



कार्यालय प्रधान निदेशक लेखापरीक्षा (केन्द्रीय), लखनऊ
Office of the Principal Director of Audit (Central) Lucknow
शाखा कार्यालय इलाहाबाद / Branch Office - Allahabad

पत्रांक : प्र.नि.ले.प. (के.)/ए.सी.सेल./ ब्रांच इला0/UPWSRP/2016-17/14 दिनांक : 07.07.2016

सेवा में,

अध्यक्ष,
उत्तर प्रदेश वाटर सेक्टर रिस्ट्रक्चरिंग प्रोजेक्ट,
वाल्मी भवन, उत्तरेटिया,
लखनऊ - 226026

विषय : वर्ष 2015-16 के लिए विश्व बैंक सहायित परियोजना के लेखा परीक्षा प्रमाण पत्र निर्गत किये जाने के सम्बन्ध में।

महोदय,

उपरोक्त विषयक आपके कार्यालय के पत्रांक 27/लेखा/पैक्ट/आडिट/2016-17 दिनांक 05.05.2016 का अवलोकन करें जिसके द्वारा वर्ष 2015-16 की स्टेटमेंट ऑफ एक्सपेन्डीचर भेजी थी। इस सम्बन्ध में विश्व बैंक सहायित उत्तर प्रदेश वाटर सेक्टर रिस्ट्रक्चरिंग प्रोजेक्ट का लेखा परीक्षा प्रमाण पत्र अग्रिम कार्यवाही हेतु आपको प्रेषित किया जा रहा है।

संलग्नक : उपरोक्तानुसार

भवदीय,

(निशीकान्त गौतम)

उप निदेशक लेखा परीक्षा / केन्द्रीय व्यय



कार्यालय प्रधाननिदेशकलेखापरीक्षा (केन्द्रीय) लखनऊ,

शाखाकार्यालय-इलाहाबाद

**OFFICE OF THE PRINCIPAL DIRECTOR OF AUDIT (CENTRAL)
LUCKNOW,
BRANCH OFFICE – ALLAHABAD
“SatyanishthaBhawan” 15-A, DayanandMarg, Allahabad-211001**

To

The Chairman,
U.P. Water Sector Restructuring Project,
Walmi Bhawan, Uttaratiya,
Lucknow- 226026

Report on the Project Financial Statements

We have audited the accompanying financial statements of the “U.P. Water Sector Restructuring Project” finance under World Bank Cr. No. 5298-IN. Which comprise the Statement of Sources and Applications of Funds and the Reconciliation of claims to total Applications of Funds for the Financial Year 2015-16. These statements are the responsibility of the Project’s management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Comptroller and Auditor General of India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit examines on the test basis, evidence supporting the amount and disclosures in the financial statements.

It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In addition, in our opinion,

(a) With respect to Interim Financial Report (IFR), adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditure incurred and (b) except for ineligible expenditure as detailed in the audit certificate to this audit report, expenditures are eligible for financing under the Credit Agreement 5298-IN.

During the course of audit, IFR and the connected documents were examined and these can be relied upon to support reimbursement under the aforesaid Credit Agreement.

(₹ in millions)	
Application No.	Total expenditure
Credit agreement 5298-IN	3504.188

This report is issued without prejudice to CAG's right to incorporate the observation in the report of CAG of India for being laid before Parliament/State or UT Legislature.

1. Executive Engineer, Irrigation Division Lalitpur entered into an agreement with M/s Srinivasa Construction Corporation Pvt. Ltd. of Nagpur for the work of rehabilitation and modernisation of Rohini, Jamini and Sajnam Dam canal system with agreement amounting to ₹1651.074 million. The schedule date of start was 15 November, 2013 and schedule date of completion 14 July, 2015. As per agreement, penalty at the rate of 0.1 per cent per day or maximum of ten per cent of the agreement amount was leviable on delay in completion of work.

Audit scrutiny revealed that after a lapse of 322 days computed from the stipulated date of completion, the work remained incomplete, for which penalty of ₹165.107 million (10 per cent of ₹1651.074 million) was leviable, which was not imposed. Therefore, ₹165.107 million not recovered as penalty was not fit for reimbursement from the World Bank.

