

CHAPTER-III

COMPLIANCE AUDIT OF TRANSACTION OF PANCHAYATI RAJ INSTITUTIONS

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AUDIT ON TRANSACTIONS OF PANCHAYATI RAJ INSTITUTIONS

3.1 Excess expenditure on construction of Suspension Foot Bridge to the tune of ₹55.19 lakh

Failure of the ZP (South) to initiate the work expeditiously and failure to keep a close supervision on progress of work led to reframing of estimate, reduction of length of Suspension Foot Bridge (SFB) and extra expenditure of ₹55.19 lakh on account of higher tender premium (₹10.90 lakh), cost escalation in civil work (₹37.20 lakh) and stock material (₹7.09 lakh).

The work 'Construction of Suspension Foot Bridge (SFB) over Rangit khola' at Tokel, South Sikkim was sanctioned (May 2010) by Rural Management and Development Department (RMDD) to ease over the problem of crossing the river by local inhabitant during rainy season.

Zilla Panchayat (ZP), South took up (May 2010) execution of work. Accordingly, an estimate of ₹ 140.61 lakh was framed by ZP (South) and put to tender (July 2010). The work was awarded (January 2011) to the lowest bidder at 14.50 *per cent* above the estimated cost with stipulation to complete within December 2011.

The scope of work was changed (November 2012) on the plea that site was not suitable for construction of SFB due to earthquake (September 2011). The work did not commence upto August 2011. Estimate was recasted (August 2012) within the original sanction (₹140.61 lakh) by shifting the construction site to downstream and reducing the length of the bridge from 145 meter to 100 meter. The work was completed in the new site at a cost of ₹140.61 lakh and payment of ₹ 94.74 lakh was released to the contractor between February 2013 and March 2016.

Audit scrutiny revealed (March 2017) that ZP (South) had incurred extra expenditure of the bridge where length was reduced from 145 meter to 100 meter. The work was completed in the new site at an extra cost of ₹ 55.19 lakh towards accepting higher tender premium (₹ 10.90 lakh) avoidable cost escalation of ₹ 37.20 lakh towards civil work reframing and reduction of scope of work from 145 meter to 100 meter and enhancement of cost of stock materials (₹ 7.09 lakh) issued to work as detailed below:

- Accepting of higher tender rate at 14.5 per cent above the estimated cost was not justified as all works of similar nature in the ZP (South) was executed at par the

estimated cost. This entailed extra expenditure of ₹ 10.90 lakh towards higher tender premium.

- The ZP (South) had not initiated adequate steps to ensure commencement of work on time and achieve proportionate progress between January 2011 (issue of work order) and August 2012 (date of recasting of estimate). Neither any work was executed on the original site by the contractor between January 2011 and August 2012 nor time extension sought by him. Even the unsuitability of site, if any, was not brought to the authority by the contractor during this period.
- The site of the bridge was shifted downstream by Superintending Engineer based on public demand and steepness of the earlier site and not because of vulnerability to the site caused by earthquake (September 2011) as subsequently (August 2012) justified by ZP (South).
- Proportionate saving of ₹37.20 lakh in the project cost due to reduction of length of bridge from 145 meter to 100 meter was utilized towards additional protective works and cost escalation of bridge materials. This was irregular.
- The cost of bridge materials issued for utilization in work was enhanced (January 2015) by Store Division, RMDD while effecting recovery in second and final bill (February 2015) from ₹44.73 lakh to ₹ 51.82 lakh, leading to extra expenditure of ₹ 7.09 lakh. The additional fund was met from escalation provision and released to the supplier. This was irregular as rate of stock material prevalent at the time should be treated as final.

Thus, failure of the ZP (South) to initiate the work expeditiously and failure to keep a close supervision on progress of work led to reframing of estimate, reduction of length of SFB and extra payment of ₹ 55.19 lakh.

3.2 Avoidable expenditure of ₹13.61 crore towards construction of IHHL

State Government had not taken adequate steps to maintain the status quo with respect to Nirmal Rajya Puraskar conferred during 2010 to the State. Since, the State had already achieved the status of total sanitation, expenditure of ₹13.61 crore from various scheme funds (14th FC, SBM) towards construction of individual households latrines (IHHL) was avoidable.

Swachha Bharat Mission (SBM) was implemented in Sikkim w.e.f September 2014 with the aim to adopt sustainable sanitation practices and improve quality of life in rural area.

One of the components of SBM was construction of Individual Household Latrines (IHHL) in the premises of beneficiaries who were not having access to toilet.

The State was declared as 'Nirmal Rajya' in 2010 considering the access to sanitation in the villages.

Subsequent to this, a survey for access to individual household latrines was conducted by a NGO on the direction of State Government. The survey noted that 10,768 households were without proper functional sanitary toilets.

A sum of ₹ 12.92 crore were accordingly sanctioned by the State Government during 2013-16 towards construction of IHHL and all 10,768 household were provided with sanitary latrines during 2013-16. Thus, all the households were provided with sanitary toilets in the State. Besides, a sum of ₹68.74 lakh was incurred by PRIs from 14th Finance Commission grants for construction of 620 IHHL during 2015-16 and 2016-17. The State was declared (May 2016) as First Open Defecation Free (ODF) State in the North-eastern Region on the occasion of 65th plenary session of North east council at Shillong, Meghalaya.

