

OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance and Appropriation Accounts of the State for the year 2006-07 and five other chapters with four performance reviews, one internal control review and twenty seven other paragraphs dealing with results of audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

Copy of the performance reviews and paragraphs were sent to the Commissioners/Secretaries of the departments concerned by the Accountant General for furnishing replies within six weeks. Replies were received in respect of two audit paragraphs only. Wherever appropriate, the departmental views and explanations have been incorporated in this Report.

FINANCES OF THE STATE GOVERNMENT

A realistic picture of the financial position of the State Government will emerge only after the completion of the apportionment of pre-November 2000 assets and liabilities of the composite State of Uttar Pradesh and of other financial adjustments, to be done in each case with reference to the provisions of the Uttar Pradesh Reorganization Act.

Although there is appreciation in the State's own tax revenues, the State finances continued to be dependent upon Central assistance, which contributed over (57 per cent) of the total receipts. A steep increase in the State's own tax revenue along with Central transfers has provided a cushion in revenue account, which has resulted in revenue surplus during the year. The fiscal deficit has further declined during the year owing to the non-capitalization of resources. Salary expenditure, pension liabilities and interest payments-constituted about 62 per cent of the NPPE during 2006-07. The increasing fiscal liabilities due to continued prevalence of fiscal deficit accompanied by negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might put a fiscal stress on the State in medium to long run unless suitable measures are initiated for improving the viability of the Government investments including loans and advances, compress the non plan revenue expenditure and mobilize additional resources both through the tax and non tax sources in ensuing years.

[Paragraph 1.1 to 1.11]

ALLOCATIVE PRIORITIES AND APPROPRIATIONS

The net saving of Rs.2088.12 crore was a result of saving of Rs.3024.04 crore in 57 cases of grants and appropriations, offset by excess of Rs. 935.92 crore in 6 cases of grants/appropriation. The excess of Rs. 935.92 crore requires regularization under Article 205 of the Constitution.

[Paragraphs 2.3.1 & 2.3.9]

In case of 79 provisions under 14 grants the entire amount of Rs. 815.08 crore remained unutilized.

[Paragraphs 2.3.3]

Supplementary provision of Rs. 875.35 crore made in 39 cases during the year proved unnecessary as the savings in these grants/appropriations were more than the supplementary provision in each case.

[Paragraph 2.3.5]

Expenditure was persistently less than the total provisions by 5 per cent or more in 20 cases during 2002-2007.

[Paragraph 2.3.6]

PERFORMANCE REVIEWS (CIVIL)

Peya Jal Department

3.1 Accelerated Rural Water Supply Programme

An evaluation of the Accelerated Rural Water Supply Programme revealed that the implementation of the programme in the State suffered from inherent flaws in planning. Ineffective planning led to schemes being abandoned or suspended during construction due to low discharge or drying up of sources. 10302 habitations fully covered in earlier years slipped out of full coverage by 2003. Physical verification of eight schemes by Audit team revealed that 19 habitations reported as fully covered, were not receiving drinking water. 34 per cent of the schemes taken over by Jal Sansthan from the Nigam for operation & maintenance suffered from depletion of discharge from source. Yet the funds allocated for sustainability of schemes were diverted to execution of works.

The pipes were not laid as per specification causing disruption in water supply. Water quality tests were not conducted after commissioning of the schemes and the laboratories are under-equipped. Estimates were inflated, the extra charges cutting into the funds employed on the works. Internal controls were so poor that the accounts of the schemes were not closed in the year of completion and in some cases, were open for 10-20 years after completion of works. No separate records and accounts pertaining to the programme were maintained.

[Paragraph 3.1]

Education Department

3.2 National Programme of Nutritional Support to Primary Education

National Programme of Nutritional Support to Primary Education was implemented in the State with the objective of universalisation of elementary education, improvement in nutritional status and learning level of children. No data on impact parameters *viz.*, retention, attendance, improvement of nutrition levels and improvement of learning levels, was collected or collated in order to help the department to evaluate the success of the programme in meeting its objectives. Meals were not being provided to students during summer vacations in drought affected areas in some districts. There was lack of coordination between Education and Health Departments regarding health check-up of children.

