

Overview

This Report includes two Chapters containing Audit observations based on Finance Accounts and Appropriation Accounts of Government of Uttar Pradesh for the year 2002-03 and three other Chapters containing five reviews, three long paragraphs and 36 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. Finances of the State Government

Revenue receipts of the State increased from Rs. 17379 crore in 1998-99 to Rs. 27821 crore in 2002-03 at an average trend rate of 10.83 *per cent* per annum. There were, however, inter year variations in the growth rates, which decreased from a high of 23.68 *per cent* in 1999-2000 to 8.68 *per cent* in 2002-03. The revenue receipts comprised of tax revenue (Rs. 12767 crore), non-tax revenue (Rs.1913 crore), State's share of Union taxes and duties (Rs.10832 crore) and Grants in aid from Central Government (Rs. 2309 crore).

Sales tax was the major source of State's own tax revenue having contributed 56 *per cent* of the tax revenue followed by State Excise (20 *per cent*), Stamp and Registration Fee (16 *per cent*) etc. Of non-tax revenue sources, Interest receipt (27 *per cent*), Education, Sports, Art and Culture (13 *per cent*), Non-Ferrous Mining, and Metallurgical Industries (14 *per cent*) were principal contributors.

The increase in the tax revenue during the current year over the previous year was mainly on Sales Tax (Rs. 961 crore), Stamps and Registration fees (Rs. 650 crore) and State Excise (Rs. 594 crore). During 2002-03, revenue receipts of the State (Rs. 27821 crore) were lower than the revenue expenditure (Rs. 32939 crore) resulting in revenue deficit of Rs. 5118 crore.

Revenue expenditure of the State increased from Rs. 26075 crore in 1998-1999 to Rs. 32939 crore in 2002-03 at an average trend rate of 7.85 *per cent* per annum. The increase in the revenue expenditure during the year was mainly due to more expenditure on pension and other retirement benefits (Rs. 359 crore), Social Welfare and Nutrition (Rs. 685 crore), Irrigation and Flood Control (Rs. 199 crore) and Transport (Rs 140 crore) in comparison to previous year.

Revenue expenditure accounted for 88 *per cent* of total funds available during 2002-03. Salaries (Rs.12717 crore)*, Interest payments (Rs. 7060 crore) and Pensions (Rs.2751 crore) alone accounted for 81 *per cent* of total revenue receipts.

The quality of expenditure deteriorated over the past five years as was evident from the low percentage of Plan and Capital expenditure, fairly higher percentage of expenditure on General Services and huge amount of funds spent on incomplete projects.

* Revised estimates figures for 2002-03. Source: Finance Department, Government of UP

Revenue deficit of the State decreased from Rs.8696 crore in 1998-99 to Rs.5118 crore in 2002-03. Fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also decreased from Rs. 11633 crore in 1998-99 to Rs. 9497 crore in 2002-03. Revenue Deficit of Rs.5118 crore accounted for 54 *per cent* of the fiscal deficit, meaning thereby that 54 *per cent* borrowings were utilized for current consumption and maintenance work.

Government's return on investment (Rs. 9049.70 crore) was not only meagre (less than one *per cent*), it was also on a continuous decline.

Outstanding Guarantees amounted to Rs. 6270 crore. Guarantees to various loanee institutions were given in a routine way without examining the financial viability of these Institutions.

Overall fiscal liabilities of the State increased from Rs. 62725 crore in 1998-99 to Rs. 102485 crore in 2002-03 at an average growth rate of 13.92 *per cent*. These liabilities as ratio to GSDP increased from 43.5 *per cent* in 1998-99 to 50.5 *per cent* in 2002-03 and stood at about four times of its revenue receipts

[Paragraph 1.1 to 1.10]

2. Allocative Priorities and Appropriation

Broadly the following results emerge from Appropriation Audit:

There was a net saving of Rs. 2158.17 crore in grants and Appropriations being the result of overall savings of Rs.7690.57 crore in 168 cases of grants and appropriation, partly offset by excess expenditure of Rs.5532.40 crore in 27 cases of grants and appropriations.

Out of the total savings of Rs.7690.57 crore, savings of Rs. 4345.26 crore (56.50 per cent) were accounted for in only three grants.

Expenditure fell short by more than Rs. 1 crore each in 88 cases and also by more than 10 per cent of the total provision in each case.

