

4.1 Integrated audit of Horticulture and Food Processing Department

Executive Summary

Horticulture and Food Processing Department is responsible for holistic growth in productivity and quality of horticultural crops through latest technologies and extension of food processing methods to generate employment and enhance farm income.

In Chief Controlling Officer based audit of the Department, the period of 2006-11 was covered to examine the economy, efficiency and effectiveness of significant activities keeping in view its mandate. The major audit findings are as under:

- The Perspective Plan for the entire period (2006-11) was not prepared and Annual Action Plans for 2006-11 were prepared without inputs from district/field level agencies, resulting in fixing up of unrealistic targets.*
- Mechanism for collecting reliable and realistic data for assessment of horticultural area, production and productivity at District as well as at State level was not developed by the Department.*
- Against the Plan Budget provision (2006-11) of ₹ 559.01 crore, the State Government released only ₹ 327.71 crore (59 per cent).*
- Against the approved outlay (2006-11) of ₹ 669.83 crore, GoI released only ₹ 322.05 crore (48 per cent) and the Department could utilise only 53 to 87 per cent of the available funds. Failure of the Department to utilise the original allotment resulted in non-release of approved outlay in the subsequent years.*
- An avoidable expenditure of ₹ 1.17 crore was incurred (2008-11) on purchase of Garlic seeds.*
- An amount of ₹ 43.60 crore, parked in PLA (2007-09), was booked as final expenditure. In March 2009, ₹ 23.90 crore was withdrawn from PLA and deposited into the revenue head.*
- Irregular assistance of ₹ 8.88 crore was provided to the beneficiaries for vegetable seed production.*
- An avoidable assistance of ₹ 19.69 crore was provided to the beneficiaries (2006-10) without ensuring survival of Medicinal, Spices and Aromatic crops.*
- Irregular expenditure of ₹ 1.53 crore was incurred (2006-11) on printing of publicity material.*
- Idle expenditure of ₹ 2.06 crore was incurred (2006-11) on incomplete works at Government seed farms, nurseries and parks.*

4.1.1 Introduction

Uttar Pradesh (geographical area: 2.41 lakh Square km) is an agro-based State. Its 70 *per cent* population is dependent on agriculture, of those, 90 *per cent* are small and marginal farmers (majority belonging to Scheduled Caste). The share of the State was 447.15 lakh MT (26 *per cent*) of the country's total horticulture production (2004-05) of 1698 lakh MT. Only 20 *per cent* of the fruits and vegetables produced in the State are processed and a large part (40 *per cent*) finds its way to other State. Due to inadequate infrastructure for post harvesting and processing, large quantity of horticultural produce is wasted, which adversely affects the income level of the farmers as well as State's economy.

The vision of the Horticulture and Food Processing Department (Department) is to increase the productivity and quality of horticultural crops through use of latest technology and extension of food processing techniques (*viz.* establishment of pack houses, ripening chambers, controlled atmosphere storage, refer vans and mobile processing units) in order to restrict wastage of horticultural produce by creating post harvesting infrastructure.

4.1.2 Significance

Horticulture development and food processing has been an ideal option for diversifying agriculture and heralding a Golden Revolution. Such a revolution will empower the people by generating employment opportunities, improving economic conditions and providing nutritional security. The Department has been selected for CCO¹ based audit to assess the impact of implementation of various schemes and to ascertain the development of area under horticulture, productivity issues and adequacy of post harvesting facilities.

4.1.3 Organisational setup

Principal Secretary, Horticulture and Food Processing Department is responsible for overall implementation and monitoring of various schemes and programmes launched by the Government of India (GoI) and Government of UP (GoUP). At the Department level, Director, Horticulture and Food Processing heads, the Department and is assisted by an Additional Director and four Joint Directors. At district level, District Horticulture Officer (DHO)/ Superintendent, Government Gardens assisted by Horticulture Inspectors are responsible for implementation and monitoring of the schemes /programmes.

4.1.4 Audit Objectives

The objectives of CCO based audit were to ascertain whether:

- adequate institutional capacity to achieve the desired objectives was in existence;

¹ Chief Controlling Officer

- compliance with relevant rules, laws and regulations in discharge of the mandated functions was ensured; and
- the schemes and programmes launched by the GoI and GoUP were implemented and also whether the delivery of services was efficient and effective.

4.1.5 Audit Criteria

Following were the sources of criteria adopted for the CCO based audit:

- Guidelines issued by GoI and the GoUP;
- Budget Manual and financial rules;
- Budget documents, perspective plan, annual action plans and performance budget;
- Departmental policies/rules and regulations;
- Procedures prescribed for monitoring, evaluation and internal audit; and
- Reports on joint physical inspection and interviews with the beneficiaries.

4.1.6 Scope of Audit and Methodology

Audit covered 32 units {14 units of category²-H (80 per cent), 14 units of category-M (40 per cent) and 4 units of category-L (20 per cent) (*Appendix 4.1*)} out of 73 units of the Department selected through Simple Random Sampling without Replacement (SRSWOR) method. The units selected for CCO based audit are denoted in the map.



Two farms/nurseries of each district were also selected for joint physical inspection with District Horticulture Officer. Records for the period 2006-11

² High risk-H, Medium risk-M and Low risk-L

pertaining to Director, Joint Directors, DHOs/ Superintendant, Government Gardens, one Citrus Specialist of Horticulture and Food Processing Department, along with selected nurseries and farms were scrutinised.

An Entry Conference was held on 24 May 2011 with the Secretary, Horticulture and Food Processing Department during which audit objectives, audit criteria, scope and methodology were discussed and agreed upon. The Exit Conference was held with the Joint Secretary, Horticulture and Food Processing Department on 8 February 2012 during which the audit findings and recommendations were discussed. The reply received from the Government has been suitably incorporated at relevant places in the report.

4.1.7 Limitations

Non-production of records and replies to audit memos limited the scope of audit.

Evaluation of the activities of an entity by conducting a performance audit is possible when requisite information and records are furnished by the audited entity to Audit. Despite the assurance given by the Secretary of the Department during the entry conference held on 24 May 2011 that all information and records, required by Audit, would be made available, the records and replies to audit memoranda were not produced to the audit team. A letter was addressed to the Director demi-officially (27 July 2011) regarding non-production of records and the matter was taken up further by the Principal Accountant General with Principal Secretary of the Department (7 September and 12 October 2011). However, the information/ records related to schemes, tender documents and post harvest activities and replies to 644 audit memoranda were largely not furnished as of February 2012 (*Appendix 4.2*).

The non- production of records and non-furnishing of information to various audit memoranda limited the scope of audit to that extent.

Audit Findings

4.1.8 Institutional Weakness

Every organisation needs to have sound infrastructure, sufficient manpower and funds to manage and achieve its mandate. This ensures soundness and appropriateness of the internal systems and controls in its key areas of activities and drives the organisation towards its objectives in an economical, efficient and effective manner. Some of the areas, where the activity of the Department was found weak, are discussed in the succeeding paragraphs:

4.1.8.1 Planning

Non-preparation of perspective plan and non-participation of implementing agency at grass root level retarded the progress of the schemes.

A Perspective Plan (PP) and Annual Action Plan (AAP) is essential for systematic implementation of any scheme. The schemes for improving Horticulture and Food Processing require baseline survey for assessing the status of horticultural production, its potential and demand, post-harvesting facilities and processing centres before preparation of these plans.

Scrutiny of the records at the Directorate and districts levels revealed that neither baseline survey was conducted nor PP was prepared. AAPs prepared and submitted by the districts were revised at the Directorate level on the basis of data on area and productivity of horticultural produce reported by the Board of Revenue, Agriculture Statistics and Crop Insurance Department. Consequently, physical targets fixed for the implementation of the schemes at district level were largely not achieved as discussed in subsequent paragraphs.

Scrutiny further revealed that the data of area and production of Mango, Guava, Potato and Tomato made available for the period 2006-07 to 2009-10, collected and reported by the test checked districts to the Directorate and data entered in the records maintained by the Directorate had substantial differences as detailed in *Appendix 4.3*.

Thus, the participation of the implementing agencies at the grass root level in the planning process was largely absent. As a result, most of the infrastructural projects were implemented in an unsystematic manner which retarded the progress of the schemes as discussed in subsequent paragraphs.

While accepting the facts, the Government stated (February 2012) that proposal for creation of database of horticultural area and production had been approved by the Planning Department and reliable data would be available after physical verification.

4.1.8.2 Human Resources Management

Adequate human resource is a key element required for preparation, implementation and monitoring of schemes/programmes.

Scrutiny of records of Directorate and test checked districts revealed shortage of key functionaries at each level as detailed in **Table 1**.

Table 1: Status of Officers and Staff as of March 2011

Name of Post	State level			In test checked districts			
	Sanctioned	Person-in-position	Shortages (Per cent)	Sanctioned	Person-in-position		Shortages (Per cent)
					April 2006	March 2011	
DHO ³	67	35	32 (48)	28	22	17	11(39)
SHI ⁴	174	108	66 (38)	85	66	68	17(20)
HI	173	40	133 (77)	84	46	23	61(73)
AHI	379	310	69 (18)	208	176	157	51(25)

(Source: Directorate & concerned DHOs records)

Shortage of manpower at various levels affected the work of survey, implementation and monitoring of the schemes.

