

**CHAPTER III**  
**COMPLIANCE AUDIT**  
**(PANCHAYAT RAJ INSTITUTIONS)**



## CHAPTER III

### COMPLIANCE AUDIT

#### RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

##### 3.1 Excess expenditure

##### 3.1.1 Excess payment made for earth work in Kudimaramathu scheme

**Non-utilisation of power rollers for compaction of earth fill over bund has resulted in excess payment of ₹2.25 crore. Further, non-verification of genuineness of bills presented by contractors to Block Development Officer, Block Panchayat resulted in fraudulent payment of ₹45.25 lakh to contractors.**

Government of Tamil Nadu (GoTN) accorded (July 2019) administrative sanction and issued guidelines for implementation of Kudimaramathu Scheme (Scheme) - a participatory programme of the local public, for rejuvenation of 5,000 Minor Irrigation (MI) tanks vested with Panchayat Unions (PU) and 25,000 Ponds and *Ooranies*<sup>1</sup> vested with Village Panchayats (VP) at a total cost of ₹1,250 crore<sup>2</sup>. The Scheme included desilting and deepening of MI tanks, Ponds and *Ooranies* using machinery. The implementing agency for the Scheme was the PU concerned for MI tanks and the VP concerned for Ponds and *Ooranies*.

The detailed estimates of the works, which included desilting/deepening of tanks and inlet/outlet channels, restoration of bund to its original cross section etc., were to be prepared<sup>3</sup> by adopting Public Works Department's (PWD) Standard Schedule of Rates (SSoR). The proposals were to be sent<sup>4</sup> to District Collector for administrative sanction. After completion of work, the payments were to be made - based on detailed measurement by departmental engineers - by the Block Development Officer, Block Panchayat (BDO (BP)) for desilting of MI tanks and by the BDO (VP) for desilting of Ponds and *Ooranies*.

Scrutiny of documents pertaining to the Scheme, the implementation of which was taken up for detailed study during audit of 13 test-checked PUs in eight districts conducted between July 2021 and December 2021, revealed the following:

<sup>1</sup> A public drinking water tank in a village or town.

<sup>2</sup> State fund: ₹500 crore for desilting and deepening and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) fund: ₹750 crore for construction of other works like surplus weirs and sluices.

<sup>3</sup> By Block Engineer/Assistant Engineer (Rural Development) for MI tanks and by the Overseer (VP) for Ponds and *Ooranies*.

<sup>4</sup> By Block Development Officer (BP) for MI tanks and BDO (VP) for Ponds and *Ooranies*.

- As per PWD's SSoR for 2019-20 and 2020-21, the approved basic rate for 'Earth work deploying machinery', by deploying earth moving machinery and tippers is ₹45.55 per cubic metre (cum.). The test-checked PUs, however, adopted a rate of ₹71.05 per cum.<sup>5</sup> as they envisaged utilising power rollers for compaction of earth fill, in layers, over the bund. Audit scrutiny of log books of machineries deployed for earth work revealed that none of the test-checked PUs used power rollers and only JCBs/tractors/tippers were deployed, for which the PWD's SSoR rate is ₹45.55 per cum. Even though power rollers were not actually deployed for compaction of bund, BDO (BP) of the test-checked PUs paid for the earth work - executed for rejuvenation of MI tanks - at the rate of ₹71.05 per cum., resulting in excess payment of ₹2.25 crore to contractors (**Appendix 3.1**).
- Further, scrutiny of vouchers and invoices relating to payments made for utilisation of machinery in four<sup>6</sup> of the 13 test-checked PUs revealed that the registration numbers and the categories of machinery (vehicles) purported to have been engaged by the PUs for earth work did not match with the category of vehicles shown for the registration numbers in '*m-parivahan*' portal of Ministry of Road Transport & Highways, Government of India. The registration numbers of the vehicles indicated in the bills as JCBs/Tractors, when fed into '*m-parivahan*' portal either displayed the vehicle category as 'two wheeler'/'goods carrier' or the message 'vehicle number not found'. This shows that there is a likelihood of fraudulent payments in the four sampled PUs as the BDOs settled the fake claims presented by the contractors. The fake bills were noticed in 38 rejuvenation works involving 110 vehicles for a payment of ₹45.25 lakh (**Appendix 3.2**).

GoTN replied (February 2023) that power rollers were used for compaction and consolidation of earth filling. However, extracts of log books, in support of usage of power rollers, were not attached as supporting documents for verification by Audit. Reply is not acceptable as scrutiny of entries in the log books in the test-checked PUs did not reveal usage of any power rollers<sup>7</sup>.

GoTN's reply was also silent on the issue of vehicle type indicated in the contractors' bills not matching with the details available in the '*m-parivahan*' portal, thereby substantiating the Audit observations.

Thus, non-utilisation of power rollers for compaction of earth fill over bund resulted in excess payment of ₹2.25 crore and non-verification of genuineness of bills presented by contractors resulted in fraudulent payment of ₹45.25 lakh based on fake bills.

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<sup>5</sup> ₹45.55 per cum. + ₹25.50 per cum. (for tank bund consolidation using power rollers including hire charges).

<sup>6</sup> Batlagundu, Cheranmahadevi, Kadayanallur and Kalrayan Hills.

<sup>7</sup> Only the PD, DRDA Tiruchirapalli had categorically stated (November 2022) that no log book was maintained for power rollers.

