

**CHAPTER III**

**AUDIT OF TRANSACTIONS**

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**AUDIT OF TRANSACTIONS**
**3.1 Excess payment to contractors**
**RAJKOT MUNICIPAL CORPORATION**
**3.1.1 Payment to contractor outside the scope of agreement**

**In violation of agreement, Rajkot Municipal Corporation paid Rs.75 lakh to the contractor entrusted with construction of a subway at Mahila College chowk**

Rajkot Municipal Corporation (RMC) awarded (March 2003) the work of construction of a subway at Mahila College chowk in place of Railway level-crossing on Kalawad road at the tendered cost of Rs.3.68 crore against the estimated cost of Rs.4.63 crore. The work was to be completed by October 2003. Due to changes proposed by Railways in the design, extension of time limit for completion was granted and the work was finally completed in October 2004 at a cost of Rs.5.66 crore.

Scrutiny of the records revealed that the agreement did not contain provision for star-rate<sup>1</sup> and the agency ought to have quoted rates taking into account such contingencies. It was however, noticed that the RMC made payment of a *lump-sum* amount of Rs.50 lakh to the contractor for compensating price increase in cement and steel. Further, the agreement with the contractor did not include any provision for payment of mobilization advance. However, RMC paid Rs.25 lakh (April 2004) to the contractor towards mobilization advance resulting in excess payment of Rs.75 lakh to the contractor

The matter was reported to the Commissioner of the RMC in September 2006; reply has not been received (March 2007).

**3.2 Avoidable/excess/unfruitful expenditure**
**DHRANGADHRA AND GONDAL MUNICIPALITIES**
**3.2.1 Unfruitful expenditure under E-Governance programme**

**Due to inadequate training to the staff, computer hardware/software purchased at a cost of Rs.13.55 lakh remained by and large unfruitful**

As a part of Government policy on E-Governance Programme, Eleventh Finance Commission provided financial assistance to Municipalities for computerization.

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<sup>1</sup> For increasing/decreasing the rate of cement/steel depending upon market fluctuation

Dhrangadhra and Gondal Municipalities received grants aggregating to Rs.21.83 lakh<sup>2</sup> during 2003-05 under the E-Governance Programme. Out of this, Rs.13.55 lakh was incurred on purchase of 19 computers by the Municipalities.

It was however, noticed that in Dhrangadhra Municipality, of the 14 computers purchased, only four were put to use for birth and death registrations. On being pointed out the Chief Officer of the Municipality stated that for want of proficient manpower remaining systems could not be put to use.

In Gondal Municipality, two out of the five systems and one UPS purchased were not in working condition; though the hardware carried warranty of two years, repairs/replacements were not carried out by the suppliers. The Chief Officer of the Municipality stated that computerization programme was implemented in a phased manner and that due to inadequate training to staff, it could not be implemented fully.

Thus, due to slackness of the Municipalities in providing adequate training to the staff, the assets acquired at a cost of Rs.13.55 lakh could not serve any fruitful purpose.

## **GONDAL MUNICIPALITY**

### ***3.2.2 Unfruitful expenditure on water supply works***

**The Chief Officer of Gondal Municipality did not ensure the quality of work executed resulting in unfruitful expenditure of Rs.38.31 lakh**

Director of Municipalities released Rs.21.92 lakh (March 2000) and Rs.21.52 lakh (December 2002) out of the funds received from Tenth and Eleventh Finance Commissions respectively to Gondal Municipality for augmentation of water supply. The General Body of the Municipality accorded administrative approval (August 2004) for execution of the work estimated to cost Rs.43.44 lakh. The scope of work included laying 400 mm AC pressure pipes at different localities<sup>3</sup> and rising main<sup>4</sup>.

The work was awarded to an agency<sup>5</sup> (February 2005) at their tendered cost of Rs.43.44 lakh; the work was to be completed in six months. The work was completed (August 2005) and final bill amounting to Rs.38.31 lakh was paid (September 2005).

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<sup>2</sup> Dhrangadhra Municipality Rs.15.48 lakh and Gondal Municipality Rs.6.35 lakh

<sup>3</sup> Station Plot, Devpara, Chokshinagar, Umavada Road to Chabutra, Mahadev vadi, Bhojrajpara, Alakh Chabutra, Gundala Darwaja and Jail chowk

<sup>4</sup> Between Yoginagar Marg 13 and Akshardham Society

<sup>5</sup> Uni Royal Sthapatya, Gondal

A scrutiny of records revealed that the agency was required to use a specific brand<sup>6</sup> of pipes as per conditions of the contract; but they were not got tested by the Municipal authorities. When tested for hydraulic pressure, the pipes ruptured at many places; consequently, water supply to the new areas where pipelines were laid could not be commenced. The Municipality's failure to ensure the quality of work resulted in unfruitful expenditure of Rs.38.31 lakh.

