

Chapter 3

Audit of Transactions

Audit of transactions of the Government departments, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Non-compliance with rules and regulations

For sound financial administration and financial control it is essential that expenditure conforms to financial rules, regulations and orders passed by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are hereunder.

IRRIGATION DEPARTMENT

3.1.1 Irregular drawals and retention of Government funds outside the Government account

Rupees 1.26 crore were irregularly drawn from time to time and retained as Bank Drafts outside the Government account for one to 11 years entailing interest burden of Rs 15.59 lakh.

Financial rules prohibit drawal of money from treasury unless it is required for immediate disbursement. The rules also require the drawing officer to ensure that any money which is not likely needed during the year be promptly surrendered, so as to allow its re-appropriation for other purposes.

Records (June 2009) of the Executive Engineers (EEs) of four divisions¹ revealed that the budget allotments were made during the years 1998-2008 to these divisions for payment of land compensation to land owners. The EEs withdrew Rs 1.26 crore² from the treasuries and prepared Bank Drafts (BDs) in favour of land owners for payment of land compensation. The BDs prepared and revalidated from time to time were lying with the EEs as of June 2009. This irregular drawal and retention of amounts in the form of BDs outside the Government account for one to 11 years entailed interest burden of Rs 15.59 lakh, at the average borrowing rates of interest of the respective years.

On this being pointed out, the Government stated (July 2009) that BDs were prepared in favour of land owners towards cost of their land acquired by the department. The amount could not be disbursed as some land owners demanded increase in compensation and several others did not turn up for registration of

¹ Sharada Sahayak Khand -23, Azamgarh, Sharada Sahayak Khand- 32, Azamgarh, Irrigation Construction Division-II, Jhansi and Saryu Drainage Division-I, Gonda

² 1998-99 : Rs 0.35 lakh; 1999-00 : Rs 0.15 lakh; 2000-01 : Rs 0.22 lakh; 2001-02 Rs 0.03 lakh; 2002-03 : Rs. 1.71 lakh; 2003-04 : Rs.0.81 lakh; 2004-05 : Rs. 2.3 lakh; 2005-06 : Rs 19.66 lakh; 2006-07: Rs 48.32 lakh; 2007-08 : Rs 51.76 lakh; and 2008-09 Rs 1.14 lakh = **Rs 1.26 crore**

their land. It was also stated (August 2009) that the amount would be refunded. The reply was not tenable as drawal of money from the treasury without immediate requirement and its retention for one to eleven years outside the Government account was in violation of financial rules. The BDs had not been refunded as of September 2009.

3.1.2 Non-observance of financial rules leading to unfruitful expenditure

Non-observance of financial rules and provisions of the Forest (Conservation) Act, 1980 rendered the expenditure of Rs 1.45 crore on an incomplete Minor unfruitful.

Financial rules provide that no work should be commenced on land unless it has been duly made over by the responsible civil officer. The guidelines for diversion of forest land for non-forest purposes under the Forest (Conservation) Act, 1980 also stipulate that in case, construction work involves forest land in some stretches, the work even on non-forest land/reaches should not be started unless sanction for the use of forest land for non-forest purposes is obtained from the Government of India (GOI).

Records (September 2008) of the Executive Engineer (EE), Etawah Division Lower Ganga Canal, Etawah revealed that the Government accorded (June 2006) administrative approval and financial sanction to Rs 1.95 crore for construction of Ratha Minor System for irrigating 120 hectare during *Kharif* by this Minor.

The construction of Ratha Minor was started in September 2006 in intermittent reaches without acquiring 1.004 hectare land at its head (km 0.000 to km 0.200) which belonged to Scheduled Caste (SC) farmers and km 4.400 to km 6.200 (3.471 hectare) of forest land falling in its alignment. Due to these gaps at the head and middle portion of the Minor, the expenditure of Rs 1.45 crore incurred on the Minor was rendered unfruitful as water could not be made available to the farmers in its command area.

On this being pointed out, the Government stated (June 2009 and August 2009) that the matter for transfer of land of SC farmers was under process. As regards the forest land, acceptance of GOI had been received in principle in February 2007. The fact remained that the land of SC farmers in question had not been acquired yet and final approval of GOI had also not been received as conditions laid there had not been complied with by the department till August 2009.

Thus, commencement of work by the EE in contravention of financial rules/guidelines for diversion of forest land for non-forest purposes under the Forest (Conservation) Act, 1980 rendered the expenditure of Rs 1.45 crore on the Minor unfruitful, besides denying intended benefit of irrigation facilities to the farmers in the command area.

JAIL ADMINISTRATION AND REFORMS DEPARTMENT

3.1.3 Unfruitful expenditure due to non-observance of norms

Expenditure of Rs 1.02 crore on construction of four barracks and a circular wall without 18 feet high outer protective wall in disregard to the norms was rendered unfruitful.

As per the norms fixed (December 1995) by the Government, the jail should be encircled by two walls i.e. the main outer wall and the circular boundary wall of 18 and 16 feet height respectively.

Records of the Superintendent, District Jail, Saharanpur revealed (October 2008) that with a view to expanding the capacity of the existing District Jail, Saharanpur, the Government sanctioned (March 2004) construction of four barracks (capacity: 180 prisoners) with a 16 feet high circular wall at a cost of Rs 1.02 crore by December 2004 in the jail premises, encircled by the existing 18 feet high main outer wall. The construction work was assigned (March 2004) to the Uttar Pradesh Project Corporation Limited (UPPCL) and the amount transferred (March 2004) to its Personal Ledger Account. The site of the construction was inspected in April 2004 jointly by the Jail Superintendent, Saharanpur, the Assistant Engineer, UPPCL and the Assistant Engineer, Jails. It was decided to construct the barracks outside the existing 18 feet outer wall. The UPPCL completed and handed over (October 2005) the barracks (cost: Rs 1.02 crore) to the department. These barracks were not utilised for housing the jail inmates for over four years as these were constructed outside the wall of 18 feet due to which the security arrangements were incomplete.

Thus, due to improper decision of constructing the barracks and circle wall outside the existing outer wall, the expenditure of Rs 1.02 crore thereon was rendered unfruitful.

The Government, admitting the facts, stated (September 2009) that disciplinary action would be taken against the officers responsible for it. Action taken in this regard was awaited in audit (December 2009).

MEDICAL AND HEALTH DEPARTMENT

3.1.4 Purchases in violation of delegated financial powers

Chief Medical Officer, Gonda made irregular purchase of medicines and other items valuing Rs 63.57 lakh without requisite financial powers and from an unapproved firm resulting in extra expenditure of Rs 7.95 lakh.

The Chief Medical Officer (CMO) is competent to make purchases up to Rs one lakh as per Government order of March 2003. For purchases exceeding Rs one lakh, approval of higher authorities³ was necessary. Besides, as per the

³ Rupees 1-10 lakh, approval of the Head of the Department and above Rs 10 lakh, approval of the Administrative Department was necessary

State Drugs Purchase Policy (April 2004), CMO can purchase medicines at the rates approved in Central Medicine Store Depot's (CMSD) contracts. In cases, where no CMSD's rate contract exists, purchases may be made at Director General Supplies & Disposals' (DGS&D)/ Employees State Insurance Corporation's (ESIC) approved rate.

Test check of vouchers of CMO, Gonda and subsequent information collected revealed (April-May 2008) that the CMO placed two purchase orders (November 2007 and December 2007) for purchase of office furniture⁴ and various other items⁵ at a total cost of Rs 30 lakh with the Uttar Pradesh Upbhokta Sahkari Sangh (UPUSS) beyond his competence. The CMO also placed (August 2007 to December 2007) orders with this firm for purchase of medicines at a total cost of Rs 33.57 lakh for which rates were not approved by the CMSD. Of these, nine orders⁶ each costing over Rs one lakh were not within the competence of the CMO. The firm made the supplies including medicines during 2007-08 against which the payments were released to the UPUSS. In certain cases, rates paid to the firm were expensive than those of the DGS&D/CMSD/ESIC resulting in extra expenditure of Rs 7.95 lakh (*Appendix 3.1*).

Thus, CMO, Gonda in violation of the delegated financial powers made purchases costing Rs 63.57 lakh from an unapproved firm irregularly and at higher rates than those of the CMSD/ESIC/DGS&D.

The Government stated (September 2009) that the CMO had exceeded his financial powers and action was being taken against him. Action taken in this regard was awaited in audit (December 2009).

PUBLIC WORKS DEPARTMENT

3.1.5 Interest burden on funds drawn prematurely in violation of financial rules

Drawal of Rs 7.63 crore for purchase of bitumen without its immediate requirement and retention of Rs 5.52 crore outside the Government account for 13 months in violation of financial rules entailed interest burden of Rs 40.30 lakh.

Financial rules provide that ordinarily, material should be purchased only for work-in-progress and no stock reserve should be kept except with the specific sanction of, and within the money limit prescribed by the Government. Fictitious stock adjustments are strictly prohibited, specially debiting expenditure to a work by way of issue of materials not issued/required. Further, unspent money at the end of a financial year is to be surrendered, instead of making irregular drawal to keep it outside the Government account.

⁴ Moulded chairs (Rs 2.50 lakh).

⁵ Auto clove single drum (November 2007: Rs 3.01 lakh and December 2007: Rs 3.48 lakh), Instrument Sterilizer (November 2007: Rs 3.41 lakh and December 2007: Rs 4.01 lakh), Suction Apparatus Manual (November 2007: Rs 4.23 lakh and December 2007: Rs 1.52 lakh), Dressing Drums (Rs 2.51 lakh) and Stethoscopes (Rs 1.09 lakh)

⁶ Citrizen (10 mg): Rs 1.10 lakh, sterilizer rubber gloves: Rs 1.30 lakh, PCM (500 mg): Rs 1.68 lakh, Citrizen (10 mg): Rs 1.10 lakh, Metronidazole (400 mg): Rs 1.20 lakh, Gentamycin (80 ml): Rs 1.25 lakh, Povidone Iodine (15 gm): Rs 1.56 lakh, BB lotion (400 ml) Rs 1.40 lakh, Ointment Povidone (15 gm) Rs 1.48 lakh=
Rs 12.07 lakh

Records revealed (May 2007) that the Executive Engineer (EE), Construction Division (CD)–III, Gunnore, district Budaun, in violation of above provision drew Rs 7.63 crore on 31 March 2006 and prepared (April 2006) 82 Bank Drafts (BDs) for purchase of bitumen from M/s Indian Oil Corporation Ltd (IOC), Mathura. The bitumen was not immediately required as no supply order had been placed with the IOC for its procurement. The entire amount was debited (March 2006) directly to 36 road works to avoid lapse of the budget grant. The BDs for Rs 89.90 lakh and Rs 6.73 crore were handed over to IOC in June 2006 and September 2006 respectively as advance payment and supply orders for Rs 2.11 crore were issued in August 2006 and September 2006. Bitumen for Rs 2.11 crore was received up to March 2007 and for the remaining amount (Rs 5.52 crore) it was received between May 2007 and March 2008 and consumed up to July 2008.

