कार्यालय प्रधान निदेशक लेखापरीक्षा (केंद्रीय) लखनऊ, शाखा
कार्यालय इलाहाबाद
“सत्यनिष्ठा महल” 15-ए, दयनन्द मार्ग, इलाहाबाद-211001

पत्रांक: प.प.लै.प.(के)/ए.सी.सेल/UPWSRP/2013-14/70
dिनांक: 23-09-2014

सेवा में,

अवधारणा
उ0 प्रो वाटर सेक्टर रिसट्रक्चरिंग प्रोजेक्ट,
वाल्मी भवन, उत्तरप्रदेश
लखनऊ-226026

विषय:- वर्ष 2013-14 (दिनांक 25 अक्टूबर 2013 से मार्च 2014 तक) के लिए विश्व बैंक
सहायतित परियोजनाओं के लेखा परीक्षा प्रमाण-पत्र निर्माण किये जाने के संबंध में।

महोदय,
उपरोक्त विषय प्रमाण-पत्र के पत्रांक: 39/लेखा/पैक्ट/ आडिट/2014-15,
लखनऊ, दिनांक:12मई , 2014 के कम में वर्ष 2013-14 (दिनांक 25 अक्टूबर 2013 से मार्च 2014
tक) के लिए विश्व बैंक सहायतित "उ0 प्रो वाटर सेक्टर रिसट्रक्चरिंग प्रोजेक्ट" का लेखा परीक्षा
प्रमाण पत्र अधिकारी हेतु आपको प्रेरित किया जा रहा है।

यह पत्र प्रधान निदेशक, लेखापरीक्षा (केंद्रीय) के अनुमोदन के उपरांत निर्माण किया जा
रहा है।
संलग्न: उपरोक्तानुसार।

भवदीय

(निशीकान्त गिरी)
उपनिदेशक लेखापरीक्षा(केंद्रीय)
Report of the Comptroller & Auditor General of India

To

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

Report on the Project Financial Statements

We have audited the accompanying financial statements of the “U.P. Water Sector Restructuring Project” financed under World Bank Cr. No. 5298-IN, which comprise the Statement of Sources and Applications of Funds and the Reconciliation of claims to total Applications of Funds for the Retroactive period (25-10-2013 to 31-03-2014). These statements are the responsibility of the Project’s management. Our responsibility is to express an opinion on the accompanying financial statements based on our audit.

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

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

In our opinion, the financial statements present fairly, in all material respects, the sources and application of funds of U.P. Water Sector Restructuring Project for Retroactive period in accordance with Government of India accounting standards.

In addition, in our opinion,

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

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

(₹ in millions)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Application No.</th>
<th>Total expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NIL</td>
<td>1366.381</td>
</tr>
</tbody>
</table>
This report is issued without prejudice to CAG’s right to incorporate the audit observation in the Report of CAG of India for being laid before Parliament / State or UT Legislature.

**Audit Observations**

1. A sum of ₹ 12,891 million was incurred by the Project Activity Core Team (PACT) office on account of legal fees for the Arbitration case relating to Agreement No. 03/ SE / 2005-06 dated 6.3.2006 till the date of audit. Out of this, ₹ 3,473 million pertained to the period 25.10.13 to 31.03.14. Since the budget on Project has not been provided for this specific purpose by the World Bank, the amounts incurred on legal case of the PACT pertaining to the year 2005-06 is not an eligible expenditure. Thus, ₹ 3,473 million is inadmissible for reimbursement by the World Bank.

2. A sum of ₹11.00 million was allotted to State Institute for Rural Development (SIRD) for the purpose of holding workshops during the period 25.10.13 to 31.03.14. Out of this fund, the SIRD transferred ₹ 2,980 million to various sub-units at district level for the said work. During the audit the SIRD could not produce the adjustment vouchers of transferred amount of ₹ 2,980 million as they did not collect them from the various districts. Thus, in the absence of adjustment vouchers of the sub-units at district level the above amount remained unverified in audit. Thus, this unverified amount of ₹ 2,980 million does not qualify for reimbursement by the World Bank.

3. A sum of ₹ 0.80 million was provided for workshop purposes during the period 25.10.13 to 31.3.2014. However, SIRD spent it on the following heads as detailed below:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of heads</th>
<th>Expenditure incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Security Services</td>
<td>0.082</td>
</tr>
<tr>
<td>2.</td>
<td>Gardening Services</td>
<td>0.042</td>
</tr>
<tr>
<td>3.</td>
<td>Furniture / Office Equipment</td>
<td>0.377</td>
</tr>
<tr>
<td>4.</td>
<td>Stationery &amp; Fuel charges</td>
<td>0.299</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>0.800</td>
</tr>
</tbody>
</table>

As the expenditure of ₹ 0.80 million was incurred for the purpose other than that of holding of workshop it was not admissible. Thus, the expenditure is inadmissible for reimbursement by World Bank.

4. A sum of ₹ 3.00 million was allotted in February 2014 to the Water and Land Management Institute (WALMI) for the training purposes. Out of which, the Institute incurred ₹ 1,776 million on the said activities up to March, 2014 and ₹ 1,264 million remained unutilised and was lying in the Bank. But the PACT office has shown ₹1,264 million as advance and included it in SOE for reimbursement. Hence, this amount does not qualify for reimbursement by the World Bank.

5. Allotment of ₹ 3.00 million was made to WALMI for the purpose of training. Out of which, the Institute charged ₹ 0.226 million to the overhead and it was included in the SOE for the reimbursement from World Bank without incurring the expenditure. This amount does not qualify for reimbursement.
6. A sum of ₹ 3.00 million was allotted to WALMI for the purpose of training but the Institute purchased a printer at a cost of ₹ 0.021 million. Hence, this amount does not qualify for reimbursement from the World Bank.