**Audit recommends that the Government should carry out an enquiry into the above cases of excess/fraudulent payment and recover the excess amount paid to the contractors. As the Audit findings are based only on some test-checked Blocks, similar exercise may be carried out in other Blocks to rule out excess/fraudulent payments.**

### 3.1.2 Non-recovery of differential cost due to retender

**Failure of Chairman, District Rural Development Agency, Tiruvannamalai to invoke the agreement condition against defaulting contractor resulted in additional expenditure of ₹1.66 crore to the Government due to non-recovery of differential cost on retendering the work.**

Government of Tamil Nadu (GoTN) issued (March 2014) detailed guidelines for undertaking various infrastructure works under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) including construction of 21,000 shelters for cattle, goat and poultry (Scheme) in the State through Rural Development and Panchayat Raj Department. As per the guidelines, the District Collector (DC) accords administrative sanction and the Scheme is implemented by the Village Panchayat concerned.

Scrutiny of Scheme documents during audit (January 2021) of the Office of the Project Director (PD), District Rural Development Agency (DRDA), Tiruvannamalai revealed the following:

As per GoTN's orders (March 2014), the target for Tiruvannamalai district was construction of 1,013 shelters<sup>8</sup> for eligible beneficiaries. In October 2015, the Collector and Chairman, DRDA, Tiruvannamalai District (DC, Tiruvannamalai) invited e-tenders for fixing rate contract for 'Supply at site, assembling and installation of steel shelters for cattle, goat and poultry' (Work) for the year 2014-15 under MGNREGS. After finalisation of tender proceedings, the Work was awarded (December 2015) to M/s AMK Engineering & Construction, Chennai (C1) for a value of ₹5.61 crore.

As per Agreement conditions, the contractor had to install 50 *per cent* of the total shelters within three months and 100 *per cent* within six months from the date of issue of work order. As per Clause 37b of the Agreement, the DC shall impose penalty<sup>9</sup> and even cancel the contract if any of the milestones are not achieved. Further, as per Clause 39, if the contract is cancelled due to contractor's default, the excess amount if required for the successful completion of the Work shall be recovered from the contractor.

As the contractor failed to complete the Work despite issuance of show-cause notices repeatedly<sup>10</sup>, the DC, Tiruvannamalai terminated the contract in

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<sup>8</sup> Cattle shelters: 453; Goat shelters: 510 and Poultry shelters: 50.

<sup>9</sup> For delays beyond 60 days, the work order would be cancelled, Security Deposit forfeited and successful bidder black listed.

<sup>10</sup> Seven show-cause notices between August 2016 and October 2018.

October 2018. At the time of termination of contract, the contractor had completed only 88 shelters (nine *per cent*) and was paid an amount of ₹37.14 lakh.

To complete the remaining 925 shelters, DC, Tiruvannamalai issued notice inviting e-tenders in January 2019. After completion of tender proceedings, the contract was awarded (July 2019) to two contractors<sup>11</sup> (C2 and C3) for a combined total value of ₹6.89 crore. The work was completed in June 2020 and an amount of ₹6.89 crore was released to the contractors.

In this regard, Audit observed that:

- DC, Tiruvannamalai failed to recover the differential cost due to retender i.e. ₹1.66 crore (**Table 3.1**) from the defaulting contractor as per Clause 39 (i) of the Agreement, on cancellation of the original contract.

**Table 3.1: Details of excess amount to be recovered from defaulting contractor**

Sl. No.	Particulars	Number of shelters	Value of contract (₹ in lakh)
1	Contract awarded to C1	1,013	560.67
2	Work completed by C1 at the time of termination of contract and amount paid	88	37.14
3	Value of contract pending after termination of contract (Sl. No. 1 (-) Sl. No. 2)	925	523.53
4	Total value of retendered contract to C2 and C3	925	689.29
5	Excess amount required for successful completion of contract (Sl. No. 4 (-) Sl. No. 3)	925	165.76

(Source: Details furnished by DRDA, Tiruvannamalai)

- Only after issuance (May 2022) of Factual Note by Audit, the DC, Tiruvannamalai issued (June 2022) a Notice directing C1 to remit ₹1.66 crore, failing which further action would be taken under the provisions of The Tamil Nadu Revenue Recovery Act, 1864 (RR Act).
- DC, Tiruvannamalai had served (February 2023) a final notice on the defaulting contractor (C1) and had taken simultaneous action to prepare an inventory of movable and immovable properties of the said firm. The defaulting contractor was yet (January 2023) to remit the excess amount of ₹1.66 crore.

GoTN replied (February 2023) that as observed by the Accountant General, necessary action has been initiated for recovery of ₹1.66 crore under RR Act and the details of recoveries will be intimated to Audit in due course.

<sup>11</sup> Packages 1 and 2: M/s Valampuri Industries, Coimbatore (C2); Packages 3 and 4: M/s Rajendran Steel Industrial Works, Vellore (C3).

Audit, however, observed that the effectiveness of enforcement of RR Act and the recovery rate in the State is abysmally low. It was ascertained from the Commissioner of Revenue Administration that, as of January 2023, out of a total collectable demand of ₹16.04 crore under the RR Act, only ₹0.67 crore (four *per cent*) was collected and recovery of the remaining amount of ₹15.37 crore (96 *per cent*) is pending.

