

## Chapter-1

### INTRODUCTION

#### 1.1 About this Report

This report relates to matters arising from the compliance audit of selected programmes and activities of departments under General and Social Sectors of the Government of Uttar Pradesh in which the extent to which an organisation, programme or scheme operates economically, efficiently and effectively is examined against suitable criteria and the causes of deviations from those criteria are analysed. Also, results of the examination of transactions relating to expenditure, receipts, assets and liabilities of Government to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with have been brought out in this report.

The primary purpose of this report is to bring to the notice of the Legislature audit findings of significant materiality in respect of compliance audits conducted during 2016-17. The audit findings are expected to enable the executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance and improved public service delivery.

The report is structured in two chapters. This chapter, in addition to explaining the planning and extent of audit, provides a brief analysis on the expenditure of the departments and responses of Government to the Audit Inspection Reports/ Audit Reports and action taken on them. Chapter-2 presents the detailed findings and observations on the compliance audits conducted during 2016-17.

#### 1.2 Auditee Profile

There are 90 departments in the State, out of which 48 Departments are under the General and Social Sectors. During 2016-17, against the budget of ₹ 3,31,821 crore for the entire State (90 departments), total expenditure of ₹ 3,13,122 crore was incurred out of which ₹ 1,54,199 crore<sup>1</sup> pertained to 48 departments under General and Social Sector. Results of audit of the financial performance of the Government for 2016-17 is included in the Report on State Finances.

During 2016-17, the office of the Principal Accountant General (G&SSA), Uttar Pradesh conducted the compliance audit of 1,401 out of 6,214 auditee units under 48 departments of the State Government.

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<sup>1</sup> Expenditure details in respect of the 48 departments under General and Social Sectors are not available since the Government prepares its budget only grant-wise and these figures have been worked out by Audit, based on the data made available separately by the departments.

### **1.3 Response 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).

A detailed review of IRs issued upto March 2017 to 17,490 Drawing and Disbursing Officers (DDOs) pertaining to 48 departments revealed that 72,330 paragraphs contained in 25,227 IRs were outstanding for settlement for want of convincing replies as on 31 March 2018. Of those, the DDOs submitted initial replies against 14,396 paragraphs contained in 3,818 IRs while, in respect of 58,268 paragraphs contained in 21,409 IRs, there was no response from DDOs.

The status of outstanding IRs is given in Table 1.1:

**Table 1.1: Outstanding IRs and Paragraphs  
(issued upto 31 March 2017) as on 31 March 2018**

<b>Sl. No.</b>	<b>Period</b>	<b>No of outstanding IRs (per cent)</b>	<b>No of outstanding paras (per cent)</b>
1	Less than one year	1,953 (08)	9,131 (13)
2	1 Year to 3 Years	6,022 (24)	24,146 (33)
3	3 Year to 5 Years	4,808 (19)	14,312 (20)
4	More than 5 Years	12,444 (49)	24,741 (34)
<b>Total</b>		<b>25,227</b>	<b>72,330</b>

During 2016-17, two audit committee meetings were held with the departmental officers in which eight IRs and 41 Paras were settled.

### **1.4 Response of the Government and auditee units to audit of schemes and compliance audit paragraphs**

Section 18 (1) (b) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 stipulates that the C&AG has the authority to requisition any accounts, books and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extends. This provision has been further amplified by Regulation 181 of the Regulation on Audit and Accounts 2007 which stipulates that every department or entity shall establish and implement

a mechanism to ensure that data information and documents that are required by audit are made available to it in time.

Despite such clear provisions, instances of non-production of records to audit are many. These restrict audit effectiveness. Though such instances are brought to the notice of the authorities on each occasion, follow up by the authorities concerned have not been uniformly swift and effective and in spite of repeated efforts taken, records requisitioned by the audit parties were not made available and replies to audit memos issued during audit were not provided in many cases, as discussed below:

- During audit of 10 Schemes for the Audit Report 2016- 2017 (IT Audit on NREGASoft - Rural Development Department, Activities of Sports department, National Food Security Mission -Agriculture Department, Working of Registrars of Births and Deaths - Medical Health & Family Welfare Department, Execution of Gomti riverfront development project - Irrigation and Water Resources Department, Activities of Technical Education department, Functioning of Jails - Prisons Administration and Reform Services Department, Accelerated Irrigation Benefit Programme - Irrigation and Water Resources Department, Implementation of Adarsh Nagar Yojana for Small and Medium Towns - Urban Development Department and Rejuvenation of River Ganga - Panchayati Raj Department), 108 units out of 455 did not produce essential records requisitioned by Audit as detailed in *Appendix-1.1*.

- *Non-production of records severely limits the exercise of CAG's constitutional mandate and may result in lack of accountability by State Government functionaries and lead to concealment of fraud, misappropriation, embezzlement etc. The State Government is urged to take appropriate action including flagging of individual instances of non-production of records from a vigilance angle and initiation of disciplinary action against the concerned officials.*

- Out of 4,046 audit memos issued in respect of seven schemes audited during 2016-17 (IT Audit on NREGASoft, Activities of Sports department, Activities of Technical Education Department, Functioning of Jails, Execution of Gomti riverfront development project Accelerated Irrigation Benefit Programme and Implementation of Adarsh Nagar Yojana for Small and Medium Towns), replies were not received for 787 audit memos and partial replies were received in respect of 164 audit memos by the respective officers in charge, as detailed in *Appendix-1.2*.

- Further, in respect of compliance audit paragraphs forwarded to the concerned Administrative Secretaries, replies were not received in respect of 11 cases (Irrigation department – 09, Revenue department – 01 and Panchayati Raj department – 01).

**1.5 Action taken on earlier 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 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, 662 ATNs in respect of paragraphs included in ARs up to the period ended 31 March 2016 were pending as on 31 March 2018.