

CHAPTER III

PERFORMANCE REVIEWS

This chapter contains four performance reviews, Accelerated Irrigation Benefit Programme (3.1), Working of the Agriculture Department (3.2), Implementation of Drugs and Cosmetics Act, 1940 (3.3) and Uttar Pradesh Health System Development Project (3.4) besides three long paragraphs, Procurement and Upkeep of stores in Animal Husbandry Department (3.5) and Implementation of Forest (Conservation) Act 1980 (3.6).

IRRIGATION DEPARTMENT

3.1 Accelerated Irrigation Benefit Programme (AIBP)

Highlights

Government of India (GOI) launched (1996-97) the Accelerated Irrigation Benefit Programme (AIBP) for achievement of the targetted irrigation potential (IP) of such projects where substantial investments were made and physical progress achieved but which had not been completed due to financial constraints faced by the States. In UP thirteen projects received funds under AIBP in the form of Central Loan Assistance (CLA). Two of these projects (Tehri dam and Lakhwar Vyasi dam) were transferred to the newly formed State of Uttaranchal. The projects in Uttar Pradesh and Tehri dam under AIBP aimed at creation of IP of 25.47 lakh hectares at a cost of Rs.5578.35 crore. However, as of 31 March 2003, after spending Rs.2402.12 crore, IP of only 9.70 lakh hectares could be created. Implementation of the projects suffered all along due to weakness in planning, delayed acquisition of land, lack of proper monitoring besides selection of ineligible projects.

➤ *Only the projects on which substantial investments were made and which were on the verge of completion were to be covered under AIBP. Four projects, which did not fulfil these criteria, were included under AIBP.*

[Paragraph 3.1.5]

➤ *The works on Feeder Canal connecting to the water source at Ayodhya pump house were stopped in 1992 due to silting of river Tehri. Despite this Rs.4.70 crore was injudiciously spent on a distributory during 2000-03. Further, AIBP funds of Rs.12.26 crore (CLA Rs.7.54 crore + State share Rs.4.72 crore) were diverted from Saryu Canal Project to Sharda Sahayak Project for construction of a Cultural Park and Museum at Lucknow.*

[Paragraph 3.1.6]

➤ *Gyanpur Pump Canal, a major project, was treated as complete after achievement of 57 per cent of the targeted IP due to non-availability of required land.*

[Paragraph 3.1.7]

➤ ***In violation of GOI guidelines, the Saryu Canal Project and Sharda Sahayak Project received Rs. 268.91 crore from NABARD in addition to Rs.774.06 crore under AIBP.***

[Paragraph 3.1.8]

3.1.1 Introduction

UP has a geographical area of 240.93 lakh hectares with 190.84 lakh hectares of cultivable land. The total cropping area of the State was 168.01 lakh hectares, which included 86.97 lakh hectares with single crop and 81.04 lakh hectares with more than one crop.

The Accelerated Irrigation Benefit Programme (AIBP), launched by the GOI during 1996-97 aimed at providing financial assistance as CLA to the State Governments for completion of irrigation projects where substantial investments were made and physical progress achieved but which could not be completed due to financial constraints. The two main objectives of the scheme were (i) to accelerate completion of on going major and medium irrigation projects, and (ii) to realise bulk benefits from completed projects. CLA received from GOI during 1996-2003 was Rs.1407.06 crore.

The CLA from GOI was in the ratio of 1(CLA): 1(State share) and was available in the form of reimbursement on quarterly basis after the expenditure was actually incurred on the projects. The second instalment was to be released only after the State Government had released their matching contributions for the first instalment. With effect from 30 March 1999 the funds were to be provided in the ratio of 2:1 (Centre: State). For major/ medium irrigation projects put on 'Fast Track' for completion in a year's time, special 100 per cent funding was to be provided by the GOI during 2002-03.

3.1.2 Organisational Set-up

Engineer-in-Chief (E-in-C) of the Irrigation Department is the nodal agency for the execution of the AIBP projects. One Project Chief Engineer in respect of each major project assists the E-in-C. Each Project Chief Engineer, in turn, is assisted by the Superintending Engineers at regional level and Executive Engineers at district level/ field level.

3.1.3 Audit Coverage

The review was conducted during April 2003 to November 2003 through test check of records of 11 Irrigation Divisions*^T of four major projects and one medium project in the UP and one major project of Uttaranchal, covering the period from 1996-97 to 2002-03 involving a CLA of Rs.1226.50 crore.

3.1.4 Performance of the programme

The following table presents a comparison of the financial performance with the physical progress, as of 31 March 2003 which are detailed in the ***Appendix-3.1***:

* Saryu Naharkhand-Faizabad,Gonda,Balrampur, Saryu Naharkhands 5 and 6-Bahraich, Sharda Sahayak Khand-Rae Bareli, Irrigation Construction Divisions 1 and 2-Lucknow; Bansagar Baandh Kahnd-I-Allahabad, Madhya Ganga Canal Division-Aligarh; Upper Ganga Canal-anupshahar branch-Ganga Canal Division, Meerut.

Sl. No.	Name of the Project	Percentage of the	
		Financial Progress	Physical Progress
1.	Saryu Canal Project	38.98	33.79
2(a).	Upper Ganga Canal	100.22	100.00
2(b).	Madhya Ganga Canal	96.99	91.60
3.	Sharda Sahayak Canal	97.97	95.40
4.	Ban Sagar Canal (UP)	48.25	NIL
5.	Eastern Ganga Canal	62.88	52.55
6.	Raj Ghat Dam	88.73	NIL
7.	Raj Ghat Canal (UP)	84.43	59.06
8.	Hindon Krishni Doab Kharif Channels	99.19	65.69
9.	Gyanpur Pump Canal	99.66	56.95
10.	Gunta Nala Dam	99.19	100.00
11.	Tehri Dam	82.66	NIL

Note:- Modernisation of Agra Canal taken up under AIBP, has not been included in the table under paragraph 3.1.4 as the project had not received funds from Government of Uttar Pradesh upto 31 March 2003.

It is evident from the above table that in case of Bansagar Canal (UP) and Tehri Dam Project the IP created was nil despite utilisation of financial outlay to the extent of 48.25 *per cent* and 82.66 *per cent* respectively. Besides, the IP created was not commensurate with the expenditure incurred in case of three projects, viz. Eastern Ganga Canal, Hindon Krishni Doab Kharif Channels and Gyanpur Pump Canal.

3.1.5 Improper selection of projects

The main objective of the Accelerated Irrigation Benefit Programme (AIBP) was to accelerate the completion of such on-going irrigation/ multipurpose projects, which, despite substantial investments, could not be completed, as the States did not have enough resources to complete them. It was, however, seen that the physical achievement of the following four projects, included under the AIBP, were either nil or meagre and expenditure that had been incurred had ranged between 18 and 24 *per cent*:

Four projects that did not meet the criteria for selection were also included under AIBP

Name of Project	Latest estimated cost	Expenditure since inception	Pre AIBP expenditure	Percentage of pre-AIBP expenditure	Total Physical Target	Pre AIBP	
						Achievement	Achievement percentage
(Rupees in crore)				(Thousand ha.)			
Ban Sagar	1049.70	506.55	187.25	17.84	150.13	NIL	-

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Hindon Krishna Doab	115.00	114.07	22.94	19.94	11.60	NIL	-
Saryu Nahar	3453.00	1345.83	828.38	23.99	1404.00	285.06	20.30
Tehri Dam	1068.56	883.29	221.29	20.71	270.00	NIL	-
TOTAL	5686.26	2849.74	1259.86		1835.73	92.00	

In deviation to the norms of selection of projects under this programme, it was observed that in one of these projects viz. Hindon Krishna Doab Kharif Channels, the project Command and Control Area was only 11.60 thousand hectares against prescribed limit of 100 thousand hectares.

Work on project held up due to non-availability of land

Further, analysis of the Ban Sagar project revealed that 457.52 ha* land required for construction of the Bansagar Feeder Channel (UP), Adwa-Meja link channel, Meja-Jirgo link channel and Jirgo-Husainpur link channel were not transferred to the Irrigation Department (June 2003), although Rs.7.17 crore had been paid to Government of Madhya Pradesh (Rs.0.62 crore in December 2002) and Divisional Forest Officer, Mirzapur (Rs.6.55 crore in March 2003). The transfer of the civil land lying in the State of Madhya Pradesh could not materialise, either on account of litigations pending in various courts, or for issues pending disposal at the level of the Special Land Acquisition Officer. Consequent to non-availability of the land, the work on the Adwa-Meja-Jirgo-Hussainpur link channels could not be commenced. This gap was affecting the connectivity of the Ban Sagar Dam reservoir with the canal system.

3.1.6 Execution

Defective planning/ lack of co-ordination resulting into Cost and Time over-run

For construction of a canal system it was necessary to ascertain availability of a suitable and reliable water source before taking up the work. In case of inter-state projects both/ all the States involved should have reached to an agreement that the status of the water source would not be affected without prior mutual consent.

Though the water source was uncertain, AIBP funds were utilised for construction of a control system

It was observed from the records of the Office of the Engineer-in-Chief, Irrigation Department, UP that the design of the "Hindon-Krishni Kharif Channel Project", near Budhana town of the Muzaffarnagar city, was sanctioned (1978) for Rs.5.65 crore (stipulated date of completion 1983). This canal system was to be fed with the water available in Hindon and Krishna rivers through a pump canal. The project could, however, not be completed by the scheduled date due to non-availability of enough water at the identified source. The situation was further aggravated, as the water source became unreliable consequent to the construction of a barrage by Haryana State at Hathini Kund. As a result, Government of UP decided to feed the canal system with the rainwater available in the Yamuna river through a gravity canal. This change resulted in a cost over run of Rs.108.42 crore as well as time over run of 20 years.

* 180.79 hectare forest land and 276.73 hectare farmers' land

Though the main canal water had silted up, AIBP funds were utilised on a down stream distributary

AIBP funds of Rs.4.70 crore were spent during 2000-03^γ on construction of the Khamaria distributary by the Saryu Canal Division, Faizabad. This distributary was to receive water from the Ayodhya Pump House, constructed (1987) on the left bank of river Tehri, about 10 km down stream from Ayodhya Bridge for lifting 17 cumec^ϑ water to maintain the water supply to various distributaries during the lean period (from June to December). All the works of this pump canal were stopped during 1992 as the river Tehri silted up reducing the availability of water at pump house.

Thus, application of AIBP funds of Rs.4.70 crore on this distributary, without ensuring availability of sufficient water at the source, was injudicious.

Execution of unapproved projects/ works/ components

In many cases, the CLA received from the GOI was used for works not covered by the scope of AIBP. Some instances are mentioned below:

Rs. 12.26 crore diverted for construction of museum

- Rupees 12.26 crore (CLA Rs.7.54 crore + State Share Rs.4.72 crore) were diverted from Saryu Canal Project to Sharda Sahayak Canal Project for construction of a Cultural Museum and Park at Lucknow.
- In the Upper Ganga Canal Project[∞], Roorkee Rs.8.34 crore was spent by the division for maintenance of the guesthouse, residential colony, road, office premises and water supply system. The expenditure was irregular as none of these works related to the AIBP.
- In the Eastern Ganga Canal Project[∘], Nazibabad (Bijnore), Rs.1.18 crore were utilised for maintenance of main canal (Rs.0.62 crore), and roads and vehicles etc. (Rs.0.56 crore) during 2001-03, which were required to be met out of the regular non-plan budget of the division.
- In the Ban Sagar Project Rs.1.18 crore were spent (up to December 2002) for modernisation, development and landscaping of the Guest House located in Yamunotri Colony at Okhla and renovation of the field-hostel located on the left bank of Agra Canal.
- In the Eastern Ganga Canal Project^Δ, Hardwar Rs.6.13 crore of AIBP funds were utilised for unapproved items during the years 1999-2000 to 2002-03. These included maintenance of vehicles (Rs.0.19 crore), payment of wages of work-charged establishment (Rs.0.31 crore), other miscellaneous work (Rs.2.62 crore) and maintenance of main canal (Rs.3.01 crore). Further, Rs.1.39 crore were utilised[□] for construction and maintenance of a bridge on the Super Passage.

In all the abovementioned cases the concerned divisions replied that the expenditure had been incurred with the approval of the competent authorities. This reply was not tenable as none of the authorities of the State Government

^γ Rs..1.62 crore during 2000-01, Rs..1.62 crore during 2001-02 and Rs..1.46 crore during 2002-03

^ϑ cumec=cubic meter per second.

[∞] Upper Ganga Canal Modernisation Division-6

[∘] EGC Division-I

^Δ EGC Construction Division-I

[□] EGC Construction Division-II

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were competent to approve the misuse/misutilise the AIBP funds. Funds received as CLA under AIBP were to be utilised only for capital works relating to projects approved under the Programme.

3.1.7 Non creation of IP

Tehri Dam Project, a multipurpose river project, was approved (1976) by the Government of Uttar Pradesh (GOUP) and the work was started during 1978. Subsequently, the project was converted (1986) into a joint venture of the Government of India (GOI) and GOUP. The total estimated cost of this joint project was Rs.5342.80 crore. The project was transferred (1989) to the Tehri Hydro Development Corporation (THDC). As per the Memorandum of Association of the THDC the cost of the project was to be shared between the GOI and the GOUP. Rupees 1068.56 crore, being the cost of the irrigation component (20 *per cent* of the total estimated cost of Stage-I-Rs.5342.80 crore), was to be borne by the GOUP. Against this, the GOUP had already paid a sum of Rs.883.29 crore (82.66 *per cent*) to the Tehri Hydro Development Corporation (THDC) up to March 2003. No IP, however, could be created, as the construction of the dam was not completed as of date (November 2003). The Monitoring Directorate, Central Water Commission, Agra pointed out in the Seventh Status Report that the problem of Resettlement and Rehabilitation of the oustees as well as environmental issues were the main bottlenecks in implementation of the project. Thus, failure of the project in settling the local problems delayed the completion of the project, which also had resulted in escalation of the project cost.

Projects treated as completed without creation of required potential

GOUP treated the following four projects, financed by the AIBP funds, as complete. These projects however failed to achieve the targeted IP, as detailed below:

Sl. No.	Name of the Project	Irrigation Potential (in thousand hectares)					Date of completion
		Projected	Created before AIBP	Envisaged under AIBP	Actually Created under AIBP	Total potential created	
1.	Sharda Sahayak	1582.00	1143.12	438.88	366.68 (84)	1509.80 (95)	2000-01
2.	Madhya Ganga	178.00	51.82	126.18	110.86 (88)	162.68 (91)	2002-03
3.	Gyanpur Pump Canal	65.42	28.25	37.16	9.01 (24)	37.26 (57)	2001-02
4.	Hindon Krishni Doab	11.60	Nil	11.60	7.62 (66)	7.62 (66)	2002-03

(Figures in brackets are in percentage)

Thus, none of these projects was able to achieve 100 *per cent* of the envisaged IP. In respect of the Gyanpur Pump Canal the potential created was as low as 57 *per cent* only. The reasons for low achievement of the IP in respect of this project are analysed below:

Gyanpur Pump Canal Project

Project treated as complete after creating 57 per cent of targeted potential, as required land for completion of the canal system was not available

Gyanpur Pump Canal Project, approved by the GOUP in February 1976 and cleared by the Central Water Commission in March 1991, (estimated cost Rs.17.86 crore, projected discharge 1350 cusec) envisaged providing irrigation facilities to 65.42 thousand hectares of cultivable command area in Allahabad, Mirzapur, Sant Ravidas Nagar and Varanasi. The estimate was revised (1991) and approved by Planning Commission (April 1992) for Rs.110.51 crore. This was further revised to Rs.167.62 crore under AIBP.

The project was treated as completed in March 2001 after incurring an expenditure of Rs.167.06 crore (99.66 per cent) including CLA of Rs.30.90 crore while IP created was only 37.26 thousand hectares (57 per cent of target); the shortfall being attributed to non-acquisition of required land due to high cost. This was not tenable, as the land should have been acquired as per requirement prior to commencement of work. The practice of commencing the work without acquiring the required land remained unabated despite repeated mention in the Reports[@] of the Comptroller and Auditor General of India (Civil), Government of Uttar Pradesh.

