommendations by MLAs, Ministers and other influential persons.

(Paragraph-7.1)

Despite prohibition in the guideline, SGRY Cell, ZP & GP diverted a fund of Rs. 58.46 lakh from scheme fund towards non permissible work, inadmissible payment of transportation charges and Payment of transportation charge in excess of limit fixed by GOI and conversely appended certificate that scheme fund had not been diverted or embezzled while claiming next instalments from the Ministry.

(Paragraph 7.3)

A sum of Rs.271.95 lakh incurred on execution of non infrastructure development assets, execution of work with higher specification of material not commensurate with specific provision which was inadmissible as per scheme guideline.

(Paragraph 7.4 & 7.5)

Action of the Department to engage private contractor for transportation of foodgrains instead of Sikkim Nationalised Transport (Transport Department) led not only to violation of guidelines but also involved extra payment of Rs. 35.07 lakh owing to higher rate and deprival of 65,682 mandays generation.

(Paragraph 7.5)

Non adherence of Rural Standard SOR resulted in not only inflated cost but also non creation of assets worth Rs. 384.35 lakh.

(Paragraph 7.5)

Rs. 13.63 lakh was spent on work not executed, execution of the same work for the second time and wage employment to persons not covered under the scheme.

(Paragraph 7.4 & 7.5)

Utilisation Certificates were submitted to GOI on the basis of release of fund by the SGRY Cell to ZPs and GPs irrespective of actual utilisation in the field. Utilisation certificate for Rs 157.71 lakh was submitted to GOI in excess of the actual utilisation.

(Paragraph 7.5)

2,000 MT of foodgrain worth Rs 246 lakh released under SGRY special component was misutilised in non labour intensive works instead of utilising under wage employment programmes or in the calamities affected areas.

(Paragraph 7.6)

2.1.1 Introduction

Government of India (GOI) launched (25 September 2001) the Samporna Grameen Rozgar Yojana, a centrally sponsored scheme by merging the two erstwhile wage employment programmes *viz.* the Jawahar Gram Samridhi Yojana (JGSY) and the Employment Assurance Scheme (EAS) to provide greater thrust to additional wage employment, infrastructural development for sustainable employment and food security in rural areas. The scheme was implemented in two streams *i.e.* (i) stream-I for Zilla Panchayats (ZPs) and (ii) stream II for Gram Panchayats (GPs) upto 31 March 2004 and were merged to form unified SGRY thereafter. While the programme is in operation in the three (East, West and South) districts of the State, it was discontinued in the North District (February 2006) on introduction of National Rural Employment Guarantee Scheme and the unspent resources merged with NREGS.

Under the scheme (SGRY), food grains were provided by the GOI free of cost and cash component was shared between Centre and State in the ratio of 75:25. The cash component and food grains were required to be released directly to the district Panchayat/DRDA.

- The scheme guidelines, *inter alia*, envisaged distribution of 50 percent allocation each to GPs and ZPs, earmarking of 22.50 per cent of allocation at ZP level for individual /group beneficiary schemes for SCs and STs living below the poverty line (BPL), utilization of 50 per cent of allocation to GPs on infrastructural development in SC/ST habitations, payment of wages partly in food grain (minimum 5 Kg per day upto 31 October 2005 and 3 Kg thereafter) and partly in cash, payment of minimum 25 per cent of wages in cash, taking up labour intensive work, providing 30 per cent of the employment opportunities to women and execution of work departmentally.

2.1.2. Organisational set-up

Ministry of Rural Development, GOI was the overall controlling authority at the Central level and provided allocation of Central assistance of funds and food grains to the States for implementing the scheme at the State level. In turn, the Rural Management and Development Department (RMDD) of State Government was responsible for implementation and monitoring of the scheme through the Panchayat Raj Institutions (PRIs) in the State. At the State level, a separate and exclusive SGRY Cell was constituted under the RMDD for receiving funds (both the Central share from GOI as well as the State share transferred by Finance Department through the budget) and transferring the same to ZPs and GPs in the ratio stipulated in the scheme guidelines. It was also responsible for submission of Utilisation Certificate (UCs) and other returns to the GOI and other agencies after consolidating the same from field ZPs and GPs.

2.1.3 Audit objectives

The audit objectives were to assess whether:

- Fund management was efficient to secure optimum utilisation;
- Planning for implementation of various components of the programme was proper and adequate;
- Employment generation was commensurate with the resources utilized and the extent of availability of mandays per annum per BPL house hold;
- Food grains were optimally and efficiently used in the pursuit of scheme objectives;
- The programme/ works were managed efficiently economically and effectively with due regard to quality / technical specification and in accordance with the scheme objectives;
- Monitoring system as envisaged in the scheme was efficient and effective.

2.1.4. Audit criteria

The following audit criteria were used for the Performance Audit:

- GOI guidelines
- Terms of sanction/release of fund and foodgrains
- Sikkim financial rules
- SPWD code and manuals
- Annual action plan

2.1.5. Scope of Audit and Audit Methodology

The Performance Audit was conducted during March - June 2007 through test check of records of SGRY Cell under Secretary, RMDD, Sachiva ZPs of 4 districts (100 *per cent*), 20 GPs (i.e, 10 *per cent*) for the period from 2002 to 2007 (excluding period of 2006-07 of North district where NREGS was

implemented). Selection of GPs was based on stratified random sampling method. Assets created under the scheme were also physically verified at random in the test checked GPs and interviews with 3 persons (beneficiaries) on an average were conducted in each of the 20 selected GPs.