It was thus, evident that the money was drawn from treasury without any immediate need and placing any supply order. Complete quantity of bitumen was received only up to March 2008 and consumed up to July 2008. This irregular drawal and retention of Rs 5.52 crore out of Government account for 13 months resulted in interest burden of Rs 40.30 lakh to the Government at the average borrowing rate of interest of 6.74 *per cent* during 2006-07.

Thus, drawal of Rs 7.63 crore for purchase of bitumen without immediate requirement resulted in retention of Rs 5.52 crore outside the Government account for 13 months entailing interest burden of Rs 40.30 lakh.

The Government, while accepting the facts during discussion (September 2009) assured that the department would ensure timely procurement of bitumen in future and take administrative action against the erring officers. Action taken was awaited (December 2009).

3.1.6 Avoidable extra expenditure due to non-adherence to instructions

Provision of first coat painting before the work of Premix Carpet with seal coat over WBM in contravention of E-in-C orders and technical specifications resulted in an avoidable extra expenditure of Rs 95.44 lakh.

As per directions (April 2005) of the Engineer-in-Chief (E-in-C), PWD, Lucknow if the work of premix carpet (PC) is provided as wearing coat in construction of rural roads, it should be done directly over top coat/Water Bound Macadam after applying prime coat followed by seal coat. These instructions were also in conformity with the Indian Road Congress (IRC) guidelines.

Records of the Executive Engineer (EE), Construction Division, PWD, Firozabad revealed (May 2008) that in construction of 28 rural roads during 2006-07 and 2007-08, the division made a provision of first coat painting (P₁) work instead of prime coat before the work of PC. An expenditure of Rs 42.18 lakh was incurred on P₁ in respect of 8 completed road works whereas in 20 other road works which were in progress, it worked out to Rs 53.26 lakh. This provision and payment of Rs 95.44 lakh there upon till March 2008 as detailed in the *Appendix 3.2* and *Appendix 3.3* was in contravention of E-in-C's existing orders and technical specifications.

Thus, non-adherence of E-in-C orders issued (April 2005) in conformity with IRC specifications resulted in avoidable extra expenditure of Rs 95.44 lakh.

On this being pointed out, the Government in its reply (August 2009) and also during discussion (September 2009) stated that the work of P₁ was done as per instructions issued by the E-in-C in September 2005. The reply was not tenable as the extant instructions of E-in-C were applicable to the construction of roads up to a length of 5 km in Vidhan Sabha constituencies only.

3.2 Audit against propriety and cases of expenditure without adequate justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure.

AGRICULTURE AND OTHER ALLIED DEPARTMENTS (DAIRY DEVELOPMENT)

3.2.1 Unfruitful and injudicious expenditure on support facilities and milk chilling plant

Rupees 92 lakh as support to DUSS, Mau were not fruitfully utilised and decision to install a milk chilling plant at a cost of Rs 40 lakh was injudicious as the milk in requisite quantity was not available.

With a view to encouraging people in dairy farming, the department proposed a project under Integrated Dairy Development Project (cost: Rs 1.60 crore) in the year 2000 to the Government of India (GOI) for strengthening/revitalising existing Dugdh Utpadak Sahkari Sangh (DUSS), Mau at a cost of Rs 1.32 crore. The GOI approved (December 2000) it and released (December 2000 to April 2006) Rs 1.32 crore.

Records of DUSS, Mau revealed (November 2008) that 150 *samities* were to be formed with the objective of ensuring availability of 5,420 litre milk per day for the plant. The DUSS, Mau formed (2002-07) these *samities* and spent Rs 92 lakh on deworming of cattle, training of field staff, supply of kits, etc. The number of functional *samities* was highest (122) in 2005-06 which declined to 53 in 2006-07. The availability of milk from these *samities* also did not exceed 1,900 litres any time during the period. Nevertheless, a 5000 litre capacity plant was installed (December 2006) at a cost of Rs 40 lakh. The plant was underutilised resulting in increase in cost of processing of milk and a loss of 68 paise per litre⁷. The plant was closed in March 2007.

Thus, the expenditure of Rs 92 lakh did not yield desired results. Installation of a milk chilling plant at a cost of Rs 40 lakh without ensuring availability of requisite quantity of milk was not judicious.

The Government stated (October 2009) that action will be taken to transfer the

⁷ while the total receipts from sale of 1821 litre milk was Rs 22,761, expenditure stood at Rs 24,014 inclusive of Rs 3,984 due to operation of the plant.

chilling plant to other place for use. The reply was not tenable as the plant continued to be non-functional for about three years and its condition was likely to deteriorate.

HOUSING AND URBAN PLANNING DEPARTMENT

3.2.2 Improper demolition of infrastructure

Improper decision led to demolition of the infrastructure created at a cost of Rs 32.98 crore within six to ten years of their construction.

Records of Lucknow Development Authority (LDA) revealed (November 2008) that the Government, constructed a sports complex in 1998 on 15 acre of land with necessary infrastructure⁸ at a cost of Rs 6.72 crore for development of sports. Adjacent to it, Government also developed (2002) the Samajik Parivartan Shodh Sansthan Evam Sanghralaya (Sansthan) on seven acres of land and its infrastructure comprising, *inter alia*, administrative building, library, *Sampada* memorial and shared resources building at a cost of Rs 26.26 crore.

In May 2007, the LDA proposed the Government to construct a gallery (cost: Rs 488.75 core⁹) for installing statues of legendary personalities at the Sansthan and also give it a long lasting stability. A committee¹⁰ constituted (May 2007) to examine the proposal, recommended (May 2007) that the complex of the Sansthan should be re-planned keeping in view utility of the buildings. Government accepted (August 2007) it and released (2007-08¹¹) Rs 366.83 crore.

In March 2008, Government formulated a policy stipulating that the structures built by different departments could be demolished under recommendations of a Technical Committee after ascertaining their Net Present Values (NPVs). A decision on demolition was to be taken at appropriate level depending upon the NPVs of the structures and their age. The Committee, contrary to its earlier recommendations and without exploring the possibility of alternative site, recommended demolition of the buildings of the Sansthan and the sports complex as these were not integrating with the new project and the height of the sports complex was an obstruction to the view of the new structures. The demolitions were recommended by the Committee without ascertaining their NPVs. The Government issued (April 2008 and May 2008) demolition orders and the LDA dismantled (May 2008) these, incurring an expenditure of Rs 1.74 crore. The process involving constitution of the Technical Committee, obtaining its recommendations by the LDA and issue of demolition order by the Government was completed in a single day.

The decision of demolition of the buildings constructed at a cost of Rs 32.98 crore, within six to 10 years of their construction and without ascertaining their NPVs, for paving the way for installing statues of legendary personalities at the Sansthan and also give it a long lasting stability was improper.

⁸ A multi-purpose sports hall with wooden flooring, a gymnasium, an Olympic size swimming pool with filtration plant, four synthetic tennis courts, a 200 bedded sports hostel, etc.

⁹ Qualitative improvements and renewals at a cost of: Rs 366.83 crore; gallery at a cost of Rs 121.72 crore.

¹⁰ Chairman: Engineer-In-Chief, PWD; Members: Engineer-In-Chief, Irrigation, Chief Conservator of Forests, MD, UPRNN, Director, Horticulture and Chief Engineer, LDA.

¹¹ October 2007: Rs 114.09 crore; December 2007: Rs 135.94 crore and March 2008: Rs 116.80 crore.

The Government stated (May, June 2009) that the approval of the Cabinet was obtained and that the retention of structures was not justified in view of the requirement of the new project as their age had no relevancy. The reply was not acceptable as the Government policy on demolition did not spell out as to how the structures were to be graded for demolition, particularly with regard to their age. Demolition, within a short period, of major structures built at huge capital cost on the pretext of changed requirements indicated lack of proper planning for such structures built to stay for an appropriate minimum period.

3.2.3 Wasteful expenditure due to an injudicious decision

Injudicious decision of Muzaffarnagar Development Authority of creating infrastructure on a piece of land acquired by the National Highways Authority of India led to wasteful expenditure of Rs 35.53 lakh.

Muzaffarnagar Development Authority (MDA) decided (February 2002) to develop Transport Nagar on 11.416 hectare land which was acquired at a cost of Rs 10.85 crore in January 2004. Subsequently in November 2005, the National Highways Authority of India (NHAI) acquired¹² 1.86 hectare land of the proposed Transport Nagar for construction of National Highway (NH).

Records of the MDA revealed (November 2008) that it started building the infrastructure in November 2005 to develop the Transport Nagar. While the work was in progress, the NHAI in January 2006 informed the MDA that 1.86 hectare land¹³ of the proposed Transport Nagar was acquired¹⁴ by it for construction of NH and requested it to stop the construction activity. No work had been executed on this piece of land by February 2006. The MDA, disregarding the NHAI's assertion, created infrastructure like sewerage and overhead tank, etc., from March 2006 to November 2007 at a cost of Rs 60.71 lakh¹⁵ and requested (February 2006) the NHAI to divert the alignment of the proposed NH. The NHAI declined to divert the alignment, as provision of 5.5 metre wide road was made all along the alignment, for smooth flow of highway traffic. The MDA demanded a compensation of Rs 60.71 lakh from the NHAI against which compensation of Rs 25.18 lakh only was paid. This resulted in wasteful expenditure of Rs 35.53 lakh on the assets created by the MDA.

Thus, injudicious decision of creating infrastructure on 1.86 hectare land while being fully aware that the land had been acquired by the NHAI led to wasteful expenditure of Rs 35.53 lakh.

The Government stated (August 2009) that the infrastructure was created in anticipation that the NHAI would divert the alignment. The reply was not tenable as upon publication of declaration as per Section 3D (2) of National Highway Act, 1956, land vested absolutely with the Central Government free from all encumbrances.

¹² Gazette Notification (November 2005), under Sub-Sec. 3(1) of Section 3(A) of the National Highways Act, 1956.

¹³ Khasra no: 211, 212, 217, 585.

¹⁴ under Sub-Section 3(1) of Section 3(A) of the National Highways Act, 1956

¹⁵ sewerage (Rs 16.04 lakh), drainage (Rs 5.02 lakh), WBM (Rs 19.44 lakh) and overhead tank (Rs 11.08 lakh) earth filling (Rs 3.16 lakh), water supply (Rs 1.65 lakh) and others (Rs 4.32 lakh) at an expenditure of Rs 60.71 lakh.

IRRIGATION DEPARTMENT
3.2.4 Delay in execution of a project and cost overrun

Construction of parallel Deoband Feeder Channel without ensuring availability of land rendered it incomplete, even after incurring an expenditure of Rs 263.67 crore with a cost overrun of Rs. 201.54 crore due to delay in acquiring land.

