

Overview

This Report includes two Chapters containing audit observations based on Finance Accounts and Appropriation Accounts of Government of Uttar Pradesh for the year 2003-04 and three other Chapters containing six reviews and 13 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:

I. Finances of the State Government

Revenue receipts of the State increased from Rs.21495 crore in 1999-2000 to Rs.31638 crore in 2003-04. The moderate growth of 13.72 *per cent* in revenue receipts during 2003-04 was primarily driven by 23 *per cent* growth in States' share of Union Taxes.

Trade tax was the major source of State's tax revenue having contributed 56 *per cent* to the tax revenue followed by State Excise (18 *per cent*), Stamp and Registration Fee (17 *per cent*) etc. Of non-tax revenue sources, Interest receipt (29 *per cent*), Education, Sports, Art and Culture (10 *per cent*), Non-Ferrous Mining, and Metallurgical Industries (11 *per cent*) were principal contributors.

Revenue expenditure of the State increased from Rs. 28748 crore in 1999-2000 to Rs. 50221 crore in 2003-04. The increase in the revenue expenditure during the year was mainly due to more expenditure on Power (Rs. 13025 crore) and Interest Payments (Rs. 3064 crore) over the previous year. The increase in power sector was mainly due to write-off of power sector debt of Rs. 12277 crore.

Salaries (Rs. 12965 crore), interest payments (Rs. 10124 crore) and Pensions (Rs. 2900 crore) constituted 82 *per cent* of total revenue receipts of the State.

Overall fiscal liabilities of the State increased from Rs. 75291 crore in 1999-2000 to Rs. 119240 crore in 2003-04 and as a percentage of GSDP increased from 46.42 to 54.8 during the period.

Revenue deficit of the State increased from Rs. 7253 crore in 1999-2000 to Rs.18583 crore in 2003-04. Fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also increased from Rs.11099 crore in 1999-2000 to Rs. 16647 crore in 2003-04. Outstanding guarantees amounted to Rs. 3601 crore.

Return on investment of Rs.9412.65 crore by the Government was negligible (less than one *per cent*).

[Paragraph 1.1 to 1.10]

II. Allocative Priorities and Appropriation

Broadly the following results emerged from Appropriation Audit:

There was a net saving of Rs.4204.08 crore in grants and Appropriations being the result of overall savings of Rs.7849.07 crore in 178 cases of grants and appropriation, partly offset by excess expenditure of Rs.3644.99 crore in 16 cases of grants and appropriations.

Expenditure fell short by more than Rs. 1 crore each in 78 cases and also by more than 10 per cent of the total provision in each case.

Excess expenditure amounting to Rs.1610.68 crore in 12 cases of voted grants and Rs.2034.31 crore in 4 cases of appropriations during 2003-04, as also excess expenditure of Rs.29448.60 crore for the years 1984-85 to 2002-03, was yet to be regularised.

Supplementary provisions of Rs. 496.93 crore obtained in 46 cases proved entirely unnecessary as savings in each case exceeded the supplementary provisions.

In 8 cases there was excess expenditure of Rs.2725.42 crore despite obtaining supplementary grants of Rs.6474.39 crore.

In 39 cases savings above Rupees one crore in each case amounting to Rs. 2978.42 crore were not surrendered.

Expenditure in March 2004 under twenty six heads of accounts ranged between 51 *per cent* and 100 *per cent* of the total expenditure during the year.

[Paragraph 2.1 to 2.5]

III. Performance Reviews

1. Implementation of Child Labour (Prohibition and Regulation) Act, 1986

The Child Labour (Prohibition and Regulation) Act, 1986 besides enforcement measures envisaged rehabilitation of children below the age of 14 years. Some of the important findings on implementation of the provisions of the Act are as follows:

- Cases involving penalty of Rs.7.28 crore for employing child labour in hazardous industries were either withdrawn or cancelled by the Labour Department (December 2004).
- The data on Child labour in the State was grossly understated at 0.66 lakh against 19.28 lakh working children according to Census 2001.
- Out of 55510 child workers enrolled in special schools upto March 2004 only 9469 children were mainstreamed (17 *per cent*).
- Rs.49.59 lakh earned as interest on Corpus Fund were not utilized for providing relief to families of the children withdrawn from hazardous occupations.
- Non-appointment of full time Project Directors and vacancies of teachers and instructors affected the quality of implementation of the projects adversely.