At the State level the shortage of DHOs, SHIs, HIs and AHIs was 48, 38, 77 and 18 *per cent* respectively as on March 2011. At the management level also, five against the 23 sanctioned posts of Deputy Director were lying vacant as on March 2011. It is also evident from the Table 1 that the number of posts of key functionaries in test checked districts gradually decreased during

³ In 5 districts Superintendent, Government Gardens were supervising the implementation of the schemes.

⁴ Senior Horticulture Inspector (SHI), Horticulture Inspector (HI) and Assistant Horticulture Inspector (AHI).

2006-11, in spite of the fact that many new schemes⁵ (GoI and GoUP) viz. State Horticulture Mission (SHM), *Rashtriya Krishi Vikas Yojna (RKVY)*, National Mission on Medicinal Plants (NMMP), Micro Irrigation (MI) and Professional Horticultural Development of Intensified Area (PHDIA) were launched in the State during this period.

On being pointed out in audit, DHOs of the test checked districts stated that due to shortage of manpower, survey, implementation and monitoring of the schemes/programmes could not be done adequately. It was also intimated (May 2011) by DHO, Kaushambi that physical verification of plantation in fruit garden was not done due to shortage of staff resultantly subsequent installments of ₹ 0.36 crore of financial assistance was not released by DHO.

The Government while accepting the facts stated (February 2012) that necessary action for filling up the vacant posts was under process. The reorganisation of the Department was also in progress and one official would be available at each block.

Thus, shortage of manpower at various levels adversely affected the achievements of the targets of the schemes and programmes as envisaged.

4.1.8.3 Infrastructure Development

In order to formulate overall development of the horticulture sector post-harvest management, processing and marketing of horticultural produce, a network of infrastructural facilities was to be created.

To meet the developmental requirement of horticulture sector, GoI launched (2005-06) State Horticulture Mission, jointly funded by the State Government, in 45 districts⁶ of the State and in remaining 28 districts, the State Government launched (2006-2007) Professional Horticultural Development of Intensified Area on the pattern of SHM.

The physical targets and achievements of infrastructure under both the schemes during 2006-11 were as below:

Table 2: Physical targets and achievements as of March 2011

Sl. No.	Item	State Horticulture Mission (2006-11)		Professional Horticultural Development of Intensified Area (2006-10)	
		Target	Achievement (Percentage)	Target	Achievement (Percentage)
1	Pack house	381	143 (37)	43	28 (65)
2	Cold storage	200	168 (84)	-	-
3	Refer vans	28	-	-	-
4	Mobile processing unit	67	1 (1)	-	-
5	Garlic storage	8	2 (25)	-	-

⁵ SHM (June 2005), RKVY (May 2007), MI (January 2006), NMMP (March 2009) and PHDIA (2006).

⁶ (2005-06: 26, 2007-08:14 and 2009-10:5 districts)

6	Wholesale market	2	1 (50)	-	-
7	Rural market	80	1 (1)	20	13 (65)
8	Ripening chamber	5	2 (40)	-	-
9	Low energy cool chamber	41	1 (2)	1500	1000 (67)
10 a	Preservation of new unit	85	7 (8)	-	-
10 b	Up gradation old unit	55	5 (9)	-	-
11	Onion storage	1051	158 (15)	214	112 (52)
12	Turmeric curing	52	19 (36)	-	-
13	Distillation unit	248	19 (8)	-	-
14	Pre-cooling unit	2	0	-	-
15	Mobile pre-cooling unit	8	0	-	-
16	Functional infrastructure	149	24 (16)	-	-
17	Static/Mobile winding cart	258	8 (3)	-	-
18	Controlled atmosphere	2	0	-	-
19	Market for flower	2	0	-	-
20	Quality awareness	127	3 (2)	-	-

(Source: Directorate records)

Targets fixed for infrastructure development were not achieved.

It is evident from the above that though PHDIA was launched on the pattern of SHM, provision was made for only four components such as establishment of pack house, rural market, low energy cool chamber and onion storage. The scheme was discontinued after March 2010. Thus, 28 districts covered under PHDIA lagged behind in the processing of horticultural produce.

Audit findings on the implementation of the schemes are discussed in subsequent paragraphs.

The Government while accepting the facts stated (February 2012) that infrastructure development would be implemented on the patterns of SHM through RKVY.

4.1.8.4 Monitoring and Evaluation

Monitoring

Monitoring of the scheme activities was inadequate and documentation was not done.

In the planning documents of SHM, MI, RKVY and PHDIA schemes, it was provisioned that a State Level Committee would monitor the schemes in the State and at regional levels, Deputy Director (DD) would monitor the implementation of these schemes and verify 20 *per cent* of scheme activities. DHOs of the concerned districts were solely responsible for implementation of the schemes and their verification.

Scrutiny of the records by audit (May-June 2011) and information made available by the Directorate revealed that under SHM 15 meetings (October 2005 to January 2011) were held at the State level. In case of MI and RKVY schemes, only three State level meetings were held during 2006-11. Further scrutiny revealed that no mention was made in the minutes regarding monitoring of the scheme activities by the DDs and DHOs *vis-a-vis* the prescribed percentage.

Scrutiny of the records (April - September 2011) of the 11 DDs and 24 DHOs of the test checked districts revealed that monitoring reports of inspection were neither prepared by DDs nor by DHOs. In reply to Audit query (April - September 2011), the concerned DDs/DHOs stated that the monitoring of the schemes was done but no monitoring/inspection note was prepared. In the absence of any documentation, the existence and adherence to prescribed monitoring mechanism was not verifiable.

The Government accepted the fact and stated (February 2012) that directions had been issued to all the Divisional Deputy Directors and District Officers for monitoring and verification as per norms.

Evaluation

Evaluation of SHM was not done and even corrective measures initiated by the State Planning Institute were not adopted.

Guidelines of SHM provided that evaluation of the scheme was to be conducted at the end of the Tenth plan period (March 2007). The State Level Executive Committee (SLEC) of SHM in its Fifth meeting (January 2007) initiated the process of selection of an agency for evaluation of the scheme activities. Till the Sixteenth meeting of SLEC (January 2011), selection of the agency was not finalised. Thus, the impact of the scheme was not evaluated by any independent agency and therefore, the advantages of mid course correction, if required, were denied.

State Planning Institute (SPI) of GoUP conducted (2009-10) evaluation of PHDIA scheme by selecting five (Aligarh, Bahraich, Bijnor, Fatehpur and Kanpur Dehat) out of 26 districts. The evaluation report *inter alia* pointed out that only the people with resources benefited; survival of plantation was low due to inferior quality of planting materials, late/short supply of plants and seeds, rejuvenation of fruit garden against the norms, beneficiaries were not provided assistance as per norms etc. SPI also evaluated (2009-10) MI scheme by selecting five districts (Allahabad, Kaushambi, Meerut, Raebareli and Saharanpur) of the State. SPI in its report stated (January 2010) that the progress of the scheme was slow as beneficiaries lacked technical knowhow. It also stated that norms to benefit Scheduled Caste/Scheduled Tribe population were not adopted and only 54 *per cent* of the system (Drip and Sprinkler) were established of which only 67 *per cent* were functional.

SHM was not evaluated at all and performance of other small schemes, which were evaluated, was inadequate and no corrective measures initiated to rectify the same come to notice during the period under review, defeating the very purpose of evaluation.

The Government accepted the facts and stated (February 2012) that a committee headed by Class -I officer would be constituted in each district for verification of inputs *viz.*, seeds, plants, fertilizer and chemicals etc. It was also informed to Audit that payment would be released only after verification.

Huge
pendency in
compliance to
audit
observations.

4.1.8.5 Internal Control

Internal control is a process by which an organisation directs its activities to achieve its objectives effectively. Scrutiny of the records at the Directorate level revealed that the Internal Audit Wing of the Directorate was required to conduct annual audit of the district units. During 2006-11, the wing planned internal audit of 95 units every year but only 34 to 70 units were actually covered. The percentage of unaudited units increased from 32 to 64 in 2006-07 and 2010-11 respectively.

Statutory audit of the Department was being conducted by the Principal Accountant General (Civil Audit) UP, Allahabad. As of January 2012, 245 paragraphs (Money value: ₹ 97.30 crore) of 91 Audit Inspection Reports (2007-12) were outstanding.

Due to failure to conduct internal audit as planned and to take remedial action on the observations of statutory audit, large number of objections/ issues remained outstanding which diluted the oversight mechanism.

The Government while accepting the facts stated (February 2012) that due to shortage of staff the targets were not achieved. It was also stated that annual targets of internal audit would be ensured and a schedule would be made for clearance of outstanding audit paragraphs of internal and statutory audit at Directorate level.

4.1.9 Compliance Issues

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and is in consonance with orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds but also helps in maintaining good financial discipline. Some of the audit findings regarding non-compliance with rules and regulations are discussed in the following paragraphs:

4.1.9.1 Financial Management

Preparation of Budget and its utilisation

Budget Manual of GoUP stipulates that the Budget Estimates (BEs) are to be consolidated by the Controlling Offices based on the proposals received from the subordinate offices and should be as accurate as possible. The Directorate did not produce any record/ information regarding the basis for preparation of BEs for the period 2006-11.

