

1.1 About this Report

This Report of the Comptroller and Auditor General of India relates to the matters arising from performance audit of selected programmes and activities and compliance audit of Government Departments and Autonomous Bodies.

Compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules and regulations and various orders and instructions issued by the competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/ activity/ department are achieved economically and efficiently

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.

This Chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies in implementation of selected schemes, significant audit observations made during the course of audit of transactions and follow up on previous Audit Reports. Chapter 2 of this Report contains findings arising out of Performance Audit and Chapter 3 contains observations on audit of transactions in Government Departments and Autonomous Bodies. Chapter 4 presents results of Chief Controlling Officer based audit of Consumer Protection and Weights & Measures Department.

1.2 Auditee profile

The Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, Allahabad¹ conducts audit of the expenditure under the General and Social Services incurred by 71 Departments in the State 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 43 Autonomous Bodies.

The comparative position of expenditure of the Government during 2011-12 and of the preceding two years is given in **Table 1**.

¹ The existing office of Principal Accountant General (Civil Audit), Uttar Pradesh, Allahabad was designated as Principal Accountant General (General and Social Sector Audit) Uttar Pradesh, Allahabad with the effect from 1 April 2012.

Table 1: Comparative position of expenditure for the year 2009-12

(₹ in crore)

Particular	2009-10			2010-11			2011-12		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
General services	824.29	39,817.01	40,641.30	987.34	47,031.83	48,019.17	601.73	52,345.19	52,946.92
Social services	10,998.49	21,065.79	32,064.28	15,829.56	23,737.14	39,566.70	17,609.59	29,781.35	47,390.94
Economic services	3,878.40	9,429.60	13,308.00	4,222.63	11,502.40	15,725.03	4,404.60	13,887.61	18,292.21
Grants-in-aid	---	3,360.03	3,360.03	---	4,364.71	4,364.71	---	5,255.10	5,255.10
Total (1)	15,701.18	73,672.43	89,373.61	21,039.53	86,636.08	1,07,675.61	22,615.92	1,01,269.25	1,23,885.17
Capital Outlay (2)	19,224.48	5,866.75	25,091.23	19,581.08	691.72	20,272.80	20,735.10	838.86	21,573.96
Loans and Advances disbursed (3)	209.23	732.62	941.85	617.28	350.94	968.22	414.48	561.09	975.57
Payment of Public Debt (4)	---	7,668.59	7,668.59	---	7,383.08	7,383.08	---	8,287.61	8,287.61
Total disbursement out of Consolidated Fund (1+2+3+4)	35,134.89	87,940.39	1,23,075.28	41,237.89	95,061.82	1,36,299.71	43,765.50	1,10,956.81	1,54,722.31
Contingency Fund	---	---	---	---	39.90	39.90	---	309.64	309.64
Public Account disbursements	---	1,01,780.30	1,01,780.30	---	1,17,472.99	1,17,472.99	---	1,30,970.76	1,30,970.76
Total	35,134.89	1,89,720.69	2,24,855.58	41,237.89	2,12,574.71	2,53,812.60	43,765.50	2,42,237.21	2,86,002.71

1.3 Authority for audit

Authority for audit by Comptroller & Auditor General of India is derived from the Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, Allahabad conducted audit of expenditure of the Government Departments under the General and Social Services, 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 (General and Social Sector Audit), Uttar Pradesh

Under the directions of the Comptroller & Auditor General of India, the Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, Allahabad conducts audit of Government Departments/ Offices/ Autonomous Bodies and institutions under the General and Social Sector which are spread all over the State. The Principal Accountant General (General and Social Sector Audit) is assisted by five Group Officers.

During 2011-12, 130 audit parties conducted transaction audit of the selected units under various 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 /organizations /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.

During 2011-12, 10,774 party-days were used to carry out audit of 1,354 units out of 6510 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 on Working of Rural Engineering Department, Chief Controlling Officer based audit of Consumer Protection and Weights & Measures Department and a long paragraph on High Density Polyethylene pipes. The salient features of the Performance Audits are discussed below.

1.6.1 Working of Rural Engineering Department

Although Rural Engineering Department (RED) was mandated to undertake “all rural works entrusted by the Government”, “all” the rural works were not entrusted to it. Also, Government did not entrust work to RED as decision to assign the construction work of two departments to RED was yet to be taken. No efforts were made by the department to prepare perspective plan, annual plans and to fix the targets. There was lack of planning for plan budget, computerisation and lack of co-ordination in execution of work. Management of deposits was not in accordance with the provisions of financial rules as there were number of cases relating to excess expenditure, excess deposits, unauthorised retention of unspent balances and non-accountal of profit/loss on stock in the sampled divisions which was indicative of weak and deficient financial management. The system of the award of work was deficient as the cases of issue of Technical Sanctions (TS) before according the administrative approval, commencement of work without issue of the TS, award of work on short term basis, single tender basis and selection basis, short realisation of security deposits and fake security deposits were observed. Cases of execution of work in violation of approved specification, irregular payment on extra items and irregularities in construction of Cement Concrete (CC) roads and Kerb Channel (KC) drains works coupled with inadequate quality control were also noticed. Further, human resource management was deficient and ineffective as most of the executive and supervisory posts of the Department were being managed by nominating the *Prabharis* from the lower cadres.

