

Chapter 1

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of the transactions of the Civil and Works departments of the Government of Uttar Pradesh, Centrally sponsored and State plan schemes and audit of autonomous bodies of the State, including performance audit of selected schemes and departments.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level of reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take the corrective action as also to frame policies and directives that lead to improved financial management of the organizations, thus contributing to better governance.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provision of the Constitution of India, applicable laws, rules and regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively.

This Chapter provides the auditee profile, planning and extent of audit and follow-up on audit reports. Chapter 2 of this Report deals with the findings of performance audit and Chapter 3 deals with compliance audit in the various departments and autonomous bodies. Chapter 4 contains results of CCO based audit of Animal Husbandry Department.

The cases mentioned in the Report are those which came to notice in the course of test audit of accounts during 2009-10 as well as those which had come to light in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2009-10 have also been included wherever necessary.

1.2 Auditee profile

There are 72 departments at the Secretariat level, headed by Chief Secretary/ Principal Secretaries/Secretaries who are assisted by the Special Secretaries, Deputy Secretaries and Directors and subordinates officers under them and 23 autonomous bodies which are under audit jurisdiction of the Principal Accountant General (Civil Audit), Uttar Pradesh, Allahabad.

The comparative position of expenditure of the Government during 2009-10 and in the preceding two years is given in **Table** below.

(₹ in crore)

Particular	2007-08			2008-09			2009-10		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue expenditure									
General services	92.85	26,457.90	26,550.75	211.94	29,557.38	29,769.32	824.29	39,817.01	40,641.30
Social services	8,213.70	14,871.87	23,085.57	11,584.22	16,961.79	28,546.01	10,998.49	21,065.79	32,064.28
Economic services	3,437.34	8,600.06	12,037.40	5495.18	8654.17	14,149.35	3,878.40	9,429.60	13,308.00
Grants-in-aid	0.03	3549.46	3549.49	-	3,504.21	3504.21	-	3,360.03	3,360.03
Total (1)	11,743.92	53,479.29	65,223.21	17,291.34	58,677.55	75,968.89	15,701.18	73,672.43	89,373.61
Capital expenditure									
Capital Outlay (2)	13,719.84	3,230.54	16,950.38	18,087.49	4,258.23	22,345.72	19,224.48	5,866.75	25,091.23
Loans and Advances disbursed (3)	367.44	374.52	741.96	390.33	416.68	807.01	209.23	732.62	941.85
Payment of Public Debt (4)	---	5,368.87	5,368.87	---	6,776.49	6,776.49	-	7,668.59	7,668.59
Total disbursement out of Consolidated Fund (1+2+3+4)	25,831.20	62,453.22	88,284.42	35,769.16	70,128.95	1,05,898.11	19,433.71	14,267.96	33,701.67
Contingency Fund	---	116.72	116.72	---	---	---	-	-	-
Public Account disbursements	---	68,560.32	68,560.32	---	1,00,026.64	1,00,026.64	-	1,01,780.30	1,01,780.30
Total	25,831.20	1,31,130.26	1,56,961.46	35,769.16	1,70,155.59	2,05,924.75	19,433.71	1,16,048.26	1,35,481.97

1.3 Authority for audit

The authority for audit by the C&AG is derived from the Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Principal Accountant General (Civil Audit) conducted audit of expenditure of civil and works departments, autonomous bodies under sections 13, 14, 15, 19 and 20 of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The principles and methodology for compliance audit are prescribed in the manuals issued by the Comptroller & Auditor General.

1.4 Organisational structure of the office of the Principal Accountant General (Civil Audit), Uttar Pradesh.

Under the directions of the C&AG, the Principal Accountant General (Civil Audit), Uttar Pradesh, conducts audit of civil and works departments and autonomous bodies through two groups each for inspection of the civil and works departments, one group each for autonomous bodies and forest department. During 2009-10, 71 audit parties conducted compliance audit of the selected units under various civil and works departments of the State Government, autonomous bodies, externally aided projects, etc.

1.5 Planning and conduct of audit

Audit process commences with the assessment of risk of various Government departments/ organisations/ autonomous bodies and schemes/ projects, etc., based on expenditure, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and the concerns of stakeholders. Previous audit findings are also considered in this exercise.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the audit reports.

During 2009-10, 15,800 party-days were used to carry out audit of 2,357 units out of 6,931 units of various departments/ organisations. The audit plan covered those units/entities which were vulnerable to significant risk, as per the assessment.

1.6 Significant observations of Performance Audit

Performance audit is undertaken to ensure whether the Government programmes have achieved the desired objectives at the minimum cost and given the intended benefits. In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities through performance audits, as well as on the quality of internal controls in selected departments, which impact on the success of programmes and functioning of the departments.

This report contains results of performance audit of Implementation of *Vidhan Mandal Kshetriya Vikas Nidhi*, Urban Health Services, Implementation of State Road Fund scheme and e-Governance in Information Technology and Electronics Department. Besides, department-centric audit of Animal Husbandry Department was conducted. The focus has been on auditing the specific programmes/schemes and offering suitable recommendations, with the intention of providing an aid to the Executive in taking corrective action and improving service delivery to the citizens. The salient features of the performance audits are discussed below.

