

CHAPTER-I

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance reviews and compliance audit of the transactions of the Departments including Autonomous Bodies in the Economic Sector. Audit findings in respect of State Public Sector Undertakings are reported separately through the Audit Report (Public Sector Undertakings).

The primary purpose of this Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level of reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take the corrective action as also to frame policies and directives that lead to improved financial management of the organisations, thus contributing to better governance.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules and regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance review is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively.

This Chapter provides the auditee profile, the planning and conduct of audit and responsiveness of Government to Audit. Chapter-II of this Report deals with the findings of performance reviews and Chapter-III deals with compliance audit in various departments and autonomous bodies.

1.2 Auditee profile

There are 18 Departments at the Secretariat level, headed by Chief Secretary/ Principal Secretaries/Secretaries who are assisted by Special Secretaries, Deputy Secretaries, Directors and other subordinate officers and 73 Autonomous Bodies in the Economic Sector which are under the audit jurisdiction of the Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh, Lucknow.

The comparative position of expenditure of the Government during 2012-13 and in the preceding two years is given in **Table 1.1**.

Table 1.1: Comparative position of expenditure for the period 2010-13

(₹ in crore)

Particular	2010-11			2011-12			2012-13		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
General services	987.34	47,031.83	48,019.17	601.73	52,345.19	52,946.92	787.54	59,119.18	59,906.72
Social services	15,829.56	23,737.14	39,566.70	17,609.59	29,781.35	47,390.94	21,064.75	32,235.57	53,300.32
Economic services	4,222.63	11,502.40	15,725.03	4,404.60	13,887.61	18,292.21	4,025.62	17,311.74	21,337.36
Grants-in-aid		4,364.71	4,364.71	---	5,255.10	5,255.10	--	6,179.24	6,179.24
Total (1)	21,039.53	86,636.08	1,07,675.61	22,615.92	1,01,269.25	1,23,885.17	25,877.91	1,14,845.73	1,40,723.64
Capital Outlay (2)	19,581.08	691.72	20,272.80	20,735.10	838.86	21,573.96	22,608.51	1,225.78	23,834.29
Loans and Advances disbursed (3)	617.28	350.94	968.22	414.48	561.09	975.57	383.75	619.49	1,003.24

(₹ in crore)

Particular	2010-11			2011-12			2012-13		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Payment of Public Debt (4)	---	7,383.08	7,383.08	---	8,287.61	8,287.61	--	8,909.04	8,909.04
Total disbursement out of Consolidated Fund (1+2+3+4)	41,237.89	95,061.82	1,36,299.71	43,765.50	1,10,956.81	1,54,722.31	48,870.17	1,25,600.04	1,74,470.21
Contingency Fund	---	39.90	39.90	---	309.64	309.64	--	262.45	262.45
Public Account disbursements	---	1,17,472.99	1,17,472.99	---	1,30,970.76	1,30,970.76	--	1,29,471.51	1,29,471.51
Total	41,237.89	2,12,574.71	2,53,812.60	43,765.50	2,42,237.21	2,86,002.71	48,870.17	2,55,334.00	3,04,204.17

1.3 Authority for audit

Authority for audit by the Comptroller and Auditor General of India is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh conducted audit of the Departments of Government of Uttar Pradesh and Autonomous Bodies under Section 13, 14, 15, 19 and 20 of the DPC Act. The principles and methodology for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the Comptroller and Auditor General of India.

1.4 Organisational structure of the office of the Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh

Under the directions of the Comptroller and Auditor General of India, the Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh, conducts audit of Departments, Autonomous Bodies and Public Sector Undertakings under the Economic and Revenue Sector. For conducting the audit of Departments, Autonomous Bodies and Public Sector Undertakings under the Economic Sector, the Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh, is assisted by three Deputy Accountant Generals.

1.5 Planning and conduct of Audit

Audit process commences with the assessment of risk of various Departments and Autonomous Bodies based on expenditure, criticality/complexity of activities, level of delegated financial powers, assessment of internal control and the concerns of stakeholders. Previous audit findings are also considered in this exercise.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the Unit/Department. The Units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Report.

During 2012-13, 492 party-days were used to carry out audit of 52 Units out of 498 Units of various Departments/Autonomous Bodies. The audit plan covered those Units which were vulnerable to significant risk, as per the assessment.

1.6 Recoveries at the instance of Audit

As a result of audit during the year 2012-13, recovery of ₹ 9.70 crore was accepted by the audited entities for effecting recoveries against which an amount of ₹ 7.60 crore was recovered.

