

Chapter 1

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of the transactions of the Civil and Works departments of the Government of Uttar Pradesh, Centrally sponsored and State plan schemes and audit of autonomous bodies of the State, including performance audit of selected schemes and departments.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing standards require that the materiality level of reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take the corrective action as also to frame policies and directives that lead to improved financial management of the organizations, thus contributing to better governance.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provision of the Constitution of India, applicable laws, rules and regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance audit is an independent assessment or examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively.

This Chapter provides the auditee profile, the planning and extent of audit and follow-up on audit reports. Chapter 2 of this Report deals with the findings of performance audit and Chapter 3 deals with compliance audit in the various departments and autonomous bodies. Chapter 4 contains results of integrated audit of Higher Education department.

The cases mentioned in the Report are those which came to notice in the course of test audit of account during 2008-09 as well as those which had come to light in earlier years but could not be dealt within previous Reports. Matters relating to the period subsequent to 2008-09 have also been included wherever necessary.

1.2 Auditee profile

There are 72 departments at the Secretariat level, headed by Chief Secretary/Principal Secretaries/Secretaries who are assisted by the Special Secretaries, Deputy Secretaries and Directors and subordinates officers under them and 937 autonomous bodies which are under audit jurisdiction of the Principal Accountant General (Civil Audit), Uttar Pradesh, Allahabad.

The comparative position of expenditure of the Government during 2008-09 and in the preceding two years is given in **Table 1.1**

(Rupees in crore)

Particular	2006-07			2007-08			2008-09		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue expenditure									
General services	118.82	24,180.50	24,299.32	92.85	26,457.90	26,550.75	211.94	29,557.38	29,769.32
Social services	7,368.44	11,879.62	19,248.06	8,213.70	14,871.87	23,085.57	11,584.22	16,961.79	28,546.01
Economic services	2,211.22	7,198.05	9,409.27	3,437.34	8,600.06	12,037.40	5495.18	8654.17	14,149.35
Grants-in-aid	-	2,742.25	2,742.25	0.03	3549.46	3549.49	-	3,504.21	3504.21
Total (1)	9,698.48	46,000.42	55,698.90	11,743.92	53,479.29	65,223.21	17,291.34	58,677.55	75,968.89
Capital expenditure									
Capital Outlay (2)	13,312.49	671.64	13,984.13	13,719.84	3,230.54	16,950.38	18,087.49	4,258.23	22,345.72
Loans and Advances disbursed (3)	561.86	325.69	887.55	367.44	374.52	741.96	390.33	416.68	807.01
Payment of Public Debt (4)	---	5,912.08	5,912.08	---	5,368.87	5,368.87	---	6,776.49	6,776.49
Total disbursement out of Consolidated Fund (1+2+3+4)	23,572.83	52,909.83	76,482.66	25,831.20	62,453.22	88,284.42	35,769.16	70,128.95	1,05,898.11
Contingency Fund	---	9.57	9.57	---	116.72	116.72	---	---	---
Public Account disbursements	---	52,901.28	52,901.28	---	68,560.32	68,560.32	---	1,00,026.64	1,00,026.64
Total	23,572.83	1,05,820.68	1,29,393.51	25,831.20	1,31,130.26	1,56,961.46	35,769.16	1,70,155.59	2,05,924.75

1.3 Authority for audit

Authority for audit by the C&AG is derived from the Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Principal Accountant General (Civil Audit) conducted audit of expenditure of civil and works departments, autonomous bodies under sections 13, 14, 15, 19 and 20 of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The principles and methodology for compliance audit are prescribed in the manuals issued by the Comptroller & Auditor General.

1.4 Organisational structure of the Office of the Principal Accountant General (Civil Audit), Uttar Pradesh.

Under the directions of the C&AG, the Principal Accountant General (Civil Audit), Uttar Pradesh, conducts audit of civil and works departments and autonomous bodies through two groups each for inspection of the civil and works departments, one group each for autonomous bodies and forest department. During 2008-09, 66 audit parties conducted compliance audit of the selected units under various civil and works departments of the State Government, autonomous bodies, externally aided projects, etc.

