सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2015

भारतीय लेखा एवं लेखापरीक्षा विभाग
INDIAN AUDIT AND ACCOUNTS DEPARTMENT

Government of Uttarakhand

Report No.1 of the year 2016

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2015

Government of Uttarakhand

Report No. 1 of the year 2016

Table of Contents

Appendices

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March, 2015 has been prepared for submission to the Governor of the State of Uttarakhand. This Report contains three Chapters. Chapter I & II of this Report are required to be placed before the State Legislature under Article 151(2) of the Constitution of India. In case of chapter III of this Report, the Government is required to submit this portion to the State Legislature under Section 19 (A) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Chapter-I of this Report relates to audit of expenditure of the Social, General and Economic Sectors (Non-PSUs) of the Government departments conducted under the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Chapter contains significant results of the performance audit and compliance audit of the departments/ autonomous bodies of the Government of Uttarakhand for the year ended 31 March 2015.

Chapter-II of this Report contains significant findings of audit of Receipts and Expenditure of major revenue earning Departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Chapter-III of this Report relates to the audit of State Public Sector Undertakings of Social and Economic Sectors. Audit of accounts of Government companies (including companies deemed to be Government Companies as per provision of the Companies Act) are conducted by the Comptroller & Auditor General under Section 619 of companies Act 1956 and Sections 139 and 143 of the Companies Act, 2013 and audit of Statutory Corporations under their respective legislation.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the year 2014-15 as well as those which came to notice in earlier years, but could not be dealt with in previous Audit Reports; instances relating to the period subsequent to 2014-15 but pertaining to the year 2014-15 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued (March 2002) by the Comptroller and Auditor General of India.

Overview

OVERVIEW

This Report comprises three chapters containing audit findings pertaining to Social, General and Economic Sectors (Non-PSUs); Revenue Sector; and Social & Economic Sector (PSUs). There are three Performance audits on Rashtriya Madhyamik Shiksha Abhiyan, National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme) and Rashtriya Krishi Vikas Yojana and 25 compliance audit paragraphs involving ₹ 598.74 crore. Some of the major findings are mentioned below:

Social, General and Economic Sectors (Non-PSUs)

The total expenditure of the State increased from ₹ 13,536 crore to ₹ 26,254 crore during 2010-11 to 2014-15, the revenue expenditure of the State Government increased by 82 *per cent* from ₹ 11,621crore in 2010-11 to ₹ 21,164 crore in 2014-15. The revenue expenditure constituted 81 to 86 *per cent* of the total expenditure during the year 2010-11 to 2014-15 and capital expenditure was 13 to 19 *per cent.* During the period, Revenue expenditure increased at an annual average rate of 14.99 *per cent*, whereas revenue receipts also grew at an annual average rate of 16 *per cent* during 2010-11 to 2014-15.

PERFORMANCE AUDIT

Rashtriya Madhyamik Shiksha Abhiyan

- Bottom up approach was not adopted for preparation of the Perspective Plan (PP) and the Annual Work Plan and Budget (AWP & B) as the school level plans, which were to act as the building blocks for the state level plans, were not prepared by the School Management Development Committees (SMDCs).

[Paragraph 1.2.6.1]

- In the State, 83 *per cent* of the schools are without activity rooms, 76 *per cent* are without library, 55 *per cent* are without a play-ground, 50 *per cent* are without a computer room, 48 *per cent* are without an integrated science lab, and 14 *per cent* are without classrooms and without electricity, thus adversely affecting achievement of the main objectives of RMSA of providing minimum necessary physical infrastructure in the schools.

[Paragraph 1.2.8.4]

- Out of total released funds of ₹ 167.14 crore, ₹ 88.33 crore (53 *per cent*) were lying unutilized since inception of the scheme resulting in completion of only 25 *per cent* construction works which led to the children being deprived of the necessary infrastructure facilities.

[Paragraph 1.2.8.1]

- In 126 out of 271 upgraded schools, enrollment of students in class IX was below the prescribed norm of 25. No action was taken by the Department to impart vocational education despite availability of funds from the Government of India.

[Paragraph 1.2.8.2]

- Students could not get the benefit of Information Communication Technology (ICT) even though ₹ 6.67 crore were available under the scheme.

[Paragraph 1.2.12]

National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme)

- There were disruptions in providing mid day meals in schools as seen in 50 of the 120 selected schools.

[Paragraph 1.3.8.3]

- Micronutrients and supplements were not being administered to the children as per requirement and health check-ups were short by upto 79 *per cent* during 2010-13.

[Paragraph 1.3.8.6]

- The scheme failed to improve enrolment in schools as actual enrollment declined by 22 *per cent* during 2010-15.

[Paragraph 1.3.9.1]

- There was an adverse impact on teaching activities as involvement of teaching staff in the programme activities ranged between nine to 12 hours per week as against the required four hours per week.

[Paragraph 1.3.9.3]

Rashtriya Krishi Vikas Yojana

- The State and District Agriculture Plans were prepared after a delay of 21 and 31 months respectively from the scheduled dates.

[Paragraph 1.4.6.1]

- During 2010-15, the State Level Sanctioning Committee approved 56 projects even before their Detailed Project Reports were prepared.

[Paragraph 1.4.6.2]

- An excess expenditure of ₹ 3.09 crore, in respect of six projects pertaining to the years 2011-13, was incurred without the approval of the SLSC.

[Paragraph 1.4.7.2]

- Three Organic Waste Convertor plants, installed at a cost of ₹ 4.86 crore, remained non-functional even after lapse of 12 to 17 months of their installation.

[Paragraph 1.4.8.2 (a)]

COMPLIANCE AUDIT

Activities of Civil Aviation Department

Fees for landing, parking, hanger usage of helicopters/aircrafts of private Companies at various helipads and airstrips were not being realized by the Uttarakhand Civil Aviation Development Authority. The Authority was not following the prevalent rules/ regulations in procuring parts and tools for government Helicopter and Aeroplane.

[Paragraph 1.5]

Unfruitful Expenditure

Unauthorized construction of auditorium on a land not owned by the Culture Department resulted in unfruitful expenditure of ₹ 1.03 crore.

[Paragraph 1.6]

Loss of revenue

Cessation of exploitation of forest produce by the Forest Department resulted in loss of revenue worth ₹ 93.31 lakh.

[Paragraph 1.7]

Wasteful Expenditure

Ill-conceived selection of site by the Department of Medical, Health and Family Welfare for construction of base hospital rendered expenditure of ₹ 2.12 crore on site development wasteful.

[Paragraph 1.8]

Idle Equipment

The purpose for which hill recovery cranes were allotted by the GoI was defeated as two cranes allotted to SP, Tehri and SSP, Dehradun valued at ₹ 40.89 lakh remained idle for periods of six and three years respectively.

[Paragraph 1.9]

Undue benefit to a manufacturer

Subsidy of ₹ 22.89 lakh was paid by the Industrial Development Department to a manufacturer on the basis of false claims which was now recoverable with interest of ₹ 9.91 lakh.

[Paragraph 1.10]

Avoidable Expenditure

The State Government had to pay an amount of ₹ 152.20 lakh from its own resources, in a road work under centrally sponsored scheme PMGSY, due to faulty preparation of DPR by the Rural Development Department.

[Paragraph 1.11]

Forgoing of Interest

Non-charging of interest by the Public Works Department on mobilization advance paid to contractors resulted in forgoing of interest to the tune of ₹ 1.73 crore.

[Paragraph 1.12]

Undue favour to contractor

The Public Works Department unduly favoured contractor in providing time extensions against its own norms which led to waiving of liquidated damage of ₹ 3.30 crore.

[Paragraph 1.13]

Deposit Works in the Public Works Department

The expenditure incurred on deposit works were not limited to the amount of deposit received for the works and these excess amount were met out from other deposit works. This excess amount was also not being charged to "Miscellaneous P.W. advances". After completion of deposit works, the concerned divisions did not surrender the balances/un-expended balance to the client departments. Most of the divisions were not maintaining and reporting the correct picture regarding actual deposits received, expenditure incurred, and up-to date position of progress of works and funds availability in prescribed Form-65. Besides, Deposit register Part-III (primary record of deposit works) were also not being maintained by few divisions.

[Paragraph 1.14]

Idle Expenditure

Expenditure of ₹ 1.02 crore, made by Social Welfare Department on a girls hostel, remained idle as the building could not be put to use in the absence of any arrangement for its operation.

[Paragraph 1.16]

Revenue Sector

COMPLIANCE AUDIT

Short levy of tax due to incorrect application of rate of VAT

Incorrect application of rate of tax by the Assessing Authority resulted in short levy of tax of ₹ 4.08 lakh, besides interest of ₹ 3.98 lakh was also leviable.

[Paragraph 2.2]

Unauthorized utilization of Form-11

Utilization of unauthorized declaration of Form-11 for the purchase of molasses at concessional rate which were used in manufacture and sale of non-taxable country liquor resulted in loss of revenue amounting to ₹ 16.85 lakh, besides penalty of ₹ 59.47 lakh was also leviable.

[Paragraph 2.3]

Non-imposition of penalty

Non-imposition of penalty of ₹ 3.25 lakh for wrongly claiming Input Tax Credit.

[Paragraph 2.4]

Non-levy of penalty of ₹ 5.81 lakh for delayed payment of tax

Penalty of ₹ 5.81 lakh was not levied by the Assessing Authorities, even though the dealers failed to pay the tax due under the provision of the Act within the time allowed.

[Paragraph 2.5]

Short levy of tax

Erroneous application of the clause (c) of sub section (3) of the Section 4 of the Act at the time of assessment of the tax on the sale of the earlier period when clause (c) was not applicable, resulted in short levy of tax ₹ 2.57 lakh at differential rate of 8.5 *per cent* besides interest of ₹ 2.15 lakh.

[Paragraph 2.6]

Short levy of Tax against declaration Form-11 and Form-C

There was short levy of tax on invalid declaration in Form-C (₹ 65.81 lakh) and transaction against local declaration on Form-11 (₹ 82.73 lakh).

[Paragraph 2.7]

Pendency of cases in the Revenue Department

The shortage of Presiding Officers and frequent strikes by advocates led to the buildup of pendency of cases in the revenue courts. Set target for disposal of revenue cases was under achieved by approximately 50 *per cent* during the years 2013-14 and 2014-15. As a result the pendency of revenue cases at various levels increased from 16,108 (April, 2003) to 34,209 cases (August 2015).

[Paragraph 2.8]

Social and Economic Sector (PSUs)

COMPLIANCE AUDIT

Avoidable Expenditure

Uttarakhand Power Corporation Limited did not register on power exchanges for power trading resulting in avoidable expenditure of ₹ 4.68 crore as trading margin/ transaction fee chargeable to traders.

[Paragraph 3.2]

Implementation of Re-structured Accelerated Power Development and Reform Programme (R-APDRP).

The programme could not yield the desired objectives due to incomplete execution of the modules of Part-A and very slow progress of the works planned under Part-B. AT&C losses increased even after implementation of Part-B. UPCL failed to fix the reliability indices of power supply and proper monitoring of the scheme at the apex level. As the progress of Part-B works was very slow, there are high chances of non conversion of GoI loan into grant.

[Paragraph 3.3]

Non-disposal of excess inventory

Inventory worth ₹ 1.20 crore was lying idle in Uttarakhand Power Corporation Limited, due to non-disposal of the same.

[Paragraph 3.4]

Wasteful Expenditure

Slackness of the SIDCUL in successfully implementing centrally sponsored projects cost the State exchequer ₹ 25.81 lakh.

[Paragraph 3.5]

Infructuous Expenditure

Infructuous expenditure of ₹ 95 lakh on Project Development and Promotion Partnership (PD&PP) was due to improper contract management adopted by SIDCUL.

[Paragraph 3.6]

Forgoing of revenue

The failure of the Corporation in cancelling allotment of plots as per terms and conditions of allotment resulted in forgoing of revenue to the tune of ₹ 4.30 crore by the Corporation.

[Paragraph 3.7]

Chapter-I

Social, General and Economic Sectors (Non-PSUs)

Chapter-I

Social, General and Economic Sectors (Non-PSUs)

1.1 Introduction

1.1.1 Budget Profile

There are 62 Government Departments and 52 Autonomous Bodies in the State. The position of budget estimates and actuals thereagainst by the State Government during 2010-15 is given in **Table 1.1.1**.

Table 1.1.1

Budget and expenditure of the State Government during 2010-15

(*₹in crore*)

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue Expenditure										
General Services	4,109.96	4,180.15	4,993.94	4,475.11	5,443.94	5,372.23	6,804.28	6,182.04	8,157.61	7,402.28
Social Services	5,358.43	5,169.49	6,447.89	6,019.65	6,856.51	6,095.84	7,766.53	7,298.01	10,555.22	9,223.69
Economic Services	1,973.30	1,863.75	2,351.14	2,101.63	2,568.74	1,995.29	2,755.73	2,067.95	4,271.41	3,856.47
Grant-in-aid and Contributions	555.00	407.68	532.72	378.80	847.92	496.86	727.66	668.41	807.79	681.27
Total (1)	**11,996.69**	**11,621.07**	**14,325.69**	**12,975.19**	**15,717.11**	**13,960.22**	**18,054.20**	**16,216.41**	**23,792.03**	**21,163.71**
Capital Expenditure										
Capital Outlay	2,005.09	1,854.84	3,094.58	2,316.94	3,653.48	3,542.09	4,874.19	3,712.03	4,591.37	4,939.01
Loans and Advances Disbursed	150.54	59.68	307.91	246.83	264.05	272.57	248.66	277.99	212.59	150.97
Repayment of Public Debt	1,299.63	519.36	1,638.73	1,015.78	2,297.13	1,472.21	2,152.79	1,316.81	1,757.79	893.89
Contingency Fund	10.00	536.71	35.00	69.07	40.00	32.07	40.00	194.48	180.00	194.15
Public Accounts Disbursements	11,665.36	17,608.20	12,662.52	19,832.00	12,872.30	20,961.24	14,212.33	25,190.33	15,683.06	33,534.94
Closing Cash balance	-	1,229.41	-	1,085.18	-	1,945.54	-	2,433.41	-	1,772.02
Total (2)	**15,130.62**	**21,808.20**	**17,738.74**	**24,565.80**	**19,126.96**	**28,225.72**	**21,527.97**	**33,125.05**	**22,424.81**	**41,484.98**
Grand Total (1+2)	**27,127.31**	**33,429.27**	**32,064.43**	**37,540.99**	**34,844.07**	**42,185.94**	**39,582.17**	**49,341.46**	**46,216.84**	**62,648.69**

Source: Annual Financial Statements and Finance Accounts

1.1.2 Application of resources of the State Government

The total expenditure[1] of the State increased from ₹ 13,536 crore to ₹ 26,254 crore during 2010-11 to 2014-15, the revenue expenditure of the State Government increased by 82 *per cent* from ₹ 11,621 crore in 2010-11 to ₹ 21,164 crore in 2014-15.

The revenue expenditure constituted 81 to 86 *per cent* of the total expenditure during the year 2010-11 to 2014-15 and capital expenditure was 13 to 19 *per cent*. During the period, Revenue expenditure increased at an annual average rate of 14.99 *per cent*,

[1] Total expenditure includes revenue expenditure, capital expenditure, loans and advances.

whereas revenue receipts also grew at an annual average rate of 16 *per cent* during 2010-11 to 2014-15.

1.1.3 Funds transferred directly to the State implementing agencies

The Government of India has transferred significant funds directly to the State Implementing Agencies for implementation of various schemes/ programmes in the past years. The system of direct transfers by GoI to implementing agencies has been dispensed with from 2014-15. However, during 2014-15, the Government of India has directly transferred funds amounting to ₹ 75.19 crore to different implementing agencies in the State of Uttarakhand. Due to the decision of releasing all assistance pertaining to CSS/CPS directly to the State Government and not to the implementing agencies, 2014-15 onwards the direct transfers to implementing agencies have reduced by 89.20 *per cent* as compared to 2013-14.

1.1.4 Grants-in-Aid from Government of India

Grants-in-aid (GIA) received from GOI during 2010-11 to 2014-15 are depicted in **Table 1.1.2.**

Table 1.1.2: Trends in grants-in–aid receipt from GOI

(₹in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-plan grants	1,435	762	869	981	944
Grants for State plan schemes	2,253	2,840	3,040	3,558	4,083
Grants for Central plan schemes	21	10	8	13	99
Grants for Centrally sponsored plan schemes	356	462	540	523	1,879
Total	**4,065**	**4,074**	**4,457**	**5,075**	**7,005**
Percentage of increase over previous year	*9*	*00*	*9*	*14*	*38*
Percentage of revenue receipts	*35*	*30*	*28*	*29*	*35*

The Grants-in-Aid increased from ₹ 4,065 crore in 2010-11 to ₹ 7,005 crore in 2014-15. The increase over previous year was ₹ 1,930 crore (38.03 *per cent)* due to increase in grants for centrally sponsored plan schemes (₹ 1,356 crore), State plan schemes (₹ 525 crore) and grant for Central Plan Schemes (₹ 86 crore). However, during the current year, non-plan grant decreased by ₹ 37 crore over the previous year.

1.1.5 Planning and conduct of Audit

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/projects etc., criticality/complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders, and previous audit findings as well as media reports. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to the heads of the audited entities with request to furnish reply within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of Uttarakhand under Article 151 of the Constitution of India.

During 2014-15, compliance audit of 177 drawing and disbursing officers of the State and 23 units of autonomous bodies were conducted by the Office of the Accountant General (Audit), Uttarakhand. Besides, three Performance Audits were also conducted.

1.1.6 Significant audit observations and response of Government to Audit

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments, which have negative impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/ schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per the provisions of the Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audit reports/ draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Report of the Comptroller and Auditor General of India, to be placed before the Uttarakhand Legislature, it would be desirable to include their comments in the matter. They were also advised to have meeting with the Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in the Report were also forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, three draft Performance Audits[2] and 13 draft paragraphs including two theme[3] based compliance audits were forwarded to the concerned Administrative Secretaries. However, the reply of the Government has been received in only seven cases (December 2015).

1.1.7 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were required to be referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

No audit findings involving recoveries came to the notice during 2014-15.

1.1.8 Responsiveness of Government to Audit

The Accountant General (Audit), Uttarakhand conducts periodical inspection of the Government Departments by test-check of transactions and verifies the maintenance of

2 Rashtriya Madhyamik Shiksha Abhiyaan, Mid Day Meal Scheme and Rashtriya Krishi Vikas Yojana.
3 Activities of Civil Aviation Department and Deposit works in PWD Department.

important accounting and other records as per prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs). When important irregularities, etc. detected during audit inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the Accountant General (Audit) within one month of receipt of IRs. Serious irregularities are also brought to the notice of the Heads of the Departments by the Office of the Accountant General (Audit), Uttarakhand through a half yearly report of pending IRs sent to the Additional Chief Secretary (Finance) of the State.

Based on the results of test audit, 6,741 audit observations contained in 2,398 IRs were outstanding as on 31st March 2015, details of which are given in **Table 1.1.3**.

Table 1.1.3: Outstanding Inspection Reports/Paragraphs

Sl. No.	Name of Sector	Inspections Reports[4]	Paragraphs	Amount Involved (*₹ in lakh*)
1.	Social Sector	1,289	4,184	8,01,632.40
2.	General Sector	394	734	73,659.17
3.	Economic Sector (Non-PSUs)	715	1,823	4,70,342.79
Total		**2,398**	**6,741**	**13,45,634.36**

During 2014-15, 13 meetings of *adhoc* committee were held in which 101 paragraphs were settled. The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

1.1.9 Follow-up on Audit Reports

1.1.9.1 Submission of suo-motu Action Taken Notes (ATNs)

According to the Rules of Procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs including performance audits featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the State Legislature.

It was, however, noticed that out of 306 audit paragraphs featuring in the Civil Chapters of Audit Reports from 2000-01 to 2012-13, *suo-motu* ATNs in respect of 89 audit paragraphs involving 32 Departments had not been received (as detailed in ***Appendix 1.1.1***) upto 31 March 2015. The Audit Report for the year 2013-14 was placed before the Legislative Assembly on 03 November 2015 and the related action taken explanatory notes are not yet due (December 2015).

[4] Outstanding Inspection Reports/ Paragraphs have been taken from 2006-07.

1.1.9.2 Action taken on recommendations of the PAC

Action Taken Notes, duly vetted by the Accountant General (Audit), on the observations/ recommendations made by the PAC in respect of the audit paragraphs discussed by them are to be furnished to these Committees within six months from the date of such observations/ recommendations. Out of 306 Audit paragraphs featuring in the Civil chapters of Audit Reports for the years from 2000-01 to 2012-13, only 209 audit paragraphs have been discussed by the PAC up to 31 March 2015. Recommendations in respect of 118 Audit paragraphs have been made by the PAC. However, ATNs on the recommendations of the Committees are pending from the State Government in respect of five paragraphs.

1.1.10 Status of placement of Separate Audit Reports of autonomous bodies in the State Assembly

Several Autonomous Bodies have been set up by the State Government. A large number of these bodies are audited by the Comptroller and Auditor General of India for verification of their transactions, operational activities and accounts, regulatory compliance audit, review of internal management, financial control and review of systems and procedure, etc. The audit of accounts of one autonomous body (Uttarakhand Jal Sansthan) in the State has been entrusted to the Comptroller and Auditor General of India. Separate Audit Report (SAR) of Uttarakhand Jal Sansthan issued by Audit for the year 2011-12 is yet to be placed before the State Legislature.

1.1.11 Year-wise details of reviews and paragraphs appeared in Audit Reports

The year-wise details of performance audits and paragraphs that appeared in the Audit Report for the last two years along with their money value are given in **Table 1.1.4**.

Table 1.1.4: Details regarding reviews and paragraphs appeared in Audit Report during 2012-14

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value (*₹ in crore*)	Number	Money value (*₹ in crore*)	Performance Audit	Paragraphs
2012-13	03	283.16	09	166.42	03	01
2013-14	01	28.58	14	65.79	03	02

During 2014-15, three Performance audit and 13 audit paragraphs including two theme based compliance audits were issued to the State Government. However, reply in respect of three Performance Audits and four audit paragraphs were received from the Government/ Department.

Three performance audits[5] and 12 audit paragraphs involving money value of ₹ 506.70 crore have been included in this Chapter. Replies, wherever received, have been incorporated at appropriate places.

[5] Rashtriya Madhyamik Shiksha Abhiyaan, Mid Day Meal Scheme and Rashtriya Krishi Vikas Yojana.

PERFORMANCE AUDIT

EDUCATION DEPARTMENT

1.2 Rashtriya Madhyamik Shiksha Abhiyan

Government of India launched the *Rashtriya Madhyamik Shiksha Abhiyan (RMSA)* in March 2009 across the country with the objective to enhance access to secondary education and to improve its quality. The implementation of the scheme in the State started from 2009-10. It was envisaged to achieve the enrollment rate of 75 *per cent*, up from 52.26 *per cent* in 2005-06 at secondary stage of implementation of the scheme by providing secondary schools within a reasonable distance of habitation. The other objectives include improving quality of education imparted at secondary level through equipping all secondary schools in conformity with the prescribed norms, removing gender, socio-economic and disability barriers, providing universal access to secondary level education by 2017, *i.e.* by end of 12th Five Year Plan and achieving universal retention by 2020. The important audit findings are highlighted below:

Highlights

- ***Bottom up approach was not adopted for preparation of the Perspective Plan (PP) and the Annual Work Plan and Budget (AWP & B) as the school level plans, which were to act as the building blocks for the state level plans, were not prepared by the School Management Development Committees (SMDCs).***

[Paragraph 1.2.6.1]

- ***In the State, 83 per cent of the schools are without activity rooms, 76 per cent are without library, 55 per cent are without a play-ground, 50 per cent are without a computer room, 48 per cent are without an integrated science lab, and 14 per cent are without classrooms and without electricity, thus adversely affecting achievement of the main objectives of RMSA of providing minimum necessary physical infrastructure in the schools.***

[Paragraph 1.2.8.4]

- ***Out of total released funds of ₹167.14 crore, ₹88.33 crore (53 per cent) were lying unutilized since inception of the scheme resulting in completion of only 25 per cent construction works which led to the children being deprived of the necessary infrastructure facilities.***

[Paragraph 1.2.8.1]

- ***In 126 out of 271 upgraded schools, enrollment of students in class IX was below the prescribed norm of 25. No action was taken by the Department to impart vocational education despite availability of funds from the Government of India.***

[Paragraph 1.2.8.2]

- ***Students could not get the benefit of Information Communication Technology (ICT) even though ₹6.67 crore were available under the scheme.***

[Paragraph 1.2.12]

1.2.1 Introduction

The State Government established "*Uttarakhand Sabhi Ke Liye Madhyamik Shiksha Parishad* (*the Parishad*)" in February 2009 for overall implementation of *RMSA*. The role of the *Parishad* was to provide instructions and guidance for the implementation of the scheme, financial and physical monitoring of the programmes, formulate rules and regulations for the scheme according to the recommendations of the State Government, and policy formulation for programme implementation to achieve the objectives of the scheme.

1.2.2 Organizational Set-up

The *Parishad* consisted of a General Assembly headed by the Chief Minister as the Chairperson and the Minister of Education as the Vice Chairman. The Vice Chairman was responsible for overall policy guidance and review of implementation of *RMSA*. The Executive Committee (EC) of the *Parishad* is headed by the Chief Secretary of the State with the Secretary of Education being the Vice Chairperson who was responsible for administering execution of *RMSA*. The State Project Director (SPD) is the member of EC. The SPD is assisted by the State Council for Educational Research and Training, the State Institute for Management Administration and Training, Chief Education Officers (CEO) and the *Uttarakhand Shiksha Evam Pariksha Parishad*. The CEO, assisted by the District Project Officer (DPO), supervised the implementation of *RMSA* at the district level. The DPOs implemented *RMSA* through the Block Education Officer (BEO) at the block level. These BEOs were responsible for implementation and monitoring of the scheme in the schools under their jurisdiction. At school level, the School Management Development Committee (SMDC) executed and monitored the scheme.

1.2.3 Audit Objectives

The audit objectives were to assess whether:

- Planning for implementation of various programmes of *RMSA* scheme was efficient;
- Financial management was efficient and the utilization of funds for each programme of the scheme was effective;
- Implementation of the scheme was efficient, effective and economical; and
- Monitoring mechanism and internal control system were in place and were effective.

1.2.4 Audit Scope and Methodology

Performance audit of *RMSA* was carried out during April 2015 to June 2015 covering the period from 2010-11 to 2014-15. Out of 13 districts in the State, the audit covered six districts[6], which were selected by Probability Proportionate to size with Replacement (PPSWR) method, for the study. The records of the State Project Director (SPD), the District Project Officers (DPOs) *RMSA*, the State Council of Education Research and Training (SCERT), the State Institute for Management Administration and Training (SIEMAT) and 50 *per cent* Schools of 26 selected blocks of the covered districts had been test-checked in audit including physical verification of five schools in each selected districts. The audit objectives, criteria and scope of the performance audit were discussed with the Additional Chief Secretary, Education in an entry conference held on 30th March 2015. Audit methodology included scrutiny and analysis of the records relating to the implementation of various components of *RMSA*, issue of questionnaires, audit memoranda and examination of responses of various functionaries, and joint physical inspection of 30 schools. The audit findings were discussed on 20.11.2015 by the Accountant General with the Additional Chief Secretary Education in an exit conference and the views of the Department/SPD were suitably included against the relevant paragraphs, at appropriate places.

1.2.5 Audit Criteria

The audit criteria used for the evaluation of the audit objectives were derived from:

- Manual on Financial Management and Procurement for *RMSA*;
- Financial Handbook;
- Prescribed guidelines of various schemes operational under *RMSA*;
- Government orders and instructions issued from time to time; and
- Targets determined by the *Parishad* and approved by the Project Approval Board (PAB) and the Government of India.

Audit findings

1.2.6 Planning

1.2.6.1 Perspective Plan (PP) and Annual Work Plan and Budget (AWP&B)

As per *RMSA* Guidelines, a bottom up approach was to be adopted for preparation of the Perspective Plan (PP) and the Annual Work Plan and Budget (AWP&B). Deficiencies, noticed at various levels involved in the planning approach, are discussed below:

[6] Pithoragarh, Pauri, Tehri, Almora, U S Nagar and Dehradun.

<table>
<tr><th>Sl No.</th><th>Planning committee at various level</th><th>Audit Observations</th><th>Remarks</th></tr>
<tr><td>1.</td><td>School Management Development Committees (SMDCs)</td><td>Bottom up approach was the mandatory aspect of planning as per the RMSA guidelines. The SMDCs were responsible for the preparation of the PP and the AWP&B, and monitoring of scheme at school levels. Records of the selected districts showed that the SMDCs of the schools did not prepare the said plans even after an amount of ₹ 4.99 crore was spent on training of 1.07 lakh SMDCs members to perform their assigned duties. The purpose of bottom up approach was thus defeated.</td><td rowspan="3">The DPOs replied that due to inaccessible terrain and geographical conditions, and non-availability of technical staff, the PP and the AWP&B were not prepared at grass-root level. Reply was not acceptable as the bottom up approach should have been strictly adhered to in order to set-forth realistic targets to achieve the objectives of the scheme. Further, the trained SMDC members could have been utilized for the purpose of planning in schools situated in difficult and inaccessible areas.</td></tr>
<tr><td>2.</td><td>Block Level Planning Team (BLPT)</td><td>BLPTs were to be constituted under the chairmanship of Block Education Officer. However, it was observed that no such teams were constituted at the block level. Due to absence of the team, school level data could not be monitored and supervised at this level.</td></tr>
<tr><td>3.</td><td>District Level Planning Team (DLPT)</td><td>DLPTs were to be constituted under the chairmanship of Chief Education Officer. District level PP and AWP&B was to be prepared by DLPT on the basis of PP and AWP&B of schools. Records of the selected districts showed that PP and AWP&B were being prepared at district level. However, reflection of PP was not observed in the AWP&B. The AWP&B was being prepared on the basis of U-DISE data (prepared in the data capture format) and not on the basis of plans of the schools. The AWP&B was not being prepared by any of the schools in the selected districts. Thus, DLPT could not prepare realistic plans due to non-adoption of bottom up approach.</td></tr>
<tr><td>4.</td><td>State Level Planning Team (SLPT)</td><td>State Level Planning Team was to be constituted under the chairmanship of the Secretary, School Education of the Uttarakhand Government. The team was to consolidate the PPs and AWPs of the districts and forward the aggregate State Level plan to the Project Approval Board (PAB) of GoI for approval. There were substantial variations between the State level PP and the AWP&B. It was observed that no initiative was taken to resolve the variations of PP and AWP&B at the State level.
Thus, the State level plan lacked cohesion and realistic basis.</td><td>On this being pointed out, the SPD accepted the facts and replied that PP was based on census 2001 and AWP&B was prepared on the basis of census 2011, and hence there was a difference.</td></tr>
</table>

In the exit conference (November 2015), the Government accepted the facts and stated that the preparation of PP and AWP at all levels would be taken up as a project work and a team would be set-up at the Government level for this purpose.

1.2.6.2 Delay in preparation and submission of PP and AWP

As per the *RMSA* manual, a calendar was to be developed consisting of timelines for finalization of AWP&B. Scrutiny of records showed that the State as well as districts did not adhere to the prescribed timelines and submitted the AWP&B with a delay ranging from two to four months which adversely affected the release of funds, the impacts of which are discussed in the section related to the Financial Management.

In the exit conference (November 2015), the Government accepted the facts and assured that the prescribed timelines would be adhered to.

1.2.6.3 Planning for Un-served habitations

As per the guidelines, the DPOs were to initiate a comprehensive school mapping exercise at Secondary and Higher secondary level to provide a secondary school within five km for every habitation.

Scrutiny of records of SPD, Dehradun showed (April 2015) that school mapping was completed in 2012 in the State. Out of 2,834 schools, the government upgraded 271 schools in unserved habitation areas during 2009 to 2015. However, till 2014-15, out of 25,050 habitations, 2,168 habitations were still un-served. Therefore, the main objective of the scheme to help educationally deprived children to access secondary schooling was yet to be fulfilled.

In the exit conference (November 2015), the Government stated that action would be taken to help educationally deprived children to access secondary education, and efforts would also be made to connect the unserved habitations with the National Institute of Open Schooling (NIOS).

1.2.7 Financial Management

1.2.7.1 Fund availability and expenditure

The scheme was financed by the GoI and the State Government in the ratio of 75:25. The position of funds released by both the Governments and expenditure incurred during 2010-11 to 2014-15 is depicted in **Table 1.2.1** below:

Table 1.2.1

(₹in crore)

Year	Opening Balance		Funds released		Intt.& other receipts		Total funds available	Expenditure		Total Expenditure	Closing Balance/ Savings		Percentage of savings
	GoI	State	GoI	State	GoI	State		GoI	State		GoI	State	
2010-11	2.22	0.74	76.02	29.04	0.51	0.17	108.70	2.70	0.90	3.60	76.05	29.05	*97*
2011-12	76.05	29.05	34.07	21.60	1.96	0.65	163.38	44.77	18.27	63.04	67.31	33.03	*61*
2012-13	67.31	33.03	96.64	60.18	2.75	0.92	260.83	54.78	27.39	82.17	111.92	66.74	*68*
2013-14	111.92	66.74	75.72	35.45	4.53	1.51	295.87	72.77	34.40	107.17	119.40	69.30	*64*
2014-15	119.40	69.30	39.30	42.23	2.55	0.85	273.63	117.32	70.61	187.93	43.93	41.77	*31*
Total			**321.75**	**188.50**	**12.30**	**4.10**		**292.34**	**151.57**	**443.91**			

Source: Information provided by SPD

As can be seen from the above table, only 36 *per cent* expenditure was incurred against the available funds for carrying out various activities under *RMSA* during 2010-15. Further, in test-checked districts, it was also seen that there were savings between five to 35 *per cent*.

Thus, inability to fully spend allocated funds deprived the State of the intended benefits of the scheme within the intended timeframe, defeating its objectives.

1.2.7.2 Non-depiction of Central/State figures in the Audited Statement of Accounts

The State was required to submit the Audited Statement of Accounts (ASAs) by Charted Accountants to the Ministry *inter alia* depicting the intervention wise figures of expenditure within eight months (November) of the close of the financial year.

Scrutiny of records showed that the ASAs did not reflect intervention wise Central and State shares utilized. Funds to the districts were being released on lump sum basis by the State Implementing Society (SIS) without giving any breakups of the Central/State share. As a result, the districts did not maintain any records of actual sharing of the releases between the Centre and the State. It was also noticed that the State did not ensure timely submission of ASAs to the GoI. The ASAs were submitted between the months of December to January of the year. Delayed submission of ASAs resulted in delayed release of Central Share which gave rise to a vicious cycle of delayed releases and consequently less expenditure which curtailed next year's release of Central Share.

In the exit conference (November 2015), the Government accepted the facts and assured that henceforth, the Central and State share would be shown separately in ASAs.

1.2.7.3 Lapse of recurring grant

As per the school guidelines (*Abhyuday*), recurring grant should be utilised before closing of financial year. If the recurring grant is not utilised, unutilized grant would be adjusted in the next financial year.

Scrutiny of the records of the SPD, Dehradun showed that there were savings of ₹ 102.73 crore against the released amount under the recurring grant which lapsed due to non-utilisation of grant within time during 2010-15 and were subsequently adjusted in the recurring grants of the succeeding years. Further, scrutiny of records of sampled districts showed that there were savings from 10 to 30 *per cent* against the released amount. Thus, due to adjustment of the grant in the following years, ₹ 102.73 crore were received less against the approved recurring grant for the years.

In the exit conference (November 2015), the Government accepted the facts and stated that the directions would be issued for utilizing the recurring grant before closing of the financial year and the same would be monitored through MIS.

1.2.7.4 Submission of utilization certificates

As per the guidelines, the utilization certificates (UCs) for grants (recurring and non-recurring) received in the preceding year along with unspent balance available and other receipt/bank interest earned should be shown in the prescribed format. It was observed that there was a huge shortfall ranging from 31 to 97 *per cent* in submission of UCs by the SPD to the Ministry of Human Resources Development (MHRD). Further, the State failed to follow the submission date of UCs to the MHRD i.e. by 31st August. Besides, combined UCs were being sent to the MHRD without adhering to the prescribed format. It was also noticed that district wise UCs were not being sent to the SPD and the State did not make any effort to collect the same from the concerned districts. UCs of those district[7] which were being sent to the SPD, did not match with the actual expenditure details in those districts. Similarly, at school level, UCs were not being sent in the prescribed format and were not based on actual expenditure during the period from 2010 to 2013.

In the exit conference (November 2015), the Government accepted the facts and stated that henceforth, UCs would be collected from the districts and sent to GoI in the prescribed format.

1.2.7.5 Diversion of funds and Excess Expenditure

As per the *RMSA* guidelines, funds shall not be diverted or re-appropriated for expenditure on any item not provided for or contemplated in the sanctioned budget estimates.

(a) In DPO, Tehri, scheme funds totaling ₹ 27.22 lakh were diverted to meet recurring expenditure on girl's hostel in 2013-14 without the approval of the grant sanctioning authority *i.e*. SIS.

(b) ₹ 42.29 lakh were allotted (March 2013) for the construction of the main building of GHS, Muhammadpur, Khatima, Udham Singh Nagar which were subsequently diverted to four other works[8].

(c) During the scrutiny of records of the DPO, Pauri, it was observed that ₹ 45 lakh were released (2011-12) to 45 schools for the purchasing of lab equipment. It was also instructed by the SPD that only 10 *per cent* of the released amount could be used for the purchasing of almirahs and racks, if needed. It was seen that 37 schools purchased furniture contrary to the instructions of the SPD and beyond the prescribed limits incurring an expenditure of ₹ 14.90 lakh on such items.

In the exit conference (November 2015), the Government stated that the matter would be reviewed and action would be taken accordingly.

---

[7] Pithoragarh and U. S. Nagar.

[8] GHS Pantpura (₹ 10.57 lakh), GHS Missarwala (₹ 10.57 lakh), GHS Devaria (₹ 10.57 lakh) and GHS Manpur (₹ 10.58 lakh).

1.2.7.6 Reconciliation of figures at the school level

As per the Financial Manual of *RMSA*, monthly bank reconciliation should be carried out on a regular basis and discrepancies, if any, should be rectified and differences explained in the prescribed manner.

During audit of schools, it was observed that there was a difference of ₹ 1.89 crore between the cashbook and the passbook in the sampled schools due to non-reconciliation of figures.

In the exit conference (November 2015), the Government accepted the facts and stated that the training would be organized at school level for preparation of reconciliation statement.

1.2.7.7 Rush of expenditure at the fag-end of financial year

Scrutiny of records of the SPD, Dehradun showed (April 2015) that nine to 54 *per cent* expenditure was incurred at the *fag-end* of the financial year during the audit period. It was also seen that the funds were received by the DPOs in parts (one to thirteen installments) and not in two installments[9]. As a result, there were instances of rush of expenditure in the selected districts ranging from 38 to 50 *per cent* at the fag-end of the financial years during 2010-15.

In the exit conference (November 2015), the Government stated that henceforth efforts would be made to release the amount in two installments.

1.2.8 Programme Implementation

Construction of school buildings and creation of other miscellaneous infrastructural facilities *viz.* upgradation of schools, additional Classrooms, Toilet blocks, Computer lab, Art craft rooms, integrated science labs etc. are important components of *RMSA* programme. Accordingly, these had been prioritized by allocating 33 *per cent* of planned outlay for their construction and equipping them. A time schedule for completion of each civil work was also framed by the SPD for adherence by the school authorities. The implementation of various *RMSA* programmes is discussed in the following paragraphs:

1.2.8.1 Completion of school buildings

Scrutiny of records of the SPD, Dehradun showed that the Department had spent ₹ 180 crore (94 *per cent*) against the released amount of ₹ 192 crore which was only 60 *per cent* of total budget provision (₹ 298 crore) for constructions of school buildings during 2010-15 (as on 31 August 2015). It was also noticed during 2010-11 to 2013-14 that UCs of only ₹ 81 crore (42 *per cent*) were received from the construction agencies[10] against the amounts released to them. The physical position of construction works is tabulated in **Table 1.2.2** on next page:

---

[9] April and September.

[10] Irrigation Department and Rural Engineering Services.

Table 1.2.2

(*₹ in crore*)

Year	Targets of Construction works (in nos.)	Total Cost	Completed Works (in nos.)	Total Cost	Works-In – Progress (in nos.)	Total Cost	Works not taken up (in nos.)	Total Cost
2010-11	190	77.50	119	42.25	53	26.09	18	9.15
2011-12	147	97.76	60	40.30	70	51.17	17	8.81
2012-13	NIL	Nil	NIL	Nil	NIL	Nil	NIL	Nil
2013-14	76	45.60	13	7.82	52	29.78	11	8.00
2014-15	179	75.50	NIL	20.10	22	5.06	157	50.35
Total	**592**	**296.36**	**192**	**110.47**	**197**	**112.10**	**203**	**76.31**

Source: Information provided by SPD, Dehradun as on 31st August 2015.

As can be seen from the above table, 34 *per cent* works were not taken up at all and 33 *per cent* works were in progress.

In the selected districts, it was noticed that only 82 works (25 *per cent*) were completed out of 325 works during the period under review. Further, ₹ 88.33 crore (53 *per cent*) were lying unutilized out of total released fund of ₹ 167.14 crore since the inception of the scheme. Thus, the Department not only failed to achieve the target of construction works but also could not utilize the available funds (53 *per cent)* during the period 2010-15.

In the exit conference (November 2015), the Government stated that GoI had refused to release any further amount until unspent amount was exhausted. The reply corroborated the audit finding.

1.2.8.2 Upgradation of Schools

As per the *RMSA* guidelines, the Government Upper Primary Schools were to be upgraded. As per norms, the Upper Primary School would be upgraded if there were no Secondary schools within the periphery of five kms and the number of expected students in class IX was at least 25.

Scrutiny of records of the SPD, Dehradun showed (April 2015) that 271 schools[11] were upgraded in the State. The Department released ₹ 120.25 crore to the Construction Agency during 2009-15 for the upgradation[12] of the Upper Primary Schools to the Secondary Schools. The Construction Agency incurred expenditure of ₹ 108.45 crore up to March 2015. Analyzing the Unified District Information System for Education (U-DISE) data, it was noticed that 126 out of 271 upgraded schools had a student enrollment below 25 right from the date of their respective upgradation till the date of audit, which was below the prescribed norms. Further, no efforts had been made to increase the enrollment in such upgraded schools. It was also noticed that in locations where the buildings were under construction, the secondary classes were running in

[11] 2009-10: 23 schools, 2010-11: 58 schools; 2011-12: 147 schools and 2013-14: 43 schools.

[12] Construction of Class Rooms (one section school-02 and Two Section School-04), Science Laboratory Room-01, Principal Room-01, Office Room-01, Library Room-01, Computer Room-01, Art and Craft Room-01 and Toilet Block-01.

junior high school buildings which were not in good condition. They neither had sufficient teaching staff[13] nor the required infrastructural facilities for the secondary level students.

In the exit conference (November 2015), the Government accepted the facts and stated that the teaching staff had been recruited to fill up the vacancies and efforts were being made to increase the infrastructure facilities.

1.2.8.3 Furniture and Lab equipment

Apart from above, under the upgradation and strengthening of schools, funds were also provided for purchase of furniture and lab equipment. The government released ₹ 15.93 crore[14] for furniture and lab equipment during 2009-10 to 2013-14 to facilitate development of infrastructure in the secondary schools in the selected districts. It was observed that ₹ 9.35 crore[15] were spent by the SMDCs on purchase of furniture and lab equipment without completion of construction works and handing over of the main building to the school, raising doubts about the storage and safety of the purchased furniture and lab equipment. In addition, an amount of ₹ 6.58 crore (₹ 15.93 crore - ₹ 9.35 crore) for purchase of furniture and lab equipment was blocked at the school level for a period of two to five years.

In the exit conference (November 2015), the Government stated that the latest position in this regard would be taken from the schools. However, on this being pointed out at district level, DPOs accepted the facts and replied that due to non-completion of construction of school building, the funds could not be utilized.

