

PART 'A'
Economic Sector

CHAPTER–1
Introduction
(Economic Sector)

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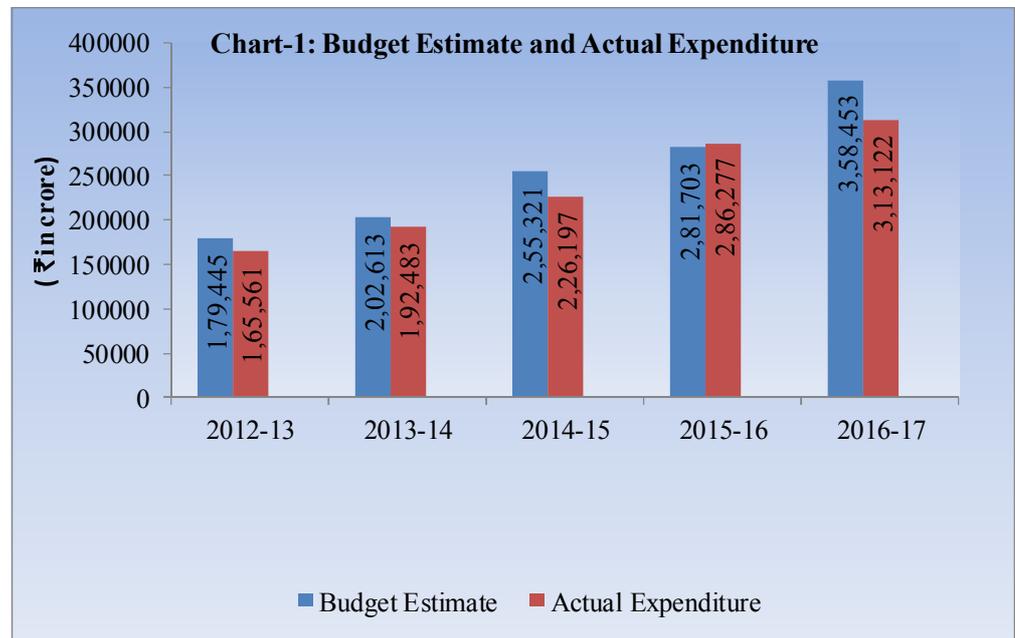
1.1 About this Chapter

This chapter presents the profile of audited entities, trends of expenditure under the economic sector, response of Government to Audit, action taken on earlier Audit Reports, recoveries at the instance of Audit and status of placement of separate audit reports of Autonomous Bodies in the State assembly.

1.2 Profile of audited entities

Eighteen out of total 84 departments in Uttar Pradesh fall under the Economic Sector. These departments are headed by Additional Chief Secretaries/ Principal Secretaries, who are assisted by Commissioners/ Directors and subordinate officers under them.

Trends of budget estimate and actual expenditure of the State Government during 2012-17 are as detailed in **Chart - 1**.



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

The trend of expenditure of five major departments under the Economic Sector during 2014-15 to 2016-17 is given in **Table - 1.1**.

Table - 1.1
Trend of Expenditure of major departments under the Economic Sector

(₹ in crore)

Department	2014-15	2015-16	2016-17
Energy	25,949.15	48,218.81	33,976.69 ¹
Infrastructure and Industrial Development Department	2,940.97	3,080.27	6,296.11 ²
Housing and Urban Planning	1,352.97	2,213.97	2,888.06
Revenue (Except Collectorate)	2,567.23	2,495.16	2,721.56
Forest	775.94	840.46	1,231.72

(Source: Appropriation Accounts of respective years)

1.3 Audit Coverage

During the year 2016-17, the Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh conducted the compliance audit of 156 out of the total 483 auditable units under the 18 departments pertaining to the Economic Sector.

1.4 Response of Government to Audit

Audit affords four stage opportunity to the audited units/departments to elicit their views on audit observations, viz.,

- **Audit Memos:** Issued to the head of the audited unit during the field audit to be replied during the audit itself.
- **Inspection Reports (IR):** Issued within a month of the completion of audit to be replied by the head of the audited unit within four weeks.
- **Draft Paragraphs:** Issued to the heads of the departments under whom the audited units function for submission of departmental views within six weeks for consideration prior to their being included in the Audit Report.
- **Exit Conference:** Opportunity is given to the head of departments and State Government to elicit departmental/Government views on the audit observations prior to finalisation of the Audit Report.

In all these stages, Audit strives to provide full opportunity to audited units/ heads of departments/ State Government to provide rebuttals and clarifications and only when the departmental replies are not received or are not convincing, the audit observations are processed for inclusion in the Inspection Report or Audit Report, as the case may be. However, in most of the cases, the audited

¹ ₹ 24,232.47 crore spent on Ujwal DISCOM Assurance Yojana (UDAY) in 2015-16 and ₹ 14,801.29 crore in 2016-17.

² ₹ 2,882.25 crore released for Purvanchal Expressway in 2016-17.

units/ departments, do not submit timely and satisfactory replies as indicated below:

1.4.1 Inspection Reports (IRs)

A detailed review of IRs issued up to March 2017 to 483 Drawing and Disbursing Officers (DDOs) pertaining to 18 departments revealed that 5,396 paragraphs contained in 1,501 IRs were outstanding for settlement for want of convincing replies as on 31 March 2018. Of these, the DDOs submitted initial replies against 543 paragraphs contained in 134 IRs while, in respect of 4,853 paragraphs contained in 1,367 IRs there was no response from DDOs.

The status of outstanding IRs is given in **Table - 1.2**.

