Overview

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This Report is in two parts with the following chapters:

Part-I: Finance and Revenue Departments

Chapter-I	:	General
Chapter-II	:	• SSCA on 'IT Audit on Implementation of Integrated Financial Management System (IFMS) in Uttar Pradesh'. • Compliance Audit observations relating to Finance and Revenue Departments.

Part-II: Economic Sector (Other than PSUs)

Chapter-III	:	Functioning of Departments and Entities (other than Public Sector Undertakings) under Economic Sector.
Chapter-IV	:	• SSCA on Execution of Tourism Development Projects by the Directorate of Tourism, GoUP under Central and State schemes. • Compliance Audit observations relating to Departments and Entities (Other than PSUs).

The total financial impact of the audit findings included in Part-I Finance and Revenue Departments is ₹ 26.90 crore and the total financial impact of the audit findings included in Part-II Economic Sector (Other than PSUs) is ₹ 95.42 crore.

Part-I: Finance and Revenue Departments

Chapter-I: General

Total receipts of the Government of Uttar Pradesh for the year 2022-23 were ₹ 4,17,241.50 crore, of which, ₹ 1,87,576.61 crore (44.96 *per cent*) constituted the State's own receipts. Government of India contributed ₹ 2,29,664.89 crore (55.04 *per cent*), comprising State's share of divisible Union taxes and duties of ₹ 1,69,745.30 crore (40.68 *per cent* of total receipts) and grants-in-aid of ₹ 59,919.59 crore (14.36 *per cent* of total receipts). The State's own revenues increased by ₹ 28,772.90 crore during the year 2022-23 over the previous year.

Wide variations between the budget estimates approved by the Finance Department and actual revenues during the year 2022-23 under the different heads of revenue (refer Table 1.2 and 1.3) indicated that the budget was not prepared on a realistic basis.

(Paragraph 1.2)

The arrear of revenue as on 31 March 2023 relating to Tax on Sales, Trades *etc.*, State Excise, Stamps and Registration Fees, and Taxes on Vehicles amounted to ₹ 36,241.90 crore, of which ₹ 15,293.15 crore was outstanding for more than five years. Despite several reminders, Geology and Mining Department did not provide figures of arrears of revenue.

(Paragraph 1.3)

Chapter-II: Compliance Audit observations relating to Finance and Revenue Departments

SSCA on "IT Audit on Implementation of Integrated Financial Management System (IFMS) in Uttar Pradesh"

Major Audit findings and recommendations:

Audit findings related to General Controls:

- IT Steering Committee, the key governance structure, had not been constituted since 2014-15.

(Paragraph 2.1.8.1)

- Even after more than 10 years of implementation of IFMS (2014-15), formal and documented IT Policy had not been formulated.

(Paragraph 2.1.8.2)

- There was no formal, documented Business Continuity and Disaster Recovery Plan with clearly defined Recovery Point Objective and Recovery Time Objective. Data Centre and Data Backup Centre was established at same seismic zone in Lucknow and later on Data Recovery centre was established (July 2023) in a separate seismic zone.

(Paragraph 2.1.8.3)

- The second and third installments of central assistance amounting to ₹ 20.06 crore had not been released (as of December 2024), due to non-achievement of the specified project milestones.

(Paragraph 2.1.8.4)

- IFMS system remained without any formal Annual Technical Support and at risk of adverse events in the absence of support for the periods from August 2014 to March 2016 and August 2016 to March 2017, which was avoidable.

(Paragraph 2.1.8.5)

- IFMS in Uttar Pradesh had been developed without having functionality for recording/seeding the Aadhaar numbers of payment beneficiaries.

(Paragraph 2.1.8.7)

- Several deficiencies in user access management such as absence of Multi Factor Authentication, de-activation of IDs of transferred or retired users, multiple sessions with the same user login credentials on different systems were noticed.

(Paragraph 2.1.8.9)

Audit recommendation related to General Controls:

- ***The High Level Committee constituted in October 2024 may hold regular meetings to monitor the progress of implementation of IFMS, decide on timelines for unimplemented functionalities, assess emerging risks and recommend suitable mitigation measures.***
- ***The State Government may ensure that key IT policies for personnel requirements, procurement of hardware, software and services, business***

continuity and disaster recovery management and user access management are formulated and adopted.

