

# **CHAPTER–VI**

## **Internal Control and Monitoring Mechanism**



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### Internal Control and Monitoring Mechanism

There were some lapses in maintenance of essential records required for effective internal control and monitoring of expenditure, recoveries, quality of roads *etc.* Details of required quality tests and their numbers in respect of various items of works were not mentioned in any estimate. Road safety audit was also not conducted in any of the test checked works.

#### Introduction

**6.1** Internal controls are activities and safeguards that are put in place by the management of an organisation to ensure that its activities are proceeding as planned. Effective internal controls are pre-requisite for any successful organisation and essential for good governance. Audit noticed various deficiencies in internal control and monitoring mechanism as elaborated in succeeding paragraphs:

#### Maintenance of important records

**6.2** Audit scrutiny revealed deficiencies in maintenance of the following important records required for effective control on expenditure, recoveries, quality of roads *etc.*:

##### *Works Abstract*

**6.2.1** As discussed in **Paragraph 5.4.1** of Chapter V, FHB<sup>1</sup> provides that an account of all the transactions relating to a work during a month whether in respect of cash, stock or other charges, should be prepared in one of the Work Abstract forms. It should be posted day by day from cash book and the connected bills of the suppliers. The monthly examination of the works abstracts is an important part of the duty of the divisional officer and must not be omitted.

Audit observed that this important record was not maintained in any of the test checked divisions, due to which actual expenditure incurred on a work during a month and its correct accounting/classification in book of accounts could not be ascertained in audit.

In reply, the Government accepted (October 2023) the audit observation and stated that instructions are being issued for maintenance of works abstract.

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<sup>1</sup> Paragraphs 485, 509 and 510 of FHB, Vol-VI.

### ***Register of Works***

**6.2.2** The permanent and collective record of the expenditure incurred in the division during a year on each work estimated to cost more than ₹ 20,000 is the register of works<sup>2</sup>. The register of works is posted monthly from Works Abstracts. This record is maintained in Divisional office.

In absence of works abstract, register of works could also not be prepared by any of the test checked divisions.

In reply, the Government accepted (October 2023) the audit observation and stated that instructions are being issued for maintenance of register of works.

### ***Contractor's Ledger***

**6.2.3** As per FHB<sup>3</sup>, the accounts relating to contractors should be kept in the contractor's ledger, a separate folio or set of folios being reserved for all transaction with each contractor for whom a personal account is maintained. If any materials are issued to the contractor or any payments are made on his behalf, a ledger account must be opened.

Audit scrutiny revealed that this record was also not maintained by any of the test checked division.

Thus, in absence of contractor ledger, recoveries against advances and other payments made to contractors could not be monitored properly.

In reply, the Government accepted (October 2023) the audit observation and stated that instructions are being issued for maintenance of contractor's ledger.

### ***Not ensuring Consignee Receipt Certificate (CRC) with vouchers***

**6.2.4** To ensure quality of works, GoUP ordered (May 2009) that payment for bituminous work will be made only when the original invoice for procurement of bitumen is presented by the contractor and the invoice is crossed and attached to the bill. E-in-C also instructed (May 2015) that Executive Engineers will be held responsible if the payment for bituminous work were made without availability of original Consignee Receipt Certificate (CRC).

However, Audit observed that original CRCs were crossed and attached with vouchers related to two works<sup>4</sup> only out of test checked 109 works.

Thus, the Department, by making payment for bituminous works without ensuring availability of original CRCs violated the Government orders on one hand and compromised quality of works on the other, as in absence of original CRCs, quality and source of procurement of bitumen could not be ascertained.

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<sup>2</sup> Paragraph 511 and 512 of FHB, Vol-VI.

<sup>3</sup> Paragraph 524, 525 and 527 of FHB, Vol-VI.

<sup>4</sup> *Ahirauna Chakiya Illiya Marg* (CD, Chandauli) and *Chapraula Dujana Akilpur Payawali NTPC Marg* (PD, GB Nagar).

