CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, 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 regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Fraudulent drawal/Misappropriation/Embezzlement /Losses / Overpayments

PUBLIC WORKS DEPARTMENT

4.1.1 Suspected misappropriation of bitumen

Bitumen valued at Rs 80.72 lakh was not accounted for in the stock accounts of the Division. Responsibility for suspected misappropriation of the stock had not been fixed by the Department

According to the Financial Rules[1], daily transactions of stock (receipt and issue) should be recorded in the stock register of the Central Store of the division and monthly summary of the stock received and issued should be prepared showing both quantity and value. Value account should also be exhibited in the monthly account of the Division. Bitumen, a major stock item in Public Works Division, is procured from public sector oil companies against advance payments and its adjustment is watched through Miscellaneous Public Works Advance register. Engineer-in-Chief, UP, PWD, Lucknow had also directed (May 2000) the divisional offices to prepare a monthly summary to watch the receipt of bitumen against advances paid to the supplier.

Audit scrutiny (February 2005) of the records of the Executive Engineer, PWD, Gonda revealed that Rs 2.25 crore were paid to the Indian Oil Corporation (IOC) during 2000-01 (Rs 1.63 crore) and 2001-02 (Rs 0.62 crore). The quantity of bitumen shown received there against in the stock account of the Division was 1287.25 MT costing Rs 1.43 crore only. Neither the details of receipt of the bitumen against the balance amount of Rs 81.54 lakh were available in the stock account nor any invoices/Consignee Receipts Challan for the same were available with the Division.

On an enquiry about the matter, the IOC stated to have dispatched 626.96 MT bitumen costing Rs.80.72 lakh to the Division between November 2000 and April 2001. Non reflection of the receipt of this quantity in the stock account was fraught with the risk of misappropriation of the bitumen.

Government during discussion (December 2005) accepted the facts and figures and informed that Chief Engineer, PWD, Faizabad Region had been directed (November 2005) to conduct an enquiry and fix the responsibility in the matter at the earliest. Results of the enquiry were awaited (January 2006).

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1 Financial Hand Book Vol. VI, Para 196 read with Para 201A.

4.2 Excess Payment/ wasteful/Infructuous expenditure

DEPARTMENT OF ENVIRONMENT

4.2.1 Wasteful expenditure on preparation of detailed project report

Preparation of Detailed Project Report without ascertaining availability of land rendered expenditure of Rs 1 crore wasteful

The Government constituted (May 1997) the Mission Management Board (MMB) under the Chairmanship of the Chief Secretary to implement various programmes for providing environmental protection to the Taj Mahal at Agra and created (May 1999) the Taj Trapezium Environmental Protection Fund (Fund) to finance the programmes. The Engineering Projects (India) Limited (EPI), New Delhi was entrusted the work which included preparation of Detailed Project Report (DPR), preparation of site layout, details of project design, cost estimates, time frame and execution mechanism.

Scrutiny (February 2005) of records of the Director, Environment Lucknow, revealed that on the recommendation of the MMB (October 2002), the Government released (November 2002) Rs 1 crore to EPI from the Fund for preparation of Techno Feasibility and DPR for the proposed construction of Environmental and Administrative Centre (EAC) at Agra in Taj Trapezium Zone (TTZ). The fund was released without any agreement with the EPI and ensuring the availability of the land. Although land measuring 25 acres in the Taj Nagri Phase II was earmarked but it could not be demarcated due to dispute over payment of compensation between the land owners and the Government as a result, the topographical survey could not be carried out (December 2002). The Department instead of sorting out the dispute or asking the EPI to stop the preparation of the DPR, ignored the factor of non-availability of the land and asked EPI (August 2003) to submit DPR. EPI prepared the DPR on the understanding that the EAC would be raised on the land earmarked for the purpose in Taj Nagri Phase- II and submitted it to Government in November 2003.

Inability of Government to forestall the preparation of the DPR and to ensure availability of the earmarked site resulted in wasteful expenditure of Rs 1 crore.

The Government during discussion (September 2005) stated that the EPI should not have prepared the DPR in absence of demarcation of the particular piece of land. Government thereby tried to shift the responsibility for wasteful expenditure upon the EPI. The reply of the Government was not tenable as the Government came to know about non-availability of land within one month of the release of payment to EPI but did not prevent it from preparing the DPR. Thus, the lackadaisical approach of the Government/Department towards the project, resulted in wasteful expenditure of Rs 1 crore on preparation of the DPR.

4.2.2 Wasteful expenditure on a barrage

Commencement of work in disregard of codal provision without ensuring availability of funds led to wasteful expenditure of Rs 1.55 crore

The Government sanctioned (April 2000) construction of Agra Barrage on river Yamuna, at km 9.6 at a cost of Rs 120.47 crore for augmenting drinking water supply to Agra City. The expenditure on the work was to be borne out of the Taj Trapezium Environmental Protection Fund (TTZ) created by State and Government of India sharing fund equally for environmental protection of Taj Mahal. The fund was being administered by Mission Management Board (MMB) under the chairmanship of Chief Secretary to the State Government.

Scrutiny of records (August 2004 and August 2005) of the Executive engineer (EE), Barrage Construction Division, Agra revealed that an amount of 15.65[1] crore was available to the Irrigation Department for this project. The work of the barrage was commenced in the year 2000-01 and an expenditure of Rs 4.48 crore was incurred on the project besides, advancing Rs 11.17 crore to the Irrigation Works Division/Special Land Acquisition Officer. The work of the project was, however, stopped (October 2002) by the department under the direction of MMB. The MMB decided (August 2004) to disassociate the project from TTZ and directed that no further expenditure be incurred from TTZ and unspent balance refunded to the TTZ. Out of Rs 4.48 crore, Rs 1.55 crore incurred on model study, survey, testing etc was, therefore, rendered wasteful as the work of the project had not resumed.

In reply to audit observation, the EE stated (February/June 2005) that the work was started after funds were made available through TTZ and in anticipation that the barrage work would continue. The EE also stated that the process of the refund of balance amount was in progress.

The Government accepted during discussion (October 2005) the contention of Audit and also directed the department to refund the balance amount to TTZ. The Government did not, however, spell out the plan for resumption of the work on the project.

4.2.3 Wasteful expenditure

Construction of Check Dams not based on proper survey resulted in wasteful expenditure of Rs 68.21 lakh

Financial Rules stipulate that no work should commence unless detailed design and estimate based on a detailed survey of the site have been formulated and the work technically sanctioned by the competent authority.

With a view to arresting depletion of ground water in the Hindon - Krishni Doab region of Baghpat and Muzaffarnagar Districts and increasing the irrigation potential in 3750 hectares of Cultivable Command Area, Government sanctioned construction of 12 water storage check dams (estimated cost Rs 1.99 crore) in December 2002. The Superintending Engineer (SE), Drainage Circle, Meerut accorded the technical sanction in May 2003 for construction of these dams in chainages from km 0 to km 66 of the Hindon river, at a cost of Rs 1.85 crore.

Scrutiny (September 2004 and July 2005) of the records of the Executive Engineer (EE), Drainage Division, Muzaffarnagar revealed that construction of the check dams was started in May 2003. Out of 12 check dams, only 3 were completed (June-September 2003). The banks of these three were outflanked by the river Hindon in the rainy season and had no utility as stated

[1] Rs 15 crore from the State share in TTZ, Rs 0.45 crore from Nagar Vikas Vibhag and R. 0.20 crore from the Irrigation Department.

by the EE. In view of this, the Chief Engineer (CE) on the recommendation of SE stopped (November 2003) the construction of the remaining work of nine check dams. The total expenditure incurred on the 12 check dams was Rs 68.21 lakh.

Irrigation Research Institute, Roorkee (IRI) to whom the matter relating to change /improvement in the design of check dams was referred, attributed (February 2004) the outflanking of check dams by river Hindon to lack of protection and non-strengthening works of the banks keeping in view the fast and turbulent flow of the river.

Failure on the part of departmental authorities viz. EE/SE to take into account the actual site conditions (flow of river) while drawing up and approving the design of the check dams rendered the entire expenditure of Rs 68.21 lakh wasteful.

The Government accepted during discussions (October 2005) the contention of the Audit and directed the department to construct check dams as per the suggestions of IRI. Thus, had the IRI been consulted earlier and accordingly the design got approved, expenditure of Rs 68.21 lakh could have been avoided. The Government, however, did not propose any action against the departmental authorities who prepared faulty designs ignoring the actual site conditions leading to wasteful expenditure of Rs 68.21 lakh.