Thus, the failure of Chairman, DRDA, Tiruvannamalai to invoke Clause 39 of the agreement condition against the defaulting contractor at the time of termination of contract and delayed issue of Notice to the defaulting contractor for recovering the differential cost caused additional expenditure of ₹1.66 crore to the Government.

**Audit recommends that the action initiated against the defaulting contractor should be pursued vigorously to ensure that the differential cost of ₹1.66 crore is recovered.**

### **3.1.3 Purchase of Chlorination Units at higher rates**

**Failure on the part of Panchayat Unions to adopt open tender process in procurement of Chlorination Units for Over Head Tanks and Ground Level Reservoirs for disinfection purpose led to avoidable additional expenditure of ₹1.54 crore. Further, lapses in monitoring resulted in non-working of the installed Chlorination Units.**

During Audits in Dindigul and Thanjavur Districts, it was seen that the District Collector accorded (November 2019) administrative sanction for the purchase and installation of Chlorination Units (CU) for all the Over Head Tanks (OHTs) maintained by the Village Panchayats (VP) in the districts. The objective was to ease the difficulties faced by the workers in climbing up the OHTs to dose the stored water with dissolved bleaching powder for disinfection and also to facilitate complete solubility of chlorine by preventing lumps and sedimentation problems which were faced in the manual method. The expenditure was met from Panchayat Union (PU) or VP's General Funds.



**Exhibit 3.1: Chlorination Unit**



**Exhibit 3.2: Chlorination unit installed in an OHT**

Audit of procurement, installation and utilisation of CUs disclosed the following:

**(a) Non-preparation of technical estimates**

Rule 4 of Tamil Nadu Panchayats (Preparation of plans and estimates for works and mode and conditions of contracts) Rules 2007, stipulate that Technical Sanction of the Executive Engineer must be obtained for works of value more than ₹5 lakh and less than ₹30 lakh. However, the VPs/PUs of both the districts did not prepare technical estimate for the works. As a result neither the technical specifications of the CU nor the estimated price was indicated in the notice inviting bid/quotations.

Government replied (April 2023) that technical estimates were not prepared as specification for Chlorination Units was not available in Standard Schedule of Rates (SSoR). Reply is not acceptable as availability of rates in SSoR was not mandatory for preparation of estimates in this instance case.

**(b) Non-adoption of open-tender for procurement**

As per Rule 8 of Tamil Nadu Transparency in Tender Rules, 2000 (Tender Rules), 'Notices Inviting Tenders and decisions on tenders in all cases where the value of the procurement exceeds ₹10 lakh and is below ₹25 lakh shall be published in the District Tender Bulletin'.

Scrutiny of files/records in PUs and the office of the Assistant Director, Panchayat in both the districts between December 2021 and March 2022 revealed following discrepancies in tendering process:



- Open tender system was not adopted by 22 PUs<sup>12</sup> though the value of procurement by these PUs exceeded ₹10 lakh.
- The Block Development Officer (BDO), Veda sandur in Dindigul District did not even call for quotation but merely placed orders on the supplier based on a quotation which did not contain any date.

Government replied (April 2023) that the Chlorination Units were approved based on the lowest quotations received. Reply is not acceptable as the lapse pointed out violates the Tender Rules.

**(c) Bid Rigging**

Scrutiny of quotations obtained by the PUs indicated that in Dindigul District, all the VPs in 14 PUs except PU, Batlagundu had obtained quotations from same three agencies, viz., Sai Solar Systems, AMA Agency and AMA Agencies. In Thanjavur district, the Assistant Director Panchayats obtained quotations for all PUs in the district from the same three agencies, viz., Kuruni Enterprises, M.M. Enterprises and Sri Venkateswara Agencies only. Further scrutiny revealed:

- Email id and mobile number of the suppliers, Sai Solar Systems and AMA Agency were one and the same.
- The logos of AMA Agency and AMA Agencies were identical.

Following discrepancies were noticed in GST number provided in the quotations.

- GST number was not furnished by AMA Agencies.
- GST numbers of AMA Agency and Venkateswara Agencies were invalid as per GST Portal.
- GST number of MM Enterprises, Thanjavur pertained to another agency.
- GST number quoted by the supplier M/s Sai Solar systems, Dindigul in the quotation was different from the one in invoice.
- Only the successful bidders in both the districts quoted their own specifications of the product. The quotations submitted by other bidders merely mentioned 'Chlorination installation' etc., without any specification.

In its reply (April 2023), Government accepted that quotations were obtained from sister concerns. The reply established the fact that the procurement process was not fair and transparent.

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<sup>12</sup> Athoor, Gujilamparai, Natham, Nilakottai, Oddanchathram, Reddiarchathiram, Sanarpatti and Veda sandur of Dindigul District; Ammapet, Budalur, Kumbakonam, Madukkur, Orathanadu, Papanasam, Pattukottai, Peravurani, Sethubavachatram, Thanjavur, Thiruppanandal, Thiruvaiyaru, Thiruvudaimarudhur and Thiruvonam of Thanjavur District.

