

**Chapter-5**  
**Financial Management &**  
**Procurement of Works**



## Chapter-5

### Financial Management & Procurement of Works

Audit noticed that during the tendering process, the implementing agency relaxed the stringent tertiary treatment standards, established by IIT, Roorkee *i.e.* faecal coliform of zero MPN per 100 ml was relaxed to 100 MPN per 100 ml, desirable limit as per norms of National Green Tribunal (NGT). Accordingly, the contracts were awarded for construction/upgradation of Sewage Treatment Plants (STPs) based on the relaxed standards. There were also instances of inadequate recovery of liquidated damages, diversion of funds, non-renewal of bank guarantees, and non-deduction of royalty and labour cess *etc.*

#### 5.1 Availability and Utilisation of funds

Namami Gange is a 100 *per cent* centrally funded scheme. The National Mission for Clean Ganga (NMCG), a society constituted under the provisions of the Environment (Protection) Act, 1986 and responsible for implementation of the Namami Gange programme, releases funds to the State Mission for Clean Ganga (SMCG) on a lump sum basis for the projects<sup>1</sup> approved by it. For earlier projects related to National Ganga River Basin Authority State share includes establishment cost (in a 70:30 sharing pattern) as well as land cost released by State Govt. For forestry interventions, funds are provided to Forest Department. During the period from 2018-19 to 2022-23, the status of availability and utilisation of funds under various components is given in **Table-5.1** below:

**Table-5.1: Availability and Utilisation of funds**

(₹ in crore)

Year	Opening balance	Funds received during the year				Total funds available	Funds utilized	Funds returned to NMCG	Unspent balance
		Central share	State Share for establishment cost	Interest and others	Total				
1	2	3	4	5	6=3+4+5	7=2+6	8	9	10=7-(8+9)
2018-19	79.46	320.57	5.50	1.90	327.97	407.43	378.06	0.13	29.24
2019-20	29.24	104.31	0.30	0.97	105.58	134.82	108.35	0.12	26.35
2020-21	26.35	126.83	1.27	1.39	129.49	155.84	133.51	0.32	22.01
2021-22	22.01	153.16	0.62	2.21	155.99	178.00	158.81	5.50	13.69
2022-23	13.69	90.00	5.25	0.95	96.20	109.89	94.44	15.27	0.18
<b>Total</b>		<b>794.87</b>	<b>12.94</b>	<b>7.42</b>	<b>815.23</b>	<b>985.98</b>	<b>873.17</b>	<b>21.34</b>	

Source: SMCG, Project Management Unit and PD, Forestry Interventions for Ganga Namami Gange.

Audit noticed following shortcomings in management of Namami Gange funds:

#### 5.1.1 Parking of fund by Implementing Agencies

As per Rule 230 (8) of General Financial Rules 2017, all interests, or other earnings against Grants in aid or advances (other than reimbursement) released to any Grantee

<sup>1</sup> Projects related to Interception & Diversion and construction of STPs and River Front Development (Construction of Bathing Ghat and Crematoria).

institution should be mandatorily remitted to the Consolidated Funds of India (CFI) immediately after finalization of the accounts. NMCG requested (December 2020, January 2021 and April 2022) SMCG to surrender the bank interest amount to NMCG at the earliest for deposit into the CFI. SMCG issued (February 2020, August 2021 and November 2021) instructions to all Implementing Agencies (IAs) that once projects are completed and handed over to maintenance agencies, unspent bank balances along with interest lying in their bank accounts were to be surrendered to SMCG for onward surrender to NMCG for deposit into the CFI.

Audit noticed that IAs did not surrender unspent balance of ₹ 1.92 crore<sup>2</sup> and bank interest amounting to ₹ 0.59 crore<sup>3</sup> to SMCG and parked the same in division's bank account. It was in violation of above mentioned rules.

The State Government replied (May 2024) that it had instructed all agencies to promptly return any unused funds, including accrued bank interest. Upon receipt of these funds from the respective executing agencies, the same would be surrendered to NMCG.