2. Scrutiny of records of different divisions/units revealed that during 2015-16 ₹3.781 million was deducted as TDS and ₹ 2.654 million as VAT and deposited in concerned heads of Government account as detailed below:

		(₹ in million)	
Sl. No.	Name of Division	TDS	VAT
1	Irrigation workshop division Bareilly		
2	State Water Resource Agency (SWaRA)	0.729	0.000
3	Sr. Geophysist Geographical survey of India, Division, Agra	2.472	0.000
4	Sr. Geophysist Geographical survey of India, Division, Allahabad	0.470	2.274
5	Sr. Geophysist Geographical survey of India, Division, Meerzapur	0.006	0.000
6	Sr. Geophysist Geographical survey of India, Division, Saharanpur	0.001	0.000
7	Sr. Geophysist Geographical survey of India, Division, Meerut	0.004	0.000
8	Sr. Geophysist Geographical survey of India, Division, Azamgarh	0.007	0.000
9	Ground Water Department, Directorate Lucknow	0.007	0.013
10	Sr. Hydrogeologist GWD Division Gonda	0.075	0.342
11	Executive Engineer, GWD Division Faizabad	0.00	0.010
12	Executive Engineer, GWD, Chitrakoot DAM, Banda	0.00	0.005
		0.009	0.010
	Total	3.780	2.654

As per Chapter 17 of Manual of Standing Orders on audit of World Bank and other Externally Assisted Projects income tax and sales tax recovered from suppliers do not qualify for reimbursement. As such ₹6.434 million being income tax and VAT recovered from suppliers was not reimbursable from the World Bank.

On being pointed out the unit replied that the reimbursement is inclusive of taxes. Reply of the unit is not acceptable as these taxes were deposited in proper head with government the same will not qualify for reimbursement. Therefore, ₹ 1.234 million will not qualify for reimbursement.

3. In the year 2013-14 ₹ 0.189 million was given to district Raebareli for organising a workshop under UPWSRP. The district treated the whole amount as expenditure although treasury did not make any payment due to locked payment reflected on the computer. Thus, ₹ 0.189 million remained undisbursed and not fit for reimbursement. No action had been taken by the unit to settle the issue with the treasury.

4. Irrigation Construction Division-I, Lucknow entered into an agreement (12.9.2014) with M/s B.N.R. construction, 12-4-70, 80 feet road Vidyut Nagar, Anantpur, Andhra Pradesh with cost of ₹ 1346.600 million (agreement No. 02/SE/12th circle IWC/2014-15) for rehabilitation of Haidergarh branch canal system including drainage system Km. 22.98 to tail.

Scrutiny of records revealed that a sum of ₹ 509.827 million was paid to the firm during 2015-16 on their 13th to 34th running account bills and ₹ 31.041 million retained as 6 per cent of each bill as security. Since the retained amount is not actual expenditure, it was not payable by World Bank. Therefore, a sum of ₹ 31.04 million is not reimbursable from the World Bank.

5. Scrutiny of BM-4 of Irrigation Construction Division-I, Lucknow and related records revealed that during the year 2015-16 the division deposited ₹ 36.461 million as centage charges in Government head as per order no. A-2-1606/ten-2014-17(4)/75, dated 11 November, 2014 out of which PACT claimed reimbursement of ₹ 5.205 million wrongly from World Bank which was not admissible. Therefore, ₹ 5.205 million is not reimbursable form the World Bank.

6. As per Annual Action Plan 2015-16 of UPWSRP, no provision was made/given for rain water harvesting projects but records of Chief Engineer Gandak, Gorakhpur revealed that ₹ 1.181 million were spent on the above works as detailed below:

(₹ in million)		
Sl. No.	Division	Expenditure (in ₹)
1	Flood Division Gorakhpur	0.302
2	Gandak Flood Circle Gorakhpur	0.252
3	Chief Engineer Gandak Gorakhpur	0.304
4	Flood Division-II Gorakhpur	0.323
	Total	1.181

Thus, expenditure of ₹ 1.181 million was incurred without budget allocation and therefore not eligible for reimbursement from the World Bank.

