

# **CHAPTER 1**

## **Introduction**



## 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 performance audit and compliance audit of the Government departments and Autonomous Bodies falling under the Economic Sector of the State.

Chapter 1 of this Report narrates the Budget Profile, the planning and conduct of audit and responsiveness of Government to Audit. Chapter 2 of this Report deals with the findings of one performance audit and one thematic audit. Chapter 3 includes audit findings of compliance audit in various Departments and Autonomous Bodies.

#### 1.2 Budget Profile

There are 18 Departments and 86 Autonomous Bodies in the Economic Sector of the State which are under audit jurisdiction of Accountant General (Economic and Revenue Sector Audit), Uttar Pradesh, Lucknow. The position of budget estimates of the State Government during 2011-12 to 2015-16 is given in **table 1.1**.

**Table 1.1: Budget and expenditure of the State Government during 2011-16**

(₹ in crore)

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16	
	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual
<b>Revenue Expenditure</b>										
General Services	52,787.37	52,946.91	62,175.69	59,906.72	66,342.70	61,983.49	74,325.18	64,305.72	80,923.25	72,227.92
Social Services	51,259.27	47,390.94	59,081.49	53,300.32	66,219.05	60,756.28	75,478.78	60,905.79	84,969.91	82,486.46
Economic Services	20,290.65	18,292.00	23,639.78	21,337.36	25,552.71	25,710.71	36,582.54	34,885.24	39,686.37	47,881.29
Grant- in-Aid and contributions	5,308.25	5,255.10	6,244.67	6,179.24	9,777.74	9,696.38	11,038.38	10,930.57	10,176.65	10,140.28
<b>Total (1)</b>	<b>1,29,645.54</b>	<b>1,23,884.95</b>	<b>1,51,141.63</b>	<b>1,40,723.64</b>	<b>1,67,892.20</b>	<b>1,58,146.86</b>	<b>1,97,424.88</b>	<b>1,71,027.32</b>	<b>2,15,756.18</b>	<b>2,12,735.95</b>
<b>Capital Expenditure</b>										
Capital outlay	25,959.73	21,573.96	26,978.26	23,834.29	32,767.40	32,862.60	55,986.16	53,297.27	63,154.26	64,422.72
Loan and advances disbursed	1,240.15	975.57	1,324.78	1,003.24	1,953.73	1,473.34	1,909.67	1,872.64	2,792.99	9,117.91
Repayment of Public Debt	18,356.25	8,287.61	18,843.96	8,909.04	18,587.86	8,166.74	19,383.88	9,411.21	20,983.89	17,672.76
Contingency fund	87.65	309.64	0.00	262.45	0.00	86.55	0.00	203.15	0.00	44.07
Public Accounts Disbursements	2,41,622.91	1,30,970.76	2,64,609.27	1,29,471.51	2,84,702.18	4,49,188.03	3,29,518.75	4,77,981.08	4,11,018.14	4,08,011.46
Closing Cash Balances	--	13,446.70	--	15,172.42	--	4,020.63	--	-356.12	--	-200.21
<b>Total (2)</b>	<b>2,87,266.69</b>	<b>1,75,564.24</b>	<b>3,11,756.27</b>	<b>1,78,652.95</b>	<b>3,38,011.17</b>	<b>4,95,797.89</b>	<b>4,06,798.46</b>	<b>5,42,409.23</b>	<b>4,97,949.28</b>	<b>4,99,068.71</b>
<b>Grand Total</b>	<b>4,16,912.23</b>	<b>2,99,449.19</b>	<b>4,62,897.90</b>	<b>3,19,376.59</b>	<b>5,05,903.37</b>	<b>6,53,944.75</b>	<b>6,04,223.34</b>	<b>7,13,436.55</b>	<b>7,13,705.46</b>	<b>7,11,804.66</b>

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget of respective years)