## **5.2 Issues related to Tertiary Treatment Process**

Tertiary treatment of wastewater is the third stage (after secondary treatment) of the wastewater treatment and is also known as an advanced treatment<sup>4</sup>. As per the conditions outlined in the Administrative Approval and Expenditure Sanction (AA&ES) provided by NMCG for tertiary treatment projects:

1. The bid document must be technology neutral. Bidders should have the flexibility to choose any suitable technology, provided it achieves the desired treatment outcomes.
2. All conditions recommended by the Appraisal Agency (IIT, Roorkee) in their appraisal report must be adhered to by the State Government and Pey Jal Nigam.

The outcome parameters of water quality of tertiary treated effluent were set by IIT, Roorkee during appraisal of project Detailed Project Reports (DPRs).

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<sup>2</sup> PM, UJN, Ganga Rishikesh: ₹ 0.39 crore; PM, UJN, Ganga Srinagar: ₹ 0.09 crore; EE, ID, Haridwar: ₹ 0.05 crore; EE, ID, New Tehri: ₹ 0.02 crore; EE, ID, Srinagar: ₹ 0.02 crore; EE, ID, Uttarkashi: ₹ 0.96 crore and UPDCC: ₹ 0.39 crore (Total: ₹ 1.92 crore).

<sup>3</sup> PM (Mech), UJN, Ganga Haridwar: ₹ 0.07 crore; PM, UJN, Ganga, Haridwar: ₹ 0.03 crore; PM, UJN, Ganga, Srinagar: ₹ 0.03 crore; PM, UJN, Ganga, Gopeshwar: ₹ 0.06 crore; EE, MD, UJS, Ganga, Haridwar: ₹ 0.08 crore; EE, MD, UJS, Devprayag: ₹ 0.01 crore; EE, MD, UJS, Rudraprayag: ₹ 0.0005 crore; EE, MD, UJS, Pauri: ₹ 0.004 crore; EE, MD, UJS, Karnaprayag: ₹ 0.0009 crore; EE, MD, UJS, Gopeshwar: ₹ 0.01 crore; EE, ID, Haridwar: ₹ 0.02 crore; EE, ID, Srinagar: ₹ 0.11 crore; UPDCC: ₹ 0.03 crore and UKPCB: ₹ 0.13 crore (Total: ₹ 0.59 crore).

<sup>4</sup> Tertiary treatment includes processes like filtration, ion exchange, activated carbon absorption, electro dialysis, nitrification, and denitrification.

In Haridwar, two STPs (68 MLD STP Jagjeetpur and 14 MLD STP Sarai) were planned to be established as tertiary treatment STPs. Besides, two more STPs (27 MLD Jagjeetpur and 18 MLD Sarai) have been upgraded to tertiary treatment level by installing additional equipment/plant. The details of these STPs are given in **Table-5.2** below:

**Table-5.2: Details of STPs planned for Tertiary Treatment Plant**

Place	Capacity	Commissioning Year	Treatment Status
Jagjeetpur	27 MLD	2009	Upgraded to Tertiary Treatment Plant (TTP) in 2017
	68 MLD	2020	Approved for establishment as TTP, currently operates with secondary treatment
Sarai	14 MLD	2020	Approved for establishment as TTP, currently operates with secondary treatment
	18 MLD	2014	Upgraded to TTP in 2017

Audit noticed following irregularities regarding establishment and upgradation of tertiary treatment STPs.

### 5.2.1 Establishment of Secondary Treatment STPs under the name of Tertiary Treatment Plants

In 2016, the implementation agency Uttarakhand Jal Nigam<sup>5</sup> (UJN) prepared a proposal to establish a 68 MLD STP in Jagjeetpur and a 14 MLD STP in Sarai, both with tertiary treatment standards. The project's DPRs were vetted by IIT, Roorkee (November and December 2016). IIT, Roorkee established stringent norms for tertiary treatment, including a faecal coliform standard of zero MPN per 100 ml, which was 230 MPN per 100 ml in the DPRs, permissible limit as per norms of NGT. The DPRs with stringent norms, were subsequently approved by NMCG in March 2017.

Audit noticed that during the tendering process, the implementing agency relaxed the tertiary treatment standards, for instance, the faecal coliform requirement was relaxed to 100 MPN per 100 ml, desirable limit as per norms of NGT. Accordingly, the contract was awarded (October 2017) for construction of two STPs based on the relaxed norms of 100 MPN per 100 ml.

