

## Chapter 3 Audit of Transactions

### 3.1 Undue favour to contractors

**Violation of the tendering rules led to extension of undue favour to contractors for ₹ 29.52 lakh in Zila Panchayat Varanasi and Jalaun.**

Rule 21 of Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat Adhiniyam*, 1961 stipulates that agreement/contract bond document is essential to be prepared and enclosed, Rule 21(3) stipulates that rates in words and figures should be mentioned and no tender would be entertained without prescribed details and Rule 29 *ibid* stipulates that *Zila Engineer* (Chief Engineer) of *Zila Panchayat* (ZP) would be responsible for the implementation of the conditions of the contract. Further, financial rule<sup>1</sup> provides that whenever possible and advantageous, contract should be placed only after invitation of tenders.

Audit scrutiny disclosed two cases of blatant violation of tendering norms by ZPs, which are discussed below

Scrutiny of records (January 2016) of *Apar Mukhya Adhikari* (AMA), ZP, Varanasi revealed that construction work 'Interlocking work of the road from the house of *Dashrath Patel* to the house of *Doodhnath Patel*' 200 metre in the *Gram Sabha* kachahariya was sanctioned for ₹ 5.04 lakh in 2013-14 by ZP under the State Finance Commission grant and its technical sanction was accorded on August 2013 by *Adayaksh* ZP.

It was noticed that only two bids were received and opened (December 2013) in front of Engineer and AMA ZP Varanasi, in which one tender bid was completely blank and had no entries against items of work, rate of quotation, estimated amount *etc.* Hence, the blank tender was liable to be rejected being a non-responsive bid. However, in contravention of basic tendering norms, the tender committee prepared a comparative statement of those two tenders by irregularly taking the quote of blank bid tender as 0.15 *per cent* below the tender cost and declaring the blank bidder firm as lowest tenderer. The work was awarded (December 2013) by AMA ZP to that bidder whose bid was blank on the basis of forged preparation of comparative statement of tender. The payment of ₹ 5.02 lakh was made (August 2015) to the firm on completion of work in March 2015.

AMA ZP, Varanasi in its reply stated (January 2016) that due to excessive work some errors happened in some files and that all the formalities would be completed before issuance of the work orders in future.

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<sup>1</sup>Rules 4 and 9 of *Appendix 19* of Financial Hand Book Volume-V Part I.

Similarly, scrutiny of records of AMA ZP, Jalaun (February 2016) revealed that construction work ‘security wall/pitching work of a pond beside *kotwali* in *Kshetra Panchayat Dakor*’ in district Jalaun was sanctioned (November 2014) by Government of Uttar Pradesh (GoUP) from the Thirteenth Finance Commission grant, at a cost of ₹ 24.50 lakh. Its financial and administrative sanction was accorded (October 2014) by the *Adhyaksh* ZP, Jalaun and an agreement was executed (January 2015) with the lowest tenderer. However, the work could not be started due to dispute on site.

As the work was not started, another work in different place of different nature, ‘Cement Concrete work in full width along the north side from top to bottom of the *Nadaie* pond in village *Dakor*’ was started (January 2015). Administrative and financial sanction was accorded (May 2015) by the *Adyaksh* ZP with same estimated cost of ₹ 24.50 lakh and Government accorded its technical sanction (June 2015).

Audit observed that despite change in the nature and scope of the work and also its location, neither a fresh tender was invited nor fresh agreement executed, and the work was awarded irregularly to the same contractor and an amount of ₹ 24.50 lakh was paid (January 2016) after completion (November 2015) of work.

On being pointed out, AMA ZP, Jalaun stated (February 2016) that considering the importance of the work and to complete the work quickly, the work was awarded to the earlier selected contractor.

The replies are not acceptable as financial rules were violated on execution of works for providing undue benefit to the contractor, resulting in undue favour to the contractor for ₹ 29.52 lakh.

### **3.2 Suspected fraudulent payment**

**Payment of ₹ 0.82 lakh without ensuring proper checks in two *Kshetra Panchayats*.**

Para 49(1) of Uttar Pradesh *Kshetra Panchayat and Zila Panchayat Nirman karya Niyamavali*, 1984 provides that muster rolls should be maintained in the prescribed format (*Nirman Karya 12*) by the work-in-charge for work done by daily labourers. One or more muster rolls should be kept for each work, but muster rolls should never be prepared in duplicate. The payment to labourers should be made only after the verification of the presence of the labourers at work-site for the period of work concerned. Further, separate rolls must be prepared for each period of payment.

