

CHAPTER-III

This Chapter contains four paragraphs of Compliance Audit relating to Panchayati Raj Institutions.

Rural Development and Panchayati Raj Department

3.1 Unauthorised expenditure

Procurement of additional material/work in violation of the provisions of RTPP Rules, 2013 resulted in unauthorised expenditure of ₹ 6.16 crore.

Rule 73 (2) of Rajasthan Transparency in Public Procurement (RTPP) Rules, 2013 provides that repeat orders for extra items or additional quantities may be placed, if it is provided in the bidding documents, on the rates and conditions given in the contract if the original order was given after inviting open competitive bids. Delivery or completion period may also be proportionately increased. The limits of repeat order shall be 50 *per cent* of the quantity of the individual items and 50 *per cent* of the value of original contract.

Rule 29 (2) (b) of the RTPP Rules provides that the period of Rate Contract (RC) shall be generally one year, preferably a financial year. It may be for a shorter period or a longer period (maximum two years) if variations in market prices are expected or not expected to be significant respectively and reasons for selecting the period for RC shall be recorded. Further, Rule 29 (2) (i) of the said Rules provides that new RCs should become operative right after the expiry of the existing RCs without any gap. In case it is not possible to conclude the new RCs due to unavoidable reasons, the existing RCs may be extended on the same price, terms and conditions for a period not exceeding three months.

Test-check (September to October 2019, September 2021 and February 2022) of records of four Panchayat Samitis (PSs) (Deeg, Kaman, Ghatol and Pindwara) revealed that PSs Deeg and Kaman invited (September 2017) tenders for supplying material in 48 Gram Panchayats¹ (GPs) falling under their jurisdictions and PSs Ghatol and Pindwara invited (March and June 2017) tenders for execution of works in the GPs falling under their jurisdictions. The tenders had been invited for the year 2017-18 on annual RC basis, with an estimated value of tender as ₹ 10 lakh (per GP of PSs Deeg and Kaman), ₹ 25 lakh (PS Ghatol) and ₹ 2 lakh (PS Pindwara). Thus the total tendered value was ₹ 1.47 crore². The PSs approved the lowest rates of the suppliers/contractor for supplying material/executing works.

Audit observed that, the permissible limit (50 *per cent* of original tender value) to procure additional material/work in four PSs (PS Ghatol, PS

1 PS Deeg: 29 GPs and PS Kaman: 19 GPs.

2 PS Deeg: ₹ 0.40 crore, PS Kaman: ₹ 0.80 crore, PS Ghatol: ₹ 0.25 crore and PS Pindwara: ₹ 0.02 crore.

Pindwara, four³ GPs of PSs Deeg and eight⁴ GPs of PS Kaman) was only ₹ 0.74 crore as provided in Rule 73 (2) of RTPP Rules, thereby making the absolute limit to procure the material/work (original tender value plus additional material/work) as only ₹ 2.21 crore. However, the PSs, even after exhausting these permissible limits, continued to procure from suppliers/contractors and procured total material/work worth ₹ 7.22 crore during 2017-18. Thus, the PSs incurred an unauthorised expenditure of ₹ 5.01 crore on procurement of additional material/works during 2017-18 (*detail in Appendix XXIV*).

Moreover, PSs Deeg and Ghatol procured (July-October 2018) material/work from the same suppliers/contractor valuing ₹ 1.15 crore⁵ during 2018-19, under the RC of 2017-18 (the extended period of RC 2017-18 expired in June 2018) and thereby, further made an unauthorized payment of ₹ 1.15 crore to the suppliers/contractor during 2018-19 also. This was in contravention of Rule 29 (2) (i) of RTPP Rules under which the RC could be extended for only three months.

On being pointed out, PS Deeg stated (September 2021) that the grant received under other developmental schemes are not considered while inviting tenders for supplying materials and there is compulsion of completing the works of such schemes in prescribed time limits, therefore procurement of additional material becomes indispensable. PS Kaman did not furnish the reasons for procuring additional material in contravention to the provisions of RTPP Rules.

Reply is not tenable as the reasons provided do not justify relaxation in the provisions contained in RTPP Rules 73 (2) and 29 (2) (i). The grants received under other developmental schemes should be included in tenders.

