REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2011

REPORT No. 2

GOVERNMENT OF UTTARAKHAND

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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report contains findings of performance audit and audit of transactions in various departments including the Public Works Department, audit of autonomous bodies and departmentally run commercial undertakings.

3. The Report also contains the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the observations on Revenue Receipts.

4. The Report containing audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts is presented separately.

5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2010-11 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

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

Chapter 1

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government Departments, autonomous bodies and departmentally run commercial undertakings.

Compliance audit refers to examination of the transactions relating to expenditure and revenue receipts of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/ activity/ Department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter-II, III and IV of this report deals with results of audit of civil Departments of the Government which respectively contains findings arising out of performance audit of selected schemes/programmes/activities, compliance audit of transactions and Chief Controlling Officer (CCO) based performance audit whereas Chapter-V and VI contains overall position of revenue receipts and commercial activities including observations on audit of transactions and performance audit of selected programme/activities/Departments respectively.

1.2 Auditee Profile

There are 63 Departments, 37 Autonomous Bodies and 20 working Public Sector Undertakings/Government companies in the State, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries/Managing Directors/Directors, which are audited by the Principal Accountant General (Audit), Uttarakhand.

The comparative position of expenditure incurred by the Government during the year 2010-11 and in the preceding two years is given in Table-1.1 below.

Table-1.1 *(₹ in crore)*

Disbursements	2008-09			2009-10			2010-11		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue expenditure									
General Services	5.02	3098.95	3103.97	2.86	3691.48	3694.34	20.63	4159.52	4180.15
Social Services	1441.73	1950.10	3391.83	1697.55	3282.73	4980.28	1723.79	3445.70	5169.49
Economic Service	727.49	895.64	1623.13	594.93	1063.19	1658.12	728.07	1135.68	1863.75
Grant-in-aid	0.06	274.71	274.77	3.70	321.03	324.73	0.01	407.67	407.68
Total	**2174.30**	**6219.40**	**8393.70**	**2299.04**	**8358.43**	**10657.47**	**2472.50**	**9148.57**	**11621.07**
Capital Expenditure									
Capital outlay	1902.49	113.85	2016.34	992.46	654.27	1646.74	1858.52	-3.68	1854.84
Loans and advances disbursed	118.88	2.83	121.71	24.32	5.74	30.06	0	0	59.68
Repayment of public debt (including transactions under WMA)	355.38			472.87			519.36		
Contingency Fund	32.05			71.42			536.71		
Public Account Disbursements	13476.62			12321.83			17608.20		
Total	**2021.37**	**116.68**	**16002.10**	**1016.78**	**660.01**	**14542.92**	**1858.52**	**-3.68**	**20578.79**
Grand Total	**4195.67**	**6336.08**	**24395.80**	**3315.82**	**9018.44**	**25200.39**	**4331.02**	**9144.89**	**32199.86**

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of the Departments under Section 13[1] and audit of receipts under Section 16[2] of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of autonomous bodies and PSUs which are audited under sections 19(1)[3], 19(2)[4] and 20(1)[5] of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of other autonomous bodies, under Section 14[6] of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are

[1] (i) Audit of all transactions from the consolidated fund of the State, (ii) all transactions relating to the contingency fund and public accounts and (iii) all trading manufacturing profit and loss accounts, balance sheets and other subsidiary accounts.

[2] Audit of all receipts which are payable into the consolidated fund of the State.

[3] Audit of the accounts of Government Companies shall be performed and exercised in accordance with the provision of the companies Act, 1956.

[4] Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations.

[5] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government.

[6] (i) Audit of all receipts and expenditure of a body/ authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore.

prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Offices of the Principal Accountant General (Audit), Uttarakhand, Dehradun

Under the directions of the C&AG, the Office of the Principal Accountant General (Audit), Uttarakhand, Dehradun conducts audit of Government Departments/ Offices/ Autonomous Bodies/Departmentally run Commercial Undertakings and Institutions under them which are spread all over the State. The Principal Accountant General is assisted by three Group Officers.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on revenue receipts or expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India.

During 2010-11, 4616[7] party-days were used to carry out audit of 415[8] units and to conduct six performance/CCO based performance audits. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities through performance audits, as well as on the quality of internal controls in selected Departments which impact the success of programmes and functioning of the Departments. Similarly, the deficiencies noticed during compliance audit of the Government Departments/organisations were also reported upon.

1.6.1 Performance audits of schemes/programmes/ activities of civil Departments and Thematic Paragraphs

The present report (civil) contains three performance audits and two thematic paragraphs. The highlights are given in the following paragraphs.

---

[7] Party days for Civil Units: 2577, Revenue Units: 883 and Commercial Units: 1156.

[8] Civil Units: 271, Revenue Units: 106 and Commercial Units: 38.

1.6.1.1 Sarva Shiksha Abhiyan

The Performance Audit of Sarva Shiksha Abhiyan (SSA) revealed that its implementation in the State left much to be desired. There was under utilization of funds in all the years due to faulty planning, delay in release/ short release of funds and poor implementation and monitoring of various interventions carried out by the executing agencies. The scheme also suffered from curtailment of funds of ₹ 239.47 crore because of under utilisation of funds received. Further, non submission of UCs by the line agencies, advances being booked as expenditure in the books of accounts and maximum distribution of funds at the fag end of the financial year reflected poor financial management by the Uttarakhand Sabhi Ke Liye Shiksha Parishad.

The SSA also suffered due to lack of infrastructure and basic amenities like drinking water, toilets, electricity, kitchens etc. in the schools. The construction of Kasturba Gandhi Balika Vidhyalaya (KGBV) hostel buildings was abnormally delayed. There was delay in distribution of free text books. There was also shortage and disproportionate deployment of teachers in the schools. The SSA lacked effective monitoring and evaluation mechanism in execution of various programmes.

[Paragraph 2.1]

1.6.1.2 Acquisition and Allotment of Land by Revenue Department

The Land Acquisition Act came into existence in 1894 under which the Government had the power to make/alter/add rules for guidance of officers in all matters connected with its enforcement. However, no such rules have been made by the State Government even after a lapse of a decade since formation of the State. No mechanism existed in office of the Chief Revenue Commissioner (CRC) and Divisions for proper maintenance of records, compilation of data and consolidation of any periodical information from the districts and the Department was fully dependent on the district authorities for various requisite information. No computerized data of acquisition and allotment of land was maintained at any stage by any of the District Authorities/Divisions/Chief Revenue Commissioner. Cent *per cent* acquisition proceedings were carried out under the urgency clause in the test checked districts. Even in the cases of land acquired under urgency clause, there were cases of inordinate delay in possession of land, unauthorized work and non utilization of acquired land. Audit also noticed delay in acquisition proceedings which occurred at various stages; from delay in declaration of award to delay in payment of compensation to the landowners.

The allotment in the State, governed by the Government Grant Act (GG Act), showed violation of rule whereby, land was to be allotted as per the priority list prescribed by the GG Act. There were cases in which land was allotted free of cost to both private and Government institutions. There were also instances of violation of the GG Act whereby the allotted land was neither utilized within the prescribed period nor was the allotment cancelled by the competent authority. Further, the allotted land was not used in number of cases for the purpose for which it was allotted. The leases of land, which were to be renewed every 30

years, were not renewed and the lease holders continued to occupy the land without paying the lease rent.

[Paragraph 2.2]

1.6.1.3 Use of forest land for non-forest purposes by Public Works Department

In 17 test checked Public Works Divisions, 339 road works amounting to ₹ 497.35 crore remained suspended due to lack of forest clearance. Of this, funds to the tune of ₹ 229.16 crore against 142 works were found blocked due to inaction/laxity of the Divisions. Besides, 34 works were taken up in violation of the Forest (Conservation) Act, 1980 and expenditure incurred thereon worth ₹ 15.13 crore proved unfruitful.

