

CHAPTER 1

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit and compliance audit of the Government departments and Autonomous Bodies falling under the Economic Sector of the State.

Chapter 1 of this Report narrates the Budget Profile, the planning and conduct of audit and responsiveness of Government to Audit. Chapter 2 of this Report deals with the findings of performance audit of Kanpur Development Authority and a long paragraph on Implementation of the various schemes by District Industries Centres. Chapter 3 includes audit findings of compliance audit in various Departments and Autonomous Bodies.

1.2 Budget Profile

There are 18 Departments and 73 Autonomous Bodies in the Economic Sector of the State which are under audit jurisdiction of Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh, Lucknow. The position of budget estimates and actual there against by the State Government during 2009-14 is given in **Table 1.1**.

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

(₹ in crore)

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual
Revenue Expenditure										
General Services	41,055.82	40,641.30	48,363.47	48,019.17	52,787.37	52,946.91	6,2175.69	59,906.72	66,342.70	61,983.49
Social Services	33,836.00	32,064.28	42,120.28	39,566.70	51,259.27	47,390.94	59,081.49	53,300.32	66,219.05	60,756.28
Economic Services	14,415.30	13,308.00	16,147.57	15,725.03	20,290.65	18,292.00	23,639.78	21,337.36	25,552.71	25,710.71
Grant-in-Aid and contributions	3,559.53	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)	92,866.65	89,373.61	1,11,066.21	1,07,675.60	1,29,645.54	1,23,884.95	1,51,141.63	1,40,723.64	1,67,892.20	1,58,146.86
Capital Expenditure										
Capital outlay	24,204.70	25,091.23	22,942.96	20,272.80	25,959.73	21,573.96	26,978.26	23,834.29	32,767.40	32,862.60
Loan and advances disbursed	1,270.95	941.85	1,025.26	968.22	1,240.15	975.57	1,324.78	1,003.24	1,953.73	1,473.34
Repayment of Public Debt	15,254.68	7,668.59	18,164.95	7,383.08	18,356.25	8,287.61	18,843.96	8,909.04	18,587.86	8,166.74
Contingency fund	0.00	0.00	0.00	39.90	87.65	309.64	0.00	262.45	0.00	86.55
Public Accounts Disbursements	1,98,141.05	1,01,780.30	2,33,621.79	1,17,472.99	2,41,622.91	1,30,970.76	2,64,609.27	1,29,471.51	2,84,702.18	4,49,188.03
Closing Cash Balances	--	3,405.36	--	10,304.99	--	13,446.70	--	15,172.42	--	4,020.63
Total (2)	2,38,871.38	1,38,887.33	2,75,754.96	1,56,441.98	2,87,266.69	1,75,564.24	3,11,756.27	1,78,652.95	3,38,011.17	4,95,797.89
Grand Total	3,31,738.03	2,28,260.94	3,86,821.17	2,64,117.59	4,16,912.23	2,99,449.19	4,62,897.90	3,19,376.59	5,05,903.37	6,53,944.75

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

1.3 Application of Resources of the State Government

As against the total outlay of the budget of ₹ 2,02,613.33 crore, total expenditure was ₹ 1,92,483 crore. The total expenditure¹ of the State increased from ₹ 1,65,561 crore (2012-13) to ₹ 1,92,483 crore (16.26 per cent) in 2013-14, the revenue expenditure also increased from ₹ 1,40,723.64 crore (2012-13) to ₹ 1,58,146.86 crore in 2013-14 (12.38 per cent). Non-Plan revenue expenditure increased from ₹ 73,673 crore (2009-10) to ₹ 1,26,489.47 crore (71.69 per cent) in 2013-14 and capital expenditure increased from ₹ 25,091.23 crore (2009-10) to ₹ 32,862.60 crore (30.97 per cent) in 2013-14 during the period 2009-14.

The revenue expenditure ranged between 77 and 85 per cent of the total expenditure and capital expenditure ranged between 15 and 23 per cent during the year 2009-14. During this period, total expenditure increased at an annual average rate of 14 per cent, whereas revenue receipts grew at an annual average growth rate of 15 per cent during 2009-14.

1.4 Persistent Savings

In 18 cases, there were persistent savings of more than ₹ one crore in each case during last five years as per the details given in Table 1.2

Table 1.2: List of grants with persistent savings during 2009-14

(₹ in crore)

Sl. No.	Grant number and name	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	766.37	644.92	596.10
2	15: Agriculture and Other Allied Departments (Animal Husbandry)	19.46	20.15	34.21	23.06	662.21
3	32: Medical Department (Allopathy)	414.68	203.62	145.70	403.79	471.33
4	37: Urban Development Department	54.47	711.79	625.51	238.51	654.69
5	42: Judicial Department	191.88	230.59	172.36	178.52	223.31
6	48: Minorities Welfare Department	350.04	272.00	13.69	104.26	201.19
7	54: Public Works Department (Establishment)	442.11	396.56	238.54	681.45	1041.27
8	61: Finance Department (Debt Services and Other Expenditure)	217.26	77.26	59.73	65.45	87.57
9	73: Education Department (Higher Education)	93.50	571.89	745.76	816.09	348.28
10	83: Social Welfare Department (Special Component Plan for Schedule Castes)	291.56	110.33	792.46	1762.10	1315.74
	Total	2,795.29	2,811.86	3,594.33	4,918.15	5,601.69
Capital Voted						
1	11: Agriculture and Other Allied Departments (Agriculture)	32.74	50.30	100.86	177.73	470.53
2	21: Food and Civil Supplies Department	627.50	3963.00	1811.78	1039.49	4646.82
3	32: Medical Department (Allopathy)	151.78	39.30	147.14	230.68	283.83
4	37: Urban Development Department	374.16	687.12	261.77	737.99	369.91
5	42: Judicial Department	107.22	96.09	78.43	21.23	336.17
6	48: Minorities Welfare Department	134.62	165.56	373.36	164.73	148.22
7	73: Education Department (Higher Education)	20.55	27.27	19.28	123.76	185.35
8	83: Social Welfare Department (Special Component Plan for Schedule Castes)	724.30	103.62	415.46	588.84	524.04
	Total	2,172.87	5,132.26	3,208.07	3,084.45	6,964.87

