

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 organisations, 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 audited entity profile, the planning and extent of audit. 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 Horticulture and Food Processing Department.

1.2 Audited entity profile

There are 65 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 27 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 2010-11 and in the preceding two years is given in Table 1.

Table 1: Comparative position of expenditure for the year 2008-11

(₹ in crore)

Particular	2008-09			2009-10			2010-11		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue expenditure									
General services	211.94	29,557.38	29,769.32	824.29	39,817.01	40,641.30	987.34	47,031.83	48,019.17
Social services	11,584.22	16,961.79	28,546.01	10,998.49	21,065.79	32,064.28	15,829.56	23,737.14	39,566.70
Economic services	5495.18	8654.17	14,149.35	3,878.40	9,429.60	13,308.00	4,222.63	11,502.40	15,725.03
Grants-in-aid	---	3,504.21	3504.21	---	3,360.03	3,360.03	---	4,364.71	4,364.71
Total (1)	17,291.34	58,677.55	75,968.89	15,701.18	73,672.43	89,373.61	21,039.53	86,636.08	1,07,675.61
Capital expenditure									
Capital Outlay (2)	18,087.49	4,258.23	22,345.72	19,224.48	5,866.75	25,091.23	19,581.08	691.72	20,272.80
Loans and Advances disbursed (3)	390.33	416.68	807.01	209.23	732.62	941.85	617.28	350.94	968.22
Payment of Public Debt (4)	-	6,776.49	6,776.49	-	7,668.59	7,668.59	-	7383.08	7,383.08
Total disbursement out of Consolidated Fund (1+2+3+4)	35,769.16	70,128.95	1,05,898.11	35,134.89	87,940.39	1,23,075.28	41,237.89	95,061.82	1,36,299.71
Contingency Fund	-	-	-	-	-	-	-	39.90	39.90
Public Account disbursements	-	1,00,026.64	1,00,026.64	-	1,01,780.30	1,01,780.30	-	1,17,472.99	1,17,472.99
Total	35,769.16	1,70,155.59	2,05,924.75	35,134.89	1,89,720.69	2,24,855.58	41,237.89	2,12,574.71	2,53,812.60

1.3 Authority for audit

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 of India.

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 2010-11, 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 internal control 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/department. 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 report.

During 2010-11, 16,612 party-days were used to carry out audit of 2,378 units out of 6,940 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.

This report contains results of Performance audits of Construction, Modernisation and Maintenance of State Tubewells; Information System Audit on 'Preparedness of Computer Based Management Information System in Irrigation Department; and Long Paragraphs on Status of Infrastructure Facilities and Teaching Aids in Government Primary and Upper Primary Schools in Ghazipur and Gautam Buddha Nagar Districts and Status of Medical Equipment and Apparatus in Ghazipur and Gautam Buddha Nagar districts. The salient features of the performance audits are discussed below.

1.6.1 Performance Audit on “Construction, Modernisation and Maintenance of State Tubewells”

Economy of Uttar Pradesh is dependent mainly on agriculture which provides livelihood to 65 per cent of its population. Of total net irrigated area of 1.31 crore hectare in the State, tubewells contribute irrigation to only 0.04 crore hectare (3 per cent) area. Performance audit on “Construction, Modernisation and Maintenance of State Tubewells”, covering the period 2006-11, revealed creation of liability of interest bearing loan. There were cases of procurement of machines without requirement and without obtaining administrative and

financial sanction from the Government. Benefit Cost Ratio of the projects was deliberately made economically viable. Huge liability was pending on account of electricity charges. Despite investment of huge amount, the Department could utilise only 27 per cent of the created irrigation potential. The Government adopted fixed rate for electricity charges instead of opting for metered billing which would have been beneficial for the Department.

1.6.2 Information System Audit on 'Preparedness of Computer Based Management Information System in Irrigation Department'

Uttar Pradesh Irrigation Department (UPID) initiated a computer based Management Information System (MIS) in April 2001, which was to be fully implemented within 54 months. However, even after expiry of about 10 years, the implementation of computer based Management Information System in the Irrigation Department was far from completion. The objectives of effective planning and analyses based on the factual data; increased monitoring; enhanced transparency and communication, could not be achieved due to non preparedness of the Department in making current data available to the vendor, poor internet connectivity and inadequate training. Till date, not even a single module, out of 26 modules, has been put to use. Even master data had been fed partially and that too was unreliable. Department also failed to develop a system to protect the data from any disaster.

1.6.3 Status of Infrastructure Facilities and Teaching Aids in Government Primary and Upper Primary Schools in Ghazipur and Gautam Buddha Nagar Districts

“UP Education for All Project Board” was constituted in May 1993 to manage the World Bank assisted project and the powers to manage the primary and upper primary schools were vested with the “Village Education Committees (VEC).” Universalisation of elementary education was affected due to non-availability of sufficient number of teachers; inadequate infrastructure facilities like toilets, separate toilets for girls, safe and adequate drinking water, mid-day-meal (MDM), sports grounds, computer facilities, seating arrangements, free text books, uniforms, training of teachers, library facilities and electrification in the Government Primary and Upper Primary Schools. Despite availability of sufficient class rooms, improved Teacher Student Ratio, MDM and other facilities, the Government was not able to enhance enrolment, contain or restrict the dropout rate of children from the schools.

1.6.4 Status of medical equipment and apparatus in Ghazipur and Gautam Buddha Nagar districts

The status of Medical equipment and apparatus in Ghazipur and Gautam Buddha Nagar districts for 2006-11 was evaluated in audit. It revealed that a large number of equipment was either not optimally utilised or was lying idle mainly due to non-posting of medical staff. The bed occupancy was very low and the patients were left to take recourse to private diagnostic centres. The

ambulances were also not used for incoming and discharged patients. Huge expenditure incurred on ventilators and ambulances was also proved to be unproductive.