Excess expenditures amounting to Rs. 2119.95 crore in 17 cases of voted grants and Rs. 3412.45 crore in 10 cases of appropriations during 2002-03, as also excess expenditures of Rs. 23916.20 crore for the years 1984-85 to 2001-02, were yet to be regularised.

Supplementary provisions of Rs.734.06 crore obtained in 56 cases proved entirely unnecessary as savings in each case exceeded the supplementary provisions.

In 13 cases there was excess expenditure of Rs. 1279.96 crore despite obtaining supplementary grants of Rs. 188.46 crore.

In 46 cases savings above Rs. one crore in each case amounting to Rs. 2328.58 crore had not been surrendered.

Expenditure in March 2003 under five heads of accounts ranged between 32 *per cent* and 40 *per cent* of the total expenditure during the year.

3. Accelerated Irrigation Benefit Programme (AIBP)

Government of India (GOI) launched (1996-97) the Accelerated Irrigation Benefit Programme (AIBP) for achievement of the targetted irrigation potential (IP) of such projects where substantial investments were made and physical progress achieved but which had not been completed due to financial constraints faced by the States. In UP thirteen projects received funds under AIBP in the form of Central Loan Assistance (CLA). Two of these projects (Tehri dam and Lakhwar Vyasi dam) were transferred to the newly formed State of Uttaranchal.. The projects in Uttar Pradesh and Tehri dam under AIBP aimed at creation of IP of 25.47 lakh hectares at a cost of Rs 5578.35 crore. However, as of 31 March 2003, after spending Rs.2402.12 crore, IP of only 9.70 lakh hectares could be created. Implementation of the projects suffered all along due to weakness in planning, delayed acquisition of land, lack of proper monitoring besides selection of ineligible projects. Salient audit findings were as follows :

- Only the projects on which substantial investments were made and which were on the verge of completion were to be covered under AIBP. Four projects, which did not fulfil these criteria, were included under AIBP.
- The works on feeder Canal connecting to the water source at Ayodhya pump house were stopped in 1992 due to silting of river Tehri. Despite this Rs. 4.70 crore was injudiciously spent on a distributary during 2000-03. Further, AIBP funds of Rs. 12.26 crore (CLA Rs.7.54 crore + State share Rs. 4.72 crore) were diverted from Saryu Canal Project to Sharda Sahayak Project for construction of a Cultural Park and Museum at Lucknow.
- Gyanpur Pump Canal, a major project, was treated as complete after achievement of 57 per cent of the targeted IP due to non-availability of required land.
- In violation of GOI guidelines, the Saryu Canal Project and Sharda Sahayak Project received Rs. 268.91 crore from NABARD in addition to Rs. 774.06 crore under AIBP.

[Paragraph 3.1]

4. Working of Agriculture Department

The main objective of the Department was to increase production of various crops, improving the living standards of the farmers and to increase job opportunities in the rural sector by implementing various schemes/programmes. A review of the working of the Department revealed failures in financial management resulting in large savings remaining unsurrendered, deficiencies in implementation of programmes/schemes such as non-distribution of quality seeds, inadequate dispensation of technologies etc. resulting in lower achievement than targeted, shortage of manpower in operational field etc.

Consequently, the production of foodgrains, area under cultivation and the productivity remained static during the last three years. The highlights of the review are enumerated below :

- Budgetary projections of the Department were grossly unrealistic and inflated. Supplementary grants were obtained without assessing and ascertaining the actual requirements. Rs. 8.38 crore were diverted from the GOI funds received in 2002-03 for Centrally Sponsored Schemes and spent for the clearance of outstanding liabilities of the State Agriculture Farms.
- Grants received from GOI for implementation of various Central and Centrally Sponsored Schemes remained largely unutilised during the years 1997-2003.
- Centrally Sponsored Cotton Development Programme (CDP) suffered due to inadequate distribution of breeder and certified seeds despite availability of funds. Even the area under cultivation declined from 8771 hectares in 1997-98 to 4887 hectares in 2001-02.
- Implementation of National Pulses Development Programme and Oilseed Production Programme failed to produce any result as it suffered from non-utilisation of available funds, non-availability of improved varieties of seeds, inadequacy in training of farmers.
- State Agricultural Farms were not functioning properly and were earning receipts ranging between 40 and 57 *per cent* of the expenditure incurred on them during 1998-99 to 2000-01. There were heavy shortfalls in production of the farms.
- Government suffered a loss of Rs. 7.19 crore due to production of sub-standard seeds and Rs. 3.02 crore due to excessive chhanas.
- Subsidies of Rs. 1.57 crore were released to the suppliers of seeds without proper verification. Besides, Rs. 1.27 crore advanced to M/S Agro in 1996-97 towards subsidy against the supply of Power tillers to farmers were not refunded to Government even after 7 years.
- Injudicious fixation of procurement price of seeds led to excess payment of Rs. 2.96 crore in three crop years to Tarai Development Corporation and other seed supplying agencies.
- Manpower management was deficient as much as that 2377 Group D officials were in excess while 1298 operational posts remained vacant.
- Agriculture workshops in Azamgarh, Deoria, Ghazipur and Jaunpur producing agricultural implements, stopped functioning since May 1995. Rs. 3.29 crore in shape of land/building, dead stock and raw material, etc, were unfruitfully blocked in the workshops.