(Source: Appropriation Accounts of respective years).

¹ Total expenditure includes revenue expenditure, capital expenditure and loan and advances.

1.5 Funds transferred directly to the State implementation agencies

During 2013-14, GoI directly transferred ₹ 12,282.27 crore to various State implementing agencies without routing 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 readily available as to how much money has actually been spent in particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies and funded directly by the GoI.

1.6 Grants-in-aid from Government of India

The Grants-in-aid received from the GoI during the years 2009-10 to 2013-14 are 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	5,624.01	6,772.07	6,813.28	5,518.39	6,595.22
Grants for Central Plan Schemes	7,569.25	5,568.59	6,549.89	7,478.40	225.90
Grants for Centrally Sponsored Schemes	0.00	0.00	0.00	0.00	7,650.26
Total	17,141.23	15,433.65	17,759.90	17,337.79	22,405.17
Percentage of increase/(decrease) over previous years	49	(-10)	15	(-2)	29.23
Percentage of Revenue Receipts	18	14	14	12	13.32

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

1.7 Planning and conduct of audit

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

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever 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 129 units out of 497 unit pertaining to 18 Departments was conducted by the office of the Accountant General (E & RSA), and one Performance Audit was also conducted.

1.8 Lack of responsiveness of Government to Inspection Reports

The Accountant General (Economic and Revenue Sector Audit) conducts periodical inspection of Government Departments/Autonomous Bodies by test check of transactions and verifies the maintenance of important accounting

and other records as per the 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 next higher authorities. The heads of offices and next higher authorities are required to report their compliance to the AG (E&RSA) within four weeks of receipts of IRs.

During 2013-14, four meetings of the audit committee were held in which 14 paragraphs were settled.

A detailed review of the IRs issued up to March 2014² pertaining to 18 Departments and 73 autonomous bodies showed that 3911 paragraphs having financial implications of about ₹ 50,290.42 crore relating to 1105 IRs remained outstanding at the end of 31 March 2014. Of these, oldest items pertains to 129 IRs issued during 2007-08 and 317 paragraphs having financial implication of ₹ 154.92 crore had not been settled for more than five years. The details of these outstanding 1105 IRs and 3911 paragraphs are given in **Appendix 1.1.**

The departmental officers failed to take action on observations contained in IRs within the prescribed time framed 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.

1.9 Government response to significant audit observations (paragraphs/reviews)

In the last few years, Audit has reported on 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 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 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/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 paragraph in the Reports of the Comptroller and Auditor General of India, to be placed before the Uttar Pradesh Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Accountant General (E&RSA) to discuss the reports of Performance Audits and Audit Paragraphs. These reports and paragraphs proposed for inclusion in the Report were also forwarded to the Additional Chief Secretaries/Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, report on one Performance Audit and eight paragraphs (including one long paragraph) were forwarded to the concerned Administrative Secretaries. But Government reply has been received in two cases only.

² Including 1046 IRs and 3593 paragraphs involving financial implication of ₹ 44,129.02 crore, issued upto 30 September 2013 and outstanding as on 31 March 2014.

1.10 Follow up on Audit Reports

According to the Rules of procedure for the internal working on the Committee on Public Accounts, the Administrative Departments were to initiate, *suo- motto* action on all Audit paragraph and Reviews featuring in the Comptroller and 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 notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the State Legislature.

The position regarding receipt of Action Taken Notes (ATNs) on the paragraphs included in the ARs up to the period ended 31 March 2014 as on 31 August 2014 is given in **Table 1.4**

Table 1.4: Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Reports	Years	Departments	ATNs pending as of 31 August 2014	Date of Presentation	Due Date for receipt of ATNs
Economic Sector (Non-PSUs)	2012-13	Housing and Urban Planning Department	Not yet received	1 July 2014	31 October 2014
		Forest Department	Not yet received	1 July 2014	31 October 2014
		Infrastructure and Industrial Development Department	Not yet received	1 July 2014	31 October 2014

(Source: Audit Report 2012-13, Economic Sector-Non PSUs)

1.11 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly

Several Autonomous Bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transaction, operation activities and accounts, regularity compliance audit, review of internal management, financial control and review of systems and procedures, etc. The audit of accounts of 73 autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of separate audit report and its placement in the Legislature is indicated in **Appendix 1.2**.

Separate Audit Reports (SARs) of one Autonomous Body issued by Audit for the year 2010-11 and one Autonomous Body issued by Audit for the year 2011-12, are yet to be placed before the Legislature. For the year 2011-12 and 2012-13, SARs have not been issued due to delay in receipts of accounts for 2011-12 and 2012-13 (**Appendix 1.2**). These need to be tabled before the State Legislature at the earliest.