The details of the budget estimates proposed by the Department during 2006-11, sanctions and releases by the Government and expenditure incurred there against are given in **Table 3**.

Table 3: Budget outlay and expenditure as on March 2011

(₹ in crore)

Year	Plan				
	Budget estimates	Sanctioned budget	Budget released	Expenditure	Percentage of utilisation
2006-07	52.60	51.35	48.71	46.85	96
2007-08	191.96	97.91	88.97	82.63	93
2008-09	125.49	92.48	88.24	74.98	85
2009-10	96.07	82.92	80.64	65.49	81
2010-11	92.89	28.49	21.15	19.10	90
Total	559.01	353.15	327.71	289.05	88

(Source: Directorate records)

Lack of correlation in planned budget estimate, releases and expenditure.

It is evident from the above table that, against the aggregate budget estimates of ₹ 559.01 crore during 2006-07 to 2010-11, GoUP sanctioned budget estimate of ₹ 353.15 crore against which only ₹ 327.71 crore was released. Of this, the Department could utilise only ₹ 289.05 crore (88 per cent).

The Government accepted the facts and stated (February 2012) that efforts would be made for collecting budget estimates from the districts before preparation of annual action plan. It also stated that due to shortage of staff the implementation of the schemes and expenditure thereagainst were affected.

Allocation and expenditure

The Department was implementing two GoI funded, two jointly funded (GoI & GoUP) and nine State funded schemes. The availability of funds for the schemes and expenditure incurred during 2006-11 are given in **Table 4**:

Table 4: Financial outlay of the schemes

(₹ in crore)

Sl. No.	Name of the scheme	Funds available during 2006-11	Expenditure	Shortfall (-) Excess (+)
GoI and State funded Schemes				
1	State Horticulture Mission ⁷ (GoI:85 and State:15)	453.84	417.73	(-) 36.11
2	Micro Irrigation Scheme (GoI:80 and State:20)	30.07	21.47	(-) 8.60
GoI funded Schemes				
3	Rashtriya Krishi Vikas Yojna	86.03	70.20	(-) 15.83
4	National Mission on Medicinal Plants	8.08	3.82	(-) 4.26
State funded Schemes				
5	Intensification and Seed Processing Centre of Horticultural produces in State	12.21	11.97	(-) 0.24
6	Encouragement of Zetrofa Farming	1.50	1.34	(-) 0.16
7	Professional Horticultural Development of Intensified Area	163.12	152.38	(-) 10.74
8	Protection of Fruit garden in the State	7.66	7.66	-
9	Horticulture Crop Insurance	2.0	2.0	-

⁷ Cent per cent GoI funded till March 2007 and thereafter jointly funded (GoI:85 and State:15 per cent)

10	Horticulture Data Base Management	7.11	7.01	(-) 0.10
11	Food Processing Industrial Development Training	4.54	4.50	(-) 0.04
12	Quality Control and Hygiene related Awareness Training	2.56	2.50	(-) 0.06
13	Beautification of Ambedkar parks in Ambedkar Nagar	0.59	0.59	-
Total		779.31	703.17	(-) 76.14

(Source: Information collected from Directorate and Koshwani)

It is evident from the table that during 2006-11, the Department did not utilise ₹ 76.14 crore of the available funds under these schemes.

In the Exit Conference, the Government accepted the facts (February 2012).

Irregular purchases of Garlic Seeds under SHM

Paragraph 260 (Appendix 18) of Financial Handbook (FHB) Volume V (Part I) stipulates that purchases of non-rate contract items should be made through tendering process and from prominent and registered firms. Besides, detailed specifications should also be mentioned in the tender document to get more competitive and fair rates.

In this regard the SLEC under the chairmanship of Agriculture Production Commissioner (APC) also decided (June 2008) to ensure quality and for uniformity in rates. A committee headed by the Director was to be constituted for entering into agreement of quantity and rates for the supply of seeds, planting material and other inputs through tendering.

Non-adherence to financial rules and lackadaisical approach of the Department led to avoidable expenditure of ₹ 1.17 crore.

Under the SHM, the Department was required to purchase certified Garlic seeds for the “Establishment of Spice Plants Garden”. But due to non-adherence to the financial rules, the purchases were made from different firms (*Appendix-4.4*) and an avoidable expenditure of ₹ 1.17 crore was incurred as discussed below:

(i) Scrutiny of records of the test checked districts revealed that during 2008-09, 14 DHOs purchased 1,73,918 Kgs of Garlic seeds from different agencies and at different rates. DHO, Meerut purchased the seeds (Variety: G-282) at the rate of ₹ 50 per kg from NHRDF⁸ whereas other 13 DHOs purchased the seeds (G-282) from HP Agro, NAFED, UP Khadi Board, UP Seeds Corporation Limited etc. at rates ranging from ₹ 69.40 to ₹ 125 per kg. This led to extra expenditure of ₹ 81.03 lakh as detailed in *Appendix 4.4*.

(ii) During 2009-10, the Department invited rates from prominent firms for supply of Garlic seeds. NHRDF, Nasik, Maharashtra offered the rate of ₹ 50 per kg for supply of the seeds (G-282). This offer was accepted in the eleventh meeting (3 March 2009) of SLEC. But, the Directorate, directed 30 September 2009, concerned districts to make purchase of Garlic seeds (G-282) from

⁸ National Horticultural Research and Developmental Foundation (NHRDF)

NHRDF though the sowing period for *Rabi* season was October-November 2009.

In the meantime, the Department also enlisted (17 June and 1 July 2009) nine other firms for purchase of Garlic seeds (G-282) without prescribing the rates.

Scrutiny of records of the test checked districts revealed that 19 DHOs purchased 1,00,424 kg Garlic seeds (G-282) from different firms at different rates ranging between ₹ 64 to ₹ 125 per kg and incurred an excess expenditure of ₹ 26.79 lakh (*Appendix 4.4*) which was avoidable, if seeds would have been purchased from NHRDF at the rate of ₹ 50 per kg.

Thus, nominating the firms for supply of seeds at higher rates without the consent of the SLEC and delaying the communication of the names of the firms ready to supply at lower rates to the districts ultimately burdened the public exchequer.

(iii) During 2010-11, DHOs of 15 districts purchased 32,061 kg Garlic seeds (G-282) at the rate of ₹ 120 per kg from NHRDF and incurred an expenditure of ₹ 38.47 lakh, though Himachal Pradesh Agro Industries Corporation Limited (HPAICL) had offered (July 2010) the rate of ₹ 90 per kg to the Director and all DHOs. Thus, ignoring the offer of HPAICL, excess expenditure of ₹ 9.60 lakh was incurred by the concerned DHOs (*Appendix 4.4*) on purchase of Garlic seeds (G-282).

The Government accepted the facts and stated (February 2012) that in future centralised purchases would be made.

Thus, non-adherence to financial rules and lackadaisical approach of the Department led to avoidable expenditure of ₹ 1.17 crore.

Funds parked in PLA refunded to the Government

Paragraph 162 of the FHB Volume V (Part I) stipulates that money should not be drawn from the Government Treasury unless it is required for immediate disbursement.

Scrutiny of records of the Directorate revealed that ₹ 43.60 crore (*Appendix 4.5*) sanctioned by the Government during 2006-08 for the implementation of various schemes was withdrawn from the Treasury and parked in the PLAs⁹ of *UP Bhoomi Sudhar Nigam Limited* (UPBSNL), Lucknow and UP Scheduled Caste Finance and Development Corporation Limited, Lucknow. The Department deposited (March 2009) ₹ 23.90 crore into its receipt head of account (Major Head-0401) thereby showing it as inflated departmental receipts to that extent. Only the balance ₹ 19.70 crore was released to the districts for implementation of the schemes.

Besides, scrutiny of records of the test checked districts revealed that funds

To avoid lapse of budget State share of ₹ 43.60 crore was parked in PLA and was booked as final expenditure.

⁹ Personal Ledger Account (PLA)

(₹ 5.31 crore) relating to State share of SHM, MI and other State funded schemes was withdrawn (2006-11) from the Treasury and kept in the bank account of SHM (₹ 4.63 crore) and PLA of DRDA (₹ 0.68 crore) as detailed in *Appendix 4.6*.

Thus, the State share was irregularly withdrawn from the Treasury and was parked in PLA/bank account for period ranging between 1 to 2 years.

The Government while accepting the fact stated (February 2012) that at present funds were not being parked in bank account and PLA.

Non-preparation of Bank Reconciliation Statements

Non-preparation of Bank Reconciliation Statements resulted in huge differences in cash book and bank balances.

Bank Reconciliation is an essential internal control mechanism that highlights and explains the difference between bank balance shown in the bank statement and the corresponding amount shown in the cash book at a particular point of time. The preparation of reconciliation statement is mandatory for each DHO operating schemes through bank accounts.