1.2.8.4 Basic amenities in Schools

Scrutiny of records of the SPD, Dehradun showed (April 2015) that out of the total number of schools managed by the State Government, 14 *per cent* schools are without classroom, two *per cent* are without any toilet, eight *per cent* are without water, 14 *per cent* are without electricity, 55 *per cent* are without a playground, 76 *per cent* are without a library, 50 *per cent* are without a computer room, 48 *per cent* are without an integrated science lab and 83 *per cent* schools are without an activity room (as detailed in ***Appendix-1.2.1***).Thus on one hand, there were persistent savings from year to year during the period 2010-15, on the other, students of the schools were deprived of basic amenities and facilities deemed necessary in a secondary school. This could be an important factor in explaining decrease in enrollment in Government schools in comparison to private schools (as detailed in ***Paragraph 1.2.15.1***) which adversely affected the main objectives of *RMSA* i.e. to ensure universal access of secondary

[13] Against the sanctioned strength of 271 Headmasters, only 161were deployed and similarly, against the 1,517 teachers, only 688 teachers were deployed in secondary level schools covered under *RMSA*.

[14] Pithoragarh: ₹ 2.10 crore, Pauri: ₹ 2.54 crore, Tehri: ₹ 1.96 crore, Almora: ₹ 3.68 crore, Udham Singh Nagar: ₹ 3.06 crore and Dehradun: ₹ 2.59 crore.

[15] Pithoragarh: ₹ 0.35 crore, Pauri: ₹ 1.76 crore, Tehri: ₹ 1.05 crore, Almora: ₹ 1.47 crore, Udham Singh Nagar: ₹ 2.52 crore and Dehradun: ₹ 2.20 crore.

education by 2017 (Gross Enrollment Ratio of 100 *per cent*) and Universal Retention by 2020.

In the exit conference (November 2015), the Government stated that due to allotment of only 33 *per cent* of non-recurring grant under *RMSA*, there was a shortfall in provision of basic amenities. However, efforts were being made to increase the facilities in the schools.

1.2.8.5 Release of various grants to schools

(a) Releasing of funds for minor repair as well as major repairs

As per the direction given by the Joint State Project Director/*RMSA*, funds for minor repairs would not be given in cases where funds for upgradation, school strengthening and major repair were given to the school in the same year.

Scrutiny of the records of selected districts showed that DPOs had released ₹ 26 lakh for minor repair works to 104 schools which had also got ₹ 1.81crore for carrying out major repairs in the same year i.e. 2011-12 and 2012-13.

In the exit conference (November 2015), the Government accepted the facts.

(b) Sports Grant

As per the approved AWP&B of the State, there was a provision for purchasing sports equipment by the school that had a playground. During the scrutiny of the test-checked districts, it was observed that ₹ 19.20 lakh sports grant @ ₹ 0.20 lakh per school was given during the year of 2013-14 and 2014-15. Out of this amount, ₹ 3.60 lakh were given to those schools where there was no playground (as per U-DISE data September 2014).

In the exit conference (November 2015), the Government stated that priority would be accorded to those schools which have a play ground.

(c) Math kit

In the approved AWP&B 2011-12, there was a provision for purchasing of maths kit @ ₹ 0.09 lakh per school. Scrutiny of the records of selected districts showed that ₹ 69.13 lakh were utilized against the released amount of ₹ 83.07 lakh and the remaining amount lapsed.

In the exit conference (November 2015), the Government stated that the norms would be strictly adhered to in order to utilize the money within the financial year on such items.

Hence, due to non-utilization of ₹ 13.94 lakh, students of 155 schools were deprived of the benefit of a math kit.

(d) Art and Craft Room

Art and Craft (AC) was one of the important interventions under the scheme RMSA. Under this intervention, activity rooms were to be constructed. For this purpose, an amount of ₹ 32.10 crore[16] for the construction of 642 activity rooms were approved and sanctioned in AWP&B during 2010-15. Further, the Department also received an amount of ₹ 45.40 lakh and ₹ 43.40 lakh from GoI in the years 2011-12 and 2013-14 respectively for the AC activities.

Scrutiny of records of the SPD, Dehradun showed that only 229 activity rooms (36 *per cent*) had been completed, the work of 192 rooms was still in progress and the construction works of remaining activity rooms were yet to be started mainly due to non-receiving of funds from the GoI till the date of audit. Further, in the test-checked of districts, it was noticed that the AC activities were taken up in the schools in only those two years in which the funds for the purpose were received from the GoI. In the rest of the years, no activities were taken up as the grant for the purpose was not approved in the AWP&B. During these years, the completed art and craft rooms remained idle and could not be utilized for the purpose for which they were constructed. Thus, regular investment on creating activity rooms was lying idle as GoI did not approve proposal for related activities in other years[17].

In the exit conference (November 2015), the Government stated that henceforth, the matter would be pursued in the PAB meeting for approving the grant for art and craft activities.

(e) Faulty MoU

The Department signed (November 2010 and February 2013) a memorandum of understanding (MoU) with the Construction agencies.[18] As per clause 13 of the MoU, released amount to construction agency was to be kept in a separate bank account and after completion of the works, the construction agency would return the balance amount including interest earned to the client department. Scrutiny of records of the SPD, Dehradun showed (April 2015) that construction works were given to Government construction agencies. These works were taken up by the agencies as Deposit Works which adopted the prevalent accounting procedure in engineering departments to keep the received funds as a Deposit Credit Limit (DCL). Interest could not be earned on DCL. The objective of the clause 13 was to ensure that parked funds earn interest that could be gainfully used in implementation of the scheme. However, the accounting procedure adopted by the construction agencies precluded any such earning of interest leading to loss of interest income on deposits. The Department, while entering into MOU, should have safeguarded against any such loss. It thus wrongly inserted clause 13 in the MOU and signed the same without taking into consideration the accounting procedure of the construction agencies. This reflected inadequate attention being accorded by the Department towards prudent financial management.

[16] 642 @ ₹ 5 lakh = ₹ 32.10 crore.
[17] 2010-11, 2012-13 and 2014-15.
[18] RES and Irrigation Department.

In the exit conference (November 2015), the Government accepted the facts and instructed the officials to delete the said faulty clause from the MoU.

1.2.9 Inclusive Education for Disabled at Secondary Stage (IEDSS)

IEDSS, a hundred *per cent* GoI sponsored scheme was launched in 2009-10, included assistance for two kinds of components (I) Student oriented components *e.g.* medical and educational assessment, books and stationery, uniforms, transport allowance, reader allowance, stipend for girls, support services, assistive devices, boarding and lodging facility, therapeutic services, teaching learning materials, *etc.* and (II) other components *e.g.* those relating to infrastructure, teacher training, awareness generation, *etc.* The objective of the scheme was to provide secondary education to disabled children.

Scrutiny of records showed that the GoI did not release the amount[19] from 2011-12 to 2013-14 for the first group of components, while the State Government had provided ₹ 600 per annum[20] scholarship to disabled children[21] from 2012-13 to 2014-15. As a result, Children With Special Needs[22] (CWSN) were deprived of the facilities envisaged in the first group of components.

In case of other components, it was observed (April 2015) that GoI released ₹ 1.57 crore[23] against the approved amount of ₹ 1.90 crore[24] for the construction of 95 resource centers. Balance amount was yet to be released. Out of 95 resource centers, 88 resource centers were complete and remaining seven resource centers could not be taken up due to shortage of funds. Only 116 CWSN children were studying in these resource centers, while a total of 1,579 CWSN children were identified in the State in 2014-15. Thus, 6,227 CWSN children[25] and in particular, those with more than 40 *per cent* disability, were not getting the intended benefit of the IEDSS.

During the exit conference (November 2015), the Government stated that the matter would be highlighted in the next PAB meeting and a proposal has already been sent to GoI in this regard.

1.2.10 Girls' Hostel facility

GoI launched (2008-09), a girls' hostel scheme for SC, ST and minority girls which was implemented from 2009-10 to provide hostel and free lodging facilities to all class VIII passed girls in Kasturba Gandhi Balika Vidyalaya (KGBVs) till class XII in Economically Backward Blocks (EBBs). The sharing ratio between the GoI and the State Government was 90:10. GoI sanctioned ₹ 36.84 crore for the construction of 19 girls'

---

19 ₹ 3,000 per disabled child per annum for specified items as prescribed in the scheme.

20 State Government was to provide a top up of ₹ 600 per child per annum.

21 2012-13: 823 children, 2013-14: 814 children, 2014-15: 824 children.

22 2010-11: 1,041 children; 2011-12: 1,774 children; 2012-13: 1,843 children; 2013-14: 1,569 children and 2014-15: 1,579 children.

23 2010-11:₹ 62.70 lakh and 2013-14: ₹ 94.60 lakh.

24 95 blocks @ ₹ 2 lakh.

25 2010-11: 1,041children; 2011-12: 1,774 children; 2012-13: 1,843 children; 2013-14:1,569 children.

hostel buildings in the year 2012-13. Of this amount, the SPD released ₹ 26.59 crore[26] to the construction agencies. Scrutiny of records of the SPD and the sampled districts showed that two works were completed, 12 works were in progress and five works could not be started. it was further noticed that:

- An amount of ₹ 7.61 crore was sanctioned (March 2013) for construction of four hostels[27]and ₹ 3.80 crore had been released to the construction agency in March 2013. However, the works could not be started as no tenders were received in response and the released amounts were lying unspent. Due to delay in starting of these works, the construction agency had submitted (February 2015) revised estimates of ₹ 9.04 crore for these works for approval to the Department. Thus, cost overrun and time over run in case of these works cannot be ruled out. On this being pointed out, the SPD replied that the construction agency had floated the tender several times but no one was taking any interest in tendering. The reply of SPD was not acceptable as estimates were prepared in 2012 by taking earlier scheduled of rates and same were sanctioned in 2013. The schedule rate was revised in 2013. Due to revised rate, the contractor did not show any interest in tendering process.
- In DPO Tehri, one work could not be started due to non-availability of land. It was the duty of the concerned DPO to provide the land to the construction agency before releasing the amount. The Department not only released the first installment of ₹ 0.90 crore in March 2013 to the construction agency for the construction of *KGBV,* Pratapnagar girls hostel but also submitted the revised estimate which was irregular.

  During the exit conference (November 2015), the Government stated that out of four works, one work is in progress and remaining three works are under tendering process.
- In case of another Girl's hostel in Tehri district (Raushal in Bhilangana block), due to unavailability of land, the DPO changed the site from Raushal to Akhori without the approval of the competent authority. The work is being undertaken at the new location. As a result, SC, ST, and minority girls of concerned districts were deprived of the intended benefits of hostel facilities.

  In the exit conference (November 2015), the Government stated (November 2015) that an enquiry had already been instituted and action would be taken accordingly.

1.2.11 Vocational Education

The Government of India introduced Vocationalisation of Secondary Education scheme in 2013-14 to provide educational opportunities so as to enhance individual employability

26 ₹ 17.76 crore in March 2013 and ₹ 8.83 crore in March 2015.

27 Mori (₹ 1.99 crore), Chinyalisaur (₹ 1.76 crore), Purola (₹ 1.95 crore) in Uttarkashi and Dhauladevi (₹ 1.91 crore) in Almora.

in different trades/subjects[28]. The sharing of funds between the GoI and the State government was 75:25.

Scrutiny of records of the SPD showed (April 2015) that an amount of ₹ 5.28 crore (released by GoI) was available with the Department as of March 2015 for implementation of the scheme. However, the State Government had not released its share till the date of audit. Further, the Department had selected 2,200 students of 44 schools to be covered under the scheme till March 2015. However, no action was taken to implement the scheme. Thus, despite availability of funds, the intended benefits could not be derived.

In the exit conference (November 2015), the Government stated that tendering had been initiated to implement the scheme.

1.2.12 Information and Communication Technology (ICT)

The GoI introduced the flagship Scheme of ICT in Schools in 2004, later revised in 2010 to make computer accessible to every secondary schools with the vision of computer literacy and to prepare the students for digital future. The assistance was to be provided in the ratio of 75:25.

Scrutiny of records of the SPD, Dehradun showed (April 2015) that GoI released the first installment of ₹ Five crore to the State Government for implementing the scheme in March 2011 and the State Government also released its own share amounting to ₹ 1.67 crore but the whole amount (₹ 6.67 crore) was lying unutilized[29] and kept in a savings bank account till the date of audit. Further, it was also noticed that a Teachers Training Programme was organized in 2010-11 and ₹ 20.33 lakh were spent on 500 teachers for ICT which remained unfruitful as the scheme had not been implemented till the date of audit.

In the exit conference, the Government accepted the facts and stated (November 2015) that the matter would be discussed with the IT department and the funds would be transferred to IT department. Further, it was also stated that the matter would be discussed with GoI regarding relaxation in specifications for implementing the scheme.

1.2.13 Capacity building

Capacity building requires a detailed approach and strategy to address the challenges at various levels *i.e.* Centre, State, Districts and Schools, where the needs are assessed regularly, processes put in place, accountability fixed and outcomes measured. Continuous capacity building can be achieved through a combination of periodic meetings and training programmes.

[28] Tourism, Hospitality, Manufacturing, Construction, Automobile, IT Enabled Services and Food Processing & Warehousing, *etc*.

[29] Due to technical problems *viz.* tendering, installing the computer, specifications, sharing the computer, networking, internet, rooms *etc*.

1.2.13.1 Learning Resource Center (LRC)

In order to ensure quality in Secondary and Higher Secondary Education, out of 2,211 schools in the State, all schools need to be equipped with LRC with Library, Provision for ICT support and Link with EDUSAT[30]. Audit scrutiny showed (April 2015) that only 531 schools had Library, 125 schools had provision for ICT support and no school was linked with the EDUSAT. It was further seen that GoI approved the plan of ₹ 1.79 crore for providing LRCs in 2011-12 and released the funds (as a lump sum grant) as a recurring grant but the same could not be utilized due to non-releasing of funds by the State Finance Committee. The funds were adjusted in other activities.

In the exit conference (November 2015), the Government stated that the library rooms were now being constructed. Further, efforts would be made to provide internet facility in ICT supported schools.

The Department was thus unable to achieve the targets set-forth under the LRC component.

1.2.13.2 Training for maintenance of accounts

As per the *RMSA* guidelines, scheme related orientation training on planning, budgeting, accounting, procurement, internal audit, etc. should be given to all accounts and audit staff at periodical intervals so as to equip them with sufficient knowledge for the smooth and efficient day to day functioning of the tasks assigned to them. Scrutiny of the records of the SPD selected districts and test-checked schools showed that no training was imparted to non-teaching staff at the schools/blocks/district/SPD level. As a result, basic records[31] of civil works were not being maintained and their accounting procedure was very poor.

1.2.14 Monitoring , Inspection and Internal Audit

1.2.14.1 Monitoring and Inspection

To achieve the goal of the SIS, monitoring committees were to be constituted under the chairmanship of the Principal, the District Magistrate and the Secretary, School Education, Government of Uttarakhand respectively at schools, districts and state levels. The committees were to meet once in a quarter. As per *RMSA* guidelines, the SMDC had two sub committees at the school level, namely the education committee and the construction committee. The construction committee had to give its report to the DPO about construction work after completion of 25 *per cent,* 50 *per cent,* and 75 *per cent* of the construction work and upon completion of the work. Scrutiny of records of Schools, DPOs of selected districts and the SPD showed that only eight (40 *per cent*), 27 (23 *per cent*) and 4,965 (83 *per cent*) monitoring meetings were held at State, District and School levels respectively during 2010-15 against the targeted number of meetings *i.e.*

---

30 EDUSAT is the first Indian satellite built exclusively to serve the educational sector.
31 'Journal', 'Asset Register', 'Non-consumable articles', 'Register of Major & Minor Works', 'Advance Registers' Quarterly Expenditure, *etc*.

20, 120 and 5,960 at State, District and School levels respectively. During the physical verification of school records, it was also noticed that no minutes of meeting and action taken note were being prepared by SMDCs and PTA[32] to watch the activities.

Further, scrutiny of record of the SPD showed (April 2015) that 13 *per cent* works were inspected at ground level, 16 *per cent* works were inspected at door level, 17 *per cent* works were inspected at lintel level, and only 16 *per cent* works were inspected at finishing level by the Committee. It was also seen in selected districts that SMDCs neither monitored the construction works nor sent their reports to the related DPOs. Due to lack of monitoring, construction activities were either held up or were progressing unsatisfactorily.

In the exit conference (November 2015), the Government stated that henceforth, at the block level, mentors had been nominated to monitor the school level activities and at the district and state level, monitoring was being improved.

1.2.14.2 Internal Audit

As per paragraph 6.9.4 of the guidelines, the internal audit of SPD and DPOs was to be carried out every year. Internal audit of Schools was to be conducted on a percentage basis, so as to cover five *per cent* of schools in each district. It was to be ensured in the internal audit that the prescribed accounting including regular bank reconciliation is strictly followed by all.

Scrutiny of records of the SPD, Dehradun showed (April 2015) that there was no internal audit set-up for conducting periodical internal audit of schools and subordinate offices in the Department.

In the exit conference (November 2015), the Government stated that the matter would be discussed with the Director of Audit to set up the internal audit.

1.2.15 Other important issues

1.2.15.1 Comparison of students between Government schools and private Institutions

A comparison between the government schools and private schools is depicted in **Table 1.2.3.**

Table 1.2.3

Year	2008-09		2014-15	
	Government	Private	Government	Private
Total no. of schools	1,790	536	2,211	748
Total no. of students	1,90,329	63,682	2,05,153	1,24,638
Total no. of teachers	14,225	4,162	15,635	2,426
No. of students per school	106	119	93	167
No. of teachers per school	8	8	7	3

Source: SPD

[32] Parents Teacher Association.

As can be seen from the above table, students in private schools increased by 60,956 (96 *per cent*) till 2014-15 as compared to 2008-09 whereas in case of Government Schools, the number of students increased by only 14,824 (Eight *per cent*). Number of Government schools increased by only 24 *per cent* whereas the number of Private schools increased by 40 *per cent* till 2014-15 as compared to 2008-09. This indicates that the Department has to do a lot of groundwork to increase enrollment and retention in its schools.

In the exit conference (November 2015), the Government accepted the facts and stated that efforts are being made to improve the infrastructural facilities. In the year 2015-16, teaching staff has been recruited for betterment of school education.

1.2.15.2 Out of school children

State Government launched a child tracking programme in 2012-13 to know about the children, who were not taking admission in classes VIII to IX. Scrutiny of records of selected districts showed that the above programme was operated from 2013-14 to track dropouts who were not taking admission in classes VIII to IX. A proposal was sent to GoI by the State Government for open schooling through NIOS in 2013-14 but GoI did not approve the said proposal. The State did not further pursue the matter. As a result, in selected districts, there were 862 dropouts [33] (March 2015).

In the exit conference (November 2015), the Government accepted the facts and stated that the new education policy Right to Education (RTE) was being adopted to reduce the number of out of school children.

1.2.15.3 Lopsided deployment of Staff

Under the scheme of *RMSA,* there was a provision for posting of science lab assistants in the schools. The honorarium of lab assistants was to be paid from the recurring grant of *RMSA*.

Scrutiny of records of the test-checked districts showed that the lab assistants were posted in those 268 schools where there were no science laboratories. An amount of ₹ 7.10 crore was also disbursed towards payment of honorarium to the lab assistants during 2010-15. It was further noticed that lab assistants were not posted in those 225 schools where the science laboratories existed.

In the exit conference (November 2015), the Government accepted the facts and stated that posting of lab assistants in schools is in process.

1.2.15.4 Indicators

As per scrutiny of records of the SPD, Dehradun (April 2015), the quality of the secondary education indicators is depicted in **Table 1.2.4.**

[33] Almora-106, Dehradun-208, Pithoragarh-95, Pauri-77, Tehri-132 and Udham Singh Nagar-244.

Table 1.2.4

Year	Gross enrollment rate (GER)	Net enrollment rate (NER)	Dropout rate (DR)	Retention rate (RR)	Transit rate (TR)
2010-11	73.88	42.91	10.45	81.35	98.44
2011-12	75.79	43.99	10.15	88.63	98.69
2012-13	75.80	45.68	11.48	88.52	100.73
2013-14	86.62	46.95	12.83	87.17	96.63
2014-15	88.25	49.42	13.54	86.46	94.91

Source: Information was provided by SPD.

The table shows that Dropout Rate was increasing continuously from 2011-12 whereas the Retention Rate was decreasing. This table shows not only the picture of government schools but also of private and government aided schools. The segregated data was not being maintained at the SPD level. Thus, audit could not verify the real status of these indicators *vis-à-vis* students in the Government schools.

In the exit conference, the Government accepted the facts and instructed (November 2015) the officials to improve the facilities in schools to decrease the dropout rate and increase the retention rate.

Conclusions and Recommendation

1. Bottom up approach was not adopted for preparation of the PP and AWP&B which were to act as the building blocks for the State level plan. School level plans were not developed even though 1.07 lakh SMDCs were trained for the purpose.

   The Government may issue directives to the Department to prepare AWP&B at the school level through involvement of grass root level functionaries to set-forth realistic targets in order to achieve the objectives of the scheme.

2. The scheme suffered due to lack of progress in capacity building programmes under the scheme such as development of infrastructure and provision of basic amenities *viz.* school buildings, furniture and fixture, lab equipment, science laboratory etc. which deprived the children of the benefits of the Scheme. Other schemes under the umbrella of *RMSA* like IEDSS, Girls' Hostel facilities, Vocational Education and ICT, *etc.* could not be implemented properly.

   The Government may lay emphasis on providing Facilities, Quality Interventions and Equity Interventions to achieve the objectives of capacity building programmes.

During the exit conference, the Government accepted (November 2015) all the conclusions and recommendations.

ELEMENTARY EDUCATION DEPARTMENT

1.3 National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme)

A performance audit of the implementation of the National Programme of Nutritional Support to Primary Education (NP-NSPE) *i.e.* 'Mid-Day Meal' (MDM) scheme during the period 2010-15 in the State was carried out to assess the achievement of programme objectives with regard to enrollment, retention and attendance of school children; nutritional status and provisioning of essential micro-nutrients to school children, etc. The highlights of audit observations are as below:

Highlights

- ***There were disruptions in providing mid day meals in schools as seen in 50 of the 120 selected schools.***

[Paragraph 1.3.8.3]

- ***Micronutrients and supplements were not being administered to the children as per requirement and health check-ups were short by upto 79 per cent during 2010-13.***

[Paragraph 1.3.8.6]

- ***The scheme failed to improve enrollment in schools as actual enrollment declined by 22 per cent during 2010-15.***

[Paragraph 1.3.9.1]

- ***There was an adverse impact on teaching activities as involvement of teaching staff in the programme activities ranged between nine to 12 hours per week as against the required four hours per week.***

[Paragraph 1.3.9.3]

1.3.1 Introduction

The National Programme of Nutritional Support to Primary Education (NP-NSPE), popularly known as 'The Mid-Day Meal' (MDM) scheme, was launched by the Government of India (GoI) as a centrally sponsored programme in August 1995 to boost the universalisation of primary education by increasing enrollment, retention and attendance of children at primary stage (Class I to V) in Government and Government aided schools. The programme envisaged provision of meals, during the school hours, to every child with a minimum content of 300 calories and 8-12 grams of protein on each day of school. Government of India (GoI) further revised the programme in September 2006, increasing calorific value from 300 calories to 450 calories, fixing protein content at 12 grams, and simultaneously providing essential micro-nutrients and de-worming medicines to each student.

The MDM was further extended to cover recognized Madrasas/Maqtabs supported under the SSA, and the Upper Primary schools across the country from the year 2008-09.

1.3.2 Organizational set-up

The State Project Director of 'Uttarakhand - Education for All'[34] Council is responsible for the overall management of the programme. At the district level, District Education Officer-Basic Education (DEO-Basic) is the nodal officer for implementation of the scheme. At the same time, District Supply Officers (DSOs) are nodal officers for lifting of food grains from the Food Corporation of India (FCI) and the Regional Food Corporations (RFCs), and for distribution of the food grains to schools through the public distribution system. The Block Education Officer acts as the nodal officer at the block level. The Principals of the schools and the concerned School Management Committees are responsible for implementing the programme in their respective schools.

1.3.3 Audit Objectives

The main objectives of the performance audit were to assess whether:

- the scheme was being implemented in a planned manner as to cover all the eligible primary and upper primary level school children;
- the funds allocated were being utilized in an economic and efficient manner;
- the scheme achieved its objectives of enhancing enrollment, retention and attendance and improving the nutritional status of children; and
- an efficient internal control mechanism and monitoring system was in place and the same was working effectively.

1.3.4 Audit Scope and Methodology

The performance audit of MDM was carried out during April 2015 to July 2015 and covered the period from 2010-15. Out of 13 districts in the State, four[35] districts were selected for audit by probability proportional to size with replacement (PPSWR) method with number of schools in the districts taken as size measure. Four Blocks and thirty Schools (twenty schools of primary level & ten schools of upper primary level) in each district were selected by Simple Random Sampling without Replacement (SRSWOR) method.

Before commencing audit, the audit objectives, criteria and scope were discussed (February 2015) with the Additional Chief Secretary, Elementary Education, Uttarakhand in an entry conference. Records were examined at the State Project Office (SPO), selected offices of DEOs-Basic Education, the District Supply Officers (DSOs), and the Chief Medical Officers (CMOs) and at selected schools. Audit conclusions were drawn after the scrutiny of the relevant records, analysis of available data and replies to questionnaires and audit memoranda. An exit conference was held (November 2015) with the Additional Chief Secretary, Elementary Education and other concerned officers of the Department and replies of the State Government have been incorporated at appropriate places.

---

[34] "Uttarakhand –Education for all" is a Society that implements the "*Sarva Shiksha Abhiyan*" in the State.
[35] Almora, Dehradun, Tehri and Udham Singh Nagar.

1.3.5 Audit Criteria

The audit criteria used for assessing various activities under the Scheme were:

- Scheme guidelines of NP-NSPE, 2006;
- Various orders, notifications, circulars, instructions issued by GoI/State Government for implementation of the scheme; and
- Annual Work Plan and Budget prepared by the State.

1.3.6 Planning

1.3.6.1 Preparation of Annual Work Plan & Budget

Mid-Day Meal Scheme assigns importance to the preparation of Annual Work Plan & Budget (AWP&B) by States based on information maintained at the school level and aggregated at the Block, District and State levels. This envisages a bottom-up approach. During scrutiny of records of the SPO, it was observed that the State AWP&Bs prepared and got approved by the Programme Approval Board (PAB) were not based on such grass root data. Instead, the preparation of work plan was initiated and finalized at the SPO adopting a top down approach. No inputs were taken from districts, blocks or schools. This was contrary to the scheme guidelines resulting in instances of huge balances of funds remaining unspent with the districts as well as lapse of food grains as discussed in ***paragraphs 1.3.7.1 & 1.3.8.1***.

The State Government, while accepting the audit observation during the exit conference (November 2015), intimated that no real time data was available with the Department in the previous years; however, the data was now being captured under Management Information System (MIS) w.e.f. 2014-15 which will henceforth ensure bottom up approach. Further, the accuracy of data would be ensured through Interactive Voice Response System (IVRS) which was going to be initiated very soon.

Audit found that the data uploaded on the said MIS was not accurate as discussed in ***paragraph 1.3.10.3***.

1.3.6.2 Coverage of Schools

The number of schools/centres covered under MDM as against the total number of schools/centres operational in the state during the period 2010-15 was as under:

Table 1.3.1

Year	Total number of schools/centres in operation		Total	Total number of schools/centres covered under MDM		Total	Uncovered schools/centres
	Primary	Upper primary		Primary	Upper primary		
2010-11	12,983	5,122	18,105	12,457	5,061	17,518	587
2011-12	13,020	5,271	18,291	12,781	5,146	17,927	364
2012-13	13,083	5,336	18,419	12,756	5,222	17,978	441
2013-14	12,810	5,295	18,105	12,534	5,227	17,761	344
2014-15	12,803	5,362	18,165	12,477	5,266	17,743	422

Source: SPO, MDM Cell

In the test-checked districts, the ratio of uncovered schools/centres ranged from one to four *per cent* of the aggregate.

Regarding the issue of uncovered schools, the State Government stated (November 2015) that most of the uncovered schools had zero enrollment. These schools were not declared un-operational as they may become functional at any point of time. However, the schools with zero enrollment would not be taken into consideration during the preparation of plans in future.

1.3.6.3 Convergence with other development programmes

As per the guidelines, the MDM scheme had to be converged with other centrally sponsored schemes such as *Sarva Shiksha Abhiyan*, National Rural Drinking Water Programme (NRDWP) and National Rural Health Mission (NRHM) *etc*. During the test-check of records of selected DEOs, it was observed that no convergence was attempted with any centrally sponsored scheme except with NRHM under which micro-nutrient supplements and de-worming medicines had to be provided to all the school children during health check-ups in primary and upper primary schools. However, it was found that prescribed medical check-ups were conducted in only 21 *per cent* to 46 *per cent* of the schools of the selected districts during 2010-13 as discussed in ***paragraph 1.3.8.6 (ii),*** thus compromising the very objective of convergence.

In the exit conference (November 2015), the State Government replied that efforts were being made for ensuring the convergence of the scheme with other centrally sponsored schemes. It was further stated that convergence with NRDWP had been initiated for providing drinking water facility in all the schools *w.e.f.* 2015-16.

1.3.7 Financial Management

1.3.7.1 Availability of Funds

Under MDM, the Union Government is providing assistance for following purposes to the State Government:

(i) Supply of free food grains (wheat/rice) @100/150 grams per child per school day from the nearest FCI godown;

(ii) Reimbursement of the actual cost incurred in transportation of food grains from nearest FCI godown to the School;

(iii) Cooking cost in the ratio of 75:25 by the Union and the State Governments;

(iv) Provision of kitchen devices at an average cost of ₹ 5,000 per school; and

(v) Assistance for Management, Monitoring & Evaluation (MME).

The details of funds allocated, released and expenditure incurred therein at the State level and in the four selected districts are given in **Tables 1.3.2 (a) and (b)** below respectively:

Table 1.3.2 (a)

(₹ *in crore*)

Year	Central Allocation	Opening Balance			Release During the year			Expenditure during the year			Unspent Balance (*percentage of* TAF#)		
		Central Share	State Share	Total	Central Share	State Share	Total	Central Share	State Share	Total	Central Share	State Share	Total
2010-11	130.33	20.70	(-)20.41	0.29	109.63	48.12	157.75	124.98	33.18	158.16	5.35	(-)5.47	(-)0.12
2011-12	147.90	5.35	(-)5.47	(-)0.12	142.55	10.95	153.50	115.58	38.51	154.09	32.32	(-)33.03	(-)0.71
2012-13	191.59	34.00	(-)33.03	0.97	157.59	102.04	259.63	150.67	65.83	216.50	40.92	3.18	44.10 (17)
2013-14	117.21	21.96*	3.18	25.14	95.25	51.85	147.10	103.73	49.31	153.04	13.48	5.72	19.20 (11)
2014-15	102.80	13.48	5.72	19.20	89.32	41.65	130.97	86.79	40.13	126.92	16.01	7.24	23.25 (15)
Total	**689.83**				**594.34**	**254.61**	**848.95**	**581.75**	**226.96**	**808.71**			

Source: SPD, MDM Cell), # Total Available Fund

*** Unspent balance of ₹ 18.96 crore pertaining to kitchen store returned to GoI resulting in decrease in opening balance.**

Table 1.3.2 (b)

(₹*in crore*)

Year	Opening Balance	Fund received during the year	Total Available Funds (TAF)	Expenditure	Unspent Balance (*percentage of* TAF)
2010-11	5.61	43.77	49.38	40.72	8.67 (17)
2011-12	8.67	66.28	74.95	59.25	15.70 (21)
2012-13	15.70	102.90	118.60	82.97	35.63 (30)
2013-14	35.63	62.28	97.91	68.98	28.93 (30)
2014-15	28.93	51.05	79.98	53.96	26.02 (33)
Total		**326.28**		**305.88**	

Source: SPD, MDM Cell

Significant features of management of funds were:

- There was a difference of ₹ 1.68 crore between the Closing Balance (CB) of the year 2011-12 and the Opening Balance (OB) of 2012-13 at the State level (Central Share). Scrutiny of records showed that GoI, rejecting figures submitted by the State Government, instructed that actual CB for the year 2011-12 should be ₹ 3.51 crore, which was accepted by the SPO and accordingly the corrections in OB for the year 2012-13 were made. However, the SPO failed to provide any reasonable reply as to how the expenditure of ₹ 1.68 crore was adjusted.
- Against the approved allocation of ₹ 559.50 crore, only ₹ 484.71 crore (87 *per cent*) were released by the GoI during 2011-15 due to unspent balances of central share which ranged from 12 to 22 *per cent* in the State.
- The problem of unspent balances was more severe at the district level. The unspent balances rose from 17 *per cent* in 2010-11 to 33 *per cent* in 2014-15 in the selected districts.

During the year 2010-12, the State Government did not release its share (₹ 38.50 crore[36]) to the SPO. Hence, expenses of the scheme were largely met from the central assistance. It mainly affected the flow of funds to schools; as a result, teachers had to make their own arrangements for preparing the meals.

The State Government, while accepting (November 2015) the observations with regard to unspent balances, wrong reporting, and difference in opening and closing balance, stated

[36] ₹ 5.47 crore in 2010-11 and ₹ 33.03 crore in 2011-12.

that efforts were being made to plug such loop holes so that no such irregularities occur in future.

Apart from the above, other observations were also noticed by audit as discussed in the succeeding paragraphs.

1.3.7.2 Delayed release of funds to schools

As per Para No. 3.3 (iv) of the scheme guidelines, the State had to ensure that a minimum of one-month's buffer stock of food grains and cooking costs were available in each school. However, there was a delay in the release of scheme funds to the schools in the selected districts, excluding Tehri. Such delays ranged up to four months from the scheduled release. The school teachers had to make arrangement of meals of the students on their own, and the expenditure incurred by the teachers ranged between ₹ 247 to ₹ 52,004.

In the exit conference (November 2015), it was stated by the State Government that timely release of funds to schools would be ensured in future.

1.3.7.3 Excess Transport Assistance

As per the guidelines, transport subsidy was to be reimbursed by the GoI on the basis of quarterly claims preferred by the State Government. Such claims were to be preferred by 15^{th} of the month following the quarter.

During scrutiny of records of the SPO, Audit noticed that the State never furnished the requisite claims for transport assistance to GoI. The GoI, however, released transport assistance to the tune of ₹ 12.73 crore during 2010-15 to the State. The transport assistance released by the SPD to the districts was lying unspent in the range of 47 *per cent* to 100 *per cent* in the selected districts. It was also found that ₹ 34.88 lakh were released to Udham Singh Nagar during 2012-15 despite the fact that there was unspent amount of ₹ 25.84 lakh with the district at the end of March, 2012 and further, the district authorities had refused any further transport assistance.

In the exit conference (November 2015), the State Government intimated that due to non-submission of bills by the transporters, transport assistance was lying unspent. Further, it was assured that instructions in this regard would be issued to the Food and Civil Supplies Department.

1.3.7.4 Avoidable payment of VAT

As per the provisions of the Uttarakhand Value Added Tax (VAT) Act, 2005, sales of food grains through PDS are kept in Schedule 1 A, and are, therefore, exempted from levying of VAT. However, it was observed that the FCI had charged VAT on food grains which were accordingly paid for by the concerned DEOs. During 2010-15, an amount of ₹ 2.70 crore was paid as VAT by the District Nodal Offices of the State out of which

₹ 1.15[37] crore pertained to the selected districts**.** Such payment of VAT by the Department was irregular.

The State Government stated (November 2015) that the matter would be looked into and necessary instructions would be issued to the concerned authorities.

1.3.7.5 Non-accounting of interest

Paragraph 5.1(9) of the MDM guidelines provides that release of 1st instalment would be subject to the previous year's unspent balance available with the State Government and unspent balance would be worked out after considering the balance at all levels *i.e.* State, District, Block and School.

Audit observed that ₹ 3.27 crore earned as interest on grants at the State level and ₹ 4.82[38] crore at the level of the selected districts during the period 2010-15 were not reported to the Ministry in the utilisation certificates for their further adjustment in subsequent releases of grants.

In the exit conference (November 2015), it was assured by the State Government that clear instructions would be sought from the GoI with regard to the treatment of accrued interest.

The reply was not in consonance with the guidelines as unspent balance available with the State Government had to be worked out at all levels and reported to the Ministry. The accrued interest being part of the unspent balance was also required to be intimated to GoI. This resulted in blockade of interest of ₹ 8.09 crore[39] at the level of the SPO and the selected districts.

1.3.7.6 Irregular release for LPG Subsidy

The GoI released Central Assistance of ₹ 7.11 crore during 2012-14 to the State Government on its demand for meeting additional expenditure incurred on the procurement of unsubsidized LPG cylinders after withdrawal of subsidy by the GoI in September 2012. While releasing the funds, the GoI had issued clear instructions that the reimbursement of the additional cost will be made on actual basis based upon certification of bills by the Officer In-charge of MDM at the district level.

Scrutiny of records showed that no demand related to reimbursement of unsubsidized LPG was raised by any of the districts. However, the SPD released ₹ 9.44 crore, including 25 *per cent* State share, to the districts during 2013-14 for meeting the said expenditure relying upon the estimation of number of cylinders required in the schools in the district based on the calculation[40] of number of children enrolled & number of school days. The funds were subsequently provided to the schools without ascertaining whether unsubsidized cylinders were actually procured or not. In the selected districts, audit found

[37] Almora ₹ 0.25 crore, Dehradun ₹ 0.26 crore, Tehri ₹ 0.26 crore & Udham Singh Nagar ₹ 0.38 crore.
[38] Almora ₹ 1.05 crore, Dehradun ₹ 0.86 crore, Tehri ₹ 0.78 crore & Udham Singh Nagar ₹ 2.13 crore.
[39] At State level: ₹ 3.27 crore and at the selected districts level: ₹ 4.82 crore.
[40] Consumption of one LPG cylinder in 30 school days for 26 children.

that ₹ 16.07 lakh were released even to those schools where LPG connection was not available.

In the exit conference (November 2015), the State Government stated that funds related to LPG subsidy would be released in future after obtaining demand from the concerned districts/schools.

1.3.8 Implementation

1.3.8.1 Allocation, Procurement, Distribution and Supply of food grains

The GoI allocates food grains on the basis of district-wise enrollment figures of the eligible schools. The details of food grains allocated, lifted from FCI and consumed, are as under:

Table 1.3.3
Details of food grains in primary and upper primary schools.

(Quantity in MT)

Year	Allocation	Opening Balance	Lifted from FCI	Total available	Release to schools	Closing Balance
2010-11	23,214.41	1,038.92	21,134.36	22,173.28	21,345.21	828.07
2011-12	23,531.40	828.07	21,655.80	22,483.87	22,095.81	388.06
2012-13	24,235.45	388.06	22,777.52	23,165.58	22,112.36	1,053.22
2013-14	23,776.04	1,053.22	21,460.22	22,513.44	21,391.38	1,122.06
2014-15	20,679.32	1,122.06	18,816.22	19,938.28	19,769.85	168.43

Source: SPO, MDM Cell

It was observed that the State lifted 90 to 94 *per cent* of the allocated food grains during 2010-15 and the balance lapsed. At the same time, actual release to schools ranged between 95 to 99 *per cent* of the total available food grains during the same period. However, it was observed that the actual consumption of food grains at school level was not being compiled at any level, and the quantity of food grains received by the DEOs–Basic from the DSOs was being shown as consumed resulting into wrong reporting to the GoI.

In the selected districts, actual consumption of food grains *vis-à-vis* its lifting and supply to schools by the DEOs was analyzed. This showed that an excess supply of 68.22 MTs was made to the primary schools in Dehradun during 2010-15. On the other hand, upper primary schools were short supplied with 228.17 MTs of food grains during the same period. In districts of Tehri and U S Nagar, short supply of 366.50 MTs and 551.63 MTs of food grains was noticed in primary schools respectively, and of 447.71 MTs and 618.67 MTs of rice in Upper Primary schools. At the same time, Almora district received excess supply of 603.24 MTs and 157.77 MTs in the primary and upper primary schools respectively during 2010-15.

The instances of short and excess supplies to the schools in the districts can be attributed to the practice of non-compilation of actual consumption data at the school level which affects planning, and forecasting of actual requirements at the school level.

In the exit conference (November 2015), the State Government stated that feeding of data under MIS had been initiated in the State to capture the actual consumption of food grains at school level.

1.3.8.2 Availability of buffer stock

As per the guidelines, the State had to ensure the availability of a minimum of one month's buffer stock of food grains in each school. During physical inspection of selected schools in the sampled districts, it was noticed that the availability of buffer stock, as required to avoid disruptions due to unforeseen exigencies, was not being ensured during the period covered in audit. This resulted into disruption in providing Mid-Day Meals as discussed in the succeeding paragraph.

1.3.8.3 Disruption in providing Mid-Day Meal

It was the responsibility of the State as well as of the district nodal offices to ensure uninterrupted supply of food grains to all eligible schools in the State. Significant disruptions in providing Mid-Day Meal to the children were noticed during physical inspection of schools in the four sampled districts. In Dehradun, disruptions were found in 14 out of 30 test-checked schools which ranged up to 69 days in 2014-15. Similarly, in Almora, Tehri and Udham Singh Nagar, disruptions were noticed in nine, 15 and 12 schools respectively out of 30 test-checked schools in each district and such disruption ranged up to 49 days in 2010-11.

In the exit conference (November 2015), the State Government assured that the Food and Civil Supplies Department would be directed to take cognizance of the issue of ensuring buffer stock and guarding against disruption in providing food grains.

1.3.8.4 Quality of food grains

As per the scheme guidelines, FCI was to issue food grains of best available quality which would in any case be of at least Fair Average Quality (FAQ). This was to be ensured through a joint inspection by a team consisting of the FCI representative and a nominee of the DM. Further, samples of supplied food grains had to be kept at each level and were to be retained intact for three months for being tested, if required.

During scrutiny of records at selected districts, it was observed that the concerned DMs did not nominate any representative for the said purpose and hence, no inspection of supplied food grains with regard to FAQ had ever been carried out. In absence of the samples of food grain, the quality of food grain was never verified. The absence of quality inspections raises doubts as to the quality of meals being served in schools under the scheme.

In the exit conference (November 2015), the State Government stated that on the basis of the audit observation, teams had been constituted in the districts to ensure that at least fair average quality of rice was being provided to the children.

1.3.8.5 Short supply of rice in rice bags

During inspection of schools at Almora, Dehradun & Udham Singh Nagar, rice bags of 50 kg each were got weighed randomly in 16 schools. The bags were found short of contents by five to 10 kg. The concerned principals stated that mid-day meal rice was never weighed at the time of supply by the PDS owners but the same would be weighed before taking supply in future. Thus, there is a significant chance of pilferage of food-grains at various levels in absence of checks by designated authorities.

The issue was raised during exit conference (November 2015). It was assured by the Government that instructions would be issued to the DSOs to check short supply of rice.

1.3.8.6 Provision of Micronutrients and Health Check-ups

(i) Scheme guidelines laid down that the programme should be complemented with six-monthly doses for de-worming and Vitamin-A supplements; weekly Iron, Zinc and Folic-Acid supplements; and other appropriate supplements depending upon local and common deficiencies. However, it was found that micronutrients and supplements were not being administered to the children as per the requirement during 2010-15. Distribution of de-worming medicines among the children in the selected districts ranged between six to 35 *per cent* only. Vitamin-A supplements, distributed only in Tehri and U S Nagar during 2010-11 and 2011-12 respectively, was just nominal. Also, only ₹ 46.88 lakh out of ₹ 1.46 crore received from GoI for the procurement of medicines/micro-nutrients during 2010-15 were utilized for the said purpose in the selected districts.

(ii) Health check-up of children in primary and upper primary schools was targeted to be conducted twice in a year up to 2012-13 and thereafter once in a year in the schools under *Rashtriya Bal Swasthya Karyakram (RBSK)*. However, it was found that percentage of medical check-ups conducted in the schools of selected districts ranged between 21 and 46 *per cent* during the period 2010-13. Further, the teams for conducting medical check-ups were not constituted as per the requirement up to 2012-13 which resulted in shortfall in conducting health check-ups in schools.

In the exit conference (November 2015), the State Government, while accepting the audit observations, assured that instructions would be issued to the Health Department for better co-ordination in this regard.

1.3.8.7 Nutrient value of meals

To achieve the objective of improving nutritional status of children, the scheme envisaged providing of cooked meal with nutritional value of 450 calories and 12 grams protein through specific quantities of various food items. Accordingly, rates of cooking costs[41] were fixed at ₹ 3.59 per child per day at primary level, and ₹ 5.38 per child per day at the upper primary level for the year 2014-15.