TAX AND REGISTRATION DEPARTMENT

4.2.4 Wasteful expenditure on application software

Acceptance of deficient Application Software by UPTT and non-rectification of deficiencies by CMC, rendered the entire expenditure of Rs 1.16 crore as wasteful

Commissioner, Trade Tax, Uttar Pradesh (UPTT) entered into an agreement (September 1996) with CMC Limited (CMC) for designing and developing Application Software (AS) for 15 sub-systems covering registration of traders, assessment and collection of tax, arrear collection, personnel information, management information, training, case and appeal monitoring, etc. at a cost of Rs 1.20 crore. The terms of the agreement provided for payment of Rs 60 lakh on placement of order, Rs 48 lakh on submission of Software Requirement Specification (SRS) documents and Rs 12 lakh on acceptance of 15 sub-systems by the Department. The project was deemed to be completed after acceptance of AS by UPTT.

Scrutiny (July 2004) of the records of the Commissioner, Trade Tax revealed that according to the agreement, the SRS was to be prepared by CMC after discussion with UPTT. It was also envisaged that after approval of SRS by UPTT, the CMC would develop the AS which would be accepted by the UPTT after testing. Accordingly, UPTT constituted (November 1996) study groups for each of the 15 sub-systems to assist the CMC in preparation of SRS. The SRS submitted by CMC was accepted by UPTT in September 1997. The AS developed by CMC was accepted (March 2000) by UPTT without testing on the condition that the CMC would rectify the deficiencies and carry out modifications suggested by the field offices noticed during operation.

Meanwhile, Rs 1.16 crore were paid to CMC between March 1997 and August 2001[1] and bank guarantee of Rs 24 lakh was also released in March 1998 without ensuring successful operation of the AS.

The test (January 2004) of the modified AS by the Senior Officers of UPTT revealed that the basic requirements of sorting, filtering, data transfer, search and interface were not provided in the AS, in absence thereof the software could not be made operative.

Thus, UPTT failed to protect the interest of the Government by accepting the condition of 90 *per cent* payment before approval of SRS, conditional acceptance of AS and release of bank guarantee before successful operation. This rendered the entire expenditure of Rs 1.16 crore on inoperative AS wasteful.

The matter was referred to the Government in June 2005. Facts and figures in the case were discussed with the Government (October 2005) and the same were accepted. The Government stated that the matter was under discussion with the CMC. However, no final decision was taken.

4.3 Violation of contractual obligations/undue favour to contractors/avoidable expenditure

IRRIGATION DEPARTMENT

4.3.1 Unfruitful expenditure on irrigation canal systems

Non-observance of financial Rules and Forest Conservation Act, 1980 rendered the expenditure of Rs 17.97 crore unfruitful

Section 4.4 of the Forest Conservation Act, 1980 stipulates that in case, the proposed work involves forest land in some stretches, the work on even non-forest land/reaches should not be started unless sanction for the use of forest land for non-forest purpose is obtained from Government of India. Besides, Financial Rules provide that no work should commence on a land unless it has been duly made over by responsible civil officers.

Scrutiny of records of Executive Engineers (EEs) of four divisions[2] and further information collected between April and June 2005 revealed that under Saryu Nahar Project, the construction of eight canals was started[3] in intermittent reaches without getting prior permission/possession of forest land/private land falling in the alignment of the canals. Due to existing gaps in these canals, water could not be made available in the entire reach of canals except in the first 3.580 km and 10.400 km of Dhanepur and Sisai distributaries respectively as a result of which the farmers were deprived of the intended irrigation facilities. The expenditure of Rs 17.97 crore incurred on

[1] March 1997-Rs 24 lakh, February 1998- Rs 60 lakh, March 2000- Rs 24 lakh and August 2001- Rs 8.50 lakh.

[2] Saryu Nahar Khand –IV Bahraich (August 2004), Flood Works Division, Gonda (December 2004), Saryu Nahar Khand-IV, Gonda (August 2004) and Saryu Nahar Khand-I, Basti (renamed as Saryu Nahar Khand-I, Bansi, Siddharthnagar) (October 2001)

[3] Rapti Link Channel from Km 0 to Km.21.4: December 2001, Sohans Minor from Km 0 to Km 6.8: June 2001, Dhanepur Distributory from Km 0 to 16.5: May 2000 and its three minors (Jaitpur-4.5 km, Trilokpur-6.0km, Puresidhari-4.4km) Sisai Distributory from Km 0 to Km 21: 1996 and one minor (Mudara-4.0 km)

the construction of these incomplete canals proved unfruitful, as detailed in the table below:

Name of division/ Name of Canal with length	Date of commencement of the work / Date of sending the proposal to the forest Dept./SLAO	Length of gap/ No. of gaps (Nature of land)	Expenditure (Rs In crore)
1	2	3	4
Saryu Nahar Khand-IV, Baharaich Rapti Link Channel : 21.400 km	Dec. 2001 / June 2002	1.185 km 2 (Forest land)	13.97
Flood Works Div., Gonda Sohans Minor :6.800 km	June 2001 / January 2004	0.245 km 2 (Forest land)	0.59
Saryu Nahar Khand-IV, Gonda Dhanepur, Distributory and its three minors :16.500 km and 14.900 km	May 2000 / April 2005	0.645 km 2 (Non-Forest land)	2.28
Saryu Nahar Khand-I, Basti (renamed as Saryu Nahar Khand-I, Siddharthnagar) Sisai Distributory and its one minor :21.000 km and 4.000 km.	1996 / July 2004	0.300 km 1 (Non-Forest land)	1.13
Total			**17.97**

On this being pointed out in audit, the EEs stated that efforts were being made to acquire the land of existing gaps. The contention of EEs was not tenable as no concerted efforts were made to acquire the non-forest/forest land which was discernible from the fact that proposals for obtaining required land were sent to Forest Department /Special Land Acquisition Officers after one and half years to eight years of the commencement of the works. Moreover, the required forest land and non-forest land was yet to be acquired (September 2005).

Thus, commencement of the construction work of canals by the divisions in contravention of the provisions of the Forest Conservation Act/Financial Rules and delay in sending the proposals for transfer/acquisition of land in question resulted in unfruitful expenditure of Rs 17.97 crore as the canals were not operational in their full length. Besides, the farmers were denied intended benefits of irrigation.

The Government during discussion (October 2005) accepted the contention of Audit; and directed immediately processing of transfer of private /forest land to the department and to institute an inquiry to fix responsibility for the delay in putting up the land transfer/acquisition proposals. The action taken in the matter was awaited (January 2006).

4.3.2 Unfruitful expenditure due to defective planning

Defective planning and lack of foresight in determining the crest of the distributaries resulted in an unfruitful expenditure of Rs 6.36 crore

Construction of 30.60 km long Gilaula distributary and 15.800 km long Alinagar distributary with head discharge of 4.25 and 2.37 cumecs respectively was started in 1993-94 to provide irrigation in a Cultivable

Command Area of 15121 hectares. The distributaries were to take off from km.1.85 of right and left banks of Basti Branch.

Audit scrutiny (July 2004 and June 2005) of the records of the Executive Engineer (EE), Saryu Nahar Khand I, Balrampur revealed that during execution, the crest of the distributaries was kept at a height of 2.7 metre above the bed level of Basti branch on the expectation that the Basti branch would run with full discharge capacity. The full discharge capacity was, however, not achieved and the distributaries and minors designed for full supply level could not be made functional. To overcome this problem, the Chief Engineer (Saryu) decided (March 2002) to construct a cross regulator at Km 1.90 of Basti Branch. The design of the cross regulator had, however, not been approved by Central Design Directorate, Lucknow due to non-settlement of certain queries raised by it. The expenditure of Rs 6.36 crore incurred during April 1993 to July 2005 on the construction of above two distributaries and its 11 minors thus, proved unfruitful.

On this being pointed out in audit, the EE replied that the Basti branch was designed to be run on full supply level but, it never ran to its expected capacity and now irrigation could be done only after construction of a cross-regulator. Obviously, the competent technical authority had failed to visualize the problem at the design stage. Besides, the design of the cross regulator to be constructed has not been finalised as of January 2006.

Thus, defective planning in determining the crest of the distributaries and failure to finalise the design for cross regulator led to unfruitful expenditure of Rs 6.36 crore. Besides, the basic objective of providing irrigation facilities to the beneficiaries was also not achieved.

During discussions (October 2005) the Government accepted the contention of Audit; and directed the Engineer-in Chief to make immediate arrangements for the construction of cross regulator. The decision to finalise the design and construction of cross regulator and fixing of responsibility for the above lapses were awaited (January 2006).

4.3.3 Unfruitful expenditure on an aqueduct

Commencement of construction work of aqueduct without obtaining Government of India's approval under Forest Conservation Act rendered the expenditure of Rs 3.64 crore unfruitful

The Forest Conservation Act, 1980 (Act) stipulates that in case construction work involves forest land in some stretches, the work on even non-forest land/stretches should not be started unless sanction for the use of forest land for non-forest purposes is obtained from the Government of India.