3.1.8 Financial Management

Dual financing in contravention of the provisions of AIBP

In violation of the AIBP guidelines two project received funds also from NABARD

Guidelines framed under AIBP stipulated that projects receiving funds from the World Bank/ NABARD were not to be financed under AIBP. Audit scrutiny of records of Saryu Nahar Pariyojana and Sharda Sahayak Pariyojana, however, revealed that in violation of the GOI guidelines these projects received Rs. 268.91 crore from NABARD in addition to Rs.774.06 crore under AIBP during 1996-2003 as detailed below:

(Rupees in crore)

Year	Saryu Canal Project		Sharda Sahayak Project	
	NABARD	AIBP+State share	NABARD	AIBP+State share
1996-97	10.31	36.00	19.66	40.59
1997-98	28.20	45.06	18.00	40.52
1998-99	24.16	57.39	13.36	32.02
1999-2000	18.37	73.57	7.03	59.81
2000-01	25.52	81.92	6.82	83.67
2001-02	54.74	105.45	Nil	Nil
2002-03	42.74	118.06	Nil	Nil
TOTAL	204.04	517.45	64.87	256.61

[@] Para 4.4 of the State Audit Report (Civil) for the year ended 31 March 1992
 Para 4.3 of the State Audit Report (Civil) for the year ended 31 March 1996
 Para 4.4 of the State Audit Report (Civil) for the year ended 31 March 1997
 Para 4.2 of the State Audit Report (Civil) for the year ended 31 March 2000

3.1.9 Environmental Clearance

Work on projects commenced without obtaining environmental clearance

Information collected from the Engineer in Chief, Irrigation Department revealed that environmental clearance in case of the Hindon Krishni Doab Kharif Channels Project (UP) was not obtained from the Ministry of Environment and Forest, Government of India as of June 2003, although the project was treated as complete (2002-03) after incurring an expenditure of Rs.114.00 crore (sanctioned estimate Rs.115.00 crore).

Similarly, the work on Bansagar Dam Project was started (1977-78) without clearance from the Ministry of Environment and Forest (MOEF), Government of India. Only conditional approval was accorded in May 2003. The stipulated conditions were, however, yet to be fulfilled (June 2003).

Taking up of these projects without obtaining of necessary clearance from the competent authority was thus irregular.

3.1.10 Monitoring and Evaluation

Prescribed monitoring system not constituted

A State level monitoring committee was to be constituted consisting of the Engineer-in-Chief of the State as Chairman, the Chief Engineer of the project, Chief Engineers of CWC of the region etc. for carrying out monitoring at State level. It was to send its report to the technical committee at National level and visit each project at least twice a year. Similarly, at the project level, the Chief Engineer of the project was to be the Chairman of project level monitoring committee comprising Director (Monitoring - CWC), Director-CWC of the region and Superintending Engineer (Monitoring) of the project with nodal officer (Executive Engineer) of the project as Member Secretary. It was also to send a monthly report to the State level and National level Technical Committee.

It was, however, observed that no such committee was constituted either at the state level or at the project level as of March 2004. Thus the system of the monitoring as envisaged in AIBP was non-existent. The monthly progress reports (both physical and financial) sent by the respective Chief Engineers to the Engineer-in-Chief were being compiled at various levels and finally submitted to the Government of India. No cross checks of the reports so furnished were carried out at any level.

3.1.11 Conclusions

The desired benefits of AIBP could not be derived by the State Government mainly on account of improper selection of projects, absence of proper system of coordination with neighbouring states in case of inter state projects, non-acquisition of land prior to commencement of work, non-ensuring of proper source of water, diversion of funds etc. Even the system of monitoring was by and large non-existent.

3.1.12 Recommendations

- Government should ensure availability of required land prior to commencement of work.
- Accountability in the resource management process needs to be strengthened to check diversion of funds.

- All irrigation projects should be commenced only after obtaining the environmental clearance from the Ministry of Environment and Forest, Government of India.
- Monitoring Committees need to be constituted for effective implementation of the programme.
- The progress in the inter state projects should be closely monitored by a monitoring committee consisting of senior officials from the participating states.
- The programme should be evaluated by an outside agency and corrective measures undertaken urgently.

The matter was reported to Government (November 2003); reply was not received (March 2004).

AGRICULTURE DEPARTMENT

3.2 Working of Agriculture Department

Highlights

The main objective of the Department was to increase production of various crops, improving the living standards of the farmers and to increase job opportunities in the rural sector by implementing various schemes/programmes. A review of the working of the Department revealed failures in financial management resulting in large savings remaining unsurrendered, deficiencies in implementation of programmes/schemes such as non-distribution of quality seeds, inadequate dispensation of technologies etc. resulting in lower achievement than targeted, shortage of manpower in operational field etc. Consequently, the production of foodgrains, area under cultivation and the productivity remained static during the last three years.

➤ *Budgetary projections of the Department were grossly unrealistic and inflated. Supplementary grants were obtained without assessing and ascertaining the actual requirements. Rs.8.38 crore were diverted from the GOI funds received in 2002-03 for Centrally Sponsored Schemes and spent for the clearance of outstanding liabilities of the State Agriculture Farms.*

[Paragraph 3.2.4]

➤ *Grants received from GOI for implementation of various Central and Centrally Sponsored Schemes remained largely unutilised during the years 1997-2003.*

[Paragraph 3.2.5]

➤ *Centrally Sponsored Cotton Development Programme (CDP) suffered due to inadequate distribution of breeder and certified seeds despite availability of funds. Even the area under cultivation declined from 8771 hectares in 1997-98 to 4887 hectares in 2001-02.*

[Paragraph 3.2.6.]

➤ *Implementation of National Pulses Development Programme and Oilseed Production Programme failed to produce any result as it suffered from non-utilisation of available funds, non-availability of improved varieties of seeds, inadequacy in training of farmers*

[Paragraphs 3.2.7 and 3.2.8]

➤ *State Agricultural Farms were not functioning properly and were earning receipts ranging between 40 and 57 per cent of the expenditure incurred on them during 1998-99 to 2000-01. There were heavy shortfalls in production of the farms.*

➤ *Government suffered a loss of Rs.7.19 crore due to production of sub-standard seeds and Rs.3.02 crore due to excessive chhanas.*

[Paragraph 3.2.9]

➤ *Subsidies of Rs.1.57 crore were released to the suppliers of seeds without proper verification. Besides, Rs.1.27 crore advanced to M/S Agro in 1996-97 towards subsidy against the supply of Power tillers to farmers were not refunded to Government even after 7 years.*

[Paragraph 3.2.11]

➤ *Injudicious fixation of procurement price of seeds led to excess payment of Rs.2.96 crore in three crop years to Tarai Development Corporation and other seed supplying agencies.*

[Paragraph 3.2.12]

➤ *Manpower management was deficient as much as that 2377 Group D officials were in excess while 1298 operational posts remained vacant.*

[Paragraph 3.2.13]

➤ *Agriculture workshops in Azamgarh, Deoria, Ghazipur and Jaunpur producing agricultural implements, stopped functioning since May 1995. Government funds to the extent of Rs.3.29 crore in shape of land/building, dead stock and raw material, etc., were unfruitfully blocked in the workshops.*

[Paragraph 3.2.15]

3.2.1 Introduction

The Agriculture Department, established on 1 May 1920, was responsible for implementation of various schemes/programmes for introducing latest farming techniques and providing training etc. to the farmers for improving productivity and increasing the output of various crops. The objectives of the Department were to achieve higher agricultural production, improve farm productivity by better natural resource management and by introduction of latest techniques and also increase agriculture based job opportunities.

3.2.2 Organisational Set up

The Agriculture Production Commissioner-cum-Secretary, Agriculture Department is the over all in-charge in the Government. Director of Agriculture is the head of the department assisted by the Director (Statistics and Crop Insurance), Additional Directors, Joint Directors and Deputy Directors at headquarters level. The district level units are headed by Deputy Director (Extension), District Agriculture Officers (DAOs), Plant Protection Officers (PPOs), Bhoomi Sanrakshan Adhikaris (BSAs).

3.2.3 Audit Coverage

The review examined the quality of financial management, effectiveness in execution of various schemes/programmes implemented in the State by the Agriculture Department and manpower management. Records of the Directorate of Agriculture, Deputy Directors of Agriculture (Extension), District Agriculture Officers and Plant Protection Officers of 14 districts[∞]

[∞] Aligrah, Azamgarh, Bahraich, Banda, Barabanki, Gonda, Jhansi, Lalitpur, Mathura, Rae Bareli, Shahjahanpur, Siddharthnagar, Sitapur and Sonebhadra.

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covering the period 1997-2003 were test checked during May 2002 to June 2003.

3.2.4 Financial Management and Control

Budgetary allocation and expenditure

Details of budget allocations received and actual expenditure incurred there against during the period 1997-2003 were as under:

Year	Original grant	Supplementary grant	Total	Expenditure	Savings	Percentage of savings	Amount allowed to lapse	Percentage of savings not surrendered
(Rupees in crore)								
1997-98	654.55	42.04	696.59	489.23	207.36	30	196.48	95
1998-99	622.00	78.75	700.75	628.47	72.28	10	30.06	42
1999-2k	615.86	508.15	1124.01	1075.79	48.22	4	28.77	60
2000-01	1190.58	102.27	1292.85	849.59	443.26	34	79.69	18
2001-02	1265.47	68.80	1334.27	1096.42	237.85	18	81.73	34
2002-03	1141.51	52.59	1194.10	1031.20	162.90	14	161.04	99
Total	5489.97	852.60	6342.57	5170.70	1171.87	18	577.77	49

The department, therefore, was unable to make optimum use of the funds available, which resulted in large savings and on an average 49 *per cent* of savings were allowed to lapse during 1997-2003. Supplementary demands obtained during the period 1997-2003 (except 1998-99 and 1999-2000) were totally unnecessary as the savings at the close of the years were more than the supplementary grants. Thus, due to inefficient budget management, government money remained blocked and could not be allotted/provided for development works undertaken by other departments.

Operation of PL Account (PLA)

Government issued orders in June 1999 to close all the PLAs in operation at that time and to remit all balances lying therein to the respective revenue head of the Department by 31st July, 1999. Test check (May 2002) of the PLA records of the Directorate revealed that a balance of Rs.3.74 crore on account of unspent balance of Central funds was lying in the PLA of the Directorate of Agriculture as of July 1999. The Department, instead of refunding the unspent balance to the Government of India, remitted Rs.0.65 crore to the State revenue and remaining amount (Rs.3.09 crore) was still lying in the PLA of the Directorate (February 2004).

Diversion of funds

Unspent balance of Rs.8.38 crore from the Centrally Sponsored Scheme, Macro Management of Agriculture, was diverted during the financial year 2002-2003 for clearance of outstanding liabilities of the State Agriculture Farms. This was against the prescribed guidelines for Centrally Sponsored Schemes and was done without the approval of the Government of India.

Large savings remained unsurrendered, budget demands were inflated, Central funds were irregularly diverted

Outstanding Advances

Out of Rs. 11.94 crore[♥] paid as advances to the executing agencies during 1986-90 for construction of Rice Godowns, Rs. 9.87 crore could be utilized by these agencies and a balance of Rs. 2.07 crore was yet to be recovered (February 2004).

3.2.5. Programme Management

Programme Implementation

Government of Uttar Pradesh set (1999) a target of 5.1 *per cent per annum* growth rate in production of food grain so that by the end of the IX Five Year Plan

(2001-02), the State was able to produce 545 lakh tonnes food grains. For oil seeds targeted growth rate was 10.09 *per cent per annum* to produce 25 lakh tonnes of oilseeds by the end of 2001-02. To achieve these targets the department was implementing six^β Centrally Sponsored Plan Schemes, the cost of which was shared by the GOI and the State Government in the ratio of 75:25. Promotion of improved technology through field demonstration was the main thrust of these programmes. It was, however, observed that there were several deficiencies in implementation of the programmes resulting in considerable shortfall in production as discussed below :

Latest variety of seeds though notified were not distributed

Varieties of seeds developed and notified more than 10 years earlier were allotted for distribution to farmers in substantial quantities despite notification of new higher yielding seeds. Position of allotment of seeds of older varieties of paddy and wheat which were the major Kharif and Rabi crops of the State are detailed in **Appendix-3.2**. Non promotion/allotment of newer notified seeds denied opportunity to the farmers in getting higher yield, which resulted in shortfall in achievement of targeted production of Paddy and Wheat.

Targets for seeds multiplication/distribution of certified seeds could not be achieved during the years in any of the programmes (**Appendix-3.3**) as timely availability of seeds was not ensured, which adversely affected higher production/productivity.

Targets for distribution of different Agricultural implements (on subsidized rates) were also not achieved in any of the programmes (**Appendix-3.4**) due to lack of knowledge of village farmers, who continued use of their conventional implements.

Minikits were distributed after sowing season

In many districts minikits were distributed to the farmers after or at the fag end of the sowing seasons. Delayed distribution of minikits not only caused loss to the Government of the cost spent on procurement of these minikits, but also defeated the very purpose of introducing and popularizing the latest released/pre-released varieties of various seeds and their propagation through

[♥] RES: Rs. 5.26 crore, PWD: 1.52 crore and Co-operative Societies: Rs. 5.16 crore.

^β (i)Integrated Cereals Development Programme (Rice),(ii)Integrated Cereals Development Programme (Wheat),(iii)Accelerated Maize Development Programme,(iv) National Pulses Development Programme (v)Oilseeds Production Programme (OPP) and (vi)Cotton Development Programme (CDP)

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farmers. Details of distribution of mini kits in 4 districts are shown in *Appendix-3.5*.

Targets and achievements

Position of targets and achievements were as under:

Cereals	Unit	Year ⇒	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003
Rice	000 Tonnes	Target	11435	12101	12768	13772	14200	12900
		Achievement	11678	10827	12633	11545	12454	9595
		Shortfall	--	1274	135	2227	1746	3305
Wheat	000 Tonnes	Target	23626	24788	26047	27563	30000	27500
		Achievement	22147	22781	25551	24940	25500	23612
		Shortfall	1479	2007	496	2623	4500	3888
Maize	000 Tonnes	Target	1654	1703	1800	1968	2050	1770
		Achievement	1557	980	1352	1550	1587	956
		Shortfall	97	723	448	418	463	814
Pulses	000 Tonnes	Target	3069	3267	3495	3571	3670	2805
		Achievement	2282	2308	2551	2146	2440	2158
		Shortfall	787	959	944	1425	1230	647
Oilseed	000 Tonnes	Target	1671	1817	1964	1852	2100	1330
		Achievement	985	1069	1268	1095	1216	881
		Shortfall	686	748	696	757	884	449
Cotton	Thousand Bales	Target	24	19	15	15	15	6.00
		Achievement	8	4.65	5.97	4.76	5	4.39
		Shortfall	16	14.35	9.03	10.24	10	1.61

It was, thus, evident that despite availability of adequate funds, the projected growth rate of 5.1 per cent per annum could not be achieved by the department.

Non-utilisation of Grants under the Central Plan and Centrally Sponsored plan Schemes

Government of India provided funds for operation of various Central and Centrally Sponsored Schemes. Details of the receipt and utilisation of central funds were as follows:

(Rupees in crore)

Sl. No.	Name of the scheme	Year	Opening Balance	Funds released by the GOI	Expenditure incurred	Closing Balance	Remarks
1.	Oilseeds Production Programme	1997-98	1.28	6.28	4.47	3.09	State Govt. released Rs.5.35 crore
		1998-99	3.09	7.04	4.74	5.39	State Govt. released Rs.6.00 crore

Sl. No.	Name of the scheme	Year	Opening Balance	Funds released by the GOI	Expenditure incurred	Closing Balance	Remarks
		1999-2000	5.39	4.58	2.09	7.88	--
		2000-01	7.88	0.75	2.19	6.44	
		2001-02	6.44	1.00	2.37	5.07	
		2002-03	5.07	1.00	3.28	2.79	
		Total		20.65	19.14		
2.	Cotton Development Programme	1997-98	0.23	0.28	0.47	0.04	
		1998-99	0.04	0.54	0.42	0.16	--
		1999-2000	0.16	0.95	0.39	0.72	
		2000-01	0.72	0.74	0.33	1.13	--
		2001-02	1.13	--	0.61	0.52	
		2002-03	0.52	0.15	0.58	0.09	
		Total		2.66	2.80		
3.	National Pulses Development Programme	1997-98	0.11	8.77	4.23	4.65	
		1998-99	4.65	6.30	3.83	7.12	
		1999-2000	7.12	2.81	1.54	8.39	
		2000-01	8.39	3.30	2.99	8.70	
		2001-02	8.70	1.07	3.76	6.01	
		2002-03	6.01	0.60	6.19	0.42	
		Total		22.85	22.54		
4.	Accelerated Maize Development Programme	1997-98	0.71	1.29	0.26	1.74	State Govt. released only Rs.0.40 crore
		1998-99	1.74	0.30	0.62	1.42	
		1999-2000	1.42	0.45	0.49	1.38	
		2000-01	1.38	0.35	0.98	0.75	
		2001-02	0.75	0.34	0.89	0.20	
		2002-03	0.20	0.39	0.51	0.08	
		Total		3.12	3.75		
5.	Integrated Cereals Development Programme (Wheat)	1997-98	0.24	9.02	8.38	0.88	
		1998-99	0.88	8.67	6.19	3.36	
		1999-2000	3.36	6.29	6.95	2.70	
		2000-01	2.70	1.94	4.19	0.45	
		Total		25.92	25.71		
Grand Total			2.57	75.20	73.94	3.83	

It would thus be seen that the funds available each year could not be utilized and were carried forward to subsequent years.