Audit scrutiny revealed (March 2017) that adequate steps to maintain the status quo with respect to Nirmal Rajya Purskar conferred during 2010 to the State were not initiated. Not only this, even after completion of all left out households (10,768) with proper toilet facilities by incurring ₹12.92 crore during 2013-16, the PRIs incurred ₹68.74 lakh towards construction of 620 IHHL during 2015-16 and 2016-17, which was avoidable as H/H were already completed.

3.3 Diversion of Fourth State Finance Commission Fund

The Fourth State Finance Commission (FSFC) fund of ₹ 32 lakh meant for basic services was irregularly diverted towards purchase of utensils for distribution to various societies.

The State Government released (March 2016) second instalment of State Finance Commission (SFC) grant of ₹ 38.49 lakh to ZP(South) towards providing basic services such as water supply and sanitation, sewerage, solid waste management, footpath, parks, playgrounds, etc.

Audit scrutiny (January 2017) revealed that ₹ 32 lakh (out of ₹ 38.49 lakh) was utilised towards purchase of utensils for distribution to various societies. The distribution of steel plates, glasses, etc. was to avoid use of plastic plates during social functions as these plates were not hygienic and bio-degradable.

This led to diversion of ₹32 lakh on activities not specified under SFC guidelines.

3.4 Infructuous expenditure on augmentation of Rural Water Supply Scheme (RWSS) from Pachey Khola to East Dikling

Improper surveys and investigation of the area before taking up of the Rural Water Supply Project and lack of proper follow-up led to infructuous expenditure of ₹ 24.70 lakh on creating facilities which was abandoned as all the beneficiary households had shifted from the locality due to upcoming airport.

The work relating to ‘Augmentation of Rural Water Supply Scheme (RWSS) from Pachey Khola to East Dikling’ was approved (October 2013) by State Government (RMDD) for execution at an estimated cost of ₹ 25 lakh. The project was designed to cater to the water requirement of 45 houses in and around East Dikling under Pakyong block. The Technical note appended with the approval of project envisaged upon Implementing Agency (ZP) to ensure before actual execution, source adequacy and quality, designing of project as per actual site conditions and obtaining of approval, and detailed working drawing from appropriate technical authority as per site condition.

The work was awarded (March 2014) to contractor (M/s. Pakyong Bazar Womens Labour Co-operative Society) for execution at par the estimated cost of ₹ 25 lakh and agreement was drawn up (4 March 2014) with the contractor. According to the agreement, the work was to be completed within 7 months (i.e. October 2014). However, the contractor sought (May 2015) for time extension upto June 2015 without citing any reason. The time extension upto April 2015 was granted to contractor by the Zilla Panchayat for rectification of works. The work was completed (28 April 2015) after recording a delay of 6 months at ₹ 24.70 lakh.

Audit observed that not only the work was delayed by 6 months, but the intended benefits were provided to only 3 families as against 45 families envisaged in the Detailed Project Report. This is because of the fact that households had shifted from the adjoining areas due to coming up of Airport which led to cracks developing in the houses due to use of heavy machinery in the construction site. As a result, only three beneficiaries, as against the 45 beneficiaries, were benefitted. Thus, the amount of ₹ 25 lakh invested for only three beneficiaries, indicated that the survey, investigation, etc. for requirement of water was not done with due care particularly when it was a known fact that airport construction was continuing since 2009 and households of adjoining areas were likely to be dislocated. Even the local inhabitants had raised this issue of displacement of households way back in August 2014 when houses started developing cracks as shown in the picture below. The

ZP, would have avoided the expenditure through appropriate planning and stoppage of work in time.



A wall of a house in Karthok village near the airport construction site that has almost collapsed

Physical verification (November 2016) of the work site by Audit in the presence of ZP engineers, contractors and local youth revealed that all 45 households had shifted from the locality and none of them were availing the facilities. The facilities, were thus, lying idle and unused as seen in the picture.

Improper surveys and investigation of the area before taking up of the project and lack of proper follow-up led to wasteful expenditure of ₹ 24.70 lakh on water supply project which has been abandoned.

The ZP (East) stated (April 2017) that the project had initially catered to 45 households on completion. However, due to unforeseen effect of construction of Airport, households had shifted to other places.

The reply is not acceptable as the ZP could have stopped the execution of the project, atleast before according Technical sanction during August 2014, as it was amply clear by then that the houses would have to be shifted as reported (August 2014) by local media. This is more so as the Technical note supporting the approval of project had clearly stipulated to ensure framing of detailed drawings as per site condition before actual execution by the Implementing Agency. Had the ZP complied with this and prepared the estimate as per actual site condition and ground realities, the project could have been scrapped before execution, and the fund of ₹ 24.70 lakh could have been gainfully utilised elsewhere to cater to water requirement of needy households.