[Paragraph 3.1]

2. National AIDS Control Programme, Phase-II

The National AIDS Control Programme--Phase-II (NACP-II) was launched in 1999, after completion of Phase-I. The UP State AIDS Control Society was formed (1998) to implement NACP-II. The NACP-II aimed at arresting the increase in incidence of HIV/ AIDS¹ cases and creating awareness about them.

¹ Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome

The NACP-II was originally scheduled to be completed by July 2004 which was extended upto March 2006. Some of the major deficiencies noticed in programme implementation are as follows.

- An amount of Rs 54.81 crore only was spent during 1999-2004 against Rs.146.76 crore envisaged in the Project Implementation Plan.
- The targets envisaged in Programme Implementation Plan were reduced substantially and even the reduced targets were not achieved.
- Thirty two STD units which were set up were not functional for want of equipment.
- Sixty seven of the sixty eight Government blood banks were not properly equipped and functioned without licences due to lack of equipment. Out of 7 Blood Component Separation Units only 3 were operational for want of necessary infrastructure.

[Paragraph 3.2]

3. Review on Indian System of Medicine

The Government of UP established (1968) a separate Directorate of Ayurvedic and Unani Systems of Medicine for making available competent physicians, providing efficient treatment in Ayurvedic & Unani Systems of Medicine, facilitating availability of quality drugs relating to these systems, publishing old classics and other useful literature for general information. Major findings of the audit review were as follows:-

- Norms prescribed by Central Council of Indian Medicines (CCIM) for imparting medical education were not fulfilled in respect of all related activities of the colleges. There was acute shortage of teaching staff affecting the quality of education.
- The posts sanctioned for running the hospitals/dispensaries in the State were far below the prescribed norms and the department could not fill up even these reduced number of sanctioned posts affecting the quality of services in the hospitals / dispensaries.
- Hospitals/dispensaries were being run by unqualified staff and infrastructure facilities were not adequate.
- The departmental pharmacies suffered from underutilisation of capacity and high cost of production.
- Five hundred seventy four drug manufacturing units were operating without in-housing testing facilities.

[Paragraph 3.3]

4. Working of Minor Irrigation Department

The Minor Irrigation Department was setup in 1965 for developing and strengthening the minor irrigation system in the State by shallow and deep borings and for executing works related to recharging the depleting ground water. Some of the major audit findings are highlighted below:-

- Rs.80 crore were lying in various banks on account of undisbursed subsidy under the shallow boring scheme
- Irrigation potential in the State through the minor irrigation system

declined during 1999-2000 to 2003-04 from 119.89 lakh hectares to 106.70 lakh hectares.

- Free shallow boring works were carried out in blocks having water unfit for irrigation rendering expenditure of Rs.89 lakh thereon infructuous. Rs.1.88 crore were disbursed as subsidy to ineligible farmers.
- Targets set for resurrection of existing ponds for recharging underground water sources were achieved to the extent of only 36 per cent by March 2004 due to slackness in execution.
- Blasting and Inwell drilling equipment remained unutilized to the extent of 66 to 94 per cent during 2002-2004 resulting in infructuous expenditure of Rs.1.29 crore on idle staff during the period.
- Stock and Tools and Plant accounts of 15 divisions out of 32 divisions were not closed for the last 2 to 22 years.

