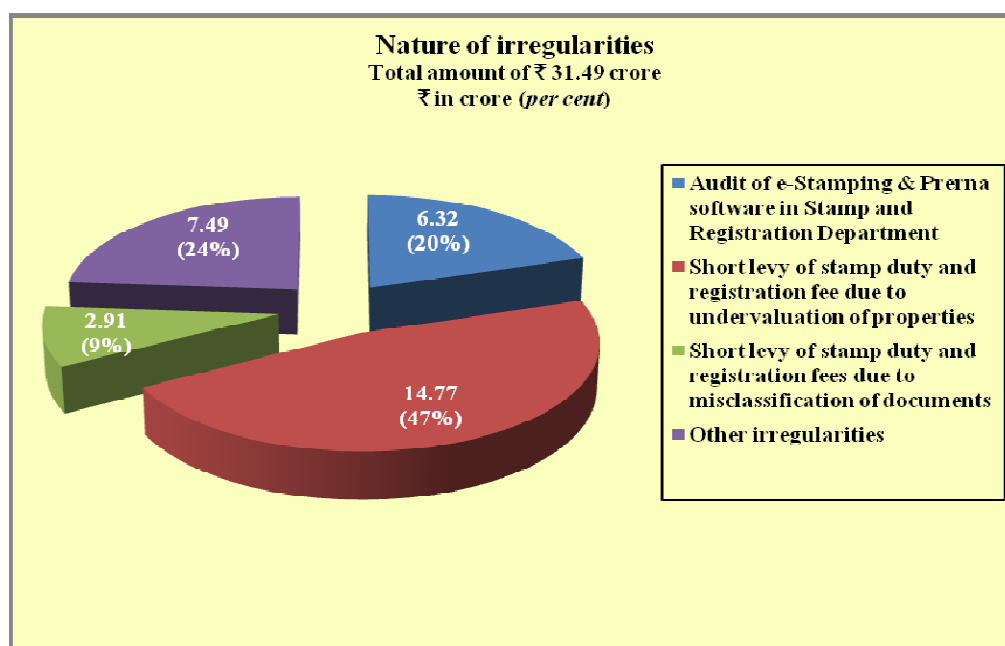


Chart 5.3



~~During the course of the year, the Department had accepted underassessment and other deficiencies of ₹ 14.01 crore in 190 cases of which 163 cases involving ₹ 13.91 crore were pointed out in 2015-16 and rest in earlier years. An amount of ₹ 10.51 lakh was realised in 31 cases of which four cases involving ₹ 53,000 was pointed out in 2015-16 and rest pertained to earlier years.~~

~~Audit of “E-Stamping and PRERNA software in Stamp and Registration Department” involving ₹ 6.32 crore and a few illustrative cases of compliance deficiency involving ₹ 7.60 crore are discussed in following paragraphs.~~

5.4 Audit of E-Stamping and PRERNA software in Stamp and Registration Department

5.4.1 Introduction

PRERNA (Property Evaluation and Registration Application) Software was introduced by the Department on 01 August 2006 for computerisation of registration process with the objectives of on the spot registration, better monitoring of revenue collection, standardisation of the language of deed document, increased transparency in the system, electronic valuation of property, electronic storage of deeds, proper valuation of the properties and minimising the revenue leakage, automatic issue of reminders for mutations and single window service. It was designed by National Informatics Centre (NIC) for the Government of Uttar Pradesh. Government vide order dated 26 September 2013 sanctioned ₹ 1.50 crore to NIC for development of online software which is under process.

Government notified Uttar Pradesh E-Stamping Rules 2013 vide notification dated 21 February 2013, for implementation of e-Stamping system in Uttar Pradesh. In May 2013 Government appointed M/s Stock Holding Corporation of India Ltd. (SHCIL) as a Central Records Keeping Agency (CRKA) for a

period of five years to implement the computerisation of stamp duty administration system in the State. SHCIL acts as a vendor of e-Stamp and deposited the stamp duty so collected into Government Account. SHCIL was paid a fixed percentage of commission from the State Government on the amount of stamp duty so collected and deposited.