[Paragraph 3.2]

5. Implementation of Drugs and Cosmetics Act, 1940

The Drugs and Cosmetics Act, 1940 was enacted to combat production and marketing of spurious / not of standard quality(NSQ) drugs and cosmetics causing serious health hazards and even death of consumers. Due to various inadequacies in implementation of the provisions of the Act in the State such as acute shortage of Drug Inspectors, faulty system of licensing, shortfalls in inspections of manufacturing/selling units and collection of samples, inefficient Government Laboratories and non-appointment of the Government Analyst for Homeopathic medicines etc. the consumers were prone to risk of health hazards. Monitoring and evaluation of the implementation of the provisions of the Act was, by and large, non-existent.

- There was no Regulatory Authority to co-ordinate the efforts of the authorities responsible for the implementation of the provisions of the Act/ rules for all the three systems of medicines.
- Inspections of manufacturing facilities/Sale points of Allopathic medicines ranged between 4 *per cent* and 49 *per cent*.
- Sampling of Allopathic medicines from Sellers ranged between one *per cent* and four *per cent* and from manufacturers between 22 *per cent* and 57 *per cent*.
- Delay in testing samples ranging from 1 to 5 years rendered the working of the Government Analyst ineffective. Further, Rs. 65 lakh for the Government Analyst's Lab was not utilized.
- Working of the intelligence branch(IB) established to intercept the manufacture and sale of sub-standard Allopathic medicines was inefficient and in respect of Homeopathic and Ayurvedic & Unani medicines, no IB was established.
- Rs. 1.24 crore out of Rs. 1.55 crore released (March 2002) by Government of India for the strengthening of labs of Government Pharmacies remained unutilised.

- No system, for monitoring and evaluating the working of Drugs Controller's Organization and Directors, Homeopathic and Ayurvedic & Unani Medicines in respect of the implementation of the Act and Rules, was in place in the State.

[Paragraph 3.3]

6. UP Health System Development Project

The UP Health System Development Project (UPHSDP), an externally aided project, aimed at bringing about structural and qualitative changes in the health sector so as to transform it into a modern, responsive and accountable system to provide high quality, affordable and integrated health service. The project is to be implemented during December 2000 to December 2005 at a cost of Rs. 478.07 crore (reimbursable Rs. 411.11 crore and State share Rs. 66.96 crore)

Audit scrutiny revealed that the implementation of the project was unsatisfactory as even after half of the period prescribed for implementation was over, physical and financial progress in many critical areas were lagging behind the target. The monitoring mechanism was not effective. Indications were towards time overruns and resultant cost overrun culminating into delays/ denial of the benefits envisaged in the project to the targeted beneficiaries. The major audit findings were as follows:

- The utilisation of the available funds ranged between 11 per cent and 73 *per cent* of the targeted expenditure during 1999-2003.
- The physical progress of ten critical civil works ranged between NIL to 50 *per cent* as of that date.
- Due to slow progress, the project failed to achieve its social objectives.
- Computers purchased at a cost of Rs. 2.92 crore remained non-operational for one year as the UPSs purchased for these computers did not function. Further, the ambulances purchased at a cost of Rs. 12.11 crore were not put to proper use.
- Ineffectiveness of the monitoring and evaluation system in the Projects resulted in tardy physical and financial progress.

[Paragraph 3.4]

7. Medical Education and Training Department

Loss of Rs. 1.12 crore occurred due to persistent shortfall in the production of transfusion fluids in Medical Production Unit of Medical College, Kanpur.

