Preface

The Report has been prepared for submission to the Government of Sikkim in accordance with the terms and conditions of the entrustment of audit of Panchayat Raj Institutions by the State Government to Comptroller and Auditor General of India under Section 20(1) of CAG's DPC Act 1971, in 2001.

This Annual Technical Inspection Report for the year 2009-10 is consolidation of major audit findings arising out of audit of accounts of Panchayat Raj Institutions in the State of Sikkim and the performance audit of Twelfth Finance Commission grants.

The purpose of this report is to give overview of the functioning of PRIs in the State of Sikkim and to draw the attention of the Executive Department and PRIs for remedial action and improvement wherever necessary.

The audit findings in the Report are those which came to notice in the course of audit of accounts of Panchayat Raj Institutions conducted during 2009-10.

Overview

This report contains three chapters. The Chapter I contains an overview of the Panchayat Raj Institutions in the State and deficiencies in the accounting procedures. Chapter II consists of performance audit on Twelfth Finance Commission and Chapter III contains Audit of Transactions.

1. An overview of Panchayat Raj Institutions

Despite the provisions for collection of taxes, the GPs had not initiated any steps to identify the areas for levying of taxes nor collected any revenue except Lunchok Kamery GP and Melli Dara GP which had levied the above fees and taxes and realized revenue meriting appreciation.

(Paragraph 1.6.1)

Absence of sound basis for transfer of funds to the PRIs by the departments constrained the PRIs to gauge the extent of fund availability with them in any particular year restricting them to make any plan with foreseeable certainty. The planning at the PRI level was therefore totally on ad-hoc basis.

(Paragraph 1.8)

Planning process duly reflecting the needs and aspiration of people at grassroots through Gram Planning Forum (GPF), value addition at BDO and DDO level and final consolidation by District Planning Committee (DPC) after obtaining technical expertise from DTSC was non-functional despite formation of GPF, DPC, DTSC, etc.

(Paragraph 1.9)

There is no centralized system for accountal of value of assets created by the PRI. Out of 41 PRIs test checked, 16 PRIs did not maintain moveable and immovable Assets registers duly reflecting moveable and immoveable properties. Despite codal provision and observations made by audit for physical verification of assets, the PRIs yet to introduce the system.

(Paragraph 1.10)

It was noticed that neither the GPs had prepared their budget estimates as envisaged in Sikkim Panchayat Manual nor the DPO insisted the PRIs for submission of budget estimates to check the same and suggest corrective measures for optimal utilization of funds. Scrutiny of records in 41 GPs revealed that basic records and registers as envisaged in Sikkim Gram Panchayat Financial Rules 2004 were not maintained properly.

(Paragraph 1.11)

2. Twelfth Finance Commission - Utilisation of grants by Panchayat Raj Institutions

There was delay in release of funds by Government of India ranging between 106 to 940 days which had a cascading effect as the State Government in turn could release funds to PRIs belatedly affecting the programme implementation at the PRI level.

(Paragraph-2.1.6.1)

The State Government neither adhered to the time schedule of 15 days for release of TFC funds to the PRIs nor released the penal interest in full for delayed release of TFC grants to the PRIs .

(Paragraph-2.1.6.2)

The State Government forwarded the utilization certificates of the TFC grants to the Government of India for full amount of funds transferred to the PRIs without any reference to the actual utilization and obtaining of utilization certificates from ZPs and GPs indicating that U.Cs were perfunctorily sent to GOI.

(Paragraph-2.1.6.3)

ZPs did not prepare any long term strategy for solid waste management and instead on the request of individuals, selected places for implementation of solid waste management programmes. No progress report as to the quantum of waste collected and treated was on record indicating that the project was taken only as a means to incur expenditure than to inculcate a behavioral change of the households in handling of waste as the garbage continued to be dumped in open and jhoras in indiscriminate manner.

(Paragraph-2.1.7.1)

Implementation of Rural Water Supply Scheme was characterized by absence of proper planning at GP level before taking of the implementation, non opening of separate bank account, non compilation of list of Rural Water Supply Works for repairs and above all absence of inventorisation of all Rural Water Supply Schemes even after termination of TFC period (2005-10) in total disregard of TFC guidelines.

(Paragraph-2.1.7.2)

The position of maintenance of accounts in the ZPs and the PRIs continued to be poor despite an expenditure of ₹ 20 lakh within 2005-10 under TFC grants. The Chartered Accountant firm appointed for the purpose could neither train the Panchayat functionaries for preparation of accounts nor could prepare the accounts for the entire period.

(Paragraph-2.1.7.4)

Audit scrutiny revealed (April 2011) that the revenue base had not shown any remarkable improvement as the PRIs continued to get only 1.7 per cent of developmental funds as against the State Government commitments to transfer atleast 10% of the developmental funds by each of the implementing departments.

(Paragraph-2.1.7.5)

The High level Committee constituted by the State Government met only thrice as against the mandatory requirement of 20 times in a span of five years indicating a shortfall of at least 17 meetings in absence of which strict vigilance and monitoring by the sufficiently high level officers as expected in the TFC recommendations was not forthcoming.

(Paragraph-2.1.8)

3. Audit of Transactions

Three ZPs utilized steel tree guard instead of bamboo tree guard without any indepth need analysis, justification and cost benefit ratio leading to unwarranted additional expenditure of ₹ 36.75 lakh.

(Paragraph 3.1)

Execution of rural water supply work for ₹ 1.94 crore under BRGF to Kanchanjunga Tourist Villa and three villages were unwarranted and against the guidelines of the Fund which categorically stipulates that BRG Fund was meant to bridge the critical gaps in local infrastructure and other development requirements which were not being adequately met through existing inflows.

(Paragraph 3.2)

Failures of the ZP to complete the contract work in time not only led to blockage of Government fund of ₹ 59.47 lakh of Block Administrative Centre but also entailed an avoidable expenditure of ₹ 2.40 lakh on payment of rent towards the rented building on which the BAC was presently functioning. Pending completion of the BAC, Nandok the Block Development Office continued to function in the unhygienic condition without adequate space and requisite furniture to the officers and staff.

(Paragraph 3.3)

Instead of utilising site for intended purpose, the site is being used for mere a platform for further constructional work of tourism department. Hence the objective of developing infrastructure in and around Mangan for helping very poor, multipurpose activities throughout the year, organizing different events as per local calendar was baseless.

(Paragraph 3.4)

Casual approach of the ZP official in failing to segregate the actual estimated cost with that of the probable estimated cost led to loss of Rs.7.83 lakh to the Government and undue favour of equivalent amount to the contractor.

(Paragraph 3.5)

Tendering were not done in the most open and transparent manner. In 200 cases (out of 249) scrutinized by Audit, works commenced even before the conclusion of the agreement. Audit scrutiny revealed that community development fund was not utilized for the purposes for which it was transferred to ZP.

(Paragraph 3.6)

CHAPTER - I

AN OVERVIEW OF THE PANCHAYAT RAJ INSTITUTIONS

1.1 Introduction

The Sikkim Panchayat Act, 1993 in keeping with 73rd amendment of the Constitution was enacted to establish a two tier Panchayat Raj Institution (PRI) system at village and district levels in the state. The system comprises elected bodies- Gram Panchayats (GPs) at village level and Zilla Panchayats (ZPs) at district level. As per 2001 census, the total population of the state was 5.41 lakh of which rural population constituted 4.81 lakh (88.90 *per cent*). The Act extended to whole of Sikkim except 12 small towns. As of March 2010, there were 4 ZPs[1] and 163 GPs in the state.

Besides functioning as units of local self government, the PRIs also aim to promote participation of people and effective implementation of various developmental programmes in the rural areas. The GPs and ZPs have accordingly been assigned with the overall supervision, coordination and implementation of developmental schemes at village and district levels and preparation of plans for areas of their jurisdictions.

1.2 Organizational structure of the PRIs

Rural Management & Development Department (RMDD) is the overall in-charge for effective functioning of the PRIs in the State. The organogram given below depicts the organizational structure of the department and the PRIs:

[1] *North, East, South and West*

At State Level

Secretary, Rural Management and Development Department

↓

Director, Panchayat

At District level

ZILLA PANCHAYAT

↓

- Zilla Panchayat elected body headed by a Zilla Adhakshya
- District Collector (Sachiva)

At Village level

GRAM PANCHAYAT

↓

- Elected Body headed by President
- Block Development Officer

1.3 Powers, functions and duties vested with the PRIs

The broad details of powers, functions and duties vested with the PRIs as per the Sikkim Panchayat Act, 1993 are as under:

Authority	Rule/ Act	Function
Zilla Panchayat & Gram Panchayat	Section 69 and Section 34 of Sikkim Panchayat Act 1993 (Amended 1995)	Preparation of budget and Annual Action Plan, implementation of schemes for economic development and social justice and collection of revenue for development works.
Gram Sabha	Section 11 of Sikkim Panchayat Act 1993 (Amended 2005)	Approval of works/development plans, identification of beneficiaries for extending benefits of social sector schemes.
District planning Committee	Section 127 of Sikkim Panchayat Act 1993 (Amended 1995)	Consolidation of plans prepared by the panchayats into the draft district plan of the district.
GP level Social Audit cum Vigilance Committee	Notification no.29/RMDD/ 2008 dated 12 Feb 2008	Compulsory inspection of works as per estimate and in a qualitative manner and submission of completion certificate before passing the bills.
Gram planning Forum	No.50/RMDD/P dated:19.08.2006	Preparation of Annual Plan, prioritizing the works and monitoring of all works being implemented by GP.
State Government	No. 35(2)97-98/38/RDD/ P(II) Dated 13.05.1998	Sanction of grants, approval of budget, audit of accounts, allocation of property, transfer of assets, fixation and regulation of rates of taxes and fees.
District Technical Support Committee	No.51/RMDD/2004 dated:19.08.2006	Technical support for preparation of GP, ZP and draft district plans. Preparation of district perspectives for each of the sector and timely submission to GP/ZP.
GP Disaster Management Committee	No.35(110)05-06/ RM&DD/ P/35 dated:24.01.06	Preparation of disaster mitigation and preparedness plan.
Block Development Officers	No. 627 / RM&DD dated 12.1.2007	Overall smooth functioning of GPs within their Jurisdiction.

1.4 Audit arrangement for PRIs

As per Section 48(2) of the Sikkim Panchayat Act, 1993 the State Government is required to appoint Auditor for audit of the accounts of GP. Section 48 (3) of the Act also provides audit of accounts of Gram Panchayat by C&AG. As per Section 86 of the Act the accounts of the funds of the Gram Panchayat or Zilla Panchayat shall be examined and audited by the auditor appointed under Sections 48(2) and (3) in such manner as may be prescribed. The State Government has not yet appointed any auditor under Section 48(2) of Sikkim Panchayat Act, 1993.