The issue of e-Stamps in the State was started by SHCIL from 13 July 2013. The e-Stamping system was introduced in 169 SROs in 2013. In remaining 185 SROs, it was introduced from 1 January 2016.

5.4.2 Audit objectives

Audit was conducted with a view to ascertain whether:

- * *PRERNA* software and e-Stamping system were implemented in timely and efficient manner.
- * compliance with the provisions of Act., Rules and orders issued by the Government/Department in respect of *PRERNA* and e-Stamping were being done.
- * compliance with IT standards were being done.

5.4.3 Audit scope and methodology

The audit was conducted (October 2015 to March 2016) covering the period from 2011-12 to 2015-16. Out of 15 districts¹, where all the 91 SROs were equipped with both *PRERNA* and e-Stamping, we selected 23 SROs² of nine districts³ for audit based on the revenue collection of SROs in which 14 out of 17 SROs were identified as high risk⁴, four out of 10 SROs were identified as medium risk and five out of 64 SROs were identified as low risk. Random Statistical Sampling was used to arrive at the sample.

We examined the files and outputs generated by the software in its various modules. Besides, we also collected information from the offices of Inspector General of Registration (IGR), Assistant Inspectors General of Registration (AIGs) and SHCIL. The objectives of the audit were discussed in the entry conference held on 19 January 2016 with the Principal Secretary, *Kar ewam Nibandhan*. We held an exit conference with the Government and Department on 28 July 2016 in which the audit findings were discussed with the Principal Secretary. All the recommendations discussed in exit conference were accepted by the Department. The views of the Government/Department have been incorporated in the report.

¹Allabad, Bagpat, Barabanki, Bulandshahar, G.B.Nagar, Ghaziabad, Hardoi, Jaunpur, Lakhimpurkheri, Lucknow, Mathura, Meerut, Raebareli, Sitapur and Unnao

² SR-Meja, Allahabad, SR-Sadar, Barabanki, SR-Siyana, Bulandsahar, SR-I, II, Greater Noida and Dadri, G.B.Nagar, SR-II, III, IV, V and Modinagar, Ghaziabad, SR-II, III, IV, V, Mohanlalganj and Baxi-ka-talab, Lucknow, SR-Sadar-I, Chaata, and Mahawan Mathura, SR-III Meerut, SR-Sadar and Raebareli

³ Allahabad, Barabanki, Buland shahar, G.B.Nagar, Ghaziabad, Lucknow, Mathura, Meerut and Rae bareli.

⁴ High risk: (80 Percent coverage) where the revenue collection of the SRO was above ` 100 crore annually. Medium risk: (40 percent coverage) where the revenue collection of SRO ranged between ` 50 to 100 core. Low risk: (8 percentage coverage) where the revenue collection of the SRO was below ` 50 crore.

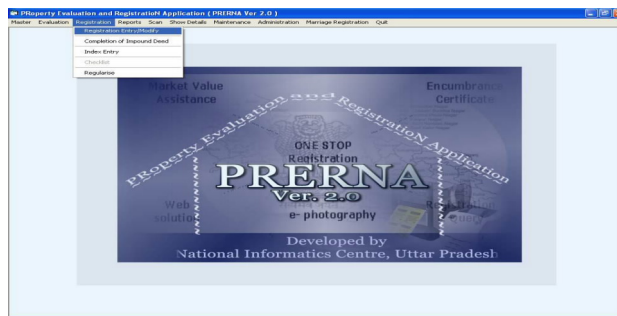
5.4.4 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Stamp and Registration Department in providing necessary information and records for audit.

Audit findings

PRERNA

5.4.5 Planning and Software Development



PRERNA was introduced in the Department in 2006 for computerisation of registration process. However, *PRERNA* was implemented in all the SROs only after a period of 9 years. Our findings on the planning and development

of the software are mentioned in the following paragraphs.

5.4.5.1 Unplanned and delayed implementation of the scheme

Department implemented *PRERNA* without fixing any time schedule.

The computerised registration process through *PRERNA* software in Stamp and Registration Department was introduced in June 2006.

