

CHAPTER-9 : OTHER DEPARTMENTAL RECEIPTS

A. PUBLIC WORKS DEPARTMENT

9.1 Results of Audit

Test check of accounts and relevant records of Public Works Department, conducted during the year 2001-2002, revealed irregularities involving Rs. 0.87 crore in 62 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl.No.	Categories	Number of cases	Amount
1	Loss due to short realisation of stamp duty	3	0.24
2	Non-levy of centage charges	1	0.03
3	Loss due to non auction of empty drums	4	0.02
4	Other irregularities	54	0.58
	Total	62	0.87

During the year 2001-2002 the department accepted the objections for Rs. 4.50 lakh in 3 cases.

A few illustrative cases involving Rs. 30.24 lakh are mentioned in the following paragraphs:

9.2 Loss of Revenue due to non-compliance with the provisions of agreement

For collection of toll tax of a bridge on Ganga River in Narora (Bulandshahar District), a contract was awarded for Rs. 87 lakh for the period from June 1999 to May 2000. As per terms & conditions of the agreement, the contractor was required to deposit security of Rs. 22 lakh and to deposit instalment of monthly toll tax at the rate of Rs. 7.25 lakh per month on the first of each month with effect from June 1999. In case of default of payment, the contract was liable to be terminated and dues recovered from the security of the contractor. The contract was extended to the month of July and August 2000 though the toll tax for June 2000 was collected departmentally.

During the audit of Executive Engineer Provincial Division, P.W.D., Bulandshahar, it was noticed (September 2001) that the contractor did not deposit toll tax of Rs. 7.25 lakh payable by him for the month of May 2000. However, the department made no efforts to recover it from the security

deposited by the contractor, instead, it extended the contract to July and August 2000. The contractor also failed to deposit Rs. 14.50 lakh payable for these two months. Thus, an amount of Rs. 21.75 lakh recoverable from the contractor could have been recovered from the security deposit of Rs. 22 lakh of the contractor which was incorrectly released by the Executive Engineer in January 2001. This resulted in loss of revenue of Rs. 21.75 lakh.

The matter was reported to the department and the Government (between November 2001 and February 2002); reply has not been received (December 2002).

9.3 Short-realisation of licence fee

The Government vide order dated 7 November 1998, enhanced the rate of licence fee of Government residential building with effect from 1 August 1998.

During the course of audit of office of a Provincial Division, Etah (August 2001) it was noticed that licence fee was realised from the occupants of 196 Government residential buildings during the period from August 1998 to July 2001 at pre revised rates resulting in short realisation of licence fee of Rs. 8.49 lakh.

The matter was reported to the Department and the Government (November 2001); reply has not been received (December 2002).

B. IRRIGATION DEPARTMENT

9.4 Results of Audit

Test check of the accounts and relevant records of Irrigation Department conducted in audit during 2001-2002 revealed irregularities involving Rs. 263.91 crore in 16 cases, which broadly fall under following categories:

(Rupees in crore)

Sl.No.	Categories	Number of cases	Amount
1	Other irregularities	15	7.17
2	Review on Receipt from Major Irrigation Project	1	256.74
	Total	16	263.91

During the year 2001-2002, the department recovered of Rs. 5.44 crore in one case pointed out in audit in earlier year.

A review on "Receipt from major irrigation project" involving financial effect of Rs. 70.75 crore is given in the succeeding paragraphs.

9.5 Review on "Receipts from Major Irrigation Projects"

9.5.1 Introduction

Irrigation receipts comprise receipts from water rates chargeable for water supplied for irrigation of agricultural land, and for commercial use, receipts from sale of grass, fish and from auction/lease of land etc. Irrigation in the State of Uttar Pradesh is done through water from canals, reservoirs and tube wells, water is also supplied for other purposes. The water rates for supply of water for agricultural purposes were last revised in 1994 and for other purposes in 1998.

The assessment of water rates for agricultural purposes is made by Irrigation Department whereas collection of revenue is the responsibility of the Revenue Department on the basis of demands (Jamabandi) prepared by Irrigation Department. Assessment and collection of water charges, for purposes other than agriculture is the responsibility of Irrigation Department.