1.6.1 Implementation of Vidhan Mandal Kshetriya Vikas Nidhi

With a view to enabling the Legislators to address the locally felt needs of their constituencies, the Government launched (1998-99) *Vidhan Mandal Kshetriya Vikas Nidhi*. The performance audit of the *Nidhi*, covering the period of 2005-10 revealed that huge amounts remained unspent at the close of each financial year. The variations in the accounts remained un-reconciled.

Substantial number of works did not relate to the locally felt needs. Inadmissible/ irregular and non-durable projects were executed in violation of the guidelines. Besides, not only a substantial number of works were lying incomplete, a large number of projects spilled over.

(Paragraph 2.1)

1.6.2 Urban Health Services

In order to provide good quality specialized medical services to the people, the Government decided to upgrade health facilities by establishing hospitals and trauma centres in urban areas during the Eleventh Plan (2007-12). Performance audit, covering the period of 2007-10 revealed that codal provisions for preparation of budget were not followed. The plan of action for procurement of equipment was not finalized delaying purchase of advanced medical devices. There was substantial shortage of medical/ para medical staff impacting adversely the department's ability to cater to the medical care needs of the people. None of the seven 100 bedded and two 300 bedded hospitals were completed by the targeted date. Besides, construction of a children's hospital in Lucknow and TB cum-General Hospital at Gorakhpur was not taken up due to non-availability of land.

(Paragraph 2.2)

1.6.3 Implementation of State Road Fund scheme

With a view to keeping the State roads free of potholes and patches by continuously maintaining and repairing, the Government created (1998) the State Road Fund and levied additional sales tax on diesel and petrol forming the receipts of the Fund. Performance audit of the State Road Fund scheme, covering the period 2005-10, revealed that the Public Works Department, which was the nodal department, maintained the roads falling under its jurisdiction only and did not consider the roads belonging to other departments/bodies. Identification of roads for renewal and maintenance without relevant data showed lack of transparency in their selection. Fifty-two *per cent* to 59 *per cent* of roads were not maintained during the period of review. There were also cases of surrender of funds and parking of funds in PLA.

(Paragraph 2.3)

1.6.4 e-Governance in Uttar Pradesh

With a view to making all Government services accessible to the common man through common service delivery outlets and ensuring efficiency and transparency, etc. at affordable costs, the Government implemented (May 2006) Centrally sponsored 'National e-Governance Programme'. Under the programme, Information Technology core infrastructure like State Wide Area Network, State Data Centre and Common Service Centres was to be established. Performance audit of the programme covering the period 2006-10 revealed that Information Technology core infrastructure could not be established and made operational even after lapse of four years. In absence of availability of Government to Citizen (G2C) services State Wide Area

Network could not be utilized optimally, whereas the State Data Centre project was still at the tendering stage. Data digitized for various departments was neither used nor updated. Inter-connectivity amongst various departments for information sharing and service delivery could also not be achieved in absence of finalization of the State Mission Mode Projects.

(Paragraph 2.4)

1.6.5 Department centric audit of Animal Husbandry Department

The aim of the Animal Husbandry Department is to bring about qualitative and quantitative improvement in production potential of livestock and disease control. Audit of the department revealed that due to inadequate manpower, financial resources and infrastructure, the objectives were not largely fulfilled as target of vaccinations to encounter several livestock diseases and artificial insemination were not achieved. Due to insufficient funds for medicines/chemicals and a valid licence for departmental manufacturing of vaccines, sufficient quantity of these was not available at the hospitals for treatment of livestock. Scheme for creation of Self Help Groups to provide self employment and prevent migration from villages was not implemented and monitored properly. Backyard scheme for improving livelihood of Scheduled Castes in poor category was also not successful due to improper planning.

(Paragraph 4.1)

1.7 Significant audit observations during Compliance Audit

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings of the compliance audit (23 paragraphs) have also been reported. The major observations relate to:

- Non-compliance with rules and regulations.
- Audit against propriety and cases of expenditure without adequate justification.
- Failure of oversight/governance.
- Persistent and pervasive irregularities.

1.7.1 Non-compliance with rules and regulations

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This section of non-compliance with rules and regulations brings out observations involving ₹ 28.22 crore. Some of these are as under.

Advance purchase of cement concrete tiles by Chief Engineer (Madhaya Ganga) under Irrigation Department in excess of requirement, resulted in locking up of ₹ 5.15 crore for two years.

(Paragraph 3.1.1)

Providing costlier overlay of bituminous macadam in widening of a road by the Public Works Department in violation of IRC specifications resulted in avoidable expenditure of ₹ 3.68 crore

(Paragraph 3.1.2)

Failure to observe financial rules by the Irrigation Department rendered the expenditure of ₹ 1.69 crore unfruitful on incomplete metalled roads of Kunwarpur and Pandeypur distributaries.

(Paragraph 3.1.3)

Slackness in adherence to internal control system facilitated misappropriation of bitumen costing ₹ 1.75 crore in Public Works Department.