Deficiencies in implementation of three major Centrally Sponsored Schemes involving a total expenditure of Rs.44.48 crore are mentioned in the following paragraphs:

3.2.6 Cotton Development Programme (CDP)

Despite availability of funds, neither physical targets could be achieved nor the farmers induced to take up cotton farming

The Centrally sponsored programme, aimed at boosting the production of cotton was launched in the State in 1997-98 in 24 districts*. Scrutiny of records revealed that despite availability of sufficient funds the Department failed to distribute seeds, (breeder as well as certified) as per the target fixed for year to year during 1997-2003 as detailed below:

(Quantity in quintals & Amounts in lakh)

Year	Target		Achievement	
	Physical	Financial	Physical	Financial
1997-98	2000	8.75	1148 (57.4)	1.59 (18.2)
1998-99	300	1.05	78 (26.0)	0.03 (2.9)
1999-00	434	1.39	427 (98.4)	0.06 (4.3)
2000-01	400	4.00	351 (87.8)	0.04 (1.0)
2001-02	800	8.00	605 (75.6)	0.81 (10.1)
2002-03	250	2.50	191 (76.4)	1.80 (72.0)

(Figures in brackets in percentages)

This indicated that the targets were fixed and demands for funds raised without ensuring/ ascertaining availability of seeds.

It would further be noticed from the above table that there was no correlation between the physical and financial performance. The mismatch between physical and financial figures rendered the recorded achievement doubtful.

Similarly, though the expenditure incurred on training of the farmers increased from Rs.0.78 lakh in 1997-98 to Rs.8.62 lakh in 2001-02 and the number of farmers trained during 1997-02 had been increasing (1997-98:16, 1998-99:28, 1999-00: 62, 2000-01: 41, 2001-02: 86), the area under cultivation continued to decrease (1997-98: 8771 ha., 1998-99:7454 ha., 1999-00: 6924 ha., 2000-01: 5339 ha., 2001-02: 4887 ha.). It indicated that the training imparted failed to generate adequate interest in farmers. The department however, attributed decrease in cultivated area to non-availability of short duration varieties.

3.2.7 National Pulses Development Programme (NPDP)

Large funds were not utilized.

NPDP, a Centrally Sponsored Project under-implementation in 49 districts of 13 Commissionaires of the State aimed at increasing production of pulses. Under the programme, subsidies linked to the production were to be paid to cultivators. Details of the Budget allocation and expenditure there-against during the years 1997-2003 were as under :

* Agra, Allahabad, Aligarh, Aurriya, Bagpet, Banda, Bijnaur, Bulandshahar, Chitrakoot, Etah, Etawah, Ghaziabad, Hathras, Hamirpur, Hardoi, Jhansi, Kanpur Dehat, Kaushambi, Mainpuri, Mathura, Meerut, Muzzafarnagar and Saharanpur.

Year	Budget allocation	Expenditure	Saving (-)	Percentage of savings
1997-98	569.97	564.39	(-) 5.58	1
1998-99	732.00	511.12	(-) 220.88	30
1999-2000	733.30	206.38	(-) 526.92	72
2000-01	795.18	398.87	(-) 396.31	50
2001-02	600.00	501.96	(-) 98.04	16
2002-03	775.81	618.91	(-) 156.90	20
Total	4206.26	2801.63	(-) 1404.63	

Large savings during 1998-2001 and 2002-03 were mainly due to non-payment of subsidies on various components.

Shortfall in production of pulses as compared to targets during 1997-2003 ranged between 23 and 40 *per cent*. The department attributed the shortfall to reduction in areas for cultivation of pulses crops and increase in area of cultivation of wheat and paddy crops owing to increased availability of irrigation facilities.

This was not tenable as during 1999-2001, area of cultivation of pulses increased from 26.39 lakh hectares to 26.54 lakh hectares, while the actual production decreased from 2551 thousand tonnes to 2146 thousand tonnes. This implied reduction in productivity of pulses.

Scrutiny of records further revealed as under:-

Distribution of certified seeds

Use of certified seeds were a main agricultural investment for increase in production of pulses. Work plans prepared by the Agriculture Directorate, therefore, envisaged motivation of the farmers for using more and more certified seeds. Accordingly, targets were fixed for distribution of certified seeds to the farmers. Actual distribution was, however, much less than the targeted quantities during 1997-2000 as shown under:

(In quintals)

Year	Target for distribution	Actual distribution	Shortfall
1997-98	44000	37650	6350
1998-99	45000	29222	15778
1999-2000	50000	34233	15767
Total	139000	101105	37895

Production of certified seeds

For availability of adequate quantity of certified seeds, a sub scheme named 'Beej Gram Yojana' was under implementation in the State. Under this scheme, certified seeds were to be produced by the Department through 'Khand Pradarshan' and by the Tarai Development Corporation (TDC) through their

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registered producers. Accordingly, targets were fixed for production of certified seeds to make good the shortages of seeds targeted for distribution. Position of targets for seeds production and achievement there against during 1997-02 was as follows :

(In quintals)

Year	Target	Achievement	Short fall in production	Percentage of shortfall
1997-98	25000	3352	21648	87
1998-99	15000	150	14850	99
1999-2000	100000	50	99950	99.95
2000-01	18990	9754	9236	49
2001-02	13760	2680	11080	80

Non-availability of certified seeds was bound to affect the production of pulses adversely. Audit query regarding non-achievement of targets of seeds production/distribution were not replied to by the Directorate. An impact evaluation by Agricultural Finance Corporation Limited (AFC) sponsored by Government of India in August 2002 observed that inadequate availability of certified seeds of improved varieties was a major drawback in increasing production of pulses. Farmers, therefore, continued to grow old varieties with low yields and which were susceptible to a large number of pests and diseases.

Use of gypsum

Gypsum, an essential chemical, required to boost the production of pulses, was used only in 31 to 34 *per cent* with the targeted quantity of seeds during 2000-2002.

Distribution of sprinkler sets

Sprinkler sets were useful for providing irrigation facilities to crops. It was noticed that during the years 1999-02 there were shortfalls in distribution of sprinkler sets ranging between 2 and 51 *per cent* of the fixed targets. AFC was of the view that the major drawback in use of sprinkler sets was lack of proper orientation to crop water requirements and irrigation practices with sprinkler irrigation which led the farmers to use pipes for delivery of water to fields as a traditional manner of irrigation.

3.2.8 Oilseed Production Programme

The programme, implemented in 62 districts during VIII Plan (1992-97), was designed to supplement the efforts of the State Government for increasing the production and productivity of various oil seeds grown in the State. It was continued during IX Plan. With an annual growth rate of 10.29 *per cent* it was targeted to have production of 25 lakh tonnes of oil seed by the end of IXth Plan period. Funds provided by the GOI under the programme during the years 1997-2003 and their utilisation were as follows :

Shortfall in distribution of certified seeds and deficient dispensation of technologies

(Rupees in lakh)

Year	Opening balance	Received during the year	Total	Expenditure	Excess (+) Savings (-) (Percentage of available fund)
1997-98	128.07	627.58	755.65	446.47	(-)309.18 (41)
1998-99	309.18	704.00	1013.18	474.00	(-)539.18 (53)
1999-2000	539.18	458.00	997.18	208.79	(-)788.39 (79)
2000-01	788.39	75.00	863.39	218.99	(-)644.40 (75)
2001-02	644.40	100.00	744.40	236.68	(-)507.72 (58)
2002-03	507.72	100.00	607.72	328.00	(-)279.72 (46)

It is evident from the above details that the department failed to utilize the available funds to a large extent during 1997-2000, which affected the implementation of the programme adversely and the production targets could not be achieved as brought out in the following table:

Year	Production of oilseed (in thousands of tons)			
	Target	Actual production	Shortfall	Percentage of shortfall
1997-98	1671	985	686	41
1998-99	1817	1069	748	41
1999-2000	1964	1268	696	35
2000-01	1852	1095	757	41
2001-02	2100	1216	884	42
2002-03	1330	881	449	34

The department attributed the non-utilisation of available funds to less procurement of seeds due to their non-availability besides reduction in subsidy on various components, which restricted the farmers from availing the facilities and excess release of funds by GOI with reference to administrative approval. The department further attributed the shortfalls in production of oilseeds to non-availability of certified seeds, non-fixation of supporting price by the Government, besides reduction/ abolition of subsidies. Thus, it was evident that enough motivation could not be provided to the farmers to undertake oilseed cultivation as envisaged in the scheme.

Scrutiny of records further revealed as under:

Distribution of certified seeds

Management of seed, which was the responsibility of the State Government, was not efficient. During 1998-2003, the distribution of certified seeds, except in 2000-01, were far below the targets as would be seen from the table below:

(In quintal)

Year	Targets for distribution	Actual distribution	Shortfall (percentage)
1997-98	46170	26211	19959 (43)
1998-99	42025	17100	24925 (59)
1999-2000	49775	13486	36289 (73)
2000-01	16683	14775	1908 (11)
2001-02	625	366	259 (41)
2002-03	3000	1413	1587 (53)

It would be seen from the above that despite substantial reduction in targets during the year 2001-02 and 2002-03, the department did not succeed in achieving the targets fully and thus, failed to fulfil its responsibility to manage and ensure the availability of certified seeds either through procurement or production by implementation of sub-scheme “Beej Gram Yojna”. As per the findings of the AFC, production of seeds under Beej Gram Yojna was below 40 per cent of the target.

Distribution of gypsum

Use of sulphur rich chemicals like gypsum, pyrite and rock phosphate increases yield in oil seeds and oil content in the oil seeds by 10 to 15 per cent. GOI accordingly desired that the farmers must be insisted upon to use these chemicals for increasing production of oil seeds. Accordingly the department fixed the target of distribution of gypsum from year to year. Targets fixed, however, could never be achieved which indicated failure of the department in educating the farmers regarding use and benefits of gypsum. The position was as under:

(in hectare)

Year	Targets for distribution	Actual distribution	Shortfall (percentage)
1997-98	55000	27746	27254 (50)
1998-99	33340	5963	27377 (82)
1999-2000	20000	5002	14998 (75)
2000-01	4030	1262	2768 (69)
2001-02	1600	751	849 (53)
2002-03	3200	1256	1944 (61)

Integrated Pest Management (IPM) demonstration

Indiscriminate use of pesticides, insecticide causes ecological and environmental degradation and leaves residual effects of chemical on the grain. GOI, therefore, emphasised on the integrated pest management making use of cultural, biological and traditional methods of control of pests and diseases. Accordingly, the department was required to carry out IPM demonstrations in compact areas involving farmers from nearby places to generate interest and awareness in them for IPM measures. The department failed in this front also as

the targets fixed for the purpose remained largely unachieved as would be evident from the following table:

(In numbers)

Year	Target	Achievement	Shortfall (percentage)
1997-98	753	336	217 (29)
1998-99	960	640	320 (33)
1999-2000	1000	720	280 (28)
2000-01	2410	1474	936 (39)
2001-02	2000	1840	160 (8)
2002-03	1500	1211	289 (19)

Training to farmers

Training is an effective tool for speedy transfer of technology to farmers. Accordingly, funds were provided under the programme for training of farmers. The department organized training to farmers during the years 1997-2003 as under:

(In numbers)

Year	Target	Actually trained	Shortfall (percentage)
1997-98	150	90	60 (40)
1998-99	133	97	36 (27)
1999-2000	150	91	59 (39)
2000-01	126	78	48 (38)
2001-02	100	99	1 (1)
2002-03	75	71	4 (5)
Total	734	526	208 (28)

The population of small and marginal farmers of the state was about 94 lakh. Training imparted to only 526 farmers in the last six years was not likely therefore to achieve the objective of generating the awareness of latest techniques and technology among the farmers.

3.2.9 Management of agricultural farms

Departmental Farms numbering 168 were established to produce good quality seeds. A review of functioning yielded following results:

Uneconomic running of Farms

During the period 1997-2002 these farms could neither earn enough revenue to cover the expenditure incurred on them nor achieve the physical target fixed for production of seeds, as detailed below:

Departmental farms had become uneconomical due to old infrastructure

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Year	Revenue Receipt	Expenditure	Percentage of receipt to the expenditure	Targeted production	Actual production	Short-fall
	Rupees in crore			In thousand quintals		
1997-98	NA	NA	--	180.00	132.44	47.56
1998-99	7.07	12.35	57	185.00	133.87	51.13
1999-2000	4.94	12.26	40	182.00	130.06	51.94
2000-01	5.81	13.92	42	175.00	119.63	55.37
2001-02	NA	NA	--	173.00	122.73	50.27

Department attributed the uneconomic running of farms/shortfall in production to non-release/delayed release of funds and unusable condition of about 50 years old farms infrastructure.

As regards release of funds to the farms, the position was as noted below :

(Rupees in crore)

Year	Funds required	Funds allotted	Percentage of short release	Actual expenditure	Percentage of utilisation
1998-99	23.52	20.05	15	18.39	91.72
1999-2000	29.32	21.66	26	20.57	94.97
2000-01	25.59	24.18	6	21.05	87.05
2001-02	23.06	17.04	26	15.23	89.38

It is thus, evident that though the farms did not receive funds as per their requirement, even funds released could not be utilized by them due to release of funds at the fag end of the financial years.

Sub-standard seeds

Substantial quantities of seeds produced in the departmental farms was sub-standard. During 1997-2002, production of substandard seeds ranged between 4 (Rabi 2000-01) and 31 *per cent* (Kharif 1997-98) and 7 to 22 *per cent* of the total production as tabulated below:

Year	Total production			Sub-standard seed			percentage of sub-standard seeds		
	Kharif	Rabi	Total	Kharif	Rabi	Total	Kharif	Rabi	Total
1997-98	61877	70567	132444	19036	9946	28982	31	14	22
1998-99	55412	78456	133868	9373	7445	16818	17	9	13
1999-2000	54110	75952	130062	11758	10744	22502	22	14	18
2000-01	46300	73330	119630	4554	3256	7810	10	4	7
2001-02	54197	68532	122729	11144	5736	16880	21	8	14

Sub-standard quality of seeds led to a loss of Rs.7.19 crore as detailed in *Appendix-3.6*.

Chhanas exceeding Departmental norms

The quantity of under-sized seeds (Chhanas) and dust far exceeded the departmental norms. Position during 1998-2003 was as follows:

Year		Paddy	Maize	Arhar	Groundnut	Soyabeen	Wheat	Gram	Pea
	Deptt. norms for Chhanas (%)	10.12	8.10	10.12	18.20	12.15	6-8	5-7	5.7
1998-1999	Percentage of Chhanas	18	30	15	36	27	13	10	9
1999-2000	Percentage of Chhanas	14	15	30	29	16	12	7	9
2000-2001	Percentage of Chhanas	16	27	44	25	27	14	10	17
2001-2002	Percentage of Chhanas	20	41	14	26	33	9	12	19
2002-2003	Percentage of Chhanas	13	--	14	21	--	14	12	17

Excess Chhanas resulted in a loss of Rs.3.02 crore as detailed in *Appendix-3.7*.

3.2.10 Inadequate control over quality of fertilizers

Fertilizers and pesticides play significant role in Agriculture production. These are the key inputs for sustainable agriculture. Responsibility for ensuring adequate availability of standard fertilizers lies with the Agriculture Department of the State. To fulfill this responsibility, officers of the Department function as Inspectors. Inspectors conduct surprise checks of the fertilizer godowns of wholesale as well as of retail dealers and collect samples for analysis to see if the material is of standard quality.

Number of dealers, number of surprise checks organized, the samples collected/analysed during 1999-02 were as under:-

Year	No. of dealers	No. of checks conducted	Collection of samples	Analysis of samples	Samples found sub-standard
1999-2000	17199	63411	11493	10651	1109
2000-01	32264	66639	9504	9685	839
2001-02	39864	40190	10597	10490	1247

Insufficient inspection/sampling of the premises of retailers of fertilisers

It would be seen from the above table that the number of samples collected and analysed was much less than the number of dealers. Although number of dealers in 1999-2000 increased by about 132 *per cent* in 2001-02, number of

surprise checks organised, samples collected/ analysed declined. This indicated inadequate quality control.

3.2.11 Subsidy Management

With a view to accelerate agriculture production of the State subsidies were provided to suppliers of agriculture inputs like farm implements, tractors, plant protection equipment, production and distribution of improved seeds of recommended varieties and also of facilities like electricity used for irrigation purposes by private tube-well owners to enable them to make these items available to farmers at reduced price.

Improper release of subsidy

Subsidy was released without proper verification of bills and the material supplied

Agencies like TDC*, PCF* and UP Agro were authorized to sell good quality seeds to the farmers at subsidized rates and claim subsidy from Government after furnishing proper documentary evidence. The Seed centers were required to obtain acknowledgement from the beneficiaries in a register indicating full details of the beneficiaries like their names, father's name, addresses, area to be sown, Jot Bahi numbers, quantity and value of seed etc., sold to them. A copy of such details was to be enclosed with the bills for compensation payments.