9.5.2 Organisational Set up

The Engineer-in-Chief (E.N.C.) is the head of the Irrigation Department who is assisted by 12 Zonal Chief Engineers. To exercise effective control over the irrigation facilities and for assessment of water rates, the State is divided into 169 circles headed by Superintending Engineer (S.E.), which are further divided into 351 divisions each headed by an Executive Engineer (E.E./Divisional Officer). The Executive Engineer is assisted by Assistant Engineer (A.E.) named Sub-Divisional Officer (S.D.O.) and Junior Engineer (J.E.). Besides, the Deputy Revenue Officers under the Executive Engineer are to supervise the supply of water and revenue work. The Deputy Revenue Officer (D.R.O.) is assisted by the Ziledars, Amins (Sinch Paryavekshak) and Patarols (Sinchpals) in the collection of revenue.

9.5.3 Scope of Audit

A review on "Receipts from Major Irrigation Projects" was conducted during the period from May 2001 to April 2002 covering only Major Canal Projects which contributed about 31 per cent of total receipts of Irrigation Department. The records of all the eight Major Projects* (Commercial) along with the records of the offices of Engineer-in-Chief and 6 Zonal Chief Engineers and 46 divisions for the period from 1996-97 to 2000-2001 were test checked.

* (i) Upper Ganga Canal, (ii) Lower Ganga Canal, (iii) East Jamuna Canal, (iv) Sarda Canal, (v) Sarda Sahayak Canal, (vi) Agra Canal (vii) Gandak Canal, and (viii) Betwa Canal.

9.5.4 Highlights

- **Water rates/royalty amounting to Rs. 242.08 crore was not recovered from agriculturists and commercial agencies.**

(Para 9.5.7)

- **Water charges/royalty was not/short levied on water supplied for commercial purposes amounting to Rs. 1.99 crore.**

(Para 9.5.8)

- **Wastage/Seepage of water supply for commercial purposes resulted in loss of revenue of Rs. 11.72 crore.**

(Para 9.5.9)

- **Water rates amounting to Rs. 0.25 crore was short levied during the year 1999-2000**

(Para 9.5.10)

- **Remission of water rates amounting to Rs. 8.11 lakh was not regular.**

(Para 9.5.12)

- **Measurement/Check of measurement was not carried out at all during the year 1999-2000 and 2000-2001.**

(Para 9.5.13)

- **Government was deprived of revenue amounting to Rs. 10.17 lakh as lease for fishing purposes was not renewed.**

(Para 9.5.16)

9.5.5 Non-observance of prescribed procedure in preparation of annual budget

As per para 216 of Manual of Orders of Irrigation Department, each Divisional Officer is required to prepare estimates of revenue from irrigation water rates and miscellaneous revenue. Such annual estimates in respect of Rabi and Kharif crops are submitted separately to the Irrigation Department by 15th November each year. These estimates form the basis of annual estimates of the revenue of the Department as depicted in the budget presented to the State Legislature.

During test check of 46 divisions, it was noticed that none of the divisions had prepared the estimates of revenue. In absence of these estimates, the reliability/correctness of the estimates of the Department as presented to the State Legislature could not be verified.

On this being pointed out in audit, all the divisions stated that there was no tradition of preparing such estimates. The reply was not tenable, as the Manual provides for each division preparing estimates of revenue.

9.5.6 Trend of revenue

The actual receipts of Irrigation Department from Major Irrigation Projects and the budget estimates, during the last five years from 1996-97 to 2000-2001, were as follows:

(Rs. in crore)

Year	Budget Estimates	Actual Receipts	Variation Increase (+) Decrease (-)	Percentage
1996-97	81.11	77.75	(-) 3.36	(-) 4
1997-98	87.20	30.18	(-) 57.02	(-) 66
1998-99	89.77	12.26	(-) 77.51	(-) 86
1999-00	145.67	3.68	(-) 141.99	(-) 97
2000-01	177.76	210.15	(+) 32.39	(+) 18

It is evident that actual receipts was less by 66 to 97 percent during the years from 1997-1998 to 1999-2000 than the budget estimates whereas it increased by 18 percent during 2000-01.

The reasons for the abnormal decrease and increase in the actual realisation though called for from the State Government have not been received.

9.5.7 Position of arrears

(A) Amounts unrecovered by Revenue Department

As per Para 320 (i) of the Irrigation Manual, Collector shall realise water rates assessed by the Divisional Officer of the Irrigation Department as arrears of land revenue. It is the duty of the Revenue Department and Administration department to see that the dues collected are regularly paid into treasury and accounted for in the departmental accounts.

During test check of records of 45 divisions, it was observed that Tauzi Statement (Recovery Statement) were not sent to the divisions regularly by the Revenue Department as a result of which amounts of water rates amounting to Rs. 174.55 crore were shown as outstanding in the books of Irrigation division as on 31 March 2001 which reflected the lack of co-ordination between Revenue Department and Irrigation Department. Besides, no action had been taken by the department to recover the amount as arrears of land revenue as per U.P. Zamindari Abolition and Land Reforms Act, 1950.

