CHAPTER 3

FINANCIAL REPORTING AND COMMENTS ON ACCOUNTS

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Personal Ledger Accounts/ Deposit Accounts

3.1.1 Article 202 of the Constitution of India provides for Legislative financial control over public expenditure through the annual financial statement/Budget. The Uttar Pradesh Budget Manual prescribes that all final savings must be surrendered to the Finance Department by 25 March, and concerned officers will be held responsible for any financial irregularity.

The CAG's annual audit reports repeatedly comment on violation of financial provisions by many departments of the GoUP, where unspent funds are routinely transferred to various Personal Deposits (PDs)/ Personal Ledger Accounts (PLAs) under the Public Account, to avoid lapse of grant at the end of the financial year. Further, the U.P. Personal Ledger Accounts Rules, 1998, permit deposit of unspent funds into PDs/ PLAs only with the prior approval of Finance Department. Though this provision is to be utilised only rarely, Audit did not find any evidence that the Finance Department ensured that the departments sought its prior approval before such routine transfers of unspent amounts into PD/ PL accounts. Such practices violate Legislative intent, which is to ensure that funds approved by it for the financial year are spent during the financial year itself. The Finance Department, which is the custodian of public finances, however, has taken no action to curb such irregular practices that violate financial propriety and prudence or to recommend departmental action against concerned officials.

Non-reconciliation of balances in PD accounts periodically and not transferring the unspent balances lying in PD accounts to Consolidated Fund before the closure of the financial year entails the risk of misuse of public funds, fraud and misappropriation.

The PLAs of GoUP have a closing balance of ₹ 6,835.75 crore as on 31 March 2017, as reported in the Finance Accounts of the State Government.

3.1.2 Inoperative PD/ PL Accounts

The PLA Rules stipulate that PD/ PL accounts with no transactions for over three years are to be closed. It was observed however, that the GoUP had failed to close 341 PD/ PL accounts under MH 8443-Civil Deposits and MH 8448-Deposits of Local Funds where no transactions had taken place for over three years and which had unspent balances of ₹ 95.80 crore as on 31 March 2017. Details are given in **table 3.1**:

Table 3.1: Inoperative PD accounts

(Amount in ₹)

Sl. No.	Amount range	No. of cases	Amount
1.	Below one lakh	206	53,05,322
2.	1 to 5 lakh	73	1,74,92,551
3.	5 to 10 lakh	19	1,30,59,197
4.	10 to 20 lakh	18	2,46,75,886
5.	20 to 50 lakh	11	3,44,45,675
6.	50 lakh and above	14	86,30,71,366
		Total	**95,80,49,997**

Recommendation: *The Finance Department is required to review all PD/PL accounts and ensure that all amounts unnecessarily lying in these PD/PL accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department is required to reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.*

3.2 Building and Other Construction Workers Welfare Cess

The Building and Other Construction Workers (BOCW) Welfare Cess Act, 1996 and the BOCW (Regulation of Employment and Conditions of Service) Act, 1996 cover any establishment employing ten or more building workers in any building or other construction work. The Acts, *inter alia*, provide for constitution of Welfare Boards with the aim of improving the working conditions of workers and to provide financial aid to them, and to augment the resources of the Welfare Boards through the levy and collection of cess on the cost of construction. Accordingly, GoUP created (November 2009) the U.P. BOCW Welfare Board, and, in terms of the Cess Act, levies cess at one *per cent*. The U.P. BOCW Rules, 2009 provides for collection of registration fee of ₹ 50 and annual membership fee of ₹ 50 from registered workers. In this connection, the findings of Audit are given below.

3.2.1 Accounting of Cess

It was observed that the Welfare Board has not finalised its accounts since its constitution (November 2009). Details of receipts and utilisation of cess over the past five years (2012-17) are given in **table 3.2** below:

Table 3.2: Financial status of registration charges, cess realised and utilisation

(₹ in crore)

Sl. No.	Year	Opening balance	Receipts				Total funds available	Expenditure	Closing balance
			Registration charges and annual membership fee	Labour cess received in board account	Cess realised from treasury (State Govt.)	Interest on deposits			
1	2012-13	381.91	13.87	311.79	0	27.43	735.00	4.89	730.11
2	2013-14	730.11	17.84	458.46	165.00	49.58	1,420.99	98.12	1,322.87
3	2014-15	1,322.87	28.59	500.44	9.25	97.07	1,958.22	127.63	1,830.59
4	2015-16	1,830.59	14.55	686.81	0	128.37	2,660.32	202.41	2,457.91
5	2016-17	2,457.91	13.00	829.60	10.00	162.23	3,472.74	277.78	3,194.96

