

Audit Observation Report

DIU - Amravati

Our Audit observation are categorized in 3 parts, as follows:

Part I : Expenses not covered under SMART Project

Part II : Inadmissible expenses wherein expenses are excessive, no proper supporting available, or expenses were not as per procurement guidelines. Hence considered as inadmissible.

Part III : Amount involved was not considered as inadmissible, however deviations from prescribed guidelines, lacunas in procedures etc were reported

No.	Audit Observations	Amount Involved (Rs)	Explanation:-
2	<p>Part II: Inadmissible Expenses wherein expenses are excessive, no proper supporting available, or expenses were not as per procurement guidelines hence considered as inadmissible.</p> <p>SMART Cotton - Crop Demonstration - Rs. 1210450/- VCDS - Crop Demonstration - Rs. 36500/-</p> <ul style="list-style-type: none">The Supply Order provided to Pawan Krishi Kendra (L1) for seed quality Ajit-155, Ajit-05, Rashi - 659 and First Class Crystal out of which no bid called for Ajit-05, Rashi - 659. Further when L1 Bidder Pawan Krishi Kendra deny to provide product which were not mentioned in advertise and rate also not provided by him then entire supply order provided to Gayatri Krishi Kendra <p>Details of Supply order provided to Gayatri Krishi Kendra with rate difference as below:</p>	1246950/-	<p>Explanation:-</p> <p>As per guidelines of SMART Project, an advertisement was flashed, specifying the procurement of Ajeet-155 and First Class (Bayer). The choice of these varieties was based on their longer staple length of thread compared to others. In the terms and conditions of the advertisement, it was explicitly mentioned that similar/equivalent types of seeds could be procured as required.</p> <p>On receipt of quotations, we received demand from farmers, through Taluka Krushi Office, were specifically demanding Ajeet-155, Ajeet-05, Rasi-659, and First Class Crystal varieties. In response to this demand, we requested the bidder, Pawan Krushi Kendra, to provide the seeds as per the farmers' demand for specific varieties</p> <p>Unfortunately, Pawan Krushi Kendra denied the request in writing, citing inability to supply the specified variety of cotton seeds. As the quotation was opened on 15th of June 2022 it was a high time for sowing Kharip's cotton so that farmer were repeatedly demanding quick and timely supply of specified seeds.</p> <p>We would like to take your attention towards one point that as per The Gazette of India no. CG-DL-15032022-124214, Extraordinary, PART II- Section 3 - Sub-Section (ii), published</p>

Particulars	Quantity	Price Quoted by Gayatri Krishi Kendra	Price Quoted by Pawan Krishi Kendra	Price Difference	Value
1	2	3	4	5 (3 - 4)	6 (5 * 2)
Ajit 155	390	790	750	40	15600
Ajit 05	690	805	750*	55	37950
Super B	450	800	750*	50	22500
First Class Crystel	30	780	750	30	900
Total					76950

*As Price for Ajit 05 and Super B not quoted by Pawan Krishi Kendra we consider Rs. 750

- As per our observation no price compare for Ajit 05 and Super B only single price quoted by Gayatri Krishi Kendra considered and supply order provided to him.

by authority dated 15th March 2022, it was clearly mentioned that BG-II (version of Bacillus Thuringiensis (Bt) Cotton Hybrid) maximum sale price should be Rs. 810/-. By considering this gazette with quoted rate mentioned by Gayatri Krushi Seva Kendra we found that rates were below Maximus sale price, and thus we issued a supply order in the name of L2 (Gayatri Krushi Seva Kendra).

Gayatri Krushi Seva Kendra showed willingness, readiness to supply and has indeed delivered the required specified seeds within the stipulated time period. We want to emphasize that there is no ambiguity regarding the comparison of rates, and all parties involved in the procurement process were qualified.

Considering the urgency tied of Kharip season for crop sowing, we took this decision for supply of specified varieties. We kindly request your understanding and consideration in dropping the audit para associated with this procurement. We believe that the circumstances surrounding this case, along with the compliance with the specified varieties and rates, merit an exception in this instance.

