

# **CHAPTER-I**

## **Introduction**



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**1.1** This report covers audit of 16 Departments of Government of Uttar Pradesh along with 52 Public Sector Undertakings (PSUs) and 19 other entities (Autonomous Bodies/Authorities, etc.) thereunder, which comes under audit jurisdiction of the Accountant General (Audit-II), Uttar Pradesh. The details of Departments and respective entities are given in **Appendix-1** and summarised in **Table 1.1**.

**Table 1.1: List of Departments and entities under audit jurisdiction**

Sl. No.	Name of Department(s)	Number of		
		Public Sector Undertakings (PSUs)	Other Entities (Autonomous Bodies/ Authorities, etc.)	Total
1	Energy Department	13	1	14
2	Department of Additional Sources of Energy	-	1	1
3	Department of Information Technology and Electronics	7	-	7
4	Infrastructure and Industrial Development Department	14	12 <sup>1</sup>	26
5	Micro, Small and Medium Enterprises and Niryat Protsahan Department	7	-	7
6	Transport Department	1	-	1
7	Handloom and Textile Industry Department	5	-	5
8	Khadi and Village Industries Department	-	1	1
9	Tourism Department	1	-	1
10	Civil Aviation Department	-	-	-
11	Geology and Mining Department	-	-	-
12	Culture Department	1	-	1
13	Religious Affairs Department	-	-	-
14	Public Works Department	2	-	2
15	Environment, Forest and Climate Change Department	1	2	3
16	Department of Science and Technology	-	2	2
<b>Total</b>		<b>52</b>	<b>19</b>	<b>71</b>

### Audit Coverage

**1.2** During the year 2019-20, the office of the Accountant General (Audit-II), Uttar Pradesh conducted the compliance audit of 358 units out of total 2,227 auditable units under the 13 Departments of Government of Uttar Pradesh. This Report contains results of audit of 'Construction of High-Level Cancer Institute' and 'Procurement and Management of Transformers by DISCOMs' and 12 compliance audit paragraphs pertaining to five Departments<sup>2</sup> and PSUs/Authorities thereunder.

<sup>1</sup> This includes four Departmentally Managed Units of Infrastructure and Industrial Development Department (IIDD), i.e., Government Press.

<sup>2</sup> Public Works Department; Transport Department; Energy Department; Environment, Forest & Climate Change Department; and Infrastructure & Industrial Development Department.

### Audit Process and Response of Government to Audit

**1.3** Audit affords a 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 (IRs):** 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 a period of six weeks for consideration prior to their being included in the CAG's Audit Report.

**Exit Conference:** Opportunity is given to the head of departments and State Government to elicit Government/Departmental 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/head 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 CAG's Audit Report, as the case may be. However, in most of the cases, the audited entities do not submit timely and satisfactory replies as indicated below:

- **Status of Replies to Inspection Reports**

A detailed review of IRs issued up to March 2020 to 1,407 Drawing and Disbursing Officers (DDOs) pertaining to 13 Departments/PSUs/Autonomous Bodies (ABs) revealed that 39,664 paragraphs contained in 8,657 IRs were outstanding for settlement for want of convincing replies as on 31 March 2020. Of these, the DDOs submitted initial replies against 3,477 paragraphs contained in 599 IRs, while in respect of 36,187 paragraphs contained in 8,058 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 2020) as on 31 March 2020**

Sl. No.	Period	No. of outstanding IRs (per cent)	No. of outstanding Paras (per cent)
1	2019-20	273 (3.15)	2,057 (5.19)
2	More than 1 year to 3 years	1,794 (20.73)	10,415 (26.26)
3	More than 3 years to 5 years	1,330 (15.36)	7,156 (18.04)
4	More than 5 years	5,260 (60.76)	20,036 (50.51)
<b>Total</b>		<b>8,657 (100)</b>	<b>39,664 (100)</b>

*Source: Information compiled by Audit*

During the period 2019-20, 10 meetings (Audit Committee Meetings) of Audit with the Departmental officers were held, in which two IRs and 49 Paras were settled.

• **Status of Replies to Audit paragraphs included in Audit Report 2019-20**

For the present Audit Report 2019-20, Audit Report of ‘Construction of High-Level Cancer Institute’, Audit Report of ‘Procurement and Management of Transformers by DISCOMs’ and 12 audit paragraphs were forwarded to the Principal Secretaries/Secretaries of the concerned administrative Departments to elicit their views on the audit observations. Regulation 138 of the Regulations on Audit and Accounts, 2020 (Regulations, 2020) provides that the Secretary to Government of the concerned Department shall furnish the replies to the draft paragraph within the specified time. Government of Uttar Pradesh has, while referring the Regulation 138 of the Regulations, 2020, directed (September 2020) all the Departments to furnish replies on draft audit reports in accordance with the procedures defined in the Regulation, 2020. Replies/responses of the Government in respect of Audit Report of ‘Construction of High-Level Cancer Institute’ and two audit paragraphs have been received. The replies of the Government in respect of Audit Report of ‘Procurement and Management of Transformers by DISCOMs’ and 10 audit paragraphs are still awaited (November 2021) despite reminders. However, the replies of the Management have been received in respect of all paragraphs.