In keeping with the recommendations of Eleventh Finance Commission and guidelines issued by Ministry of Finance, the Government of Sikkim has entrusted audit of accounts of Panchayati Raj Institutions to C&AG under Section 20(1) of C&AG's DPC Act 1971 in August 2001. Accordingly, audit of the GP is being conducted triennially and ZPs annually by the office of the Accountant General since May 2003 as per the methodology and procedure enshrined in Auditing Standards and the Guidelines issued by C&AG from time to time. The State Government, however, has not carried out internal audit of PRIs during the years 2009-10.

1.5 Funding and parking of funds

The PRIs are solely funded by the Government through grants- in -aid from Central and State Governments for general administration as well as development activities. Funds are initially reflected in the State budget against the outlay of various administrative departments under grants-in-aid. Individual departments thereafter transfer the funds to Sachiva, Zilla Panchayats for Zilla Panchayat and District Development Officer for GPs as grants-in-aid. The ZPs and GPs, in turn, park their funds in the savings account maintained with the nationalized banks.

Allocation to Panchayat Raj during 2005-06 to 2009-10 by the State Government is shown below:

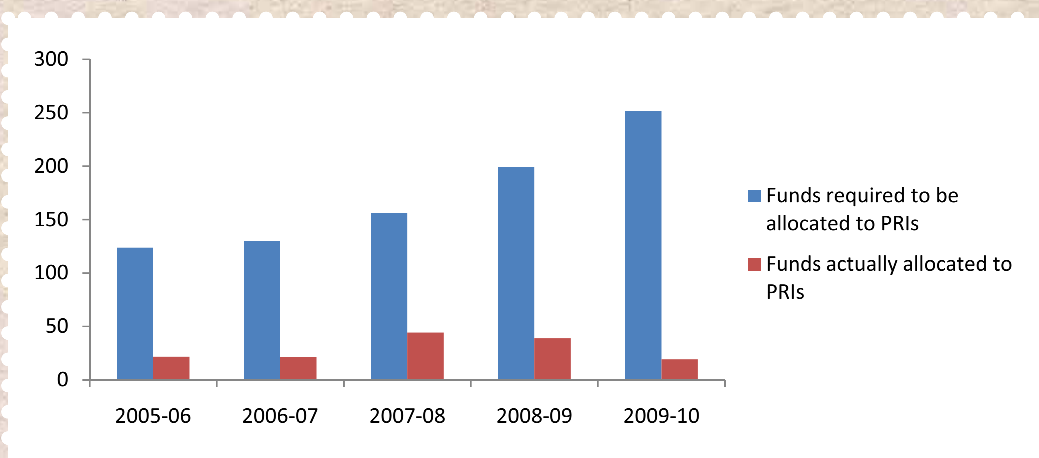
Table-1.1

(₹ in Crore)

Year	Total plan expenditure of State (Revenue & Capital)	Funds required to be allocated to PRIs	Funds actually allocated to PRIs	Percentage
2005-06	1,237.17	123.72	21.86	1.77
2006-07	1,300.69	130.07	21.53	1.66
2007-08	1,562.34	156.23	44.32	2.84
2008-09	1,992.34	199.23	38.90	1.95
2009-10	2514.53	251.45	19.24	0.76
Total	8607.07	860.70	145.85	1.70

As per Cabinet decision in March 2007 various departments of the State Government required to transfer 10 per cent of the plan funds to the PRIs. It would be noticed that the fund allocation to the PRIs ranged between 0.76 to 2.84 per cent of total expenditure of the State Government which is depicted in the graph below:

Graph showing allocation to PRI vis-à-vis funds required to be allocated to PRIs



It would be noticed that the gap between allocations to PRIs and stipulation has widened. While the state budget allocation increased from ₹ 1237.17 crore in 2005-06 to ₹ 2477.50 crore in 2009-10, the PRI allocations ranged from ₹ 21.86 crore in 2005-06 to ₹ 19.24 crore in 2009-10 indicating decrease of ₹ 2.62 crore (12 *per cent*) as against the enhancement of state budget to 100 per cent over the same period.

1.6 Source of Receipts

The broad source of receipts for the period from 2005-06 to 2009-10 are given below:

Table-1.2

(₹in crore)

Year	Central Grant		State Grants (Development Fund)		Direction & Administration		Total Fund transferred from other Departments		Grand Total	
	ZP	GP	ZP	GP	ZP	GP	ZP	GP	ZP	GP
2005-06	0	12.36	2.00	16.60	1.78	1.16	0.26	0.06	4.04	30.18
2006-07	0	16.91	2.40	16.60	1.65	0.76	0.10	0.02	4.15	34.29
2007-08	13.01	18.94	4.72	25.15	1.64	0.30	7.35	5.15	26.72	49.54
2008-09	0	13.15	2.29	4.97	3.00	1.05	9.56	18.03	14.85	37.20
2009-10	33.95	107.17	2.70	2.71	2.07	1.45	5.78	13.46	44.50	124.79
Total	46.96	168.53	14.11	66.03	10.14	4.72	23.04	36.73	94.25	275.99

(Source: Figures furnished by Rural Management & Development Department, Government of Sikkim)

The broad source of receipts during the year 2005-06 to 2009-10 from Twelfth Finance Commission, Swarna Jayanti Gram Rojgar Yojana National Rural Employment Guarantee Scheme, Backward Region Grant Fund, State grant, etc are shown in the table below:

Table-1.3

(₹in crore)

Name of Scheme	ZP	GP	Total	Percentage contribution of total receipts
NREGA	0	150.28	150.28	41
BRGF	25.55	0	25.55	7
Twelfth Finance Commission (TFC)	4.60	8.40	13.00	3
Swarna Jayanti Gram Rojgar Yojana (SGRY)	16.81	9.85	26.66	7
State Grants (Development Fund)	14.11	66.03	80.14	22
Direction & Administration (D&A)	10.14	4.71	14.85	4
Fund transferred from other Deptt.	23.04	36.72	59.76	16
Total receipt	94.25	275.99	370.24	

1.6.1 Non-levy of taxes

Sikkim Panchayat Act, 1993 (u/s 39 (1) and 40 (1) envisaged levy of taxes, rates, and fees on the subject mentioned at clause (a) to (i) of Rule 40 by the ZPs subject to the rates fixed by the State Government. Similarly, GP may also levy taxes, rates and fees with the approval of State Government on the subject mentioned at clause (a) to (k) of section 77(1) of Sikkim Panchayat Act, 1993.

As per Second State Finance Commission's recommendations, GPs were entitled to levy taxes such as (i) Dhuri Khajana[2] for RCC building at ₹ 50 per annum, Other houses at ₹ 20 per annum and Temporary huts at ₹ 5 per annum; (ii) user charges of ₹ 1 per tap from the user of water tap; (iii) water cess from user of irrigation at ` 25 per year for holding up to 5 acre, ₹ 50 per year for 5 to 8 acre, ₹ 100 per year for above 8 acre; (iv) fee for construction of house within panchayat at ₹ 50 for pucca house/ RCC, ₹ 10 for temporary house/huts; (v) fee for the occupation of hat areas under rural marketing centre from seller /grocery sellers. It was however noticed that despite the above provisions, the GPs had not initiated any steps to identify the areas for levying of taxes nor collected any revenue except for two (Melli-dara and Lunchok Kamrang) GPs. It was also noticed that control mechanism for levy and its collection by the PRIs were not prescribed to facilitate timely initiation of the levy and collection procedure despite recommendation (September 2003) by the Second State Finance Commission.

1.7 Allocation and Utilisation of State Finance Commission (SFC) grants

The 73rd Constitutional amendment provides for appointment of a Finance Commission by the State Government to review the financial position of the Panchayats and recommend the (i) sharing pattern of the net proceeds of taxes, duties, tolls and fees leviable by the State between the State and the Panchayats, (ii) taxes, duties, tolls and fees may be assigned to the Panchayats; and (iii) grants-in-aid to the Panchayats. The report of the Commission together with a memorandum of action on it was to be laid before the State legislature.

In pursuance of Article 243(I) of the constitution (Seventy Third) Amendment Act, 1992 of the constitution, the State Government constituted the First State Finance Commission in 1998 and the Second State Finance Commission (SSFC) in 2003. The SSFC submitted its recommendations to Government during February 2006. Among accepted recommendations, the following were not complied:

- User charges etc were not levied by the PRIs to augment their resources as pointed out in para 1.6.1.

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[2]*Land Revenue*

- One per cent of tax amounting to ₹ 7.94 crore for the period 2006-07 to 2009-10 was not transferred to PRI although accepted by the Government as per the recommendation of (2nd State Finance Comission) as shown below:

Table-1.4

(₹ in crore)

Year	Tax receipt	1% of Tax receipt	Tax Transferred
2006-07	173.18	1.73	Nil
2007-08	197.85	1.98	Nil
2008-09	199.19	1.99	Nil
2009-10	223.65	2.24	Nil
Total	793.87	7.94	Nil

1.8 Sectoral Analysis

Mention was made in the ATIR for the year 2005-07 (para 1.9) and 2007-09 (para 1.8) regarding non maintenance of information on budget provision, release of fund and expenditure incurred under Plan and Non Plan on important sectors like education, health, nutrition, social forestry, solid waste management, sanitation, water and housing etc by Rural Management & Development Department. The above position still persists restricting audit in analyzing the progress of work done in these important sectors.

Audit however attempted to consolidate information based on available data and noticed that release of funds by various departments to the PRIs were not based on any sound rationale but as per their own discretion as would be noticed from following details.

Table-1.5

Sector-wise total expenditure vis-à-vis allocation to PRIs

(₹in crore)

Sector	2005-06		2006-07		2007-08		2008-09		2009-10	
	Total exp.	Allocation to PRI	Total exp.	Allocation to PRI	Total exp.	Allocation to PRI	Total exp.	Allocation to PRI	Total exp.	Allocation to PRI
Agriculture & allied services	28.59	0.13	32.38	0.16	46.09	2.31	62.18	1.59	42.58	1.23
HRDD	73.41	0.00	79.02	0.00	94.62	0.08	117.85	0.08	178.32	0.00
Health	15.45	0.20	15.49	0.20	27.22	3.00	29.20	2.00	25.38	0.10
RMDD	29.91	0.00	30.90	0.00	31.84	7.80	40.61	0.00	48.06	11.50
Total	147.36	0.43	157.79	0.36	199.77	13.19	249.84	3.67	294.34	12.83

Absence of sound basis for transfer of funds to the PRIs by the departments constrained the PRIs to gauge the extent of fund availability with them in any particular year restricting them to make any plan with foreseeable certainty. The planning at the PRI level was therefore totally on ad-hoc basis.

1.9 District Planning Committee

In terms of Article 243-ZD of the Constitution provides for the constitution of District Planning Committee (DPC) to consolidate the plans prepared by the Panchayat into the Draft Development plan for the district. The Constitution also envisages active involvement of the people (beneficiaries/user group) in formulation of District Plan and implementation of scheme/maintenance of assets created.