Superintending Engineer (SE), Irrigation Works Circle-III, Agra executed (March 2003) a Memorandum of Understanding for construction of an aqueduct along with its approach channels at Km 32.400 of Fatehpur Sikri Branch on river Khari at a cost of Rs 9.65 crore with the Uttar Pradesh Project Corporation Limited (UPPCL), Okhla, New Delhi. The work was to be completed by March 2005.

Scrutiny (March 2005) of records of Executive Engineer (EE), Irrigation Construction Division, Mathura, revealed that the work of construction of the aqueduct was started on non-forest land in March 2003. Expenditure of Rs 3.64 crore was incurred on the construction as of March 2005. Due to non- acquisition of 1.16 hectare of forest land falling in the alignment, a length of 240 metres in the approach channel of aqueduct was left incomplete as of September 2005. This rendered the expenditure 3.64 crore on the aqueduct unfruitful.

On this being pointed out in audit, the EE stated (March 2005) that the construction work was started on non-forest land and proposal to obtain forestland was sent to the Regional Director, Social Forestry, Agra in March 2005. The fact remained that proposal for acquisition of forestland was sent two years after the commencement of work and construction on non-forest land was also against the provision of the Act.

The Government accepted the contention of Audit during discussions (October 2005) and also directed the department to institute an inquiry on delay in processing of transfer of forest land and to fix responsibility as well as to ensure immediate transfer of forest land. Enquiry report of the Government and action taken thereon was awaited (January 2006).

4.3.4 Avoidable expenditure on construction of Ganga Barrage

Avoidable expenditure of Rs 3.04 crore on the construction of Ganga Barrage due to delayed supply of drawings to the contractor

Financial Rules of the Government provide that no work shall be commenced unless a properly detailed design and estimate have been sanctioned and before awarding the work on contract, a complete set of drawings showing the general dimensions of the proposed work must be prepared by the divisional officer.

The work of construction of Ganga Barrage was awarded (August 1995) to the contractor at a cost of Rs 47.85 crore by the Superintending Engineer (SE), Barrage Construction Circle, Agra for completion by August 2000. The agreement executed with the contractor provided for price adjustment for increase in the cost of labour and POL during the contract period.

Scrutiny (December 2004/August 2005) of records of the Executive Engineer (EE), Barrage Construction Division-II, Kanpur revealed that the work of preparation of drawings of the bridge of the barrage was in correspondence with Irrigation Research Institute (IRI), Roorkee since 1992. The drawings were handed over to the contractor only in July 2000 and that too without approval of Chief Engineer (CE), Ram Ganga. The approval of the CE was accorded in January 2002. The construction work could not be completed within the stipulated period as the approved drawings were given to the contractor almost after two years which involved changes in the scope of work. A contributory factor to the delay was also the late issue of material to the contractor by the department. CE regularised the delay in completion of the work by granting extension of time up to June 2004. An expenditure of Rs 65.49 crore had been incurred on the construction work as of December 2004 and the department had to pay Rs 3.04 crore (December 2004) to the contractor for escalation charges on account of increase in cost of labour and POL during the extended period.

On being pointed out in audit, EE stated that payment was made on account of price escalation in the extended period of time as per terms and conditions of the agreement. The reply was not acceptable because the late issue of material, delay in the approval of drawings and its consequential effect in change of the scope of work was attributable to the department.

Thus, allotment of the work without finalisation and approval of the drawings of the barrage, which involved change in scope of work and delay in the issuance of departmental material to the contractor resulted in avoidable expenditure of Rs 3.04 crore.

The Government during discussion (October 2005) accepted the contention of Audit and directed the Engineer- in -Chief that a reply be sent after enquiring the cause of delay in finalisation of drawing. Requisite action in this matter is still awaited (January 2006).

4.3.5 Unfruitful expenditure on two bridges

Non-construction of approach roads rendered the expenditure of Rs 1.37 crore on the construction of Village Road Bridges unfruitful

Central Water Commission accorded (February 2000) sanction to the construction of 5.700 km long Hathini Kund Link channel and two Village Road Bridges (VRBs) at km 2.940 and km 4.800 along with their approach roads. These works were to be completed by March 2003.

Scrutiny (September/December 2004) of records of the Executive Engineer (EE), Yamuna Link Channel Construction Division, Saharanpur revealed that almost all the works of the project were completed by June 2003. The VRBs constructed (January 2003) at a cost of Rs 1.37 crore, however, could not be put to use due to non-construction of approach roads. The UP Project Corporation Limited constructing the approach roads was advised (April 2003) by the EE to stop the work as the minimum period required for the setting of the concrete slab of the VRBs was 28 days and it would be unsafe to use the bridge earlier. These approach roads were not completed as of December 2005. Thus, these VRBs could not be put to use due to non-construction of approach roads even after two years of their construction.

On being pointed out in audit (December 2004/June 2005) the EE stated that the work of approaches could not be completed earlier due to non-setting of concrete slab of VRBs and there after due to diversion of funds of Rs 1.45 crore to another project. The reply was not acceptable, as even after about two years of completion of the VRBs the Division had not completed the work on the approach roads, rendering the expenditure of Rs 1.37 crore unfruitful.

The Government during discussion (October 2005) accepted the contention of Audit and directed the department to construct the approach roads of the VRBs within three months. The compliance to the directions of the Government was awaited December 2005.

4.3.6 Extra avoidable expenditure

Extra expenditure of Rs 1.21 crore due to non-deduction of cost of loading and unloading charges while allowing extra rate of cartage for kuchcha road

The Superintending Engineer (SE), Barrage Construction Circle, Kanpur entered into two agreements and one Memorandum of Understanding (August 2001 & February 2002) with three contractors for construction of Right Marginal Bundh and counter terraces between upstream of Right Guide Bundh and Right Afflux Bundh of Ganga Barrage at the cost of Rs 8.46 crore.

Scrutiny (July 2004 and July 2005) of records of the Executive Engineer (EE), Barrage Construction Division-I, Kanpur revealed that the work was started in September 2001 for completion in twelve months. The construction included earthwork. The rates for the earth work included leads up to 3 km and loading and unloading charges. As sufficient quantity of soil was not available nearby, it had to be carted from a distance of three kilometer (km) through a kuchcha road for which the rate of the earthwork was revised (April 2004). While revising the rate of cartage by adding 30 *per cent* extra for kuchcha road the SE did not deduct the element of loading and unloading charges. As per Schedule of Rates (SORs) of other Circles of the Department, 30 *per cent* extra cartage was allowed for kuchcha road, excluding loading and unloading charges. This resulted in extra payment of Rs 1.21 crore to the contractors.

The Division, by allowing higher rates on the carted earth, had to incur extra expenditure of Rs 1.21 crore (May/June 2005).

The Government during discussion (October 2005) accepted the contention of audit and directed the Department to form a committee for bringing uniformity in the SORs applicable to all the circles of the Department. The Government had however, not taken any action against the erring officers for incurring the extra expenditure of Rs 1.21 crore.

MEDICAL AND HEALTH DEPARTMENT

4.3.7 Excess expenditure on purchase of medicines at higher rates

Excess expenditure of Rs 3.89 crore on purchase of medicines at higher rates from M/S Uttar Pradesh Drugs and Pharmaceuticals Ltd. (UPDPL) in comparison to the rates of rate contract

Central Medical Store Department (CMSD) working under Director General, Medical and Health Services (DGMHS), UP, Lucknow purchases medicines including life saving drugs on requirement basis and distributes it to the Chief Medical Officers (CMOs). It also decides, from time to time, the rates of medicines to be purchased by CMOs on Rate Contract basis.

Scrutiny (June 2004 and April 2005) of records of the Director, CMSD, Lucknow revealed that the purchase policy of medicines formulated by the Government in July 1992, provided that medicines would be purchased from public and private drugs manufacturing firms on the rate contract basis. Preference was to be given to the Uttar Pradesh Drugs and Pharmaceuticals

Ltd. (UPDPL) in case the rates quoted by it did not exceed the rates quoted by the lowest tenderer by more than 10 *per cent*. The rates offered to UPDPL were, however, to be restricted to 77 *per cent* of those prescribed under Drug Prices Control Order (DPCO). The Government ordered (October 1996 – January 2003) purchase of 39 medicines from UPDPL for the period 1996-2005. Six medicines were purchased through UPDPL during 2003-2004 at rates, which were much higher (44 *per cent* to 324 *per cent*) than the rates fixed by CMSD for purchase of the same medicines from the open market on rate contract basis. During 2004-2005 also five medicines were purchased at rates much higher than the rate contract fixed for 2003-2004 (No rate contract was entered into for 2004-2005). As a result of these purchases, avoidable payment of Rs 3.89 crore was made to UPDPL during the period 2003-2005 ***(Appendix 4.1)***.This amounted to the grant of a hidden subsidy to UPDPL.