Compliance to inspection reports of CEs and SEs was inadequate due to which inspections proved ineffective.

(Paragraph 2.1)

1.6.2 Procurement and distribution of High Density Polyethylene pipes to the farmers

Given the multiplicity of schemes (six) and also the fact that these schemes were being implemented by two departments, a mechanism for coordinated planning was imperative. However, the planning mechanism was inadequate with regard to all the aspects of implementation of the schemes viz. financial management, selection of beneficiaries, procurement, distribution and quality control of High Density Polyethylene (HDPE) pipes. Instances of savings, surrenders and diversions indicated lax budgetary control. Cases of excess distribution, and double distributions of HDPE pipes to the farmers were also noticed. Quality control in AD was absent. In MID, the stated robust regimen of quality control was not being adhered to.

(Paragraph 2.2)

1.6.3 Chief Controlling Officer based audit of Consumer Protection and Weights & Measures Department

The mandated enforcement activities of the Department were conducted on an *ad hoc* basis as the perspective and annual action plans defining the activities of the Department and inspections of the premises of the users etc., was not prepared at all. The Department did not maintain data base of the users of weights and measures. There was shortage of the staff under key functionaries which is primarily responsible for the enforcement activities. The centres/laboratories were not strengthened despite providing central assistance by the GoI and there was no action plan for the same, thereby the assistance remained largely unutilised. The internal control system was inadequate as neither the internal audit wing was formed nor the monitoring mechanism was effective. The mandatory verification of the weights and measures coupled with inspections of the premises of the users were declining over the last five years and large numbers of cases of malpractices were pending in the court for decision.

(Paragraph 4)

1.7 Significant observation 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 (27 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; and
- 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. Some of these are as under:

Uttar Pradesh Rajarshi Tandon Open University, Allahabad incurred an avoidable expenditure of ₹ 95.80 lakh during 1999-2008 and created undischarged liability of ₹ 2.31 crore (November 2012) due to its failure to prepare educational material as the Board of Studies was not constituted.

(Paragraph 3.1.1)

The Government suffered a loss of ₹ 6.91 crore towards payment of interest on loan from HUDCO, which was refunded because of flawed acquisition of 110.496 hectare land by Mathura-Vrindavan Development Authority.

(Paragraph 3.1.2)

Non-approval of the revised project for construction of Chaudhary Charan Singh Research and Training Institute at changed location at Meerut by EFC, rendered the expenditure of ₹ 11.10 crore, incurred on its constructions etc., unfruitful.

(Paragraph 3.1.3)

Payment of ₹ 3.61 lakh to a contractor on the bills of another contractor and again payment of ₹ 3.61 lakh to the original contractor without any voucher led to fraudulent payment.

(Paragraph 3.1.4)

Non- realisation of royalty from the bills of contractors led to loss of ₹ 1.04 crore to the Government.

(Paragraph 3.1.5)

Undue benefit extended to Reliance Energy Generation Limited, led to loss of ₹ 103.94 crore to the Government. Besides, yet to be discharged liability of ₹ 8.15 crore has also been created on lining works of Upper Ganga Canal.

(Paragraph 3.1.7)

The Cash Credit Limit, authorised for making remittances of the amount deducted on account of income tax, trade tax, Value Added Tax, royalty and stamp duty from the bills of contractors into treasury, was misutilised for making payments for the works for which there was no budgetary provision. This had led to creation of additional liability of ₹ 1.22 crore.

(Paragraph 3.1.8)

Injudicious contracts by inviting tenders before the sanction of works for two continuous segments of Sandila-Rasoolabad-Chakalvanshi road in District Unnao led to loss of ₹0.95 crore.

(Paragraph 3.1.10)

Irregular provision of higher rate of tipper 5 cum in the estimate led to excess expenditure of ₹ 1.13 crore in widening and strengthening of Varanasi-Shaktinagar Road, Sonebhadra.

(Paragraph 3.1.12)

Utilisation of costlier specification, in violation of IRC guidelines and against the recommendations of the consulting firm, resulted in avoidable expenditure of ₹7.63 crore.

(Paragraph 3.1.13)

Acceptance of a fake bank guarantee of ₹ 38 lakh led to non-recovery of penalty of ₹ 1.75 crore imposed on a contractor awarded the work of the construction of road under Pradhan Mantri Gram Sadak Yojana, Raebareli.