The Chief Officer of the Municipality stated that they had relied upon the test results furnished by the agency and that testing of pipes was not independently done by the Municipality. The reply of the Chief Officer was not tenable as the Municipality was required to ensure quality of the work.

### **MORBI MUNICIPALITY**

#### ***3.2.3 Avoidable expenditure on interest payment***

#### **Delay in refund of unspent balance out of loan resulted in avoidable interest payment of Rs.17.45 lakh**

Government of India introduced (December 1979) a Centrally Sponsored Scheme, Integrated Development of Small and Medium Towns, with the objective to provide loan for infrastructure development and thereby slow down migration from these towns to cities. The Scheme was implemented with financial assistance from Central/State Government and loan from financial institutions.

Under the Scheme, Morbi Municipality formulated projects costing Rs.1.30 crore, of which Government of India approved projects involving expenditure of Rs.73.37 lakh and loan of Rs.37.50 lakh was released (June-September 1991). The loan was to be repaid in 25 years with a moratorium period of five years.

Scrutiny of records revealed that out of the loan of Rs.37.50 lakh, the Municipality could utilise only Rs.13.24 lakh and remaining amount of Rs.24.26 lakh was credited back to Government after a lapse of 12 years (March 2004).

When pointed out, the Chief Officer of the Municipality stated that due to delay in approval of design and opposition from local residents, the projects could not be implemented. The reply of the Chief Officer is not tenable as the Municipality should have conducted necessary feasibility study before formulating projects of such a magnitude. Failure to do so resulted in payment of avoidable interest of Rs.17.45 lakh on the unutilised loan besides non-fulfillment of the objective of the scheme.

<sup>6</sup> Siddharth with ISI mark

## **RAJKOT MUNICIPAL CORPORATION**

### **3.2.4 Excess expenditure due to excess consumption of mix material**

#### **Excess consumption of mix material on road works resulted in excess expenditure of Rs.1.27 crore**

Government in Roads and Buildings (R&B) Department prescribed (October 1987) norms<sup>7</sup> for consumption of mix materials for Compacted Bituminous Carpet (CBC). Similarly, Ministry of Road Transport and Highways (MORTH) also prescribed norms<sup>8</sup> for Semi Dense Bituminous Carpet (SDBC). According to the above norms, one MT material would be required to cover 18.18 sqmt area with 25 mm thick CBC/SDBC. Rajkot Municipal Corporation (RMC) adopted the above norms.

As per action plan (2004-05) of RMC, the work of providing and laying 25 mm thick CBC/SDBC was awarded (January 2005) at the rates of Rs.1132.75/MT and Rs.1351.25/MT respectively.

Scrutiny of the records revealed that the agency had executed road work at an area of 3,45,876.62 sqmt consuming 27,383.86 MT of mix material against the actual requirement of 19,023.54 MT; thereby consuming of 8,360.32 MT excess material costing Rs.94.70 lakh. Similarly, for SDBC work covering 2,40,575 sqmt area, 17,685.67 MT of mix material was used against the requirement of 13,782.65 MT and thereby consumed excess quantity of 3903.02 MT material costing Rs.52.74 lakh. Thus, failure of RMC to adhere to the norms prescribed by R&B Department and MORTH resulted in excess consumption of mix material in CBC/SDBC road works and consequential excess expenditure of Rs.1.27 crore.

When pointed out, Commissioner of RMC did not reply.

## **VADODARA MUNICIPAL CORPORATION**

### **3.2.5 Avoidable expenditure due to non acceptance of tenders**

#### **Rejection of tenders on first invitation in respect of four works resulted in avoidable expenditure of Rs.56 lakh**

Vadodara Municipal Corporation accorded administrative approval (October and December 2003) for construction of Elevated Storage Reservoir (ESR) and other ancillary items of water works at Harinagar, Subhanpura and Manjalpur. In all the cases, the works were re-tendered as indicated below –

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<sup>7</sup> Length\*width\*density\*thickness=total tones or tones/density\*thickness

<sup>8</sup> Length\*width\*2.30 (density)\*0.025 (thickness)= total tones or length\*width/18.20 =total tonnes

