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INTRODUCTION

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1.1 Budget profile

There are 71 Government departments in the State. The position of revised budget estimates and expenditure thereagainst during 2009-14 is given in **Table 1.1**.

Table-1.1: Revised Budget and expenditure of the State Government during 2009-14

(₹ in crore)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
	Revised Estimates	Actuals	Revised Estimates	Actuals	Revised Estimates	Actuals	Revised Estimates	Actuals	Revised Estimates	Actuals
(1) Revenue expenditure										
General Services	42,413.97	40,641.30	48,619.30	48,019.17	52,787.37	52,946.92	62,175.69	59,906.72	64,697.36	61,983.49
Social services	35,432.70	32,064.28	41,766.70	39,566.70	51,259.27	47,390.94	59,081.49	53,300.32	65,749.29	60,756.28
Economic services	14,725.33	13,308.00	16,840.08	15,725.03	20,290.65	18,292.21	23,639.78	21,337.36	26,393.20	25,710.72
Grants-in-aid & contribution	3,564.53	3,360.03	4,434.89	4,364.71	5,308.25	5,255.10	6,244.67	6,179.24	9,777.74	9,696.38
Total (1)	96,136.53	89,373.61	1,11,660.97	1,07,675.61	1,29,645.54	1,23,885.17	1,51,141.63	1,40,723.64	1,66,617.59	1,58,146.87
(2) Capital expenditure										
Capital Outlay	25,222.23	25,091.23	24,179.00	20,272.80	25,959.72	21,573.96	26,147.20	23,834.29	30,052.82	32,862.65
Loans and advances disbursed	1,293.15	941.85	1,074.36	968.22	1,240.15	975.57	1,167.73	1,003.24	1,779.71	1,473.34
Repayment of Public Debt	8,887.36	7,668.59	9,169.83	7,383.08	8,397.88	8,287.61	8,821.50	8,909.04	8,097.86	8,166.74
Contingency Fund	-	-	-	39.90	-	309.64	-	262.45	-	86.55
Public Accounts disbursements	-	1,01,780.30	-	1,17,472.99	-	1,30,970.76	-	1,29,471.51	-	2,20,459.29
Closing Cash balance	-	3,405.36	-	10,304.99	-	13,446.70	-	15,172.42	-	4,020.63
Total (2)	-	1,38,887.33	-	1,56,441.98	-	1,75,564.24	-	1,78,652.95	-	2,67,069.20
Grand Total (1+2)	-	2,28,260.94	-	2,64,117.59	-	2,99,449.41	-	3,19,376.59	-	4,25,216.07

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget)

1.2 Application of resources of the State Government

During 2013-14, as against the total outlay of the budget of ₹ 1,98,450 crore, the total expenditure was ₹ 1,92,483 crore. The total expenditure¹ of the State increased from ₹ 1,65,561 crore in 2012-13 to ₹ 1,92,483 crore during 2013-14. The revenue expenditure of the State Government increased by 12 per cent from ₹ 1,40,724 crore in 2012-13 to ₹ 1,58,147 crore in 2013-14. The non-plan revenue expenditure increased by 72 per cent from ₹ 73,673

¹ Total expenditure includes revenue expenditure, capital outlay and loans and advances.

crore in 2009-10 to ₹ 1,26,490 crore in 2013-14 and the capital expenditure increased by 31 *per cent* from ₹ 25,091 crore in 2009-10 to ₹ 32,863 crore in 2013-14.

The revenue expenditure constituted 77 to 85 *per cent* (82 *per cent* in 2013-14) of the total expenditure during the period 2009-14 and capital expenditure 22 to 17 *per cent*. During this period, the total expenditure increased at an annual average rate of 14 *per cent* whereas revenue receipts grew at an annual average rate of 17 *per cent* during 2009-14.

1.3 Persistent savings

In 21 cases, there were persistent savings of more than ₹ 100 crore during the last five years as given in **Table 1.2**.

Table 1.2: Grants indicating persistent savings

(₹ in crore)

Sl. No.	Number and Name of the Grant	Amount of savings				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue-Voted						
1	11-Agriculture and other Allied Departments (Agriculture)	720.33	217.67	766.36	644.92	596.10
2	13-Agriculture and other Allied Departments (Rural Development)	--	148.94	134.32	103.79	201.09
3	14-Agriculture and other Allied Departments (Panchayati Raj)	334.35	226.92	211.62	907.53	462.21
4	26-Home Department (Police)	101.09	149.67	--	793.40	982.88
5	32-Medical Department (Allopathy)	414.68	203.62	145.70	403.79	471.31
6	37-Urban Development Department	--	711.79	625.51	238.51	654.69
7	42-Judicial Department	191.88	230.59	172.36	178.52	223.31
8	49-Women and Child Welfare Department	218.28	180.62	636.10	372.97	271.58
9	52-Revenue Department (Board of Revenue and other Expenditure)	--	104.39	--	353.02	202.58
10	54-Public Works Department (Establishment)	442.11	396.56	238.54	681.45	1,041.27
11	72-Education Department (Secondary Education)	258.35	785.84	582.87	1,276.77	874.11
12	73-Education Department (Higher Education)	--	571.89	745.76	816.09	348.28
13	83-Social Welfare Department (Special Component Plan for Scheduled Castes)	291.56	110.33	792.46	1,762.10	1,315.74
14	95-Irrigation Department (Establishment)	--	--	--	483.40	597.47
Total		2,972.63	4,038.83	5,051.6	9,016.26	8,242.62
Capital-Voted						
15	11-Agriculture and other Allied Departments (Agriculture)	--	--	100.86	177.73	470.53
16	26-Home Department (Police)	145.34	356.13	488.36	363.24	126.51
17	37-Urban Development Department	374.16	687.12	261.76	737.99	369.91
18	48-Minorities Welfare Department	134.62	165.56	373.36	164.73	148.22