On being pointed out in audit, the Government stated (September 2005) that medicines were purchased from UPDPL with a view to rehabilitate it. Reply of the Government was not tenable as the accounts of UPDPL for the last few years revealed that its net worth had been negative throughout. If the intention of Government was to support UPDPL in a viable manner it should have been done through financial restructuring of the company.

The matter was discussed with the Government (September 2005). The Government accepted that the payment made for purchasing medicines from UPDPL at higher rates was a kind of hidden subsidy to it. The Government did not spell out remedial measures likely to be undertaken to stem out this practice.

4.3.8 Unfruitful expenditure on construction of CHC building

Non-sanction/posting of medical/paramedical staff by the Government rendered the expenditure of Rs 1.14 crore on construction of Community Health Centre unfruitful

The Government fixed (May 1999) the norm of providing one post each of Physician, Surgeon, Gynaecologist, Paediatrician, Radiologist, Dental Surgeon and Pathologist for providing specialized medical facilities at the Community Health Centres (CHCs). Besides specialists, three staff Nurses, one post each of X-ray Technician, Pharmacists, Dental Hygienist, Dark Room Assistant, Lab Technician and Lab Attendant were also to be provided.

Audit scrutiny (June 2005) of the records of Chief Medical Officer (CMO), Ballia revealed that a CHC building at Sonwani in Ballia District was constructed at a cost of Rs 1.14 crore and handed over to the Department in July 2001. The proposal for sanction of the required posts and recurring and non-recurring expenditure to make the CHC functional was submitted to the Government in August 2004 but the Government did not sanction the posts as of September 2005.

Thus, due to non-sanctioning/posting of required medical and para medical staff, the CHC could not be made functional even after expiry of over 4 years rendering the expenditure of Rs 1.14 crore incurred on construction of the CHC unfruitful, besides denying specialised medical services to the patients.

The matter was referred to the Government (December 2004). The Government in reply stated (September 2005) that the orders for creation of posts would be issued shortly, which were awaited (December 2005).

PUBLIC WORKS DEPARTMENT

4.3.9 Unfruitful expenditure

The bridge constructed at a cost of Rs 9.20 crore could not be put to use due to non-completion of approach roads

Government sanctioned (March 1996) Rs 22.36 crore for construction of a bridge over river Yamuna on Vrindaban-Mot Road in Mathura District. Construction of the bridge was entrusted (1996) to the UP State Bridge Corporation while construction of approach roads, guide bund and safety works on Vrindaban side and Mot side was to be undertaken by the Executive Engineer (EE), Provincial Division (PD), PWD, Mathura and EE, Construction Division-I (CD-I), PWD, Mathura respectively.

Scrutiny (December 2004 and June 2005) of the records of EE, PD and CD-I, Mathura revealed that there was delay of 20 months in selection of the site for construction of bridge and 45 months in technical sanction from the date of administrative and financial sanction (March 1996). Though a model study for site selection was conducted by the Irrigation Research Institute, Roorkee (June 1995), a team of Superintending Engineers (SEs) inspected the site and proposed (April 1996) a site different than the one suggested in the model study. The suggestion of the SEs committee was not agreed upon by the Chief Engineers (CEs) committee who opined that the site should be the same as suggested in model study. The CEs committee recommendation was turned down by the Government on the plea that the site had not been inspected by the committee. The CEs committee inspected (November 1997) the site and upheld the proposal (April 1996) of SEs committee. The technical sanction (TS) for construction of approaches (for Rs 8.45 crore) was sanctioned in December 1999. Delay in finalizing the site and subsequently alignment of approach roads resulted in delayed start of land acquisition which was acquired departmentally by direct negotiations (March 1999 to September 2001).

The bridge was completed in March 2002 at a cost of Rs 9.20 crore but the construction work on approach roads, which was started in March 2001 remained incomplete as of June 2005. The released amount of Rs 8.66 crore was shown as utilized up to March 2004. Out of Rs 8.66 crore released (1998-2004) for land acquisition and construction of approach roads, the actual expenditure was Rs 5.14 crore only. The balance amount of Rs 3.52 crore shown as expenditure on these works was diverted to other works as no supporting details of expenditure such as contract bonds, vouchers etc. could be made available to audit.

Delayed start also led to revision of the estimate with a cost enhancement of Rs 7.20 crore (from Rs 22.36 crore to Rs 29.56 crore). The revised financial sanction for Rs 29.56 crore was given by the Government (October 2004) but the technical sanction was awaited as of June 2005.

Government during discussion (December 2005) accepted the facts and figures and stated that delays were attributable to delays in acquisition of land. Government also accepted diversion of funds to the tune of Rs 3.52 crore and stated that an enquiry in to the matter was being conducted.

Thus, the bridge constructed at a cost of Rs 9.20 crore could not be put to use due to non-completion of approach roads (up to date expenditure Rs 5.14 crore).

4.3.10 Unfruitful expenditure on an incomplete bridge

Delay in according sanction of revised estimate and release of funds rendered expenditure of Rs 2.49 crore on incomplete bridge and approach roads unfruitful

The Government sanctioned (October 1994) the construction of an RCC bridge over river Baigul on Madnapur-Sikandarpur Paraur road and construction of approaches at a cost of Rs 1.89 crore (bridge: Rs 1.50 crore; approach roads: Rs 38.50 lakh).

Scrutiny (August 2003 and September 2004) of the records of the Executive Engineer (EE), Construction Division I, PWD, Shahjahanpur revealed that the construction of bridge was entrusted to the UP State Bridge Corporation Ltd. (UPSBC). Most of the works of the bridge was completed by March 2000 after incurring an expenditure of Rs 2.07 crore. The approach slab of the bridge could not, however, be constructed (December 2005) due to non-availability of funds. Besides, the division had also incurred an expenditure of Rs 41.98 lakh during 1997-99 on the construction of the approach roads upto the top coat. The work of surface dressing of these roads could not be executed as the allotted funds were found insufficient. A revised estimate for Rs 2.68 crore to complete the remaining work on the bridge and the approach roads was submitted to the Government (August 2001). Sanction of the Government was, however, awaited (December 2005). No specific reasons were assigned for delay being caused in sanction.

Thus, the delay in sanction of the revised estimate rendered the expenditure of Rs 2.49 crore on the incomplete bridge and approach roads unfruitful. Besides, the work of approach roads executed only upto top coat was liable to deteriorate due to passage of time.

Government during discussion (5 December 2005) confirmed the facts and figures and further stated that the bridge was open to traffic and hence expenditure thereupon was fruitful. Reply of the Government was not based on facts as approach slab of the bridge was not yet completed by the UPSBC as a result of which the bridge was yet to be provincialised and opened to traffic as informed by the EE (12 December 2005).

4.3.11 Avoidable expenditure

Avoidable expenditure of Rs 2.16 crore incurred on an item of work which was against MORTH specifications

According to the specifications of the Ministry of Road Transport and Highways (MORTH) wearing course of surface dressing first coat painting (P1) and second coat paining (P2) should be laid over Water Bound Macadam

(WBM) base course. The specifications do not permit laying of Semi Dense Bituminous Concrete (SDBC) over P1.

Audit scrutiny (February 2005 and May 2005) of the records of the Provincial Division (PD), and Construction Division (CD)-I, PWD, Lakhimpur Khiri respectively revealed that the Government sanctioned (March 2002) widening and strengthening of Lakhimpur-Bijuwa road (km 1 to km 39)[1] at a cost of Rs 8.08 crore. The Chief Engineer (CE), Central Zone, PWD, Lucknow accorded technical sanction (September 2002) for widening of the road upto seven metre, strengthening by increasing the crust from 23 to 31 centimetre (cm) and surface dressing by P1 and P2. The Government, however, sanctioned (December 2003) a revised estimate for Rs 9.79 crore in which the previously sanctioned provision of P2 was substituted by SDBC on the recommendation of the department merely on the basis of a general dissatisfaction expressed by a public representative who traveled on this roadon which P2 was not done by that time. As of March 2005 the department had incurred an expenditure of Rs 2.96 crore for SDBC work on the road. The sanctioned estimated cost of P2 for the same area would have been only Rs 79.93 lakh. Thus, non-adherence to specifications resulted in an avoidable expenditure of Rs 2.16 crore (Rs 2.96 crore – Rs 79.93 lakh) on laying of SDBC in place of P2.

