



**Chapter – 3**  
**Audit of Transactions**



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### PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

#### 3.1 Non-Compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders passed by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Audit finding on non-compliance with rules and regulations is hereunder.

##### 3.1.1 Recovery at the instance of Audit

**Chief Executive Officer, Zila Panchayat, Shajapur released advance payment of ₹ 11 lakh to a firm against the supply orders for procurement of Seed Grading Machine, without ensuring adequate safeguards in the form of bank guarantee etc. from the firm. The firm did not supply the requisite items even after lapse of more than six years. Later, ₹ 11 lakh have been recovered after being pointed out by Audit.**

Rule 3 of Madhya Pradesh Panchayat (Purchase of Material and Goods) Rules (MPP), 1999 provides that the Panchayat shall invite tenders for purchase of materials and goods costing over ₹ 15,000. Rule 159 (1) of General Financial Rule (GFR), 2005 provides that payment for services rendered or supplies made should ordinarily be released only after the services have been rendered or supplies made. While making any advance payments, adequate safeguards in the form of bank guarantee etc. should be obtained from the firm.

During test check of records of Chief Executive Officer (CEO), Zila Panchayat (ZP) Shajapur, we noticed (June 2014) that ZP issued (July 2008) supply order to a firm for Seed Grading Machine (SGM) at a cost of ₹ 16.02 lakh under infrastructure head of Swarnjayanti Gram Swarozgar Yojana Scheme. ZP further issued (July 2008) another supply order for attachments of SGM. These supply orders were placed without inviting tenders.

Scrutiny of records revealed that CEO, ZP released advance payments of ₹ 11 lakh to the firm against both supply orders. However, while making the advance payment, adequate safeguards in the form of bank guarantee etc. was not obtained from the firm.

We further observed that the firm did not supply the requisite items even after lapse of more than six years, in spite of several notices issued to the firm. The notices sent by ZP were returned in original with remark that premises of firm was found locked.

In the exit conference (September 2015), the Government stated that amount of ₹ 11 lakh had been received from the firm in July 2015 and deposited in the Scheme fund. The Government further added that explanation was also being sought from the CEO as to why he did not follow MPP, 1999.

The fact remains that no accountability was fixed against the official responsible for payment of advance without ensuring adequate safeguards in the form of bank guarantee etc. from the firm.