Audit findings

A total of 6,350 activities/ works were executed in East, North, South and West District by ZPs and GPs under SGRY scheme during the period 2002-03 to 2006-07, of which 900 activities/ works valuing Rs 20 crore were selected for detailed scrutiny.

2.1.6. Fund management

2.1.6.1. The receipts and utilization of funds for the period 2002-03 to 2006-07 were as under

(Rupees in lakh)

Year	O.B.	Central Share	State Share	Bank Interest.	Cost of foodgrains	Total	G.P. Expenditure	Z.P. Expenditure	Misc Expenditure ¹	Utilisation of foodgrains	Total expenditure	C.B	Manday Generated (in lakh)
2002-03	100.19	123.31	280.00	7.26	41.55	552.31	328.27	100.00	-	41.55	469.82	82.49	5.88
2003-04	82.49	524.64	555.34	3.72	153.23	1319.42	196.00	954.51	0.26	153.23	1304.00	15.42	10.88
2004-05	15.42	723.52	200.00	32.1	40.00	1011.19	249.17	614.1	-	40.00	903.28	107.91	9.85
2005-06	107.91	824.44	200.00	2.77	236.42	1371.54	381.05	694.57	0.97	236.42	1313.01	58.53	7.60
2006-07	58.53	770.26	200.00		116.10	116.1	298.91	518.07	27.63	116.10	960.71	184.18	7.10
Total		2966.17	1435.34	46.00	587.30	4370.56	1453.40	2881.26	28.86	587.30	4950.82		41.31

(Source:Cash Book of Rural Management & Development Department)

¹ RM&DD incurred the miscellaneous expenditure towards contingencies and office expences.

The above figure, however, did not tally with the figures reflected in the Utilization certificates furnished by the RMDD to the GOI as the unspent balances shown in the UCs were Rs.14.72 lakh, Rs.15.28 lakh and Rs.78.91 lakh for the year 2003-04, 2004-05 and 2005-06 respectively against Rs.15.42, Rs.107.91 and Rs.58.53 lakh shown in the Cash Books. Similarly, expenditure incurred for the period 2003-04, 2004-05 and 2005-06 was Rs.1150.77, Rs. 863.28 and Rs.1076.59 lakh in the cash books against which UCs submitted to GOI indicated Rs.937.34, Rs.763.77 and Rs.1076.58 lakh respectively. This inconsistency was never detected by the Department inspite of the fact that an internal audit was conducted by Chartered Accountants.

Accepting the above observation the department stated that in future they will reconcile the balances.

2.1.6.2 Short release of state share of Rs139.54 lakh

The State Government had persistently short released its share of Rs139.54 lakh during 2002-03 to 2006-07, due to which wage employment to the extent of 1.26 lakh mandays could not be generated and rural assets to the tune of Rs139.54 lakh could not be created.

In reply, the department stated that sufficient state share clearing the back log had been released and is being released in installment leaving no shortfall of state share. The reply is not acceptable in absence of details information and also it is not possible to transfer the fund after closure of scheme in three district out of four.

2.1.6.3 Delay in transfer of fund to PRIs

Scheme fund should be utilised as expeditiously as possible to attain the scheme objective of creation of durable community assets, wage employment and to provide food security to rural poor.

It was however noticed that Central Ministry remitted the funds to Sikkim Rural Development Agency through telegraphic transfer and SRDA, in turn, transferred this fund to SGRY Cell and thereafter funds were remitted to ZPs and GPs by the latter after deducting 2 *per cent* towards administrative cost and a lump sum towards miscellaneous expenses. This process of transfer of funds instead of direct release to ZPs in accordance with the scheme guidelines led to delay in transfer of funds to executing agencies as enumerated below:

- State Government did not release the fund within 15 days from receipt of Central share as stipulated in the Guideline. The delay ranged between 30 to 180 days.
- First and second instalment of Central share of Rs. 77.90 lakh and Rs 1.23 crore for stream – II for the year 2001-02 and 2002-03 was received by RMDD belatedly in April 2002 and April 2003 respectively leading to delayed execution of programme. Notwithstanding this delayed receipt of funds from GOI, SGRY Cell of RMDD further delayed the releases to the districts. Funds were transferred to all the four districts on 25 March 2004 for

the year 2003-04 (Rs 46.34 lakh) and 31 March 2007 for the year 2006-07 (Rs. 2.10 crore) leaving little time for programme execution during these years.

