OVERVIEW

This Report includes five chapters with three performance reviews, an Integrated Audit and 28 other paragraphs (including one general paragraph) dealing with results of audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

Copy of the performance reviews and paragraphs were sent to the Commissioners/Secretaries of the departments concerned by the Accountant General for furnishing replies within six weeks. Replies were received in respect of two audit paragraphs only. Wherever received and appropriate, the departmental views and explanations have been incorporated in this Report.

CIVIL

PERFORMANCE REVIEW

Revenue Department

1.1 Computerisation of Land Records (CLR) Scheme

Ministry of Rural Development, Government of India (GOI) initiated 'Computerisation of Land Records (CLR)' project in 1988-89, as a centrally sponsored scheme for which 100 *per cent* financial assistance was provided to the States. As land records are a State subject, implementation of the project was to be done by the States. The central aim of the project was to remove the flaws inherent in the manual maintenance of land records. The project also aimed at making the maintenance of land records efficient and transparent and improving access to land records. An IT Audit of the scheme revealed several deficiencies in planning, documentation, input control, database design, etc.

Updated Antivirus software was not installed on the computer system. Business Continuity Plan was not in place and security controls were inadequate. Delays were noticed in updation of *khataunis*. The automatic updation of land records through online mutation was not found to be in practice. Mutation orders were not updated in computer system within the prescribed time limit. Only 48 *per cent* of total land area has been computerised; besides, the *khasra* is yet to be computerised. Except in Dehradun tehsil, Touch Screen Computer Kiosks were lying idle in absence of installation/proper connectivity/repairs. As a result of weak access controls, revenue officials below the rank of Registrar *Kanoongo* and even private operators were found working as 'administrator' having access to 'System Management Module' of the software. Bio-metric devices though purchased in December 2005 were not found to be installed in any of the test checked tehsils. Despite funds to the tune of Rs.12.08 crore having been provided, the Department could not initiate scanning and digitization of cadastral maps. The District Societies were able to utilize only 33 *per cent* of the receipts generated from distribution of Record of Rights (ROR); the Tehsil Data Centres (TDCs) suffered from day-to-day problems relating to operation and maintenance. The State Monitoring Cell at Dehradun and District Data Centres in all the five test checked districts were non-functional inspite of installation of hardware of the amount of Rs.44.27 lakh.

Field inspections form an integral part of ensuring effective implementation of any scheme. However, the State Revenue Department did not prescribe any procedure or time table for undertaking such inspections. As a result, only sporadic effort at reviewing and evaluating the implementation of CLR were in evidence.

[Paragraph: 1.1]

AUDIT OF TRANSACTIONS

INFRUCTUOUS/WASTEFUL EXPENDITURE AND OVER PAYMENT

- Failure in ascertaining and ensuring the safety of foundation structure by Construction Division, PWD, Haldwani led to the collapse of bridge entailing a financial loss of Rs.4.46 crore besides depriving smooth transport through bye-pass route.

[Paragraph 2.2]

- Reconstruction of a road by Construction Division, PWD, Kashipur (Udhamsingh Nagar) at a cost of Rs.1.36 crore without adopting proper overlay design coupled with poor execution and disregard to recommended corrective measures resulted in the road getting prematurely damaged within two months of construction.

[Paragraph 2.3]

- Negligent execution of road works by splitting into an inordinately high number of agreements compromised the quality of works by Temporary Division, PWD, Sahiya, Dehradun; leading to their premature damage resulting in wasteful expenditure of Rs.5.15 crore.

[Paragraph 2.4]

- Roads (Jaspur-Thakurdwara road and Kashipur-Aliganj road) reconstructed by Construction Division, PWD, Kashipur at a cost of Rs.1.61 crore without proper crust design were damaged within six months of their construction, rendering the entire expenditure wasteful.

[Paragraph 2.5]

UNDUE FAVOUR TO CONTRACTORS/AVOIDABLE EXCESS EXPENDITURE

- Inflated rate-analysis and superfluous use of bituminous macadam and semi dense bituminous concrete by Temporary Division, PWD Thatyur (Tehri) led to unjustifiable expenditure of Rs.2.68 crore.