Scrutiny of records (January 2016) of Block Development Officer, *Kshetra Panchayat* (BDO KP) Nagava, district Sonbhadra, revealed that a cheque<sup>2</sup> of

<sup>2</sup> Cheque number 417225 dated 16 September 2013.

₹ 1.17 lakh was issued (September 2013) to the *Gram Vikas Adhikari* for payment of wages to 75 labourers engaged in the work through muster rolls during the period 29 August 2013 to 05 September 2013. Audit scrutiny revealed that, 48 out of 75 labourers, who were engaged for all the seven days were seemingly paid their wages twice amounting to ₹ 42 thousand by preparing muster rolls in duplicate (**Appendix 3.1**). In reply, the BDO KP, Nagava stated that the matter would be examined.

Similarly, scrutiny of records (February 2016) of BDO KP, Niyamatabad, district Chandauli revealed that for construction of 'CC road and sewer line in Gopalpur' and '*Chauka Karya* in Chorahat' the BDO KP issued cheque to respective Assistant Development Officers', *Panchayat* as work-in-charge for payment of wages to 30 and 25 labourers of ₹ 3.66 lakh and ₹ 4.13 lakh for execution of work during 5 November 2013 to 10 November 2013 and 2 April 2014 to 07 April 2014 respectively. It was noticed that 41 out of 55 labourers, who were employed for all the above days were paid wages twice amounting to ₹ 40 thousand by preparing muster rolls in duplicate (**Appendix 3.1**). In reply, BDO accepted the facts and figures and replied that necessary action would be taken after the enquiry.

Thus, authorisation of the payment on muster rolls, without ensuring proper checks resulted in duplicate preparation of muster rolls and suspected fraudulent payment of ₹ 0.82 lakh to labourers.

### **3.3 Unfruitful expenditure**

**Unfruitful expenditure of ₹ 1.60 crore incurred on construction of incomplete and sub-standard *Gram Panchayat Sachivalaya* in *Zila Panchayat, Fatehpur*.**

Financial rule<sup>3</sup>, stipulates that no work should be conducted without proper agreement. *Panchayat Niyamavali*<sup>4</sup> states that agreement/contract bond document is essential to be executed. As per Government order<sup>5</sup>, funds shall not be released to an executing agency without executing the Memorandum of Understanding (MoU). The work should be completed as per terms and conditions of the MoU within the prescribed time limit. If the executing agency violates the terms and conditions, action could be taken against it as per conditions of MoU.

Scrutiny of records (April 2016) of *Apar Mukhya Adhikari*, (AMA), *Zila Panchayat* (ZP), Fatehpur revealed that Administrative and financial sanction for construction of 69 *Gram Panchayat Sachivalayas* (GPSs) under Backward Region Grant Fund scheme was accorded (September and November 2010)

<sup>3</sup> Rule-4 of *Appendix 19* of Financial Hand Book Volume 5 Part-1.

<sup>4</sup> Rule-21 (2) (3) of *Uttar Pradesh Kshetra Panchayat and Zila Panchayat Nirman Niyamavali*, 1984.

<sup>5</sup> Letter no. 9060(1)/33-P.M.U./2011 dated 23.11.2011.

for ₹ 10.16 crore by the Government of UP (GoUP). GoUP had fixed the construction cost of ₹ 14.72 lakh for construction of each GPS (January 2010). Work was to be completed within three months from the date of administrative and financial sanction. Labour and Construction Cooperative Federation Limited (LACCFED) was nominated (September and November 2010) as executing agency by the Government. As per directions of the Secretary, *Panchayati Raj*, periodic monitoring was to be conducted by the AMA for timely completion of the work.

Scrutiny further revealed that without executing MoU, ZP Fatehpur released (November 2010 and February 2011) the entire amount of ₹ 10.16 crore to LACCFED.

Audit further observed that progress of work of 15 out of 69 GPSs was extremely slow and despite expenditure of ₹ 1.60 crore on 15 GPSs out of released amount ₹ 2.21 crore (**Appendix 3.2**), work was not yet completed (October 2016) even after a lapse of five years. Remaining 54 GPSs were completed. It was also noticed that despite significant delays penalty was not imposed on the executing agency as the MoU with GoUP/ZP was not executed. ZP also failed to link the release of funds with the progress of expenditure and therefore gave undue benefit to the executing agency.