Scrutiny of records during the inspection of schools showed that required quantities of food items were not being provided to children even after exhausting admissible cooking cost in full. The schools accepted that the prescribed cooking costs were not sufficient to provide required quantities of food items.

[41] Cooking cost includes the cost of Pulses, Vegetables, Oil & fat, salt, spices and Fuel.

The issue was also raised with the concerned DEOs, who took current market rates of approved items of mid-day meal and compared these rates with the prescribed rates for the year 2014-15. The comparison showed that the market rates of approved items were higher than the approved rates by 49 to 71 *per cent* at primary level and by 55 to 73 *per cent* at the upper primary level. Thus, the mid-day meals, being provided to students on the basis of approved rates of cooking cost, were insufficient to such an extent that there is a strong likelihood that the level of nutrition being provided was also being compromised in the process.

The State Government stated (November 2015) in the exit conference that the matter would be raised with the PAB.

1.3.8.8 Mismatch of data

As per the scheme guidelines, DSOs of concerned districts were responsible for lifting of food grains from the Food Corporation of India (FCI)/Regional Food Corporation (RFC) godowns and delivering them up-to school level. Concerned DEOs were assigned the responsibility of payment of lifted food grains to the FCI in a timely manner. During scrutiny of records of DSOs and DEOs of the selected districts, it was observed that lifting of food grains by DSOs was not matching with the quantity claimed in the bills of FCI. 337.82 MTs and 377.75 MTs of rice were lifted by the DSOs of Almora and Dehradun respectively in excess of the claims made by the FCI. At the same time, 61.40 MTs and 21.37 MTs of rice were short lifted by the DSOs of Tehri & Udham Singh Nagar respectively compared to the claims made by the FCI during the period 2010-15. This shows inconsistencies in the data maintained by the Department *vis-à-vis* the data maintained by the FCI on the quantity of food grains being supplied by it. Mismatch of data between the FCI and the DSOs could significantly increase risks of pilferage of food grains.

In the exit conference (November 2015), the State Government stated that necessary instructions would be issued to concerned DEOs/DSOs to reconcile the figures before making the payment to the FCI.

1.3.8.9 Kitchen-cum-stores

Provision of essential infrastructure is one of the components of the MDM programme. It includes provisioning for kitchen-cum-store, kitchen devices and adequate water supply for cooking/drinking, *etc.* for qualitative and hygienic preparation of meals. During 2010-15, GoI provided assistance of ₹ 143.60 crore for construction of kitchen-cum-store and ₹ 8.06 crore for procurement of kitchen devices. The SPD, after including the state share, released ₹ 159.96 crore to the districts for the construction of 10,948 units of kitchen-cum-store during the coverage period.

During scrutiny, it was observed that only 9.40 *per cent* kitchens were completed in time. Most of the kitchens (69.42 *per cent*) were completed with delays and 21.18 *per cent* of the sanctioned kitchens were yet to be completed as of March 2015. The details are as under:

Table 1.3.4

Year	No. of units sanctioned	No. of units completed		Yet to be completed
		Within time	With delay	
2010-11	3,807	919	2,828	60
2011-12	4,868	68	3,711	1,089
2012-13	2,267	42	1,075	1,150
2013-14	26	02	0	24
2014-15	0	0	0	0
Total	**10,968**	**1,031**	**7,614**	**2,323**

Source: SPO, MDM Cell

Physical inspection of 30 selected schools in each sampled district was also conducted and shortcomings with regard to kitchens noticed in these schools are as detailed below:

- Seven schools in Almora, one school each in Dehradun and Tehri, and two schools in Udham Singh Nagar were without the facility of kitchen-cum-store. In these schools, class rooms were being used for preparation of MDM and storing of food grains, as seen in the picture alongside. The number of schools with insufficient kitchen devices was 20 in Almora, 25 in Dehradun, eight in Tehri and all 30 schools in Udham Singh Nagar. The children had to bring the plates from their homes for taking the meals. Two schools each in Almora and Dehradun, and six schools in Tehri had no drinking water facility.

Upper Primary School, Gopaldhara, Almora

- It was also noticed during physical inspection of selected schools that 50 *per cent* of schools in Almora and Udham Singh Nagar, 36 *per cent* of schools in Dehradun and 42 *per cent* of schools in Tehri were without LPG connections. Consequently, meals were being prepared on *Chullhas* in these schools as is evident from the picture alongside.

Govt. Primary School, Bhujan, Almora

Lack of infrastructure adds to difficulties in implementing the programme at school level, besides acting as a disincentive towards sustaining interest of students, maintaining enrollment levels, and ensuring quality of food being served.

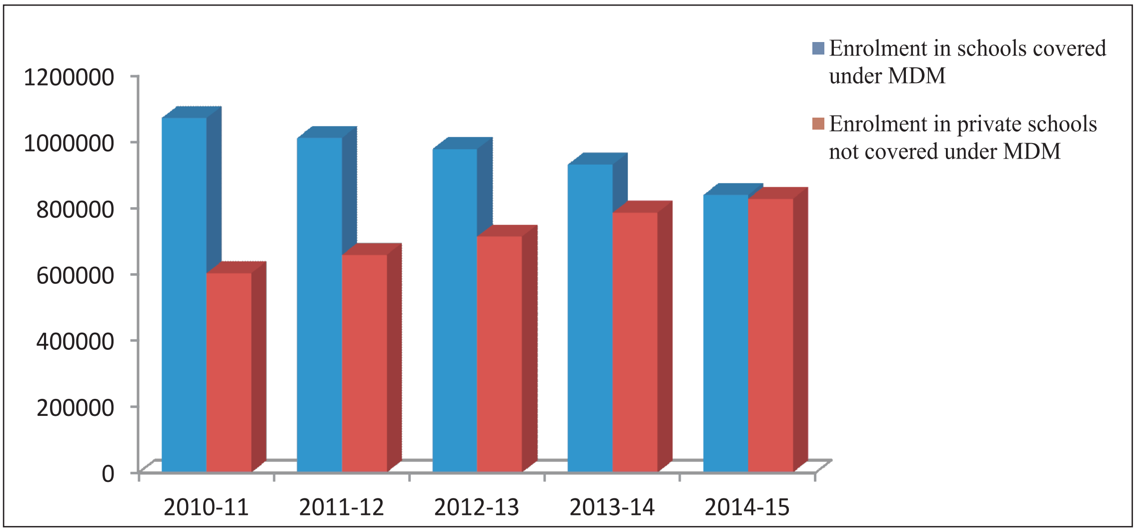
In the exit conference (November 2015), the State Government, while accepting the facts, stated that necessary steps would be taken to overcome the shortcomings.

1.3.9 Achievement of objectives: Improvement in enrollment and retention

1.3.9.1 Impact on enrollment in schools

The MDM scheme was launched with the aim of attracting children to schools and, thus, bringing about improvement in enrollment in the schools. Scrutiny of records at SPO showed a decreasing trend in enrollment of children in schools covered under MDM during 2010-15, Actual enrollment declined by 22 *per cent* during the last five years. At the same time, there was an enhancement of 37 *per cent* in enrollment in private schools not covered under MDM as can be seen in the Chart below:

Chart 1.3.1



Source: SPO, MDM Cell and District Information System for Education (DISE)

This shows that MDM, on its own, had not been successful to the extent as envisaged. It was also seen that the number of 'out of school' children continuously declined from 5.44 *per cent* in 2010-11 to 1.25 *per cent* in 2014-15 at the State level. This again was the result of rapid growth in enrollment of children in private schools with no facility of MDM, as can be seen from the chart above. This clearly indicates that the MDM alone without stressing the quality of education is not a sufficient condition for increasing enrollment in government run schools.

In the exit conference (November 2015), the State Government, while accepting the facts, stated that with the improvement in financial status, people opt for private schools instead of Government schools.

1.3.9.2 Impact on retention

The number of students who dropped out from Class-I to Class-V over the years despite implementation of Mid-Day Meal, is shown in the table below:

Table 1.3.5

Enrollment (in numbers)

Year	Class I	Class II	Class III	Class IV	Class V
2010-11	1,37,719	1,23,257	1,19,571	1,19,229	1,26,489
2011-12	1,21,681	1,19,516	1,15,623	1,11,913	1,18,226
2012-13	1,09,471	1,09,945	1,13,610	1,09,824	1,15,878
2013-14	1,04,410	1,01,779	1,04,595	1,07,895	1,05,469
2014-15	99,777	99,528	98,943	1,00,839	1,04,513

Source: SPO, MDM Cell

Only 1,04,513 out of 1,37,719 students (as depicted in shaded portion in the table) enrolled in Class I in 2010-11 could be retained in class V up to 2014-15. Thus, the Department failed to retain 33,206 (24 *per cent*) student during the period 2010-15. Further, in 120 schools covered in inspections, 2,746 students dropped out of the school during the period 2010-15. Drop-out ratio in the districts ranged from 11 to 36 *per cent* as shown in the table below:

Table 1.3.6

District	No of schools	Enrollment	No of drop-outs	Percentage
Almora	30	2,364	853	**36**
Dehradun	30	4,435	690	**16**
Tehri	30	2,536	457	**18**
U S Nagar	30	7,029	746	**11**
Total	**120**	**16,364**	**2,746**	**17**

Source: Selected schools

The high drop-out rate in selected districts again confirms that the scheme had not been very successful in achieving its objectives, as pointed out in the previous paragraph.

The State Government accepted the facts during the exit conference (November 2015) and intimated that a child tracking system had been initiated to check retention and drop out of children.

1.3.9.3 Adverse impact on teaching

Programme guidelines lay down that teachers should, under no circumstances, be assigned responsibilities for supervising the cooking operations for more than 30-40 minutes per day (four hours per week). During physical inspection of selected schools, it was noticed that most of the primary schools had only one to two teachers and the involvement of teaching staff in the programme activities ranged between nine to 12 hours per week on an average. This adversely affects teaching as admitted by the teaching staff, especially in primary schools.

In the exit conference (November 2015), the State Government intimated that school managements would be directed to seek community support in ensuring efficient cooking, serving and cleaning operations so that teachers focus only on education of children.

1.3.10 Internal Controls and Monitoring

1.3.10.1 Internal controls

Internal control is a management tool used to provide reasonable assurance that the objectives are being achieved in an economical, efficient and effective manner. This is achieved mainly through maintenance of proper control environment and conducting required control activities.

The internal control related deficiencies noticed by audit in test-checked districts are as under:

- The stock registers of food grains were not being maintained in the test-checked schools.
- Accounting records of food grains as well as funds were not maintained properly at school, block and district levels.
- The Department did not have an internal audit wing for Mid-Day Meal Scheme due to which non-maintenance of vital records and deficiencies in accounting escaped notice of the authorities.
- During physical inspection of schools/madrasas in Udham Singh Nagar, two madrasas were scheduled to be inspected by audit team, but one of the madrasas denied request for the inspection and there was no teacher available in the other madrasa on the date of inspection. Thus, scrutiny of records could not be carried out in both the madrasas.

In the exit conference (November 2015), the State Government stated that training programmes were being organized for the purpose of proper maintenance of records. With regard to denial of audit by two madrasas, it was stated that instructions would be issued to district authorities for conducting inspection and seeking explanation from the concerned institutions.

1.3.10.2 Non-functioning of grievance redressal mechanism

The scheme guidelines envisaged that the State shall also develop dedicated mechanism for public grievance redressal. During test-check at the SPO, it was noticed that guidelines related to grievance redressal were formulated (July 2012) but no data related to grievance/complaints received and enquired into, and their settlement was being maintained at the SPO during 2010-15. However, 20 complaints were received on toll free number in MDM Cell during 2014-15 which were duly settled. During test-check of selected districts, it was also noticed that no records related to grievances/ complaints received and settled were being maintained.

The State Government, in the exit conference (November 2015), assured that the grievance redressal mechanism would be strengthened.

1.3.10.3 Management Information System

The scheme provided for development of a computerized management information system (MIS) for proper monitoring of the performance by the department implementing the scheme in consultation with the National Informatics Centre (NIC).

It was noticed that though this system of information was initiated in the State *w.e.f.* 2012-13, regular feeding of data under this system could only be started from the year 2014-15. Accordingly, the Annual Plan (AWP&B) for the year 2015-16, which was being prepared on the basis of DISE data up to 2014-15, was the first to be prepared on the basis of MIS data pertaining to the year 2014-15.

It was also noticed that there was no mechanism at block and district levels to cross check the data provided by the concerned schools. As a result, funds and food grains shown as utilized during the said year by various schools were more than what was actually available with these schools. Thus, the data uploaded on the web portal was unrealistic and indicated poor monitoring by the departmental authorities at all levels.

In the exit conference (November 2015), the State Government stated that the data of schools would be cross checked before uploading the same on MIS portal to ensure the accuracy of such data.

1.3.10.4 Shortfall in number of Meetings

The scheme guidelines provided for supervision, monitoring and evaluation by setting up Steering and Monitoring committees at block, district and State levels to generate community support for the goal of universalizing primary education. State level SMCs were expected to meet at least once every six months and District and Block level SMCs, at least once a quarter.

It was observed during audit that the number of meetings held at all levels, was much lower than the prescribed number. Against the prescribed number, meetings were held upto 10 *per cent* at Block level, 25 *per cent* at districts level and 70 *per cent* at State level during the period under report.

As there was no active feed-back system to evaluate the implementation of the programme and to plug the loop holes noticed during the course of implementation at the ground level, the objective to guide the various implementation agencies, monitoring programme implementation, assessing its impact and taking of corrective steps thus remained unattended.

1.3.10.5 Shortfall in supervision and inspections

The scheme guidelines provided that State Government had to fix inspection programme which would cover 25 *per cent* of the primary schools on an average in a quarter. As per State Government instructions (January 2009), for immediate and effective monitoring of the scheme, administrative officers of various departments at district and block levels were also included and a calendar for minimum monitoring targets during a year was also fixed. However, during scrutiny of records of selected districts, it was noticed that in Dehradun, information related to supervision and inspection during the period 2010-15 was not being maintained, and in the schools of Udham Singh Nagar, no supervision/inspection was conducted upto 2013-14. However, five *per-cent* schools were inspected there during the year 2014-15. In Almora and Tehri, two to 25 *per cent* and 12 to 16 *per cent* schools respectively were inspected during the review period. It was also noticed that neither any inspection reports related to inspections of schools carried out were prepared nor were they submitted to the District Steering & Monitoring Committees during the period 2010-15 which resulted in no follow-up action being taken to address issues such as irregular supply of food grains to schools, short supply of rice in rice bags by PDS owners, irregular health check-ups in schools, *etc.*

In the exit conference (November 2015), the State Government stated that a proforma related to supervision and inspection would be finalized very soon.

1.3.10.6 Non-evaluation of the scheme

The scheme provided for grant of central assistance at a rate of 1.8 *per cent* of the total assistance under food grains, transportation cost and cooking cost towards expenditure on Management, Monitoring and Evaluation (MME). The assistance was to be utilized for (a) school level expenses, (b) Management, supervision, training, internal monitoring and evaluation; and (c) external monitoring and evaluation. GoI assistance of ₹ 7.10 crore was received during 2010-15 under MME including ₹ 1.06 crore for external evaluation. However, no funds were utilized towards independent external evaluation of the scheme (March 2015) to assess the outcome of the programme.

The State Government stated (November 2015) that evaluation of the scheme would be carried out very soon.

Conclusion and Recommendations

1. The implementation of the scheme was affected at school level due to delayed release of funds to the schools. There were instances of irregular supply of food grains to schools, resulting in disruption in providing Mid-Day Meals.

   The Government may consider ensuring timely release of funds and adequate supply of food grains up to school level.

2. The schools were not able to provide mandatory nutrient value in the form of calories and proteins due to insufficient cooking costs.

   The Government may approach the GoI for raising cooking costs to a more realistic level so that the quality of meals being served to children is not compromised on account of insufficient resources.

3. Number of supervision and inspection activities was far below from the target of covering 25 *per cent* schools in every quarter.

The Government may stress on strict compliance, by its officers, of inspection and supervision norms.

All three recommendations made in the report were duly accepted by the State Government in the exit conference (November 2015).

AGRICULTURE DEPARTMENT

1.4 Rashtriya Krishi Vikas Yojana

Rashtriya Krishi Vikas Yojana (RKVY) was started by the Government of India (GoI) with a view to provide incentives to the States for increasing public investment in agriculture, provide flexibility and autonomy to the States in the process of planning and executing Agriculture and allied sector schemes and maximize returns to the farmers. A performance audit of the implementation of the scheme in the State during the period 2010-15 showed various shortcomings as highlighted below:

Highlights

- ***The State and District Agriculture Plans were prepared after a delay of 21 and 31 months respectively from the scheduled dates.***

  [Paragraph 1.4.6.1]
- ***During 2010-15, the State Level Sanctioning Committee approved 56 projects even before their Detailed Project Reports were prepared.***

  [Paragraph 1.4.6.2]
- ***An excess expenditure of ₹ 3.09 crore, in respect of six projects pertaining to the years 2011-13, was incurred without the approval of the SLSC.***

  [Paragraph 1.4.7.2]
- ***Three Organic Waste Convertor plants, installed at a cost of ₹ 4.86 crore, remained non-functional even after lapse of 12 to 17 months of their installation.***

  [Paragraph 1.4.8.2 (a)]

1.4.1 Introduction

Rashtriya Krishi Vikas Yojana was launched (May 2007) by the Government of India (GoI) with the aim of achieving four *per cent* annual growth in the agricultural sector during the XI plan period (2007-12) by ensuring holistic development of agriculture and allied sectors. It is a State plan scheme to incentivise States to draw plans for their respective agriculture sector more comprehensively, taking agro-climatic conditions, natural resource issues and technology into account, and integrating livestock, poultry and fisheries more holistically.

The scheme was introduced in Uttarakhand in 2007-08. A total of 176 projects, including 10 projects of sub-schemes, were implemented in the State till date. Out of these projects, 170 projects were implemented during 2010-15.

1.4.2 Organizational set-up

A State Level Sanctioning Committee, under the chairmanship of the Chief Secretary is responsible for sanctioning of projects, reviewing the implementation of the scheme's objectives, and ensuring that the projects are implemented in accordance with the guidelines laid down by the Central Government. The Department of Agriculture, headed by a Principal Secretary, is the Nodal Department (ND) responsible for overall control over the implementation of the scheme. The individual departments at the district level are the actual implementing agencies (IAs) for projects implemented in their respective sectors.

1.4.3 Audit Objectives

The performance audit of RKVY was taken up with the objective of assessing whether:

- planning process of the scheme was effective and in compliance with the RKVY guidelines;
- financial management ensured adequate and timely availability of funds and their effective and economic utilisation;
- projects were implemented according to the regulatory structure in place and whether the intended objectives of the projects were achieved; and
- monitoring mechanism at each level was adequate.

1.4.4 Scope of Audit and Methodology

Funds under RKVY are made available to States in two distinct streams, *viz. Stream I* for specific projects and *Stream II* for strengthening the existing state sector schemes. Audit selected four[42] of the total 17 sectors[43] for scrutiny. Under the selected sectors, 11 out of 75 projects[44] (Eight projects out of 42 projects from *Stream I*, Two projects out of 23 projects from *Stream II* and one project out of 10 sub-schemes) implemented during the period 2010 - 2015 were selected for detailed audit scrutiny as detailed below:

Table 1.4.1: Details of selected projects

Sl. No.	Name of selected sector	Category of Stream	Name of selected project
1.	Micro/Minor Irrigation	I	To make minor irrigation scheme functional for increase in agriculture production in Uttarakhand
2.			Construction of rain water harvesting tanks, irrigation channels, sprinkler and drip irrigation systems at Ranichauri and Kanatal
3.	Animal Husbandry	I	Strengthening modernization and expansion of animal breeding farm Kalsi
4.			Strengthening of government piggery farm Kashipur (U S Nagar)
5.	Marketing	I	Construction of sub mandi of Sitarganj at Shaktifarm under Sitarganj mandi
6.			Construction of Karnaprayag Mandi Yard
7.			Composting vegetable waste using organic waste convertor
8.	Organic Farming	I	Saturation of 300 Villages of Srinagar Under Organic Farming
9.		II	Support to development of Organic Agriculture Phase-II
10.			Promotion of organic farming Phase-II
11.	Sub-scheme (Horticulture)	Sub-scheme	The Vegetable Initiative for Urban Cluster

42 Animal Husbandry, Organic Farming/Bio Fertilizer, Micro/Minor Irrigation and Marketing.

43 Plant protection, Innovative, Fertilizer Integrated Nutrient Management (FINM), Sericulture, Fisheries, Agriculture, Extension, Crop, Horticulture, Micro/Minor Irrigation, Seed, Animal Husbandry, Dairy Development, Organic Farming, Natural Resource Management (NRM), Marketing and others.

44 Expenditure of ₹ 59.44 crore was incurred on 11 selected projects out of a total ₹ 160.94 crore expended on total 75 projects.

The performance audit was conducted between February and July 2015. The audit objectives, criteria and scope were discussed (April 2015) with the Principal Secretary, Agriculture in an entry conference. Audit conclusions were drawn after scrutiny of the relevant records, analysis of available data and replies to questionnaires and audit memoranda. The audit findings were discussed in an exit conference (October 2015) with the Principal Secretary, Agriculture, and the response of the Government has been included in the Report at appropriate places.

1.4.5 Audit criteria

The following are the sources of the audit criteria:

- Guidelines for Rashtriya Krishi Vikas Yojana (RKVY);
- District Agriculture Plan and Comprehensive State Agriculture Plan; and
- Detailed Project Reports of the projects.

Audit Findings

1.4.6 Planning

1.4.6.1 District Agriculture Plan and State Agriculture Plan

For implementation of RKVY, a District Agriculture Plan (DAP) was to be formulated in each district. The DAPs were to present the vision for agriculture and allied sectors within the overall development perspective of the districts. Besides, each State was to prepare a comprehensive State Agriculture Plan (SAP) by integrating the district plans. These plans were compulsory for getting central assistance under RKVY.

Audit found following deficiencies with regard to preparation of DAP/SAP in the State:

i. As per paragraph 3.3 of the RKVY guidelines, the District Agriculture Plans (DAPs) and the State Agriculture Plan (SAP) should be prepared within a period of three months (from the date of publication of RKVY guidelines *i.e.* August 2007).

   Audit observed that the Department signed (September 2008) a Memorandum of Understanding (MoU) with the National Institute for Rural Development (NIRD), Hyderabad for preparation of the DAPs. As per the MoU, the NIRD was to submit the DAPs after five months which were eventually submitted in August 2009. The SAP was also prepared by the NIRD in June 2010. Hence, the DAPs and the SAP, the very basis of the entire planning process of RKVY, were prepared after delay of 21 and 31 months respectively from the scheduled dates. In the meantime, the Implementing Agencies (IAs) went ahead with the preparation and implementation of the projects without waiting for finalisation of the DAPs/SAP, which implied that the projects were prepared without placing them in the overall perspective that DAPs/SAP could have provided. The impact of delay in submission of DAPs/SAP can be gauged from the fact that eleven[45] out of 39 projects pertaining to the period

[45] Year 2008-09 two out of 10 projects and in Year 2009-10 nine out of 29 projects.

2008-10 were dropped and the implementing agencies had refunded ₹ 12.95 crore of 17 projects[46] pertaining to the period 2007-10.

ii As per paragraph 5.5 of the revised (2014) guidelines of RKVY, the DAPs and the SAP should be revised and updated appropriately for implementing the scheme during XII Plan keeping in view the modifications proposed for the plan period. However, audit found that the DAPs and the SAP were not updated till date. Due to non-updation of DAP/SAP, there is a strong likelihood that newer projects do not adequately reflect emerging needs of the districts and the State. The Department attributed non-updating of SAP to lack of coordination between different Departments at the District level.

The Government accepted the facts (October 2015).

1.4.6.2 Non submission of detailed project reports to SLSC

Paragraph 7.1.1 of the guidelines required the Department to satisfy itself that the projects submitted by implementing agencies fulfill the objectives of the scheme before recommending the Detailed Project Reports (DPRs) to the State Level Sanctioning Committee (SLSC).

During scrutiny of the records related to the SLSC meetings, it was noticed that the SLSC approved 56 projects[47] without corresponding DPRs during the period under audit. Impact of approval of projects without having DPRs can be gauged from the fact that 14 of these projects were later on dropped (December 2013) by the SLSC.

1.4.6.3 Non preparation of shelf of projects at district level

Paragraph 3.5 of the guidelines provides that the districts will be required to prepare a shelf of projects for consideration of the SLSC under *Stream I*. The Department was to compile the shelf of such projects received from the districts, prioritize them and place them before the SLSC for a decision.

During test check of records of the units in the selected districts, it was seen that no shelf of projects was prepared at the district level. Instead, the project proposals were being prepared at the Directorate level of the implementing agencies without assessing the actual requirements of the districts. This impacted the execution of the projects at the ground level as can be seen from the fact that ₹ 19.39 crore pertaining to 35 projects (25 *per cent* of the total projects implemented) were refunded to the Department.

The Government accepted the facts (October 2015) and directed the allied departments to prepare the shelf of projects at the district level.

1.4.6.4 Preparation of Detailed Project Reports without proper analysis

Paragraph 7.1.1 of the guidelines requires that each project has all the essential ingredients of a good project, i.e. feasibility studies, competencies of the implementing

[46] Year 2007-08-one project, Year 2008-09-four projects and Year 2009-10-12 projects.
[47] Six in 2010-11, 47 in 2011-12, one each in 2012-13, 2013-14 and 2014-15.

agencies, anticipated benefits that will flow to the farmers, definite time-lines for implementation, etc. Further, the Department is responsible for effectively coordinating with various implementing agencies with respect to the preparation and appraisal of projects, implementing, monitoring and evaluating them.

During scrutiny of the records of the Department, it was observed that there was no proper system for vetting of proposals before submission to the SLSC. As a result, various projects could not take off and achieve their objectives, as can be seen in ***paragraphs 1.4.8.2 (a), 1.4.8.2(b), 1.4.8.3 and 1.4.8.4 (a)***. Such failures indicate lack of proper analysis of need and admissibility of the projects, and gaps in the competency of the implementing agencies. Besides, lack of co-ordination between the Department and the implementing agencies was also visible as is evident from instances such as excess expenditure incurred by IAs on implementation of projects and non-convergence of activities.

The Director, Agriculture stated that the IAs submitted the project proposals with justification in the SLSC and after discussions, the projects were approved by the SLSC. The reply was not acceptable as the projects were to be submitted to SLSC after proper scrutiny/analysis of the related DPR by the Department.

1.4.6.5 Implementation of projects without approval of SLSC

Any project under RKVY can be implemented only after the SLSC approves it. Audit found that seven[48] projects costing ₹ 14.61 crore were implemented during the period 2012-14 without the approval of the SLSC. Ex-post facto approval of the SLSC was however obtained for these projects in December 2013 with a delay ranging from two to 18 months. The instance highlights that the RKVY guidelines were deliberately ignored while approving projects.

The Director, Agriculture stated that the projects were related with seasonal crops and hence, time bound. This was why these were implemented without approval of the SLSC as SLSC meetings were not held at that time. The reply itself shows that these projects were prepared in haste, and the IAs and the Department did not pay adequate attention towards project planning.

The Government accepted the facts (October 2015) and assured that the SLSC meetings would be conducted more frequently so that the projects could be implemented after being accorded approval by the SLSC.

[48] Promotion programme of PB-6 variety of rice: ₹ 0.06 crore, Area extension of lentil/urd crop: ₹ 0.31 crore, INSIMP for 2012-13: ₹ 2.16 crore, Promotion of organic farming: ₹ 1.78 crore, Foodgrain and oil seed production programme: ₹ 1.89 crore, Promotion programme of pigeon pea cultivation: ₹ 0.30 crore, Construction of sub-mandi at Shakti Farm under Sitar Ganj (Udham Singh Nagar) mandi: ₹ 8.11 crore.

1.4.7 Financial Management

1.4.7.1 Availability of funds

Details of availability of funds for the projects sanctioned under *Stream- I* and *Stream- II* are given in **Table 1.4.2** and **Table 1.4.3** respectively:

Table 1.4.2: Receipt and utilisation of funds under *Stream –I*

(₹in crore)

Year	Projects implemented	Total cost	Opening balance	Receipt from GoI	Total funds available	Expenditure	Closing Balance	Percentage of under utilisation
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(4+5)=6*	*(7)*	*(6-7)=8*	*(9)*
2010-11	2	4.75	44.89	0.98	45.87	21.08	24.79	*54.04*
2011-12	25	93.24	24.79	100.36	125.15	41.78	83.37	*66.62*
2012-13	15	41.36	83.37	1.31	84.68	36.61	48.07	*56.76*
2013-14	30	161.85	48.07	34.62	82.69	53.86	28.83	*34.86*
2014-15	28	241.11	28.83	80.70	109.53	64.65	44.88	*40.98*
	100	**542.31**		**217.97**		**217.98**		

Source: Director, Agriculture Department

Table 1.4.3: Receipt and utilisation of funds under *Stream –II*

(₹in crore)

Year	Projects implemented	Total cost	Opening balance	Receipt from GoI	Total funds available	Expenditure	Closing Balance	Percentage of under utilisation
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(4+5)=6*	*(7)*	*(6-7)=8*	*(9)*
2010-11	1	0.67	14.65	0.33	14.98	8.75	6.23	*41.59*
2011-12	21	29.54	6.23	28.48	34.71	22.11	12.60	*36.30*
2012-13	7	6.65	12.60	6.90	19.50	7.47	12.03	*61.69*
2013-14	13	19.93	12.03	9.41	21.44	12.86	8.58	*40.02*
2014-15	0	0.00	8.58	0.00	8.58	4.65	3.93	*45.80*
Total	**42**	**56.79**		**45.12**		**55.84**		

Source: Director, Agriculture Department

Audit noticed that:

- Funds ranging from 34.86 *per cent* to 66.62 *per cent and* 36.30 *per cent* to 61.69 *per cent* for *Streams I* and *II* respectively remained unutilised at the end of each financial year during the period 2010-15.
- During 2010-15, the State spent ₹ 217.98 crore under *Stream I* against total available funds of ₹ 262.86 crore [49] and ₹ 44.88 crore remained unutilised. At the same time, for *Stream II* projects, the corresponding figures were ₹ 55.84 crore, ₹ 59.77 crore[50] and ₹ 3.93 crore.
- The GoU was not eligible for funds under the Scheme during 2010-11 and 2012-13 due to poor utilisation rate of funds.

The Government accepted the facts (October 2015) and assured that the SLSC meetings would be conducted as per provisions provided in the guidelines, so that the funds received from GoI could be utilised within the financial year.

[49] ₹ 44.89 crore, as opening balance and ₹ 217.97 crore received from GoI during 2010-15.
[50] ₹ 14.65 crore, as opening balance and ₹ 45.12 crore received from GoI during 2010-15.

1.4.7.2 Excess expenditure without approval of SLSC

No funds can be accessed without approval of the SLSC. Audit found that an excess expenditure of ₹ 3.09 crore was incurred in six projects during 2011-13 and the excess expenditure has still not been got approved (July 2015) from the SLSC by the Department.

The Director, Agriculture accepted the facts and stated that the approval of excess expenditure incurred on the projects would be obtained in the forthcoming SLSC meeting. The fact remains that the IAs were able to access funds beyond sanctioned levels without approaching the SLSC indicating lack of appropriate internal controls.

1.4.7.3 Non-release of funds to the projects despite approval by SLSC

As per *paragraph 5.2 (iii)* of the guidelines, the Department was responsible for management of funds received from the GoI/State Government, and disbursement of the funds to the IAs at the district level. Audit observed that the Department had failed to release any funds for five projects costing ₹ 11.31 crore pertaining to the year 2013 -14 despite the fact that funds to the tune of ₹ 42.37 crore had already been released for the said projects which were approved later by the SLSC.

The Director, Agriculture did not furnish any specific reply with regard to these projects. However, the delay on the part of the Department shows a lack of focus in the implementation of the projects.

1.4.7.4 Utilization of interest

Audit found that an amount of ₹ 3.06 crore accrued as interest on RKVY funds was lying (March 2015) in the bank account of Uttarakhand Small Farmers Agri-Business Consortium. Besides, ₹ 8.19 lakh of interest on RKVY sub-schemes was also lying with the IAs of the Horticulture Department. This amount was neither returned to the GoI nor was it used by the Department.

The Director, Agriculture stated that the amount of accrued interest would be utilized after getting approval of the GoI. However, no such approval has been accorded by the GoI till date.

The Government accepted the facts (October 2015) and directed the nodal department to bring the matter in the ambit of SLSC meetings.

1.4.7.5 Diversion of funds

According to the Scheme guidelines, grants for each State would be provided in two separate Streams. *Stream I* projects are specific projects for which at least 75 *per cent* of the allocation under RKVY should be utilised. *Stream II* projects are ongoing State sector projects for which no more than 25 *per cent* of the total RKVY funds should be allocated.

Audit observed that during the period 2010-14, GoI released ₹ 182.39 crore to the State out of which the Department released ₹ 50.76 crore (27.83 *per cent*) for *Stream II* projects against the required amount of ₹ 45.60 crore (25 *per cent)* and remaining amount of ₹ 131.63 crore (72.17 *per cent*) was released to *Stream I* projects. Apart from this, the Department also released (2014-15) ₹ 2.69 crore for *Stream II* projects of previous years from the allocated funds of Normal RKVY. Thus, a total of ₹ 7.85 crore were diverted to *Stream II* projects while the Department failed to release the funds for *Stream I* projects which resulted in non-implementation of *Stream I* projects.

The Government agreed with the facts (October 2015) and stated that the additional funds were required to complete the ongoing projects under the scheme.

1.4.7.6 Non-maintenance of project wise accounts

As per paragraph 7.1.5 of the scheme guidelines, the nodal agency shall ensure that project wise accounts are maintained by the IAs. During scrutiny of the test checked projects in the selected districts, it was found that the project wise accounts were not being maintained by the IAs. Non-maintenance of project wise accounts resulted in submission of incorrect Utilisation Certificates (UCs) by the IAs.

The Government accepted the facts (October 2015) and directed the nodal department to instruct the implementing agencies regarding maintenance of project wise accounts.

1.4.7.7 Utilization certificates

Audit observed that UCs were submitted by the Department, as well as IAs, on the basis of funds received in each year from GoI whereas the UCs should be submitted on the basis of actual expenditure incurred during each year. The details of UCs submitted are given below:

Table 1.4.4: Outstanding utilisation certificates

(₹ in crore)

Year	Funds received from GoI	Expenditure upto March 2015	U.C. submitted upto March 2015	Difference
1	*2*	*3*	*4*	*(3-4)=5*
2010-11	1.31	4.26	1.31	2.95
2011-12	128.84	107.13	128.82	-21.69
2012-13	8.21	39.63	8.21	31.42
2013-14	44.03	65.51	44.03	21.48
2014-15	80.70	13.06	33.86	-20.80
Total	**263.09**	**229.59**	**216.23**	**13.36**

Source: Director, Agriculture Department

It can be seen from the above table that:

- During the years 2010-11, 2012-13 and 2013-14, expenditure of ₹ 4.26 crore, ₹ 39.63 crore and ₹ 65.51 crore respectively was incurred whereas the UCs of ₹ 1.31 crore, ₹ 8.21 crore and ₹ 44.03 crore respectively were submitted.
- During the year 2011-12 and 2014-15, expenditure of ₹ 107.13 crore and ₹ 13.06 crore was incurred whereas the UCs of ₹ 128.82 crore and ₹ 33.86 crore respectively were submitted.

The Director, Agriculture accepted that UCs were submitted according to the funds received in each year and the excess expenditure during the years 2010-11, 2012-13 and 2013-14 was incurred from the funds received in the preceding / succeeding years from the GoI.

1.4.8 Implementation of projects

Sector wise findings on implementation of test-checked projects are detailed in succeeding paragraphs.

1.4.8.1 Animal Husbandry

Imprudent execution of the project

With an objective to popularize scientific pig breeding cum rearing and to improve the productivity of small size rural pig farms, the SLSC approved (December 2012) the project of 'Strengthening of Government Piggery Farm Kashipur' at a total cost of ₹ 99.65 lakh. Out of this amount, ₹ 71.34 lakh were approved for civil works and the balance amount of ₹ 28.31 lakh was earmarked for purchase of equipment, medicines, procurement of sows/boar and their feeding.

Audit found that ₹ 71.34 lakh were transferred (February 2013) to the IA[51] for the civil works. The civil work was scheduled to be completed in July 2014. Meanwhile, the cost of project was revised to ₹ 1.09 crore from ₹ 99.65 lakh by the SLSC (December 2013) due to changes in design. The remaining amount of ₹ 37.43 lakh was released to the IA in February 2014. The IA had expended ₹ 90 lakh through the executing agency, and completed 80 *per cent* of the civil work. Thus, the whole of the project cost was going to be expended in civil works with no room left for purchase of equipment, medicines, procurement of sows/boar and their feeding estimated to cost ₹ 28.31 lakh.

The project was already delayed by 15 months and it may take more time in achieving the intended objective of popularizing scientific pig breeding due to non-availability of funds for procurement of equipments and other items required for the implementation of the projects.

The Government accepted the facts (October 2015) and stated that the necessary steps would be taken for operationalizing the project.

1.4.8.2 Organic Farming and Bio Fertiliser Sector

(a) Composting Vegetable Waste Using Organic Waste Convertor System

The *Uttarakhand Krishi Utpadan Mandi Parishad* (*UKUMP*) submitted (July 2011) a proposal to the State Government for installation of Organic Waste Convertor (OWC) system for conversion of market waste into organic manure. The OWC system was proposed to be installed at Dehradun, Haridwar, Roorkee, Kashipur, Rudrapur and Haldwani. The SLSC approved (August 2011) the project at a cost of ₹ 8.51 crore. Audit found following deficiencies in the implementation of the project:

i. Audit scrutiny showed that the civil work for all OWC plants was completed (March 2014) with delay ranging from three to 24 months after the scheduled date of their completion**.** The OWC plant at Haldwani, completed at a cost of ₹ 2.57 crore in

51 Animal Husbandry Department.

December 2013, was still (March 2015) waiting to be handed over to the *Mandi Samiti,* the body responsible for making the plant functional.

ii. Plants at Kashipur and Rudrapur, built at a total cost of ₹ 2.29 crore, were lying idle till the date of audit (March 2015) even after lapse of 12 to 17 months of their being handed over to the respective *Mandi Samitis.*

iii. The production of organic manure in other three plants at Dehradun, Haridwar and Roorkee, completed after incurring an expenditure of ₹ 4.14 crore, was only 91.531 tonnes from December 2013 to February 2015. This was short by 1508 tonnes, a short fall of 94 *per cent,* against the required 1,600 tonnes.

It was evident that the *Mandi Samitis* had failed to correctly estimate the availability of organic waste materials including that from other agencies such as Municipal Corporations.

The UKUMP attributed the delay in completion of the civil works to delays in site selection and added that the plant at Haldwani could not be handed over as *Mandi Samiti* had not taken any step in this direction. Further, short availability of organic waste material was also held responsible for production of little amount of manure by the plants.

The Government accepted the facts (October 2015) and directed the implementing agencies to explore the availability of organic waste material from Municipal Corporation and other agencies.

(b) Support to development of Organic Agriculture

Under *phase-II* of the project 'Support to Development of Organic Agriculture', the Department released (July 2012) ₹ 3.39 crore to the IAs at district level. The project, aimed at construction of structures for producing organic manure, was completed in March 2014.

During scrutiny of the records of the test checked IAs, following deficiencies were noticed in implementation of the project-

i. It was seen that expenditure of ₹ 1.47 crore was incurred against the released amount of ₹ 1.54 crore and the balance of ₹ seven lakh was lying unspent with the IAs despite the fact that only 570 units of *enaculum,*[52] against the target of 1,290 units, could be established (May 2015). Similarly, target of another six items[53], fixed in the work plan, was also not achieved by the IAs.

ii. As per the work plan, 950 units of vermi compost pits with cost of ₹ 28.50 lakh were to be constructed whereas the IA constructed 1,073 units after incurring expenditure of

[52] A structure for quickening production of organic manure.

[53] Nadep pit, Bamboo Nadep pit, *Taral khad* unit, vermi culture centre*, Jaivik Prakshishan* @ ₹ 2,000 each and *Jaivik Prakshishan* @ ₹ 1,250 each.

₹ 31.64 lakh. The excess items were not approved and expenditure on these was met from the savings on other items.

iii. Provision of ₹ 14.76 lakh[54] was made for payment to 41 master trainers against which payment of ₹ 16.24 lakh was paid to 39 master trainers.

iv. The IA in district Pithoragarh incurred expenditure of ₹ 1.42 lakh on Certification/documentation and training for trainers which were not included in the work plan.

The Government accepted the facts (October 2015).

1.4.8.3 Marketing

Construction of Karnprayag Mandi Yard

Under this project, construction work of 28 "C" category shops, five godowns, office building, *Neelami Chabootra*, hand pump boring and submersible pump, *etc*. was to be carried out. The SLSC approved (August 2011) the project at a cost of ₹ 2.50 crore without obtaining the DPR from the IA. The civil work was scheduled to be completed in November 2012. However, it was actually completed in December 2013 after a delay of 13 months. Following deficiencies were noticed in its execution:

i. Audit found that the Department released ₹ 4.36 crore (₹ 2.50 crore in September 2011 and ₹ 1.86 crore in June 2012) to the IA against the approved cost of ₹ 2.50 crore. The project was completed (January 2014) after incurring expenditure of ₹ 4.27 crore. The balance amount of ₹ nine lakh was refunded to the Department. Thus the expenditure of ₹ 1.77 crore[55] incurred without the approval of the SLSC was irregular.

ii. Scrutiny of the records showed that a provision of ₹ three lakh for installation of hand pump boring and submersible pump was made in the estimate. Instead, the IA installed mini tube-well and submersible pump at a cost of ₹ 9.31 lakh. Apart from this, the IA had also installed electronic weighbridge, the provision of which was not made in the estimate, at a cost of ₹ 7.60 lakh. Thus, the IA incurred an expenditure of ₹ 16.91 lakh on items not included in the estimate.

The Government, while accepting (October 2015) the facts, instructed the implementing agencies to include all the essential components required for the project in the DPR and further directed the IAs to avoid the mid-term changes in the project.

---

[54] ₹ Six thousand per month per master trainer for six months.

[55] ₹ 4.36 crore (Released amount) - ₹ 0.09 crore(refunded to the department) - ₹ 2.50 crore (cost of project approved by the SLSC).

1.4.8.4 Micro/Minor Irrigation

(a) Making minor irrigation scheme functional for increase in agriculture production in Uttarakhand

A project, 'To make minor irrigation scheme functional for increase in agriculture production in Uttarakhand' was approved (August 2009) by the SLSC at a cost of ₹ 19.45 crore. The Department released ₹ 8.22 crore in March 2010 and ₹ 7.81 crore in July 2010. The project was completed in September 2011 after incurring an expenditure of ₹ 15.40 crore.

Following deficiencies were noticed in implementation of the project:

i. This project was meant for repair and maintenance of *guls* (tributaries for carrying water to the fields) and hydrams (a structure meant for lifting water). The project was taken up for execution despite the fact that it was not eligible for funding under RKVY by virtue of being a work of repair and maintenance. The Department was responsible for ensuring that only those projects are submitted to the SLSC which are admissible under the scheme guidelines. Hence, negligence of the Department in checking admissibility of the project resulted in irregular expenditure.

ii. Audit observed that repair and maintenance of 88 Hydrams schemes were carried out in the test-checked districts[56]. Fifty eight of these schemes were not functioning ranging from a period of one to five years, even after repair at a cost of ₹ 1.72 crore. This affected irrigation in the targeted area of 684.30 hectares of agriculture land.

iii. Audit found that the IAs at district level were not maintaining records of actual data of irrigation potential achieved from the *guls*. In the absence of this, audit could not ascertain whether the targeted benefits of irrigation potential were being achieved or not.

The Department stressed that the project was properly approved by the SLSC and the savings were result of dropping 22 schemes from the project due to various reasons. Non-functioning of Hydrams was attributed to natural calamities and lack of farming by the farmers.

The reply was not acceptable as 41 out of 88 Hydram schemes were not functioning during the year 2012-13 i.e. before the natural calamity of June 2013 and feasibility regarding implementation of the project in non-farming area should have been ensured before submitting the proposal to the Department.