Quantity of food grains provided to students was almost half the normative quantity prescribed in the guidelines. Stock-out situations resulted in non-provision of meals in schools. The understaffed schools are currently bearing the burden of serving and implementation of the scheme, thus sharing their resources and instruction time. Primary schools lacked basic infrastructure required for storage, cooking and serving of meals.

(Paragraph 3.2)

Rural Development Department

3.3 Member of Legislative Assembly Local Area Development Scheme (MLALADS)

MLALADS was introduced in the State in the year 1998-99 (when the State was a part of Uttar Pradesh) and initial annual allocation Rs 50 lakh for each MLA was gradually raised to Rs 125 lakh (2006-07). The objective of the scheme was to enable the MLAs to suggest works of developmental nature based on locally felt needs in their respective constituencies with emphasis on creation of durable assets, available for public use.

The evaluation of the scheme revealed that the objective was not fully achieved as the 49 *per cent* annual allocation during the period 2002-07 in the four test checked districts remained unutilised mainly due to delay in proposals by MLAs, delay in sanction and tardy progress on works. Out of 13676 works sanctioned during this period in four test-checked districts 1717 (40 *per cent*) works sanctioned had not been started or were in various stages of completion as of March 2007. A sum of Rs 5.09 crore was spent on inadmissible works. Selection of PIAs based on MLAs recommendations and not benchmarked on past performance was flawed. There were no quality control checks on the works executed and the scheme suffered due to lack of monitoring at each level.

[Paragraph 3.3]

AUDIT OF TRANSACTIONS (CIVIL)

INFRACTUOUS/WASTEFUL EXPENDITURE AND OVER PAYMENT

- Inadequate controls in the IPAO system resulted in suspected frauds in drawal of salary and other entitlements and excess payment of Rs. 28.27 lakh.

[Paragraph 4.1]

- Unjustified interest free mobilization advance of Rs. 87.10 lakh paid on inadmissible items remained unadjusted for more than a year and false evidence of its utilization was accepted.

[Paragraph 4.2]

- Selection of unsuitable alignment for construction of a road caused damage to the road in a landslide that resulted in wasteful expenditure of Rs. 35.37 lakh.

[Paragraph 4.3]

UNDUE FAVOUR TO CONTRACTOR/AVOIDABLE EXCESS EXPENDITURE

- Failure to select competent suppliers by the Peya Jal Department and injudicious use of costlier material by changing the scope of work delayed the work of laying sewerage lines and resulted in avoidable extra expenditure of Rs. 1.59 crore.

[Paragraph 4.4]

- A work was awarded by Public Works Department without ensuring the availability of land and Rs. 1.17 crore interest free mobilization advance paid to contractor remained unadjusted even after lapse of 20 months.

[Paragraph 4.5]

- Improper planning and inordinate delay in awarding work resulted in cost over run of Rs. 49.24 lakh on construction of a road.

[Paragraph 4.6]

IDLE INVESTMENT/IDLE ESTABLISHMENT/BLOCKING OF FUNDS/DELAY IN COMMISSIONING EQUIPMENTS/DIVERSION/MISUTILISATION

- Purchase of an aircraft by the Civil Aviation Department without ensuring adequate infrastructure resulted in blocking of Rs. 22.48 crore and additional expenditure of Rs. 20.99 lakh on its maintenance.

[Paragraph 4.8]

- Inadequate planning by the Food and Civil Supplies Department led to non-operationalization of godown constructed at cost of Rs. 24.11 lakh.

[Paragraph 4.9]

- Forest Department incurred unfruitful expenditure of Rs. 1.16 crore on running a redundant workshop.

[Paragraph 4.10]

- Steel worth Rs. 1.44 crore rendered surplus after suspension of a project was lying un-disposed by the Irrigation Department since 1992.

[Paragraph 4.11]

- Inadequate planning and poor implementation of e-Governance initiatives resulted in non-utilization of computer hardware and peripherals costing Rs. 1.64 crore.

[Paragraph 4.12]

- Work on forest land by the Public Works Department without approval resulted in cost over run of Rs. 4.61 crore. Rs. 53.88 lakh was spent without justification on use of costlier material and material in excess of requirement.

[Paragraph 4.14]

REGULATORY ISSUES AND OTHER POINTS

- D-Space Digital Repository was not established despite spending Rs. 74.84 lakh.