(Paragraph 3.1.4)

Failure to adhere to the model bid document by the Superintendent Engineers of Public Works Department resulted in undue benefit of ₹ 1.51 crore to the contractors.

(Paragraph 3.1.5)

1.7.2 Audit against propriety and cases of expenditure without adequate justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and extra expenditure amounting to ₹ 47.56 crore. Some of the important audit findings are as under.

Due to improper planning by the Forest Department, an irregular expenditure of ₹ 40.10 crore was incurred on special plantation drive in Bundelkhand region.

(Paragraph 3.2.1)

An avoidable extra payment of ₹ 1.87 crore to a construction company was made by the Irrigation Department for delayed payment of decretal amount.

(Paragraph 3.2.2)

Lack of planning by the Jail Administration and Reforms Department led to wasteful expenditure of ₹ four crore on an incomplete structure of a medium security jail.

(Paragraph 3.2.3)

For want of operating staff, a Direct Circulatory Rotary rig machine and auxiliary equipment, procured at a cost ₹ 1.03 crore by the Chief Engineer, Minor Irrigation Department in January 2009, was lying idle.

(Paragraph 3.2.4)

Non-identification of slum dwellers by the Urban Development Department led to unfruitful expenditure of ₹ 54.80 crore on construction of 274 dwelling units under VAMBAY scheme.

(Paragraph 3.2.5)

1.7.3 Failure of oversight/ governance

The Government has an obligation to improve the quality of life of the people in the area of health, education, development and upgradation of infrastructure, public services, etc. Audit noticed instances where the funds released by the Government for creating public assets, remained unutilized/ blocked or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. Cases of failure of oversight/ governance noticed in audit amounted to ₹ 58.43 crore. Some important findings are as under.

Due to non-approval of rules by the Government, Revolving Fund could not be operated by the Uttar Pradesh Council of Agriculture Research for carrying out works such as strengthening of the agriculture related works and creation of statistical data base, etc.

(Paragraph 3.3.1)

Due to non-approval of the revised estimates of a project on development of a park in Mainpuri district by Horticulture Department and a decision to cancel it half-way rendered the expenditure of ₹ 2.76 crore thereon wasteful.

(Paragraph 3.3.2)

Inadequate planning by the Chief Engineer, Saryu Pariyojna-I, Faizabad under the Irrigation Department in construction of an Afflux Bund on left side of the river Saryu resulted in unfruitful expenditure of ₹ 2.43 crore.

(Paragraph 3.3.3)

Failure to adhere to the technical instructions of the Indian Institute of Technology, Roorkee by the Irrigation Department, rendered an expenditure

of ₹ 2.24 crore on construction of Rohni weir in Maharajganj district wasteful.

(Paragraph 3.3.4)

Inconsistency in the decision of the Jail Administration and Reforms Department in site selection for a prison in Ambedkarnagar, rendered the expenditure of ₹ 10 crore unfruitful apart from the delay in construction of the prison.

(Paragraph 3.3.5)

Due to lack of coordination and monitoring, unfruitful expenditure of ₹ 1.12 crore was incurred by the Women and Child Development Department on construction of 125 buildings, besides construction of 227 buildings was not taken up even after three years of their sanction.

(Paragraph 3.3.7)

Due to delay in handing over of stadia coupled with failure to appoint trainers etc., by the Youth Welfare Department, an expenditure of ₹ 18.31 crore on 50 stadia and purchase of sports material was rendered unfruitful.

(Paragraph 3.3.8)

1.7.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when prevalent in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/ regulations and results in weakening of administrative structure. Audit observed instances of persistent and pervasive irregularities of ₹ 3.79 crore. Some important audit findings are as under.

Irregular drawal of ₹ 3.79 crore by Executive Engineers of Irrigation Department from the treasuries and retaining it outside the Government account put an avoidable interest burden of ₹ 32 lakh on the Government.

(Paragraph 3.4.1)

1.8 Response of the departments to the draft Performance Reviews and Audit Paragraphs

The draft performance reviews and audit paragraphs are forwarded to the Principal Secretaries/ Secretaries of the departments concerned drawing their attention to the audit findings and requesting them to send their responses within six weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and

Auditor General of India, which are placed before Uttar Pradesh Legislature, it would be desirable to include their comments on the matter. They are also advised to have meetings with the Principal Accountant General to discuss the performance reviews/ draft audit paragraphs, proposed for Audit Reports. The performance reviews/ draft audit paragraphs proposed for inclusion in this report were forwarded to Principal Secretaries/ Secretaries concerned and their replies and results of discussions have been incorporated in the Report at appropriate places.

1.9 Follow up on Audit Reports

At the end of March 2010, 1,023 paragraphs/reviews were pending for discussion in the Public Accounts Committee. These paragraphs/ reviews pertained to the periods 1983-84 to 2007-08, except of the years 1997-98 and 2002-03. The discussion by the Public Accounts Committee on the paragraphs/ reviews of the Audit Reports for the years 2004-05, 2005-06 and 2006-07 was in progress and those for 2007-08 and 2008-09 were yet to be taken up.