

Chapter 1

Introduction

Chapter 1- Introduction

1.1 Budget profile

There are 65 departments in the State. The position of budget estimates and actuals there against by State Government during 2011-16 is given in Table 1.

Table 1: Budget and expenditure of the State Government during 2011-16

(₹ in crore)

| Particulars | 2011-12 | | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Budget Estimates | Actuals |
| Revenue expenditure | | | | | | | | | | |
| General services | 52,787.37 | 52,946.92 | 62,175.69 | 59,906.72 | 64,697.36 | 61,983.49 | 74,325.18 | 64,305.73 | 80,923.25 | 72,227.92 |
| Social services | 51,259.27 | 47,390.94 | 59,081.49 | 53,300.32 | 65,749.29 | 60,756.28 | 75,478.78 | 60,905.78 | 84,969.91 | 82,486.46 |
| Economic services | 20,290.65 | 18,292.21 | 23,639.78 | 21,337.36 | 26,393.20 | 25,710.72 | 36,582.55 | 34,885.24 | 39,686.37 | 47,881.29 |
| Grants-in-aid & contributions | 5,308.25 | 5,255.10 | 6,244.67 | 6,179.24 | 9,777.74 | 9,696.38 | 11,038.37 | 10,930.57 | 10,176.65 | 10,140.28 |
| Total (1) | 1,29,645.54 | 1,23,885.17 | 1,51,141.63 | 1,40,723.64 | 1,66,617.59 | 1,58,146.87 | 1,97,424.88 | 1,71,027.32 | 2,15,756.18 | 2,12,735.95 |
| Capital expenditure | | | | | | | | | | |
| Capital Outlay | 25,959.72 | 21,573.96 | 26,147.20 | 23,834.29 | 30,052.82 | 32,862.65 | 55,986.16 | 53,297.28 | 63,154.26 | 64,422.72 |
| Loans and advances disbursed | 1,240.15 | 975.57 | 1,167.73 | 1,003.24 | 1,779.71 | 1,473.34 | 1,909.67 | 1,872.64 | 2,792.99 | 9,117.91 |
| Repayment of Public Debt | 8,397.88 | 8,287.61 | 8,821.50 | 8,909.04 | 8,097.86 | 8,166.74 | 19,383.88 | 9,411.21 | 20,983.89 | 17,672.76 |
| Contingency Fund | - | 309.64 | - | 262.45 | - | 86.55 | - | 203.15 | - | 44.07 |
| Public Accounts disbursements | - | 1,30,970.76 | - | 1,29,471.51 | - | 2,20,459.29 | - | 2,28,014.45 | - | 2,64,293.87 |
| Closing Cash balance | - | 13,446.70 | - | 15,172.42 | - | 4,020.63 | - | (-)401.32 | - | -200.21 |
| Total (2) | - | 1,75,564.24 | - | 1,78,652.95 | - | 2,67,069.20 | - | 4,85,819.01 | - | 3,55,351.12 |
| Grand Total (1+2) | - | 2,99,449.41 | - | 3,19,376.59 | - | 4,25,216.07 | - | 6,56,846.33 | - | |

(Source: Annual Financial Statements and Explanatory Memorandum of the State Budget.)

1.2 Application of resources of the State Government

As against the total budget outlay of ₹ 2,81,703 crore, total expenditure was ₹ 2,86,277 crore. While the total expenditure¹ of the state increased from ₹ 2,26,197 crore to ₹ 2,86,277 crore during 2015-16, the revenue expenditure of the State increased by 24 per cent from ₹ 1,71,027 crore in 2014-15 to ₹ 2,12,736 crore in 2015-16. Non-Plan revenue expenditure increased by 67 per cent from ₹ 1,01,269 crore to ₹ 1,69,485 crore and capital expenditure increased by 199 per cent from ₹ 21,574 crore to ₹ 64,423 crore during the period 2011-16.

¹ Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

Audit Report (General and Social Sector) for the year ended 31 March 2016

The revenue expenditure constituted 84 *per cent* of the total expenditure during the year 2011-12 which declined to 74 *per cent* in 2015-16, whereas capital expenditure constituted 15 *per cent* to 23 *per cent* during 2011-16. During this period, total expenditure increased at an average rate of 17 *per cent*, whereas revenue receipts grew at an average growth rate of 15 *per cent* during 2011-16.