Scrutiny of the records of the test checked DHOs revealed that during 2006-11, DHOs (19) did not prepare Bank Reconciliation Statement of SHM bank account despite huge differences between the closing balances of Cash Book and those shown in the bank statements as detailed in *Appendix 4.7*.

Moreover, in offices of DHOs mentioned in Table 5, the cash books (in 3 districts: main cash book and in 3 districts: Scheme specific cash book) were not maintained.

Table 5: Details of expenditure as on September 2011

Sl. No.	Name of office	Period of expenditure	Treasury/ Bank	Expenditure (₹ in crore)
1	DHO, Bahraich	June - August 2011	Treasury	0.16
2	DHO, Mirzapur	August 2010-March 2011	Treasury	0.98
3	DHO, Sultanpur	April 2010-May 2011	Treasury	2.24
4	DHO, Sonbhadra	April 2010-March 2011	Bank	0.35
5	DHO, Gorakhpur	April 2008-June 2011	Bank	0.08
6	DHO, Mahoba	21 st March 2010-July 2011	Bank	0.03
Total				3.84

(Source: DHO records)

Thus, provisions of FHB were not complied with by the concerned DHOs.

The Government while accepting the fact stated (February 2012) that instructions were being issued to the concerned districts for preparing the Bank Reconciliation Statement on priority.

The reply is inadequate as it does not reflect the comprehensive addressal of the issue relating to the essential internal control mechanism of Bank Reconciliation.

Maintenance of GPF Records

GPF advances of ₹ 19.93 lakh pertaining to Group “C and D” employees were not entered into their GPF pass books.

As per GPF Rules, 1985, the maintenance of GPF records of Group “C (Pass books) and D” (Ledger, Broadsheet and Pass books) employees is the responsibility of the Heads of Offices/DDOs.

Scrutiny of the records of the Directorate and the test checked districts¹⁰ revealed that:

Broadsheet of Group “D” employees was not maintained in district offices.

- During 2005-11, GPF advances of ₹ 19.93 lakh pertaining to 30 Group “C and D” employees were not entered into their GPF pass books (*Appendix 4.8*);
- The records (ledgers and pass books) of drawls of GPF advances of ₹ 70.70 lakh pertaining to 81 Group “C” and “D” employees for the period 2006-11 were not furnished to Audit for verification (*Appendix 4.9*); and
- District offices did not maintain (2006-11) the broadsheets of Group “D” employees for exhibiting subscriptions, recoveries, advances sanctioned and interest allowed etc.

The Government accepted the facts and stated (February 2012) that the records of GPF would be prepared on priority.

4.1.10 Implementation of Schemes/Programme

The Department was implementing mainly 13 schemes (2006-11). Of these six functional schemes, selected on the basis of expenditure, were examined and results thereof are discussed in the following paragraphs:

4.1.10.1 State Horticulture Mission (SHM)

GoI launched (June 2005) National Horticulture Mission (NHM), a Centrally Sponsored Scheme, for holistic development of horticulture by ensuring horizontal and vertical linkages with active participation of all the stakeholders. GoI revised (2007-08) the funding pattern (GoI: 85 and State: 15 *per cent*) and envisaged to increase the horticulture growth rate of the State from 6.57 to 10.87 *per cent* under the Eleventh Five Year Plan (2007-12) covering 45 districts and an additional area of 15.75 lakh hectare (*Appendix 4.10*).

Objectives of the scheme

The main objective of the SHM was to provide holistic growth of the horticulture sector through an area based regionally differentiated strategies

¹⁰Allahabad, Azamgarh, Bahraich, Basti, Bijnor, Bulandsahr, Fatehpur, Ghazipur, Gorakhpur, Jaunpur, Jhansi, Kanshi Ram Nagar, Kaushambi, Kushinagar, Lakhimpur Kheri, Lucknow, Mahoba, Mathura, Meerut, Mirzapur, Moradabad, Muzaffarnagar, Raebareli, Saharanpur, Sant Kabir Nagar, Siddharth Nagar, Sonbhadra, Sultanpur and Varanasi.

(research, technology promotion, post harvest management, processing and marketing). Audit examined major horticultural crops cultivated in the State viz. banana, mango, guava, litchi, garlic, chilly, turmeric and vegetable seeds. The results are discussed in succeeding paragraphs:

Financial Management

The Central assistance allotted, as per approved AAP, was based on the expenditure incurred during the previous year and the capacity of the SHM in implementing the programme and it was released directly to the SHM through demand drafts/ cheques.

GoI releases and their utilisation

The details of releases and expenditure thereagainst during 2006-11 under the SHM were as given below:

Table 6: Details of releases of GoI and utilisation during 2006-11

(₹ in crore)

Year	Opening Balance	Amount due as per AAP	Amount received from GoI	Total Amount	Expenditure (per cent)	Cumulative Balance
2006-07	47.87	123.98	15.00	62.87	33.41 (53)	29.46
2007-08	29.46	180.62	94.26	123.72	68.53 (55)	55.19
2008-09	55.19	144.21	63.73	118.92	87.65 (74)	31.27
2009-10	31.27	114.77	91.43	122.70	106.14 (87)	16.56
2010-11	16.56	106.25	58.08	74.64	57.49 (77)	17.15
Total		669.83	322.50		353.22	

(Source: Directorate records)

Non-utilisation of GoI releases resulted in non-release of assistance of approved outlays.

As evident from the table above, during 2006-11, against the approved outlay of ₹ 669.83 crore, the amount received from GoI was ₹ 322.50 crore (48 per cent) of the budgeted amount.

Further, it was noticed that the Department utilised only 53 to 87 per cent of the available funds and balances ranging from ₹ 16.56 to ₹ 55.19 crore remained unutilised in all the years.

Failure of the Department to utilise the original allotment resulted in non-release of assistance of approved outlays by GoI in the subsequent years.

In the Exit Conference the Government accepted (February 2012) the fact but did not furnish any specific reply.

Expenditure without supporting vouchers

Expenditure of ₹ 52.03 lakh was incurred without supporting vouchers.

As per Rule 50 (3) of FHB (Volume V) Part I vouchers should be kept as testimony for the expenditure incurred.

Scrutiny of the records of DHO, Kushinagar revealed that:

- During 2006-07, an expenditure of ₹ 52.03 lakh was incurred by the DHO, Kushinagar but documentary evidence in support of expenditure

was not made available and therefore, the genuineness of the expenditure incurred could not be verified; and

- DHO, Kushinagar made an advance payment (January 2006) of ₹ 2.99 lakh to an employee (Clerk-cum-Cashier) but the adjustment vouchers were not available even after a lapse of five years of the retirement of the official.

The Government while accepting the fact stated (February 2012) that instruction were being issued to Director for conducting an inquiry against the DHO, Kushinagar and result of inquiry would be intimated to Audit.

Funds provided to other Departments

During 2006-11, ₹ 51.36 crore was provided to other departments without any monitoring.

Scrutiny of the records of the Directorate, revealed that ₹ 51.36 crore was released (2006-11) to other departments (13) for establishment of Nurseries, Tissue Culture Laboratory (TCL) etc. as detailed in *Appendix-4.11*. The project report, monitoring report, completion report and details of utilisation of funds were not found on record. As such, the progress made on establishment of Nurseries, TCL could not be ascertained in audit.

The Government while accepting the fact stated (February 2012) that a meeting would be conducted under the chairmanship of Agriculture Production Commissioner (APC) and decision for withdrawal of funds from the erring departments would be taken.

Vegetable Seed Production

Scheme of Vegetable Seed Production envisaged giving financial assistance to farmers for producing seedlings for germination in such a manner that early and late crop could be possible thereby avoiding glut and scarcity of produce. The assistance was based on quantum of seedlings produced per hectare in a given region (210 quintal/hectare (ha) in Eastern districts and 230 quintal in Western districts). In case of pea seeds, prescribed quantity was 12 quintal/ha for all the districts of the State. The assistance was to be provided after assuring production of seeds as per norms and their certification (tagging) by UP Seeds Certification Institute.

Irregular assistance of ₹ 8.88 crore was provided to the beneficiaries for vegetable seed production.

Scrutiny of records of the test checked districts revealed that the financial assistance of ₹ 8.88 crore (Potato: ₹ 1.79 crore and Peas: ₹ 7.09 crore) was provided (20 districts¹¹) to the beneficiaries during 2006-11 without assessing the prescribed quantum of seed produced.

Thus, due to non-adoption of SHM norms, the fulfillment of intended objectives of seed production was not ensured.

¹¹Allahabad, Basti, Barabanki, Bulandshahr, Ghazipur, Gorakhpur, Jaunpur, Jhansi, Kaushambi, Kushinagar, Mathura, Meerut, Mirzapur, Moradabad, Muzaffarnagar, Raebareilly, Saharanpur, Sant Kabir Nagar, Sonbhadra and Sultanpur.

The Government while accepting the fact stated (February 2012) that inquiry would be conducted by the Joint Director, in two sampled districts (Basti and Saharanpur).

Establishment of New Gardens

The SHM envisaged bringing new areas under perennial fruit crops (Mango, Guava, Litchi, Aonla, Bael, and Citrus), flowers (cut flowers, bulbous flowers and loose flowers) spices (Chilly, Garlic, and Turmeric) and aromatic crops (Patchouli, Geranium, Rosemary, and Damask Rose). It envisaged providing assistance for cultivation spread over a period of three years in the ratio of 50:20:30, subject to survival rate of 75 per cent in the second year and 90 per cent in the third year of the new gardens.

