

Overview

OVERVIEW

This Report contains the following Chapters:

Chapter-1: Introduction

Chapter-2: Compliance Audit Observations relating to **Departments**
(**Excluding Departments of Revenue Sector and PSUs**)

Chapter-3: Compliance Audit Observations Relating to **Departments of Revenue Sector**

Chapter-4: Audit Observations of **State Public Sector Enterprises**.

The total financial impact of the audit findings included in the Report is ₹ 3,101.07 crore.

Chapter-1: Introduction

The audit of 60 Departments of Government of Uttarakhand along with 32 Public Sector Undertakings and 48 other entities (Autonomous Bodies/Authorities, etc.) thereunder, comes under the audit jurisdiction of the Accountant General (Audit), Uttarakhand. During the year 2021-22, out of total 48,755 auditable units under the 60 Departments of Government of Uttarakhand, the office of the Accountant General (Audit), Uttarakhand conducted the compliance audit of 503 units under 39 Departments. This Report contains results of eight Subject Specific Compliance Audits (SSCAs) on Uttarakhand Disaster Recovery Project- Additional Financing, 'Management and Execution of Kumbh Mela works', Pradhan Mantri Kaushal Vikas Yojana 2.0 (PMKVY 2.0), Short Levy of Stamp Duty and Registration Fee due to misclassification of documents, Infrastructure Development under Central Schemes of PRASHAD and Swadesh Darshan Scheme, 'Establishment and utilization of Modern Record Rooms (MRRs) under Digital India Land Records Modernization Programme (DILRMP)' Project Management by Power Transmission Corporation Uttarakhand Limited and Department's Oversight on GST Payments and Return Filing and 15 compliance audit paragraphs pertaining to eleven Departments including two PSU.

Recoveries at the instance of Audit

During the course of audit, recoveries of ₹ 275.57 crore pointed out in 33 cases in various Departments/Entities were accepted by the respective Department/Entities. Against this, recoveries of ₹ 0.02 crore (0.007 per cent) in 03 cases were affected.

Chapter-2: Compliance Audit Observations relating to Departments (Excluding Departments of Revenue Sector and PSUs)

Audit Paragraphs

Unfruitful expenditure of ₹ 2.98 crore and unresolved dispute of ₹ 1.74 crore between the Department and the contractor

Poor financial management and lack of accountability resulted in unfruitful expenditure of ₹ 2.98 crore on abandoned work and in unresolved disputes pertaining to contractor's outstanding, dues even after 69 months of termination of the contract.

(Paragraph 2.1; page no. 9)

Unfruitful expenditure of ₹ 10.79 crore on communication media

A project for creation of communication media to showcase developments in and around Kedarnath, post disaster in 2013, was undertaken at a cost of ₹ 10.79 crore without due process of administrative and financial procedures. The whole expenditure remained unfruitful.

(Paragraph 2.2; page no. 10)

Subject Specific Compliance Audit on Uttarakhand Disaster Recovery Project-Additional Financing (UDRP-AF)

The UDRP-AF authorities could not manage the UDRP-AF program in a planned manner as 23 identified works of bridges, road/riverbank protection and SDRF (Phase-II) training facility were not taken up whereas programme funds of ₹ 75.81 crore were utilised for out-of-scope works. The estimation/approval of works was found deficient as 43 works (out of total 74) were over-estimated, faulty designs were adopted, excessive DPRs were prepared and Steel Truss Bridges were being constructed against sanctioned Suspension Bridges which could have been avoided with due diligence.

The programme delivery mechanism was lacking as persistent delays were noticed in finalisation of tenders/award of contracts and timely procurement of medical equipment under Contingency Emergency Response Component during Covid-19 pandemic. The completion of 96 *per cent* of works was delayed and possibility of completion of construction of two bridges and a public building costing ₹ 82.35 crore even within extended time of UDRP-AF was remote due to very slow progress. There were instances of overpayment, undue advantages to the contractors and unjustified consumption of excess materials for works, which requires action to prevent the recurrence of such instances.

(Paragraph 2.3; page no. 13)

Recommendation :

The Government may consider:

- **Fixing responsibility of departmental authorities for faulty DPRs and undue advantage to the contractors which have led to extra burden on the exchequer.**

Subject Specific Compliance Audit on Pradhan Mantri Kaushal Vikas Yojana 2.0 (PMKVY 2.0)

PMKVY 2.0 scheme in Uttarakhand was launched by the Ministry of Skill Development and Entrepreneurship with the objective of providing skill/employment-oriented training to unemployed youth and school/college dropouts.