[Paragraph 3.4]

5. Pradhan Mantri Gram Sadak Yojna

Pradhan Mantri Gram Sadak Yojna (PMGSY), a 100 *per cent* Centrally sponsored scheme aimed at providing all weather road connectivity to habitations with population of 1000 persons and above by the end of 2002-03 and all unconnected habitations with population of 500 persons and above by the end of the Tenth Plan (2007). Some of the important findings on implementation of the programme are as follows.

- For assessing the actual quantum of road length to be constructed under PMGSY, Block level and District Level Rural Road Plans and a Core Network for the State were not prepared as of February 2005.
- Against the Tenth Plan objective of providing connectivity to 9314 habitations by 2002-03, targets were fixed for 1545 habitations only.
- While 74 *per cent* works were delayed for periods ranging from one month to 25 months at the point of award of work itself, their execution was delayed in 95 *per cent* of the works for periods ranging from one month to more than 12 months.
- Non-adherence to prescribed specifications and substitution of prescribed items of work led to avoidable expenditure of Rs.16.31 crore.
- Monitoring and quality control were not effective with the result that works were not completed in time and out of 1990 works inspected by National Quality Monitors, 225 works were found substandard.

[Paragraph 3.5]

IV. Audit of transactions

1. Fraudulent Drawal/Misappropriation/Embezzlement Losses

Construction of houses without adequate demand and in violation of the directives of the Government resulted in loss of Rs.1.67 crore and blockage of Rs. 2.75 crore in undisposed of properties.

[Paragraph 4.1.1]

2. **Infructuous/Wasteful expenditure and overpayment**

Delayed decision of the Government and non-pursuance of the matter by the Department led to expenditure of Rs.12.85 crore on idle staff.

[Paragraph 4.2.1]

3. **Violation of contractual obligations/undue favour to contractors**

Avoidable expenditure of Rs.78.52 lakh on the construction of Ban Sagar Feeder channel due to delayed supply of layout plan of the canal to the contractors and frequent changes of drawings.

[Paragraph 4.3.1]

4. **Avoidable/Excess/Unfruitful expenditure**

Construction of science block at a cost of Rs.69.53 lakh proved unfruitful due to non-sanction of teaching/ non-teaching staff.

[Paragraph 4.4.1]

Due to non-adherence to purchase procedure and norms fixed by GOI for procurement of DD Kits, the Government had to suffer a loss of Rs.2.70 crore.

[Paragraph 4.4.3]

Expenditure of Rs.3.62 crore on construction of distributary without proper planning and ensuring the availability of land and water at the head was rendered unfruitful.

[Paragraph 4.4.4]

Non-observance of financial rules rendered the expenditure of Rs.2.05 crore on the construction of distributary and minors unfruitful.

[Paragraph 4.4.5]

Delay in according technical sanction to the works and in finalising revised estimate rendered the expenditure of Rs.3.22 crore on bridge and road construction works unfruitful.

[Paragraph 4.4.6]

Construction of Mahila Polytechnic without ensuring availability of water resulted in unfruitful expenditure of Rs.5.21 crore.

[Paragraph 4.4.9]

Commencement of canal work without obtaining Government of India's approval under Forest Conservation Act led to unfruitful expenditure of Rs.1.92 crore.

[Paragraph 4.4.10]

V. Internal Control Mechanism in Government Departments

Evaluation of the internal control system of the public works department

Internal control is a system within an organization that governs its activities to effectively achieve its objectives. An evaluation of internal control system in the department revealed the following.

- Failure of the Divisional Officers in observing the conditions for incurring the expenditure and Controlling Officers in watching the

progress of expenditure led to an excess of Rs. 478.54 crore over the allotment of funds during 2001-04.

- Miscellaneous Work Advances aggregating Rs. 17.01 crore were outstanding in the test-checked divisions indicating lack of necessary control.
- The Department failed to provide adequate quality assurance in respect of works executed by it, in the absence of adequate number of quality control tests in the departmental laboratories.
- Internal Audit arrangement in PWD was at the nascent stage and yet to be equipped with adequate manpower, professional skills and methodologies to achieve its objectives.

[Paragraph 5]