Payment of Rs.1.38 crore was made to the District Managers, PCF in 4 test-checked districts^u during 1997-02 without obtaining requisite details. The DDs (Ext.) stated in reply that PCF's bills were paid without completing above formalities to avoid lapse of budget. Payment of subsidy without proper documentation was irregular.

Further, in order to popularize and encourage use of latest varieties of seed for obtaining higher yield, GOI provided subsidy to the sellers, on sale of new/latest varieties of seeds, notified within a period of ten years at Rs.200 per quintal. Scrutiny of records (June 2003) of the Deputy Director of Agriculture (Extension), Mathura revealed that the Department allowed subsidy, totalling Rs.10.94 lakh* to UP Co-operative Federation Limited, Mathura (PCF) during 1997-1999 for sale of wheat seeds not covered under the period of eligibility for subsidy. The office stated in reply that the PCF submitted bills at the fag end of the financial year leaving no time for detailed verification and thus the payments were released to avoid lapse of budget.

The reply was not tenable in audit as payments of claims without proper verification were irregular.

Undue benefits on advance payment of subsidy

The Centrally Sponsored "Integrated Cereal Development Programme-Rice (ICDP-Rice)" scheme, envisaged payment of subsidy at Rs.30,000 per equipment to the suppliers after delivery of the equipment.

* UP Seeds and Tarai Development Corporation Limited.

* Provincial Co-operative Federation Limited.

^u Azamgarh: Rs. 105.65 lakh, Banda: Rs. 14.86 lakh, Lalitpur: Rs. 9.24 lakh and Sitapur: Rs. 8.0 lakh

* 1997-98 Rs. 0.94 lakh and 1998-99 Rs. 10.00 lakh.

Scrutiny of records revealed that the Department released Rs.1.50 crore as advance on account of subsidy payable for supply of 500 power tillers to M/s. UP Agro during 1996-97. As of February 2004, the firm supplied only 75 power tillers involving a subsidy of Rs.22.50 lakh and retained the balance of Rs.1.27 crore for over seven years.

Similarly, the DDAs (Extension) Bahraich, Barabanki and Mathura released payments of Rs.7.64 lakh^Ω during 2001-2003 to M/s UP Agro, the distributing agency, on account of subsidies claimed for supply of agricultural implements without ensuring their actual distribution to the farmers and completing other formalities.

3.2.12 Seed Management

The Director of Agriculture procures seeds of improved variety from the State Agriculture Farms, UP Seeds & Tarai Development Corporation Limited (TDC) and other agencies for distribution amongst farmers.

Avoidable payment due to injudicious fixation of procurement price

Criteria for fixing rates for procurement of seeds from TDC or other agencies were decided by the GOUP in their order of August 1983 and July 1988. As per the guidelines for such fixation, godown rent and interest payments, if any by the TDC, were not to be taken into consideration while fixing the rates for procurement of seeds.

In contravention of Government instructions, procurement rates fixed were inclusive of the godown rent and interest. This incorrect fixation of procurement rates led to an excess payment of Rs.2.96 crore to TDC and other agencies in last three crop years viz., Rabi/ Kharif 2000, Rabi/Kharif 2001 and Rabi/Kharif 2002.

The department stated that the rates were fixed by a Committee under the Chairmanship of the Commissioner, Agriculture Production. The reply was not acceptable as orders issued by the State Government could not be overruled by the Committee.

Wasteful expenditure on unusable seeds

Records of DAOs of eight test checked districts revealed that due to excessive allotment or allotment of varieties not required by the DAOs, seeds of various varieties valuing Rs.67.07 lakh[Ⓜ] remained undistributed during the cropping seasons of 2001 and 2002 and ultimately became unusable rendering the amount incurred on the procurement of seeds wasteful.

Infructuous expenditure on purchase of sub-standard seeds

In five districts, seeds purchased during 1999-2000 from different seeds sales agencies for subsequent sale to farmers were found to be sub-standard rendering

^Ω Bahraich : Rs. 0.34 lakh (During 2000-01 for Benoving fans, Disk Harrows and Power Thrashers), Barabanki : Rs. 3.55 lakh (during 2002-03 Tractors, Reapers and Power Thrashers) and Mathura : Rs. 3.75 lakh (during 2002-03 for tractors and seed drills).

[Ⓜ] Azamgarh : Rs. 6.50 lakh, Banda : Rs. 6.25 lakh, Jhansi : Rs. 7.31 lakh, Lalitpur : Rs. 7.24 lakh, Mathura : Rs. 8.79 lakh, Rae Bareli : Rs. 16.47 lakh, Sitapur : Rs. 8.67 lakh and Sonbhadra : Rs. 5.84 lakh.

the expenditure of Rs.7.06 lakh incurred on their purchases infructuous as detailed in *Appendix 3.8*.

Loss due to auction sale of seeds

In seven districts*, 5499.85 quintals of seeds of different varieties (value Rs.66.01 lakh) allotted in excess of requirements or without requirement became unusable as these could not be distributed to farmers during the years. This stock was disposed of by auction sale for Rs.20.26 lakh resulting in loss of Rs.45.75 lakh.

3.2.13 Manpower Management

Over all position of staff

Sanctioned strength, men-in-position and excesses/shortages of staff in the Department as of June 2003 were as given below:

Cadre	Sanctioned Strength	Men in position	Excess (+)/ Shortage (-)	Percentage
1-Gazetted Group A	163	164	+1	1
2-Gazetted Group B	665	392	-273	41
3-Group C	19744	18073	-1671	8
4-Group D	3889	6266	+2377	61
Total	24461	24895	+434	2

An Additional Director and 2377 Group ‘D’ official were employed in excess of the sanctioned strength while 1298 Group “B” and “C” operational posts were vacant. The excess deployment resulted in an avoidable liability on the Government to the tune of Rs.7.29* crore per year on pay alone leaving apart the allowances paid to such staff.

3.2.14 Efficiency of Internal Audit Organisation

Although internal audit arrangements existed in the department, the internal audit was not conducted effectively during the period 1997-2003 .

As against 2575 to 2672 units due annually for internal audit during 1997-2003 only 5 to 17 *per cent* of units could be audited by the Internal audit wing of the department and 22787 observations were pending for settlement as of 31st March 2003 vide *Appendix-3.9*.

Inadequate audit coverage was attributed to shortage of staff in the Internal Audit wing.

3.2.15 Other points of interest

Departmental receipts not deposited in Government revenue

* Azamgarh, Baharaich, Barabanki, Mathura, Rae Bareli, Sitapur and Siddarthnagar.

* Calculated at the minimum of the pay scales (Group A post: Rs. 14300* 12=Rs. 171600 and Group D posts: 2377* 2550*12=Rs. 72736200)

Many operational posts were vacant

Internal audit organization was not effective

Test check of records (June 2002) of District Agriculture Officer (DAO), Gonda, revealed that receipt of Rs.5.36 lakh^ψ collected from auction of cereals were not deposited by four Farm Superintendents.

Further, the Farm Superintendent, Kastuva farm misappropriated a sum of Rs. 5.96 lakh received from DRDA Gonda during January to April 2000. No departmental action was initiated against the erring official despite receipt of confidential enquiry report with penal recommendation from the DAO concerned.

Infructuous expenditure

Test check (July 2002) of the records of Soil Conservation Unit, transferred from Agra and established at Baberu (District- Banda) in September, 2000 for operation of European Economic Community (EEC) funded soil conservation activities in the district, revealed that no functions were performed by the staff of that unit because no physical targets had been allotted. This rendered expenditure of Rs.54.45 lakh incurred during September 2000 to July 2002 on the salaries of all the 23 staff members infructuous.

Further, eight Soil Conservation units* remained non-functional during 2001-03 as funds were not provided to them for works nor any physical targets were fixed. As a result, expenditure of Rs.6.53 crore incurred on the salaries of the staff posted in the units (23 to 24 in each unit) became infructuous.

Diversion of funds from the National Agriculture Insurance Scheme (NAIS)

The NAIS, a scheme implemented by the Government of India, Ministry of Agriculture for providing insurance cover to various crops, launched in the State from Kharif 2000 crop, envisaged creation of a Corpus Fund with financial assistance from GOI and GOUP in a ratio of 50:50. State Government provided funds to the extent of Rs.21.94 crore to this Corpus Fund. During the years 2000-2001 and 2001-02 funds to the extent of Rs.85.03 lakh were diverted from this fund and spent for purposes not related to the scheme vide *Appendix-3.10*.

Unfruitful investment

As a result of the Cabinet decision (29 June 1997) to close four uneconomic agriculture workshops[∞], 178 officers/officials rendered surplus were absorbed elsewhere. However, the assets of these workshops (land, buildings etc.)^φ valued at Rs.3.29 crore were yet to be disposed off.

Lack of comprehensive planning at the level of Government therefore resulted in these assets remaining unutilized/blocked.

^ψ Kastuva: Rs. 2.36 lakh, Kataha: Rs. 0.35 lakh, Lakshmanpur: Rs. 1.66 lakh & Kalyanpur: Rs. 0.99 lakh).

* Rampur, Mahrauni, Jhansi-II, Hamirpur-II, Kulpahar, Banda-I, Banda-II and Chitrakoot at Mau.

[∞] Azamgarh, Deoria, Ghazipur and Jaunpur.

^φ Land and building Rs. 2.62 crore, dead stock/machinery Rs. 0.17 crore, raw materials Rs. 0.24 crore and finished product Rs. 0.26 crore.

Implementation of tractorisation scheme

Under the scheme, subsidy was to be provided to small farmers for purchase of tractors at the rate of Rs.30000 per tractor. Guidelines of the scheme inter alia, envisaged identification of smaller number of districts for better implementation and monitoring of the schemes.

Test check (April 2003) of records of the Directorate of Agriculture, UP, Lucknow, revealed that instead of concentrating in smaller number of districts as envisaged in the scheme, 3511 tractors were delivered to farmers (Amount of subsidy: Rs.10.53 crore) in all the 70 districts of the State during 1992-2001 covering only 0.02 *per cent* of the population (about 94 lakh) of small and marginal farmers of the State. Further, no mechanism was developed to ensure that the buyers of the tractors were making those available to other small and marginal farmers on hire, on demand at reasonable rates, as envisaged in the scheme. With such a low coverage of the targeted population i.e. on average of about 50 farmers in each district the impact of the scheme as envisaged is unlikely to accrue.

Scheme for popularisation of Improved Agricultural Implements

With a view to popularise Improved Agricultural Implement, the State Government sanctioned grants to UP State Agro Industrial Corporation Ltd. (UP Agro) towards distribution of subsidy^ξ on distribution of Power Tillers and Power Operated Seed Drill during the years 1995-98. The implements were to be distributed by the UP Agro to the farmers. Physical and financial targets and achievements thereagainst during the aforesaid period were as under:

Year	Items	Target		Achievement		Shortfall	
		Physical (No.)	Financial (Rs. in lakh)	Physical (No.)	Financial (Rs. in lakh)	Physical (No.)	Financial (Rs. in lakh)
1995-96	Drill	386	13.51	386	10.16	-	3.35
	Power tiller	10	1.50	10	1.50	-	-
1996-97	Drill	1200	42.00	577	15.38	623	26.62
	Power tiller	200	30.00	2	0.30	198	29.70
1997-98	Drill	300	10.50	-	-	300	10.50
	Power tiller	50	7.50	-	-	50	7.50
Total	Drill	1886	66.01	963	25.54	923	40.47
	Power tiller	260	39.00	12	1.80	248	37.20

^ξ The subsidy to the extent of 25 *per cent* of the cost of Power Tiller (subject to a maximum of Rs.15000.00) and Seed Drill (subject to a maximum of Rs. 3500.00) were to be distributed

The entire allotment of three years (Rs.1.05 crore) was released in advance without ensuring actual delivery/distribution of the implements. UP Agro although delivered the targeted number of implements during the year 1995-96, failed to achieve the target of supply during 1996-98 and refunded Rs.76.87 lakh by the end of 1998-99 and Rs.0.84 lakh were yet to be refunded. It would, thus, be seen that the failure of UP Agro to induce farmers to purchase subsidised implements affected the achievements of the intended result of popularisation of mechanical farming. The scheme only helped UP Agro which kept Government funds for over two years.

3.2.16 Overall production and productivity of foodgrains

Despite the total area under cultivation remaining more or less static, there were substantial variations in production of food grains in the state. The production of food grains which increased by about 14 per cent from 1998-99 declined to 4.5 per cent in 2000-01 and 0.25 per cent in 2001-02 as would be evident from below:

It would be seen from the above that reduction in production was despite a

Year	Reported area	Cultivated area	Production of food grains	Productivity	Consumption of fertilizers
	(in thousand hectares)	(in thousand hectares)	(in thousand tonnes)	(in quintals per hectares)	(in thousands tonnes)
1998-1999	24200	16801	36896	19.61	2959
1999-2000	24200	16819	42087	22.12	3152
2000-2001	24200	16800	40181	21.02	2962
2001-2002	24200	16850	41981	21.81	3338

noticeable increase in consumption of fertilizers, which went up from 3152 thousand tonnes (1999-2000) to 3338 thousand tonnes (2001-02). Thus, the department had, after an increase of about 14 per cent in production of foodgrains during the years 1999-2000 failed to achieve annual targeted growth rate of 5.1 per cent in case of foodgrains in the subsequent years which was indicative of their failure in enhancing the agriculture yield by introducing improved techniques and better quality seeds, and in inducing/training farmers to utilize the benefit of the schemes being implemented by the Government.

3.2.17 Conclusions

The financial management of the department was weak as evidenced from large savings remaining unsurrendered, diversion of funds and huge outstanding advances. The implementation of programmes/schemes suffered from several deficiencies such as non-distribution of quality seeds, inadequate dispensation

of technologies etc. resulting in lower achievement than targeted. Subsidies were being released to the suppliers without proper verification. Shortage of manpower in operational posts also hindered the implementation. Consequently, the production of foodgrains, area under cultivation and the productivity remained static during the last three years.

3.2.18 Recommendations

- Budgetary control system needs improvement;
- Availability and distribution of certified seeds should be ensured;
- Payment of subsidy without proper verification was a matter of concern and should be looked into;
- Continuation of Agriculture farms incurring huge losses could be examined.

The matter was referred to Government in August 2003; reply had not been received (March 2004).

MEDICAL DEPARTMENT

3.3 Implementation of Drugs and Cosmetics Act, 1940

Highlights

The Drugs and Cosmetics Act, 1940 was enacted to combat production and marketing of spurious / not of standard quality(NSQ) drugs and cosmetics causing serious health hazards and even death of consumers. Due to various inadequacies in implementation of the provisions of the Act in the State such as acute shortage of Drug Inspectors, faulty system of licensing, shortfalls in inspections of manufacturing/selling units and collection of samples, inefficient Government Laboratories and non-appointment of the Government Analyst for Homeopathic medicines etc. the consumers were prone to risk of health hazards. Monitoring and evaluation of the implementation of the provisions of the Act was, by and large, non-existent.

- *There was no Regulatory Authority to co-ordinate the efforts of the authorities responsible for the implementation of the provisions of the Act/ rules for all the three systems of medicines.*

[Paragraph 3.3.5]

- *Inspections of manufacturing facilities/Sale points of Allopathic medicines ranged between 4 per cent and 49 per cent.*
- *Sampling of Allopathic medicines from Sellers ranged between one per cent and four per cent and from manufacturers between 22 per cent and 57 per cent.*

[Paragraph 3.3.6]

- *Delay in testing samples ranging from 1 to 5 years rendered the working of the Government Analyst ineffective. Further, Rs. 65 lakh for the Government Analyst's Lab was not utilized.*

[Paragraph 3.3.7]

- *Working of the intelligence branch(IB) established to intercept the manufacture and sale of sub-standard Allopathic medicines was inefficient and in respect of Homeopathic and Ayurvedic & Unani medicines, no IB was established.*

[Paragraph 3.3.8]

- *Rs.1.24 crore out of Rs.1.55 crore released (March 2002) by Government of India for the strengthening of labs of Government Pharmacies remained unutilised.*

[Paragraph 3.3.11]

- *No system, for monitoring and evaluating the working of Drugs Controller's Organization and Directors, Homeopathic and Ayurvedic & Unani Medicines in respect of the implementation of the Act and Rules, was in place in the State.*

[Paragraph 3.3.12]

3.3.1 Introduction

Background: At the beginning of the twentieth century, pharmaceuticals were being imported from abroad. After the First World War manufacturing concerns, both Indian and foreign sprang up to produce pharmaceuticals at cheaper rates to compete with imported products. Some of these products were of inferior quality and harmful. Government, therefore, decided to introduce legislation to control the manufacture, distribution and sale of drugs and medicines. A Select Committee appointed by the Central Legislative Assembly in 1937 recommended various measures, providing for the uniform control of manufacture and distribution of drugs as well as of import, and finally the Drugs Act was enacted on 10 April 1940.