1.6.5 Chief Controlling Officer based audit of Horticulture and Food Processing Department

The vision of the Horticulture and Food Processing Department is to increase the productivity and quality of horticulture crops. CCO based audit of the Department revealed that due to inadequate manpower and infrastructure and non-utilisation of available funds, the objectives were largely unfulfilled. Annual Action Plans were prepared without ascertaining the field level requirements. Sincere efforts to establish nurseries for producing qualitative planting materials and seeds were not made. Post Harvest Management, essential for improving marketability of horticulture produce, was not given due attention. The monitoring and evaluation system was inadequate, resulting in poor execution of projects.

1.7 Significant observations of Compliance Audit

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings of the compliance audit (28 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; and
- Fraud and detection of fraud.

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 ₹ 2765.23 crore. Some of these are shown as under.

- *Transfer of 501.922 acre land to the New Okhla Industrial Development Authority without realising its full value led to a loss of ₹ 2,632.19 crore.*

(Paragraph 3.1.1)

- *Chhatrapati Sahuji Maharaj Medical University, Lucknow demolished a heritage building in Lucknow and in its place constructed a new one at ₹ 28.30 crore in disregard of the Ancient Monuments and Archeological Sites and Remains Act, 1958.*

(Paragraph 3.1.2)

- *Non-adherence to specifications resulted in not only sub-standard works worth ₹ 2.50 crore but also avoidable expenditure ₹ 2.82 crore on renewal works of village roads.*

(Paragraph 3.1.4)

- *Payment of secured advances, in violation of the contract conditions, led to undue aid of ₹ 94.17 crore to the contractors and undue benefit of ₹ 2.23 crore as interest.*

(Paragraph 3.1.6)

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 ₹ 121.33 crore. Some of the important audit findings are as under.

- *Laser Land Levelers, purchased at a cost of ₹ 2.49 crore, without assessing their feasibility, were lying idle, rendering the expenditure incurred thereon unfruitful. Besides, the objective of ensuring appropriate and minimum use of water in irrigating the agriculture fields was also not achieved.*

(Paragraph 3.2.1)

- *Appointment of lecturers of physical education and sports without introducing the required curriculum resulted in wasteful expenditure of ₹ 6.54 crore defeating the objective of participation of youth of the State in National and International sports events.*

(Paragraph 3.2.4)

- *In violation of the orders of the Supreme Court, Ghaziabad Development Authority placed orders for supply of electrical items worth ₹ 15.92 crore for development of site proposed for construction of houses resulting in the items lying unused for about two years.*

(Paragraph 3.2.5)

- *Excess payment of ₹ 3.48 crore was made to the contractor due to preparation of estimate by allowing inadmissible Schedule of Rates.*

(Paragraph 3.2.6)

- *Non-adherence to original alignment for the construction of Algin-Charsari bund led to avoidable expenditure of ₹ 8.98 crore.*
(Paragraph 3.2.7)
- *Purchase of pumps, electric motors and accessories, not synchronised with the completion of electric distribution system and construction of sub-station rendered the investment of ₹ 2.65 crore idle.*
(Paragraph 3.2.8)
- *Execution of work against the defective technical sanction rendered the expenditure of ₹ 7.58 crore infructuous.*
(Paragraph 3.2.10)

1.7.3 Failure of oversight/governance

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 unutilised/ 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 ₹ 144.08 crore. Some important findings are as under.

- *Cost of land allotted for housing schemes was not realised even after lapse of 11 to 19 years.*
(Paragraph 3.3.1)
- *Defective planning and dilapidated condition of houses within four to eight years of construction resulted in not only failure of the scheme, but also wasteful expenditure of ₹ 3.79 crore.*
(Paragraph 3.3.2)
- *Non-obtaining of No Objection Certificate from Bhabha Atomic Research Centre resulted in non-commissioning of the cancer unit valuing ₹ 5.99 crore.*
(Paragraph 3.3.5)
- *Infructuous expenditure of ₹ 23.22 crore on civil works and loss of ₹ 5.20 crore due to non recovery of liquidated damages.*
(Paragraph 3.3.6)
- *Commencement of work without acquiring the required land, rendered an expenditure of ₹ 23.18 crore wasteful.*
(Paragraph 3.3.7)

1.7.4 Persistent and pervasive irregularity

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 that

- *Execution of construction works of Rapti Link Channel (RLC) in violation of the orders of the Government led to unauthorised and unfruitful expenditure of ₹ 2.21 crore.*

(Paragraph 3.4.1)

1.7.5 Fraud and detection of fraud

Audit of financial transactions, test checked in Public Works Department and their field functionaries revealed that

- *Failure to verify the genuineness of the transfer order by the Executive Engineer, Construction Division, Bridges and Roads, Gorakhpur, as ordered by the Engineer-in-Chief, Public Works Department, not only facilitated the joining of two fake employees but also resulted in fraudulent drawl of salaries of ₹ 3.73 lakh.*

(Paragraph 3.5.1)

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 concerned departments 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 in 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.

During May to December 2011, three draft performance reviews and 34 draft paragraphs which included two long paragraphs were forwarded to the concerned Principal Secretaries/Secretaries of the departments demi-officially. The meetings for discussions were also arranged during October to December 2011. The responses in respect of all the draft performance reviews and paragraphs were received and have suitably been incorporated in the Report. However, Government/Departments did not furnish detail replies in respect of Information System audit of Irrigation Department, CCO based audit of Horticulture and Food Processing Department and both the long paragraphs.