(Source: Secretary, BOCW) (Provisional data)

In this connection, the following additional observations are made:

- Since the Board has not prepared accounts since inception, the authenticity of receipts and expenditure could not be ascertained in Audit.
- The Board does not have a fixed asset register, in the absence of which, the physical existence of the assets created and their location could not be verified.
- The failure of GoUP to transfer ₹ 34.48 crore to the Board as of March, 2017, has overstated the revenue surplus and understated the fiscal deficit for 2016-17 by the said amount.
- The State Government appointed (September 2010), the officers of 16 departments as Cess Assessment Officer and Cess Collectors. GoUP issued (August 2012) and reiterated (September 2016) orders to deposit the receipts of cess collected by the concerned officials in the Nationalised Bank account being operated by the Board for this purpose. The orders to transfer the cess directly to the bank account without bringing it into the Consolidated Fund of the State violates Article 266 (1) of the Constitution of India. Consequently, it is not ascertainable as to how much money was collected by the Cess Assessment Officers and how much money was transferred to the Board.

3.2.2 Utilisation of Labour cess

The State Government notified various schemes/ activities *viz.*, maternity benefits, pension, advances for purchase/ construction of houses, funeral assistance, medical assistance, cash awards for meritorious students, financial assistance for education/ marriage of children of beneficiaries etc., for benefit from the BOCW Welfare Fund. Details of expenditure on these schemes during 2012-17 are given in **table 3.3**:

Table 3.3: Expenditure on schemes against allotment and available fund

Year	Available funds (₹ in crore)	Scheme operated		Actual expenditure on scheme (₹ in crore)	Registered workers at the end of the year	Workers covered	Percentage		
		No.	Allotment (₹in crore)				Workers covered	Funds utilised against allotment	Funds utilised against availability
2012-13	735.00	15	225.00	3.95	2,70,871	9,610	3.55	1.76	0.54
2013-14	1,420.99	18	301.90	93.39	10,90,192	95,295	8.74	30.93	6.57
2014-15	1,958.22	22	457.90	105.96	19,58,544	2,14,121	10.93	23.14	5.41
2015-16	2,660.32	21	605.61	141.82	27,41,452	2,77,909	10.14	23.42	5.33
2016-17	3,472.74	23	752.83	249.88	34,27,104	5,16,851	15.08	33.19	7.20

(Source: Secretary, BOCW) (Provisional data)

Recommendation: *The U.P. BOCW Welfare Board should commence timely preparation of accounts and maintain relevant records to fulfil its mandate of improving the working conditions of building and other construction workers and providing adequate financial assistance to them. GoUP should also review its orders to transfer the cess directly to the bank account of the Board instead of through the Consolidated Fund.*

3.3 Transfer of additional stamp duty to Development Authorities and Housing Development Councils

The Uttar Pradesh Urban Planning and Development Act, 1973 provides for collection of additional stamp duty by the Stamps and Registration Department, which is thereafter, to be transferred to municipal corporations/ municipalities/ parishads/development authorities in specified proportions.

The amount is accounted for under the Major Head 0030-Stamps and Registration Fees, 02-Stamps Non-Judicial, 102-Sale of Stamps. However, no distinct sub head has been opened by the State Government in this regard to identify the revenues received on account of the additional stamp duty in the absence of which it is not clear how much money was received by the Government on account of two *per cent* additional stamp duty and whether all the moneys received were transferred to the concerned municipal corporations/ municipalities/parishads/ development authorities in specified proportions.

As regards the transfer of funds to development authorities/ municipalities/ parishads, it was noticed that the Government was booking expenditure under the Major Head 3475-800-03 instead of MH 2216-Housing or 2217-Urban Development as the case may be. Due to the incorrect bookings, the expenditure under MH 2216/2217- Housing/ Urban Development Department was understated while the expenditure under MH 3475 - Other General Economic Services are overstated to that extent.