(B) Amount unrecovered from Revenue Department of other States

Demand for water rates amounting to Rs. 1.61 crore and Rs. 9.47 crore were sent to the Revenue Department of Madhya Pradesh and Haryana States on account of water supplied to the farmers of those States. But the amount was still outstanding as on 31 March 2001. These cases were neither pursued with these Governments nor action taken to recover the same as arrears of land revenue from the farmers of those states.

(C) Water charges/royalty outstanding from user agencies for utilisation of water for commercial purposes

Total unrecovered amount on account of water supplied from Major, Medium and Minor Irrigation Projects for commercial purposes as on 31 December 2000 was Rs. 214.00 crore. The Yearwise details were not available.

The test check of records of 11 divisions of Major Irrigation, revealed that water charges/royalty amounting to Rs. 56.10 crore was outstanding against 14 units as on 31 March 2001 as detailed below:

(Rupees in crore)

Sl. No.	Name of division	User agency	Year from which supply of water started	Amount outstanding
1.	Aligarh Division, Ganga Canal, Aligarh	NTPC, Harduaganj	April 1962	18.57
2.	Meerut Division, Ganga Canal, Meerut	Delhi Nagar Nigam	---	20.64
3.	Muzaffarnagar Division, Ganga Canal, Muzaffarnagar	NTPC, Muzaffarnagar	April 1973	5.16
4.	Kanpur Division, Lower Ganga Canal, Kanpur	NTPC, Panki	September 1967	0.68
5.	----Do----	Ordinance Gun Factory, Kanpur	June 1991	0.86
6.	Lucknow Division-II, Sarda Canal, Lucknow	Jal Sansthan, Lucknow	April 1998	0.22
7.	Lower Division, Agra Canal	Mathura Refinery	---	0.24
8.	Headworks Division, Agra Canal, Okhla	NTPC, Badarpur	---	5.56
9.	Jhansi Division, Betwa Canal, Jhansi	Jal Sansthan, Jhansi	---	1.92
10.	----Do----	Railways	---	0.26
11.	Mata Tila Dam Division, Jhansi	Jal Sansthan, Talbehat	March 1963	0.10

Audit Report (Revenue Receipts) for the year ended 31 March 2002

12.	Rajghat Construction Division, Lalitpur	Railways	--	0.12
13.Do.....	Jal Sansthan, Lalitpur	---	0.07
14.	Narora Division, Lower Ganga Canal, Aligarh	Jal Sansthan, Aligarh	--	1.70
		Total		56.10

No action had been taken by the department to recover the amount as arrears of land revenue as per U.P. Zamindari Abolition and Land Reforms Act, 1950.

(D) Amounts unrecovered from Uttar Pradesh Fisheries Development Corporation Limited

Power of auction of fishing rights from major tanks and reservoirs was transferred to the U.P. Fisheries Development Corporation Ltd. from Irrigation Department vide State Government order dated 12 August 1983, with the condition that 1/3 amount of auction money was to be paid to the Irrigation Department in shape of royalty for maintenance of tanks and reservoirs. In case of belated payment interest at the rate of 14 per cent was also chargeable.

During test check of records of 4 divisions it was noticed that royalty inclusive of interest amounting to Rs. 35.33 lakh due upto the year 2000-01 was not recovered from the Uttar Pradesh Fisheries Development Corporation Limited. No action was taken by the department to recover the amount as arrears of land revenue as per U.P. Zamindari Abolition and Land Reforms Act, 1950.

9.5.8 Non/Short levy of water charges/royalty on water supplied for commercial purposes

The water charges/royalty for water supplied for commercial use are assessed and recovered by the Irrigation Divisions at the rates prescribed. For this purpose an agreement to this effect was to be executed and renewed after every 10 years. Water charges/ royalty at the rate of Rs. 50000 per cusec per year was leviable from April 1985 for the purposes other than agriculture which was revised to Rs. 1.50 lakh per cusec per year with effect from May 1998.