1.3 Persistent savings

In 18 cases involving 16 grants, there were persistent savings of more than ₹ 100 crore in each during the last five years as per the details given in Table 2.

Table 2: Grants indicating Persistent Savings

| (₹ in crore) | | | | | | | |
|--------------------------|-----------|---|-------------------|-----------------|-----------------|------------------|------------------|
| Sl. No. | Grant No. | Name of the Grant | Amount of Savings | | | | |
| | | | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Revenue – Voted | | | | | | | |
| 1 | 11 | Agriculture and other Allied Departments (Agriculture) | 766.37 | 644.92 | 596.10 | 425.39 | 438.74 |
| 2 | 13 | Agriculture and other Allied Departments (Rural Development) | 134.31 | 103.79 | 201.09 | 399.75 | 208.61 |
| 3 | 14 | Agriculture and other Allied Departments (Panchayati Raj) | 211.63 | 907.53 | 462.21 | 2,368.27 | 3,117.69 |
| 4 | 32 | Medical Department (Allopathy) | 145.70 | 403.79 | 471.31 | 672.14 | 938.53 |
| 5 | 37 | Urban Development Department | 625.51 | 238.51 | 654.69 | 2,762.12 | 1,390.72 |
| 6 | 42 | Judicial Department | 172.36 | 178.52 | 223.31 | 330.65 | 329.12 |
| 7 | 49 | Women and Child Welfare Department | 636.11 | 372.97 | 271.58 | 370.04 | 1,058.88 |
| 8 | 54 | Public Works Department (Establishment) | 238.54 | 681.45 | 1,041.27 | 1,265.68 | 1,384.03 |
| 9 | 71 | Education Department (Primary Education) | 888.00 | 1,865.81 | 2,567.23 | 4,390.54 | 3,229.85 |
| 10 | 72 | Education Department (Secondary Education) | 582.87 | 1,276.77 | 874.11 | 787.75 | 918.15 |
| 11 | 73 | Education Department (Higher Education) | 745.76 | 816.09 | 348.28 | 422.39 | 278.80 |
| 12 | 83 | Social Welfare Department (Special Component Plan for Scheduled Castes) | 792.46 | 1,762.10 | 1,315.74 | 2,509.94 | 2,306.78 |
| 13 | 94 | Irrigation Department (Works) | 504.35 | 198.79 | 738.76 | 745.95 | 766.33 |
| Total | | | 6,443.97 | 9,451.04 | 9,765.68 | 17,450.61 | 16,366.23 |
| Capital – Voted | | | | | | | |
| 14 | 11 | Agriculture and other Allied Departments (Agriculture) | 100.86 | 177.73 | 470.53 | 286.17 | 533.67 |
| 15 | 26 | Home Department (Police) | 488.36 | 363.24 | 126.51 | 110.84 | 282.44 |
| 16 | 48 | Minorities Welfare Department | 373.36 | 164.73 | 148.22 | 640.44 | 635.44 |
| 17 | 83 | Social Welfare Department (Special Component Plan for Scheduled Castes) | 415.46 | 588.84 | 524.04 | 1,634.76 | 1,357.70 |
| Total | | | 1,378.04 | 1,294.54 | 1,269.30 | 2,672.21 | 2,809.25 |
| Capital – Charged | | | | | | | |
| 18 | 61 | Finance Department (Debt Services and other Expenditure) | 9,999.25 | 9,934.16 | 9,840.02 | 9,971.46 | 3,711.90 |
| Total | | | 9,999.25 | 9,934.16 | 9,840.02 | 9,971.46 | 3,711.90 |

(Source: Appropriation Accounts of respective years)

1.4 Grants-in-aid from the Government of India

The grants-in-aid received from the GoI during the years 2011-12 to 2015-16 have been given in Table 3.