We found that the Department implemented the scheme in SROs without fixing a time schedule of its implementation. This software was implemented in 169 out of 354 SROs in the state in three phases. In the first phase (2006) 106 SROs, in the second phase (2009) 43 SROs and in the third phase (2012) 20 SROs were equipped with *PRERNA*. The software has been implemented in all the SROs as on 1 January 2016 with an expenditure of ` 26.12 crore. It took nine years for implementation of the scheme in all the SROs of the state.

5.4.5.2 Absence of Software Requirement Specification (SRS) and delayed execution of Software Development Agreement (SDA)

Department did not prepare SRS and executed SDA after six years for development of *PRERNA* software.

The preparation of SRS and execution of SDA with the software designing agency is the primary requirement for development of software.

We found that SRS was not prepared by the Department for development of *PRERNA* software and SDA was executed with the NIC after six years of the introduction of *PRERNA* software.

During exit conference Government directed the Department to remove these lapses in the latest version of the software.

5.4.5.3 Absence of lateral connectivity between the SROs

SROs were not connected with each other.

Under *PRERNA*, there was no lateral connectivity across the SROs. Each SRO in the State had an independent server. The monthly backups were taken in each SRO and sent to NIC. Hence, information relating to the total number of documents registered, amount of stamp duty and registration fee collected and other recoveries made throughout the State in a day was not available in the system. Besides this, due to absence of interlinking, documents registered in one SRO could not be traced in other SROs. Thus, the objective of better monitoring of revenue collection could not be achieved by the Department.

During exit conference the Department accepted our observation and stated that due to unavailability of internet connection in every SRO, lateral connectivity between the SROs could not be established. The lateral connectivity would be established in the on-line system proposed to be introduced.

5.4.5.4 Unfruitful expenditure due to cancellation of agreement mid-way

Unfruitful expenditure of ` 1.44 crore was incurred by the Department due to cancellation of agreement mid-way.

The Department, in a follow-up action of Public Private Partnership's guidelines of Uttar Pradesh entered into an agreement with Wipro limited in September 2009 which was appointed as consultant for departmental computerisation on web basis. Against the total agreement cost of ` 2.40 crore, the Department made the following payments:

| Instalment No. | Mile stone | Percentage of total agreement cost | Amount paid (` in lakh) |
|-----------------------|--|---|---------------------------------|
| 1 | Mobilisation advance | 10 | 23.97 |
| 2 | Approval of Business Process Document (BPD) and Business Process Re-engineering (BPR) | 20 | 47.95 |
| 3 | Approval of High Level System Requirement Specification (HLSRS), submission of Expression Of Interest (EOI), Request For Proposal (RFP), Service level Agreement (SLA) and all other documentation | 30 | 71.92 |

However on the instructions of the IT and Electronics Department, the Department decided to do the computerisation work at departmental level and cancelled the consultancy agreement with Wipro limited in January 2011. Thus, mid-way cancellation of agreement resulted in unfruitful expenditure of ` 1.44 crore.

During exit conference the Department stated that it was decided to do the computerisation work at departmental level. Hence, agreement with Wipro

Ltd. was cancelled. The fact remains that cancellation of agreement mid-way resulted in unfruitful expenditure of ` 1.44 crore.

5.4.6 Business rules not mapped in the software

One of the objectives of software was electronic and proper valuation of property. To achieve this, the relevant Act and Rules had to be integrated in the software. Instances of business rules not mapped into the software are brought out in the following

paragraphs:

5.4.6.1 No provision to input important data

PRERNA has no provision for uploading khasra numbers of agricultural land in master data.

The rate list approved by the collector of a district for valuation of properties provided rates for agricultural and residential lands. In the rate list, higher rates were provided for agricultural lands situated in *khasra* numbers which were next to road or close to habitation.

We observed that valuation of agricultural land was made through software but lands situated next to road and close to habitation were not valued at higher rates as was applicable. We observed that the software had no provision for uploading *khasra* numbers of land in master data though these *khasra* numbers were part of the rate list. The software failed in automatic valuation of land situated in such *khasra* numbers. Hence objective of electronic valuation of property could not be achieved by the Department.

During exit conference the Department stated that online presentation of document could not be made possible due to unavailability of internet connection. However, in the online software being developed by NIC arrangement for online presentation of document and uploading of *Khasra* numbers would be made.