<b>Item of work</b>	<b>Replacement of old ESR at Harinagar</b>	<b>Construction of Subhanpura Waterworks</b>	<b>Ancillary work at Subhanpura</b>	<b>Construction of Manjalpur Waterworks</b>
Estimated cost (Rupees in crore)	1.22	7.07	1.08	9.39
Invitation of tenders	December 2003/ February 2004	April 2004	June 2005	April 2004
<b>Item of work</b>	<b>Replacement of old ESR at Harinagar</b>	<b>Construction of ESR at Subhanpura</b>	<b>Ancillary work at Subhanpura</b>	<b>Construction of ESR at Manjalpur</b>
Tendered cost of lowest bidder (Rupees in crore)	1.69	2.00	1.14	2.00
Reason for rejection	Offer at higher side	Offer at higher side	Not found on record	Offer at higher side
Re-invitation of tenders	May 2004	June 2004	March 2006	May 2004
Tendered cost of lowest bidder (Rupees in crore)	1.81	2.15	1.28	2.15
Issue of work order	February 2005	October 2004	September 2006	July 2004
Avoidable expenditure due to re-invitation (Rupees in crore)	0.12	0.15	0.14	0.15

Thus, rejection of tenders at first invitation without any reasonable cause resulted in avoidable expenditure of Rs.56 lakh.

### **3.2.6 Avoidable expenditure due to non acceptance of tenders**

**Injudicious rejection of tenders for drainage works resulted in avoidable expenditure of Rs.31.93 lakh**

Vadodara Municipal Corporation invited tenders (May 2002) for providing and laying 900 mm dia drainage gravity-main from Singhoda Talav to Kishanwadi junction at an estimated to cost Rs.41.03 lakh. The offer of the

lowest bidder standing at Rs.57.03 lakh was rejected on the ground of quotation at high cost. Till January 2006, quotations were invited 11 times<sup>9</sup> and on eleventh invitation, the offer standing at Rs.70.16 lakh was accepted (February 2006) and work order accordingly issued. Rejection of offer on first invitation thus resulted in avoidable expenditure of Rs.13.13 lakh.

Further, the Municipal Corporation incurred expenditure at the rate of Rs.40,000 per month for the alternative drainage arrangements; thus an expenditure of Rs.18.80 lakh was incurred during May 2002 to March 2006.

Thus, injudicious rejection of tenders on first invitation resulted in avoidable expenditure of Rs.31.93 lakh (Rs.13.13 lakh plus Rs.18.80 lakh).

### ***3.2.7 Execution of drainage work without survey resulting in extra expenditure***

**Vadodara Municipal Corporation awarded contract for drainage work without site survey resulting in extra expenditure of Rs.46.97 lakh to save work of Rs.30 lakh executed; besides wasteful expenditure of Rs.30 lakh on road works due to non-co-ordination between the two branches**

Work of providing and laying drainage gravity line from VIP road Auxiliary Pumping Station (APS)-Amitnagar-Savli Road (upto Mayo Hospital) estimated to cost Rs.57.39 lakh was awarded to an agency (May 2005) at the tendered cost of Rs.86.94 lakh. The work was to be completed in 12 months.

Scrutiny of records revealed that the scope of the work included excavation of a depth of 1.55 mtr to 7.50 mtr from EME School-Amitnagar Circle-VIP Road APS for laying pipeline of 250 mm to 800 mm. The agency had completed work of laying pipelines of different dimensions to the extent of Rs.30 lakh; but thereafter the work confronted with strata of high-level water table, making further excavation for laying pipeline of 800 mm impossible. Therefore, connecting the newly laid pipeline with the existing APS became unfeasible.

In order to make use of the pipeline laid at a cost of Rs.30 lakh, the Municipal Corporation decided to complete the work on an alternate route entailing additional expenditure of Rs.46.97 lakh; the scope of such work included –

- construction of small sized APS opposite of Bhavana Park Society;
- laying of 450 mm pipeline from Ambe School to proposed APS;
- laying of 250 mm dia CI pressure pipe from proposed APS-Amitnagar Circle-Model road-Manek Park Junction; and
- providing submersible pumps, delivery line and electrical work at proposed pumping station.

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<sup>9</sup> Due to high rates quoted and poor financial condition of the Corporation; on three occasions, nobody turned up to lift tender papers

Scrutiny of records also revealed that the Municipal Corporation had not conducted any survey or investigation or hydrological test to ensure feasibility of the work. Thus, to save the work executed at a cost of Rs.30 lakh, additional work amounting to Rs.46.97 was taken up; in the process large area originally included in the scope of the work was also left out from the benefits of the laying of drainage line.

