

## AUDIT OF TRANSACTIONS

This chapter presents the results of the audit of transactions of the Departments of the Government, their field formations as well as that of local bodies and autonomous bodies. The instances of lapses in the management of resources and failures in the observance of the norms of regularity, propriety and economy have been presented in the succeeding paragraphs under broad headings.

### 3.1 Irregular expenditure

#### *HEALTH DEPARTMENT*

#### *PERUNTHALAIVAR KAMARAJ MEDICAL COLLEGE AND RESEARCH INSTITUTE*

##### *3.1.1 Irregular payment of allowances to teaching faculties*

**Rupees 56.38 lakh were paid as Special and sumptuary allowances to the teaching faculties of Medical College without obtaining approval of Government of India.**

The Memorandum of Association of 'Perunthalaivar Kamaraj Medical College and Research Institute', a society registered in June 2005 and fully funded by the Union Territory Government, stipulates that service rules of Central Government including General Financial Rules (GFRs) are applicable for the officers and staff of the society. The GFRs stipulate that all grantee institutions which receive more than fifty *per cent* of their recurring expenditure in the form of grants-in-aid, shall formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in Central Government and in exceptional cases, relaxation may be made in consultation with Government of India (GOI).

As the response to the advertisement given (November 2005) for recruitment of teaching faculties was poor, the Director of the Medical College proposed to enhance the total emoluments by way of allowing some special allowances/incentives. The Governing Body agreed (December 2006) to the payment of special allowance of Rs 10,000 in addition to the allowances applicable to the faculties of All India Institute of Medical Sciences, New Delhi (AIIMS) to attract experienced faculties. Comparison of allowances approved by the Governing Body with that paid by AIIMS, however, revealed that two allowances viz., special allowance of Rs 10,000 per month and sumptuary allowance of Rs 5,000 per month

were not paid to the teaching faculties of AIIMS. The Governing Body, however, did not obtain any approval or relaxation from GOI through the Union Territory (UT) Government for payment of these two allowances. The Director recruited 44 teaching faculties during February 2007 to December 2007 and paid these allowances in addition to the pay and allowances allowed by AIIMS. These two allowances were also drawn by the Director from the date of his joining the College (23 November 2006). The Medical College incurred Rs 56.38 lakh till December 2007 towards payment of these two allowances without the approval of GOI.

The matter was referred to Government in June 2008. Government stated (August 2008) that these two allowances were given to attract faculties to serve in Government institutions. As the Medical College is fully funded by the UT Government, the Governing Body should have obtained relaxation from GOI through the UT Government for sanction of these two allowances. As such, the expenditure of Rs 56.38 lakh incurred towards payment of additional allowances to the teaching faculties of Medical College was irregular.

### **3.2 Avoidable expenditure**

#### ***PUBLIC WORKS AND LOCAL ADMINISTRATION DEPARTMENTS***

##### ***3.2.1 Additional liability due to delay in finalisation of tenders***

**Delay in finalisation of tenders and communicating them to the successful tenderer within the validity period in the cases of six different works resulted in an additional liability of Rs 78.38 lakh to Government.**

In the following cases, there were delays in finalisation of tenders before the expiry of validity period which resulted in additional liability of Rs 78.38 lakh.

Case A :

To safeguard against any breach of contract, CPWD Manual stipulates production of performance guarantee<sup>1</sup> by the contractor in the form of irrevocable bank guarantee (BG) bond from any scheduled bank before awarding the work. The Chief Engineer issued instructions (November 2004) to verify the genuineness of the BG before accepting it.

Tenders were invited (February 2005) for the work of providing side drain from Vazhudhavur road junction to NH 45 junction. The tenders were

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<sup>1</sup> Five per cent on the tendered value

valid upto 29 April 2005. The Superintending Engineer, Circle III, Puducherry (SE) approved (March 2005) the lowest tender of Rs 30.38 lakh. The Executive Engineer, Buildings & Roads (Central) Division, Puducherry (EE) requested the contractor (March 2005) to submit a performance guarantee in the form of BG. The contractor submitted the BG on 8 April 2005. The EE addressed the bank to confirm the genuineness of the bond only on 3 May 2005. Consequently the acceptance of tender was not communicated within the validity period (29 April 2005).

The contractor demanded (May 2005) release of earnest money deposit and BG. The EE sought orders of SE for cancellation of tender. The SE called for (June 2005) the reasons for non-communication of acceptance of tenders. The EE attributed (September 2005) the delay to the bank for not confirming the authenticity and genuineness of BG before expiry of validity period of tender. The SE accepted (November 2005) the proposal for cancellation of the tender. On retender (May 2006), the work was awarded (August 2006) to a contractor for Rs 51.57 lakh and the work is still under progress (April 2008).

Failure of the EE to verify the genuineness of the BG before the expiry of validity period of the tender resulted in extra liability of Rs 21.19 lakh.