- ***DoT may address the deficiencies in IT General Controls- including the absence of the key functionality for Aadhaar seeding and initiate remedial actions to mitigate risks arising from such deficiencies.***

Audit findings relating to Application Controls:

- Budget was being prepared manually and not through IFMS. During 2022-23, the State Legislature approved Vote on Account in which the budget allotment was to be made against the budget heads specified therein. However, when the Main Budget was approved, there were no provisions made under some of the budget heads previously specified during the Vote on Account. As a result, expenditure of ₹ 219.57 crore had been incurred without budgetary provision and allotment under these budget heads. Functionality for surrender of budget provision had not been implemented in IFMS.

(Paragraph 2.1.9.1)

- Re-appropriations are not permissible for new services, however, there were instances of re-appropriations of ₹ 5,120.88 crore to expenditure on new services.

(Paragraph 2.1.9.2)

- 151 instances involving amount of ₹ 10,186.62 crore of irregular re-appropriations from Resource Linked Schemes to other Schemes were noticed.

(Paragraph 2.1.9.3)

- During 2020-23, the amounts of Financial Sanction[1] under various grants for budget distribution generated in the system were in excess of the total budgetary provisions. Further, it was found that the allotment under various grants during 2018-24 was in excess of the amounts specified in the respective financial sanction for the budget distribution.

(Paragraph 2.1.9.4)

- There was no functionality in IFMS to mandatorily link each Bill with a valid underlying Sanction Order.

(Paragraph 2.1.9.5)

- The expenditure in various major heads of account (up to object head level) was in excess of the allotment which had been made under the respective heads.

(Paragraph 2.1.9.6)

- While creating a new payment beneficiary, there was no functionality in IFMS to record PAN and GSTIN (where applicable). Audit further noticed that even though the rate of GST was revised from 12 to 18 *per cent* w.e.f. 18 July 2022 for construction works, the absence of functionality in IFMS

[1] The term 'Financial Sanction' denotes the process of communication of Budget by the Administrative Department to Head of Department.

to make changes towards GST had resulted in Bills being processed with the incorrect rates.

(Paragraph 2.1.9.8 (iii))

- The functionality in IFMS to adjust Detailed Contingent Bills against outstanding Abstract Contingent Bills has not been implemented.

(Paragraph 2.1.9.8 (iv))

- Audit analysed IFMS data for 2022-23 and 2023-24 related to Centrally Sponsored Scheme expenditure and noticed that (i) In 694 cases (2022-23) and 393 cases (2023-24) the expenditure exceeded the budget allotment figure and (ii) In 67,302 cases (30,814 cases in 2022-23 and 36,488 cases in 2023-24), expenditure under CSS had been booked under sub-heads other than 01, 02 and 89, which indicated mis-classification.

(Paragraph 2.1.9.11)

- There is absence of application controls in IFMS to prevent misclassification of expenditure under Revenue and Capital Sections. In 9,134 cases (involving expenditure of ₹ 751.88 crore), Capital Section Object heads had been irregularly used to book Revenue Expenditure and in 172 cases (involving expenditure of ₹ 99.54 crore) Revenue Section Object heads had been irregularly used to book Capital Expenditure.

(Paragraph 2.1.9.12)

- There is absence of validation controls for payment beneficiary management. There had been instances of failed payment with remarks such as 'Account closed/Account does not exist/No such account type/Wrong account/Invalid account number' etc. Further, the system lacks uniqueness in creation of payment beneficiary and allows creation of multiple beneficiary IDs with same account number with different DDOs.

(Paragraph 2.1.9.14)

- There is absence of application controls to ensure completeness of data in the Employee Master Database. The deficiencies noticed were basic pay field was 'Null', HRA not mapped as per level and class of city, 'Divyang' category, nominee details, dependent members *etc*. not captured in the system.

(Paragraph 2.1.9.16)

- There is lack of validation controls to prevent excess payment of Non- Practising Allowance (NPA) to government medical practitioners.