7. Records of following units/sub units had not been submitted for verification. As such, the expenditure incurred could not be verified in audit. Therefore, the relevant expenditure would not qualify for reimbursement as detailed below:

(i) **Agriculture Department**

(₹ in million)

Sl. No.	Name of units	Expenditure
1	Dy Director of Agriculture, Amethi	1.661
2	Dy Director of Agriculture, Barabanki	2.212
3	Dy Director of Agriculture, Jaunpur	0.950
4	Dy Director of Agriculture, Pratapgarh	1.050
5	Dy Director of Agriculture, Raebareilly	2.377
6	Dy Director of Agriculture, Kasganj	0.589
7	Dy Director of Agriculture, Etah	0.679
8	Dy Director of Agriculture, Mainpuri	0.512
9	Dy Director of Agriculture, Kannauj	0.718
10	Dy Director of Agriculture, Auraiya	1.270
11	Dy Director of Agriculture, Kaushabbi	0.641
12	Dy Director of Agriculture, Farrukhabad	0.272
13	Dy Director of Agriculture, Kanpur nagar	0.513
14	Dy Director of Agriculture, Kanpur Dehat	1.253
15	De Director of Agriculture, Lalitpur	1.265
16	SeemaRehmankhera	10.404
	Total	26.366

(ii) **Irrigation Department**

(₹ in million)

Sl. No.	Name of units	Expenditure
1	Irrigation Division, Etah	0.303
2	Irrigation Division, Kasganj	0.303
3	Irrigation Construction Division, Firozabad	0.303
4	Irrigation Division, Kannauj	0.303
5	Irrigation Division, Kaushambi	0.303
	Total	1.515

Thus, in absence of verification of expenditure, ₹ 27.881 million will not qualify for reimbursement from World Bank.

8. Scrutiny of Annual Action Plan for the year 2015-16 of UPWSRP revealed that FMISC and PACT made expenditure in excess of allocation without prior approval of the competent authority as detailed below:

(₹ in million)

Sl. No.	Unit	Allotment	Expenditure	Excess expenditure
1	FMISC	5.000	6.973	1.973
2	PACT	60.000	60.900	0.900
			Total	2.873

Thus, excess expenditure of ₹ 2.873 million is not fit for reimbursement in the absence of prior approval of competent authority.

9. As per Annual Action Plan for the year 2015-16, ₹ 20.000 million was allocated for Restoration of Machua Division (presently defunct Division of Upper Ganga Canal, Aligarh) whereas the Division made an expenditure of ₹ 24.858 million. Thus, an expenditure of ₹ 4.858 million in excess of funds allotted was made during the year without prior approval of competent authority. The division stated that the variation shall be got approved from executive committee. Therefore, expenditure of ₹ 4.858 million incurred without approval of competent authority is not reimbursable from World Bank.

10. The Narora Division, Lower Ganga Canal, entered into ten agreements with different executing agencies for separate works with the scheduled dates of start and completion of work being 1.8.2015 and 31.1.2017 respectively. The physical and financial progress of the works was as under:

(₹ in million)

I. No.	Lot No.	Reader (Km. to Km.)	% progress work upto date (Physical)	% progress work upto date (Financial)
1	2	6.600 to 15.000	5.24	14.94
2	3	15.000 to 23.500	2.71	12.57
3	4	23.500 to 36.300	3.13	16.85
4	5	36.300 to 45.600	6.24	19.75
5	6	45.600 to 53.113	6.56	15.89
6	7	53.113 to 59.300	9.66	24.83
7	8	59.300 to 67.300	16.12	26.71
8	9	67.300 to 74.000	8.36	20.13
9	10	74.000 to 88.858	4.56	13.83
		Average	6.89	18.39

Therefore, it is clear that 2/3rd period of contract had already been over but the physical progress is only 7 per cent. This shows a casual approach of the management for getting the job done.

11. Scrutiny of records revealed that Chief Engineer, Gandak and SWaRA incurred expenditure ₹ 36.824 million and ₹ 4.346 million against their allocation of ₹ 24.000 million and ₹ 3.500 million respectively resulting in excess expenditure of ₹13.670 million as detailed below:

(₹ in million)

Sl. No.	Name of units	Name of work	Allotted amount as per Annual Action Plan	Expenditure	Excess Expenditure
1	CE Gandak	Conducting river cross section and embankment asset Survey in Rohni Basin	24.000	36.824	12.824
2	SWaRA	Electricity & Telephone and Internet Charges	2.000	2.765	0.765
		Equipment O & M Central A.C. Plant, DG set etc.	1.000	1.036	0.036
		Medical Reimbursement	0.500	0.545	0.045
		Total	3.500	4.346	13.670

Since the above over expenditure of ₹ 13.670 million was incurred without prior approval of competent authority the same will not qualify for reimbursement from World Bank.