[Paragraph 2.3]

1.6.1.4 Implementation of Pension Schemes by Social Welfare Department

Inadequate planning by the Social Welfare Department in implementation of various schemes resulted in double payment of pension, pension to deceased and ineligible persons amounting to ₹ 10.12 crore. Besides, there were instances of parking of scheme funds (₹ 58.04 crore) and unfruitful expenditure on hiring of server (₹ 2.02 crore).

[Paragraph 2.4]

1.6.2 Compliance audit of transactions

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government Departments/ organisations. These are broadly categorised and grouped as:

- ❖ Non-compliance with rules.
- ❖ Audit against propriety/ expenditure without justification.
- ❖ Failure of governance/ oversight.

1.6.2.1 Non-compliance with rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving ₹ 7.07 crore. Some significant audit findings are as under:

- Commencement of construction of a bridge by the PWD without ensuring availability of land resulted in infructuous expenditure of ₹ 1.59 crore incurred on an incomplete bridge.

[Paragraph 3.1.1]

- Erroneous process adopted by the Executive Engineer, Construction Division, PWD, Baijaro (Pauri) in awarding of contract and using excessive material resulted in injudicious expenditure of ₹ 83.66 lakh in addition to execution of substandard road work.

[Paragraph 3.1.2]

- Interest free mobilization advance of ₹ 8.48 crore was provided by Executive Engineers, Temporary Divisions, (PWD) Rishikesh & Berinag, in violation of the Rules framed by the Government, CPWA Code and guidelines of Central Vigilance Commission which became a source of benefit to the contractors amounting to ₹ 1.12 crore.

[Paragraph 3.1.4]

- An aquarium at island of Bhimtal Lake was established by the Nainital Lake Region Special Area Development Authority, Nainital at a cost of ₹ 1.48 crore by diversion of funds provisioned for conservation and management of lakes led to damage of objectives of the project.

[Paragraph 3.1.5]

1.6.2.2 Audit against propriety/Expenditure without justification

Authorisation of expenditure from public funds is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure involving ₹ 4.23 crore, some of which were as under:

- Estimated rates were inflated for two road works by the Temporary Division, PWD, Bhawali, Nainital before its technical sanction by competent authority which resulted in avoidable excess expenditure of ₹ 38.75 lakh.

[Paragraph 3.2.2]

- Double loading of contractor's profit for certain items of material in estimates pertaining to road works by Construction Division, PWD, Pauri led to undue benefit of ₹ 1.61 crore to contractors.

[Paragraph 3.2.3]

1.6.2.3 Failure of governance/ oversight

The Government has an obligation to improve the quality of life of the people for which it works towards fulfilment of certain goals in the area of health, education, development and upgradation of infrastructure and public service *etc.* However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/ or proved unfruitful/unproductive due to indecisiveness, lack of administrative

oversight and concerted action at various levels involving ₹ 9.58 crore. A few such cases are mentioned below:

- A road work executed without survey, had to be carried out afresh by Construction Division, PWD, Roorkee after consultation with IIT-Roorkee which resulted in wasteful expenditure of ₹ 28.72 lakh incurred earlier by Provincial Division, PWD, Haridwar.

[Paragraph 3.3.2]

- Failure of the Social Welfare Department to obtain Central share resulted in blocking of State's share of ₹ 1.50 crore on incomplete construction of residential school buildings being constructed at Tyuni, Dehradun to increase the education in Tribal area.

[Paragraph 3.3.5]

- The objective of intercepting and diversion of Loknath Nala in the upstream of Harki-pauri, Haridwar for abatement of pollution to the Ganga River remained unachieved due to stoppage of the work after incurring an expenditure of ₹ 3.19 crore by the Ganga River Project Manager, Ganga Pollution Control Unit, Haridwar, Uttarakhand Peyajal Sansadhan Vikas Evam Nirman Nigam.

[Paragraph 3.3.6]

1.6.3 CHIEF CONTROLLING OFFICER (CCO) BASED AUDIT OF AYUSH DEPARTMENT

The Department of AYUSH is responsible for outreach health care through preventive and curative intervention, affordable and efficacious services, up-gradation of AYUSH educational standards, quality control and standardization of drugs, research and development and awareness generation about the efficacy of the systems domestically.

A Department centric/CCO based performance audit revealed number of deficiencies in expanding AYUSH facilities at Allopathic centre, infrastructure development and supply of medicine after 'Best before period'. Inadequate financial management resulted in significant saving of budgetary allocation, steep rise in non-planned expenditure, under-utilisation of central assistance under AYUSH and NRHM component. Procurement of store was not in accordance with requirement. Norms in respect of attendance at Rishikul Ayurvedic College, Haridwar and renewal of licences of medical practitioners /Pharmacies were not followed.

Utilisation of central assistance under operational schemes, a documented policy in line with the National Policy on Indian System of Medicine & Homeopathy, 2002, Integration of AYUSH at Allopathic centre, infrastructure based procurement of equipment and medicine, Internal Control mechanism and

accountability of Senior Management in respect of monitoring were areas of concern and required immediate attention of the Government.

[Paragraph 4.1]

1.6.4 Revenue Receipts

During the year 2010-11, the revenue raised by the State Government (₹ 5,083.54 crore) was 44 *per cent* of the total Revenue Receipts. The balance 56 *per cent* of receipts (₹ 6,524.63 crore) during 2010-11 were from the GOI. The details of total revenue receipts of the State Government during 2010-11 and for the preceding two years are given in Table-1.2 below:

Table-1.2 *(₹in crore)*

Particulars	2008-09	2009-10	2010-11
Revenue raised by the State Government			
Tax Revenue	3,044.91	3,559.04	4,405.48
Non-tax revenue	699.44	631.86	678.06
Total	**3,744.35**	**4,190.90**	**5,083.54**
Receipts from the Government of India			
Share of net proceeds of divisible Union taxes and duties	1,506.59	1,550.01	2,460.07
Grants-in-aid	3,384.03	3,745.22	4,064.56
Total	**4,890.62**	**5,295.23**	**6,524.63**
Total Revenue Receipts of the State Government	**8,634.97**	**9,486.13**	**11,608.17**

[Paragraph 5.1]

1.6.4.1 Performance Audit on Computerisation in the Motor Vehicle Department

A Performance Audit on "Computerisation in the Motor Vehicle Department" was conducted to ascertain the extent of utilisation of all the software features, the efficiency and accuracy of processing and adequacy of security measures and level of data integrity. It revealed that the backlog entry of the data relating to registration of vehicles (25-30 *per cent*) and the licences (80-90 *per cent*) issued prior to computerisation was not fed which defeated the purpose of having a complete database of all the licences issued and registrations made.

The mapping of Business Taxation Rules was not ensured in the VAHAN software due to which taxes on city buses, trade certificate and Accident Relief fund were not collected. Taxes/Fee collected manually was not entered in the computerised database leaving it vulnerable to misappropriation. Against the prescribed limit of 50 licences to be issued per day, the average number of driving licences issued by the RTO Dehradun and ARTO Haridwar were 270 and 124 respectively which reflect compromise with the driving skill test. The software deficiencies necessitated manual intervention which led to non/short levy of Tax/ Additional Tax to the tune of ₹ 2.58 lakh. There was no internal IT Audit wing within the Department which reflect the weak internal control of the Department.

The Department lacked to develop the technical expertise within the Department to handle the database administration.

[Paragraph 5.2]

1.6.4.2 Performance Audit on cross verification of Declaration Forms in Inter-State Trade and Commerce

A Performance Audit on "Cross Verification of Declaration forms in Inter State Trade and Commerce" was conducted to ascertain the extent of adequacy, reliability and effectiveness of receipt and use of declaration forms, their authenticity, correctness and admissibility for grant of concession/ exemption. The audit also aimed to ascertain the effectiveness and adequacy of internal control mechanism within the Department.