It is submitted that whole amount cannot be recoverable, as in case of Ajit 155 and First class crystal the L2 was paid with rates above L1 and that amount comes to Rs 15600+900 that is Rs 16500/-. In case of Ajit 05 and Super B varieties, the L1 vendor Pawan KSK was found for other varieties and not quoted rates. In audit the notional amount of Rs 750 per packet has been taken for calculation of difference is not valid. Govt of India has fixed the rate of Rs 810/- per packet. And hence though there were procedural lapses, it was need of time due to public demand and agitation, and there is no loss to Govt. Hence Amount of Rs 37950+22500 total Rs 60450/- needs to be condoned. It is to consider that during Kharif campaigns, BT BGII seed is distributed in queue in presence of officials of Agril Dept at Max rate of Rs 810 per packet. And it is regulated by various Acts, Rules and Orders under Essential Commodity Act 1955. Hence recommended for partial condonation.

SMART Cotton – Crop Demonstration – Rs. 362615/-
 VCDS – Crop Demonstration - Rs. 323850/-
 Crop Demonstration Horticulture – Rs. 314046/-
 Payment made to Gayatri Krishi Kendra Rs. 412200/-
 Payment made to OM Agro Organic Rs. 588311/-

- First supply order provided to OM Agro Organic (L1) on 27.09.2022 but bidder supply partial goods and shows inability to supply the remaining goods as per supply order then the Supply order for remaining goods provided to Gayatri Krishi Kendra.
- Details of Supply order provided to Gayatri Krishi Kendra with rate difference as below:

Particulars	Quantity	Price Quoted by Gayatri Krishi Kendra	Price Quoted by Om Agro Organic	Price Difference	Value
1	2	3	4	5 (3 – 4)	6 (5 * 2)
Chlorantra-niliprole 18.5 %	90	960	746	214	19260
Quizalofop ethyl 5%	40	490	0	490	19600
Quizalofop ethyl 5%	50	490	0	490	24500
Azoxystrobin + Thiophanate + Thiamethoxam	490	330	190	140	68600
Thiamethoxam 25wg	60	210	90	120	7200

158196/-

Explanation:-

Om Agro Organic emerged as the lowest bidder (L1) based on the quoted rates, leading to the issuance of a supply order to them. However, subsequent to the issuance of the supply order, Om Agro Organic informed us in writing about their inability to supply certain items due to the unavailability of packing sizes in accordance with CIB guidelines.

Although L1 did not have the required packing size of inputs available, so they submitted low price lists of inputs. As the packing size of the input is not available with L1, they are unable to supply the input. Later L2, L3 and L4 were invited to negotiate the input rate. L1, L2, L3 and L4 quoted unreasonable rates in the tariff while the packing sizes of inputs required for the project were not available and when asked to supply, they informed show inability to supply.

As the Kharif season was approaching, it was necessary to supply the inputs, so when Gayatri Krushi Seva Kendra was asked to supply them, they agreed to supply as per the packing size and rates specified in the price list. Therefore, in order to carry out demonstration it was necessary to provide the required seeds to the farmers before the Kharif season, supply order provided to L5 Gayatri Krushi Seva Kendra.

L1 was found that they had submitted the price lists only to participate in the tender process without availability of the required packing size also similarly L2, L3 and L4 also submitted the price lists only to participate in the tender process. It comes to notice, when they were informed to supply, they informed us (L2, L3, L4) that we will not be able to supply.

It's worth noting that Om Agro Organic has been blacklisted by this office due to short supply of goods and delays, as per the guidelines and RFQ for quotation. Subsequently, Om Agro Organic initiated legal action by filing a suit in the High Court Nagpur Bench, and the case is currently under consideration.

L1, L2, L3 and L4 submitted unreasonable rates by submitting price lists only for participating in the process when packing sizes of inputs required for the project were not available with them.

Therefore, L5 had aggrieved to supply according to the packing size as per the rates mentioned in the tariff and at the rates quoted by him. Hence the rate quoted to L5 is not comparable to

Difenth-uram 50% wp	90	800	762	38	3420
Fosetyl-AL-80% wp	55	1420	972	448	24640
Thiameth-oxam 25wg	30	210	90	120	3600
Fosetyl-AL-80% wp	25	1420	972	448	11200
Fosetyl-AL-80% wp	10	1420	972	448	4480
Potassium	90	90	0.49	89.51	8055.9
TOTAL					158195.90

According to above table DIU official has paid Rs. 158196/- due to inability to supply of goods by OM Agro Organic and while making Payment, the same amount has not deducted from the payment made to OM Agro Organic.

