

Overview

This Report includes two Chapters containing audit observations based on Finance Accounts and Appropriation Accounts of Government of Uttar Pradesh for the year 2004-05 and three other Chapters containing six reviews and 31 paragraphs based on the audit of certain selected schemes, programmes and the financial transactions of the State Government. A synopsis of findings contained in the Audit reviews and the more important paragraphs is presented in this Overview:

1. Financial position of the State Government

Revenue receipts of the State increased from Rs 24743 crore in 2000-01 to Rs 37617 crore in 2004-05. The moderate growth of 18.90 *per cent* in revenue receipts during 2004-05 was primarily driven by 16 *per cent* growth in Trade Tax and 13 *per cent* growth in States' share of Union Taxes. Arrears of revenue of Rs 7922 crore as of March 2005 constituted 43 *per cent* of the tax and non-tax revenue.

Revenue expenditure of the State increased from Rs 31030 crore in 2000-01 to Rs 44610 crore in 2004-05.

Salaries (Rs 14058 crore), Interest payments (Rs 11873 crore) and Pensions (Rs 3561 crore) constituted 78 *per cent* of total revenue receipts of the State.

Revenue deficit of the State increased from Rs 6287 crore in 2000-01 to Rs 6993 crore in 2004-05. Fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also increased from Rs 10177 crore in 2000-01 to Rs 12997 crore in 2004-05. The Balance from the current revenues continued to be negative during 2004-05 also.

Overall fiscal liabilities of the State increased from Rs 80331 crore in 2000-01 to Rs 131401 crore in 2004-05 and as a percentage of GSDP increased from 44.4 to 55.8 during the period. Net availability from borrowed funds was negative during the year. The assets – liabilities ratio was lowest at 0.45 during the year, which, indicated that 55 *per cent* of the liabilities did not have an asset back up. Outstanding guarantees amounted to Rs 10354 crore.

Return on investment of Rs 9535.57 crore by the Government in statutory corporations, joint stock companies etc during the year was nil.

(Paragraph: 1.1 to 1.10)

The net saving of Rs 3340.23 crore in grants and appropriations was the result of overall savings of Rs 5239.56 crore in 167 cases of grants and appropriation, partly offset by excess expenditure of Rs 1899.33 crore in 22 cases of grants and appropriations.

(Paragraph: 2.2)

2. Reproductive and Child Health Programme

The Reproductive and Child Health (RCH) programme in the State, a fully Centrally sponsored scheme, is implemented from April 1998. The major

reasons for short achievement were slack financial management, failure to popularise permanent birth control measures and promote safe and institutional deliveries, non-operationalisation of FRUs and RTI/STI care centres, low level participation of political and community leaders and shortage of Auxiliary Nurse and Midwives. The IEC effort was also inadequate as it failed to create awareness about the RCH activities among the target population. The monitoring mechanism was also not effective.

(Paragraph: 3.1)

3. Implementation of Act and Rules relating to Consumer Protection

The implementation of the Act and Rules relating to Consumer Protection suffered in the absence of a policy for creation and strengthening of the adjudication mechanism and greater involvement of State/District administration/NGOs for promoting awareness and empowerment of the consumers. Funds and infrastructure such as building and staff provided by the State Government for functioning of consumer forums was inadequate. Pendency of the cases was consistently rising and no action plan was put in place to speed up disposal of pending cases. Consumer Protection Councils were non-functional and consumer awareness and welfare schemes were not launched in the State. Enforcement of provisions of the 'Prevention of Food Adulteration Act' in the State was also weak affecting the consumers' interest adversely.

(Paragraph: 3.2)

4. Modernisation of Police Force

Government of India introduced (1969) the scheme of Modernisation of Police Force to provide additional infrastructure to the State police to deal with the growing crime, terrorist and naxal activities and meet the internal security threat effectively. Implementation of scheme in the State was deficient. Despite availability of sufficient funds, there was shortfall of 75 per cent in construction of houses and 77 per cent in non-residential buildings against their respective targets. There was no fresh addition to the existing fleet of vehicles to enhance the mobility of the police. City control rooms remained ill equipped. Outdated weapons to the extent of eighty per cent were still in use by the police force. There was no augmentation in capacity of training and forensic science laboratories. There was also no progress in office automation and little progress in computerization of PSs. An efficient monitoring mechanism was absent both at the level of the Government and the Department.