It revealed that the Department did not issue the statutory forms serially which may lead to their misuse and loss of revenue. Due to partial operationalisation of software modules in TINXSYS, the forms are not being uploaded at the Central server, thereby hampering the cross verification process. Cross verification of the declaration forms, revealed that two selling dealers were allowed exemption on fake forms involving tax of ₹ 6.78 lakh. Irregular concession/ exemption was allowed on 'C' forms covering transaction for more than one quarter and 'F' forms covering a transaction of more than one calendar month involved tax of ₹1.27 lakh. Irregular concession granted on purchase of goods not covered in the registration certificate involved a tax of ₹ 6.77 lakh. There was no internal Audit wing within the Department which reflect the weak internal control.

[Paragraph 5.3]

1.6.4.3 Audit of Transactions

- For showing abnormal loss on sale of Inter State purchases by a dealer, additional tax liability of ₹ 11.08 lakh was not levied by Commercial Tax Department.

[Paragraph 5.4]

- Low production of alcohol from fermentable sugar content of molasses against the prescribed norms resulted in loss of revenue of ₹ 91.62 lakh.

[Paragraph 5.5]

1.6.5 Commercial Activities

As on 31 March 2011, the State had 20 working PSUs and four non-working PSUs. The total Investment in these PSUs was ₹ 6257.24 crore. The working PSUs registered a turnover of ₹ 2539.52 crore. Nine PSUs earned a Profit of ₹ 75.41 crore and 11 PSUs incurred a Loss of ₹ 279.03 crore. 20 working PSUs had arrears of 135 accounts, the period of arrears ranging from one to 24 years.

[Paragraph 6.1]

1.6.5.1 Performance Audit on Power Distribution Activities of Uttarakhand Power Corporation Limited

Performance Audit of Uttarakhand Power Corporation Limited (Company) was conducted with a view to assess the performance of the Corporation in achieving the various parameters stipulated in National Electricity Plans with regard to distribution of power. The Performance Audit covered various aspects of functioning of the distribution company such as Network Planning and execution, Implementation of Centrally Sponsored Schemes, Operational efficiency, Billing and Collection efficiency, Financial Management, Consumer Satisfaction, Energy Conservation and Monitoring.

Despite the fact that the Company did not plan any addition in respect of sub stations, the Company added 62 sub- stations during 2006-07 to 2010-11. Under the Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) Scheme, the Company could electrify 591 villages against the target of 665 villages. The Company released 1.92 lakh B.P.L connections against the target of 2.28 lakh B.P.L. connections by March 2011. The Company failed to obtain forest clearances before awarding the contracts for construction of sub-stations and associated lines. The Company could not complete the information technology work of Revised Accelerated Power Development & Reform Programme (RAPDRP) scheme in its pilot town (Dehradun) and additional pilot town (Vikas Nagar). The Company failed to carry out Energy Audit.

The Company suffered a loss of revenue of ₹ 600.70 crore due to sub Transmission & Distribution losses in excess of Uttarakhand Electricity Regulatory Commission (UERC) norms. Wide gap between transformation capacity and connected load resulted in overloading of distribution system, excess failure of Distribution Transformers and higher quantum of energy losses.

The Company incurred losses during the Performance Audit period and Accumulated Losses increased from ₹ 616.27 crore in 2006-07 to ₹ 1960.11 crore in 2010-11. The cost of purchase of power increased from ₹ 742.92 crore in 2006-07 to ₹ 2077.67 crore in 2010-11 as the company had to purchase power during peak hours at higher rate.

The Company failed to take adequate and effective steps for recovery of outstanding dues leading to accumulation of dues to ₹ 1816.75 crore at the end of March 2011. The Company could not recover ₹ 188.81 crore from the Government of Uttarakhand for the value of assets transferred to Power Transmission Corporation Limited (PTCUL). Inadequate monitoring and lack of effective follow up action resulted in Distribution Transformers (DTRs) lying without repairs. The absence of an effective internal control mechanism enhanced the likelihood of occurrence of irregularities at an increased rate.

Audit has made seven recommendations which include increasing the pace of growth of distribution capacity to commensurate with the pace of growth of connected load, enhancing the rate of village electrification, following the guidelines of central vigilance commission and avoid payment of interest free mobilization advance to contractors, obtaining forest clearance before awarding

the contracts, exploring the sources of availability of power at economical rates, taking effective steps for recovery of outstanding dues and develop online Management Information System (MIS) for quick and timely action.

[Paragraph 6.2]

1.6.5.2 Transactions audit observations

- Funds amounting to ₹ 56.78 lakh obtained from GOI for construction of Eco-Huts was diverted by Kumaon Mandal Vikas Nigam Limited to other facilities which resulted in the deprival of tourism facility to the people.

[Paragraph 6.3]

- Expenditure of ₹ 1.02 crore incurred by Kumaon Mandal Vikas Nigam Limited on construction of Tourist Rest House without ensuring water facility remained unfruitful as there was no occupancy since inception.

[Paragraph 6.4]

- HILTRON suffered a loss of ₹ 21.24 lakh due to unauthorized retention of Employees Provident Fund Contribution.

[Paragraph 6.5]

- Uttarakhand Jal Vidhyut Nigam Limited incurred unfruitful expenditure of ₹ 1.88 crore by unduly favoring a consultancy firm without achieving the intended objective of early commissioning of the project.

[Paragraph 6.6]

1.7 Lack of responsiveness of Government to Audit

1.7.1 Outstanding Inspection Reports

The Principal Accountant General (Audit) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of offices inspected with a copy to the next higher authority. The Heads of offices and the next higher authority are required to report their compliance to the Principal Accountant General (Audit) within four weeks of receipt of IRs.

At the end of March 2011, 4,076 IRs and 11,104 paragraphs issued during the period 1990-91 to 2010-11 were outstanding for settlement. Year-wise/ Department-wise details of IRs and paragraphs outstanding are detailed in **Appendix-1.1**.

The Departmental officers failed to take action on observations in IRs within the prescribed period resulting in erosion of accountability. The Government should look into the matter and ensure that procedures exist for (a) action against the officials who failed to send replies to IRs/paragraphs as per time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound manner;

and (c) revamping the system to ensure prompt and proper response to audit observations.

1.7.2 Response of Departments to the draft paragraphs

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

1.7.3 Follow-up on Audit Reports

All the Departments of the State Government are required to submit detailed explanations in the form of Action Taken Notes (ATNs) to the observations which featured in Audit Reports within four months of their being laid on the Table of the Legislature with copies thereof to Audit Office. However, 47 Departments as detailed in **Appendix 1.2** had not submitted ATNs for 129 paragraphs for the period since the inception of the State to 2009-10 upto March 2012.

1.7.4 Paragraphs to be discussed/finalised by the PAC and COPU

Details of paragraphs (excluding General and Statistical) pending discussion/finalisation by the Public Accounts Committee (PAC) and Committee on Public Undertakings (COPU) at the end of March 2012 are detailed in **Appendix 1.3** and **1.4** respectively.

CHAPTER-II

PERFORMANCE AUDITS

DEPARTMENT OF EDUCATION

2.1 Performance Audit of Sarva Shiksha Abhiyan

Highlights

Education is one of the most important indicators of social progress of a country. Accordingly, the Government of India (GOI) introduced (January, 2001) Sarva Shiksha Abhiyan (SSA) across the country for increasing enrolment and universal retention of children at elementary level by supporting the State Governments in creating, developing and strengthening of necessary infrastructure.