GoUP issued orders (September 2015) stipulating that such additional stamp duty would first be transferred to Lucknow Development Authority (LDA), from where it would be routed to all the other entities entitled to receive these funds under the Act. However, since the Government accounts do not capture the onward transactions from LDA, it is not possible to verify from the accounts of the State Government whether the LDA has fulfilled its responsibility to transfer the full share of additional stamp duty to all the other entities. It is also not been possible to verify from the accounts whether the LDA has transferred funds only to those entities as stipulated in the Act and not to others. Details of funds transferred (₹ 418.35 crore) to various authorities are given in ***Appendix 3.1.***

Further, the Government while determining the procedure (September 2013) for distribution of the additional two *per cent* stamp duty, ordered transfer of 25 *per cent* of the amount collected to a Dedicated Urban Transport Fund which was against the provisions of the Act. As per the provisions of the Act, the additional amount of two *per cent* stamp duty collected was to be utilised only for the development of the areas from which the amount was collected and therefore transferring 25 *per cent* of the fund to Dedicated Urban Transport Fund was irregular. It was noticed that the Government had been constantly making provisions under MH 2217-80-800-08 towards this fund from the year 2014-15 onwards. The details of provisions made and expenditure on this account are detailed in **table 3.4** below:

Table 3.4: Details of provision/ expenditure for Dedicated Urban Transport Fund

(₹ in crore)

Year	Provision	Expenditure
2014-15	300	285
2015-16	434	430
2016-17	375	-

(Source: Appropriation Accounts of the respective years)

The amount of ₹ 375 crore provisioned during 2016-17 could not be drawn from the treasury and ultimately lapsed since the financial sanction was accorded on the last day of the year i.e., 31 March 2017.

Recommendation: *GoUP should ensure that the accounts fully and transparently capture the receipts and transfer of the additional stamp duty to the authorities/municipalities etc. specified under the U.P. Urban Planning and Development Act. GoUP should also review the Order transferring 25 per cent of the additional stamp duty to a Dedicated Urban Transport Fund which is against the provisions of the Act.*

3.4 Opaqueness in accounts

Minor head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of minor head 800 is to be discouraged, since it renders the accounts opaque.

Scrutiny revealed that during 2016-17, under various revenue and capital Major Heads of accounts on the expenditure side, ₹ 35,329.20 crore (constituting about 11.53 *per cent* of total expenditure) was recorded under minor head 800-Other Expenditure under different Major Heads.

Similarly, ₹ 36,826.27 crore (constituting about 14.34 *per cent* of the total revenue receipts) under various revenue Major Heads of accounts, was recorded under minor head 800-Other Receipts under different Major Heads.

Instances where a substantial proportion (50 *per cent* or more of the total receipts/ expenditure under the concerned Major Head) of the receipts/ expenditure were classified under minor head 800 - Other Receipts/ Expenditure are given as **Annexure B** and **C** of **Notes to Accounts (Finance Accounts – Volume-I).**

Though the issue has been continuously reported in previous reports of the C&AG, there has been little improvement. The fact that such substantial proportion of the receipts and expenditure under the concerned Major Head are booked under minor head 800 is cause for concern since it severely impacts transparency.

Recommendation: *The Finance Department should, in consultation with the Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate head of account.*

3.5 Non-maintenance of Cash Books

The Cash Book is the primary record of financial transactions of receipts and disbursements which is required to be maintained mandatorily in each office to ensure proper receipt and custody of Government money. Non-maintenance/ improper maintenance of Cash Book not only impacts the accuracy and completeness of accounts but is also a red flag for probable fraud, misappropriation and embezzlement of Government funds.

The reports of the C&AG submitted to the State Legislature and individual inspection reports of the Accountant General issued to various departments have flagged many instances of non-maintenance/ improper maintenance of Cash Books by various entities under GoUP. For instance, the Performance Audit of Right of Children to Free and Compulsory Education (Report No. 2 of 2017) revealed that 184 test checked schools did not maintain Cash Books. Some additional instances noticed in recent audits are listed at ***Appendix 3.2***.

Recommendation: *The Finance Department should ensure that all departments and subordinate entities of GoUP maintain Cash Books in the manner prescribed in the financial rules.*

3.6 Delay in finalisation of accounts of PSUs/Corporations

The Companies Act stipulates that the financial statements of companies are required to be finalised within six months of the end of the relevant financial year, i.e., 30 September of the next financial year. Failure to submit accounts on time renders the officers of the company liable to penal provisions under the Act, extending to fine of up to ₹ one lakh, and with further fine of up to ₹ 5,000 for every additional day of default. In the case of Statutory Corporations, the Acts governing them stipulate that their accounts are to be finalised, audited and presented to the State Legislature.