[Paragraph 4.15]

- The objective of upgradation of two PHCs to CHCs at a cost of Rs. 3.55 crore was not achieved due to non-posting of specialists and technical staff.

[Paragraph 4.16]

- Deviation from the original scheme approved by GOI to switch over to an unsustainable design based on ground water, in contravention of National Water Policy 2002, resulted in unauthorised expenditure of Rs. 4.75 crore.

[Paragraph 4.17]

- Execution of road work in forest land against the provisions of Forest Conservation Act, 1980 resulted in irregular expenditure of Rs. 4.46 crore on incomplete road.

[Paragraph 4.18]

INTERNAL CONTROL SYSTEM IN SECONDARY EDUCATION DEPARTMENT

An evaluation of the internal control framework in the Secondary Education Department for the period 2002-03 to 2006-07 revealed failure to comply with budgetary procedures which led to allocation of funds in excess of Department's capacity to expend, persistent savings, crowding of expenditure in the fag end of the year and diversion of funds without legislative sanction. Plan funds received for providing critical infrastructure were not utilized fully even while large number of schools were being run without furniture or science equipment. Manpower controls were inadequate as the deployment of teachers was skewed to the detriment of schools located in remote and inaccessible areas and there was political interference in postings and transfers of teachers. Teachers' training was an area of neglect. Inspections were fewer than mandated and were rendered ineffective due to absence of follow-up action. Financial controls were weak; procedures and norms were not adhered to and basic records were not being maintained. While the Department did not receive regular reports from the districts, an effective mechanism to collate relevant information and use them for decision making was absent.

[Paragraph 5.1 to 5.9]

REVENUE RECEIPTS

- Undervaluation of residential/commercial property resulted in short levy of stamp duty of Rs. 60.52 lakh.

[Paragraph 6.2]

- Value added tax (VAT) of Rs. 38.80 lakh on the sale of aircraft was not levied.

[Paragraph 6.3]

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

General view of Government Companies and Statutory Corporations

- As on 31 March 2007, there were 20 Government Companies (16 working and four non-working) and two Statutory Corporations (both working) in the State.

[Paragraph 7.1]

- The total investment in working companies and corporations was Rs. 2724.78 crore as on 31 March 2007.

[Paragraph 7.1.1]

- Accounts of all the working Government Companies and two Statutory Corporations were in arrears for periods ranging from one to 20 years. According to the latest finalised accounts, 11 companies and one Statutory Corporation had incurred an aggregate loss of Rs. 93.73 crore and four companies had made a profit of Rs. 17.87 crore.

[Paragraph 7.1.6 & 7.1.7]

PERFORMANCE REVIEW

TOURISM RELATED ACTIVITIES OF THE KUMAON MANDAL VIKAS NIGAM LIMITED

The performance of Kumaon Mandal Vikas Nigam Limited with regard to the tourism related activities was deficient as the Nigam could not achieve its objective of promoting tourism in the State. The percentage of tourists availing its facilities was negligible. A far-reaching tourism policy was initiated in the state in 2001 which involved various bodies under the aegis of Paryatan Vikas Parishad. However, the very purpose was defeated in Kumaon because the Nigam, the body in charge of operating the tourist services, was not represented in the Parishad. Their overall functions remained stagnant confined to running TRHs. Even as a commercial organisation, the TRHs were running in loss due to low occupancy. There was an overall lack of direction and strategic planning because of which rich potential in cultural, Eco and Adventure tourism could not be tapped. Imaginative ideas to build a brand to fully exploit the rich heritage of Kumaon region, was clearly missing. Inadequate publicity, poor occupancy and lack of manpower planning led to losses on tourism related activities.

[Paragraph 7.2]

AUDIT OF TRANSCCTIONS

STATE INDUSTRIAL DEVELOPMENT CORPORATION OF UTTARANCHAL LIMITED

- The Company accepted higher rates than the rates at which similar works were executed and suffered a loss of Rs. 2.76 crore.

[Paragraph 7.3]

UTTARANCHAL POWER CORPORATION LIMITED

- The Corporation suffered a loss of Rs. 11.55 crore due to failure to collect centage charges.

[Paragraph 7.6]