Scrutiny of records of the Directorate revealed that the Department released (2006-10) entire assistance of ₹ 41.80 crore to the beneficiaries of 39,308 ha in the first year itself against admissible amount of ₹ 22.11 crore (₹ 5,625 x 39,308) as per NHM guidelines.

Irregular assistance of ₹ 19.69 crore was provided to the beneficiaries of new garden.

This resulted in irregular release of assistance of ₹ 19.69 crore (Medicinal: ₹ 0.83, Spices: ₹ 15.17 and Aromatic: ₹ 3.69 crore) for 39,308 ha of land during 2006-10 without ensuring the survival of the plantation in the subsequent years.

The Government accepted the facts and stated (February 2012) that future assistance would be provided only after ensuring the survival of the plantation.

The above reply is indicative of the absence of monitoring, internal controls and fulfilment of the objectives of the Mission.

Non- adoption of norms of financial assistance

The quantum of assistance was fixed (2005-06) as ₹ 22,500 per ha for perennial fruits (maximum 75 per cent) and ₹ 11, 250 per ha for spices and aromatic plants. The financial assistance of cultivation was normally for one crop and was to be spread over a period of three years in the ratio of 50:20:30, subject to survival rate of 75 per cent in second year and 90 per cent in the third year. GoI revised (April 2010) the rates¹² of financial assistance in the ratio of 60:20:20

During 2006-11, an amount of ₹ 37.36 crore was released to the district units for providing financial assistance to the beneficiaries for bringing additional area of 34,530.64 ha (*Appendix-4.12*) under cultivation of major fruit crops (Aonla, Bael, Citrus, Guava, Litchi and Mango). Physical and financial targets were also fixed by the Directorate for providing financial assistance to the beneficiaries for maintenance of gardens.

¹² Mango: ₹ 16, 500, Mango (High density): ₹ 40, 000, Guava: ₹ 16,463, Guava (High density): ₹ 31,388, Aonla: ₹ 17,505, Citrus/Ber/Bel: ₹ 14,213, Litchi: ₹ 17625 per hectare.

Irregular assistance of ₹ 1.27 crore was paid for maintenance of plantation.

Scrutiny of records of the Directorate revealed that:

- During 2006-07, plantation was made in 3001.75 ha, whereas maintenance assistance was provided to the beneficiaries of 5490.50 ha in 2007-08 and 4634.60 ha in 2008-09;

Thus, financial assistance of ₹ 1.27 crore (2007-08: ₹ 0.71 crore and 2008-09: ₹ 0.56 crore) paid to the beneficiaries for maintenance over and above the plantation area of 3001.75 ha was irregular;

Excess assistance of ₹ 2.08 crore was provided for plantation.

- During 2007-08, financial assistance of ₹ 11.22 crore was released for plantation in 8127.49 ha area, as against permissible assistance of ₹ 9.14 crore (at the rate of ₹ 11250 /ha). As such, excess financial assistance of ₹ 2.08 crore for plantation was provided to the beneficiaries.

Scrutiny of records of the test checked districts revealed that:

- During 2006-11, expenditure to the tune of ₹ 19.93 crore was incurred for providing financial assistance to the beneficiaries for bringing an additional area of 20,537.88 ha (*Appendix-4.13*) under cultivation of perennial¹³ fruit crops.

It was noticed that during 2006-07, plantation was made in 2147.10 ha, whereas for maintenance in first and second year, assistance was provided to the beneficiaries of 3788.39 ha in 2007-08 and 3287.00 ha in 2008-09, which resulted in excess expenditure of ₹ 1.06 crore (2007-08: ₹ 0.72 crore and 2008-09: ₹ 0.34crore).

In reply, concerned DHOs stated (April-September 2011) that financial assistance for maintenance was given to the beneficiaries of previous years' plantation.

The reply was not acceptable as assistance for maintenance of plantation area achieved in a year can either remain stationary or decrease (due to non survival of plants) in succeeding 2nd and 3rd years. But, under no circumstances this area can increase.

The Government accepted the fact and stated (February 2012) that a detailed inquiry would be conducted by the Finance Controller.

Rejuvenation/Replacement of senile plantation

To improve the productivity through removal of senile plantation, re- plantation with fresh, appropriate and integrated combination of inputs, pruning and grafting techniques, an assistance at the rate of 50 *per cent* of the cost subject to maximum ceiling of ₹ 15000 per ha (limited to 2 ha per beneficiary) of rejuvenation/replacement, was admissible to the identified

¹³ Aonla, Bael, Citrus, Guava, Mango and Litchi.

Financial assistance of ₹ 6.16 crore was paid for rejuvenation without required joint inspection.

beneficiaries. The garden for rejuvenation was to be identified only after Joint Inspection carried out by the concerned DHO and Scientist of HRTC¹⁴.

However, scrutiny of records in the test checked districts revealed that identification of garden for rejuvenation was made without Joint Inspection in 24 districts and assistance of ₹ 6.16 crore was released (2006-11) to the beneficiaries of 5774.45 ha (60 *per cent*) against the target of 9570 ha.

In reply, the concerned DHOs stated (July 2011) that the inspection was carried out by the Horticulture Inspectors.

The reply is not acceptable as joint inspection in identification of garden for rejuvenation was the prerequisite of scheme guidelines but was not done and the inspection reports of the Horticulture Inspectors were also not available.

The Government accepted the fact and stated (February 2012) that district authorities were being directed to furnish the joint inspection reports to Audit. The same were awaited (March 2012).

Post Harvest Management

Post harvest management was an important component of the SHM. Under the programme processing and marketing of horticultural produce, creation of a network of infrastructural facilities for storage, packaging, grading, transportation, curing and ripening was essential for increasing the marketability of the horticulture produce.

Scrutiny of records of the Directorate revealed that during 2006-11, the Department made provision for 20 components in post harvest activities. Further scrutiny revealed that in 13 components, achievement was less than 10 *per cent*.

Effective steps for creation of Post Harvest Facilities were not taken.

Scrutiny of records of the test checked districts revealed that during 2006-11, though provision was made and funds were available but achievement was only between zero to 31 *per cent* (***Appendix-4.14***). This indicated that allocation in the AAP was made without assessing the field level requirement resulting in lack of support mechanism to add value to the farmers' produce.

In reply, concerned DHOs stated (April – September 2011) that due to non-sanctioning of the project by the Directorate and lack of interest shown by the beneficiaries, achievement was lacking.

The reply is not acceptable as the post harvest activity was an important component of the scheme to reduce the pilferages of the farmers produce and proper publicity for generating awareness of the activities should have been made. Further, timely approval of the projects should also have been ensured by the Department.

¹⁴ Horticultural Research and Training Centre.

The Government, while accepting the fact, stated (February 2012) that the pilferages of farmers produce would be reduced after commencement (April 2012) of Food Processing Mission by GoI.

Other irregularities noticed in test checked districts

Audit scrutiny of records of scheme in test checked districts revealed the following irregularities:

Non- distribution of organic fertiliser resulted in wasteful expenditure of ₹ 23.26 lakh.

- DHO, Kushinagar incurred (February 2007) an expenditure of ₹ 23.26 lakh on purchase of organic fertiliser from UP State Agro Industrial Corporation Limited, Lucknow. It was noticed that the organic fertiliser was not distributed to the beneficiary farmers and was kept dumped (February 2007) in the premises of Government Cold Storage, Kasia, resulting in wasteful expenditure and non-utilisation of available material by beneficiaries; and
- Physical verification of Vermi units in five test checked districts (Jaunpur, Jhansi, Mahoba, Mathura and Saharanpur) revealed that production of vermi compost was being done only at Saharanpur and in the remaining districts either the vermi units were not constructed (Jhansi, Mahoba and Mathura) or were non-functional (Jaunpur).



Vermi compost unit in Jaunpur



Vermi compost unit in Jhansi

The Government, while accepting the facts mentioned above, stated (February 2012) that inquiry would be conducted in the concerned districts.

4.1.10.2 Rashtriya Krishi Vikas Yojna (RKVY)

With a view to achieve four *per cent* annual growth in horticulture and agriculture sector during the eleventh plan period, GoI launched (May 2007) *RKVY*, a centrally sponsored scheme (100 *per cent*), to enhance agricultural/horticultural production by providing qualitative seeds and planting material, agricultural equipment, assistance to State Seed Farms and organising study tours for the farmers.

Objectives of the Scheme

The main objectives of the scheme were to increase the availability of improved seeds and elite planting material, expansion of area under high value vegetables, improving horticultural technology, establishing convergence and synergy among multiple programmes, enhancing and strengthening the technical knowledge of the farmers and to create opportunities for employment for skilled and unskilled youth.

Financial Management

Agriculture Department was the nodal agency for RKVY and was also responsible for preparing State Agriculture Plans (SAP), which *inter alia* included horticulture development. The utilisation certificates and quarterly physical & financial progress reports were to be furnished to the Department of Agriculture and Cooperation, Government of India.