Block Development Officer, PS Ghatol, while accepting the facts, stated (October 2019) that the tenders for 2018-19 could not be invited due to vacant post of *Pradhan* in PS and the additional work was executed due to the demands of public representatives and the summer season. However, the Government of Rajasthan (GoR) took (March 2022) a different stand and stated that the works to be executed under MLALAD/MPLAD⁶ Scheme could not be predicted at the time of tendering and the works were executed at the rates approved earlier instead of fresh tendering, to provide drinking water to rural tribal population in time. In respect of PS Pindwara, GoR stated (March 2022) that due to clerical error the estimated amount was marked as ₹ 2 lakh instead of ₹ 22 lakh, in bid document. It also stated that there is no limitation of quantity in a RC as provided in Rule 29(2)(d) of RTPP Rules and therefore, the limitation of 50 *per cent* on additional quantity (as prescribed by Rule 73(2) of RTPP Rules) is not applicable on RC.

3 Test checked four GPs of PS Deeg were Kuchawati, Iklhra, Guhana and Mawai.

4 Test checked eight GPs of PS Kaman were Bilang, Olanda, Kanwara, Sonokhar, Moonsepur, Uchera, Lewada and Sahera).

5 PS Ghatol: ₹ 0.97 crore and PS Deeg (for supplying material in GPs Kuchawati and Mawai): ₹ 0.18 crore.

6 Member of Legislative Assembly Local Area Development (MLALAD) Scheme and Member of Parliament Local Area Development (MPLAD) Scheme.

GoR's reply in respect of PS Ghatol is not tenable as the reasons provided do not justify relaxation in the provisions contained in RTPP Rules 73 (2) and 29 (2) (i). The contention of GoR that the works sanctioned under MPLAD Scheme could not be included in tenders of the annual plan due to issue of their sanctions during summer season, is also not correct as the sanctions of 163 Hand Pumps (₹ 0.82 crore) had already been issued in January 2017 under MPLAD Scheme and therefore these works could have been easily included in the annual plan. Further, fresh tenders could have been invited for the work of additional Hand Pumps and the tendering process completed within 34 days as prescribed in Rule 40 of RTPP Rules. Moreover, the works for ₹ 0.97 crore executed in PS Ghatol during 2018-19 beyond the period of extension allowed by Rule 29(2)(i) without inviting fresh tenders was also not justified. In respect of PS Pindwara, the possibility of occurrence of clerical error in tender document even after checking at various levels is incomprehensible. In addition, the clerical error could have been rectified by issuing an addendum. Further, Rule 73 (2) is applicable on all types of contracts and therefore, the GoR's contention that limitation on additional quantity imposed by Rule 73(2) doesn't apply to RCs, is without statutory basis. GoR didn't furnish reply in respect of PSs Deeg and Kaman.

Thus, procurement of additional material in violation of the provisions of RTPP Rules, 2013 resulted in unauthorised expenditure of ₹ 6.16 crore.

3.2 Unauthorised execution of works

The PS unauthorisedly executed the works without inviting tenders in contravention to the provisions of RTPP Act and RTPP Rules.

Section 29 (1) of Rajasthan Transparency in Public Procurement (RTPP) Act, 2012 provides that every procuring entity shall prefer the open competitive bidding as the most preferred method of procurement to be followed. Further Section 29 (5) of *ibid* Act provides that in case of an open competitive bidding, the procuring entity shall invite bids by publishing an invitation to bid on the State Public Procurement Portal and in at least one such other manner as may be prescribed. Also, Rule 5 of RTPP Rules 2013 provides that the adoption of the electronic procurement shall be compulsory in procurement of works having estimated value of ₹ five lakh or more.

Test-check (February 2022) of Panchayat Samiti (PS) Sapotara (District-Karauli) revealed that PS Sapotara issued (November 2017) a Notice Inviting Tenders (NIT) for procuring material for works to be executed under Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) and other schemes of Rural Development and Panchayati Raj Department (RD&PRD) during 2017-18. PS approved (December 2017) the lowest rates of a supplier for the above procurement. The contract was only for procurement of construction material from the supplier.

Audit observed that the PS Sapotara, got the works of installation of 192 Borewells with motor worth ₹ 2.50 crore executed by the same supplier during 2018-19 and 2019-20, instead of inviting separate tenders. This action of the

PS was in direct contravention of Section 29 (1) and (5) of RTPP Act, 2012 and Rule 5 of RTPP Rules 2013. It is pertinent to mention here that the items for the works of Borewell were not included in the supply contract, executed with the supplier for 2017-18. The PS was thus required to float separate tenders for execution of Borewell works.

