

CHAPTER-V

COMPLIANCE AUDIT OF TRANSACTION OF URBAN LOCAL BODIES

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AUDIT ON TRANSACTIONS OF URBAN LOCAL BODIES

5.1 Unfruitful expenditure and loss of interest

Injudicious and hasty decision of Gangtok Municipal Corporation to acquire Star Cinema Hall Building without ensuring its utilisation, cost-benefit ratio and its subsequent failure to get possession of the Building for intended use or obtain refund of ₹ 4.06 crore, even after expiry of two years of release of fund, led to unfruitful expenditure and loss of interest of ₹32.48 lakh towards idle fund.

The Urban Development & Housing Department (UDHD) decided (June 2008) to acquire the Star Cinema Hall Building at ₹ 5.27 crore, assessed by Land Revenue & Disaster Management Department (LRDMD). ₹ 1 crore was transferred (May 2009) to LRDMD for acquisition. The property was handed over (March 2011) to LRDMD on as is where is basis. The UDHD, however, could not pay the balance amount of ₹ 4.27 crore due to inadequate fund allocation. Meanwhile, the Co-owners of the property filed (November 2014) a petition in the Lok Adalat Forum and sought interest @ 8.75 per cent on the balance amount (₹ 4.27 crore) as compensation. Since the UDHD did not have the required fund to pay the balance amount, UDHD requested (16 October 2014) GMC to transfer ₹ 4.06 crore to Co-owner of Star Cinema Hall Building on the plea that the property would be transferred to GMC. The GMC, accordingly transferred (November 2014) ₹ 4.06 crore to UDHD.

Audit scrutiny revealed that the fund was transferred (November 2014) to UDHD by GMC under the order of Mayor on the condition that Star Cinema Hall Building including land (15,00,127.5 sq. feet) would be transferred to GMC in vacant position. However, the property was not transferred to GMC even after expiry of two years since the date of release of ₹ 4.06 crore by GMC. The GMC although reminded UDHD for refund of money or transfer the property from time to time, latest being September 2015, neither the fund was refunded by UDHD nor the property was transferred to GMC as of September 2016.

Audit analysis revealed (July 2016) that the GMC had acted in haste to acquire the Star Cinema Hall Building including land without proper analysis. The GMC had not deliberated on the issue of acquisition of Star Cinema Hall Building adequately in any of their meetings before releasing payment for acquisition as to the manner of utilisation of the property, cost benefit ratio, etc. On requisition from Audit, the GMC informed (September 2016) that the Corporation was planning to construct a shopping mall with parking facility to let out to branded companies. However, volume of probable rent was never assessed to ensure adequate returns from the investment (₹ 4.06 crore). The GMC had not even conceded the fact that the property would be retained with UDHD and would not be transferred to GMC any more as conveyed (July 2015) by UDHD. Audit also noticed that the property was occupied by a number of tenants of erstwhile owners who continued to stay in the building as of September 2016.

Thus, injudicious and hasty decision of GMC to acquire Star Cinema Hall Building without ensuring its utilisation, cost-benefit ratio coupled with its subsequent failure to get possession of the Building for intended use or obtain refund, even after expiry of two years of release of fund, led to unfruitful expenditure of ₹ 4.06 crore and loss of interest of ₹ 32.48 lakh towards idling of fund.

5.2 Diversion of fund

State Government released unsolicited fund of ₹ 5 crore to ULBs, originally meant for 'Self-reliant Scheme' which was not even utilised and kept idle in fixed deposit (₹ 3.30 crore) by four ULBs. Provisioning of fund to ULBs by diverting earmarked fund was also against the intent of the Legislature.

Based on the direction (November 2015) of the Chief Minister of Sikkim, fund of ₹ 5 crore was provided (December 2015) to SIDICO for onward release to Urban Local Bodies (ULBs) on the plea of overcoming financial crunch faced by the ULBs. Accordingly, SIDICO released (January 2016) ₹ 5 crore to the ULBs. The details of fund received by ULBs and expenditure there against as of September 2016 is given below:

(₹ in lakh)

Sl. No.	Name of ULBs	Fund received	Expenditure	Closing Balance	Item of expenditure
1	Gangtok Municipal Corporation	200.00	Nil	200.00	
2	Namchi Municipal Council	50.00	50.00	Nil	Salary to employee, MR salary, honorarium of Chairman and Councillors, etc.
3	Jorethang-Naya Bazar Municipal Council	50.00	49.42	0.58	
4	Geyzing Municipal Council	50.00	36.41	13.59	
5	Mangan Nagar Panchayat	50.00	18.27	31.73	
6	Singtam Nagar Panchayat	50.00	Nil	50.00	
7	Rangpo Nagar Panchayat	50.00	Nil	50.00	

It was noticed that out of seven ULBs, only two ULBs (i.e. Namchi Municipal Council and Jorethang-Naya Bazar Municipal Council) had incurred the entire fund (₹ 50 lakh each) between January and July 2016, primarily on salary, office establishment and other miscellaneous expenditure. Of the remaining five ULBs, two ULBs (Mangan Nagar Panchayat and Geyzing Municipal Council) had partially utilised the fund. While Mangan Nagar Panchayat had utilised ₹ 18.27 lakh and parked (January 2016) the balance fund of ₹ 30 lakh in fixed deposit; Geyzing Municipal Council had utilised ₹ 36.41 lakh and retained the balance fund in savings account. Other three ULBs (Gangtok Municipal Corporation, Singtam Nagar Panchayat and Rangpo Nagar Panchayat) had not utilised the fund (₹ 3 crore) at all as of September 2016.

Audit analysis revealed that majority of ULBs did not face financial crunch and had not even requested for additional fund. As a result, the unsolicited funds, released by SIDICO was kept as fixed deposit in full by three ULBs (out of seven) and partially by one ULB (₹ 30 lakh). Analysis revealed that the fund was originally meant for 'Self-Reliant Scheme' to be utilised towards disbursement of loans from ₹ 0.50 lakh to ₹ 1 lakh to local Sikkimese. The loan was to be repaid by loanee on equated monthly instalment (EMI) basis in five years after a moratorium of 2 years at interest of 6 per cent per annum.

Release of fund to ULBs by SIDICO was not only ab-initio against the prescription in the scheme guidelines but also was unsolicited as no request for additional fund (except one

ULB i.e. Mangan) was made by any of the ULBs. Further, detail guidelines indicating manner of utilisation of above fund by ULBs and monitoring mechanism to ensure proper utilisation of fund by ULBs, were also not devolved by either the granting authority i.e. SIDICO or by the administrative department i.e. UDHD.

Thus, decision on the part of State Government to release unsolicited fund of ₹ 5 crore to ULBs, originally meant for 'Self-reliant Scheme', was not utilised and kept idle in fixed deposit by four ULBs. Provisioning of fund to ULBs by diverting from earmarked fund was also against the intent of the Legislature and loss to the Government as the fund would have been recouped with interest had it been utilised towards self-reliant scheme.

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