More than 90 *per cent* of candidates of 130 batches had failed/not certified, however ₹ 1.61 crore was not adjusted/recovered from the concerned Training Partners (TPs). None of the 39,353 successfully certified candidates was paid the monetary reward of ₹ 500, resulting in non-payment of ₹ 1.97 crore to the eligible candidates. Despite successful completion and certification of non-residential skill

training programs, 22,314 female candidates were not provided monthly conveyance support amounting to ₹ 2.23 crore.

None of the 16,489 placed candidates received placement support amounting to ₹ 3.79 crore. Out of total 48,389 enrolled candidates, Induction Kits were provided to only 7,525 candidates and Handbooks were provided to only 8,504 candidates. Test check of records also showed instances of discrepancies in documents provided as proof of placement by Training Partners viz., absence of chronology of dates of transactions, same transaction numbers, same dates and same amount of money shown withdrawn in respect of different candidates in bank statements of candidates, indicating tampering of records. There were also instances of TPs having claimed placement of candidates in different organizations, however these organizations were not found at the mentioned addresses.

Out of 98 TPs, 31 TPs had not provided even a single placement for the entire five-year duration of scheme, however, the department did not take cognizance of the poor performance of these TPs and paid total ₹ 3.89 crore for training of 5,610 candidates. Scrutiny of MIS data revealed discrepancies like 511 candidates who failed or remained absent during the assessment being shown as placed by 41 TPs, which pointed towards lack of authenticity in the data on the portal. It was evident that weak oversight by the department and ineffective verification of claims of TPs and Sectoral Skill Councils led to instances of Training Partners having submitted false MIS data related to placements, as identified in physical verification by audit.

Thus, implementation of PMKVY in Uttarakhand was mired with several internal control weaknesses and irregularities.

(Paragraph 2.4; page no. 36)

Recommendations:

The Government may consider:

- ***Standard Operating Procedures should be adhered to and effective monitoring mechanism needs to be in place to provide skilled training and employments to unemployed youth;***
- ***Checklists, conduct of inspections and internal audit, system of reports/ returns and its review are enforced which will help in detection of irregularities;***
- ***The claims of training, certification and placement submitted by all Training Partners and Sectoral Skill Councils should be investigated to ensure their authenticity and strict action should be taken in respect of bogus claims.***

Subject Specific Compliance Audit on Infrastructure Development under Central Schemes of PRASHAD and Swadesh Darshan

Due to non-availability of land and other issues related to site clearance, No Objection Certificate (NOC) from specified Authorities, etc, 10 out of 68 components of Heritage Circuit and 22 out of 71 components of Kedarnath Project, costing ₹ 50.33 crores were either dropped or their location/scope was changed. Expenditure

of ₹ 3.94 crore incurred on five components of Heritage Circuit remained unfruitful due to wrong site selection.

The Department's O&M Plans were deficient as no O&M Plan was submitted for the Kedarnath project and almost all major components constructed under the Heritage Circuit, Badrinath and Kedarnath project remained inoperative for 30 to 64 months after their construction. Due to wrong site selection and absence of proper O&M, 16 components under the Heritage Circuit costing ₹ 14.41 crore and 10 components costing ₹ 8.94 crore in the Kedarnath & Badrinath Project under Pilgrimage Rejuvenation and Spiritual, Heritage Augmentation Drive (PRASHAD) remained un-utilised despite a significant lapse of time since their completion.

Five Interpretation/Information Centres costing ₹ 4.88 crore were constructed at different locations under Heritage Circuit and Kedarnath Project, however all the Interpretation centres were found inoperative and locked during joint physical inspection (August & October 2022).

Delay in formation of the Monitoring Committee, non-holding of meetings as of March 2022 and the absence of any post-construction monitoring mechanism showed lack of effective monitoring mechanism in the Department.

