

CHAPTER-II

AUDIT OF TRANSACTION OF PANCHAYATI RAJ INSTITUTIONS

CHAPTER-II

AUDIT ON TRANSACTIONS OF PANCHAYATI RAJ INSTITUTIONS

2.1 Wasteful expenditure towards salary and allowances of Divisional Forest Officer

Zilla Panchayat (ZP), East failed to utilise the services of Divisional Forest Officer posted at ZP and thus ₹ 29.02 lakh incurred towards his salary and allowances for 2009-14 were wasteful.

73rd constitutional amendment (1992) envisaged upon the State Government to transfer fund, functions and functionaries as enlisted in XIth Schedule of the Constitution. Accordingly, State Government posted (December 2005) one Divisional Forest Officer (DFO) in ZP (East) to execute forest related activities.

Audit noticed that services of DFO were not utilised by ZP (East) w.e.f April 2009 as the only activity under forestry sector i.e., implementation of Integrated Waste land Development Project (IWDP) was discontinued since April 2009. Further, no supporting staff was posted in ZP (East) to assist the DFO. In some of the Blocks, although Forest Officers in the rank of Assistant Conservator of Forest (ACF) were posted to oversee the work at Gram Panchayat level, they were not under the control of DFO. Instead, the ACFs were working under respective BDOs for execution of plantation related works. Thus, ₹ 29.02¹⁰ lakh incurred towards salary and allowances of DFO for the period 2009-14 were wasteful.

The ZP (East) stated (August 2015) that the services of DFO was utilised for implementing Green Mission and Hariyali Project. The reply is not acceptable as Green Mission project was not executed by ZP (East) during 2009-14 and Hariyali Project was closed in March 2009.

The RMDD while accepting audit observation stated (December 2015) that the services of DFO could not be utilised due to fund constraints and less priority accorded by the *Zilla Panchayat* in sanctioning forest related works.

¹⁰ Year wise salary paid to DFO: 2009-10 = ₹ 3.75 lakh, 2010-11= ₹ 5.17 lakh, 2011-12= ₹ 5.79 lakh, 2012-13= ₹ 6.69 lakh, 2013-14= ₹ 7.62 lakh. Total salary for 5 years = ₹ 29.02 lakh.

2.2 Extra expenditure on construction of Community Recreation Centre at Bermoik-Barthang

Action of the ZP (West) to allow rate revision at par with SOR-2012 (from SOR-2006) and allowing of rates at revised cost based on SOR-2012 for new item of works was in contravention to SPWD Manual. This led to extra expenditure of ₹44.61 lakh besides extension of undue benefit to the contractor.

State Government sanctioned ₹ 52.83 lakh for construction of Community Recreation Centre (CRC) at Bermoik-Barthang based on the proposal submitted by Rural Management & Development Department. The *Sachiva*, ZP (West) was intimated (November 2011) by Director (Panchayat) to initiate necessary action towards construction of CRC duly following standard procedure.

The work was awarded (March 2012) to M/s Women Labour Co-operative Society of Bermoik and accordingly agreement was drawn (March 2012) with the contractor for construction of CRC at ₹ 52.83 lakh with stipulation to complete the work within 9 months (i.e. December 2012). The term of contract envisaged that no rate revision will be entertained (Para-16.6). However, the work was completed belatedly in March 2015 at an enhanced cost of ₹ 97.44 lakh.

Audit noticed that instead of completing the work within scheduled time frame, the estimate of work was revised (July 2013) by ZP (West) based on Schedule of Rates (SOR) 2012 on the plea that protective work was not included in the original estimate. Not only the protective work of ₹ 12.24 lakh was included in the revised estimate as new work, the rates for other items of original estimate were also revised based on Schedule of Rates (SOR) 2012. This led to revision of cost to ₹ 97.44 lakh, entailing an extra expenditure of ₹ 44.61 lakh.

Action of the ZP (West) was in contravention of the Sikkim Public Works Department Manual which entails that additional work, if any, required to be carried out by the contractor, would be done at *par* the rate of original estimate (Para- 11.10). Similarly, rates once finalised in the agreement would not be changed (Para- 16.6).

Thus, action of the ZP (West) to allow rate revision at par with SOR-2012 from SOR-2006 and allowing of rates at revised cost based on SOR-2012 for new item of works was in contravention to the SPWD Manual. This led to extra expenditure of ₹ 44.61 lakh besides extension of undue benefit to the contractor.

The RMDD stated (December 2015) that since it was difficult to complete the work based on SOR 2006 due to hike in the cost of materials and labour component, rate revision as per SOR 2012 was sanctioned. The reply is not acceptable as it was not permissible to change the rates finalised in the agreement (Para 16.6).

2.3 Injudicious expenditure from District Innovation Fund

Decision of the ZP (South) to take up Pandal making and Equipment leasing was neither in conformity with the TFC guidelines nor in consonance with Annual Plan and SWOT analysis leading to injudicious expenditure of ₹ 50 lakh from District Innovation Fund.

The 13th Finance Commission (TFC) recommended for formulation of District Innovation Fund (DIF) with a view to support and promote innovation for better alternatives, reducing costs, increasing the efficiency of capital assets, improving service delivery and governance. The guidelines envisaged drawing up of an Annual Plan for utilisation of fund to trigger innovative measures with a view to make Government accountable and accessible to all sections of the society.

Audit noticed that ₹ 50 lakh (out of ₹ 1 crore of DIF) was incurred during March 2013 by ZP (South) towards Pandal Making and Equipment Leasing Unit on the plea that the assets would help in meeting the demand for making pandals/ stages and dissemination of information about welfare schemes. This would also generate revenue to the Gram Panchayats through rentals to private parties/NGOs/Government, etc.

