

## Overview

This Report includes two chapters containing observations based on the Finance Accounts and Appropriation Accounts of the Government of Uttar Pradesh for the year 2006-07 and three other chapters containing eight performance audits/ long paragraphs and 37 paragraphs based on the performance audit of certain selected programmes, internal control systems of a Government department as well as audit of 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 Jail Administration and Reforms Department is given below:

### 1. Financial position of the State Government

The State's revenue receipts during 2006-07 grew by 33.63 *per cent* over the previous year as against 19.48 *per cent* growth of revenue expenditure resulting in revenue surplus of Rs 4,901 crore as against revenue deficit of Rs. 1,268 crore in 2005-06. Fiscal deficit decreased by Rs. 463 crore from Rs. 10,078 crore in 2005-06 to Rs. 9,615 crore mainly due to increase in revenue receipts.

At the end of 2006-07 total investment of the State Government in Government companies, statutory corporations, etc. were Rs. 18,545.82 crore but the returns of Rs. 85 lakh were negligible and continued to be less than one *per cent* as against the average interest rate of 6.74 *per cent* on the borrowings of the Government.

Outstanding liabilities of the State increased from Rs. 92,982 crore in 2001-02 to Rs. 1,62,156 in 2006-07 and their ratio to GSDP was 52 *per cent* during the current year. The amount guaranteed by the State Government on behalf of statutory corporations, Government companies, etc. and outstanding as of March 2007 was Rs. 11,056 crore.

(Paragraphs: 1.1.2, 1.7.1 and 1.8.2)

### 2. Allocative Priorities and Appropriation

Against the total provision of Rs 95,064 crore including supplementary grants, actual expenditure was Rs 83,289 crore. The net saving of Rs 11,775 crore was the result of overall savings of Rs 14,580 crore in 156 cases of grants and appropriation, partly offset by excess expenditure of Rs 2,805 crore in 44 cases of grants and appropriations. The excess expenditure of Rs. 2,484.47 crore required regularization by the State Legislature under Article 205 of the Constitution of India.

(Paragraph: 2.2 and 2.3.4)

### **3. Working of Lucknow Development Authority**

Lucknow Development Authority, Lucknow was constituted (September 1974) under the Uttar Pradesh Urban Planning and Development Act, 1973 for planned development of the city through timely preparation and implementation of Master Plan, acquisition of land and its development, construction of buildings/houses, enforcement of building bye-laws, etc. The Authority failed in its mandate to develop the city in a planned manner. Poor financial management led to, lack of budgetary control and non-adjustment of advances given to staff and Government departments/ agencies. Accounts were neither got certified from the statutory auditors nor were these submitted to the Government. Deficient implementation of the Master Plan resulted in non-achievement of intended objectives, un-planned development and growth of un-authorized colonies/constructions. Lack of proper management of properties caused irregular allotment and non-disposal of properties for many years.

**(Paragraph: 3.1)**

### **4. Rural Health Sector in Uttar Pradesh**

The Government established Community Health Centres, Primary Health Centres and Sub-centres in rural areas with a view to providing curative and specialized health facilities to rural population. Besides, various national programmes were also implemented from these health centres to contain communicable and non-communicable disease and eliminate various diseases prevailing in the rural areas. The Performance Audit of the rural health sector revealed poor performance of the scheme in respect of the objectives for improvement in health indicators under family welfare programme and preventive/curative measures to contain the Japanese Encephalitis and TB control. Lack of basic facilities such as operation theatres, labour rooms, emergency services, etc. at the health centers seriously impaired the objectives to provide curative and instant medical relief to the needy people of the rural population.

**(Paragraph: 3.2)**

### **5. Computerisation of Land Records in Uttar Pradesh**

The objective of the scheme of computerisation of land records was to provide reliable Record of Rights to land holders. An IT Audit of the scheme revealed several deficiencies in planning, documentation, input control, database design, etc. Training to officials was not completed. Updated Antivirus software was not installed on the computer system. Provision of manuals was not incorporated in the software. Business Continuity Plan was not in place and security controls were inadequate. Mutation orders were not updated in computer system within prescribed time limit. Internal auditors were not effectively trained to meet the challenges of new IT scenario.