Keeping in view the above provision, DPC was constituted in all the four districts w.e.f. 25 September 2003 with the Adhyaksha, Zilla Panchayat as the Chairman and the MPs, MLAs, and others as members with stipulation to consolidate and forward the development plan as recommended by the DPC to the State Government for consideration, approval and implementation.

Annual Plans were neither submitted by the GPs nor sought by the ZP and thus the consolidated district plan could not be prepared by the ZP except for Backward Region Grant Fund (BRGF) plan for 2009-10. Thus, the planning process for development duly reflecting the aspirations of the people at the grass root levels as envisaged in the 74th amendment was compromised.

Similarly, the District Technical Support Committee (DTSC) constituted (2008) with the District Collector as chairperson and the entire district level Heads of offices as ex-officio members for preparation of sector-wise perspectives plan for GP and ZP had neither prepared district perspective plan nor provided any technical inputs to the GP and ZP for formulation of plans as envisaged. DPC also had not taken any initiative for availing the benefits of expertise of DTSC.

Thus, planning process duly reflecting the needs and aspiration of people at grassroot level through Gram Planning Forum, value addition at Block Development Officers and District Development Officers level and final consolidation by DPC after obtaining technical expertise from DTSC remained inoperative despite formation of Gram Planning Forum, DPC, DTSC, etc. This needs to be immediately revitalized and made functional and operative to avail the benefit of planned development.

1.10 Assets Management

The Sikkim Panchayat Act, 1993 (under Section 130) enjoins the PRI to maintain records for movable and immovable properties through maintaining Assets Register. Despite pointed out in the ATIR for the year 2005-07, there is no centralized system for accountal of value of assets created by the PRI. Out of 41 PRIs, test checked, 16 PRIs did not maintain moveable and immovable Assets registers duly reflecting moveable and immoveable properties ***(Appendix – I)***. Thus, year wise position of value of assets created could not be ascertained in audit. Further there was no record to establish the accountal of transferred assets and liabilities. Despite codal provision and observations made by audit for physical verification of assets, the PRIs were yet to introduce the system. Further, register of all immovable government property including land and building within the jurisdiction of PRIs were not maintained by any of the GPs test checked in Audit although mandated as per the Government notification (July 2003). As a result, consolidated information on the assets created / acquired was not available with the PRIs so as to ensure their safe custody and timely maintenance.

1.11 Internal Control Mechanism

It is imperative on the part of GPs and ZPs to put in place an effective internal control mechanism for financial and budgetary management to ensure proper utilization of funds. There is no system of internal audit of GPs. The Accountant General, Sikkim conducts audit of PRIs. Audit however noticed that the PRIs were not attaching adequate importance to this aspect as evidenced from the following:

1.11.1 Non-submission of budget estimates

Sikkim Panchayat Manual, 1993 (u/s 46) read with government notification (May 1998) envisaged preparation of budget by the GPs and checking of such budget estimates by the District Planning Officer (DPO).

It was noticed that neither the GPs had prepared their budget estimates as envisaged nor the DPO insisted the PRIs for submission of budget estimates to check the same and suggest corrective measures for optimal utilization of funds. Various departments of the State Government although required to transfer 10 per cent of the developmental funds to the PRIs had transferred very small amount of funds ranging between 1 and 2 per cent of the funds during the period 2005-10 as would be noticed from the figures mentioned in Table 1.1 at para 1.5. Not only the funds were not released in full but were released at the fag end of the financial years. In absence of indication of quantum of funds likely to be received by the PRIs from various departments and the time frame for its receipts constrained the PRIs to prepare an effective plan with any degree of certainty.

1.11.2 Maintenance of Accounts

Sikkim Gram Panchayat Financial Rules 2004 [rule 7(1) & (2)] stipulated maintenance of various records such as (i) Cash Book, (ii) Monthly receipt and payment accounts, (iii) annual receipt and payment accounts, (iv) Monthly reconciliation statement, (v) Inventory register for moveable assets, (vi) Inventory register for immoveable assets, (vii) Advance Register, (viii) Dead stock Register, (ix) Stock Register, etc for proper depiction of accounts of the Gram Panchayat Funds.

Scrutiny of records in 41 GPs revealed that that basic records and registers as indicated above were not maintained properly as evidenced from following:

- Maintenance of cash books in 26 GPs (Appendix-II) disclosed that (i) cash book balances were not certified in any of the GPs by the President of the GPs; (ii) none of the GPs had reconciled the cash book balances with the balances maintained by the Banks.

- Advance registers were not maintained and thus neither the position of outstanding advances could be ascertained nor were the delays in adjustment of outstanding advances depicted in the accounts.

- Data base formats as suggested by Comptroller and Auditor General of India were also not initiated by any of the GPs and the ZPs.

- Model Accounting Structure for PRI prescribed by C&AG and Ministry of Panchayat Raj,Government of India were not adopted by any of the GPs and ZPs.

1.11.3 Response to Audit

The compliance report on the observations issued by Audit is to be sent within three months. Details of inspection reports issued by Accountant General (Audit), as on 31 March 2010 and awaiting settlement are given in Table No.1.6.

Table-1.6

Position of settlement of outstanding audit paragraphs during 2005-10

Year	IR issued	Paragraph issued	Paragraph settled	Paragraph outstanding
Upto 2005-06	116	786	216	570
2006-07	67	320	37	283
2007-08	86	352	-	352
2008-09	56	234	2	232
2009-10	50	362	-	362
Total	375	2054	255	1799

CHAPTER - II

2.1 Twelfth Finance Commission- Utilisation of grants by Panchayat Raj Institutions

Highlights

There was delay in release of funds by Government of India ranging between 106 to 940 days which had a cascading effect as the State Government in turn could release funds to PRIs belatedly affecting the programme implementation at the PRI level.

Paragraph-2.1.6.1

The State Government neither adhered to the time schedule of 15 days for release of TFC funds to the PRIs nor released the penal interest in full for delayed release of TFC grants to the PRIs.

Paragraph-2.1.6.2

The State Government forwarded the utilization certificates of the TFC grants to the Government of India for full amount of funds transferred to the PRIs without any reference to the actual utilization and obtaining of utilization certificates from ZPs and GPs indicating that U.Cs were perfunctorily sent to GOI.

Paragraph-2.1.6.3

ZPs did not prepare any long term strategy for solid waste management and instead on the request of individuals selected places for implementation of solid waste management programmes. No progress report as to the quantum of waste collected and treated was on record indicating that the project was taken up only as a means to incur expenditure than to inculcate a behavioral change of the households in handling of waste as the garbage continued to be dumped in open and jhoras in indiscriminate manner.

Paragraph-2.1.7.1

Implementation of Rural Water Supply Scheme was characterized by absence of proper planning at GP level before taking up the implementation, non opening of separate bank account, non compilation of list of Rural Water Supply works for repairs and above all absence of inventorisation of all Rural Water Supply Schemes even after termination of TFC period (2005-10) in total disregard of TFC guidelines.

Paragraph-2.1.7.2

The position of maintenance of accounts in the ZPs and the PRIs continued to be poor despite an expenditure of ₹ 20 lakh within 2005-10 under TFC grants. The Chartered Accountant firm appointed for the purpose could neither train the Panchayat functionaries for preparation of accounts nor could prepare the accounts for the entire period.

Paragraph-2.1.7.4

Audit scrutiny revealed (April 2011) that the revenue base had not shown any remarkable improvement as the PRIs continued to get only 1.7 per cent of plan funds as against the State Government commitments to transfer atleast 10% of the plan funds by each of the implementing departments.

Paragraph-2.1.7.5

The High level Committee constituted by the State Government met only thrice as against the mandatory requirement of 20 times in a span of five years indicating a shortfall of at least 17 meetings in absence of which strict vigilance and monitoring by the sufficiently high level officers as expected in the TFC recommendations was not forthcoming.

Paragraph-2.1.8

2.1.1 Introduction

The Twelfth Finance Commission (TFC) was appointed (November 2002) by the President to make recommendations on (i) the measures of distribution of the net proceeds of taxes between the Union and the States; (ii) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution; and (iii) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State. The TFC submitted its report on 30 November 2004 covering the period from 2005 to 2010.TFC recommended a sum of ₹ 20,000 crore for Panchayats.

The Government of Sikkim was allocated ₹ 13 crore for supplementing the resources of the Local Bodies Grants during 2005-10. This was meant for financial assistance to PRIs for repair of water supply schemes (₹ 8.26 crore), solid wastes management (₹ 3.54 crore), creation of database in PRIs (1 crore) and maintenance of accounts of the PRIs (₹ 20 lakh).

Besides, the TFC recommended for adoption of following best practices by the State Governments.The grants to the Local Bodies were required to be transferred by the state government within 15 days from the date of release of the same by the Central Government.

Objective of the grants

The main objective of the TFC grants meant for PRIs were:-

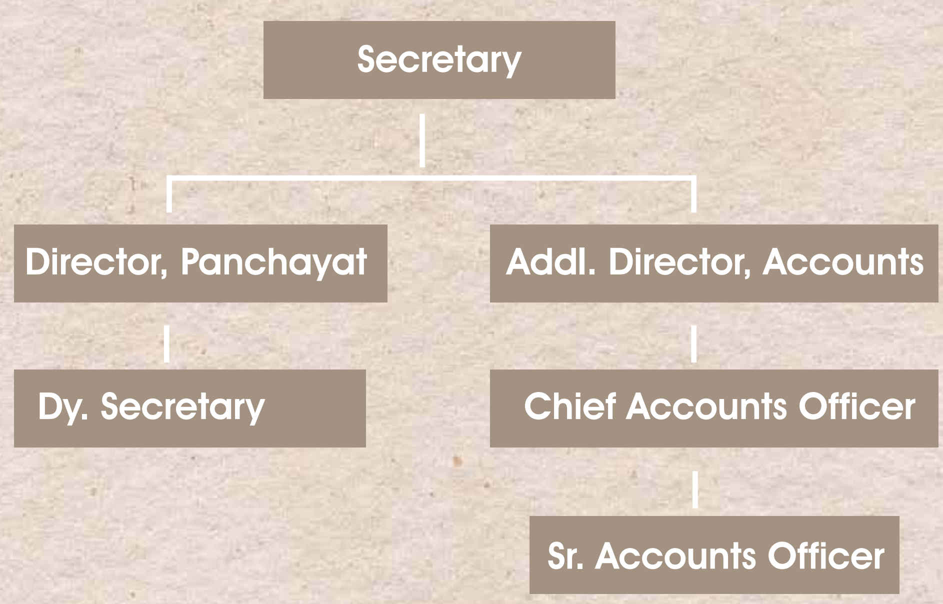
- to encourage to take over the assets relating to water supply and sanitation and utilise the grants for repairs/rejuvenation as also the O&M costs. The PRIs should, however, recover at least 50 percent of the recurring costs in the form of user charges.