Performance audit of SSA for the period 2006-07 to 2010-11 revealed that despite incurring huge expenditure of ₹ 1236.50 crore on elementary education, the target of universal retention could not be achieved in the State due to inadequate planning and deficiencies in implementation of various programmes. The important audit findings are highlighted below:

- ***The SSA project suffered from curtailment of funds of ₹239.47 crore for underutilization of the funds.***

[Paragraph 2.1.8.1]

- ***There was delayed/ short release of matching share by the State Government and around 15 per cent of total funds was released at the end of the respective years, resulting in rush of expenditure.***

[Paragraph 2.1.8.2]

- ***Drinking water and toilet facilities were yet to be provided to 1,205 and 5,998 schools respectively. In addition, 11,405 schools were running without electricity and 2,696 without kitchen facility.***

[Paragraph 2.1.10]

- ***There were delays of one to nine months in the distribution of free textbooks to girls and SC/ST children.***

[Paragraph 2.1.11.4]

- ***No teacher was posted in 162 schools whereas 3,510 schools were running with less number of teachers than the norms prescribed under SSA.***

[Paragraph 2.1.13.1]

- ***The Parishad failed to achieve intended universal enrolment and retention as there were 8,168 out of school children in the State as per Annual Work Plan & Budget data; however, this figure was much higher (83,914) according to District Information System of Education (DISE).***

[Paragraph 2.1.15.3]

2.1.1 Introduction

National Policy of Education (NPE), 1986, as revised in 1992, is a landmark innovation in educational policy. In order to attain Universal Elementary Education (UEE) in the country in a Mission Mode, GOI launched Sarva Shiksha Abhiyan (SSA) in January 2001 in partnership with the State Governments and Local Self-Governments. The focus of SSA was on an inclusive progress, with special attention to girl children of all communities, children of Scheduled Castes/ Scheduled Tribes (SC/ST), children with special needs and children of remote and backward areas.

2.1.1.1 Objectives of Sarva Shiksha Abhiyan

The main objectives of SSA were:

- to enroll all children in schools by 2005;
- to achieve universal retention by 2010;
- to ensure coverage of special focus group children at
  i. primary level by 2007 and
  ii. elementary level by 2010.

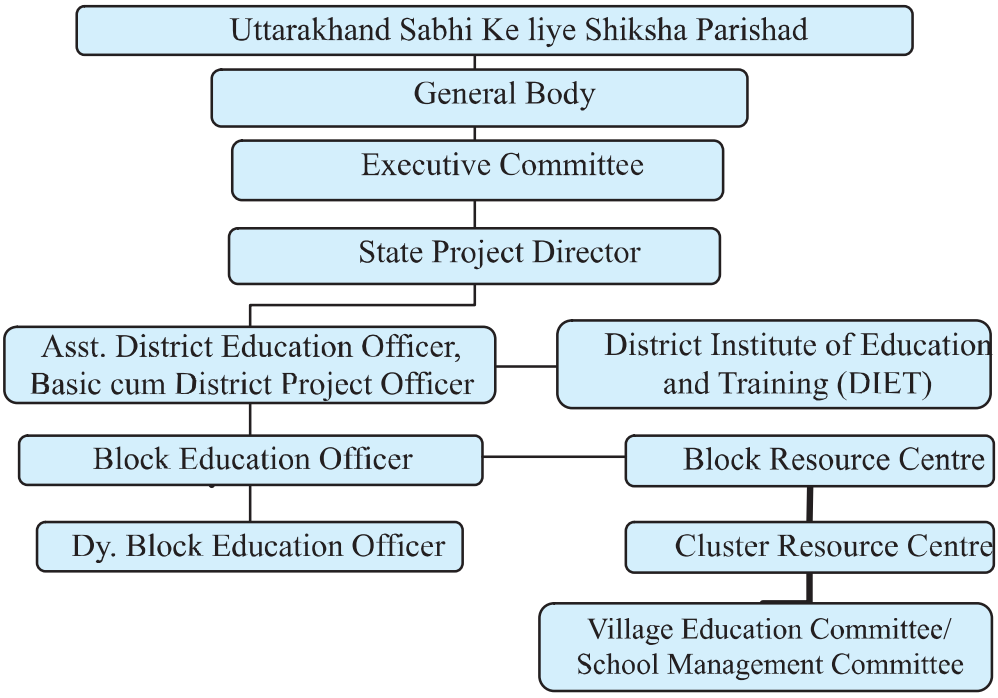
The scheme consisted of the following programmes:

- Creation and up-gradation of infrastructure in schools;
- Providing basic amenities in schools;
- Children with Special Needs (CWSN);
- National Programme of Education for Girls at Elementary Level;
- Kasturba Gandhi Balika Vidyalaya (KGBV);
- Distribution of free text books;
- Release of various grants to schools.

The Government established Uttarakhand Sabhi Ke Liye Shiksha Parishad (the Parishad) in February, 2001 for overall implementation of SSA. The role of 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.

2.1.2 Organisational set-up

The Parishad consisted of General Council headed by the Chief Minister as Chairperson and Minister of Education as Vice Chairman. The Executive Committee of the Parishad is headed by the Chief Secretary of the State with Secretary of Education being the Vice Chairperson. The following diagram explains the organizational setup of the Parishad in the State:



2.1.3 Audit Objectives

The audit objectives were to assess whether:

- planning for implementation of various programmes of SSA scheme was efficient;
- financial management was efficient and effective in the utilisation of funds for each programme of the scheme;
- implementation of the scheme was efficient, effective and economical;
- Human Resource Management with respect to teachers was efficient and effective;
- monitoring mechanism and internal control system were in place and were effective.

2.1.4 Audit Criteria

The audit criteria used for the evaluation of the audit objectives were

- SSA guidelines;
- Government Orders and instructions;
- Targets determined by the Parishad and approved by the Project Approval Board (PAB), Government of India.

2.1.5 Scope of Audit

Performance audit of SSA was carried out during April 2011 to September 2011 covering the period 2006-07 to 2010-11. Out of 13 districts in the State, the audit

covered five districts[1], which were selected by PPWSOR method, for the study. Records of District Education Officers (DEOs), District Project Officers (DPOs) SSA, District Institutes of Education and Training (DIETs), 16 Block Resource Centres (BRCs) out of 32 Educational Blocks falling under the five test checked districts, 125 sampled schools {joint physical inspection of 61 schools (by the representatives of DPOs and members of audit team) and test audit of 64 schools} and four Kasturba Gandhi Balika Vidhyalayas (KGBV) falling under the sampled blocks had been test checked in audit. The records of Director of Education, State Project Director (SSA) and State Council of Education, Research and Training (SCERT) were also test checked.

2.1.6 Audit Methodology

The audit objectives, criteria and scope of the performance audit were discussed with the Secretary, Education in an entry conference held on 19 May 2011 and audit findings of four districts were shared in Mid Term Conference with the State Project Director (SPD) on 29 July 2011. Audit methodology included scrutiny and analysis of the records relating to the implementation of various components of SSA, issue of questionnaires, audit memoranda and examination of responses of various functionaries and joint physical inspection of various schools.

The audit findings were sent (November 2011) to the Government; their reply was awaited (April, 2012). The audit findings were discussed (December 2011) by the Sr. Deputy Accountant General with the Deputy Secretary (Education) in an exit conference and the views of the Department/ SPD were suitably included against the relevant paragraphs, at appropriate places.

2.1.7 Planning

Deficiencies in planning for implementations of the schemes are discussed in the following paragraphs:

2.1.7.1 Preparation of habitation/ district level plans

The guidelines of SSA envisage that Planning Committees at village/ habitation, block and district levels, having adequate representation from grass-root level functionaries such as *Panchayati Raj* Institutions (PRIs), Village Education Committee (VEC) members, teachers and parents, should be constituted for preparation of habitation/ cluster/ block/ district level plans.

It was noticed in audit that although the Committees were constituted, as per the SSA guidelines, at the District and Block levels but entire planning for implementation of the scheme for the period 2006-11 had been done at block and district level without the involvement of grass root level functionaries and NGOs working in this field. This fact was also corroborated by the Institute of Public Auditors of India (IPAI) in its Audit Report (2010-11). In addition to this, district level committees were involved to approve the district plan only after the Annual

[1] Three districts namely Pithoragarh, Champawat and Almora were selected using PPWSOR, while Dehradun was covered as the capital district replacing Haridwar and findings of the pilot study district, Rudraprayag was also included in the review.