**(Paragraph: 3.3)**

### **6. I.T. Audit of Computerisation of State Treasuries**

With a view to overcome the weakness of the manual system and to exercise better budgetary control, although the Treasury Computerisation System was

started in the State in 1985-86 but it suffered on many fronts such as frequent changes in software versions due to non-assessment of users requirement at the beginning, inadequacy of physical and logical access controls in the absence of documented password policy etc. The system of payment of pension through the computerized system was not effective as data relating to pensioners was not validated. Budget control upto the object head level was ineffective as expenditure in excess of budget provision and Drawing and Disbursing Officers' allotment were incurred through correction of expenditure option.

**(Paragraph: 3.4)**

#### **7. Management of Ardh Kumbh Mela**

Ardh Kumbh Mela was organized in Allahabad in January/ February 2007. The Mela administration was responsible for arrangement for smooth conduct of Mela including providing water fit for bathing to pilgrims in Sangam area. However, the water had high bio oxygen demand and coli-form levels and was not fit for bathing. Solid waste management and disaster management plans were inadequate. Inflated estimation of pilgrims for Ardh Kumbh Mela resulted in avoidable expenditure on superfluous arrangements like tube wells, etc, besides locking of funds on surplus pontoons and material.

**(Paragraph: 3.5)**

#### **8. Regional Diagnostic Centres**

Regional Diagnostic Centers aimed at providing diagnostic facilities to the people. The equipment purchased was otherwise than recommended. On the one hand, the equipment purchased remained uninstalled for a long time while on the other, the equipment installed remained non-functional due to various reasons. A dedicated plan of action supported by adequate funds was also not prepared to cover the maintenance and repair of the equipment. The patients were not referred to the centres by the Government hospitals of the regions for diagnosis/ medical examination while ineligible persons were provided free diagnosis/ medical examination.

**(Paragraph: 3.6)**

#### **9. Kanya Vidyadhan Yojana**

To promote education among girl students Kanya Vidya Dhan Yojna (Scheme) was launched (September 2004) by the Government. Implementation of the scheme was deficient. Receipts of utilization certificates and surrender of unspent balances by District Inspector of Schools were not monitored. Inadequate scrutiny of applications and income certificates of guardians were deficient leading to payment of incentive to ineligible beneficiaries. Expenditure in excess of norms on organizing functions to distribute incentive was also noticed.

**(Paragraph: 3.7)**

#### **10. Internal Controls in Jail Administration and Reforms Department**

An evaluation of the Internal Controls of the department revealed that controls were beset with weaknesses and shortcomings. Financial management and budgetary controls were inadequate. Model Prison Manual was not adopted.

Delay in installation of video conferencing system facilitated escape of prisoners. Inspections/searches were not effective to prevent entry of prohibited items in jails. Overcrowding of jails remained unresolved due to slow progress of Jail Modernisation Scheme. Inadequate human resource management facilitated working of fake warders in jails. Apathetic attitude towards review of jail functioning and non-establishment of vigilance mechanism in the Department was also noticed.

**(Paragraph: 5)**

## **11. Transaction audit findings**

### **Misappropriation/ losses**

- Material approved for use in strengthening of the Aliganj Sarai Aghat road at Etah was substituted by a costlier material on the recommendation of the local MLA. This amounted to a corrupt practice and resulted in an excess expenditure of Rs. 92 lakh.

**(Paragraph: 4.1.1)**

- Strengthening of Mustafabad – Eka road at Firozabad by 75 mm thick BM against the requirement of 50 mm resulted in excess expenditure of Rs. 43.35 lakh with the possibility of fraudulent payment.

**(Paragraph: 4.1.2)**

- Execution of water recharging projects in the heavy rainfall zone of the *Tarai* district of Gorakhpur at a cost of Rs 1.63 crore rendered the expenditure infructuous. The projects executed were also not verified by any responsible officer of the Department.