1.5 Planning and conduct of audit

Audit process commences with the assessment of risk of various Government departments/ organisations/autonomous bodies and schemes/ projects, etc., based on expenditure, critically/complexity of activities, level of delegated

financial powers, assessment of overall internal control and the concerns of stakeholders. Previous audit findings are also considered in this exercise.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the audit reports.

During 2008-09, 15,478 party-days were used to carry out audit of 1,986 units out of 7,073 units of various departments/organisations. The audit plan covered those units/entities which were vulnerable to significant risk, as per the assessment.

1.6 Significant observations of performance audit

Performance audit is undertaken to ensure whether the Government programmes have achieved the desired objectives at the minimum cost and given the intended benefits. In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments, which impact on the success of programmes and functioning of the departments.

This report contains results of special audit of withdrawals from General Provident Fund (Group D) accounts in the office of the District Judge, Ghaziabad and performance audit of 'Development Programmes in Poorvanchal and Bundelkhand Regions', 'Accelerated Irrigation Benefits Programme', 'Old Age Pension and National Family Benefit Schemes', 'Bhoomi Sena Yojna/Kisan Hit Yojna'. Besides, Integrated Audit of Higher Education department was also conducted. The focus has been on auditing the specific programmes/schemes and offering suitable recommendations, with the intention of providing an aid to the Executive in taking corrective action and improving service delivery to the citizens. The salient features of the performance audits are discussed below.

1.6.1 Audit of withdrawals from General Provident Fund (Group D) accounts in the office of the District Judge, Ghaziabad

Audit of GPF (Group D) accounts maintained in the office of District Judge, Ghaziabad revealed a system failure leading to fraudulent withdrawals during 2001-07. Sanctions to the advances were not accorded by the competent authority. GPF ledgers, broadsheet, pass books, bill register, cash book, etc., were not maintained. Monthly reconciliation of treasury withdrawal was also not carried out. The treasury officer did not exercise prescribed checks facilitating fraudulent drawals.

1.6.2 Development Programmes in Poorvanchal and Bundelkhand Regions

To overcome inter-regional disparities and backwardness, the State Government had been providing special funds for Poorvanchal and Bundelkhand regions every year since 1990. Besides, funds were also provided through Bundelkhand Vikas Package (from 2005-06) and Twelfth Finance Commission Fund (from 2006-07) for the development of these regions. Performance audit revealed that improper planning, inept financial management, deficient implementation of the programme and weak monitoring were the reasons for non-achievement of envisaged benefits as various districts in these regions remained less developed compared to other regions.

1.6.3 Accelerated Irrigation Benefits Programme

The Accelerated Irrigation Benefits Programme was conceived in 1996 by the Government of India in order to provide financial assistance to States to complete within targeted period, various ongoing projects to extend irrigation to more areas. Test check of six out of 10 irrigation projects taken up during 1996-06 under the programme revealed that the targeted benefits of providing irrigation were not achieved due to execution of projects in an unplanned manner. Projects were delayed from two to eight years with the cost overrun of 28 per cent to 916 per cent. Irrigation potential created could not be utilized to the extent of 22 per cent to 55 per cent due to incomplete Distributaries/Minors.

1.6.4 Old age pension and National Family Benefit schemes

Old age pension schemes were launched with the objective of providing financial assistance to destitute old persons aged 60 years and above who were below poverty line. National Family Benefit Scheme was launched to provide one time financial assistance to the families below poverty line whose breadwinner had died between the age 18 to 64 years. A review of implementation of the schemes revealed failures in proper identification and sanction of pensions to the beneficiaries, non-physical verification of pensioners, and transfer of pensions to the banks even after death of the beneficiaries, double payment and delay in payment of pensions. The delay in payments and payments to ineligible persons under the National Family Benefit Scheme were also noticed.

1.6.5 Bhoomi Sena Yojna/Kisan Hit Yojna

The State Government introduced Bhoomi Sena Yojna/Kisan Hit Yojna with the objective of treating *usar*, ravine and wasteland for increasing productivity of food grains, horticulture products and to allot treated *Gram Samaj* land to landless people. Besides, employment to local people was also to be provided under the scheme. Performance audit of the scheme revealed deficiencies like inadequate survey and planning, insufficiency of water for treatment of *usar* land, incomplete works, delay in payment to labourers, non-engagement of local people on execution of works and inadequacy in assessment of productivity of

the treated land. *Gram Samaj* land was not targeted for treatment for allotting it to the landless people.