Audit scrutiny of records revealed that incurring of expenditure on Pandal and stage making etc. was not in consonance with the Annual Plan and SWOT analysis of the district which indicated tourism, horticulture, floriculture, dairy development, etc. as the potential areas for development.

Thus, the decision of the ZP (South) to take up Pandal making and Equipment leasing was neither in conformity with the TFC guidelines nor in consonance with Annual Plan and SWOT analysis. This led to injudicious expenditure of ₹ 50 lakh from DIF.

The RMDD stated (December 2015) that the South District Zilla Panchayat exercised the freedom given in District Innovation Fund (DIF) guidelines to select appropriate project, which was passed by majority in the meeting (August 2011). The reply is not acceptable as the expenditure was not likely to support and promote innovation for better alternatives, reducing costs, increasing efficiency of capital assets, improving service delivery and governance as recommended by TFC.

2.4 Unfruitful expenditure on water harvesting structure

Expenditure of ₹ 1.66 crore for construction of 80 tanks remained largely unfruitful as it failed to provide safe drinking water in adequate quantity, especially during distress periods.

Rural Management & Development Department took up roof water harvesting under Sustainability component of National Rural Drinking Water Programme (NRDWP) to provide safe drinking water in adequate quantity round the year. As per technical specification prescribed by Ministry of Drinking Water and Sanitation, Government of India for construction of tank, rainwater from roof top carried through pipes or drains to storage / harvesting system has to be ultra violet (rays) resistant; drain is to be wire meshed to restrict floating material; filtration is to be done by using filters and brick masonry construction filled by pebbles, gravel and sand.

A total of 80 works of 'Construction of Water Harvesting Tank' for ₹ 1.66 crore were sanctioned and executed across West district under 'Sustainability' component during 2013-14.

Audit noticed that the requirements under NRDWP guidelines for storing of surface water as per terrain conditions and adoption of roof-water harvesting especially for scattered habitations where water was scarce were not fulfilled; source sustainability for ensuring availability of safe drinking water in adequate quantity throughout the year; and capacity building of PRIs and awareness generation were not accorded due priority.

Physical verification of projects (15 out of 80) along with PRI representatives revealed (May 2015) that survey for design and viability was not carried out before preparation of estimate; rainwater from rooftop carried through pipes or drains to storage/harvesting system was not ultra violet (rays) resistant; drain was not wire meshed to restrict floating material; filtration was not done using brick masonry construction filled by pebbles, gravel, and sand; etc. Physical verification also revealed that water collected in the tank was utilised for washing clothes, utensils and irrigating vegetable gardens. The water collected in the tank did not appear safe for drinking purpose.

Thus, expenditure of ₹ 1.66 crore incurred towards construction of 80 water tanks was largely unfruitful as it did not ensure sustainability of drinking water sources to facilitate the existing/new drinking water supply projects to provide safe drinking water in

adequate quantity, especially during distress periods¹¹, owing to defective design and absence of adequate survey.

The RMDD stated (December 2015) that water so collected was to be generally used for all purposes other than drinking. Moreover, the term drinking water supply implied water required for all household purposes other than drinking as well. The reply is not acceptable as Sustainability component under NRWDP was to be utilised for scattered habitations where water was scarce for providing safe drinking water in adequate quantity round the year.

2.5 Unfruitful expenditure on Information, Education and Communication activities.

Expenditure of ₹ 16 lakh incurred towards awareness-cum-coordination meeting focusing on preparation of budget and legal matters was unfruitful as awareness among Panchayats, NGOs and SHGs towards preparation of Budget was not achieved.

Information, Education and Communication (IEC) play crucial role for ensuring better and effective planning and programme implementation, especially for rural planning relating to Backward Region Grant Fund (BRGF). The State Government provided (November 2013) ₹ 74 lakh to State Institute of Rural Development (SIRD), Karfector during 2013-14 for IEC activities. The SIRD, in turn, transferred ₹ 16 lakh to ZP (West) for conducting awareness cum coordination meetings for Zilla Panchayats and Gram Panchayats with a view to bringing awareness among Panchayats, Non- Governmental Organisations (NGOs) and Self Help Groups (SHGs) towards preparation of budget and legal matters.

Audit noticed (September 2014) that awareness-cum-coordination meetings were organised (November 2013) at different places in the districts such as Zoom, Gerethang, Kaluk, Daramdin, Dentam, Martam, etc. A total of 927 trainees participated in the awareness-cum- coordination meeting. Services of four persons (3 Panchayat functionaries and 1 Circle Officer from Police Department) were utilised to deliver lecture to the participants. It was noticed that trainee participants were not Panchayat functionaries but common people who were not involved in the Budget preparation

¹¹ Distress period is the period from November to March when shortage of water is experienced in most of the places in Sikkim.

process. They were paid ₹ 300 each as honorarium. The awareness-cum-coordination meetings did not help in bringing desired awareness among Panchayats, NGOs and SHGs towards preparation of budget and legal matters and thus did not serve the intended purpose. This was confirmed by the fact that even after these awareness-cum-coordination meetings, none of the GPs had prepared budget of their GPs. Thus, expenditure of ₹ 16 lakh incurred towards awareness-cum-coordination meetings was unfruitful.

The RMDD stated (December 2015) that fund of ₹ 74.00 lakh was provided under 13th Finance Commission Grant as untied fund and not under BRGF. The IEC programme was conducted for Zilla Panchayats and Gram Panchayats and its functionaries of the West District with the intention to highlight about the role of Panchayats in implementation of various government programmes, planning process to be followed in panchayats, record keeping, etc.

The reply is not acceptable as participants in the training programme were not Gram Panchayat functionaries of the West District dealing with records keeping but general public. Further, the fund was provided under BRGF and not TFC as contended by the Department.