It was further noticed during audit that current performance of these STPs falls short of even the relaxed secondary treatment norms specified in the agreement, as given in **Table-5.3** below:

**Table-5.3: Performance of STPs**

Parameter	Tertiary Treatment Norm as per IIT	Secondary Treatment Norms (Agreement with Contractor)	Performance of 68 MLD STP	Performance of 14 MLD STP
TSS	5 mg/L	≤10 mg/L	25	14
Faecal Coliform	0 MPN/ 100 ML	≤100 MPN/ 100 ML	17 X 10 <sup>3</sup>	22 X 10 <sup>3</sup>

*Note: Performance of STPs has been taken from CPCB testing report April- July 2023.*

<sup>5</sup> PM, Construction and Maintenance Division, UJN, Ganga, Haridwar.

The State Government replied (May 2024) that both the STPs were constructed for achieving the treatment standards as specified in DPR and as per NGT norms.

The reply is not acceptable because the faecal coliform standard of Zero MPN per 100 ml, as specified by IIT, Roorkee was not followed during construction of these STPs.

### **5.2.2 Upgradation of STPs to Tertiary Treatment Plants**

The implementation agency Uttarakhand Jal Nigam submitted a proposal in May 2016 for upgradation of existing 27 MLD STP (Jagjeetpur) and 18 MLD STP (Sarai) to Tertiary Treatment Plants. The project's DPR, vetted by IIT, Roorkee, (November 2016) set stringent norms for tertiary treatment, including a faecal coliform standard of zero MPN per 100 ml, which was 100 MPN per 100 ml in the DPRs, desirable limit as per norms of NGT. The DPRs with stringent norms were subsequently approved by NMCG in March 2017.

Audit noticed that during the tendering process, the implementing agency continued with the faecal coliform norm of 100 MPN per 100 ml and accordingly awarded the contract (October 2017) for upgradation of two STPs.

Further, in its proposal, the implementation agency had cited Nilothi STP in Delhi as a model for upgrading the STPs in Haridwar to tertiary treatment. The Nilothi STP operates on tertiary treatment and was found to achieve a faecal coliform level of zero MPN per 100 ml during NGT inspection. Despite this, the stringent tertiary norms set by IIT, Roorkee were disregarded and relaxed during the tendering stage.

The State Government replied (May 2024) that performance was relaxed in the bid document as per then prevailing NGT norms.

The reply is not acceptable because the faecal coliform standard of zero MPN per 100 ml, as specified by IIT, Roorkee was not followed during upgradation of these STPs.

### **5.3 Non-operation of master control station**

A Master Control Station (MCS) was built for real-time monitoring of the 18 Sewerage Pumping Station in Haridwar at a cost of ₹ 0.40 crore by Project Manager, UJN, Haridwar and handed over to Uttarakhand Jal Sanathan (UJS), Haridwar. During audit, it was found that the MCS was not operational since January 2022. Executive Engineer (UJS-Ganga), Haridwar informed that it was not operated due to insufficient manpower and paucity of funds. Hence, due to non-operation of MCS, all 18 Sewerage Pumping Stations in Haridwar remained unmonitored by technology in this period.

The State Government accepted the above facts (May 2024) and stated that MCS was not running due to shortage of skilled software engineer. Now trained person has been deployed and MCS system is operational and all Sewerage Pumping Station are being monitored by MCS.

#### 5.4 Commencement of work before obtaining technical approval from competent authority

Para 318 of Financial Handbook Volume VI explicitly provides for obtaining technical sanction from competent authority before work is commenced.

Audit noticed that ghat/crematoria development works were executed by six Irrigation divisions<sup>6</sup> under Namami Gange program during the audit period. Out of six divisions, four divisions commenced the Construction works before getting technical sanction from competent authority (as detailed in *Appendix-5.1*).

The State Government replied (May 2024) that due to importance and urgency of work and upcoming monsoon, tenders of some works were invited, and work was started in the anticipation of the technical sanction from the competent authority. It further added that technical sanction was obtained from the competent authority at initial stage of the works.

The reply is not acceptable due to the significant delay in obtaining technical sanction for all works, which extended from one month to eight months. Moreover, compliance with the applicable rules regarding technical sanction was also neglected.