- Delay in remittance of fund between SRDA and SGRY Cell ranged between 8 days and 92 days, and that from SGRY Cell to ZPs and GPs ranged between 50 days and 120 days during the period from 2002-03 to 2006-07. This inordinate and avoidable delay led to delayed implementation of programme besides loss of interest of Rs. 6.75 lakh.
- During 2004-05, SGRY Cell released Rs 35.63 lakh (on 25 March 2004 Rs. 10.03 lakh and on 26 April 2004 Rs 25 lakh) for onward release to GPs (45) of South District. Instead of releasing the funds to the concerned GPs, the ZP parked the fund in their account and released to the concerned GPs after a delay of three months. Similarly, in respect of West District, the delay in receipt of fund of Rs 4.55 crore by District Development Officer of ZPs ranged between 15 days and 45 days.

2.1.6.4 Non-utilisation and blockage of fund

Funds are remitted to districts for immediate implementation of the programme so as to generate additional employment to rural poor. It was however noticed that district authorities in the following cases had not initiated suitable steps for expeditious utilisation of scheme funds:

- Rs 35 lakh was transferred (18 February 2006) to Sachiva, West District for implementation of special component of the programme in the Natural Calamity affected areas by the SGRY Cell. Instead of execution of the 3 works² as envisaged in the programme, the District Collector parked (10 March 2006) the fund in a separate bank account at SBI, Pelling without any authorisation from the competent authority The fund was not utilised till the date of audit (June 2007). Due to non utilisation of fund the N.C. affected beneficiaries were deprived of the benefit of the scheme .
- NREGS guidelines prescribed that unspent balance under SGRY should be deposited to NREGS fund. NREGS was implemented in the North district from 2 February 2006 and accordingly the State Government (RMDD) instructed the District Development officer (North) to transfer the unspent fund under SGRY to NREGS latest by June 2006. It was however seen that unspent fund of Rs. 27.19 lakh and Rs.140.60 lakh was transferred by SGRY Cell and ZP (North) respectively to NREGS only during October 2006. Also, five³ GPs selected in Audit for test check, had not transferred the unspent fund of Rs.1.17 lakh to NREGS even after completion of works.

² (i) construction of Panchayat Ghar at Dhupidara Narkhola .; (ii) construction of Panchayat ghar at Bangten sapong.; (iii) Concrete cement footpath -SPWD Rd Phagu Dara to shrijunga Cave Ph I at Martam.....

³ Hee-gyathang, Tingbong, Lachen, Kabi, Phensang.

Accepting the observation the department stated that the fund is still being utilised in NREGS. However, action to transfer the fund of SGRY scheme of GPs pointed out are still awaited.

Failure to transfer the unspent fund to NREGS in time was not only against the guidelines but also delayed the commencement of works under NREGS besides indicating lack of proper control on the part of SGRY Cell.

2.1.7. Programme implementation

2.1.7.1 Non preparation of Annual Action Plan (AAP)

The scheme guidelines envisaged preparation of an Annual Action Plan (AAP) by ZPs and GPs, equivalent to 125 *per cent* of the funds allocation of the previous year, duly prioritising the works on need basis which could be completed in a year or at best by two years. The AAP was required to be finalised before the beginning of each financial year (by February each year) and the individual work taken up for execution only if it formed part of AAP.

Audit scrutiny revealed that none of the ZPs (4) and GPs (166) prepared AAP during the period covered under audit. Works selected for execution were approved by SGRY Cell on the basis of recommendations by MLAs, Ministers and other influential persons. In most of the cases no approval from general body of ZPs or Gram Sabha in case of GPs were ever obtained as revealed during the test check of 5 GPs (out of 20) where as, as many as 57 works valuing Rs 67.06 lakh were implemented without any approval by the Gram Sabha. Selection and sanction of works by SGRY cell instead of GPs and ZPs negated the intent of the Government of India regarding decentralised planning at grassroots level, creation of infrastructure through a demand driven approach as also creation of employment opportunities.

Accepting the observation, the department stated that in many cases annual action plan could not be prepared due to the deadline set by the guidelines for timely utilisation of fund. Annual Action Plan at GPs level all over the state had been prepared and awaiting approval of Planning and Development Department. The reply is not tenable as no such records were produced to audit.

2.1.7.2 Inadequacies in allocative priorities

The scheme guidelines prescribed proportion of fund allocation between ZPs and GPs, weightage in allocation to SC/ST population, endemic labour, exodus/ areas of distress etc. Audit noticed that this prescribed proportion of fund allocation was not adhered to by the SGRY cell as evidenced from the following:

- Allocation of fund to ZPs and GPs were 66 *per cent* (Rs. 28.81 crore) and 34 *per cent* (Rs. 14.53 crore) respectively during 2002-03 to 2006-07 as against the prescribed ratio of 50:50 leading to short allocation to GPs by Rs. 7.28 crore.

- As against the stipulation to accord 60 *percent* weightage to SC/ST population and 40 *per cent* to the total population of the GP in allocation of fund and foodgrain, SGRY cell allocated the fund and foodgrain without attaching any importance to the above criteria and instead distributed the fund equally to each ward of the Panchayat.⁴ As a result the targeted weaker section of society was deprived of the intended benefits envisaged in the programme.
- No allocation towards utilisation in the area suffering from endemic labour/exodus/area of distress (Rs.7.88 crore) at the district level and generation of supplementary wage employment and creation of demand driven community village infrastructure (Rs.10.16. Crore) at GPs level was ever made although scheme guidelines specifically provided for earmarking of 20 *per cent* and 50 *percent* of funds respectively. Similarly, 22.5 *per cent* of annual allocation of ZP (Rs 8.87 crore) required to be spent on individual beneficiary/ group schemes for SC/ST below poverty line was also not made.