(Paragraph 3.1.15)

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. Some of the important audit findings are as under.

Expenditure of ₹ 10.90 crore, by way of disbursement of honorarium to irregularly deployed 7,448 Kisan Mitra(s) under Kisan Mitra Yojna during 2010-11, was unfruitful.

(Paragraph 3.2.1)

Due to Government's failure and inconsistent decision, an avoidable expenditure of ₹ 107.46 crore was incurred on purchase of land for construction of a jail building in Gautam Buddha Nagar.

(Paragraph 3.2.3)

Due to failure of the Government to prepare 'scope of work', database on the finances of Panchayati Raj Institutions was not developed even after lapse of seven years of the recommendation of the Twelfth Finance Commission. Besides, ₹ 62.37 crore, out of ₹ 62.49 crore, was diverted to other schemes.

(Paragraph 3.2.4)

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 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. Some important findings are as under.

Expenditure of ₹ 9.56 crore, incurred on purchase of disputed land for a veterinary polyclinic in Gautam Buddha Nagar District, proved unproductive. Besides, the objective of establishing a veterinary polyclinic remained unachieved even after lapse of more than four years.

(Paragraph 3.3.1)

An expenditure of ₹ 1.41 crore, incurred on construction of a 20 bed maternity centre at Jalalpur in Ambedkarnagar district to provide better medical facilities to the local people, was rendered unfruitful due to non-sanction of posts and non-release of recurring and non-recurring grants.

(Paragraph 3.3.3)

An expenditure of ₹ 5.79 crore, on construction of a hospital building and residential accommodation for medical and para-medical staff in Community Health Centre at Attarauli in Aligarh during 2006-13 (January 2013), was rendered unfruitful.

(Paragraph 3.3.4)

Unfruitful expenditure of ₹ 3.36 crore on the construction of a bridge and approach roads.

(Paragraph 3.3.5)

Expenditure of ₹ 1.59 crore on construction of two hostels for girl students belonging to Scheduled Castes/ Scheduled Tribe category in Asit Inter College, Etawah and Institute of Engineering and Rural Technology, Allahabad was rendered unfruitful due to inaction/ delayed action of the Government. Besides, the objective of providing hostel facilities, free of cost, to the targeted beneficiaries (girl students) was not achieved.

(Paragraph 3.3.6)

Expenditure of ₹ 22.68 crore, incurred on construction of 1,092 dwelling units (complete: 576; incomplete: 516) in Auraiya district was rendered unfruitful mainly due to non-collection of prescribed contributions from the beneficiaries.

(Paragraph 3.3.7)

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 instance of persistent and pervasive irregularity is as under.

Improper selection of site led to unfruitful expenditure of ₹ 5.95 crore on the construction of a bridge, approach roads and guide bunds. The bridge was hanging without approach roads for more than twelve years as of December 2012.

(Paragraph 3.4.1)

1.8 Responsiveness of Government to Audit

1.8.1 Lack of response to Audit

After completion of audit of each unit, Inspection Reports containing audit findings in the form of paragraphs 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 Reports. 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.

Further, as on March 2012, out of 5,389 Inspections Reports containing 18,836 paragraphs, even the first replies in case of 2,684 Inspections Reports containing 10,285 paragraphs were not received. The status of pendency of Inspection Reports containing Paragraphs at the end of March 2010, March 2011 and March 2012 is given in **Table 1.1** below.

Table 1.1: Position of Outstanding Inspections Reports and Paragraphs

Particulars	Pending at the end of		
	March 2010	March 2011	March 2012
Number of Inspections Reports	4,410	5,712	5,389
Number of Paragraphs	13,592	18,073	18,836

The Table revealed that there was increasing trend in the number of outstanding paragraphs. The year-wise break up of these Inspections Reports/ Paragraphs is indicated in *Appendix 1.1*.

Lack of action on Inspections Reports/ Paragraphs had resulted in continuance of financial irregularities.

1.8.2 Lack of responses 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 2012, two draft performance reviews, 27 draft paragraphs and one long draft paragraph were forwarded to the concerned Principal Secretaries/ Secretaries of the Departments demi-officially. The meetings for discussions were also arranged during November 2012 to February 2013. The responses in respect of all the draft performance reviews and long paragraph were received and have been incorporated suitably. However, the replies in respect of 09 paragraphs only were received. These replies have also been suitably incorporated in the paragraphs.

1.8.3 Follow-up on Audit Reports

At the end of March 2012, 1002 paragraphs/reviews were pending for discussion in the Public Accounts Committee. These paragraphs/reviews pertained to the periods 1983-84 to 2009-10 except for the years 1997-98, 2002-03, 2004-05 and 2005-06. The discussion by the Public Accounts Committee on the paragraphs/ reviews of the Audit Reports for the years 2008-09 was in progress and those of 2009-10 was yet to be taken up.