**Follow up action taken on earlier Audit Reports**

**1.4 Replies outstanding to Audit Paragraphs included in earlier Audit Reports**

The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that it elicits 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 replies/explanatory notes not received is given in **Table 1.3**.

**Table 1.3: Explanatory notes not received (as on 30 September 2021)**

Year of the Audit Report (PSUs/ Non-PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audit (PAs) and Compliance Audit (CAs) Paragraphs in the Audit Report		Number of PAs/CAs Paragraphs for which explanatory notes were not received <sup>3</sup>	
		PAs	CAs	PAs	CAs
<b>A. Economic Sector (Non-PSUs)</b>					
2012-13	01.07.2014	2	6	2	0
2013-14	17.08.2015	2	5	1	2
2014-15	08.03.2016	4	4	4	4
2015-16	18.05.2017	2	4	1	4
2016-17	19.07.2019	-	4	-	1
2017-18	21.08.2020	-	10	-	9
2018-19	19.08.2021	-	9	-	9
<b>Total</b>		<b>10</b>	<b>42</b>	<b>8</b>	<b>29</b>

<sup>3</sup> Pertaining to Energy Department; Department of Additional Sources of Energy; Department of Finance; Infrastructure and Industrial Development Department; Housing and Urban Planning Department; Public Works Department; Urban Development Department; Transport Department; Department of Micro, Small and Medium Enterprises and Niryat Protsahan Department; Environment, Forest and Climate Change Department; and Department of Information Technology and Electronics.

Year of the Audit Report (PSUs/ Non-PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audit (PAs) and Compliance Audit (CAs) Paragraphs in the Audit Report		Number of PAs/CAs Paragraphs for which explanatory notes were not received <sup>3</sup>	
		PAs	CAs	PAs	CAs
<b>B. PSUs</b>					
2011-12	16.09.2013	2	14	1	1
2012-13	20.06.2014	1	19	-	1
2013-14	17.08.2015	2	15	1	5
2014-15	08.03.2016	6	12	2	3
2015-16	18.05.2017	6	11	3	-
2016-17	07.02.2019	3	7	2	5
2017-18	21.08.2020	1	12	-	6
2018-19	19.08.2021	-	06	-	6
<b>Total</b>		<b>21</b>	<b>96</b>	<b>09</b>	<b>27</b>
<b>Grand Total (A+B)</b>		<b>31</b>	<b>138</b>	<b>17</b>	<b>56</b>

Source: Information compiled by Audit

- Discussion of Audit Reports by Public Accounts Committee (PAC)**

During the years 2012-13 to 2018-19, 10 Performance Audits and 42 Compliance Audit Paragraphs related to Departments/Autonomous Bodies were reported in these Audit Reports. Of these, PAC had taken up 11 paragraphs (PAs/TAs/CAs) for discussion. The status of PAC discussion as on 30 September 2021 is detailed in **Table 1.4**.

**Table 1.4: Status of PAC discussion, Uttar Pradesh Vidhan Sabha**

Status	PAs/TAs/CAs of Audit Report pertaining to Economic Sector for the year 2012-13 to 2018-19
Number of total Audit Paras	52 (10 PAs/TAs + 42 CAs)
Taken up by PAC for discussion	11 (3 PAs/TAs + 8 CAs)
Recommendation made by PAC	Nil
ATN received	Nil
Action taken by the Department	-

Source: Information compiled by Audit

- Discussion of Audit Reports by Committee on Public Undertakings (COPU)**

During the years 1982-83 to 2018-19, 159 Performance Audits and 1,010 Compliance Audit Paragraphs of Public Sector Undertakings were reported in these Audit Reports. Of these, COPU had taken up 148 Performance Audit and 995 Compliance Audit Paragraphs for discussion. The status of COPU discussion as on 30 September 2021 is detailed in **Table 1.5**.

**Table 1.5: Status of COPU discussion, Uttar Pradesh Vidhan Mandal**

Status	PAs/TAs/CAs of Audit Report pertaining to PSUs for the year 1982-83 to 2018-19
Number of total Audit Paras	1,169 (159 PAs <sup>4</sup> + 1,010 CAs)
Taken up by COPU for submission of written reply	1,143 (148 PAs + 995 CAs)
Recommendation made by COPU	270 (29 PAs + 241 CAs)
ATN received	Nil
Action taken by the Department	-

Source: Information compiled by Audit

<sup>4</sup> Included Standalone Performance Audit Report on Sale of Sugar Mills of Uttar Pradesh State Sugar Corporation Limited.

### Status of audit of Accounts of Entities

**1.5** In respect of Entities of the State Government audit of accounts of which is entrusted to the Comptroller and Auditor General of India (CAG) as per the Governing Acts of these Entities/Government orders/provisions of the Constitution of India, Separate Audit Reports on their accounts are to be prepared by the CAG and laid in the State Legislature along with annual report/accounts by the Government.