Allocation and expenditure

The scheme was divided into two streams. In Stream -I, 75 *per cent* of the total allocation under the RKVY was earmarked for activities relating to enhancement of horticultural production and under Stream - II, remaining 25 *per cent* allocation was to be utilised for strengthening of the existing State sector schemes and filling the resource gaps. The funds were provided by the Agriculture Department for implementation of the schemes as mentioned in Table-7.

Table 7: Details of Allotment and Expenditure under RKVY during 2008-11

(₹ in crore)

Year	Opening balance	Releases by State/ Agriculture Department	Expenditure	Balance/Surrendered
2008-09	-	4.00	3.97	0.03 (Surrendered)
	-	39.85	-	39.85 (Kept in bank)
2009-10	39.85	11.60	43.46	7.99 (Surrendered)
2010-11	-	30.00	22.77	7.23 (Surrendered)
	-	0.58	-	0.58 (Refunded to Agriculture Department)
Total	-	86.03	70.20	

(Source: Directorate records)

It is evident from the above that:

- During 2008-11, the Horticulture Department utilised only ₹ 70.20 crore (82 *per cent*) of the allocation and the balance was surrendered/ kept in bank;
- During 2010-11, Agriculture Department provided (July 2010) ₹ 0.58 crore through cheque for strengthening of the Government nurseries and gardens. The Horticulture Department did not utilise the

amount and it was refunded (March 2011) to the Agriculture Department.

No reply to the above was furnished by the Government (March 2012).

Production of high value vegetable crops in low-tunnel

Stream - I:

To improve the quality and productivity of the vegetables and to encourage the beneficiaries and also disseminate the technology, low-tunnels (with polythene cover and agro net), improved hybrid vegetable seeds and inputs were to be provided as project assistance in vegetable area expansion programme.

Scrutiny of the records of the test checked districts revealed that:

Excess expenditure of ₹ 1.11 crore was incurred on purchase of Low tunnel poly house.

(i) During 2009-10, the Department did not finalise rate for procurement of poly houses required under the scheme. As such, DHOs purchased 34378 low tunnel poly houses for ₹ 3.35 crore at various rates ranging from ₹ 652 (Varanasi) to ₹ 1000 (Jaunpur)¹⁵ per poly house (*Appendix-4.15*), which resulted in excess expenditure of ₹ 1.11 crore¹⁶.

(ii) Scrutiny of records of the Directorate revealed that during 2010-11, 7238 ha area was targeted for providing financial assistance of ₹ 30 crore for arranging hybrid vegetable seeds, fertiliser, other planting materials and low tunnel poly houses. The Department incurred expenditure of ₹ 22.77 crore during 2010-11 for providing above inputs except poly houses. Procurement of poly houses was not finalised by the Department during 2010-11. Scrutiny of the records of the test checked districts also revealed that due to ban imposed (August 2010) by the Directorate, financial assistance was not given to the beneficiaries on this account.

In reply, concerned DHOs (April-September 2011) stated that due to not providing of low tunnel poly houses, the production of vegetable was low.

Thus, due to non-finalisation of rates, neither low tunnel poly house was procured (2010-11) in the districts nor centralised purchase was made by the Department, which defeated the objective of the scheme to improve the production of vegetable even after incurring an expenditure of ₹ 22.77 crore.

The Government accepted the facts and stated (February 2012) that explanation had been sought from the concerned authorities and necessary action would be taken.

Stream -II:

Under the programme, strengthening of State Seeds Farms/Nurseries was to be done, training and seminars were to be organized and publicity through print and electronic media was to be done.

¹⁵ DHO Jaunpur and Varanasi were under the control of same Deputy Director.

¹⁶ Avoidable expenditure : ₹ 3.35crore – ₹ 2.24 crore (Cost of low tunnel poly house : 34378 x ₹ 652 = ₹ 2.24 crore)

(i) Publicity:

For effective implementation of the programme, Flexi Charts / Roll Up Stands were to be displayed at important public places where the farmers generally visits.

Irregular expenditure of ₹ 1.53 crore was incurred on printing and publicity material.

Scrutiny of the records of the Directorate revealed that without obtaining the necessary approval of the Director, Printing and Stationery as provided in Paragraph 260 (Appendix-18) of FHB Volume V (Part I), the State Government approved (March 2009) an amount of ₹ 1.53 crore (₹ 1.27 crore and ₹ 0.26 crore) for the printing of Flexi Charts on 51 subjects (Number: 150705) and Roll Up Stands (Number: 684) respectively.

Scrutiny of Flexi Charts revealed that out of 51 subjects only 9 subjects were related to *RKVY* and remaining 42 subjects were related to SHM, Micro Irrigation and other schemes. Therefore, cost of only nine subjects amounting to ₹ 0.22 crore was to be met out of the *RKVY* funds and the remaining ₹ 1.05 crore was to be debited to respective schemes.

Scrutiny of records of test checked districts revealed that seven districts¹⁷ did not receive any Flexi Chart from the Directorate and in 12 districts¹⁸ though Flexi Charts were made available, the same were dumped in store room.

Thus, the Department, besides, irregularly printing the publicity material, debited an expenditure of ₹ 1.05 crore related to other schemes to *RKVY* and by non-displaying the publicity material at public places, the objective of ensuring publicity was defeated.

The Government accepted the facts and stated (February 2012) that Flexi Charts, which were not displayed, would be displayed in respective districts. No reply regarding irregular debiting and printing of Flexi Chart/ Roll Up Stand under *RKVY* scheme was given by the Government.

(ii) Incomplete works:

Under the scheme, funds were sanctioned for the strengthening of the Government Seed Farms, nurseries, Government parks and gardens.

Idle expenditure of ₹ 2.06 crore was incurred on incomplete works.

Scrutiny of the records of the test checked districts revealed that an amount of ₹ 2.06 crore was provided to the implementing agencies in nine test checked districts for strengthening the works sanctioned under scheme. But the construction works were incomplete (*Appendix-4.16*) even after a lapse of 14 to 35 months.

The Government accepted the facts and stated (February 2012) that a meeting would be conducted under the chairmanship of Agriculture Production

¹⁷Bahraich, Barabanki, Basti, Fatehpur, Gorakhpur, Mathura and Varanasi.

¹⁸Bijnor, Bulandshahr, Jaunpur, Jhansi, Kushinagar, Lakhimpur Kheri, Mahoba, Meerut, Moradabad, Saharanpur, Siddharthnagar and Sultanpur.

Commissioner and necessary action would be taken against the erring implementing agencies.

4.1.10.3 Micro-Irrigation (MI)

GoI launched (January 2006) Micro-Irrigation (MI) project, for harnessing maximum benefits from available water resources and to enhance crop productivity without affecting soil health.

Objectives of MI

The main objectives of MI were to increase the productivity of crops and farmers' income through improved technologies and to enhance the water use efficiency.

Funding pattern

The expenditure on subsidy assistance was to be shared among GoI and State Government in the ratio of 80:20. Funds to the tune of 50 *per cent* were to be released directly to the State/Department on the basis of AAP. The remaining amount was to be released subsequently on the basis of progress report and the utilisation certificates submitted by the State/Department.

Financial Management

During 2005-06 to 2010-11 the GoI and State Government released ₹ 22.04 crore and ₹ 8.03 crore respectively for the scheme. According to norms of funding, the State Government should have released ₹ 5.51 crore but released ₹ 2.52 crore in excess of its share. The Department utilised ₹ 17.07 crore as GoI share leaving a balance of ₹ 4.97 crore in the bank accounts of Directorate and DHOs. In case of State Government share, the Department utilised only ₹ 4.40 crore and remaining ₹ 3.63 crore was surrendered during 2006-11.

Thus, the Department blocked GoI funds and surrendered its own fund thereby showing skewed financial management.

During the Exit Conference, the Government accepted the fact (February 2012).

Drip and Sprinkler Irrigation

Drip irrigation technology involves irrigating plants at root zone through emitters fitted on a network of pipes (mains, sub-mains and laterals). Water requirement, age of plant, plant to plant spacing, soil type, water quality and availability decides the choice of emitting system.

Sprinkler system is suitable for irrigating crops where the plant density is very high, like cereals, pulses, seed spices and other field crops. In sprinkler system, water is discharged under pressure in the air through a set of nozzles

attached to a network of High Density Polythene Pipes (HDPE), simulating rainfall.

Photographs of Sprinkler and Drip system used for irrigation purposes



Sprinkler in Sultanpur



Drip system in Jaunpur

During 2005-11, GoI/Directorate fixed the targets for all 71 districts for coverage of MI. The achievements against the targets are mentioned in the Table-8 below:

Table 8: Physical target and achievement under Micro Irrigation during 2005-11

Year	Physical target (in hectare)					
	Drip irrigation		Sprinkler irrigation		Demonstration	
	Target	Achievement	Target	Achievement	Target	Achievement
2005-06	8510	-	400	-	-	-
2006-07	-	1632.60	-	231	-	-
2007-08	-	4334.80	-	324.20	-	-
2008-09	271	921.48	1107	366.00	100	-
2009-10	-	1004.35	-	2294.50	-	101.17
2010-11	1400	632.30	4017	2369.10	173	96.50
Total	10181	8525.53	5524	5584.80	273	197.67

(Source: Directorate records)

It is evident from the above that:

Targets of Drip Irrigation were not achieved.