At present, the Acts and Rules, apart from the Drugs and Cosmetics Act 1940, which govern the manufacture, sale, import, export and clinical research of drugs and cosmetics in India are: The Pharmacy Act, 1948; The Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954; The Narcotics Drugs and Psychotropic Substances Act, 1985; The Medicinal and Toilet Preparations (Excise Duties) Act, 1956; and The Drugs (Prices Control) Order 1995 (Under the Essential Commodities Act). However, 'The Drugs and Cosmetics Act, 1940' (D & C Act) continues to be the main Act.

Main features of the Act

- Regulatory measures to ensure standards of Drugs and Cosmetics, Diagnostics and Devices.
- Monitoring of quality of drugs and medicines imported, manufactured, distributed and sold to consumers.
- Punitive measures for dereliction of provisions of the Act.
- Regulate clinical research and publication of Indian Pharmacopoeia.

Statutory Functions: This is a Central Act and is applicable to all the States. Central Government lays down the regulatory measures and the standards of drugs, cosmetics and diagnostics, and makes amendments to Acts and Rules. It regulates market authorisation of new drugs and standards of imported drugs. It is the Central Licence Approving Authority for Blood Banks, Large Volume Parenterals and Vaccines and Sera Drugs Technical Advisory Board (DTAB). Drugs Consultative Committee (DCC) and Central Drugs Laboratories are under the control of the Central Government.

The main functions of the State Government are (a) licensing of drug manufacturing/sales units and drug testing laboratories, (b) approval of formulations of drug for manufacture, (c) investigation and prosecution in respect of violation of provisions of the Act, (d) regulation of standards of drugs, (e) inspection and (f) recall of sub-standard drugs.

3.3.2 Implementing Agencies: implementation arrangement

Drugs Controller (DC) was the Licensing and Controlling Authority for the manufacturers of allopathic and homeopathic medicines and cosmetics. The powers of the Licensing Authority for sale of allopathic and homeopathic medicines were exercised by the Chief Medical Officers (CMOs) up to March

2001. Thereafter five Pathologists[&] and one CMO were notified (August 2001) as the Drug Licensing Authority for sale of allopathic medicines and Director Homeopathy for sale of homeopathic medicines. The Director, Ayurvedic and Unani Services functioned as the Controlling and Licensing Authority for manufacturers and sellers of Ayurvedic and Unani medicines.

Drugs Inspectors (DIs) for allopathic medicines were responsible for collection of samples from the premises of manufacturers/whole sellers/retailers of allopathic medicines. The District Homeopathic Medical Officers were designated DIs for homeopathic medicines, and the powers of DIs in respect of Ayurvedic and Unani medicines were exercised by the Regional Ayurvedic and Unani Medical Officers and the Principals of the Ayurvedic and Unani Medical Colleges. Government Analysts were there to test/analyse the samples of Allopathic and Ayurvedic and Unani drugs and medicines.

3.3.3 Audit Coverage

Implementation of the Drugs and Cosmetics Act for the period 1998-2003 was reviewed in Audit between March and November 2003 through test check of records of the offices of the Director General of Medical and Health, DC of the State, Directors of Homeopathic and Ayurvedic and Unani Medicines, Government Analysts (GAs) of Allopathic and Ayurvedic and Unani Medicines, DIs, and Inspectors of Homeopathic and Ayurvedic and Unani Medicines in 16[∞] districts.

3.3.4 Infirmities in the Act

There were many infirmities in the Act itself due to inadequate provisions in respect of licensing, absence of time frame for prosecution etc.

Inadequate provision for renewal

Under the Rules a licence or a renewal certificate issued shall be valid for a period of 5 years from the date of issue. But once a renewal application is submitted either before the expiry of the original licence or within six months from the date of its expiry, the original licence shall continue to be in force until orders are passed on the application by the licensing authority. No time frame has however, been prescribed in the Act for renewal of licences. As such, in cases where the inspection of the premises is delayed for some reason and subsequently the licence is found unfit for renewal, the concerned unit can function with immunity during the interval.

Non-differentiation of minor and major offences

There is no differentiation of minor and major offences in the Act/Rules. As such, decision on departmental action or prosecution is left to the discretion of the DC or DIs. As such they are amenable to outside pulls and pressures.

Lack of provision for free surrender of samples

[&] The number of pathologists was raised to 13 from December 2001.

[∞] Allahabad, Kanpur Nagar, Varanasi, Gonda, Lucknow, Moradabad, Ghaziabad, Bareilly, Bulandshahar, Muzaffar Nagar, Meerut, Agra, Saharanpur, Gorakhpur, Shahjahanpur and Gautam Budh Nagar.

According to existing provisions, drug samples are required to be collected by the DI only on payment of cost thereof. In view of financial stringency, the funds allotted for this purpose are generally inadequate. As such the provision in the Rules acts as a hindrance in the collection of adequate number of samples for quality analysis.

No time frame for drug analysis

No time frame has been prescribed to analyse the drugs samples due to which substandard/ spurious drugs continue to be sold in the market. Rule 46 envisages that after analysis, the test-report is to be sent 'forthwith'. But there is no specific mention about the time limit for testing/sending test reports resulting in consumption of untested drugs before availability of the report leading even to death. Standing of the Law.

Scrutiny of records of the GAs of Allopathic and Ayurvedic and Unani medicines for the period 1998-2002 revealed that only 14 *per cent* of samples were tested within the year of their receipts. The delay in testing of the remaining samples ranged between 1 and 6 years in case of allopathic medicines and between 1 and 4 years in case of Ayurvedic and Unani medicines as discussed in paragraph 3.3.5. Delay in testing the samples hampered the effectiveness of the quality control. Delay in testing also meant that the drugs, to be retested under section 25(4) of the Act, in case of appeal by manufacturers would not be feasible due to prescribed expiry period of medicines.

Absence of time frame for prosecution

No time frame has been prescribed in the Act to file the complaint by the department in the court of law with the result that action against the offenders gets delayed.

3.3.5 Deficiencies in administrative structure

No unified regulator for all system of medicines, viz. Allopathic, Homeopathy and Indian System of Medicines was available. Thus, unlike Maharashtra a central authority to monitor the effectiveness of implementation of the provisions of the Act was not operational in the State. Government, however, stated (March 2004) that a decision had been taken to setup a unified Drugs and Food Authority in the State.

Further, DC, who was responsible for implementation of the Act, did not have an independent set up under him. He was subordinate to the Director General/ Medical & Health, while Assistant DCs and the DIs, instead of being under his administrative control, were working under the control of Additional Director/ Medical and Health and Chief Medical Officers respectively. Thus, the DC had no administrative control over the DIs. This resulted in uneven distribution of available strength of the DIs and transfers without taking into consideration of the progress of investigations in hand as pointed out in succeeding paragraphs.

3.3.6 Delay in grant of renewal of licenses for manufacturing

Rules provide that a license for manufacturer of medicines and cosmetics was valid if the application for renewal of the license was made before its expiry or

Testing of samples was delayed upto six years

A unified regulator for all the systems of medicine was not created in State

Chain of command in Drugs Controllers Organisation was not well defined

within six months of its expiry. Rules, however, do not specify any time limit allowed, to the Licensing Authority, for completing the renewal process.

Scrutiny of renewal cases revealed that out of 62 renewal cases pending as of September 2003, 17 were delayed by two to five years, 16 by six to ten years and five cases by more than 10 years. This included a case where the license was valid up to 31 December, 1973 and had not been renewed nor refused till date (September 2003). In another case license for 19 drugs, valid up to 31 December 1999, was renewed on 15 December 2002 for the period from January 2000 to December 2001 only. Further, renewal was for 14 drugs only. Thus, manufacture of five drugs for which license was not renewed, continued during January 2000 to December 2002. There was no record on evidence that the manufacture of these five drugs was ever stopped.

The Drugs Controller stated (September 2003) that delay in renewal of the licenses was caused due to non posting of the DIs in some of the districts, non-availability of inspections reports or incomplete inspection reports, non co-operation by the concerned units and higher number of licensed sellers and manufacturers. Records, however, revealed that in the test-checked districts, available manpower was deployed for inspections of the premises of new applicants only and not for those seeking renewal of licenses. Thus, better management of the available resources could have avoided these cases of delays.

Delays in renewal of licenses of Blood Banks

The DC of the State was the Licensing Authority to issue to licenses to the Blood Banks with the prior approval of the Drugs Controller of India. It was noticed that as against 121 licensed blood banks in the state, renewal of 107 licenses was pending as of May 2003.

The DC attributed the pendency to the delay in joint inspections with the team of the Drugs Controller of India and delays in compliance of the earlier observations of the DIs. Such delays in renewal of licenses of blood banks tantamount to lack of quality control.

Licenses renewed without inspections

A license for selling of medicines is renewed after inspections of the premises to ensure that the conditions requisite for granting the license have been fulfilled. Scrutiny of records of the Drugs Controller Organization revealed that licenses of 700 Whole Sellers of allopathic medicines in Allahabad district were renewed during 2002-03 without receiving the inspection reports of the concerned DI.

Inadequate collection of sampling and inspections

Drugs and Cosmetics Rules, 1945 provide that an Inspector shall inspect not less than twice a year (reduced to once a year w.e.f. September 2001), all establishments licensed for the manufacture and sale of drugs.

Scrutiny of records in test-checked districts revealed that in respect of all systems of medicines, neither inspection of the premises of manufacturers /sellers nor collection of samples therefrom were according to the prescribed

Licenses were renewed without proper inspection

Inspections and samplings were much below the required numbers

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norms. Details of inspections and sample collection during the period from 1998-2002 were as follows:

Systems of Medicines	Number of inspections carried out as a percentage of the inspections due			Number of samples collected as a percentage of samples due		
	Manufacturer	Whole Sellers	Retailers	Manufacturer	Whole Sellers	Retailers
Allopathy	17 to 49	4 to 12	5 to 16	22 to 57	2 to 4	1 to 2
Ayurvedic and Unani	50 to 54	Nil	Nil	1 to 8	Nil	Nil
Homeopathy	23 to 59	10 to 13	9 to 13	Nil	Nil	Nil

Government attributed (March 2004) the shortfall to shortage of manpower and lack of supporting facilities.

During the period 1998-2002, only 11 samples of cosmetics were collected out of which five were tested and two were found sub-standard. It was, thus, evident that the requisite number of inspections and samplings were not being carried out. This diluted the regulatory impact of the Act.

The manufacturers and wholesalers were the source from where medicines were available for retail sale to the consumer. A comparison of inspections of sampling from the manufacturers/ wholesalers and retailers carried out during 1998-2002 revealed as follows:

Year	Number of samples pertaining to Manufacturers/ Wholesalers		Number of samples pertaining to Retailers		Number of samples found to be adulterated/ substandard	
	Collected	Tested	Collected	Tested	Out of Col. 3	Out of Col. 5
1	2	3	4	5	6	7
1998	444	164	169	67	4	1
1999	454	188	214	72	49	1
2000	310	67	194	55	11	3
2001	341	85	153	39	14	4
2002	664	92	231	38	32	5
Total	2213	596	961	271	110	14

It was thus evident from the above that the percentage of adulteration in the samples collected from the manufacturers and wholesalers was higher (18.45 per cent) as compared to those collected from the retailers (5.16 per cent) indicating ineffectiveness of the inspections carried out at the premises of the manufacturers and wholesalers.

3.3.7 Working of Drug Testing Laboratories

Inadequate testing capacity in the laboratory

Testing laboratories did not have adequate capacity to test samples

As provided under the Rules 45 and 46 of the Drugs and Cosmetics Rules, 1945 the Government Analyst (GA) for allopathic medicines and cosmetics was responsible for testing or analyzing of samples of medicines and cosmetics and furnishing results of such testing to the DC. Inordinate delays were noticed in testing of the samples at the level of the GA as detailed below:

Year	Opening Balance	Samples received during the year	Tested/analyzed			Returned untested			Closing Balance	Samples found NSQ/spurious
			Relating to Current year	Relating to previous years	Total	Current year	Previous years	Total		
1	2	3	4	5	6	7	8	9	10	11
1998	4974	2889	705(24%)	560	1265	67	672	739	5859	127
1999	5859	2853	475(17%)	454	929	118	860	978	6805	108
2000	6805	2772	345(12%)	375	720	55	3960	4015	4842	113
2001	4842	2889	129(4%)	383	512	60	1560	1620	5599	67
2002	5599	3216	388(12%)	721	1109	34	1011	1045	6661	203
Total		14619	2042 (14%)^β	2493	4535	334	8063 (29%)^χ	8397		618 (14%)

It was observed that

- The percentage of testing of samples, out of current year samples, went down from 24 *per cent* in the year 1998 to 12 *per cent* in the year 2002;
- During 1998-2002, 4,535 samples were tested, out of which 2493 (i.e. 53 *per cent*) samples related to preceding years;
- The GA returned 8,397 samples untested due to lack of capacity.

In reply the GA of allopathic medicines stated that testing was delayed as the Laboratory had a capacity to test only 600 samples per year. Thus, the capacity of the laboratory was grossly inadequate as it could test only 600 samples in a year whereas more than 2800 samples were being collected each year.

The Government stated (March 2004) that strengthening of the laboratory was under process.

Similarly during 1998-2002, the GA of Ayurvedic and Unani Medicines received 820 samples for testing in addition to opening balance of 222 samples available at the beginning of the period. Out of these, only 419 samples were tested during the year of their receipt, 459 within next one to three years and

^β Percentage of samples tested, out of samples collected during current year as shown in col.3

^χ Percentage of samples returned, out of opening balances of the years as shown in the col. 2.

eight samples were tested after three years, leaving a balance of 156 samples un-tested at the close of 2002.

The GA of Ayurvedic and Unani medicines stated that the laboratory had the capacity to test only 100 samples per year and that for determination of *putties* in the *Bhasm*, and the components in the medicines containing more than eight ingredients could not be identified for want of instruments and non fixation of standards for raw drugs of mineral and animal origins, and for composition of medicines. The reply was not tenable as a sum of Rs.65 lakh received from Government of India in March 2001 for strengthening the laboratory remained unutilised in a current account of State Bank of India, Lucknow as of June 2003. No effort was taken to utilize the funds for strengthening the laboratory.

There was no GA for homeopathic medicines

Further, there was no Government Analyst for testing or analyzing samples of homeopathic medicines and cosmetics.

Follow up action on samples found sub-standard or spurious

No legal action could be taken against deficiencies in case of Ayurvedic and Unani medicines

To deter the defaulters it was necessary that deterrent actions as provided in the Act should be taken. It was noticed that out of 886 samples tested by the Government Analyst (GA) of Ayurvedic and Unani medicines during 1998-2002, 309 samples were found adulterated, spurious and misbranded. None of these cases were however, found fit for prosecution by the Director, Ayurvedic and Unani Services.

In reply the Director, Ayurvedic and Unani Services stated (September 2003) that as pharmacopoeia standards for single and compound drugs were not available, the prosecutions would not have stood the test of court of law. As such, show-cause notices were issued to the defaulting firms and further administrative action decided keeping in view their reply.

3.3.8 Intelligence Branch

No Intelligence Branch, to intercept the manufacture and sale of adulterated, sub-standard, spurious or misbranded Homeopathic and Ayurvedic & Unani medicines existed in the State.

Intelligence branch remained un operational

In respect of allopathic medicines, State Government established (March 1987) an Intelligence Branch (IB) in the Drugs Controller Organization and created one post of Assistant Drugs Controller and five posts of Drug Inspectors. No records, relating to the working of IB during 1998-2002 were maintained at the headquarters level.

Further it was seen that the IB was not in touch with any other similar organization such as Central Economic Intelligence Units, Income Tax department and IBs of other States to exchange information. No special training was given to the ADC and the DIs for intelligence work. No secret fund was created to induce the informers. Creation and operation of IB in the Drugs Controller Organization were also not advertised to make the people aware of their existence and to invite public participation. The services of the ADC and DIs meant for IB were being utilized in different districts in other routine activities of the department. Thus, IB was totally non-functional.

The Government while accepting (March 2004) the audit observations attributed the non-functioning to lack of manpower, mobility and other strategic support facilities.

3.3.9 *Improper system of initiation of prosecutions*

Prosecution was not initiated in large number of cases

The records in the office of the DC revealed that out of 618 samples found sub-standard, adulterated and spurious during 1998-2002 by the GA of Allopathic medicine, DC approved only 151 cases for prosecution. The prosecutions could however, be launched only in 93 cases by the concerned DIs as detailed below:

Year	Number of Cases	
	Approved for prosecution	Cases filled
1998-99	9	2
1999-2000	30	8
2000-01	73	12
2001-02	4	48*
2002-03	35	23
Total	151	93

The DC stated (September 2003) that initiation of legal proceedings got delayed due to consumption of more time in investigations and also due to transfers of the Investigating Officers midway. The reply is not tenable, as the department should have developed a suitable system to ensure expeditious investigations of cases to avoid delays in filing of prosecutions since delays in remedial/ legal action diluted the deterrent effect of the Act and Rules.