[Paragraph 2.8]

IDLE INVESTMENT/IDLE ESTABLISHMENT/BLOCKING OF FUNDS/DELAY IN COMMISSIONING EQUIPMENT/ DIVERSION/MISUTILISATION

- A project meant for strengthening forest roads in six districts (Udhamsingh Nagar, Haridwar, Nanital, Dehradun, Pauri and Champawat) taken up by the State Government failed to achieve its objectives of providing all weather roads in sensitive areas despite an expenditure of Rs.53.15 crore due to deficiencies in management and monitoring.

  [Paragraph 2.10]
- The trauma care unit, constructed by Chief Medical Superintendent, District Hospital, Gopeshwar at a cost of Rs.1.49 crore was non-functional in an area prone to road accidents; as a result, accident victims had to be referred to considerably distant places like Srinagar and Dehradun.

  [Paragraph 2.11]
- Construction Division, Uttarakhand, Peyjal Sansadhan Vikas Evam Nirman Nigam, Pauri failed to plan and formulate specifications accurately and execution of work with altered specifications without the prior approval of the Government, led to Rs.5.35 crore remaining blocked for over three years and non-achievement of the objective of the sewage treatment and utilization scheme.

  [Paragraph 2.13]
- Poor planning by Construction Division, PWD, New Tehri resulted in avoidable blocking of funds worth Rs.1.37 crore and denial of benefits to the local populace.

  [Paragraph 2.14]
- Flouting of Indian Road Congress (IRC) specifications, indicative of loose controls by Provincial Division, PWD, Haridwar resulted in damage to the road strengthened at a cost of Rs.4.28 crore.

  [Paragraph 2.15]
- Failure on the part of the project authorities to mobilize institutional credit led to foreclosure of a special self employment project leaving it only partially complete; the sustainability of the project to the extent it was completed, is also undermined despite incurring an expenditure of Rs. 3.92 crore.

  [Paragraph 2.16]

REGULARITY ISSUES AND OTHER POINTS

- Threat to wildlife in the Rajaji National Park continued due to non-evacuation of 147 families belonging to a semi-nomadic tribe, despite arrangements for their rehabilitation involving land and other facilities valued at Rs.9.01 crore.

  [Paragraph 2.18]

INTEGRATED AUDIT OF RURAL ENGINEERING SERVICE DEPARTMENT

An integrated audit of the Rural Engineering Service (RES) Department, to examine and assess the functioning / activities against its mandate and goals, for the period 2004-05 to 2008-09 revealed deficiencies in estimation, granting of technical sanctions, acceptance of bids and execution of works which resulted in excess expenditure on works and undue benefit to the contractors. Management of deposits and stores was not found in accordance with provisions of financial rules as there are number of cases relating to excess expenditure over deposits, non-recovery of advances, un-authorised retention of unspent balances, lapsed deposits and stock profit in all the sampled divisions. Human resource management of RES was also found poor as most of the executive and supervisory posts of the Department are being managed by nominating *Prabhari* from lower cadres, deployment of staff in the divisions was disproportionate and laid-down transfer policies were not adhered to. Periodical inspections by SEs were fewer than mandated and were rendered ineffective due to absence of follow-up actions, indicative of weak internal control mechanism.

There was substantial growth in entrustment of works and deposits in the divisions and the Department was unable to ascertain the quantum of works to be undertaken as the responsibility of the RES in terms of workload and number of client departments was never defined by the Government.

[Paragraph 3.1 to 3.1.14]

REVENUE

PERFORMANCE REVIEW

Review on 'Taxation on Transactions (Sale/Purchase & Transfer) in the course of Inter-State trade or commerce under Central Sales Tax Act, 1956'

- Due to the absence of a provision for verification of registration certificate/agreement before allowing stock transfers, the assessing authorities could not detect irregular claim of exemption on transfer of goods to places not declared in the registration certificate resulting in short realization of tax Rs.60.47 lakh including interest.

  [Paragraph 4.2.7]

- Absence of a system for cross verification of declaration forms issued by the dealers of other States resulted in non-detection of fake/invalid forms and consequently, there was short realisation of tax Rs.1.43 crore including interest and penalty.