(b) Incomplete Works

A project, 'Construction of rain water harvesting tanks, irrigations channels, sprinkler and drip irrigation system at Ranichauri and Kanatal' was approved (October 2011) by the SLSC with a cost of ₹ 83.55 lakh. The Department released (August 2012) ₹ 81.76 lakh to the IA.

[56] Bageshwar, Dehradun, Pauri, Pithoragarh and Tehri.

Scrutiny of records showed that the project was started (November 2013) after a delay of 14 months and the work was scheduled to be completed (May 2014) in seven months. For the construction of RCC water tank under the project, the IA awarded the work to an executing agency[57] without executing the Memorandum of Understanding (MoU). The IA had incurred an expenditure of ₹ 79.77 lakh till April 2015 and the work was still incomplete. Thus, the objectives of the project remained un-achieved. Had a MoU been signed with the executing agency, the Department could have taken action against the executing agency for delays.

The IA replied that the work could not be completed due to non selection of suitable site in time. Further it was also stated that the executing agency has assured to hand over the work after completing it shortly.

1.4.8.5 Sub-scheme under RKVY

Non-convergence of activities

Paragraph 2.4 of the Scheme guidelines required convergence of scheme with other schemes/programmes of the Central and the State Government.

Scrutiny of the records of the IAs at the district[58] level showed that the convergence of Scheme with other scheme/programmes was not being ensured and the activities[59] involved in the sub-scheme of 'Vegetable Initiative for Urban Clusters' were also being carried out under another centrally sponsored scheme i.e. Horticulture Technology Mission for North East Himalayan States (HTMNEH).

The Government accepted the facts (October 2015) and directed the nodal department to coordinate with implementing agencies while updating the DAPs/SAP.

1.4.9 Monitoring and Evaluation

The implementation of the scheme was to be monitored by the SLSC, the Department, the IAs and a committee under the Chairmanship of Agriculture Production Commissioner (APC). However, following deficiencies were noticed in monitoring by these authorities:

1.4.9.1 Monitoring and Evaluation by SLSC

As per paragraph 6.4 of Scheme's guidelines, the SLSC was to meet as often as required but at least once every quarter. It was found that only eight meetings against the requirement of 20 were held during April 2010 to March 2015. The SLSC had neither conducted field studies nor undertaken evaluation studies, as required, to monitor proper implementation of the projects. The adverse impact of this approach can be seen in the

---

57 *Uttarakhand Peyjal Sansthan Vikas Evam Nirman Nigam*, Construction Division, Chamba (Tehri Garhwal).

58 Dehradun, Pauri, Haridwar and Tehri.

59 Open pollinated vegetable cultivation, Hybrid vegetable cultivation, Green house (tabular structure), Organic farming (Vermi compost units), promotion of IPM/INM, and farmers' training.

instances of deficiencies in planning, financial management and ground level implementation of the projects, as pointed out in earlier paragraphs.

The Government accepted the facts (October 2015) and assured to conduct the SLSC meetings more frequently.

1.4.9.2 Lack of monitoring mechanism to assist SLSC

As per *paragraph 8.1* of revised guidelines (July 2008) issued by GoI, a committee under the chairmanship of Agriculture Production Commissioner was to be constituted which would *inter-alia* review the implementation of the Scheme on monthly basis and submit its report to the SLSC.

Audit observed that no such committee was constituted by the Government even after six years. Due to non-formation of the committee, SLSC, the apex decision making body on RKVY, faced hurdles in functioning in a professional way as can be seen in the instances of approval of inadmissible projects, approval of projects even without DPRs and dropping of approved projects.

The Government accepted the facts (October 2015) and directed the department to constitute the committee.

1.4.9.3 Non-Monitoring of projects by the Department

The Agriculture Department, by virtue of being the nodal department responsible for overall controlling of implementation of the project, was required to effectively co-ordinate with various departments and IAs for ensuring proper appraisal, implementation, monitoring and evaluation of the projects.

During test check of the records of the projects at implementing agency level, audit observed that the Department had not ensured proper monitoring and evaluation of the projects being implemented by various IAs i.e. departments at district level. Once the funds were released by the Department to the IAs, it only collected UCs and reports of physical and financial progress. Hence, the deficiencies in implementation of projects could not be noticed by the Department; and, the Department was not in a position to state to what level the intended objectives of the project were achieved, as seen in the various audit observations on the implementation of projects.

The Department stated that the monitoring of the projects was carried out by the IAs themselves. The reply bears out the audit observation.

1.4.9.4 Non- maintenance of Assets Register

As per the Scheme guidelines, the Department was to ensure that a register of assets created under the projects is to be maintained. Also, the assets that were no longer required should be redeployed to other needy places. However, it was observed that no assets register was being maintained by the Department.

The Government accepted the facts (October 2015) and directed the Department to maintain the asset register of the fixed assets created under the scheme.

1.4.9.5 Impact evaluation

An analysis of data provided by the Director of Economics & Statistics, Uttarakhand showed that after implementation of the Scheme in the State, the momentum of growth of Agriculture, 9.63 *per cent* during 2009-10, lost its way to 4.01 *per cent* in 2011-12. It picked up to 8.85 *per cent* during 2012-13 but again declined to minus 2.51 *per cent* during 2013-14. It picked up again to 5.12 *per cent* during 2014-15. Further, the contribution of Agriculture sector to Gross State Domestic Product (GSDP) gradually decreased from 11.92 to 9.42 *per cent* during 2010 to 2015.

Such inconsistent trends in the growth of agriculture indicate that the scheme has not yielded desired results despite expenditure of ₹ 274 crore under the scheme during 2010-15.

Conclusion and Recommendations

1. Improper planning and non-vetting of DPRs led to instances of dropping of projects, revision in cost of projects, excess expenditure and implementation of inadmissible project.

   The Government may fine-tune planning process in such a way that it is in compliance with the scheme's guidelines with reference to proper analysis of DPRs, preparation of shelf of projects and involvement of grass root level officials.

2. The State failed to utilize GoI assistance under the scheme in any of the years during 2010-15.

   The Government may expedite pace of project implementation to ensure timely utilization of funds.

3. Under Organic Farming and Bio Fertiliser Sector, the production of organic manure in three out of six OWC plants was short by 94 *per cent* of their capacity due to non-availability of organic waste material. The other three plants were lying idle. The work was not carried out as per approved plan under other project of the sector.

   The availability of organic waste material may be explored for optimum utilisation of plants' capacity. The work plan may be prepared considering the actual requirement.

4. Convergence of activities, under sub-scheme, with other Central/ State scheme was not considered.

   Convergence of activities with other Central/State scheme may be adhered to.

5. Monitoring mechanism did not work well and evaluation of the projects was also not carried out.

   Proper functioning of prescribed monitoring and evaluation mechanism may be ensured.

COMPLIANCE AUDIT

CIVIL AVIATION DEPARTMENT

1.5 Activities of Civil Aviation Department

1.5.1 Introduction

Civil Aviation Department is responsible for providing aviation facilities to the State dignitaries, procurement & maintenance of state-owned aircraft(s) and helicopter(s), construction/up gradation/maintenance of State Government's air strips & helipads; and development of other aviation facilities in the state. The Department, up to Directorate level, has now been converted into an autonomous body called Uttarakhand Civil Aviation Development Authority (UCADA) which became fully operational since April 2014.

An audit of the assessment of activities of the Department, now UCADA, during the period 2012-13 to 2014-15 was conducted during April 2015 by test-check of the records of the Authority. The important findings are discussed below:

1.5.2 Provision of aviation facilities to State dignitaries

1.5.2.1 Excess payment on hiring of helicopters

(i) The government owned twin engine E.C. 135 helicopter was grounded (11.10.2011) and its engines were removed (14.10.2011) for repair (14.10.2011 to 25.01.2012). Government clearly instructed (November 2011) that helicopters of same type be hired for the journey of State dignitaries till the engines of the government chopper were got repaired so that they could be flown by the State Government pilots in order to prevent extra expenditure on private crew members.

It was found that the Authority hired (21 October 2011) a twin engine Government category helicopter at ₹ 1.05 lakh per hour which remained in operation for 29.15 hours during 12.10.2011 to 11.11.2011. However, the services of this helicopter were discontinued after one month of its hiring without any recorded reasons. Contrary to the Government order, four other types of helicopters were hired from four other different companies at higher rates (₹ 1.25 lakh to ₹ 1.45 lakh per hour) for a total time of 67.42 hours without negotiating with them for lowering the hiring charges and without seeking any approval from the competent authority for the excessive rates being charged. No documentary evidence could be provided to Audit to justify hiring of new types of helicopters which the State Government pilots were not able to fly. The Authority paid enhanced rates, ranging from ₹ 1.25 lakh per hour to ₹ 1.45 lakh per hour to these companies, plus boarding and lodging charges to the private crew members which resulted in excess expenditure of ₹ 31.67 lakh.

The Authority accepted the facts mentioned in the audit observation.

(ii) As per a decision taken (November 2013) by UCADA, the rate of hiring of a single engine helicopter was determined at ₹ 75,000 per hour. Instead, audit found that six aviation companies providing the helicopters were paid @ ₹ 80,000 per hour for 209 hours during October 2013 to March 2014 contrary to the decision of the UCADA. This resulted into excess payment of ₹ 10.45 lakh.

The Government replied (December 2015) that letters have been issued to two companies[60] for recovery of the dues amounting to ₹ 3.75 lakh.

1.5.2.2 Undue payment to contractual staff

With the operationalization (April 2014) of UCADA, services of all the contractual technical staff engaged in providing services for the operation of flights for the State dignitaries, were terminated on 31 March 2014. The staff were offered fresh opportunity to work for UCADA, as per the terms and conditions agreed with the erstwhile Department, for three-four months. Thereafter, the staff were to be appointed as per applicable rules.

It was noticed that the Authority failed to initiate fresh hiring process till May 2015. Instead, it raised (March 2015) the salary of the contractual staff, ranging from ₹ 0.50 lakh to ₹ 1.50 lakh per person, with retrospective effect from April 2014. The raise, that too from retrospective effect, was unjustified as there was no provision of pay raise in the terms and conditions of the contract made earlier and there was also no basis for the quantum of the raise. This led to payment of arrears of ₹ 55.58 lakh to the said staff which was not regular.

On this being pointed out, the Authority accepted the facts and stated that the services of the existing staff on contract were extended for conducting journeys of State dignitaries. The reply is not acceptable as the Authority had failed to initiate fresh recruitment even after one year of its operationalization; and further, the pay of the contractual staff was also raised with retrospective effect.

1.5.3 Procurement and maintenance of aircraft and helicopters

1.5.3.1 Blockade of funds

Government sanctioned (March 2013) ₹ 40 crore for purchase of a helicopter. The amount was kept in a Personal Ledger Account (PLA). The Authority failed to initiate the procurement process for two years and the amount was surrendered (March 2015). Meanwhile, another amount of ₹ 50 crore was sanctioned in two equal installments in October 2014 and March 2015 for the same purpose. This amount was also lying unutilized till the date of audit with no further progress.

The Authority stated that the decision pertaining to purchase of the helicopter was to be taken at the Government level which was still not done. The reply is not acceptable as no

---

60 UT Air India Pvt. Ltd: ₹ 2.29 lakh and Aryan Aviation Pvt. Ltd ₹ 1.46 lakh.

documentary evidence was produced by the Authority to show that it had forwarded any proposal to the Government in this regard.

1.5.3.2 Irregular Expenditure

As per clause 12(1) of Uttarakhand Procurement Rules 2008, Limited Tender Enquiry method may be adopted when estimated value of the goods to be procured is more than ₹ one lakh and up to ₹ 15 lakh. However, audit found that the Authority, ignoring the Rules, made purchases of parts and tools worth ₹ 101.73 lakh and ₹ 66.98 lakh for Government Helicopter and Government Aeroplane respectively during 2010-11 to 2014-15. Had the Authority followed the required procedures, benefit of the lowest rates through competitive bidding could have been ensured.

On this being pointed out, the Authority accepted the facts and stated that the same was noted for compliance in future.

1.5.4 Construction/up-gradation/maintenance of State air strips

1.5.4.1 Blockade of funds

The Authority released, during 2006-07 to 2012-13, ₹ 5.60 crore to various executing agencies for construction of six helipads[61] without ensuring availability of land. Due to non-availability of land, the construction of above helipads could not be started till date and the said amounts were still blocked with the executing agencies for periods ranging from two to nine years.

The Authority accepted the facts and stated that the helipads would be constructed as soon as the land was made available by respective district administrations.

1.5.4.2 Execution of work of airstrip without obtaining approval of DGCA

Government sanctioned (March 2009) extension and upgradation of Naini-Saini Airstrip, Pithoragarh for commercial operations. The existing airstrip, measuring 1,330 x 20 m and capable of handling below 20 seater aeroplanes, was to be upgraded to 1,600 x 30 m to make it capable for handling 48 seater aircrafts. Approval of the Director General of Civil Aviation (DGCA), Government of India was required to be sought for the work.

The Authority started (April 2010) the work without getting the approval of the work from the DGCA and expended ₹ 27.39 crore till March 2015. Meanwhile, the DGCA opined (March 2013) against the proposed up-gradation as the area of the proposed runway was not adequate for the purpose. It suggested that the Authority should apply for smaller Dornier aircrafts (19 seater) instead of ATR 42 type of aircraft (48 seater). Thus, ₹ 27.39 crore of public money were spent in haste on a work which was disallowed by the Government of India and did not yield any tangible benefit as the earlier air strip was also capable of handling 20 seater aircrafts.

---

[61] Raiagar–Berinag helipad ₹ 84.24 lakh (05/2008), Gothi-Dharchula helipad ₹ 96.10 lakh (05/2008), Pipalkoti–Joshimath helipad ₹ 39.06 lakh (09/2006), Dekhait- Pauri helipad ₹ 15.32 lakh (01/2010), Koti-colony Tehri helipad ₹ 150.00 lakh (03/2013) and helipad in Nainital ₹ 174.95 lakh (03/2013).

The Authority stated that the work had been started in anticipation of approval from the DGCA. The reply itself shows that the Authority had acted in haste and in violation of professional acumen.

1.5.4.3 Non-realization of landing/parking charges

Government of Uttarakhand fixed (June 2013) fees[62] for landing, parking, hanger usage of helicopters/aircrafts of private companies at various helipads and airstrips being operated under the Authority. The rates were to be put into operation from 1st May 2013.

It was found that helicopters of various aviation companies had landed 627 times (495 first landings and 132 subsequent landings) and used the hanger for 5 days at Sahastradhara helipad during 09 May 2014 to 31 March 2015. As per rates applicable, the Authority had to collect ₹ 28.55 lakh[63] towards these services which was not collected except for an amount of ₹ 5,650[64]. Landing/parking charges of other helipads could not be worked out by audit as it was not provided access to related documents.

The Government replied (December 2015) that bills amounting to ₹ 1.69 crore have been sent to the companies for recovering landing-parking charges across the State for a period of 2013-14 to June 2015. The Government reply validates audit observation.

1.5.4.4 Delayed execution of work

Government made it mandatory (May 2008) for every Department to enter into Memorandum of Understanding (MoU) with the work executing agency so that the construction work is completed within scheduled time and cost escalation is avoided. The Authority was to be made empowered, as envisaged in model MoU, to cancel the award of work in case of delay from agreed schedule.

Scrutiny of records of the Authority showed that no MoU was signed in any of the 24 works allotted to executing agencies during 2009-10 to 2014-15. Of these, six works[65] were incomplete till the date of Audit. In the absence of MoU, no date was fixed for completion of these works and the Authority was unable to take any action for delay in works against the executing agencies.

The Authority accepted the audit observation.

1.5.5 Internal control system

Internal controls in an organization are activities and safeguards put in place by its management that ensure that the organization is fulfilling its accountability obligations,

---

62 At Sahastradhara helipad the rate for every first landing and night halt, subsequent landing on the same day and hanger usage were determined at ₹ 5,000, ₹ 2,500 and ₹ 10,000 respectively per day per helicopter.

63 (495 x ₹ 5,000 = ₹ 24,75,000) + (132 x ₹ 2,500 = ₹ 3,30, 000) + (5 x ₹10,000 = ₹ 50,000) = ₹ 28, 55,000 (for the period from 9th May 2014 to 31st March 2015).

64 Against landing on 19/03/2015.

65 One in 2010, three in 2013, one in 2014 and one in 2015.

complying with applicable rules and regulations and its operations are proceeding as planned.

Audit scrutiny showed that the level of documentation in the Authority was severely deficient, and even basic records required for operation of the Authority were not being maintained, no proper records regarding landing, parking, hanger usage and other facilities being provided to private helicopter companies were being maintained. The Authority failed to make any efforts for enhancing its income, promote tourism related infrastructure and bring private investment as envisaged at the time of its establishment. No records of helipads/runways under construction under the jurisdiction of the Authority were being maintained. Given the lack of basic records, the audit is unable to derive an assurance that there was adequate monitoring and control over the operations and activities of the Authority.

On this being pointed out, no specific reply was furnished by the Authority.

The matter was referred to the Government (July 2015); reply is awaited (December 2015).

Conclusions and Recommendations

1. Fees for landing, parking, hanger usage of helicopters/aircrafts of private Companies at various helipads and airstrips were not being realized by the Agency.

   The Authority may keep the records regarding use of Government helipads/helistrips by the helicopters of private companies and realize charges from them as per the prescribed rates.

2. The Authority was not following the prevalent rules/ regulations in procuring parts and tools for Government Helicopter and Aeroplane.

   All purchases may be made in transparent, competitive and fair manner, to secure best value for money.

CULTURE DEPARTMENT

1.6 Unfruitful Expenditure

Unauthorized construction of auditorium on a land not owned by the Department resulted in unfruitful expenditure of ₹ 1.03 crore.

State Government, with the aim of protecting and promoting local culture accorded (March 2008) an administrative approval and financial sanction of ₹ 1.67 crore for construction of a 250 seated auditorium for the Department of Culture in Haridwar. An amount of ₹ 1.20 crore[66] was provided by the Department to the Uttarakhand Peyjal Nigam, Rishikesh division for undertaking construction.

66 In three equal installments of ₹ 40 lakh each in September 2008, April 2010 and May 2011.

Audit scrutiny (July 2014) of the records of the construction agency and further information gathered (March 2015) from the Director, Culture showed that the construction of the auditorium building was commenced (September 2008) by the Uttarakhand Peyjal Nigam in 'Ahmadpur Kadchchad' village on a piece of land owned by Bharat Heavy Electricals Limited (BHEL), a company owned by GoI. BHEL, after several requests to stop the work, got it stopped (August 2011) by police action. By then, more than 65 *per cent* of work was complete and an amount of ₹ 1.03 crore was also spent.

Further scrutiny of the reasons for the impasse showed that BHEL had proposed (September 2007) transfer of its 32 acre land to the district administration in the said village which was being regularly encroached upon by various people. However, BHEL had made it clear that local management of BHEL was not authorized for such transfer and proposal, if made by the State Government in this regard, would be submitted for approval by the Board of Directors at the Corporate Office of BHEL. The district administration 'took' this offer for a 'transfer of land' and handed over (June 2008) a portion of this land (measuring 0.747 hectare) to the construction agency for construction of the auditorium. In the absence of a proper approval by the BHEL, this transfer was unauthorized and equivalent to encroachment upon the properties of the Central Government which subsequently resulted in stopping of work by the management of BHEL. This situation would not have arisen if the Department had insisted upon, with district administration, for a clear title of land before letting the construction agency initiate the work.

After the work was stopped by BHEL in August 2011, the Department formally proposed (January 2013) transfer of land to the President and Managing Director of BHEL, New Delhi. The matter was pending with BHEL, New Delhi till date with no further progress. Nevertheless, the whole expenditure of ₹ 1.03 crore remained unfruitful and objectives of the project unachieved. Besides, the expected cost of completion of the project has already jumped from previous sanction of ₹ 1.67 crore to a new revised ₹ 3.54 crore (as proposed in August 2011) which is sure to further escalate with the passage of time.

Director, Culture confirmed all the facts mentioned and defended the action of letting the construction agency start the construction work without obtaining clear title of land on the basis that making suitable land available for various government projects was under purview of the District Administration and the same was done by the District Administration.

The reply is not acceptable as auditorium building was meant for the Department. Hence, it was responsible for ensuring that its interests were not compromised in any way. As of now, there is little movement towards completion of the project as BHEL has not shown any further interest in the issue. The whole sequence of events is also a proof of how a laxity and lack of prudence on behalf of the Department has resulted in blockage of funds rendering entire expenditure unfruitful.

The matter was referred to the Government (May 2015); reply was awaited (December 2015).

FOREST DEPARTMENT

1.7 Loss of Revenue

Cessation of exploitation of forest produce by the Department resulted in loss of revenue worth ₹ 93.31 lakh.

Adoption of 10 year 'Forest Working Plan', made mandatory under the National Forest Policy, 1988 ensures sustainable management, conservation and utilization of forest resources and brings uniformity in forest management planning across the country. The Honourable Supreme Court has also banned (December 1996) all non-forest activities within any forest throughout the country without prior approval of the Union Government. The Department should approve Preliminary Working Plan Report at least two years prior to the expiry of the current working plan so that the preparation of final working plan, its approval by the designated authority at GoI, and delivery to the Divisional Forest Officer (DFO) concerned for implementation, can be completed prior to expiry of the current plan.

Scrutiny (February 2015) of the records of the Divisional Forest Officer (DFO), Rudraprayag revealed that period of the approved working plan for the division was valid till 2012-13 only and the new working plan was not got approved from GoI by the Department before expiry of this period. Hence, there was no approved working plan for the Division since 2013-14 onwards. This led to cessation of any further exploitation of forest produce i.e. collection and sale of lisa (extracted resin from pine trees) and timber from fallen trees, as directed by the Honourable Supreme Court, depriving the Department of a valuable source of revenue generation.

Audit made a conservative estimate of losses from cessation of exploitation of forest resources, based on average quantity and rate of produce concerned in last three years preceding the year of ban, and found that the Department had lost revenue to the tune of ₹ 93.31 lakh[67] due to non-extraction of lisa and non-selling of timber in 2013-14 and 2014-15. This loss could have been avoided had the Department been prompt in preparing the working plan and getting it approved from GoI before expiry of the earlier working plan.

On this being pointed out, the DFO confirmed the facts and stated that activities of resin extraction and sale of timber could not be carried out in absence of an approved working plan. The reply supports the audit observation. The Department could easily guard sources of its revenue, prevent wastage of precious forest resources and ensure

[67] Loss of revenue due to non-extraction of lisa: ₹ 55.42 lakh (₹ 22.60 lakh in 2013-14 and ₹ 32.82 lakh in 2014-15) + Loss of revenue due to non-selling of timber: ₹ 37.89 lakh (₹ 13.12 lakh in 2013-14 and ₹ 24.77 lakh in 2014-15).

compliance of Supreme Court directions by ensuring timely preparation and approval of the working plan which was not done in this case.

The matter was referred to the Government (May 2015); reply was awaited (December 2015).

MEDICAL, HEALTH AND FAMILY WELFARE DEPARTMENT

1.8 Wasteful Expenditure

Ill-conceived selection of site for construction of base hospital rendered expenditure of ₹ 2.12 crore on site development wasteful.

The Government accorded (November 2011) administrative approval and financial sanction of ₹ 35.59 crore for construction of a Base Hospital at Chandok, Pithoragarh.

Scrutiny (December 2014) of the records of the construction available at the Office of Chief Medical Officer (CMO), Pithoragarh showed that the Department's move to construct the hospital at the selected site was not based on consideration of the factor of easy access, the essential feature of such public facilities, as it was about 12 kilometres away from the district headquarters. This led to protests by various public representatives and political parties. Because of these protests, the Government changed (October 2012) the construction site from Chandok to Linthuanda, a locality in the vicinity of the district headquarters. However, the change was ordered only after an amount of ₹ 2.12 crore[68] had already been spent on forest land transfer and development of the site. This change, ultimately, rendered this whole expenditure wasteful.

On this being pointed out, the Government stated (October 2015) that the change in site was aimed at providing medical facilities at a place accessible to all and was based on request of general public. The Government reply provides evidence that this approach was not adopted while the Department selected a far off site for construction of the hospital. The Government itself was responsible for this wasteful expenditure of public money as it had not put any objection to the construction of the hospital at the earlier site. Hence, the ill-conceived selection of site resulted in wasteful expenditure of ₹ 2.12 crore and created further financial implications as is evident from contractor's demand of ₹ 4.27 crore as compensation.

[68] Consultancy work: ₹ 28.60 lakh, Compensation for forest land: ₹ 13.70 lakh and Construction: ₹ 169.375 lakh.

HOME DEPARTMENT

1.9 Idle Equipment

The purpose for which hill recovery cranes were allotted by the GoI was defeated as two cranes allotted to SP, Tehri and SSP, Dehradun valued at ₹ 40.89 lakh remained idle for periods of six and three years respectively.

As per the demands (May 2005 and August 2010) of the Director General of Police (DGP), Uttarakhand, the Government of India (GoI), Ministry of Road Transport and Highways allotted seven Hill recovery cranes (five in April 2008 and two in May 2011) under the National Highway Accident Relief Service Scheme (NHARSS) to the DGP, Uttarakhand.

Records of the Superintendent of Police (SP), New Tehri revealed that the Director General of Police, Uttarakhand had allotted (December 2008) one Hill recovery crane valued at ₹ 21.20 lakh to Tehri District. Scrutiny (September 2011) of the log book of the crane however revealed that the crane had been lying idle due to non-availability of operator (February 2015).

Similarly, records (November 2014) of the Senior Superintendent of Police (SSP), Dehradun revealed that the Hill recovery crane valued at ₹ 19.69 lakh allotted (December 2011) to Dehradun District had also been lying idle (August 2014).

On being pointed out, the SP, Tehri stated that the crane could not be put to use due to non-availability of operator whereas the SSP, Dehradun stated that the crane could not be put to use as there was no demand for its use.

The replies of the SP, Tehri and SSP, Dehradun cannot be accepted as the cranes were allotted to the DGP, Uttarakhand as per the demand projected by the State. Moreover, of the 640 accidental[69] vehicles that were removed from the accident sites in Tehri and Dehradun respectively, 55 vehicles were removed by the cranes of SSP Dehradun whereas the cranes in question were not used at all. The owners of remaining 585 vehicles had to look for alternate means for removing their vehicles even though cranes were available with the Police. Thus, the very purpose for which these cranes were allotted by GoI was defeated as these two cranes valued at ₹ 40.89 lakh remained idle for periods of six and three years respectively and the possibility of their condition getting deteriorated over the years cannot be ruled out.

The matter was referred to the Government (May 2015); reply was awaited (December 2015).

[69] Tehri (2009-15): 322 vehicles and Dehradun (2012-15): 318 vehicles.

INDUSTRIAL DEVELOPMENT DEPARTMENT

1.10 Undue benefit to a manufacturer

Subsidy of ₹ 22.89 lakh was paid to a manufacturer on the basis of false claims which was now recoverable with interest of ₹ 9.91 lakh.

Government of Uttarakhand introduced 'Special Integrated Industrial Promotion Policy 2008' for manufacturing and service sectors to promote industrial development and provide employment opportunities in the industrial sector through coordinated and planned development. Manufacturing units which came into existence with the necessary approval/registration from the District Industries Centre (DIC) are eligible for interest subsidy and concessions in electricity bills under the policy. In case of receipt of concession in electricity bills on the basis of false claims, non-furnishing of any information required or breach of any laid down condition, the amount was recoverable in a manner similar to land revenue with 18 *per cent* interest.

Scrutiny (February 2014) of the records of the General Manager (GM), DIC, Kotdwar showed that a manufacturer[70] registered under the policy for manufacturing of *Besan* claimed special interest subsidy of ₹ 3.94 lakh, during 2009-10 to 2013-14, on Plant and Machinery (P&M) worth ₹ 19.26 lakh procured during 2008-09. He also claimed concession of ₹ 18.95 lakh on his electricity bills for production activities during the same period. The grant of subsidy on electricity bills *inter alia* requires submission of audited balance sheet or production/sales return, which is to be examined by the Department before releasing subsidy in order to verify whether commercial production has taken place. However, it was seen that the claim made by manufacturer was allowed and disbursed without seeking audited balance sheet or production/sale return upto 2013-14. As a result, the veracity of the claim for commercial production could not be established.

Audit cross verified the information submitted by the manufacturer to the DIC with that available with the Commercial Tax Department (CTD), Kotdwar Pauri and found that during 2008-09, the value of procured P&M declared with CTD was ₹ 0.88 lakh only. This belies the claims of the manufacturer before GM, DIC regarding procurement of P&M worth ₹ 19.26 lakh during the same period. Cross verification also showed that during 2009-10[71], the manufacturer had purchased raw material worth ₹ 0.45 lakh only with production expenditure of ₹ 6,160 and sale of *Besan* worth ₹ 0.76 lakh only. Meanwhile, in the same year, the cost of electricity consumption was shown as ₹ 6.14 lakh before GM, DIC who allowed the subsidy of ₹ 4.60 lakh (75 *per cent* of total consumption) for the year. Hence, the electricity consumption shown to DIC

70 M/s Suresh Kumar Besan Udyog.

71 This cross verification could not be conducted beyond 2009-10 due to non-filing of return by the manufacturer before CTD.

(₹ 6.14 lakh) was 1,200 *per cent* of cost of production shown to CTD (₹ 0.45 lakh+ ₹ 6,160 = ₹ 0.51 lakh) which establishes beyond reasonable doubt that either the figures submitted to DIC were fictitious or the P&M and the electricity were being used for other than specified purposes. In both the situations, the manufacturer was ineligible for receiving benefit of incentives and the subsidy of ₹ 22.89 lakh, paid to him on the basis of false claims, was recoverable with interest of ₹ 9.91 lakh. Also, this could have easily been prevented by DIC by just insisting on submission of audited balance sheets before allowing manufacturer's claims.

On this being pointed out, the Government accepted (June 2015) the audit observation regarding the said manufacturer using electricity for other than specified purposes by stating that the electricity was also used for 'job work of *aatta pisai*'. It also justified grant of subsidy on electricity utilised for this job on the basis that manufactured product of the said industry includes both *besan* and *aatta.*

The reply of the Government is not acceptable as the evidence on record shows that the industry was authorised only for 'manufacturing of Besan' and not for providing *job work* (service) to others. Hence, subsidy should not have been allowed on electricity used for other than specified purpose.

RURAL DEVELOPMENT DEPARTMENT

1.11 Avoidable Expenditure

The State Government had to pay an amount of ₹ 152.20 lakh from its own resources, in a road work under centrally sponsored scheme PMGSY, due to faulty preparation of DPR by the Department.

State Government issued (December 2006) an administrative approval and financial sanction of ₹ 208.02 lakh[72] for construction (Stage I works i.e. construction of kachcha road by hill side cutting) of 8.75 km. long Killbokhal-Takolikhal Motor Road in district Pauri under Pradhan Mantri Gram Sadak Yojna (PMGSY). The work was awarded (December 2007) to a contractor for an amount of ₹ 241.22 lakh (17.65 *per cent* higher than estimated rates for construction cost and at par with estimated cost of maintenance works) with scheduled date of completion by December 2008. The contract was made on 'quantity basis' which meant that the Government would have to pay for the quantity of work actually executed. The work was finally completed by the contractor in March 2010.

Scrutiny (September 2014) of records of the Office of the Executive Engineer (EE), PMGSY Irrigation Division, Kotdwar showed that the Department had estimated an availability of 1,34,933.06 cubic meters (cum) of earth and boulders (E&B), and

[72] ₹ 193.55 lakh as construction cost which was to be borne by the GoI and ₹ 14.47 lakh as maintenance cost for five years which was to be borne by the State, as per PMGSY framework.

67,880.55 cum of Ordinary Rock (OR) for excavation during hill side cutting, and the same was included in Detailed Project Report (DPR). It overlooked findings of the related survey report regarding availability of 18,196.05 cum of hard rock (HR) in the alignment of the road, and instead included this figure in the DPR as OR.

The DPR was subsequently proved faulty as 78,323.19 cum of HR, along with 1,08,008.66 cum of E&B and 45,600.87 cum of OR, was also excavated by the contractor during hill side cutting. This HR was included in the bill as an 'extra item'. Cost of excavating HR was put at ₹ 201.11 lakh (78,323.19 cum @ ₹ 218.25 per cum plus 17.65 *per cent* above this). However, owing to savings in other items, the actual burden borne by the State Government on the work was ₹ 152.20 lakh. Since PMGSY is 100 *per cent* centrally funded scheme, this cost was to be in fact borne by the GoI if the provision of HR had been made in the DPR. Thus, the State Government had to bear an extra and totally avoidable expenditure of ₹ 152.20 lakh.

Audit further noticed that had the HR been included in the DPR, the Department would have paid for this item at only ₹ 168 per cum *i.e.* at the rate applicable at the time of preparing DPR, in place of ₹ 218.25 per cum, the rate actually paid by it as the rate applicable at the time of execution of the work. This could have saved ₹ 46.30 lakh[73] of the total burden of ₹ 152.20 lakh. Moreover, allowing extra tendered rate of contractor (17.65 *per cent* higher) on hard rock in this work was in contravention of the practices of the Department as no additional tendered rates were paid by the Department on extra items executed in any other ongoing contract.

On these being pointed out in audit, the Executive Engineer accepted that the liability of ₹ 152.20 lakh to State exchequer could have been avoided if the provision for hard rock had been included in the DPR. However, he justified revised rates paid for HR saying that this rate was applicable at the time of execution of the work.

The acceptance of EE shows how a professional failure of the Department resulted in grave financial ramifications for the State Exchequer. At the same time, his justification of revised rates is not fair as proper scoping of the DPR by inclusion of HR would have ensured that the Department made payments at rates prevalent at the time of preparation of the DPR.

Thus, preparation of a faulty DPR by the Department resulted in avoidable expenditure of ₹ 152.20 lakh by the State Government as well as an excess expenditure of ₹ 46.30 lakh.

The matter was referred to the Government (February 2015); the reply was awaited (December 2015).

[73] (₹ 218.25 - ₹ 168) per cum x 78,323.19 cum plus 17.65 *per cent* extra.

PUBLIC WORKS DEPARTMENT

1.12 Forgoing of Interest

Non-charging of interest on mobilization advance paid to contractors resulted in forgoing of interest to the tune of ₹ 1.73 crore.

Rule 48 of Uttarakhand Procurement Rules, 2008 expressly prohibits payment of advances to contractors for works; except mobilization advance, advance against machinery equipment and advance for accelerating progress of works but these too are subject to payment of interest. Further, the guidelines of Central Vigilance Commission (April 2007), circulated (May 2007) by the Department for necessary compliance, emphasise the same for protecting government interest.

Audit scrutiny (December 2014) of the records of the Executive Engineer (EE), Construction Division of Asian Development Bank (CD-ADB) circle of the Department at Pithoragarh showed that an interest free advance (10 *per cent*[74] of the contracted value) amounting to ₹ 15.48 crore was paid to contractors against four contracts executed for improvement/ strengthening of 10 roads in Almora, Champawat and Pithoragarh (***Appendix-1.12.1***). These interest free advances were against the letter and spirit of the above mentioned rules and paid without assessing the need or actual value of the Machinery & Plant to be procured or mobilized at the site. Besides, in cases of Machinery & Equipment advance, insurance and hypothecation to the employer was also not ensured.

Payment of advances to contractors without charging interest was in violation of extant rules. Audit assessed financial implications of these interest free advances by calculating interest @ 10 *per cent* per annum (simple interest on reducing balance), as practised in Central Public Works Department and advised to the Government by the Accountant General in February 2014, and found that the Department had forgone an amount of ₹ 1.73 crore due from the contractors by not charging interest on advances paid to them.

EE, CD-ADB, PWD Pithoragarh merely stated that the advances were paid as per terms and conditions of the contract. The reply is not acceptable as the contracts were in violation of rules applicable and favoured interests of the contractors at the cost of the public exchequer.

The matter was referred to the Government (May 2015); the reply was awaited (December 2015).

[74] Five *per cent* mobilization advance and five *per cent* equipment advance.

1.13 Undue favour to contractor

The Department unduly favoured contractor in providing time extensions against its own norms which led to waiving of liquidated damage of ₹ 3.30 crore.

The Project Director, Project Management Unit of Asian Development Bank (PD PMU-ADB) funded works awarded (March 2010) contract for construction of Khirsu- Adibadri motor road (from km 0.0 to km 21.07) and Chaubattakhal- Chaurikhaal motor road (from km 0.0 to km 25.96) in Pauri to a contractor at a cost of ₹ 33.02 crore. Three milestones of six months each (May 2010-October 2010, November 2010-April 2011, May 2011-October 2011)) were prescribed for completion of the work. The contractor was to ensure financial progress of 25 *per cent*, 50 *per cent* and 100 *per cent* respectively in these milestones failing which, he was liable to pay liquidated damage of 1/6000th part of initial contract price (for the whole of the work, 1/2000th of the initial contract price per day), limited to 10 *per cent* of the initial contract price, per day for delay in achieving each milestone. If the contractor delayed the completion of the work by the number of days for which the maximum amount of liquidated damages (10 *per cent* of the contract price) could be paid, it would be deemed as fundamental breach of the contract and the Department could terminate the contract on this ground.

Scrutiny of the records of Executive Engineer (or Project Manager), Construction Division, Asian Development Bank (EE CD-ADB) funded works, PWD Pauri revealed that the contractor did not achieve any of the required milestones of timely completion. The work was finally completed (June 2014) in 50 months, instead of stipulated 18 months. Hence, the EE CD-ADB was required to recover an amount of ₹ 16.09 crore (***Appendix 1.13.1***), limited to ₹ 3.30 crore, in the form of liquidated damages which was not done.

Further scrutiny of records showed that while the EE, CD ADB did deduct an amount of ₹ 82.50 lakh from the contractor as liquidated damage for delay (168 days) in achieving first milestone, no further deductions were made from the bills raised for works pertaining to second and third milestones. Instead, PD PMU-ADB provided the contractor with five extensions (January 2012, February 2012, March 2013, December 2013 and July 2014), all after expiry of scheduled dates of completion, even after strong and categorical recommendations[75] of EE CD-ADB for termination of the contract due to slack approach of the contractor. After these extensions, the earlier deducted amount of liquidated damages *i.e.* ₹ 82.50 lakh was also refunded (August 2014) to the contractor.

It was noticed that the repeated extensions granted to the erring contractor, leading to waiving of liquidated damage of ₹ 3.30 crore, violated terms of the contract and were provided despite the fact that the Department was aware of the contractor being too

[75] E E, CD-ADB wrote 19 times to the contractor to accelerate the progress of the work and four times to higher authorities to terminate the contact due to unwillingness, and also inability, of the contractor to complete the works timely.

negligent in his approach and was quoting fictitious grounds for seeking extensions. Besides, the extensions were irregular as they were sanctioned by PD PMU-ADB who was not authorized, as per clause 7 of PWD GPW 9, to sanction them due to being the contract accepting authority. Moreover, as per the terms[76] of the contract, the Project Manager (or EE) was eligible to grant extension and the PD was not eligible to grant the extension. Thus, undue favor provided to the contractor in the form of extensions not only cost exchequer ₹ 3.30 crore in the form of waiver of liquidated damage, but also prolonged the agony suffered by public due to non-construction of the road.

On this being pointed out, the EE CD-ADB stated that amount for liquidated damage was deducted in first milestone. He added that further amount was not deducted as extension was approved from time to time.

The reply is not acceptable as the EE CD-ADB had stopped deducting liquidated damages well before any extension was provided, grounds of extensions were not proper, the period of extensions exceeded maximum permissible time limit (a period for which the maximum amount of liquidated damages *i.e.* 10 *per cent* of the contract price could be paid) of extensions, and the authority sanctioning these extensions was not authorized for such extensions. Further the liquidated damage already deducted was refunded to the contractor.

The matter was referred to the Government (July 2015); the reply is awaited (December 2015).

1.14 Deposit Works in the Public Works Department

1.14.1 Introduction

The State Public Works Department (PWD) is responsible for managing the road infrastructure, bridges and major Government buildings in the State. Besides, it also works as an "Executing Agency" for undertaking deposit works through the funds transferred by the respective departments. Apart from the Public Works Department, deposit works in the State are also carried out by the Irrigation Divisions and the State Rural Engineering Services (RES).

The compliance audit was however focused on the execution of the deposit works executed by the PWD Divisions during the period 2012-13 to 2014-15. The State Government released ₹ 1,596.47 crore against which an amount of ₹ 1,507.03 crore was utilized during the coverage period by the PWD. In the selected districts, against the release of ₹ 392.24 crore, ₹ 355.27 crore were utilised. It was conducted between April to June 2015 by test-check of records of total eight divisions[77], three divisions of Kumaon and five of Garhwal Zone, selected on the basis of number of maximum deposit works

[76] Section 7(B)(26) of the terms of the Contract.

[77] Construction Division (CD), PWD, Dehradun, Haldwani, Nainital, Roorkee and Provincial Division (PD), PWD, Haridwar, Rudrapur, Pauri & Bhatwari.

included in the monthly accounts[78] of the PWD divisions and which were also due for audit. Audit findings are discussed in the succeeding paragraphs:

1.14.2 Poor maintenance of records

Accounts of deposit works are compiled and consolidated in two parts *i.e.* in Form-65, where Part-I reflect the details of deposit works that were affected during the current month and Part-II reflects the details of all the deposit works in operation.

Audit scrutiny across the test-checked divisions revealed that the correct picture regarding actual deposits received, expenditure incurred, and up-to date position of progress of works and funds availability were not being maintained and reported in prescribed Form-65 except in CD, PWD, Nainital and partially by CD, PWD, Dehradun. Further, six out of eight divisions were found submitting accounts of deposit work in the Form-64[79] along with other regular public works undertaken by them. On this being pointed out, the divisions accepted the facts and assured proper maintenance of the records in future.

Apart from the above, scrutiny of the records also showed that the Deposit Register Part- III, one of the primary records for Deposit works, was also not being maintained by two[80] out of the eight test-checked divisions. Further, no information or records of the total deposit works executed in the State by the divisions could be provided by the Chief Engineer, Head of the Department (HOD), PWD. However, audit extracted from other subsidiary records of the test checked divisions, the details of the total deposit works executed and completed there against during the period 2012-13 to 2014-15. Details are given in **Table 1.14.1.**

Table 1.14.1

Name of division	Deposit Works* as on March 2012	Works during April 2012 to March 2015 Allocated	Total Works	Works actually completed by March 2015	Works not taken up
CD (PWD) Dehradun	52	161	213	152	03
CD Haldwani	11	05	16	01	00
CD Nainital	59	58	117	82	02
CD Roorkee	10	07	17	11	00
PD, Haridwar	38	29	67	52	NA
PD, Rudrapur	06	14	20	07	00
PD, Pauri	05	05	10	05	00
PD, Bhatwari	04	08	12	04	01
Total	**185**	**287**	**472**	**314**	**06**

Source: Extracted/provided by the divisions

***includes works other than those carried out by the department from the funds received from District Administration, MP/MLA funds etc.**

78 Information collected from the monthly accounts submitted to the A&E office by the divisions.

79 Accounts of Plan and Non Plan works other than deposit works are to be compiled and consolidated in Form-64.

80 PD, PWD, Pauri and CD, PWD, Nainital.

In respect of the above works, audit noticed the following points:

1.14.3 Creation of liabilities

Paragraph 580 of the Financial Hand Book (FHB) Vol-VI stipulates that outlay on deposit works is to be limited to the amount of deposit received. Any expenditure on deposit works incurred in excess of the amount deposited is chargeable to "Miscellaneous P.W. advances".

i) Audit scrutiny of record showed that in CD Dehradun, 14 works were executed after incurring an expenditure of ₹ 49.36 lakh in excess over the deposits received against these works. Further, 18 works were executed by incurring an expenditure of ₹ 130.65 lakh not only in excess over the deposits received but also in excess over the sanctioned cost of the works. It was also noticed that expenditure incurred on these works in excess of the amount deposited was not being charged to "Miscellaneous P.W. advances". Thus, a sum of ₹ 180.01 lakh ***(Appendix-1.14.1)*** was incurred on 32 works in excess over actual deposits received from the deposits of other deposit works.