In violation of the above provisions, more than 88 *per cent* of the PSUs in Uttar Pradesh are in arrears of accounts, as detailed in **table 3.5** below:

Table 3.5: Age-wise arrears of Annual Accounts of PSUs as of 31 March 2017

Sl. No.	Particulars	Working	Non-working	Total
1	Number of PSUs	65	39	104
2(a)	Number of PSUs/Corporations having accounts in arrears	56	36	92
2(b)	Number of accounts arrears	230	527	757
3(a)	Number of PSUs/Corporations with arrears of less than 5 years	40	10	50
3(b)	Number of accounts arrears in above PSUs	76	24	100
4(a)	Number of PSUs/Corporations with accounts in arrears for 5 to 10 years	11	6	17
4(b)	Number of accounts arrears in above PSUs/ Corporations	71	36	107
5(a)	Number of PSUs/ Corporations with accounts in arrears for 10 years and above	5	20	25
5(b)	Number of accounts arrears in above PSUs/Corporations	83	467	550
6	Extent of arrears of accounts (in years)	1 to 19	1 to 34	1 to 34

(Source: Latest finalised accounts of the PSUs)

Due to non-finalisation of accounts, the C&AG has been unable to perform the supplementary audit of Companies as stipulated in the Companies Act, and statutory audit of the Corporations as stipulated in their respective Acts, for periods up to 34 years.

The above denotes failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting companies and corporations comply with the relevant Acts.

It is of specific interest to observe that even in the absence of accounts to judge the genuineness of demands for financial support from these PSUs, the Finance Department has regularly provided budgetary support to these PSUs by way of infusion of equity, loans and grants-in-aid/ subsidies. During 2016-17, the Government had provided ₹ 21,038.52 crore (equity: ₹ 13,717.74 crore, loans: ₹ 3,815.81 crore, grants: ₹ 155.87 crore and subsidies: ₹ 3,347.57 crore) to 16 working companies/ Statutory Corporation and loan of ₹ 1.53 crore to two non-working companies for which accounts have not been finalised as detailed in ***Appendix 3.3*****.**

Similarly, financial support and assistance amounting to ₹ 19,794.16 crore (equity: ₹ 19,251.33 crore, loans: ₹ 162.73 crore, grants: ₹ 320.93 crore and subsidies ₹ 59.17 crore) was given to nine working companies during 2015-16 for which accounts have not been finalised as detailed in ***Appendix 3.4*****.**

During 2016-17, total ₹ 6,741 crore was disbursed as loan by the State Government, the major disbursement being a single loan of ₹ 3,700 crore to UPPCL (for UDAY), seven loans of ₹ 490 crore to Cane Commissioner, 498 loans of ₹ 330 crore to sewage disposal and sanitation units of local bodies.

Recommendation: *The Finance Department should review the cases of all PSUs that are in arrears of accounts, ensure that the accounts are made current within a reasonable period, and stop financial support in all cases where accounts continue to be in arrears.*

3.7 Dividend not declared

The State Government had formulated (October 2002) a dividend policy under which all profit earning PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government. Accordingly, 18 PSUs[33] were required to declare dividend as per the dividend policy. However, only eight PSUs[34] declared a dividend of ₹ 6.54 crore. The remaining 10 profit earning PSUs[35] did not declare dividend of ₹ 507.48 crore

[33] 18=(Total PSUs:33 less: 15 PSUs [three PSUs namely Uttar Pradesh Jal Nigam, Uptron Powertronics Ltd. and UCM Coal Company Ltd. fall under both category i.e. having accumulated losses and without having Government Equity Capital].

[34] Uttar Pradesh Projects Corporation Ltd., Uttar Pradesh State Industrial Development Corporation Ltd., Uttar Pradesh Rajkiya Nirman Nigam Ltd., Uttar Pradesh State Construction and Infrastructure Development Corporation Ltd., Uttar Pradesh State Bridge Corporation Ltd., Uttar Pradesh Electronics Corporation Ltd., Uttar Pradesh Food and Essential Commodities Corporation Ltd. and Uttar Pradesh Purva Sainik Kalyan Nigam Ltd.