12. Chief Engineer Gandak entered into 119 agreement/work order with different service providers for the works which had not been included in the Annual Action Plan of 2015-16 and spent a sum of ₹ 8.929 million without sanctioned working plan. Therefore, expenditure of ₹ 8.929 million was not fit for reimbursement from the World Bank. On being pointed out the unit stated that works were executed due to short time and with approval of Assistant Engineer. The reply was not acceptable as work executed outside the sanctioned working plan was taken up without approval of the World Bank.

13. Scrutiny of records of Remote Sensing Application Centre Lucknow revealed that computer hardware (work station), computer hardware (Desktop), Colour Xeros Machine and software (Geomedia Professional Software latest version) were procured during the year amounting to ₹ 1.800 million but the payment were not made during the year. Therefore the expenditure is not reimbursable from the World Bank.

14. As per rule, expenses incurred on local journey will not qualify for reimbursement from World Bank. Scrutiny of records of SWaRA revealed that expenses of ₹ 3.215 million spent on local journey detailed as under:

(₹ in million)			
Sl. No.	Voucher No.	Date	Amount
1	3	12.6.2015	0.587
2	8	19.6.2015	0.274
3	21	21.8.2015	0.611
4	24	15.09.2015	0.215
5	25	2.09.2015	0.070
6	26	30.09.2015	0.322
7	31	22.12.2015	0.021
8	40	15.01.2016	0.480
9	55	17.03.2016	0.172
10	60	21.03.2016	0.019
11	63	30.03.2016	0.138
12	64	30.03.2016	0.306
Total			3.215

Thus ₹ 3.215 million is not fit for reimbursement from World Bank.

15. Ground water activity division Agra entered into an agreement with M/s Encardio Rite Electronics Pvt. Ltd, A-7 Industrial Estate, Talkatora Road Locknow for supply installation and commissioning of Digital Water level Recorder (DLWR) and services for a sum of ₹ 20.308 million excluding taxes as applicable. As per general

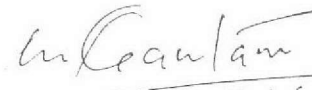
condition of contract (GCC) 16.1 (iii) On successful testing and installation, fifteen (15) per cent of the contract price shall be paid. Scrutiny revealed that the division paid a sum of ₹ 5.180 million as detailed below:

(₹ in million)

Sl.No.	Invoice No	Amount
1.	SER/14-15/595 dated 31.03.15 (for 93 sites)	1.306
2.	15-16/056/ dated 5.11.15(for 102sites)	1.466
3.	P1/15-16/056 dated 11.01.16 (for 05 sites)	0.072
4.	14-15/275/Supp/01 dated 20.10.15	0.658
5.	14-15/292/Supp/02 dated 20.10.15	0.534
6.	14-15/335/Supp/03 dated 20.10.15	0.561
7.	14-15/336/Supp/04 dated 20.10.15	0.583
	Total	5.180

Thus, the division paid a sum of ₹ 5.180 million as 15 % of the contract price which ₹ 2.134 million more than the stipulated payment. On being pointed out, the unit stated that the 15 per cent is to be paid on the of the cost of DWLR & related items, not of the whole value. The reply is not acceptable since as per GCC 16.1 (iii) payment will be 15 per cent of the Contract price. Therefore excess payment of ₹ 2.134 million against the General Condition of Contract is not fit for reimbursement from world bank.

16. Deen Dayal Upadhyaya State Institute of Rural Development, Bakshi Ka Talab, Lucknow paid remuneration to Sri N.K. Srivastava and Sri R.K. Arya amounting to ₹ 1.608 million but no TDS was deducted on the payment.


 7.7.2016
 (Nishi Kant Gautam)

Deputy Director of Audit (CE)