

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 and 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 and follow-up on Audit Reports. Chapter 2 of this Report deals with the findings of performance audit and Chapter 3 deals with compliance audit in various departments and autonomous bodies.

1.2 Auditee profile

There are 71 government departments, headed by the Chief Secretary/Principal Secretaries/Secretaries who are assisted by the Special Secretaries, Deputy Secretaries and Directors and subordinates officers under them, which are under audit jurisdiction of the Principal Accountant General (General & Social Sector Audit), Uttar Pradesh, Allahabad.

The comparative position of expenditure of the Government during 2012-13 and in the preceding two years is given in **Table 1**.

Table 1: Comparative position of expenditure for the year 2010-13

(₹ in crore)

Particular	2010-11			2011-12			2012-13		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
General services	987.34	47,031.83	48,019.17	601.73	52,345.19	52,946.92	787.54	59,119.18	59,906.72
Social services	15,829.56	23,737.14	39,566.70	17,609.59	29,781.35	47,390.94	21,064.75	32,235.57	53,300.32
Economic services	4,222.63	11,502.40	15,725.03	4,404.60	13,887.61	18,292.21	4,025.62	17,311.74	21,337.36
Grants-in-aid		4,364.71	4,364.71	—	5,255.10	5,255.10	—	6,179.24	6,179.24
Total (1)	21,039.53	86,636.08	1,07,675.61	22,615.92	1,01,269.25	1,23,885.17	25,877.91	1,14,845.73	1,40,723.64
Capital Outlay (2)	19,581.08	691.72	20,272.80	20,735.10	838.86	21,573.96	22,608.51	1,225.78	23,834.29
Loans and Advances disbursed (3)	617.28	350.94	968.22	414.48	561.09	975.57	383.75	619.49	1003.24
Payment of Public Debt (4)	—	7,383.08	7,383.08	—	8,287.61	8,287.61	—	8,909.04	8,909.04
Total disbursement out of Consolidated Fund (1+2+3+4)	41,237.89	95,061.82	1,36,299.71	43,765.50	1,10,956.81	1,54,722.31	48,870.17	1,25,600.04	1,74,470.21
Contingency Fund	—	39.90	39.90	—	309.64	309.64	—	262.45	262.45
Public Account disbursements	—	1,17,472.99	1,17,472.99	—	1,30,970.76	1,30,970.76	—	1,29,471.51	1,29,471.51
Total	41,237.89	2,12,574.71	2,53,812.60	43,765.50	2,42,237.21	2,86,002.71	48,870.17	2,55,334.00	3,04,204.17

1.3 Authority for audit

Authority for audit by 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 (General and Social Sector 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 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 C&AG, the Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, conducts audit of civil and works departments and autonomous bodies through five sectoral groups. During 2012-13, 204 audit parties conducted compliance audit of the selected units under various departments of the State Government, autonomous bodies 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.

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 2012-13, 10,464 party-days were used to carry out audit of 1,765 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 Audits

Performance audit is undertaken to ensure whether the Government programmes have achieved the desired objectives at the minimum cost and the intended benefits have accrued to the targeted beneficiaries.

This report contains results of Performance Audits on *Rashtriya Krishi Vikas Yojna*, *Indira Awas Yojna*, Functioning of Moti Lal Nehru Medical College Allahabad and Associated Teaching Hospitals, and long paragraphs on Financial Management in Institute of Engineering and Rural Technology, Allahabad and Operation of Plant and Machinery in Electrical and Mechanical divisions of the PWD. The salient findings of the Performance Audits are discussed below.

1.6.1 Performance Audit of '*Rashtriya Krishi Vikas Yojna*'

Government of India launched *Rashtriya Krishi Vikas Yojana* in May 2007. The objective was to provide incentives to the State for increasing public investment in agriculture, maximize returns to the farmers etc. Though the District Planning Committees were constituted the work of preparation of District Agriculture Plans / State Agriculture Plans was outsourced to the Agriculture Finance Corporation, Lucknow, a deemed Government of India Company and UP Industrial Constulants Limited, Lucknow. The funds were utilized (₹ 2,493.28 crore) without any District Agriculture Plans. The State Government released funds with delays ranging between one and eleven month. There were cases of diversion of ₹ 28.45 crore. There were instances of expenditure on projects which were either not eligible or were not included in the District Agriculture Plans/State Agriculture Plans. Funds were also utilized in National Food Security Mission (NFSM) districts though the project was to be implemented in non-NFSM districts. The monitoring and evaluation of the districts were not done, as envisaged.