7. As per Action Plan of UPWSRP for year 2013-14 (period November 2013 to March 2014), WALMI was to impart training relating to UPPIM Act, Rules and Manual for which ₹ 0.765 million was sanctioned. Out of which ₹ 1.162 million was spent on the training resulting in an excess expenditure of ₹ 0.397 million (₹1.162 million – ₹ 0.765 million ) which is inadmissible for reimbursement by the World Bank.

8. A sum of ₹ 35.044 million was allotted to Sharda Sahayak Division-28, Haidergarh for Modernization & Rehabilitation of Irrigation & Drainage System during the period from October 2013 to January 2014. Instead of utilising the amount on the said approved works, the Division paid ₹ 3.376 million as compensation charges for acquired lands to the farmers. These payments do not relate to the above approved activity. Hence, the paid amount is inadmissible for reimbursement by the World Bank.

9. A sum of ₹ 35.044 million was allotted to Sharda Sahayak Division-28, Haidergarh for Modernization & Rehabilitation of Irrigation & Drainage System during the period from October 2013 to January 2014. The Division has paid ₹ 3.1251 million of pending bill relating to procurement & installation of office Module Type MU/DU for 150 Nos. Mr. in Jaunpur and Haidergarh Branch Command. For the said work the Division had executed an agreement on 24-07-11, the work was started on 24-07-11 and was to be completed on 18-07-11. The Contractor had executed the work of ₹ 11.619 million and was paid ₹ 8.494 million during that period and the balance amount of ₹ 3.125 million was paid on 21.2.14. These payments do not relate to the above approved works being the pending bill pertaining to 2011-12. This amount is inadmissible for reimbursement by the World Bank.

10. Scrutiny of records of various divisions revealed that out of allotted budget for Uttar Pradesh Water Sector Restructuring Project, the Divisions have charged percentage charges and the same was deposited into Head of Account 0701. Medium Irrigation-80-General- 800 other receipts-03-Receipts of establishment expenditure and this deposited amount has been included in the Statement of Expenditure (SOE) and was claimed from World Bank for reimbursement. Division-wise details relating to percentage charges are given in the table below:

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Name of Divisions</th>
<th>V.N.</th>
<th>Date</th>
<th>Deposited amount of percentage charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Etawa Division, Lower Ganga Canal Etawa</td>
<td>116</td>
<td>31.03.14</td>
<td>0.349</td>
</tr>
<tr>
<td>3.</td>
<td>Lower Ganga Canal Division, Mainpuri</td>
<td>NA</td>
<td>10.03.14</td>
<td>1.100</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td>3.120</td>
</tr>
</tbody>
</table>

As per the above table the three Divisions had deposited ₹ 3.120 million into the above head as a percentage charges and no expenditure was incurred on the UPWSRP
works. Hence, deposited amount in Government account is inadmissible for reimbursement by the World Bank.

11. A sum of ₹ 100 million was allotted to the Executive Engineer (during the period November 2011 to January 2014) Irrigation Division Lalitpur for Rehabilitation and Renovation of Zamni, Sajnam and Rohini Canal under Uttar Pradesh Water Sector Restructuring Project. Out of this, Mobilization advance of ₹ 82.50 million was paid to the contractor in December 2013. The contractor had executed the work of ₹ 22.027 million and after deduction of ₹ 4.527 million from the contractor’s bill, he was paid ₹ 17.500 million (March 2014). Thus, the contractor was paid ₹ 10.00 million (₹ 82.50 million + ₹ 17.50 million) till the end of March, 2014. The following records were called for from the above Division for verifying the utilised amount e.g. application of contractor by which the demand was made by contractor, in respect of executed works, survey report, preliminary estimate, detailed estimate, tender file along with financial bid and technical bid and measurement books but these records were not produced to audit for detailed scrutiny. Due to non-production of records the detailed scrutiny could not be done hence, the above expenditure is in-admissible for reimbursement by the World Bank.

12. A sum of ₹ 16.00 million was allotted by Chief Engineer (Ramganga), Irrigation Department, Kanpur, Uttar Pradesh in January, 2014 for Survey of Lower Ganga Canal System to Executive Engineer, Etawa Division, and Lower Ganga Canal Etawa. An agreement of ₹ 139.798 million was made with contractor in October, 2013. The contractor submitted 1st Running bill of ₹ 15.708 million on 25-03-2014. Out of which, the Executive Engineer passed the bill of same amount on 29-03-2014 for making payment to the Contractor but against the said bill ₹ 14.90 million was paid on 29 March, 2014.

The following records for scrutiny and verification was requisitioned such as, preliminary estimate, detailed estimate, administrative and financial sanction, tender file, agreement and measurement book but these records were not produced. Due to non-production of the above records, detailed scrutiny could not be done hence, the above expenditure became inadmissible for reimbursement by the World Bank.

13. Scrutiny of records of UPWSRP (Phase–2) revealed that the said project was launched on 25 October, 2013 for the period from 25 October 2013 to 31 March 2014, total budget allocation of ₹ 2131.373 million for 11 organisations was made. Against it, ₹ 1920.72 million was released to these organisations for incurring the expenditure on the various works of the Project. Out of which, the Organisation incurred ₹ 1418.037 million about (67%) only on the activities of the Project and remaining amount of ₹ 502.683 million was surrendered instead of incurring the expenditure as per Action Plan/approved budget. Thus, the Chief Engineer failed to achieve the target as determined by the State Government which was deprived to receive the claims from the World Bank against the approved Project implementation Plan and Annual Action Plan.

\[ \underline{\text{Signature}} \]
(N.K. Gautam)
Deputy Director of Audit (Central Expenditure)