(A) During test check of records of 4 divisions, it was noticed that water charges/royalty amounting to Rs. 1.99 crore during the period from April 1985 to March 2001 was either not levied or levied short due to which Government was deprived of revenue to that extent, as detailed below:

(Rupees in lakh)

Sl. No.	Name of division	Name of user agency	Period	Royalty leviable	Royalty levied	Non/Short levy
1.	Irrigation Div. Mahoba	Defence Deptt. New Delhi	1995-96 to 2000-01	11.62	2.86	8.76
2.	Irrigation Div. Karvi	Central Railway	1998-99 to 2000-01	1.04	0.35	0.69
3.	Jhansi Div. Betwa Canal, Jhansi	Pariksha Power House	1985-86 to 2000-01	184.16	24.64	159.52
4.	Irrigation Div. Auraiya	Gas Authority of India	1999-2000 to 2000-01	30.00	----	30.00
			Total	226.82	27.85	198.97

On this being pointed out, it was stated that the above amount of water charges/royalty would be levied and realised.

(B) Non execution of agreements

Test check of the records of 14 divisions {Para 9.5.7 (C)} revealed that in none of the cases mentioned in sub-para (except Mathura Oil Refinery Project), the agreement had been executed. As such the amount of Rs. 56.10 crore could not be recovered.

9.5.9 Loss of revenue due to wastage/seepages of water supplied for commercial purposes

Executive Engineer Ganga Canal, Aligarh, (vide letter May 2001), informed the Executive Engineer, Electrical District Maintenance Division-III, Kashimpur, that in the supply of water to the Cooling Power System of Thermal Power House, Hardua Ganj, there was wastage of 200 cusec water due to seepage per year. But the Department did not raise the demand against the user agency for this quantity. Due to continued wastage/seepage etc. the Department suffered a loss of Rs. 11.72 crore for the period from April 1995 to March 2001.

9.5.10 Short levy of water rates

Seenchpals (Patrols) are responsible for preparation of Irrigation demand (Jamabandi). The Government of Uttar Pradesh, Panchayat Raj Department, vide office order dated April 1999, transferred Seenchpals to Gram Panchayats. It was also ordered that the irrigation demands for the Fasli year

1407 (1999-2000) would be prepared by the Lekhpals of the Revenue Department with assistance of Amins and Ziledars of the Irrigation Department but the same were not prepared by the Lekhpals. Thereafter, the State Government in 4 January 2001 issued an order that Jamabandi for the Fasli year 1407 (1999-2000) should be prepared under the supervision of the District Magistrate with the assistance of Seench Paryavekshak (Amins) and Dy. Revenue Officer of the Irrigation Department, on the basis of assessment of the Fasli year 1406 (1998-99) after making variation upto 10 per cent, so that the revenue assessed may not be less than the revenue of the Fasli year 1406 (1998-99). The Seenchpals were again transferred to Irrigation Department vide Government Order dated 26 June 2001.

During the test check of records of 4 Divisions, it was noticed that the assessment of the water rates was Rs. 3.11 crore for the Fasli year 1407 (1999-2000) whereas the demand raised for the Fasli year 1406 (1998-99) was Rs. 3.36 crore. This resulted in short levy of water rates of Rs. 0.25 crore.

On this being pointed out, it was stated that short demand was due to the transfer of Seenchpals to Gram Panchayats. The reply is not tenable as on transfer of Seenchpal, the demands were to be prepared by the Lekhpals with the help of Amins and Dy. Revenue Officers under the supervision of District Magistrates as per the Govt. Order dated 4 January 2001.

9.5.11 Non/short levy of punitive charges on wastage or unauthorized use of water

As per Northern Indian Canal and Drainage (U.P.) (Second Amendment) Rules 1993, in case of a person willfully cutting banks or placing bunds in the canal beds to irrigate his field, punitive rates of water shall be increased to four times of the ordinary rates.

During test check of records of 6 Divisions, it was noticed that punitive rates on unauthorised use of water by cutting banks/placing bunds in the canal beds was not realised at four times of the ordinary rates. This resulted in short levy of revenue of Rs. 23.90 lakh.

9.5.12 Irregular remission of revenue

Para 316 of the Irrigation Manual read with Rules 17 and 28 of the Canal Rules lays down that the Divisional Officer may reduce the rate ordinarily leviable on any field that has been damaged due to failure or stoppage of water supply from canals or by locust, hail, floods, frost, rust or any such calamity other than failure or stoppage of supply, whether in times of draught or any other time, provided that the damage is not due to any negligence on the part of the cultivator.

The Secretary, Department of the Irrigation, Government of U.P. vide order dated 15 June 1998 directed the Engineer-in-Chief, Irrigation Department, that for the Kharif crop during 1998, the water for agriculture purposes may be supplied free of water charge during the period from 20 May 1998 to 05 July

1998. The orders were not in consonance with the provision of Manual as the remission did not fall under any circumstances laid down in the Manual.