**(d) Irregular work orders and payment to suppliers**

- BDO, Sanarpatti and BDO, Palani sought quotations (17/11/2019 and 20/11/2019) even before the date of administrative sanction (21/11/2019).
- BDO, Thoppampatti issued work order on the date of administrative sanction.
- Nine VPs of Dindigul PU placed work order directly with the same supplier at different rates ranging from ₹5,500 to ₹6,450.
- Date of issue of work orders and date of installation were the same in respect of 23 VPs of Nilakottai PU of Dindigul District.
- In five<sup>13</sup> PUs of Dindigul District, approval of PU/VP for incurring expenditure was obtained only after the date of payment.
- No work orders were issued by the PUs in Thanjavur district but the CUs were supplied to all PUs.
- Payments of ₹3.22 lakh<sup>14</sup> were released to the suppliers without ensuring installation.

Government replied (April 2023) that the work order and installation were on same dates as the works were executed on urgent basis. It was also stated that the defective units in Dindigul District were removed and the units that were not installed were installed now and in respect of Thanjavur District, the supplier has been directed to refund the amount for which the supply was not made. Government accepted the instances where payments were made before approval by PUs/VPs and stated that this was done in the interest of the public.

**(e) Procurement at higher cost**

As per the conditions stated in administrative sanction, the procuring agency must ensure that the rate adopted do not exceed the prevailing market rate. However, the PUs did not negotiate with the bidders based on the prevailing market rates. Audit found that the market rate as per TWAD Board's Standard Schedule of Rates (SSoR) worked out to ₹4,400 per CU only. Whereas, the 7,780 CUs were procured at higher rates ranging from ₹5,500 to ₹6,850 per unit. Thus, the PUs/VPs incurred an avoidable excess expenditure of ₹1.54 crore (**Appendix 3.3**) on account of procurement at higher rates than the market price.

Thus, the PUs/VPs facilitated bid rigging by violating the due process, leading to procurement of poor quality CUs at a higher price which ultimately resulted in an estimated excess expenditure of ₹1.54 crore and an unfruitful expenditure of ₹51 lakh in the sampled VPs alone. Further, the objective of the project was not achieved.

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<sup>13</sup> Batlagundu, Gujliamparai, Kodaikanal, Reddiarchatram and Vadamadurai.

<sup>14</sup> ₹1.58 lakh (₹5,652 per CU) in respect of 28 CUs of Dindigul District and ₹1.64 lakh (₹6,850 per CU) in respect of 24 CUs of Thanjavur District.

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Government replied (April 2023) that in both the districts, expenditure was incurred based on lowest approved quotation rates. The reply is not acceptable as it violates the condition stated in administrative sanction.

**(f) Poor quality of the product**

The CUs installed in the OHTs were similar to the ‘Hypo Chlorination Units’, referred in the Government of India’s Ministry of Drinking water and sanitation manual ‘Operation and Maintenance Manual for Rural Water supplies’. However, the scour valve meant for removing the waste precipitates accumulating at the bottom of the tanks which formed part of the ‘Hypo Chlorination Unit’, as per the manual, was not provided in the CUs. This led to accumulation of sedimentation of chlorine residue in the CUs installed in the OHTs which eventually led to non-functioning of the units.

Joint Physical verification (JPV) was carried out in all the PUs of both the districts wherein 370 out of 681 CUs (54 per cent) in Dindigul District and 567 out of 754 CUs (75 per cent) in Thanjavur District were test-checked. JPV revealed that 61 per cent and 99 per cent of CUs were not in working condition in Dindigul and Thanjavur respectively. Due to non-functioning of the CUs’, the Village Secretaries and Operators of OHTs claimed to continue the disinfection by chlorination process manually as done earlier, thereby defeating the purpose of installation of CUs. This has resulted in an unfruitful expenditure of ₹51 lakh in respect of these non-functioning CUs in the sampled VPs alone (**Appendix 3.3**). The status of test-checked CUs in the two districts is given in **Table 3.2**.

**Table 3.2: Status of sampled CUs**

Sl. No.	Status of test-checked CUs	Dindigul District		Thanjavur District	
		Number of CUs	Per cent	Number of CUs	Per cent
1	Working condition	146	39	3	1
2	CUs missing	15	4	7	1
3	CUs not installed	28	8	32	6
4	CUs not working/not used	168	45	505	89
5	CUs damaged	8	2	8	1
6	CUs dismantled and kept separately	5	1	15	3
<b>Total</b>		<b>370</b>		<b>567</b>	

(Source: Joint Physical Verification of sampled CUs)

Further, as per the TWAD Board’s Manual, the above system required periodic replacement of piping arrangements every six months. However, no such replacements were made by the VPs in both the districts even after a lapse of more than two years (December 2021) from their installation.

Government replied (April 2023) that necessary instructions have been issued to the BDOs in Thanjavur District to identify and fix the CUs which are not in working condition and that the supplier has been directed to replace the damaged ones and refund the amount for which supply was not made.

Government also replied that the defective units in Dindigul District were removed and the units that were not installed were installed now.

**Audit recommends that the above lapses in the procurement of chlorination units should be enquired into and responsibility fixed on the officials concerned. As the Audit findings are based only on two districts similar exercise should be carried out in respect of the other districts.**

### **3.1.4 Excess expenditure on purchase of gym equipment**

**Failure of tender processing authorities to adhere to provisions of Tamil Nadu Transparency in Tender Act, 1998 and bid conditions while finalising tenders for supply and installation of gym equipment in two districts resulted in excess expenditure of ₹69.18 lakh.**

Rule 14(7) of the Tamil Nadu Transparency in Tender Rules (TNTTR), 2000 requires that the financial bid quoted should *inter alia* be inclusive of duties and taxes leviable. Further, as per Rule 23 of TNTTR, 2000 read with Section 10(3) of the Tamil Nadu Transparency in Tender Act (TNTTA), 1998, no changes, amendments which materially alter the tendered prices shall be permitted after the opening of tender except for reduction of tendered price on written acceptance by the lowest bidder during negotiation.

