

CHAPTER – III

AUDIT FINDINGS – DRAFT PARAGRAPH

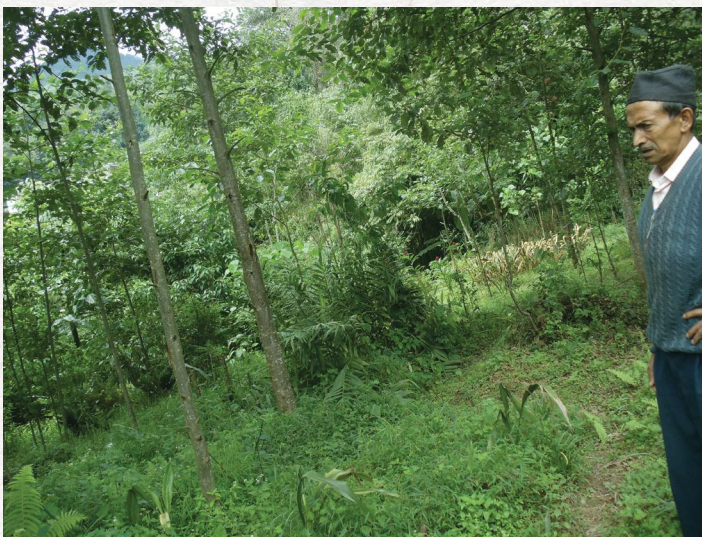
3.1 Infertuous expenditure on setting up of Herbal garden and Smriti Van

Despite recurring expenditure of ₹ 13.31 lakh towards maintenance (₹ 11.73 lakh) and lease rent (₹ 1.58 lakh) of the herbal gardens during the period 2004-05 to 2008-09, no production were generated leading to infertuous expenditure of ₹ 37 lakh on its creation.

The State Government (Rural Management & Development Department) approved (2003-04) establishment of herbal gardens in each of the GPs and accordingly earmarked ₹ 1 lakh for the purpose of setting up of herbal gardens in each of GPs out of sectoral grant of ₹ 10 lakh. The objective of herbal gardens were utilization of medicinal herbs for village public and to meet the sustainable need of the local traditional fold healer being practiced in the village.

Accordingly, herbal gardens were set up (2004-05) in each GPs involving a total cost of ₹ 166 lakh with the technical expertise and supervision of the Forest Department. According to the type of medicinal plants planted in the gardens, the production would commence after 3 to 4 years of plantation and would generate product to meet the objectives.

Audit check (September 2008 to January 2009) of 37 GPs (as detailed in *Appendix-V*) involving three⁴ districts revealed that while in 50 per cent cases herbal gardens were created in the private land holdings on 3 to 5 years lease basis, no production was generated from the



Defunct Herbal Garden of Soreng Gram
Panchayat Unit under Soreng BAC

⁴East (22 GPs), West (10 GPs) and South (5 GPs).

herbal gardens as yet even after five years of creation of herbal gardens as shown in the photograph below:



Defunct Herbal Garden of Upper Fambong Gram Panchayat Unit under Daramdin BAC

This was despite the fact that recurring expenditure of ₹13.31 lakh towards maintenance (₹11.73 lakh) and lease rent (₹1.58 lakh) of the herbal gardens were incurred by the GPs during the period 2004-05 to 2007-08. Besides, 22 GPs in East district incurred ₹ 2.88 lakh towards procurement of stationery from the inbuilt component of four *per cent* contingency in the sanctioned estimate of the herbal garden against the provision of Sikkim Public Works Code as the contingency provision was meant for watch and ward and other unforeseen expenditure in connection with the work.

Audit analysis revealed that the herbal gardens failed to generate yield in absence of proper maintenance, herbal gardens in 50 *per cent* cases were created in private land holding on lease basis for three years without any documentary evidence, which was abandoned after expiry of lease period, and soil testing not carried out to ensure suitability of the available land for the herbal gardens.

Thus, not only the recurring expenditure of ₹13.31 lakh on maintenance of 37 herbal gardens were unfruitful even the capital cost of ₹37 lakh on creation of these gardens were infructuous.

The matter was reported to the department (August 2009). No reply received (May 2010).

3.2 Unauthorised release of loan to Self-Help Group and non-realisation thereof

The action of the Gram Panchayats to sanction and release loan to Self Help Groups (SHGs) was not only against the norms but also did not lead to any fruitful utilization of funds as the activities undertaken by the SHGs were not yielding any result. The loan was also not refunded by the SHGs despite undertaking to refund within 12 months.

Under Micro Plan 2006-07, State Government sanctioned ₹10 lakh to each of the GPs towards Developmental Fund duly earmarking allocations for various sectors such as Infrastructure (35%), productive sector (35%), Social sector (20%) and Administration and miscellaneous (10%) for the GPUs not implementing Total Sanitation Programme (TSC). Similarly, GPs implementing TSC programme, while 50 *per cent* of the Micro-plan was to be incurred towards TSC programme and remaining 50 *per cent* was to be utilized towards Infrastructure (15%), productive sector (15%), Social sector (10%) and Administration and miscellaneous sector (10%) sector. The instructions (April 2006) of the Government (Rural Management & Development Department) for the GPs not implementing TSC programme, earmarked allocation of 15% of the Productive sectors were to be utilized towards

operation and maintenance of old schemes/ programmes such as Smriti Van, herbal garden with a view to sustain the already established and existing infrastructure. The guidelines specifically forbade taking up of new schemes/ programmes out of this allocation.