Test check of records of two divisions revealed that water rates of Rs. 8.11 lakh was remitted for the period 20 May 1998 to 5 July 1998 which was irregular as there were no reasons for remission of water rates in accordance with the provisions of the Irrigation Manual.

9.5.13 Non-compliance of prescribed norms of checking of irrigation measurement (Partial)

The assessment of water rates is done by the Amins of the irrigation division after the measurement of the irrigated area. The measurement is checked by various officers/staff as prescribed in the Manual under Para 323 (3) and Appendix (ii) as detailed below:

During the test check of 20 divisions, it was noticed that measurement (Partial) and check of measurement was not carried out at all by any officer/official during the Fasli year 1407 (1999-2000) and 1408 (2000-2001).

Sl. No	Name of Officer/Official	Area of Partial (in hectare)	
		Rabi	Kharif
1	Superintending Engineer	81	61
2	Executive Engineer	121	101
3	Assistant Engineer	283	202
4	Junior Engineer	111	101
5	Dy. Revenue Officer	1000	1000
6	Zileदार	1200	1200

On this being pointed out, it was stated that the checks of measurement was not done as Seenchpals were transferred from Irrigation Department to Gram Panchayat vide Government Order dated 12th April 1999, and initial measurement could not be conducted at all. The reply is not tenable as the veracity of the demand in Jamabandi were not established, and evasion of water charges could not be ruled out due to failure on the part of the field officer/staff in exercising the prescribed checks.

9.5.14 Delay in submission of Jamabandi

As per U.P. Collection Manual the due dates of submission of Jamabandi by the Executive Engineer of Irrigation Division to the Revenue Department for Kharif is between 15th October to 15th December and for Rabi between 15th April to 15th May for different regions.

Test check of the records of 15 Divisions revealed that Jamabandis of Rabi and Kharif crops were not prepared and sent to the Revenue Department within time during the period from 1996-97 to 2000-2001. The delay ranged between 5 to 134 days.

9.5.15 Non remittance of revenue into the Government Account

Para 711 of the Financial Hand Book Vol. VI lays down that all receipts of miscellaneous nature, such as sale proceeds of wood/grass, fish and tender fee receipts etc. on behalf of the State Government shall be remitted to treasury immediately.

During test check of records of three Divisions, it was noticed that miscellaneous receipts amounting to Rs. 27.41 lakh were deposited under head "8343-Civil Deposit" instead of " 0701 - Major and Medium Irrigation" during the period from 1996-97 to 2000-01.

9.5.16 Loss due to non renewal of lease for fishing

The Irrigation Department leased the reservoirs in its control through tenders for fishing purposes from which it earned revenue. But the Government vide order dated 27 January 2000 directed the Engineer-in-Chief, Irrigation Department not to lease reservoirs until a new transparent policy was framed. It was further directed that in case reservoirs for fishing were already on lease, fresh lease should not be executed on expiry of such lease.

During test check of three Divisions, it was noticed that no such policy was framed until 31 March 2001 with the result that fresh lease of reservoirs could not be executed. Non-execution of fresh lease of reservoirs caused loss of revenue of Rs. 10.17 lakh in the shape of royalty.

9.5.17 Conclusion

It would be seen that huge amounts remain unrecovered from user agencies and agriculturists for various reasons affecting the revenue of the State Government. The agreements with the user agencies have not been executed for several years. Efforts are required to be made to collect unrecovered amount and execute agreements with user agencies. The policy of the Government to transfer the Seenchpals to Gram Panchayat had also affected the assessment and collection of water rates for water supplied to agriculturists.

The matter was reported to the Department/Government (July 2002); their replies have not been received (November 2002).

C. Finance Department

9.6 Review on Interest Receipt on Government Loans

9.6.1 Introduction

Interest Receipt constitutes a significant part of the non-tax revenue of the State Government. This comprises interest recovered on loans and advances granted to various Public Sector Undertakings, Local Bodies, Cooperative Societies etc. and individuals (including its employees). The order sanctioning a loan incorporates the rate of interest, period of repayment as well as the purpose for which a loan is provided. The rate of interest usually varies between 9 to 22 per cent, depending upon the nature of loan, purpose and class of person, repayment schedule etc. A rebate between 2.5 per cent to 3.5 per cent in the rate of interest is allowed, in case of repayment of instalments of principal and payment of interest on prescribed date(s).