#### 5.5 Excess expenditure on project preparation and supervision charges

The extent guidelines for Namami Gange Programme provide that a maximum of four *per cent* of basic capital cost as per AA&ES is admissible towards each DPR preparation and project supervision. If the agreement cost is lower than the AA&ES cost, the four *per cent* limit will be applicable on the agreement cost. Expenses on each project preparation and project supervision will be limited to the four *per cent* of lower of AA&ES/agreement cost.

Audit noticed that three Project Managers of Peyjal Nigam (Ganga divisions) incurred expenditure of ₹ 1.83 crore (₹ 1.05 crore<sup>7</sup> on project preparation and ₹ 0.78 crore<sup>8</sup> on supervision charges) in excess of above ceiling from project funds which was in violation of instructions of the NMCG. This excess expenditure was due to all actual expenditure on project preparation and supervision charges being borne on project funds. Details of excess expenditure are given in **Table-5.4** below:

**Table-5.4: Excess expenditure on project preparation and supervision charges**

Implementing Agency	Project	Sanctioned capital cost	Agreed capital cost	As per provision		Actual expenditure		Excess expenditure	
				PP@4%	PS @4%	PP	PS	PP	PS
UJN, Haridwar	14 MLD STP Sarai	2,315.42	4,140.00	92.62	92.62	128.86	151.45	36.24	58.83
	68 MLD STP Jagjeetpur	10,209.42	9,930.00	397.20	397.20	444.63	-	47.43	-
<b>Total</b>								<b>83.67</b>	<b>58.83</b>

(₹ in lakh)

<sup>6</sup> EE, ID, Haridwar, Rudraprayag, Tehri, Tharali, Srinagar and Uttarkashi.

<sup>7</sup> Project preparation [PM, UJN, Haridwar: ₹ 0.84 crore {₹ 0.36 crore + ₹ 0.48 crore} + PM, UJN, Srinagar: ₹ 0.15 crore and PM, UJN, Chamoli: ₹ 0.06 crore] (Total: ₹ 1.05 crore).

<sup>8</sup> Project supervision (PM, UJN, Haridwar: ₹ 0.59 crore + PM, UJN, Chamoli: ₹ 0.19 crore) (Total: ₹ 0.78 crore).

Implementing Agency	Project	Sanctioned capital cost	Agreed capital cost	As per provision		Actual expenditure		Excess expenditure	
				PP@4%	PS @4%	PP	PS	PP	PS
UJN, Srinagar	3.5 MLD STP upgradation Srinagar	405.28	350.00	14.00	14.00	27.02	-	13.02	-
	I&D with six STPs Rudraprayag	727.31	629.30	25.17	25.17	26.62	-	1.45	-
	I&D with two STPs Srikot	395.83	317.50	12.70	12.70	13.45	-	0.75	-
<b>Total</b>								<b>15.22</b>	
UJN, Gopeshwar	I&D with two STPs Badrinath	934.73	654.88	26.20	26.20	32.06	29.67	5.86	3.47
	I&D with two STPs Joshimath	3,706.76	2,921.03	116.84	116.84	93.47	129.96	-	13.12
	I&D with five STPs Chamoli	2,912.11	2,710.80	108.43	108.43	108.43	111.19	-	2.76
<b>Total</b>								<b>5.86</b>	<b>19.35</b>
<b>Grand Total</b>								<b>104.75</b>	<b>78.18</b>

PP or PS @ four per cent of (capital cost as per sanction or as per agreement whichever is less).

The State Government replied (May 2024) that expenditure on project preparation and supervision charges was as per actual expenses.

The reply is not acceptable as they overlooked the condition of limiting the expenses to the lower of AA&ES/agreement cost.

## 5.6 Short recovery of Liquidated damages

In compliance of Rule 43 of Uttarakhand Procurement Rules, 2017, specific provision is included in every contract for liquidated damages to be imposed upon the contractor for delay in completion of work. As per agreements, 0.50 per cent of the contract price per week was to be recovered from contractors as liquidated damage for delay in completion of works subject to maximum ceiling of 10 per cent of the contract price.