(Paragraph 2.1.9.17)

Audit recommendations relating to Application Controls:

- ***Develop adequate functionality for budget preparation, surrender, re-appropriation and demand for budget. Ensure budget control through IFMS.***
- ***Develop required functionality and application controls to mandatorily link bills of expenditure to a valid sanction order. Adequate mapping of complete Account Head classification needs to be scrupulously complied with in the existing IFMS system.***

- ***Map rules for re-appropriation of funds, time pairing of AC bills with DC bills, rules regarding Grant-in-aid and rule to check basic pay & allowance payable to employees.***
- ***Classification of Capital & Revenue nature items should be defined and mapped in the IT system.***
- ***Implement proper inbuilt input validation controls during beneficiary creation and develop bill formats as per the Financial Handbook.***
- ***Adequate mapping of business rules in respect of emoluments (such as to pay, HRA, non-practising allowance, bonus etc.) payable to the employees as per the defined criteria should be made in the IFMS system.***

Audit finding relating to other issues:

- Audit noticed differences in amounts (budget provision, sanction, allotment and expenditure) as per MIS Reports (Koshwani) and IFMS database.

(Paragraph 2.1.10.1)

- There is absence of application controls to prevent modification of classification of head of accounts at Treasury level. There were 1,52,116 instances where accounts head at CTS portal differs from accounts head appearing in DDO portal.

(Paragraph 2.1.10.3)

Audit recommendations relating to other issues:

- ***Strengthen the IFMS reporting portal to generate authentic reports for stakeholders, ensuring reliable data.***
- ***Develop adequate functionality to prevent modification of classification of head of account at Treasury level.***

Audit Paragraphs

Stamp and Registration Department

Full/correct particulars of the lands in the documents presented for registration was not declared which resulted in short levy of stamp duty and registration fee amounting to ₹ 6.83 crore.

(Paragraph 2.2)

Transport Department

Total 2,010 transport vehicles and 1,537 non-transport vehicles did not renew certificate of fitness and were liable for levy of fitness fee of ₹ 37.18 lakh. The concerned RTOs/ARTOs did not initiate any action to issue notices to owners of these vehicles and cancel the permits in case of transport vehicles.

(Paragraph 2.3)

RTOs did not initiate any action on expired permits of vehicles. These vehicles did not surrender their registration certificate too. This led foregoing of permit fee and application fee amounting to ₹ 96.38 lakh.

(Paragraph 2.4)

Additional tax of ₹ 1.38 crore was not levied on 84 JNNURM buses plying outside the designated municipal areas.

(Paragraph 2.5)

Penalty was not imposed on Uttar Pradesh State Road Transport Corporation (UPSRTC) buses for delay in payment of additional tax in 6,907 cases.

(Paragraph 2.6)

State Excise Department

Interest amounting to ₹ 2.00 crore was not levied on delayed deposits of excise revenue by eight distilleries/breweries.

(Paragraph 2.7)

Part-II: Economic Sector (Other than PSUs)

Chapter-III: Functioning of Departments and Entities (other than Public Sector Undertakings) under Economic Sector

Fourteen Departments of the Government of Uttar Pradesh and Thirteen entities fall under Economic Sector of office of the Accountant General (Audit-II), Uttar Pradesh. During the year 2022-23, compliance audit of 133 units out of total 658 auditable units under 14 Departments of Government of Uttar Pradesh was conducted. This part of the report contains SSCA on Execution of Tourism Development Projects by the Directorate of Tourism, GoUP under Central and State schemes pertaining to Tourism Department and one compliance audit paragraph pertaining to Public Works Department.

Recoveries at the instance of Audit

During the course of audit, recoveries of ₹ 27.68 crore were pointed out in 21 cases of two departments, out of which recoveries of ₹ 21.01 crore were accepted in 13 cases. Recovery of ₹ 0.75 crore in one case was effected.

Chapter-IV: Compliance Audit observations relating to Departments and Entities (Other than PSUs)

SSCA on Execution of Tourism Development Projects by the Directorate of Tourism, GoUP under Central and State schemes

The Directorate of Tourism, GoUP (Directorate) incurred expenditure of ₹ 392.40 crore on implementation of 12 projects under three Centrally assisted schemes sanctioned by GoI during the period from 2014-15 to 2023-24. It also implemented 970 projects under four schemes from the State budget sanctioned during the period from 2020-21 to 2022-23 and incurred an expenditure of ₹ 774.26 crore. These projects were implemented by engaging various executing agencies.