9.6.2 Organisational Set-up

The proposal for grant of loans and advances is processed by the Head of Departments and then recommended to Administrative Departments which issue sanction with the concurrence of Finance Department. Recoveries of loans along with interest are watched by the concerned heads of the departments (Monitoring agencies) according to terms and conditions of the sanction orders, position of outstanding loans and interest is reported to the Administrative Department concerned periodically.

9.6.3 Scope of Audit

With a view to evaluate the efficiency of the departments in ensuring the levy and collection of interest, a review was conducted from April 2001 to April 2002. For this purpose the records of the Department of Cooperatives, Industry, Handlooms and Textiles, Cane and Sugar, Housing and Local Bodies (Viz Nagar Nigam, Jal Santhan and Zila Parishad etc.) for the period from 1996-97 to 2000-2001 were test checked.

9.6.4 Highlights

- **Due to lack of proper monitoring by heads of the departments, Government did not raise demand for recovery of principal of Rs. 678.99 crore and interest accrued thereon of Rs. 545.73 crore for the period 1996-97 to 2000-2001.**

(Para 9.6.6)

- **Issue of defective sanction orders caused loss of interest of Rs.26.63 crore.**

(Para 9.6.7)

- **Irregular Rebate on interest was allowed to the tune of Rs. 12.72 crore.**

(Para 9.6.8)

- **Loans retained and surrendered to the Government without utilisation resulted in loss of interest of Rs.2.52 crore.**

(Para 9.6.9)

- **Interest to the tune of Rs.41.19 crore was short paid due to Computation mistakes.**

(Para 9.6.10)

- **Delay in issue of share certificates against the orders of conversion of loans into equity resulted in loss of interest of Rs.87.78 crore.**

(Para 9.6.11)

9.6.5 Trend of Revenue

The estimated collection of interest receipts and actual receipts of the State during 1996-97 to 2000-2001 are indicated below:

(Rupees in crore)

Year	Budget Estimates	Actuals	Variations Excess (+)/ Shortfall (-)	Percentage of variations
1996-97	511.78	478.97	(-) 32.81	(-) 6.41
1997-98	429.41	484.34	(+) 54.93	(+) 12.79
1998-99	439.51	428.00	(-) 11.51	(-) 2.61
1999-2000	461.48	476.68	(+) 15.20	(+) 3.29
2000-2001	437.97	525.17	(+) 87.20	(+) 19.91

The actual receipts increased from Rs. 478.97 crore in 1996-97 to Rs. 525.17 crore in 2000-2001.

Reasons for variations of actual receipts from budget were called for (April 2002) followed by reminder (November 2002). But reply was awaited (December 2002).

9.6.6 Non-raising of demand for recovery of interest due to non-maintenance of records

Audit Report (Revenue Receipts) for the year ended 31 March 2002

It was noticed that Monitoring Agencies of the Government did not maintain any records to watch recovery of loans sanctioned from time to time; as such the position of overdue instalments of loan sanctioned and interest accrued thereon were not intimated to the Government.

However, scrutiny of the records of 13 loanees for the period from 1996-97 to 2000-2001 revealed that repayment of overdue instalments of loans of Rs. 678.99 crore was not made by loanees on which interest of Rs. 545.73 crore was leviable as on March 2001 as per details given below:--

(Rupees in crore)

Sl. No.	Name of units	Loan due for repayment	Interest
1.	U.P. State Industrial Development Corporation, Kanpur	18.99	16.73
2.	UP Coop. Sugar Mill Fed., LKO	73.89	67.89
3.	UP State Sugar Corp., Ltd. LKO	388.28	344.00
4.	Jal Sansthan, LKO	1.61	1.17
5.	UP Electronics Corpn. Ltd. LKO	7.50	6.39
6.	UP Jal Nigam, LKO	103.92	69.65
7.	UP Industries Cooperative Association Kanpur	0.71	0.67
8.	UP State Handloom Corp. Kanpur	16.03	1.03
9.	Jal Santhan Kanpur	0.28	0.44
10.	Dir. Handloom & Textile, KNP.	1.08	5.23
11.	Bhadohi Industrial Development Authority, Bhadohi	* --	0.11
12.	Lucknow Development Authority, Lucknow	20.10	17.46
13.	UP Jal Vidyut Nigam, Lucknow	46.60	14.96
	Total	678.99	545.73

On this being pointed out, the Government stated (March 2002) that records were to be maintained by loanees. Reply is not tenable as records have also to be maintained by the Monitoring Agencies.