[35] Uttar Pradesh Rajya Vidyut Utpadan Nigam Ltd., Uttar Pradesh State Warehousing Corporation, Uttar Pradesh Police Awas Nigam Ltd., Uttar Pradesh Scheduled Castes Finance and Development Corporation Ltd., Uttar Pradesh Beej Vikas Nigam Ltd., Uttar Pradesh Development Systems Corporation Ltd., Uttar Pradesh Mahila Kalyan Nigam Ltd., Uttar Pradesh Alpsankhyak Vitta evam Vikas Nigam Ltd., Uttar Pradesh Matsya Vikas Nigam Ltd. and Uttar Pradesh Bhumi Sudhar Nigam Ltd.

which is contrary to the State Government's policy regarding payment of minimum dividend due. Details are given in ***Appendix 3.5.***

Recommendation: *The State Government should ensure that profit earning PSUs deposit the specified dividend invariably into the Government account at the close of the year.*

3.8 Non-reconciliation of Equities/ Loans

As of 31 March 2017, the Government had invested a total ₹ 96,400 crore in various entities[36]. It is observed that there is a difference of ₹ 8,241.58 crore between the details given in the Finance Accounts and with the figures reported by the PSUs, which is under reconciliation.

Similarly, there is difference between the Finance Accounts and the figures reported by the PSUs regarding the loans given by the GoUP which is under reconciliation.

Recommendation: *The Finance Department and the concerned administrative departments should work closely with the Accountant General (A&E) to reconcile the differences in records and accounts relating to State Government investments, loans, and guarantees extended to State PSUs.*

3.9 Reporting of pending cases

As per the details available/ reported to the office of the Principal Accountant General (G&SSA), U.P., Allahabad, 135 cases of defalcation or losses involving ₹ 8.83 crore were pending for settlement as of 2016-17. The department-wise break up of pending cases and their age-wise analysis is given in ***Appendix 3.6***. The nature of these cases is given in ***Appendix 3.7***. The nature and age profile of the pending cases given in the appendices are summarised in **table 3.6** below:

Table 3.6: Profile of pending cases

Age-profile of the pending cases			Nature of the pending cases		
Years ranging	Number of cases	Amount involved (₹ in lakh)	Nature of the cases	Number of cases	Amount involved (₹ in lakh)
0 – 5	6	64.24	Theft	61	33.21
5 – 10	15	287.80			
10 – 15	22	67.05	Misappropriations	08	58.73
15 – 20	14	62.86			
20 – 25	29	13.55	Losses	24	172.35
25 & above	49	387.07	Defalcations	42	618.28
Total	**135**	**882.57**	**Total**	**135**	**882.57**

(Source: Records of concerned departments)

Reasons for pendency, as reported by the departments are listed in **table 3.7:**

[36] Statutory Corporations (₹ 856 crore), Government Companies (₹ 93,299 crore), Co-operatives (₹ 2,199 crore) and Banks (₹ 58 crore)- details of investment amounting to ₹ 12 crore are under reconciliation.

Table 3.7: Reasons for pending cases

Reasons for the delay/outstanding cases		Number of cases	Amount (₹ in lakh)
1.	Awaiting departmental and criminal investigation	27	189.67
2.	Departmental action initiated but not finalised	74	541.63
3.	Criminal proceedings finalised but action on recoveries pending	1	4.14
4.	Awaiting orders for recovery or write off	9	6.40
5.	Pending in Courts of Law	24	140.73
	Total	**135**	**882.57**

(Source: Records of concerned departments)

Recommendation: *The Government should expedite completion of departmental action as warranted, and strengthen internal control systems to prevent/ reduce recurrence of such cases.*

3.10 Proforma Accounts of Departmental Commercial Undertakings

Departmental Commercial Undertakings are required to finalise proforma annual accounts in prescribed format, and submit the same to the Accountant General for audit within three months of closure of accounts. It was observed, however, that out of the nine departmental commercial undertakings in the State, three had not finalised their accounts for many years. Details are given in ***Appendix 3.8.***

3.11 Non-submission of Utilisation Certificates

The financial rules stipulate that where grants-in-aid are given for specific purposes, departmental officers concerned should obtain Utilisation Certificates (UCs) from grantees, which, after verification, should be forwarded to the Accountant General (A&E), to ensure that the funds have been utilised for intended purposes. It was observed, however, that UCs amounting to ₹ 97,906.27 crore were outstanding as of 31 March, 2017, as given in **table 3.8**:

Table 3.8: Outstanding Utilisation Certificates

Period	Number of Utilisation Certificates awaited	Amount (₹ in crore)
Upto 2014-15	2,25,597	66,861.14
2015-16	11,355	10,223.77
2016-17	18,071	20,821.36
Total	**2,55,023**	**97,906.27**