In reply, the Government stated (October 2023) that in cases where copies of CRC were not provided, directions have been issued to provide the same. Further, obtaining CRC for bitumen is a normal procedure, which is being followed at present. During Exit Conference also, it was stated that divisions will be instructed to obtain required CRC and crossing it by indicating contract bond number.

#### **Documentation of important communications**

**6.3** Audit observed that Divisions have no system of properly recording receipt of bills, time extension applications and applications for mobilisation/equipment/ secured advances submitted by the contractors. As a result, it was not possible to verify the delay in payment of bills and time taken to decide on time extensions applied by contractors or any undue favour to contractors by divisional officers by giving priority in processing their applications.

In reply, the Government stated (October 2023) that the work of digitisation of all the records in the divisions is going on, after completion of the same, the audit objection will be settled automatically.

The reply is not acceptable as during the period covered in audit, the records were not found maintained properly in the divisions.

#### **Quality Control**

**6.4** Quality control involves testing and inspection of material and workmanship. It is very important in public works projects keeping in view their vast and complex network and involvement of huge amount of public funds. Deficiencies in quality control system noticed during audit are discussed below:

##### ***Not including mandatory tests in estimates***

**6.4.1** The Government directed<sup>5</sup> (August 1996) that type of item-wise tests and their number as per quantity of material to be used in accordance with Indian Standards/ Departmental specifications/IRC codes would be mentioned in all estimates. Officers sanctioning estimates would be fully responsible for ensuring this as per norms before start of work.

Scrutiny of estimates of test checked works revealed that the engineering authorities were not following the instructions of the Government. Details of quality tests and their numbers in respect of various items of works were not mentioned in any estimate. Thus, the orders of the Government regarding quality control mechanism at the stage of preparation and sanction of estimates were not followed.

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<sup>5</sup> G.O. no. 742/23-9-96-11 A C/96 dated 21 August 1996.

In reply, the Government accepted (October 2023) the audit observation and assured to take appropriate action as per rules. It was further stated that a GO<sup>6</sup> regarding implementation of quality control mechanism and sending of samples to Research Institute (RI), Quality Promotion Cell (QPC) and laboratories for testing has been issued (August 2021) and its compliance is being ensured.

***Instructions for mandatory tests of material not adhered***

**6.4.2** Section 900 of MoRTH specifications prescribed various types of tests to be carried out for road construction works. Further, as per GoUP instructions (August 1996), 25 per cent test samples out of total samples would be sent to Research Development and Quality Promotion Cell (QPC) and Research Institute (RI), Lucknow, 25 per cent in regional laboratories and remaining 50 per cent test samples would be tested at district laboratories. GoUP further instructed (August 2021) by superseding the earlier instructions to send the samples to QPC/RI to cross verify the quality of material tested at division level.

Audit obtained information from Director, QPC and RI regarding samples sent by the test checked divisions and it was observed that samples of bitumen were sent by 17 divisions only for the works executed by them during 2016-17 to 2021-22 and no sample was sent by remaining 10 divisions for quality assurance of bitumen used in execution of works.

Hence, the Government order was not followed by the departmental officers.

The Government had not commented on the issue of not sending samples of material used in execution of works by the divisions to the QPC and RI for testing the quality of material. During Exit Conference (October 2023), the Department assured to take necessary action for conducting of required quality tests.

**Inspection of works**

**6.5** GoUP Order (May 1999) makes concerned Executive Engineers (EEs), Superintending Engineers (SEs) and Chief Engineers (CEs) responsible for quality control of the construction works being executed under their jurisdiction. As per the Order, the SEs and CEs were required to inspect all works being executed under their jurisdiction once in six months and in a year, respectively and issue detailed inspection notes after inspection.

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<sup>6</sup> No. 668/23-09-2021/11AC/90 dated 03.08.2021.

Audit observed that 416 inspections by SEs and 207 inspections by CEs were to be conducted during the period of execution of 109 works test checked, but only 19 inspections (five *per cent*) by SEs and 13 inspections (six *per cent*) by CEs were conducted during 2016-17 to 2022-23.

