OVERVIEW

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This report is in two parts. Part-A of the Report comprises two chapters relating to general information about the audited entities and four Compliance Audit paragraphs of the Economic Sector of the GoUP. The total financial impact of the Audit findings is ₹ 243.47 crore.

Part-B of the Report comprises five chapters relating to the Revenue Sector of the State Government. This part contains 15 paragraphs relating to state excise, tax on sales, trade, etc., taxes on vehicles, goods and passenger, stamps and registration fees and mining receipts. The total financial implication of the Audit findings is ₹ 1751.89 crore. Of this, the concerned departments accepted audit observations amounting to ₹ 1,535.14 crore (87.63 *per cent*).

Some of the major findings are detailed below:

Part-A: Economic Sector

Chapter-1: Introduction

This chapter contains the results of Compliance Audits of 18 departments under Economic Sector of the Government of Uttar Pradesh conducted during 2016-17. The trend of expenditure of major departments under the Economic Sector is depicted in the table below:

(₹ in crore)

Department	2014-15	2015-16	2016-17
Energy	25,949.15	48,218.81	33,976.69[1]
Infrastructure and Industrial Development Department	2,940.97	3,080.27	6,296.11[2]
Housing and Urban Planning	1,352.97	2,213.97	2,888.06
Revenue (Except Collectorate)	2,567.23	2,495.16	2,721.56
Forest	775.94	840.46	1,231.72

(Paragraph 1.2)

Action taken on earlier Audit Reports

Replies outstanding

Out of 19 paragraphs and 10 performance audits/compliance audits that appeared in Audit Reports during 2012-13 to 2015-16, explanatory notes to 10 paragraphs and nine performance audits/ compliance audits in respect of 10 departments, which were commented upon, were still awaited (August 2018).

(Paragraph 1.5.1)

Discussion of Audit Reports by the Public Accounts Committee (PAC)

During the years 2012-13 to 2015-16, 29 audit paragraphs were reported in the Audit Reports on Economic Sector. Of these, PAC had taken up five paragraphs for discussion and five paragraphs for written reply. However, Action Taken Notes (ATNs) have not been received in respect of these discussed paragraphs.

(Paragraph 1.5.2)

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[1] ₹ 24,232.47 crore spent on Ujwal DISCOM Assurance Yojana (*UDAY*) in 2015-16 and ₹ 14,801.29 crore in 2016-17.

[2] ₹ 2,882.25 crore released for Purvanchal Expressway in 2016-17.

Chapter-2: Compliance Audit Observations

Gist of the important compliance audit paragraphs is given below:

- **Design and implementation of the Loan Waiver Scheme, 2012 (LWS 2012) by Cooperative Department**
  - The Cooperative Department, GoUP launched (December 2012) LWS -2012 to benefit small and marginal farmers who had taken loans up to ₹ 50,000 and repaid at least 10 *per cent* of the principal amount. The Scheme rationale, however, was in contravention to Revenue Department, GoUP orders (December 2007) which prohibited revenue recovery proceedings through auction of land, against small and marginal farmers, holding land up to 3.125 acres even if they had taken loans of up to ₹ one lakh or more.

    LWS-2012 was designed to benefit only the farmers who had availed loan from Uttar Pradesh Sahkari Gram Vikas Bank (UPSGVB) and not farmers who had availed similar loans from other cooperative and PSU banks, including cooperative banks where GoUP had significant share of equity.
  - LWS 2012 benefitted around 7.58 lakh small and marginal farmers which cost the exchequer ₹ 1,784 crore during 2012-16. Out of these farmers, three to 18 *per cent* in 17 out of 75 districts test checked in audit were not eligible to avail the scheme benefits as these farmers had not even paid minimum of 10 *per cent* of the principal amount resulting in waiver to ineligible beneficiaries amounting to ₹ 79.67 crore in the test checked cases.
  - Due to change in cut-off date for waiver of interest, Government had to bear an additional burden of ₹ 138 crore.
  - The Cooperative Department ordered (March 2014) for 100 *per cent* internal audit of the scheme based on detection of serious irregularities in 10 *per cent* cases by Internal Audit Department in September 2013. However, these orders were never implemented due to absence of formal approval by the Finance Department.
  - LWS 2012 enabled UPSGVB to become profitable during the period of operation of the scheme (2012-2016). In all other years, UPSGVB was loss making.
  - There was inherent conflict of interest in planning and execution of the scheme as up to December 2012, the Principal Secretary, Cooperative Department also functioned as Chairman UPSGVB. Thereafter, during the implementation period, the Minister, Cooperative Department headed the bank.