Eastern Yamuna Canal (EYC) takes off from Left Bank of Hathni Kund Barrage constructed on river Yamuna in district Saharanpur. The EYC had a total Irrigation potential of 2.21 lakh hectare which was reduced to 1.53 lakh hectare due to regular drop in the water availability in Yamuna river because of scanty rains for last several years in the Yamuna basin and directions of the Supreme Court to make water available for Delhi State for drinking purposes. To overcome this problem, it was proposed to augment the supply of water in EYC by providing 1000 cusec of water which would be available from Tehri Dam Reservoir. The Chief Engineer, Madhya Ganga, Aligarh accorded (December 2003) technical sanction for the construction of Parallel Deoband Branch Feeder Channel (PDBFC) 55 Km¹⁶ long with 1100 cusec capacity at its head. Expenditure Finance Committee (EFC) approved (December 2003) the project for Rs 85.27 crore. Government accorded (February 2004) administrative and financial sanction to the project. The work was started in June 2004 with target date of completion in December 2006.

Records of the Executive Engineer (EE), Upper Ganga Canal Modernisation Division VI, Roorkee revealed (March 2009) that the work was executed in full length, except in 190 metre stretch (km 44.935 to 45.125) by incurring an expenditure of Rs 256.14 crore as of December 2008. The EE failed to acquire this stretch of land by the targeted date (December 2006) because of stay order of the High Court granted in August 1984 on a writ petition filed by one of the land owners against the orders of Deputy Director Consolidation. The fact of stay order being known to the division while framing the original project in October 2003, after a detailed survey and investigation, the EE made futile efforts to get the land through personal negotiations and also through special land acquisition officer. This delayed the completion of the project as a result of which the project cost was revised twice (October 2005: Rs 241.13 crore and January 2008: Rs 286.81 crore) leading to cost overrun of Rs 201.54 crore. The revised date of completion of the project was June 2008. The project remained incomplete as of June 2009.

On this being pointed out, the Government stated (July-August 2009) that the stretch of land in question has now been purchased (June 2009) from concerning cultivators and ninety-eight *per cent* work of construction of project has been completed (June 2009) except some safety works. The canal has been made operational though water being released is 600 cusec against targeted 1000 cusec of water. The reply was not tenable as lackadaisical approach in acquiring the land not only delayed the construction of the feeder channel but also resulted in cost overrun of Rs 201.54 crore.

¹⁶ Upper Ganga Canal Construction Division-I, Roorkee: km 0.0 to 37.0 and Upper Ganga Canal Construction Division-VI, Roorkee: km 37.0 to 55.00.

3.2.5 Idle investment on pumping machinery

Procurement of pumps, electric motors, etc., without synchronising it with the completion of civil works of the pump house rendered the investment of Rs 9.84 crore idle.

In a project constituting civil as well as mechanical works, it is a fundamental principle that the purchase of mechanical components, viz. pumps and motors should be synchronised with the completion of civil works of the project to ensure their commissioning in a time bound manner.

The Chief Engineer (Sone) Irrigation department, UP, Varanasi accorded (December 2002) technical sanction to Bhupauli Pump Canal Capacity Enhancement Project. Its administrative and financial sanction was accorded by the Government in May 2003. The project was to be completed by March 2005. The revised project estimate was sanctioned in May 2008 for Rs 85.62 crore. The mechanical components of the project increased from Rs 14.06 crore to Rs 27.59 crore. The Superintending Engineer (SE), Central Equipment and Store Purchase Organisation IDUP, Lucknow purchased pumps, electric motors and other equipment between March 2004 and July 2006 at a cost of Rs 9.84 crore.

Records of the Executive Engineer, Lift Irrigation Division, Varanasi revealed (March 2009) that the above pumps, electric motors, etc. were lying uninstalled in the division since last three to five years due to non-completion of the civil works of pump house which was being constructed by other divisions. This resulted in investment of Rs 9.84 crore on the pumping machinery lying idle.

On this being pointed out, the Government in its reply stated (June 2009) and during discussion in August 2009 that the machinery could not be installed due to non-completion of pump house, the completion of which was expected by March 2010. The reply indicated that purchase of the pumps and electric motors, etc. was not synchronised with completion of the construction of pump house, etc., the target date of completion of which had been extended by more than four years.

3.2.6 Incomplete remodelling and widening of a Nala

Incomplete remodelling and widening work of Chhoia Nala rendered the expenditure of Rs 3.62 crore unfruitful besides, avoidable expenditure of Rs 45 lakh on clearance of *thek* due to obstructions in flow of water in the incomplete three km of Nala.

Eastern Ganga Canal Project envisaged remodeling and widening of Chhoia Nala to increase the discharge capacity for flushing out water in its catchment area and of three escapes¹⁷ of Eastern Ganga Canal. Initially, the Chhoia Nala (length: 54.200 km) terminated near Bitraula farm in Bijnore district. The project was extended up to 64.200 km as river Ganga in due course of time

¹⁷ Nazibabad escape 7.5 cumecs, Kumhara escape 25.71 cumecs and Nahtaur escape 13.20 cumecs

changed its course and had gone 10 km away from Bitraula farm increasing the length of the Nala to 64.200 km. Chief Engineer (Eastern Ganga), Moradabad (CE) approved (June 2001) the remodelling and widening of Chhoia Nala up to 54.200 km length only.

Records of the Executive Engineer, Eastern Ganga Canal Construction Division-II, Haridwar (EE) revealed (April 2008) that the work executed at a cost of Rs 3.02 crore was not able to flush the water from Nala as it fell 10 km short of river Ganga at Bitraula Farm. Further scrutiny revealed, that a provision of 3.45 lakh cubic metre of earthwork for widening of Nala in 10 km stretch was included (August 2007) in the revised project for extending the Nala up to the river Ganga. The EE entered into (December 2007) two agreements for construction of seven km of Nala only and earth work of 1.69 lakh cubic metre was executed at a cost of Rs 60 lakh. No work was carried out in the remaining last three km, as according to the department this portion of land was plane and there was possibility of water flowing up to river Ganga without causing any damage. However, due to obstruction in flow of water in three km stretch, damage to crops was caused due to submergence of the catchment (forest) area by chemically polluted water of paper mills in the rainy season. The polluted water inundating the forest was also having deleterious effect on flora and fauna besides, creating *thek*¹⁸. The EE spent Rs 45 lakh during 2006-08 for removal of *thek*.

Thus, the expenditure of Rs 3.62 crore incurred on Chhoia Nala remained unfruitful as the Nala was not remodeled and widened in last three km stretch. Besides, an avoidable expenditure of Rs 45 lakh was also incurred on clearance of *thek*.

In reply, Government confirmed (August 2009) the facts and figures but stated that further construction of drain towards river Ganga was not required and as regards polluted water, a letter would be written to the District Magistrate. The reply of the Government is not correct as the Government had approved (February 2009) the revised estimates for increasing the height and bed width of the remaining three km stretch of the Nala.

PUBLIC WORKS DEPARTMENT

3.2.7 Excess payment to a contractor

Provision and approval of inadmissible rates in the estimate on untenable grounds and in violation of departmental instructions led to the excess payment of Rs 2.81 crore to a contractor.

As per departmental instructions, rates of various items of work for widening and strengthening of State Highways were to be analysed as per Standard Data Book¹⁹ published by Indian Road Congress (June 2003) for estimation purposes. Overhead charges featuring in the said data book comprised, *inter alia*, the payment of State taxes such as toll tax, value added tax (VAT), forest tax etc.

¹⁸ *Thek* is an obstruction created by silt to prevent the flow of water.

¹⁹ Standard data book for analysis of rates.

and, therefore, these were not allowed separately as reiterated (September 2008) by Engineer in chief (E-in-C).

Records of the Executive Engineer (EE), Provincial Division (PD), Banda, revealed (February 2009) that Government sanctioned (October 2007) Rs 18.90 crore for widening and strengthening of Fatehpur- Kartal State Highway from Chainage km 23.61 to km 59. The Chief Engineer (CE), Jhansi while according (December 2007) technical sanction (TS) ignored the departmental instructions, *ibid* and allowed forest tax on stone ballast and grit in addition to the provision of overhead charges in which it was already included. As the bid from a contractor was accepted for the above work by the SE, Banda at 15.4 *per cent* above the estimated rate, the excess payments of Rs 79.59 per cum was made to the contractor aggregating Rs 1.62 crore (**Appendix 3.4**). Moreover, the forest tax was payable to the contractor on production of receipts of actual payments by him to the Forest department. However, the division had paid the forest tax to the contractor without obtaining receipts from him. The Divisional Forest Officer of the region confirmed (August 2009) that the contractor had not paid any forest tax during the period from December 2007 to February 2009.

Besides, in case of departmental supply of bitumen, trade tax was to be paid to Oil Companies at the rate of four *per cent*, while in case of purchase by the private parties, it was payable at the rate of 20 *per cent* under Uttar Pradesh Trade Tax, Act. The Government issued notification on 20 December 2007 for implementation of VAT in the State from January 2008 wherein VAT on bitumen was brought down to four *per cent* and was uniformly applicable to the Government departments and private contractors.

However, the CE, Banda approved the rate of trade tax at 20 *per cent* in the detailed estimate (29 December 2007) in violation of the extant instructions irrespective of the fact that Notification for implementation of VAT was already issued on 20 December 2007 and was effective from 1 January 2008, wherein rates were brought down to four *per cent*. The SE, Banda, justified the higher rates on the ground that the trade tax was payable at 20 *per cent* of the cost of the bitumen and executed (31 December 2007) an agreement for construction of the said segment of the road. The EE supplied 173.32 MT of bitumen to the contractor against total requirement of 1,625.55 MT. The balance quantity of the bitumen was arranged by the contractor and EE, PD, Banda paid for the same at 20 *per cent* VAT instead of four *per cent* admissible during the above period. This resulted in undue benefit of Rs 1.19 crore to the contractor (**Appendix 3.5**).

During discussion, the Government stated (September 2009) that the above cases would be examined and action would be taken against erring officials. Action, if any, taken against the defaulting officers was not intimated (December 2009).

3.3 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfillment of certain goals in the area of health, education, development and upgradation of infrastructure and public services etc. However, Audit noticed instances where funds released by Government for

creating public assets for the benefit of the community remained unutilised/ blocked and/or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few cases have been discussed below.

ANIMAL HUSBANDRY DEPARTMENT

3.3.1 Non-appointment of veterinary staff leading to unfruitful expenditure on completed infrastructure

Due to non-appointment of veterinary doctors, pharmacists and extension officers, an expenditure of Rs 25.90 crore on 164 new veterinary hospitals and 26 new veterinary centres was rendered unfruitful. Besides, the objective of providing veterinary services was also not achieved.

With a view to extending veterinary health services in the State, the Government sanctioned (2006-07) Rs 27.16 crore²⁰ for construction of 174 new veterinary hospitals in 46 districts²¹ and 26 new veterinary centres in 10 districts²². The construction was assigned to four agencies²³ for completion between October 2006 and September 2007.

