

CHAPTER III
AUDIT OF TRANSACTIONS
(URBAN LOCAL BODIES)

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Audit of transactions in the Municipal Administration and Water Supply Department, Tamil Nadu Water Supply and Drainage Board and in Nagapattinam Municipality brought out instances of lapses in management of resources and failures in observance of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

3.1 Wasteful expenditure

NAGAPATTINAM MUNICIPALITY

3.1.1 Wasteful expenditure on execution of road work

Execution of permanent restoration of road work without obtaining the plan of action from Tamil Nadu Water Supply and Drainage Board which is implementing the under ground sewerage scheme resulted in wasteful expenditure of ₹ 23.10 lakh.

In December 2007, Government of Tamil Nadu accorded administrative sanction for ₹ 49.43 crore which was revised to ₹ 79.31 crore in February 2011 for implementing Under Ground Sewerage Scheme (UGSS) in Nagapattinam Municipality under Tamil Nadu Urban Development Fund III. The work was divided into six packages consisting of four packages for collection system and two packages for sewerage treatment plant. The work relating to the four packages for collection system which involved the excavation of trenches for laying sewer and pumping mains was entrusted for execution in July 2010 by Tamil Nadu Water Supply and Drainage (TWAD) Board to M/s APR Projects Private Limited.

The Commissioner of Municipal Administration (CMA), Chennai instructed (July 2006) all the Urban Local Bodies to obtain a plan of action from the respective agencies implementing water supply schemes and UGSS and plan the road restoration works.

Scrutiny of records by Audit revealed (April 2012) that Nagapattinam Municipality (Municipality) carried out temporary restoration¹ of road work in Sillady Beach Road coming under UGSS at a cost of ₹ 2.30 lakh in January 2011 under Natural calamity scheme 2010-11. In July 2011 Municipality carried out permanent restoration² of road work in the same road at a cost of ₹ 23.10 lakh under Natural calamity scheme 2010-11 without obtaining the

¹ Urgent repairs on road of temporary nature to make the road motorable to meet the present need.

² Road work of permanent nature to make the road motorable for the future need.

plan of action from TWAD Board which was implementing the UGSS. While the temporary restoration work carried out earlier on that road may have been necessary and should have ensured smooth flow of traffic till the completion of UGSS, the Municipality also undertook permanent restoration in July 2011. Thereafter, TWAD Board executed the work of collection system under UGSS scheme in March 2012.

Though the Municipality was aware of the implementation of UGSS work by TWAD Board, execution of permanent restoration of road work without getting the action plan from TWAD Board resulted in wasteful expenditure of ₹ 23.10 lakh on permanent restoration.

The matter was referred to Government in January 2013; reply has not been received (March 2013).

3.2 Avoidable expenditure

TIRUPPARANKUNDRAM MUNICIPALITY AND HARVEYPATTI TOWN PANCHAYAT

3.2.1 Avoidable expenditure due to injudicious rejection of tender

Injudicious rejection of tender by Tamil Nadu Water Supply and Drainage Board resulted in avoidable expenditure of ₹ 1.31 crore to two Urban Local Bodies.

Administrative sanction was accorded (March 2007) by Government of Tamil Nadu for the combined water supply scheme to Tirupparankundram Municipality and Harveypatti Town Panchayat in Madurai District under Jawaharlal Nehru National Renewal Mission at a cost ₹ 9.70 crore with the funding pattern of ₹ 4.85 crore (50 *per cent*) by Government of India (GoI), ₹ 1.94 crore by the State Government (20 *per cent*) and ₹ 2.91 crore (30 *per cent*) by the Urban Local Bodies. The Chief Engineer, Southern Region, Tamil Nadu Water Supply and Drainage (TWAD) Board, Madurai accorded (June 2007) technical sanction for the said work for ₹ 10.50 crore with the condition that the Urban Local Bodies should bear the excess amount over and above the administrative approval amount and invited tenders in July 2007. Only two bids were received and after negotiation, the lowest bidder agreed to execute the work at ₹ 10.96 crore, which was 19 *per cent* over and above the departmental rate of ₹ 9.21 crore at 2007-08 Schedule of Rates (SOR). On the grounds of time bound nature of work and that further calls would not give a fruitful result, the Chief Engineer recommended (September 2007) the lowest bid for consideration and acceptance. But the tender was rejected (October 2007) by the Tender Committee on the ground of high tender percentage.

Retenders were called in October 2007 and January 2008. In both the tender calls, the bidder who quoted the lowest at the time of first call alone came forward to undertake the work at the negotiated rate of ₹ 11.47 crore (17.54 *per cent* excess over the revised estimate of ₹ 9.76 crore) in the second call and at ₹ 12.19 crore (11.71 *per cent* excess over the revised estimate of

₹ 10.91 crore based on 2008-09 SOR) in the third call. The Tender Committee rejected the tenders in December 2007 and May 2008 respectively citing the high tender percentage.

Again retender was called in June 2008 and the lowest between the two bidders agreed to execute the work at ₹ 12.78 crore (21 *per cent* excess over the departmental rate of ₹ 10.56 crore). The tender was approved by the Board in September 2008. The work order was issued to the successful bidder in September 2008 and the work was completed in June 2010 at a cost of ₹ 12.94 crore.

Scrutiny of the records by Audit (August 2009) revealed that the Tender Committee which rejected the lowest tender in the first call citing 19 *per cent* as high tender percentage had approved during the same meeting tender for Combined Water Supply scheme to Tsunami affected coastal establishment in Tirunelveli at tender excess of 19.66 *per cent* and at a meeting in August 2007 for Combined Water Supply scheme to Tsunami affected coastal establishment in Kanyakumari district at a tender excess of 22.06 *per cent* over and above the departmental estimated cost. Similarly, in the subsequent meeting (December 2007) wherein the Tender Committee rejected the second call (citing the tender excess of 17.54 *per cent*) had approved another tender³ with excess of 19.66 *per cent* over the departmental estimated cost.

Thus, in the background of the prevailing tender rates quoted for water supply schemes, uncompetitive response for the first and second calls, approval given for similar water supply schemes, and anticipated rise in SOR, the Board should have accepted the tender on second call at ₹ 11.47 crore. Injudicious rejection of the tender at the second call by the Tender Committee constituted by TWAD Board led to award of work subsequently in the fourth call at a higher rate resulting in time overrun for nine months and cost overrun of ₹ 1.31 crore for the Urban Local Bodies.

When this was pointed out, the Executive Engineer, TWAD Major Project Division, Madurai replied (February 2012) that the Board rejected the first call having high tender percentage and rejected the second and third call being single tender and expecting better competition. The reply is not acceptable as there was no restriction on acceptance of single tender in the second and third calls as the Board was aware of the response to the tender and increase in the estimate rate due to increasing trend in the SOR. Further, the Board had approved higher percentage for other similar works during the same period.

The matter was referred to Government in January 2013; reply has not been received (March 2013).

³ Combined Water Supply Scheme to Perambalur, Veppanthattai and Alathur Panchayat Unions, Arumbavur and Poolamabai Town Panchayts.