   On this being pointed, the Divisions while accepting the facts, assured adjustment of excesses by revision of estimates and raising revised demands.

ii) Audit scrutiny in two[81] out of the eight test-checked divisions showed that 09 works with an estimated cost of ₹ 427.40 lakh were taken up by the PWD for which no funds were released by the client departments. The divisions incurred ₹ 147.69 lakh on these works which clearly indicates that a liability was created by diverting funds from other deposit works.

   On this being pointed out, the Divisions[82] stated that all works were sanctioned works and the excesses will be settled when deposits from the client departments are received. The reply is not convincing as the execution of works without release of funds even for a sanctioned work is prohibited under rules[83].

Thus, taking up of works without release of funds and excess expenditure over actual deposits received resulted in diversion of funds amounting to ₹ 147.69 lakh and creation of liability of ₹ 180.01 lakh.

1.14.4 Balance funds not surrendered

Financial Rule 519 (b) of the FHB Vol-VI stipulates that steps should be taken promptly to surrender the un-expended balance, if any, of the deposit with the approval of the Divisional Officer.

Audit scrutiny showed that un-expended balances against 40 completed deposit works (***Appendix-1.14.2***) amounting to ₹ 46.34 lakh were not surrendered by the concerned

[81] CD Dehradun (six works), CD Nainital (three works).
[82] CD Dehradun and CD Nainital for payment of ₹ 147.69 lakh.
[83] Para 375- (a) of financial hand book vol.-VI

divisions to the client departments, and were found blocked. Apart from this, it was found that in CD Nainital, balances against 29 deposit works amounting to ₹ 185.89 lakh were lying unspent since 2010-11. On this being pointed out, divisions[84] stated that works were completed and balances would be surrendered to the concerned Department(s) while the EE, CD Nainital stated that the matter will be taken up for surrender or utilisation of funds with the client department. The reply of the EE, CD Nainital is not convincing as un-expended balances, which were lying blocked for more than four years, should be surrendered to the client department with the approval of the Divisional Officer.

In PD PWD, Haridwar, it was noticed that repair work of bituminous macadam/semi dense bituminous concrete on the road from Deopura–via-PWD office to DM Aawaas, Mayapur, Haridwar sanctioned (29 January 2014) by the Commissioner, Garhwal Division, Pauri at the cost of ₹ 51.18 lakh was completed at a cost of ₹ 38.25 lakh in August 2014, whereas up-to-date expenditure as of March 2015 on this work was booked at ₹ 51.06 lakh. Audit found that remaining amount of ₹ 12.81 lakh was diverted and spent on repair work of “Purani Delhi Niti Bypass Road” under State Sector which was irregular. The EE, PD PWD, Haridwar accepted the fact.

1.14.5 Time and cost over-run

Completion of work in a time bound manner and within the estimated cost is of vital importance for providing benefit of the projects/schemes to the people.

i. Audit scrutiny revealed that there were time and cost overruns in three deposit works in two[85]divisions (***Appendix-1.14.3***). In one case[86], though the expenditure was well within the sanctioned cost but actual scope of work had been reduced by the divisions by ₹ 53.04 lakh to accommodate the cost escalation. These works were also reflecting time overrun of four to seven years from the respective scheduled dates of completion till the date of audit. Further, revised estimates for ₹ 221.05 lakh were submitted for the completion of remaining two works[87], which were yet to be sanctioned by the client department. Thus, a time overrun ranging between four to seven years was observed till the date of audit, besides cost escalation of ₹ 274.09 lakh.

   On this being pointed, CD, Haldwani accepted the facts whereas CD, Dehradun stated that the work is still incomplete (since June 2009) because extra items of

[84] PD, PWD, Rudrapur, PD, PWD Bhatwari & CD Roorkee.

[85] CD Dehradun (one work) & CD Haldwani (two works).

[86] Construction of 48 aawas of Type-II at Haldwani, Kathgodam and Chorgaliya Thana in Nainital district.

[87] One of these two estimates is for construction of 120 residential quarters of Revenue Department out of which only 72 quarters were completed and remaining 48 quarters were lying incomplete (constructed up to plinth level only) since June 2009. The other is for construction of 20 Awaas of Type-II in Civil Court, Haldwani.

work, that were not included in the original estimate, had to be taken up. The reply is not convincing as before taking up the work, the division was required to intimate and take consent from client department about the extra items of work indicating extra time and cost involved in the extra items. No documentary evidence was available with the department to show that the consent of client department had been obtained before taking up of such work. As no further sanction was obtained, the fact remains that 48 quarters which were completed up to plinth level, were lying incomplete since 2009.

ii. Para 318 of FHB-VI emphasizes that Technical Sanction (TS) amounts to no more than a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data.

Test check of records of Executive Engineer (EE), PWD, Bhatwari showed that for planning the construction of Gangnani-Bhangeli Motor road[88] (4 km length), a joint meeting was held (19/11/2004) at the level of Chief Engineer (Garhwal Region), PWD and Deputy General Manager –NTPC, Loharinag-Pala Hydro Power Project, in which it was decided that the road would be constructed with seven meter width with bituminous surface in 5.50 meter width on Water Bound Macadam (WBM) layer. The work was to be completed in 10 months[89]. The PWD awarded the work to the contractor (28/3/2005) with stipulated date of start and completion as 1/6/2005 and 31/3/2006 respectively *i.e.* in 10 months.

Audit observed that in disregard of decision taken in joint meeting, NTPC changed the scope of work and intimated (1/3/2005) the EE, Bhatwari that in future the road would be widened from sevenM to 10M, construction of drain could be done afterwards. Accordingly, PWD revised (11/8/2005) the estimate by ₹ 6.88 crore (total estimated cost at ₹ 13.88 crore) after award of work. Examination of records further revealed that on the basis of site inspection (15/3/2008) by SE, a decision was taken to construct the bended causeway in place of 18M span RCC bridge and the contractor[90] was informed (13/4/2008) that construction of bridge in between the road alignment was not required, and instead, extra hill cutting was suggested reflecting that work was being executed in an *ad- hoc* manner.

Subsequently, PWD finalized the contract midway after incurring an expenditure of ₹ 10.54 crore and further re-revised (28/2/2009) the cost of work at ₹ 26.84 crore on the ground of left over work[91], construction of 300 m washed out road due to heavy slip, construction of damaged retaining/breast walls, enhancement in rates of

---

88 Also named as Construction/ improvement of approach road to Gunaga Adit of Loharinag-Pala Hydro Power Project.

89 In which Hill cutting and construction of wall work was to be completed within first six months and bituminous work needed to be completed in remaining four months.

90 M/s Hillways Engineering Co.

91 Water Bound Macadam, Bituminous Macadam, Semi Dense Macadam.

cartage. The work was awarded (28/2/2009) to another contractor[92] with the stipulated date of start and completion as 28/2/2009 and 27/6/2009 respectively. In disregard of this schedule of completion also, the PWD could not complete (May 2015) the work in time despite incurring an expenditure of ₹ 25.31 crore till date. Thus, there was an ad-hoc approach on the part of NTPC and PWD in assessing their requirement, changing the scope of work after award of work and also tardy execution of work. Resultantly the cost of the work escalated by almost 383 *per cent* against original sanction and 193 *per cent* against re-revised sanction, besides time overrun of more than 10 years. Reply is still awaited.

1.14.6 Blockade of funds due to non availability of Land

Audit scrutiny in two divisions showed that ₹ 34.18 lakh (***Appendix-1.14.4***) were deposited by the client departments for execution of two works but the land for the same was not made available to the concerned divisions. The funds were found blocked for periods ranging from more than six to 11 years till the date of Audit (May–June 2015).

On this being pointed out, the Department stated that the client departments could not make land available for execution of the said works. The reply is not convincing as deposits could not be blocked forever and should have been refunded if the land was not provided by the client department(s).

1.14.7 Other interesting finding on Deposit Works:

- In PD, PWD, Haridwar, the construction work of “Steel Girder Bridge near Dam Kothi on Ganga Canal Haridwar under Kumbh Mela 2010” was sanctioned (January 2009) by the Government of Uttarakhand (GoUK) at the cost of ₹ 4.33 crore and again (15 December 2009) at the revised cost of ₹ 4.34 crore. However, the contractor was paid (31 December 2009) ₹ 4.69 crore (excess of ₹ 35 lakh over revised approved cost) up to 7th running bill and further ₹ 39.82 lakh were due for payment against 8th running/final bill (amounting to ₹ 5.09 crore) which were not paid to him. The contractor took the matter to court of law and the judgment was awarded (18 March 2015) in his favour for payment of ₹ 98.46[93] lakh along with pendentilite[94] interest from 04 June 2013 till the actual date of payment which was not paid till audit (April 2015) leading to further accruing of pendentilite interest liability from 04 June 2013 on awarded amount.

On this being pointed, the EE stated that the design & drawing of steel girder bridge was changed to arch type for providing aesthetic view, hence the cost exceeded for which a revised estimate of ₹ 4.99 crore was sent to GoUK for sanction. GoUK however

[92] (M/s Bharat Construction, Dehradun).

[93] Balance payment:₹ 39,81,689 + Loss of profit: ₹ 28,92,000 + Interest from 18.01.2010 to 03.06.2013: ₹ 24,22,394 + Expenses of notice, High Court R: ₹ 3,00,000 + Expenses of present proceedings : ₹ 2,50,000.

[94] Means pending litigation.

sanctioned only ₹ 4.34 crore against which execution of work was not possible due to increase in quantities and rates. Reply of the division is not tenable as allowing the contractor to execute the work over and above sanctioned estimate without authorisation from the client was irregular and led to creation of liability of ₹ 1.33 crore[95] along with the pendentelite interest.

- The construction of Gangnani-Bhangeli Motor Road (4 km length) was being carried out by EE, PWD, Bhatwari for NTPC as a deposit work at re-revised estimate of ₹ 26.84 crore, including centage charges of ₹ 2.98 crore. The up-to-date expenditure as of March 2015 was ₹ 25.31 crore. No evidence was found in records as to depositing the centage charges in the Government account. A specific query was raised in audit as to whether the same had been deposited in the Government account. No reply was furnished except confirming the facts raised in audit pointing towards that centage charges were irregularly retained at the Division level.
- The EE, PD, PWD Bhatwari awarded (28 March 2005) the construction of Gangnani-Bhangeli Motor road to the contractor[96] with stipulated dates of start and completion as 1/6/2005 and 31/3/2006 respectively. However, payment of ₹ 45 lakh was paid to the contractor on 8/4/2005 before the scheduled date of start through a running account bill by showing ₹ 45,53,069 as advance payment for work not yet measured simultaneously showing it as a mobilization advance which was improper as schedule date of start of the work was 1.6.2005. As a matter of fact, the work has been not shown as complete till Audit (May 2015).

Conclusions and Recommendations

1. The expenditure incurred on deposit works were not limited to the amount of deposit received for the works and these excess amount were met out from other deposit works. This excess amount was also not being charged to "Miscellaneous P.W. advances".

   The Government may ensure that the Department keep outlay on deposit works limited to the amount of deposit received and in case of excess expenditure, the amount may be charged to Miscellaneous P.W. Advances.

2. After completion of deposit works, the concerned divisions did not surrender the balances/un-expended balance to the client departments.

   The Government may issue the directives to the Department to promptly surrender the balances/un-expended balance to the client departments.

3. Most of the divisions were not maintaining and reporting the correct picture regarding actual deposits received, expenditure incurred, and up-to date position of progress of

[95] ₹ 98.46 lakh+₹ 35 lakh-which has already been paid.
[96] M/s Hillways Engineering Co.

works and funds availability in prescribed Form-65. Besides, Deposit register Part-III (primary record of deposit works) were also not being maintained by few divisions.

The Government may ensure that the Department maintains the consolidated record of the transaction of deposit works in the prescribed form No. 65 "Schedule of deposit works" and Deposit Register Part-III.

REVENUE DEPARTMENT

1.15 Follow up audit of performance audit on Computerisation of Land Records (CLR) scheme

1.15.1 Introduction

The Performance Audit (PA) on "Computerisation of Land Records (CLR) scheme" covering the period 2004-05 to 2008-09 was included in the Audit Report (Civil) (Government of Uttarakhand) for year ended 31st March 2009 as Chapter I, Paragraph 1.1. The Report was placed before the State Legislative Assembly during September 2010. The Compliance of the audit observations and action taken on the recommendations were required to be taken up promptly so as to achieve the central aim of the project in terms of removing the flaws inherent in the manual maintenance of land records and making maintenance of land records efficient and transparent and improving public access to land records.

1.15.2 Follow-up Audit

Follow-up audit on the above Performance Audit was conducted between July and August 2015. It was limited to a review of the audit findings and recommendations detailed in the previous CLR performance audit report. The audit scope covered the operations of CLR schemes for April 2009 to March 2015. To ascertain the status of implementation of the recommendations made in the report, audit memoranda were issued to the Government, the Board of Revenue, two Tehsil Data Centres[97] (TDCs) and two District Data Centres [98](DDCs). To accomplish the audit objective, we also reviewed updated Devbhoomi software, and Government/Departmental orders related to CLR scheme. Audit conclusions were drawn up after the scrutiny of relevant records, analysis of available data and replies to questionnaires and audit memoranda, which are commented upon in the following paragraphs:

1.15.3 Prior Recommendations and their Status

The Performance Audit (2009) contained 14 accepted recommendations against 26 observations in the report. Out of these 14 recommendations on CLR, one recommendation relating to updating of data on Internet was found fully implemented, three recommendations *viz.* (i) upgradation of hardware, (ii) connectivity between TDCs, DDCs, State Monitoring Cell and NIC; and (iii) Computerisation of

[97] Dehradun (Sadar), Kashipur.
[98] Dehradun, U S Nagar.

Registration process and its integration with CLR were found partially implemented, and rest were not found implemented. This shows that the Government and the Department were yet to take concrete action to follow all the accepted Recommendations. Recommendation wise status observed during the follow up audit is detailed below:

1.15.3.1 Recommendation- 1 (Para No. 1.1.9.1 and 1.1.9.2)

- *The time schedule for updation of mutation orders and generation of new khataunis need to be firmly adhered.*

Status- **Not Implemented**

It was found in the follow up audit of the two test checked tehsils that the mutation orders were still being updated with a delay of 4 to 136 days. Similarly, it was also noticed that 45,132 *khataunis* out of 1,11,519 *khatas* pertaining to 67 villages, representing 40.47 *per cent* of total *khataunis* were not regenerated after updating. Thus, delays were still persisting in updating of mutation orders and generation of new *khataunis.*

In the exit conference (October 2015), the Government instructed the Department to issue the orders to ensure timely entry of R-6 register in the computer database and to follow the mandatory 6 year cycle for generation of new khataunis.

1.15.3.2 Recommendation- 2

- *Regular quarterly updation of land record data on the internet needs to be ensured as only 25 per cent of tehsil records were found updated as of August 2009.*

Status – **Implemented**

In reply to the audit query, the Department stated that updated data of 88 tehsils had been uploaded on the internet. Moreover, the State Government issued directions (May 2015) to the Revenue Board to initiate the process of tendering for purchase of a Centralised Server and related hardware for the purpose.

1.15.3.3 Recommendation- 3 (Para – 1.1.9.6)

- *Necessary steps may be initiated to get the Touch Screen Computer Kiosk (TSCKs) installed/repaired at all Tehsil Data Centres.*

Status**- Not Implemented**

In reply to the audit query, the Department stated that most of the TSCK machines were non-functional due to technical faults. The non-functional status of the TSCK machines in the two test checked tehsils corroborated the fact.

In the exit conference (October 2015), the Government stated that with the advancement in technology, the land record data is now available on mobile phones and the TSCKSs had become outdated.

1.15.3.4 Recommendation- 4 (Para – 1.1.10)

- *A mechanism needs to be established for upgradation of hardware in view of technological advancements and also to take care of fresh requirements viz. higher storage capacities, new operating system, etc.*

Status**- Partially Implemented**

On being enquired in audit, the State Government replied that necessary directions have been issued to the Revenue Board for upgradation of hardware, higher storage capacity and new operating system. The Board of Revenue stated that WINDOWS and SQL Server 2012 were required for smooth running of Devbhoomi software. Most of the Tehsils were still having old hardware and software as detailed below:

WINDOWS SERVER	SQL SERVER	Number of Tehsil/Sub-Tehsil
WINDOWS 2012	SQL 2012	1 (Almora)
WINDOWS 2008	SQL 2008	4 (Rudrapur, Kashipur, Vikasnagar and Doiwala)
WINDOWS 2000/2003	WINDOWS 2000/2003	100

However, the Department failed to provide detailed information relating to hardware and software installed in all the tehsils and district data centres of the State. In one of the two test checked tehsils *i.e.* Dehradun, it was found that the system was running on Operating system WINDOWS 2003 and database was being maintained in SQL Server 2000, which did not have the capability to cater to issues like generation of reports relating to village *khataunis,* land category wise report of a village, village summary of the tehsils and lack of connectivity to the State Wide Area Network (SWAN).

In the exit conference (October 2015), the Government stated that in view of technological advancements, new hardware and a Central Server would soon be installed.

1.15.3.5 Recommendation- 5 (Para – 1.1.12.1)

- *State Government may consider appointing permanent Key Resource Person to take care of technical aspects at TDCs.*

Status**- Not Implemented**

During the test check of two districts *i.e.* Dehradun and U S Nagar, it was found that no key resource persons were found deployed for the CLR scheme.

In the exit conference (October 2015), the Government replied that the recruitment process of new Patwaris was in progress and the personnel from that batch would be utilized for this work after imparting them necessary training.

1.15.3.6 Recommendation- 6 (Para – 1.1.9.7)

- *To avoid fraudulent use of computerised khataunis, the use of holograms should be made mandatory.*

Status **- Not Implemented**

In reply, the Department stated that due to closure of the CLR scheme and introduction of National Land Record Modernization Programme (NLRMP), the recommendation of audit had not been implemented.

The above recommendation was given by the audit to prevent manipulation/fraudulent use of computerised khataunis. During the follow up audit it was found that neither the holograms nor pre-printed stationery were being used for issuing computerised *khataunis* in the two test-checked tehsils[99]. In Dehradun tehsil, a fraudulent case of use of *Khatauni* was noticed wherein a copy of computerised *Khatauni* was manipulated for getting approval of *Naksha* from the Mussoorie Dehradun Development Authority (MDDA). Such an incident underlines the importance of use of holograms on khataunis.

In the exit conference (October 2015), while accepting the facts, the Department stated that necessary changes in the software could be made to make *Khataunis* distinct and difficult to fake.

1.15.3.7 Recommendation- 7 (Para – 1.1.9.8)

- *Connectivity between TDCs, DDCs, State Monitoring Cell and NIC centres through SWAN needs to be established.*

Status**- Partially Implemented**

In reply, the Department stated that the state data centre, 13 district data centres and 67 tehsil data centres have been connected through SWAN. It was found that Dehradun tehsil was not able to use the facility of SWAN connectivity due to low capability hardware installed at the TDC Dehradun. However, the Kashipur tehsil was using SWAN connectivity for sending data to the District level server.

In the exit conference (October 2015), Government stated that the connectivity of the remaining TDCs would be ensured by the end of the current financial year.

1.15.3.8 Recommendation- 8 (Para – 1.1.10.4 d)

- *Present system of security through password is prone to breach; therefore it is necessary to provide security through biometric identification technology.*

Status**- Not Implemented**

In reply, the Department stated that biometric identification technology had not been put into use. It was noticed in audit that a number of retired and transferred persons were still having access to the system, as the passwords were not being changed regularly thus putting the system at risk. During the exit conference (October 2015), the Government directed to use the available features of biometric identification technology in the software in all the TDCs.

1.15.3.9 Recommendation- 9 (Para – 1.1.12.2)

- *Regular training programmes for all the revenue staff should be ensured.*

Status**- Not Implemented**

The State Government replied that CLR scheme had been merged with the NLRMP scheme wherein provision for imparting training to the revenue officials existed. Further, the Department stated that no training programme had been organised by the Revenue Board. In two test checked districts and tehsil data centres, it was found that no training programmes were organised for Revenue Staff in operating and maintaining CLR system.

[99] Dehradun & Kashipur.

1.15.3.10 Recommendation- 10 (Para – 1.1.13)

- *To gear up the monitoring mechanism, periodic review of the scheme by the implementing authorities, both at the state and district levels should be introduced. Also, the evaluation of the scheme may be entrusted to a reputed research organization for qualitative feedback.*

Status**- Not Implemented**

Replying to an audit query in this regard, the Department stated that installing a centralised server system is under consideration and the audit recommendation would be considered in the NLRMP scheme. The Department stated that no evaluation of the scheme was made by any research organisation for qualitative feedback. However, in Dehradun tehsil, the District Magistrate monitored the tehsil data centre once and introduced the electronic token system for convenience of the public.

In the exit conference (October 2015), the Government agreed to gear up the monitoring mechanism by ensuring periodic review of the scheme by the implementing authorities both at the state and district levels.

1.15.3.11 Recommendation- 11 (Para – 1.1.9.1)

- *Presently, the updation of the database is carried in offline mode. It is necessary to ensure online mutation and workflow automation in the present software for making the database current and to avoid unwarranted human intervention.*

Status **- Not Implemented**

On being asked, the State Government stated that CLR scheme had been merged with NLRMP scheme wherein online mutation system is proposed.

1.15.3.12 Recommendation- 12 and 13 (Para – 1.1.8.2)

- *At present, the computerisation of land records is restricted only to khataunis. The benefits of computerisation will become fully visible only after the computerisation of Khasra i.e. records of crops.*
- *It is also necessary to take up scanning of basic land records and digitization of cadastral maps/village maps in the next phase for making computerisation complete.*

Status **- Not Implemented**

The benefits of computerisation were not fully visible as the computerisation of Khasra and digitisation of cadastral maps/village maps were still to be undertaken. In this connection, the Government stated that digitization of Khasra was being taken up as a pilot project under NLRMP scheme and Pauri and Almora districts had been selected for the scanning of basic land records and digitization of cadastral maps/village maps under the new NLRMP scheme.

1.15.3.13 Recommendation- 14

- *Since large numbers of mutations are due to sale/purchase transaction, therefore, it is suggested that the registration process should also be computerised and integrated with computerisation of land records.*

Status- **Partially Implemented**

In reply, the Government stated that land registration work had been computerised in Dehradun, Haridwar, U S Nagar, Nainital and Pauri (Kotdwar tehsil) districts. The Government further stated that the land registration and computerisation of land records were two separate processes and the land registration activity was not covered under the CLR scheme. However, it was being included as a component under the NLRMP scheme.

1.15.4 Compliance of other audit observations in the C&AG's Audit Report for the year ended 31st March 2009 of Chapter I, Paragraph 1.1.

During the follow up audit, besides follow up of 14 recommendations, the compliance made by the Department on the other important audit findings was also analysed. In respect of compliance of other audit observations/findings of previous PA, the position was more or less same. The status of the same is detailed below:

1.15.4.1 Partial Coverage (Para 1.1.8.1 of previous audit report)

It was noticed that the computerisation of land records was still limited to Zamindari Abolition (ZA) land[100] and was not extended to Non-ZA land. On this being pointed out, the Government replied that except 291villages[101] which were under *Chakbandi* and *Bandobast,* all other villages had been covered under CLR scheme. The Government further stated that Non-ZA land would be covered under the NLRMP scheme.

1.15.4.2 Non-generation of New Khataunis (Para- 1.1.9.2 of previous audit report)

It was noticed that *Khataunis* were required to be generated every six year after modifying ownership details such as owner's name, father's name, plot number, area, etc. in existing *khataunis*. As the *khataunis* are maintained on the basis of *fasli varsh,* the updating exercise is required to be completed by 30th June each year for the ensuing crop year starting from 1st of July.

Scrutiny of records in two test checked tehsils during the follow up audit revealed that 45,132 *khataunis* pertaining to 67 villages, representing 40.47 *per cent* of total *khataunis*, were not re-generated. The details are tabulated below:

---

[100] Land where Uttar Pradesh Zamindari Abolition Act. 1950 was in force.
[101] 211Villages under *Chakbandi* and 80 villages under *Bandobasti*.

Table-1.15.1

Name of Tehsil	No of villages	Total no. of *khatas*	No. of *khatas* not updated	In percentage
Dehradun(Sadar)	49	85,148	33,419	39.24
Kashipur	18	26,371	11,713	44.41
Total	**67**	**1,11,519**	**45,132**	**40.47**

Source: Information collected from 02 test checked tehsils

As a result, a large number of old *khataunis* were being distributed on demand and were in circulation, defeating the basic objective of the scheme of providing copies of accurate and up to date *khataunis* to the landowners.

1.15.4.3 Duplication of work (Para-1.1.9.3 of previous audit report)

It was noticed that despite computerizing the process of updating of land records, the work was simultaneously being carried out manually as per the prevalent procedure. The continued maintenance of manual records and registers added to the work load and delayed work relating to electronic updation.

The Government replied that manual and computer work would be re-assessed and it would be proposed under the NLRMP scheme for full fledged computerisation.

1.15.4.4 Inconsistency between manual and computerised records of land area (Para-1.1.9.4 of previous audit report)

It was noticed that the Department had not taken any step to rectify the discrepancy[102] pointed out in the earlier audit report. The Government stated that due to merger of CLR scheme with NLRMP scheme, the digitisation work of land records had been proposed and only after the digitisation process, these discrepancies could be rectified.

In the exit conference (October 2015) the Secretary, Revenue Department instructed to issue orders for the concerned staff *viz.* Patwaris to re-check the data and ensure accuracy and ordered to fix the responsibility of the concerned staff in this matter.

1.15.4.5 Non-operational Tehsil Data Centres (Para- 1.1.9.5 of previous audit report)

It was noticed that at present there are 102 tehsils and seven sub-tehsils in the State. Except in 16 newly created tehsils[103] and seven sub-tehsils,[104]computerised Record of Rights(ROR) was being distributed.

In the exit conference (October 2015), the Government instructed to provide necessary hardware and other assistance for making the Non operational Tehsil Data Centers functional.

1.15.4.6 Infrastructure (Para- 1.1.9.9 of previous audit report)

In two test checked tehsils, following was observed with respect to availability and state of infrastructure:

---

102 Variations between computerized reports and the manual records.

103 Kandisaur, Nainbagh, Balganga, Basukedar, Bhagwanpur, Narainbagad, Adibadri, Jilasu, Chakisain, Doiwala, Bangapani, Thal, Ganai Gangoli, Syaldey, Dhaulcheena and Dugnakuri.

104 Pavkidevi, Joshiyada, Dhaurtari, Pullagumdesh, Machod, Lamgada and Shama.

- Against the minimum prescribed space of 200-250 sq ft for Tehsil Computer Centres, an area of only 117 sq.ft was available for Tehsil Computer Centre in Kashipur tehsil.
- No fire extinguishers were found installed in the computer rooms in both the test checked tehsils. Thus, fire safety measures undertaken in the Tehsil computer centres were inadequate.
- Air-conditioners were not found installed in Dehradun (Sadar) tehsil. In Kashipur tehsil, it was observed that database was exposed to risk of damage from dust and fire due to locating the UPS and storing files in the close proximity of the server.

In the exit conference (October 2015), the Government directed that all the infrastructural requirements be provided out of the Society's funds.

1.15.4.7 Inadequacies of the software (Para- 1.1.10.1 of previous audit report)

Following limitations in the CLR software were still persisting in the two test checked tehsils:

a. In the application software, six columns have been provided for six *fasli* years for entering mutation orders. The space given for one order under each column has been limited to 70 characters. As such, any order going beyond the limit was being captured as a separate mutation order by the system. Because of this, the mutation log which displayed the number of mutation orders for a particular *Khatauni, was* erroneous.

b. The field meant for the *Tippani* column for entering orders related to mortgage of land and subsequent bank loans had inadequate width. On being enquired, it was intimated that the field for the *Tippani* column had been restricted to 20 characters which was highly insufficient for capturing the details of bank loans.

c. The *Dev-bhoomi* software has been promoted as a provider of a plethora for information and reports relating to village *khataunis* such as area-wise number of *khatas* in a village, land-category wise report of a village, village summary of the tehsil *etc.* However, the audit team found that while retrieving such reports, the system was prone to hanging indicating inadequacies in both the hardware as well as the software.

In the exit conference (October 2015), it was stated that all these aspects will be covered under the NRLMP scheme.

1.15.4.8 Input Controls (Para-1.1.10.2 of previous audit report)

In two test-checked tehsils, following discrepancies were observed which impact upon the reliability of the CLR database:

- In 571 instances, the name of the account holder, and in 441 instances, the name of the father/husband of the land holder was entered as blank, null or dot.
- In 6,065 instances, the address of the account holder was left blank or incomplete.

- In 67,715 cases, caste of the land holders was not entered. Thus, compliance with the provisions of Rule 157 (a) and (b) of the Zamindari Abolition (ZA) and Land Management Act, 1950 that sale of SC/ST owned land to other community was not allowed, was not being ensured.
- It was found that the share of the land owner was left blank in case of joint accounts, in the absence of which no check could be exercised through the software to ascertain land availability for each account holder.
- In 96 instances, the same plot number, which has to be unique in a particular village, was entered two to four times in the same village.
- In 43 instances, zero land area was shown against plots.
- In two test checked tehsils, total area of the village land as captured under two tables *i.e.* details of land holders (K_2 table) and details of plots (K_gata table) showed discrepancies.

In the exit conference (October 2015), the Government stated that for making the Input Controls more effective, the issues highlighted by audit would be taken care of.

1.15.4.9 Absence of Documentation (Para-1.1.10.3 of previous audit report)

During the follow up audit of two test checked tehsils it was noticed that version 1.2 of Devbhoomi software was running; however, there was no documentary evidence of any changes which have been made in the software at any level. In the absence of proper documentation, there was no trail of various modifications/ changes made in the software. In reply, the Government stated that in future, all the changes in the software would be documented.

1.15.4.10 Access controls (Para-1.1.10.4 of previous audit report)

During the follow up audit of two test check tehsils it was noticed that because of weak organizational controls, the revenue officials below the rank of *Registrar Kanoongo* (RK) and even private operators were found working as administrators. Though the software has in-built features for user authentication through access passwords but control procedures like restriction on number of unsuccessful login attempts, routine password change, alphanumeric passwords or minimum limit of characters for password were not incorporated in the application software.

The application also had no provision for removing user accounts following transfer or retirement of a user. In two test checked tehsils, audit noticed that there were 19 unauthorised/dummy user accounts[105] in the database. As a result the system was open to the risk of access by unauthorised users.

---

[105] 15 dummy users, three transferred users and one retired user.

In Kashipur tehsil, it was observed that RORs were being distributed directly through the server and not through the client machines, exposing database to increased risks and undermining database security.

No Biometric systems for providing access through thumb impressions were found installed in any of the test-checked tehsils.

In the exit conference (October 2015), the Government stated that necessary changes would be made under the NLRMP.

1.15.4.11 Insufficient Protective measures (Para-1.1.10.5 of previous audit report)

During the follow up audit of two test-checked tehsils, it was noticed that no well documented procedure for taking backups of the database was being followed. Also, no restoration for checking of backed up data had been attempted. No licensed version of anti-virus software was found installed in the Dehradun TDC, making the system susceptible to virus attacks. In reply, the Government stated that instructions would be issued in this matter and regular backup would be ensured in all the TDCs.

1.15.4.12 Central Assistance (Para-1.1.11.1 of previous audit report)

During the follow up audit of CLR scheme, it was noticed that the unspent balance amount of ₹ 1,325.30 lakh of central assistance was surrendered (September 2014) to the Department of Land Resources, Ministry of Rural Development, GOI with the request to close all the existing schemes[106] and implement the NLRMP scheme in Uttarakhand. There was also a mention of ₹ 0.20 crore difference in the records of GoI and the figures of GoU which needed reconciliation.

Further, it was also observed that ₹ 762.17 lakh were received (September 2014 and November 2014) as central assistance for NLRMP scheme. The State Government had also released its share (January 2015 and March 2015) of ₹ 760.70 lakh to the Board of Revenue for implementation of the scheme. No Utilisation Certificates were forwarded to the GoI as of August 2015.

1.15.4.13 Purchase of 'Uttaranchal Information System' software (Para-1.1.11.3 of previous audit report)

'Uttaranchal Information System' (UIS), intended for up-gradation of land records, was purchased (March 2006) at a total cost of ₹ 40 lakh[107] for use in the CRC, two Divisional offices, 64 TDCs and 13 DDCs. In the two test checked tehsils, no such software was found installed in any of the systems. Moreover, the officials of the tehsils were not aware about the said software.

In the exit conference (October 2015), the Government assured that the same would be looked into.

[106] Strengthening of Revenue Administration (SRA), Updating of Land Records (ULR) and Computerisation of Land Records (CLR).

[107] @ 50,000 per CD of UIS.

1.15.4.14 District Land Records Management and Maintenance Society (Para-1.1.11.4 of previous audit report)

It was found that a sum of ₹ 17.07 crore were realised (as of July 2015) through distribution of computerised ROR. In the two test checked districts, it was noticed that the amount received through distribution of computerised RORs was being spent on the inadmissible items as enumerated below:

- An expenditure of ₹ 15.31 lakh was incurred on account of purchase of computer, printer, UPS, scanner and webcam for making *Janadhar Kendras* operationalised at different Tehsils of Dehradun district;
- An expenditure of ₹ 99,750/- was incurred on purchase of three sets of computers for Collectorate Office, Dehradun;
- Payment of ₹ 62,923/- was made for purchase of vehicle for office of the Record Officer, Dehradun;
- Payment of ₹ 85,000/- was made for establishment of court room at newly created Tehsil, Doiwala, Dehradun;
- From the account of *Zila Bhoo-abhilekh Prabandhan Evam Anurakshan Samiti, U S Nagar,* an amount of ₹ 20.00 lakh was provided as compensation (₹ 10 lakh each) to the dependants of two victims.

In the exit conference (October 2015), the Government stated that instructions would be issued to all the District Land Records Management and Maintenance Societies to follow the Government orders issued regarding maintenance and administration of the said fund. The Government also directed to recoup the amount withdrawn by DM, U S Nagar.

1.15.4.15 Work load assessment (Para-1.1.12.1 of previous audit report)

During the follow up audit of two test-checked districts, it was noticed that there was a shortage[108] of manpower in the cadre of *Patwaris* and *Registrar Kanoongo* (RK). This has the effect of compromising the quality of supervision, the accuracy of updating of *khataunis* and the timeliness of feeding mutation orders and according authorization to the RoRs. An adverse consequence of the high work load on *Patwaris* and RKs is the fact that staff below the rank of *Registrar Kanoongo* and even private DEOs have unauthorized access to the 'System Management Module' which has serious repercussions for data confidentiality and integrity. In reply, the Government stated that the recruitment process of *Patwaris* is in progress.

The Recommendations and other observations were discussed in the exit conference held on 1st October 2015. The Government, while accepting the facts, stated that the implementation of software and hardware related recommendations would be ensured during the implementation of National Land Records Modernisation Programme

[108] *Registrar Kanoongo*- 18 men in position against 22 sanctioned strength, *Patwaris/Lekhpal* – 179 men in position against 254 sanctioned strength.

(NLRMP). The Government also assured that necessary instructions would be issued to concerned officials to ensure that audit observations on operation of CLR scheme are attended to expeditiously.

Conclusion

From the above, it is apparent that the Government/Department had not taken any initiative for expeditious settlement of the outstanding audit observation/findings. Further, the new scheme, National Land Records Modernisation Programme, was still to be implemented. An important flagship scheme for benefit of the public was, thus, still to achieve its objectives even after seven years of its launch.

SOCIAL WELFARE DEPARTMENT

1.16 Idle Expenditure

Expenditure of ₹ 1.02 crore made on a girls hostel remained idle as the building could not be put to use in the absence of any arrangement for its operation.

The State Government accorded (February 2006) an administrative and financial approval of ₹ 72.14 lakh for construction of a 50 seat Girls' Hostel in the campus of Government Post Graduate College, Berinag, Pithoragarh for girl students of ST category. The estimate was subsequently revised (February 2007) by the executing agency, Uttar Pradesh Samaj Kalyan Nirman Nigam, and approved by the Government (January 2011) for ₹ 1.02 crore.

Scrutiny (July 2014) of the records of the Director, Social Welfare, Haldwani showed that construction of the hostel was completed in September 2011. However, the building could not be transferred to the College as the Principal was reluctant to take over the building due to non-availability of female personnel in the college for operating the hostel. The Principal further advised (June 2012) that the Social Welfare Department could operate the hostel until required posts were sanctioned in the college. In turn, the District Social Welfare Officer expressed his inability in operating the hostel (December 2013) as it was situated 100 km away from the district headquarters. The building has remained unutilized since its completion *i.e.* September 2011.

Audit found that no arrangements had been made by the Department with the College or any other local authority before starting the work for post-completion operation of the hostel. The Government too released funds in spite of absence of proof of any such arrangements. In the sanction letter, the Government had made it clear that no amount, excluding that involved in the construction of the hostel, would be provided for recurring expenses or for providing manpower for running the facility. This led to current impasse rendering the whole expenditure of ₹ 1.02 crore idle.

On this being pointed out, the Director, Social Welfare stated that consent of the College for post-completion operation of the hostel could not be sought as Government issued administrative and financial approval within two days of issuing instructions for obtaining the required consent. The reply shows that both the Government and the Department had failed to exercise necessary foresight as the sanction could have been withheld or the work should not have been started until an arrangement had been made with the college or any local authority for operation of the hostel.

Thus, expenditure of ₹ 1.02 crore on girls hostel remained idle in absence of any arrangements for its operation.

The matter was referred to the Government (February 2015); reply was awaited (December 2015).

Chapter-II

Revenue Sector

Chapter-II

Revenue Sector

2.1 Introduction

2.1.1 Trend of Revenue Receipts

Tax and non-tax revenue raised by the Government of Uttarakhand during the year 2014-15, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year, and the corresponding figures for the preceding four years are mentioned in **Table 2.1.1.**

Table 2.1.1:Trend of revenue receipts (*₹ in crore*)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1	**Revenue raised by the State Government**					
	• Tax revenue	4,405.48	5,615.62	6,414.25	7,355.34	8,338.47
	• Non-tax revenue	678.06	1,136.13	1,602.88	1,316.54	1,110.44
	Total	**5,083.54**	**6,751.75**	**8,017.13**	**8,671.88**	**9,448.91**
2.	**Receipts from the Government of India**					
	• Share of net proceeds of divisible Union taxes and duties[1]	2,460.07	2,866.04	3,272.88	3,573.38	3,792.30
	• Grants-in-aid	4,064.56	4,073.45	4,457.21	5,075.27	7,005.34
	Total	**6,524.63**	**6,939.49**	**7,730.09**	**8,648.65**	**10,797.64**
3.	**Total revenue receipts of the State Government (1 and 2)**	**11,608.17**	**13,691.24**	**15,747.22**	**17,320.53**	**20,246.55**
4.	**Percentage of 1 to 3**	***44***	***49***	***51***	***50***	***47***

Source: Finance Account

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 9,448.91 crore) was 47 *per cent* of the total revenue receipts. The balance 53 *per cent* (₹ 10,797.64 crore) of the receipts during 2014-15 were from the Government of India as the share of net proceeds of divisible Union taxes and duties, and Grants-in-aid.

2.1.2 The details of the tax revenue raised during the period 2010-11 to 2014-15 are given in **Table 2.1.2**.

[1] Note: For details, please see statement No.14: Detailed accounts of revenue by minor heads in the Finance Accounts (Vol.-II) of Government of Uttarakhand for the year 2014-15. Figures under the "share of net proceeds assigned to States" under the major heads-0020-corporationtax, 0021-taxes on income and expenditure, 0032 - taxes on wealth, 0037 - customs, 0038-union excise duties and 0044-service taxes booked in the Finances Accounts under 'A-tax revenue' have been excluded from the revenue raised by the State Government and included in the 'State share of divisible Union taxes' in the above table.

Table 2.1.2: Details of Tax Revenue raised *(₹ in crore)*

Sl. No.	Head of revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage of increase (+) or decrease (-) in actual of	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	2014-15 over BE 2014-15	2014-15 over actual 2013-14
1.	Taxes on sales, trade etc.	2,586.00	2,940.48	3,187.60	3,643.51	4,088.10	4,289.41	4,847.22	4,902.91	5,459.01	5,464.84	(+)0.11	(+)11.46
2.	State excise	686.93	755.92	727.67	843.65	942.15	1,117.92	1,149.25	1,269.29	1,345.40	1,486.66	(+)10.50	(+)17.13
3.	Stamps Duty and Registration Fees	425.65	439.50	483.85	524.05	573.95	648.40	640.40	686.71	708.79	714.06	(+)0.74	(+)3.98
4.	Motor Vehicles Tax	225.30	227.26	249.53	334.69	275.00	304.29	320.00	368.83	360.00	393.70	(+)9.36	(+)6.74
5.	Taxes and duties on electricity	72.00	2.16	75.00	229.02	60.00	2.71	100.00	64.66	100.00	192.65	(+)92.65	(+)197.94
6.	Land revenue	11.73	18.31	13.48	10.18	8.55	10.59	8.15	21.65	9.05	39.26	(+)333.81	(+)81.34
7.	Other taxes and Duties on Commodities and Services	8.68	12.15	10.60	16.52	17.50	23.13	24.41	23.47	25.01	25.26	(+)1.00	(+)7.63
8.	Others	8.00	9.70	12.00	14.00	15.00	17.80	22.00	17.82	16.00	22.04	(+)37.75	(+)23.68
	Total	**4,024.29**	**4,405.48**	**4,759.73**	**5,615.62**	**5,980.25**	**6,414.25**	**7,111.43**	**7,355.34**	**8,023.26**	**8,338.47**	**(+)3.93**	**(+)13.37**

Source: Finance Account

The State's own tax revenue increased (89.27 *per cent*) from ₹ 4,405.48 crore in 2010-11 to ₹ 8,338.47 crore in 2014-15. It increased by 13.36 *per cent* from 2013-14 to 2014-15. However, the rate of growth during the year in comparison to previous year decreased marginally by 1.33 *per cent.* The revenue from taxes on Sales, Trade, *etc.* not only comprised a major share of tax revenue (65.53 *per cent*) but also registered an increase of 11.46 *per cent* over the previous year. The State Excise was another major contributor to the State's own tax revenue.

The respective Departments reported the following reasons for variations:

Taxes on Vehicles: The increase of Actual Receipts in Major Head "0041" of 2014-15 in comparison to 2013-14 is due to revised taxation reforms in "*Motor Yan Sudhar Niyamawali/Adhiniyam* 2003".

Taxes and duties on Electricity: The significant increase in the Taxes and Duties on Electricity over the previous years was due to depositing of a huge amount of electricity duty by the Uttarakhand Power Corporation Ltd.

Land Revenue: Reason for increase in Revenue during the year 2014-15 is attributed to collection charge for recovery of miscellaneous dues of various departments *e.g*. Trade tax, forest dues, transport tax, Excise duty, industries, Electricity dues, Finance Corporation, bank dues, stamp duty, *etc.*

2.1.3 The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table 2.1.3.**

Table 2.1.3: Details of Non-tax revenue raised (₹ *in crore*)

Sl. No.	Head of revenue	2010-11		2011-12		2012-13		2013-14		2014-15		Percentage of increase (+) or decrease (-) in actual	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	2014-15 over BE 2014-15	2014-15 over Actual 2013-14
1.	Power	230.00	13.54	235.00	41.24	84.00	150.04	122.55	121.11	122.55	45.01	(-)63.28	(-)62.84
2.	Interest receipts	62.00	53.76	52.01	50.62	35.00	114.76	44.83	51.12	33.10	108.17	(+)226.80	(+)111.60
3.	Forestry and wild life	266.10	229.69	286.83	234.26	296.71	238.20	309.34	362.70	342.06	351.24	(+)2.68	(-)3.16
4.	Public works	14.51	24.83	17.27	17.85	16.16	18.13	9.15	15.51	19.11	28.29	(+)48.04	(+)82.40
5.	Misc. general services	22.00	28.23	14.00	37.57	11.00	25.85	3.55	48.74	21.00	8.26	(-)60.67	(-)83.05
6.	Other administrative services	10.12	47.15	12.21	70.15	11.82	38.72	3.73	32.38	19.13	33.50	(+)75.12	(+)3.46
7.	Police	9.00	11.26	9.00	11.41	10.11	10.98	11.21	13.39	11.47	16.51	(+)43.94	(+)23.30
8.	Medical and Public Health	11.48	29.01	17.93	23.20	23.16	30.00	22.10	44.04	24.52	37.78	(+)54.08	(-)14.21
9.	Co-operation	5.18	1.70	1.02	2.93	2.21	1.38	2.23	9.78	2.01	1.17	(-)41.79	(-)88.04
10.	Major and medium Irrigation	3.32	5.10	3.31	8.07	2.37	7.65	2.42	6.75	2.42	9.22	(+)280.99	(+)36.59
11.	Non Ferrous Mining and Metallurgical industries	99.01	93.62	110.01	112.58	131.00	109.85	151.00	249.99	301.00	223.72	(-) 25.67	(-) 10.51
12.	Other Non-tax receipts	382.28	140.17	888.52	526.25	584.63	857.32	534.15	361.03	909.09	247.57	(-) 72.76	(-) 31.43
	Total	**1,115.00**	**678.06**	**1,647.11**	**1,136.13**	**1,208.17**	**1,602.88**	**1,216.26**	**1,316.54**	**1,807.46**	**1,110.44**	**(-)38.56**	**(-)15.65**

Source: Finance Account

Non-tax revenue increased continuously during the period 2010-11 to 2012-13 but it shows decreasing trend from 2013-14 onwards. During the year 2014-15, it decreased by ₹ 206.10 crore (15.65 *per cent*) against the previous year's decrease of ₹ 286.34 crore (17.86 *per cent*).