  [Paragraph 4.2.8]

- Irregular allowance of exemption on defective forms resulted in short levy of tax of Rs.1.50 crore including interest.

  [Paragraph 4.2.10]

- Suppression of purchase resulted in short realisation of tax of Rs.40.01 lakh including penalty.

[Paragraph 4.2.11]

- Irregular grant of concession to industrial units resulted in short levy of tax Rs.1.15 crore.

[Paragraph 4.2.12]

AUDIT OF TRANSACTIONS

- For delay in payment of tax, penalty of Rs. 57.84 lakh though leviable was not levied.

[Paragraph 4.3]

- Under valuation of property resulted in short levy of stamp duty of Rs.9.30 lakh.

[Paragraph 4.4]

- Additional tax of Rs. 80.36 crore was realised by the Uttarakhand *Parivahan Nigam*, of which Rs.27.68 crore was deposited, leading to non-remittance of Rs.52.68 crore.

[Paragraph 4.5]

- Non-realisation of revenue of Rs.23.65 lakh from 119 maxi cabs.

[Paragraph 4.6]

COMMERCIAL

Overview of Government Companies and Statutory Corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Uttarakhand had 20 working PSUs and four non-working PSUs which employed 0.17 lakh employees. The working PSUs registered a turnover of Rs.1527.06 crore for 2008-09 as per their latest finalised accounts. The working PSUs incurred a loss of Rs.151.41 crore and had accumulated loss of Rs.283.60 crore for 2008-09.

- **Investments in PSUs**

As on 31 March 2009, the investment (capital and long term loans) in 24 PSUs was Rs.5476.79 crore. It increased by 429.66 *per cent* from Rs.1034.02 crore in 2003-04 to Rs.5476.79 crore in 2008-09. The Government contributed Rs.319.92 crore towards equity, loan and grants during 2008-09.

- **Performance of PSUs**

During the year 2008-09, out of 20 working PSUs, eight PSUs earned profit of Rs.63.86 crore and 10 PSUs incurred loss of Rs.215.27 crore. The major contributors to profit were State Infrastructure & Industrial Development Corporation of Uttaranchal Limited (Rs.56.49 crore) and Uttarakhand Purve Sainik Kalyan Udham Limited (Rs.3.67 crore). The heavy losses were incurred by Uttaranchal Power Corporation Limited (Rs.168.28 crore), Kichha

Sugar Company Limited (Rs.14.94 crore), Doiwala Sugar Company Limited(Rs.10.14 crore) and Uttarakhand Parivhan Nigam (Rs.10.29 crore). In respect of Uttarakhand State Infrastructure Development Corporation Limited and Uttarakhand Pey Jal Sansadhan Evam Nirman Nigam, the PSUs have yet to finalise/submit the accounts. The losses are attributable to various deficiencies in the functioning of PSUs. A review of two years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 99.80 crore and infructuous investment of Rs 9.52 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

- **Quality of accounts**

The quality of accounts of PSUs needs improvement. In respect of 11 PSUs, the Statutory auditors gave qualified certificate and one PSU received adverse comment. In addition one adverse certificate was issued by the CAG to one company. In respect of seven accounts finalised during October 2008 to September 2009, report of Statutory auditors on internal control of the companies indicated four weak areas.

- **Arrears in accounts and winding up**

Twenty working PSUs had arrears of 135 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were four non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

- **Discussion of Audit Reports by COPU**

The Commercial Chapters included in the Audit Reports for 2003-04 onwards are yet to be discussed fully by COPU. These five chapters contained three reviews and 19 paragraphs which were yet to be discussed.

Performance Review relating to Statutory Corporation

Performance review relating to 'Functioning of Uttarakhand Parivahan Nigam' was conducted. Executive summary of the audit findings are given below:

Functioning of Uttarakhand Parivahan Nigam

The Uttarakhand Parivahan Nigam (Nigam) provides public transport in the state through its 17 depots. The Nigam had fleet strength of 1,095 buses as on 31 March 2009 and carried an average of 1.11 lakh passengers per day. It accounted for a share of 17.58 *per cent* in public transport with rest coming from private operators. The performance audit of the Nigam for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Nigam.