This was not only against the Government Order but was also indicative of poor monitoring on the part of departmental officers.

The Government stated (October 2023) that constant efforts are made to maintain the quality and pace of construction work by regularly inspecting all the construction works by senior officials. Inspection notes are issued only when it is necessary to take cognisance of a particular issue related to the work. Thus, the number of inspection notes did not reflect the number of actual inspections. Instructions have been issued to all the officers to increase the number of inspections and the Department is also developing an App to increase the quality and quantity of inspections.

The reply is not acceptable as there were clear instructions in the GoUP Order (May 1999) for inspections to be carried out and for issuing detailed inspection notes. The GO does not provide any condition regarding inspections note to be issued only in cases where action is required.

#### **Road safety audit**

**6.6** Government issued instructions in December 2014 directing that provision for road safety items should be made in estimates before issue of technical sanction after conducting road safety audit as per IRC specifications. Further, out of total completed works in a year, road safety audit of 10 *per cent* works would be got conducted by third party and in remaining 90 *per cent* works road safety audit would be conducted by the concerned Superintending Engineers. Selection of 10 *per cent* works for road safety audit by third party was to be done by Zonal Chief Engineers.

Test-check of records in selected divisions revealed that, in none of the 109 test checked works, any reference of conducting road safety audit was available in the estimates. The divisions also did not produce any documentary evidence in support of road safety audit conducted on these works. Further, road safety audits of completed road works were not conducted by concerned SEs and the road safety audit of 10 *per cent* works by third party was also not ensured in the test checked works by CEs during 2016-17 to 2021-22.

Thus, departmental officers did not accord due importance to the requirement of conducting road safety audits for making State roads safer and compliant to road safety norms.

The Government had not furnished any specific reply on non-conducting road safety audit but stated (October 2023) that road safety wing in UPPWD has been established where data related to road accidents is collected and by identifying the accident-prone points, continuous efforts are being made to reduce the black spots by changing the road alignment or changing the design. The Department further stated that GIS mapping of bridge-culvert and black spots are being updated on *Srishti-2* portal. Provision for installation of reflective signboards for road safety is being included in all the estimates.

During Exit Conference, Department accepted that provision for road safety audit could not be made in CRF works and stated that conducting of road safety audit with the help of renowned technical institutions was under consideration.

***Recommendation 9:***

***Mandatory tests of materials, inspections of roads by higher authorities and road safety audits should be ensured by the Department in order to make roads safer for the users and public at large. Responsibility should be fixed for any shortfall in quality tests.***

<b>Road safety items</b>
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**6.7** Road safety items such as road signages, road markings and raised reflective pavement markers etc. are essential for ensuring road safety and therefore should be included in works estimates as per IRC norms (IRC: SP: 88-2010: Manual on Road Safety Audit). Engineer-in-Chief instructed (October 2014) all Zonal Chief Engineers to submit estimates in two parts-Part-1 showing cost of work and Part-2 showing cost of road safety provisions.

Scrutiny of estimates of 109 test-checked works, however, revealed that in 44 works (40 *per cent*), the cost of road safety items was not shown separately in detailed estimates (**Appendix-6.1**). Thus, compliance to IRC norms as well as E-in-C's instructions could not be ensured by departmental officers.

In reply, the Government accepted (October 2023) the audit observation and assured that in future, the value of road safety items will be incorporated separately in all the estimates.

**Conclusion**

Important records such as works abstract, register of works, contractor's ledger, etc. required for effective internal control in road works were not maintained in Divisional offices. Quality of the material used in execution of works were not ensured by the Department as details of quality tests in respect of various items of works were not mentioned in estimates and samples of materials were not sent to the designated laboratories for testing. Inspection of works were not conducted as per norms by the responsible officers. Road safety audit was also not conducted as per norms.

Lucknow

The 24 March 2025



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The 28 MAR 2025



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