

## Overview

This Report includes two Chapters containing audit observations based on Finance Accounts and Appropriation Accounts of Government of Uttar Pradesh for the year 2005-06 and three other Chapters containing seven reviews and 29 paragraphs based on the audit of certain selected schemes, programmes and the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgment basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into account the views of the Government wherever furnished.

A summary of the financial position of the State and the audit comments on the performance of the Government in implementation of certain programmes and schemes as well as internal control mechanism in Medical Education and Trainings Department is given below:

### 1. Financial position of the State Government

The Revenue Deficit of the State declined to Rs 1268 crore during 2005-06 from Rs 6993 crore in 2004-05 mainly due to increase (20 *per cent*) in the tax revenue and containing the revenue expenditure at 83 *per cent* compared to 88 *per cent* of the total expenditure in the preceding year. The Fiscal Deficit (Rs 10078 crore) of the State decreased moderately by Rs 2919 crore despite increase of Rs 3058 crore in capital expenditure (Rs 8711 crore) during the year. Primary Deficit also decreased marginally by Rs 144 crore due to lesser payments of interest on account of rescheduling of Central loans. The growth rate of GSDP based on advance estimates was 10.23 *per cent* against 12 *per cent* projected in the Mid Term Fiscal Restructuring Policy 2005. The Tax-GSDP ratio was 7.26 *per cent* against the projection of 7.70 *per cent*. The capital expenditure was 3.35 *per cent* against the target of 3.56 *per cent* of GSDP for the year.

Revenue of the State comprising its tax and non-tax revenue, tax transfers and grants-in-aid from Government of India (GOI) increased by 83 *per cent* from Rs 24743 crore in 2000-01 to Rs 45349 crore in 2005-06. Taxes on sales, trade, etc. were the major source of tax revenue which contributed 60 *per cent* followed by state excise (16 *per cent*), stamps and registration fee (16 *per cent*) and taxes on vehicles (5 *per cent*). Arrears of revenue, however, increased by 23 *per cent* from Rs 7152 crore in 2000-01 to Rs 8772 crore at the end of 2005-06. Revenue expenditure increased from Rs 31030 crore in 2000-01 to Rs 46617 crore in 2005-06 (increase: 50 *per cent*). The total salary bill relative to revenue expenditure net of interest payments and pension payments stood at 47 *per cent* against the limit of 35 *per cent* recommended by Twelfth Finance Commission. Interest and expenditure on pensions accounted for 29 *per cent* of the revenue expenditure. Rupees 3551 crore were locked up in 27 incomplete projects.

The ratio of fiscal liabilities (Rs 148868 crore) to GSDP was 57 *per cent* in 2005-06. The amounts guaranteed by the Government on behalf of Statutory Corporations, Government Companies, etc. and outstanding as of March 2006 aggregated to Rs 8433 crore. The return from investment in Government Companies continued to be nominal (less than 1 *per cent*) in 2005-06 as against the average interest rate of 6.5 *per cent* on the borrowings of the Government.

**(Paragraphs: 1.1 to 1.10)**

## **2. Allocative Priorities and Appropriation**

Against the total provision of Rs 83965 crore including supplementary grants, actual expenditure was Rs 70646 crore. The net saving of Rs 13319 crore was the result of overall savings of Rs 14345 crore in 166 cases of grants and appropriation, partly offset by excess expenditure of Rs 1027 crore in 29 cases of grants and appropriations.

**(Paragraph: 2.2)**

## **3. Educational Development of SCs and STs**

The Government of India and the State Government initiated schemes of scholarships, free hostel accommodation and book-banks for the students belonging to SCs and STs, and up-gradation of their merit for entrance examinations for professional courses, pre-examination coaching for competitive examinations for their all round development and mainstreaming. The stated objectives of the schemes could not be achieved as implementation of schemes at grass root level was deficient and awareness of the schemes was low. Due to ineffective monitoring, the weak areas were not identified. Consequently, despite marginal rise in the enrolment at the primary level, those enrolled could not be retained. Thus, implementation of these schemes failed to have an impact on educational development of the students belonging to SCs and STs.

**(Paragraph: 3.1)**

## **4. Educational Development of OBC and Minorities**

For educational development of other backward classes and minorities, schemes of scholarship and free hostel facility were launched by Central and State Governments. Implementation of the schemes was deficient. Receipt of utilization certificates and refund of unspent balances by the schools/ colleges were not monitored. Scrutiny of applications for scholarship was deficient leading to payments to ineligible beneficiaries. The programme of providing hostel facility to backward class students and girl students of minorities remained largely unfulfilled due to delay and improper selection of sites for hostels. Scheme for establishing mini ITIs in *madarsas* launched during 2003-04 was also not implemented satisfactorily.

**(Paragraph: 3.2)**

## **5. Sarva Shiksha Abhiyan**

Sarva Shiksha Abhiyan (SSA), launched by the Government of India in January 2001, aimed at having all children in schools, education guarantee centres, alternative school camps by 2003 to ensure completion of five years of primary schooling by 2007 and completion of eight years of elementary schooling by 2010. The programme suffered on many fronts such as high drop out rate, low transition from primary to upper primary level, disproportionate deployment of teachers, non-strengthening of District Institute of Educational Trainings (DIETs), lack of basic infrastructure facilities such as schoolbuildings, additional class rooms, toilets, water facilities at the school level which was a dampener in the process of achieving UEE by 2010.