- **Finance and performance**

The Nigam suffered a loss of Rs. 14.09 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs.236.61 crore and Rs.33.13 crore as on 31 March 2009, respectively. The Nigam earned Rs.14.96 per km and expended Rs. 16.04 per km in 2008-09. Audit noticed that with a right kind of policy measure and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

- **Declining share**

Of 6,287 buses licensed for public transport in 2008-09, about 17.58 *per cent* belonged to the Nigam. The percentage share declined from 20.07 *per cent* in 2004-05 to 17.58 *per cent* in 2008-09. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/ add new buses) and lack of support from the State Government. Nevertheless, vehicle density (including private operators buses) per one lakh population increased marginally from 53.57 in 2004-05 to 60.30 in 2008-09 indicating stability in the level of public transport in the State.

- **Vehicle profile and utilisation**

Nigam's buses consisted of own fleet of 1095 buses and 63 hired buses at the end of 2008-09. Of its own fleet, 99 (9.04 *per cent*) were overage, i.e. more than eight years old. The *per cent* of overage buses declined from 43.31 per cent in 2004-05 to 9.04 *per cent* in 2008-09 due to acquisition of 981 new buses during 2004-09 at a cost of Rs.109.49 crore. Nigam's fleet utilization at 95 *per cent* in 2008-09 was above the All India Average (AIA) of 92 *per cent*. Its vehicle productivity at 340 kilometers per day per bus was also above the AIA of 313 kilometers. Similarly, its load factor at 68 *per cent* remained above the AIA of 63 *per cent*. However, the Nigam did not fix its own targets of vehicle productivity and load factor. Though the Nigam did well on operational parameters, its 73 *per cent* routes were unprofitable due to high cost of operations and non-reimbursement of full cost of operations on uneconomical routes by the State Government. Nigam's performance on repair and maintenance was poor.

- **Economy in operations**

Manpower and fuel constitute 73.68 *per cent* of total cost. Interest, depreciation and taxes account for 7.79 *per cent* and are not controllable in the short term. Thus, the controllable expenditure has to come from manpower and fuel. The manpower per bus increased from 5.49 in 2004-05 to 6.95 in 2006-07 but decreased to 6.24 in 2008-09. The Nigam did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs.23.22 crore during 2004-09. The number of hired buses decreased from 91 in 2004-05 to 63 in 2008-09. The Nigam earned a net profit of Rs.10.57 crore from hired buses during 2004-09. As this activity is profitable and has the potential to cut down the cost substantially, the Nigam needs to explore possibility to replace overage buses by hiring more buses in future.

- **Revenue maximisation**

Nigam's staff at depot and Headquarters conducts en-route checking of buses. Though checking by higher management was required, the same was not being carried out. This is one area for the Nigam to plug leakage of revenue. Further the Nigam has about 5.89 hectares of land. As it mainly utilizes the ground floor/land for its operation, the space above can be developed on public private partnership basis to earn steady income which can be used to cross-subsidise its operations. The Nigam has proposals for some projects on PPP mode, but these are still at very initial stage.

- **Need for a regulator**

The fare per kilometer stood at 54 paise from April 2008. Though the State Government approves the fare increase, there is no scientific basis for its calculation. The Nigam has also not framed norms for providing services on uneconomical schedules.

- **Inadequate monitoring**

Independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify the fixation of targets for various operational parameters and effective Management Information System (MIS) for obtaining feedback on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not take/ recommend suitable measures to control the cost and increase the revenue.

- **Conclusion and recommendations**

Though the Nigam is incurring losses, it is mainly due to its high cost of operations and not due to low fare structure. The Nigam can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains five recommendations to improve the Nigam's performance. Hiring of buses, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. Gist of some of the important audit observations is given below:

Failure of Power Transmission Corporation of Uttarakhand Limited in exercising due diligence in land acquisition has resulted in blocking up of Rs.3.67 crore and consequential loss of Rs.72.36 lakh on account of interest.

[Paragraph 5.3]

State Infrastructure and Industrial Development Corporation of Uttarakhand Limited suffered a loss of Rs.1.16 crore by taking a decision for transfer of plots against its policy banning transfer of plots.

[Paragraph 5.6]