The works executed under the above projects included construction of tourist facilitation/information centre, parking, toilets, drinking water facility, covered shed for *parikrama*, CCTV, solar and lighting, signages, food plaza, sound and light show and digital gallery, etc. Important audit findings are as follows:

- The Directorate proposed assets/ facilities valuing ₹ 397.50 crore in the 82 sample projects without conducting survey and analysing infrastructure gap prior to identification of these projects.

(Paragraph 4.1.8.1)

- The DPR/ estimates for the projects were prepared incorrectly due to inclusion of tax of ₹ 44.53 lakh under Centrally assisted scheme in violation of the scheme guidelines, inclusion of centage of ₹ 29.73 lakh on bought out items in violation of the sanction orders of the GoUP for respective projects and failure in making provision for labour cess of ₹ 7.73 lakh and GST of ₹ 1.15 crore on centage and labour cess in compliance with the applicable Acts.

(Paragraph 4.1.8.4)

- As per closure report (December 2021) submitted to GoI in respect of development of Chitrakoot under Ramayana Circuit theme, the executing agency (UPRNN) charged ₹ 98.77 lakh towards contingency at the provisioned rate although it did not incur any contingency expenditure.

(Paragraph 4.1.9.1)

- All the 12 projects executed by the Directorate under Centrally assisted schemes were completed/under progress (as of May 2024) with the delay ranging from six to 44 months. In respect of projects executed under the State schemes, 46 completed projects out of 77 sample projects were delayed for a period ranging from one month to 22 months.

(Paragraph 4.1.9.3)

- In violation of the scheme guidelines of the Centrally assisted schemes, expenditure of ₹ 4.95 crore was incurred on construction of assets on land/ property owned by private entities in two projects viz. Development of Govardhan, Mathura and Development of Srawasti, Kushinagar and Kapilvastu under Buddhist thematic circuit.

(Paragraph 4.1.9.4)

- In case of two completed projects under Swadesh Darshan scheme, one asset (₹ 4.14 crore) was put to operation after a delay of 23 months and other assets amounting to ₹ 59.53 crore were not put to operation even after delay ranging from 13 months to 44 months from their respective completion date till the date of joint physical verification.

(Paragraph 4.1.10.2)

- The Directorate irregularly charged expenditure of ₹ 6.68 crore in the closure reports submitted to the GoI in respect of four projects under Centrally assisted schemes as the cost towards GST and operation and maintenance was to be borne by the GoUP in terms of scheme guidelines.

(Paragraphs 4.1.9.1 and 4.1.10.4)

- The Directorate did not comply with the Rajya Yojana guidelines of the GoUP as it neither maintained assets register in respect of assets created at various tourism development sites nor made such details public on the website of the Department.

(Paragraph 4.1.10.6)

Audit recommendations:

- ***The Directorate should ensure that projects are planned after conducting survey and infrastructure gap analysis and obtaining information as per the guidelines. Further, the Directorate should***

ensure that DPR/estimates are correctly prepared by considering applicable acts/ government orders/ scheme guidelines.

- ***The Directorate should ensure utilisation of funds as per scheme guidelines. Further, the Directorate should ensure that the correct utilisation certificate is submitted to the GoI/ GoUP.***
- ***The Directorate should ensure that the extant guidelines/Government orders on e-tendering/ e-procurement are strictly followed by the executing agencies.***
- ***The GoUP should prescribe timeline for completion of the project in the sanction order. Further, the Directorate should take effective measures to ensure timely completion of projects.***
- ***The Directorate should ensure that the projects are put to operation immediately after their completion.***

Audit Paragraph

The **Public Works Department** incurred avoidable expenditure of ₹ 1.44 crore due to consideration of incorrect initial traffic in calculation of design traffic in terms of million standard axles (msa) for designing of crust overlay of road in Chandauli district.

(Paragraph 4.2)