9.6.7 Loss of interest due to defective sanction

(a) Test check of records of two loanees revealed that loan of Rs. 10.42 crore was paid to them between September 1994 to March 1996. In one case, the repayment schedule and in another case, terms and conditions for grant of loan were not mentioned in the sanction order. Consequently, the demand for

* As it is revolving fund so principal is not due.

Audit Report (Revenue Receipts) for the year ended 31 March 2002

interest could neither be worked out nor raised. Based on the prevalent rate of interest, an amount of Rs. 20.42 crore could have been levied.

(b) As per Para 225 of Financial Hand Book Vol. V, a loan bears interest from the date of drawal of advance.

Test check of records of three loanees revealed that contrary to the provisions, the government in their sanction orders allowed the loanees to pay interest from the first day of the next month of the drawal of loan. This resulted in loss of interest amounting to Rs. 6.21 crore as shown under:--

(Rupees in crore)

Sl. No.	Name of loanee	Amount of loan (No. of loans)	Date of drawal of loan	No of days for which interest not charged	Amount of interest involved
1.	UP Rajya Vidyut Utpadan Nigam Ltd. Lucknow	212 (8)	Between 11/1999 and 3/2001	7 to 31 days	0.98
2.	U.P. Power Corporation Ltd. Lucknow	702 (5)	1/2000 and 10/2000	14 to 22 days	4.89
3.	Jal Vidyut Nigam Ltd. Lucknow	35 (2)	1/2000 and 8/2000	12 to 22 days	0.34
	Total	949(15)			6.21

9.6.8 Irregular availment of rebate on interest

As per terms and conditions of sanction, a rebate on interest at the rate of 2.5 per cent or 3.5 per cent on the normal rate of interest is allowable provided repayment of loans and payment of interest is made on prescribed date(s).

A test check of loan ledgers revealed that in 225 cases, due dates of repayment of loans and payment of interest were not adhered to by 4 loanees though the loanees were granted rebate of interest. This resulted in irregular availment of rebate of Rs. 12.72 crore during the period from 1 April 1996 to 31 March 2001 as detailed below:

(Rupees in crore)

Sl. No.	Name of loanee	No. of loans	Amount of loan Rate of Interest (percent)	Period of loan sanctioned	Amount of rebate on interest
1.	Registrar Cooperative Societies, Lucknow	26	<u>748.91</u> 3.5	1996-97 to 2000-2001	6.10
2.	U.P. State Road Transport Corporation, Lucknow	2	<u>3.77</u> 2.5/3.5	1996-97 to 2000-2001	0.22
3.	Lucknow Development Authority, Lucknow	53	<u>18.97</u> 3.5	1996-2001 Prior to 96-97 (from 82-83)	0.80 4.24
4.	Agra Development Authority, Agra	144	<u>3.69</u> 3.5	1969-70 Prior to 96-97	1.36
	Total	225			12.72

9.6.9 Non-levy of interest on unutilised loans

A loan of Rs. 6.69 crore carrying rate of interest of 18 percent was sanctioned to Kanpur Development Authority, Kanpur for development work under a housing scheme, and drawn on 31 March 1996 and placed in personal ledger account. The amount was released to land acquisition Officer by the authority on 4 August 1998 to acquire land, but the land could not be acquired due to dispute. The amount was surrendered to the Government on 06 September 2000. No interest for the period (04 August 1998 to 05 September 2000), for which the amount remained unutilised, was levied. This resulted in loss of interest amounting to Rs. 2.52 crore.

9.6.10 Short recovery of interest due to calculation mistake

During test check it was noticed that in the following cases interest amounting to Rs. 41.19 crore was short deposited due to calculation mistake as detailed below:

(Rupees in crore)

Sl. No.	Name of the loanee	Amount of loan/No. of loans	Period of interest	Rate of interest	Interest leviable	Interest levied	Interest deposited short
1.	Registrar	1.00 (1)	17-09-98 to	18.5%	0.10	0.08	0.02

Audit Report (Revenue Receipts) for the year ended 31 March 2002

	Coop. Societies, LKO	748.91 (26)	08-04-99 1995 to 2001	9.5% to 17%	46.26	34.96	11.30
2.	UPSRTC, LKO	8.77 (3)	1996, 1998 to 2001	13% & 14.5%	2.50	2.13	0.37
3.	UP.Sugar Mills Fed. Ltd.Lko	<u>145.71</u> 24	1995-96 to 2000-01	14.5% to 20.25%	81.56	67.90	13.66
4.	Kanpur Development Authority, Kanpur	<u>110.49</u> 215	1990-91 to 2000-01	4.5% to 22%	52.93	37.09	15.84
	Total				183.35	142.16	41.19