### 1.3 Application of Resources of the State Government

As against the total outlay of the budget of ₹ 2,81,703.43 crore, total expenditure<sup>1</sup> was ₹ 2,86,276.58 crore. The total expenditure of the State increased from ₹ 2,26,197.23 crore (2014-15) to ₹ 2,86,276.58 crore (26.56 per cent) in 2015-16, the revenue expenditure also increased from ₹ 1,71,027.32 crore (2014-15) to ₹ 2,12,735.95 crore in 2015-16 (24.38 per cent). Non-Plan revenue expenditure increased from ₹ 1,01,269.25 crore (2011-12) to ₹ 1,69,484.6 crore (67 per cent) in 2015-16 and capital expenditure increased from ₹ 25,959.73 crore (2011-12) to ₹ 64,422.72 crore (148.16 per cent) in 2015-16 during the period 2011-16.

The revenue expenditure ranged between 24 and 46 per cent of the total expenditure and capital expenditure<sup>2</sup> ranged between 54 and 76 per cent during the year 2011-16. During this period, total expenditure increased at an annual average rate of 17 per cent, whereas revenue receipts grew at an annual average growth rate of 15 per cent during 2011-16.

### 1.4 Persistent Savings

In 18 cases, there were persistent savings of more than ₹ one crore in each case during last five years as per the details given in table 1.2

Table 1.2: List of grants with persistent savings during 2011-16

(₹ in crore)

Sl. No.	Grant number and name	Amount of Savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenue Voted</b>						
1	11 : Agriculture and Other Allied Departments (Agriculture)	766.37	644.92	596.10	425.39	438.74
2	15: Agriculture and Other Allied Departments (Animal Husbandry)	34.21	23.06	662.21	54.12	150.60
3	32: Medical Department (Allopathy)	145.70	403.79	471.33	672.14	938.53
4	37: Urban Development Department	625.51	238.51	654.69	2762.12	1390.72
5	42: Judicial Department	172.36	178.52	223.31	330.65	329.12
6	48: Minorities Welfare Department	13.69	104.26	201.19	815.40	852.81
7	54: Public Works Department (Establishment)	238.54	681.45	1041.27	1265.68	1384.03
8	61: Finance Department (Debt Services and Other Expenditure)	59.73	65.45	87.57	109.64	48.77
9	73: Education Department (Higher Education)	745.76	816.09	348.28	422.39	278.80
10	83: Social Welfare Department (Special Component Plan for Schedule Castes)	792.46	1762.10	1315.74	2509.94	2306.78
	<b>Total</b>	<b>3,594.33</b>	<b>4,918.15</b>	<b>5,601.69</b>	<b>9,367.47</b>	<b>8,118.90</b>
<b>Capital Voted</b>						
1	11: Agriculture and Other Allied Departments (Agriculture)	100.86	177.73	470.53	286.17	533.67
2	21: Food and Civil Supplies Department	1811.78	1039.49	4646.82	2192.04	11.71
3	32: Medical Department (Allopathy)	147.14	230.68	283.83	93.86	104.48
4	37: Urban Development Department	261.77	737.99	369.91	21.86	174.96
5	42: Judicial Department	78.43	21.23	336.17	153.89	241.77
6	48: Minorities Welfare Department	373.36	164.73	148.22	640.44	635.44
7	73: Education Department (Higher Education)	19.28	123.76	185.35	69.77	314.84
8	83: Social Welfare Department (Special Component Plan for Schedule Castes)	415.46	588.84	524.04	1634.76	1357.70
	<b>Total</b>	<b>3,208.08</b>	<b>3,084.45</b>	<b>6,964.87</b>	<b>5092.79</b>	<b>3,374.57</b>

(Source: Appropriation Accounts of respective years).

<sup>1</sup> Total expenditure includes revenue expenditure, capital outlay and loan and advances disbursed.

<sup>2</sup> Excluding closing cash balances.

