

EXECUTIVE SUMMARY

Background

This Report on the finances of the Government of Uttar Pradesh intends to objectively assess the financial performance of the State during 2015-16 and to provide the State Legislature with proper inputs based on audit analysis of financial data. In order to put this analysis in a proper perspective, a broad comparison of targets envisaged by the Uttar Pradesh Fiscal Responsibility and Budget Management (Amendment) Act, 2016, the Fourteenth Finance Commission (FFC) Report and the Budget Estimates of 2015-16 have been attempted. The Report is structured in three Chapters.

Chapter-I is based on the audit of the Finance Accounts and makes an assessment of the Uttar Pradesh Government's fiscal position as on 31 March 2016. It provides an insight into trends in expenditure on interest payments, salaries and wages, pensions, subsidies and repayment of debt and borrowing patterns.

Chapter-II is based on the audit of Appropriation Accounts and gives grant wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter-III is an inventory of the Uttar Pradesh Government's compliance with various reporting requirements and financial rules.

Audit Findings

Chapter 1: Finances of the State Government

Fiscal situation

- The State had Revenue Surplus of ₹ 14,340 crore against the target of ₹ 34,124 crore set in the Budget Estimates during 2015-16. This is mainly due to only 17 *per cent* increase in Revenue Receipts whereas Revenue Expenditure increased by 24 *per cent* over 2014-15.
- Actual Fiscal Deficit exceeded by 2.07 *per cent*, the ceiling of three *per cent* of GSDP, (as set by the Fourteenth Finance Commission) and by 2.11 *per cent*, the ceiling of 2.96 *per cent* of GSDP (as set by the FRBM Act during 2015-16).
- Total Outstanding Debt stood at 31.83 *per cent* of GSDP at the end of 2015-16, which was above (4.33 *per cent*) the target set (27.50 *per cent*) in the Budget Estimate and FRBM Act. It was above (0.83 *per cent*) the projections (31 *per cent*) made in the Fourteenth Finance Commission during 2015-16.

(Paragraph 1.1.2)

Resource mobilisation

➤ Revenue Receipts (₹ 2,27,076 crore) grew by ₹ 33,654 crore (17 *per cent*) over and above 2014-15 receipts. It was lower by ₹ 22,804 crore than the Budget Estimates¹ of ₹ 2,49,880 crore.

(Paragraph 1.1.1)

➤ Revenue Expenditure increased by ₹ 41,709 crore (24 *per cent*) over 2014-15. However, it was lower by ₹ 3,020 crore than the Budget Estimates.

(Paragraph 1.1.1)

Efficiency of expenditure

➤ Capital Expenditure (CE) increased to ₹ 64,423 crore in 2015-16 from ₹ 53,297 crore in 2014-15. While the share of Capital Expenditure to Total Expenditure during 2015-16 under Social Services decreased by 5.32 *per cent* and under Economic Services by 7.80 *per cent* over the previous year.

(Paragraph 1.7.2)

➤ The share of Salaries and Wages to Total Expenditure increased by ₹ 11,048 crore in 2015-16 as compared to 2014-15.

(Paragraph 1.7.2)

Investments and Returns

➤ As of 31 March 2015, the Government had invested ₹ 58,606 crore against which the return during 2014-15 was ₹ 8.08 crore only (0.01 *per cent*). However, as of 31 March 2016, the Government invested ₹ 84,357 crore against which the return during 2015-16 was ₹ 42.66 crore (0.05 *per cent*).

(Paragraph 1.8.3)

Fiscal Liabilities

➤ Fiscal Liabilities increased 51 *per cent* from ₹ 2,43,229 crore in 2011-12 to ₹ 3,67,252 crore in 2015-16 with growth rate of 19.29 *per cent* during 2015-16 relative to 9.28 *per cent* in 2014-15.

(Paragraph 1.9.2)

Impact of UDAY on Financial Health

➤ The Revenue Surplus for the year 2015-16 is ₹ 14,340 crore which is understated by ₹ 12,166 crore as the same amount was transferred as grants-in-aid to UPPCL. On the other hand, Fiscal Deficit has been overstated by ₹ 24,332 crore. Due to meeting the conditions of implementation of UDAY, the fiscal liabilities also increased by ₹ 24,332 crore.

(Paragraph 1.4.2)

¹Represents Mid Term Fiscal Restructuring Policy, 2015.

Chapter 2: Financial Management and Budgetary Control

Savings due to inaccurate budgeting

➤ Overall savings of ₹ 44,393.67 crore were the results of savings of ₹ 47,067.01 crore offset by excess of ₹ 2,673.34 crore.

(Paragraph 2.2)

Excess over provisions requiring regularisation

➤ Excess expenditure of ₹ 22,577.49 crore pertaining to the period 2005-15 was yet to be regularised.

(Paragraph 2.3.2)

Persistent Savings

➤ Persistent savings of (₹ 100 crore and above) were noticed under various heads of accounts during the preceding five years.

➤ In respect of Capital Voted accounts the savings increased from ₹ 2,672.21 crore in 2014-15 to ₹ 2,809.25 crore in 2015-16.

(Paragraph 2.3.5)

Unnecessary/inadequate supplementary provisions and excessive, unnecessary re-appropriation of funds

➤ There were instances of unnecessary/inadequate supplementary provisions and excessive, unnecessary re-appropriations of funds. The cases of non-surrender of anticipated savings were also noticed. Rush of expenditure at the end of the financial year is another chronic feature noticed in the overall financial management.

(Paragraphs 2.3.6, 2.3.7, 2.3.10 & 2.3.14)

Funds not utilised

➤ The Government had declared the year 2015-16 as “KISAN VARSH”. But for a number of schemes under the Agriculture head of account, State Government could not utilise the fund provided.

(Paragraph 2.4)

Chapter 3: Financial Reporting

Utilisation Certificates and Outstanding AC Bills

➤ As on 31 March 2016, Utilisation Certificates in respect of substantial amounts (₹ 1,46,301.58 crore) were not obtained from the grantees and 5113 AC bills amounting to ₹ 301.13 crore were outstanding for want of DC bills.

(Paragraphs 3.1 & 3.2)

Cases of theft, losses, misappropriations and defalcations

➤ There were 135 cases of theft, losses, misappropriations and defalcations involving an overall amount of ₹ 882.57 lakh at the end of 2015-16.

(Paragraph 3.4)

End Use of Labour Cess

➤ Labour Welfare Board has not prepared its accounts since inception. Therefore, the figures of income and expenditure have not been authenticated. In absence of authenticated accounts the authenticity of expenditure and its genuineness could not be ascertained in audit. The sum of ₹ 2,259.48 crore available as on March 2016 has been kept in shape of fixed deposits and in savings bank accounts.

(Paragraph 3.7)