- Priority should be given to expenditure on the O&M costs of water supply and sanitation, This will facilitate Panchayats to takeover the Schemes and operate them.

2.1.2 Organsiational set-up

The responsibility of managing and incurring an expenditure of the TFC fund rested with the Secretary, Rural Management & Development Department who was assisted by Director, Panchayat; Joint Director (Accounts); and other officers as shown in the chart below:

At State level



Besides, at the District level, Adhyaksha, ZP was the head who was assisted by District Planning Officer, Divisional Engineer and Jt. Director (Accounts). Similarly, at GP level, President was the head who was assisted by Rural Development Assistant and Gram Rozgar Sahayak as shown in the chart below:

At District level

At Village level

GRAM PANCHAYAT

Elected Body headed by President | **Block Development Officer**

2.1.3 Scope of Audit

The scope of Audit included checking of release and utilization of TFC grants relating to panchayati raj (ZPs and GPs) for the period 2005-10. Records relating to three ZPs and 40 GPs were test checked between March and April 2011. Out of total grants of ₹ 13 crore, ₹ 5.27 crore was test checked in audit denoting 40 *per cent* of total grants.

2.1.4 Audit objectives

The Audit objectives were to assess whether the:

- TFC grants relating to panchyat raj was released appropriately and timely by the Central and State Government;
- TFC grants were utilized duly adhering the provisions of TFC and other related norms and conditions;
- Target were appropriately fixed and achievements were in consonance with the target;
- State Finance Commissions were constituted in time and its recommendations appropriately built into improvement of panchayat raj in Sikkim;
- Works and activities were carried out economically, efficiently and effectively; and
- Monitoring mechanisms were adequately prescribed and functional.

2.1.5 Audit criteria

The following criteria were used to assess the performances of the panchaytai raj in Sikkim in relation to utilization of TFC grants for the period 2005-10:

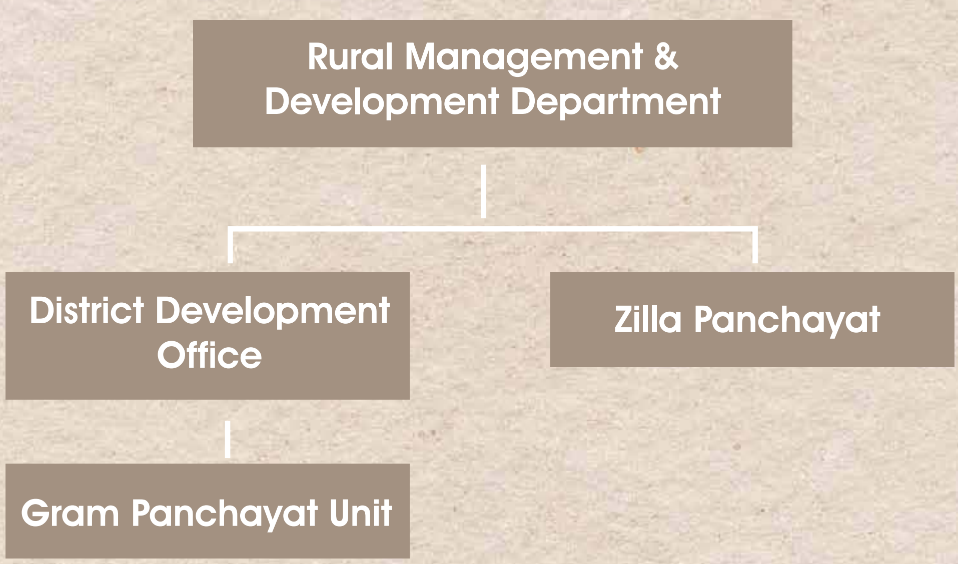
- Guidelines prescribed by Twelfth Finance Commission;
- Sikkim Financial Rules, Sikkim Public Works Code and Manual;
- Notification and circulars issued by Government of India and Government of Sikkim relating to utilisation of TFC grants on panchayati raj;
- Guidelines issued by State Government for utilization of TFC grants on panchayat Raj; and
- Monitoring mechanism prescribed in TFC guidelines and the State Government.

AUDIT FINDINGS

2.1.6 Financial management

A total of ₹ 13 crore was released to the Panchayat Raj Institutions in Sikkim under the 12th Finance Commission Grants for the period 2005-10. The fund was utilized by the Panchayat Raj Institutions for operation and maintenance of water supply scheme and sanitation programme besides preparation of accounts and creation of data base. The fund was operated by Rural Management & Development Department and Sachiva (for ZPs) and DDOs (for GPs) as shown in the flow chart below:

Fund flow chart of Twelfth Finance Commission Grant



Year-wise receipt of grants and their utilization are given below:

Table-2.1

(₹ in lakh)

Year	Grants received	Retained by RMDD for creation of data base and maintenance of accounts	Released to GPs for water supply	Release to ZPs for solid waste management
2005-06	130.00	-	-	-
2006-07	130.00	-	182.00	78.00
2007-08	260.00	-	182.00	78.00
2008-09	260.00	98.00	113.40	48.60
2009-10	520.00	22.00	348.60	149.40
Total	1,300.00	120.00	826.00	354.00

2.1.6.1 Release of funds by Central Government

According to TFC Guidelines, local bodies' grants would be released in two equal installments in July and January every year by the Central Government. Except for the first six monthly installments for the year 2005-06, all installments would be released by Central Government only after receipt of certificate from the State Government denoting the release of funds to the PRIs for the previous installments and the information about allocation of funds for the subsequent installments. Thus the utilization of local bodies' grants of the previous installments was required to be submitted to the Central Government for release of subsequent installments by the State Government.

Scrutiny of records revealed (March 2011) that the TFC grants were released by the Central Government in all the five years as shown below:

Table-2.2

Year	Installments	Amount	Due date of receipt of funds	Date of receipt of Fund from GOI	Delay (in days)
2005-06	1st	130.00	July 2005	24.3.2006	240
	2nd	130.00	January 2006	28.08.2008	940
2006-07	1st	130.00	July 2006	7.7.2006	---
	2nd	130.00	January 2007		---
2007-08	1st	130.00	July 2007	23.2.2009	571
	2nd	130.00	January 2008		387
2008-09	1st	130.00	July 2008	24.11.2008	
	2nd	130.00	January 2009		
2009-10	1st	130.00	July 2009	28.10.2009	106
	2nd	130.00	January 2010		
Total		1,300.00			

As would be seen the delay ranged between 106 and 940 days which had a cascading effect as the State Government in turn could release funds to PRIs belatedly. Audit analysis of the reasons for delay revealed that it was primarily owing to non submission of utilisation certificates of previous installment and non release of penal interest to PRIs for the delayed release of funds by the State Government. The inordinate delay obviously affected the programme implementation at the PRI level as the programme could not begin in absence of required amount of funds. The State Government neither analysed the reasons for delayed release of funds by the Central Government nor took up the issue with the concerned Ministry for expeditious release of TFC grants.

2.1.6.2. Release of funds by State Government

The 12th Finance Commission recommendation (para 6.1) stipulated unequivocally that the State must transfer the grants released by the Centre to the PRIs within 15 days of receipt of funds failing which State Government would be required to pay penal interest at RBI rate.

Audit scrutiny revealed that the State Government had not adhered to this recommendation of transfer of funds to the PRIs within the prescribed time limit of 15 days. The funds were belatedly released to PRIs on each of the occasion except for 2007-08, the delay ranged between 106 and 446 days as shown in table below:

Table-2.3

(₹ ***in lakh)***

Year	Amount	Date of receipt of Fund from GOI	Date of release of fund to ZP/ GP	Delay (in days)	Interest required to be paid for delayed release
2005-06	130.00	24.3.2006	22.7.2006	122	2.39
	130.00	28.08.2008	31.3.2007	-	-
2006-07	260.00	7.7.2006	9.4.2008	276	11.90
2007-08	260.00	23.2.2009	3.3.2009	-	-
2008-09	260.00	24.11.2008	12.2.2010	446	19.06
2009-10	260.00	28.10.2009	12.2.2010	106	4.53
Total	1300.00				37.88

Audit analysis revealed that the delay in release of funds to PRIs by the State Government was essentially due to delay in execution of works at PRIs level. The RM&DD instead of stressing upon the PRIs for expeditious completion of works delayed in release of funds. Not only RM&DD did not release the funds in time but also defaulted in making payment of penal interest in disregard of the TFC guidelines (para 6.1). As against the interest liability of ₹ 37.88 lakh, the State Government transferred the interest payment of ₹ 2.39 lakh only to the PRIs during 2005-06. The Nodal Department had not made any attempt to expedite the process of release of funds to the PRIs to eliminate the delay despite the ever increasing delay in release of funds upto 2008-09.

2.1.6.3 Non-submission of utilisation certificates (UCs)

Twelfth Finance Commission recommendations (Para 6.2) stipulated that utilization certificates must invariably be submitted by the State Government for release of subsequent installments. It was however, noticed in audit that the nodal department submitted the utilization certificate (UCs) to the Government of India without ascertaining the actual utilization of funds by the ZPs and GPs. Audit noticed that the Director, Panchayat Raj (PR) released ₹ 11.80 crore to four ZPs (₹ 3.54 crore) and 163 GPs (₹ 8.26 crore) during 2005-10 for various purposes such as operation and maintenance of rural water supply scheme, sanitation work within the jurisdiction of PRIs, preparation of accounts and creation of database. Although the ZPs/GPs were required to submit the UCs in respect of the fund incurred by them to the Nodal Department, the Nodal Department never stressed submission of utilization certificates by the PRIs functionaries. The District Development Officer and Sachiva (District Collector) were responsible for collection and collation of data for the GPs and the ZPs respectively and its onward submission to the Director, Panchayat. Both these functionaries however, failed in submission of utilization certificates. Only on the insistence of Secretary, RM&DD, the DDOs forwarded the utilization certificate for the period 2006-07 to 2009-10.

The details of the utilization certificates sent to the Nodal Department by ZPs and GPs are given in **Appendix-III.**

Audit analysis revealed that the DDOs had not obtained the utilization certificates from the GPs concerned and instead submitted the utilization certificate for the full amount of grants without any reference to the actual utilization of funds. Thus, the entire process of submission of utilization certificates by the State Government to the Central Government to ensure that the funds were utilized for the intended purposes and the PRIs were in a position to absorb the subsequent installment of the TFC grants were faulty and defeated the very purpose of submission of utilization certificates.