3.3.10 *Lack of Human Resource*

Due to shortages of Drugs Inspectors, 30 districts remained uncovered

To implement the provisions of the Drugs and Cosmetics Act in the state, in respect of Ayurvedic & Unani medicines, there was only one regular DI at Directorate level to examine the issue of licenses to the manufacturers. At district level, all Regional Ayurvedic and Unani Medical Officers, Ayurvedic and Unani Medical Officers and Principal, Ayurvedic and Unani Colleges were assigned additional duties of the DIs.

In respect of manufacturers and sellers of allopathic medicines only 47 DIs were available. These DIs were so deployed as to cover only 40 districts out of 70 districts of the State (five DIs earmarked for Intelligence Branch). Thus, 30 districts were virtually without DIs.

The shortage of regular DIs affected adversely the quantum of inspections and collection of samples of the manufacturers and sellers as discussed earlier.

Government stated (March 2004) that the strengthening of the Drugs Control Department was under process.

* includes cases approved during earlier years.

3.3.11 Other Points of interest

Blocking of funds.

Rs. 124.16 lakh sanctioned by GOI in March 2001 remained unspent

The Government of India, Ministry of Family Welfare sanctioned[⊕] Rs. 170 lakhs (Rs. 50 lakhs for buildings and Rs. 120 lakhs for equipments) and released Rs. 155 lakhs for strengthening the laboratories of the Government Pharmacy at Lucknow and Pilibhit. Out of Rs. 155 lakhs received, Rs. 27.30 lakhs only was spent on constructions of building by the Government Pharmacy Lucknow, Rs. 3.54 lakh on equipments by Government Pharmacy Pilibhit and the remaining amount of Rs. 124.16 lakh remained unspent (May 2003).

No quality control of raw materials

Quality of raw material was not checked

Government Ayurvedic Pharmacy, Lucknow is manufacturing Ayurvedic and Unani Medicines to supply all the Government Ayurvedic and Unani Hospitals & dispensaries of the State but its Laboratory for testing raw materials and finished medicines was closed for the last 10 years.

Non-communication of test results.

Test results not communicated to GA

GA of Ayurvedic and Unani Medicines tested 251 samples of medicines manufactured by the Government Pharmacy and found 107 samples sub-standard. However, the Pharmacy did not receive any information regarding sub-standard medicines, though both the Government Analyst and Government Pharmacy functioned under the administrative control of the Director, Ayurvedic & Unani Services, Lucknow.

3.3.12 Monitoring and Evaluation

A system of Monitoring and Evaluation developed

No reports/returns were prescribed for Licensing Authority, Government Analyst, Asstt. Drugs Controllers, Senior Drugs Inspectors and Drugs Inspectors for submission to DC to monitor the progress of grant and renewal of licenses, test/analysis of samples, inspections and collections of samples. Thus, there existed no system to maintain the data in respect of granting and renewal of licenses to sellers and manufactures of allopathic medicines, their inspections and sampling and testing the samples and to monitor and evaluate the performance of the authorities responsible for implementing the provisions of the Act/Rules.

In the Directorate of Homeopathy, a system to ensure sufficient number of inspections and sampling by District Homeopathic Officers (DHO) as Drug Inspector was not in place as required in Rule 51 and 52 of the Drugs and Cosmetics Rules, 1945. Submission to audit by the DHOs of Varanasi, Allahabad, Lucknow, Bareilly, Ghaziabad and Moradabad districts revealed that there existed no whole sellers and retailers of homeopathic medicines in their districts except Moradabad where there was only one retailer in the years 2001-02. These facts, at face value, did not appear reliable. As such there was

[⊕] Sanctioned and released: Government Pharmacy, Lucknow sanctioned in March 2001 (Rs. 30Lakh for building and Rs. 50 lakh for equipments) and released Rs. 70 lakh. Government Pharmacy, Pilibhit sanctioned in March 2002 Rs. 90 lakh (Rs. 20 lakh for buildings and Rs. 70 lakh for equipments) and released Rs. 85 lakh.

no monitoring and evaluation at the Director of Homeopathy level to implement the provisions of the Act and Rules.

There was no prescribed format/register to maintain the records relating to Manufacturers/Sellers of Ayurvedic and Unani medicines and cosmetics at district level as well as at Controlling Authority level. No system was developed to submit returns to the Director, Ayurvedic and Unani Services in respect of inspections and collection of samples by Drug Inspectors i.e. Regional Ayurvedic and Unani Officers and their evaluation at Director level, which was also evident from the fact that Regional Ayurvedic and Unani Officer, Varanasi did not furnish information in respect of inspection and sampling for the period 1998-2001.

Government stated (March 2004) that the monitoring and evaluation of the Drugs Control Organisation was being improved and a Management Information System (MIS) was under process of development.

3.3.13 Conclusions

The machinery responsible for implementation of provisions of Drugs & Cosmetics Act, 1940 was ineffective due to lack of a clear chain of command. The numbers of inspection of/sampling from the premises of manufacturers and traders were inadequate. Lack of capacity for testing of drugs resulted in delay in reporting test results, which led to weakening of the prosecution proceedings against the defaulters.

3.3.14 Recommendations

- A Regulatory Authority to monitor the implementation of the Act common for all the systems of medicines may be set up.
- The Drugs Testing Laboratories may be strengthened so that all the samples received are tested/ analyzed without delay.
- A timeframe for disposal of the cases of renewal of licenses may have to be prescribed to arrest manufacture/sale of drugs without valid license.
- Shortage of Drug Inspectors needed attention.
- Computerized databank of the licensed manufacturers and sellers and those of banned substandard drugs may be maintained.

3.4 UP Health System Development Project

Highlights

The UP Health System Development Project (UPHSDP), an externally aided project, aimed at bringing about structural and qualitative changes in the health sector so as to transform it into a modern, responsive and accountable system to provide high quality, affordable and integrated health service. The project is to be implemented during December 2000 to December 2005 at a cost of Rs.478.07 crore (reimbursable Rs.411.11 crore and State share Rs.66.96 crore).

Audit scrutiny revealed that the implementation of the project was unsatisfactory as even after half of the period prescribed for implementation was over, physical and financial progress in many critical areas were lagging behind the target. The monitoring mechanism was not effective. Indications were towards time overruns and resultant cost overrun culminating into delays/denial of the benefits envisaged in the project to the targeted beneficiaries.

➤ *The utilisation of the available funds ranged between 11 per cent and 73 per cent of the targeted expenditure during 1999-2003.*

(Paragraph 3.4.5)

➤ *The physical progress of ten critical civil works ranged between NIL to 50 per cent as of that date.*

(Paragraph 3.4.6)

➤ *Due to slow progress, the project failed to achieve its social objectives.*

(Paragraph 3.4.7)

➤ *Computers purchased at a cost of Rs.2.92 crore remained non-operational for one year as the UPSs purchased for these computers did not function. Further, the ambulances purchased at a cost of Rs. 12.11 crore were not put to proper use.*

(Paragraph 3.4.11)

➤ *Ineffectiveness of the monitoring and evaluation system in the Projects resulted in tardy physical and financial progress.*

(Paragraph 3.4.12)

3.4.1 Introduction

The Government of India and International Development Agency entered into an agreement on 19 May 2000 for implementing the UP Health System Development Project (UPHSDP) in Uttar Pradesh. This project aimed at bringing in the “Policy reforms, management development and institutional strengthening” and “Improving health service quality and access” by bringing about structural and qualitative changes in the health sector so as to transform it into a modern, responsive and accountable system with aim to provide high quality, affordable and integrated service. The total project period was divided into “Initiation Phase” (December 2000-March 2003) and “Consolidation Phase” (April 2003 to December 2005). A sum of Rs.281.50 crore was to be

spent during the initiation phase and the remaining amount of Rs.196.57 crore was to be spent during the consolidation phase.

3.4.2 Organisational Set Up

A Project Governing Body chaired by the Chief Secretary to Government of Uttar Pradesh was formed at the state level and the project was being implemented through the Project Director, Project Management Unit (PMU) under the Public Health and Family Welfare Department of the State. For administrative purposes the State was divided into four regions, viz. Eastern Region, Central Region, Bundelkhand Region, and Western region with headquarters at Varanasi, Lucknow, Jhansi and Meerut respectively.

3.4.3 Audit Coverage

The Initiation Phase of the Uttar Pradesh Health System Development Project (UPHSDP), scheduled for completion on 31 December 2003, was taken up for a mid term review so as to appraise the progress made against various indicators, reasons for shortfalls, and to facilitate mid-term corrections where necessary. The implementation of the project between December 2000 and March 2003 was reviewed during April and May 2003 by test check of records of the Project Director, Project Management Unit.

3.4.4 Funding Pattern

The Project Management Unit communicated the requirement of funds to the Planning and Finance Department of the State, annually for inclusion in the State Budget. Consequent to the approval of the budget demands, the funds were released quarterly by the Government of Uttar Pradesh to the Project Management Unit for keeping in a Personal Ledger Account (PLA) opened in the name of the Project Director. From this Personal Ledger Account the Project drew money for their requirement and also for meeting the requirements of the field formations. The money, so drawn from the Personal Ledger Account, was deposited in savings bank accounts opened in nationalized banks. The Regional Project Management Unit (RPMU) and the District Project Management Unit (DPMU) also were required to open savings bank accounts in banks on the same lines for safe custody of the funds received from the Project Management Unit.

The World Bank reimbursed the expenditure incurred on the Project, in accordance with the terms and conditions of the Project Agreement on a quarterly basis. Details of the quantum of reimbursement of expenditure on various components are given in ***Appendix-3.11***.

3.4.5 Financial Progress

The position of the projected expenditure, budget demands, funds actually released by the GOUP and actual utilization by the implementing agency during 1999-2003 was as follows:

Audit Report (Civil) for the year ended 31 March 2003

Year	Projected Expenditure	Budget Provision	Funds actually released	Expenditure	Percentage of shortfall
	(Rupees in crore)				
1999-2000	Nil	Nil	1.52	1.11	27
2000-01	2.98	80.00	9.00	0.99	89
2001-02	139.41	125.24	25.00	13.52	46
2002-03	139.11	115.00	98.00	57.92	41

It would be seen that the funds released by the State Government were much lower than the budgeted provisions during 2000-03 and the shortfall in utilization of funds ranged between 41 and 89 *per cent* during the period.

Slow progress in training and reorientation programme affected the Policy Reforms adversely

For achieving the first objective, viz. Policy Reforms Management Development and Institutional Strengthening, the financial estimates included provisions for information, education and communication (IEC), training, local consultancy, studies/ workshops, contracting of services and involvement of Non Governmental Organisations. The progress of expenditure against these items were as follows:

Activity	Target for the initiation phase	Achievement as of 31 March 2003	Percentage of shortfall
	(Rupees in crores)		
Information, Education and Communication	3.84	0.73	81
Training	16.97	1.52	91
Local Consultancy	20.59	3.34	84
Studies/ Workshop	6.60	0.31	95
Contracting of services	4.38	0.05	99
Non Governmental Organisation	3.83	0.08	98

It was thus evident that the progress on these components of the project was negligible as the shortfall with reference to the targets ranged between 81 and 99 *per cent*.

The other objective, viz. strengthening of the available facilities and other similar activities, progress of these items was as follows:

Activity	Target for the initiation phase	Achievement as of 31 March 2003	Percentage of achievement
	(Rupees in crore)		
Civil Works	71.50	28.04	39.21
Furniture	3.01	0.67	22.25
Equipment	62.32	6.54	10.49
Vehicles	14.29	12.11	84.74
Medicines	21.16	5.14	24.29

Slow progress of civil works and procurements adversely effected the improvement of health service

Supplies (Others)	2.69	0.18	6.69
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The low achievements indicated that the project failed in bringing the desired improvement of health services.

Government stated (February 2004) that the expenditure during the year 1999-2000 was related to project preparation and that the project activities could start only in 2001-02 due to start up bottlenecks.

3.4.6 Physical Progress

Target date for completion of the initiation phase of the project was 31 March 2003. The physical progress of the component "Civil Works" was as detailed below:

Items	Physical Progress			Financial Progress		
	Target	Achievement	Percentage	Target	Achievement	Percentage
	(Unit in numbers)			(Rupees in crores)		
A. Strengthening						
1. Block Primary Health Centers	36	15	41.7	4.07	3.38	83.0
2. Community Health Centers	28	10	35.7	12.25	7.38	60.2
3. District Hospital (Male)	25	01	04.0	31.15	12.75	40.9
4. District Hospital (Female)	25	02	08.0	4.76	6.30	132.4
5. Combined Hospitals	03	NIL	00.0	3.10	0.34	10.9
TOTAL A	117	28	23.9	55.33	30.15	54.5
B. New Facilities						
1. Regional Training Centers	04	02	50.0	2.20	1.39	63.2
2. Trauma Care Centers	01	NIL	00.00	0.99	----	00.00
3. Disease Surveillance Laboratory	60 ^π	NIL	00.00	3.30	----	00.00
	10 ^ρ	NIL	00.00	1.10	----	00.00
4. Electro Medical Workshop	13	NIL	00.00	1.14	----	00.00
5. Renovation of PMU	1	NIL	00.00	0.39	----	00.00
TOTAL (B)	89	02	2.3	9.12	1.39	15.2
Grand Total	206	30	14.6	64.45	31.54[▲]	48.9

^π Renovation

^ρ New

[▲] Includes an amount of Rs.3.50 crore advanced to the RPMUs/ DPMUs for Civil Works.

Physical targets of the initiation phase were not achieved

It would thus be seen that against 206 works to be completed by the end of the initiation phase (31 March 2003), the actual progress ranged between “zero” *per cent* (Combined Hospitals) and 41.7 *per cent* (Block Primary Health Centers). As against the over all financial progress of 49 *per cent*, the physical progress was 14.6 *per cent* only. Thus, in all the cases physical progress was not commensurate with the expenditure that had been incurred. Work relating to creation of new facilities could not commence except in respect of “Regional Training Centers” where the physical progress was 50 *per cent* only.

Government stated (February 2004) that 59 works had been completed upto 31 October 2003 and 53 were in progress. The cost overrun in case of District Hospitals (Female) was due to additional work done/proposed and the time overrun was due to delay in availability of space besides inclusion of additional items of work and that renovation/ strengthening of six Block Primary Health Centers, one Community Health Center, sixty Disease Surveillance Centers, ten new Disease Surveillance Centers and nine Electro-Medical Workshops have been deleted from the scope of the project.

The reply was not tenable as all the above works were targeted for completion during the initiation phase, which ended on 31 March 2003. Further approval for additional items of work or for deletion of targets could not be shown to Audit. The need for inclusion of additional items was indicative of weakness in initial planning.

3.4.7 Non achievement of targets prescribed for achievement

Due to slow progress the project failed to achieve its social objectives

The project was expected to procure and install most of the necessary infrastructure facilities during the initiation phase. Rupees 281.50 crore (59 *per cent* of the project cost of Rs.478.07 crore) were to be utilized during this phase. Status of some major performance indicators, as of 31 March 2003 (the date of completion of the initiation phase), is detailed in *the Appendix-3.12*. Following targets could not be achieved by the project as evident from these details:

- The out patient visit and hospital admissions, in respect of poor, were to be increased to 25 *per cent*. No information in this regard was available with the project authorities.
- The numbers of child deliveries at the hospitals/maternity centres were to be increased from 1,00,000 to 1,10,000. This, however, declined by 12 *per cent*.
- The revenue budget of GOUP in the health sector was to be increased from 4.8 *per cent* to 6.5 *per cent*. At the end of initiation phase the revenue budget remained at 5.08 *per cent* (2002-03).
- All post for nurses and specialist doctors at facility level were to be filled, as per new norms by staff redeployment. No information was available with the project in this regard.
- Quality Assurance plan was to be implemented in 35 CHCs and 8 District Hospitals supported by the project. Only 11 quality circles could be started till the target date.

- Hospital Waste Management Strategy was to be developed for 35 CHCs and 51 Combined Hospitals/ District Hospitals. In this respect only the initial assessment could be completed and draft plan was under preparation.
- Fifteen proposals for “Innovative schemes demonstrating improved access to disadvantaged population” were to be funded by the project. Only four proposals could be cleared till the target date.

Thus, it is evident that due to the slow physical and financial progress the project failed to fulfill its social obligations.

3.4.8 Inadequacy of manpower

The project could not muster enough manpower as detailed in *Appendix-3.13*. The Project did not have a regular Chief Engineer. An officer was taken on short-term deputation basis from Public Works Department and his term was renewed every six months. While the project authorities were unable to fill up a large number of sanctioned posts, a case of the appointment of Assistant Director (IT), without a sanctioned post being available, had also come to light. Dearth of officers and staff affected the efficiency of providing the services envisaged in the Project and also resulted in ineffective monitoring.