Further, the City Engineer had observed in March 2005 that drainage work may be executed immediately, as construction of roadwork was also to be taken up. However, without co-ordination between Road and Drainage branches, the road work was taken up in November 2005 at a cost of Rs.86.58 lakh. But, the agency for road work was relieved (January 2006) when work to the tune of Rs.39.63 lakh was executed. Immediately thereafter, newly constructed road was excavated at an area of 1392.14 sqmt for laying drainage pipeline. For restoration of road to a motorable condition, fresh contract was fixed at a cost of Rs.30 lakh. Thus, non-co-ordination between different branches of Municipal Corporation resulted in wasteful expenditure of Rs.30 lakh.

The Municipal Corporation did not offer any remark to the audit observations.

### ***3.2.8 Unfruitful expenditure on road work***

**Vadodara Municipal Corporation left the metal grouted road without bituminous treatment resulting in infructuous expenditure of Rs.11.05 lakh**

Vadodara Municipal Corporation decided (July 2004) to convert single lane Ajwa road between Sardarnagar chokdi and Kalamnagar into double lane and financial sanction of Rs.30 lakh was accorded (August 2004); estimates of Rs.31 lakh was sanctioned (October 2004) by the Municipal Commissioner. The scope of the work included metal grouting of second tract from Leprosy Hospital to Kalamnagar, carpeting the existing metal grouted road from Sardarnagar Chokdi to Leprosy hospital and carpeting of second tract from Leprosy Hospital to Kalamnagar.

The work of metal grouting between Leprosy Hospital and Kalamnagar was completed in December 2004 at a cost of Rs.11.05 lakh; but the work of asphalt concrete carpeting was taken up belatedly in May 2005. Due to this delay, the metal grouted surface of the road settled and required additional 195 MT of mix material costing Rs.2.32 lakh.

The work remained incomplete even as of September 2006. Road without bituminous treatment would be susceptible for deterioration with passage of time and damages due to monsoon; thus the entire expenditure of Rs.11.05 lakh on metal grouting rendered unfruitful.



### **3.3 Idle Investment**

#### **DHRANGADHRA MUNICIPALITY**

##### **3.3.1 Idle investment on construction of shopping centre**

<b>Non allotment of 142 shops constructed by Dhrangadhra Municipality resulted in idle investment of Rs.1.65 crore</b>
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Urban Development and Urban Housing Department (UDUHD) directed (October 2000) all Municipalities to submit Project Report on the works to be taken up under Integrated Development of Small and Medium Towns (ISDMT) by November 2002. Dhrangadhra Municipality accordingly decided to construct a shopping centre (consisting of 142 shops) under ISDMT at an estimated cost of Rs.1.81 crore.

The agency with whom the work was entrusted (June 2004) at their tendered cost of Rs.1.87 crore had completed the construction (September 2005) at the final cost of Rs.1.65 crore. The Municipality approached (December 2005) Collector for auction of the shops, but permission from the Collector was not yet received; thereby resulting in idle investment of Rs.1.65 crore.

The Chief Officer of the Municipality stated that the shops would be auctioned after receipt of requisite permission. Reply of the Chief Officer is not tenable as the premises are lying idle since September 2005.

#### **VADODARA MUNICIPAL CORPORATION**

##### **3.3.2 Idle investment on construction of water works**

<b>Non completion of water works on the command area of Elevated Storage Reservoir at Ajwa road resulted in idle investment of Rs.4.70 crore</b>
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The Standing Committee of the Municipal Corporation approved (April 2002) the work of supplying and laying HS feeder and CI delivery line in command area of the proposed Elevated Storage Reservoir (ESR) at Ajwa road at an estimated cost of Rs.4.78 crore. Of the above, works estimated to cost of Rs.4.64 crore was awarded (October 2004) to an agency at their tendered cost of Rs.6.26 crore. The work was to be completed in six months.

During execution of work, the agency was given extension of time limit of 299 days for completion of work on the grounds of festivals and monsoon, though monsoon lasts three months (July to September) and festival one month (October). This resulted in undue favour to the agency as these are not only unforeseen grounds, but also beyond the scope of reasonability.

After executing work to the extent of Rs.4.70 crore (75 per cent work), the agency abandoned (January 2006) the work; since then there is no progress in completion of the remaining work. The Municipal Corporation has not taken any action to complete the remaining work. This resulted in idle investment of Rs.4.70 crore on the water works.