The respective Departments reported the following reasons for variations:

Police: The increase in Revenue Receipts in this head of revenue over the previous year was due to depositing of prescribed fee received along with the application forms from the candidates of Departmental Exams.

Medical and Public Health: The Department stated (July 2015) that before 2014-15, revenue receipts of Medical Education were deposited under the receipt head of the Department. Now, they were being kept in the Accounts of the Medical Colleges as the decision in this regard was pending at the Government level. Thus, due to less deposit of receipts of Medical Education in the revenue head, there was a decrease in the revenue receipt of the Department over the previous year.

Co-operation: The main reason of decrease of revenue receipts over the previous year was due to the huge amount deposited as audit fees by co-operatives/institutions;

trimming down in the recoupment of grant from the Nation Co-operative Development Corporation and less receipt from arbitration, and registration of *Samitis.*

Mining Industries: Reasons for decrease in revenue receipts during the year 2014-15 over the previous year included surrender of approved leased mining, non-approval of the proposal by the GoI for mining in the Forest area, and discontinuation of mining works on the Gola River in Nainital District.

Power: As per the Finance Accounts, Non-Tax Receipts under the Power Department were ₹ 45.01 crore during 2014-15. However, the Department intimated that the actual receipt during the year 2014-15 was ₹ 179.31 crore and further informed that the main reasons for increase in the booked Revenue Receipts against the BE and over the previous year was due to payments/adjustments of earlier arrears. This showed that the Department failed to reconcile the differences of the figures of Revenue Receipts booked by the Department with the Finance Accounts.

2.1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 on some principal heads of revenue amounted to ₹ 7,024.24 crore of which ₹ 687.49 crore were outstanding for more than five years, as detailed in **Table 2.1.4**.

Table 2.1.4: Arrears of revenue (*₹ in crore*)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Replies of Department
1.	Taxes/VAT on Sales, Trade *etc.*	6,462.49	669.88	Recovery of ₹ 491.50 crore (1,820 cases) is subjudice Recovery certificates have been issued for remaining ₹ 5,970.99 crore in the cases wherever required.
2.	Taxes and Duties on Electricity	523.22	0	The Department stated that it is in regular correspondence with the UPCL.
3.	Co-operation	19.57	10.71	Demand of recovery has been processed through the district level officer.
4.	Stamp Duty and Registration Fees	13.29	3.71	Recovery of ₹ 0.30 crore is subjudice and in rest of the cases, demand for recovery have been processed.
5.	Taxes on Vehicles	4.77	2.57	The thirteen cases (₹ 0.10 crore) are pending in the courts of law. In remaining cases, recovery certificates have been issued.
6.	State Excise	0.60	0.60	Two cases amounting to ₹ 0 .25 crore are pending in the courts of law. In other cases, action is being taken to recover the amount (₹ 0.35 crore).
7.	Taxes on purchase of Sugarcane	0.20	0	Taxes on Purchase of sugar cane are being regularly deposited on issue of sugar bags from sugar mills.
8.	Entertainment Tax	0.10	0.02	Cases amounting to ₹ 0.02 crore are pending in the courts of law. In remaining cases, recovery certificates have been issued.
Total		**7,024.24**	**687.49**	

Source:* *Concerned Departments

2.1.5 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year, and the number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of sales tax are given below in **Table 2.1.5**.

Table 2.1.5: Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2014-15	Total assessments due	Cases disposed of during 2014-15	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes/VAT on sales, Trade etc.	1,08,617	1,38,822	2,47,439	1,68,235	79,204	67.99

Source: Information provided by the Commercial Tax Department.

The Department should make more efforts for early disposal of the assessment cases.

2.1.6 Evasion of tax detected by the Commercial Tax Department

The details of cases of evasion of tax detected by the Commercial Tax Department, cases finalised, and the demands for additional tax raised in 2014-15 as reported by the Department are given in **Table 2.1.6**.

Table 2.1.6: Evasion of Tax *(₹in crore)*

Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalization as on 31 March 2015
				Number of cases	Amount of demand	
Taxes/VAT on sales, Trade etc.	216	902	1,118	923	320.75	195
Entertainment Tax	206	204	410	270	0.04	140

The amount of recovery made against the demands raised was not intimated by the Department (August 2015).

2.1.7 Refund cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year, and the cases pending at the close of the year 2014-15 as reported by the Commercial Tax Department are given in **Table 2.1.7**.

Table 2.1.7: Details of refund cases *(₹in lakh)*

Sl. No.	Particulars	Sales tax / VAT	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	735	2,011.53
2.	Claims received during the year	7,138	8,434.62
3.	Refunds made during the year	7,191	8,154.11
4.	Balance outstanding at the end of year	682	2,292.04

Source: Concerned State Department.

Uttarakhand VAT Act, 2005 provides for payment of interest at the rate of one *per cent* per month, if the excess amount is not refunded to the dealer within 90 days from the date of order and, thereafter, at the rate of 1.5 *per cent* per month till the refund is made. To avoid the interest liability, the State Government may make efforts to dispose of the refund claims in time.

2.1.8 Response of the Departments/Government towards audit

The Accountant General (Audit), Uttarakhand conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices / Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions, and report compliance through initial reply to the Accountant General within four weeks from the date of receipts of the IRs. Serious financial irregularities are reported to the Heads of the Department and the Government.

Inspection Reports issued up to June 2015 disclosed that 1,985 paragraphs involving ₹ 188.66 crore relating to 922 IRs remained outstanding at the end of June 2015 as mentioned below along with the corresponding figures for the preceding two years in **Table 2.1.8**.

Table 2.1.8: Details of pending Inspection Reports

Details of IRs	June 2013	June 2014	June 2015
Number of IRs pending for settlement	919	891	922
Number of outstanding audit observations	1,936	1,944	1,985
Amount of revenue involved (₹ in crore)	178.58	173.54	188.66

2.1.8.1 The Department-wise details of the IRs and outstanding audit observations as on 30 June 2015, and the amounts involved are mentioned in the **Table 2.1.9**.

Table 2.1.9: Department wise details of IRs *(₹ in crore)*

Sl. No	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes on Sales, Trade etc. and luxury tax etc.	445	1,131	111.75
		Entertainment	10	15	0.15
2.	Excise	State Excise	67	114	29.58
3.	Transport	Taxes on motor vehicles	103	266	35.63
4.	Stamp and Registration	Stamp and registration fees	297	459	11.55
		Total	**922**	**1,985**	**188.66**

Audit did not receive even the first replies from the Heads of Offices within the stipulated time in respect of 66 IRs, out of 74 IRs issued during July 2014 to June 2015. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and the Departments did not initiate necessary action to rectify the defects, omissions and irregularities pointed out by the Accountant General in the IRs.

The Government may consider putting in place an effective system for ensuring prompt and appropriate response to audit observations.

2.1.8.2 Departmental audit committee meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During the year 2014-15, two departmental audit committee meetings were held where 31 paras involving an amount of ₹ 0.19 crore were settled as detailed in **Table 2.1.10**.

Table 2.1.10: Details of Departmental audit committee meetings *(₹ in crore)*

Sl. No.	Head of revenue	Number of meetings held	Number of paras settled	Amount
1.	Entertainment Tax	01	06	0.05
2.	Motor Vehicles Tax	01	25	0.14
Total		**02**	**31**	**0.19**

2.1.8.3 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General to the Principal Secretaries / Secretaries of the concerned Departments, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments / Government is invariably indicated at the end of such paragraphs included in the Audit Report.

One[2] Thematic Audit and eight[3] draft paragraphs were sent to the Principal Secretaries / Secretaries of the respective Departments by name between February 2015 and July 2015. Out of these eight Draft Paragraphs, recovery had been made by the Department in two cases. In the case of the Draft Paragraphs, the subject matter was reported to the Government, and the replies were awaited (December 2015). Such Draft Paragraphs have been included in this Report without the response of the Government. However, the response from the concerned auditee units has been received and the same has been included in the paras suitably.

2.1.8.4 Follow up on the Audit Reports-summarized position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. Inspite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Twenty three paragraphs (including performance audit) included in the Audit Reports for the years 2008-09 to 2013-14 were placed before the State Legislature Assembly between 2009 and 2015. The action taken explanatory notes from the concerned Departments on these paragraphs were received late with an average delay of 25 months in respect of each of these Audit Reports. Action

[2] Pendency of cases in the Revenue Department.
[3] Commercial Tax Department.

taken explanatory notes in respect of three paragraphs from two departments[4] had not been received for the Audit Report year ended 31 March 2013 so far (August 2015). The Audit Report for the year 2013-14 was placed before the Legislative Assembly on 03 November 2015 and action taken explanatory notes are not due yet (December 2015).

The PAC discussed five selected paragraphs pertaining to the Audit Reports for the years from 2008 to 2013. However, ATNs have not been received in respect of one recommendation of the PAC from the concerned Department as mentioned in **Table 2.1.11.**

Table 2.1.11

Year	Name of the Department	Para Details	Total	Remarks
2010-11	Motor Vehicle Department	5.2 Performance Audit on "Computerisation in the Motor Vehicle Department (5.2.30 Non-levy of additional tax on Industrial Buses)	01	Settled on 24.02.2014, but ATN has not been received in respect of one recommendation of PAC

2.1.9 Analysis of the mechanism for dealing with the issues raised by Audit

To analyze the system of addressing the issues highlighted in the Inspection Reports / Audit Reports by the Departments / Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last five years for Commercial Tax Department is evaluated and included in this Audit Report.

The succeeding paragraph 2.1.9.1 discusses the performance of the Commercial Tax Department under revenue head "0040" and cases detected in the course of local audit during the last five years and also the cases included in the Audit Reports for the years 2010-11 to 2014-15.

2.1.9.1 Position of Inspection Reports

The summarised position of the Inspection Reports relating to the Commercial Tax Department issued during the last five years, paragraphs included in these reports, and their status as on 31 March 2015 are tabulated in **Table 2.1.12**.

Table 2.1.12: Position of Inspection Reports (*₹ in crore*)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2010-11	312	751	50.01	54	158	89.37	6	32	0.70	360	877	138.68
2011-12	360	877	138.68	54	192	8.56	12	46	65.94	402	1,023	81.30
2012-13	402	1,023	81.30	37	151	23.79	27	78	11.20	412	1,096	93.89
2013-14	412	1,096	93.89	35	140	21.26	36	156	10.38	411	1,080	104.77
2014-15	411	1,080	104.77	44	135	8.83	17	100	13.12	438	1,115	100.48

The Government arranges ad-hoc Committee meetings between the Department and the Accountant's General office to settle the old paragraphs. As against 312 IRs with 751 outstanding paragraphs at the beginning of 2010-11, the number of outstanding IRs

[4] 'Commercial Tax Department' and 'Stamp and Registration Department'.

rose to 438 with 1,115 paragraphs at the end of 2014-15, whereas only 412 paragraphs were cleared during the period 2010-11 to 2014-15.

2.1.10 Action taken on the recommendations accepted by the Departments/ Government

The Performance Audits conducted by the Accountant General are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These are also discussed in an exit conference and the Department's / Government's views are included while finalizing the reviews for the Audit Reports.

Four Performance Audits (PAs) on Commercial Tax Department, one PA on Transport Department and one PA on Minor Minerals featured in the last four years' Audit Reports. A total of 28 recommendations had been made to the Government for consideration in the PAs. The details of ATNs on the recommendations are given in **Table 2.1.13.**

Table 2.1.13

Year of Audit Report	Name of PA	Number of Recommendation	Status
2008-09	Taxation on Transactions in the course of Inter-State Trade or commerce under Central Sales Tax Act, 1956 (Review)	05	ATN received on 19.09.2013. Pending for discussion
2009-10	Transition from Sales Tax to VAT (Review)	08	ATN received on 07.08.2014. Pending for discussion
2010-11	Cross Verification of Declaration Forms in Inter State Trade and Commerce (Review)	08	ATN not received
2011-12	Administration of VAT (Review)	07	ATN not received
2013-14	Levy and collection of Taxes on Motor Vehicles Tax	03	ATN not received
	Receipt of Minor Minerals	02	

2.1.11 Audit Planning

During the year 2014-15, there were 233 auditable units, of which 99 units were planned for audit, and 100 units were audited out of which two units were taken from the reserved units.

Besides the Compliance Audit mentioned above, one thematic audit on "Pendency of cases in the Revenue Department" was also taken up to examine the efficiency of administration of land revenue cases system in the Revenue Department.

2.1.12 Results of audit

Position of local audit conducted during the year

Test check of the records of 100 units of five Departments[5] conducted during the year 2014-15 showed under assessment / short levy / loss of revenue aggregating ₹ 10.27 crore in 171 cases. During the course of the year, the concerned Departments accepted under assessment and other deficiencies of ₹ 0.45 crore involved in 24 cases

5 Commercial Tax, State Excise, Motor Vehicles, Stamp and Registration and Entertainment Tax Departments.

which were pointed out in audit during 2014-15. The Departments collected ₹ 0.40 crore in 58 cases during 2014-15, out of this, ₹ 0.004 crore in three cases pertained to the audit findings of the current year, and the rest pertained to the previous years.

2.1.13 Coverage of the Revenue Chapter

The Revenue Chapter contains seven paragraphs including one Thematic Audit on **"Pendency of cases in the Revenue Department"** involving financial effect of ₹ 2.47 crore. The Departments/Government have accepted audit observations amounting to ₹ 1.59 crore in four cases, out of which ₹ 0.04 crore in one case have been recovered. The replies in remaining cases have not been received. These are discussed in succeeding paragraphs:

COMPLIANCE AUDIT

COMMERCIAL TAX DEPARTMENT

2.2 Short levy of tax due to incorrect application of rate of VAT

Incorrect application of rate of tax by the Assessing Authority resulted in short levy of tax of ₹ 4.08 lakh, besides interest of ₹ 3.98 lakh was also leviable.

Section-4 (2) (b) of the Uttarakhand Value Added Tax (UVAT) Act, 2005 provides that goods mentioned in Schedule-II(A) are taxable at the rate of one *per cent*, goods mentioned in Schedule-II(B) are taxable at the rate of four *per cent*, goods mentioned in Schedule-II(C) are taxable at the specified rates therein, and goods not mentioned in any of the schedules i.e. unclassified items of sale would be taxable at 12.5 *per cent*. Further Section 34(4) of the Act provides that the tax admittedly payable shall be deposited within the time prescribed failing which simple interest at the rate of 15 *per cent* per annum shall become due and be payable on the unpaid amount with effect from the date immediately following the last date of payment of such amount.

Further, as per clarification (January 2012) of the Department, the taxes on scrap other than iron scrap are taxable at the rate of 13.5 *per cent* (it was 12.5 *per cent* in 2008-09) as per the arrangement given for unclassified goods in the sub-clause (i)(d) of clause(b), sub-section(2) of Section-4 of UVAT Act, 2005.

Audit scrutiny of records (November 2013) of the Deputy Commissioner (A)-I, Commercial Tax, Kashipur, U S Nagar showed that the Assessing Authority, while finalising the assessment (July 2012) of a dealer[6] for the year 2008-09, had levied tax at the rate of four *per cent* on sale of scrap other than iron scrap amounting to ₹ 48.07 lakh as applicable to the classified goods of Schedule-II(B) whereas tax on sale

[6] M/s Jindal Scrap Traders, Kashipur.

of scrap other than iron scrap was required to be levied at the rate of 12.5 *per cent* being an unclassified item of sale. Thus, application of incorrect rate of tax resulted in short levy of tax of ₹ 4.08 lakh at differential rate of 8.5 *per cent*, besides interest of ₹ 3.98 lakh[7] was also leviable.

On this being pointed out, the Department while accepting the facts re-assessed (November, 2014) the case and created an additional demand of ₹ 4.08 lakh and the assessee had filed an appeal (April 2015), which is still pending (November 2015).

The matter was referred to the Government (February 2015); the reply of Government was awaited (December 2015).

2.3 Unauthorized utilization of Form-11

Utilization of unauthorized declaration of Form-11 for the purchase of molasses at concessional rate which were used in manufacture & sale of non-taxable country liquor resulted in loss of revenue amounting to ₹ 16.85 lakh, besides penalty of ₹ 59.47 lakh was also leviable.

Uttarakhand, VAT Act 2005 Section 4 (7) (b) provides that where a dealer requires any goods referred to in clause (a) for use by him for the manufacture of any taxable goods in the State, or in the packing of such goods manufactured or processed by him, and such goods are intended to be sold by him in the State or in the course of inter-State trade or commerce or in the course of export out of India, he may apply to the Assessing Authority in such form and manner and within such period as may be prescribed, for the grant of a Recognition Certificate in respect thereof, and if the applicant satisfies such requirements including requirement of depositing late fee and conditions as may be prescribed, the Assessing Authority shall grant to him in respect of such goods a Recognition Certificate in such form and subject to such conditions, as may be prescribed.

Further, Uttarakhand, VAT Act 2005 Section 58 (1) (xxix) also provides that if the purchaser issues or furnishes a false or a wrong form of declaration or certificate by reason of which a tax on sale or purchase ceases to be leviable under this Act or rules, then a sum exceeding 40 *per cent* of the value of goods involved or three times leviable on such goods under provisions of this Act, whichever is higher would be imposed as penalty. Section 63 of this Act provides that notwithstanding anything to the contrary contained elsewhere in this Act, and without prejudice to Section 58, a person who issues a false or wrong certificate or declaration prescribed under any provision of this Act or the Rules framed thereunder, to another person by reason of which a tax leviable under this Act on the transaction of purchase or sale made to or by such other person ceases to be leviable or becomes leviable at a concessional rate, shall be liable to pay on such

[7] Interest (from 01.10.2008 to 31.03.2015 = 78 months) = ₹ 4.08 lakh x15x78/12x100= ₹ 3.98 lakh.

transaction an amount which would have been payable as tax on such transaction had such certificate or declaration not been issued

Scrutiny of the records of the Dy. Commissioner (Assessment) VI, Dehradun showed (December 2013) that purchaser[8] (assessed in November 2012) had issued 26 Form-11 to the seller[9] during the assessment year 2008-09 for the purchase of molasses worth ₹ 99.11 lakh availing concessional rates of tax against this purchase. The purchaser subsequently manufactured and sold non-taxable country liquor worth ₹ 21.37 crore from the molasses. The concessional rates were, as per the Act, allowable to only those manufacturing units against Form-11 which would produce the taxable goods. The concessional rates of VAT allowed in this case were therefore irregular. Thus, utilization of unauthorized declaration Form-11 for the purchase of molasses at concessional rate which were subsequently used for manufacturing and sale of non-taxable country liquor, resulted in loss of revenue amounting to ₹ 16.85 lakh[10] and penalty of ₹ 59.47 lakh[11].

On this being pointed out, the Department (March 2014) while accepting the facts re-assessed the case (April 2014) and created a demand of ₹ 76.32 lakh including penalty of ₹ 59.47 lakh. The Department also intimated (February 2015) that dealer had moved (July 2014) in appeal to the Joint Commissioner (appeal) against the reassessment and a decision of the same is awaited (November 2015).

The matter was referred to the Government (February, 2015); reply was awaited (December 2015).

2.4 Non-imposition of penalty

Non-imposition of penalty of ₹ 3.25 lakh for wrongly claiming Input Tax Credit

Section 58(1) (xi) of the Utrakhand Value Added Tax Act, 2005 provides that if a dealer wrongly claims an amount as Input Tax credit (ITC) or claims an ITC credit on the basis of false sale invoice; a penalty of ₹ 5,000 or three times of the amount claimed, whichever is higher, will be imposed on him.

Scrutiny of the records of the Assistant Commissioner (Assessment)-II, Commercial Tax Department, Rudrapur showed (February 2014) that the dealer[12] had claimed ITC at the rate of four *per cent* on the purchase[13] of ₹ 35.47 lakh during the assessment year 2008-09. The Assessing Authority, on cross verification of the selling dealer found (September 2012) that the dealer had wrongly claimed ITC on the purchase of ₹ 27.05 lakh and reversed the wrong ITC claim of ₹ 1.08 lakh but the penalty, as required under Section 58(1) (xi) of the Value Added Tax Act, 2005, of ₹ 3.25 lakh was not

---

[8] Doon Valley Distillers, Kuanwala, Dehradun.
[9] Doiwala Sugar Company Ltd.
[10] Loss of revenue ₹ 99,11,176 x 17 *per cent* = ₹ 16,84,899.92.
[11] Penalty= Three times of leviable tax ₹ 19,82,235.20 (20 *per cent* of 99,11,176)= ₹ 59,46,705.60.
[12] Gaurav Madan and Sons, Main Road Gadarpur (Udham Singh Nagar).
[13] Stone and Stone Chips.

imposed on the dealer by the department. The amount so reversed by the assessing authority was deposited by the dealer.

On this being pointed out, the Department, while accepting (May 2015) the audit observation, reassessed the case and created an additional demand of ₹ 3.25 lakh, the assessee had filed an appeal to the Joint Commissioner(Appeal); the decision is still pending (November 2015).

The matter was referred to the Government (March 2015); reply was awaited (December 2015).

2.5 Non-levy of penalty of ₹ 5.81 lakh for delayed payment of tax

Penalty of ₹ 5.81 lakh was not levied by the Assessing Authorities, even though the dealers failed to pay the tax due under the provision of the Act within the time allowed.

Section 58(1)(vii)(b) of the Uttarakhand Value Added Tax Act, 2005 provides that if the assessing authority is satisfied that any dealer has, without any reasonable cause failed to pay, within the time allowed, the tax due under the provision of the Act, such dealer shall pay, by way of penalty in addition to the tax, if any, a sum not less than 10 *per cent*, but not exceeding 25 *per cent* of the due if the amount due is up to ten thousand rupees and 50 *per cent* if the amount due is above ten thousand rupees.

Further, in a case[14] Hon'ble High Court, Uttarakhand had given a decision, that penalty would be imposed on the dealer who failed to pay, within time allowed, the tax due, even though dealer deposited the due tax with interest for delay period.

Scrutiny of records (December and January 2014) of the two Commercial tax units[15] showed that three dealers[16] deposited their tax after the due dates with the delay ranging between 10 to 200 days. While dealers were assessed under section 25(7) of UVAT, Act 2005, the concerned Assessing Authorities issued notice to deposit the due tax with interest for delay. However, notice for penalty was not issued. In this case, the Assessing Authority had the discretion to impose a penalty of minimum 10 *per cent* and upto 50 *per cent* on account of delayed payment of tax as per Section 58(1) (vii) (b). Keeping in view, the discretionary power of Assessing Authority, minimum 10 *per cent* penalty was to be imposed, which worked out to ₹ 5.81 lakh. Thus, the department not

[14] Anand Nishikava Company versus Commissioner, Trade tax revision no. 16/2005 and 17/2005 dated 18.06.2007.

[15] Assistant Commissioner (A) Sector-VIII, Commercial Tax, Dehradun and Dy. Commissioner (A) II, Commercial tax, Haldwani.

[16] M/s Khoday India Limited, Dehradun (Assessment Year 2010-11) related to *Assistant Commissioner (A) Sector-VIII, Commercial Tax, Dehradun*, M/s Kumaun Mines and Minerals, Bhawaniganj, Haldwani (Assessment Year 2008-09 and 2009-10) and M/s Kavisha Motors Limited, Vanshikunj, Tikoniya, Haldwani (Assessment Year 2008-09) related to *Dy. Commissioner (A) Sector-II, Commercial tax, Haldwani*.

only violated the provision of the Act but also overlooked the decision of the Hon'ble High Court in this regard.

On this being pointed out, the concerned authorities while accepting the audit observation created an additional demand of ₹ 5.81 lakh (April 2014, February 2015). Out of which, an amount of ₹ 4.20 lakh had been recovered (June 2014, March 2015).

The matter was referred to the Government (May 2015); the reply was awaited (December 2015).

2.6 Short levy of tax

Erroneous application of clause (c) of sub section (3) of Section 4 of the Act at the time of assessment of the tax on the sale of the earlier period when clause (c) was not applicable, resulted in short levy of tax ₹ 2.57 lakh at differential rate of 8.5 *per cent* besides interest of ₹ 2.15 lakh.

Section-4 (2) (b) (i) (d) of the Uttarakhand value Added Tax (UVAT) Act, 2005 provides that goods not mentioned in any of the schedules i.e. unclassified items of sale would be taxable at 12.5 *per cent.* Section-34 (4) of the Act provides that tax admittedly payable shall be deposited within the time prescribed failing which simple interest at the rate of 15 *per cent* per annum shall become due and be payable on the unpaid amount with effect from the date immediately following the last date prescribed till the date of payment of such amount.

Further, Clause (c) of sub-section (3) of Section 4 inserted[17] (07.01.2010) in the Act provides that the rate of tax on such parts, spares and accessories, which are not classified elsewhere in the Principal Act, shall be same as applicable to that commodity under said Act.

Audit scrutiny of records (January 2015) of the Assistant Commissioner (A) Sector-I, Commercial Tax, Rudrapur showed that the assessing authority, while finalizing the assessment (April, 2013) of a dealer[18] for the year 2009-10 had levied tax of ₹ 1.21 lakh[19] at the rate of four *per cent* on sale (April 2009 to December 2009) of Mild Steel(MS) Rack amounting to ₹ 30.27 lakh as applicable to the classified goods of schedule-II (B) whereas tax on sale of M.S. Rack was required to be levied at the rate of 12.5 *per cent i.e.* ₹ 3.78 lakh[20] being an unclassified item of sale. Thus, due to erroneous application of clause (c) of sub section (3) of Section 4 of the Act at the time of assessment of the tax on the sale of the earlier period when clause (c) was not applicable, resulted in short levy of tax of ₹ 2.57[21] lakh at differential rate of 8.5 *per cent* besides interest ₹ 2.15 lakh[22].

---

17 Vide notification no. 22/xxxvi (3)/2010/76(1)/2009 dated 07.01.2010.

18 Precitech Enclosure Systems Pvt. Ltd.

19 ₹ 30.27 lakh @ 4 *per cent* = ₹ 1.21 lakh.

20 ₹ 30.27 lakh @ 12.5 *per cent* = ₹ 3.78 lakh.

21 Short Levy Tax= ₹ 3.78 lakh-₹ 1.21 lakh= ₹ 2.57 lakh.

22 Interest= ₹ 2.57 lakh x15 *per cent* x67/12= ₹ 2.15 lakh (For the period 01.10.09 to 30.04.15 *i.e.* 67 months).

On this being pointed out, the Department replied (January 2015) that the commodity under consideration was an integral part of a transmission tower. The purchasing firm erects towers and this is a special commodity, the use of which is not otherwise possible. Being the integral part of the transmission tower, tax @ four *per cent* was levied under the section 4 (3) (c) of UVAT Act on the sale of the MS Rack. The reply of the Department was not acceptable as the sale of MS rack amounting to ₹ 30.27 lakh was related to the earlier period (April 2009 to December 2009) when clause (c) was not applicable, and therefore MS Rack was to be treated as an unclassified item.

The matter was referred to the Government (May 2015); the reply was awaited (December 2015).

2.7 Short levy of Tax against declaration Form-11 and Form-C

The main focus of the paragraph was to examine the tax benefits extended on account of concessional sale/purchase against declaration Form - 11 and Form - C. Form - 11 is a 'Declaration Form' used by a dealer for availing of concession of tax against Sale/Purchase. Audit findings are given in subsequent paragraphs:

2.7.1 Short levy of tax on transaction against local declaration Form-11.

Rule 23(3) of UVAT Rule 2005 provides that a blank Form-11 issued in a financial year shall be valid for the transaction of purchase or sale made during that financial year and also made during two financial years immediately preceding that financial year.

Test-check (February 2015) of assessment files of Dy. Commissioner(DC) (A) Commercial Tax(CT), Vikasnagar showed that a dealer[23] engaged in manufacturing activities, sold Farrite Transformer worth ₹ 719.31 lakh during the year 2010-11 against four Forms-11 which were issued in financial year 2008-09 and used for purchase of 2010-11 which is not allowable as per the provision *ibid.* The concerned AA, while finalizing assessment (April 2014) levied tax @ two *per cent* whereas tax should have been levied @ 13.5 *per cent*. This resulted in short levy of tax to the tune of ₹ 82.73 lakh.

On this being pointed out, the Department stated that there was no restriction on use of Form - 11 for succeeding years after the year in which Form - 11 issued.

Reply was not acceptable as blank Forms-11 issued in a financial year were valid for the transactions of purchase or sale made during that financial year and also during two financial years immediately preceding that financial year.

2.7.2 Short levy of tax on invalid declaration Form-C

Sections 8(1), 8(3), 8(4) of the CST Act 1956 provide that every dealer, who, in the course of interstate trade or commerce, sells to a registered dealer, goods of description covered by his registration certificate against declaration in Form-C, shall be liable to pay

---

[23] M/s Normag, Selaqui, Vikasnagar.

tax @ two *per cent*. One *per cent* under Notification no. 6,222 dated 25 May 2001 and Notification no. 335 dated 16 March 2005.

Test-check of assessment files of two Commercial Tax offices[24] (May 2015 to June 2015) showed that two dealers[25] (assessed during January 2015 to March 2015) engaged in manufacturing activities sold non woven fabrics/auto parts worth ₹ 526.46 lakh during the year 2010-11 and 2011-12 against eight declaration Forms - C. These forms were cross checked by audit on the website Tax Information Exchange System (TINXSYS) and it was found that these forms were actually not issued to purchasing dealers but to other dealers. The concerned AA, while finalizing assessment (January 2015 to March 2015), did not verify these forms and levied tax @ one *per cent* instead of @ 13.5 *per cent*. Thus, non-verification of forms by the AAs before finalizing the assessments resulted in Short levy of Tax to the tune of ₹ 65.81 lakh[26] at differential rate of 12.5 *per cent*.

On this being pointed out, the concerned authorities stated that matter would be looked into.

The matter was referred to the Government (August 2015); reply was awaited (December 2015).

REVENUE DEPARTMENT

The pendency of revenue cases increased from 16,108 (April 2003) to 34,209 (August 2015). Shortage of presiding officers, strike by advocates and bandh/hartals contributed to the pendency of cases.

2.8 Pendency of cases in the Revenue Department

2.8.1 Introduction

Land is an important asset and though the importance of land revenue has declined over the years, ensuring maintenance of well administered land holdings is still the key to harmonious and peaceful rural communities. Land Revenue Administration and adjudication of land revenue cases thus assumes importance. Revenue Administration is a core function of District Administration. The powers of Revenue Administration are derived from Revenue Acts/Codes, Tenancy Act, Land Ceiling Act and other State Government statutes. The Revenue Courts are a revenue officer such as a Collector, SDM, Assistant Collector, Tehsildar acting in a judicial capacity (related to land revenue alone) instead of an executive capacity. The territorial jurisdiction of Revenue Courts is often coterminous with the geographical jurisdiction of the Revenue Officer. The jurisdictions of each constituent of Revenue Courts is defined in the Land Revenue and

---

24 DC (A) – I CT, Haridwar and DC (A) – I CT, Rudrapur.
25 M/s Jeevan Polytex SIDCUL Haridwar, M/s Thai Sumit Neel Auto (P) Ltd Rudrapur.
26 ₹ 526.46 lakh x 12.5 *per cent* = ₹ 65.81 lakh.

related legislations. The types of cases which are dealt by Revenue Courts are those related to agricultural land and cover matters pertaining to State's Land Revenue Act, Tenancy Act and rules made therein by the Government from time to time. Some examples are matters related to mutations in Jama bandis, partition cases, correctness of entries in land records, disputes over possession of land, declaratory suits for khatedaari, execution of decrees, *etc*. The Revenue Courts conduct their business largely in consonance with the Civil Procedure Code. In Uttarakhand, the Board of Revenue is the highest judicial body of the Revenue Department which is headed by the Chairman (Chief Revenue Commissioner) of the Board. Its aim is to control, regulate and upgrade all the judicial and administrative work of the Revenue Department. There are two Circuit Courts at Pauri & Nainital and 234 revenue courts[27] operative in the State for the disposal of revenue cases. The compliance audit focused on the deficiencies in the system of the Department to dispose of the pendency of revenue cases was conducted between April 2015 to June 2015 of Board of Revenue Court, Kumaun and Garhwal Commissioner Courts, four District Magistrate Courts and two Sub divisional magistrate courts covering the period April 2012 to March 2015. The following are the audit findings.

2.8.2 Pendency of revenue cases in the State

Records of the Board of Revenue showed that the pendency of revenue cases at various levels[28] increased from 16,108 (April, 2003) to 35,687 cases[29] (March 2015) (as detailed in ***Appendix-2.8.1***). As on August 2015, it however stands at 34,209. Out of these, 78.72 *per cent* cases were pending in four districts of the State alone *viz*. Dehradun, Haridwar, Udham Singh Nagar and Nainital. The detailed age wise analysis of old pending revenue cases for more than six months is given below in **Table 2.8.1**:

Table 2.8.1: Age-wise analysis of pendency of revenue cases as on 31.08.2015

Courts	More than 6 months and less than 1 year	Pendency for 1-3 years	Pendency for 3-9 years	Pendency for 9-15 years	More than 15 years
Board of Revenue	840	258	322	14	0
Garhwal Commissioner	955	0	1,183	49	35
Kumaun Commissioner	72	0	476	3	0
13 Districts Courts	7,318	173	5,439	85	4
Total	**9,185**	**431**	**7,420**	**151**	**39**

Source: Board of Revenue

Age wise analysis revealed that 17,226 (50 *per cent*) out of 34,209 pending revenue cases were pending for a period of more than six months to more than 15 years. Out of these, 53 *per cent* revenue cases were pending for more than six months but less than one year.

27 225 Courts in districts and 9 Commissioner and Additional Commissioner Courts.

28 Tehsil, District, Revenue Board.

29 932 cases were pending in Board of Revenue, 23,412 revenue cases were pending in Garhwal Mandal and 11,343 revenue cases were pending in Kumaun Mandal Courts.

Further, 44 *per cent* cases were pending for periods between three years and more than 15 years. This pendency indicated following deficiencies in the land revenue courts in the State.

2.8.3 Disposal of revenue cases

For facilitating early resolution of pending revenue cases, the Chairman, Board of Revenue, fixed targets (September 2012) of nearly 150[30] *per cent* of the total instituted cases. Records showed that the set target was under achieved by approximately 50 *per cent* during the years 2013-14 and 2014-15**.**

In order to find out the proximate causes of pendency of revenue cases, files of 125 revenue cases of Dehradun[31] and Almora[32] districts were scrutinized from amongst the cases finalized in the last three years. The details of average time taken by the selected courts for disposing of the cases are given in **Table 2.8.2:**

Table 2.8.2: Detail of average time taken by the revenue courts

(in months)

Districts	Average time taken in to dispose of the case		
	DM Courts	SDM Courts	Tehsil Courts
Dehradun	69	20	14
Almora	13	22	5

Scrutiny of these cases showed that the petitioner had to run from pillar to post many times for getting justice done, causing mental harassment for a longer period of time on account of visiting the Court many times. Overall, there is wastage of time of both the litigants and the Courts. Further, it was observed that the pendency of cases in Revenue Court had several reasons which are discussed in the succeeding paragraphs. (*Please refer* ***paragraphs 2.8.4 to 2.8.6)***. These facts were also accepted by the Department.

2.8.4 Strike of advocates/hartals/ bandhs

In order to reduce the pendency of revenue cases, the Uttarakhand High Court, Nainital directed (November 2014) all the presiding officers of the Courts that "Judicial work should not be affected due to strike of advocates". The Board of revenue also directed that the Commissioners and District Magistrates should establish co-ordination with the association of advocates to ensure that revenue court work is not hampered and number of sittings is maximized.

Audit observed that frequent strikes by advocates were delaying the hearings of revenue court cases. Scrutiny of records further showed that the Chief Revenue Commissioner (CRC) Court and the Kumaon Commissioner Court remained closed for 213 days and

[30] Total instituted cases during the year and 50 *per cent* pendency of previous cases.
[31] Dehradun-DM court, two SDM courts and three tehsil courts.
[32] Almora-DM court, eight SDM courts and nine tehsil courts.

176 days respectively from April 2012 to March 2015 due to strike of advocates and various other reasons[33] as given in **Table 2.8.3:**

Table 2.8.3: Details of year-wise breakup of days on which revenue court was closed during the periods 2012-15.

(in days)

Year	Board of Revenue (CRC)	Kumaun Commissioner court
2012-13	80	21
2013-14	92	74
2014-15	41	81
Total	**213**	**176**

It was further noticed that during the period April 2012 to March 2015 the Revenue courts in Pithoragarh District could perform judicial activities on an average 58 days against 103 average working days in a year due to strike. No action was taken so far to achieve the target of 150 *per cent*. The Chairman, Board of Revenue accepted the facts.

2.8.5 Shortages of presiding officers

Presiding Officers[34] of respective revenue courts are key to quick disposal of the cases. However, it was found that against the sanctioned posts of 106 and 135 of Tehsildars and Naib Tehsildars, men in position was only 50 and 76 respectively in these cadres. Further, four out of 14 posts of Additional District Magistrate were also vacant. The shortage of Presiding Officers also led to the buildup of pendency of cases in the revenue courts.

2.8.6 Inspection of revenue courts

The Chief Secretary had issued directives (January 2013) to all the Commissioners and District Magistrates to conduct annual inspections of revenue courts. It was also instructed that during their visit, the officers would review works like verification of revenue cases, collection of government dues, *bandobast* and *chakbandi*.

Records showed that inspections of these courts were not being carried out regularly by the above said authorities despite repeated instructions issued by the Chairman, Board of Revenue. However, the Chairman, Board of Revenue, had inspected courts four times in the last three years *i.e.* during 2012-15. In the Inspection reports, the Chairman had commented that "officers were neither taking interest in judicial work nor had proper knowledge of rules and regulations related to judicial work." Directions in this regard were also issued to reduce the pendency of cases noticed in the revenue courts. However, revenue courts did not follow the directions of Chairman to reduce the pendency of the cases.

---

[33] Bandh/ Hartal/Strike of employees.

[34] Chairman of the Board, Commissioners, Additional Commissioners, DM, ADM, SDM, Tehsildar and Naib-Tehsildar.

The Chairman, while accepting the facts, stated that presiding officers have been directed to attend the courts on more days than they normally do in order to reduce the pendency of land revenue cases.

2.8.7 Lok Adalats

In accordance with the directions received from the National Legal Services Authority, the State Legal authorities were to organize monthly Lok Adalats in their respective Courts on the specialized subject matters by constituting a Lok Adalat Bench for quick disposal of the cases. Audit found that no efforts were made by the Revenue Courts in the State to organize and conduct Lok Adalats.

On this being pointed out, the Chairman, Board of Revenue stated that due to low pendency of cases; such Lok Adalats were not formed. Reply is not convincing as the same authority had, in view of increasing number of pendency of cases, set targets for the settlement of nearly 150 *per cent* of instituted cases in a year thereby, indicating that the department, by choosing not to organize Lok Adalats, had missed an opportunity to provide speedy resolution of land revenue related disputes.

2.8.8 Online System/Website and management of revenue cases

The Board of Revenue has a website[35] to provide information about its services. However, in respect of revenue cases, no online database had been maintained on the website.

On this being pointed out Board of revenue replied that a database relating court cases would be created in future in collaboration with the National Informatics Centre (NIC).

Thus, both the authorities and the petitioners were deprived of getting information about various revenue cases from the website.

Conclusion and Recommendation

The shortage of Presiding Officers and frequent strikes by advocates led to the buildup of pendency of cases in the revenue courts. Set target for disposal of revenue cases was under achieved by approximately 50 *per cent* during the years 2013-14 and 2014-15. As a result the pendency of revenue cases at various levels increased from 16,108 (April, 2003) to 34,209 cases (August 2015).

For the speedy disposal of the revenue cases, the Government/Department may consider to fill vacant posts of presiding officers. The Government may also explore holding of Lok Adalats to expedite disposal of pending cases.

[35] www.uk.revenue.gov.in.

Chapter-III

Social and Economic Sectors (Public Sector Undertakings)

Chapter-III

Social and Economic Sector (Public Sector Undertakings)

3.1 Functioning of State Public Sector Undertakings

3.1.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of the people and occupy an important place in the State economy. As on 31 March 2015, there were 21 PSUs which were working. Of these, no company was listed on the stock exchange. During the year 2014-15, no PSU was incorporated or closed down. The details of the State PSUs in Uttarakhand as on 31 March 2015 are given below.

Table 3.1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs[1]	Total
Government Companies	18	04[2]	22
Statutory Corporations	03[3]	-	03
Total	**21**	**04**	**25**

The working PSUs registered a turnover of ₹ 5,741.42 crore ***(Appendix 3.1.2)*** as per their latest finalised accounts as of September 2015. This turnover was equal to 4.14 *per cent* of Gross State Domestic Product (GSDP) for 2014-15. The working PSUs earned aggregate profit of ₹ 283.09 crore as per their latest finalised accounts as of September 2015. They had employed 19,896 employees ***(Appendix 3.1.2)*** as at the end of March 2015.

As on 31 March 2015, there were four non-working PSUs existing from last 25 to 28 years and having investment of ₹ 0.37 crore.

3.1.2 Accountability framework

The process of Audit of Government Companies is governed by respective provisions of Section 139 and Section 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, Government Company" means any Company in which not less than 51 *per cent* of the paid up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Further, as per sub-Section 7 of Section 143 of the Act, the

---

[1] Non-working PSUs are those which have ceased to carry on their operations.

[2] Kumtron Limited, Uttar Pradesh Hill Phones Limited, Uttar Pradesh Hill Quartz Limited and UPAI Limited (under liquidation since 31 March 1991).

[3] Uttarakhand Parivahan Nigam, Uttarakhand Forest Development Corporation and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

C&AG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

3.1.3 Statutory Audit

The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of the Audit Report to the C&AG which, among other things, including financial statements of the Company under Section 143(5) of the Act. . These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of three statutory corporations, CAG is the sole auditor for Uttarakhand Parivahan Nigam and Uttarakhand Forest Development Corporation. In respect of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, the audit was entrusted to the CAG initially from 2003-04 to 2008-09 and then extended upto 2018-19 under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.4 Role of Government and Legislature

The State Government exercises control over the affairs of the PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.5 Stake of Government of Uttarakhand

The State Government has significant financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans**- In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

3.1.6 Investment in State PSUs

As on 31 March 2015, the investment (capital and long-term loans) in 25 PSUs was ₹ 8,398.51 crore as per details given below.