- Quizalofop ethyl 5% only quoted by Gayatri Krishi Kendra no other bidder provided quotation for the same for Rs. 44100 paid by DIU.
- Crop Demonstration Kits directly delivered to Taluka Krishi Adhkari Office.

VCDS – Crop Demonstration

- Guideline as per circular no. 1293/2022 dated 01.09.2022 for procurement of Goods above 10 Lakhs not followed by DIU; procurement method followed by DIU is as per circular no. 427/2021 dated 14.06.2021.
- Crop Demonstration Kits directly delivered to Taluka Krishi Adhkari Office.

1911000/-

Explanation

L1. Because L1-L4 did not have the rates for those packing sizes, it was found that they submitted the rates only to participate in the tender process
In contrast, L5 (Gayatri Krushi Seva Kendra) not only agreed to supply the required materials within the stipulated time, at the quoted price by him.
While making payments to both Om Agro Organic and Gayatri Krushi Seva Kendra, we adhered strictly to the quantities specified in the tax invoices and the corresponding supply to TAO office, after receipt of delivery challan. There was no excess payment made to any party, and the payments were made in line with the tax invoice amounts.
All payments were made with careful consideration of tax invoices, and copies of the invoices are available for your verification. These documents are also retained in the original file as part of our records.
Given these considerations, we kindly request you to view this as compliance and drop the associated audit para. We believe that the actions taken were in accordance with guidelines and regulations, and we are committed to providing any additional information or clarification required for a thorough review, as Khariip season started for conducting crop demonstration on farmers field, it was necessary to provide the inputs to the farmer in stipulated time.
Regarding supply place, TAO office is justifiable from the point of view of safety, security, control and monitoring.

According to the instructions given in the meeting held on August 24, 2022, under the chairmanship of the Project Director and Head of the District Implementation Unit (SMART Project), the procurement process for cotton picking bags under the Value Chain Development School (VCDS) was initiated.
The procurement was carried out as per the guideline amendment No. 127 dated June 14, 2021. Accordingly, tender

advertisements were published in daily newspapers like Dainik Jammadhyan and Dainik Deshonnati.

New guidelines regarding the procurement process were received on September 1, 2022. However, these guidelines were inadvertently overlooked at that time.

Since the procurement process for these bags was open to all, there was significant competition. 16 bidders submitted their price quotes. Such a high level of competition might not have been possible even if online tenders had been published according to the new guidelines of September 1, 2022.

The Smart Cotton Sub-project was implemented in 12 districts. Among these, the rate for cotton picking bags in Amravati district was the lowest at ₹245 per bag.

Consequently, this resulted in a significant saving of government funds amounting to ₹1,94,4600/-.

Due to the timely supply of bags, 607 bales were prepared in Amravati district under the Smart Cotton Sub-project. Amravati ranks second among the twelve districts in this regard.

As per Condition No. 4 mentioned in the supply order, the supply of cotton picking bags was to be made to the respective Taluka Agriculture Officer's office.


Since the said office did not have adequate storage facilities and there was a risk of storage (theft, fire, etc.), the supply order specified that the inputs be supplied directly to the respective Taluka.

The entire process was implemented for the benefit of farmers. By using these bags, farmer groups produced high-quality cotton bales (total 607 bales) and received good prices (₹6,1500 per bale). There has been no financial irregularity in this matter. This instance is merely a procedural lapse (offline tender instead of online tender) in the working system.

There has been no financial loss to the government; on the contrary, a large amount of funds totaling ₹1,94,4600/- was saved.

No Cotton Picking Bag	Avg. Rate of 8 District	Rate as per Bid	Amount using average rate	Amravati District Cost of Procurement	Saving
7650	504/-	245/-	3855600/-	1911000/-	1944600/-

		<p>At that time, the Project Sub-Director (ATMA) held the additional charge of three positions: a) Project Director, ATMA, b) Head, DIU, SMART Project, and c) Nodal Officer, SMART Project.</p> <p>Considering the above facts and since the Kharif season was approaching, it was not possible to conduct a re-tendering process. This decision was taken unanimously by the Procurement Committee out of necessity and promptness to ensure the success of the sub-project.</p> <p>It is a humble request to consider all the above facts with sympathy, to pardon/waive the objection, and to ensure that no recovery is initiated in this regard.</p>
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Head, District Implementation Unit
SMART Project, Amravati