19	61-Finance Department (Debt Services and other Expenditure)	274.13	153.04	401.78	222.64	190.59
20	83-Social Welfare Department (Special Component Plan for Scheduled Castes)	724.30	103.62	415.46	588.84	524.04
Total		1,652.55	1,465.47	2,041.58	2,255.17	1,829.80
Capital-Charged						
21	61-Finance Department (Debt Services and other Expenditure)	9,219.96	9,288.06	9,999.25	9,934.16	9,840.02
Total		9,219.96	9,288.06	9,999.25	9,934.16	9,840.02

(Source: Appropriation Accounts of the respective years)

1.4 Funds transferred directly to the State implementing agencies

During 2013-14, Government of India (GoI) directly transferred ₹ 12,282.27 crore to various State implementing agencies without routing it through the State budget. There is no single agency in the State to monitor the funds directly transferred by GoI to the implementing agencies and no data is readily available as to how much money has actually been spent in a particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies and funded directly by GoI.

1.5 Grants-in-aid from Government of India

The grants-in-aid received from GoI during 2009-14 is given in **Table 1.3**.

Table 1.3: Grants-in-aid from GoI

Particulars	(₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	3,947.97	3,092.99	4,396.73	4,341.00	7,933.79
Grants for State Plan Schemes	5,624.02	6,772.07	6,813.40	5,518.39	6,595.22
Grants for Central Plan Schemes	3,992.43	435.16	212.45	12.31	225.90
Grants for Centrally Sponsored Plan Schemes	3,576.82	5,133.43	6,337.44	7,466.09	7,650.26
Total	17,141.24	15,433.65	17,760.02	17,337.79	22,405.17
Percentage of increase/decrease over previous year	49.09	(-) 9.96	15.07	(-) 2.38	29
Total grants as a percentage of Revenue Receipts	17.78	13.88	13.57	11.88	13.32

(Source: Finance Account of the respective years)

1.6 Planning and conduct of audit

Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/projects, *etc.* based on expenditure, criticality/complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. On the basis of this risk assessment, the frequency and extent of audit is decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Reports containing audit findings are issued to the head of the office with a request to furnish replies within one month. When the replies are received, audit findings are either settled/or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are submitted to the Governor of Uttar Pradesh under Article 151 of the Constitution of India.

During 2013-14, compliance audit of 1,407 drawing and disbursing officers and 326 autonomous bodies of the State Government was conducted by the office of the Principal Accountant General (G&SSA), Uttar Pradesh. Besides, three Performance Audits and three long paragraphs for State Audit Report were also conducted.

1.7 Lack of responsiveness of Government to Inspection Reports

The Principal Accountant General (G&SSA), Uttar Pradesh conducts periodical inspection of Government Departments by test-check of transactions and verifies the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities *etc.* detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the higher authorities.

The heads of offices and higher authorities are required to report their compliance to the office of the Principal Accountant General (G&SSA) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Principal Accountant General (G&SSA), through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test-audit, 30,861 audit observations contained in 8,727 IRs² were outstanding as on 31 March 2014. During 2013-14, seven meetings of the Audit Committee were held in which 194 IRs and 720 paragraphs were settled.

The departmental officers did not take action on observations contained in IRs within the prescribed time-frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

1.8 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo moto* action on all Audit Paragraphs and Reviews featuring in the Comptroller and

² Including IRs and paragraphs issued upto 30 September 2013 and outstanding as on 31 March 2014.

Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed Action Taken Notes (ATN), duly vetted by audit indicating the remedial action taken or proposed to be taken by them. However, 637 ATNs in respect of paragraphs included in ARs up to the period ended 31 March 2013 were pending as on 31 August 2014.

1.9 Government response to significant audit observations (draft paragraphs/performance audits)

In the last few years, Audit has reported several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft Performance Audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within one month. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India and these reports to be placed before the State Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Principal Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Chief Secretary/Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on three Performance Audits, three long paragraphs and 31 draft paragraphs were forwarded to the concerned Administrative Secretaries and all the cases have been discussed with the Government.