Table - 1.2
Outstanding IRs and Paragraphs (issued up to 31 March 2017) as on 31 March 2018

Sl. No.	Period	No. of outstanding IRs (per cent)	No. of outstanding Paras (per cent)
1	2016-17	125 (8)	532 (10)
2	1 year to 3 years	277 (19)	1,411 (26)
3	3 years to 5 years	334 (22)	1,164 (22)
4	More than 5 years	765 (51)	2,289 (42)
Total		1,501	5,396

(Source: Information compiled by Audit)

During 2016-17, 28 (Audit Committee Meetings) meetings of Audit with departmental officers were held, in which 11 IRs and 274 Paras were settled.

1.4.2 Performance and Compliance Audits

For the present Audit Report 2016-17, draft reports on four Audit Paragraphs were forwarded to the concerned Administrative Secretaries to elicit their views on the audit observations. While replies/ responses have been received to the three audit paragraphs, no reply has been received till August 2018 for one paragraph, despite repeated reminders.

1.5 Action taken on earlier Audit Reports

1.5.1 Replies outstanding

The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Uttar Pradesh issued (June 1987) instructions to all the administrative departments to submit replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the CAG of India within a period of two to three months of their presentation to the State Legislature. The position of explanatory notes not received is given in **Table - 1.3**.

Table - 1.3
Explanatory notes not received³ (as on 31 August 2018)

Year of the Audit Report (Economic Sector/Non-PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audit (PA)/ Compliance Audit (CA) and Paragraphs in the Audit Report		Number of PA, CA and Paragraphs for which explanatory notes were not received	
		PA/ CA	Paragraphs	PA/ CA	Paragraphs
2012-13	1 July 2014	2	6	2	0
2013-14	17 August 2015	2	5	1	2
2014-15	8 March 2016	4	4	4	4
2015-16	18 May 2017	2	4	2	4
Total		10	19	9	10

(Source: Information compiled by Audit)

1.5.2 Discussion of Audit Reports by PAC

During the years 2012-13 to 2015-16, 29 audit paragraphs were reported in the Audit Reports on Economic Sector. Of these, PAC had taken up five paragraphs for discussion and five paragraphs for written reply. However, Action Taken Notes (ATNs) have not been received in respect of these discussed paragraphs. The status of PAC discussion as on August 2018 is detailed in **Table - 1.4**.

Table - 1.4
Status of PAC discussion, Uttar Pradesh, Vidhan Sabha

Status	Audit Report on Economic Sector for the year 2012-13 to 2015-16
Number of total Audit Paras	29
Taken up by PAC for discussion (Oral discussion)	5
Taken up by PAC for submission of written reply	5
Recommendation made by PAC	Nil
ATN received	Nil
Action taken by the Department	NA

(Source: Information compiled by Audit)

1.6 Recoveries at the instance of Audit

During the course of audit, recoveries of ₹ 18.19 crore pointed out in three cases in various departments/autonomous bodies, were accepted. Against this, recoveries of ₹ 24.86 crore in three cases were effected during 1 April 2016 to 31 December 2017 as per the details given in **Table - 1.5**.

³ Pertaining to Forest Department, Public Works Department, Department of Micro, Small and Medium Enterprises and Export Promotion, Energy Department, Housing and Urban Planning Department, Infrastructure and Industrial Development Department, Additional Sources of Energy/Non conventional Energy, Environment, Tourism and Information Technology and Electronics Department.

Table - 1.5
Recoveries pointed out by audit and accepted/recovered by the departments

(₹ in crore)

Department	Particulars of recoveries	Recoveries pointed out in Audit and accepted by Department during 01 April 2016 to 31 December 2017		Recoveries effected during 01 April 2016 to 31 December 2017	
		Number of cases	Amount Involved	Number of cases	Amount Involved
Forest Department	Miscellaneous	3	18.19	3	24.86
Total		3	18.19	3	24.86

(Source: As per progress register)

1.7 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 transactions, operational activities and accounts, regularity/compliance audit, review of internal management, financial control and review of systems and procedures, etc. As per the Governing Acts of these Autonomous bodies/Government orders/provisions of the Constitution of India, Separate Audit Reports in respect of accounts and transactions of these bodies are to be prepared by the C & AG and laid in the State Legislature by the Government. The audit of annual accounts of two autonomous bodies⁴ in the State has been entrusted to the Comptroller and Auditor General of India.

Separate Audit Reports (SARs) of Uttar Pradesh Electricity Regulatory Commission issued by Audit for the years 2003-04 to 2015-16, are yet (August 2018) to be placed before the Legislature (**Table - 1.6**).

Table - 1.6
Statement showing details of outstanding Separate Audit Reports to be presented in State Assembly

Sl. No.	Name of Autonomous Body	Year upto which SAR placed in Legislature	Position of SARs not placed in Legislature		Reasons for not-placing of SAR
			Years of SAR	Date of issue to Government	
1	2	3	4	5	6
1	Uttar Pradesh Electricity Regulatory Commission (UPERC).	No SAR placed in legislature since established (2003-04)	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16	19 October 2006 5 October 2007 5 October 2007 3 October 2008 17 August 2009 15 August 2010 26 May 2011 08 June 2012 24 September 2014 20 February 2015 22 June 2015 28 December 2015 08 May 2017	Reasons not furnished.

(Source: Information compiled by Audit)

These need to be tabled before the State Legislature at the earliest so that legislative accountability for funds devolved to these bodies is established.

⁴ U.P Khadi and Gramodyog Board and Uttar Pradesh Electricity Regulatory Commission.