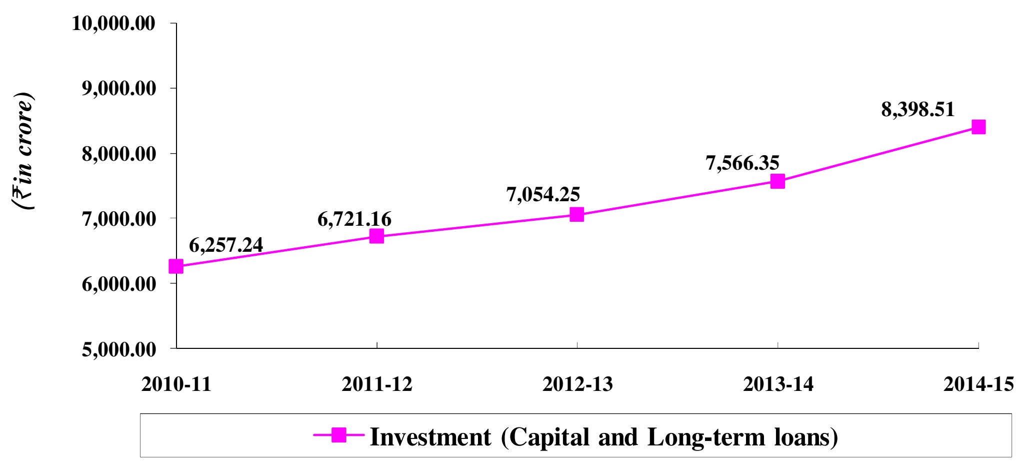
Table 3.1.2: Total investment in PSUs

(*₹in crore*)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	2,675.27	3,008.10	5,683.37	2,477.13	237.63	2,714.76	8,398.13
Non-working PSUs	0.38	-	0.38	-	-	-	0.38
Total	**2,675.65**	**3,008.10**	**5,683.75**	**2,477.13**	**237.63**	**2,714.76**	**8,398.51**

As on 31 March 2015, of the total investment in State PSUs, 99.99 *per cent* was in working PSUs and the remaining 0.01 *per cent* in non-working PSUs. This total investment consisted of 61.35 *per cent* towards capital and 38.65 *per cent* in long-term loans. The investment has grown by 34.22 *per cent* from ₹ 6,257.24 crore in 2010-11 to ₹ 8,398.51 crore in 2014-15 as shown in the graph below.

Chart 3.1.1: Total investment in PSUs



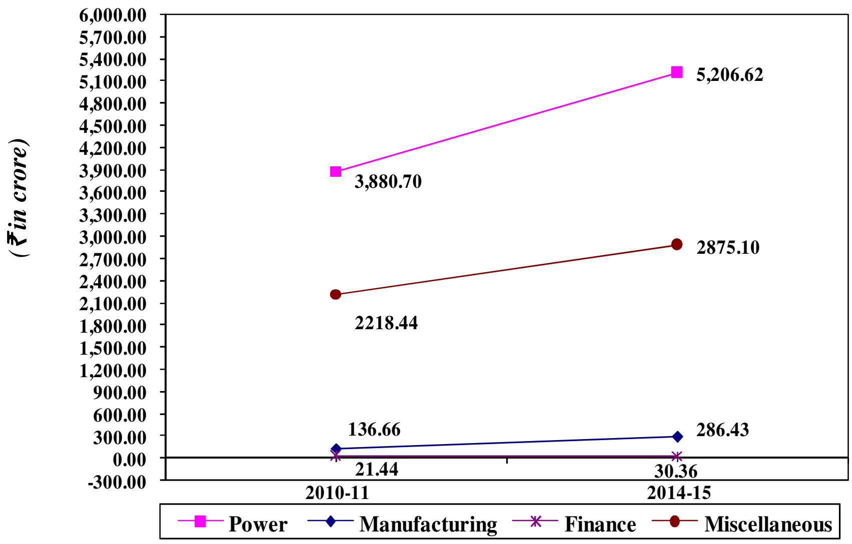
3.1.6.1 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given below:

Table 3.1.3:Sector-wise investment in PSUs

Name of Sector	Government/Other companies		Statutory corporations	Total	Investment (*₹ in crore*)
	Working	Non-Working	Working		
Power	3	-	-	3	5,206.62
Manufacturing	6	3	-	9	286.43
Finance	3	-	-	3	30.36
Miscellaneous	1	-	1	2	1.00
Service	2	-	1	3	353.13
Infrastructure	2	-	1	3	2,511.99
Agriculture & Allied	1	1	-	2	8.98
Total	**18**	**4**	**3**	**25**	**8,398.51**

The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are given below in the bar chart.

Chart 3.1.2: Sector wise investment in PSUs



During 2014-15, the major percentage of investment continued to be in Power Sector. However, it decreased from 62.02 *per cent* in 2010-11 (₹ 3,880.70 crore) to 61.99 *per cent* in 2014-15 (₹ 5,206.62 crore) of the total investment. The investment in miscellaneous sector also decreased from 35.45 *per cent* to 34.24 *per cent* during 2010-11 to 2014-15. The investment in Manufacturing Sector and Power Sector increased from 2.19 *per cent* to 3.41 *per cent* and from 0.34 *per cent* to 0.36 *per cent* of the total investment during 2010-11 to 2014-15 respectively.

3.1.7 Special support and returns during the year

The State Government provides financial support to PSUs in various forms through the annual budget. The summarized details of budgetary outgo towards equity, loans, grants/

subsidies, loans written off and interest waived in respect of State PSUs are given below for three years ending 2014-15.

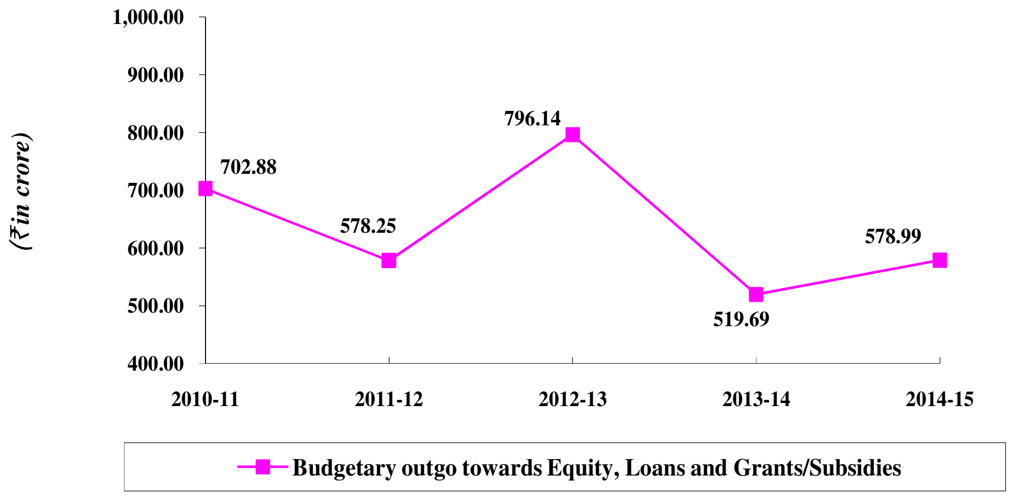
Table 3.1.4: Details regarding budgetary support to PSUs

(*₹in crore*)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	2	460.02	4	259.91	4	171.96
2.	Loans given from budget	3	252.90	6	190.07	5	374.43
3.	Grants/Subsidy from budget	5	83.22	4	69.71	3	32.60
4.	**Total Outgo (1+2+3)**	**7**	**796.14**	**8**	**519.69**	**7**[4]	**578.99**
5.	Waiver of loans and interest						
6.	Guarantees issued	1	1.51	1	1.54	2	57.87
7.	Guarantee Commitment	4	1,062.93	4	906.66	4	1,471.97

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in the graph below.

Chart 3.1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The budgetary outgo towards State PSUs in the form of equity, loans and grants/subsidies provided by the State Government has shown a fluctuating trend with ₹ 702.88 crore outgo in 2010-11 and a ₹ 578.99 crore outgo in 2014-15.

The amount of Guarantee commitment as on 31 March 2013 was ₹ 1,062.93 crore (four PSUs) which increased to ₹ 1,471.97 crore (four PSUs) as on 31 March 2015 due to the guarantee given by the State Government on the R-APDRP loan to the Uttarakhand Power Corporation Limited. During the current year, two PSUs namely Uttarakhand Power Corporation Limited and Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited received guarantee amount of ₹ 57.44 crore and ₹ 0.43 crore respectively.

4 Represent actual number of company/corporation which received budgetary support in the form of equity/loans/subsidy during the respective year.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee, for which guarantee fee is being charged. This fee varies from zero *per cent*[5] to one *per cent* as decided by the State Government depending upon the loanees. The guarantee commitment increased to ₹ 1,471.97 crore during 2014-15 from ₹ 1,062.93 crore in 2012-13. Further, two PSUs[6] paid guarantee fee to the tune of ₹ 10.17 crore during 2014-15.

3.1.8 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per the records of State PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2015 is given below.

Table 3.1.5: Equity, loans, guarantees outstanding as per finance accounts *vis-à-vis* records of PSUs

(₹in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2,188.10	2,729.66	541.56
Loans	194.94	902.53	707.59
Guarantees	1,223.76	1,471.97	248.21

Audit observed that the differences occurred in respect of 12 PSUs and some of the differences were pending reconciliation since 2003. The main differences were observed in respect of guarantees pertaining to two PSUs[7] and in respect of equity in five PSUs[8]. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner. The concerned PSUs and the Finance Department were requested (October 2015) to take necessary action to reconcile the differences.

3.1.9 Arrears in finalisation of accounts

3.1.9.1 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end in accordance with the provisions of Section 96 (1) the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

---

5 Guarantee fee for Uttarakhand Bahudeshiya Vitta Evam Vikas Nigam Limited is zero *per cent*.

6 Uttarakhand Jal Vidyut Nigam Limited (₹ 6.19 crore) and Power Transmission Corporation of Uttarakhand Limited (₹ 3.98 crore).

7 Uttarakhand Power Corporation Limited (₹ 415.82 crore) and Power Transmission Corporation of Uttarakhand Limited (₹ 178.53 crore).

8 Uttarakhand Jal Vidyut Nigam Limited (₹ 292.75 crore), Power Transmission Corporation of Uttarakhand Limited (₹ 214.20 crore), Uttar Pradesh Hill Electronics Corporation Limited (₹ 8.61 crore), Kiccha Sugar Company (₹ 17.21 crore) and Uttarakhand Bahudeshiya Vikas Evam Nigam (₹ 16.05 crore).

The table below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

Table 3.1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs/Other Companies	20	20	20	21	21
2.	Number of accounts finalised during the year	28	15	10	16	16
3.	Number of accounts in arrears	135	140	150	148	153
4.	Number of Working PSUs with arrears in accounts	19	20	20	20	20
5.	Extent of arrears (numbers in years)	1 to 25 years	1 to 26 years	1 to 27 years	1 to 27 years	1 to 28 years

The State PSUs failed to clear accounts each year during the preceding five years from 2010-11 to 2014-15, causing accumulation of arrears ranging between 135 (2010-11) to 153 (2014-15) accounts.

The Administrative Departments have the responsibility to oversee the activities of these entitites and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed regularly about the arrears. In addition, Accountant General took up the matter with the Chief Secretary and Secretary (Finance) Government of Uttarakhand for liquidating the arrears of accounts in April, 2015 and September, 2015 however, no improvement has been noticed.

3.1.9.2 The State Government had invested ₹ 448.29 crore in six PSUs (equity: ₹ 174.55 crore in respect of four PSUs, loans: ₹ 250.67 crore in respect of four PSUs and grants ₹ 23.07 crore in respect of one PSU) during the years for which accounts have not been finalised as detailed in ***Appendix 3.1.1***. In the absence of finalisation of accounts and their subsequent audit, it could not be assured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not, and to this extent Government's investment in such PSUs remained outside the control of State Legislature.

3.1.9.3 In addition to the above, the position of arrears in finalisation of accounts by non-working PSUs is given below:

Table 3.1.7: Position relating to arrears of accounts in respect of non-working PSUs

Name of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
UPAI Limited	Since 1989-90	26
Kumtron limited	Since 1990-91	25
Uttar Pradesh Hill Phones Limited	Since Formation (1987-88)	28
Uttar Pradesh Hill Quartz Limited	Since Formation (1989-90)	26

It can be seen that out of four non-working PSUs, one PSU *i.e*. UPAI Limited was in the process of liquidation since 31 March 1991 and the remaining three non-working PSUs[9] had arrears of accounts ranging from 25 to 28 years.

In respect of statutory corporation, only Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam has finalised its accounts upto 2013-14, the accounts of the remaining two Statutory Corporations namely Uttarakhand Parivahan Nigam and Uttarakhand Forest Development Corporation have been finalised upto 2012-13 and 2010-11 respectively.

3.1.10 Placement of Separate Audit Reports in respect of Statutory Corporations

The position depicted below shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

Table 3.1.8: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1	Uttarakhand Parivahan Nigam	2008-09	2010-11 to 2012-13	not yet placed
2	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2009-10	2010-11 to 2013-14	not yet placed
3	Uttarakhand Forest Development Corporation	2008-09	2009-10 to 2010-11	Issued to Government in May 2015

3.1.11 Impact of non-finalisation of accounts

The delay in finalisation of accounts as seen from the above may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to the State exchequer was also not reported to the State Legislature.

It is therefore, recommended that:

- The Government may set up the target for individual Companies to oversee the clearance of arrears and monitor the progress.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise**.**

3.1.12 Performance of PSUs as per their latest finalized accounts

3.1.12.1 The financial position and working results of working Government companies and Statutory Corporations are given in ***Appendix 3.1.2.*** A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the

[9] Kumtron limited, Uttar Pradesh Hill Phones Limited and Uttar Pradesh Hill Quartz Limited.

details of working PSU turnover and State GDP for a period of five years ending 2014-15.

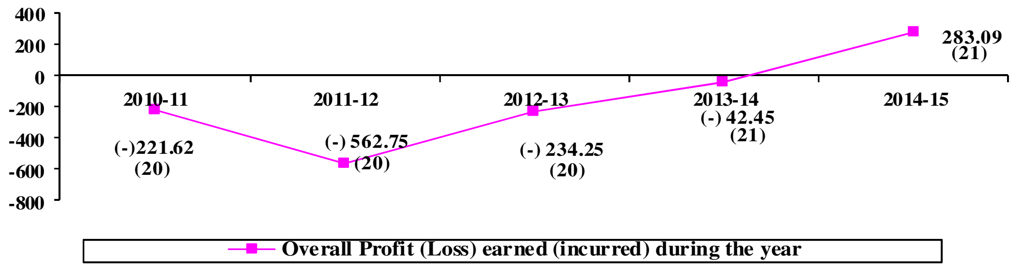
Table 3.1.9: Details of working PSUs turnover vis-à-vis State GDP *(₹in crore)*

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover[10]	2,539.52	3,258.60	4,042.00	5,103.24	5,741.42
State GDP	83,966	97,858	1,08,250	1,22,897	1,38,723
Percentage of Turnover to State GDP	*3.02*	*3.33*	*3.73*	*4.15*	*4.14*

The turnover of working PSUs had an increasing trend. It increased from ₹ 2,539.52 crore in 2010-11 to ₹ 5,741.42 crore in 2014-15. The percentage of turnover to State GDP also increased from 3.02 *per cent* in 2010-11 to 4.14 *per cent* in 2014-15

3.1.12.2 Overall profit (losses) earned (incurred) by State working PSUs during 2010-11 to 2014-15 are shown below in a bar chart.

Chart 3.1.4: Profit/ (-) Loss of working PSUs



(Figures in brackets show the number of working PSUs in respective years)

During 2010-11 the loss of working PSUs was ₹ 221.62 crore which increased to ₹ 562.75 crore in 2011-12. Further, the loss decreased by ₹ 191.80 crore in 2013-14. In 2014-15, the loss making PSUs significantly improved their position and made a profit of ₹ 283.09 crore.

During the year 2014-15, out of 21 working PSUs, 12 PSUs earned profit of ₹ 408 crore and Nine PSUs incurred loss of ₹ 124.91 crore. The major contributors to profit were Uttarakhand Power Corporation Limited (₹ 323.40 crore), State Industrial Development Corporation of Uttarakhand Limited (₹ 30.01 crore) and Uttarakhand Forest Development Corporation (₹ 36.86 crore). Heavy losses were incurred by Doiwala Sugar Company Limited (₹ 38.21 crore), Kichha Sugar Company Limited (₹ 34.95 crore) and Uttarakhand Parivahan Nigam (₹ 25.35 crore).

---

[10] Turnover as per the latest finalised accounts as of 30 September.

3.1.12.3 Some other key parameters of PSUs are given below.

Table 3.1.10: Key Parameters of State PSUs ***(₹in crore)***

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (*Per cent*)	0.98	(-)3.56	0.59	(-) 6.31	8.74
Debt	2,465.29	2,883.12	2,702.00	2,929.57	3,245.73
Turnover[11]	2,539.52	3,258.60	4,042.00	5,103.24	5,741.42
Debt/ Turnover Ratio	0.97:1	0.88:1	0.67:1	0.57:1	0.57:1
Interest Payments	271.63	288.64	276.93	281.65	358.33
Accumulated Profits/ (losses)	(-)807.79	(-)1,905.97	(-)2,081.42	(-)2,034.59	(-)1,883.90

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

It can be seen from the above that the return on capital employed showed a fluctuating trend. The Debt-Turnover Ratio decreased from 0.97:1 in 2010-11 to 0.57:1 in 2014-15. The Accumulated losses which were ₹ 807.79 crore in 2010-11 increased to ₹ 2,081.42 crore in 2012-13 and then decreased to ₹ 1,883.90 crore in 2014-15.

3.1.12.4 The State Government had not formulated any dividend policy under which PSUs would be required to pay a minimum return on the paid up share capital contributed by the State Government. During the year 2014-15, no dividend was declared by any of the PSUs.

3.1.13 Winding up of non-working PSUs

3.1.13.1 There were four non-working PSUs (all Companies) as on 31 March 2015. Of these, one PSU namely UPAI Limited commenced liquidation process on 31 March 1991. The number of non-working companies at the end of each year during past five years is given below.

Table 3.1.11: Non working PSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of non-working companies	4	4	4	4	4
No. of non-working corporations	-	-	-	-	-
Expenditure incurred	These Companies had not incurred any expenditure during the period from 2010-11 to 2014-15.				
Total	**4**	**4**	**4**	**4**	**4**

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, these PSUs may be considered either to be closed down or should be revived.

[11] Turnover of working PSUs as per the latest finalised accounts as of 30 September.

3.1.13.2 The stages of closure in respect of non-working PSUs are given below.

Table 3.1.12: Closure of non working PSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	04	-	04
2.	Of (1) above, the No. under	-	-	-
(a)	liquidation by Court (liquidator appointed)	01	-	01
(b)	Voluntary winding up (liquidator appointed)	-	-	-
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	03	-	03

During the year 2014-15, no companies/corporations were finally wound up. The only company *i.e.* UPAI Limited which had taken the route of winding up by Court order is under liquidation for more than 24 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make a decision regarding winding up of the three non-working PSUs.

3.1.14 Accounts Comments

Nine working companies forwarded ten audited accounts to the Accountant General during the year 2014-15. Of these, nine[12] accounts of eight companies were selected for supplementary audit and Non Review Certificate was issued in respect of one company. Though audit reports of the statutory auditors appointed by CAG and supplementary audit by CAG indicate some positive trends (**Table 3.1.13**), the scope to further improve the quality of accounts maintenance remains. The details of aggregate money value of comments of the statutory auditor and the CAG are given below in **Table 3.1.13:**

Table 3.1.13: Impact of audit comments on working Companies

(*₹in crore*)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	108.47	5	28.07	5	22.94
2.	Increase in loss	4	86.07	2	16.96	2	0.76
3.	Non-disclosure of material facts	1	28.25	1	180.16	2	72.39
4.	Errors of classification	4	26.80	1	4.37	3	290.27

The major impact of comments of the CAG and statutory auditor was on the accounts of Kiccha Sugar Company Limited (2013-14) by ₹ 110.40 crore, Doiwala Sugar Company Limited (2013-14) by ₹ 149.13 crore and Uttarakhand Jal Vidyut Nigam Limited (2014-15) by ₹ 75.39 crore and had an implication of decrease in profit by ₹ 4.88 crore and ₹ 14.28 crore in respect of Uttarakhand Jal Vidyut Nigam Limited and Uttarakhand Power Corporation Limited.

12 Two accounts of Uttarakhand Purv Sainik Kalyan Udham Limited (2011-12 and 2012-13) are under finalization.

During the year, the Statutory Auditors had given unqualified certificates and disclaimer for all 10 accounts of nine PSUs. Further, no adverse certificate was issued by the Statutory Auditors for any account. In addition to the above, CAG gave adverse comments on seven accounts. Moreover, no disclaimer comments on these accounts were given during the supplementary audit. The compliance of companies to the accounting standards remained poor as there were 14 instances of non-compliance in seven accounts during the year in this regard.

Similarly, three working Statutory Corporations forwarded their eight accounts[13] to the Accountant General during the year 2014-15. These accounts pertained to sole audit by the CAG which was completed. The details of aggregate money value of comments of the statutory auditors and the CAG are given below.

Table 3.1.14: Impact of audit comments on Statutory Corporations

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in profit	-	-	-	-	2	49.49
2.	Increase in loss	-	-	1	25.07	6	87.40
3.	Non-disclosure of material facts	-	-	-	-	-	-
4.	Errors of classification	-	-	-	-	2	0.88

The amount of audit comments increased from ₹ 25.07 crore in 2013-14 to ₹ 137.77 crore in 2014-15. The increase in the audit comments clearly indicates that the quality of maintenance of accounts needs to be improved substantially.

3.1.15 Response of the Government to Audit

Paragraphs pertaining to the PSUs

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, six audit paragraphs involving ₹ 89.57 crore were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with a request to furnish replies within six weeks. However, replies in respect of compliance audit paragraphs were still awaited from the State Government (December 2015).

[13] Two accounts of Uttarakhand Pey Jal Nigam, Four Accounts of Uttarakhand Parivahan Nigam and two accounts of Uttarakhand Forest Development Corporation.

3.1.16 Follow up action on Audit Reports

Replies outstanding

The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. All Administrative Departments are to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaire from COPU.

Table 3.1.15: Explanatory notes not received (as on 31 December 2015)

Year of the Audit Report (Commercial /PSU)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	December 2012	1	4	01	04
2011-12	September 2013	1	2	01	02
2012-13	November 2014	1	2	01	02
2013-14	November 2015	0	06	0	06
Total		**3**	**14**	**03**	**14**

From the above, it can be seen that none of the explanatory notes to the above paragraphs/ performance audits in respect of three departments, which were commented upon, were received (December 2015).

3.1.17 Discussion of Audit Reports by COPU

The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as under.

Table 3.1.16: Reviews/Paras appeared in Audit Reports vis-à-vis discussed as on 31 December 2015

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	1	5	-	1
2009-10	1	5	1	2
2010-11	1	4	1	-
2011-12	1	2	1	1
2012-13	1	2	-	
Total	**5**	**18**	**3**	**4**

3.1.18 Compliance to Reports of COPU

Action Taken Notes (ATN) to 15 paragraphs pertaining to six Reports of the COPU presented to the State Legislature between March 2007 and March 2015 had not been received (December 2015). Details are given below.

Table 3.1.17: Compliance to COPU Reports

Year in which the COPU meeting held	No. of meeting held	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2014-15	05[14]	02	07	No recommendation was received where ATNs not received
2015-16	06[15]	02	08	
Total	**11**	**04**	**15**	

The reports of COPU contained recommendations in respect of paragraphs pertaining to Department of Power, which appeared in the Reports of the CAG of India for the years March 2007 to March 2012.

It is recommended that the Government must ensure: (a) sending of replies to inspection reports/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of losses/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

3.1.19 Response of the Department on Audit Objections

In paragraph 3.5 of earlier Audit Report-2013-14, the audit objected that the UPCL had extended undue benefit of ₹ 2.12 crore to a consumer by way of non-levy of 15 *per cent* additional surcharge for continuous power supply. The Department had now categorized the consumer as beneficiary of continuous power supply and imposed 15 *per cent* additional surcharge from April 2014. Accordingly, the Department collected an amount of ₹ 53.12 lakh from April 2014 to March 2015. However, the Department is still to intimate the recovery of additional surcharge from May 2010 to March 2014 of ₹ 2.12 crore from the consumer.

3.1.20 Coverage of this Chapter

This Chapter contains six paragraphs involving financial effect of ₹ 89.57 crore.

3.1.21 Disinvestment, Restructuring and Privatisation of PSUs and any reforms in power Sector

During the year 2014-15, there was no case of privatization of Government companies and Statutory Corporations. The State Government did not prepare any policy to disinvest the Government equity invested in State PSUs.

---

14 Audit Report for the year ended March 2007, March 2008, March 2010, March 2011 and March 2012.

15 Audit Report for the year ended March 2007, March 2008, March 2009, March 2010, March 2011 and March 2012.

COMPLIANCE AUDIT

UTTARAKHAND POWER CORPORATION LIMITED

3.2 Avoidable Expenditure

UPCL did not register on power exchanges for power trading resulting in avoidable expenditure of ₹ 4.68 crore as trading margin/ transaction fee chargeable by traders.

Uttarakhand Power Corporation Limited (UPCL) is the sole distribution licensee of the State which is responsible for procurement and distribution of power to meet the power requirement of the State. It procures power from State Generating Company[16], Independent Power Producers, the State quota of Central Pool and from open market/power exchanges through power traders. There are two options available for purchase of power from power exchanges; firstly, to register directly on power exchange and secondly, purchase of power from exchanges through power traders. In the second option, trading margin is charged by the power trader for per unit of power purchased.

Scrutiny (March 2015) of the records showed that UPCL had not registered itself in the power exchanges; instead it entered into agreements with Power Traders[17] for purchase of short term power from power exchange and paid an amount of ₹ 4.68 crore to power traders as trading margin and service tax thereon for the period 2011-12 to 2014-15 as detailed below in **Table 3.2.1**:

Table 3.2.1

Year	Name of Power trader	Quantum of power purchase from exchange (in MUs)	Trading Margin (₹ per unit/KWH)	Total Trading Margin paid to trader (₹ in lakh)	Service Tax (@ 12.36 *per cent*) (₹ in lakh)	Total Payment paid to trader (₹ in lakh)
2011-12	Global Energy Private Limited	1.64	0.020	0.33	0.03[18]	0.36
2012-13	Global Energy Private Limited	203.74	0.020	40.75	5.04	45.79
2013-14	Global Energy Private Limited	919.90	0.020	183.99	22.74	206.73
2014-15	Global Energy Private Limited / M/s Shree Cement Limited	1,276.46	0.015	191.47	23.67	215.14
Total		**2,401.74**	**--**	**416.54**	**51.48**	**468.02**

16 Uttarakhand Jal Vidyut Nigam Limited.
17 M/s. Global Energy Pvt. Limited and M/s. Shree Cement Limited.
18 Effective rate of service tax was 10.30 *per cent* for the year 2011-12.

It is also to be noted that UPCL itself had analysed the fact of saving in short term power purchase through power exchanges and its Board of Directors have approved (November 2013) a proposal for obtaining direct membership of power exchanges on the same basis. However, UPCL did not go ahead for such registration and continue to pay trading margin/ transaction fee chargeable to traders.

The Management stated (August 2015) that BoD approved registration in Power Exchange of India Limited (PXIL) which has a market share of two *per cent* only and it was not capable to meet UPCL requirement. It further stated that trader provides post payment credit facility of 11 days for payment of power purchase bills. In addition, separate office is required to be set up, if UPCL takes direct membership of power exchange.

The reply of the Management is not acceptable as the UPCL is regularly purchasing power through power traders. It is to be noted that UPCL procured short term power ranging between 1.64 MUs to 1276.46 MUs during 2011-12 to 2014-15, the average trading volume in PXIL is 8 MUs per day and in India Energy Exchange (IEX) is 81 MU per day. The available units in PXIL in a year is 2,920 MUs (8 MUs x 365) and this quantum is sufficient to meet the annual demand of UPCL. Besides, the option for registration in IEX is always open to UPCL for registration as the quantum of power purchase from power exchanges by UPCL is increasing year after year. Further, the reply of UPCL that 'trader provides post payment credit facility of 11 days for payment of power purchase bills' was not correct as there is no such provision of payment credit facility in the agreement as well as in the bills of traders. However, as per the agreement, UPCL is liable to pay a surcharge of 18 *per cent* per annum for a delay after two days of trading date. In addition, a separate wing for power purchase has also been working in UPCL. Thus, due to non-registration at power exchange UPCL paid ₹ 4.68 crore as trading margin/transaction fee chargeable to traders up to 2014-15 while it could have saved this expenditure through registration in any of the power exchanges by paying one time admission and security fee of ₹ 39.10 lakh in PXIL or ₹ 70.06 lakh in IEX .

Thus, inaction on the part of UPCL to register itself on the power exchange resulted in an avoidable expenditure of ₹ 4.68 crore.

The matter was referred to the Government (July 2015); reply was awaited (December 2015).

3.3 Implementation of Re-structured Accelerated Power Development and Reform Programme (R-APDRP).

3.3.1 Introduction

Uttarakhand Power Corporation Limited (UPCL) is the implementing agency of R-APDRP. The programme is operational in 31 towns[19] of the State. The focus of the programme is actual, demonstrable performance in terms of sustained loss reduction, establishment of reliable and automated systems for sustained collection of accurate base line data and the adoption of Information Technology (IT) in the areas of energy accounting. The implementation of the programme is in two parts namely Part A and Part B.

- **Part A**: includes preparation of Base-line data for the project area covering Consumer Indexing, Geographic Information System (GIS) Mapping, metering of Distribution Transformers & Feeders, Automatic Data Logging for all Distribution Transformers & Feeders, and Supervisory Control and Data Acquisition (SCADA) System. It also includes adoption of IT applications for meter reading, billing & collection; energy accounting and auditing.
- **Part B**: includes Renovation, modernization and strengthening of 11 kv level substations, Transformers/Transformer Centers, Re-conductoring of lines at 11kv level and below, Load Bifurcation, Feeder Separation, Load Balancing, HVDS (11kv), Aerial Bunched Conductoring in dense areas, replacement of electromagnetic energy meters with tamper proof electronic meters, installation of capacitor banks and mobile service centers *etc.* Where the sub-transmission system is weak, strengthening at 33 kv or 66 kv levels is also envisaged. As per Power Finance Corporation (PFC), GoI guidelines, if the work of Part-B is not completed within the scheduled time[20], the PFC loan will not be converted into grant.

To assess whether the desired results of R-APDRP were being achieved during the period 2012-13 to 2014-15, audit was conducted during March 2015 to September 2015 by test-check of records of the Head Office of the UPCL and 25 out of 31 towns.

[19] In the State of Uttarakhand, there are total of 31 towns having population of more than 10,000 as per the Census 2011.

[20] October 2016.

Audit Findings

3.3.2 Part-A of the Programme

3.3.2.1 Financial Management

As per the Programme, initially 100 *per cent* funds were to be provided by the GoI for the approved projects in the form of a loan on such terms as may be decided by the Ministry of Finance through the Nodal Agency. Further, up to 30 *per cent* of the approved project cost was to be released as GoI loan up front on approval of the project, 60 *per cent* on certified claims against utilization certificate, and rest 10 *per cent* after full utilization of the loan disbursed.

Scrutiny of records of the UPCL showed that against the approved project cost of ₹ 163.42 crore, the GoI released ₹ 75.49 crore against which UPCL incurred an expenditure of ₹ 75.76 crore (March 2015). It was found that the UPCL had submitted (August 2015) Utilization Certificates for an amount of ₹ 82 crore incurred as expenditure by August 2015 to the Power Finance Corporation (PFC), GoI. The expenditure in excess of the released amount has not yet been received by the UPCL till date from GoI.

3.3.2.2 Implementation of the Part-A works

All consumers falling in 31 town areas, selected in the project were to be mapped in the Global Information System (GIS) Mapping; meters and modems were to be installed in the Distribution Transformers; IT applications adopted for meter reading, billing & collection; taking up energy accounting and auditing; and providing primary internet connectivity @2MBPS and secondary connectivity @ 128 kbps in the sub-divisional offices of the UPCL as per the system requirement specifications. During scrutiny of records of 25 towns, following shortfalls were observed:

i. Mapping of consumers

Audit showed that in 16[21] out of 25 towns, 37,895 consumers were yet to be GIS mapped as on September 2015. Non GIS mapping of new consumers resulted in non-tracking of consumers in terms of physical location as well as consumption pattern.

ii. Automatic Meter Reading of commercial consumers

Audit showed that in ten towns[22], as per consumer meter reading status ledger, out of total 1,196 Key Commercial consumers above 25 KW, the meter reading of

---

[21] Kashipur (2,772), Rudrapur (5,644), Dehradun (8,847), Tehri (1,769). Haridwar (1,198), Bazpur (450), Sitarganj (1,306), Khatima (3,468), Ramnagar (1,322), Uttarkashi (144), Nainital (284), Pithoragarh (557), Manglore (1,693), Landora (657), Kotdwar (5,956), Haldwani (1,869).

[22] Bazpur (64/168), Dehradun (127/294), Sitarganj and Katima (62/122), Ramnagar (06/14), Uttarkashi (17/27), Nainital (27/84), Ranikhet (11/37), Haridwar (175/361) and Rishikesh (62/129).

551 consumers were being done manually instead of by Automatic Meter Reading indicating inadequate implementation of IT applications for meter reading.

iii. Internet connectivity

Primary internet connectivity @ 2 MBPS and secondary connectivity @ 128 kbps were required to be provided as per system requirement specifications in the sub-divisional offices of the UPCL for uninterrupted network connectivity. It was seen that only primary internet connectivity was provided at 29 out of 48 centers. Further, one such center was provided with less than @ 2 MBPS connectivity. Secondary internet connectivity was not provided at any centre. Thus, UPCL failed to provide uninterrupted connectivity by not providing secondary connectivity to these centers.

iv. Metering of DTRs

Audit showed that in seven towns[23], out of total 2,026 meters, 435 meters on Distribution Transformers (DTR) were found defective or damaged/bypassed as on August 2015, thus affecting accuracy of accurate measurements of AT&C losses.

v. Inadequate safety of metering equipments

Instances of theft of equipment of DTR metering were noticed in Roorkee and Haldwani towns. The UPCL did not have any documented plan of action for follow-up for ensuring the safety of equipment installed under R-APDRP scheme from any theft or damage.

The Management, while accepting the facts, stated that it was now exploring options of connecting offices through National Optical Fibre Network and had also intimated the Test Divisions about their responsibility for replacing the damaged/bypassed meters on DTRs.

3.3.3 Part-B of the Programme

3.3.3.1 Financial Management

As per the Programme, under Part –B, 30 *per cent* of the project cost was to be released as GoI loan up front on approval of Project, 10 *per cent* of the project cost as loan from Financial Institutions/own resources, 50 *per cent* of the project cost was to be disbursed as GoI loan progressively against certified claims from the utility based on progress/Utilization against achievement of identified milestones, and balance 10 *per cent* of the project cost was to be disbursed as GoI loan only against full utilization of GoI and Financial Institutions loans disbursed through earlier tranches.

Records of the UPCL showed that against the approved project cost of ₹ 584.10 crore, the GoI released ₹176.74 crore against which UPCL was able to incur an expenditure of only ₹ 97.87 crore showing poor utilisation of the fund. Audit further noticed that the

---

23 Dehradun (59/952), Roorkee(73/217), Manglore and Landhora (45/65), Kotdwar (15/52), Rudrapur (91/406) and Haldwani (152/334).

UPCL opened (March 2009) a single account for receiving funds for R-APDRP Part B instead of opening 31 separate project wise accounts. These separate accounts were also opened only in August 2014 whereas these accounts were to be opened project wise in March 2009 itself. Further, instead of crediting the actual assistance received project wise, the UPCL transferred money, in violation of the conditions of the Quadripartite Agreement[24] and MoP order, on need basis to these 31 accounts from the main account.

3.3.3.2 Additional burden on UPCL

DPRs of the project were validated and appraised techno-commercially by the PFC and then submitted to APDRP Steering Committee for approval. Further, PFC limits its contribution to costs approved by it.

i) Audit noticed that UPCL submitted DPRs[25] without including works totaling ₹ 17.28 crore[26] in Central & South Divisions of Dehradun, and in Tehri. These works pertained to construction, renovation, modernization and strengthening of 33 kv and 11 kv sub-stations and lines and were thus essential to Part B projects. This showed that the DPRs were not prepared by UPCL on realistic basis, which resulted in additional burden on the UPCL. Had these works been included in the DPRs, the UPCL could have avoided an additional burden of ₹ 17.28 crore as it could have received grant from the PFC for these works. The Management replied that for meeting the increase in demand and to provide quality power, above work were being done through internal resources. Reply is not convincing as all these works should have been included in DPRs under Part B of R-APDRP.

ii) Audit also noticed that the UPCL entered into agreements for 10 towns[27] at rates higher than that of the DPRs approved (October 2011) by the Steering Committee of the PFC, GoI. As a result, UPCL is now liable to bear the additional burden of ₹ 58.22 crore as PFC allowed only the DPRs costs. Reply of the Management is still awaited.

Thus, the UPCL had to bear an additional burden of ₹ 75.50 crore on account of faulty and incomplete DPRs submitted by it; and by entering into agreements at rates higher than those approved by the PFC.

3.3.3.3 Short deduction of liquidated damages

Uttarakhand Procurement Rules, 2008 and the agreements entered into by the UPCL provide that the penalty for delays in completion of projects shall be deducted at the rate

---

24 As per the conditions of the Quadripartite agreement, the utility receiving R-APDRP assistance had to open project wise separate account/sub account head immediately for separate accounting classification both on the receipt and expenditure side.

25 February 2011 for Dehradun and July 2011 for Tehri.

26 ₹ 6.92 crore + ₹ 10.34 crore + ₹ 0.02 crore respectively.

27 Nainital: ₹ 1.01 crore, Uttarkashi: ₹ 1.07 crore, Tehri : ₹ 0.75 crore, Vikasnagar: ₹ 1.05 crore, Pauri : ₹ 0.80 crore, Kotdwar: ₹ 1.63 crore, Almora: ₹ 1.08 crore, Gopeshwar: ₹ 0.79 crore, Joshimath: ₹ 0.60 crore and Dehradun: ₹ 49.44 crore.

of 0.1 *per cent* per day subject to the condition that maximum penalty of all works shall not exceed more than 10 *per cent* of the total contract value (supply + erection).

Audit noticed in four towns[28] that in case of delay of more than 100 days beyond scheduled completion dates, UPCL started deducting penalty at the rate of 10 *per cent* of invoice/bills of contractors instead of deducting penalty at the rate of 10 *per cent* of contract value, which resulted in short deduction of penalty by ₹ 1.96 crore.

3.3.3.4 Implementation of Part-B works

Slow progress of Part-B works

Renovation, modernization and strengthening of substations, Transformers/ Transformer Centers, Re-conductoring of lines, Load Bifurcation, Feeder Separation, Load Balancing and replacement of electromagnetic energy meters with tamper proof electronic meters, etc. were the main works to be carried out under the programme. Further, as per PFC, GoI guidelines, if the work of Part-B was not completed within the schedule time (October 2016), the PFC loan will not be converted into grant. Scrutiny of records showed following shortfalls:

- Against a total 15,930 defective three phase meters, only 624 (3.92 *per cent*) were replaced.
- Against the total of 17,605 three phase meters to be shifted outside the premises of the consumers, only one meter was shifted.
- Against the target of creation of 473.80 km of new 11 kv lines, only 72.95 km. lines (15.40 *per cent)* were completed.
- Against the target of conversion of 325.945 km LT Line into HT Line HVDS, only 12.80 km. (3.93 *per cent*) of line was converted.
- Audit showed in 16 towns[29], contracts were awarded (February 2013) to M/s Genus Infrastructure Private Limited with the scheduled period of completion being 18 months *i.e.* August 2014. The progress of Part-B works of these towns as on April 2015 was in the range of 5.32 to 29.35 *per cent*; however, the scheduled completion date (August 2014) as already elapsed.

In the selected towns, it was further noticed that:

i. Delay in submission/preparation of DPRs and award of works

- Audit showed in 31 cases, there were delays ranging from 258 to 313 days in submission/preparation of DPRs of Part-B after considering six months from the date

---

28 Kotdwar, Pauri, Ranikhet and Almora.

29 Kashipur, Jaspur, Rudrapur, Gadarpur, Laksar, Haridwar, Bazpur, Landora, Manglore, Roorkee, Ramnagar, Haldwani, Nainital, Sitarganj, Khatima and Kichha.

of approval of Part-A DPRs of all 31 towns and from 309 to 576 days in calling of tenders and from 491 to 870 days in awards of works after the approval of DPRs for Part-B resulting in delay in completion and cost overrun of the project.

- Audit noticed that the DPR for the Dehradun town including Part B work of RAPDRP and SCADA work was initially submitted to PFC in February 2011 and revised DPR of same was again submitted in December 2012 which was approved by the Steering Committee in February 2013. The agreement was awarded in February 2014 after a delay of one year. However, even after passage of more than one year (since February 2014), only 16 *per cent* financial progress of the work was achieved. The work related to SCADA had also not been initiated (June 2015).

ii. Non-energisation of installed DTRs

- Against the norms of three *per cent* damage rate in case of transformers, it was found that the damage rate ranged from 7.24 to 24 *per cent* in Rudrapur Town. Further, 25 new transformers of various capacities were installed involving an amount of ₹ 58.45 lakh[30] under the Scheme at different locations[31]. However, even after passage of more than three months since their installation, these new transformers were not energized or put to use till June 2015. If they had been put into use, the damage rate of existing transformers could have been minimized.
- In Ramnagar town, 157 DTs were to be installed, it was noticed that only 66 DTs had been installed till September 2015. Out of 66 DTs' only 10 DTs were energized and remaining 56 DTs were lying idle (till September 2015).

iii. Execution of R-APDRP works through internal resources

- Audit showed that two Power Transformers (PTs) of 33/11 kv Sub-station, Ramnagar were to be enhanced from Five MVA to Eight MVA and from Eight MVA to 10 MVA respectively by the contractor under the scheme. Out of two, one PT of Five MVA was replaced by a 10 MVA PT from the internal resources of the UPCL resulting in financial burden of ₹ 56.92 lakh on the UPCL, which could have been avoided if this PT was replaced/installed under R-APDRP.

iv. Non-providing basic infrastructure to contractor

- Audit noticed in Roorkee town that an agreement was entered into with M/s Genus Power Infrastructure Limited on 12.02.2013. One 33/11 kv substation was proposed to be constructed at Roorkee town under Part-B of R-APDRP scheme. However, even after the passage of more than two years, even the land for the aforesaid

---

30 20 DTRs of 100 KVAx ₹ 2.51 lakh= ₹ 50.20 lakh and 05 DTRs of 25 KVA x₹ 1.65 each=₹ 8.25 lakh.

31 Thakurnagar (Krishna Colony)-three transformers, Kanchantara Hotel (Main Bazar)-two transformers, Sanjaynagar-three transformers, Dariya Nagar/ Awas Vikas-12 transformers and Shakti Vihar-five transformers.

substation was not finalised/acquired which resulted into delay in the execution of the Part-B work.

- Also in Almora town, two transformers, one at SBI, Khatyali and other at Champanaula colony, were installed under R-APDRP Part-B. These transformers could not be energized because of dispute over land on which these transformers were installed. Action to install the transformers elsewhere is under process.

Management replied that the main reasons for delay in execution of Part B work of R-ADRP Programme were issues of Right of Way, public resistance, deployment of inadequate manpower by contractor, larger gestation period of various stages of approval like drawing approvals, *etc.* Reply is not convincing since these issues should have been considered before finalizing the agreements and accordingly scheduled completion time should have been fixed.

3.3.4 Operational Parameters

Aggregate Technical and Commercial (AT&C) loss is the difference between input energy and amount collected from the consumers. If UPCL reduces one and half *per cent* of its AT&C losses, it will increase the revenue by ₹ 41.01 crore[32]. Audit noticed that there was difference between the AT&C losses[33] of 20 projects/towns depicted in the DPRs of Part A of the scheme (2008-09) and AT&C losses recorded as base line loss (2011-12) as detailed below:

Table 3.3.1: Differences between the AT&C losses of 20 projects/towns

Sl.No.	Name of the Town[34]	AT&C loss as per Part-A DPR (2008-09) (In *per cent*)	Base line loss of the town For the three month billing cycle captured during different months (In *per cent*)	AT&C loss as per DPR of R-APDRP part-B (In *per cent*)	AT&C Loss of the town for the last trimester of 2014-15 (In *per cent*)
1.	Almora	14.15	38.58	38.11	35.78
2.	Khatima	50.78	68.02	45.40	52.22
3.	Rishikesh	49.90	33.84	49.37	29.14
4.	Vikasnagar	15.58	55.31	44.58	41.93
5.	Tehri	38.74	46.94	41.52	29.80
6.	Tanakpur	50.36	57.02	55.49	16.96
7.	Pithoragarh	55.76	48.85	57.63	40.27
8.	Gadarpur	49.66	80.97	37.64	78.25
9.	Gopeshwar	38.42	44.45	35.46	39.71
10.	Haldawani	39.14	56.56	51.43	29.26
11.	Hardwar	36.69	49.31	34.16	27.07
12.	Jaspur	55.13	79.45	74.10	73.94

[32] Total energy sold in the year 2014-15= 11888.23 MUs x1.5/100= 178.32 MUs. Saving of revenue: 178.32×10^6 x ₹ 2.30= ₹ 41.01 crore.