Thus, the PS unauthorisedly executed the works of ₹ 2.50 crore without inviting tenders in contravention to the provisions of RTPP Act and RTPP Rules.

The matter was referred to State Government for their comments (April 2022); Reply was awaited (July 2022).

Panchayati Raj Department

3.3 Unauthorised payment

Payments for works carried out in Gram Sabhas were made in clear violation of extant rules. Further, duplication /non-mentioning of names in muster rolls indicate probability of fictitious payments and misappropriation of funds.

Rule 211 of Rajasthan Panchayati Raj Rules, 1996 (RPRRs) provides that money shall be drawn only through cheques and payment to third parties shall only be made through account payee cheques. It further lays down that the parties may obtain payment directly from Bank/Treasury/Sub-treasury. A reference to cheque number and date will invariably be mentioned on the concerned bill so that double payment of the same bill cannot be made.

Audit scrutiny (February-March 2021) of the records of Panchayat Samiti (PS), *Taleda* (District-Bundi) and selected five Gram Panchayats (GPs) revealed that in clear violation of provisions of the RPRRs mentioned above, cheques were issued in the name of Sarpanch/material supplier/another person by *Sarpanch* and *Gram Vikas Adhikari* as detailed in **table 1** below:

Table 1

S. No	Name of GP/PS	Period	Amount (in ₹)
1.	<i>Sunthada</i>	2018-19 to 2019-20	15,25,450
2.	<i>Notada</i>	2017-18 to 2019-20	22,67,489
3.	<i>Seenta</i>	2018-19 to 2019-20	19,28,144
4.	<i>Suwasa</i>	2017-18 to 2019-20	19,88,916
5.	<i>Ladpur</i>	2017-18 to 2019-20	26,49,630
6.	<i>PS Taleda</i>	2018-19	36,800
Total			1,03,96,429

As the cheques were issued in name of persons other than the workers, the audit could not derive an assurance that the payments were made to actual workers.

Audit also observed that at GP *Notada* payment was made to four workers for the work "*Single Phase Tube well with construction of Tank at Gram*

Bathpura” for the period from 3rd to 15th July 2018. Curiously, the names of the same four labourers were found in the records for another work- “*Construction of CC road from house of Premchand to house of Motilal kushwah*” in the same period for which another set of payments were shown to have been made to them.

Further, audit also observed that at GP *Notada*, the muster rolls⁷ for December 2018 to January 2019 pertaining to the work of “*Construction of the security wall of the garden at Tejaji temple in village Notada Bhopat*” did not contain names of the labourers whereas payment of ₹ 1,18,950⁸ was made in the name of the single individual who was a material supplier.

Thus, non-adherence to the provisions of RPRRs resulted in unauthorised payments worth ₹ 1.04 crore. Besides possibilities of fictitious payments and misappropriation of funds cannot be ruled out.

The matter was referred to State Government for their comments (July 2021); Reply is awaited (July 2022).

3.4 Non-recovery of seed money from Self Help Groups

Failure to observe the Operational Guidelines of IWMP and the guidelines of Department led to non-recovery of ₹ 1.66 crore from Self Help Groups thus, adversely affecting the objective to support the livelihood activities of landless/assetless persons.

Government of India (GoI) launched (2009-10) *Integrated Watershed Management Programme (IWMP)* with an objective to develop rainfed portions of net cultivated area and culturable wastelands. GoI issued Common Guidelines of *watershed development projects (revised)* in 2011 with focussed priority on ‘Livelihood activities for landless/assetless persons’. The Operational Guidelines (November 2011) for above component under the *IWMP* provided that in order to support livelihood activities, nine *per cent* of total project fund would be assigned to village level committees⁹ (Watershed Committees (WCs)/Watershed Sub-Committees¹⁰ (WSCs)). The WCs/WSCs were to provide this fund to Self Help Groups (SHGs) consisting of marginalised communities, SC/ST and landless/assetless households, women, etc. in the form of ‘seed money for revolving fund’. The initial amount up to ₹ 25,000 could be given to an SHG as seed money, after approval of its proposed activity(s) by WC/WSC. The SHGs were required to return this seed money in a maximum of 18 fixed monthly instalments, so that the amount

7 No. 1184, 1185 and 1348.

8 ₹ 59,550 (MR no. 1184), ₹ 33,000 (MR no. 1185) and ₹ 26,400 (MR no. 1348).