Records of the Directorate revealed (June 2007) that the agencies completed 148 hospitals and 26 centres (cost: Rs 23.52 crore) during 2007-08 and 16 hospitals (cost: Rs 2.38 crore) during 2008-09 and handed over these to the department in the respective years of their completion. The construction of the remaining 10 hospitals was not taken up. In August 2009, the Government sanctioned additional 444 temporary posts of veterinary doctors, pharmacists and extension officers to make these hospitals/centres functional. The posts were sanctioned up to February 2010 but no appointments were made as of September 2009. As a result, the hospitals and centres remained non-functional.

Thus, due to non-appointment of veterinary doctors, pharmacists and extension officers, the expenditure of Rs 25.90 crore spent on 164 veterinary hospitals and 26 veterinary centres was rendered unfruitful. Besides, the objective of providing veterinary services as stipulated by Government was not achieved.

The Government replied (July 2009) that the requisite manpower was provided in April 2008 to make these new veterinary hospitals and veterinary centres functional two days in a week. The reply was not tenable as none of 41 hospitals and 12 centres in nine test checked districts were functional during May 2008 to August 2009.

²⁰ 174 hospitals: Rs 25.87 crore (170 @ Rs 14.91 lakh; 3 @ Rs 7 lakh; 1 @ Rs 31.79 lakh) and 26 centres: Rs 1.28 crore @ Rs 4.93 lakh.

²¹ Agra, Mathura, Etah, Mainpuri, Firozabad, Aligarh, Hathras, Meerut, Baghpat, Ghaziabad, G.B.Nagar, Bulandshahar, Saharanpur, Muzzafernagar, Moradabad, J.P. Nagar, Bijnore, Rampur, Badaun, Bareilly, Lucknow, Unnao, Hardoi, Raebareilly, Kheri, Banda, Mirzapur, Sonbhadra, Allahabad, Kaushambi, Pratapgarh, Azamgarh, Mau, Ballia, Faizabad, Barabanki, Jaunpur, Ghazipur, Siddharthnagar, Gorakhpur, Kushinagar, Kanpur Nagar, Etawah, Auraiya, Farrukhabad, and Kannauj.

²² Agra, Mathura, Mainpuri, Hathras, Etah, Meerut, Bulandshahar, Muzzafernagar, Hardoi and Mau.

²³ UPPCL, Pacsfed, UP Jal Nigam, Cane Development Department.

HOUSING AND URBAN PLANNING DEPARTMENT

3.3.2 Avoidable payment of interest

Government's failure to observe principles of financial management by taking timely action to refund high interest bearing loans resulted in avoidable interest payment of Rs 28.51 crore.

Principles of financial discipline and management²⁴ provide that State should get full value out of money spent and the controlling officers be guided by this while taking action involving Government money.

The Government obtained (March 1998) interest bearing loans of Rs 56.93 crore²⁵ from the National Capital Region Planning Board (NCRB) to finance three schemes²⁶ of Hapur-Pilkhua Development Authority (HPDA) in National Capital Region. The principal amount with interest was repayable in five to seven equal yearly instalments²⁷. In August 1998, the Government allotted Rs 40.76 crore to the HPDA with the direction to utilise it by March 1999. The amount was kept in the PLA of HPDA in the treasury.

Records of the department revealed (June 2008) that HPDA did not draw the amount from the treasury on the ground that execution of the schemes could not be taken up due to change in sites and the non-acquisition of land. In June 1999, the HPDA submitted a proposal to the Government requesting for refund of the loans as the schemes could not be taken up for the execution. The Government did not refund the loans to the NCRB. In December 2001, in a meeting between the NCRB and HPDA it was, however, decided to refund the loan and the decision was communicated (December 2001) to the Government. The Vice Chairman, HPDA reminded the Government again in March 2002.

Though the Government was aware of non-drawal of the amount by the HPDA from the treasury and the funds lying idle, it did not refund Rs 56.93 crore to the NCRB. It retained the amount and refunded²⁸ the principal (Rs 56.93 crore) in yearly installments upto 2003-04 with interest thereon (Rs 28.27 crore) for the periods July 1999 to March 2004. Besides, it also paid (March 2008) 2.75 *per cent* penal interest of Rs 24.02 lakh on account of delay in payment of instalments.

Thus, retaining high interest bearing loan of Rs 56.93 crore by the Government in disregard to the principles of financial management resulted in an

²⁴ Chapter XIX of the State Budget Manual.

²⁵ Anand Vihar Residential Scheme: Rs 46.15 crore at the interest rate of 14 *per cent per annum*, Bus Stand Scheme: 2.22 crore at the interest rate of 13 *per cent per annum* and Transport Nagar Scheme: Rs 8.56 crore at the interest rate of 15 *per cent per annum*.

²⁶ Anand Vihar Residential Scheme, Bus Stand Scheme and Transport Nagar Scheme.

²⁷ Anand Vihar Residential Scheme: Rs 9.23 crore per annum, Bus Stand Scheme: 0.32 crore per annum and Transport Nagar Scheme: Rs 1.71 crore per annum.

²⁸ During April 2001 to April 2003, Rs 33.78 crore (out of Rs 56.93 crore), on account of principals was refunded in three equal yearly instalments and during April 1999 to April 2003 Rs 35.40 crore on account of interest in five instalments. In March 2004, the remaining principal of Rs. 23.15 crore was refunded together with interest of Rs 2.92 crore due thereon.

avoidable interest payment of Rs 28.51 crore for the period from July 1999 to March 2004.

The Government, in reply, stated (August 2009) that action will be taken against the responsible officers.

3.3.3 Non-identification of the beneficiaries resulting in unfruitful expenditure

Expenditure of Rs 56.49 lakhs on construction of 70 dwelling units for slum dwellers who were not identified rendered the expenditure unfruitful besides, defeating the objective of the scheme.

With the objective of rehabilitating the slum dwellers, Government of India (GOI) launched (2001-02) Valmiki Ambedkar Malin Basti Awas Yojna²⁹ for construction of dwelling units³⁰ by the development authorities on land to be provided free of cost by the Nagar Nigams. The construction cost (50 per cent) was recoverable from the slum dwellers and GOI was to provide remaining amount as subsidy. The District Urban Development Agency (DUDA) was responsible for identification of slum dwellers and State Urban Development Agency, Lucknow (SUDA) was the nodal agency at the State level.

Records revealed (January 2008) that SUDA sanctioned (2005-06) 65 dwelling units³¹ (cost ceiling: Rs 40 thousand) for construction by the Allahabad Development Authority (ADA) in District Allahabad and released subsidy of Rs 6.50 lakh to it. The Nagar Nigam, Allahabad, however, did not provide any land for the construction because of its poor financial position. Consequently, the ADA did not construct the units. Despite this, SUDA increased the target by 100 more dwelling units for construction by the ADA at an estimated cost of Rs 72.73 lakh and released (January 2006) additional subsidy of Rs 6.50 lakh. Against the target of 165 dwelling units, ADA constructed (March 2007) 84³² dwelling units on its own land³³ at a total cost of Rs 67.79 lakh (unit cost: Rs 80.07 thousand) which was in excess of the cost ceiling by Rs 17.39 lakh. Of 84 units, 14 slum dwelling units were allotted and the remaining 70 were lying vacant as DUDA, Allahabad had not identified slum dwellers as of December 2009. The Government intimated (May 2009) that excess cost of Rs 17.39 lakh would be recovered from the slum dwellers.

Thus, construction of dwelling units without identifying the slum dwellers rendered the expenditure of Rs 56.49 lakh (proportionate cost) on 70 units unfruitful. Besides, the slum dwellers were saddled with extra cost on account of development charges defeating the objective of providing dwelling to slum dwellers at subsidised cost.

²⁹ VAMBAY

³⁰ with a cost ceiling of Rs 0.40 lakh on 17.935 sq. mt land and Rs 60000 on 21 sq. mt land.

³¹ with a cost ceiling of Rs 0.40 lakh each.

³² Trivenipuram Avas Yojna: 15; Naini Avas Yojna: 36 and Kalandipuram Yojna: 33

³³ 1764 square metre

3.3.4 Lack of action against defaulters

Kanpur Development Authority suffered an interest loss of Rs 35.18 lakh due to investment of money in a non-scheduled bank besides, locking up of principal amount of Rs 40.60 lakh for an indefinite period. No action was taken against the defaulters.

With a view to earning interests on surplus funds, the Kanpur Development Authority (KDA) was required to invest money in scheduled banks per Section 20 (3) of the UP Urban Planning and Development Act, 1973³⁴.

Records of KDA revealed (January 2008) that it obtained (June 1996 to December 1999) a loan of Rs 2.21 crore in six installments³⁵ from the Housing Urban Development Corporation (HUDCO) for a housing scheme. Five of these six installments (Rs 1.79 crore³⁶) were invested in FDs of three scheduled banks. The last installment of Rs 42.60 lakh was invested (February 1999) in a FD of a non-scheduled bank³⁷ by the Chief Accounts Officer (CAO) in violation of the provision of the Act. The KDA could realise (August 1999) Rs 2 lakh only against Rs 42.60 lakh invested, as the bank became bankrupt and its license was cancelled by the RBI in August 2000.

The Government instituted (June 2000) an inquiry by the Commissioner, Kanpur Zone, Kanpur. The VC was held (August 2000) responsible for administrative lapses and control over fund management. The Government also instituted (October 2001) a departmental enquiry by the Commissioner, Housing against the CAO. The CAO was exonerated on the plea that the rate of interest of cooperative bank was one *per cent* more than that of the nationalised bank. The decision to invest the amount in a non-scheduled bank, besides being in violation of the Act exposed the investment to higher risk and, therefore, not prudent. The Government had not taken action against the defaulters.

Thus, due to investment of money in a non-scheduled bank, the KDA suffered an interest loss of Rs 35.18 lakh³⁸ (March 2009) besides, locking up of the principal amount of Rs 40.60 lakh for an indefinite period.

3.3.5 Non-framing of rules/regulations for regulating rent for use of open land

Lucknow Development Authority had not framed rules/regulations to regulate assessment and recovery of the rent for use of its open land.

Records of Lucknow Development Authority (LDA) revealed (November 2008) that a contractor illegally occupied 28,600 square metre open land of LDA in January 2005 and installed a hot mix plant. However, no action was taken

³⁴ Under the Act, the Development Authority should invest surplus money in any Scheduled Bank.

³⁵ Four installments of Rs 42.60 lakh each (June 96 to February 1999) and two installments of Rs 25.40 lakh each (March 1999 and December 1999)

³⁶ June 1996: Rs 42.60 lakh, February 1998: Rs 42.60 lakh, September 1998: Rs 42.60 lakh, March 1999: Rs 25.40 lakh and December 1999 Rs 25.40 lakh.

³⁷ Federal Cooperative Bank Limited.