### 1.5 Grants-in-aid from Government of India(GoI)

The Grants-in-aid received from the GoI during the years 2011-12 to 2015-16 are given in **table 1.3**

**Table 1.3: Grants-in-aid from GoI**

Particulars	₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Non-plan Grants	4,396.73	4,341.00	7,933.79	6,808.88	8,273.90
Grants for State Plan Schemes	6,813.28	5,518.39	6,595.22	6,576.02	1,933.17
Grants for Central Plan Schemes	6,549.89	7,478.40	225.90	17.37	16.30
Grants for Centrally Sponsored Schemes	0.00	0.00	7,650.26	19,289.20	21,637.97
<b>Total</b>	<b>17,759.90</b>	<b>17,337.79</b>	<b>22,405.17</b>	<b>32,691.47</b>	<b>31,861.34</b>
Percentage of increase/(decrease) over previous years	15	-2	29.23	45.91	-2.54
Percentage of Revenue Receipts	14	12	13.32	16.90	14.03

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget of respective years)

### 1.6 Planning and conduct of audit

The Audit process starts with the risk assessment of various departments, autonomous bodies and schemes/projects, etc, based on expenditure, criticality/complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report containing audit findings is issued to the head of the office with the request to furnish replies within one month. Whenever replies are received, audit findings are either settled/or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Uttar Pradesh under Article 151 of the Constitution of India.

During 2015-16, Compliance audit of 178 units out of 178 planned units pertaining to 18 Departments and 86 Autonomous Bodies was conducted by the office of the Accountant General (E & RSA). Further one Performance Audit and one thematic audit were also conducted.

#### *Audit of Development Authorities*

Office of the AG(E&RSA), U. P. has the mandate to conduct the audit of development authorities in Uttar Pradesh under section 14 (2) of the CAG (DPC) Act, 1971 which provides that the Comptroller and Auditor-General may with the previous approval of the Governor of a State audit all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of any state in a financial year is not less than rupees one crore. The Hon'ble Governor of Uttar Pradesh has given (June 1985) his consent in this regard.

During 2014-15 and 2015-16, GoUP had transferred an amount of ₹ 648.69 crore and ₹ 1,191 crore respectively from consolidated fund of the State to these development authorities towards additional stamp duty and development of infrastructure facilities. Ghaziabad Development Authority (GDA), Ghaziabad received an amount of ₹ 54.58 crore and ₹ 54.54 crore towards

additional stamp duty from consolidated fund of the State during 2014-15 and 2015-16 respectively.

Due to clear mandate for audit of development authorities the audit of development authorities were regularly conducted by this office till May 2016. Moreover, a performance audit of GDA was also undertaken for this Audit Report. However, the Principal Secretary, Housing and Urban Planning Department denied (June 2016) the audit of all development authorities by this office. Hence, the performance audit of GDA was suspended and audit of other 11 development authorities<sup>3</sup>, planned for audit during 2016-17, could not be undertaken. The matter has been referred to Hon'ble Governor of the State.

### **1.7 Lack of responsiveness of Government to Inspection Reports**

The Accountant General (Economic and Revenue Sector Audit) conducts periodical inspection of Government Departments/Autonomous Bodies by test check of transactions and verifies the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities. The heads of offices and next higher authorities are required to report their compliance to office of the AG (E&RSA) within four weeks of receipts of IRs.

During 2015-16, 32 meetings of the audit committee were held in which 696 paragraphs were settled.