#### Case B :

Test check of the records of Karaikal Municipality and Kottucherry Commune Panchayat by Audit during February and December 2007 and March 2008 revealed delay of 35 to 67 days in finalisation of tenders of four works without any recorded reasons resulting in withdrawal of offers by the lowest tenderers and consequent execution of these works at higher cost. Though the tender for a building work was finalised in time, work order was not issued for want of demolition of existing structure at the site. The details of these cases are given below:

Name of Work	Reasons for rejection of tender	Additional avoidable liability (Rs)
(1)	(2)	(3)
<b>Karaikal Municipality</b>		
Improvement of internal roads with WBM and BT and protection works in Kilinjalmedu	Tenders opened on 16 November 2005. Commissioner recommended the single tender of Rs 49.98 lakh to SE, LAD on 28 November 2005. This was forwarded to the CE, PWD on 3 January 2006 (delay of 35 days). The CE failed to approve it within the validity date of 15 January 2006. The tenderer withdrew the offer. The tender was finalised in the third call <sup>2</sup> for Rs 74.53 lakh in August 2007.	24.55 lakh

<sup>2</sup> There was no response in the second call.

(1)	(2)	(3)
Improvement to link road from Beach road to Thomas Arul Street.	Tenders were opened on 16 November 2005 and the lowest offer of Rs 18.69 lakh was recommended to SE, LAD for acceptance on 21 December 2005. Proposal for expenditure sanction was sent to Director, LAD on 27 December 2005. The Director accorded sanction on 31 January 2006 (delay of 40 days). Validity of tender was over on 15 January 2006. The tenderer withdrew the offer. The tender was finalised in the second call for Rs 29.50 lakh in July 2006.	10.81 lakh
Improvement to internal roads in Ammankoil pathu.	Tenders were opened on 16 November 2005 and the lowest offer of Rs 15.30 lakh was accepted by SE, LAD on 21 December 2005. Proposal for expenditure sanction was sent to Director, LAD on 27 December 2005. Sanction was accorded only on 1 February 2006 (delay of 41 days). Validity of tender was over on 15 January 2006. The tenderer withdrew the offer. The tender was finalised in the third call <sup>3</sup> for Rs 20.44 lakh in July 2007.	5.14 lakh
<b>Kottucherry Commune Panchayat</b>		
Construction of Multipurpose Community Hall	Tenders were opened on 15 February 2007 and the lowest offer of Rs 61.69 lakh was accepted by SE, LAD on 30 March 2007. Tender validity was extended up to 30 June 2007 but the Commissioner requested the Director, LAD to accord expenditure sanction on 6 June 2007 (delay of 67 days). The validity of tender was over. The tenderer withdrew the offer. The tender was finalised in the second call for Rs 67.40 lakh in January 2008.	5.71 lakh
Reconstruction of Office Building by demolishing the old tiled building	The work involved demolition of existing building and construction of new building at that site. The estimate for construction work was sanctioned by SE, LAD in March 2005 and tenders were invited in July 2005. The lowest tender of Rs 39.58 lakh was accepted after obtaining expenditure sanction from Director, LAD (11 November 2005). Though the acceptance was communicated to the tenderer on 16 November 2005, work order was not issued as the old building was not demolished. The sanction for dismantling the old building was obtained only in March 2006. Tenders were invited on 5 July 2006. As the site was not ready, the tenderer (for construction work) withdrew his offer. The old building was dismantled in April 2007 <sup>4</sup> and the tender for the same construction work was finalised for Rs 50.56 lakh in January 2008.	10.98 lakh

As all the above stated works were taken up for execution with Government grants, the delay in finalisation of tenders due to inaction at various levels resulted in an additional liability of Rs 57.19 lakh to Government.

The matter was referred to Government in June/July 2008; the replies had not been received (November 2008).

<sup>3</sup> There was no response in the second call.

<sup>4</sup> Tenders received in the first two calls (Rs 45,000 and Rs 46,000) were rejected for lesser bid than the upset price (Rs 82,899) and the tender was decided only in the third call for Rs 52,000, to avoid delay in taking up construction work at that site.

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**PUBLIC WORKS DEPARTMENT**

**3.2.2 Avoidable liability due to non-communication of acceptance of tender in time**

**Failure of the Government to arrange for attending to urgent work of Chief Engineer during the vacancy period resulted in non-communication of the acceptance of the tender for a road work within the validity period and avoidable liability of Rs 45.45 lakh on retender.**

The notice inviting tender (NIT) for the work 'Providing wearing coat from Marapalam to Chunnambar in NH 45A' (estimate : Rs 1.96 crore), issued on 16 October 2006, stipulated that the tender should remain open for acceptance for a period of sixty days from the date of opening. The tenders were opened on 2 November 2006 and the lowest offer of Rs 1.60 crore was recommended (8 November 2006) for acceptance by the Executive Engineer, NH Division, Puducherry (EE). The Chief Engineer (CE), accepted the lowest tender on 29 November 2006. The draft letter of acceptance was, however, not approved within the validity period of tender (31 December 2006) as the post of CE was lying vacant from 1 December 2006. The letter was approved by the Secretary (Works) on 4 January 2007 on behalf of the CE, but the contractor withdrew the offer on the ground of expiry of validity of tender.