1.6.2 Performance Audit on Implementation of *Indira Awaas Yojana*

Government of India launched *Indira Awaas Yojana* in January 1996 as an independent scheme. The objective was to help rural BPL householders of Scheduled Castes/Scheduled Tribes, freed bonded labourers, minorities etc. by providing them a lump sum financial assistance in construction/upgradation of dwelling units. However, the districts test checked did not prepare annual plans. Consequently, targets distributed to the blocks were not as per the criteria. The names of the beneficiaries were not found in the lists of BPL

families/ waitlist. Ineligible people were also sanctioned the houses. Further, the houses were sanctioned in the name of the male members of the family instead the female members. The State shares were released with delays and the funds were diverted for construction of houses under other schemes. Due to inadequate IEC activities in the State, the beneficiaries were not aware of the facilities available to them under convergence.

1.6.3 Functioning of Moti Lal Nehru Medical College, Allahabad and Associated Teaching Hospitals

The perspective and annual action plans were not prepared. The academic activities suffered due to inadequate faculty members. The college offered the unrecognized Post Graduate degree courses and Post Graduate diploma Courses. The activities relating to the research and the college council etc. was dismal as neither the College Council was constituted nor was Central Laboratory functional to take up research activities. Further, there were shortages of specialists, consultant doctors and nursing staff despite the fact that the numbers of patients were increasing. The environment of the hospital wards was unhygienic /unfavourable. The hospital beds were shared amongst the patients. The benefit of free treatment was also not provided to those living below the poverty line. The specialized services remained inadequate for want of AMC of the equipment, approval of the proposal for the civil works. Besides, fifteen departments of the college lacked equipment. There was loss of revenue also during 2008-11 as the area for a chemist shop in the premises of SRNH was not provided to the firm. Monitoring was inadequate and incorrect figures were reported to the Government.

1.6.4 Financial Management in Institute of Engineering and Rural Technology, Allahabad

There were instances of misuse and non-accountal of tuition fee in the Institute of Engineering and Rural Technology (IERT), Allahabad. The multiple bank accounts were maintained resulting in difference between the bank accounts and cash book balances. Cash Books were maintained improperly. The Director, IERT sanctioned 2,985 Temporary Imprests (TIs) amounting to ₹ 18.71 crore during 2003-13. These TIs were either lying unadjusted or were adjusted inexplicably and with excessive delays. Further, TIs were given to the officials without obtaining approvals of the competent authority. TIs were given for meeting expenditure on inadmissible items. Besides, excess fee was also realised from the students. Reimbursement of fee of the Scheduled Castes and Scheduled Tribe students was also claimed in excess from District Social Welfare Officer. The amounts on account of both employee and employer's contribution were also not transferred to the Provident Fund accounts of the work charged staff.

1.6.5 Operation of Plant and Machinery in Electrical and Mechanical divisions

Average performance of the departmental Hot Mix Plants was 49 *per cent*. Procurement of the plant & machinery from the Depreciation Reserve Fund

was unwarranted and without any need based assessment. Further, the recovery charges remained outstanding for over a decade. Besides, utilization of funds from Depreciation Reserve Fund was not as per rules.

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:

- Fraud and detection of fraud.
- Non-compliance with rules and regulations;
- Audit against propriety and cases of expenditure without adequate justification; and
- Failure of oversight/governance.

1.7.1 Fraud and detection of fraud

Audit of financial transactions, test-checked in some departments of the Government and their field functionaries, showed instances of fraudulent payments as discussed in the following paragraphs:

Rupees 71 lakh was fraudulently drawn from the Treasury at Rae Bareli as the prescribed system was not adhered to in the office of the Commandant, 25th Battalion, Provincial Armed Constabulary, Rae Bareli.