Audit noticed following instances where liquidated damage was imposed less on discretionary basis:

Contractors did not complete three works related to sewage projects in three IAs<sup>9</sup> in due time. The works were completed late by 530 to 1,216 days. Divisions imposed only ₹ 0.89 crore against required liquidated damages of ₹ 20.59 crore. Thus, Department short recovered liquidated damages of ₹ 19.70 crore on agreed contract value of ₹ 205.88 crore (as detailed in *Appendix-5.2*).

The State Government replied (May 2024) that due to Covid-19 pandemic, land sliding and excess rainfall, schemes could not be completed within stipulated time.

The State Government's reply is not acceptable, as all construction activities related to 'Namami Gange' projects were officially permitted during the Covid-19 period and thus the pandemic does not justify the delay. Moreover, payment to contractors without

<sup>9</sup> PM, UJN, Ganga Rishikesh, Srinagar and Gopeshwar.

imposing liquidated damages for delays due to monsoon and intermittent rainfall was unjustified, as such seasonal conditions are already accounted for in the project timelines, as per various government orders. Contractors are required to plan and mobilize resources to complete works on time despite seasonal hindrances. Additionally, the cited reasons land sliding and excess rainfall do not justify delays of 530 to 1,216 days. Hence, liquidated damages should have been recovered as per rules.

### **5.7 Lack of insurance cover for work under Namami Gange**

Uttarakhand is a hilly state with severe rainfalls damaging numerous infrastructure projects/assets every year. Natural disaster during construction period of a project can unexpectedly raise cost of project. To ward off such unexpected cost escalation, government has included compulsory option of insurance in general conditions of contract and special condition of contract. The contractor at his own cost shall provide insurance cover. If the contractor does not provide the required insurance policies and certificates within stipulated time, the employer may affect the insurance and recover the premium from the contractor.

Scrutiny of records revealed that contractors under three IAs did not buy/renew insurance cover for works under nine agreements<sup>10</sup>. The cost of these agreement was ₹ 239.01 crore. It was not only against the general conditions of contract provisions but also exposed the schemes towards the risk of being affected by natural disasters and resulting in cost escalation on this count. The example of property loss, in the case of damage to STP near Anoop Negi School in Rudraprayag and loss of human lives in the case of electrocution in the Chamoli STP (**Case 1 and 2 of para 2.6 of Chapter 2**) highlight the need for having proper insurance of projects.

The State Government replied (May 2024) that as per conditions of contract bond, the insurance to be provided by contractor should be valid up to the end date of defect liability period.

The reply is not acceptable because all the agreements had been executed with the operation and maintenance (O&M) for 15 years. O&M period of all these STPs are running, and defect liability period is also still going on. So, work of O&M should also be insured.

### **5.8 Bank guarantee not renewed**

As per general conditions of contract, the performance security shall be provided to the employer no later than the date specified in the letter of acceptance and shall be issued in an amount and form by a bank or surety acceptable to the employer and denominated

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<sup>10</sup> UJN, Rishikesh: (1) 18/GM/2017-18 (₹ 4.12 crore), (2) 20/GM/2017-18(₹ 67.02 crore), (3) 01/GM/2021-22 (₹ 6.38 crore); UJN, Gopeshwar: (4) 01/GM/2016-17 (₹ 1.40 crore), (5) 14/GM/2017-18 (₹ 10.48 crore); UJN, Srinagar: (6) 10/GM/2017-18(₹ 3.77 crore), (7) 02/GM/2019-20 (₹ 6.70 crore); UJN, Gopeshwar/Srinagar: (8) 15/GM/2017-18 (₹ 69.03 crore), (9) 19/GM/2017-18 (₹ 70.11 crore) (Total: ₹ 239.01 crore).

in Indian Rupees. The performance security shall be valid until a date 60 days from the date of expiry of defects liability period. Further, as per para-52.2, the performance security shall be released to the contractor after the completion of defects liability period and also when the Engineer has certified that all defects notified by the engineer to the contractor before the end of the period have been corrected.

Further as per contract data, the defects liability period is 12 months from the date of certification of completion of the whole work.

During scrutiny of records of IAs, it was seen that the bank guarantees of three agreements amounting to ₹ 2.18 crore<sup>11</sup> submitted for performance security had been expired and were not renewed by the contractors. Since O&M of these agreements are in running, IAs should take fresh/validated bank guarantee from the contractors.

