

OVERVIEW

Overview

This Report contains following chapters:

Chapter-I : Introduction

Chapter-II :

- Audit of (i) Construction of High-Level Cancer Institute (ii) Procurement and Management of Transformers by DISCOMs;
- Compliance Audit Observations relating to Public Sector Undertakings

Chapter-III : Compliance Audit Observations relating to Departments and Entities (other than PSUs)

The total financial impact of the audit findings included in the Report is ₹ 418.13 crore.

Chapter-I: Introduction

This report covers audit of 16 Departments of Government of Uttar Pradesh alongwith 52 Public Sector Undertakings (PSUs) and 19 other Entities (Autonomous Bodies/Authorities, *etc.*) thereunder, which comes under audit jurisdiction of the Accountant General (Audit-II), Uttar Pradesh. During the year 2019-20, compliance audit of 358 units out of total 2,227 auditable units under 13 Departments of Government of Uttar Pradesh was conducted. This Report contains Audit of ‘Construction of High-Level Cancer Institute’, Audit of ‘Procurement and Management of Transformers by DISCOMs’ and 12 audit paragraphs pertaining to five Departments¹ and PSUs/Authorities thereunder.

Recoveries at the instance of Audit

During the course of audit, recoveries of ₹ 197.17 crore pointed out in seven cases in various Departments/Entities, were accepted by the respective Department/Entities. Against this, recoveries of ₹ 26.73 crore in six cases were effected.

Chapter-II: Compliance Audit Observations relating to Public Sector Undertakings

Audit of ‘Construction of High-Level Cancer Institute’

In view of the shortage of quality and affordable cancer care in the State, the Government of Uttar Pradesh (GoUP) with the objective of providing a comprehensive facility for cancer management and cancer related research work and education under one roof decided (June 2013) to construct a High-Level Cancer Institute at Medicity, Chak Ganjaria Farm, Lucknow (Cancer Institute).

The Department of Medical Education, GoUP accorded (February 2015) administrative approval for construction of the Cancer Institute at a cost of ₹ 854.51 crore. Uttar Pradesh Rajkiya Nirman Nigam Limited (UPRNN) was nominated as executing agency for the project. UPRNN awarded (September 2015) the work to a Construction Agency at a cost of ₹ 796.76 crore. It also

¹ Public Works Department; Transport Department; Energy Department; Environment, Forest & Climate Change Department; Infrastructure & Industrial Development Department.

appointed an Architect at a fee of 1.5 *per cent* of the sanctioned project cost and a Consultant at a fee of 1.5 *per cent* of the actual project cost.

Significant audit findings are as follows:

- The estimated cost of the project was inflated by ₹ 75.91 crore due to adoption of rates without obtaining competitive rates from market and adoption of incorrect rates. As the bids were benchmarked against such inflated estimate and justification statement of rates was also not prepared, it resulted in extra expenditure of ₹ 64.60 crore when compared to actual procurement cost or correct/reasonable rates.

(Paragraph 2.1.3)

- Irregular substitution of rates to be paid for various items of M-25 and M-30 grade concrete works after award of work resulted in excess payment of ₹ 4.02 crore to the Construction Agency.

(Paragraph 2.1.4)

- UPRNN, in contravention to the provision of the agreement did not recover any amount from the bills of the Construction Agency against expenditure incurred on Project Management Consultant resulting in excess payment of ₹ 3.25 crore to the Construction Agency.

(Paragraph 2.1.5)

- UPRNN did not deduct the cost of bought out items from the project cost sanctioned by the Government for the purpose of calculation of Architect's fee resulting in excess payment of ₹ 1.49 crore to the Architect.

(Paragraph 2.1.7)

- UPRNN incurred avoidable expenditure of ₹ 2.30 crore because of excess procurement of one transformer, two DG sets and two voltage stabilizers due to incorrect application of power factor for conversion of demand from KW to KVA.

(Paragraph 2.1.11)

- UPRNN earned interest of ₹ 36.68 crore on Government funds during the period 2015-2021 but the same was not deposited in the Treasury.

(Paragraph 2.1.14)

- UPRNN recovered ₹ 13.69 crore as interest on mobilisation advance from the Construction Agency but did not credit the amount to Government account.

(Paragraph 2.1.15)

Audit Paragraphs

Uttar Pradesh Rajkiya Nirman Nigam Limited violated the orders of GoUP as well as its own orders for e-tendering while awarding the work of creation and maintenance of social media platforms.

(Paragraph 2.2)

Uttar Pradesh State Bridge Corporation Limited participated in the tender process without including GST in their bid price which led to denial of reimbursement of GST claim by NHAI and consequential loss of ₹ 41.99 crore to the Company.

(Paragraph 2.3)

Failure in timely implementation of the National Electronic Toll Collection Program deprived **Uttar Pradesh State Road Transport Corporation** of cashback of ₹ 14.18 crore on payment of tolls and led to an avoidable loss to the same extent.

(Paragraph 2.4)

Uttar Pradesh State Road Transport Corporation made inadmissible and excess payments of ₹ 69.84 crore to a private firm in violation of the conditions of the agreement in implementation of a project of ITMS.