(Paragraph 2.5; page no. 45)

Recommendations:

The Government may consider:

- *The site should be selected based on requirement, for which a database, on tourist influx, the survey of tourist facilities, and complaints/inputs from tourists should be prepared.*
- *Proper and successful Operation and Maintenance of infrastructure is the basis for the fulfilment of the objective of the scheme. Thus, proper O&M of created infrastructure should be ensured by the Department.*

Audit Paragraphs

Expenditure of ₹ 8.06 crore on engagement of consultant

The Department did not invite tenders and made payment to the consultant in contravention of rules resulting in irregular expenditure of ₹ 8.06 crore.

(Paragraph 2.6; page no. 60)

Excess expenditure of ₹ 75.49 lakh due to irregular purchase

Department neither complied with the Rules nor implemented and ensured a transparent, competitive and effective procurement process, which resulted in excess expenditure of ₹ 75.49 lakh.

(Paragraph 2.7; page no. 61)

Subject Specific Compliance Audit on Management and Execution of Kumbh Mela works

The Kumbh Mela, 2021 organized at Haridwar (Uttarakhand) was marred with irregularities in COVID-19 pandemic testing, improper award of works, faulty execution and planning by various departments, as follows.

Test check of records showed that 13 projects to be executed were cancelled and ₹ 36.99 crore, placed at the disposal of these projects, was not refunded to the State Government, resulting in parking of funds.

There were instances of delayed supply of medical equipment and non-levy of liquidated damages. While empanelment of laboratories was done by the Meladhikari, there was non-adherence to the criteria in the expression of interest for shortlisting of laboratories.

There were instances of executing additional works without approval of the Mela Administration, splitting of works and execution of works by two divisions without necessary financial sanction, short receipt of steel after dismantling of the structure and avoidable cost escalation of ₹ 5.52 crore for construction of temporary roads etc.

However, Crowd Management by the Police Department using Police Surveillance System (PSS), with use of artificial intelligence was appreciable.

(Paragraph 2.8; page no. 63)

Recommendation:

The Government may consider:

- *The timely procurement and installation of equipment related to health and security for such events of mass gatherings.*

Chapter-3: Compliance Audit Observations Relating to Departments of Revenue Sector

Subject Specific Compliance Audit Report on Short Levy of Stamp Duty and Registration Fee due to misclassification of registered documents

Test check revealed a number of systemic deficiencies like no provision for linking correction deed with its original deed in the software, no Integration of Bhulekh records with the Registration system to verify land records, no web service link with Electoral authority, Income tax authority, Transport authority and Unique Identification for verification of identity and reference of cases of misclassification of instruments to Collector, Stamp under inappropriate sections of the Stamp Act. Besides, compliance issues related to short levy of Stamp Duty and Registration Fee due to misclassification of documents were noticed i.e release, mortgage, correction, settlement and partition deeds, distinct shares, family transfer cases and power of attorney cases.

Thus, relevant provisions of the Acts, Rules and Manuals were not strictly adhered to by the Registering Authorities for classification of documents for levying appropriate Stamp Duty and Registration Fee that resulted in loss of revenue to the State Government of ₹ 6.63 crore.

(Paragraph 3.1; page no. 79)

Recommendation:

The Government may consider:

- *The registration software may be upgraded to incorporate linking correction deed with its original deed, Integration of Bhulekh records with the Registration system to verify land records and web service link with Electoral authority, Income tax authority, Transport authority and Unique Identification for verification of identity.*

Audit Paragraphs

Non recovery of royalty

Undue benefit of ₹ 10.04 crore was allowed to the brick kiln operators due to non-recovery of royalty.

(Paragraph 3.2; page no. 95)

Irregular expenditure

Irregular expenditure of ₹ 4.23 crore was incurred by the Commissioner, Kumaon Division in renovation work of the Commissioner's office.

(Paragraph 3.3; page no. 96)

Subject Specific Compliance Audit on establishment and utilisation of Modern Record Rooms under Digital India Land Records Modernization Programme

Ineffective planning at the departmental level resulted in incomplete execution of work for the establishment of Modern Record Rooms (MRRs) in pilot districts. The availability of adequate space for establishing MRRs in Tehsil offices was not ensured by the Department before the execution of the work related to setting up of MRRs. Civil work was executed in MRRs without assessing the actual requirement resulting in expenditure having been incurred on unnecessary items of work. Equipment/material were procured by the Board before setting up of MRRs in respective tehsils due to which the said equipment remained unutilized/dumped in many tehsils. The equipment could not be put to use, due to shortage of staff, even in those tehsil offices where it had been installed.