Thus, laxity on the part of Project Director, SGRY cell in earmarking the allocation to different groups led to deprivation of benefit of scheme to targeted weaker sections.

While accepting the fact, the Additional Secretary, SGRY informed that in absence of finalisation of BPL families, SC/ST families below the poverty line could not be identified for employment under the scheme. The reply is not tenable in view of extension of BPL facilities by the State Government under Public Distribution Scheme through Food & Civil Supplies Department for past several years.

2.1.7.3 Diversion of fund

The scheme guidelines stipulated utilisation of funds for the specific purposes for which funds were sanctioned and no diversion was permissible. Infact, a certificate to the effect that there was no diversion and embezzlement of scheme funds was required to be appended while claiming next instalment/ at the time of submission of UCs to Ministry. Despite this elaborate provision, SGRY Cell, ZPs & GPs diverted a fund of Rs. 55.05 lakh from the scheme towards prohibited works, as shown below:

- Although scheme guidelines prohibited incurring of expenditure towards construction of religious buildings, bridges, multi storey buildings, black topping of roads, etc., Rs 55.05 lakh was incurred towards 38 works (5 Religious buildings, 30 bridges, 2 multi storey buildings, 1 black topping of road) by diversion of scheme funds. These diversions were done by ZPs (1) and GPs (37).

Accepting the fact, the department assured that this would not be repeated in future.

⁴ $\frac{\text{Total fund} \times \text{Number of wards in GPs}}{\text{Total number of wards in ZPs}}$

2.1.7.4 Payment of wages

The primary objective of the scheme was to provide additional and supplementary wage employment to rural population. Accordingly, the SGRY Cell emphasised on execution of labour intensive works in the ratio of 60: 40 for wage: material. Scrutiny of execution of works and payment of wages, however, revealed that these conditions were not adhered as mentioned below:

- *Execution of material intensive work:* In 240 cases (out of 900) valuing Rs. 205.89 lakh executed by ZPs (165 works) and GPs (75 works) the prescribed ratio of wage: material (60:40) was not adhered to. This resulted in loss of wage employment to that extent. Analysis revealed that against the prescribed ratio of 60 per cent (Rs. 123.53 lakh) for labour component, the actual labour component worked out to 44.22 per cent (Rs. 91.05 lakh) thereby recording a shortfall of 15.78 per cent (Rs. 32.48 lakh) which could have generated 54,261 man days.
- *Delay in payment and non payment of weekly wages in presence of village Panchayats:* Against the scheme guidelines to disburse wages weekly i.e in subsequent week within 7 days, the payment of wages was delayed ranging between three and 18 months after completion of work in 89 cases in South district. The delay in release/payment of wage defeated the very purpose of the scheme.

Scheme guidelines also envisaged payment of weekly wages in the presence of Panchayat members. There was no documentary evidence to indicate that wages were disbursed in the presence of the members of the village Panchayat. Interviews with beneficiaries (April – June 2007) revealed that payment of wages in case of works under Zilla Panchayat was disbursed in cash after completion of work and clearance of bill was just like any other running account bill for works executed by works executing departments. Payment of wages in absence of G.P. member reveals absence of transparency in payment to beneficiaries.

- *Selection of BPL beneficiaries:* The scheme envisaged selection of beneficiaries from amongst the BPL families from the same village where the work was executed. Audit noticed that in violation of this stipulation, in 33 works (out of 450) 53 per cent of beneficiaries (433 out of 811 beneficiaries) did not hail from the same village to whom Rs 8.93 lakh (including foodgrain) was paid towards wages (out of Rs 17.59 lakh) in 2 ZPs⁵ and 8 GPs⁶ during 2002-03 to 06-07. This aberration was not only in contravention of the guidelines but also failed in generating wage employment for targeted beneficiaries of rural areas.
- *Improper maintenance of basic data:* Scheme guidelines emphasised maintenance of basic data / records such as name, address, category (SC/ST/Women and others) of persons provided with employment, duration of employment, wages paid, date of disbursement of wages / foodgrains, etc

⁵ (i) East Distt. ZP (ii) ZP, North

⁶(i) chujachen GP; (ii) Linkee Tarethang; (iii) Lingdok Namphok; (iv) East Pandam; (v) Lachen; (vi) Hee Gyathang.; (vii) Tingbong. and (viii) Kabi Tingda

pertaining to Nominal Muster Roll (NMR) besides adherence to the provisions of Sikkim Public Works Code on maintenance of NMR stipulating parent's name, sex, residence, certificate of payment, progress of work done supported by detailed measurements. Test check of 900 works, however, revealed that NMR did not record, dates of disbursement of wages, gender and category of workers (SC/ST) employed, etc.