(Paragraph 2.1)

- Failure of **Forest Department** to ensure compliance to Government orders (August 2008) to handover the possession of forest land on lease to a Trust only after executing lease agreement and deposit of lease premium resulted in non-realisation of premium, lease rent and interest thereon, amounting to ₹ 81.18 lakh.

(Paragraph 2.2)

- **Uttar Pradesh New & Renewable Energy Development Agency** retained surplus funds in low interest yielding savings bank accounts, resulting in loss of interest amounting to ₹ 5.61 crore.

(Paragraph 2.3)

- **Directorate, Electrical Safety, Uttar Pradesh** failed to ensure compliance to the Uttar Pradesh Electricity (Duty) Act, 1952 regarding deposit of Electricity Duty by a franchisee (Torrent Power Limited), resulting in non-realisation of Electricity Duty and interest thereon amounting to ₹ 19.38 crore (upto March 2017).

(Paragraph 2.4)

Part-B: Revenue Sector

Chapter-3: General

Total receipts of the Government of Uttar Pradesh for the year 2016-17 were ₹ 2,56,875.15 crore, of which, ₹ 1,14,909.99 crore (44.73 *per cent*) constituted the State's own receipts. Government of India contributed ₹ 1,41,965.16 crore (55.27 *per cent*), comprising State's share of divisible Union taxes of ₹ 1,09,428.29 crore (42.60 *per cent* of total receipts) and grants-in-aid of ₹ 32,536.87 crore (12.67 *per cent* of total receipts). The State's own tax revenues and the State's share in central taxes increased from 2012-13 to 2016-17.

The Finance Department unilaterally increased the budget estimates of Administrative departments of previous year by 10 *per cent* and fixed the same for the year without considering the BEs proposed by the Administrative departments for the current year. The reasons for such erroneous fixation could not be assessed as the Finance Department refused to produce budget files to Audit. Such non-production of files violates the Constitutional mandate of the Comptroller and Auditor General of India as enshrined in Section 18 (1) (b) of the DPC Act, 1971 and Regulation 181 of the Regulations on Audit and Accounts, 2007.

Audit recommends that the Finance Department should allow access to Audit to records relating to the preparation of the budget, and also revisit their budgeting methods to make the budget estimates more realistic.

(Paragraph 3.2)

The arrears of revenue as on 31 March 2017 on tax on sales, trade, etc., stamps and registration fees, taxes on vehicles, goods and passengers, state excise and entertainment tax amounted to ₹ 28,070.32 crore, of which ₹ 11,863.23 crore was outstanding for more than five years.

Audit recommends that the departments should create a centralised database of outstanding arrears and introduce a mechanism to monitor the progress of arrears on a periodic basis. Departments should also analyse reasons for accumulation of arrears and develop mechanisms and procedures to prevent further accumulation of arrears.

(Paragraph 3.3)

Chapter-4: State excise

The Department failed to act on the directions of the Public Accounts Committee to ensure compliance to the Rules relating to timely deposit of Basic License Fee and License Fee on settlement of shops. The Department did not initiate any action for cancellation of settlement, and forfeiture of basic license fee/ license fee (₹ 843.16 crore) and security (₹ 453.91 crore) totaling to ₹ 1,297.07 crore, in contravention to the rules.

Audit recommends that the Department should ensure adherence to provisions of Act/ Rules and to the directions of the Public Accounts Committee, to safeguard the financial interests of the State.

(Paragraph 4.3)

Non-issue of Beer bar license for retail sale of bottled Beer led to loss of revenue of ₹ 13.59 crore in respect of 720 licensees during 2012-13 to 2016-17.

Audit recommends that the Department should amend the concerned notification to ensure that is in tune with the Rules so that the financial interests of the State are protected. In the event it is felt that the present provisions of the excise policy are unviable, the Department may consider reviewing the policy.

(Paragraph 4.4)

The Department fixed short MGQ of 37.33 lakh BL for the year 2012-13 to 2016-17. Thus, the Government was deprived of basic license fee of ₹ 9.08 crore and license fee of ₹ 78.85 crore.