5.4.6.2. Valuation of lease deeds

The provision for valuation of lease deeds with a term not exceeding 30 years was not mapped in software.

Under the provisions of Article 35 of schedule 1-B of IS Act, stamp duty on lease, where the lease purports to be for a term not exceeding 30 years, stamp duty is chargeable as for conveyance for a consideration equal to

three/four/five/six times the amount or value of the average annual rent reserved depending on the period of the lease.

We observed that the provision for valuation of lease deeds with a term not exceeding 30 years was not mapped in the software. 386 lease deeds were test checked and all of them were valued manually.

During exit conference the Government assured to remove the lapses in latest version of the software.

5.4.6.3 Valuation of commercial buildings

The provision for valuation of commercial buildings was not mapped in software.

As per Rule 5(c) (ii) of the U.P. stamp (valuation of property) Rules, 1997 the minimum value of commercial building for the purpose of payment of stamp duty shall be three hundred times the minimum monthly rent of the building calculated by multiplying the constructed area of each floor of the building with the minimum rent fixed by the collector of the district. The rule was applicable before 1 December 2015. From 1 December 2015 onwards the valuation was done on the basis of per square meter rate of land and constructed area of commercial building fixed by the collector of the district in rate-list.

We observed that the provision for valuation of commercial buildings was not mapped in the software until November 2015. All the 286 deeds of conveyance relating to commercial buildings test checked were valued manually.

During exit conference the Department stated that the new valuation of commercial buildings based on rate list applicable from 01 December 2015 has been mapped in the software.

5.4.6.4 Adjustment of stamp duty paid on agreement

The provision for adjustment of stamp duty paid on agreement was not mapped in software.

Article 5 of schedule 1-B of IS Act 1899 provides for stamp duty payable on agreement relating to the sale of an immoveable property where possession is not admitted to have been delivered. It also provides that when conveyance in pursuance of such agreement is executed the duty paid under this clause shall be adjusted towards the total duty payable on the conveyance.

We observed that the provision for adjustment of stamp duty paid on agreement was not mapped in the software. The provision for linking of agreement deed with the deed of conveyance was also not mapped in the software. In all the 211 deeds of conveyance test checked, stamp duty was adjusted manually.

During exit conference the Department accepted our contention and assured to remove the lapses in latest version of the software.

5.4.6.5 Linking of correction deeds

The provision for linking of correction deed with its original deed was not mapped in software.

Article 34 A of schedule 1-B of IS Act, 1899 provides for correction of purely clerical error in an instrument chargeable with duty and in respect of which the proper duty had been paid.

We observed that linking of correction deed with its original deed was not mapped in the software. All the 352 correction deeds test checked were not linked with their original deeds.

During exit conference the Department stated that provision for cross entry of corrections made in original deed through correction deed was being made.

5.4.6.6 Valuation of residential lands without mentioning *chauhaddi*

The deeds of conveyance relating to residential land were registered in SROs without entering *chauhaddi* into database.

Section 27 of the Indian Stamp Act, 1899 provides that the consideration (if any) and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of the duty with which it is chargeable, shall be fully and truly set forth therein. The rate list approved by the collector of the district for valuation of properties provides higher rates for land situated next to road.

We examined the data relating to deeds of conveyance and 2150 deeds of conveyance relating to residential lands in sampled SROs and observed that in 294 cases *chauhaddi* (boundaries) of the sold property was not shown in the report Index-2 generated through *PRERNA*, though the boundaries were mentioned in the deed of conveyance. Since the valuation of the property also depended on its boundaries, this indicated that the valuation of property in these cases was not done automatically by *PRERNA* software.

During exit conference the Department stated that provision for entering *Chauhaddi* of residential land compulsorily in *PRERNA* software was being made.

5.4.6.7 Absence of certificate regarding feeding of rate-list into master data and its locking.

SROs did not provide certificate regarding feeding of rate list into master data and its locking.

Inspector General of Registration directed vide order dated 25 July 2006 all the DIGs/AIGs Registration that after feeding of rate-list into master data, a certificate, collectively signed by ADM (FR), DIG/AIG Registration, District Informatics Officer and SR, was to be provided to the effect that there was no difference between the rate fed in master data with that of collector's rate-list and that the master data has been locked in their presence.