District Magistrate (DM), on instruction from Principal Secretary, *Panchayati Raj* directed (July 2014) Chief Development Officer (CDO) to conduct an enquiry of works under BRGF scheme in which 10 out of 15 GPSs were included. CDO after conducting the inquiry, reported (March 2015) that the constructed 10 GPSs were found sub-standard and incomplete. Action was also recommended against the executing agency. Audit however noticed that no action was taken by ZP against the agency.

On being pointed out, AMA replied that efforts would be made to complete and take over the GPSs from LACCFED. Reply is not tenable as ZP had neither taken any action against LACCFED nor reported to GoUP, despite instruction from DM which resulted unfruitful expenditure.

Thus, failure of ZP to execute MoU and effectively monitor the quality and progress for construction of work resulted in 15 GPSs remaining incomplete for last six years leading to unfruitful and substandard work costing ₹ 1.60 crore.

### 3.4 Unfruitful Expenditure

**Unfruitful expenditure of ₹ 59.64 lakh due to incomplete construction of Bharat Nirman Rajiv Gandhi Seva Kendra building in Kshetra Panchayat Amaria, Pilibhit.**

With an objective of providing space to facilitate the functioning of National Rural Employment Guarantee Act (NREGA) office at *Gram Panchayat* (GP) level and also for its utilisation as a citizen centric knowledge resource centre, Ministry of Rural Development Government of India (MoRD) approved (November 2009) a project for construction of Bharat *Nirman* Rajiv Gandhi *Seva Kendra*<sup>6</sup> (BNRGSK). It was decided (December 2009) by the MoRD that maximum expenditure of ₹ 10 lakh could be incurred under NREGA for construction of BNRGSK building at *Gram Panchayat* level and expenditure over this ceiling would be borne by the State Government. The construction works of BNRGSK building, its quality and timely completion was the responsibility of District Programme Co-ordinator (DPC) of NREGA.

Scrutiny of records (June 2016) of Block Development Officer (BDO) *Kshetra Panchayat* (KP) Amaria, Pilibhit revealed that for the construction of BNRGSK building, BDO KP Amaria accorded administrative and financial sanction during November 2010 to December 2011 of ₹ 10 lakh for each building in 35 GPs. Its technical sanction was granted by Executive Engineer (EE) Rural Engineering Department, Pilibhit during November 2010 to December 2011. The buildings were to be completed within six month from the date of start. Construction of BNRGSK buildings was started between November 2010 and August 2011 in 35 *Gram Panchayats* by the GPs themselves. Provision of Fund for construction of BNRGSK buildings was to be made from NREGA labour budget of respective GPs themselves. Hence, no release of fund was required separately.

Audit observed that 17 out of 35 buildings to be constructed, costing ₹ 59.64 lakh<sup>7</sup>, remained incomplete as of October 2016.

On being pointed out in audit, BDO replied (June 2016) that the work was incomplete due to shortage of fund. Reply is not tenable because as per instructions of MoRD, NREGA was the main source of funding, though there was a provision for supplementing funds from other schemes, audit noticed that there was no such action taken.

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<sup>6</sup> Consist of one meeting hall, two rooms (one for NERGA office and other public interface).

<sup>7</sup> Gram Panchayat: 1. Madhaupur: ₹ 6.53 lakh; 2. Sardar Nagar: ₹ 3.30 lakh; 3. Bhauna: ₹ 6.38 lakh; 4. Andarayan: ₹ 5.98 lakh; 5. Baratbojh: ₹ 2.85 lakh; 6. Mudsena Madari: ₹ 5.28 lakh; 7. Navada Kanja: ₹ 2.64 lakh; 8. Pareva Vaishya: ₹ 3.65; 9. Rafiyapur: ₹ 1.76 lakh; 10. Todarpur: ₹ 2.46 lakh; 11. Chahlaura: ₹ 1.05 lakh; 12. Niwad Athpur: ₹ 1.36 lakh; 13. Bhura: ₹ 4.19 lakh; 14. Jathaniya: ₹ 5.53 lakh; 15. Vishen: ₹ 4.17 lakh; 16. Nishaba Nisaiya: 1.19 lakh and 17. Ddhundhari: ₹ 1.32 lakh.

Thus, despite an expenditure of ₹ 59.64 lakh the objective of constructing the *Seva Kendra* for its utilisation as a citizen centric knowledge resource centre was not fulfilled as the BNRGSK buildings were not yet completed (December 2016).

The matter was reported to Government (August 2016); their reply was awaited (March 2017).

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