[Paragraph 3.7]

8. Fraudulent Drawal/Misappropriation/Embezzlement Losses

Loss of Rs. 2.33 crore occurred due to injudiciously putting Government money in District Co-operative Bank, a non-scheduled bank.

[Paragraph 4.1.2]

Short accountal of chequered plates procured for Kumbh Mela 2000-01 by Executive Engineer, Construction Division-4 PWD, Allahabad resulted in loss of Rs. 0.64 crore.

[Paragraph 4.1.3]

9. Infuctuous/Wasteful expenditure and overpayment

Payment of pay and allowances by the Police Department to the trainees against the orders of the Government resulted in irregular expenditure of Rs. 18.05 crore.

[Paragraph 4.2.1]

10. Violation of contractual obligations/undue favour to contractors

Non-adherence of milestones for completing the project as per agreements resulted in non-recovery of Rs. 97.28 lakh on account of the liquidated damages.

[Paragraph 4.3.2]

11. Avoidable/Excess/Unfruitful expenditure

Expenditure of Rs. 3.36 crore incurred on laying of Astroturf and construction of Phase I & II proved unfruitful due to defective planning and lack of foresight in making the plinth level.

[Paragraph 4.4.1]

Expenditure of Rs. 6.86 crore on imparting computer education became unfruitful due to faulty planning and improper monitoring on the part of Director, Secondary Education.

[Paragraph 4.4.5]

Expenditure of Rs. 2.69 crore on the construction of incomplete Panchayat building was rendered unfruitful due to failure in monitoring on the part of Zila Panchayat, Lucknow.

[Paragraph 4.4.7]

Improper decision in imposing liquidated damages on the contractor by Chief Engineer despite lapses of the department in providing drawing of the work timely led to litigation and an avoidable expenditure of Rs. 1.30 crore.

[Paragraph 4.4.8]

Despite incurring extra expenditure of Rs. 1.26 crore by using materials of richer specifications Executive Engineer, provincial Division, PWD, Lucknow could not achieve the required crust thickness meant for designed life of 5 years of the road.

[Paragraph 4.4.10]

Due to execution of work in disregard of IRC specifications Public Works Department incurred an avoidable expenditure of Rs. 1.90 crore under Pradhan Mantri Gram Sadak Yojna.

[Paragraph 4.4.12]

Undue delay and lapses in the completion of the Civil works as per requirement by the department for the erection of gates for Cross Regulators resulted not only in unfruitful expenditure of Rs. 3.76 crore but also failed to make up the shortfall of irrigation potential as proposed in the original project.

[Paragraph 4.4.13]

Commencement of Canal Construction work by the department in disregard of Forest Conservation Act and lackadaisical approach in sending the proposals for forest-land after two to three years of commencement of work resulted not only in unfruitful expenditure of Rs. 39.70 crore but also deprived the farmers of the intended benefits of irrigation.

[Paragraph 4.4.14]

12. Idle Investment/Idle establishment/blockage of funds

Commencement of bridge work without ensuring the availability of land for approach and bypass roads as well as failure of the department to synchronize the construction of bridge and approaches/bypass roads as required under IRC specifications resulted in idle and Unfruitful expenditure to the tune of Rs. 3.15 crore.

[Paragraph 4.5.3]

Premature drawal and irregular retention of Government money by seven divisions of Saryu Project to the tune of Rs. 3.93 crore resulted in loss of interest of Rs. 79.14 lakh.

[Paragraph 4.5.4]

Despite the availability of Funds to the tune Rs. 1.10 crore, Forest Department failed to maintain the ecological balance by planting new replacement trees.

[Paragraph 4.5.5]

13. Regulatory issues and other points

Advances of Rs. 103.06 crore remained outstanding due to non-recovery and failure in taking administrative action by Lucknow Development authority. Despite earlier mention in para 4.11 of the Audit Report (Civil) of Government of Uttar Pradesh for the year ended 31 March 1998, temporary advances of Rs. 10.06 crore remained unadjusted against various officials of different PWD Divisions for long periods which may lead to fraud/embezzlement.

[Paragraph 4.6.3]

14. Internal Audit System in Government Departments

The Chapter V includes a study on effectiveness of internal audit organizations of two Government departments namely Forest and Co-operative Department.

[Paragraph 5.1]