Work Plan & Budget (AWP&B) was approved by the Project Approval Board (PAB), GOI. However, NGOs were found engaged in assessing proficiency in reading, writing, and arithmetic skills of the children studying in Class I to V in the sampled district but were not involved in the preparation of plans. Thus, the role of NGOs and grass root level functionaries in planning was insignificant.

In addition, Audit also noticed that multiple sets of data were used by the Department for planning. The data collected by house hold survey/ Bal Ganana conducted by the Department were quoted in the annual plans of the State while the figures for performance measures-derived from the District Information System for Education (DISE) data, were relied upon by the GOI. The most alarming difference in figures as per DISE and Planning data were relating to data of targeted child population, enrolment, out of school/ dropout children, number of PSs & UPSs, information on basic amenities etc. as shown in the table-2.1.1.

Table-2.1.1

Data	Source	2006-07	2007-08	2008-09	2009-10	2010-11
Total population of targeted children	Bal Ganana	18,30,256	1,791,497	18,05,808	17,93,276	17,43,355
	DISE	Not available	17,74,050	18,39,205	17,71,548	17,22,406
Number of Government PS & UPS	Planning table	16,147	16,773	17,283	17,391	17,268
	DISE.	15,559	16,490	16,968	17,137	17,106
Total Enrolment	Bal Ganana	18,08,027	17,75,601	17,97,675	17,84,801	17,35,187
	DISE.	14,13,068	15,35,124	16,06,161	15,93,689	16,38,492
	State	18,93,096	18,48,975	17,55,058	15,76,355	16,38,578
Out of School/ Dropouts	Bal Ganana	22,229	15,896	8,133	8,475	8,168
	DISE	Not available	2,38,926	2,33,044	1,77,859	83,914

During exit conference, the Dy. Secretary stated (December, 2011) that habitation level plans are not maintained in a documented form but the Parishad through its district and block level functionaries is committed to involve grass root functionaries in planning process in future. The reply is not acceptable as non-existence of well documented plans proved that these were not prepared.

2.1.7.2 *Planning for uncovered habitations*

Education Guarantee Scheme (EGS) centres were to be opened in un-served habitations where primary school does not exist within one km radius.

Audit scrutiny revealed that 1,808 EGSs were opened in the State under SSA during 2006-07. Out of these, 1,039 EGSs[2] were either non functional or had been closed in the subsequent years.

On being asked about the reasons for the closure of these centres, the Dy. Secretary in its reply (December 2011) stated that EGS centers were found running in those habitations which were already covered and were closed subsequently. The reply is not acceptable as EGS centres were to be opened only

[2] 1808 (total EGS) - 684 (upgraded into PS) -85 (presently functional) =1039.

in uncovered habitations and their opening in covered habitations was indicative of faulty planning.

2.1.7.3 *Lack of guidance/ directions from the Parishad*

The General Council of the Parishad was responsible for providing instructions and guidance for the implementation of the scheme to various implementing units and financial & physical monitoring of various programmes. For this purpose, the General Council was to meet twice a year.

Audit scrutiny revealed that the General Council had met only once (29 October 2003) since its formation in the year 2001. Hence, the objectives for which the Parishad was set up could not be fulfilled as it could neither provide necessary guidance nor monitor the financial and physical progress as required in the guidelines.

2.1.8 Financial Management

2.1.8.1 Budget provision and expenditure

The scheme was financed by the GOI and the State Government in the ratio of 75:25 from April, 2006 to March, 2007, 65:35 till 2008-09, 60:40 in 2009-10 and again in the ratio of 65:35 in the year 2010-11. The position of funds released by both the Governments and expenditure incurred during 2006-11 is depicted in the table-2.1.2 below:

Table – 2.1.2

(₹in crore)

Year	Approved Budget	Opening Balance	Funds released		Interest & other receipts[3]	Total funds available	Expenditure	Closing Balance
			GOI	State				
2006-07	248.21	26.16	169.98	54.56	19.22	269.92	190.27	79.65
2007-08	252.84	79.65	132.79	71.50	1.89	285.83	186.11	99.72
2008-09	272.96	99.72	114.44	50.78	1.93	266.87	221.66	45.21
2009-10	330.57	45.21	160.06	98.66	1.25	305.18	270.15	35.03
2010-11	501.33	35.03	257.94	146.52	35.26	474.75	368.31	**106.44**
Total	**1,605.91**		**835.21**	**422.02**	**59.55**		**1,236.50**	

Source: State Project Office

Against the approved budget of ₹ 1,605.91 crore, ₹ 1,342.94 crore (*84 per cent*) (being sum of opening balance in the year 2006-07, funds released and interests and other receipts) were available, of which, only ₹ 1,236.50 crore (92 *per cent)* were shown as utilized for carrying out various activities under SSA during 2006-11. Due to under utilization of funds by the Parishad, an amount of ₹ 239.47 crore was deducted by GOI in subsequent years releases.

The SPD replied (February 2012) that the under utilisation of funds was due to non appointment of teachers, appointment of Block Resource Coordinators and Cluster Resource Coordinators remaining sub-judice, low cost of free text books and delay in finalization of procurement process etc.

[3] Other receipts include funds released under 13th Finance Commission.

2.1.8.2 Delay in releasing of funds by the Governments

As per the guidelines, GOI was to release funds in two installments in the months of April and September, directly to the Parishad and it was mandatory on the part of the State Government to release its share within 30 days of the release of funds by the GOI. The second installment was to be released only after the State Government transferred its matching share to the Parishad and at least 50 *per cent* of the funds so transferred (Central and State) were utilized.

It was noticed in audit that there was a delay ranging from one to six months in releasing of funds by the State Government during the period 2006-11; resultantly the funds could not be fully utilized during the respective years, which ultimately led to curtailment of funds amounting to ₹ 239.47 crore by the GOI as discussed in the preceding paragraph. In these years, the funds were released as late as in the last month of the financial year (March) which is indicated in the table-2.1.3 below:

Table-2.1.3 *(₹in crore)*

Year	Amount released by GOI and State Government		
	Total	In last quarter	In March
2006-07	224.54	24.15	24.15
2007-08	204.29	22.07	22.07
2008-09	165.22	38.84	11.84
2009-10	258.72	60.66	30.09
2010-11	404.46	102.67	102.67
Total	**1,257.23**	**248.39 (20%)**	**190.82 (15%)**

Source: *State Project Office*

Out of the total release of ₹ 1,257.23 crore to Parishad during 2006-11, ₹ 190.82 crore (15 *per cent*) were released in March. Out of this, ₹ 15.15 crore (8 *per cent*) was released at the closing days of the respective year resulting in rush of expenditure which was mainly in the form of advances given to various line agencies and not actual expenditure as reflected in the accounts which is depicted in the table-2.1.4 below:

Table-2.1.4 *(₹in crore)*

Year	Total amount received	Funds released by SPO to DPOs			Balance with DPOs	Advances with BRCs/ CRCs/ DIETs etc.
		Last quarter	In March	On 31st March		
2006-07	224.54	1.68	1.54	--	20.87	33.86
2007-08	204.29	9.15	0.15	0.15	52.91	17.22
2008-09	165.22	24.50	24.50	4.0	26.68	1.50
2009-10	258.72	66.50	54.50	24	26.12	1.23
2010-11	404.46	70.80	62.80	31.80	65.83	NA
Total	**1,257.23**	**172.63**	**143.49 (83%)**	**59.95 (35%)**		**53.81**

Source: State Project Office & Audited Accounts

As can be seen from the table above, 83 *per cent* of the total funds released by State Project Office (SPO) in the last quarter to various District Project Offices (DPOs), was in the month of March alone. This resulted in huge funds being advanced by the DPOs to BRCs/ CRCs/ DIETs etc. which remained in the bank accounts of these agencies and was utilized in subsequent years.