(Paragraph: 3.3)

5. Sanjay Gandhi Post Graduate Institute of Medical Sciences

The Sanjay Gandhi Post Graduate Institute of Medical Sciences (SGPGI) was established at Lucknow in 1983. The objective of the SGPGI is to create a centre of excellence for providing medical care, educational and research facilities and to provide training in paramedical and allied fields. The Institute

suffered on the fronts of medical education and research due to shortage of staff and could not start training in para medical activities.. Financial and accounting arrangements were not satisfactory. Development of clinical infrastructure was not as envisaged and patient care records were not maintained properly. Internal controls for procurements and inventory management were deficient.

(Paragraph: 3.4)

6. Integrated Child Development Services III

The Integrated Child Development Services III programme, an externally aided project was launched in the State in 1999-2000. Establishment expenditure constituted 56 per cent of the project cost and expenditure on the three key services, viz., nutrition, health and education to children suffered as a result of this. The stated objectives could not be achieved, as delivery of services at grass roots level was deficient, procurement of services was delayed and essential components of the project such as innovative activities, information education communication and community participation etc. were ignored.

(Paragraph: 3.5)

7. Internal Control System in the Secondary Education Department

An evaluation of internal control system in the Secondary Education Department revealed deficiencies in financial, operational and monitoring controls. There was late surrender of funds at the fag end of the year. Incentive scheme for poor girls' education was launched without survey of eligible beneficiaries and non-compliance to rules/non-adherence to Government's order facilitated fraudulent withdrawals from a bank account. Non-maintenance of requisite records for GPF accounts in respect of aided institutions was fraught with the risk of defalcation. Internal audit arrangements were inadequate and unable to provide an assurance against financial irregularities.

(Paragraph: 5)

8. Transaction audit findings

Misappropriation/losses

In the Public Works Department bitumen purchased during 2000-02 and valued at Rs 80.72 lakh was not accounted for in the stock account.

(Paragraph: 4.1.1)

Violation of contractual obligations /avoidable/unfruitful expenditure

Due to non-observance of financial rules and provisions of the Forest Conservation Act in the Irrigation Department, expenditure of Rs 17.97 crore was rendered infructuous on construction of eight canals as these could not be completed for want of land falling in their alignment.

(Paragraph: 4.3.1)

Defective planning and lack of foresight in determining the crust of the distributaries resulted in unfruitful expenditure of Rs 6.36 crore.

(Paragraph: 4.3.2)

Commencement of construction work of aqueduct without obtaining Government of India's approval under Forest Conservation Act led to an unfruitful expenditure of Rs 3.64 crore

(Paragraph: 4.3.3)

The bridge constructed on Virndaban-Mot Road in Mathura district at a cost of Rs 9.20 crore could not be put to use due to non-completion of approach roads rendering the expenditure unfruitful.

(Paragraph: 4.3.9)

Avoidable expenditure of Rs 3.04 crore was incurred on construction of Ganga Barrage by the Executive Engineer, Barrage Construction Division-II, Kanpur due to delay in supply of drawings to the contractor.

(Paragraph: 4.3.4)

Excess expenditure of Rs 3.89 crore was incurred on purchase of medicines from Uttar Pradesh Drugs and Pharmaceuticals Ltd. at higher rates in comparison to the rate contract.

(Paragraph: 4.3.7)

Idle investment/idle establishment/blocking of funds/misutilisation of funds

Rupees 9.08 crore sanctioned for implementation of Annapurna Yojna were drawn from the treasury and deposited in the bank to avoid lapsing of funds in violation of Financial Rules.

(Paragraph: 4.4.1)

The Forest Department incurred a loss of Rs 1.05 crore due to non-investment Corpus Fund balances in bonds/securities or in banks as envisaged.

(Paragraph: 4.4.2)

Non-adherence to the Government instructions resulted in locking up of Rs 6 crore in Personal Ledger Accounts of Nagar Palika Parishads of Muzaffarnagar and Firozabad.

(Paragraph: 4.4.4)