**(Paragraph: 3.3)**

## **6. Food Security, Subsidy and Management of Food-grains**

The Decentralized Procurement Scheme, launched by the Government of India in 1997-98, was implemented by the Food and Civil Supplies Department in the State in 1999-2000. The scheme aimed at extending benefit of minimum support price to farmers by maximizing the local procurement of foodgrains and providing food security to poor households. The number of farmers receiving benefits of MSP declined, whereas procurement of rice from mill owners increased. Reimbursement of statutory charges to the millers was made without ensuring production of proof of such payments to Government by the millers. The recovery of cost of short yield of custom milled rice from the millers and losses due to transit/ storage and misappropriation of food grains remained unrealized. The procurement of wheat was low, distribution of food grains was less than the required quantities and identification of BPL households was not done properly.

**(Paragraph: 3.4)**

## **7. Project Tiger**

The Project Tiger, a Centrally sponsored scheme implemented by Forest Department, aimed at maintaining a viable population of tigers for scientific, economic, aesthetic, cultural and ecological values and to preserve for all times the areas of biological importance as national heritage for the benefit, education and enjoyment of people. The project suffered as the management of land was not satisfactory, project authorities failed to provide buffer zones to arrest the biotic pressure in the reserves, large number of forest offence cases remained undecided indicating inefficiency in the enforcement activities. Assessment of the tiger population in the reserves was suspect. The State Wild life Board was also not formed upto July 2005. Inefficient monitoring, protection, conservation and enforcement activities rendered the Project Tiger ineffective.

**(Paragraph: 3.5)**

## **8. Sampoorna Grameen Rozgar Yojana**

Sampoorna Grameen Rozgar Yojana, a Centrally sponsored scheme aimed at providing wage employment as well as food security alongside creation of useful assets in rural areas. Timely flow of funds to different levels was not

ensured leading to their underutilisation and cuts in Central share. Food security to the targeted population was not ensured as targets for man-day generation were not fully achieved, wage earners were not paid their wages in time and a number of them remained unpaid. The asset generation remained dominantly confined to earth work for roads and *Kharanja*. Records of food-grain distribution were not maintained properly. Zila Panchayats, Kshetriya Panchayats and Village Panchayats neither maintained employment register nor of the inventory of assets created.

**(Paragraph: 3.6)**

## **9. Internal Controls in Medical Education & Training Department**

Internal controls system is a process by which an organization directs its activities to achieve its objectives effectively and efficiently. An evaluation of the Internal Controls of the department disclosed deficiencies in the budgetary controls leading to surrender of funds at the fag end of the year and parking of funds in personal ledger accounts. Lax expenditure controls led to irregular payments and diversion of funds. Vacancy position in the colleges/ hospitals was not effectively monitored and PG/ Diploma courses were run in medical colleges, etc without the approval of Medical/ Nursing councils.

**(Paragraph: 5.1)**

## **10. Transaction audit findings**

### **Misappropriation/ losses**

Rupees 53.42 lakh were embezzled by fraudulent drawal of pay and allowances of six fictitious medical officers who were not attached with the office of the Chief Medical Officer, Rae Bareilly.

**(Paragraph: 4.1.1)**

Posting of 42 personnel on fake transfer orders in medical department at Allahabad, Firozabad, Gautam Budha Nagar, Hathras and Moradabad led to fraudulent payment of Rs 35.24 lakh.

**(Paragraph: 4.1.2)**

### **Violation of contractual obligations/ undue favour to contractors/ avoidable expenditure**

Use of a costlier material in strengthening of Sikohabad-Bhogaon road in disregard to the Government orders, resulted in avoidable extra expenditure of Rs 2.42 crore.

**(Paragraph: 4.3.1)**

### **Idle investment/ idle establishment/ blocking of funds; delays in commissioning equipment; diversion/ mis-utilisation of funds**

Non-installation of equipment and non-posting of skilled operating staff rendered the logistic support system established under the Reproductive and Child Health Scheme non-functional and the expenditure of Rs 9.19 crore thereon unfruitful.

**(Paragraph: 4.4.1)**

Construction of Chaukania drain and main canal of Suswar Bundhi Project without acquiring the forestland falling in their alignments rendered the expenditure of Rs 13.05 crore thereon unfruitful.

**(Paragraph: 4.4.3)**

Non-construction of spillway and railway Canal Bridge at km 26.804 of Itiathok Branch canal rendered the expenditure of Rs 8.54 crore on its construction beyond km 26.804 (down stream) unfruitful.

**(Paragraph: 4.4.4)**

The bridges constructed at a cost of Rs 3.39 crore could not be put to use due to non-completion of their approach roads rendering the expenditure unfruitful.

**(Paragraph: 4.4.7)**

Abnormal delay in completion of polytechnic building at Mau coupled with non-posting of adequate teaching/ non-teaching staff rendered the expenditure of Rs 5.63 crore unfruitful, besides denying the opportunity to the aspirants of the courses for over five years.

**(Paragraph: 4.4.11)**

#### **Regularity issues and others**

Net present value of Rs 95.73 crore on transferred forestland was not recovered from the user agencies. The land had been transferred in violation of guidelines of GOI and SC judgments.

**(Paragraph: 4.5.2)**

Non-investment of compensatory afforestation fund and net present value in the fixed deposits as per guidelines issued by Government of India, resulted in loss of interest of Rs 12.61 crore. Compensatory afforestation also suffered.

**(Paragraph: 4.5.3)**

The earthwork and work in base course executed at a cost of Rs 6.06 crore was deficient due to non-compaction of the soil laid on the embankment of widened portion of a road to achieve the required density.

**(Paragraph: 4.5.9)**