2.1.8.3 Short release of funds by GOI and the Government

The amount received by the Parishad from the GOI and State Government (refer table-2.1.2) during the period 2006-07 to 2010-11 against the proportionate share due in the approved plan and the extent of shortfall in funds released is given in the table-2.1.5 below:

Table-2.1.5 *(₹in crore)*

Year	Approved plan	Due share as per Approved Plan		Short release as per Approved Plan (-)	
		GOI	State	GOI	State
2006-07	248.21	186.15	62.06	3.44**	**(-) 0.96 (2%)**
2007-08	252.84	164.34	88.50	20.21	10.87
2008-09	272.96	177.42	95.54	1.83	**(-) 9.86 (10%)**
2009-10	330.57	198.34	132.23	**(-) 11.16 (6%)**	**(-) 15.49 (12%)**
2010-11	501.33*	305.72	164.62	**(-) 25.02 (8%)**	**(-) 4.09(2%)**
Total	**1,605.91**	**1,031.97**	**542.95**	**(-)10.66**	**(-)19.53**

includes ₹31 crore released by 13th Finance Commission
***** net effect worked out after including share of opening balance.***

It is evident from the above table that there were short releases both by the Central and State Governments against the approved outlay. The shortfall in the Central Government share was mainly due to failure of the State Government to release matching share in relation to the funds released by the Central Government and slow utilization of funds already released. The details of short releases of matching share by the State Government are as per table-2.1.6 below:

Table-2.1.6 *(₹in crore)*

Year	Released by GOI	State Share		Shortfall (-) Excess (+)
		Due	Released	
2006-07	169.98	56.66	54.56	*(-) 2.1*
2007-08	132.79	71.50	71.50	*0.00*
2008-09	114.44	61.62	50.78	*(-)10.84*
2009-10	160.06	106.71	98.66	*(-) 8.05*
2010-11	257.94	138.89	146.52	(+)7.63
Total	**835.21**	**435.38**	**422.02**	**13.36**

During the exit conference, the Dy. Secretary accepted the fact and replied (December 2011) that the shortfall of matching share has been released by the Government in the financial year 2011-12.

2.1.8.4 Non submission of Utilisation Certificates (UCs)

As per SSA guidelines, the UCs were to be submitted by the line agencies to District Project Offices (DPOs) in the districts and by the DPOs to the State Project Office (SPO) within one month of the close of each financial year. Further, the funds released to the districts and sub-district levels were to be classified initially as advances and were to be adjusted based on their expenditure statements and UCs. Audit scrutiny in test checked districts revealed that UCs were not collected from the line agencies and advances given to these agencies were being booked as final expenditure.

During exit conference, the Dy. Secretary in its reply (December 2011) accepted the fact and stated that year wise/ district wise utilisation certificates are being collected and will be submitted to concerned authorities.

Programme Implementation

The implementation of various SSA programmes is discussed in the following paragraphs:

2.1.9 Infrastructure facilities

Construction of school buildings and creation of other miscellaneous infrastructural facilities[4] is an important component of SSA programme. Accordingly, these had been prioritized by allocating 33 *per cent* of planned outlay. A time schedule for completion of each civil work was also framed by the SPO for adherence. The funds were to be released by the DPOs in a phased manner on completion of each stage of construction. The audit observed the following deficiencies:

2.1.9.1 Non-completion of construction works

It was noticed in audit that total approved cost was released to the executing agencies by the DPOs in order to avoid cut in the budgets/ spill over of infrastructure funds. This was in contravention of the instructions issued by the Parishad to release funds only on completion of each stage of construction.

Test check of records revealed that 35,718 construction works costing ₹ 306.32 crore were sanctioned in the State during the period 2006-11. However, audit noticed that although 11,099 works (31 *per cent*) costing ₹ 73.83 crore were either incomplete or yet to start, yet the Parishad reported these funds as utilised. The details of incomplete works, as of June, 2011 are in the table-2.1.7 below:

Table-2.1.7

Name of the civil work	Stipulated time for completion	Sanctioned in the financial year					Total Incomplete works
		2006-07	2007-08	2008-09	2009-10	2010-11	
PS (new)	6 months	8	79	117	47	7	**258**
UPS (new)	9 months	13	30	76	95	13	**227**
PS (reconst)	9 months	8	0	0	0	0	**8**
UPS (reconst.)	9 months	8	0	0	0	0	**8**
ACRs	4 months	11	10	90	865	107	**1,083**
Child friendly	15 days	0	0	0	169	1320	**1,489**
Common toilet	1 month	0	8	0	0	68	**76**
Girls toilet	1 month	0	17	21	795	5055	**5,888**
Electrification	1 month	6	39	0	501	512	**1,058**
Boundary walls	PS (1 month)	14	96	0	0	0	**110**
	UPS (1 month)	13	14	0	174	0	**201**
Drinking water	1 month	0	20	0	591	58	**669**
Store cum room	Not specified	0	0	0	0	24	**24**
Total		**81**	**313**	**304**	**3,237**	**7,164**	**11,099**

Source: SPO

[4] Reconstruction of schools, Additional Class Rooms (ACRs), Toilets, Boundary Walls, Drinking Water Facilities, Electrification etc.

The above table indicates that there was delay in completion of works ranging from one to five years. On this being pointed out, the SPD attributed the delay in completion of works to natural disasters, pending forest clearance and change of construction agencies etc.

Further scrutiny of records in the test checked districts revealed that 3,894 works costing ₹ 23.34 crore were incomplete since 2006-07. Besides, 83 works[5] sanctioned during the period 2002-03 to 2005-06 were also incomplete. On this being pointed out, the DPOs replied that delay was due to difficult geographical terrain and indifferent attitude of the VECs.

During the exit conference, the Dy. Secretary replied (December 2011) that districts have been repeatedly told to get the district administration involved in sorting out the problems in construction works.

2.1.9.2 Incomplete boundary walls

For security of school children as well as school property, funds at a uniform rate of ₹ 40,000 and ₹ 50,000 were provided for construction of boundary walls to each PS and UPS respectively. Test check of records revealed that an amount of ₹ 31.16 crore was approved for 7,252 schools (PSs-5,096 & UPSs-2,156) in the State for construction of boundary walls during the period 2006-11. Out of these, 311 works (PSs-110 & UPSs-201) were being reported either under construction or not started yet. But as per DISE report (2010-11), 2,588 schools (PSs-1,878 & UPSs-710) in the State had partially built boundary walls and 2,789 schools (PSs-2,273 & UPSs-516) did not have boundary walls at all. Similarly, in the sampled districts, out of 3,876 works taken up, 159 works were either under construction or not started yet. Audit analysed that the main reason for this partial execution of boundary walls was the uniform rates sanctioned for all the schools irrespective of the actual requirement of the respective schools.



PS Majadha, Lohaghat

On this being pointed out, DPOs replied that funds were released according to the approved cost in AWP&B which in some cases were not adequate to encompass the whole school area. During exit conference the Deputy Secretary replied (December 2011) that the earlier norms have been revised from the year 2011-12

[5] Reconstruction of UPS/PS-12, ACR-1, Drinking water facility -62, boundary wall -1 New Primary school-2 and New Upper Primary School-3 & CRC-2.

into running metre construction cost so that incomplete construction of boundary wall may be completed without further delay.

Thus, the objective of protecting property of the schools and enhancing the security of the children by providing boundary walls, without assessing actual area required to be covered with boundary wall, could not be achieved.

2.1.9.3 Disproportionate Upper Primary Schools

As per SSA norms, one UPS was to be set up for every 2 PSs. Availability of schools in the State during the period 2006-11 is depicted in the table-2.1.8 below:

Table-2.1.8

Year	Total number of PSs*	Required UPSs as per norms	Actual number of UPSs*	Shortfall in *per cent*
2006-07	12,173	6,087	4,467	27
2007-08	12,496	6,248	4,847	22
2008-09	12,734	6,367	5,141	19
2009-10	12,717	6,359	5,291	17
2010-11	12,626	6,313	5,257	17

Source:-AWP&B *(Includes Govt. and Govt. aided schools)

On this being pointed out, the Dy. Secretary replied (December 2011) that the State has been proposing UPSs in the habitations which fulfill the norms.

