

EXECUTIVE SUMMARY

Based on the audited accounts of the Government of Uttar Pradesh for the year ending March 2013, this report provides an analytical review of the Annual Accounts of the State Government. The financial performance of the State has been assessed which is based on the Fiscal Responsibility and Budget Management Act, 2004 and its Second Amendment Act, 2011, Budget Documents, the Thirteenth Finance Commission Report and other financial data obtained from various Government Departments and Organisations. The report is structured in three Chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of Uttar Pradesh Government's fiscal position as on 31 March 2013. It provides an insight into trends in overall finances of the State, Actual Expenditure *vis-a-vis* Budget Estimates, Committed Expenditure, Borrowing Pattern, besides a brief account of Central Funds transferred directly to the State Implementing Agencies through off-budget route. During 2012-13, a review on Market Borrowings was carried out and the audit findings have also been included in Chapter I.

Chapter 2 is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations, preparation of Budget Estimates and the manner in which the allocated resources were managed by the service delivery Departments.

Chapter 3 discusses Uttar Pradesh Government's compliance with various reporting requirements and financial rules.

Audit Findings and Recommendations

Performance of the State

The State Government maintained Revenue Surplus of ₹ 5,180 crore during 2012-13 and kept Fiscal Deficit below three *per cent* of GSDP. The Total Liability remained below 45.1 *per cent* of GSDP at the close of 2012-13 as envisaged in FRBM Act, 2004 and Second Amendment Act, 2011. The Revenue Surplus was mainly on account of increase in revenue receipts.

The fiscal deficit increased from ₹ 15,433 crore in 2011-12 to ₹ 19,238 crore in 2012-13. This was due to decline in revenue surplus and net loans and advances coupled with net capital expenditure. At the end of 2012-13, there was primary deficit of ₹ 2,317 crore due to increase in fiscal deficit during 2012-13 by ₹ 3,805 crore coupled with increase in interest payments by ₹ 1,440 crore during the same period.

State's Own Resources

During 2012-13, the Revenue Receipts increased by ₹ 15,034 crore (11 *per cent*) over 2011-12 mainly due to increase in Tax Revenue, Non Tax Revenue and increase in State's Share in Union Taxes and Duties.

Funds transferred directly to the State implementing agencies outside the State budget

GoI directly transferred ₹ 9,632 crore to the State Implementing Agencies during 2012-13. However, the present mechanism does not provide a complete picture of the resources under the control of the State Government.

Revenue Expenditure

During 2012-13, the Revenue Expenditure increased by ₹ 16,839 crore (14 *per cent*) over 2011-12. Within the Revenue Expenditure, the Plan Expenditure increased by ₹ 3,262 crore (14 *per cent*) over 2011-12 whereas the Non-plan Revenue Expenditure increased by ₹ 13,577 crore (13 *per cent*).

Revenue Expenditure as a percentage of Total Expenditure increased from 84 *per cent* during 2011-12 to 85 *per cent* during 2012-13. The committed Expenditure on salaries, pensions, interest payments and subsidies consumed a major part (₹ 93,561 crore) of Non-plan Revenue Expenditure.

Efficiency of Expenditure Use

The share of Capital Expenditure to Total Expenditure decreased from 15 *per cent* in 2011-12 to 14 *per cent* in 2012-13.

Reserve Funds

There exist a number of reserve funds in the accounts of the State Government which were created for specific and well defined purposes and led by contributions from the Consolidated Fund of the State. Ten reserve funds out of 22 were not operated during 2010-13.

Debt Sustainability

Debt-GSDP ratio (34 *per cent*) at the end of 2012-13 was on lower side especially in view of the target of FRBM (Second Amendment) Act, 2011 to contain it to 41.9 *per cent* by the end of 2014-15.

Financial Management and Budgetary Control

During 2012-13, an overall savings of ₹ 29,701.70 crore over the total Grants and Appropriations is indicative of inaccurate budgeting. The Grants of Agriculture and other (*Panchayati Raj*), Home (Police), Public Works (Establishment), Education (Secondary Education), Social Welfare (Special Component Plan for

Scheduled Castes) and Finance (Debt Services and Other Expenditure) etc. posted large savings persistently for the last five years. Excess expenditure of ₹ 15,363.76 crore for 2005-12 and ₹ 2,380 crore for 2012-13 require regularisation under Article 205 of the Constitution of India. There were instances of unnecessary/inadequate supplementary provisions and excessive, unnecessary re-appropriations of funds. Cases of non-surrender of anticipated savings were also noticed. Rush of expenditure at the end of the financial year is another chronic feature noticed in the overall financial management.

Financial Reporting

The Government's compliance with various Financial Rules and Procedures was deficient. Utilisation Certificates in respect of substantial amounts (₹ 66,625 crore) were not obtained from the grantees. An amount of ₹ 2,311 crore was retained in 1,502 Personal Deposit Account as of March 2013. Detailed Contingency bills amounting to ₹ 65 crore (7,654 in numbers) were awaited. A statement of bodies/ authorities to whom the grants/loans were paid during the preceding years was also not sent to facilitate their identification for audit.