Government during discussions (December 2005) confirmed the facts and figures and stated that SDBC done in place of P2 should not be considered as unnecessary because it improved the riding quality, durability and crust thickness of the road. Reply was not acceptable as laying of SDBC over P1 was not in conformity with the MORTH specifications which were binding on the PWD.

4.3.12 Extra expenditure

Strengthening of road with costlier material led to extra expenditure of Rs 1.22 crore.

According to Indian Road Congress (IRC) specifications the strength of Water Bound Macadam (WBM) and Built Up Spray Grout (BUSG) is the same. The laying of WBM of same thickness is cheaper than BUSG.

Government sanctioned (March 2003) Rs 8.05 crore for strengthening of the Bhadohi -Babatpur road from village Kapsethi to Bhadohi Railway Station (km 29 to km 46) by way of providing 40 cm crust on existing road.

Scrutiny (December 2004 & July 2005) of the records of Executive Engineer (EE), Provincial Division (PD), PWD, Varanasi and EE, PD, PWD, Sant Ravidas Nagar, Bhadohi revealed that the design for strengthening of the road contemplated an increase in the crust thickness from the existing 20 cm. to 60 cm. This was proposed to be achieved by providing three coats of WBM and one coat each of BUSG, Bituminous Macadam and Semi Dense Bituminous Concrete. Technical Sanction for the work was accorded by the Chief Engineer, Varanasi (June 2003).

[1] PD, Lakhimpur Khiri: km. 21 to 39, CD-I, Lakhimpur Khiri : km.1 to 20

The total road surface area covered by the PD, Varanasi and PD, Sant Ravidas Nagar on this work between July 2003 to June 2005 was 1,24,069 square metre (sqm). The execution cost of BUSG was Rs 2 crore whereas the cost of WBM would have been Rs 0.78 crore. IRC specifications stipulate that BUSG shall be used in a single course in a pavement structure. It was not, therefore, necessary to opt for the costlier option of provision of a layer of BUSG in this work. An additional coat of WBM would have provided the same strength. Thus, opting for a coat of BUSG, the department incurred an extra expenditure of Rs 1.22 crore which could have been avoided without compromising on the strength of the crust of the road.

The Government during discussions (December 2005) confirmed the facts and figures and stated that work was carried out in accordance with IRC specifications. The reply was not acceptable because as per IRC specification BUSG is not necessary before laying of BM.

4.3.13 Extra avoidable expenditure on consumption of grit stone

Arbitrary decision of the Engineer-in-Chief to fix norms of consumption of stone grit higher than the norms contained in MORTH specification resulted in extra avoidable expenditure of Rs 1.19 crore in road painting works in two divisions alone

Engineer-in-Chief (E-in-C) PWD, Lucknow in his instructions (July 1998) stipulated that all construction works be executed as per norms/specifications of Ministry of Road Transport and Highways (MORTH) which provided that in first coat painting (P1) and in second coat painting (P2) consumption of stone grit per square metre should be 0.015 cum and 0.010 cum respectively.

Audit scrutiny (May 2004 and July 2004) of the records of Executive Engineers (EEs), Provincial Divisions, PWD, Allahabad & Fatehpur, revealed that as against the norm *ibid*, the divisions consumed 0.019 cum and 0.013 cum stone grit per square metre for P1 & P2 works respectively on the roads during the period from 2002-05. Consumption of excess quantity of stone grit in P1, P2 coat paintings resulted in extra avoidable expenditure of Rs 1.19 crore as detailed in ***Appendix 4.2.***

On this being pointed out in audit, EEs of both divisions stated that consumption of stone grit was being regulated as per the extant order of E-in-C (February 1998 and July 1999), in this regard.

Arbitrary decision of the E-in-C to peg consumption of grit stone for painting works at approximately 26 to 30 *per cent* higher than the norms contained in MORTH specification was devoid of any technical justification. Based on the audit observation (November 2004 and February 2005), the department reiterated in April 2005 that grit stones in accordance with the MORTH specification be consumed. The magnitude of the extra expenditure incurred on consumption of excess grit stone in all the PWD divisions would be quite substantial.

Government during discussions (December 2005) confirmed the facts and figures and stated that the order of July 1998 has been cancelled with effect from 01 April 2005 vide Departmental order issued in October 2005. The reply of the Government confirms it self the contention of audit for which no responsibility against the erring officers has been fixed.

4.3.14 Avoidable expenditure on improvement work to a road

Unauthorised deviation from the sanctioned estimate leading to avoidable expenditure of Rs 52.62 lakh and diversion of funds of Rs 66.49 lakh resulted in non-completion of the strengthening work in a stretch of 10 km of Bilraya Panawari road

Financial Rules provide that no material alteration in the sanctioned estimate may be made by the Divisional Officer while executing the work, without the prior approval of the competent authority (here Chief Engineer). A revised estimate for alterations involving substantial changes in the design/cost of the work should be submitted for Technical Sanction (TS).

Scrutiny (November 2004) of the records of the Executive Engineer (EE), Provincial Division, PWD, Orai (at Jalaun) revealed that the strengthening of Bilraya-Panawari Road was sanctioned (March 2002) by the Government at a cost of Rs 4.96 crore. The TS for the same was accorded by the Chief Engineer, PWD, Jhansi Region in February 2003. The TS, *inter alia*, provided for Built Up Spray Grout (BUSG) for Profile Corrective Course (PCC) followed by Bituminous Macadam (BM) and Semi Dense Bituminous Concrete (SDBC) as strengthening course.

It was further observed that while executing the work, the Divisional Officer deviated from the sanctioned estimate and unauthorisedly used Water Bound Macadam (WBM) in place of BUSG for the PCC. The quantity of WBM used (10303.77 cum) was also far in excess of the requirement. Consequently there was very high variation in the cost of PCC executed. The final cost came to Rs 90.55 lakh as against the sanctioned amount of Rs 37.93 lakh (BUSG – 1984.125 cum).

Apart from the above, the total expenditure, according to the available records, was Rs 4.30 crore only whereas the entire amount of Rs 4.96 crore released (2002-04) was shown to have been spent on the work as of March 2004. No documentary evidence in respect of the expenditure of Rs 66.49 lakh was provided by the Divisional Officer.

On this being pointed out, the EE stated (July 2005) that material for PCC was changed on the basis of the technical note appended to the TS. Reply of the EE was not tenable as the note envisaged that quantity for PCC should be finally assessed and got approved and did not permit any deviation from the approved specifications.

Thus, due to deviation from the approved specifications during execution of the work without the approval of competent authority the division incurred avoidable extra expenditure of Rs 52.62 lakh and diverted Rs 66.49 lakh resulting in strengthening of 27 km of road only against 37 km sanctioned. The responsibility for unauthorized change in the specification and diversion of fund has not been fixed.

Government during discussion (December 2005) informed that CE, Jhansi Region had been directed (November 2005) to enquire in to the matter and frame the charge sheet against erring officials. Findings of the enquiry were, however, awaited as of January 2006.

4.3.15 Avoidable expenditure

Avoidable expenditure of Rs 89.67 lakh incurred on an item of work which was not in conformity with the specifications of IRC

The guidelines for design of flexible pavements issued by the Indian Road Congress (IRC) provided that the use of Bituminous Macadam (BM) course may be restricted only to roads designed to carry traffic less than 5 Million Standard Axle (MSA). Dense Bituminous Macadam (DBM) course is recommended for roads designed to carry more than 5 MSA. The guidelines also prescribe that for practical purposes 10 mm BM can be taken as equivalent to 7 mm DBM for determining the thickness for DBM layer.

Scrutiny (January 2005) of the records of Executive Engineer (EE), Provincial Division, P.W.D., Azamgarh revealed that in July 2001, Government accorded administrative approval and financial sanction for Rs 8.42 crore for strengthening of the Lucknow-Ballia State Highway (SH 34) from km 240 to 259.600. Technical sanction for the work was accorded by the Chief Engineer (CE) in June 2002 which provided, *inter alia*, for an overlay of 2 layers of BM of 75 mm and 50 mm despite the fact that the road to be strengthened was designed to carry traffic of 6 MSA.

The work was completed between December 2001 and March 2003 at a total cost of Rs 4.51 crore through an agreement executed (December 2001) by the SE, PWD, Azamgarh.

The action of the department, by not adopting the guidelines prescribed by IRC and making use of BM instead of DBM, resulted in extra expenditure of Rs 89.67 lakh as detailed below:

Sl. No.	Type of Bituminous Layer	Quantity (in cubic metre)	Rate (per Cubic metre) (in Rs)	*Cost* (In Rupees)
1.	BM	18882	2393[1]	4,51,84,626
2.	DBM	13218	2740[2]	3,62,17,320
Extra expenditure (1-2)				**89,67,306**

Government during discussions (December 2005) confirmed the facts and stated that a minimum layer of 5 cm of BM was required to be provided even before laying DBM, as prescribed under IRC 81, followed by a wearing course as prescribed under IRC 37. Therefore, laying of two layers of BM in the instant case was the most economical option.