3.4.9 Non implementation of prescribed computerized accounting system

Computerized Accounting System could not be implemented in the field units

The Project Implementation Plan (PIP) envisaged designing of an accounting procedure and development of a comprehensive computerized “Financial Management Information System” by 31 December 2001. It envisaged developing a computer based accounting system and linking of all field units to the Project Management Unit at Lucknow through a wide area network for instant collection and processing of data.

It was observed in Audit that although the new system had been developed and adopted successfully by the project, it could not be made operational at field level as the computers supplied to the field offices for this purpose remained non-functional for want of UPS systems. The field units were generating all the reports and returns manually and dispatching them to the State Project Monitoring Unit either by mail or through messengers. Thus, the speed, accuracy collection and analysis of data, as envisaged in the PIP, could not be achieved.

The Government stated in reply (February 2004) that the computerized Financial Management Information System (FMIS) was fully operational at PMU and RPMUs. The reply was not tenable as the FMIS was to be implemented in entire project area and not only in the PMU and RPMUs. Thus, implementation of the FMIS was incomplete/ partial.

3.4.10 Procurements

Infructuous expenditure in obtaining services of consultants

The Project Implementation Plan (PIP) provided for a Facility Survey to ascertain the quantum of civil works needed for upgradation of various

Selection of the first consultant was not successful as almost all the work had to be re-done

facilities. A consultant (M/s Architect Studio, Lucknow) was appointed in September 1999 for conducting this survey at a fee of Rs.44.18 lakh. As per the terms of agreement the consultant was required to prepare drawing, design, layout plans and cost estimates for such renovations etc. The consultant submitted his report in 2000. Project authorities noticed at the time of finalization of contracts for execution of the works that the cost estimates etc. prepared by the consultant were not accurate as the rates and the bill of quantity received from the contractors (selected for execution of these civil works) were higher than those mentioned in the consultant's report. Consequently, two new consultants (M/s Gherzi Eastern Limited, M/s MECON Limited) were appointed and the contract of the existing consultant was renewed for preparation of a fresh report on the basis of a fresh survey and for quality and quantity check of the material procured and construction work carried out. Thus, the expenditure of Rs.44.18 lakh incurred on the initial feasibility survey was rendered infructuous, as a fresh report was required to be prepared after conducting a fresh survey.

Procurement of medicines without ascertaining the requirement

Medicines were procured without ascertaining the actual requirement from field units

Paragraph 7.1.5 of the Project Implementation Plan provided for an improvement in the supply of quality essential drugs in the public sector and in the appropriate use of drugs across the State. It envisaged that the individual health care institutions would indent their requirement on a quarterly basis to the Chief Medical Officer of their district who would be responsible for planning and coordinating with the procurement agency to meet the quarterly demand.

To fulfill this objective the Project Management Unit procured drugs and medicines valued at Rs.5.14 crore during the period 2001-03 (Rs.2.20 crore during 2001-02 and Rs.2.94 crore during 2002-03) and supplied these to various hospitals of the State. The requirement of the drugs and medicines was not ascertained either before ordering for the supply or before dispatching the medicines to various hospitals.

The Government stated in reply (February 2004) that the data for actual usage of drugs was maintained at the level of district hospitals and Chief Medical Officers of the districts. Steps were being taken for faster implementation of Drug Distribution Management Information System so that data pertaining to use of drugs could be captured at all levels and made easily assessable for decision making. The drugs were procured during 2001-02 on the basis of the drug requirement as listed in the PIP Volume-II which was based on the field survey done by the consultants (M/s STEM, Bangalore) The Project Management Unit could, however, not furnish any data relating to actual use of the drugs and medicines so issued to various points of usage.

Purchase of drugs and medicines without ascertaining their actual requirement from the field units was irregular. This ad-hoc method had to be resorted to as the computerized Logistic Management Information System and the Hospital Management Information System could not be made operational.

3.4.11 Other points of Interest

Computers could not be used for one year due to inferior quality of UPSs

Blocking of funds due to computers remained non-functional

An agreement was entered (26.06.2002) with M/S Wipro Limited for supply of computers (354 nos.), UPSs (354 nos.), printers (50 nos.) and scanners (292 nos.) at a cost of Rs.2.92 crore. The material was supplied during the period from 18.11.2002 to 03.12.2002 although the scheduled date of completion was 28.09.2002. A scrutiny of records relating to this procurement revealed that:-

- The UPSs supplied by the firm were burnt on installation and after the final test on 20.03.2003 these were ultimately rejected. The firm was yet to replace the rejected material as on June 2003.
- As the UPSs could not be installed, the computers could not be made functional. Consequently, 308 numbers of air-conditioners purchased for Rs.92.40 lakh and computer furniture purchased for Rs.30.80 lakh could not be used for the purpose for which these were purchased.
- The non-installation of the computer systems affected the installation of the Management Information System in the project area.

The Government stated during discussions (February 2004) that the performance security of the supplier (Rs.3.35 lakh) had since been forfeited and contract for supply of UPSs terminated and no payment was made to supplier towards the cost of those UPSs. The procurement procedure had since been decentralized to the district level. As of December 2003 pilot implementation in 11 project districts had been completed. It was further decided not to implement the Computerized Financial Management Information System (FMIS) in other districts. All the 354 computers had since been made operational.

It is thus evident from the reply of the project that due to faulty UPSs the computers remained unutilised from the date of their receipt (December 2002) to December 2003, and consequently implementation of the FMIS was also delayed and same was finally not implemented.

Blocking of funds due to the ambulances lying idle

Ambulances lying idle

The Project purchased 250 ambulances (value Rs.12.11 crore) meant for location at Community Health Centers (CHC) for carrying patients. A user charge @ Rs.8.00 per km. was to be levied from the patients for use of these ambulances. The total amount of Rs.12.11 crore remained blocked since the date of their purchase (July 2002) to date (February 2004) as these ambulances could not attract users.

The Government stated in reply (March 2004) that the rates of user charges were not attractive and also that cheaper alternatives were locally available.

3.4.12 Monitoring and Evaluation

Monitoring system could not be computerized

As provided in the Programme Implementation Plan approved by the World Bank, the monitoring activity was to cover quantitative as well as qualitative aspects of the implementation of the components and sub-components of the Project. A fully computerized monitoring mechanism comprising Healthcare Management Information System (HMIS), Logistics Management Information System (LMIS), Hospital Management Information System (HoMIS), Financial

Management Information System (FMIS), Personnel Management Information System (PMIS), Disease Surveillance System and Personnel Training System was to be implemented. Also the Project Management Unit issued a circular (February 2002) forming District level committees, headed by the Chief Medical Officer (CMO) of the district concerned, to monitor the progress of the civil works, procurement and repair & maintenance of equipments, and progress of Information Education and Communication (IEC) trainings. No report/ minutes of meetings of the District level Committees were available with the Project headquarters.

The computer based Management Information System could not be put in place by the Project due to non-operationalisation of the computers issued to the field units. Consequently, all the reports were generated manually and collected through traditional methods.

3.4.13 Conclusions

The audit review of the Project revealed that although the UP Health System Development Project was launched (2000-01) to transform the Medical and Health sector into a modern, responsive and accountable system that would provide high quality, affordable and integrated services to masses through structural and qualitative changes, the physical and financial progress in many critical areas was not as per the targets. Further, the expenditure incurred upto 31 March 2003 was not commensurate with the physical progress achieved upto that date. The monitoring mechanism was not effective as it failed to identify the areas needing immediate attention and mid course corrections in the implementation plans. The general direction of the progress of implementation indicated time overrun and cost overrun resulting in delay in upgradation of the State's public health system as envisaged in the project.

3.4.14 Recommendations

- Annual action plans to be finalized in advance for implementation and for ensuring achievement of targets.
- Drugs procurement should be linked with actual requirement of the drugs in various hospitals.
- Utilization plans should be finalized simultaneously with the procurement plans to ensure efficient utilisation of the equipments.
- Reasonable rates should be fixed for Ambulances so that needy patients could use them.
- Monitoring mechanism as envisaged in the Project documents should be developed for ensuring effective monitoring.

ANIMAL HUSBANDRY DEPARTMENT

3.5 Stores management in Animal Husbandry Department

3.5.1 Stores management in the Animal Husbandry Department including procurement and disposal of stores, departmental production, warehousing, etc. were scrutinized in Audit during February to July 2003 through test-check of records for the period 1998-2003 in the office of the Director, Animal Husbandry Lucknow and Chief Veterinary Officers in 14 districts*.

During the period 1998-2003 the budget allocations of the department and expenditure incurred thereagainst were as mentioned below:

(Rupees in crore)

Year	Budget Allotment			Expenditure			Savings	
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-plan
1998-99	13.49	7.15	20.64	10.64	7.12	17.76	2.85	0.03
1999-2000	14.76	7.19	21.95	4.32	5.71	10.03	10.44	1.48
2000-01	5.92	4.54	10.46	5.44	4.28	9.72	0.48	0.26
2001-02	6.37	7.03	13.40	5.58	6.05	11.63	0.79	0.98
2002-03	11.88	5.20	17.08	7.42	5.19	12.61	4.46	0.01
Total	52.42	31.11	83.53	33.40	28.35	61.75	19.02	2.76

3.5.2 Purchase policy and procurements

In order to avail of the discounts available to the whole-sellers the Government decided (July 1988) that Uttar Pradesh Poultry and Livestock Specialties Limited (UPLIS) would acquire a license for wholesale distributorship from reputed manufacturers of drugs, equipment etc. This benefit could not accrue to the department, as UPLIS did not obtain right of wholesale distributorship. This resulted in excess expenditure on the purchases as discussed below:

3.5.3 Avoidable expenditure on purchases

- The department had an in-house production facility for production of Liquid Nitrogen (LN2) used for storage of frozen semen. Due to low production facilities the department had to incur Rs.2.12 crore on purchase of LN2 and semen-straws from outside agencies.
- Due to poor output of the departmental farms, the department had to purchase feeds and seeds valued at Rs.12.90 crore during 1998-2003* from outside sources. This included an amount of Rs.0.91 crore yet to be

Department could not avail of discounts available to whole sellers/distributors

Department was forced to make purchase from outside sources due to poor production in departmental units

* CVOs Azamgarh, Ghazipur, Kanpur, Unnao, Moradabad, Lakhimpur Kheri, Bulandshahar, Jaunpur, Hardoi, Raibareli, Sitapur, Sultanpur, Pratapgarh and Lucknow.
Director Animal Husbandry, Lucknow.

* 1998-99 Rs. 3.17 crore, 1999-2000 Rs. 3.00 crore, 2000-01 Rs. 2.56 crore, 2001-02 Rs. 2.56 crore and 2002-03 Rs. 1.61 crore

paid to M/s U.P. Agro Limited (a State Government undertaking) as of July 2003.

3.5.4 Non-procurement of most important medicines

As per direction of the Visheshagya Samiti, (Expert Committee) “Most Important” medicines were to be procured after taking into consideration the stock in hand. Test-check of the records (C.V.O, Bulandshahr) revealed that only 18 items (15 per cent) against 123 items specified as most important could be procured by utilizing 56 per cent of the allotment (Rs.2.37 lakh) and 44 per cent of the allotment (Rs.1.87 lakh) was spent for other purchases (normal medicines). This resulted in non-availability of most important medicines.

3.5.5 Non-utilisation of Central Assistance

Funds for stores and stock items received under various Centrally Sponsored schemes remained unutilized as detailed below:

Department failed to utilized the funds from Union Government

- During 1997-98, out of Rs.1.47 crore received under Fodder Development Programme, Rs.0.58 crore remained unutilized. The sanction had not been revalidated by the GOI.
- Rs.36 lakh received (September 2001) under the scheme for strengthening of State Duck Farm could not be utilized due to non-release of State Share.
- During 2000-01, Rs.44 lakh provided for animal feed could not be utilized due to non-verification of supplier bills by the concerned units.
- CVOs^h could not utilize Rs.17.65 lakh due to delay in submission of bills to treasury (Rs.11.61 lakh), purchase of substandard castrator (Rs.2.50 lakh) and non-issue of purchase orders. (Rs.3.54 lakh)

3.5.6 Diversion of fund

Fund received for Natural Calamity Relief were diverted for purchase of drug for normal use

As per stores account the department purchased drugs/ medicines for normal use valued at Rs.13.02 crore during 1998-2002, against a budget provision of Rs.9.08 crore by diverting further sums from the allotment provided under Natural Calamity Relief.

Rs.2.69 crore (inclusive of Rs.54 lakh unspent balance from 2001-02) provided under National Importance Scheme was irregularly transferred (31 March 2003) to the bank account of Uttar Pradesh Poultry and Livestock Specialties Limited (UPLIS) and was exhibited as utilized in 2002-03.

3.5.7 Quality Control

Feed and fodder used without any quality check

Although the Animal Husbandry Department fixed quality norms for feed and seeds for departmental use, during the period 1998-2003, 638 samples (24 per cent) remained unanalyzed and 748 (37 per cent) valuing Rs. 3.61 crore were found substandard. It was noticed in audit that neither action for replacement of substandard material nor any penal action against the firm was initiated by the Department.

^h Moradabad : Rs. 2.50 lakh, Kheri: Rs. 10.54 lakh, Raibareli: Rs. 0.67 lakh and Varanasi : Rs. 3.94 lakh

Substandard vaccines and equipment procured

The test reports (April 2000) of Rinder Pest vaccines (BPI Lucknow) declared 10 lakh R.P. vaccines[@]/medicines^{*} substandard but no departmental action in this respect was taken.

The Directorate procured 630 castrators with ancillary equipments for Rs.23 lakh (October 2000) through an agent (M/s Meditek, Lucknow). It was later on revealed that the castrators were assembled locally and supplied in the name of a foreign castrator-manufacturing firm (German firm).

3.5.8 Inaccurate Store Account

Records of actual issue were not available

The material issued from the central stores were shown as consumed. No records relating to actual consumption and balances lying with at the level of field offices were available with the headquarters. Thus, the stores account did not depict the actual consumption/ closing balances available with the departmental stores.

Records relating to beneficiaries not maintained

Recipients acknowledgement not available

In respect of the items distributed free of cost, the Veterinary Officers had neither maintained a distribution register having details of the beneficiaries nor had worked out balances in their stock registers. Thus, proper issue/ distribution of such items remained unverifiable.

Non-accounting of store items

Departmentally produced vaccines valued at Rs. 10.67 crore was not taken in Store Account

During 1999-2003 the Vaccine Production Institute, Lucknow produced 10.07 lakh doses (value Rs.10.67 crore) of various vaccines for departmental use. The value of these vaccines was not shown in any account of the Department. Similarly green^{*}/dry fodder, seeds milk and bulls were not exhibited in store accounts. Government replied (February 2004) that vaccines were kept as reserve for natural calamity and required no store accounting. The reply was unjustified as reserve stock also, being part of the departmental stock, was to be taken into the stock account.

3.5.9 Livestock Management

Proper attention not paid to Livestock Management

As the requirement of the Bulls (cow and buffalo) maintained at the Deep Frozen Semen (DFS) Centres came down from 327 in 1998-99, to 130 in 2000-03 due to adoption of Artificial Insemination procedure 1450 bulls (cost Rs.1.45 crore) were given to Panchayats at a nominal price of Rs.0.50 per bull without any valuation.

As per norms 10,000 doses from cow bulls and 8000 from buffalo bulls were to be obtained annually. There was short production of Rs.29.50 lakh (335176 doses) and substandard production of Rs.21.20 lakh (249812 doses) at Chak-Ganzaria Centre (Lucknow) during 1999-2003 due to non-culling of 25 old bulls which had already crossed the prime age. This indicated poor livestock management.

[@] Rs. 95.12 lakh (Invert and Biomed)

^{*} Rs. 4.60 lakhs (Piya & Jeps Pharma: 1996-97), Rs. 4.68 lakh (Saika Pharma:200-2001), Rs. 21.72 lakh (Sun Light and Mini Lab: 2002-2003)

^{*} Green 5.44, 2.81, 0.09 lakh quintal, 43.59 kg and 3310 numbers

Vaccination was ineffective due to insufficient doses

The scheme provided for vaccination of all animals twice for Foot and Mouth Disease (before and after rainy season). It was, noticed in the test checked districts that the animals were vaccinated only once during the year. This rendered the vaccination ineffective. The CVOs stated in reply that vaccination could not be repeated as the vaccine was received once only.

3.5.10 Idle Equipment

Liquid Nitrogen Plants, Liquid Nitrogen Containers and other plants and machinery was lying idle

Store purchase rules required that the equipment procured should be put to use with proper maintenance and repair. Idle stock should be Assets valuing Rs.5.10 crore were, thus, lying idle since October 2002 as the liquid nitrogen (LN₂) plants recommended (November/December, 2002) for transfer to the UP Livestock Development Board by the World Bank Review Mission could not be transferred as of date (February 2004).