9.6.11 Loss of interest during conversion of loans into equity/ grants

In the sanction granting loans, there were no provisions for conversion of loans into equity shares/grants. The Government, however, converted the loans granted to State Corporations/Local Bodies along with interest thereon into equity shares/grants. Due to insufficient authorised share capital, the corporations failed to issue share certificates on prescribed date(s) and are still to be issued in some cases. The interest accrued between the period of the date of orders of conversion of loans into equity and the actual date of issue of share certificates or as on 31 March 2001 was not levied. This resulted in loss of interest of Rs. 87.78 crore as detailed below:

Sl. No.	Name of loanee	Detail of loans conversion into equity				Loss of interest during the period B-A or upto 31-03-2001	
		Principal	Interest	Date of conversion into equity (A)	Share issued on (B)	Rate of interest	Amount
1.	Pradeshiya Industrial Corporation of Uttar Pradesh, Lucknow	33.53	---	31-7-2000	Not yet issued	13.5% to 17.5%	13.00
2.	Uttar Pradesh State Cooperative Sugar Mills Federation,	8.55	6.41	1-4-97	18-12-2000	15.5%	4.92

Audit Report (Revenue Receipts) for the year ended 31 March 2002

	Lucknow Sugar Mills: (i) Tilhar	1.76	Accrued Upto 3/93	1-4-93	Not yet issued	19.5% to 21%	2.87
	(ii) Nanpara	1.87	Do	Do	14-8-96	Do	1.26
	(iii) Morna	0.90	Do	Do	Not yet issued	Do	1.51
3.	UPICA, Kanpur	0.41	---	1-1-97	27-7-99	9.5%	0.09
4.	UP Cooperative Spinning Mill Federation, Kanpur	(i) 30.17	13.26	1-4-97	Not yet issued	22%	26.55
		(ii) 36.20	3.95	1-4-98	DO	DO	23.89
5.	Director Local Bodies, <u>LKO</u> (Grants)	Loans due upto 31-3-97 11.25	Accrued upto 31-3-97 829.77	1-4-97	G. O. for conversion into grants Not yet issued	12% to 15.5%	7.19
6.	U.P. Finance Corporation, Kanpur	41.25	—	19-7-2000	Not yet issued	7.5%	2.16
7.	UP. Tourism Development Corp. Lko.	5.60	--	01.04.93	21-4-98	5.5%	4.34
	Total						87.78

9.6.12 Non -maintenance of records by monitoring authority

Heads of Departments were required to maintain detailed accounts of loans sanctioned and watch recovery of loans and interest accrued thereon. Any deviation in repayment of loans/interest from the due date was to be reported to the Government.

During test check it was noticed that the prescribed procedure for maintaining records was not followed by Commissioners, Cane and Sugar U.P. and Directors of Industries and Handloom & Textiles of U.P., Kanpur.

On this being pointed out (May 2001 and July 2001) Commissioner Cane and Sugar, U.P. stated that necessary action for maintaining records would be

taken, whereas Director of Industries stated (November 2001) that there was no need to maintain records as there were no such instructions in the sanction order. Replies of the Departments are not acceptable as without maintenance of records, proper monitoring of repayment of loans and recovery of interest was not possible.

9.6.13 Conclusion

Demand for repayment of Principal and recovery of interest accrued thereon was not raised in a large number of cases due to lack of monitoring/non-maintenance of proper records by the heads of departments (Monitoring Agencies). Moreover, issue of defective sanctions resulted in loss of interest to the Government.

It is suggested that for better management of repayment of loans and payment of interest due thereon the sanction orders should cover all the terms and conditions for repayment. The requirement of maintenance of loan records to ensure prompt raising of demand and pursuing recovery should be enforced.

Monthly progress report in respect of loan position should be obtained regularly from each loanee unit through heads of departments. This will strengthen internal control mechanism in the department.

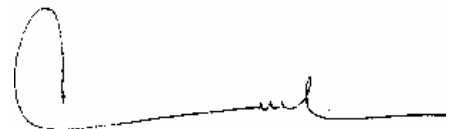
The foregoing points were reported to departments and the Government (July 2002); replies in some cases have not been received.



**Lucknow,
The**

**(BIRENDRA KUMAR)
Accountant General (Audit)-II
Uttar Pradesh**

Countersigned



**New Delhi,
The**

**(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India**

Audit Report (Revenue Receipts) for the year ended 31 March 2002