This reply was not relevant as the IRC 81 referred to above specified laying of a minimum layer of 5 cm of BM even in the case where requirement of additional bituminous crust was less than 5 cm. In the instant case the road was designed to carry a traffic exceeding 5 MSA which required additional crust thickness of more than 5 cm. Moreover, the wearing course was not laid in line with the IRC specifications. Thus laying of the DBM in entire crust

[1] Based on payment
[2] Based on scheduled of rates

thickness would have not only been more economical but also enhanced the durability of the road.

4.3.16 Avoidable expenditure on a road

Use of costlier specification coupled with improper planning resulted in avoidable expenditure of Rs 77.28 lakh

As a fundamental rule, the estimate of the work should be made in such a way as to derive the best possible results utilizing the minimum resources.

Scrutiny (January 2005) of records of Executive Engineer (EE), PWD, Etawah revealed that Government sanctioned (October 2003) Rs2.46 crore for repair of Saifai to Saifai Hawai Patti Marg (9.420 kms) via Nagla Kahari connecting Saifai Air Strip to Saifai Tehsil headquarters. Scrutiny in this regard also revealed:

Government's sanction clearly stipulated that the work in question should not be started and expenditure on the work should not be incurred unless technical sanction (TS) to it was accorded by the competent authority. However, ignoring above provisions and without waiting for the TS, work was started by the Division in October 2003 and an expenditure of Rs 1.36 crore was incurred on the work before TS was accorded to it in January 2004.

Government's sanction, *ibid*, further stipulated that all works should be executed in accordance with the specifications laid down by the Ministry of Road Transport and Highways (MORTH). The estimate, *inter alia*, provided for strengthening course of BM[1](50 mm) and SDBC[2] (25 mm) in the entire length. The work was completed (March 2004) at a cost of Rs 2.39 crore. While the Government sanction (October 2003) was for only repairs to the road, the Department also undertook its strengthening by providing BM and SDBC. The strengthening was unnecessary as the road was categorised as an Other District Road and was exposed to only low density traffic. Moreover, he same crust thickness could have been achieved by laying 75 mm thick Water Bound Macadam (WBM) without compromising with the strength of the pavement as according to MORTH specifications[3] crust strength of BM is 1.5 times that of WBM. As a result, expenditure of Rs 77.28[4] lakh could have been avoided by adopting the low cost specification.

In reply the EE stated that it was a VVIP area and the work had to be completed in a short period, as such specification taking less time was adopted and execution was started without obtaining TS from the competent authority. Government, during discussions (December 2005), while confirming the reply of the Department further stated that a provisional TS to the work was accorded in October 2003 by the Chief Engineer (CE).

Reply was not acceptable because regular TS was accorded by CE, Kanpur Region only in January 2004 and there were no separate specification for the VVIP area. Moreover, overlay of BM on the ground of urgency was not a

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1 Bituminous Macadam

2 Semi Dense Bituminous Concrete

3 In terms of Para 7.4 of IRC 81-1997

4 Based on the rates of WBM in the approved estimate.

point as the period of hindrance could be minimised by arranging the work simultaneously with that of WBM already undertaken for the waterlogged sections of the same road.

4.4 Idle investment/ idle establishment/ blocking of funds; delays in commissioning equipment; diversion/ misutilisation of funds

FOOD AND RATIONING DEPARTMENT

4.4.1 Retention of money outside the Government account

Rupees 9.08 crore sanctioned for implementation of Annapurna Yojna were drawn from the treasury and deposited in the bank in violation of Financial Rules to avoid lapsing of funds

Financial Rules provide that a Government servant may not, except with the special permission of Government, deposit in bank moneys withdrawn from the Government Account. These rules also hold the drawing officers responsible for ensuring that any money, which is not likely to be needed during the year, is promptly surrendered so as to allow its appropriation for other purposes by the competent authority.

Scrutiny (July 2004 and June 2005) of the records of the Commissioner, Food and Civil Supplies, UP, Lucknow for the implementation of the Annapurna Yojana (APY), a Centrally sponsored scheme (introduced from April 2000) which provided for free distribution of 10 Kg of food-grains per month to selected citizens above 65 years of age, revealed that at the end of the year 2002-03 there was an unspent balance of Rs 5.26 crore. During 2003-05 Government released Rs 44.06 crore (Rs 22 crore: 2003-04; Rs 22.06 crore: 2004-05), against that Rs 40.24 crore were spent (Rs 19.31 crore: 2003-04; Rs 20.93 crore: 2004-05) and the balance Rs 9.08 crore (Rs 7.95 crore: 2003-04; Rs 1.13 crore: 2004-05) was deposited in saving bank account of the Commissioner in the State Bank of India, Jawahar Bhawan Branch, Lucknow to avoid lapsing of the funds. The amount had not been refunded into the treasury as of October 2005.

In reply, the Commissioner stated (July 2004) that the amount was deposited in the saving bank account as per instructions (April 2000) of the Chief Secretary, Uttar Pradesh Government. The reply was not tenable as the above instructions related to the amounts received directly from the Central Government, prior to financial year 2003-04.

The matter was referred to Government in January 2005. Facts and figures in the case were discussed with the Government (October 2005). While confirming the facts and figures the Government stated that the reply would be sent on receipt of advice from the Finance Department. No reply had been received as of January 2006.

FOREST DEPARTMENT

4.4.2 Loss of interest due to non-investment of corpus fund

The Department incurred a loss of Rs 1.05 crore due to non-investment of balances in Corpus Fund as envisaged

The Supreme Court ordered (April 2003) transfer of forest land to the Irrigation Department (ID) for the Ban Sagar Project, Mirzapur. This land included 71.97 hectare falling under Kaimur Wildlife Sanctuary (KWS), Mirzapur. The transfer was subject to the condition that the State Government will follow the recommendations of the Indian Board of Wildlife (IBWL) which, *inter alia*, stipulated that Rs 65.15 crore would be paid by the ID to the Forest Department (FD) and the FD out of this money would create a Kaimur Wildlife Management Trust Fund (corpus fund) of Rs 10 crore which would be invested in Government bonds/securities or in banks. The interest earned on this amount was to be utilized by the FD to execute and supplement the developmental activities contained in the management plan of the division which could not be undertaken from the regular budget provision.

Scrutiny (March 2005) of the records of the Divisional Forest Officer (DFO), Kaimur Wildlife Forest Division (KWFD), Mirzapur revealed that Rs 25.15 crore were made available (May 2003) by the ID to the Division, which included Rs 10 crore for the corpus fund. The FD instead of creating the fund and investing the amount in bond/securities/banks, deposited the amount under Forest Deposits where it was lying locked up (May 2005). The reasons for non-creation of the corpus fund as seen from the records were delay in nomination of the members to the managing trust and non-framing of rules and regulation for the fund.

Non-investment of the amount in bond/security/bank etc. deprived the FD of the interest earnings of Rs 1.05 crore[1] for the period from June 2003 to May 2005. The KWFD in its management plan (2003-05) for KWS had planned developmental activities of Rs 95.57 lakh against which Rs 22.40 lakh only were released and utilised through the Budget. Thus, due to non-creation of corpus fund and its investment in interest bearing documents, the Department was deprived of Rs 1.05 crore which could have been utilised for the planned developmental activities.

On this being pointed out, the Government in reply (October 2005) and also during discussion (November 2005) stated that the creation of corpus fund is one of the conditions out of other five conditions prescribed by Government of India while allowing transfer of forest land in principle and without fulfilling the other conditions it would not be proper to create the corpus fund. It would be created on completion of all other conditions. The reply was not acceptable as the fulfillment of all other conditions was not binding on the creation of corpus fund while required money was already available under Forest Deposits earning no interest which ultimately deprived the Department of Rs 1.05 crore interest upto May 2005.

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[1] Calculated at the rate of 5.25 *per cent* per annum on fixed deposits for 2 years

LABOUR DEPARTMENT

4.4.3 Idle investment on dental equipment

Investment of Rs 79.61 lakh on purchase of dental equipment for the Employees State Insurance Hospitals remained idle due to non-posting of specialists

The Director, Employees State Insurance (ESI) Scheme, UP, Kanpur purchased (March 1999) 10 numbers each of Dental Chairs, Dental X-ray Machines, Ultrasonic Scalars and set of hand instruments for 10 ESI hospitals[1] at a cost of Rs 79.61 lakh for providing improved dental care services in these hospitals. The purchase was subject to the condition that the State Government would post dental surgeons for operations of the equipment before their installation. The equipment received from April 1999 to March 2000 was installed upto September 2000.