³⁸ Rs. 2.11 lakh for the periods February 1999 to August 1999 @ of 8.5 *per cent* per annum on Rs. 42.60 lakh and Rs. 33.07 lakh for the periods September 1999 to March 2009 on Rs. 40.60 lakh @ 8 *per cent* per annum.

against him. In July 2006, the contractor requested the LDA for permission in respect of only 5,000 square metre of land. The LDA granted the permission in August 2006 without verifying the actual area under the contractor's possession. A security deposit of Rs 2 lakh and monthly rent of Rs 10 thousand was fixed on *ad hoc* basis, recoverable from January 2005 onwards. However, as the department had not framed rules/regulations for determination of rent for use of its open land, no agreement was entered with him. Consequently, the contractor did not pay the amount.

In June 2007, another committee³⁹, constituted for determination of rent, worked out (June 2007) a recovery of Rs 58.34 lakh⁴⁰ for 30 months from January 2005 to June 2007 @ Rs 1.94 lakh⁴¹ per month against the contractor for 28,600 square metre area. In December 2008, the contractor filed a petition before the High Court challenging the recovery. The High Court, however, dismissed his petition with liberty to make a representation to the Vice Chairman, LDA. The contractor represented (December 2008) to the Vice Chairman that 5000 square metre land was used for 11 months and the fixation at the commercial rate was not justified. The Vice Chairman constituted (February 2009) another sub-committee⁴² which accepted the contention of the contractor on the ground of the absence of agreement with him and ultimately fixed the lease rent of Rs 1.87 lakh for the demanded 5000 square metre area which the contractor paid.

Thus, non-framing of rules/regulations for regulating determination and recovery of rent for use of open land led to lapses on the part of the LDA which provided an opportunity to the contractor to delay the payment of security deposit and the rent.

In view of above, it is advisable that the department should frame rules/regulations to regulate and recover lease rent for use of open land by the private persons so that its misuse is avoided and lease rent becomes a source of income.

IRRIGATION DEPARTMENT

3.3.6 Unfruitful expenditure on Parallel Hindon Cut Canal

Improper planning and start of work on an alignment full of obstructions led to non-completion of canal rendered the expenditure of Rs 100.70 crore unfruitful besides, non-achievement of the intended benefits.

With a view to utilising 1000 cusecs of additional water from Tehri Dam for ensuring availability of sufficient water during Rabi season in Agra Canal

³⁹ comprising of two Sr. Asstt. Cost Accountant, Dy. Cost Accountant, Asstt. Engineer, Zone 2, Asstt. Engineer Zone 3 Joint Secretary and Financial Controller.

⁴⁰ for 30 months for the periods January 2005 to June 2007

⁴¹ Cost of acquisition: Rs 23 square feet.

Acquisition expenditure : Rs 2.30 square feet.

Rate in square metre: Rs 272.33.

Rent for commercial use: Rs 272.33 X 2= Rs 544.66

Interest for one month @ 15 per cent p.a. = Rs 6.80

One month rent for 28600 square meter: Rs 1,94,480

⁴² Chief Engineer, In-charge, Joint Director, Land Development, Executive Engineer, Zone 1 and, two Asstt. Engineers.

system, a project for the construction of a Parallel Hindon Cut Canal⁴³ (PHCC) (length: 13.450 km) was taken up at an estimated cost of Rs. 103.78 crore in the year 2005-06 on Government land. The project was to be completed by March 2008.

Expenditure Finance Committee (EFC) sanctioned (May 2005) the project for Rs 82.27 crore and Chief Engineer (Ganga), Irrigation department, UP, Meerut (CE) accorded (January 2006) technical sanction. The project was revised due to change in specification, inclusion of additional earth work, fencing work and construction of bridge and the same was approved (December 2006) by EFC for Rs 103.78 crore and TS accorded (January 2007) by CE.

Records of the Executive Engineer, Head Works Division, Agra Canal, Okhla, New Delhi (EE) revealed (February 2009) that the alignment of PHCC passed through densely populated areas of Delhi and Ghaziabad. The canal could not be completed as of December 2009 due to obstructions such as construction of Metro rail, objections by local people, drinking water/ sewage lines, and electric poles of high tension line which resulted in 13 gaps (length: 625 metre). As a result of these gaps in its alignment, the canal had not been made functional. An expenditure of Rs 100.70 crore had been incurred on construction of the canal as of August 2009.

On this being pointed out, the Government accepted the facts and stated that the water would be available after clearance of obstructions and completion of the project. Except for the metro railway the other obstructions could have been identified/ visualised while sanctioning the alignment of canal by the competent authority and effective steps taken to get them cleared for timely completion of the project.

Thus, lack of proper planning and delay/failure in getting the obstructions removed resulted in non-completion of the project even after spending Rs 100.70 crore (97 per cent of its estimated cost) on it.

3.3.7 Avoidable extra expenditure on interest

Defective handling of the arbitration case by the department led to avoidable extra payment of Rs 54.18 lakh as interest.

Records of the Executive Engineer (EE), Tons Pump Canal Division, Allahabad revealed (May 2006) that an agreement was executed (June 1988) by the Superintending Engineer (SE), Irrigation Works Circle, Allahabad with a firm⁴⁴ for construction of a weir over river Tons in district Allahabad by June 1991. During execution of work, disputes arose regarding payment of certain claims which were rejected by the SE. The firm requested for arbitration. The Chief Engineer, Sone, Irrigation department Uttar Pradesh (IDUP), Varanasi appointed (August 1995) the Chief Engineer IDUP, Lucknow as the sole arbitrator for deciding the claims who awarded (July 1997) Rs 59.48 lakh in favour of the firm.

The department filed (August 1997) a case against the arbitrator's award for

⁴³ PHCC of 1600 cusec capacity.

⁴⁴ M/s F.C.C. Project Private Limited, Kanpur

treating it as unlawful, in the court of Civil Judge (Senior Division), Allahabad who returned (September 1998) the petition being beyond its jurisdiction and directed to file the case in the competent court. Then a revision petition was filed (November 1998) in the court of District Judge (DJ) who rejected (December 1999) the revision petition and upheld the judgment of Civil Judge. A fresh petition against the award was filed (December 2000) in the court of DJ, which was not allowed (October 2002) as it was time barred. The department filed (January 2003) a petition in the High Court, Allahabad against the judgment of DJ (October 2002), who upheld (September 2003) the judgment of the DJ. The department again filed (December 2003) a special leave petition (SLP) in the Supreme Court against the judgment of High Court. The Supreme Court dismissed (January 2004) the SLP finding no reason to interfere in the matter.

The defective handling of the case by the department delayed payment of award by over seven years making it liable for payment of interest which was avoidable. Besides, effective steps for obtaining funds from the Government in time were not made. The Government allotted (November 2004) Rs 1.14 crore which were paid to the firm in November 2004 including interest (Rs 54.18 lakh).

On this being pointed out, the Government while accepting the facts and figures stated (July 2009) that delay was due to procedural lapses. The reply was not tenable as the department failed initially to pursue the case in the proper court within the stipulated time of four months which rendered the case time barred and further in making effective efforts (February 2004) to obtain the funds from the Government which resulted in avoidable extra expenditure on interest of Rs 54.18 lakh.

MEDICAL AND HEALTH DEPARTMENT

3.3.8 Non-completion of a building for a Primary Health Centre

The building of the Primary Health Centre at Gopalganj in District Azamgarh constructed at a cost of Rs 32.49 lakh remained locked up for over thirteen years due to non-appointment of land owner's son.

The Government, in November 1994, decided to construct a building for a Primary Health Centre (PHC) at Gopalganj in District Azamgarh on a piece of donated land at a cost of Rs 36.68 lakh. The amount was released (1994-2008)⁴⁵ to the Uttar Pradesh Jal Nigam (Nigam) which was entrusted with the work.

Records of the Chief Medical Officer (CMO), Azamgarh revealed (August 2007) that a private land owner in District Azamgarh had offered (1994) his land to CMO for construction of the PHC building subject to appointment of his son in the department. The CMO, without entering into an agreement with the land owner and getting the land transferred to the department handed it over (January 1995) to the Nigam. The Nigam commenced (January 1995) the construction on

⁴⁵ 1994-95: Rs 26.01 lakh, 1997-98: Rs 5.49 lakh and 2007-08: Rs 5.18 lakh

the land. Subsequently, an agreement was entered into with the land owner in May 1995 accepting the condition of appointment of his son. While the construction work was in progress, the land owner asked for (March 1996) appointment of his son to the post of a class IV in terms of the agreement drawn with him. The appointment was not made. Consequently, the land owner locked up the incomplete building in June 1996. By that time, the Nigam had completed 80 per cent work⁴⁶ at a cost of Rs. 32.49 lakh. In 1998, the Directorate instructed the CMO to appoint the land owner's son which was also not followed. The Directorate again instructed (March 2005) the CMO to initiate appointment of the land owner's son. The CMO again did not take action and the incomplete building continued to be locked up as of June 2009 for the last thirteen years. Due to locking up of the building for a prolonged period, physical condition of the building had deteriorated requiring Rs 10 lakh on its repairs.

Thus, inability of the department to appoint the son of the land owner resulted in locking up of Rs 32.49 lakh on an incomplete building of a PHC. The Government while admitting (September 2009) the facts and figures did not spell out the course of action to break the dead lock in the matter and complete the PHC building.

3.3.9 Unfruitful expenditure on construction of a hospital

Due to inconsistency in selection of site for a 100 bed hospital in Tehsil Milkipur, District Faizabad, the expenditure of Rs 81 lakh spent on partly constructed structure was rendered unfruitful. Besides, the objective of providing medical facilities to the people remained unachieved.

The department in a follow up to the Chief Minister's declaration (August 2004) to provide medical facilities to the people of Tehsil Milkipur (district Faizabad) sanctioned Rs 9.01 crore⁴⁷ for construction of 100 bed hospital. The amount was transferred to the Personal Ledger Account of Uttar Pradesh Nirman Nigam Limited (UPRNNL) to whom the work was allotted (July 2005) by the Government. The work was to be completed by December 2008.

Records of the Chief Medical Officer, Faizabad revealed (December 2008) that the Government had earlier instructed (November 2004) the District Magistrate, Faizabad to arrange requisite land free of charge for construction of the proposed hospital. A committee comprising CMO, Junior Engineer/Assistant Engineer of the department identified (January 2006) Kumarganj as a suitable site, among others evaluated by it. In July 2006, the Government approved this site for the hospital. Subsequently in August 2006, the Government, at the intervention of the local MLA, changed it to another site in village Mewapur which lay in the river bed and had a population of 100 to 150 persons only. The site as such was not a suitable place even for a Community Health Centre (CHC) for which the mandated population should be one to 1.5 lakh. However,

⁴⁶ comprising the main building and four staff quarters

⁴⁷ March 2006: Rs 50 lakh; April 2006: Rs 8.51 crore.

while the construction was going on, the Government, at the intervention (June 2007) of the District President of a political party, stopped (June 2007) the construction of the hospital at village Mewapur by which time Rs 81 lakh⁴⁸ had already been spent on the construction. In March 2008, the Government decided to construct the proposed hospital at the earlier selected site of Kumarganj and construct a CHC at the site of village Mewapur and adjust Rs 81 lakh in its construction. The construction of the 100 bed hospital at Kumarganj was in progress and an expenditure of Rs 2.96 crore had been incurred on it. The UPRNN had not submitted the estimate for construction of the CHC at the village Mewapur as of June 2009.