We examined the records of sampled SROs and found that certificate regarding feeding of rate-list into master data and its locking was not furnished. In the absence of second level verification of the rate-list, errors in the master data and in the valuations referring to such data cannot be ruled out.

During exit conference the Department accepted our contention and assured to remove the lapses in latest version of the software.

5.4.6.8 Valuation of deeds of conveyance executed before application of new circle rates

The provision for valuation of deeds of conveyance executed before application of new circle rates was not mapped in software.

Section 17 of the IS Act, 1899 provides that all instruments chargeable with duty and executed by any person in India, shall be stamped before or at the time of execution. Article 23 of Registration Act, 1908 provides that no document other than a will shall be accepted for registration unless presented for that purpose to the proper officer within four months from the date of its execution.

We examined the data relating to deeds of conveyance in *PRERNA* and 503 deeds of conveyance executed before the date of application of new circle rates in sampled SROs and observed that the properties in these deeds were required to be valued at old rates applicable at the time of execution of deeds. The provision for automatic valuation of these deeds of conveyance was not mapped in the software since old rates were not kept in the database and could not be referred to in such cases. All these deeds were valued manually.

During exit conference the Department accepted our contention and assured to remove the lapses in latest version of the software.

5.4.6.9 Exemption of stamp duty to ex-servicemen

The provision for exemption from payment of stamp duty to ex-servicemen was not mapped in software.

The State Government vide notification dated 17 May 2013 exempted ex-servicemen from payment of stamp duty on conveyance of residential plot in their favour having an area of not more than 200 square meters.

We observed that the provision for exemption of stamp duty to ex-servicemen was not mapped in the software. All the 292 deeds of conveyance in favour of ex-servicemen test checked were manually exempted from payment of stamp duty.

During exit conference the Department accepted our contention and assured to remove the lapses in latest version of the software.

5.4.7 Implementation

PRERNA was introduced in the Department for achievement of nine objectives. Audit of sampled units showed that out of these, three objectives

i.e. on the spot registration, electronic storage of deeds and single window service have been fully achieved. The objectives of increased transparency in the system, electronic valuation of property and proper valuation of properties have been achieved partially. The rest of the objectives of better monitoring of revenue collection, standardisation of language of deed document and automatic issue of reminders for mutation could not be achieved by the Department. Our findings on implementation of *PRERNA* are mentioned in the following paragraphs.

5.4.7.1 Deficiencies in the software

5.4.7.1.1 MIS reports not designed in *PRERNA*

***PRERNA* had no provision for generation of reports through the software.**

One of the objectives of the software was better monitoring of revenue collection. However, the software did not have provisions for generating MIS reports like SRO and district wise monthly income report for monitoring of revenue collection. The periodical revenue reports for submission to higher authorities had to be done manually by the SROs.

During exit conference the Department accepted our contention and assured to generate reports through the software.

5.4.7.1.2 Lack of provision for online appointment and document presentation

***PRERNA* has no provision for online presentation of documents.**

PRERNA did not have a provision for presentation of documents online for examination, valuation and determination of duty and fees by the Department. The executants and claimants had to be present before the SROs at every stage of the transaction. As a result, speedy completion of registration process without the presence of the parties in processes like verification of documents could not be achieved.

During exit conference the Department stated that online presentation of document could not be made possible due to unavailability of internet connection and that it would be included in the new online software.

5.4.8 Under-utilisation of software

5.4.8.1 Residential land valued at agriculture rate

Residential land of 1.92 lakh square meter was registered for ` 1.56 crore at agricultural rate which resulted in short levy of stamp duty and registration fees of ` 3.16 crore.

Under Article 23 of Schedule 1-B of the IS Act, 1899 (as amended in its application to Uttar Pradesh), stamp duty on a deed of conveyance is

chargeable either on the market value of the property or on the value of the consideration set forth therein, whichever is higher.

A *khasra* based search to get the details of lands sold in the *khasra* was available in *PRERNA*. However, this feature was not being used.