(Source: Finance Accounts 2016-17)

Major cases of non-submission of UCs pertain to *Panchayati Raj* Department (₹ 25,490.95 crore), Education Department (₹ 25,693.52 crore) and Social Welfare Department (₹ 26,927.49 crore). Though such instances of non-submission of UCs are being reported in the reports of the C&AG regularly, there has been no improvement. In many cases, the same recipients continue to receive further grants from the same departments, even while the UCs for earlier grants are pending. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

Recommendation: *The Finance Department should to prescribe a time frame within which administrative departments releasing grants collect UCs pending for more than the time stipulated in the grant orders and also ensure that till such time, administrative departments release no further grants to defaulting grantees.*

3.12 Outstanding Detailed Contingent Bills

The financial rules require that advances drawn through Abstract Contingent (AC) bills are adjusted promptly through Detailed Contingent (DC) bills. It was observed however, that 3,620 AC bills of ₹ 139.05 crore were lying unadjusted as on 31 March 2017, as per details in **table 3.9.** Failure to submit DC bills on time is indicative of probable misappropriation and fraud.

Table 3.9: Outstanding Abstract Contingent Bills

Year	Number of pending DC bills	Amount (₹ in crore)
Upto 2014-15	3,329	72.27
2015-16	170	19.04
2016-17	121	47.74
Total	**3620**	**139.05**

(Source: Finance Accounts 2016-17)

Audit observed that 40 AC bills of ₹ 32.97 crore were drawn in March 2017 alone, which included 11 AC bills of ₹ 32.63 crore[37], drawn by the Finance Department between 28 March and 31 March 2017. The reasons why the Finance Department withdrew ₹ 32.53 crore towards assignments to block panchayats and gram panchayats through AC bills instead of directly transferring the funds to these bodies is not clear. Unnecessary withdrawal through AC bills and non-submission of DC bills within the prescribed time breaches financial discipline and entails risk of misappropriation of public money and unhealthy practices.

Recommendation: *The Finance Department should ensure that all controlling officers adjust in a time bound manner, all AC bills pending beyond the prescribed period, and also ensure that AC bills are not drawn merely to avoid lapse of budget.*

3.13 Non-payment of interest on Deposits

The State Government is required to pay interest on deposits appearing under MH 8336 to 8342. As on 31 March 2017, the Public Account relating to these Major Heads had a balance of ₹ 3,767.19 crore (Major Head 8336-Civil Deposit: ₹ 1.49 crore, Major Head 8338-Deposits of Local Funds:

[37] Director, Fund Account of Finance Department (₹ 0.09 crore) for purchase of staff car/vehicle (₹ 8,19,000) and purchase of computer hardware/software (₹ 95,500), District Panchayat Raj Officer, Padrauna under Finance Department (Debt services and other expenditure) for assignment to block panchayat (₹ 5.64 crore) and assignment to gram panchayat (₹ 26.89 crore).

₹ 459.68 crore and Major Head 8342-Other Deposits: ₹ 3,306.02 crore). However, no interest has been paid on these deposits as is evident from the fact that no expenditure has been booked under the head 2049-60-101-Interest on Deposits during 2016-17. Taking a conservative estimate at the Government borrowing cost of 6.82 *per cent* for 2016-17 alone, the interest payable on this deposits amounted to ₹ 256.92 crore for this period. Consequently, the Revenue Surplus for 2016-17 was overstated by ₹ 256.92 crore.

Recommendation: *The Finance Department should review the balances under MH 8336 to 8342 for appropriate action to book interest in respect of all interest bearing deposits.*

3.14 Apportionment of balances as on reorganisation of the State

Balances amounting to ₹ 8,757.37 crore representing balances under Deposits and Advances (MH 8336- Civil Deposits to MH 8550- Civil Advances) remain to be apportioned between the successor States of Uttar Pradesh and Uttarakhand, almost two decades after the reorganisation of the composite State of Uttar Pradesh with effect from 8 November 2000.