Thus, due to inconsistency on the part of the Government in regard to the selection of the site, the expenditure of Rs 81 lakh on the incomplete structure was rendered unfruitful apart from the delay in realisation of the objective of providing medical facilities to the people. The Government decision to adjust Rs 81 lakh on the construction of a CHC was also not justified by the norms.

The matter was referred (April 2009) to the Government; the reply was awaited (December 2009). However, during discussion (September 2009), the Government admitted the facts and figures.

PUBLIC WORKS DEPARTMENT

3.3.10 Delay in appointment of the Engineer

Delay in appointment of the “Engineer” resulted in an unauthorised payment of mobilisation advance of Rs 15.82 crore to the contractors and interest burden of Rs 1.08 crore to the Government.

With a view to cater to the needs of the high priority core road network in the State on a sustainable basis, the Government implemented (April 2002) the State Roads Project-II with the assistance of the World Bank (WB) for civil works including up-gradation of roads.

According to loan conditions (4.5.3) of the WB, the contracts for up-gradation of road were to be executed as per its procurement guidelines. Further, the Supervision Consultant named as “Engineer” was to be engaged by the Public Works department (PWD) one month prior to execution of the contracts to supervise the works of up-gradation package of roads. The selection of “Engineer” was to be done through international competitive bidding process. The Engineer’s responsibility, *inter alia*, was to ensure that all works are executed in full compliance with the detailed engineering designs and technical specifications. As per sub clause 60.7 of the WB bid documents, advances to the contractors were to be paid under specific certification by the “Engineer”.

Records of the CE, WB Projects (Roads), Uttar Pradesh, PWD, Lucknow and two PWD Divisions⁴⁹ associated with the project revealed (July-August 2008) that the CE entered into four contract bonds (March 2003) with two⁵⁰

⁴⁸ Rupees 0.30 crore towards the cost of material lying at site

⁴⁹ Executive Engineer, PWD, Azamgarh and Kanpur

⁵⁰ IRCON International Ltd and Larsen and Toubro Ltd

contractors in respect of four⁵¹ up-gradation packages . The dates of start of works under these contract bonds were 01, 05, 16 January 2004. Further, the Government initiated the process of ‘procurement’ of the “Engineer” in July 2001 and opened financial bids of shortlisted Engineers in February 2003. The agreements with the Engineers could, however, be entered into in October 2003 only without assigning any reason for the delay i.e. six months after the execution of contracts of civil works. On further scrutiny it was found that the divisions unauthorisedly paid (March 2003) Rs 15.82⁵² crore (*Appendix 3.6*) as mobilisation advance to contractors within two to seven days of execution of contract before appointment of “Engineer” and getting his mandatory certificates for payment of advance.

This, unauthorised payment of the interest free mobilisation advance to the contractors for a period of nine months without the certificate of the “Engineer” resulted in indirect aid to them as they could get a minimum of Rs 41 lakh as interest on this amount of Rs 15.82 crore as per Savings Bank rate of interest (3.5 *per cent*). The Government was also subjected to an interest burden of Rs 1.08 crore⁵³, as the Government had to bear on the market borrowings during the intervening period of nine months. Moreover, failure to make appointment of “Engineer” prior to the execution of contracts for works led to delay in start of works.

On this being pointed out, the Government stated (May 2009) that best efforts were made to engage the “Engineer” before execution of contracts for works but due to unavoidable circumstances the agreement for supervision consultancy could be drawn up on 30 October 2003⁵⁴. The Government attributed the delay to complaints received during its tendering process and doubts over tax liability of “Engineer”. The reply of the Government is not tenable as the Government was well aware of the need to engage “Engineer” one month prior to execution of contracts for civil works as per WB guidelines and was functional requirement. Moreover, though WB approved short listing of “Engineer” in July 2001, the Government obtained (March 2002) technical and financial bids for supervision consultancy work only two months prior to submission of technical and financial bids for civil works (May 2002). However, the Government could have managed tendering process more effectively by disposing of complaints received against technical evaluation and the tax liability of the “Engineer” could have been ascertained before calling tenders. The delay in finalising contract with “Engineer” occurred despite existence of Project Governing Board and Project Steering Committee headed by the Chief Secretary and Principal Secretary PWD respectively.

⁵¹ UPG-01, UPG-02, UPG-03, UPG-04

⁵² UPG 01 - 5.50 crore, UPG-02 5.20 crore, UPG -03, 0.92 crore and UPG 04, 3.20 crore

⁵³ Rs 1.08 crore (average rate of interest 9.13 *per cent* per annum in 2003-04)

⁵⁴ Scott Wilson as Construction Supervision Consultancy (Engineers)

3.3.11 Defective technical sanctions

Approval to technically unsound estimates for the rehabilitation of roads under the externally aided State Roads Project II led to deficient works costing Rs 260.15 crore besides, extra expenditure of Rs 2.31crore.

With a view to improving the quality of the State's road network to meet the rapidly growing traffic demand for road transportation, the State Roads Project (SRP) II-Phase I was taken up in 2001 by the Government with the financial assistance from the World Bank (WB). The WB projected an eight year life cycle for rehabilitation works as most of these roads were likely to get congested and would require widening after that time horizon.

Records of the Chief Engineer, WB Projects (Road), Public Works department, Lucknow (CE) revealed (April-August 2008) that non-observance of the criteria for the designed life of eight years in the detailed estimates of 12 Road Maintenance Contract (RMC) packages out of 16 RMC packages led to the early failure of the rehabilitation works. Besides, change in design entailing extra quantities in the remaining four RMC packages during the execution stage led to extra expenditure as discussed in succeeding paragraphs:

- The rehabilitation works were grouped in 16 RMC packages. The designed life of 12 RMC packages was reduced by the CE from eight to five years and accordingly the thickness of the overlay design was kept at 60 *per cent* of total requirement as approved by WB. The Government accorded (January 2002) administrative and financial sanction and the CE accorded (February 2002) technical sanction to these estimates. The contract bonds (CBs) for 12 RMC packages⁵⁵ were signed between March and August 2002. The works of these packages were completed between June 2004 and March 2005 at a cost of Rs 260.15 crore as detailed in *Appendix 3.7*. However, depressions, cracks and undulations developed in the rehabilitated roads within a short period (May 2005) of their completion and were extensively damaged by October 2006, mainly due to inadequacy of the crust thickness.
- The CBs for rehabilitation of remaining four RMC packages⁵⁶ were signed in November 2004. The estimates (2002) of these RMC packages were also provided 60 *per cent* crust thickness. The CBs, *inter alia*, provided that the contractors would be eligible for charging higher rates in case the quantity of a particular item of work exceeded 25 *per cent* of estimated quantity and also if the change exceeded one *per cent* of the total contract price. It was observed in respect⁵⁷ of three packages that quantities of earth work, Wet Mix Macadam and Granular Sub Base increased the prescribed limit as the works were got executed with 100 *per cent* crust thickness. This led to the increase in the quantity of works

⁵⁵ RMC: 01,03,04,06,07,08,12,14,15,17,18 and 19

⁵⁶ RMC 02, 10,11 and 13

⁵⁷ RMC 02, 10 & 13executed through CB No.31,32 & 34respectively

of these packages after their commencement due to midway change in the design criteria resulting in extra cost. Therefore, higher rates were given to the contractor as per condition of the CBs. As of January 2009 extra expenditure of Rs 2.31⁵⁸ crore had been incurred.

Thus, TS to the structurally unsound estimates led to execution of deficient work costing Rs 260.15 crore. Besides, extra expenditure of Rs 2.31 crore was incurred as estimates were not revised timely. Moreover, the objective to improve the quality of the State's road network to cater to the traffic need for subsequent eight years was also not achieved even with external borrowings from WB.

The Government during discussion (September 2009) accepted the technical deficiencies in the execution of the project works as it was a new experience for them and assured to provide the crust thickness as per designed life strictly in future constructions. Action, if any against the defaulting officials was not intimated (December 2009).

RURAL DEVELOPMENT DEPARTMENT

3.3.12 Ineffective implementation of "Rural Soft" Application

Inadequate input and validation checks along with incomplete and erroneous data rendered the software unusable

'Rural Soft' a web-based Application developed by NIC using Active Server Page (ASP) as front end tool and Structured Query Language (SQL) server as back end database, was started in 2002-03 to strengthen the monitoring of Rural Development Schemes being implemented through the Rural Development department (RDD) by the Commissioner, Rural Development department (CRD), Government of India (GOI), District Rural Development Agencies (DRDAs), Divisional Commissioners and District Economic and Statistical Officers. The software had provision for capturing data relating to physical and financial progress of the different schemes such as Indira Awas Yojana (IAY), Swarnjayanti Gram Swarajgar Yojana (SGSY), Sampoorna Grameen Rozgar Yojana (SGRY) (upto 2007-08), National Rural Employment Guarantee Act (NREGA), National Project on Bio Gas Development, Vidhayak Nidhi being coordinated by DRDAs.

The following deficiencies were noticed when the office of CRD and eight districts⁵⁹ were test checked during February 2009 – July 2009:

1. Adhoc development of software even without conducting proper User Requirement Study (URS), resulted in not harnessing the functional potential of application, manual reports are still being prepared for monitoring and compilation for various purposes.
2. Manual entry of Opening Balances instead of automatic carry over of Closing Balances of previous month resulted in data entry errors as given below:

⁵⁸ RMC 10: Rs 1.99 crore; RMC 02: Rs 0.32 crore

⁵⁹ Agra, Kanpur Dehat, Ghazipur, Sultanpur, Mahoba, Ghaziabad, Bareilly and Sant Kabir Nagar

Sl. No.	Scheme	Inflation	Deflation
1	IAY	138 cases ranging from Rs. 0.01 lakh to Rs. 6.64 crore aggregating to Rs 38.55 crore in respect of 59 districts during February 2003 to May 2009	131 cases ranging from Rs. 0.01 lakh to Rs. 4.51 crore aggregating to Rs 17.79 crore in respect of 58 districts during February 2003 to May 2009
2	SGSY	60 cases ranging from Rs 0.01 lakh to Rs. 6.00 crore aggregating to Rs 29.62 crore in respect of 37 districts during January 2006 to May 2009	33 cases ranging from Rs. 0.01 lakh to Rs. 3.40 crore aggregating to Rs 10.05 crore in respect of 26 districts during January 2006 to May 2009
3	Vidhayak Nidhi	52 cases ranging from Rs 0.01 lakh to Rs. 2.18 crore aggregating to Rs 14.71 crore in respect of 35 districts during January 2005 to May 2009	32 cases ranging from Rs. 0.01 lakh to Rs. 13.00 crore aggregating to Rs 25.68 crore in respect of 25 districts during January 2005 to May 2009
4	DRDA Administration (Expenditure Data)	130 cases ranging from Rs 0.01 lakh to Rs. 0.29 crore aggregating to Rs 4.30 crore in respect of 57 districts during January 2006 to May 2009	25 cases ranging from Rs. 0.01 lakh to Rs. 21.09 lakh aggregating to Rs 0.78 crore in respect of 19 districts during January 2006 to May 2009

Programmed automatic carry over besides ensuring the correctness, avoids duplicate data entry. Reply of the department (September. 2009) that the controls were not introduced to keep the interface simple is not tenable in audit, because providing controls should not make the system complex.