- *Disbursement of wages:* In 11 (out of 900) cases, wages of Rs. 10.86 lakh were disbursed in cash against the stipulation to provide a combination of cash and food grain depriving nutritional benefit to the beneficiaries. In 5 cases involving 4,917 mandays, payment of wages in cash (Rs. 0.77 lakh) was below the mandatory 25 per cent and in 30 cases involving 17,345 mandays there were underpayment of wages of Rs 5.76 lakh. **Details are given in Appendix III**
- *Employment of women not ensured:* In 19 cases involving wage payment of Rs. 21 lakh employment of women was not ensured despite clear stipulation in scheme guideline to reserve 30 per cent mandays for women.
- *Disbursement of wages without acknowledgement:* In 22 works in 7 GPs, Rs. 11.99 lakh (including foodgrain) were shown as disbursed to labours without obtaining their acknowledgement. In absence of acknowledgement the actual payment could not be vouchsafed.
- *Delayed revision of issue price of rice:* The daily wages were revised from Rs. 50 to Rs.85 (70 per cent increase) with effect from April 2004, while the retail issue price of foodgrains was enhanced from Rs. 4 per kg to Rs. 8.85 per kg with effect from April 2005 only. Since rice was one of the components of the daily wages payable, ideally it should have been revised simultaneously i.e from April 2004. Failure to effect revision from April 2004 led to extra expenditure of Rs.336.35 lakh towards the rice component which could have been utilised for creation of assets worth Rs. 336.35 lakh (6,935 MT X charging of less than revised rate i.e Rs.4850) besides loss of 6.73 lakh mandays.

Accepting the observation the department stated that strict instruction shall be issued so that it would not be repeated.

2.1.7.5 Execution of works

Analysis of execution of works under SGRY revealed following defects:

- *Irregular engagement of contractors:* Against the stipulation in the scheme guidelines and reiteration by the State Government for execution of works departmentally instead of through contractors, 16 works involving Rs. 10 lakh in East and South districts were executed through contractors. Interview with 53 beneficiaries (May - June 2007) by Audit revealed that 16 works in 8 GPs at a cost of Rs 10 lakh were executed through nominees contractors belonging to same GPs .

The department refuted the engagement of contractor stating that sanction intimation of all works were addressed to concerned ZPs/GPs implementing agency. However, interview with beneficiaries and some work orders in

favour of nominees revealed that contractors were engaged in disguise of nominee, managed the work and paid wages to the beneficiaries.

- Similarly, RMDD engaged transport contractors for transportation, loading, unloading and handling of foodgrains of 26,275 M.T during 2002-03 to 2006-07 instead of effecting transportation through the Sikkim Nationalised Transport (SNT) under the Transport Department. Not only was the engagement of transport contractor in violation of guidelines but also the rate allowed to the transport contractor was higher ranging between Rs.5.90 to Rs.7.50 per MT against the SNT rate of Rs.4.45 to Rs.5.70 per MT resulting in extra expenditure of Rs 35.07 lakh. Besides, the Department paid Rs. 55.83 lakh towards loading and unloading of food grains (Rs. 52.55 lakh (26,275 X 20 X 10) and handling commission (Rs. 3.28 lakh) @ Rs 1.25 per qtl to the contractor over and above the transportation charges resulting in deprival of 65,682 mandays to the beneficiaries. Even terms and conditions set forth in the agreement based on offer documents of the contractors were later not adhered to while making payments as evidenced from the fact that extra payment of Rs.10.49 lakh was made on account of minimum charges for 20km, loading and unloading for storing the foodgrain enroute, travelling extra distances, etc. which did not form part of the agreement.

The department stated that SNT had refused to undertake the job of transportation and hence it was put to tender (March 2003). All other norms of loading and unloading handling charges etc followed were the standing norms of various department of Government.

The reply is not acceptable as Food and Civil Supply Department was transporting the foodgrains from private suppliers at the rate fixed by SNT. Further in case of urgency to avoid of lapse of foodgrains, transportations of any particular period could be done at higher rate not during normal and whole period.

- *Non-preparation of rural schedule of rates:* To eliminate the role of contractor and inbuilt 10 per cent contractors' profit in the Schedule of Rates (SOR), scheme guidelines envisaged preparation of Rural Standard Schedule of Rate (RSSOR) by State Government. SGRY Cell however did not frame RSSOR till date and instead estimate for works were prepared on the basis of SOR published by Sikkim Public Works Department (SPWD) with inbuilt contractor's profit of 10 per cent. Adoption of SOR of SPWD in effect had surreptitious inclusion of contractor's profit (10 per cent) for each of the works and led to non creation of assets worth Rs 384.35 lakh⁷ in 4,656 works **involving loss** of 5.2424 lakh mandays owing to inflated cost estimates.

Details are given in Appendix IV

Accepting the observation the department stated that during the sanction of works 10 per cent contractors profit was being deducted at source.

The reply is not acceptable as the department had issued instruction during (November 2006) and in all cases pointed out there was no deduction of contractors profit at source from the works bills.