[33] AT&C losses represent the gap between the input energy and amount realized.

[34] Details in respect of 20 out of 31 towns were made available to audit.

13.	Joshimath	44.19	59.28	54.17	42.30
14.	Kashipur	42.50	54.96	63.00	49.50
15.	Kichha	34.43	48.63	45.61	58.01
16.	Kotdwar	11.20	41.14	30.50	29.45
17.	Mussoorie	18.99	26.28	36.80	29.81
18.	Nainital	19.03	45.97	26.50	27.35
19.	Pauri	18.58	46.42	57.15	31.06
20.	Ramnagar	35.17	42.21	55.24	27.24

Source: Information/data compiled from records of UPCL

Audit also noticed that in five towns, the AT&C losses of the project area have increased in the range of 0.85 *per cent* to 40.61 *per cent* even after the commencement of Part B of the Programme, indicating that the expenditure amounting to ₹ 6.40 crore[35] incurred in these towns had not yet yielded the desired result. Reply of the Management is still awaited.

3.3.5 Miscellaneous points

3.3.5.1 Non-Registration of Scheme under Clean Development Mechanism

The *Clean Development Mechanism (CDM)* allows emission-reduction projects in developing countries to earn certified emission reduction (CER) credits, each equivalent to one ton of CO_2. Clause 13 (c) of R-APDRP Guidelines, provides that "the reduction of Transmission & Distribution losses as part of overall AT&C losses would also enable the Utilities to claim carbon credits for avoiding power generation (reducing CO_2 emission) under CDM mechanism subject to necessary approvals. The state utilities will be encouraged to take advantage of CDM benefits for reducing the cost of the scheme and making it financially viable". Reducing one *per cent* line loss will spare 118.88 MUs which is equivalent to 1,17,334.56 tons of Carbon emission. Audit observed that UPCL had not taken necessary steps required for registration under the scheme for availing CDM benefits.

The Management stated (April 2015) that CDM benefits can be availed on quantifiable loss reduction which will be available after successful implementation of R-APDRP Part-A. Further, correspondence is being done with the nodal agency for availing CDM benefits. The reply is not convincing as the mandatory six months period for submission of CDM form in respect of all the projects under R-APDRP has already passed.

[35] Gadarpur ₹ 1.01crore, Khatima ₹ 1.01crore, Gopeshwar ₹ 1.02 crore, Kichha ₹ 1.14 crore and Nainital ₹ 2.22 crore.

3.3.5.2 Non-fixing of reliability indices

Standards of performance mentioned under Schedule II of Uttarakhand Electricity Regularity Commission (Standards of Performance) Regulations, 2007 require that the licensee (UPCL) shall compute and report the value of reliability/outage indices *i.e.* SAIFI, MAIFI & SAIDI[36] to the Commission each year. Further, the licensee was required to propose the target level of these indices annually while submitting *Annual Revenue Requirement* to the Commission which, in turn, was responsible for notifying them so that overall standards of performance, in respect of reliability of the distribution system, can be fixed.

Audit scrutiny of the records of UPCL showed that the UPCL had failed in its duty of reporting the value of above mentioned reliability/outage indices to the Commission. This eventually resulted in non-fixing of the maximum target level of these indices by the Commission leaving UPCL free from any obligation for bettering the reliability of distribution system by minimizing outages.

The Government accepted the audit observation and stated (December 2015) that they were trying to improve the reliability of the system.

3.3.5.3 Inadequate Vigilance Checking

The Vigilance squad had been set up to check power theft and tampering of meters. However, no targets were fixed for raids/checks to be conducted by Vigilance Squad. During audit, it was noticed that during 2010-11 to 2014-15 (upto September 2015), vigilance checked 10,033 connections, out of which only 944 connections were found to be in order. In 2,838 cases, FIRs were lodged and ₹ 6.25 crore were realized on spot from 2,614 consumers and electricity supply of 2,087 consumers was temporarily disconnected. It was noted that more than 90 *per cent* cases were found engaged in unauthorized use[37] of power supply in checked connections. As the total connections of utility as on March 2015 were 18.91 lakh against which only 10,033 connections were checked during five years, the percentage of checking was observed to be negligible.

[36] SAIFI (System Average Interruption Frequency Index) – Saifi index indicates the Average number of Outages of more than five minutes observed in a feeder, SAIDI (System Average Interruption Duration Index)- Saidi Index indicates how long the feeder remains interrupted after a disturbance occurred, and MAIFI (Momentary Average Interruption Frequency Index) – Maifi is interruption frequency index which shows the frequency of the chances of the occurrence of any disturbances in a particular feeder.

[37] As per information/Data received from vigilance wing of UPCL, 10,033 connections were checked by them, out of which 9,089 connections were found faulty (on 2,614 connections penalty was recovered on spot, 2,087 connections were temporarily disconnected, against 2,838 connections FIR was lodged, 371 connections were found on excess load, 429 connections were found in wrong categories and remaining 750 connections were found with other fault).

3.3.5.4 Monitoring

For monitoring the progress of the project, to ensure that all the required modalities of R-APDRP are adhered to and milestones of the schemes are duly achieved, a Distribution Reform Committee (DRC) was to be formed at the State level. The said DRC was formed in Uttarakhand on 29 July, 2009. Audit noticed that during July 2009 to March 2015, only four meetings of the DRC were held for approving the DPRs of the project. The DRC did not evaluate the progress of the scheme during the entire period.

Conclusion and Recommendations

The programme could not yield the desired objectives due to incomplete execution of the modules of Part-A and very slow progress of the works planned under Part-B. AT&C losses increased even after implementation of Part-B. UPCL failed to fix the reliability indices of power supply and proper monitoring of the scheme at the apex level. As the progress of Part-B works was very slow, there are high chances of non conversion of GoI loan into grant.

The milestones should be well defined in the DPRs of the projects. UPCL should ensure timely award of contracts after approval of DPRs by competent authorities. Regular meetings of the DRC should be held for monitoring the progress of the scheme. UPCL should fixed targets for checking of theft and tampering of power supply.

3.4 Non-disposal of excess inventory

Inventory worth ₹ 1.20 crore was lying idle due to non-disposal of the same.

Inventory is a tangible property and a major component of working capital which requires efficient management.

Inventory management involves determining the economic order quantity, providing proper storage facilities and ensuring efficient use and control of inventories.

Scrutiny of records (April 2014) of Executive Engineer (EE), 400 kv Sub-Station Kashipur showed that inventory costing ₹ 1.20 crore, procured during construction of the sub-station, could not be used at the sub-station due to being in excess of requirements. The unused store was lying idle in the open space at the sub-station since November 2006, as seen in the picture alongside. Since the inventory was no longer required, its use elsewhere could have saved valuable financial resources of the Corporation. However, audit further noticed that the Management has till date no documented policy to determine the optimum buffer stock to be kept by any division of the Corporation.

It was also seen that the EE, after retaining the inventory for six years, conveyed (March 2013) to senior officers the need for its utilization in other divisions. However, the same could not be accomplished and the inventory continues to lie in the open space in the sub-station. Thus, the possibility of deterioration in the quality of these items also cannot be ruled out.

On this being pointed out (April 2014), the Management replied (September 2015) that the items lying in the inventory is upto 4.67 *per cent* of the total items used in the lines and sub-stations under the jurisdiction of the division. It was also stated that the material was very specific, may not be available at procured cost and being continuously watched.

The reply is not convincing as the Corporation failed to utilize any of the item in respect of referred inventory between November 2006 and September 2015, and did not move the above inventory to its centralized store from where it could possibly be used by other divisions of the Corporation. The matter was earlier highlighted on three occasions during 2010-11 to 2014-15 and, every time, the Management assured the audit that this inventory would be utilized but failed to do so. Had the excess inventory been disposed off, it could have saved valuable financial resources of the Corporation.

The matter was referred (March 2015) to the Government; reply was awaited (December 2015).

STATE INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT CORPORATION OF UTTARAKHAND LIMITED

3.5 Wasteful Expenditure

Slackness of the SIDCUL in successfully implementing centrally sponsored projects cost the State exchequer ₹ 25.81 lakh.

GoI approved (September 2002) a project for construction of Urban *Haat* in Dehradun at a cost of ₹ 1.81 crore which was to be borne by Development Commissioner (DC) for Handlooms, DC for Handicraft (both functioning under Ministry of Textiles, GoI) and State Government in the ratio of 35:35:30 respectively. The *haat* was to be used for marketing handicrafts and handloom products of the craftsmen and artisans. As per the guidelines of the scheme of Urban Haat, the *Haat* was to be completed within 18 months of sanction. As per conditions of the sanction, if grantee fails to utilize the grant for the purpose for which the same had been sanctioned, the grantee would be required to refund the amount of the grant with interest thereon at the rate of six *per cent* per annum which was further increased to 10 *per cent* by Ministry of Textiles, GoI in July 2013. State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIDCUL) was nominated as the nodal agency for implementation of the project and a land with an area of 3.46 acres was also earmarked for the project at *Resham* Farm, Natthanpur, Dehradun.

Scrutiny of records (May 2014) of the Managing Director (MD) SIDCUL showed that SIDCUL received first installments of ₹ 56.00 lakh (December 2002), ₹ 31.68 lakh (February 2003) and ₹ 31.68 lakh (December 2003) for the purpose from the State Government, DC Handlooms and DC Handicrafts respectively. The earmarked land was also transferred to the SIDCUL in March, 2003. SIDCUL took four years in completing various formalities[38] before it could get the map of the facility approved by the Mussoorie Dehradun Development Authority (MDDA) in February 2007. Due to delay in the formalities, the revision of project was taken into under consideration by SIDCUL. While the process of revision was undergoing, the State Government handed-over (September 2008) the earmarked land to the Department of Law and Justice. In place of this piece of land, the State did not provide any alternative site for construction of *Haat* to SIDCUL. By this time SIDCUL had already spent an amount of ₹ 25.81 lakh[39] on various activities of the project like approval of map by MDDA, payment to consultant, advertisement, inauguration, etc.

Owing to delay in implementation of the project, the GoI cancelled the project and recovered the released funds with penal interest of ₹ 72.06 lakh[40] at the rate of 10 *per cent* per annum. Besides, craftsmen and artisans of the State were also deprived of potential benefits of the project.

On this being pointed out (May 2014), the Management of SIDCUL confirmed the facts and stated (December 2014 and July 2015) that the refund to the GoI with penal interest had been made in February 2015.

The matter was referred to the Government (March 2015); reply was awaited (December 2015).

3.6 Infructuous Expenditure

Infructuous expenditure of ₹ 95 lakh on Project Development and Promotion Partnership (PD&PP) was due to improper contract management adopted by SIDCUL.

A Memorandum of Agreement (MoA) was signed (March 2006) between State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (SIDCUL) and Infrastructure Leasing & Financial Service Limited (IL & FS) to establish

[38] (i) Conversion of land use from agriculture to commercial (ii) No-objection certificate from Northern Railway and National Highway Authority and (iii) Approval of drawing for *Haat* from Mussoorie Dehradun Development Authority (MDDA).

[39] ₹ 16.65 lakh paid to MDDA for approval fee, ₹ 4.60 lakh paid as consultancy fee and ₹ 4.56 lakh on miscellaneous expenditure.

[40] Penal Interest= ₹ 72.06 lakh (₹ 34.556 lakh to DC, Handloom + ₹ 37.50 lakh to DC Handicraft) at the rate of 10 *per cent* on the received amount of ₹ 31.675 lakh from each.

a Project Development and Promotion Partnership (PD and PP) as an institutional agreement, where in both parties would work together and undertake diverse range of activities[41] for promoting infrastructure and industrial development.

As per Clauses 2.2 and 4.6 of the MoA, SIDCUL and IL and FS were to establish co-financing arrangement *i.e.* Project Development Fund (PDF) with an initial contribution of ₹ one crore each from SIDCUL and IL and FS. This fund was to be retained and managed by IL&FS in a separate bank account to meet out the expenses of studies undertaken, documentation, payment of professional and consultant fees. Further, for the purpose of development and promotion of various infrastructure projects in the State, the SIDCUL and IL & FS were to set up a formal institutional framework in the form of a Joint Venture Company (JV) in not more than six months (September 2006) from the signing of the MoA.

Scrutiny of records (June 2014) showed that a PDF of ₹ two crore was created with equal contribution of ₹ one crore by both parties to meet the project development expenses (PDE) on the projects mutually identified by the parties. Out of the fund, an expenditure of ₹ 1.90 crore was incurred as a PDE. The expenditure incurred was on project development fund, professional fees, feasibility study, consultant fee, *etc*., and the same was to be recovered from the successful bidders for the projects. However, neither the envisaged JV had been formed till April 2009 nor any project was developed. Subsequently, SIDCUL sent a modified MoA (May 2009) to IL and FS for signing, but it was not signed and thereafter, no further action was taken by SIDCUL in this regard. In August 2012, IL and FS intimated SIDCUL that there had been no significant movement towards the successful closure of proposed projects in PPP mode and chances of recovery of PDE were negligible. Thus, even after incurring such a huge amount *i.e.* ₹ 1.90 crore with the share of SIDCUL amounting to ₹ 95.00 lakh, representing 50 *per cent* of the total amount as PDE, the purpose to promote infrastructure and industrial development in Uttarakhand under PPP mode was defeated and the expenditure rendered infructuous.

On this being pointed out, SIDCUL accepted the facts and stated (December 2014) that audit observation is noted for future compliance and that IL & FS had been asked to refund the share deposited by SIDCUL with interest.

However, as per clause 2.2 of MoA, expenditure incurred from the PDF was to be recovered from the successful bidders for projects to come up in the state under PPP mode. As no successful bidder has come up till date, the chances of the recovery of the expenditure are grim. Thus, due to lack of foresight and improper contract management adopted by SIDCUL towards implementation of the MoA and non creation of the

[41] Project Development and Implementation of projects in PPP, Proposal Preparation and Process Management for access to funds, Assistance for Industrial Promotion, Programme & Project Management for public funded projects and engaging consultants/professional to undertake the activities.

envisaged JV, no projects could be developed resulting in infructuous expenditure of ₹ 95.00 lakh. Further, recovery of this expenditure is also doubtful.

The matter was referred (March 2015) to the Government; reply was awaited (December 2015).

3.7 Forgoing of Revenue

The failure of the Corporation in cancelling allotment of plots as per terms and conditions of allotment resulted in forgoing of revenue to the tune of ₹ 4.30 crore by the Corporation.

The main objective of the State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (the Corporation) was to promote Industrial Development and generate additional employment opportunities to bring about a significant increase in the State Domestic Product and eventual widening of resource base of the State. For this purpose, the Corporation provides plots for setting up of industries in its industrial estates. However, the allottee has to complete construction, install machinery and start commercial production within two years from the date of allotment/lease deed, failing which allotment of the plot is cancelled and deposits forfeited.

Audit scrutiny (June 2014) of the records showed that the Corporation allotted (January and April 2006) two plots, having area of 1992 sq. meters and 8047.71 sq. meters at the price of ₹ 13.94 lakh[42] and ₹ 44.26 lakh[43], at Integrated Industrial Estate (IIE) Pant Nagar to two private companies (the allottees) for manufacturing of 'helmets' and 'bio-fertilizers and bio-pesticides' respectively. However, the allottees neither completed construction nor started commercial production on the plots till the date of audit. The Corporation, should have cancelled the plots in 2008 as was required under the terms and conditions of the allotment. Thus the plots remained with the allottees, in violation of norms and posed a hindrance to the achievement of the objectives of the Corporation.

Audit found that the Corporation could fetch amounts of ₹ 4.30 crore[44] if the said allotments were cancelled on account of non-initiation of construction activities and re-allotted at current rates to new industries. This was potential revenue which could be realized by the Corporation. Besides, re-allotment would also be conducive to the objectives of the Corporation.

The Corporation stated (June 2015) that the cancellation process of the allotments is under consideration and that there was no loss because lease rent and maintenance charges had been realized.

42 1,992 sqm @ ₹ 700 per sqm = ₹ 13.94 lakh.
43 8,047.71 sqm @ ₹ 550 per sqm = ₹ 44.26 lakh.
44 1,992 sqm @ ₹ (4,501.25 – 700) per sqm + 8,047.71 sqm @ ₹ (4,951.37 – 550) per sqm.

The reply is not acceptable as non-cancellation of plots allotted to industries unwilling to start business for a period of nine years was not only against prudent financial wisdom but also at odds with the objective of industrialization. The payment of lease rent and realisation of maintenance charges cannot be considered as safeguards against cancellation of allotment of plots.

Thus, failure of the Corporation in cancelling allotment of plots as per terms and conditions of the allotment resulted in forgoing of revenue to the tune of ₹ 4.30 crore by the Corporation.

The matter was referred to the Government (May 2015); reply was awaited (December 2015).

Dehradun **(SAURABH NARAIN)**
The 31 March 2016 **Accountant General (Audit), Uttarakhand**

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The 4 April 2016 **Comptroller and Auditor General of India**

APPENDICES

Appendix 1.1.1

(Reference: paragraph 1.1.9.1; page 4)

Position regarding receipt of ATNs on the paragraphs included in the ARs

Audit Reports	Year	Department (s)	ATNs pending as of 30 September 2015	Date of presentation in the State Legislature	Due date for receipt of ATNs
Civil/Social, General and Economic Sectors(Non-PSUs)	2000-01	Medical Health & Family Welfare	01	23.06.2003	22.09.2003
		Agriculture	01		
		Irrigation Deptt.	01		
		Environment Deptt.	01		
		Finance Deptt	01		
	2002-03	Transport	01	12.01.2005	11.04.2005
		Irrigation	01		
		Financial & Social Welfare	01		
	2003-04	Irrigation	01	05.10.2005	04.01.2006
		Panchayti Raj	01		
		Transport	02		
	2004-05	Medical Health & Family Welfare	01	19.04.2006	18.07.2006
		Transport	01		
		P.W.D	01		
	2005-06	Medical Deptt	01	27.06.2007	26.09.2007
		Food & Civil Supplies	01		
		Sports & Youth Welfare	01		
		Rural Development	01		
	2006-07	Pay Jal Deptt	01	07.03.2008	06.06.2008
		Transport	01		
		Information Deptt.	02		
		Civil Aviation Deptt.	01		
	2007-08	Rural Development Deptt.	01	13.07.2009	12.10.2009
		Medical Health & Family Welfare deptt	01		
		Urban Development	01		
		Technical Education	02		
		Information & Public Relations	01		
	2008-09	Stamps & Registration	01	22.09.2010	21.12.2010
		Commercial Tax Deptt	01		
		Rural Devlopment Deptt.	02		
		Uttarakhand Peyjal Nigam	02		
		Transport Dept.	01		
		Revenue Deptt	01		
		Rural Engg. Services	01		
		Technical Education	01		
		P.W.D	01		
		P.P.P	01		
	2009-10	Commercial Tax Deptt	01	29.03.2011	28.06.2011
		Tourism	01		
		Rural Development	02		
		Election	01		
		U.K Peyjal Nigam	02		
	2010-11	Commercial Tax Deptt	02	11.12.2012	10.03.2013
		P.W.D	06		

		U.K Peyjal Nigam	01		
		Police Dept.	01		
		Animal Husbandry	01		
		AYUSH	01		
		Housing Deptt.	01		
	2011-12	Rural Development Deptt.	01	18.09.2013	17.12.2013
		Election Deptt.	01		
		Department Of Labour	01		
		Women Empowerment & Child Development	01		
		Social Welfare Deptt.	02		
		Deptt. of Sports	01		
		Deptt. Of Higher Education	01		
		P.W.D	02		
		Horticulture Deptt.	01		
		Commercial Tax Deptt.	01		
	2012-13	Medical Health & Family Welfare deptt	02	27.11.2014	26.02.2015
		Rural Development Deptt.	02		
		Deptt. Of Irrigation	01		
		Home Deptt.	01		
		Medical Education Deptt.	02		
		Peyjal Deptt.	01		
		Commercial Tax Deptt.	02		
		P.W.D	01		
		Technical Education Deptt.	01		
		Sports & Youth Welfare Deptt.	01		
		Stamp & Registration Deptt.	01		
State Finances	2000-01	Finance and Misc. Departments	All Chapters	23.06.2003	22.09.2003
	2001-02	Finance and Misc. Departments	All Chapters	19.07.2004	18.10.2004
	2002-03	Finance and Misc. Departments	All Chapters	12.01.2005	11.04.2005
	2003-04	Finance and Misc. Departments	All Chapters	05.10.2005	04.01.2006
	2004-05	Finance and Misc. Departments	All Chapters	19.04.2006	18.07.2006
	2005-06	Finance and Misc. Departments	All Chapters	27.06.2007	26.09.2007
	2006-07	Finance and Misc. Departments	All Chapters	07.03.2008	06.06.2008
	2007-08	Finance and Misc. Departments	All Chapters	13.07.2009	12.10.2009
	2008-09	Finance and Misc. Departments	All Chapters	22.09.2010	21.12.2010
	2009-10	Finance and Misc. Departments	All Chapters	29.03.2011	28.06.2011
	2010-11	Finance and Misc. Departments	All Chapters	11.12.2012	10.03.2013
	2011-12	Finance and Misc. Departments	All Chapters	18.09.2013	17.12.2013
District Audit of Nainital	2011-12	Miscellaneous Departments	All Chapters	18.09.2013	17.12.2013
	2012-13	Miscellaneous Departments	All Chapters	27.11.2014	26.02.2015

Appendix 1.2.1
(Reference: paragraph 1.2.8.4; page 15)

Basic amenities in Secondary Schools

Sl. No.	Districts	Total Sec. School	Number of Schools Without								
			Class Room (%)	Toilet (%)	Water (%)	Electricity (%)	Play Ground (%)	Library (%)	Computers Room (%)	Science Lab (%)	Art and Craft Room (%)
1	Almora	256	*56*	*0*	*29*	*31*	*159*	*198*	*120*	*115*	*199*
2	Bageshwar	88	*22*	*0*	*3*	*12*	*70*	*66*	*56*	*54*	*74*
3	Chamoli	187	*3*	*1*	*2*	*35*	*61*	*146*	*84*	*71*	*160*
4	Champawat	102	*27*	*1*	*7*	*14*	*50*	*91*	*69*	*56*	*93*
5	Dehradun	165	*11*	*0*	*4*	*28*	*102*	*115*	*88*	*76*	*136*
6	Pauri	302	*14*	*0*	*23*	*26*	*176*	*248*	*160*	*158*	*274*
7	Haridwar	86	*8*	*4*	*5*	*20*	*42*	*52*	*45*	*43*	*66*
8	Nainital	187	*23*	*1*	*2*	*8*	*79*	*134*	*82*	*93*	*141*
9	Pithoragarh	206	*58*	*1*	*16*	*42*	*121*	*158*	*103*	*113*	*186*
10	Rudraprayag	109	*7*	*0*	*6*	*5*	*57*	*93*	*66*	*55*	*96*
11	Tehri	279	*41*	*24*	*51*	*57*	*169*	*199*	*114*	*118*	*217*
12	U.S. Nagar	122	*16*	*1*	*1*	*2*	*54*	*89*	*61*	*54*	*92*
13	Uttarkashi	122	*27*	*9*	*22*	*37*	*75*	*99*	*66*	*62*	*112*
Total		**2211**	***313 (14)***	***42 (02)***	***171 (08)***	***317 (14)***	***1,215 (55)***	***1,688 (76)***	***1,114 (50)***	***1,068 (48)***	***1,846 (83)***

Source: Information provided by SPD

Appendix 1.12.1
(Reference: paragraph 1.12; page 70)

Details of interest forgone

Improvement/ Strengthening of roads in District Pithauragarh (Phase -II) ,	**Date of recovery**	**Recovered amount (in ₹)**	**Balance Amount (in ₹)**	**No of Days**	**Interest calculation (@10%)**
M/S Gangotri Enterprises					
1- Thal -Ogla M/R (33.18 Km)	**30-03-2009**		**41100000**	260	2927671.23
2- Pithoragarh - Jhulagarh M/R (25.90 Km)	15-12-2009	4222211	36877789	73	737555.78
11PD/PMU/ADB/PWD/2009	26-02-2010	5533823	31343966	33	283383.80
Dated 02-03-2009	31-03-2010	3917670	27426296	52	390730.79
Amount- ₹41312677810.00	22-05-2010	1858925	25567371	9	63042.83
DOS-23-03-2009	31-05-2010	1804755	23762616	115	748685.16
DOC- 22/09/2010	23-09-2010	3345265	20417351	90	503441.53
ADC- Final bill not adjusted	22-12-2010	1886500	18530851	14	71077.24
EOT-31-03-2013	05-01-2011	2249000	16281851	26	115980.31
	31-01-2011	3693500	12588351	28	96568.17
	28-02-2011	3787800	8800551	31	74744.41
	31-03-2011	1676660	7123891	89	173705.84
	28-06-2011	7070891	53000	32	464.66
	30-07-2011	53000	0	0	0.00
	Total	**41100000**			**6187051.75**
Improvement/ Strengthning of roads in District Champawat (Phase -II) ,	**Date of recovery**	**Recovered amount (in ₹)**	**Balance Amount (in ₹)**	**No of Days**	**Interest calculation (@10%)**
M/S Nyimi Enterprises					
1- PCS Mandalak motor road (11.55 Km)	**30-03-2010**	**0**	**17991000**	77	379536.16
2- Lohaghat Valik Motor road (45.71Km)	**15-06-2010**	**0**	**35982000**	133	1311124.93
21PD/PMU/ADB/PWD/2010	26-10-2010	1231000	34751000	34	323707.95
Dated 29-03-2010	29-11-2010	822500	33928500	37	343932.74
₹ 35.98 Crore	05-01-2011	814161	33114339	49	444548.66
	23-02-2011	1720000	31394339	36	309642.80
DOS- 09-05-2010	31-03-2011	1610000	29784339	91	742568.45
DOC -08-11-2011	30-06-2011	1327300	28457039	0	0.00
ADC-Termination of bond dt. 01-07-2011	**Total**	**7524961**			**3855061.69**
EOT					
Improvement/ Strengthning of roads in District Champawat (Phase -II)	**Date of recovery**	**Recovered amount (in ₹)**	**Balance Amount (in ₹)**	**No of Days**	**Interest calculation (@10%)**
M/S Hillways Construction Rishikesh					
(i) PCS Mandalak M/R (11.550 Km)	28-02-2013	0	35682000	92	899381.92
(ii) Lohaghat-Balik M/R (45.710 Km)	31-05-2013	6137540	29544460	29	234736.81
	29-06-2013	4160405	25384055	32	222545.14
	31-07-2013	1385360	23998695	92	604898.61
	31-10-2013	7166172	16832523	26	119902.90
	26-11-2013	1656972	15175551	32	133045.93
05/PD/PMU/ADB/PWD/2012 dated 08.02.2013	28-12-2013	4453698	10721853	34	99874.80
Amount ₹35.68 Crore	31-01-2014	2064572	8657281	59	139939.61
DOS- 01-03-2013	31-03-2014	1500000	7157281	61	119614.83
DOC -24-05-2014	31-05-2014	7157281	0	0	0.00
ADC- 31-10-2014	**Total**	**35682000**			**2573940.55**
EOT- 31-10-2014					

Improvement/ Strengthning of roads in District Almora (Phase -II) ,	**Date of recovery**	**Recovered amount (in ₹)**	**Balance Amount (in ₹)**	**No of Days**	**Interest calculation (@10%)**
M/S Singla Enterprises					
(i) Jalikhan - Naubada M/R (11.330 Km)	05-03-2010		21000000	21	120821.92
(ii) Kalna bend to pantwerali M/R (6.810 Km)	26-03-2010		42000000	189	2174794.52
(iii) Baijnath- Gwaldam M/R (3.190 Km))	01-10-2010	3576700	38423300	58	610562.03
(iv) Udiyari Bend- Sesaghat M/R (43.890 Km)	28-11-2010	2658000	35765300	33	323357.51
	31-12-2010	3304414	32460886	31	275695.20
	31-01-2011	2363300	30097586	28	230885.59
	28-02-2011	3963520	26134066	30	214800.54
18PD/PMU/ADB/2009 Dated 22-01-2010 ₹42.00 Crore	30-03-2011	7524200	18609866	73	372197.32
DOS- 12-02-2010	11-06-2011	6098335	12511531	19	65128.52
DOC -21/08/2011	30-06-2011	2158300	10353231	71	201391.62
ADC- 25-12-2012	09-09-2011	2010800	8342431	21	47997.55
EOT- 25-12-2012	30-09-2011	7463300	879131	4	963.43
	04-10-2011	879131	0	0	0.00
	Total	**42000000**			**4638595.74**
	Grand Total				**17254649.72**

Appendix 1.13.1
(Reference: paragraph 1.13; page 71)

Calculation of amount to be recovered as Liquidated Damages from the contractor

Amount of Contract		**₹ 33024034**	**Contracted period for completion of work : 18 months (for three milestones)**				
Mile Stone	**Time(Period) stipulated for Milestone**	**Financial progress stipulated against milestone**	**Actual date of achieving financial progress prescribed against milestone**	**Nearest bill no. & amount paid to the contractor**	**Delay(days) in achieving of financial progress prescribed in the milestone**	**Amount to be deducted as LD**	**Amount deducted**
1st	6 months (from 15/4/10 to14/10/10)	25% (₹ 82560088)	31/3/11	9th; ₹ 82593388	168	9246729/- (330240354X(1/6000)X168)	₹ 8250000
2nd	6 months (from 15/10/10 to14/4/11)	50% (₹ 165120177)	30/12/11	14th; ₹ 162001671	260	14310415/- (330240354X(1/6000)X260)	No amount was deducted
3rd	6 months (from 15/4/11 to 15/10/11)	100% (₹ 330240354)	20/6/14	Final bill ₹330240354	978	53829177/- (330240354X(1/6000)X978)	No amount was deducted
					Total	*₹ 77386321 (Limited to Rs. 33024035) Say ₹ 3.30 crore*	
For the whole of the works 1/2000th of the initial contract price per day = 330240354X(1/2000)X975 = 160992217 limited to 10% of the initial contract price = ₹ 3.30 crore							

Appendix 1.14.1
(Reference: paragraph1.14.3; page 74)

Statement showing no. of works in which divisions incurred excess expenditure

(***₹ in lakh***)

Name of Division(no. of works)	Initial Cost of Work (estimated)	Deposit funds release by client Department	Up-to-date expenditure	Excess over deposit (4-3)
(1)	**(2)**	**(3)**	**(4)**	**(5)**
CD Dehradun (14)	444.56	341.84	391.20	49.36
CD Dehradun (18)	568.21	568.21	698.86	130.65
Total (32 works)	**1,012.77**	**910.05**	**1,090.06**	**180.01**

Appendix 1.14.2
(Reference: paragraph 1.14.4; page 74)

Statement showing no. of works on which balance funds were not surrendered to the Client Departments

(***₹ in lakh***)

Name of Division (No. of work)	Deposit funds balances	Remark
CD Roorkee (01)	0.42	Unspent balance lying from June 2012.
PD Rudrapur (13)	13.66	Works completed in between April to November 2014.
PD Bhatwari (26)	32.26	Unspent balance lying from July 1997 to December 2010.
Total (40works)	**46.34**	

Appendix 1.14.3
(Reference: paragraph 1.14.5; page 75)

Statement showing cases of time and cost over-run

(*₹ in lakh*)

Name of Division (No. of work)	Name of work	Initial Cost of Work (estimated)	Date of sanction	Deposit amount received	Schedule date of completion (As per Agreement)	Up-to-date expenditure	Revised cost of Work (Revised estimate/ Demand)	Present position of work (May/ June 2015)	Cost overrun lakh (8-3)	Total time overrun (9-6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
CD Dehradun (01)	Construction of 120 residential quarters of Revenue Department in Kedarpuram, Dehradun	452.00	03/2006	452.00	12/2007	452	585.20#	In progress	133.20	(7yrs)
CD Haldwani (02)	Construction of 20 aawas of type-II in civil court, Haldwani	96.07	03/2008, 01/2009	96.07	11/2009	97.01	183.92#	In progress	87.85	(5½yrs)
	Construction of 48 aawas of type-II at Haldwani, Kathgodam and Chorgaliya Thana in Nainital	212.61	03/2009, 11/2009	212.61	10/2010	176.28	53.04*	In progress	53.04*	(4½yrs)
Total (03)		**760.68**		**760.68**		**725.29**	**769.12+ 53.04***		**221.05 +53.04***	

*** Reduction in scope of work**

 # Sanction of revised estimate is awaited

Appendix 1.14.4
(Reference: paragraph 1.14.6; page 77)

Statement showing blockade of funds due to non-availability of land

(**₹** ***in lakh***)

Name of work (Name of Division)	Date of release of funds	Deposit funds release by client Department	Reasons of not taking work
CD Dehradun (1 work)	2/2004	15.00	Guest House (Press Club)
CD Haldwani (1 work)	09/2009	19.18	Land not made available, PWD stated if land was not made available in near future fund will be surrendered
Total (02)		**34.18**	

Appendix 2.8.1
(Reference: paragraph 2.8.2; page 109)

Pendency of Cases in Revenue Department

Financial Year	Pending on 1st April	Instituted during year	Disposal during year	Pending on 31st March
2003-04	16,108	63,515	64,155	15,468
2004-05	15,468	67,082	67,349	15,201
2005-06	15,201	79,479	77,012	17,668
2006-07	17,668	99,345	94,057	22,956
2007-08	22,956	1,09,084	1,10,736	21,304
2008-09	21,304	82,602	80,552	23,354
2009-10	23,354	98,071	92,614	28,811
2010-11	28,811	1,20,469	1,18,586	30,694
2011-12	30,694	1,32,294	1,22,522	40,466
2012-13	40,466	1,62,204	1,66,574	36,096
2013-14	36,096	1,37,813	1,37,466	36,443
2014-15	36,443	1,48,437	1,49,193	35,687

Appendix 3.1.1

(Reference: paragraph 3.1.9.2; page 119)

Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Figures in columns 4 & 6 to 8 are ₹*in crore*)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	2013-14	4.08	2014-15	-	-	-
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited)	1993-94	0.50	1994-95	-	-	-
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)	1986-87	0.50	1987-88	-	-	-
4.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	2004-05	5.94	2005-06	10.40	1.35	23.07
5.	State Industrial Development Corporation of Uttarakhand Limited	2010-11	28.50	2011-12	-	-	-
6.	Uttarakhand State Infrastructure Development Corporation Limited	2012-13	4.00	2013-14	1.00	-	-
7.	Trans cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam limited)	1999-00	1.63	2000-01	-	-	-
8.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	1996-97	0.35	1997-98	-	-	-
9.	Uttar Pradesh Hill Electronics Corporation Limited	1997-98	8.95	1998-99	-	-	-
10.	Kichha Sugar Company Limited	2013-14	17.99	2014-15	-	11.56	-
11.	Doiwala Sugar Company Limited	2013-14	6.00	2014-15	-	15.88	-
12.	Uttarakhand Project Development and Construction Corporation Limited	2011-12	0.05	2012-13	-	-	-
13.	Uttarakhand Power Corporation Limited	2013-14	968.91	2014-15	68.00	221.88	-
14.	Power Transmission Corporation of Uttarakhand Limited	2013-14	292.64	2014-15	95.15	-	-
15.	Kumaon Mandal Vikas Nigam Limited	2004-05	13.42	2005-06	-	-	-
16.	Garhwal Mandal Vikas Nigam Limited	2004-05	5.76	2005-06	-	-	-
17.	Uttarakhand Purv Sainik Kalyan Udham Limited	2010-11	0.05	2011-12	-	-	-
	Total A (Working Government Companies)				**174.55**	**250.67**	**23.07**
B	**Working Statutory corporations**						
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2013-14	2083.78	2014-15	-	-	-
2.	Uttarakhand Parivahan Nigam	2012-13	79.74	2013-14	-	-	-
3.	Uttarakhand Forest Development Corporation	2010-11	-	2011-12	-	-	-
	Total B (Working Statutory Corporations)						
	Grand Total (A + B)						

Appendix 3.1.2

(Reference: paragraph 3.1.1 & 3.1.12.1; pages 113 &120)

Summarised financial position and working results of Government companies and Statutory Corporations as per their latest finalised financial statements/accounts

(Figures in columns (5)) to 12 are *₹in crore*)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A.	**WORKING GOVERNMENT COMPANIES**												
AGRICULTURE AND ALLIED													
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	2013-14	2014-15	4.08	4.03	10.87	93.50	1.02	Non review	38.94	2.66	6.83%	454
Sector Wise Total				**4.08**	**4.03**	**10.87**	**93.50**	**1.02**	Non review	**38.94**	**2.66**	6.83%	454
FINANCE													
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited)	1993-94	2012-13	0.50	0.71	(-) 0.63	0.54	0.07	(-)0.39	1.09	0.10	9.17%	01
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)	1986-87	2002-03	0.50	-	(-) 0.04	0.10	(-) 0.02	-	0.46	(-) 0.02	-	-
4.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	2004-05	2013-14	5.94	7.78	(-) 0.11	-	(-) 0.17	(-)0.02	42.44	0.08	0.19%	82
Sector Wise Total				**6.94**	**8.49**	**(-) 0.78**	**0.64**	**(-) 0.12**	**(-)0.41**	**43.99**	**0.16**	**0.36**	**83**
INFRASTRUCTURE													
5.	State Industrial Development Corporation of Uttarakhand Limited	2010-11	2013-14	28.50	6.00	235.17	2.87	30.01	(-)7.04	272.55	30.49	11.19%	11
6.	Uttarakhand State Infrastructure Development Corporation Limited	2012-13	2014-15	4.00	4.00	(-) 4.12	9.96	0.05	(-)0.31	3.88	0.05	1.29%	96
Sector Wise Total				**32.50**	**10.00**	**231.05**	**12.83**	**30.06**	**(-)7.35**	**276.43**	**30.54**	**11.05%**	**107**
MANUFECTURE													
7.	Trans cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam limited)	1999-2000	2002-03	1.63	2.75	(-) 5.80	2.80	(-) 0.84	-	2.90	(-) 0.84	-	-
8.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	1996-97	1997-98	0.35	7.28	(-) 6.95	0.29	(-) 1.19	-	0.35	(-) 1.19	-	-

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
9.	Uttar Pradesh Hill Electronics Corporation Limited	1997-98	2011-12	8.95	-	(-) 1.17	1.61	(-) 0.31	-	8.96	(-)0.31	-	26
10.	Kichha Sugar Company Limited	2013-14	2015-16	17.99	96.76	(-) 136.95	90.01	(-) 34.95	(-)0.65	(-)73.11	(-)13.94	-	676
11.	Doiwala Sugar Company Limited	2013-14	2014-15	6.00		(-) 199.11	100.62	(-) 38.21	(-)0.11	(-)151.28	(-)16.97	-	536
12.	Uttarakhand Project Development and Construction Corporation Limited	2011-12	2014-15	0.05	-	0.01	0.07	0.01	-	0.05	0.01	-	-
Sector wise total				**34.97**	**106.79**	**(-) 349.99**	**195.40**	**(-)75.49**	**(-)0.76**	**(-) 212.14**	**(-) 33.24**	**-**	**1238**
POWER													
13.	Uttarakhand Power Corporation Limited	2013-14	2015-16	968.91	786.43	(-)1695.38	3773.77	323.40	(-)13.74	481.81	480.45	99.72%	3508
14.	Uttarakhand Jal Vidhyut Nigam Limited	2014-15	2015-16	1075.79	1118.57	259.48	446.16	4.43	(-)3.38	2586.26	112.45	4.35%	2567
15.	Power Transmission Corporation of Uttarakhand Limited	2013-14	2014-15	292.64	571.00	(-) 123.05	201.67	3.34	(-)4.88	999.10	55.48	5.55%	789
Sector Wise Total				**2337.34**	**2476**	**(-) 1558.95**	**4421.60**	**331.17**	**(-)22.00**	**4067.17**	**648.38**	**15.94%**	**6864**
SERVICE													
16.	Kumaon Mandal Vikas Nigam Limited	2004-05	2014-15	13.42	23.23	0.83	114.79	0.50	(-)0.09	38.51	1.54	5.49%	631
17.	Garhwal Mandal Vikas Nigam Limited	2004-05	2014-15	5.76	33.53	6.34	138.54	2.23	(-)2.90	46.47	3.77	8.11%	877
Sector Wise Total				**19.18**	**56.76**	**7.17**	**253.33**	**2.73**	**(-)2.99**	**84.98**	**5.31**	**7.12%**	**1508**
MISCELLANEOUS													
18.	Uttarakhand Purv Sainik Kalyan Udham Limited	2010-11	2013-14	0.05	-	23.92	88.26	6.08	-	24.92	6.08	24.40%	-
Sector Wise Total				**0.05**	**-**	**23.92**	**88.26**	**6.08**	**-**	**24.92**	**6.08**	**24.40%**	**-**
Total A (All sector wise working Government companies)				**2435.06**	**2662.07**	**(-)1636.71**	**5065.56**	**295.45**	**(-)33.51**	**4324.29**	**659.89**	**15.26%**	**10254**
B.	**Statutory corporations**												
INFRASTRUCTURE													
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2013-14	2013-14	2050.06	77.10	(-) 145.97	67.91	(-) 23.87	(-)36.91	2132.92	(-)**15.31**	-	2379
Sector Wise Total				**2050.06**	**77.10**	**(-) 145.97**	**67.91**	**(-) 23.87**	**(-)36.91**	**2132.92**	**(-)15.31**	**-**	2379

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
SERVICE													
2.	Uttarakhand Parivahan Nigam	2012-13	2014-15	79.74	150.52	(-) 327.95	297.61	(-)25.35	(-)7.57	34.46	25.35	**73.56%**	4260
Sector Wise Total				**79.74**	**150.52**	**(-) 327.95**	**297.61**	**(-)25.35**	**(-)7.57**	**34.46**	**25.35**	**73.56**	4260
MISCELLANEOUS													
3.	Uttarakhand Forest Development Corporation	2010-11	2014-15	**-**	**-**	227.80	310.34	36.86	(-)20.64	227.80	36.86	16.18%	3003
Sector Wise Total				**-**	**-**	**227.80**	**310.34**	**36.86**	**(-)20.64**	**227.80**	**36.86**	**16.18%**	**3003**
Total B (All sector wise working statutory corporations)				**2129.80**	**227.62**	**(-)246.12**	**675.86**	**(-)12.36**	**(-)65.12**	**2395.18**	**46.90**	**1.96%**	**9642**
Grand Total (A+B)				**4564.86**	**2889.69**	**(-)1883.83**	**5741.42**	**283.09**	**(-)98.63**	**6719.47**	**706.79**	**10.52%**	
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	UPAI Limited[1]			0.17	-	(-) 0.05	-	-	-	0.10	(-)0.01	**-**	
Sector Wise Total				**0.17**	**-**	**(-) 0.05**	**-**	**-**	**-**	**0.10**	**(-)0.01**	**-**	
MANUFACTURE													
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1989-90	1990-91	0.18		(-) 0.02		(-) 0.02		0.12	(-)0.02		
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Prades h Hill Electronics Corporation Limited)	-	-	-	-	-	-	-	-	-	**-**	**-**	
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited)	-	-	-	-	--	-	-	-	-	**-**	**-**	
Sector Wise Total				**0.18**		**(-) 0.02**		**(-) 0.02**		**0.12**	**(-)0.02**		
Total C (All sector wise non working Government companies)				**0.35**	**-**	**(-)0.07**		**(-)0.02**		**0.22**	**(-)0.03**		
Grand Total (A+B+C)				**4565.21**	**2889.69**	**(-)1883.90**	**5741.42**	**283.07**	**(-)98.63**	**6719.69**	**706.76**	**10.52%**	**19896**
NOTE: Particulars of non working Statutory corporations, if any, may also be added in the similar fashion													

@ Capital employed represents Shareholders fund and long term borrowings

[1] Company under liquidation since 31.03.1991.