When the new CE invited (February 2007) the tenderer for a discussion, he did not turn up. On retender (March 2007), the work was awarded (April 2007) to the same contractor for Rs 2.05 crore. The work was in progress and Rs 83.27 lakh was spent as of December 2007.

Thus, failure of the Government to organise and arrange a CE for attending to the urgent work/duties of CE during the vacancy period resulted in non-communication of the acceptance of tender to the contractor before the expiry of validity of tender leading to an additional liability of Rs 45.45 lakh<sup>5</sup>.

Government attributed (November 2008) the delay in making alternate arrangements for attending to urgent work of CE to administrative reasons. This reply is not acceptable as the Government could have given additional charge or delegated the powers of CE to the senior most Superintending Engineer to carry out the regular activities of the Department.

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<sup>5</sup> Rs 205.44 lakh - Rs 159.99 lakh

### 3.3 Unfruitful Expenditure

#### ADI-DRAVIDAR WELFARE DEPARTMENT

##### 3.3.1 Non-development of land resulted in blocking of Rs 2.39 crore

**The Director failed to develop the lands acquired at the cost of Rs 2.39 crore as housing plots for allotment to Scheduled Caste and Other Economically Backward Class even after four years of acquisition.**

The Department implements the scheme “Distribution of plots to Scheduled Caste (SC) and Other Economically Backward Class (OEBC) beneficiaries free of cost” for construction of their own dwelling units/houses. Revenue Department acquired two pieces of land measuring 1.126 hectares (ha) and 1.52 ha at Kirumampakkam and Pitchaiveerampet villages respectively by invoking urgency clause of Land Acquisition Act for implementing the scheme. The lands acquired at a total cost of Rs 2.39 crore were handed over to the Director of Adi-dravidar Welfare in September and December 2003. The scheme was not implemented due to delay in developing the lands into plots even by April 2008. Scrutiny of relevant records by audit disclosed the following:

As the land at Pitchaiveerampet required earth filling before demarcation, the Director requested the Public Works Department (PWD) to fill the low-lying areas with desilted earth from nearby ponds in June 2004. PWD could not take up the work as the site was full of bushes, jungles etc. and the boundaries of the same were not demarcated. The Director approached (November 2004) a Government company to undertake the work. Though the company quoted a rate of Rs 23.40 lakh (January 2005), it demanded actual cost with service charges (June 2005) while finalising the payment conditions. The Director did not entrust the work to the company. PWD executed the work as and when desilting works were undertaken and the work was partially completed and work in 0.10 ha was left undone upto February 2007. The land was divided into 183 housing plots in April 2007 but the Selection Committee was not convened to select the beneficiaries, as earth filling work was not completed in 0.10 ha of land. The boundaries of this piece of land were demarcated (June 2007), but the earth filling work was not taken up by PWD (April 2008).

The Director took over the land at Kirumampakkam in September 2003. After exploring the possibility of filling the low lying areas with earth filling work by a Government company and Pondicherry Slum Clearance Board, the Director got the work completed through a private agency in May 2005. The Director then requested (June 2005) the Electricity Department to shift the power lines but did not follow it up. Based on the estimate given by the Electricity Department (June 2006), the Director deposited the cost of shifting in April 2007. As the work was to be

executed departmentally, Electricity Department returned the deposit in August 2007. The Low Tension lines were shifted (February 2008) but High Tension lines were not shifted for want of line materials. In the meantime, the land was divided into 190 housing plots but the beneficiaries were not selected or finalised due to non-shifting of power lines.

Failure of the Director to develop the land as housing plots resulted in non-distribution of housing plots to 373 beneficiaries even by April 2008 and blocking of Rs 2.39 crore for more than four years.

The matter was referred to Government in July 2008; reply had not been received (November 2008).

### **3.4 General**

#### **3.4.1 Follow up action on earlier Audit Reports**

The Committee on Public Accounts (PAC) prescribed a time limit of three months for the Departments for furnishing replies to the audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them and submission of Action Taken Notes on the recommendations of the PAC by the Departments. The pendency position of paragraphs/recommendations for which replies/action taken notes were not received is as follows:

- (a) Out of 63 paragraphs/reviews included in the Audit Reports relating to 2003-04, 2004-05, 2005-06 and 2006-07, Departmental replies were not received for 51 paragraphs/reviews as of September 2008.
- (b) Government Departments had not taken any action as of September 2008 on 381 recommendations made by the PAC in respect of Audit Reports of 1977-78 to 2001-02 (details *vide* **Appendix 3.1**).