Government of Tamil Nadu (GoTN) accorded (November 2016) administrative sanction for establishment of 500 ‘Amma parks’ (parks) at ₹20 lakh per park and 500 ‘Amma gyms’ (gyms) at a cost of ₹10 lakh each<sup>15</sup> in Village Panchayats with the objective of extending recreational and sporting infrastructural facilities in rural areas on par with urban areas. The gyms were to be established within the parks with outdoor and indoor sections and requisite gym equipment<sup>16</sup>. The procurement of gym equipment was to be carried out through open tendering by District Rural Development Agencies (DRDAs) and the District Collector-*cum*-Chairman, DRDA was the tender accepting authority. Directorate of Rural Development and Panchayat Raj (DRDPR) circulated a model tender document to be adopted by DRDAs, wherein it was specified that, the price bid evaluation should only consider the rate inclusive of taxes.

Scrutiny of records (March/November 2021) relating to supply and installation of gym equipment in Kancheepuram and Tiruvallur DRDAs revealed the following (**Table 3.3**):

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<sup>15</sup> Civil works: ₹5.79 lakh and Gym equipment: ₹4.21 lakh.

<sup>16</sup> Outdoor gym equipment included Leg Press, Air walker, Hip Twister, etc., and the indoor gym equipment included Exercise Cycle, Multi Gym, Weight lifting rod with plates, Dumb bell with stand, abdominal conditioner, etc.

**Table 3.3: Details of supply and installation of gym equipment**

Sl. No.	Particulars	Kancheepuram District	Tiruvallur District
1	Number of gyms allotted	51 <sup>17</sup>	50 <sup>18</sup>
2	Date of invitation for bids	19-08-2017	21-09-2017
3	Last date for submission of bids	14-09-2017	28-09-2017
4	Date of opening of financial bid	08-12-2017	01-02-2018
5	Accepted rate per gym as quoted by lowest bidder (L1) <sup>19</sup>	₹3.49 lakh	₹3.51 lakh
6	Revised and agreed rate per gym based on L1's representation	₹3.90 lakh	₹3.92 lakh
7	Increase in rate per gym (Sl.no.6 (-) Sl.no. 5)	₹0.41 lakh	₹0.41 lakh
8	Supply and installation of gym equipment	Between November 2018 and April 2021	Between July 2018 and October 2020
9	Total expenditure (Sl.no. 1 (x) Sl.no. 6)	₹1.99 crore	₹1.96 crore

(Source: Details furnished by the respective DRDAs)

During negotiation with L1, the tender processing and accepting authorities<sup>20</sup> of the two districts accepted (Kancheepuram District: December 2017 and Tiruvallur District: February 2018) the L1's representation seeking addition of 12.5 *per cent*<sup>21</sup> to the accepted rate, and revised the rates as in Sl.No.6 in **Table 3.3** above and executed agreements with the contractor.

In this regard, Audit observed the following lapses in finalising the tenders for supply and installation of gym equipment in the two districts:

- While a period of two weeks was given for submission of bids for the tenders in both districts, in Tiruvallur District the tender was cancelled and retendered with only one week for submission of bids. DRDA, Tiruvallur did not furnish any specific reason for fixing only one week for the submission of bids in the retender.
- In Tiruvallur District, though technical bids were opened on 28/09/2017, it was finalised only on 31/01/2018 i.e. after four months. DRDA, Tiruvallur attributed (January 2023) the reasons for the delay to participation of high number of bidders in the tender (seven bids were received) and time taken to verify tender documents and to check the samples exhibited by the bidders for shortlisting the technically qualified bidders. Reasons put forth for the delay was not acceptable as there was inordinate delay in finalising the tender.

<sup>17</sup> Initial allotment: 48 numbers *plus* additional quantity: three numbers.

<sup>18</sup> Initial allotment: 49 numbers *plus* additional quantity: one number.

<sup>19</sup> M/s Excel Sports, Bangalore for both the districts.

<sup>20</sup> Joint Director/Project Director, DRDA and District Collector-*cum*-Chairman, DRDA

<sup>21</sup> The difference between the prevailing Goods and Services Tax (GST) i.e. 18 *per cent* from November 2017 and the Value Added Tax (VAT) i.e. 5.5 *per cent* which L1 claimed was included in the quoted rates.

In line with provisions of TNTTR, 2000, the bid condition specified that ‘the rates submitted by the bidder should include all duties, taxes and other levies payable by the successful tenderer under the contract and the bidder was required to indicate the registration number under the GST Act 2017 in the tender form’. As the price quoted by L1 did not indicate the details of tax component separately, it should be treated as inclusive of GST prevailing at time of submission of bids i.e. 28 *per cent* in September 2017.

However, after shortlisting of bidders, the tendering authorities accepted L1’s claim that the rate quoted (**Sl.No. 5 in Table 3.3**) by him was inclusive of 5.5 *per cent* VAT and revised the accepted rate upward (**Sl.No. 6 in Table 3.3**). As the GST rate was reduced (November 2017) to 18 *per cent*, the rate for gym equipment should have been reduced by taking recourse to TNTTA provisions.