- **Arrears in finalisation and submission of Accounts of Entities**

As on 31 March 2020, audit of annual accounts of 10 entities of Uttar Pradesh had been entrusted<sup>5</sup> to the CAG. As on 30 September 2020 out of 10 entities, only one entity, *i.e.*, Uttar Pradesh Electricity Regulatory Commission had finalised its accounts for the years up to 2019-20. The remaining nine entities have arrears of 88 annual accounts up to 2019-20. Year(s) for which annual accounts are in arrears is detailed in **Table 1.6**.

**Table 1.6: Statement showing arrears of accounts of various Entities**

Sl. No.	Name of Entities	Year(s) for which Accounts are in arrears	Number of accounts in arrears
1	New Okhla Industrial Development Authority	2005-06 to 2019-20	15
2	Yamuna Expressway Industrial Development Authority	2005-06 to 2019-20	15
3	Lucknow Industrial Development Authority	2005-06 to 2019-20	15
4	Gorakhpur Industrial Development Authority	2005-06 to 2019-20	15
5	Satharia Industrial Development Authority	2005-06 to 2019-20	15
6	Uttar Pradesh Expressways Industrial Development Authority	2017-18 to 2019-20	3
7	Greater Noida Industrial Development Authority	2018-19 to 2019-20	2
8	Uttar Pradesh State Industrial Development Authority	2018-19 to 2019-20	2
9	Compensatory Afforestation Fund Management and Planning Authority	2014-15 to 2019-20	6
<b>Total</b>			<b>88</b>

*Source: Information compiled by Audit*

### Status of laying of Annual Reports/Accounts along with Separate Audit Reports of Entities in the State Legislature

**1.6** Details of Annual Reports/Accounts along with Separate Audit Reports (SARs) of two entities which are yet to be laid in the State Legislature are as depicted in **Table 1.7**.

<sup>5</sup> Audit of seven Industrial Development Authorities was entrusted *w.e.f.* 2005-06 vide GoUP order dated 17 January 2018.

**Table 1.7: Statement showing details of Annual Reports/Accounts along with Separate Audit Reports yet to be laid in the State Legislature**

Sl. No	Name of the Entities	Year upto which Annual Report/Accounts along with SAR laid in the State Legislature	Position of Annual Report/Accounts along with SARs not laid in the State Legislature		Reasons for not laying of Annual Report/Accounts along with SAR
			Year of Annual Report/Accounts along with SAR	Date of issue of SAR to Government	
1	Uttar Pradesh Electricity Regulatory Commission (UPERC)	Nil	2003-04	19 October 2006	Reasons not furnished by UPERC
			2004-05	5 October 2007	
			2005-06	5 October 2007	
			2006-07	3 October 2008	
			2007-08	17 August 2009	
			2008-09	15 August 2010	
			2009-10	26 May 2011	
			2010-11	8 June 2012	
			2011-12	24 September 2014	
			2012-13	20 February 2015	
			2013-14	22 June 2015	
			2014-15	28 December 2015	
			2015-16	18 May 2017	
2016-17	8 March 2019				
2017-18	15 May 2020				
2018-19	18 December 2020				
2	Compensatory Afforestation Fund Management and Planning Authority (CAMPA)	Nil	2010-11	2 May 2019	Reasons not furnished by CAMPA
			2011-12	1 October 2019	
			2012-13	1 October 2019	

**Recoveries at the instance of Audit**

1.7 During the course of audit, recoveries of ₹ 197.17 crore pointed out in seven cases in various Departments/Entities were accepted by the respective Department/Entities. Against this, recoveries of ₹ 26.73 crore in six cases were effected as per the details given in **Table 1.8**.

**Table 1.8: Recoveries pointed out by audit and accepted/recovered by the Departments/entities**

(₹ in crore)

Department	Particulars of recoveries	Recoveries pointed out in Audit and accepted by the Department/Entity		Recoveries effected	
		Number of cases	Amount involved	Number of cases	Amount involved
Energy Department	Excess payment due to incorrect determination of price variation	1	2.03	1	1.31
	Undue favour to Distribution Franchisee	1	109.87	0	0
	Audit of 'Procurement and Management of Transformers by DISCOMs'	1	0.29	1	0.33 <sup>6</sup>

<sup>6</sup> Recovery was more than pointed out by Audit due to computation of amount by UPPCL for updated period.



Department	Particulars of recoveries	Recoveries pointed out in Audit and accepted by the Department/Entity		Recoveries effected	
		Number of cases	Amount involved	Number of cases	Amount involved
Infrastructure and Industrial Development Department	Loss to the public exchequer due to not paying stamp duty on the lease agreement	1	9.31	1	9.31
Public Works Department	Avoidable loss due to incorrect filing of GST returns	1	4.22	1	4.16
	Audit of 'Construction of High-Level Cancer Institute'	1	1.61	1	1.62
Transport Department	Irregular payments for ITMS project	1	69.84	1	10.00
<b>Total</b>		<b>7</b>	<b>197.17</b>	<b>6</b>	<b>26.73</b>

*Source: Information compiled by audit*

### **Conclusion**

Not submitting replies to Audit, large arrears in preparation of annual accounts of most of the State Entities and not laying the Annual Report/Accounts along with SAR in the State Legislature adversely affects accountability and transparency in the Government and is therefore a cause of concern.