Audit scrutiny revealed that out of the Productive sector allocations of ₹30 lakh, ₹ 17.58 lakh was incurred by 11 GPs towards releasing loans to the Self Help Groups for undertaking variety of trades for income generation such as piggery/ Goatry/Poultry/ Dairy unit (21SHGs ₹6.21 lakh), Ginger/Chilly (66 SHG – ₹8.47 lakh), Potato (2 SHG – ₹0.30 lakh) and Gin-Floriculture/Traditional item/Paper production (8 SHG – ₹ 2.60 lakh) as detailed in *Appendix -VI*. This was released after taking a resolution in the respective gram sabha with stipulation to realize the loan after twelve months of release.

Audit analysis revealed that the grant of loans to the SHGs was not only in violation of the directions issued by the State Government on utilization of micro plan but neither any condition for repayment/penalty was included in project report nor any agreement drawn. The loan was also not refunded by the SHGs even after a lapse of 3 years as of December 2009. The Gram Panchayat had not kept any trace of the functioning or the otherwise of the SHGs after releasing loan to them. No semblance of monitoring of the schemes by the SHGs was evident from the records. Although the loans were ostensibly given based on the viability of the project proposals submitted by the SHGs, the checking at GP level was lax as none of the SHGs were engaged in the trade and had not even refunded the loan of ₹16.58 lakh.

Notwithstanding the fact that a number of schemes/ programme especially smriti van, herbal garden etc were established and were in need of maintenance, the GP ignored these activities and chose to incur the fund towards releasing loan to SHGs which was not followed by regular monitoring. The action of the GP was thus not only against the norms but also did not lead to any fruitful utilization of funds as the activities undertaken by the SHGs were not yielding any result. The loan was also not refunded by the SHGs despite undertaking to refund within 12 months.

3.3 Diversion of fund from Development grants

Diversion of fund from Developmental grants was not only irregular but also in effect compromised the development envisaged in the executive committee meeting of North ZP especially in the arena of micro sector as evident from their annual action plans of the district.

The State Government *through Rural Management & Development Department* provided for Micro plan funds to each of the GPs and ZPs with the objective of bringing about development in various sector through Creation of Assets, Rural

enterprise for income generation/supplementation, Skill up-gradation programmes, etc. Accordingly, a total of ₹ 2 crore was released by the Rural Management Development Department to 4 ZP of East, West, South and North districts during the period 2005-06.

Audit noticed that out of ₹ 50 lakh granted by RMD Department to ZP of North district during 2005-06, the ZP diverted (December 2006) ₹ 6.08 lakh towards procuring a vehicle (Bolero) for the use of Zilla Adhyaksha. The above amount was in fact diverted from earmarked fund of infrastructure development *in Rural enterprise for income generation/supplementation sector* by the Adhyaksha, ZP on the plea that there was no need to develop or carry out any work in infrastructure sector. This was however misleading as in the subsequent year, ZP in its executive committee meeting decided (2007-08) for developing and execution of works relating to infrastructure under rural enterprise for income generation/supplementation sector and also incurred ₹ 4.83 lakh towards interpretation centre at Pentok, Mangan.

Thus, the diversion was not only irregular but also in effect compromised the development envisaged in the executive committee meeting of North ZP especially in the arena of micro sector as evident from their annual action plans of the district.

3.4 Unfruitful expenditure of ₹3.18 lakh on establishment of pickle production unit

Even after incurring expenditure of ₹ 3.25 lakh none of the pickle production unit were established let alone productivity and income generation of ₹3.18 lakh per annum as envisaged in the project report.

The North ZP decided to establish pickle production unit in Zongu at an estimated cost of ₹ 3.25 lakh with an objective to make the youth self reliant and self employed.

On approval of ZP, the pickle production unit was established in one GPUs (Zongu) between May 2007 to June 2007 at a cost of ₹ 2.60 lakh. Besides, 36 people from one GP were also imparted training by technical experts from Sikkim Food Preservation Factory, Singtam and Community Food and Nutrition Extension Unit, Arithang Gangtok between May 2007 and June 2007 involving a cost of ₹ 0.65 lakh.

Audit noticed that the objective of establishment of pickle production unit was not achieved even after incurring ₹ 3.25 lakh as none of the unit was functional as of June 2009.

It was noticed during audit (February 2009) that the ZP had not devised any modality for operationalisation of unit as no committee was formed to run and

manage the unit, no backward forward linkages were established to enable them procure good quality raw materials at economical rates and market their finished products, monitoring mechanism to ensure that the trainees adopted the trade as their vocation, etc.

Selection process for identification of suitable candidates for training was also faulty as interest of the candidates in the trade, their aptitude for taking up the pickle production as their venture etc was not ensured.