- The Department took six years to achieve the targets of Drip Irrigation fixed for 2005-06 despite availability of funds; and
- Physical target for demonstration of drip and sprinkler was fixed only in 2008-09 and 2010-11 and overall achievement thereagainst was 72 per cent.

Physical verification of eight Drip and six Sprinkler Irrigation Systems in 13 districts¹⁹ revealed the following:

¹⁹**Drip:** Bahraich, Gorakhpur, Jhansi, Kushinagar, Lakhimpur Kheri, Mahoba, Meerut, and Varanasi
Sprinkler: Fatehpur, Jaunpur, Kushinagar, Siddharthnagar and Sultanpur

- Training to operate the System was not imparted to the beneficiaries by the supplier firms;
- Beneficiary farmers were not utilising the sprinkler system for irrigation purposes;



Sprinkler in Kushinagar

- Drip system was operational in only two of the 8 physically verified beneficiaries; and
- In Lakhimpur Kheri, Drip irrigation system was provided to beneficiary who was cultivating sugarcane and paddy crop.



Drip in Lakhimpur Kheri



Drip in Lakhimpur Kheri

It is, thus, evident from the above that the drip and sprinkler systems provided for the beneficiary farmer were not being utilised optimally.

The Government accepted the fact and stated (February 2012) that the scheme activities would be initiated on priority in the districts where there was scarcity of water.

4.1.10.4 National Mission on Medicinal Plants

GoI launched (March 2009) National Mission on Medicinal Plants (NMMP) a Centrally sponsored scheme (100 *per cent*) during Eleventh Plan for promotion of the medicinal plants in compact areas of the State to promote cultivation of species critical to *AYUSH* systems of medicines in 41 districts (*Appendix-4.17*) of the State. The major components of the NMMP were establishment of nursery, capacity building of the farmer, post-harvest management and creation of marketing infrastructure.

A State Level Steering Committee under the chairmanship of the APC of the State was responsible for implementation of the scheme activities.

Objectives of NMMP

The main objectives of the scheme were to support cultivation of medicinal plants; promote standardisation and quality assurance by adopting good agricultural and collection practices; support setting up of processing zones/clusters through convergence of cultivation, warehousing, value addition and marketing; development of infrastructure for implementation and certification mechanism for ensuring quality standards.

Financial Management

GoI guidelines stipulated that release of GoI was to be made only after submission of utilisation of releases of previous years.

Table-9: Details of GoI releases and utilisation of funds

(₹ in crore)

Year	Amount as per AAP	Opening Balance	Releases from GoI	Total	Expenditure	Closing Balance
2008-09	0.31	-	0.23	0.23	-	0.23
2009-10	15.24	0.23	7.60	7.83	3.82	4.01
2010-11	34.12	4.01	0.25	4.26	-	4.26
Total	49.67		8.08		3.82	

(Source: Directorate records)

Non-utilisation of GoI releases resulted in non-release of balance grant in succeeding years.

It is evident from the above table that against approved outlay of ₹ 49.67 crore for State Mission on Medicinal Plants (SMMP) during 2008-11, GoI releases were ₹ 8.08 crore. of ₹ 8.08 crore, the Department could utilise only ₹ 3.82 crore and ₹ 4.26 crore (53 *per cent*) remained parked in the bank. Failure of the Department to utilise the original allotment resulted in non-release of balance grant of approved outlays by GoI in the subsequent years, retarding the progress in the horticulture sector.

In the Exit Conference, the Government accepted the fact (February 2012).

Establishment of Nurseries

To meet the requirement of quality planting material, financial assistance was to be provided for establishment of new nurseries (public as well as private sector) under the scheme.

Scrutiny of the records of the Directorate and the test checked districts revealed that though provision for establishment of new nurseries was made in the AAPs (2009-11) furnished by the DHOs and funds to the tune of ₹ 4.01 crore were also available with the Department, but were not disbursed to the concerned DHOs for providing financial assistance to beneficiaries for establishing nurseries.

In the Exit Conference, the Government accepted the fact (February 2012).

Cultivation of Medicinal Plants

To produce and develop quality medicinal plants, assistance was to be provided to the identified beneficiaries.

Scrutiny of the records of the test checked districts revealed the following:

- As per guidelines, intercropping of medicinal plants was only permissible in plantation of Bael. But financial assistance of ₹ 0.67 lakh for intercropping by plantation of tomato seeds in Bael plantation was made in Muzaffarnagar.

In reply, concerned DHO stated that intercropping by tomato seeds was allowed as it has medicinal value. The reply was not acceptable as tomato was not included in the list of medicinal plants.

- During 2009-10, DHO, Barabanki provided financial assistance of ₹ 31.25 lakh for plantation of Stevia in 50 hectare land. Physical verification (April 2010) of six hectare by the DHO found only 50 to 60 *per cent* survival of plants. The DHO directed the concerned farmers for replacing the dead plants.

On being pointed out in audit, DHO stated that due to lack of proper care by the farmers, the longevity of crop fell down.

- Scrutiny of the records of DHO, Fatehpur revealed that an amount of ₹ 12.51 lakh was refunded to the Directorate due to non-availability of Medicinal planting material in the identified²⁰ institutions of the State.

In the Exit Conference, the Government accepted the fact (February 2012).

Post Harvest Management

Non-creation of post harvest facilities inspite of availability of funds.

Scrutiny of AAPs for the years 2009-11 revealed that under Post Harvest Management component, physical and financial provisions for providing assistance for the establishment of Drying Sheds and Storage Godowns, an amount of ₹ 6.07 crore (2009-10: ₹ 3.32 crore and 2010-11: ₹ 2.75 crore) was provisioned.

Scrutiny of the records of the Directorate revealed that against the targets for 2009-10 there was no achievement inspite of the availability of funds (₹ 4.01 crore). The GoI released no funds for 2010-11 due to non-utilisation of previous year's funds.

In the Exit Conference, the Government accepted the fact (February 2012).

Establishment of Processing and Market Infrastructure

Scrutiny of AAPs for the years 2009-11 revealed that under Processing and Market infrastructure component, physical and financial provisions for providing assistance for the establishment of Processing Unit and Marketing Infrastructure, ₹ 14.84 crore (2009-10: ₹ 2.72 crore and 2010-11: ₹ 12.12 crore) was provisioned.

Scrutiny of the records of the Directorate revealed that against the targets for 2009-10 there was no achievement inspite of the availability of funds (₹ 4.01 crore). The GoI released no funds for 2010-11 due to non-utilisation of previous year's funds.

For cultivation of *Satavar*, seed (4-5 years crop) was provided to the beneficiary farmers by DHO, Bahraich (2008-09) and Superintendent Garden, Jhansi (2009-10). During physical inspection (August/September 2011) it was noticed that due to non-creation of marketing infrastructure for *Satavar* the

²⁰CEMAP, Lucknow; CSA University of Agriculture, Kanpur; Deemed University, Allahabad and Deemed University, Agra.

beneficiary farmers were deprived of the competitive rate for their produce. Thus, the impact of non-development of marketing infrastructure resulted into non-harvesting of the crop by the beneficiaries.

The Government accepted the fact and stated (February 2012) that the scheme would be implemented in only those districts where marketing infrastructure was available.

4.1.10.5 Food Processing Industrial Development Training (FPIDT)

Large quantity of horticultural produce perishes in the State due to inadequate processing facilities. To ensure the availability of fruits and vegetables throughout the year and also ensuring that farmers get appropriate rates, the horticultural produce was to be processed using scientific methods and for this adequate training need to be provided to the Departmental officers and staff.

The State Government established (1992-93) one Government Food Processing Industrial Institute at Lucknow, 10 Government Food Scientific Training Centres and 101 Government Community Food Processing and Training Centres in the State for imparting training to the farmers, unemployed youths and women.

During 2006-11, ₹ 4.54 crore was released for 'Food Processing, Industrial Development Training' and an expenditure of ₹ 4.50 crore was incurred.

Organising training programmes

With a view to create awareness and provide training to rural farmers, unemployed youth and women, 101 Government Community Food Processing Training Institutes were initially set up in the State. Targets and achievements of the training programmes in the Centres during 2006-11 is given in **Table 10**.

Table 10: Targets and achievements of the training programmes during 2006-11

Year	No. of Centres	Fifteen days Training		Hundred days training		Processing demonstration	
		Target	Achievement	Target	Achievement	Target	Achievement
2006	101	34300	33525	130	131	623	631
2007	101	34200	31219	130	125	623	614
2008	74	24450	23480	146	138	438	429
2009	74	24700	24935	148	145	444	342
2010	74	24700	16737	148	70	-	-

(Source: Directorate records)

It is evident from the **Table -10** that there was a decreasing trend in fixing of the targets for training as mentioned underneath:

- During 2008-09, the number of Government Community Food Processing Training Institutes decreased from 101 to 74,
- During 2006-11, targets for 15 days training were decreased,

- During 2008-11, number of training institutes, training (15 days) and processing demonstration (fruits and vegetables) decreased gradually but budget allocation and expenditure remained unchanged; and
- During 2006-10, targets given for processing demonstration (fruits and vegetables) decreased gradually and no targets were fixed for the year 2010-11.