⁷ Rs.3,843.54 lakh (Total amount the work) X 10% (contractors profit) = Rs.384.35 lakh

- ***Fictitious execution of work:*** Physical verification (28 April 2007) by Departmental officers in presence of Audit and interview with the Panchayats, Rural Development Assistants (RDA) and local residents revealed that two works⁸ relating to construction of cement concrete footpath involving Rs.2.00 lakh were not executed at all although funds of Rs.2.00 lakh was sanctioned and the works were shown as executed by respective Zilla Panchayats. These cases not only point out the weaknesses in the internal control mechanism within the ZPs and SGRY but also indicated lack of monitoring by ZPs & SGRY Cell and ultimately non-accrual of intended benefits to the villagers.
- ***Repetition of work leading to wasteful expenditure:*** Creation of durable community, social and economical assets and infrastructural development in rural area was the secondary objective of SGRY scheme. Identification and prioritisation of all works for execution was to be done through convening Gram Sabha for finalising list of such works to be included in AAP. Physical verification by Departmental officers in presence of Audit revealed that three works⁹ involving an expenditure of Rs. 3.30 lakh were executed in South & North districts where CCFP was already constructed earlier.
- ***Execution of work without estimates and measurement in GPs:*** Scheme guidelines envisaged involvement of technically qualified people for preparation of estimates and measurement of works before making payments. In South district, it was noticed that 127 works pertaining to South District were executed without framing estimates and payments released without any measurement. Not only was this in violation of guidelines but was also fraught with the risk of the sub-standard work as no qualified engineers had vetted the estimates. Besides, actual mandays generated through execution of the works, part of works remaining half done, etc could not be vouched for in Audit.
- ***Non execution of infrastructural development work:*** Audit scrutiny revealed that 73 works involving a sum of Rs. 66.06 lakh (out of 900) executed by ZPs (4) and GPs (20) during 2002-03 to 2006-07 were in the nature of non infrastructural development work in rural areas, but were in effect protective works. *Details are given in Appendix-V.*
- ***Lack of coordination with PMGSY scheme:*** Under the scheme, proper coordination was required to be made with PMGSY work while executing the work. Coordination however was lacking as evidenced from the fact that 9 works constructed at a cost of Rs. 3.92 lakh were destroyed by RMDD during the course of execution of PMGSY works.
- ***Submission of incorrect utilisation certificate:*** Scheme guidelines forbade inclusion of advance payments as final expenditure at the time of submission of UCs by DRDAs (SGRY cell in case of Sikkim) for release of subsequent instalment. Audit observed that UCs submitted by the SGRY to GOI was based on annual accounts certified by Chartered Accountant which included

⁸ Cement Concrete Foot Path from (i) PWD Road to Kewzing school ground; (ii) 31 A R O to Middle Panihouse.

⁹ Cement concrete foot path form i. Mikhola to Manpur road (SPWD road) ii. Mangal Singh house to Rani khola and iii. Gagyap to Tsolamu (Lachen)

advance of Rs 113.74 lakh which was not finally spent till the finalisation of accounts. Similarly, utilisation of foodgrains was also reflected on the basis of reports received from ZPs and GPs without verifying its actual lifting, utilisation, etc. Audit observed that 1062.27 MT of rice was shown as utilised by ZP (North) based on allotment during the years 2002-03 to 2005-06 pertaining to North districts. Thus, generation of 91,387 mandays and final expenditure reported to GOI was inaccurate.

Accepting the fact the department stated that these will not be repeated in future.

2.1.7.6 Management of foodgrains

Distribution of foodgrains as part of wages under SGRY was based on the principle of protecting the real wages of the workers besides improving the nutritional standards of the families of the rural poor. Accordingly, foodgrains released free of cost by GOI were to be distributed to the rural poor at the rate of 5 kgs per mandays upto September 2005 and 3 kg per mandays thereafter as a part of the wages. To ensure minimum daily wages, the balance could be paid in cash. State Government was responsible for safeguarding against leakage and pilferage of foodgrains.

Under the scheme, GOI allocated foodgrains to State Government indicating district – wise allocation duly endorsing a copy to Food Corporation of India (FCI) and the latter (State Government) lifted the food grains from the nearest FCI depot¹⁰ through designated officers of ZPs with the help of State Food & Civil Supplies Department (F&CSD). Foodgrains so lifted were stored at designated godown of the F&CSD for distribution to ZPs and GPs on receipt of indents from ZPs. Despite this elaborate mechanism for appropriate handling and utilisation of foodgrains, following discrepancies were noticed in Audit:

- *Diversion of foodgrains in North district:* As mentioned in para 6.4, the balance fund under SGRY scheme in North district as well as foodgrains should have been ideally transferred to National Rural Employment Guarantee Scheme (NREGS) by 30 June 2006. Audit noticed that against the available balance of 1500 MT (Rs 132.75 lakh) foodgrains, 893.22 MT was diverted to National Food for Work Programme (NFWP) in July 2006 in violation of scheme guidelines and government instructions.

Similarly, 2,000 MT of rice (valuing Rs. 2.46 crore¹¹) allocated under 'Special component' for augmenting food security through additional wage employment in the rural areas affected by natural calamities by GOI were diverted and irregularly utilised in programme other than wage employment. Audit noticed that 1,500 MT (*out of 2,000 MT*) of rice was distributed under the direct control and supervision of the District Relief Committees of South & West districts during 2005-06 without any incidence of natural calamity, 500 MT was utilised towards foodgrains distribution against 11 works for South (350 MT) and West (150 MT).