2.1.7 Programme Management

Government of India (Ministry of Finance) Department of Expenditure prescribed (June 2005) guidelines for release and utilization of grants recommended by Twelfth Finance Commission for augmentation of the consolidated fund of the States for supplementing the resources of the rural and urban local bodies (Local Bodies Grants) for adherence by all the State Governments. The guidelines inter-alia prescribed that the grants for PRIs should be used to improve the service delivery by the panchayat in respect of water supply and sanitation. Panchayats need to be encouraged to take over water supply assets created under the Swajal Dhara Programme and maintain them with the help of the programme. A high priority needed to be assigned for creation of data base and maintenance of accounts at the grass root level. Based on these stipulations, the State Government (Rural Management & Development Department) framed (August 2006) a working guidelines for utilization of grants for 'Solid Waste Management' by Zilla Panchayats and 'Operation and maintenance of water supply schemes by Gram Panchayats' under Twelfth Finance Commission and circulated (August 2006) to Sachiva of Zilla Panchayats and District Development Officer for adherence during execution of the above programme.

The Audit checks of implementation of these two programmes revealed following:

2.1.7.1 Solid waste management

According to State Government (Rural Management & Development Department) prescription (August 2006), the ZP would utilize the TFC grants for implementation of 'Solid Waste Management' programme' and would follow under mentioned procedures for its implementation:

- The ZPs would prepare a long term strategies for solid waste management rather than addressing individual demands of its constituents. Such strategies would consider, among other things, public participation and eventual handover of the management to the people, preferably by 2009-10, which was the final year of Twelfth Finance Commission.

- The grants under solid waste management would be utilised by the ZPs for construction of collection bins, its repair, segregation, treatment and disposal of wastes duly taking into consideration the environmental concerns.

- At least 50 per cent of all recurring cost of the TFC funded works should be generated in the form of user charges by the ZPs and GPs through mobilizing public participation in operation and maintenance Solid Waste Management.

Audit scrutiny of records revealed following:

- None of the three test checked ZPs (East, North and South) had prepared long term strategies for solid waste management and instead on the request of individuals, selected places within the ZP territorial constituency for waste disposal.

- Solid Waste Management Committees were formed in each of the villages which were selected for treatment of solid waste. A token provision of Rs. 50,000 per Solid Waste Management Committee was released for implementation of solid waste management programme without keeping any tab over the actual execution of the programme. Similarly, handover of the solid waste management to the people, the ultimate beneficiaries by 2009-10, was also not done as of March 2011.

- While the ZP (East) selected 33 places, the ZP (North) selected 45 places within the ZP territorial constituency and constituted equal number of Committees for implementation of solid waste management programme in the respective villages. The Committees constructed one each of the garbage disposal pits in GPUs and Schools, collection bins, composite bins and one incinerator. The work was completed by March 2010 and accordingly utilization certificate was submitted to the Director, Panchayat, Rural Management & Development Department. No follow up as to the success or otherwise programme was on record.

- The ZP and GP functionaries, the Sachiva of the ZP, the District Development Officers responsible for monitoring of implementation by GPs and also the Departmental officers of the RM&DD had not kept any vigil over the actual execution of the programme. As a result, no follow up as to the success or otherwise of the programme was on record. Audit checks, however, revealed that the solid waste management programme had not achieved desired success in absence of proper follow up by any of the concerned authorities in the Government or the PRI functionaries. The garbage continued to be dumped into open, in drains and jhoras in the most indiscriminate manner by the households despite availability of garbage disposal pits and incinerators. This was further confirmed during the physical verification of the various sites by the Audit in presence of PRI functionaries. The garbage was disposed off on way side, near jhoras and such other places as seen in the photographs.

- No progress report as to the quantum of waste collected and treated was either insisted upon by the ZP and Nodal Department nor any record maintained by the GP functionaries and the Solid Waste Management Committees indicating that the project was taken only as a means to incur expenditure than to inculcate a behavioural change of the households for appropriate handling of waste.

- Atleast 50 per cent of the expenditure on 'Solid waste management programme' was required to be obtained as 'user charges' from beneficiary households to meet the maintenance cost of the assets created and recurring expenditure of Rs. 100 per day per was Muster Roll employees deployed for the purpose of regular work at garbage disposal site. The realisation of this mandatory user charges from beneficiary was the responsibility of the concerned solid waste management committees. Audit checks however revealed (March 2011) that no such 'user charges' were ever collected by any of the committees from the beneficiary households.

- The ZP and GP functionaries had also failed to take up the issue to convince the households for levy and collection of specified mandatory user charges.

Failure of the Committees and the other concerned officers and the PRI functionaries led not only to idling of pits and garbage bins created under the programme as seen in the photograph. This was primarily because the behavioural change for proper disposal of wastes could not be inculcated in the minds of the people despite substantial expenditure on implementation of the programme.

2.1.7.2 Operation and maintenance of Water Supply Schemes

As mentioned in the preceding paragraph (2.1.7), the guidelines for release and utilization of TFC grants envisaged that the TFC grants for PRIs should be used to improve the service delivery by the Panchayats in respect of water supply and sanitation. Panchayats should be encouraged to take over the water supply assets created under the Swajaldhara Programme and maintain them with the help of grants provide under TFC. Accordingly, the State Government (Rural Management & Development Department) prescribed (August 2006) working guidelines stipulating inter-alia following:

- The Gram Panchayats would utilize the grant solely for operation and maintenance of Rural Water Supply Schemes (RWSS);
- All RWSS shall, henceforth, be taken over by the GPUs and its operation & maintenance shall be entrusted to the GPUs;
- Before taking up of operation and maintenance work, inventorisation of all RWS schemes shall be done GPU wise;
- The RM&DD will compile a list of demand received for repairs. The current grant shall be utilized to take up repair from this list after verification by the GPU members. After such verification, the GPU shall pass a resolution in its meeting to execute the necessary repairs and forwarded the resolution to the Sub-Divisional Development Officer (SDDO) for information and preparation of estimates. The SDDO shall direct the concerned AE/JE to prepare the estimates and thereafter forward the same to the Gram Panchayat to execute the works. The GPs shall be required to purchase materials as per specification and rates prescribed by the DDO to ensure quality and reasonability of rates.

Audit scrutiny of implementation of RWS project through TFC grants revealed following:

- During 2005-10, ₹ 8.26 crore was provided to 163 GPs through respective DDOs under TFC grants for operation and maintenance of water supply. GPs were assigned the work of repair of existing water supply under their jurisdiction. The entire fund was incurred by the GPs towards the programme.

- Test check of records of 3 ZPs and 40 GPs showed that separate saving bank accounts in the State Bank of Sikkim or any nationalized bank as envisaged in the guidelines were not adhered by the GPs as none of them had opened bank accounts in SBS or the nationalized bank. It was however noticed that the three ZPs test checked during audit had opened the accounts as envisaged.

- The Nodal Department (RMDD) had also failed in discharge of its responsibilities as it did not compile the list of demand received for repairs. As a result, verification of list by the GPs as directed by the State Government did not arise.

- GPs in turn had also not forwarded the list of RWSS works proposed for necessary repairs under TFC grants to the SDDO for information and preparation of estimates.

- The respective GPs based on Gram Sabha resolution took up the execution of repairing work only after receipt of fund from Nodal department. Estimate was prepared on receipt of fund without the involvement of SDDO. Neither proper planning was done at GP level before execution of the work to ensure need based implementation of operation and maintenance work, inventorisation of all RWS schemes was also not attempted even after completion of entire TFC period (2005-10).

- No action was initiated for ensuring procurement of quality materials at reasonable rates as envisaged in the guidelines.

- As per utilization certificates sent to GOI, the State Government had incurred ₹ 8.26 crore towards operation and maintenance of water supply schemes through GPs. Accordingly, the GPs were to recover a minimum of 50 per cent of the recurring cost in the form of 'user charges' from the beneficiaries as their contribution. This was however not recovered by the GPs nor stressed by the concerned functionaries such as DDOs and the nodal department indicating non-adherence to the guidelines and non-involvement of the masses in the implementing processes so as to inculcate a sense of belongingness among them.

- As per TFC's recommendations assets related to water supply and sanitation was to be transferred to PRIs for maintenance. However, in none of the test checked PRIs, these assets were transferred as of March 2011. No order for transfer of other water supply assets was issued by the State Government as of March 2011.

- It was also noticed that the repair of five Water Supply Scheme at a total cost of ₹ 80,500 (₹ 16,100 per work) was carried out by Block Administrative Centre, Temi on the plea that no major and minor works were carried out for the existing water supply scheme located under Bermiok Tokal GPU. The BAC justified the need for maintenance owing to heavy rain and landslide in the monsoon and lack of periodical maintenance leading to acute shortage of potable drinking water and chances of source pollution by random grazing of cattle and increase of population. The work of maintenance included (i) cutting and clearing of grass and bushes from work site, (ii) fitting and fixing local available wooden ballies for fencing water source to keep out of animal reach and plantation all complete, (iii) providing fitting and fixing bamboos for fencing runner to protect new plantation all complete (iv) providing and laying hand packed stone wall with local available stone and minor repair work all complete.

- Scrutiny of records revealed that five persons were engaged for execution of the maintenance work of five sources without any valid ground. As per Sikkim Financial Rule, work should be executed either by calling tender or directly through Gram Panchayat, which was not followed. No supporting vouchers/ records were seen in the file for the work (i) fitting, fixing local available wooden ballies (ii) fitting, fixing bamboos for runners. Photograph provided by Panchayat are also not supporting the execution of above two works. Thus, the works were not executed as per the estimate prepared by BAC, Temi.

- Similarly, ₹ 1,39,397 was released to Lungchok Kamrey GP to meet expenditure for repair of rural water supply. However, instead of incurring expenditure for the rural water supply, GP incurred (July 2008) the fund of ₹ 80,397 towards purchase of furniture for Panchayat Bhawan. This showed that GP was not in need of fund for repair of rural water supply.

- The ZP (East) incurred ₹ 70,900 towards repair of school buildings and construction of cement concrete footpath which were beyond the purview of TFC guidelines and led to diversion of fund.

2.1.7.3 Creation of Data Base in the PRIs

In consideration of the fact that the most states did not have credible information on the finances of their local bodies and they would continue to need funding support for building database and maintenance of accounts. States were required to assess the requirement of each local body in this regard and earmark funds accordingly out of the total allocation recommended by the TFC.

Audit scrutiny of records revealed (April 2011) that the Nodal Department had retained the fund with them with a view to utilize the same centrally for all the PRIs. The Nodal Department, however, neither could produce any records as to the creation of data base in the PRIs nor assessed the requirement of each local body in this regard and earmarked fund for each of the PRIs out of total fund (₹ 1 crore) released by TFC. The Audit checks of 3 ZPs and 40 GPs revealed (April 2011) that in none of the GPs database as envisaged in the TFC recommendations were created to facilitate assessment of their requirement of funds for basic civic and developmental functions and rational determination of the gap between the cost of maintenance of various services such as water supply, sanitation, roads, etc. and the revenue generation by them.