Audit scrutiny (February 2003) of the records of the Director, ESI, Kanpur and information collected from 10 hospitals (June 2005) revealed that the equipment provided in the hospitals at Lucknow, Aligarh, Jajmau and Azad Nagar, were not put to use as no dental surgeon regular or part time and dental technicians were posted (June 2005). In the hospitals at Kidwai Nagar (Kanpur) and Renukoot (Sonbhadhra) part time dental surgeons were provided from May 2001 for a period of nine months and three months respectively. In the hospitals at Saharanpur, Bareilly, Sahibabad and Agra part time Dental Surgeons were posted for one year (16 May 2001 to 15 May 2002). After expiry of the initial appointment of part time specialists for one year, no extension was granted by the Government to utilise the equipment for providing dental care to the patients.

Thus, non-posting of required dental surgeons in these hospitals rendered the equipment purchased for Rs 79.61 lakh idle besides the objective of providing improved dental care services to the patients remained unachieved.

The Government during discussion (October 2005) mentioned that a proposal for appointment of the requisite specialists on contract basis is under consideration. Final action in the matter was awaited as of January 2006.

URBAN DEVELOPMENT DEPARTMENT

4.4.4 Locking up of funds due to non compliance to the Government orders

Non-adherence to the Government order resulted in locking up of Rs 6 crore.

Government sanctioned (February 2004) interest free loan of Rs 2 crore to Nagar Palika Parishad (NPP) Muzaffarnagar for construction of a cement concrete road and laying of hume pipes in place of open nala and Rs 4 crore to the NPP, Firozabad for laying sewer lines and providing drinking water through the District Magistrate (DM) of these districts. These works were to

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[1] Azadnagar, Kidwainagar, and Jajmau of District Kanpur, Sonebhadra, Bareilly, Saharanpur, Sahibabad, Aligarh, Agra, and Sarojini-Nagar of District Lucknow

be completed by March 2004. Funds provided were to be kept in the Personal Ledger Accounts (PLA) of the NPPs whose approval was to be obtained before starting the works. The funds, if not utilised, were to be refunded into treasury.

Scrutiny of records of the DM, Muzaffarnagar (October 2004) and DM Firozabad (May 2005) revealed that the amount was transferred (March 2004) by the DMs to the PLA of the NPPs without ensuring the modalities for utilisation of the funds. The funds could not be utilised as NPP Muzaffarnagar did not agree to the laying of hume pipes in place of open nala and the NPP Firozabad was not willing to take the amount on loan and requested for release of the amount in the shape of grant. Neither was the work executed nor was the amount refunded into the treasury, as directed by the Government resulting in locking up of the amount in the PLA of NPPs as of December 2005.

Thus, non-compliance to the orders of the Government resulted in the locking up of Rs 6 crore (Rs 2 crore: NPP, Muzaffarnagar and Rs 4 crore: NPP, Firozabad) in the PLA of the Parishads.

During discussion the Government stated (December 2005) that the action was being taken to start the works.

4.4.5 Retention of Government revenue in bank

Creation of Magh Mela Fund in contravention of Magh Mela Rules resulted in retention of Government revenue of Rs 2.14 crore out of Government account

Allahabad Magh Mela Rules 1940 provide that receipts/ expenditure connected with the Mela should be credited/debited to the Government account.

Scrutiny (October 2004 and June 2005) of the records of the officer-in-charge, Magh Mela, Allahabad revealed that in contravention of the above rules, the Government decided (April 2000) to accumulate all revenue received from the Magh Mela area, Allahabad in an account in the name of Magh Mela fund opened in a Nationalised Bank, instead of depositing it into Government treasury. The revenue so derived was to be utilized to meet the contingent expenditure of Magh Mela.

In pursuance of the above order, the officer-in-charge, Magh Mela, Allahabad, deposited Rs 2.33 crore in 'Magh Mela Fund' account in Punjab National Bank during February 2000 to May 2005 as revenue received on account of rent and other income from Magh Mela. Of this, a sum of Rs 18.91 lakh only was utilised (Rs 0.63 lakh in 2003-04 and Rs 18.28 lakh in 2004-05) to meet contingent expenditure. The balance amount of Rs 2.14 crore was lying unutilised in the bank account.

Thus, unauthorized creation of Magh Mela Fund and depositing Magh Mela receipts in bank resulted in irregular retention of Government money out of Government account.

While confirming the facts and figures the Government stated (October 2005) that no decision had been taken in the matter so far.

4.5 Regularity and other issues

EDUCATION DEPARTMENT (HIGHER EDUCATION)

4.5.1 Irregular release of grant

Inability of the Education Department to initiate action against self financed degree colleges which failed to fulfill conditions for release of grant in time resulted in non-recovery of Rs 2.10 crore and the interest of Rs 81.07 lakh accrued thereon

In order to encourage private management/institutions to establish self financed degree colleges in unserved[1] areas, the Government decided (May 1999) to provide grant of Rs 30 lakh for creation of one faculty degree college and Rs 50 lakh for more than one faculty degree college. The grant was to be released to the colleges in three instalments which was to be utilised for construction of college building, establishment of library and procurement of instruments. Each instalment had to be utilised within four months. The conditions for release of grant, *inter alia*, provided that the land of the college would be mortgaged in favour of the Government so as to secure Government fund. Mis-utilisation of the grant or delay of more than six months in starting the construction work would entail recovery of grant with interest at the rate of 16 *per cent* as arrears of land revenue.

Audit scrutiny (March 2005) of the records of the Director of Education (Higher Education), Allahabad (DE), who was to monitor the utilisation of this fund, revealed that Rs 5.90 crore were released as first instalment to 55 degree colleges during the period 1999-04. The DE did not recommend (February 2005) release of the second instalment to 19 degree colleges as they failed to furnish the requisite certificate of utilisation of first instalment of Rs 2.10 crore. Of these 14 degree colleges, to whom Rs 1.50 crore released, did not furnish the requisite mortgage deed of the land as well. The status of the mortgage deed/utilisation certificate of fund as of March 2005 is detailed in the ***Appendix-4.3***. No action as contemplated in the Government orders was initiated by the department against the 19 defaulting units for ensuring utilisation or recovery of grant of Rs 2.10 crore together with annual intrest of Rs 81.07 lakh.

On being pointed out in audit the DE stated (March 2005) that reference has been made to the Government for recovery of grant. Reply was not acceptable as the DE had failed to initiate action against the defaulting units for ensuring utilisation within specified period or recovery of the grant through issue of recovery certificates by the concerned District Magistrates.

Thus, the department failed to ensure the recovery of Rs 2.91 crore from 19 defaulting units.

The Government during discussion (October 2005) stated that the requisite mortgage deeds and the utilisation certificates were being collected from the colleges although no document in this regard was furnished.

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[1] Non-availability of Degree College with in an area of 16 Kilometres.

MEDICAL AND HEALTH DEPARTMENT AND LABOUR DEPARTMENT

4.5.2 Non-recovery of electricity charges from allottees of Government residences

Rs 1.51 crore was paid from Government funds on account of electricity charges of the Government residential buildings and the amounts remained unrecovered from the allottees

Government orders (May 2003) provide that payment of electricity charges of Government residential buildings shall not be made out of Government funds. The allottees of the buildings were to arrange separate electric meters and pay electricity charges from April 2003. In cases where there existed a single power connection for both residential and non-residential Government buildings, the Drawing and Disbursing Officers (DDOs) were responsible for recovery of electricity charges at source from the pay bills of the allottees at standard rates[1] so long as separate meters were not installed.

Scrutiny (May-September 2005) of the records of Chief Medical Officers (CMOs) at Kanpur Nagar, Ghaziabad, Padarauna and Lakhimpur Kheri revealed, that the allottees of 673[2] residential units of Community Health Centres, Primary Health Centres, New Primary Health Centres and other hospitals, under the administrative control of the CMOs, neither got the meters installed nor was recovery of electric charges made by the CMOs at standard rates at source from the pay bills of these allottees. Against electric charges of Rs 95.36 lakh recoverable at standard rates from these 673 allottees from April 2003 to June 2005, only Rs 0.49 lakh were recovered at source by the CMO Ghaziabad from the pay bills of 47 allottees during the corresponding period and the balance remained unrecovered (July 2005). The unrecovered electricity charges of Rs 94.87 lakh were paid from Government funds.