¹⁰ Rangpo and Jorethatng.

¹¹ 2,000 MT rice @ Rs. 12,300 / MT = Rs. 2.46 crore.

- *Loss due to rotting:* Prolong storage and leakages in the food godown led to rotting and discard of 310 qntls. rice valuing Rs 4.16 lakh at Mangan (250 qntl) and Rangpo (60 qntl.) godowns during November 2004, October 2005 and November 2005 and as a result employment generation of 2,745 mandays were lost.
- *Doubtful utilisation of foodgrains:* In 37 cases involving 6 Gram Panchayat in North District 215.726 MT of foodgrains worth Rs. 12.82 lakh were shown to have been distributed to beneficiaries / labours during 2002-07 without any documentary evidence, copies of MR in support of distribution of foodgrains. Similarly, in East District, 64.577 MT of rice valued at Rs 3.84 lakh was shown as distributed during 2002-07 without acknowledgement of beneficiaries. Thus, the disbursement of rice to the beneficiaries in these cases could not be vouchsafed.
- *Shortage of foodgrains:* There was shortage of 474.16 qtls. rice valuing Rs.5.83 lakh¹² in West district and shortage of 13.67 MT rice valuing Rs.1.68 lakh in 6 (out of 20) GPs .The losses occurred due to leakage and carelessness

2.1.7.7 Training not imparted

The scheme permitted annual earmarking of Rs. one lakh from the fund sanctioned for ZP towards imparting training to officials and non officials of PRIs involved with the implementation of SGRY scheme. Accordingly, Rs 19 lakh should have been earmarked during 2002-07 in respect of 4 ZPs against which only Rs 2.60 lakh was earmarked by SGRY cell during 2004-05. No initiative was taken by any of the functionaries to organise training programme and therefore even this fund was also not utilised. Additional Secretary, SGRY during discussion (24 May 2007) stated that the fund would be utilised during the current year (2007-08). Absence of training implied that the PRI functionaries could not discharge their duties in the most effective manner.

Accepting the observation the department stated that fund utilisation shall be insured during the current year. The reply is not tenable as the scheme has already been closed in three out of four districts.

2.1.7.8 Monitoring

The Rural Management & Development Department was responsible for monitoring of the scheme at the State level through monthly and annual progress reports. In addition, the monitoring and vigilance committees at the State and district levels were to be constituted to oversee the scheme implementation. Position of monitoring as revealed during the course of audit is enumerated below:

- *Vigilance and Monitoring Committee:* The GOI instructed (November 2004) convening of vigilance and monitoring committee meetings at State and District level at least once in every quarter. The District Level Vigilance and

¹² calculated at cost price

Monitoring Committees were constituted by the State Government in October 2003. Only 5 meetings¹³ of the committee was held as against the minimum requirement of 27. concrete decision in connection with implementation of scheme was not taken in any of these meetings. Similarly, Vigilance and Monitoring Committee at village level were formed but no meetings were held.

Accepting the observation the department stated that the Committee will be instructed to take a serious note of it and hold the requisite number of meeting in future.

- *Schedule of inspection for field visit not drawn:* The scheme required preparation of schedule of inspection for State/District level officers for monitoring the execution of projects and overall implementation of scheme through visit to work site and submit returns to GOI in prescribed format. Scrutiny revealed that no strategy and norms were fixed for visit by State level officers and District level officers to visit the worksite for monitoring the work. The position regarding preparation of schedule of inspection and visit reports to worksite by State level officers could not also be made available to audit. Thus, effective monitoring of the scheme in terms of actual execution of work and mandays generated was severely lacking in the existing system.
- *Misreporting of figures of employment generation:* The State Government through the State SGRY Cell had intimated GOI through various report and returns that 41.31 lakh mandays were generated under the scheme during the period 2002-07 by incurring an expenditure of Rs 56.06 crore (*inclusive of cost of foodgrains*). Test check of monthly progress reports submitted by three ZPs (South, East, and West) revealed irregular and incomplete submission of monthly progress report by ZPs to the SGRY Cell. The prescribed format was also not adhered and several information not even filled in. Notwithstanding this, SGRY Cell intimated GOI the expenditure figure based on transfer of funds by SGRY Cell to ZPs/GPs and not on the basis of actual expenditure incurred for employment generation and infrastructure creation in the field by ZPs/GPs. The mandays generated was arithmetically worked out by the SGRY Cell hypothetically dividing the funds transferred to the ZPs/GPs by wage rate and not on the basis of actual mandays generation. Thus, figures of mandays generated reported by SGRY Cell to GOI did not represent actual generation of employment based on actual records in the field.

2.1.7.9 Follow up of error signals

Irregularities like non preparation of AAP, diversion of fund, meeting transportation cost of foodgrains out of scheme fund in excess of prescribed limit, deprivation of benefit to targetted group, improper management of foodgrains, execution of inadmissible works etc were pointed out through several Inspection Reports of the Accountant General (Audit), Sikkim during 2004-05 to 2005-06.

¹³ State level (29 April 2005, 21 July 2006) & District level (19 October 2005, 10 November 2007, 15 November 2006)

The Department had not initiated suitable steps to obviate the shortcomings as evidenced from the fact that the irregularities still persisted. Thus, follow up action on these error signals were inadequate on the part of the Department.