Thus, the funds released by TFC with a special purpose of enhancing the long term capacity building of the PRIs for better planning was defeated in the state owing to negligent approach of the Nodal department.

2.1.7.4 Maintenance of accounts of the PRIs

In keeping with the requirement of the Local Bodies an amount of ₹ 20 lakh was earmarked under TFC grants for maintenance of Accounts of the PRIs in Sikkim Scrutiny of records revealed (April 2011) that the Noda Department instead of initiating any effort to built the capacity of the PRIs functionaries in maintenance of accounts, it choose to assign the work of maintenance of accounts to a Chartered Accountant for (M/s Marda & Associates) after its successful bidding in the quotation called by department for the job at a cost of ₹ 15 lakh based on the bid invited by the department. The assignment to the firm included:

- Maintenance of accounts of all Zilla Panchayat and Gram Panchayat Units;
- Training of Panchayat and RDAs in the process of maintenance of accounts;
- Preparation of annual accounts of all ZPs and GPUs;
- Submission of audited report of all ZPs and GPUs;

While the firm was paid ₹ 15 lakh for the work assigned to them, ₹ 5 lakh was retained by the Nodal Department for printing of registers etc. Audit checks revealed that only East ZP maintained accounts in prescribed format. The Chartered Accountant firm had not initiated any action for maintenance of accounts of the other two ZPs and the GPs. Training to Panchayat Members and Rural Development Assistant as envisaged in the assignment were neither initiated by the Chartered Accountant firm nor insisted upon by the Nodal Department. As a result, status of maintenance of accounts were poor and capacity building of the Panchayat functionaries towards maintenance of accounts could not take place as of March 2011.

Even the scrutiny of audited report prepared by Chartered Accountant firm revealed that the firm failed in its duties as Audit Report upto 2008-09 were only finalised and copy endorsed to the Accountant General, Sikkim among others. The audited report for the period subsequent to 2008-09 had not been finalized as of March 2011. Even the finalised accounts for which audited report were brought out revealed that the accounts were not finalized in the formats as suggested by the Comptroller & Auditor General of India and Ministry of Panchayati Raj, Government of India. The accounts only captured receipt and expenditure of PRIs and had no bearing on Assets and Liabilities, outstanding payment and amount due to be received, etc.

Thus, the expenditure of ₹ 20 lakh (₹ 15 lakh on preparation of accounts by the CAs and ₹ 5 lakh on printing of register) did not yield desired result in form of improvement in maintenance of accounts by ZPs and GPs to provide credible information on finances of the Local Bodies.

2.1.7.5. Revenue Generation

The primary aim of the Twelfth Finance Commission recommendation were to enhance the revenue based PRIs and thereby strengthening and augmenting the resources of the PRIs to enable them plan and execute programmes for fulfilling the locally felt needs of the people. Accordingly TFC prescribed that:

- levy of certain major taxes and exploitation of non-tax revenue sources be made obligatory for the panchayats. The minimum rates for all such levies be fixed by the State Government;
- a minimum revenue collection from the panchayat taxes be insisted;
- incentive grants related to revenue collection beyond a prescribed minimum be introduced by the State Government;
- user charges be made obligatory levies;

- all common property resources vested in the village panchayats may be identified, listed and made productive of revenue;
- valuation of taxable lands and buildings should be done by a separate cell in the panchayati raj department of the State Government and not left to the panchayats;
- powers to levy a tax/surcharge/cess on agricultural holdings should be given to the district panchayats.
- revenue transfers from the state to panchayat in the form of revenue sharing/ revenue assignment be made statutory in nature.

Audit scrutiny revealed (April 2011) that the revenue based had not shown any remarkable improvement as the PRIs continued to get only 1.7 per cent of plan funds as against the State Government commitments to transfer atleast 10% of the plan funds by each of the implementing departments. Transfer of one per cent of tax amounting to ₹ 7.94 crore for the period 2005-10 was also not adhered to by the State Government as detail in para 1.7 of chapter - I. User charges were also not levied by the ZPs and GPs except two GPs (Lunchok Kamrey and Melli Dara).

2.1.7.6. Asset Management

The TFC recommendation prescribed that the PRIs should be encouraged to take over the assets relating to water supply and sanitation and utilize the grants for repairs/rejuvenation as also the O&M costs.

Audit scrutiny revealed that none of the assets had been formally handed over to the PRIs for operation and maintenance. This was despite the fact that the considerable fund of ₹ 11.80 crore was incurred by the PRIs under Twelfth Finance Commission grants for operation and maintenance for water supply schemes and sanitation programmes. This indicated that the ultimate aim of the 73rd constitution amendment to empower the PRIs for effective and need based management of resources at local level was still a distant reality.

2.1.8 Monitoring

TFC recommendation stipulated that a High Level Committee (HLC) headed by the Chief Secretary with Principal Secretary, Panchayati Raj, Principal Secretary, Finance and Director, Panchayati Raj as members should be constituted in each state to monitor the proper utilization of TFC grants including that of Local Bodies grants. The HLC was mandated to:

- Approve the projects to be undertaken in each sector, quantify the targets, both in physical and financial terms and lay down a time table for achievement of specific milestones at the beginning of every year;
- Monitor both physical and financial targets and ensure adherence to the specific conditionalities in respect of each grant, wherever applicable;
- Meet at least once in every quarter to review the utilization of grants and to issue directions for mid-course corrections, if considered necessary.

Audit scrutiny revealed that a HLC was constituted by the State Government headed by the Chief Secretary of the State. The members included Secretary, Rural Management & Development Department and Principal Secretary, Finance, Revenue and Expenditure Department among others. The HLC met only thrice as per the records made available by RM&DD as against the mandatory requirement of 20 times in a span of five years (2005-10). Thus there was a shortfall of atleast 17 meetings in absence of which strict vigilance and monitoring by the sufficiently high level officers as expected in the TFC recommendations was not forthcoming. The minutes of the three meetings further revealed that due importance was not attached to the programmes executed by the PRIs as there were no mention of the shortfall in achievement of targets, if any, delay in release of funds to PRIs, no change in behavioural pattern of households in waste management, capacity building of PRI functionaries in maintenance of accounts, etc. The HLC also had not attempted any effort to fulfill its responsibilities in regards to approval of the projects to be undertaken in each sector, duly quantifying the targets in physical and financial terms and laying down time table for achievement of specific milestones at the beginning of every year; and monitor both physical and financial targets and ensure adherence to the specific conditionalities in respect of each grant. The HLC only stressed for submission of utilization certificate through State Finance Department and check the diversion of funds leaving the other areas of importance as highlighted above.

2.1.9 Conclusion

The TFC's two major recommendations viz., transfer of assets of water supply and sanitation to PRIs and creation of database and computerization of maintenance of accounts were not implemented even after lapse of over five years. The State Government did not issue order for taking over the assets of water supply and sanitation by the PRIs nor made any effort for computerization and creation of database. Monitoring was not effective as the High Level Committee dealt very scantily as the issues related to PRIs.

2.1.10. Recommendations

Following recommendations are made:

- The effective system of obtaining utilization certificates from PRIs functionaries may be instituted to report the actual utilization of funds to Government of India;
- The assets of water supply and sanitation may be handed over to the PRIs without further delay;
- Panchayats should levy the user charges on account of maintenance of water supply and sanitation;
- Computerisation and creating of data base should be taken on priority basis.

AUDIT OF TRANSACTIONS

3.1 Unwarranted expenditure on purchase of steel tree guard under State Green Mission

Three ZPs utilized steel tree guard instead of bamboo tree guard without any indepth need analysis, justification and cost benefit ratio leading to unwarranted additional expenditure of ₹ 36.75 lakh.

The State Government decided to introduce scheme of 'State Green Mission' with effect from April 2008 to provide a multi dimensional support in eco-tourism, greenery, etc. under the aegis of Forest, Environment and Wildlife Department. The notification envisaged upon all the functional departments to transfer fund to ZPs and GPs for carrying out plantation and other related works. Accordingly, Roads & Bridges Department, Government of Sikkim transferred ₹ 2 crore (₹1.40 crore for ZPs and ₹ 60 lakh for 163 GPs) under State Green Mission to ZPs and GPs with stipulation to carry out avenue plantation in a stretch of 172.25 km (East 31.25 Km, West 45 Km, North 43 Km and South 53 Km) involving ₹ 1.27 crore (@ ₹ 73,554/- per Km). Besides, ₹ 73.30 lakh was meant for additional plantation and maintenance.

The rates of ₹ 73,554/- per km for the avenue plantation worked out by Forest, Wild Life and Management Department included purchase of planting materials (₹ 19,099), contingencies; publicity and monitoring (₹ 1,330), tree guard bamboo 35 x 50 (₹ 17,500), Metal wire mesh 35 X 875 (₹ 30,625) and carriage of sapling (₹ 5,000).

Audit scrutiny of records relating to three ZPs revealed the following irregularities:

- 35 steel tree guards per kilometer were used instead of bamboo tree guards by all the three ZPs for protecting the saplings without indepth need analysis, justification and cost benefit ratio. Audit analysis revealed that steel tree guards did not have any additional advantage as the guard could not be used for the second time. Steel tree guards were removed in similar fashion as bamboo tree guards once the saplings attained the age of 2 to 3 years. Thus, use of steel tree guard resulted in additional cost of ₹ 825 (₹ 875 – ₹ 50) per piece entailing an unwarranted expenditure of ₹ 36.75 lakh (4454X ₹ 825) on purchase of 4,454 steel guards by three ZPs.

- Sikkim Financial Rule (Rule 127) and Finance Department's notification (September 2004) stipulated adoption of open competitive tender for purchase of stores from open market, with wide publicity in the leading newspapers allowing one month time when cost of stores exceeds rupees. one lakh. Audit noticed that ZP instead of going for open tender issued notice Inviting Quotation from local suppliers. Thus, purchases were effected without adhering to SFR and economy of rates was not ensured.

  In reply, the ZP (East) stated that steel tree guards had advantage over bamboo tree guards as it was sturdy and long lasting thereby enhancing the chances of survival of the plantation. The bamboo tree guards on the other hand were susceptible to damage by the grazing cattle. The reply was not tenable as both bamboo and steel tree guards were used to protect the plantation and the ratio of bamboo tree guards and steel tree guards were 10 and one over a stretch of one KM indicating that bamboo tree guards were equally useful in protecting the plants.

3.2 Unwanted and irregular expenditure on implementation of Rural Water Supply for Kanchangdozanga Tourist Villa

Execution of rural water supply work for ₹ 1.94 crore under BRGF to Kanchanjunga Tourist Villa and three villages were unwarranted and against the guidelines of the Fund as the Fund was meant to bridge the critical gaps in local infrastructure and other development requirements which were not being adequately met through existing inflows.

