

Speed Post

INDIAN AUDIT & ACCOUNTS DEPARTMENT

Office of the Principal Director of Audit (Central) Lucknow

Branch Office : Allahabad

भारतीय लेखा तथा लेखा परीक्षा विभाग

कार्यालय प्रधान निदेशक लेखापरीक्षा (केंद्रीय) लखनऊ
शाखा कार्यालय - इलाहाबाद



सत्यमेव जयते

पत्रांक: प्र.नि.ले.प.(के.)/ए.सी. सेल/2019-20/131

दिनांक: 09 .07.2019

सेवा में

अध्यक्ष,
उत्तर प्रदेश वाटर सेक्टर रिस्ट्रक्चरिंग प्रोजेक्ट, द्वितीय चरण,
वाल्मी भवन, उत्तरेठिया,
लखनऊ - 226026, उत्तर प्रदेश।

विषय: वर्ष 2018-19 के लिए विश्व बैंक सहायतित परियोजना के लेखा परीक्षा प्रमाण पत्र
निर्गत किये जाने के सम्बन्ध में।

महोदय,

उपर्युक्त परिप्रेक्ष्य में कृपया अपने कार्यालय के पत्रांक 54/लेखा/पैक्ट/ऑडिट/
2019-20 दिनांक 20 मई 2019 का सन्दर्भ ग्रहण करें, जिसके द्वारा वर्ष 2018-19 का विश्व
बैंक सहायतित परियोजना के लेखा परीक्षा प्रमाण पत्र निर्गत किये जाने का अनुरोध किया
गया था। इस विषय में उक्त लेखा परीक्षा प्रमाण पत्र निर्गत किये जाने के लिए मुझे निर्देश
हुआ है।

अतः उक्त लेखा परीक्षा प्रमाण पत्र आपको प्रेषित किया जा रहा है।

भवदीय,

संलग्नक: यथोपरि।

उपनिदेशक (केंद्रीय व्यय)

पत्रांक: प्र.नि.ले.प.(के.)/ए.सी. सेल/2018-19/

दिनांक: .07.2019

प्रतिलिपि: सचिव, भारत सरकार, वित्त मंत्रालय, आर्थिक मामलो का विभाग, नार्थ ब्लॉक, नई
दिल्ली - 110001 को सूचनार्थ एवं आवश्यक कार्यवाही हेतु।

उपनिदेशक (केंद्रीय व्यय)



कार्यालय प्रधान निदेशक लेखापरीक्षा (केंद्रीय) लखनऊ
शाखा कार्यालय - प्रयागराज
Office of the Principal Director of Audit (Central) Lucknow
Branch Office - Prayagraj
15-ए, दयानंद मार्ग, सत्यनिष्ठा भवन, प्रयागराज - 211001
15-A, Dayanand Marg, Satyanishtha Bhawan, Prayagraj - 211001

No: PDA(C)/CE/AC Cell/2019-20/131

Date: 09.07.2019

To

The Chairman,
U.P. Water Sector Restructuring Project Phase II,
Walmi Bhawan, Utaratiya,
Lucknow- 226026.

Report on the Project's Financial Statements

We have audited the accompanying financial statements of the "U.P. Water Sector Restructuring Project Phase II" financed under World Bank Cr. No. 5298-IN. This comprises the Statement of Sources and Applications of Funds and the Reconciliation of claims to total Applications of Funds for the Financial Year 2018-19. 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 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 Loan No. IDA Credit 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.

Sl. No.	Credit/Loan No.	Total expenditure (₹ in millions)
1	IDA Credit 5298- IN	1773.373

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.

We further report that:

1. The project Implementation Plan of World Bank envisaged annual action plan to complete the project in stipulated time frame so that the intended benefit of the project may be obtained timely.

The department prepared annual action plan to achieve the targets of the project in 2018-19 for which budget provision for ₹ 2807.900 million in grant 94 and 95 was made. Against the budget provision ₹ 1888.506 million was allocated i.e. 67.25 per cent and out of that an expenditure of ₹ 1773.337 million could be made i.e 93.90 per cent of budget allocation and 63.16 per cent of the budget provision. In reply the department stated that the budget was released in fourth quarter due to delay in revision in cost table and approval from the Cabinet of Government of UP, thus, the budget could not be utilised by 31st March and surrendered ₹ 115.665 million. This shows poor approach of the department in execution of project resulting in slow pace of work year after year.

Apart from the above, the non-produced records related to the expenditure of ₹ 67.110 million incurred during the year 2017-18 were produced to audit and verified in audit.

2. The department entered into an agreement with M/s Mechatronics Systems Private Limited, Pune for Rs. 814.049 lakh. As per the Agreement's Special Condition and Clauses 3.5 of Schedule of Requirements, all DCPS and sensors shall be of current models and supported for a minimum of 10 years after purchase. A letter from the manufacturer assuring maintenance support for 10 years is required and such letter must be signed by an officer of the manufacturing company.

Scrutiny of records of the division Investigation and planning, Water Resources, Basti revealed that 65 nos. of DCPs were supplied by the contractor to the division at the rate of two lakh per DCPs. The Division paid 70 percent of ₹ 10.300 million i.e ₹ 9.100 million to contractor. The records for the assurance for maintenance support for 10 years from the manufacturer were not available with the division. This shows that the department had not taken any assurance from Manufacturer

as per the agreement clause and was not produced to audit. Thus the amount of ₹ 9.100 million does not qualify for reimbursement.