- 2484 LN₂ containers used for preservation of semen straws, purchased at a cost of Rs.5.03 crore (1999-2003) under the UPDASP* remained unutilised as the UP Livestock Development Board (UPLDB) took over (October 2000) the transportation, storage and distribution of LN₂.
- 263 containers procured at a cost Rs.50.02 lakh during 1998-2002, were awaiting repairs and 166 (cost Rs.27.75 lakh) were unserviceable as per the records of Joint Director, Chakgarjeria, Lucknow. Similarly, 58 cryocanes (cost: Rs.15.41 lakh) at Pratapgarh, and 41 cryocanes at Lucknow remained unutilized (July 2003).
- Although new vehicles (value Rs.37.61 lakh) were purchased during 2002-03, 25 tractors and 1 truck were lying idle due to non-repair since 2000-01 (cost of repair Rs.12 lakh).
- At the State Biological Production Institute (established 1970) two Fermenter Plants, procured (1994-95) at a cost of Rs.29.15 lakh, became non- operational (September 1998) due to lack of technical staff and defective installation. The department also could not utilise funds (Rs.6.60 lakh) provided (June 1999) for repairs and replacement of parts.
- Similarly, one Refrigerated Centrifuge purchased in 1996-97 for Rs.11.80 lakh could not be installed as of date (July 2003). Ultra-deep freezer procured at for Rs.70.80 lakh (January, 2002) remained idle due to non-construction of building for vaccine bank.

3.5.11 Annual physical verification not conducted

Physical verification was not conducted

The periodical physical verification was not conducted. Inspections by respective District Magistrate/ Regional Deputy Director AHD were also not conducted. Thus, the closing balances included in the Store Account remained uncertified.

3.5.12 Conclusions

Although the departmental reports disclosed progress in availability of eggs, milk, meat and wool and also in facilitating the genetic improvement in cattle etc., the audit check of management of stores and stock and procurements

* Uttar Pradesh Diversified Agriculture Support Programme- an externally aid project.

revealed that department failed to utilise the available funds, the Central assistance was also not fully utilized, store accounts did not present a true and fair picture of the closing stocks as the balances lying with district units had not been included, quality control over the material was not ensured and a large number of tools/ plants/equipments were lying idle.

3.5.13 Recommendations

- Department should make better use of the Plan funds and Central Assistance.
- A system of periodical physical verification of closing stock may be devised urgently.
- Idle plants and equipment need either used effectively or disposed off suitably.

FOREST DEPARTMENT

3.6 Implementation of Forest (Conservation) Act, 1980

3.6.1 The Forest (Conservation) Act, 1980 aimed at reducing the environmental damage, check further deforestation and provide for matters connected therewith or incidental thereto. The Act aims to achieve this objective through compensatory afforestation (CA) over an equivalent area of non-forest land. In case of non-availability of forestland, CA was to be carried out on twice the area in degraded forest. The cost of such CA was to be borne by the user agency. A special fund was to be created by the State Government through the money so received from the individual user agency. The money in this fund was to be utilized for implementation of the afforestation scheme approved by Government of India (GOI). A separate Cell, headed by a Nodal Officer, under Principal Chief Conservator of Forest (PCCF), was to be established at the State level to deal with cases of change of land use and to monitor the progress of the CA.

The records of four Forest Divisions^z and the Nodal Officer, Department of Forest, U.P., Lucknow were test-checked (March 2003) with a view to examine the implementation of the provisions of the Act in implementation of the CA scheme. The major audit findings are given in the succeeding paragraphs.

3.6.2 Progress of Compensatory Afforestation

GOI accorded permission for diversion of forestland in respect of 210 different projects of Irrigation Department, Public Works Department and Hydel etc. in Uttar Pradesh during 1982-2003. A sum of Rs.30.20 crore was made available by user departments for CA. Scrutiny of the records revealed as under: -

Afforestation not taken up despite the land being available

The quarterly report for the period ending March 2003 revealed that 667.60 hectares of land (20.07 hectare degraded forest land and 647.53 hectare non-forest land) of 22 projects* could not be afforested even after a lapse of four to 20 years.

The Department stated (March 2004) that the updated information regarding physical and financial progress was not incorporated in quarterly report as of March 2003 as it was awaited from the concerned divisions. The quarterly report as of December 2003 exhibited that the work of CA on 16 projects, out of 22 projects as indicated above, had been completed; the work on 2 projects could not be undertaken as the cost of compensatory afforestation had not been received from the User Departments; and the progress regarding four remaining projects was awaited from the divisions concerned.

Audit verification (March 2004) revealed that only 11 projects out of the 16 reported as complete had actually been completed. Further the compensatory afforestation on 685.68 hectare (126.53 hectare degraded forest land and 559.15

Afforestation was not done on 686 hectare despite availability of Rs. 1.39 crore.

^z Saharnpur, Bareilly, Raibareli and Nazibabad

* ID nos. 431, 77, 235, 203, 250, 457, 454, 249, 588, 541, 772, 740, 1436, 781, 897, 936, 974, 1042, 1057, 1034, 1003, 1038.

non forest land) of projects could not be done even after the lapse of three to 20 years i.e. since 1984 to 2002.

Non- stipulation of provision for CA in the projects

A total of 776.86 hectares of forestland was diverted for 22 projects^θ (four laning of National Highways) during 1999-2003. Contrary to the provisions of the Act, CA was done only in 73.93 hectare as against the requirement of 1553.71 hectare of degraded forestland. Further, this meagre CA was done after a lapse of periods ranging from one to four years.

Incomplete projects shown as complete

The Department stated in reply (March 2004) that CA in 16 projects, out of the above 22 projects, had been completed; information regarding 5 projects was awaited from the concerned divisions and in one project the afforestation had been completed except plantation of 1900 trees could not be done as tree guards were required in those areas.

Audit verification (March 2004) revealed that CA shown in the statement as complete were actually incomplete on following counts:-

- CA had been done in area less than the double of the affected area in degraded forestland.
- The State Government had ordered CA in 10 metre wide patti on both sides of the highway, in place of double the area on degraded forest land.
- The road patti had not been handed over by the National Highway Authority of India to Forest department
- Even after CA of the area, funds to the tune of Rs.8.21 crore remained unspent. This was indicative of non-completion of the work.

Thus, on one hand the provision of the Act, i.e. CA on double the area in degraded forestland, had been violated and on the other the CA could not be done on the road patti, despite availability of fund, as the land had not been made available to the Forest department.

Non-utilisation of the available funds

Unspent balance of Rs. 57.03 lakh pertaining to 20 projects^δ (sanctioned during 1986-2002) was lying unutilised in “forest deposits” although the stipulated work of CA was shown as complete. The department could not explain completion of the work without utilisation of the funds

The Department stated in reply (March 2004) that the information relating to 20 projects had been included on the basis of available physical progress reports. However, the divisions had not intimated the financial progress.

Unspent balance remained undecided.

Audit verification (March 2004) revealed that unspent balance of Rs.52.24 lakh pertaining to 37^{####} projects sanctioned during 1986-2002 (excluding projects of

^θ ID nos. 1528, 2078, 1569, 1986, 2080, 1823, 1854, 1696, 2100, 1695, 1753, 1655, 1877, 1654, 1944, 1846, 1850, 1932, 2082, 1978, 1602, 1972.

^δ ID nos. 1113, 715, 594, 485, 1945, 589, 1593, 1027, 1019, 204, 627, 418, 1475, 1988, 787, 1589, 269, 976, 842, 1743.

^{####} ID nos. 1945, 2069, 693, 2079, 2090, 1979, 1593, 1528, 2078, 1932, 1978, 1602, 936, 1100, 204, 1876, 2046, 418, 1669, 1475, 1988, 588, 1498, 974, 787, 1652, 1589, 1187, 1570, 2075, 2013, 1888, 976, 1564, 1742, 1743, 1569.

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widening of National Highways which has been shown as completed) was lying unutilised in “forest deposit” although the stipulated work of CA had been shown as complete.

Non-plantation of trees

Required trees remained unplanted.

The Forest Department failed to plant 2.21 lakh trees in place of trees felled against various projects since 1982-2003. The Department stated (March 2004) that 5.01 lakh trees were to be planted on account of 228 projects. On the basis of available reports 3.75 lakh trees (75%) had already been planted. The balance of 1.26 lakh trees could not be planted so far.

Area of plantation was less than that envisaged

Plantation done was less.

The Act provides that the CA over an equivalent area of non-forestland or twice the area over degraded forestland should be done. Contrary to this provision, the Department in 3[#] ## projects (area 149.28 hectares) carried out CA on equivalent area of degraded forestland instead of double of the denuded area. This resulted in lesser afforestation on 149.28 hectare degraded forestland.

Available land remained unforested

Despite availability of land afforestation was not done due to non-availability of fund

An area of 319.28 hectares of forestland was transferred for Anpara–Varanasi–400 KV Transmission line during 1993-94 and Rs.89.50 lakh was realized from the user agency for CA on 319.28 hectares of non-forest land. The entire amount was, however, spent on afforestation of only 182.60 hectare. (December 2003). Thus, the stipulated afforestation was not completed even after spending the whole amount realized for it.

3.6.3 Land transferred without realising the cost of CA

Contrary to the provisions of the Act, the Forest Department transferred 2817.13 ha of forestland (1984-95) for various purposes as detailed below:-

Name of the division	Area transferred (in ha)	Project for which transferred	Year of transfer	Rate (Rs./ha)	Amount (Rs in lakh)
Shivalik Forest Division, Saharanpur	2588.76	Defence Department for firing range	1994	31389	812.59 + Escalation 81.23
Social Forestry Division, Bareilly	184.87	IFFCO Aonla Fertilizer Plant	1984	62762	116.03
Social Forestry Division, Rai Bareilly	43.50	(i) Defence Gwaldam Academy (ii) Jamuthawa Bandhi	1995	31389	13.65
Total	2817.13				1023.50

ID nos. 2094, 1371 & 200

ID nos. 2094, 1371 & 200

ID nos. 2094, 1371 & 200

Neither the cost of CA (Rs.10.24 crore) was realised nor any CA was carried out (March 2003). The department stated (February 2004) that in Shivalik Forest Division the land was transferred for use as firing range and keeping in view the importance of the purpose (national security) prior realization of cost of compensatory afforestation was not insisted upon. The Department raised the demand of Rs.8.94 crore in December 2003. A further demand for Rs.0.81 crore was raised in January 2004 on account of escalation cost after being pointed out in audit.

In case of Social Forestry Division, Bareilly it was stated (February 2004) that the forestland was transferred in anticipation of GOI approval. An amount of Rs.45.62 lakh received from the borrower agency was deposited in “forest deposit” and was not used for CA. The legality of the revised cost raised by the Department in the year 2000 had been challenged in the court.

The reply was not tenable as transfer of land without proper approval was in violation of the provisions of the Act. Further, the amount deposited under “forest deposit” lapsed and was transferred to departmental revenue because of the department’s failure to utilize the same even after a lapse of 16 years (up to 2000).

3.6.4 Diversion of Fund

In contravention of the provisions of the Act, two Forest Divisions[◇] deposited Rs.55.54 lakh, received on account of cost of CA in respect of 8 projects[♥], under Forest Remittance (Departmental Revenue) head instead of Forest Deposit head. This resulted in diversion of fund from “Deposit” to “Revenue” and resulted in non-availability of money for CA.

It was stated in reply that the funds were diverted under orders of higher authorities. The reply is not tenable, as this was against the financial rules.

3.6.5 Monitoring of the afforestation scheme

Inadequate monitoring of afforestations

Section 4.15 (iii) of the Act envisages that the provision for CA must be enforced/ monitored by the Nodal Officer and non-compliance should be reported by him to the Regional Office of Ministry of Environment and Forest (MOEF), GOI. The later should inspect the site from time to time. The Nodal Officer, however, failed to furnish any information regarding monitoring and enforcement of conditions of afforestation. Thus, the success of the CA could not be ascertained in audit.

MIS was ineffective:

The audit observations issued on the basis of the quarterly report furnished to GOUP/ GOI, as of March 2003, and reply furnished by the Department incorporated in paragraphs above, revealed that the information being compiled by the Nodal Officer was not updated and it presented an incorrect analysis.

Nodal Officer failed to ascertain survival of plantation

Incomplete/diluted information was furnished

[◇] Social Forestry Division, Bareilly and Bijnor Plantation Division, Najibabad

[♥] Aonla Fertilizer plant, Construction of East Ganga Canal and its branches (six projects), Construction of Meda Khata-Lal Dhanga Road.

Inaccurate Quarterly Statement

The quarterly progress report of the department was not correct as the report for the quarter ending March 2003 contained progress in respect of only 210 projects whereas the number of projects included in the quarterly report ending December 2003 was 228. Out of 18 projects added in the report ending December 2003 seven projects[#] sanctioned prior to March 2003 could not be included in the progress report of quarter ending March 2003.

3.6.6 Conclusions

The provisions of the Act were not being followed in the State as evident from the fact that the deforestation done had not been compensated which resulted in creation of ecological imbalance and environmental deterioration. This was against the spirit of the Act. The department had failed in utilizing the amounts received from the various agencies and that the monitoring mechanism was not effective.

3.6.7 Recommendations

- Computerized database of the cases may be maintained for better monitoring of the cases.
- No forestland may be transferred in contravention of the provisions of the Act.
- Plans for CA may be prepared and funds received therefor utilized promptly.

The matter was reported to government (September 2003); the reply had not been received (March 2004).

[#] ID nos. 2131, 2130, 2132, 2135, 441, 2133,2121.

MEDICAL EDUCATION AND TRAINING DEPARTMENT

3.7 Unsatisfactory functioning of Medicine Production Unit

3.7.1 With a view to providing transfusion fluids (glucose) of high standard quality to the patients at an appropriate price, to stop pilferage of medicines supplied to Government Hospitals and provide information to the trainees of Pharmacy Department associated with pharmacy programmes/courses, a medicine production unit (MPU) was established (June 1972) at Ganesh Shankar Vidyanthi Memorial Medical College (College), Kanpur. Fourteen posts were sanctioned for the unit with a production target of 1.20 lakh bottles per annum. The MPU was to run on no profit no loss basis.

3.7.2 Low production of transfusion fluids (glucose)

Test-check of records (December 2001, May 2002 and December 2003) revealed that actual production of glucose was much less than the targets, consistently during the last ten years. The details of actual production and its cost, rate contract price and loss incurred by the unit during the period 1992-2002 were, as under: -

Year	Total Expenditure (Rs. in lakh)	Total no. of Bottles produced(Percentage to the target)	Production cost per bottle (Rs.)	Rate contract price per Bottle	Rate contract value of production (Rs. in lakh)	Total loss (Rs. in lakh)
1992-93	7.32	13038(10.89)	56.14	8.00	1.04	6.28
1993-94	7.67	8074(6.73)	95.00	8.00	0.65	7.02
1994-95	9.50	12139(10.12)	78.26	6.79	0.82	8.68
1995-96	9.34	24334(20.28)	38.38	6.69	1.63	7.71
1996-97	10.12	13424(11.19)	75.39	9.50	1.28	8.84
1997-98	13.87	9952(8.29)	139.39	6.25	0.62	13.25
1998-99	13.80	4291(3.57)	321.60	6.84	0.29	13.51
1999-00	14.43	10219(8.01)	141.20	9.90	1.01	13.42
2000-01	17.00	6370(5.31)	266.90	8.79	0.56	16.44
2001-02	16.76	2473(2.06)	677.72	10.25	0.25	16.51
Total	119.81*				8.15	111.66

The production of transfusion fluids during the years 1992-93 to 2001-02 ranged between 2.06 per cent to 20.28 per cent during the period. The running expenses of the unit increased from Rs. 7.32 lakh during 1992-93 to Rs. 17 lakh during 2000-01. Sharp decrease in production with steady increase in its running expenses rendered the unit unviable.

* Pay and allowances Rs. 99.07 lakh
Contingency Rs. 0.35 lakh
Raw material Rs 20.39 lakh

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As a result, the MPU incurred a loss of Rs. 111.66 lakh on its production (valued at rate contract price) during the last 10 years. The production of the unit was stopped with effect from February 2002 due to non-renewal of its manufacturing licence. Low production of glucose by the MPU resulted in its short supply/ non-supply to the hospitals, which had to purchase the same from the open market to the extent of Rs. 14.62 lakh during the period from 1992-93 to 2002-03. It was also observed (December 2003) that the glucose produced in the unit was supplied to the hospitals free of cost.

On this being pointed out in audit (December 2003), the college attributed the decline in production to interruption in electricity and water supply. The reply was not tenable as the college was already equipped with a generator of 63 KVA capacity, tube well and over-head water tank for ensuring regular electric and water supply.

3.7.3 Conclusion

Under-utilisation of the targeted capacity of the MPU inspite of the availability of infrastructure and perpetual increase in its running expenses during the last ten years resulted in loss of Rs. 111.66 lakh.

Recommendations

The Government should take immediate steps to improve the functioning of the plant by running it to full capacity after renewing its manufacturing licence and selling its production at cost, as envisaged originally.

The matter was referred to Government (August 2003); reply had not been received (March 2004).