Similarly, scrutiny (February 2005) of the records and further information collected (August 2005) from the five hospitals[3] of Employees State Insurance Scheme (ESIS), Kanpur revealed that the allottees of 481 residential units[4] of these five hospitals under the administrative control of the Medical Superintendents /Chief Medical Superintendents (MSs/CMSs) neither got the separate meters installed in residential units nor was recovery of electricity charges made at prescribed standard rates at source from the pay bill of these allottees. Against electricity dues of Rs 59.85 lakh recoverable at standard rates at source from the pay bills of the 481 allottees from April 2003 to July 2005, only Rs 3.74 lakh was recovered from the allottees by the concerned MSs/CMSs during the corresponding period and the balance remained unrecovered (July 2005). The unrecovered electricity charges of Rs 56.11 lakh were paid from the Government funds.

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[1] Type I: Rs 161 p.m., Type II: Rs 537 p.m., Type III: Rs 937 p.m., Type IV: Rs 1243 p.m.

[2] CMO Kanpur Nagar: 119 units, CMO Ghaziabad: 129 units, CMO Padrauna: 216 units and CMO Lakhimpur Kheri: 209 units

[3] Hospitals at Kidwainagar, Azadnagar, Jajmau, Sarvodayanagar and Pandunagar.

[4] Kidwainagar: 100, Azadnagar : 67, Jaz Mau: 108, Sarvodaynagar: 42, Pandunagar: 164.

Thus, non-installation of separate electric meters in the residential buildings, non-recovery of electricity dues from the allottees and payment thereof from the Government funds apart from being irregular resulted in a accumulation of arrears of Rs 1.51 crore.

The matter was discussed (September and October 2005) with the Government. In respect of Medical and Health Department, the Government accepted the lapses on the part of the CMOs and assured to adopt remedial measures while in respect of Labour Department, it was stated that a proposal for recovery of electricity charges from the allottees was under examination at Government level.

PUBLIC WORKS DEPARTMENT

4.5.3 Injudicious payments to a consultancy firm

Defective execution of the contract led to the deficient services and injudicious payment of Rs 29.15 crore

Financial rules provide that a contract of great magnitude should be specially prepared by the Government law officers and security for the due fulfillment of the contract should invariably be taken.

Scrutiny (May 2003) of the records of Superintendent of Works, Departmental Construction Unit (Road), PWD, Lucknow and information collected from the Chief Engineer (CE) World Bank (WB), PWD, Lucknow between September 2004 and June 2005 revealed that the CE entered (June 1999) into a five year agreement with a foreign consultancy firm of the Netherlands for providing consultancy services for upgradation and major maintenance of important State highways and main district roads under the WB assisted State Road Project-II[1], at a cost of Rs 37.36 crore (Phase I: Rs 15.91 crore and Phase II: Rs 21.45 crore).

The scope of work covered in the contract included identification of the roads based on feasibility studies, preparation of detailed project reports, providing assistance in preparation of packages of works, short listing of executing agencies and co-ordination with PWD during the period of execution of the Project. The contract was executed without getting the terms and conditions vetted by law officers as required under the financial rules. No performance security was taken from the firm. The contract provided for payments on man-month basis without fixing any norms of assessing the work done by the firm for making payments.

The performance of the firm was not to the satisfaction of PWD in respect of 16 items of contract (Phase I: 15, Phase II: 1) and work on 39 items (Phase I: 10 and Phase II: 29) was not executed by the firm ***(Appendix 4.4)***. In July 2003, the firm stopped the work. The department requested (March 2004) the firm to submit modified design and drawings by rectifying the deficiencies. As

[1] Phase I – up gradation: 400 km, major maintenance: 800 km
Phase II – up gradation: 600 km, major maintenance: 1700 km

the firm did not respond to the request of the department, the contract was terminated (June 2004). No penalty was, however, levied on the firm in the absence of a penalty clause in the contract for unsatisfactory/incomplete performance.

It was observed that payment to the consultant with reference to quality and admissibility of works was not possible as these aspects had not been covered under the contract and payments were made to the firm on man- month basis. As a result the department had made payment of Rs 29.15 crore to the firm without ensuring execution of work to its satisfaction.

On being pointed out, CE stated (June 2005) that payments were made on man-month basis as per terms and conditions of the contract, drawn as per guidelines of the WB.

Reply was not tenable as terms and conditions of the contract were amendable to suit the local requirements or laws within the parameters of WB guidelines. Further, to protect Government's interest, the payment conditions could have been negotiated on the basis of defined performance under section 4.8 of the WB procurement guidelines.

Thus, execution of the contract without specifying the terms and conditions of payment with regard to the physical progress of the work and without procuring performance security resulted in injudicious payments of Rs 29.15 crore to the firm.

Government during discussions (December 2005) stated that reply in the matter would be furnished later. Reply of the Government had not been received (January 2006).

4.5.4 Use of unapproved material on widening / strengthening of a road

Widening and strengthening of a road by using unapproved material rendered the work costing Rs4.48 crore substandard

According to the specifications of the Ministry of Road Transport and Highways (MORTH) and departmental instructions (June 1974 and February 1984) issued from time to time, the soling coat of the road pavement should be provided with stone ballast of appropriate size. Brick is not an approved material for use in the soling coat. Besides, the crushing strength of brick (140 kg/cm^2) is low as compared to that of the stone ballast (650 kg/cm^2). Hence, bricks are not considered as suitable material for the base course of the road pavement.

Scrutiny (February 2005) of the records of the Executive Engineer, Provincial Division, PWD, Gonda revealed that widening and strengthening of the Pharendra-Jarwal road, State Highway-1A (km. 157 to 170 and km.173 to 180) was sanctioned (July 2001) at an estimated cost of Rs 8.44 crore for which technical sanction was accorded (April 2002) by the Chief Engineer (CE), PWD, Faizabad.

The work comprised raising of existing road crust thickness from 29 cm. to 45 cm. and widening of the road from 3.70 M to 7 M. The crust thickness in the widened portion was also to be kept as 45 cm. The work was completed in March 2004 at a total cost of Rs 9.07 crore. Expenditure on works in the widened portion was Rs 4.48 crore. Further scrutiny revealed that in the widened portion, the required crust thickness was achieved by laying the bricks on edge (BOE) in the soling coat in place of stone ballast of appropriate size.

Thus, the work in the widened portion executed at a cost of Rs 4.48 crore was substandard due to use of unapproved material as the strength of the crust in soling coat provided with BOE was less as compared to that of the approved material.

On this being pointed out, the CE stated that the dismantled old bricks were used as an economy measure and there was no adverse effect on the strength of the road in the widened portion as the traffic load on the sides of the pavement remains comparatively less than the middle portion. Government during discussions, (December 2005) while confirming the facts and figures, endorsed the reply of the CE and further stated that PWD was using BOE as soling coat for last 50 years as it was in consonance with the approved technical specifications.

The reply was not acceptable because the provision of soling coat with BOE was not in conformity with the specifications and the crust thickness in the widened portion should be the same as in the middle portion of the road.

RURAL DEVELOPMENT DEPARTMENT

4.5.5 Irregular release/utilisation of Prime Minister Gramodaya Yojna funds

Irregular release of Rs 41.10 crore to U.P. Jal Nigam divisions out of which Rs 16.43 crore were spent on works not covered under Prime Minister's Gramodaya Yojna (Rural Drinking Water)

Under the Prime Minister's Gramodaya Yojna (Rural Drinking Water) (PMGY), a Centrally sponsored scheme, Government sanctioned (March 2001) Rs 41.10 crore and directed the Managing Director (MD) Uttar Pradesh Jal Nigam (Jal Nigam) to deposit it in its PLA. Government instructions, *inter alia,* provided that no expenditure should be incurred without the approval of Government. In October 2001, the Government released district-wise allotment of Rs 41.10 crore for 70 districts of the State and directed MD, Jal Nigam to release the funds to the District Magistrates (DM) of the concerned districts. The Government also directed the concerned DMs that 25 *per cent* of the allocation be utilised on projects/schemes for water conservation, rain water harvesting, ground water recharge and sustainability of drinking water sources in water stress/drought affected areas and the remaining 75 *per cent* on projects/schemes for providing safe drinking water only for Rural Habitations in accordance with the guidelines (November 2000) of the Government of India (GOI), Ministry of Rural Development.

Audit scrutiny (January-July 2005) of the records of District Development Officers, Jalaun, Banda, Jal Nigam Headquarter and Rural Development Department of the Government revealed that the Chairman of Jal Nigam irregularly released (May-December 2001) the entire amount (Rs 41.10 crore) to its divisions instead of releasing the funds to DMs of which Rs 6.16 crore were spent on maintenance of hand pumps. Further, Rs 10.27 crore (25 *per cent* of the total allotment for PMGY) earmarked for projects/ schemes for water conservation, rain water harvesting, ground water recharge and sustainability of drinking water in water stress/drought affected areas, were not spent on these works at all.

Government during discussion (December 2005) while confirming facts and figures, admitted violation of its instructions by the Chairman UP Jal Nigam.