Thus, due to decreasing trend in training, demonstration related to food processing and preservation, the desired objectives were not achieved by the Department whereas horticultural activities were on an increase through various schemes.

The Government accepted the fact and stated (February 2012) that due to policy decision of keeping one centre at each district headquarter, the number of training institutes were reduced. However, no document was produced to Audit in support of this contention.

4.1.10.6 Professional Horticultural Development of Intensified Area (PHDIA)

To accelerate the horticultural development in 28 districts of the State, which were not covered under SHM, the State Government launched (2006-07) the scheme of “Professional Horticultural Development of Intensified Area” on the pattern of SHM. During 2010-11, the Directorate did not prepare any AAP, nor any target was fixed for programme implementation and thereafter (March 2010) the scheme was discontinued. Out of 28 districts covered under the scheme, audit scrutiny was conducted in six²¹ sampled districts.

Financial Management

Scrutiny of records of the Directorate revealed that during 2006-07 to 2009-10, the State Government made budget provision of ₹ 171.19 crore against which ₹ 163.12 crore was released. The Department incurred an expenditure of ₹ 152.38 crore and the balance amount of ₹ 10.74 crore was surrendered to the Government.

Despite closure of the scheme ₹ 16.94 lakh was drawn and parked in bank.

The scheme was discontinued in March 2010. However scrutiny of records of the test checked districts revealed that in Lakhimpur Kheri ₹ 16.94 lakh was drawn between 2007 and 2009 from the Treasury and kept in the bank account till July 2011, despite closure of scheme in March 2010.

In the Exit Conference, the Government accepted (February 2012) the facts.

Establishment of Nurseries

Scrutiny of the records of DHO, Bahraich and physical verification (September 2011) revealed that during 2007-10, the financial assistance of ₹ Nine lakh was provided (2007-08) to the beneficiary for establishing a

²¹ Azamgarh, Bahraich, Bijnor, Fatehpur, Kanshiram Nagar and Lakhimpur Kheri

Model Nursery (Litchi), which was already in existence. Further, it was also noticed that only 20,000 plants per year were being produced in the nursery against the norms of 50,000 plants.

Thus, the proper norms were not followed in the identification of the beneficiary farmer which resulted in non-achievement of the objective.

The Government accepted the fact and stated (February 2012) that an inquiry would be conducted in the matter and results intimated to Audit.

Establishment of new Gardens

One of the major objectives of the scheme was to expand areas under cultivation through establishment of new gardens to enhance production and productivity of horticulture crops. The programme 'Establishment of New Gardens' envisaged assistance for bringing new areas under perennial fruit crops.

The quantum of assistance was fixed as 75 per cent of the cost for perennial fruits (maximum ₹ 22, 500 per ha). The assistance of cultivation was normally for one crop and was to be spread over a period of three years.

Non-provision of subsequent instalments for plantation resulted in unfruitful expenditure of ₹ 2.10 crore.

Scrutiny of the records of the test checked districts revealed (***Appendix-4.18***) that, financial assistance of ₹ 2.10 crore in the plantation year (2007-10) was provided to the beneficiary farmers of six test checked districts. All the concerned DHOs stated that due to non-release of funds and closure of scheme from 2010-11, second and third instalments of assistance were not released. DHO, Lakhimpur Kheri stated that second and third year maintenance assistance was not provided because of low survival of plants.

Thus, due to lack of effective follow up action after providing assistance to the beneficiaries and coordination between district units and the Directorate in planning and monitoring of the scheme, the objective could not be fulfilled thereby resulting in unfruitful expenditure of ₹ 2.10 crore.

The Government accepted the fact and stated (February 2012) that the residual works would be completed by preparing projects under RKVY.

Strengthening of infrastructure

For providing basic amenities to the trainee farmers, the State Government sanctioned (February 2010) ₹ 43.88 lakh for renovation of hostel rooms of farmers, link road, kitchen-cum dining hall and library cum-training building and the construction of boundary wall at Horticultural Research and Training Centre (HRTC), Basti. The work of construction was awarded to UP *Samaj Kalyan Nirman Nigam*, Lucknow (Nigam) and a Memorandum of Understanding (MoU) was signed (March 2010) between Nigam and the Joint Director, HRTC. An amount of ₹ 37.77 lakh was provided (May-December 2010) to Nigam.

Idle expenditure of ₹ 37.77 lakh was incurred on incomplete works.

Scrutiny of the records of HRTC revealed that only after partial completion, the renovation and construction work was stopped (August 2010) and the balance work had not re-commenced (January 2012).

The Government accepted the fact and stated (February 2012) that incomplete work of *Samaj Kalyan Department* would be reviewed in the meeting of APC.

4.1.10.7 Non-functioning of Post Harvest Training Dissemination Centres

With a view to enhance and strengthen the technology base and post harvest techniques, post harvest training dissemination centres (Three Horticulture Technology Dissemination Centres, Eight Horticulture Post Harvest Technology Centres and Eight Horticulture Post Harvest Technology Sub Centres) were established (Year: 2003) at a cost of ₹ 6.96 crore in 18 districts with the assistance of World Bank through Uttar Pradesh Diversified Agriculture Support Project (UPDASP). In the centres, all the beneficiaries were to be provided training in processing and preservation of the horticultural produce to reduce wastage. Further, during 2007-11, the Department incurred an expenditure of ₹ 0.35 crore for operationalising the centres.

Scrutiny of the records of the Directorate revealed that the centres were not made functional due to non-operation of purchased machinery and equipment (Cost: ₹ 3.45 crore). An enquiry, conducted (June 2009) by the Directorate, revealed that payment was released to the supplier firm of machinery and equipment before its operationalisation and imparting of training to the operators.

Scrutiny of the records and physical verification of eight²² out of 18 test checked districts revealed that the centres were non- functional and machinery and equipment were lying idle which was also evident from the photographs.



Dissemination centre in Basti (Dated: 20.7.11)

²² Basti, Gorakhpur, Jaunpur, Jhansi, Meerut, Muzaffarnagar, Saharanpur and Varanasi.

Wasteful expenditure of ₹ 7.31 crore on Post-harvest training dissemination centres.

In reply, the concerned DHOs stated that due to non-deployment of operators and non-availability of raw materials, the machinery and equipment were lying idle.

Thus, the post-harvest training dissemination centres were not made operational even after a lapse of eight years of their establishment and incurring an expenditure of ₹ 7.31 crore (Machinery and equipment: ₹ 3.45 crore, Establishing of Centres: ₹ 3.51 crore and Operationalisation: ₹ 0.35 crore), rendering the entire expenditure wasteful.

The Government accepted the fact and stated (February 2012) that due to non-availability of running cost, the centres were non-functional. It was further informed that recurring budget would be demanded for making the machines operational.

The reply was not acceptable as the machinery and equipment were lying idle for more than eight years and the Department made no effort to provide budget to meet the running cost of the centres and deployment of operators for operating the system resulting in wasteful expenditure of ₹ 7.31 crore.

4.1.11 Conclusion

Horticulture and Food Processing, an important component of the State's economy was not given due importance by the State Government. Annual Action Plans were prepared without basic data and proper evaluation. The targets given to district units were not based on the priorities, potential and climatic conditions of the districts. Consequently, the targets were not achieved and unviable²³ schemes were included in successive plans.

The short release of funds against the approved planned budget provision and non-utilisation of even available funds adversely affected implementation of programmes/schemes. The shortage of manpower at various levels resulted in non-monitoring of the scheme activities affecting the quality achievements of the schemes and programmes.

Non-adherence to financial rules and lackadaisical approach of the Department led to avoidable expenditure on purchase of Garlic seeds and Low tunnel poly house. Effective steps to establish nurseries for producing qualitative planting materials and seeds were not taken. Model/small nurseries were sanctioned without proper examination or evaluation of projects.

Post-harvest management, which was essential for improving marketability of horticultural produce, was not given due attention despite adequate provision and availability of funds. The existing monitoring and evaluation system was inadequate, resulting in poor execution of projects.

²³ Horticulture Crop Insurance and Horticulture Data Base Management.

4.1.12 Recommendations

- *Perspective Plan should be prepared. Annual Action Plans should be prepared after due assessment of viable horticultural crops in the State and after ascertaining field level requirements;*
- *Proposed schemes/programmes should be based on actual requirements and the capacity to execute them;*
- *SHM should take proactive action to ensure timely utilisation of funds released to implementing agencies;*
- *Rural marketing facilities should be established and extended to all the Blocks/Panchayats to enthuse farmers; and*
- *Implementation of the Programme/schemes needs to be closely monitored and evaluated.*



(MUKESH P SINGH)

Principal Accountant General (Civil Audit)
Uttar Pradesh

ALLAHABAD

THE 21 MAY 2012

COUNTERSIGNED



(VINOD RAI)

Comptroller and Auditor General of India

NEW DELHI

THE 22 MAY 2012