(Paragraph 3.1.1)

Failure to follow financial rules and the exercise of required internal control/checks led to fraudulent payments of salary of ₹ 10.36 lakh to two beldars due to stayal in service beyond the date(s) of superannuation.

(Paragraph 3.1.2)

Payment of ₹ 4.31 crore, in violation of the financial rules, accounting system and Government orders led to fraud and misappropriation.

(Paragraph 3.1.3)

1.7.2 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 brings out instances of non-compliance with rules and regulations. Some of these are as under.

Failure of the Government to observe codal provisions led to retention of ₹ 233.12 crore outside the Government account in a scheduled bank for 36 months already.

(Paragraph 3.2.2)

Non-adherence to the financial rules and Government orders for levying of centage charges led to loss of ₹ 13.22 crore to the Government.

(Paragraph 3.2.4)

Purchase of high density polyethylene/polypropylene bags, in violation of financial rules and the Government orders, led to loss of ₹ 1.18 crore to the Government.

(Paragraph 3.2.5)

1.7.3 Audit against propriety and cases of expenditure without adequate justification

Authorisation of expenditure from public funds is 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.

Failure of the Government to withdraw its share as per scheme guidelines with effect from 2005-06 by determining premium on actuarial basis, led to the Government paying ₹ 149 crore (2008-12) as farmers' share towards premium (₹ 20 crore) and insurance claim (₹ 129 crore) to an insurance company under National Agriculture Insurance Scheme.

(Paragraph 3.3.1)

Dismantling of pan shaped stone jali just after it's fixing resulted in loss of ₹ 0.83 crore to the Government and misutilisation of funds to the tune of ₹ 1.98 crore.

(Paragraph 3.3.5)

1.7.4 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. Some cases of failure of oversight/governance noticed in audit are as under.

An Expenditure of ₹ 3.37 crore on renovation of the electric lines and power sub-station works in Sarojini Naidu Medical College, Agra was rendered unfruitful as the works were commenced without the requisite 'No Objection Certificate' from the Electrical Safety Directorate, Lucknow.

(Paragraph 3.4.5)

Either no or negligible number of beggars were trained and rehabilitated during 2006-13 despite expenditure of ₹ 14.96 crore on salary, allowances, rent and electricity on maintenance of eight certified institutions for beggars as the police did not apprehend them.

(Paragraph 3.4.7)

1.8 Responsiveness of Government to Audit

1.8.1 Lack of responses to the draft performance reviews and audit paragraphs

The draft performance reviews and audit paragraphs are forwarded to the Government drawing attention to the audit findings and requesting to send responses within six weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports, 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 draft performance reviews/audit paragraphs, proposed for Audit Reports.

During May to November 2013, three draft performance reviews and 30 draft paragraphs (including two long paragraphs) were forwarded to the Government and the meetings for discussions were arranged during August 2013 to May 2014. The responses in respect of all the draft performance reviews were received. However, replies of the Government in respect of three paragraphs were not received. The results of discussions and the replies of the Government received have also been suitably incorporated.

1.8.2 Lack of response to Audit

The Principal Accountant General (G&SSA), Allahabad arranges to conduct periodical audit inspections of the Government departments. These inspections are followed up with Inspections Reports (IRs). A copy of each of the paragraphs on the irregularities noticed during test check of records is sent to the next higher authorities and the Government so as to facilitate monitoring of the audit observations and its settlement. The Heads of offices and the next higher authorities are required to comply with the audit observations and rectify the defects promptly and report their compliance to the office of the Principal Accountant General (G&SSA), Allahabad. Based on the results of test audit, 28,650 audit observations contained in 8,183 IRs were outstanding as on 31 March 2013.

1.8.3 Lack of response to Audit Reports

At the end of March 2013, 1,028 paragraphs/reviews were pending for discussion in the Public Accounts Committee. These paragraphs/reviews pertained to the period 1983-84 to 2010-11 except for the years 1997-98, 2002-03, 2004-05 and 2005-06. The discussion by the Public Accounts Committee on paragraphs/reviews of the Audit Reports for the years 2009-10 and 2010-11 was in progress.