

EXECUTIVE SUMMARY

Based on the audited accounts of the Government of Uttar Pradesh for the year ending March 2014, 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, Report of the Thirteenth Finance Commission and other financial data obtained from various Government Departments and Organisations. The Report is structured in four Chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of fiscal position of the Government of Uttar Pradesh as on 31 March 2014. It provides an insight into trends in overall finances of the State, Actual Expenditure *vis-à-vis* Budget Estimates, Committed Expenditure, besides a brief account of Funds transferred by Government of India directly to the State Implementing Agencies through off-budget route.

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 is an inventory of compliance by the Government of Uttar Pradesh with various reporting requirements and financial rules.

Chapter 4 contains results of long paragraph on 'Management of various Reserve Funds'.

Audit Findings

Chapter 1: Finances of the State Government

Fiscal situation

- As per the targets set in FRBM Act, 2004 and Second Amendment Act, 2011, the State Government had a Revenue Surplus of ₹ 10,067 crore. It also kept Fiscal Deficit below three *per cent* of GSDP and the Total Liability below 43.4 *per cent* of GSDP at the close of 2013-14. The Revenue Surplus was mainly on account of increase in revenue receipts.

(Para 1.1.2)

Funds transferred by GoI to the State implementing agencies

- GoI has been transferring funds directly to the State Implementing Agencies for implementing various schemes and programmes. Under the present mechanism, these funds were not routed through the State Treasury System and hence do not find mention in the Finance Accounts

of the State Government. During 2013-14, GoI, directly transferred ₹ 12,282 crore to the State Implementing Agencies.

(Para 1.2.2)

Revenue Receipts

- The Revenue Receipts increased from ₹ 1,45,904 crore in 2012-13 to ₹ 1,68,214 crore during 2013-14 mainly due to increase in Tax Revenue, Non Tax Revenue, Grants-in-aid from GoI and Central Tax Transfers.

(Paras 1.3, 1.3.1.1, 1.3.2 & 1.3.3)

Revenue Expenditure

- Revenue Expenditure increased (12 *per cent*) from ₹ 1,40,724 crore in 2012-13 to ₹ 1,58,147 crore during 2013-14.

(Para 1.6.2)

- Within revenue expenditure, non-plan expenditure increased by ₹ 11,644 crore (10 *per cent*) during 2013-14 and plan expenditure by ₹ 5,779 crore (22 *per cent*) over 2012-13.

(Para 1.7.1.2)

Debt sustainability

- Debt-GSDP ratio (31.64 *per cent*) at the end of 2013-14 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.

(Para 1.1.2)

Chapter 2: Financial Management and Budgetary Control

Large savings due to inaccurate budgeting

- During 2013-14, overall savings of ₹ 35,206.95 crore were the results of savings of ₹ 38,715 crore off set by excess of ₹ 3,508 crore.

(Para 2.2)

- The Grants of Agriculture and other allied departments (Agriculture, Rural Development and *Panchayati Raj*), Home (Police), Medical Department (Allopathy), Urban Development, Judicial, Women and Child Welfare, Revenue Department, Public Works (Establishment), Education (Secondary and Higher Education), Social Welfare (Special Component Plan for Scheduled Castes) and Finance (Debt Services and Other Expenditure) and Irrigation Department (Establishment) posted large savings persistently for the last five years.

(Para 2.3.2)

Excess over provision requiring regularisation

- Excess expenditure of ₹ 17,743.99 crore for the years 2005-13 also require regularisation under Article 205 of the Constitution of India.

(Paras 2.3.4)

Unnecessary /inadequate supplementary provisions and excessive, unnecessary re-appropriations of funds

- There were instances of unnecessary/inadequate supplementary provisions and excessive, unnecessary re-appropriations of funds. The 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.

(Paras 2.3.6, 2.3.7, 2.3.10 & 2.3.13)

Chapter 3: Financial Reporting

Deficient compliance of Rules and Procedures

- Utilisation Certificates in respect of substantial amounts (₹ 1,11,348.81 crore) were not obtained from the grantees.

(Para 3.1)

- As on 31 March 2014, 7032 AC bills amounting to ₹ 115.96 crore were outstanding for want of DC bills.

(Para 3.2)

- An amount of ₹ 5,410.50 crore was retained in 1,494 Personal Deposit Accounts, as on March 2014.

(Para 3.8)

Chapter 4: Long Paragraph on ‘Management of Various Reserve Funds’

- Out of 19, ten Reserve Funds were operative and nine Reserve Funds remained inoperative for four to 14 years.

(Para 4.5)

- The Government has not set up the Guarantee Redemption Fund despite recommendation by the Reserve Bank of India.

(Para 4.7.1)

- Government did not setup the consolidated sinking fund despite recommendation by the Twelfth Finance Commission and the Reserve Bank of India.

(Para 4.8.1.2)

- The amounts lying unspent in the calamity relief fund were not transferred to the State Disaster Response Fund.

(Para 4.9.1)