1.6.6 Integrated Audit of Higher Education department

Higher Education department is responsible for providing quality education to students through universities, Government/Government aided/private graduate and post-graduate colleges. Integrated audit of the department including colleges and Lucknow University revealed inept financial management, deficient manpower management and ineffective academic administration. The department surrendered large amounts due to incorrect budget estimation; ninety five *per cent* graduate and post graduate colleges did not have proper infrastructure for imparting quality education. Colleges were short of regular teachers to the extent of 49 *per cent* during 2004-09 and 17 Government colleges did not have even a single teacher in one to five subjects for one to three years during 2006-09.

1.7 Significant audit observations during Compliance Audit

Audit observed significant deficiencies in critical areas, which impact the effectiveness of the State Government. Some important findings of the compliance audit (32 paragraphs) have also been reported. The major observations relate to:

- Non-compliance with rules and regulations;
- Audit against propriety and cases of expenditure without adequate justification;
- Failure of oversight/governance;
- Persistent and pervasive irregularities; and
- Fraud and detection of fraud.

1.7.1 Non-compliance with rules and regulations

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This section of non-compliance with rules and regulations brings out observations involving Rs 13.03 crore. Some of these are as under.

A decision to change the site of four new barracks outside the jail premises in District Jail, Muzaffar Nagar, in violation of norms resulted in unproductive expenditure of Rs 1.02 crore.

(Paragraph 3.1.3)

Drawal of Rs 7.63 crore for purchase of bitumen without assessing its requirement and retaining Rs 5.52 crore outside the Government account for 13 months by Construction Division III, Gunnore, District Budaun in violation of financial rules, entailed an interest loss of Rs 40.30 lakh.

(Paragraph 3.1.5)

Provision of PI before the work of premix carpet in contravention of Engineer-in-Chief's orders and technical specifications resulted in an avoidable extra expenditure of Rs 95.44 lakh by Construction Division, Public Works Department, Ferozabad in construction of 28 rural roads.

(Paragraph 3.1.6)

1.7.2 Audit against propriety and cases of expenditure without adequate justification

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money. Audit scrutiny revealed instances of impropriety and extra expenditure amounting to Rs 316.34 crore. Some of the important audit findings are as under.

Improper decision of the Government to demolish infrastructures which were created in District Lucknow in 1998 and 2002 at a cost of Rs 32.98 crore rendered Rs 34.72 crore wasteful, inclusive of demolition charges of Rs 1.74 crore

(Paragraph 3.2.2)

Muzaffar Nagar Development Authority suffered a loss of Rs 35.53 lakh on account of injudiciously proceeding with the work of creating infrastructure on a piece of land acquired by the National Highway Authority of India.

(Paragraph 3.2.3)

Incomplete remodeling work of Chhoia Nala by the Eastern Ganga Canal Construction Division-II, Haridwar rendered the expenditure of Rs 3.62 crore on the work unfruitful. Besides, avoidable expenditure of Rs 45 lakh was incurred on clearance of thek.

(Paragraph 3.2.6)

Provision and approval of inadmissible rates in the estimate on untenable grounds and against earlier instructions led to the excess payment of Rs 2.81 crore to a contractor on widening and strengthening of a State Highway under Provincial Division, Public Works Department, Banda.

(Paragraph 3.2.7)

1.7.3 Failure of oversight/governance

Government has an obligation to improve the quality of life of the people in the area of health, education, development and upgradation of infrastructure, public services, etc. Audit noticed instances where the funds released by the Government for creating public assets, remained unutilized/ blocked or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. Cases of failure of oversight/governance noticed in audit amounted to Rs 437.41 crore. Some important findings are as under.

Government's failure to refund unutilized high interest bearing loans taken from NCR Planning Board to finance schemes of Hapur-Pilkhua Development Authority resulted in an avoidable interest payment of Rs 28.51 crore.