Table 3: details of grants-in-aid received from the GoI

| (₹ in crore) | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Particulars | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Non Plan Grants | 4,396.73 | 4,341.00 | 7,933.79 | 6,808.88 | 8,273.90 |
| Grants for State plan Schemes | 6,813.40 | 5,518.39 | 6,595.22 | 6,576.02 | 1,933.17 |
| Grants for Central Plan Schemes | 212.45 | 12.31 | 225.90 | 17.37 | 16.30 |
| Grants for Centrally Sponsored Plan Schemes | 6,337.44 | 7,466.09 | 7,650.26 | 19,289.20 | 21,637.97 |
| Total Grants | 17,760.02 | 17,337.79 | 22,405.17 | 32,691.47 | 31,861.34 |
| Percentage of increase/decrease over previous year | 15.07 | (-)2.38 | 29.22 | 45.91 | (-) 2.54 |
| Revenue Receipts | 1,30,869 | 1,45,904 | 1,68,214 | 1,93,422 | 2,27,076 |
| Total grants as a percentage of Revenue Receipts | 13.57 | 11.88 | 13.32 | 16.90 | 14.03 |

(Source: Finance Accounts of respective year)

1.5 Utilisation Certificates not submitted

The State Government rules (Para 369-H of FHB Volume 5 Part I) prescribe that where grants are sanctioned for specific purposes, the departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees which after verification should be forwarded to the Accountant General (A&E). In the absence of submission of UCs it was difficult to ensure that the funds released have been utilised for the intended purposes. The position of outstanding UCs as on 31 March, 2016 is given in Table 4.

Table 4: Outstanding Utilisation Certificates

| (₹ in crore) | | |
|--------------|--|--------------------|
| Period | Number of Utilisation Certificates awaited | Amount |
| Upto 2013-14 | 3,61,489 | 1,00,539.80 |
| 2014-15 | 18,440 | 19,914.15 |
| 2015-16 | 19,630 | 25,847.63 |
| Total | 3,99,559 | 1,46,301.58 |

(Source: Finance Accounts 2015-16)

Table 4 reveals that a large number of UCs in respect of substantial amounts were outstanding at the close of 2015-16.

Major cases of UCs not submitted relates to Social Welfare Department (49,349 cases - ₹ 22,104 crore), Primary Education Department (45,107 cases - ₹ 19,818 crore), Panchayati Raj (10,937 cases - ₹18,287 crore), Power Department (186 cases - ₹ 18,065 crore) and Social Welfare and Welfare of Scheduled Castes (29,767 cases - ₹ 14,181 crore). These constitute 63 per cent of the total outstanding Utilisation certificates.

During test check (September 2016) of records of the Agriculture and Social Welfare Department major instance of UCs not submitted was seen. The Department replied that collection of Utilisation Certificates is in process. The reply of the Department is not acceptable as Department is not following up the collection and sending of Utilisation Certificates within the stipulated time to the AG (A&E).

1.6 Financial Health of the State

The various parameters such as Fiscal Deficit and Fiscal Liabilities are the important indicators to determine the financial health of the State Government. The position of these parameters together with their growth rates during 2011-16 is given in Table 5.

Table 5: Financial Health of the State

(₹ in crore)

| Particulars | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|------------------|------------------|------------------|------------------|------------------|
| GSDP | 7,24,049 | 8,22,903 | 9,44,146 | 10,43,371 | 11,53,795 |
| Revenue Receipts | 1,30,869 | 1,45,904 | 1,68,214 | 1,93,422 | 2,27,076 |
| Fiscal Deficit (-) | (-) 15,433 | (-) 19,238 | (-) 23,680 | (-) 32,513 | (-)58,475 |
| Fiscal Deficit/ GSDP | (-) 2.13 | (-)2.34 | (-)2.51 | (-) 3.12 | (-) 5.07 |
| Growth Rate of Fiscal Deficit (Per cent) | 13 (1,23,885) | 25 (1,40,724) | 23 (1,58,147) | 37 (1,71,027) | 80 (2,12,736) |
| Fiscal Liabilities | 2,43,229 | 2,59,621 | 2,81,709 | 3,07,859 | 3,67,252 |
| Fiscal Liabilities/GSDP | 34 | 32 | 30 | 30 | 32 |
| Growth Rate of Fiscal Liabilities (Per cent) | 8 | 7 | 9 | 9 | 19 |
| Fiscal Liabilities / Revenue Receipts (Per cent) | 186 | 178 | 167 | 159 | 162 |