(Paragraph 2.5)

Audit of 'Procurement and Management of Transformers by DISCOMs'

DISCOMs are required to maintain a robust distribution network to ensure regular supply of electricity to the people of the State. The transformer, a static equipment used for stepping up or stepping down the voltage in generation, transmission and distribution of electricity, is a vital equipment used by the electricity sector utilities for maintaining efficient electricity distribution network.

The present audit was conducted in respect of four DISCOMs to evaluate whether procurement of Distribution Transformers (DTs) was economical, efficient and effective; the quality of transformers was ensured; and recovery of material from damaged transformer was in accordance with norms.

Important audit findings are as follows:

Procurement of Transformers

Award of contract to firms not fulfilling the pre-qualifying conditions

- For opening of Part-II (Financial) of the bid, it is mandatory for tenderers to submit BIS certificate and Type Test Report of the equipment offered. During the period from 2016-17 to 2018-19, in six out of 48 sampled tenders, DISCOMs not only opened the financial bid of firms which did not fulfill the mandatory pre-qualifying criteria of Type Test report and BIS certification but also awarded them contracts for supply of transformers valued at ₹ 44.65 crore.

(Paragraph 2.6.3.1)

Loss due to failure to enforce Price Fall Back clause

- In order to avail the benefit of 'Price Fall Back' clause of the contract, DISCOMs should have enforced the clause on the existing tenderer to supply the balance quantity of his tender at the rates (if lower) in the subsequent tender of the same specification of transformers. However, DISCOMs failed to do so which led to extra expenditure of ₹ 1.37 crore.

(Paragraph 2.6.3.2)

Quality Assurance of Transformers

Undue favour to a firm by PuVVNL due to procurement of transformers after failure of the sample in the quality test

- After debarring a firm for failure of the sample in the quality test, PuVVNL received supply of 2,429 transformers of 25 KVA valuing ₹ 11.19 crore from the firm in violation of tender conditions.

(Paragraph 2.6.4.2)

Repair of Transformers

Higher failure rate of distribution transformers

- Actual failure rate of Distribution Transformers installed by the DISCOMs-MVVNL, PuVVNL, DVVNL and PVVNL were 20.27 per cent, 16.14 per cent, 13.92 per cent and 13.28 per cent respectively in the year 2018-19 which was much higher than the norm of two per cent.

(Paragraph 2.6.5.1)

Short retrieval of HV/LV coil

- As per norms, 35,85,467 kg copper and 1,58,85,070 kg aluminium was to be recovered from 4,92,246 damaged transformers during April 2016 to March 2019. However, the DISCOMs could recover only 35,13,237 kg copper and 1,52,65,573 kg aluminium. Thus, there was short recovery of 72,230 kg copper and 6,19,497 kg aluminium which resulted in loss of ₹ 8.22 crore to the DISCOMs.

(Paragraph 2.6.5.2)

Short retrieval of burnt/damaged transformer oil

- As per norms, 3,07,64,913 litre burnt transformer oil was to be recovered from 4,94,119 damaged transformers during April 2016 to March 2019. However, the DISCOMs could recover only 2,72,91,024 litre burnt transformer oil. Thus, there was short recovery of 34,73,889 litre burnt transformer oil resulting in loss of ₹ 10.42 crore to the DISCOMs.

(Paragraph 2.6.5.3)

Audit Paragraphs

Dakshinanchal Vidyut Vitran Nigam Limited short recovered Regulatory Surcharge by ₹ 79.90 crore from Distribution Franchisee (Torrent Power Limited) and also suffered loss of interest of ₹ 29.97 crore on the short recovered amount.

(Paragraph 2.7)

Dakshinanchal Vidyut Vitran Nigam Limited's failure to ascertain the correct price variation for the extended delivery schedule of distribution transformers led to excess payment of ₹ 2.03 crore to the suppliers.

(Paragraph 2.8)

Inflated assessment of requirement by **Dakshinanchal Vidyut Vitran Nigam Limited** led to unwarranted procurement of Sheet Moulding Compound (SMC) boxes valuing ₹ 7.86 crore with a consequential loss of interest of ₹ 2.12 crore.

(Paragraph 2.9)

Arbitrariness in assessment of requirement by **Madhyanchal Vidyut Vitran Nigam Limited** led to unwarranted procurement of transformer protection boxes valuing ₹ 7.25 crore which remained unutilised for over four years.

(Paragraph 2.10)

Incorrect estimation of taxable profit by **Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited** led to avoidable payment of interest of ₹ 6.41 crore with a consequential loss to the same extent to the Company.

(Paragraph 2.11)

Chapter-III: Compliance Audit Observations relating to Departments and Entities (other than PSUs)

Forest Divisions made fraudulent payment of ₹ 1.37 crore involving 1,058 payment vouchers for various works by mentioning false registration numbers of vehicles through which work were claimed to be executed.

(Paragraph 3.1)

Uttar Pradesh Expressways Industrial Development Authority made excess payment of ₹ 3.65 crore due to execution of sale deeds at rates higher than the approved land rates for purchase of land in Kannauj District.

(Paragraph 3.2)

Yamuna Expressway Industrial Development Authority made payment of ₹ 2.71 crore for more than actual area available in records.

(Paragraph 3.3)