2.1.8. Conclusion

RMDD failed to ensure proper adherence to scheme guidelines prescribed for financial and foodgrains management leading to short receipt of grants for State fund, misutilisation of scheme funds and shortage and pilferage of foodgrains. The Annual Action Plan was not formulated and thus there was non execution of work in order of priority, execution of inadmissible works and engagement of contractors for execution of works in complete violation of the scheme guidelines. Non maintenance of employment register was a regular feature in all the implementing agencies. Serious lapses persisted in maintenance of Muster Rolls. The basic records did not provide any assurance on transparency and the reliability as the information revealed inaccuracies. Whereas State level SGRY Cell intimated to GOI a figure of 31.41 lakh mandays of wage work as having been generated during 2002-07 by incurring expenditure of Rs 5606.32 lakh, the figure did not depict a true picture since it was not based on actual mandays generated in the field, but on hypothetical calculation. Due to execution of a large number of material intensive works instead of labour intensive ones generation of additional wage employment in rural areas was severally affected and employment generation was not commensurate with the resources employed. Monitoring at the State and district level was severally lacking.

Recommendations

The State Government may consider initiating following steps to improve the implementation of SGRY:

- Ensure preparation of Annual Action Plan of ZP/GP and its approval in General bodies of ZP/GP before commencement of each of the financial year;
- Complete ban on engaging of contractors to ensure that scheme funds are used for employment generation in its entirety;
- Devise suitable mechanism for proper maintenance of Muster Rolls records duly treating them as cash vouchers instead of formal record for issue of foodgrains;
- Streamline the accounting of receipt, issue and utilisation of foodgrains with assigned responsibility for shortage, pilferage, etc.;

2.2 Other Topics

2.2.1. Non-deduction of Income Tax amounting to Rs 2.87 lakh and Sales Tax amounting to Rs.5.42 lakh

The PRIs did not deduct State Income Tax amounting to Rs 2.87 lakh and Sales Tax amounting to Rs 5.42 lakh on purchase of various items resulting in excess payment to suppliers.

According to Government of Sikkim Notification No.937/IT/ST dated 15 February 1999, State Income tax is to be deducted at source by Local Bodies at the rate of 3 per cent from the supplier's bills. Further as per Govt. of Sikkim Circular No.832/ST/3610 dated 12 August 1983 sales tax at the prescribed rate are also to be deducted at source.

Test check of 52 Gram Panchayats (East -12 , West-9, North-10 and South- 21) revealed that Income tax amounting to Rs 2.87 lakh on purchase of various items during the period from 2003-04 to 2006-07 was not deducted at source. Details of such cases are given in the **Appendix VI**.

Similarly Sales tax amounting to Rs 5.42 lakh on purchase of various items during the period from 2003-04 to 2006-07 was also not deducted at source.

Thus non - deduction of Income tax and Sales tax by the GPs from suppliers bills resulted in excess payment to suppliers and also loss of revenue to Government.

Action taken by the GPs for recovery of the amount was not intimated to audit.

The matter was reported to the Department. Reply is awaited. (June 08).

2.2.2. Injudicious expenditure of Rs 15.70 lakh

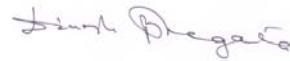
Herbal Garden created in 16 GPs at cost of Rs 15.70 lakh on private land taken on lease without executing valid legal lease deeds resulted in injudicious expenditure of Rs 15.70 lakh.

Test check of records of 16 Gram Panchayats (South – 8, West – 8)¹⁴ revealed that herbal gardens at a cost of Rs 1 lakh each were created on private land taken on lease for a period ranging from one year to ten years on the basis of handwritten lease(which were not valid). GPs had incurred an expenditure of Rs.15.70 lakh towards creation of herbal gardens, during the period 2003-04 to 2005-06. Further, even after three years from the date of creation of herbal garden, neither any revenue was generated nor distribution of herbal medicine

was made to the villagers. Besides no effort was initiated to tie up with the forest and horticulture deptt for making available the seeds and other inputs to harness the potential of the herbal garden constructed at the cost of Rs.15.70 lakh.

Creation of herbal garden, an asset of permanent nature, on private land taken on lease for short period without executing valid legal lease deeds and non-extraction of any output even after 3 years from the creation of herbal garden resulted in injudicious and unproductive expenditure of Rs.15.70 lakh.

The matter was reported to the department. Reply is awaited (June 2008)



(Dinesh Bhagata)
Accountant General (Audit),
Sikkim, Gangtok

Gangtok

The

14 **South** :- (i)kewzing Bakhim.(ii)Barfung Zerong.(iii)Barong Phamtam.(iv)Tinik Chisopani.(v) Tingrithang.(vi) Assangthang.(vii)Gyalshing Omchung.(viii)Mikhola Kitam.

West:- (i) Yuksum Dubdi.(ii)Darap(iii)Singyang(iv)Chongphong.(iv) Yangkey.(v)Kyongsa.(vi)Yangthang.(vii)Lingchom Tikjya.(viii)Sardong Lungyick .