The State Government accepted (May 2024) the fact and stated that contractors (related to UJS/UJN, Gopeshwar) had been asked for submission of renewed bank guarantee. In the meantime, executing agency has withheld the payments of O&M till submission of bank guarantee. Hence, fresh bank guarantee was awaited. In case of agreement related to Haridwar, it was informed that bank guarantee was renewed (in February 2024) up to October 2030.

## 5.9 Additional performance security not deposited

Uttarakhand Government has fixed (January 2013) additional performance security<sup>12</sup> for accepting the tender at the rate lower than the departmental rate in the construction works.

Audit noticed that General Manager (GM), Ganga entered (September 2017 and May 2018) into two agreements<sup>13</sup> with contractors for construction of STPs. Agreement No.02/GM/2018-19 was executed at 7.05 *per cent* below of estimated cost whereas agreement No.11/GM/2017-18 was executed at 10.13 *per cent* below. As per above government order, amount of ₹ 4.76 crore<sup>14</sup> and ₹ 3.10 crore<sup>15</sup> should have been taken as additional performance security from respective contractors but it was not taken. Details are given in **Table-5.5** below:

<sup>11</sup> 01/GM/2018-19 (UJS Gopeshwar): ₹ 0.03 crore, 14/GM/2017-18 (UJN/UJS, Gopeshwar): ₹ 0.39 crore and 17/GM/2017-18 (UJS Haridwar): ₹ 1.76 crore (Total: ₹ 2.18 crore)

<sup>12</sup> The amount of additional performance security shall be worked out as follows:

(i) upto five *per cent* below the estimated cost: No additional performance security and  
(ii) from five *per cent* below to 15 *per cent* below the estimated cost: an additional performance security of 0.5 *per cent* of the estimated cost for every one *per cent* below the estimated cost.

<sup>13</sup> (1) Agreement No.-02/GM/2018-19 contract amount- ₹ 126.37 crore of UJN, Rishikesh (estimated cost: ₹ 135.96 crore) (2) Agreement No.-11/GM/2017-18 contract amount- ₹ 55.78 crore of UJN, Haridwar (estimated cost: ₹ 62.07 crore).

<sup>14</sup> Agreement No.-02/GM/2018-19 estimated cost - ₹ 135.96 crore (₹ 135.96 crore X 0.50 *per cent* X 7 = ₹ 4.76 crore).

<sup>15</sup> Agreement No.-11/GM/2017-18 estimated cost - ₹ 62.07 crore (₹ 62.07 crore X 0.50 *per cent* X 10 = ₹ 3.10 crore).

**Table-5.5: Non deposit of additional performance security by contractors**

Sl. No	Agreement No.	Estimated Cost (₹ in crore)	Rate of agreement (in per cent)	Add. Performance security (₹ in crore)
01	02/GM/2018-19	135.96	7.05 below	4.76
02	11/GM/2017-18	62.07	10.13 below	3.10
			<b>Total</b>	<b>7.86</b>

The State Government replied (May 2024) that department did not foresee any risk in execution of works and did not ask for additional performance guarantee.

The reply is not accepted as GM, Ganga overlooked provisions of financial rules in providing relaxation to the contractors.

### **5.10 Irregular expenditure from Namami Gange Funds**

Standards of financial propriety (Rule 21 of General Financial Rules) stipulate that every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands. Hence, any procurement of works should invariably follow principles of economy.

In 2016, SMCG submitted a DPR for upgradation of 27 MLD STP Jagjeetpur to tertiary treatment level to NMCG. An item 'Rehabilitation of Existing Digester and Sludge Drying Bed' with capital cost of ₹ one crore was also included in the DPR.

Scrutiny of records of Project Manager, Construction and Maintenance Unit (Ganga), UJN, Haridwar revealed that the digester item was neither related to the 27 MLD STP nor had anything to do with the tertiary treatment process, for which DPR was submitted. The digester was instead a part of 18 MLD STP Jagjeetpur and was intended for production of biogas. Hence proposing expenditure on this item for upgradation of 27 MLD STP Jagjeetpur to tertiary treatment was irregular.