Audit recommends that the Department should ensure that DEOs do not fix the MGQ of Country Liquor shops lower than that of the previous year in violation of the excise policy.

(Paragraph 4.6)

License fee of retail shops of IMFL was reduced from previous year's license fee. Thus Government was deprived of license fee of ₹ 3.17 crore.

Audit recommends that the Department should ensure that DEOs invariably fix the License Fee of IMFL shops as provided for in the excise policy. In the event it is felt that the present provisions of the excise policy are unviable, the Department may consider reviewing the policy.

(Paragraph 4.7)

Chapter-5: Tax on sales, trade, etc.

Tax amounting to ₹ 5.75 crore for the period 2009-10 to 2013-14 was short/ not levied due to application of incorrect rate of tax and misclassification of goods in the case of 46 dealers of 37 Commercial Tax Offices (CTOs).

Audit recommends that Commercial Tax Department (CTD) should consider instituting a system of periodic reviews of assessment orders passed by AAs at appropriately higher levels on a sample basis.

(Paragraph 5.3)

Despite being pointed out by Audit in previous Audit Reports, the AAs did not perform due diligence in assessment of Value Added Tax (VAT) cases, which led to recurrence of similar nature of irregularities amounting to ₹ 19.28 crore.

Audit recommends that the Commercial Tax Department should review all cases of VAT where observations similar to what Audit has pointed out have arisen/ are likely to arise and complete all assessments by March 2020.

(Paragraph 5.4)

Chapter-6 (A): Taxes on vehicles, goods and passengers

The Department failed to levy fitness fee of ₹ 54.28 lakh and impose penalty of ₹ 3.94 crore on 9,852 vehicles potentially plying without valid fitness certificates.

Audit recommends that the Transport Department should develop a system generated alert in the software which could prevent the plying of vehicles without valid fitness certificate.

(Paragraph 6.3)

The Transport Department failed to stop unsafe vehicles from potentially plying on roads and also did not impose penalty amounting to ₹ 1.85 crore under the Carriage by Road (CBR) Act on 836 goods vehicles which were seized for overloading and also failed to impose fine of ₹ 33.44 lakh on these unregistered common carriers.

Audit recommends that the Transport Department should ensure imposition of penalty under CBR Act on overloaded goods vehicles.

(Paragraph 6.4)

Chapter-6 (B): Stamps and registration fees

Failure of the Department to ensure full utilisation of the *PRERNA* software resulted in residential land measuring 2.93 lakh square meter being wrongly registered for ₹ 32.14 crore at agricultural rates. Correct valuation at residential rate worked out to ₹ 134.57 crore which resulted in short levy of Stamp Duty and Registration Fees by ₹ 6.05 crore.

Audit recommends that the Stamps and Registration Department should ensure correct valuation of property and full utilisation of *PRERNA* Software.

(Paragraph 6.9)

Chapter-7: Mining receipts

The Mining Department did not recover the cost of minerals amounting to ₹ 191.02 crore and penalty of ₹ 2.95 crore due from 1,181 contractors undertaking civil works, who had not submitted MM-11 forms.

Audit recommends that the Mining Department should coordinate with the executing agencies undertaking civil works to ensure submission of form MM-11 by the contractors.

(Paragraph 7.3)

Cost of excavated minerals amounting to ₹ 33.75 crore was not recovered from four lessees for excavating 4.31 lakh cubic meters of minor minerals without EC.

Audit recommends that the Department should ensure that minerals are not excavated without requisite environment clearance to curb illegal mining.

(Paragraph 7.4.1)

Penalty equating to cost of mineral amounting to ₹ 62.27 crore was not recovered from 1,131 brick kilns operating without EC.

Audit recommends that the Department should enforce the provisions of the MMDR Act and recover penalty for excavation of brick earth without environment clearance.

(Paragraph 7.4.2)

The lessee had excavated 2.06 lakh cubic meters of sand/ *morrum* without approved mining plan for which ₹ 7.71 crore was recoverable from him.

(Paragraph 7.6.1)

The lessee had excavated 44,928 cubic meters of stone ballast/ boulder in excess of the approved mining plan for which ₹ 3.59 crore was recoverable from him.

Audit recommends that the Department should ensure that no mineral is excavated in excess of the quantity permitted in the approved mining plan.

(Paragraph 7.6.2)