The revision of rates was justified by the tendering and accepting authorities of the two districts quoting a Government order issued in October 2017. This was not correct as the said order was applicable only to tenders for which the last date of submission of bids was prior to 01 July 2017 which was not the case in the above tenders (**Sl.No. 3 in Table 3.3**).

The above lapses resulted in an excess expenditure of ₹69.18 lakh (**Appendix 3.4**) for the Government.

When Audit analysed the related eProcurement data, it noticed that out of 74 tenders published between August 2017 and May 2018 i.e. after introduction of GST, while the Bill of Quantities (BoQ) of five tenders had a provision for GST the remaining 69 tenders (**Appendix 3.5**) did not have such a provision indicating that the tender publishers i.e. respective DRDAs did not design the BoQ correctly.

Government justified (February 2023) the revision of rates on the grounds that the percentage of GST for gym equipment was not clear at the time of tendering and the rates quoted by the bidders was treated as inclusive of VAT. As the bid conditions mandated quoting of rates inclusive of all duties and taxes and submission of GST registration number, the justification put forth by the Government for upward revision of rates was not acceptable.

Thus, failure of the tender processing authorities in Tiruvallur and Kancheepuram districts to adhere to TNTTA provisions and bid conditions while finalising tenders for supply and installation of gym equipment, tantamount to extending undue favour to the contractor and the consequent excess expenditure of ₹69.18 lakh for the Government.

**Audit recommends that Government should fix responsibility on the officials concerned and verify similar occurrences, if any, and take necessary action in respect of other districts where eTendering took place without provision for GST as pointed out by Audit in Appendix 3.5.**

## 3.2 Avoidable expenditure

### 3.2.1 Avoidable payment towards electricity charges

**Failure to avail electricity connection under appropriate tariff resulted in avoidable expenditure of ₹1.29 crore as electricity charges during August 2017 to March 2023.**

According to Regulation 5(13)(1) of Tamil Nadu Electricity Supply Code (TNESC), 2004, in addition to current consumption charges, High Tension (HT) power consumers are required to pay Demand Charges at the rates prescribed from time to time, on the maximum Kilovolt-Ampere (KVA) demand<sup>22</sup> recorded in a month or 90 *per cent* of the Contracted Maximum Demand, whichever was higher.

The Public Works Department (PWD) prepared (December 2014) an estimate at a total cost of ₹1.85 crore for provision of HT electricity connection to State Institute of Rural Development and Panchayat Raj (SIRD) in place of the existing Low Tension service connection. After due approval, the electrical works were carried out by PWD and TANGEDCO<sup>23</sup> provided a HT service connection in August 2017.

Audit scrutiny (April 2021 and May 2023) of records pertaining to HT electricity bills and related documents at SIRD for the period August 2017 to March 2023 revealed the following:

(i) The actual maximum demand reached by SIRD after the installation of the HT service connection in August 2017 was in the range of only 41.44 KVA (April 2020) to 243.2 KVA (July 2018), as against the sanctioned maximum demand of 800 KVA. The demand charges at ₹350 per KVA is payable on the actual maximum demand reached or 90 *per cent* the sanctioned demand of 800 KVA, whichever is higher. Therefore, TANGEDCO levied a fixed amount of ₹2.52 lakh per month (720 KVA × ₹350) as demand charges. Audit noticed that the average maximum demand reached by SIRD was only 13 *per cent* of the sanctioned maximum demand. This established that the sanctioned demand obtained by SIRD, on the calculation of PWD, was fixed much higher than the actual requirement of SIRD, leading to avoidable excess payment of demand charges on 720 KVA every month. Audit calculated that on account of this, SIRD incurred an avoidable additional expenditure of ₹92.44 lakh<sup>24</sup> for the period August 2017 to March 2023.

GoTN replied (August 2021) that the sanctioned maximum demand was not reduced in view of the ongoing expansion of SIRD. The reply of GoTN that the

<sup>22</sup> Highest KVA demand recorded at any point of time during the billing period.

<sup>23</sup> Tamil Nadu Generation and Distribution Corporation Limited.

<sup>24</sup> Excess demand charges for 470 KVA - calculated by adopting a reasonable maximum demand of 250 KVA consumed by SIRD in July 2018 instead of 720 KVA being 90 *per cent* of 800 KVA which works out to 470 KVA (720 KVA *minus* 250 KVA). From March 2022 onwards, the contracted demand was reduced to 300 KVA and hence the excess was calculated for 50 KVA per month.



sanctioned maximum demand was not reduced in view of the ongoing expansion of the building is unacceptable as SIRD had every right to reduce or increase the sanctioned demand as and when required on payment of prescribed charges.

Subsequently, SIRD accepted the audit observation and replied (April 2022) that the demand was reduced to 300 KVA from the month of March 2022.

(ii) SIRD obtained (August 2017) the service connection under HT tariff category III (energy charge at ₹8 per unit) applicable to commercial establishments instead of category II-A (energy charge at ₹6.35 per unit), which is applicable to institutions like SIRD. SIRD noticed the wrong application of tariff only in March 2020 and on a representation to TANGEDCO, the tariff was changed to II-A with effect from August 2020. Failure of SIRD to promptly notice and act upon the incorrect categorisation of tariff in their electricity bills led to an excess payment of ₹10.40 lakh during the period August 2017 to July 2020 (**Appendix 3.6**).