1.7 Significant Audit Observations

This Report contains the results of two performance audits and six compliance audit paragraphs. The significant audit observations are discussed below:

1.7.1 Review of the performance of Compensatory Afforestation in Uttar Pradesh

The UP State CAMPA failed to receive equivalent non-forest land against forest land diverted for non-forest purposes. Forest land was diverted for non-forest purposes without approval of the Government of India. Fund collected from user agencies for compensatory afforestation and Net Present Value was not remitted to Ad-hoc CAMPA timely. Instead of remitting the entire fund to Ad-hoc CAMPA, divisions incurred expenditure out of the fund collected without approval of Annual Plan of Operations. Net Present Value was not/ excess recovered in some cases. 46.49 *per cent* of the funds received for compensatory afforestation remained unutilised. Proper monitoring and evaluation system was not evolved.

1.7.2 Review of Construction of Memorials

Audit of construction of four memorials at Lucknow and one memorial at Noida revealed various irregularities in the execution of projects. Deficient planning such as frequent additions and revisions, changes in drawings and designs and consequent re-execution led to hike in the outlay of the project. Dismantling of pre-existing structures was done without proper approvals. There was lack of proper documentation regarding recovery from dismantled materials. Deficiencies in appointment of consultants, lacunae in the consultancy agreements and non-observance of the conditions thereof resulted in excess payments. Higher rates were decided due to deficiencies in obtaining competitive rates and incorrect analysis of rates. The Administrative Departments failed to monitor and supervise the work of the Executing Agency with the result that the gross irregularities committed by the Executing Agency remained unchecked and extra/infructuous expenditure was incurred. The environmental aspects were also not adequately adhered to as per the provisions of the relevant Acts.

1.7.3 Compliance audit of transactions

- The Forest Department short recovered transit fee of ₹ 639.77 crore due to lack of co-ordination and absence of proper system to monitor the movement of forest produce.

(Paragraph 3.1)

- The Forest Department was deprived of revenue of ₹ 36.13 lakh due to non-sale of roots of the trees.

(Paragraph 3.2)

- The Forest Department short levied royalty of ₹ 27.37 lakh on eucalyptus trees of diameters above 45 cm due to non-revision of volume factor simultaneously with the increase in felling cycle, for trees of diameter above 45 cm.

(Paragraph 3.3)

- Lack of due diligence in relinquishment of equity on the part of IIDD/Government was against the concept of Public Private Partnership mode of investment. Allotment of land parcels at four sites at acquisition cost and exemption of stamp duty proved undue benefit to the Concessionaire. Further, lack of due diligence on the part of IIDD/Government to fix the toll at rates to meet only the O&M cost led to undue benefit to the Concessionaire in the form of toll collections, over and above the already satisfactory IRR of 26 per cent.

(Paragraphs 3.4.10 to 3.4.13)

- The Ghaziabad Development Authority and Kanpur Development Authority failed to deduct Cess amounting to ₹ 3.35 crore from the bills of the contractors.

(Paragraph 3.5)

- The Ghaziabad Development Authority, Kanpur Development Authority and Agra Development Authority failed to take concrete steps to develop a system to ensure compliance of the Government Orders regarding reservation and concession in fee to children of families below poverty line.

(Paragraph 3.6)

1.8 Responsiveness of Government to Audit

1.8.1 Lack of response to the draft performance audit reports and compliance audit paragraphs

The draft performance audit report and compliance audit paragraphs are forwarded to the Principal Secretaries/Secretaries of the concerned Departments drawing their attention to the audit findings and requesting them to send their responses within six weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India which are placed before the Legislature, it would be desirable to include their comments in the matter. They are also advised to have meetings with the Accountant General to discuss the performance audit reports/compliance audit paragraphs proposed for inclusion in the Audit Report.

During May 2013 to September 2013, two draft performance reviews and six compliance audit paragraphs were forwarded to the concerned Principal Secretaries/Secretaries of the Departments demi-officially. The responses in respect of one draft performance review and one compliance audit paragraph were received and have been suitably incorporated in the Audit Report. The responses in respect of one draft performance review and five compliance audit paragraphs, however, were not received.

1.8.2 Outstanding Inspection Reports

The Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh arranges to conduct periodical audit inspections of the Government departments and autonomous bodies under the Economic Sector. These inspections are followed up with Inspections Reports (IRs). A copy of each of the paragraphs on the irregularities noticed during test check of records is sent to the next higher authorities and the Government so as to facilitate monitoring of the audit observations and its settlement. The Heads of offices and the next higher authorities are required to comply with the audit observations and rectify the defects promptly and report their compliance to the office of the

Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh. As of September 2013, 1,420 IRs containing 4,637 paragraphs were pending settlement. Of these, 539 IRs containing 1,366 audit observations were outstanding for more than five years. Details of outstanding IRs and paragraphs are detailed in **Appendix-1**.