Recommendation: *The State Government should expedite the apportionment of balances under Deposits and Advances (₹ 8,757.37 crore) between the two successor States.*

3.15 Variation in Cash Balance

As per the Certificate of confirmation of balances issued by Reserve Bank of India, the State had a debit balance of ₹ 1,407.94 crore while the closing cash balance of the State for the month of March 2017 as certified by the Accountant General (A&E) was ₹ 1,280.65 crore. Thus, there is a difference of ₹ 127.29 crore (net debit) including the previous years' balances, between the cash balance of the State Government, as worked out by the Accountant General (A&E) and as reported by the Reserve Bank of India (as on 31.03.2017).

The State Government stated (January, 2018) that the process of reconciliation is under progress.

3.16 Non-transfer of amounts to the Central Road Fund

The list of Major and Minor Heads prescribes the accounting procedure relating to the Central Road Fund (CRF). In terms of this procedure, such grants received from Government of India (GoI) are first to be transferred to the Public Account, from where expenditure on maintenance and repairs of roads and bridges is to be set off. GoUP, however, failed to transfer the ₹ 219.71 crore received as CRF grant in 2016-17 to the Public Account, and though ₹ 4,639.29 crore was incurred against maintenance and repairs of roads and bridges, it could not be ascertained how much of GoI release of ₹ 219.71 crore was utilised for the intended purposes.

The State Government stated that as the Central Government provides grants from Central Road Fund (created by the Central Government) to the State Government for construction of roads which is credited under the Major Head 1601- "Grants-in-aid from Central Government" and that the expenditure is incurred from the concerned Major Head 3054/5054 for maintenance of State Roads which are the assets of the State Government and therefore, it was not desirable to transfer an amount equivalent to the said grant to the Major Head 8449-103-Central Road Fund.

The view of the State Government is not in order as it deviates from the accounting procedure of the Central Road Fund.

3.17 Impact on Revenue Surplus and Fiscal Deficit

The impact of incorrect booking/accounting of expenditure and revenue resulted in overstatement of Revenue Surplus by ₹ 4,532.04 crore and understatement of Fiscal Deficit to the tune of ₹ 4,462.96 crore as depicted in the Finance Accounts is given in **table 3.10** below:

Table 3.10: Impact on Revenue Surplus and Fiscal Deficit as per Accounts

Particulars	Impact on Revenue Surplus (₹ in crore)		Impact on Fiscal Deficit (₹ in crore)	
	Over statement	Under statement	Over statement	Under statement
Minor construction works and grants-in-aid booked under Capital section instead of Revenue	69.08	-	-	-
Amount transferred from Sinking Fund to Consolidated Fund as revenue receipts	4,145.61	-	-	4,145.61
Non contribution to Guarantee Redemption Fund	298.27	-	-	298.27
Interest on balances of State Disaster Response Fund	19.08	-	-	19.08
Total	**4,532.04**	**-**	**-**	**4,462.96**

(Source: Finance Accounts 2016-17)

However, as discussed in various places in the report, the impact of incorrect booking/accounting of expenditure and revenue as worked out by Audit are discussed in **table 3.11:**

Table 3.11: Impact on Revenue Surplus and Fiscal Deficit as per Audit

Particulars	Impact on Revenue Surplus (₹ in crore)		Impact on Fiscal Deficit (₹ in crore)	
	Over statement	Under statement	Over statement	Under statement
Minor construction works and grants-in-aid booked under Capital section instead of Revenue	69.08	-	-	-
Sinking Fund transactions	-	6,626.74	6,626.74	-
Non contribution to Guarantee Redemption Fund	298.27	-	-	298.27
Interest on balances of State Disaster Response Fund	19.08	-	-	19.08
Non-payment of interest on deposits	256.92	-	-	256.92
Un-transferred amount of labour cess to Board	34.48	-	-	34.48
Total	**677.83**	**6,626.74**	**6,626.74**	**608.75**

In view of the above, the Revenue Surplus and Fiscal Deficit of the State which was ₹ 20,283 crore and ₹ 41,187 crore (excluding UDAY) would actually be ₹ 19,605 crore and ₹ 41,796 crore respectively. The impact of sinking fund transactions above would result in increasing the outstanding liabilities of the State to that extent i.e., the outstanding liabilities would be ₹ 4,15,049 crore instead of ₹ 4,08,422 crore (excluding UDAY) as depicted in **table 1.32** above. The overall impact of these on the performance of the State are discussed in **para 1.1.2** above.

(P.K. KATARIA)
Principal Accountant General (G&SSA)
Uttar Pradesh

ALLAHABAD
THE 06 JUNE 2018

COUNTERSIGNED

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

NEW DELHI
THE 7th June, 2018