2.1.9.4 School buildings damaged in Daivi Aapda (Natural Disasters)

Audit scrutiny of records of the Directorate of Education revealed that 1,040 PSs/ UPSs were reported damaged in the State due to *Daivi Aapda* during 2010-11; out of which, 760 works costing ₹ 20.54 crore were approved (October 2010) under Calamity Relief Fund (CRF)/ National Calamity Contingency Fund (NCCF) by the State Government. Audit found that out of 760 works sanctioned, only 742 construction works were taken up and construction work of only 485 schools (65 *per cent*) could be completed even after lapse of one year (August 2011). Further, it was also noticed that 30 out of 742 works were still to be taken up which indicated that these works were not prioritized and children enrolled in these schools were forced to study in unsafe buildings/ nearby schools.



PS Chaudagooth, Champawat

During joint physical inspection of the sampled schools, it was found that Primary School Chaudagooth, Champawat was damaged (September 2010) in *Daivi Aapda*, but funds for its repairs were not provided under *Daivi Aapda*.

However, audit found that the SMC of that school has discontinued (September 2010) its use in order to avoid any mishap/ risk of life and 106 enrolled children were accommodated in two class rooms of the nearby UPSs.

Thus, despite availability of funds from NCCF, the children of these schools were bound to continue their studies in these unsafe buildings which is indicative of poor implementation of post disaster measures by the Department.

2.1.9.5 Evaluation of newly constructed PS/ UPS buildings

Out of the total newly constructed school buildings in 2008-09, 56 buildings[6] were found unsafe (December 2010) by Central Building Research Institute (CBRI), Roorkee during third party evaluation and quality inspection. The constructing agencies (VECs) were required to take action on the deficiencies found in the buildings by the CBRI, Roorkee. However, it was noticed that no action was taken by the executing agencies as on September, 2011. Further, the SPO had no information as to whether these unsafe buildings were being used by the school authorities.

The SPD accepted the fact and stated (February 2012) that the Government has taken this issue very seriously and the construction agencies have been directed to take up possible remedial measures.

2.1.10 Basic amenities in schools

The programme emphasized the need to develop a system to provide suitable and clean environment. The quality issues at elementary level, therefore, revolved around the infrastructure and support services as a priority. The deficiencies of basic amenities are tabulated in table-2.1.9 below:

Table-2.1.9

	Facilities not available			
	In the State		**In the test checked districts**	
	PSs (12,485)	**UPSs (2,997)**	**PSs (4,601)**	**UPSs (1,061)**
Drinking water	880(7%)	325(11%)	275(6%)	98(9%)
Electrification	9,953(80%)	1,452(48%)	3,481(76%)	486(46%)
Kitchen	1,158(9%)	1,538(51%)	635(14%)	630(59%)
Girls toilet	6,644(53%)	1,229(41%)	2,227(48%)	364(34%)
Common toilet	4,471(36%)	1,527(51%)	1,809(39%)	619(58%)
Playground	5,953(48%)	1,495(50%)	2,432(53%)	610(57%)

Source:-DISE 2010-11

During joint physical inspection of 61 schools, it was found that:

[6] Chamoli-7, Bageshwar-3, Rudraprayag-4, Pauri-2, Tehri-2, Almora-1, Uttarkashi-2, U.S. Nagar-3, Pithoragarh-28, Dehradun-3 and Champawat-1



PS Anaropa, Champawat



PS Karan Karayat

- 25 *per cent* of the schools did not have drinking water facility and 10 *per cent* had water connections but were found non functional.
- 74 *per cent* schools did not have power connections. Out of 18 schools that had been provided funds for electrification, five schools could not get the electricity connection installed despite availability of funds.
- Only 57 *per cent* of the schools had separate girls' toilets whereas, 44 *per cent* of these toilets were found not usable.

Thus, non-availability of drinking water facilities, electrification and girls' toilet in a considerable number of PSs and UPSs even after ten years of the implementation of the programme was a serious setback to the objective of providing basic amenities to schools.

During the exit conference, the Dy. Secretary while accepting the facts mentioned (December 2011) that basic amenities are being provided to the schools through convergence with other line Departments.

2.1.10.1 Furniture

In order to provide furniture to UPSs, funds at the rate of ₹ 500 per child were approved by the Project Approval Board (PAB) during the period 2008-09 to 2010-11.

In the test checked districts, an amount of ₹ 2.07 crore[7] for 41,233 children at the rate of ₹ 500 per child were transferred in the accounts of VECs/ SMCs by the DPOs for purchase of furniture in 659 UPSs. However, no UC to confirm the expenditure was submitted to the DPOs by the VECs/ SMCs. Only six VECs submitted UCs in confirmation of expenditure incurred in Dehradun district.

On this being pointed out in audit, the DPOs replied that directions will be issued to respective VECs for submitting UCs. The reply is not satisfactory as the UCs confirming the expenditure were to be submitted within one month of the close of each financial year, as per procedure in vogue.

[7] ₹ 0.80 crore in Almora, ₹0.19 crore in Champawat, ₹0.54 crore in Dehradun, ₹ 0.22 crore in Pithoragarh & ₹ 0.32 crore in Rudraprayag.

2.1.10.2 Innovative activities

Under innovation head, up to ₹ 50 lakh could be released for Computer Aided Education facilities, per district per year. The focus of Computer Aided Learning Programme (CALP) was to maximize coverage in UPS with special emphasis on Science and Mathematics.

Audit Scrutiny of records revealed that 1,040 schools having 39,520 children enrolled during the years 2009-10 & 2010-11 were deprived of the intended benefits of CALP due to delay in purchase of computers by the Department. In the test checked districts, it was noticed that 428 UPSs were provided computers under SSA prior to 2009-10, out of which 132 computers were not functioning due to hardware/ software problems and 39 for want of electricity connection. Moreover, additional 322 UPSs, identified for CALP during 2009-10 & 2010-11, were awaiting computers to be installed (August, 2011). Status of the computers made available to UPSs since inception of SSA is shown in the table-2.1.10 below:

Table-2.1.10

Name of district	CALP Aided UPS	No. of computers provided	Theft	Not in working condition	Non functional due to	
					Hardware/ Software	No Electricity connection
Rudraprayag	79	158	3	3	3	-
Almora	104	207	2	14	0	14
Pithoragarh	88	185	1	53	53	0
Champawat	79	158	2	44	24	20
Dehradun	78	160	13	57	52	05
Total	**428**	**868**	**21**	**171**	**132**	**39**

Source: DPOs & DIET Reports

As per the monitoring report of District Institute of Education & Training (DIET)/ District Resource Center (DRC) Dehradun, Champawat and Rudraprayag, 89 out of 209 CALP aided schools[8] did not have computer trained teachers posted. Thus, enrolled children of these schools were unable to avail full benefits of the scheme.

On this being pointed out, the SPD stated (February, 2012) that the computers could not be purchased in time due to procedural delay in tendering. The reply is not acceptable as the Parishad delayed finalizing the procedure to be adopted for the purchase of computers.

2.1.11 Coverage of special focus group

2.1.11.1 Children with Special Needs (CWSN)

As per SSA framework, CWSN were to be provided education in an appropriate environment irrespective of the kind, category and degree of disability and to adopt Zero Rejection Policy so that no child is left out of the school system. The programme *inter alia* provided for their placement in regular schools, providing aids and appliances to those requiring assistive devices. Provisions at the rate of

[8] 41 out 73 in Rudraprayag, 35 out of 58 in Champawat & 13 out of 78 in Dehradun.

₹ 1,200 per child per annum were made for the integration of the CWSN which was revised to ₹ 2,100 from 2010-11.