The project 'Rural water supply to Kanchanjunga Tourist Villa' at an estimated cost of ₹ 1.94 crore was taken up by ZP (East) under BRG Fund to provide water supply to three GPs. The project report inter-alia included provisioning of drinking water to three villages in addition to newly constructed amusement park i.e. Kanchanjunga Tourist Villa. The ZP, East accordingly invited tenders in which three contractors submitted their bids. Based on the lowest rate quoted the work was awarded (August 2008) to the contractor with stipulation to complete within 12 months (by July 2009). The work was completed (December 2010) and payment of ₹ 1.84 crore paid to the contractor for different components of work as shown below:

Sl.	Item	Qty	Rate	Total cost
1	Fitting fixing of GI pipe 100 mm dia	4866 mtr	1346.95	65.55
2	Providing & laying concrete pillar	180	12380	26.10 (22.28)
3	Provide & laying Anchor block	290	5891	20.12 (17.08)
4	Provide and laying saddle block	50	5395	3.48 (2.70)
5	Providing & laying thrust block	59	5688	4.21 (3.36)
6	Protective work			7.08
7	Head work			49.19
8	Sedimentation Tank			2.53
9	Protective work			
10	Intake Tank			2.86
			Total	184.00

Audit scrutiny revealed following:

- The three villages were already equipped with the water supply provided by Rural Management & Development Department from the nearest source since last several years. The availability of water supply through RM&DD was confirmed by Audit through physical verification of the area in presence of Panchayat functionaries. Thus in essence the project was not required for provisioning of the water supply to these three villages.

- Even the Kanchandzonga Tourist Villa locality which falls under Ranka was already having water supply facility provided by Rural Management and Development Department. The RM&DD was having full fledged water supply system, the nearest reservoir. The connection to the tourist villa could have easily been taken at a very nominal cost (₹ 15.56 lakh) by laying the pipelines of 32mm dia from the nearest point.

- The ZP executed 4,866 meter of fitting and fixing of GI pipe involving an expenditure of ₹ 65.55 lakh (at the rate of ₹ 1,346.95 per meter). This included cost of pipe, laying of pipe, fitting and fixing of pipe, excavation of trenches and refilling. Audit scrutiny revealed that in addition to above the ZP (East) also executed (i) providing & laying concrete pillar, (ii) provide & laying Anchor block, (iii) provide and laying saddle block and (iv) Providing & laying thrust block at an expenditure of ₹.53.91 lakh. This is more so as the purpose of Pillar, Anchor block, saddle block and thrust block is to provide support to pipe of heavy duty and big diameter if it runs over the ground and follow steep gradient. Execution of work relating to Pillar, Anchor block, saddle block and thrust block was not required as pipelines were not running through steep, uneven gradient as seen in the photograph. In view of completion of digging & refilling, laying & fitting and fixing of pipe execution of anchor block, pillar and saddle block, pillar and saddle blocks at an expenditure of ₹ 53.93 lakh was unwarranted.

- The ZP East submitted misleading information to include three villages although these villages were already provided with water supply through RM&DD since last several years. Physical verification by Audit in presence of Panchayat functionaries confirmed the fact of availability of water to the villagers through RM&DD.

Thus execution of work for ₹ 1.94 crore under BRGF to KanchanZonga Tourist Villa and three villages were unwarranted and against the guidelines of the Fund which categorically stipulates that BRG Fund was meant to bridge the critical gaps in local infrastructure and other development requirements which were not being adequately met through existing inflows.

3.3 Avoidable expenditure on Construction of BAC at Nanduk

Failure of the ZP to complete the construction work of Block Administrative Centre in time not only led to blockage of Government fund of ₹ 59.47 lakh but also entailed an avoidable expenditure of ₹ 2.40 lakh on payment of rent towards the rented building on which the BAC was presently functioning. Pending completion of the BAC, Nandok the Block Development Office continued to function in the unhygienic condition without adequate space and requisite furniture to the officers and staff.

The State Government of Sikkim sanctioned construction of 19 Block Administrative Centres (BAC) across the State at an estimated cost of ₹1.38 crore per BAC aggregating to ₹ 26.22 crore. The cost included 38 *per cent* escalation (later reduced to 28 *per cent*) on the plea that the estimate was based on Schedule of Rates, 2002. Based on the Cabinet approval (May 2007) the work of construction of BAC, Nandok of East District was put to tender (June 2007) in which 21 contractors submitted (July 2007) their bids of which the lowest rate of 25 *per cent* below the estimated cost accepted. The schedule date of completion of the work was June 2008 and justified the workability of rates on the ground that:

- Nandok village was very near to the village of the contractor and hence transportation charge would be less;
- Stock of old serviceable form works were available with her which would reduce the cost of construction too;
- The labour cost will be reduced as she possessed considerable regular labour strength;
- Availability of sand at quarry point was very near to the construction site which would reduce the cost;

- She possessed mechanical equipments such as mixture machine, vibrator etc;
- The old serviceable tools were available with her.

Scrutiny of records revealed that the work remained incomplete as of March 2011, the progress was only to the extent of 30 *per cent*, even after a lapse of 2 years 9 months of the schedule date of completion (June 2008) and expenditure of ₹ 59.47 lakh towards payment to the contractor. This was despite release of mobilization advance of ₹ 24.09 lakh to the contractor before the commencement of the works. There is no such provision to this effect in the PWD mannual and there was no mention in the agreement for release of any mobilisation advance to the contractor. Audit analysis further revealed that the justification for workability of the rates below the estimated cost was not analysed appropriately before award of work by the Department. The justification of the rates was not appropriate on the following grounds:

- Transportation cost of contractor do not make any impact on rate;
- Rate of form works is analysed based on old serviceable form items;
- Regular labour strength can not reduce cost of construction as labour rate incorporated in SOR should be paid to labour of any type;
- Availability of sand and stone at quarry point will not changed rate of construction as quarry of sand and stone is totally labour component which a contractor had to pay in any circumstances. Further, carriage of stone and sand cannot be source of profit for contractor as he / she will be paid carriage charge as per actual distance;
- Mixture machine, vibrator and old serviceable tools and plants do not make any impact on rate.

This was more so as all other BACs in different parts of the State including that of East districts were carried out at par the estimated cost. The construction works were completed and the BACs were functioning in new premises.

3.4 Construction of multipurpose playground at Naga- Namgyor and observation thereof

Instead of utilisiting site for intended purpose, the site is being used for mere a platform for further constructional work of tourism department. Hence the objective of developing infrastructure in and around Mangan for helping very poor, multipurpose activities throughout the year, organizing different events as per local calendar was baseless

The ZP, North through Rural Management & Development Department proposed to construct Multipurpose all season venue at Naga – Namgyor, North Sikkim a village situated at sixteen kilometre away from district headquarters on the way to Chungthang. The objective of the project was to help in developing infrastructure in and around Mangan and facilitate organising of various functions and activities throughout the year. The venue would help in fulfilling the void created between tourist inflow and the requisite infrastructure. The project proposal comprised of construction of ground measuring 120 meter X 80 meter and approach road to the ground from North Sikkim Highway (75 meter) at an estimated cost of rupees one crore under BRG Fund.

Accordingly the project was put to tender (Oct 2008) and awarded (Oct 2008) to the lowest bidder Shri Gangtokgay Lepcha at par the estimated cost with stipulation to complete within 18 month i.e. by March 2010. The work was completed (May 2010) and payment of ₹ 95.65 lakh released to the contractor between October 2008 and May 2010.

- The original estimate was framed after receipt of fund from Government of India i.e. scheme was sanctioned for the year 2007-08 and estimate was prepared in May 2007. The ZP did not carry out any survey and investigation before finalising the estimate. This was further confirmed by the fact that the original estimated quantities of mixed and hard rock and protective work was grossly inaccurate in the estimate. The cutting for mixed and hard rock was estimated as 22,200 cubic meter as against the actual execution of 72,659 cubic meter and the protective work was estimated was 3,572 cubic meter as against the actual execution of 2,001 cubic meter indicating an fluctuation of 227 per cent in case of cutting work and 44 per cent in case of protective work as detailed in **Appendix-IV.**

- During execution of work 31,179.63cum of hard rock was obtained through manual cutting, of which 6,403.18 cum was utilized in protective and road works. The balance quantity of stone of 24,776.45 cum were however neither used in the project nor stacked near the work site although this belonged to ZP (North) as per additional terms and condition of contract agreement. The physical verification (March 2011) by Audit in presence of ZP officials confirmed the fact that the balance quantity of stone were missing from the site. The ZP, North had neither initiated any action to trace the missing stone nor recovered the value of the stone which worked out to ₹ 49.84 lakh[3] from the contractor as it was the responsibility of the contractor to keep all material, obtained in the work in site, good condition and surrender to the Government (Clause 1 of Agreement – Additional condition).

  The multipurpose playground constructed with the objective of serving as all season venue for various activities by local public was not put to any use except for organizing a mela (October 2010) since its completion in (May 2010). Physical verification of the playground by Audit in presence of ZP officials revealed that instead of utilizing the site for intended purposes, the site was being used merely as a platform for further constructional work of Tourism Department.

  Thus, the expenditure of constructing multipurpose play ground at Naga-Namgyar involving an expenditure of ₹ 95.65 lakh was characterized by slack attitude of the ZP officials in ensuring recovery of ₹ 49.84 lakh from contractor towards unused stones and non-use of playground for the intended purpose.

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[3] 24776.45 cum x quarry of stone@Rs.201.16=Rs.49,84,031/-

3.5 Excess payment to contractor for construction of Panchayat Ghar

Casual approach of the ZP official in failing to segregate the actual estimated cost with that of the probable estimated cost led to loss of ₹ 7.83 lakh to the Government and undue favour of equivalent amount to the contractor.


Namok Panchayat Ghar

SPWD Mannual (Para 60 of chapter VI) envisaged upon the implementing department to tender the work based on estimated cost prepared on the basis of applicable Schedule of Rates. It was however, noticed during the audit of ZP, North that the ZP issued tender invitation notice in case of construction of three Panchayat Ghar at Namok, Singhik and Naga in North Sikkim at the estimated cost of ₹ 29 lakh each which had an inbuilt component of cost escalation of ₹ 2.61 lakh each. The lowest tenderer in case of three works quoted at par the estimated cost and accordingly the agreement was drawn allowing him the escalation portion (₹.2.61 lakh) over and above the actual estimated cost of ₹ 22 lakh. The works were completed (July 2010) and payment of ₹ 24.61 lakh each released to the contractors between October 2010 and March 2011 leading to aggregated extra expenditure of ₹ 7.83 lakh.


Singhik Panchayat Ghar

Audit point was borne out of the fact that in all other works, the cost escalation portion, although factored in while preparing the estimate, was neither included while floating the NIT nor allowed to the contractors for payment. Thus, casual approach of the ZP official in failing to segregate the actual estimated cost with that of the probable estimated cost duly factoring in the cost escalation based on the tender bid led to loss of ₹ 7.83 lakh in case of three works to the Government and undue favour of equivalent amount to the contractor.