(Paragraph 3.4; page no. 98)

Audit Paragraphs

Non-imposition of penalty amounting to ₹ 2.84 crore

Department applied the rates below the rate prescribed under Uttarakhand Minerals Rules 2005, which resulted in short imposition of penalty of ₹ 2.84 crore against 334 vehicles illegally transporting mining material.

(Paragraph 3.5; page no. 106)

Non-imposition of penalty amounting to ₹ 252.26 crore on account of using illegally mined/transported minor minerals

Due to negligence of the DMs/other authorities to act according to the roles and responsibilities envisaged in the Mining Rules and Regulations, Budget Manual,

Financial Handbook and Government Orders, penalty amounting to ₹ 252.26 crore could not be collected.

(Paragraph 3.6; page no. 107)

Subject Specific Compliance Audit on Department's Oversight on GST Payments and Return Filing

The Subject Specific Compliance Audit (SSCA) on Department Oversight on GST Payments and Return Filing was undertaken in the context of varying trend of return filing and continued data inconsistencies with an objective of assessing the adequacy of the system in monitoring return filing and tax payments, extent of compliance and other Departmental oversight functions.

This SSCA was predominantly based on analysis of returns submitted by the taxpayers, which highlighted risk areas, red flags and in some cases, rule-based deviations and logical inconsistencies in GST returns filed for 2017-18. The SSCA entailed assessing the oversight functions of Uttarakhand State Tax Department jurisdictional formations (Sectors)/State Jurisdictional formation at two levels – at the data level through global data queries and at the functional level with a deeper detailed audit of Sectors, GST returns and internal audit which involved accessing taxpayer records.

The Department, after formulating a Standard Operating Procedure (May 2022) for scrutiny of returns, had recently commenced scrutiny of returns for the year 2017-18 and 2018-19 in financial year 2022-23. Audit observed that out of total number of cases (79,057) pertaining to 2017-18 to 2020-21, falling in the selected 10 sectors, the Department could scrutinise only 364 (0.46 *per cent*) cases during the said period. Department needs to increase its efforts in the area of scrutiny of return and internal audit to verify the correctness of self-assessment of tax liability by the taxpayers.

The Department did not provide additional records of taxpayers sought by Audit due to which Audit could not establish mismatches noticed in returns filed by the taxpayers into logical conclusions. The Department needs to provide assistance to Audit so that audit process reaches its logical conclusion through detailed examination of records of taxpayers.

The Department also needs to respond expeditiously to audit observations so that mismatches pointed out by audit through Limited and Detailed Audit are resolved quickly and recovery of dues to the Government is ensured.

Considering the significant rate of compliance deficiencies, the Department must initiate remedial measures before they get time barred. From a systemic perspective, the Department needs to strengthen the scrutiny of returns and internal audit and reinforce the institutional mechanism in the Sectors to establish and maintain effective oversight on return filing, taxpayer compliance, tax payments, follow up of other tax authorities reports, cancellation of registrations and recovery of dues from defaulters.

(Paragraph 3.7; page no. 108)

Recommendations:

The Government may consider:

- *Year-wise targets under Section 65 of Uttarakhand GST Act, 2017, may be increased by the Department in view of additional tax demand created as a result of internal audit;*
- *The Department may also instruct its field formations to ensure the scrutiny of returns and internal audit along with recovery of pointed out amounts of dues before the time barring of cases.*

Audit Paragraphs

Undue Benefit of Input Tax Credit of ₹ 5.37 Lakh

Excess ITC was allowed to a dealer as against admissible/verified/due ITC which led to short levy of tax by ₹ 5.37 lakh.

(Paragraph 3.8; page no. 142)

Non levy of tax

Non levy of tax on fixed assets after transfer of business resulted in revenue loss of ₹ 45.38 lakh on which interest of ₹ 37.44 lakh is also payable.

(Paragraph 3.9; page no. 142)

Non levy of tax

The Department did not levy tax on closing stock resulting into revenue loss of ₹ 21.44 lakh.

(Paragraph 3.10; page no. 143)

Lack of due diligence by Assessing Officer led to tax evasion of ₹ 18.81 lakh on turnover of ₹ 4.40 crore

The dealer was unilaterally declared tax free for want of filing of statutory returns and lack of cross verification with GST returns resulting in tax evasion of ₹ 18.81 lakh on turnover of ₹ 4.40 crore.