Thus, even after incurring expenditure of ₹3.25 lakh none of the production unit was established let alone productivity and income generation of ₹3.18 lakh per annum as envisaged in the project report.

3.5 Unauthorized payment of food grains to suppliers under SGRY

GPs issued 201.56 qtl rice (valuing ₹2.52 lakh at FCI rate and ₹1.78 lakh at subsidised rate) to the suppliers in lieu of material supplied. This was not only unauthorized as per SGRY guidelines but also led to a diversion of rice from wage component to material component and loss to GPs of ₹0.74 lakh.

SGRY guidelines (para 6.1.5) stipulated execution of labour intensive works with a view to provide wage employment and also allotment of rice to the beneficiaries at subsidized rate under wage component to protect the real wage of workers and improving the nutritional standard of the families of the rural poor. For execution of works under SGRY, the State Government *through Rural Management & Development Department* fixed labour and material component ratio to 60: 40.

Scrutiny of records of six GPUs under West district revealed that out of 10,612 qtl of rice allotted (2005-06) by Rural Management and Development Department for issue to the beneficiaries under wage component of SGRY, the GPs issued 201.56 qtl rice (valuing ₹2.52⁵ lakh at FCI rate and ₹1.78 lakh⁶ at subsidised rate) to the suppliers in lieu of material supplied. This was not only unauthorized as per guidelines but also led to a diversion of rice from wage component to material component and loss to GPs of ₹0.74 lakh⁷.

⁵ ₹1250 per qtl. X 201.56 qtl. of rice issued = ₹2.52 lakh

⁶ ₹885 per qntl X 201.56 qntl of rice issued = ₹1.78 lakh.

⁷Difference between 5 and 6 = ₹0.74 lakh

3.6 Irregular implementation of Backward Region Grant Fund

The implementation of BRGF fund by West district ZP was characterized by absence of fair competition and wide publicity involving ₹ 2.65 crore. The works were not completed despite release of funds of ₹ 1.54 crore by RMDD – the progress ranging between 60 and 75 per cent as of September 2009.

The Backward Regions Grant Fund (BRGF) is designed to redress regional imbalances in development. The fund aims to supplement and converge existing developmental inflows into identified districts, so as to (i) bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows; (ii) strengthen Panchayat and Municipality level governance with capacity building to facilitate participatory planning, decision making, implementation and monitoring; (iii) provide professional support to local bodies for planning, implementation and monitoring their plans; (iv) improve the performance and delivery of critical functions assigned to Panchayats.

Government of India created BRGF fund by replacing Rashtriya Sam Vikas Yojana. A total of 111 districts identified by the States concerned were approved by GOI for implementation of BRGF. Accordingly, for the state of Sikkim, *North district* was selected for implementation of BRGF.

A total of ₹ 12.97 crore was sanctioned (June 2007) by GOI to the State Government. ZP (West) was allotted (2007-08) ₹ 2.86 crore towards construction of steel foot bridges (8), of which ₹ 1.54 crore was released (March 2008) after deducting ₹ 1.32 crore by RMDD for supply of bridge parts. According to the RMDD instruction (April 2008) execution of schemes was to be done through tendering procedure as per government norms and materials for bridge parts (including GI pipes) were to be collected from departmental stores concerned. As on 31 March 2009, a total of ₹ 20.58 lakh was incurred towards construction of eight SFBs leaving an unspent balance of ₹ 2.65 crore (incl material cost).

Audit analysis revealed that the action of the State Government (Rural Management & Development Department) to release funds to all the four districts Zilla Panchayat (ZPs) was essentially unauthorized diversion of BRGF fund meant for North district to all the four districts that too without obtaining prior approval of the GOI.

Analysis of expenditure incurred by West district ZP revealed that a short tender notice was invited (4 November 2008) by the ZP allowing only six days (10 November 2008) to participate in the tender process. Another four days was only allowed for quoting the rates, thus restricting the scope of fair competition and wide publicity. The publicity was not only given very limited time for the contractors to

participate but the tender notice was not displayed at public places and no publicity through local papers were attempted. While the ZP could not furnish details and relevant documents pertaining to seven works, records relating to one work in respect of 'Construction of Foot Bridge at Chojo over Runum Khola' revealed that tender documents were procured by only three contractors and none of them had even enclosed bills of quantities and the rate offered by them. In absence of which it is not clear how the minimum rates as reflected in the comparative statement was arrived at for the work order issued. Scrutiny of tender form vis-à-vis various other papers submitted from time to time by the successful bidder revealed that the signature of the contractor was not uniform in any of the documents as was evidenced from the documents such as tender form, measurement book, labour clearance certificate, request for self - purchase of material, etc. Two different signatures in the same documents are indicative of slip shod works by ZP official. The implementation of BRGF fund by West district ZP was thus characterized by absence of fair competition and wide publicity besides non-furnishing of documents relating to seven works involving ₹ 2.65 crore. The works were not completed despite release of funds of ₹ 1.54 crore by RMDD – the progress ranging between 60 and 75 *per cent* as of September 2009 despite incurring an expenditure of ₹ 2.52 crore on payment of bills to the contractors (₹ 1.20 crore) and material cost (₹ 1.32 crore).

Gangtok
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