3.6 Non observance of Codal Provisions

3.6.1 Irregularities in tender process

Sikkim Public Works Code prescribed elaborate procedure for tendering and award of works. It was however noticed that the ZPs had not followed the stipulation as envisaged as mentioned below:

- Tendering were not done in the most open and transparent manner by advertisement in the Sikkim Herald and in the local news paper or other leading news papers even in cases where the value of work exceeded ` 5 lakh which was in violation of PWD code.

- In 200 cases (out of 249) scrutinized by Audit, works commenced even before the conclusion of the agreement which was not only in violation of PWD code but also facilitated the contractor to ignore many of the important clauses of the contract. To cite a few, such as penalty for no adherence of time period, compensation for damage of property due to contractor negligence etc was not adhered.

- In 150 cases (out of 200) tenders were invited allowing short notice without any valid reason which not only vitiated the wide publicity and fair competition but also the mandatory provision under PWD code. Absence of wide publicity due to very short tender notice deprived the genuine bidders for fair competition. This also constrained the contractors to visit site before submission of tender form as the submission time of tender form after purchase of tender form was allowed 0 to 1 day.

3.6.2 Other irregularities

- ***Diversion of fund:*** The State Government (RMDD) released[4] (July 2008) ₹ 60.56 lakh towards Community development fund for the year of 2008-09 to meet the obligatory duties of ZP such as regulating melas or haats; construction and maintenance of Panchayat ghars; construction, repair and maintenance of small irrigation projects; etc.
  Audit scrutiny revealed that community development fund was not utilized for the purposes for which it was transferred to ZP. Instead, ₹ 65 lakh transferred from works account to meet establishment cost for the period from 17.11.08

[4]vide letter no.253/RM&DD dated 21/07/2008.

to 14.5.09 as per the decision taken in DPC meeting (7 August 2008) to keep pending the works to be executed with this fund, resulting in diversion of fund from intended purposes.

- ***Non deduction of Storage charges:*** Schedule of Rate framed by PWD includes 5% storage charges on stock materials presuming that this amount will be utilized for the expenses of stores run by departments. However, this amount should be deducted from contractor bill as it cannot be source of income for contractor.

  Scrutiny of records revealed that storage charges of ` 2,00,285/- (Appendix-V) was not deducted from contractors' bill.

- ***Irregular utilization of Interest amount of ₹ 2.84 lakh from BRGF***

  Backward Region Grant Fund stipulates that interest accrued on the deposits to be treated as additional resources under the BRGF and should be utilized as per the guidelines of the programme.

  Scrutiny of records however revealed that interest of ₹ 2.84 lakh earned from deposit of BRG Fund was utilized for salary, wages payment etc., which were beyond the scope of approved list leading to unauthorised diversion of BRG fund.

Gangtok
The

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

APPENDIX – I

Statement of Non maintenance of Assets Register

(Reference: Para 1.10)

Name of Gram Panchayat	I. R. No.	Para No.
Salghari	32/10-11	3.1
Tanzi Bikmat	37/10-11	3.2
Maneydara	31/10-11	3.2
Lingi Sokpay	30/10-11	3.2
Sripatam Gagyong	38/10-11	3.2
Mamley Kamrang	19/10-11	3.2
Sumbuk Kartikey	5/10-11	3.2
Chuba Phong	3/10-11	3.2
Damthang	1/10-11	3.2
Ralong Namlung	28/10-11	3.1
Kewzing Bakhim	29/10-11	3.1
Assangthang	8/10-11	3.2
Lamaten Tingmoo	22/10-11	3.2
Paiyong	23/10-11	3.2
Sangnath	25/10-11	3.2
Legship	26/10-11	3.2

APPENDIX – II

Statement of Irregular maintenance of cash book

(Reference: Para 1.11.2)

Name of Gram Panchayat	I. R. No.	Para No.
Rateypani	34/10-11	3.1
Rabong Sangmu	35/10-11	3.1
Lingi Sokpay	30/10-11	3.1
Barfung Zarong	33/10-11	3.1
Sripatam Gagyong	38/10-11	3.1
Temi	10/10-11	3.1
Bermiok Tokal	11/10-11	3.1
Namphing	12/10-11	3.1
Tingrithang	12/10-11	3.1
Ben Namprick	14/10-11	3.1
Lungchok Kamrey	16/10-11	3.1
Mamley Kamrang	19/10-11	3.1
Tinkitam Rayong	6/10-11	3.1
Sumbuk Kartikey	5/10-11	3.1
Rong Bul	4/10-11	3.1
Chuba Phong	3/10-11	3.1

Name of Gram Panchayat	IR No.	Para No.
Perving Dovan	2/10-11	3.1
Damthang	1/10-11	3.1
Borong Phamtam	27/10-11	3.1
Assangthang	8/10-11	3.1
Lingmoo Kolthang	21/10-11	3.1
Paiyong	23/10-11	3.1
Sangnath	25/10-11	3.1
Legship	26/10-11	3.1
Singhithang	7/10-11	3.1
Rameng Nizrameng	9/10-11	3.1

APPENDIX – III

The details of the utilization certificates sent to the Nodal Department by ZPs and GPs

(Reference para 2.1.6.3)

Year	District	Actual date of submission of UC by ZP and GP	Date on which UC was required to be submitted by ZPsGPs	Delay in submission by ZP and GP
2005-06	East	-	April 2007	4 years
	West	-	April 2007	4 years
	North	17.12.2009	April 2007	7 month
	South	-	April 2007	4 years
2006-07	East	7.4.2010	April 2007	3 years
	West	-	April 2007	3 years
	North	5.6.2010	April 2007	3 years
	South	-	April 2007	3 years
2007-08	East	7.4.2010	April 2008	2 years
	West	-	April 2008	2 years
	North	5.6.2010	April 2008	2 years
	South	-	April 2008	2 years
2008-09	East	-	April 2009	1 year
	West	-	April 2009	1 year
	North	-	April 2009	1 year
	South	-	April 2009	1 year
2009-10	East	-	April 2010	1 year
	West	-	April 2010	1 year
	North	-	April 2010	1 year
	South	16.6.2010	April 2010	4 month

APPENDIX – IV

Change in scope of work

(Reference para 3.4)

Sl	Item	Original		Revised	
		Quantity	Cost	Quantity	Cost
1	Clearing of jungle	9600 sqm		12,525	23,046.00
2	Hill cutting				
a	Mixed soil	16837.50cum		41,479.40	17,82,785.00
b	Hard rock	3217.50cum		31,179.63	24,27,022.00
c	Hard rock with explosive	2145.00cum		0	0
3	Excavation				
a	Mixed soil	874.05cum		464.79	44,708.00
b	Hard rock	151.58cum		135.35	45,534.00
4	Hand packed stone soiling	251.58cum		126.57	44,490.00
5	P/L cc 1:4:8mix	135.20 cum		63.85	1,29,453.00
6	Plum concrete 1:4:8 mix	297.00cum		765.25	13,83,951.00
7	1:4:8 CCM	3139.85cum		1,172.32	18,57,777.00
8	P/L Hand packed wall	713.90cum		1,138.60	3,21,415.00
9	Filling with available earth	6961.50cum			

Sl	Item	Original		Revised	
		Quantity	Cost	Quantity	Cost
10	P/L Hand packed building works				
a	Mixed soil	1228.50cum		3,429.89	1,79,315.00
b	Stone filling			1,469.95	3,55,949.00
	Throwing of mixed soil	0	0	4,209.00	6,78,365.00
11	P/L stone edging	200.00cum		200.00	4,406.00
12	P/L hand packed stone soiling	347.15cum		165.60	53480.00
13	P/L WBM	37.50cum		37.50	43832.00
14	P/L V shaped drain	280.00m		120.00	12073.00
15	Carriage of stock materials	2550.84qtls		1536.50	24630.00
16	Carriage of sand	730.36cum		428.00	145609.00
17	Carriage of stone	2972.68cum		0	0
18	Provision of sign board	0	0	1	5000.00
19	Provision for traditional gate	0	0	1	50000.00

APPENDIX – V

Non deduction of Storage charges

(Reference: Para 3.6.2)

North District

(in Rupees)

Bill No. / Vr. No. / date	Total Amount	5% storage charges to be deducted	Particulars
156/20.8.09	3,48,984.00	17,449.00	Cement & GI Pipe
141/18.8.09	2,28,375.00	11,419.00	Cement from M/s. Shreenath Prasad, Mangan
595/31.3.09	2,51,985.00	12,599.00	Cement, GI pipe etc. from Sikkim Enterprises, Tadong
225/22.4.09	98,122.00	4,906.00	Cement and rod from Shreenath Prasad, Mangan
17/21.4.09	3,36,926.00	16,846.00	Cement and rod from Mishra Store, Mangan
126/6.8.09	3,43,718.00	17,186.00	-do-
525/20.2.09	1,40,360.00	7,018.00	Cement from Mishra Store, Mangan
254/30.9.08	5,91,451.00	29,573.00	Cement and rod from Malling Enterprise, Mangan
509/18.2.09	2,21,466.00	11,073.00	Cement and rod from Shreenath Prasad, Mangan
Total		1,28,069.00	

East District

Name of work	Bill No. / vr. No./ date	Items	Amount	Storage charge @ 5% to be deducted
Construction of 40 meter span SFB over Ratey khola	242/19.7.08	Cement	55,660.00	2,783.00
	256/25.7.08	Rod	40,250.00	2,013.00
	281/9.8.08	Cement	55,200	2,760.00
	289/14.8.08	cement	55,200.00	2,760.00
	34/11.9.08	cement	55,200.00	2,760.00
	345/25.11.08	cement	54,050.00	2,703.00
Construction of 40 meter span SFB over kali khola at putuk	12/08-09/18 15.10.08	cement	43,631.00	2,182.00
	19/10.11.08	rod	1,38,100.00	6,905.00
	21/18.4.08	cement	54,200.00	2,710.00
	20/18.4.08	cement	54,200.00	2,710.00
	3/11.12.08	cement	54,200.00	2,710.00
	9/27.1.09	cement	54,200.00	2,710.00
	3/10.2.09	cement	54,200.00	2,710.00
	5/8.1.09	cement	54,200.00	2,710.00
Construction of SFB over chuba khola	532/26.3.09	cement	3,48,290.00	17,415.00
		rod	1,56,468.00	7,823.00
Construction of SFB	914/22.10.08	cement	39,200.00	1,960.00
	930/29.11.08	cement	38,640.00	1,932.00
	921/14.11.08	cement	39200.00	1960.00
Total			14,44,289.00	72,216.00
Grand Total (North and East District			2,00,285.00	