We examined 11,417 deeds of conveyance in sampled SROs and observed that 69 deeds of conveyance relating to 1.92 lakh square meter of residential land were registered at agriculture rates and stamp duty and registration fees of ` 1.56 crore was levied. Some lands in these *khasras* were valued at residential rates prior to or on the same day of registration of these lands. Hence, these lands should have also been valued at residential rates with stamp duty and registration fees of ` 4.72 crore. Under-utilisation of features of *PRERNA* thus resulted in short levy of stamp duty and registration fees of ` 3.16 crore (**Appendix-XXXIV**).

During the exit conference Principal Secretary demanded the detail of cases pointed out in objection regarding residential land valued at agricultural rate. This was provided to him by audit. The registration of residential land at agricultural rates needs investigation and recoveries affected.

5.4.8.2 Undervaluation of land

Land of 1.05 lakh square meter declared residential were registered for ` 0.25 crore at the agricultural rate instead of ` 1.97 crore at residential rate. This resulted in short levy of stamp duty and registration fees of ` 1.72 crore.

Section 143 of the Uttar Pradesh *Zamindari* Abolition and Land Reforms Act (UPZA&LR) provides that where a *bhumidhar* with transferable rights used his holding or part thereof for a purpose not connected with agriculture, horticulture or animal husbandry, the Assistant Collector in charge of the subdivision may, *suo moto* or on an application after making such enquiry as may be prescribed, make a declaration to that effect. If the land was declared residential under Section 143 of the above Act, the same should be valued at residential rate for the purpose of levy of stamp duty.

We examined 1,017 deeds of conveyance in sampled SROs and observed that 11 deeds of conveyance having 1.05 lakh square meter of land were registered at agricultural rates on which stamp duty and registration fees of ` 24.91 lakh was paid. These deeds related to *arazi* numbers which were declared residential by the orders under section 143 of UPZA & LR Act prior to the date of registration of these deeds. The *arazi* numbers which were declared residential under section 143 of UPZA & LR Act were registered as a deed in SROs and became a part of the database.

The concerned SROs failed to utilise search option provided in *PRERNA* software. Hence stamp duty and registration fees of ` 1.97 crore was leviable at residential rate on these deeds of conveyance. This resulted in short levy of stamp duty and registration fees of ` 1.72 crore (**Appendix-XXXV**).

During exit conference the Department stated that information was being collected from the concerned districts.

5.4.9 IT Security and internal control mechanism

5.4.9.1 Password policy and access control

The Department lacked well-defined and documented password policy and access control system.

The Department had no well-defined and documented password policy and access control system. A single user account was created and used by all users in a SRO.

During exit conference Government assured us of looking into all these aspects in the latest version of the software.

5.4.9.2 Internal control

The Department had no internal control mechanism to ensure proper application and enforcement of *PRERNA*.

The Department lacked internal control mechanism to ensure proper application and enforcement of *PRERNA*. No Technical Committee was formed by the Department to analyse the objectives achieved through the implementation of *PRERNA*. Internal audit of the software had not been undertaken by the Department.

During exit conference Government assured us of looking into all these aspects in the latest version of the software.

E-Stamping

5.4.10 Planning and software development

Uttar Pradesh E-Stamping Rules was introduced in the State for implementation of e-Stamping system. The e-Stamping system has been implemented in 52 percent of SROs after a lapse of three years. Our audit findings on planning and development have been mentioned in the following paragraphs.

5.4.10.1 Delayed implementation of the scheme

The necessary infrastructure required for implementation of e-Stamping was provided by the Government after a delay of three years in 185 SROs.

The Uttar Pradesh e-Stamping Rules was enforced in Uttar Pradesh in February 2013. The Government appointed SHCIL as CRKA for a period of five years w.e.f. 21 March 2013 in May 2013. As per Rule 17 of the Uttar Pradesh e-Stamping Rules, the Government was required to make arrangement for necessary infrastructure at the offices of Registering Officers, and their supervisory and controlling officers which included computers, printers, bar code scanners, internet connection, etc. as specified by the CRKA from time to time.

We found that the Government provided necessary infrastructure in 185 out of 354 SROs in the State after a delay of three years. Thus e-Stamping system could not be implemented in all the SROs of the State in time.

During exit conference the Department stated the e-Stamping system has been introduced in all the SROs of the State from 01 January 2016.