3. Narora Division, Lower Ganga Cannel, Aligarh executed 10 agreements with different contractors in July/August, 2015 and January, 2016 for ₹ 11040.177 million. The work was started November, 2015 with the stipulated date of completion January, 2017. It was noticed that up to March, 2019 only 51.67 per cent work was executed and total payment ₹ 6590.390 million (59.62 %) were made. Out of 10 lots, only two lots have almost completed their work. In respect of the remaining eight lots, the application for approval of time extension had been applied and approval from competent authority was pending. This shows poor pace of work by the department.
4. Audit observed from the records of CE, Design Lucknow that the office incurred an expenditure of ₹ 0.55 million towards purchase of 63 books related to Civil Engineering, Mechanical Engineering, Water Resource and Food and Agriculture. Further, it was noticed that the aforesaid books for which the payments had been made was not received, hence, the amount of ₹ 0.55 million does not qualify for reimbursement.
5. As per PIP of World Bank, the budget provision of ₹ 172.150 million was made for SWARA but only an amount ₹ 66.475 million were incurred. Only 38.61 per cent of the work as per Action Plan was executed. The slow progress was due to non-appointment of experts in related fields, non- existence of AMC of Server, non-inclusion of the provision of assessment of impact of climate change of water resource of the state activity in expenditure finance committee and excessive delay in work of Tahal Consultancies. This defies the very purpose of completion of project in time.
6. It was observed that the WALMI being an autonomous body and having no DDO code maintained a current account with the Allahabad Bank. At the end of the financial year 2018-19, an amount of ₹ 0.379 million was lying as balance in the account. Thus, the amount of ₹ 0.379 million does not qualify for reimbursement.
7. Audit observed that the JDA, Cereal Crop, instead of deducting the GST @ 2 per cent from the contracture's bills as per the Government order, it paid an amount of ₹ 0.793 million towards GST to M/s Rama Infotech Pvt. Ltd. Thus, the amount of ₹ 0.793 million does not qualify for reimbursement.
8. As per the financial management arrangement of World Bank Guideline, the project is being implemented through the main stream state Treasury system and CCL system. The project implementing locations are the PACT in Telibagh, Lucknow and 115 no. other accounting location. Records keeping and accounting shall be as per the provisions of UP Financial Hand Books and every department/line agencies shall submit monthly financial accounts to AG as well as to the PACT.

Audit observed that the Remote Sensing Application Centre, the line agency of PACT was allocated ₹ 10.000 million in 2018-19. The Unit intimated PACT the expenditure for the year ₹ 10.000 million through BM 8. But the vouchers of

expenditure of only ₹ 8.441 million were available with the unit and shown to audit for the year 2018-19. The vouchers of expenditure of the remaining amount of ₹ 1.559 million was not produced to audit as per expenditure shown in BM 8. Hence, the amount of ₹ 1.559 million does not qualify for reimbursement.

9. It was observed that the CE Ramganga and CE Sarada Sahayak incurred an expenditure of ₹ 910.200 million which includes the expenditure of PIM during the year 2018-19. Out of this the unit produced the records of only ₹ 878.775 million which includes 15 units of PIM (Annexure-1) was verified in audit. The remaining amount of ₹ 31.425 million related to PIM expenditure could not be verified as no records were shown to audit. Hence, the amount of ₹ 31.425 million does not qualify for reimbursement.
10. In Kausambi District, the mobilization expenditure was incurred by SIRD with the target to create 56 Water User Association (WUAs). Out of 56 only 34 WUAs were formed, a short by 22 WUAs. This shows poor pace of work to achieve the objective.
11. The Deputy Director Agriculture, Amethi, incurred an expenditure of ₹ 10.880 million on account of UPSWARP. The cashbook for the related expenditure was not completed. This shows poor maintenance of records by the unit.
12. As per Project Implementation Plan of UPSWERP para 10.8.5. it is proposed to assign the quality control of civil works to the newly created quality control circles and one division each in Ramganga, Sarda Sahayak and Betwa organization under the direct control of respective Chief Engineers. Quality Control Division, Lucknow and Quality Control Division, Kanpur incurred a sum of ₹ 1.320 million and ₹ 3.939 million respectively in the year 2018-19 in respect of manpower and other expenditure like contingencies. It was observed in audit that the work related to UPSWRP Phase II was not carried out during the year even after expenditure of ₹ 5.259 million. No any visit report to the work of UPSWRP or progress report was generated by the above two divisions. Thus, the amount ₹ 5.259 million does not qualify for reimbursement.



Deputy Director / Central Expenditure

Annexure-I

PIM produced records

(Amount in million)

Sl.No	Name	Amount
1.	Pratapgarh	0.370
2	Raibareli	1.432
3	Fatehpur	2.754
4	Etawah	1.200
5	Kanpur Nagar	3.599
6	Etah	1.700
7	Fatehpur ID	0.449
8	Shikohabad	1.887
9	Etawah(Bhginipur)	4.050
10	Auraiya	1.235
11	Kanpur Dehat	2.500
12	Jaunpur	5.500
13	Kaushambi	1.200
14	Kasganj	1.493
15	LGCS, Mainpuri Division	1.775
	Total	26.195