The State Government replied (May 2024) that sludge generated in both the STPs (18 MLD and 27 MLD STP) was being treated together at sludge units. All the sludge from 18 MLD and 27 MLD was being pumped into digesters and then sent to sludge drying beds. Hence, digester and sludge drying units are integral part of both 18 MLD STP and 27 MLD STP.

The reply is not acceptable because digester was not used for treating sludge but for producing biogas which was not a tertiary treatment process. Hence, charging expenditure for digester and sludge drying beds from tertiary treatment plants was irregular.

### **5.11 Royalty and amount for District Mineral Fund not deducted**

As per Uttarakhand Sub-Minerals (Avoidance) (Amendment) Rules 2016, mandatory contribution in District Mineral Fund (DMF) will be payable for extraction of minerals at the rate fixed from time to time. Further, as per Rule-10 of Uttarakhand District

Mineral Foundation Rule 2017, an additional amount equal to 25 *per cent* of royalty shall be deposited in the DMF.

During scrutiny of vouchers<sup>16</sup> of forestry interventions for Ganga, it was noticed that royalty and DMF amounts were not deducted by divisions from contractor bills despite the fact that boulder and *bajri* were used during construction works. Further, the consumption statement of sub-minerals and Form-J/MM-11 was not enclosed with the bills/vouchers.

The State Government replied (May 2024) that works were executed by contractors in which minerals such as sand and gravel were not used by six IAs<sup>17</sup>.

The reply is not acceptable as it was noticed during scrutiny of vouchers that sand and gravel were used in the construction of walls, check dams, *etc.* Hence, non-deduction of royalty as well as DMF from the contractor's bills was irregular, and the divisions provided undue benefits to the contractors.

### **5.12 Labour cess not deducted**

As per provisions of Uttarakhand Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005, establishments which had employed on any day of the preceding 12 months, 10 or more building workers in any building or other construction work are required to pay labour cess at the rate not exceeding two *per cent* and not less than one *per cent* of the total cost of construction incurred by an employer.

During scrutiny of voucher of eight implementing offices, it was noticed that labour cess was not deducted by divisions from contractor bills, and they made a payment of ₹ 59.45 crore<sup>18</sup> against the bills submitted by contractors without deducting the labour cess of ₹ 0.59 crore.

The State Government replied (May 2024) that deduction of labour cess was not made due to the non-provision of labour cess in the scheduled rates of the seven divisions<sup>19</sup>.

The reply is not acceptable as non-deduction of labour cess by the implementing offices was an undue favour to the contractor and violated provisions for labour welfare.

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<sup>16</sup> (1) Divisional Forest Officer (DFO), Soil Conservation, Lansdowne (Pauri) (2) DFO, Tehri Dam-I, New Tehri (3) DFO, Forest Division, New Tehri (4) DFO, Rajaji Tiger Reserve, Dehradun (5) DFO, Forest Division, Mussoorie (6) DFO, Forest Division, Haridwar.

<sup>17</sup> Royalty challans have been deposited by three divisions (DFO, Rajaji Tiger Reserve, Dehradun, DFO, Forest Division, Rudraprayag and DFO, Forest Division, Haridwar).

<sup>18</sup> (1) Alaknanda Soil Conservation Forest Division, Gopeshwar - ₹ 3.35 crore (2) Civil and Soyam Forest Division, Pauri-₹ 8.20 crore (3) Rudraprayag Forest Division - ₹ 6.59 crore (4) Tehri Dam I-₹ 15.71 crore (5) Tehri Forest Division - ₹ 12.70 crore (6) SC Division, Lansdowne - ₹ 8.20 crore (7) Gangotri National Park, Uttarkashi - ₹ 1.54 crore (8) DFO, Mussoorie - ₹ 3.16 crore (Total: ₹ 59.45 crore).

<sup>19</sup> Deduction has been reported by one division (Alaknanda Soil Conservation Forest Division, Gopeshwar).

**5.13 Recommendation**

*The State Government may review the instances of non-compliance as highlighted in this chapter and initiate appropriate remedial action.*

Dehradun  
The 25 June 2025



(SANJEEV KUMAR)  
Accountant General (Audit)  
Uttarakhand

**Countersigned**

New Delhi  
The 01 July 2025



(K. SANJAY MURTHY)  
Comptroller and Auditor General of India