## **GONDAL MUNICIPALITY**

### *3.3.3 Idle investment on construction of fire station*

**Fire Station got constructed by the Municipality at a cost of Rs.25.58 lakh remained idle for no reasonable cause**

The Superintending Engineer, Roads and Buildings Circle-1, Rajkot accorded (May 2005) technical sanction for construction of Fire Station near Town Hall at Gondal at an estimated cost of Rs.27.11 lakh and accordingly work order was issued (June 2005) to an agency at their tendered cost of Rs.25.58 lakh. The work was to be completed within six months from the date of work order.

Scrutiny of records of the Municipality revealed that the agency completed the work in October 2005 at their final cost of Rs.25.58 lakh and possession handed over (October 2005) to the Municipality. The Municipality also purchased firefighting equipments; but operated from the Municipality building. As a result, the building was not put to use yet (September 2006). This resulted in idle investment of Rs.25.58 lakh.

The Chief Officer of the Municipality admitted the delay and stated that due to elections to the Municipality and inconvenience to the Hon'ble Minister for inauguration, the Fire Station could not be opened. The reply of the Chief Officer is not tenable as one year time has already elapsed and election or inconvenience of the authority cannot be reason for not opening the facility created.

## **3.4 Regulatory issues and other points**

### **MORBI MUNICIPALITY**

#### *3.4.1 Engaging staff in excess of sanctioned strength*

**Appointment of excess employees than sanctioned strength resulted in extra expenditure of Rs.1.01 crore**

Government from time to time, sanctioned 503 posts for the Municipality. However, the men-in-position during 2004-06 was 567 and with 10 vacant posts, there were excess appointment of 74 staff; all of them belonging to

Class IV cadre. The Municipality had incurred an expenditure of Rs.1.01 crore during the period on the pay and allowances of these employees.

On being pointed out, the Chief Officer of the Municipality stated that the employees were initially appointed on temporary basis, but due to orders of Court of Law, their services could not be terminated. The reply of the Chief Officer is not tenable as no employee could have been appointed without sanction of post by the Government.

## **RAJKOT MUNICIPAL CORPORATION**

### *3.4.2 Excessive administrative expenditure*

**Rajkot Municipal Corporation spent 97 per cent of the funds released for Urban Basic Services Project against the permissible limit of 10 per cent on establishment**

Urban Basic Services Project (UBSP) was aimed to provide basic social services like health care, primary health, supplementary nutrition, industrial education, assistance to the needy groups of the society, etc. of the urban poor. The guidelines of UBSP provides that expenditure towards establishment of the employees, including expenditure on engaging the service organizations should be less than 10 per cent of total funds released on the project.

Scrutiny of records at Rajkot Municipal Corporation (RMC) revealed that Government released Rs.85.45 lakh during 1999-2006 towards the project and RMC also met an expenditure of Rs.11.62 lakh from their funds; thus Rs.97.07 lakh were spent on the project. Scrutiny further revealed that as against Rs.85.45 lakh released by Government, RMC incurred an expenditure of Rs.82.83 lakh (97 per cent) on establishment and mere 9.45 to 29.48 per cent on the project; thus defeating the very purpose of introduction of such a project.

The matter has been pointed to the Municipal Commissioner; reply is awaited (March 2007).

## **VADODARA MUNICIPAL CORPORATION**

### *3.4.3 Additional burden on the poor due to delay in commencing the work*

**Due to delay in fixing agency for financing the project of dwellings for urban poor resulted in delay in commencement of work and consequently saddling them with additional burden**

Government of India introduced (August 2001) Valmiki Ambedkar Awas Yojana (VAMBAY) to provide shelter or to upgrade the existing shelter for people living below poverty line (BPL) in urban slums. The yojana envisages

construction of dwelling with a unit cost of Rs.50,000 with financial assistance to the beneficiary in the form of loan and subsidy in the ratio of 50:50.

Vadodara Municipal Corporation (VMC) decided (December 2002) to construct 1,854 dwellings; however, an agency to finance the project could be finalised in June 2004 only and work order issued in July 2004. Since there was undue delay in starting construction, unit cost per dwelling increased by Rs.20,000 and project cost by Rs.3.71 crore saddling the poor with additional burden to that extent.

Against the stipulated date of completion of July 2005, work on 882 houses only commenced and were under different stage of construction (March 2006).

The Municipal Commissioner attributed reasons for delay to non-availability of clear site. Thus, failure of VMC in ensuring encumbrance free land for construction of houses for urban poor resulted in delay in commencement of work and saddling them with additional burden.



Rajkot  
The

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