

## Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 has been prepared for submission to the Governor of Uttar Pradesh under Article 151 of the Constitution of India.

The instances mentioned in this Report are those, which came to notice in the course of test audit of various departments under Economic and Revenue Sectors of Government of Uttar Pradesh (GoUP) for the period 2016-17, as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

This Report contains two parts.

### PART-A: ECONOMIC SECTOR

This part contains the results of Compliance Audits of various departments under Economic Sector of the Government of Uttar Pradesh conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

This part highlights the following:

1. Audit of the Loan Waiver Scheme 2012 (LWS-2012) launched by the Cooperative Department in December 2012 revealed as under:

- ✓ LWS-2012 aimed to benefit small and marginal farmers who had taken loan up to ₹ 50,000 and repaid at least 10 *per cent* of the principal amount. However, the scheme contravened orders (December 2007) of the Revenue Department, GoUP which prohibited revenue recovery proceedings through auction of land, against small and marginal farmers holding land up to 3.125 acres even if they had taken loan up to ₹ one lakh or more.
- ✓ LWS-2012 was designed to benefit only the farmers who had availed loan from Uttar Pradesh Sahkari Gram Vikas Bank (UPSGVB) and not other farmers who had availed of similar loans from other cooperative and PSU banks, including those cooperative banks where GoUP owned significant equity.
- ✓ LWS 2012 benefitted around 7.58 lakh small and marginal farmers, and cost the exchequer ₹ 1,784 crore during 2012-16. Audit test check in 17 out of 75 districts revealed that three to 18 *per cent* of the farmers who received the benefits were ineligible, since they had not repaid even the stipulated minimum of 10 *per cent* of the principal amount.
- ✓ The scheme enabled UPSGVB to become profitable during 2012-16 (otherwise, UPSGVB was loss making entity).
- ✓ There was inherent conflict of interest in planning and execution of the scheme as up to December 2012, the Principal Secretary, Cooperative Department also functioned as Chairman UPSGVB. Thereafter, during the implementation period, the Minister, Cooperative Department headed the bank.

2. Directorate, Electrical Safety, Uttar Pradesh failed to ensure compliance to the Uttar Pradesh Electricity (Duty) Act, 1952 resulting in non-realisation of Electricity Duty and interest thereon amounting to ₹ 19.38 crore.

## **PART-B: REVENUE SECTOR**

This part contains significant findings of audit of Receipts of major revenue earning departments under the Revenue Sector of the Government of Uttar Pradesh conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

This part highlights the following:

1. The Finance Department fixed the budget estimates for 2016-17 by unilaterally increasing the budget estimates of the previous year by 10 *per cent*, ignoring the proposals of the Administrative departments, resulting in wide variations between budget estimates and actual receipts of tax and non-tax revenues. The Finance Department refused to provide Audit with the records relating to the erroneous fixation violating the Constitutional mandate of the Comptroller and Auditor General of India as enshrined in Section 18 (1) (b) of the DPC Act, 1971 and Regulation 181 of the Regulations on Audit and Accounts, 2007.
2. The total arrears in revenue of ₹ 28,070.32 crore in five principal heads of revenue at the end of 2016-17 amounted to 24.42 *per cent* of the total revenue receipts of the State (₹ 1,14,909.99 crore) for 2016-17, of which 42.26 *per cent* (₹ 11,863.23 crore) of the arrears were pending recovery for periods of five years or more.
3. The Department failed to act on the directions of the Public Accounts Committee to ensure compliance to the Rules relating to timely deposit of Basic License Fee and License Fee on settlement of shops. The Department did not initiate any action for cancellation of settlement, and forfeiture of basic license fee/ license fee (₹ 843.16 crore) and security (₹ 453.91 crore) totaling to ₹ 1,297.07 crore, in contravention to the rules.
4. The Government was deprived of ₹ 87.93 crore due to fixing MGQ of country liquor lower than previous year's MGQ.
5. Application of incorrect rate of tax and misclassification of goods resulted in short/ non- levy of tax amounting to ₹ 5.75 crore by the Commercial Tax Department.
6. Despite similar observations by Audit in previous Audit Reports, the Assessing Authorities did not perform due diligence in assessment of VAT cases which led to recurrence of similar nature of irregularities amounting to ₹ 19.28 crore.
7. The Department failed to levy fitness fee of ₹ 54.28 lakh and impose penalty of ₹ 3.94 crore on 9,852 vehicles potentially plying without valid fitness certificates.
8. The Transport Department failed to stop unsafe vehicles from potentially plying on the roads and also failed to impose penalty on overloaded goods vehicles and fine on unregistered common carriers amounting to ₹ 2.18 crore.
9. Valuation of residential land at agricultural rates led to short levy of stamp duty and registration fees of ₹ 6.05 crore.
10. The Mining Department failed to recover cost of minerals amounting to ₹ 191.02 crore and levy penalty of ₹ 2.95 crore from 1,181 contractors undertaking civil works.

11. The Mining Department failed to recover ₹ 33.75 crore on minor minerals excavated without environment clearance, and ₹ 7.71 crore on minor minerals excavated without approved mining plan.

The Audit has been conducted in conformity with the Regulations on Audit and Accounts and the Auditing Standards issued by the Comptroller and Auditor General of India.