**(Paragraph: 4.1.3)**

- Violation of purchase rules facilitated a firm to defraud the Government of Rs. 22.50 lakh in collusion with officers of the district administration at Jalaun.

**(Paragraph: 4.1.4)**

- Payment of cement concrete road works at higher rates without verification from PWD facilitated excess payment of Rs 34.72 lakh to the contractor by the Nagar Palika Parishad Sambhal, Moradabad.

**(Paragraph: 4.1.5)**

### **Excess payment; wasteful/ infructuous expenditure**

- Utilization of costlier grit in bituminous works on Lumbini Dudhhi Road overlooking its availability at a shorter distance and payment there of without verifying the collection of the material from a farther quarry paved the way for draining out Rs.1.02 crore extra from the Government exchequer at Basti.

**(Paragraph: 4.2.1)**

- Failure in exercising checks over the estimates for installation and re-boring of hand pumps led to excess payment of Rs. 1.60 crore to the executing agencies under Prime Minister Gramodaya Yojana.

**(Paragraph: 4.2.3)**

- System failures at all the levels of responsibility led to double drawal of pay and allowances for Rs 1.11 lakh of a transferred driver in Secondary Education Department.

**(Paragraph: 4.2.4)**

- Commencement of work without obtaining legal title to the land resulted in wasteful expenditure of Rs. 15.70 lakh and locking up of funds of Rs. 1.33 crore under a project for promoting handloom and handicraft sector at Lucknow.

**(Paragraph: 4.2.5)**

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

- An expenditure of Rs 4.20 crore on site development without completing the land acquisition proceedings by Mathura Vrindaban Development Authority resulted in the abandonment of the work, besides avoidable interest payment of Rs. 1.98 crore and locking up of Rs. 1.78 crore.

**(Paragraph: 4.3.4)**

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

- Failure of the Government in arranging suitable site for the State Level Energy Park at Allahabad resulted in locking up of Rs. 1.26 crore.

**(Paragraph: 4.4.1)**

- Procurement of refrigerators by Animal Husbandry Department for maintaining cool chain of vaccines without assessing their requirement and ensuring the availability of infrastructure rendered the expenditure of Rs. 1.15 crore unfruitful.

**(Paragraph: 4.4.2)**

- Construction of Ajjupura distributary without acquiring land for the entire stretch of the distributary resulted in unfruitful expenditure of Rs.2.30 crore as the distributary could not be made operational due to gaps in alignment.

**(Paragraph: 4.4.3)**

- Failure of drawing and disbursing officers in Social Welfare and Rural Development Departments to exercise adequate checks upon monetary transactions led to loss of Rs 98.31 lakh.

**(Paragraph: 4.4.12)**

- Allotment of a disputed piece of land for a housing project in a low lying area at Lucknow resulted in stoppage of work after incurring an expenditure of Rs. 4.47 crore on part-construction of 1440 houses, besides execution of extra items at a cost of Rs. 1.23 crore.

**(Paragraph: 4.4.14)**

- The expenditure of Rs. 33.66 crore on a project related to prevention and control of water pollution of river Gomati at Lucknow rendered unproductive due to lack of monitoring over the progress of work despite the availability of funds.

**(Paragraph: 4.4.15)**

**Regularity issues and others**

- Arrangements for transportation of local applicants, hiring of buses at rates higher than prescribed and execution of civil works not covered under the 'Un employment Allowances Scheme' entailed an inadmissible expenditure of Rs. 3.74 crore.

**(Paragraph: 4.5.3)**

- Rupees 11.03 crore not required for immediate disbursement were drawn and converted into bank drafts to avoid lapse of budget in disregard of the financial rules.

**(Paragraph: 4.5.6)**

- Rupees 1.49 crore were drawn from treasury without immediate need and were retained for one to three years in saving bank accounts as well as with the executing agencies in disregard to the financial rules.

**(Paragraph: 4.5.7).**