GoTN replied (August 2021) that immediate action was taken upon noticing the wrong application of tariff from category III to category II-A.

(iii) The Power Factor (PF) is a ratio (a number from 0 to 1) of real power and apparent power. Low PF indicates inefficient usage due to issues with appliances at consumer side. As per TNESC, TANGEDCO levies compensation charges for low PF. SIRD did not ensure that the average PF of the connected loads of its installations was maintained at 0.90 lag resulting in payment of ₹25.77 lakh to TANGEDCO towards compensation for low PF (**Appendix 3.6**) during August 2017 to March 2023.

GoTN replied (August 2021) that the issue of low PF was being addressed.

As per the thumb rule calculation prescribed by the Central Public Works Department, in its 'Guidelines for substation and power distribution system of buildings, 2019', Audit found that PWD's calculations of load requirement was on the higher side. In the case of wrong application of tariff from category III to category II-A., the fact remained that the service connection was billed under a wrong tariff for more than three years and the avoidable excess payment of ₹10.40 lakh is irrecoverable. Regarding the issue of low PF, Audit observed that this issue continued to prevail (March 2023).

Thus, failure to calculate the maximum demand based on actual requirement and reduce the maximum demand immediately on understanding the factual position, delay of three years in rectifying the incorrect application of tariff from category III to category II-A and improper maintenance of electrical installations had resulted in SIRD incurring an avoidable expenditure of ₹1.29 crore.

**Audit recommends that responsibility may be fixed on the Engineers of PWD who miscalculated the maximum demand requirement. Suitable action may also be initiated to correct the Low Power factor.**



### 3.2.2 Violation of tender procedures in purchase of Reverse Osmosis Plants

**Non-adherence to the provisions of the Tamil Nadu Transparency in Tenders Act, 1998 resulted in an avoidable expenditure of ₹74.94 lakh in procurement of Reverse Osmosis Plants.**

As per Rule 3 of ‘The Tamil Nadu Panchayats (Preparation of plans and estimates for works and mode and conditions of contracts) Rules, 2007’ (TNPEMCR), the District Collector (DC) is the competent authority to accord administrative sanction for Central and State Government funded scheme works. The DC, Erode and DC, Vellore issued 13 administrative sanctions between June 2018 and August 2020 for procurement of 35 Reverse Osmosis (RO) plants in the five sampled Panchayat Unions (PU), the details of which are given in **Appendices 3.7 and 3.8**. With effect from June 2018, Public Works Department (PWD) included the rates for ‘Supply and installation of Industrial Model RO Water-cum-Purifiers of various capacities with accessories’ in its Standard Schedule of Rates<sup>25</sup> (SSoR), which were also sent to all DCs. However, the DCs, while according administrative sanction, did not refer to and adopt the SSoR.

Audit of five PUs<sup>26</sup> in these two districts, during December 2020 to March 2021, revealed that these PUs procured 35 RO plants of various capacities for installation in 27 Government/PU schools, six Government hospitals/Primary Health Centres, and a Government aided college<sup>27</sup> by utilising funds from various sources<sup>28</sup>. The administrative sanctions were issued based on estimates received from the implementing agencies, without comparing the quoted rates with the current SSoR. Audit noted that the rates of RO plants procured as per estimates were higher than the SSoR rates by 24 to 262 *per cent*.

As per Rule 4 of TNPEMCR, technical sanction is to be accorded for the works carried out by PUs. The Block Development Officers (BDO), however, failed to obtain technical sanction from the Executive Engineer. This resulted in the details of technical specifications being incomplete and PWD’s SSoR not being adopted, while calling for quotations from vendors.

As per Section 16 (d) of Tamil Nadu Transparency in Tenders Act, 1998 (TNTTA) read with Rule 13 of the Tamil Nadu Transparency in Tenders Rules, 2000 (TNTTR), except for procurement for a value of less than ₹10 lakh<sup>29</sup>, no procurement shall be made by a procuring entity except by tender.

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<sup>25</sup> The PWD’s SSoRs issued on 22 May 2018 with effect from 01 June 2018.

<sup>26</sup> Ammapettai, Erode and Kodumudi Blocks in Erode District; Katpadi and Vellore Blocks in Vellore District.

<sup>27</sup> Two RO plants installed.

<sup>28</sup> (a) 17 units through Member of Legislative Assembly Constituency Development Scheme funds, (b) 10 units through Members of Parliament Local Area Development Scheme funds and (c) Eight units through Panchayat Union’s General Funds.

<sup>29</sup> Procurement of any category, excluding construction or vehicles.

Out of the 13 administrative sanctions accorded by the DCs, five were for a value of more than ₹10 lakh. Audit, however, observed that the BDOs of four Blocks<sup>30</sup>, in violation of Rule 11 (2) of TNTTR, did not publish the Notice Inviting Tenders in the newspapers, thereby executing the procurements without adequate transparency.

Out of the remaining eight administrative sanctions, Audit found that DC, Vellore accorded three administrative sanctions on the same day for Vellore Block (**Table 3.4**). Had a single consolidated administrative sanction been issued, the provisions of TNTTA and TNTTR relating to tender process would have applied to these procurements. Similarly, two administrative sanctions were issued for Katpadi Block on the same day, viz., for ₹14 lakh and ₹8 lakh (**Table 3.4**). Had the administrative sanction for ₹8 lakh been clubbed with that of ₹14 lakh, the entire procurement would have attracted the provisions of TNTTA and TNTTR, instead of only on administrative sanction for ₹14 lakh, as was the case currently.