(Paragraph 3.11; page no. 144)

Irregular tax rebate on use of false form-C

False form-C were used by a dealer for availing concessional rate of tax which resulted in short levy of tax of ₹ 14.70 lakh. In addition, penalty of ₹ 47.63 lakh and interest on unpaid amount of tax till the date of deposit was also leviable.

(Paragraph 3.12; page no. 146)

Short Levy of Tax

Application of incorrect rate of tax and showing short purchases of imported goods (diesel/petrol) by the dealer, resulted in revenue loss of ₹ 32.71 lakh.

(Paragraph 3.13; page no. 147)

Chapter-4: Audit Observations of State Public Sector Enterprises

As on 31 March 2022, there were 32 Public Sector Enterprises (four Statutory Corporations and 28 Government Companies including nine inactive government companies and one Government Controlled other Company) in Uttarakhand. This report summarises financial performance of 14 State Public Sector Enterprises

(SPSEs) based on receipt of their accounts during previous three financial years reckoning from 2019-20 to 2021-22 (or in respect of which at least one account pertaining to these years was received up-to 30 September 2022).

Ratio of turnover of these 14 SPSEs to the Gross State Domestic Product (GSDP) shows decreasing trend in last three years as the contribution of the SPSEs has decreased in the State economy.

As of 31 March 2022, the total investment (equity and long-term loans) in 32 SPSEs was ₹ 8,993.76 crore. Of this, Government of Uttarakhand had contributed ₹ 3,856.24 crore as equity and ₹ 969.83 crore as long-term loans.

During the year 2021-22 grants/subsidy of ₹ 1,297.35 crore was provided by the State Government to SPSEs.

Out of the total profit of ₹ 270.24 crore earned by seven SPSEs in 2021-22, 98.30 *per cent* was contributed by four SPSEs. Two of the profit earning SPSEs had declared /paid dividend to GoU during the year 2021-22, however, five other SPSEs had not paid/declared any dividend.

Out of total loss of ₹ 216.35 crore incurred during reported period 2021-22 by six SPSEs, loss of ₹ 151.75 crore was contributed by UPCL alone.

The net worth of seven SPSEs had been completely eroded by accumulated losses and their net worth was negative. Out of these seven SPSEs, five SPSEs had outstanding GoU loan of ₹ 295.66 crore. There were SPSEs which were not adhering to the prescribed timeline for submission of their Accounts as per the Companies Act, 2013, as a result, 130 annual accounts of 19 Government Companies were in arrears. This included 57 annual accounts of two inactive companies. Further 12 annual accounts of four Statutory Corporations were also in arrears. The financial impact of comments of CAG on the financial statements of SPSEs was ₹ 180.06 crore on the profitability and ₹ 280.30 crore on assets/ liabilities.

(Paragraph 4.1; page no. 149)

Subject Specific Compliance Audit on Project Management by Power Transmission Corporation of Uttarakhand Limited

In the absence of Project Planning and Management Manual to be followed for planning and execution of transmission projects, the projects were not identified on regular basis.

The Company did not execute a significant number of projects within the scheduled time frame. It did not have effective mechanism to review the justification submitted for inordinate delay in completion of projects and suggest standard operating procedure to avoid delays in future. There were instances of deficiencies in agreements made as well as award and execution of contracts. The Company also lacked an effective review mechanism for monitoring of projects that could help it in identifying potential bottlenecks and taking corrective actions in time.

Ineffective fund management by issuing of letter of award before sanction of projects under Power System Development Fund Scheme of Ministry of Power, Government of India resulted in grant of ₹ 20.27 crore being unavailed.

The Company did not have its own Internal Audit Wing, resulting in ineffective timely system improvement.

(Paragraph 4.2; page no. 166)

Recommendations:

The Government may consider:

- ***Timely completion of works to avoid lapse of Power System Development Fund grant and disallowance of cost by Uttarakhand Electricity Regulatory Commission;***
- ***Company strengthens its monitoring mechanism for Project management; and establishes its own internal audit wing commensurate with the size and need of the Company.***

Audit Paragraphs

<i>Loss of revenue</i>

Undue favour to consumer resulting in loss of revenue of ₹ 5.96 crore.

(Paragraph 4.3; page no. 187)