5.4.10.2 Government paid commission to SHCIL without verifying the details of training imparted by SHCIL

Government paid commission to SHCIL regularly though SHCIL did not impart training to personnel in SROs in violation of terms of agreement between Government of Uttar Pradesh (GOUP) and SHCIL.

As per the orders of Government of India, Ministry of Finance, Department of Economic Affairs (C&C Division) dated 28 December 2005 the State Government was required to make payment to SHCIL of 0.65 *percent* of the value of stamp duty collected through this mechanism for the services provided by SHCIL. The services to be provided by SHCIL included training the identified manpower/personnel in the SROs. Paragraph 9 of the agreement between GOUP and SHCIL also provided that SHCIL shall provide free of cost training for the first time at the premises of the offices of the Government. It shall also provide trainers to conduct the training for a minimum period of one week.

We observed that the Government paid commission to SHCIL regularly and also during the exit conference the Department stated that SHCIL imparted training at all SROs from time to time and also at the beginning of the programme. We however found that nothing on record to show if the training was actually conducted. In the absence of this, the effectiveness of the training also could not be verified by us.

5.4.11 Implementation of e-Stamping rules

Uttar Pradesh E-Stamping Rules was introduced in February 2013 in the State for implementation of e-Stamping system. Our findings on the implementation of E-Stamping Rules have been mentioned in following paragraphs.

5.4.11.1 Short-fall in inspection of Central Record Keeping Agency (CRKA)

ACS did not execute inspection of CRKA and ACCs to compare the e-Stamp income figures of the SROs with the remittance figures of CRKA.

Rule 33 of Uttar Pradesh e-Stamping Rules, 2013 provides schedule for inspection and audit of the CRKA and Authorised Collection Centres (ACCs). The inspecting authorities were required to inspect CRKA and ACCs as per frequency provided in the schedule and submit the report to the Commissioner of Stamps, Uttar Pradesh. As per schedule of inspection the Assistant Commissioner of Stamps (ACS) in the district was required to compare the

stamp income figures (from e-Stamps) of the SROs with the remittance figures of CRKA as received from the treasury of the district.

The Department did not project the requirement of SRO wise collection of stamp income in the software of SHCIL and hence such a report was not designed in the software. Details regarding position of issued, locked and unlocked e-Stamps in respect of a particular SRO could not be verified through the system.

We also observed that 10 out of 16 ACs examined did not execute any inspection out of 330 inspections scheduled. Six ACs executed only 51 out of 198 inspections due, during the years 2013-14 to 2015-16. Thus, e-Stamp income figures of SROs were not verified with the figures remitted by CRKA into treasury.

During exit conference the Department accepted our contention and assured to maintain proper records in future and to remove the lapses in latest version of the software.

5.4.11.2 Delayed locking of e-Stamp certificates by SROs

The e-Stamp certificates were locked with delay ranging between one and 255 days.

Rule 31 of the Uttar Pradesh e-Stamping Rules provides that the registering officer shall verify the correctness and authenticity of the e-Stamp certificate used in the instrument by accessing the relevant website of the CRKA and its unique identification number with the help of bar code scanner. The registering officer after such verification shall further proceed to register the instrument, and shall lock the e-Stamp certificate by using user ID code and password provided by the CRKA to prevent re-use of such certificate. The IGR vide letter dated 28 July 2014 directed SROs to lock the e-Stamps used without delay after registration of the document. The letter also stipulated that refunds may be issued only after status of locking was verified.

We examined e-Stamp certificates in sampled SROs and observed that in 20 SROs 203 out of 371 cases test checked, e-Stamp certificates were not locked on the date of registration of the document. These e-Stamp certificates were locked after delay. The delay ranged between one and 255 days. Thus, due to delayed locking of e-Stamp certificates, their re-use/misuse could not be ruled out (**Appendix-XXXVI**).

During exit conference the Department accepted our contention and assured to remove the lapses.

5.4.11.3 Variation in figures of e-Stamps provided by SHCIL and ACS

The Department did not reconcile figures of e-Stamps issued and locked with that of SHCIL.

We examined the figures of e-Stamps issued and locked in a district provided by SHCIL and 16 ACS⁵, and found that there was variation between both the figures. The figures of e-Stamps issued and locked were not reconciled by the Department with the figures of SHCIL.