A detailed review of the IRs issued up to March 2016 pertaining to 18 Departments and 86 autonomous bodies showed that 4,667 paragraphs having financial implications of about ₹ 64,789.53 crore relating to 1295 IRs remained outstanding at the end of 31 March 2016. Of these, oldest items pertains to 664 IRs issued during 2007-08 to 2010-11 and 2041 paragraphs having financial implication of ₹ 34,337.30 crore had not been settled for more than five years. The details of these outstanding 1,295 IRs and 4,667 paragraphs are given in **appendix 1.1**.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

### **1.8 Government response to significant audit observations (paragraphs/reviews)**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

---

<sup>3</sup> Bareilly Development Authority, Muzaffarnagar Development Authority, Special Area Development Authority, Vindhyachal-Mirzapur, Special Area Development Authority Garhmuketeshwar, Gorakhpur Development Authority, Mathura-Vrindavan Development, Meerut Development Authority, Allahabad Development Authority, Hapur-Pilkhua Development Authority, Aligarh Development Authority and Kanpur Development Authority.

As per provision contained in Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance Audit reports/paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within one month. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India, to be placed before the Uttar Pradesh Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Accountant General (E&RSA) to discuss the reports of Performance Audits and Audit paragraphs. These reports and paragraphs proposed for inclusion in the Report were also forwarded to the Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, report on one Performance Audit and five paragraphs (including one thematic audit paragraph) were forwarded to the concerned Administrative Secretaries, but Government reply has been received in two cases only.

### 1.9 Follow up on Audit Reports

According to the Rules of procedure for the internal working on the Committee on Public Accounts, the Administrative Departments were to initiate, *suo- motto* action on all Audit paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed Action Taken Notes (ATNs), duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the State Legislature.

The position regarding receipt of Action Taken Notes (ATNs) on the paragraphs included in the ARs up to the period ended 31 March 2016 as on 30 September 2016 is given in **table 1.4**

**Table 1.4: Position regarding receipt of ATNs on the paragraphs included in the ARs**

Audit Reports	Years	Departments	Date of Presentation	Due Date for receipt of ATNs	ATNs pending as of 31 August 2016
Economic Sector (Non-PSUs)	2012-13	Housing and Urban Planning Department	1 July 2014	31 October 2014	Not yet received
Economic Sector (Non-PSUs)	2013-14	Housing and Urban Planning Department	17 August 2015	18 October 2015	Not yet received
		Department of Micro, Medium and Small scale Industries and Export Promotion			
		Forest Department			
		Department of Energy			
Economic Sector (Non-PSUs)	2014-15	Housing and Urban Planning Department	8 March 2016	7 June 2016	Not yet received
		Infrastructure and Industrial Development Department			
		Department of Additional Source of Energy			
		Department of Micro, Small and Medium Enterprises and Export Promotion			
		Forest Department			

(Source: Audit Report 2012-13 to 2014-15, Economic Sector-Non PSUs)

### **1.10 Recoveries at the instance of Audit**

During the course of audit, recoveries of ₹ 1.70 crore pointed out in two cases on the various Departments/Autonomous Bodies were accepted. Out of which, recoveries of ₹ 0.99 crore in two cases were effected during 2015-16 as per the details given in **table 1.5**.

**Table-1.5: Recoveries pointed out by audit and accepted/recovered by the Departments**

(₹ in crore)

Department	Particulars of recoveries	Recoveries pointed out in Audit and accepted by Department during 2015-16		Recoveries effected during 2015-16	
		Number of cases	Amount Involved	Number of cases	Amount Involved
Forest Department	Miscellaneous	1	1.36	1	0.65
Civil Aviation Department	Miscellaneous	1	0.34	1	0.34
<b>Total</b>		<b>2</b>	<b>1.70</b>	<b>2</b>	<b>0.99</b>

*(Source: As per progress register)*

### **1.11 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Assembly**

Several Autonomous Bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regularity/compliance audit, review of internal management, financial control and review of systems and procedures, etc. The audit of accounts of two Autonomous Bodies in the State has been entrusted to the Comptroller and Auditor General of India.

Separate Audit Reports (SARs) of an Autonomous Body (Uttar Pradesh Electricity Regulatory Commission) issued by Audit for the years 2003-04 to 2014-15, are yet to be placed before the Legislature (**Appendix 1.2**). These need to be tabled before the State Legislature at the earliest.