**Table 3.4: Details of multiple administrative sanction issued by the DC, Vellore on the same day for the same block**

Sl No.	Name of Block	Administrative sanction accorded		Value of administrative sanction that were accorded on the same day (₹ in lakh)
		Date	Amount (₹ in lakh)	
1	Vellore	29/10/2019	3.50	10.50
2		29/10/2019	3.50	
3		29/10/2019	3.50	
4	Katpadi	28/08/2020	14.00	22.00
5		28/08/2020	8.00	

(Source: Block Development Office and Block Panchayat records)

In all these cases requiring open tenders, the BDOs called for quotations from three firms and placed the purchase orders on the supplier quoting the lowest rates, which were exorbitantly higher than the SSoR rates. The GoTN contended (May 2022) that in respect of procurement in three PUs funded under MPLADS, it was not mandatory to follow tender procedures. Further, it also stated that the RO plants are installed with advanced technology while comparing with the specifications given in PWD's SSoRs. Audit, however, observed that as per Paragraph 2.6 of the MPLADS guidelines, the District Authority will get the eligible sanctioned works executed as per the established practice of the State Government in the matter of technical sanction, tender/non-tender, schedule of rates etc. Also, the DCs, while according administrative sanction, did not refer to the PWD's SSoRs or justify the need for installation of RO plants with advanced technology by specifying the exact technical specifications that were needed to be adopted in the RO plants.

Thus, deficiencies in administrative sanction, non-obtaining technical sanction and non-adherence to the provisions of TNTTA, resulted in an avoidable expenditure of ₹74.94 lakh, the details of which are given in **Appendix 3.9**.

<sup>30</sup> Erode, Katpadi, Kodumudi and Vellore.

**Audit recommends that Government should enquire into the lapses in compliance to TNTTA on the part of District Collectors and BDOs and fix responsibility.**

### **3.3 Idle investment**

#### **3.3.1 Idling of bus stand**

**Improper planning resulted in idle investment of ₹1.51 crore on construction of a rural bus stand, lying idle for more than six years at Pudur Village, Erode District.**

The Directorate of Rural Development and Panchayat Raj (DRDPR) accorded financial sanction (September 2013) for the construction of a rural bus stand at Pudur Village, Erode District during 2013-14 under Scheme Component of Pooled Assigned Revenue. Based on the above sanction, the District Collector (DC)-cum-Chairman, District Rural Development Agency (DRDA), Erode accorded administrative sanction (October 2013) to the Block Development Officer (BDO), Modakkurichi Panchayat Union (PU) for the construction of the bus stand at a total cost of ₹1.53 crore<sup>31</sup>.

The DC, Erode, while forwarding (September 2013) the proposal to the DRDPR, justified construction of the bus stand due to anticipated increase of traffic on completion of the ring road. The bus stand was proposed abutting the under-construction ring road in the periphery of Erode city on a piece of Government land falling under Pudur Village Panchayat (VP). The DC-cum-Chairman, DRDA issued the work order in January 2014 for the construction of the bus stand. The bus stand, with five bus bays, 12 shops and other amenities, was completed (December 2015) at a cost of ₹1.51 crore and handed over to the VP in June 2016 for operation. However, it is lying idle for more than six years.

Audit scrutiny (December 2020) of records revealed the following:

- (i) No feasibility study for the construction of the bus stand was conducted. The proposal was based on a site visit by the DC and the local Member of Legislative Assembly in July 2013.
- (ii) Rule 245 of Tamil Nadu Motor Vehicles Rules, 1989 requires the mandatory approval of the Regional Transport Authority (RTA) for construction of a public bus stand. In contravention to the extant Rule, the construction of bus stand was taken up by the BDO, Modakkurichi and DC, Erode, without seeking approval from RTA. A post-facto approval was sought by BDO (June 2019), three years after completion of construction, but the RTA is yet (March 2023) to notify the bus stand.

<sup>31</sup> (i) Construction of new bus stand – ₹1,40,28,886, (ii) Solar lights - ₹3,69,000, (iii) Reverse Osmosis Plant and distribution line - ₹1,50,000, (iv) Water pollution control equipment to recycle waste water - ₹3,80,000 and (v) Other works (Chairs and fittings, Lab test expenses, Compound Wall/Fencing and other works - ₹3,81,114.

GoTN replied (May 2022) that the proposal was prepared based on the relevant study report of Highways Department and further stated that action is being taken to get clearance from RTA and Tamil Nadu State Transport Corporation (TNSTC) for commissioning of the bus stand. Audit, however, found that the study report mentioned by Government was for laying the outer ring road, not for construction of the rural bus stand. The reply also confirmed that RTA approval had not been received.

Since the project was without feasibility study based on traffic volume and the mandatory RTA clearance, the public asset constructed during 2014-15 at a cost of ₹1.51 crore remained idle for over six years (March 2023).

**Audit recommends that a feasibility study to be conducted before starting the construction activities in future. Commissioning of the Rural Bus Stand to be followed up with RTA and TNSTC to benefit the population in the outskirts of Erode city.**