(Source: Finance Accounts of the respective years)

The fiscal deficit during 2015-16 stood at 5.07 *per cent* of GSDP, which exceeded the target set by FRBM Act, three *per cent*, by 2.07 *per cent*. The rate of increase in fiscal deficit was 80 *per cent* in 2015-16, compared to only 13 *per cent* in 2011-12, indicating increased fiscal imbalance. The higher level of fiscal deficit is attributed to higher revenue expenditure and increase in allocation to Economic Services mainly due to meeting the liability of UDAY scheme. The fiscal deficit of ₹ 58,475 crore was financed through increased market borrowings and loans from financial institutions, etc. The ratio of fiscal liabilities to revenue receipts shows decreasing trend during 2011-15 from 186 *per cent* (2011-12) to 159 *per cent* (2014-15). However, it increased slightly to 162 *per cent* in 2015-16 and still indicates improved debt sustainability on account of higher revenue receipts.

1.7 Planning and conduct of audit

Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/projects, etc. based on expenditure, criticality/complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. On the basis of this risk assessment, the frequency and extent of audit is decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Reports containing audit findings are issued to the head of the office with a request to furnish replies within one month. When the replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are submitted to the Governor of Uttar Pradesh under Article 151 of the Constitution of India.

During 2015-16, compliance audit of 1,651 drawing and disbursing officers and 139 autonomous bodies of the State Government was conducted by the office of the Principal Accountant General (G&SSA), Uttar Pradesh. Besides, one Performance Audit (*'Right of Children to Free and Compulsory Education Act, 2009'*), one IT Audit (*'End-to-End Computerisation of Targeted Public Distribution System Operations'*) and three audits (on *'Implementation of Food Safety and Standards Act, 2006'*, *'Modernisation of Judicial Infrastructure-Lower Courts'* and *'Equipment Management in Medical Colleges of Uttar Pradesh'*) for the State Audit Report were also conducted.

1.8 Lack of responsiveness of the Government to Inspection Reports

The Principal Accountant General (G&SSA), Uttar Pradesh conducts periodical inspection of Government Departments by test-check of transactions and verifies the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the higher authorities.

The heads of offices and higher authorities are required to report their compliance to the office of the Principal Accountant General (G&SSA) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Principal Accountant General (G&SSA), through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the results of test-audit, 31,638 audit observations contained in 8,145 IRs² were outstanding as of 31 March 2016. During 2015-16, two meetings of the Audit Committee were held in which no IRs and 15 paragraphs were settled.

The departmental officers did not take action on observations contained in IRs within the prescribed time-frame, resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

² Including IRs and paragraphs issued upto 30 September 2015 and outstanding as on 31 March 2016.

1.9 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo moto* action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs), regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed Action Taken Notes (ATNs), duly vetted by audit, indicating the remedial action taken or proposed to be taken by them. However, 683 ATNs in respect of paragraphs included in ARs up to the period ended 31 March 2015 were pending as on 31 August 2016.

1.10 Government response to significant audit observations (draft reports paragraphs)

In the last few years, Audit has reported several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provision of the Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft reports and paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within one month. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India to be placed before the State Legislature, it would be desirable to include their comments on the matter. They were also advised to have meeting with the Principal Accountant General to discuss the draft reports.

For the present Audit Report, draft reports on one Performance Audit (*'Right of Children to Free and Compulsory Education Act, 2009'*), one IT Audit (*'End-to-End Computerisation of Targeted Public Distribution System Operations'*), three audits (on *'Implementation of Food Safety and Standards Act, 2006'*, *'Modernisation of Judicial Infrastructure-Lower Courts'* and *'Equipment Management in Medical Colleges of Uttar Pradesh'*) and 26 draft paragraphs were forwarded to the concerned Administrative Secretaries and all the cases have been discussed with the Government, except Paragraph 3.8 in respect of which Principal Secretaries could not confirm their availability for discussion despite repeated requests from Audit.