- Analysis of monthly data as obtained from CRD revealed missing records that ranged from 5 under SGSY scheme to 223 records under IAY scheme.

On being pointed out in audit, the CRD stated (September 2009) that data received from the Rural Soft were further analysed and the Monthly Progress Report (MPR) are prepared on separate excel sheet. If some data were found missing or incomplete the same were obtained from the concerned districts through other media. Reply confirms that reports generated by Rural Soft were incomplete and CRD instead of ensuring that all data were fed in Rural Soft and correct reports generated, resorted to other sources to generate MPR.

- Similarly an analysis of SHG database revealed the following discrepancies:

Sl. No.	Scheme	Inflation	Deflation
1	Total number of SHGs formed since 01 April 1999	47 cases ranging from 1 to 2000 in respect of 26 districts during January 2006 to May 2009	94 cases ranging 1 to 3174 in respect of 42 districts during January 2006 to May 2009
2	Total number of SHGs passed grade I since 01 April 1999	54 cases ranging from 1 to 463 in respect of 24 districts during January 2006 to May 2009	74 cases ranging 1 to 976 in respect of 34 districts during January 2006 to May 2009
3	Total Number of SHGs passed grade II since 01 April 1999	59 cases ranging from 1 to 242 in respect of 32 districts during January 2006 to May 2009	64 cases ranging 1 to 1860 in respect of 29 districts during January 2006 to May 2009
4	Total Number of SHGs with economic activities since 01 April 1999	40 cases ranging from 1 to 2754 in respect of 20 districts during January 2006 to May 2009	85 cases ranging from 1 to 308 in respect of 40 districts during January 2006 to May 2009
5	Total Number of women SHGs since 01 April 1999	57 cases ranging from 1 to 686 in respect of 27 districts during January 2006 to May 2009	72 cases ranging 1 to 1058 in respect of 35 districts during January 2006 to May 2009

On being pointed out in audit, the CRD stated (September 2009) that “with a view to keep the interface simple, such controls were not introduced.” Reply was not acceptable because basic computation functions should be installed into the software so that human errors are minimized.

5. Besides this the controls were not set in to exhibit the amount of Division. In input form of the system, amounts are supposed to be fed in lakh in Indian Rupee but in three districts (Siddharthnagar, Balrampur and Bagpat) in respect of IAY, amounts were fed in rupees instead of lakh in 10 cases during February 2003 to December 2003. Further, in Azamgarh district total expenditure during the month of December 2008 in respect of DRDA Administration were also fed in rupees instead of lakh. In these two cases expenditure for the month of March 2003 was inflated by Rs. 47,959.92 crore (Rs. 47960400 lakh instead of Rs 479.60 lakh).

On being pointed out in audit, the CRD stated (September 2009) that data received from the RuralSoft were further analysed and the MPR are prepared on separate excel sheet. Reply confirms that RuralSoft application failed to generate reliable reports.

Thus, Rural Soft as a Management Information System was designed and implemented without proper URS and SRS documents. Non-preparation of URS resulted in non-inclusion of all requirements of stakeholders. Consequently, out of five stakeholders, two stakeholders (Divisional Commissioners and District Economic and Statistical Officers) were not enlisted as user of the RuralSoft. Further, due to inadequate input and validation checks along with incomplete and erroneous data rendered the software unuseful. Hence, the objective of monitoring Rural Development Scheme implementation was not achieved.

SOCIAL WELFARE DEPARTMENT

3.3.13 Non-framing of allotment rules leading to non-allotment of shops

Due to non-framing of *Dookan Avantan Niymavali*, 112 shops constructed at a cost of Rs 92.90 lakh were not allotted rendering the expenditure unfruitful. The objective of making the ex-servicemen and the dependents of martyred/ disabled soldiers financially self-reliant was also not achieved.

With a view to making the ex-servicemen and dependents of martyred/ disabled soldiers self reliant, the Government approved⁶⁰ construction of 158 shops in 12 districts⁶¹ at an estimated cost of Rs 1.50 crore. These shops were to be constructed in the premises of the offices of the District Soldier and Rehabilitation Officer by March 2008 and allotted after the *Dookan Avantan Niymavali*⁶² was notified by the Government.

⁶⁰ March 2004 to December 2005..

⁶¹ Basti: 7, Ballia:10, Deoria:18, Etawah: 27, Faizabad: 6, Farrukhabad: 15, Gonda: 29, Gorakhpur: 10, Hardoi: 8, Meerut: 4, Sultanpur: 18, Sitapur: 6..

⁶² Rules for Allotment of Shops to the Ex-servicemen.

Records of the Director, Soldier Welfare and Rehabilitation, Lucknow revealed (June 2008) that the Government sanctioned⁶³ Rs. 1.50 crore and deposited it in the Personal Ledger Account (PLA) of the Uttar Pradesh Samaj Kalyan Nirman Nigam (Nigam). The Nigam completed⁶⁴ 112 shops at a cost of Rs 92.90 lakh and handed over these to the department between May 2005 and July 2008. Of the remaining 46 shops, construction of seven was in progress and that of 39 had not been taken up due to non-availability of land. None of 112 shops handed over to the department were allotted to the ex-servicemen and dependents of martyred/ disabled soldiers as the *Niyamavali* was pending approval of the Government, as of November 2009.

The expenditure of Rs. 92.90 lakh on construction of 112 shops was, thus rendered unfruitful. Besides, the objective of making the ex-servicemen and dependents of martyred/disabled soldiers financially self reliant was also not achieved.

The Government, in reply, stated (April 2009) that the shops will be allotted immediately after the *Dookan Avantan Niyamavali* is prepared which is presently in process. Delay in preparation of the *Niyamavali* resulted in non-achievement of the objective of the scheme.

STATE EXCISE DEPARTMENT

3.3.14 Delay in disposal of unused building

Due to lackadaisical approach, the infrastructure with land valued at Rs 1.83 crore was not disposed of and the department was continuously incurring expenditure on its watch and ward.

With a view to establishing Excise Training Institute for providing training to the departmental personnel, the Government purchased (March 1990) a fully furnished building⁶⁵ at a cost of Rs 1.10 crore from Gas Authority of India Limited at Jais, district Rae Bareilly.

Records of the Assistant Commissioner, State Excise department, Rae Bareilly revealed (January 2009) that the building purchased was in a dilapidated condition. In November 1996, the Excise Commissioner submitted a proposal for its repairs/maintenance (estimated cost: Rs 47.45 lakh) to the Government. It was revised (September 1998) to Rs 70.96 lakh. The Government, however, did not accord technical and financial sanctions on the ground that the building was remotely located. It also lacked basic facilities like transport, communication, power and water and only four training courses were organised (1990-2000) as the trainees complained of unsafe location of the institute. Ultimately, the Government decided (June 2000) to close the institute and issued instructions for valuation and disposal of its assets. The infrastructure with land was valued at Rs 1.83 crore (November 2000) by the District Magistrate, Rae Bareilly. The

⁶³ March 2004 to December 2005.

⁶⁴ March 2005 to February 2008.

⁶⁵ Area: 9487.50 Square Metre; covered area of 2203.67 Square Metre with inventory of 3075 items like furniture, electric items, crockery/cutlery and various other miscellaneous items.

building had not been disposed of as of November 2009. The department also incurred Rs 14.26 lakh on watch and ward of the building as of November 2009.

Thus, lackadaisical approach of the department, the infrastructure with land valued at Rs 1.83 crore was not disposed of and the department was continuously incurring expenditure on its watch and ward.

The Government stated (July 2009) that the disposal of the asset was delayed as the departmental officers were occupied in implementation of the New Excise Policy (2001-02). The reply was not acceptable as the Government did not take action for disposal of the building for over nine years as of June 2009.

YOUTH WELFARE DEPARTMENT

3.3.15 Idle investment on an incomplete sports hostel

Government's lackadaisical approach in not releasing funds for completion of sports hostel rendered investment of Rs 55 lakh on its construction idle. Besides, the objective of providing training to the sports persons remained unachieved.

With a view to developing sports infrastructure and providing training to the outstanding sports persons in rural areas, the Government following up the Chief Minister's declaration (September 2005), constructed two stadia (indoor and outdoor) at village Panjokhara in Muzaffar Nagar district at a cost of Rs 81 lakh⁶⁶. The construction agencies⁶⁷ completed the work and handed over⁶⁸ these stadia to the department.

Records of the District Youth Welfare Officer, Muzaffar Nagar revealed (February 2009) that while the construction of the stadia was going on, the Government sanctioned (October 2006) construction of a 80 bed sports hostel⁶⁹ at a cost of Rs 1.09 crore. The proposed hostel building comprised two floors. The Government allotted (October 2006) the work to the Uttar Pradesh Project Corporation Limited (UPPCL) and released (October 2006) Rs 40 lakh to it for completion by July 2007. The UPPCL commenced (November 2006) the work and incurred Rs 55 lakh up to March 2007⁷⁰ on construction of super structure of the ground floor of the hostel. No further funds were released by the Government as a result of which only 50 per cent of the work was completed and the remaining work was lying incomplete (November 2009) even after more than two years of its scheduled date of completion. Consequently, training was not imparted to the sportspersons.

Thus, delay on the part of the Government either to complete the construction of the hostel by releasing the required funds or to transfer the incomplete building to other departments for its proper use, resulted in idle investment of Rs 55 lakh. Besides, the objective of imparting training to rural sports persons was not achieved.

⁶⁶ Outdoor stadium: Rs 41.86 lakh and Indoor stadium: Rs 39.04 lakh

⁶⁷ Outdoor stadium: Uttar Pradesh Project Corporation Limited and indoor stadium: Samaj Kalyan Nirman Nigam limited.

⁶⁸ indoor stadium: March 2006 and outdoor stadium: November 2007.

⁶⁹ Boys: 48 and girls: 32.

⁷⁰ The UPPCL incurred Rs 15 lakh from its own source.

The Government stated (November 2009) that the aforesaid incomplete sports hostel would be developed as a training centre for the *Prantiya Rakshak Dal*.

3.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits is not only indicative of non-seriousness on the part of the executive but is also an indication of lack of effective monitoring. This in turn encourages willful deviations from observance of rules and regulations and results in weakening of the administrative structure. The case reported in audit about persistent irregularities has been discussed below.

RURAL ENGINEERING SERVICES DEPARTMENT

3.4.1 Non-observance of specifications in construction of village roads

Village link roads under various developmental schemes costing Rs 8.22 crore were constructed without following the prescribed specifications/norms.