During exit conference the Department accepted our contention and assured to remove the lapses.

5.4.12 Conclusion

As regards *PRERNA* software we conclude that:

The Department took nine years for implementing the scheme in all the SROs of the State. There were deficiencies in software like absence of Software Requirement Specification, delayed execution of Software Development Agreement, lateral connectivity between the SROs and provision for online appointment and document presentation. The provisions of Act/Rules with reference to lease, commercial buildings, adjustment of stamp duty, linking of correction deeds and exemption of stamp duty were not mapped in the software. Search utility in the software was not utilised by SROs. The Department did not have a well defined and documented password policy, access control system and internal control mechanism for proper application and enforcement of *PRERNA*.

As regards e-Stamping system we conclude that:

The Government provided necessary infrastructure in 185 SROs (52 percent) of the State for implementation of e-Stamping system after a delay of three years. The Department failed to observe provisions of the U.P. E-Stamping Rules like inspection of Central Record Keeping Agency, timely locking of e-Stamp certificates and SRO-wise details of revenue collected through e-Stamp.

5.4.13 Summary of recommendations

As regards *PRERNA* we recommend that the Government may:

- **consider mapping of the provisions of Act/Rules not mapped in the software.**
- **ensure full utilisation of features of the software by SROs to avoid short levy of stamp duty and registration fees on deeds.**
- **implement a well-defined and documented password policy, access control system and internal control mechanism.**

⁵ Allahabad, Barabanki, Bagpat, Bulandshahar, G. B. Nagar-1 & 2, Ghaziabad, Hardoi, Jaunpur, Lucknow, Lakhimpur Kheri, Mathura, Meerut, Raibareilly, Sitapur, Unnao

As regards e-Stamping system we recommended that the Government may:

- strictly implement the provisions of U.P. e-Stamping Rules regarding inspection of CRKA and locking of e-Stamp certificates.

5.5 Audit observations

~~Our scrutiny of records in the offices of the Sub Registrars showed cases of incorrect determination of value of property, undervaluation of lease deed, short levy of stamp duty and registration fees due to misclassification of documents as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions each year, but not only do the irregularities persist, these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.~~

5.6 Residential land valued at agriculture rate

Residential land measuring 3.55 lakh square meter were wrongly registered for ` 40.64 crore at agricultural rate. Correct valuation at residential rate worked out to ` 149.15 crore which resulted in short levy of stamp duty and registration fees of ` 6.50 crore.

~~Under Article 23 of Schedule 1 B of the IS Act, 1899 (as amended in its application to Uttar Pradesh), stamp duty on a deed of conveyance is chargeable either on the market value of the property or on the value of the consideration set forth therein, whichever is higher. Further, Inspector General of Registration (IGR) vide guidelines issued in June 2003 clarified that a property in the same *arazi* number should not be split in more than one part for different purposes i.e. one for agriculture and the other for non-agriculture for the purpose of levy of stamp duty.~~

~~We examined (between April 2015 and March 2016) the Book 1, *Khand* and Registered documents of 58 Sub Registrar Offices (SROs) out of 140 SROs and observed that 145 out of 22,547 test checked deeds of conveyance relating to non-agriculture land measuring 3.55 lakh square meter were registered between January 2013 and February 2016 for ` 40.64 crore at agriculture rates and stamp duty and registration fees of ` 2.66 crore was levied. We observed that part of the same *arazi* was sold earlier or on same day at residential rates and thus the land in question should also have been valued at residential rates. The correct valuation at residential rate worked out to ` 149.15 crore. On this, stamp duty and registration fees of ` 9.16 crore was leviable whereas stamp duty and registration fees of ` 2.66 crore only was levied. Thus, incorrect valuation of property resulted in short levy of stamp duty and registration fees of ` 6.50 crore (Appendix XXXVII).~~

~~We reported the matter to the Government and the Department (between April 2015 and May 2016). During exit conference the Department accepted our observation and referred the cases to Collector Stamps for correct valuation of property. The Collector Stamps confirmed and imposed short levy of stamp duty of ` 4.56 lakh in five cases out of which in four cases Department~~