(Paragraph 3.3.2)

Due to non-identification of the slum dwellers, Rs 56.49 lakh spent by the Allahabad Development Authority on construction of 70 dwelling units for them rendered the expenditure unfruitful besides, defeating the objective of the scheme.

(Paragraph 3.3.3)

Due to investment of Rs 40.60 lakh in a non-scheduled bank, Kanpur Development Authority suffered an interest loss of Rs 35.18 lakh, besides locking up the principal amount for the last ten years.

(Paragraph 3.3.4)

Improper planning and commencement of work by the Head Works Division, Agra Canal, Okhla on an alignment full of obstructions led to non-completion of canal rendering the expenditure of Rs 100.70 crore unfruitful besides, non-achievement of targeted benefit under Agra Canal System.

(Paragraph 3.3.6)

Inconsistency in the decision of the Medical and Health department in selection of the site for construction of a 100 bed hospital in District Faizabad rendered the expenditure of Rs 81 lakh unfruitful.

(Paragraph 3.3.9)

Unauthorized payment of Rs 15.82 crore as mobilization advance resulted in indirect aid to contractor as well as loss of interest amounting to Rs 1.08 crore under the State Road Project II executed with assistance of World Bank.

(Paragraph 3.3.10)

Approval of technically unsound estimates in State Road Project II – Phase I led to deficient work costing Rs 260.15 crore besides, extra expenditure of Rs 2.31 crore.

(Paragraph 3.3.11)

112 shops constructed at a cost of Rs 92.90 lakh by the Social Welfare department, could not be allotted to the ex-servicemen and dependents of martyred/disabled soldiers due to non-framing of Dookan Avantan Niyamavali rendering the expenditure unfruitful.

(Paragraph 3.3.13)

1.7.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when prevalent in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed instances of persistent and pervasive irregularities of Rs 8.22 crore. Some important audit findings are as under.

Prescribed specification/norms were not followed by Rural Engineering Services Department in construction of village link roads costing Rs 8.22 crore under various developmental schemes.

(Paragraph 3.4.1)

1.7.5 Fraud and detection of fraud

Audit of financial transactions, test checked in some departments of the Government and their field functionaries showed instances of fraudulent payments of Rs 2.20 crore as discussed in the following paragraphs.

Irregular provision of extra cartage for earth work in construction of metalled road on service road of Anoop Shahar Branch Canal by the Anoop Shahar Division, Meerut led to fraudulent payment of Rs 1.88 crore to a contractor.

(Paragraph 3.5.1)

Payment of Rs 7.45 lakh was made fraudulently by the Executive Engineer, Fatehpur Division without ensuring execution of work by validation of its quantity under the work of Restoration of Carrying Capacity of Fatehpur Branch.

(Paragraph 3.5.2)

Payment at the higher rates for inferior quality of work and by issuing material from the departmental stores at cheaper rates led to undue aid of Rs 24.90 lakh to a contractor in widening and strengthening of Lumbini-Dudhi road under Provincial Division, Public Works Department, Jaunpur.

(Paragraph 3.5.3)

1.8 Response of the departments to the draft performance reviews and audit paragraphs

The draft performance reviews and audit paragraphs are forwarded to the Principal Secretaries/ Secretaries of the departments concerned drawing their attention to the audit findings and requesting them to send their responses within six weeks. It is brought to their personal attention that in view of likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before Uttar Pradesh Legislatures, it would be desirable to include their comments in the matter. They are also advised to have meetings with the Principal Accountant General to discuss the performance reviews/draft audit paragraphs, proposed for Audit Reports. The performance reviews/draft audit paragraphs proposed for inclusion in this report were forwarded to Principal Secretaries/ Secretaries concerned and their replies and results of discussions have been incorporated in the Report at appropriate places.

1.9 Follow up on Audit Reports

At the end of March 2009, 1026 paragraphs/reviews were pending for discussion in the Public Accounts Committee. These paragraphs/reviews pertained to the periods 1983-84 to 2006-07, except of the years 1997-98 and 2002-03. The discussion by the Public Accounts Committee on the paragraphs/reviews of the Audit Reports for the years 2004-05, 2005-06 and 2006-07 was in progress and those of 2007-08 were yet to be taken up.