Rural Engineering Service (RES) department constructs village link roads and buildings as deposit works in rural areas as per Public Works department (PWD) specifications under various developmental schemes of Government of India and the State Government. As per specifications/norms and instructions issued (September 2005) by the Engineer-in-Chief (E-in-C), PWD, Lucknow and also as per Indian Road Congress specifications, when the alignment of road passes through black cotton soil area, a buffer layer of blanket coat of medium sand or non-plastic moorum of specified grade, whichever is cheaper in the area, should be laid over the compacted sub-grade layer below the base layer in the entire formation width of the road.

District Rural Development Agency (DRDA) Banda accorded (2005-07) sanction to the construction of 12 village link roads (VLRs) under Bundelkhand Development Fund at a cost of Rs 5.52 crore, five VLRs under Rashtriya Sam Vikas Yojna at the cost of Rs 3.41 crore and two VLRs under Samagra Vikas Yojna at the cost of Rs 1.72 crore, all passing through black cotton soil areas and entrusted (2006-08) these works to the Executive Engineer (EE), RES Division, Banda for execution.

Estimates of these roads revealed (June 2008) that the provision of blanket coat was made only in 3.60 metre width against the entire formation width of six metre, in violation of above specifications/norms and instructions of E-in-C. Construction of 11 roads with these specifications was completed at a cost of Rs 4.93 crore and that of eight roads was in progress incurring an expenditure of Rs 3.28 crore as of December 2009.

Non-adoption of prescribed norms/PWD specifications in construction of these roads rendered the execution of works costing Rs 8.22 crore technically unsound

as these would not be able to sustain the seasonal changes due to variation in moisture content in black cotton soil area.

The Director-cum-Chief Engineer, RES accepted (June 2009) the omission but did not spell out future course of action to avoid recurrence of such lapses/omissions.

The matter was referred to the Government in February 2009. Their reply had not been received (December 2009).

3.5 Fraud and detection of fraud

Audit of financial transactions, test checked in some departments of the Government and their field functionaries showed instances of fraudulent payments as discussed in the following paragraphs :

IRRIGATION DEPARTMENT

3.5.1 Fraudulent payment to a contractor

Irregular provision of extra cartage for earth work led to fraudulent payment of Rs 1.88 crore to the contractor.

The Government accorded (November 2006) administrative and financial sanction of Rs 13.50 crore for construction of a metal road (length: 90.109 km) over the damaged service road of Anoop Shahar Branch canal. The Chief Engineer (Ganga), Irrigation department, UP, Meerut (CE) accorded (January 2007) technical sanction for Rs 13.11 crore.

Records of the Executive Engineer, Anoop Shahar Division, Ganga Canal, Meerut (EE) revealed (February 2009) that the Superintending Engineer, Irrigation Works Circle-I, Meerut (SE) entered into (3 February 2007) an agreement⁷¹ for the above work with a firm⁷² for Rs 12.72 crore for completion by August 2007. The EE while preparing the estimate certified that the soil for earthwork was not available within a distance of one km and provided a rate of Rs 160.75 per cubic metre for earthwork including carriage charges of Rs 106.26 per cubic metre for transportation over a distance of above one km. The contractor, however, unauthorisedly lifted the soil for earthwork from reserve forest land, a prohibited area which was available within admissible⁷³ lead of 30 metre of banks of the canal. Carriage charges at the rate of Rs 106.26 per cubic metre were allowed as per the measurement recorded by the Junior Engineer, verified by Assistant Engineer and paid by the EE. Thus, EE ignoring the above facts paid (March 2008) Rs 1.88⁷⁴ crore for carriage of 1.77 lakh cubic metre of soil which the contractor had not actually transported.

The Government accepted (September 2009) that the contractor unauthorisedly lifted the earth for construction of road from reserve forest land which was

⁷¹ Agreement No. 3/SE/2006-07 dated 3-2-2007 and the date of start of work was also 3.2.07

⁷² M/s Aakash Engineers, Bareilly

⁷³ Lead of 30 metre is included in the rate for excavation of earth.

⁷⁴ 1.77 lakh cum x Rs 106.26 lakh = Rs 1.88 crore

within a lead of 30 metre of the banks of the canal. It further stated that a penalty @ 1.5 per cent on the total executed earth work has been imposed on the contractor and unauthorisedly dug earth has been made good by him by bringing earth from farmers' land from a minimum distance of one km. The reply is not tenable as the Junior Engineer in charge of work had falsely recorded inflated distance of one km in the measurement book and officers responsible to supervise the work overlooked it which facilitated fraudulent payment to the contractor. Excavation of earth from the prohibited area and payment at full rates showing cartage from a longer distance was a willful action and could not be made good by refilling the dug areas and imposing a meagre amount (Rs 4.27 lakh) of penalty, which too after the facts were highlighted in audit.

3.5.2 Suspected fraudulent payment

Suspected fraudulent payment of Rs 7.45 lakh was made without execution of work and validation of its quantity in violation of the financial rules.

Financial rules provide that payments for all work done which is susceptible to measurement should be recorded in measurement books (MB). Further, before the bill of a contractor is prepared, the entries in the MB relating to description and quantities of work should be scrutinised by the Assistant Engineer (AE) and calculations of "contents or area" should be checked arithmetically under his supervision. The bill should then be prepared from the measurement book entries.

The Chief Engineer, Ram Ganga, Irrigation department, UP, Kanpur accorded (February 2006) technical sanction to the project 'Restoration of carrying capacity of Fatehpur branch of Lower Ganga Canal System' for Rs 129.73 crore along with its distributaries and Minors. It included earthwork of 29000 cubic metre for raising and strengthening of banks of Nawajipur Minor from km 0 to 11.400.

Records of Executive Engineer, Fatehpur Division, Lower Ganga Canal, (EE), Fatehpur revealed (September 2008) that the then EE sanctioned (September 2006) four estimates (cost: Rs 7.85 lakh) for the above work of Nawajipur Minor. The AE entered into four agreements with two contractors at a total cost of Rs 7.40 lakh⁷⁵. Out of these, three agreements for Rs 5.48 lakh were made with an unregistered contractor by splitting up the work to keep these below Rs 2 lakh and within the financial powers of the AE. Further, Rs 7.45 lakh were fraudulently drawn and paid to the contractors as revealed from the following facts:

- Rs 7.45 lakh were paid to the contractor on the basis of abstract of costs ignoring the fact that detailed measurements of the works were not recorded in the concerned MBs.

⁷⁵ Agreement No.38,40 & 42/AE-I/2006-07 (with ineligible contractor) – Rs 5.48 lakh
Agreement No.41/AE-I/2006-07 for Rs1.91 lakh

- The Nawajipur Minor, on which work was shown to be executed, was under the jurisdiction of another Junior Engineer (JE). The JE who prepared abstract of cost and prepared the bill for payment was not authorised by the competent authority to execute the work. The then JE concerned of the Nawajipur Minor also confirmed that no work of raising and strengthening of banks of Nawajipur Minor from 0.00 to 11.400 km falling under his jurisdiction was carried out during the period in question.

On this being pointed out, the Government while confirming the facts and figures stated (July 2009) that the site of work has been visited by special Technical Audit Cell for spot verification on 6 October 2008, the report of which was awaited (December 2009).

Thus, award of work to an ineligible contractor by the AE, preparation of bills by the JE for work not within his jurisdiction and payment of Rs 7.45 lakh to the contractor without quantity validation of the work by the EE through detailed measurements in the concerned MB, indicated suspected fraudulent drawal.

PUBLIC WORKS DEPARTMENT

3.5.3 Undue aid to a contractor

Payment at higher rates to a contractor for inferior quality of bitumen and issuing material from the departmental store at cheaper rates led to undue aid of Rs 24.90 lakh to the contractor.

Financial rules provide that every precaution must be taken to prevent any official from having personal interest, direct or indirect, in a tender, contract or agreement, or from assisting a contractor in the preparation of tender or from standing as security for him.

Records of the Executive Engineer (EE), Provincial Division, Jaunpur revealed (August 2008) that the Government sanctioned (February 2004) widening and strengthening of kilometre 228 to 236.40 of Lumbni- Dudhi road at a cost of Rs 6.88 crore. The Chief Engineer (CE), Azamgarh Zone accorded (December 2004) technical sanction (TS) to the detailed estimate (DE) providing, *inter alia*, overlay of Bituminous Macadam (BM) and Semi Dense Bituminous Concrete (SDBC). The Superintending Engineer, Azamgarh Circle, Azamgarh (SE) invited (April 2005) short term tenders as per specifications approved by the CE. In the bill of the quantity (BOQ) of the tender, the rate for BM and SDBC was, however, inflated by Rs 221⁷⁶ and Rs 31⁷⁷ per cum respectively from those approved in TS on the plea of increase in the cost of labour and material. A contract bond⁷⁸ (CB) was drawn with the contractor at the negotiated rate of 2.1 *per cent* over and above the quoted rates in BOQ on the basis of sole tender

⁷⁶ As per TS: Rs 3256 per cum, As per tender: Rs 3477 per cum

⁷⁷ As per TS: Rs 4279 per cum, As per tender: Rs 4310 per cum

⁷⁸ CB no. 08/SE/ 05-06 dated 07.11.2005 for Rs 2.81 crore

received in the bidding process. As per TS as well as the contract bond, the Crumbed Rubber Modified Bitumen (CRMB)-55 grade was to be used in the SDBC.

The contractor was also to arrange bitumen from his own source for which a provision of 20 per cent trade tax was made in the TS. The contractor used the bitumen of the lower grade (80/100 grade) in the SDBC work, which was arranged from the departmental stores. However, payments to the contractor were made for use of CRMB 55 in SDBC and also without adjusting the differential trade tax on bitumen payable on Government supply (4 per cent) and that procured by the contractor directly, as per contractual conditions. This resulted in aid of Rs 24.90⁷⁹ lakh to the contractor.

Inviting short term tenders, revising the bill of quantity on higher side, payment to the contractor at the higher rates against use of the cheaper/inferior grade bitumen and its supply from the departmental store to benefit the contractor by 16 per cent on account of trade tax differential was indicative of irregularities. The entire sequence of events was indicative of fraud to drain out the Government money in a preplanned manner and points to the fact of major negligence in scrutiny.

The Government, during discussion (September 2009), assured to investigate the facts and take appropriate action against the erring officers after fixing the responsibility. The results of the proposed investigation were awaited (December 2009)

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Sl No.	Name of Item	Rate mentioned in the BOQ of CB and as paid	Approved rate in TS	Analysed rate for 80/100 Bitumen actually used (Appendix 3.8 and 3.9)	Difference in rate	Quantity executed	Extra burden to the Government
1	BM	3477	3256	2864.90	612.1	2100	1285410.00
2	SDBC	4310	4279	3225.35	1084.65	1063	1152982.95
Total							2438392.95
Add 2.1 percent as per CB							51206.25
Grand Total							2489599.20