9 WC/WSC is comprised of the representatives of SHGs, SC/ST community, women and landless persons in the village. WC/WSC is meant for receiving funds from GoI under *IWMP*, considering applications of SHGs and passing resolution regarding approval of SHGs for providing them financial assistance in the form of seed money.

10 In case the Gram Panchayat covers more than one village, a separate watershed sub-committee is constituted for each village to manage the watershed development project.

could be reinvested further in the same or other SHGs to support their livelihood activities.

The revised Common Guidelines of watershed development projects (2011) laid down a strong monitoring system for watershed development schemes. It stipulated that at Zila Parishad (ZP) level, a Watershed Cell-cum-Data Centre (WCDC), consisting of Chief Executive Officer as chairman and a superintending engineer-cum-ex-officio project manager, would oversee the implementation of watershed development schemes in the district by carrying out monitoring & evaluation and ensure smooth flow of funds to the schemes. At Project level, the Executive Engineer (EE)/Assistant Engineer (AE) (Watershed Development and Soil Conservation) would work as project implementation agency (PIA) and also submit a periodical progress report to WCDC.

Further, the *Karya Nirदेशिका-2013* issued by Rural Development and Panchayati Raj Department in respect of *IWMP* also provided that the project fund would be transferred to WC/WSC, who would transfer it further to the SHGs in the form of seed money. It also provided that the seed money would be recovered from SHGs in six to eight instalments and if an SHG does not repay the first instalment in time, a notice would be served first to SHG by WC/WSC and on failing to repay even after that, the assets acquired by SHG through seed money would be forfeited by WC/WSC. In case of non-acquisition of assets by SHG, the seed money would be recovered from the bank account of SHG and the members who furnished guarantee for SHG. All members of SHG would be responsible individually as well as jointly for repaying the loan amount.

Test-check (January-April 2019) of records of ZP (RDC), Pali and ZP (RDC), Chittorgarh and further information collected (October 2021) revealed that the WCs/WSCs under 12 PSs of the said two ZPs released an amount of ₹ 1.99 crore to various SHGs during 2012-17 as seed money under *IWMP*. The seed money was to be returned in a maximum of 18 monthly instalments as per the Operational Guidelines but the WCs/WSCs recovered only ₹ 0.33 crore from the SHGs till December 2018. Thereafter no recovery was made and an amount of ₹ 1.66 crore is unrecovered as of October 2021 (*Details in Appendix XXV*). Audit also observed that a system of collection of monthly instalments was not implemented by the WCs/WSCs as the amount of ₹ 0.33 crore was recovered only in one or two instalments, in contravention of the guidelines.

Thus, neither the EEs/AEs (Watershed Development and Soil Conservation) at project level implemented *IWMP* as per the guidelines nor the CEOs and superintending engineers-cum-ex-officio project managers (WCDC) of concerned ZPs at ZP level monitored the implementation of the watershed development schemes in their districts.


The Project Manager, WCDC (ZP-Chittorgarh) stated (March 2019) that due to shortage of staff at PS level and non-deployment of watershed development team in projects, the recovery could not be made from SHGs and the efforts for recovery are being made. However, the Government of Rajasthan,

adopting a different stand, stated (May 2022) that as per the prescribed provisions, the funds were transferred to WCs/WSCs as grant and there is no provision to recover the same from them.

Reply is not tenable as audit contention is not about recovery of project fund from WCs/WSCs but it is about not recovering the seed money from SHGs and not having a system of recovery through regular instalment. As per the guidelines the project fund was to be transferred to WCs/WSCs, who were required to lend it further to SHGs in the form of seed money and recover the same through instalments.

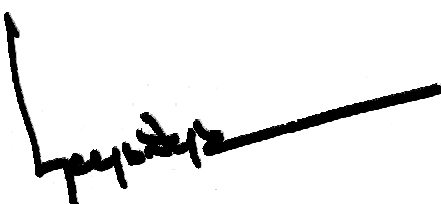
Thus, failure to observe the operational guidelines of *IWMP* and the *Karya Nirदेशिका-2013* of department led to non-recovery of ₹ 1.66 crore. Resultantly the objectives of maximization of utilisation of potential generated through watershed activities, creation of sustainable livelihoods and enhanced incomes for households within the watershed area to be achieved through the continuous process of providing and recovering seed money were also not achieved.

JAIPUR,
The 27 September, 2022


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Countersigned

NEW DELHI,
The 29 September, 2022


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India