Audit Scrutiny of records revealed that against the approved outlay of ₹ 11.94 crore for coverage of CWSN during the period 2006-07 to 2010-11, ₹ 8.80 crore (74 *per cent*) was utilized in the State. Year wise position of CWSN identified and integrated in PSs/ UPSs in the State was as per table-2.1.11 below:

Table-2.1.11

Year	Identified	Number of CWSN			
		Enrolled	Home based education	Out of school	Provided with Assisted devices
2006-07	18,060	15,774	956	1,330	1,969
2007-08	14,103	11,337	1,226	1,540	2,295
2008-09	16,517	13,845	1,150	1,522	628
2009-10	22,390	19,307	1,533	1,550	856
2010-11	21,392	18,011	1,886	1,495	1,366

Source: State Project Office, Dehradun

It is evident from the above table that the Department failed to achieve zero rejection rate as 3,381 CWSN in the State and 823 CWSN in the sampled districts were still out of school[9] at the end of year 2010-11.

The State reportedly distributed assisted devices to all 7,114 identified CWSN during the coverage period out of which 1,366 CWSN pertained to the year 2010-11. However, scrutiny of the records of Champawat, Pithoragarh and Almora districts revealed that during 2010-11, no devices were distributed to any of the 302 identified CWSN. Further scrutiny revealed that the devices could not be distributed to the identified CWSN due to non delivery (August, 2011) of the devices by the supplying firm[10] despite an amount of ₹ 3.84 lakh advanced (December, 2010 to February, 2011) to the firm by the concerned DPOs.

The SPD accepted the fact and replied (February, 2012) that the assisted devices have been distributed in the month of August 2011.

(i) Residential schools for CWSN

Under District Primary Education Project (DPEP)[11], construction of residential school buildings for CWSN at Pithoragarh and Haridwar costing ₹ 1.35 crore each was sanctioned (March, 2006). Moreover, ₹ 20 lakh each was also sanctioned for equipment. The construction work of these buildings was to be completed by March 2007.

Test check of the records of DPO, Pithoragarh revealed that Rural Engineering Service (RES), Pithoragarh requested the Department to take over the building in May 2008. Without any justifiable reasons, the building was not taken over by the Department even after a lapse of three years and now the building required minor/ major repairs for which RES, Pithoragarh has demanded additional funds

[9] Out of school includes home based education provided to CWSN.
[10] ALIMCO, Kanpur.
[11] This scheme was closed and assets were merged with SSA.

of ₹ 7.50 lakh. Similarly, the building at Haridwar, completed prior to June 2009, has not yet been taken over by the Department.

The lackadaisical approach of the Department not only deprived CWSN from getting intended benefits but also kept constructed buildings costing ₹ 2.70 crore idle for more than three years. Besides, an amount of ₹ 40 lakh released for equipment was also lying unutilised.



Building for Integrated Education for Disabled (IED) at Pithoragarh

The SPD replied (February, 2012) that the Government has decided to transfer the IED building at Pithoragarh to Department of Sports and in district Haridwar, the building is being used for residential purposes for urban deprived children. The reply is not acceptable as the buildings meant for CWSN are not being used for the intended purpose.

(ii) Construction of Resource rooms, Ramp Railing & CWSN toilets

Funds for the construction of three resource rooms worth ₹ three lakh, ramp railings for 99 schools worth ₹ 7.35 lakh and CWSN toilets for 35 schools worth ₹ 3.50 lakh were released to three test checked districts[12] during 2009-10 & 2010-11.

It was noticed in audit that these construction works were incomplete as of July 2011 without any cogent reasons. However, the entire released fund was reported as expenditure. On this being pointed out, the Dy. Secretary accepted the fact and replied (December, 2011) that the directions have been issued to the executing agencies to finish the construction work as soon as possible.

2.1.11.2 National Programme of Education for Girls at Elementary Level

NPEGEL has been formulated for providing education to under-privileged disadvantaged girls from class-I to VIII as a separate and distinct programme of SSA. Under the scheme, PSs and UPSs were required to be identified as Model Cluster Schools (MCS) for development/ education of girl child. The programme was to be implemented in Educationally Backward Blocks (EBBs) where the level of rural female literacy was less than the national average and the gender gap was above the national average. Under this programme, 40 blocks were covered through 442 MCSs.

Audit Scrutiny revealed that against the approved outlay of ₹ 14.66 crore, ₹ 12.02 crore (82 *per cent*) could be utilized during the period 2006-07 to 2010-11 in the

[12] Almora, Champawat & Pithoragarh.

State. Similarly, ₹ 3.64 crore (82 *per cent*) was utilized against the approved outlay of ₹ 4.42 crore in the sampled districts. Further, in Almora district it was seen that a sum of ₹ 24.25 lakh was lying in the bank accounts of Model Cluster Schools (MCSs) although it had been reported as expenditure in the previous years. In order to adjust unspent balances, only ₹ 7.42 lakh against the approved plan of ₹ 23.88 lakh were released by the district to these MCSs in 2010-11. It was further found that ₹ 15.13 lakh were lying unutilized in the bank accounts of MCSs of two districts[13] at the close of the financial year 2010-11. It indicates that MCSs were not able to carry out additional activities under the programme but were functioning as routine schools.

The SPD accepted the fact and replied (February, 2012) that since most of the MCSs are situated in the remote hill areas, sometimes the girl students are not able to reach in time and participate in the respective programme/activity. The SPD further assured that strong efforts will be made to cover more number of girls and utilise the funds in the coming financial year.

(i) Model Cluster Schools (MCSs)

MCSs aimed at improving the achievement of girls, fostering an interest in education among them, and raising the importance of girls' education in the community.

Audit Scrutiny of records revealed that 150 MCSs[14] were functioning in the selected districts during 2010-11. Out of these, 43 MCSs[15] (29 *per cent*) at PS level were run by single teacher against the norms of two teachers making it difficult for them to look after the educational needs of the enrolled children as well as to manage various activities of NPEGEL. Thus, funds remained unspent in MCSs as shortage of teachers affected the implementation of various activities.

The SPD accepted the fact and stated (February, 2012) that the issue of single teacher schools will be taken care by way of providing at least two teachers under the RTE revised teacher norms.

(ii) Out of School/ Dropout of Girls in NPEGEL blocks

Test check of records revealed that dropout of girls in the 13 NPEGEL blocks of sampled districts have decreased over the years during the period 2006-07 to 2009-10 (except in 2010-11). However, in the four[16] out of five test checked districts, it was found that the percentage of girl dropout in NPEGEL blocks was alarmingly on a higher side as compared to overall dropout of girls. Year wise details are shown in the table-2.1.12 below.

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[13] Champawat-₹ 2.61 lakh and Dehradun-₹ 12.52 lakh.

[14] Jakholi-17, Ukhimath-8, Lamgarh-17, Dhauladevi-23, Barakot-5, Pati-6, Champawat-7, Lohaghat-6, Dharchula-8, Munsyari-8, Gangolihat-10, Chakrata-18 and Kalsi-17.

[15] Data of Rudraprayag not available.

[16] Almora, Pithoragarh, Rudraprayag & Champawat.

Table-2.1.12

Total out of school/ dropout of girls			Dehradun out of school/ dropout of girls	
Year	**Four districts**	**NPEGEL Blocks**	**District**	**NPEGEL blocks**
2006-07	942	676(72%)	757	235(31%)
2007-08	795	541(68%)	345	162(47%)
2008-09	433	342(79%)	608	124(20%)
2009-10	204	157(77%)	534	71(13%)
2010-11	376	275(73%)	942	78(8%)

Source: Information provided by DPOs & Bal Ganana/HHS

The objective of bringing out of school girls of Educationally Backward Blocks (EBBs) into the schooling system in a time bound manner was thus defeated. However, the SPD is of the opinion (February, 2012) that the number of out of school girls is gradually decreasing.

2.1.11.3 Kasturba Gandhi Balika Vidyalaya (KGBV)

The KGBV scheme launched (August,2004) by GOI for setting up of residential schools at UPS level for girls belonging predominantly to the SCs, STs, OBCs, and minorities in difficult areas has been merged with SSA as a separate and distinct programme. Under the scheme, the girls are identified, enrolled in the nearby UPS and were provided facilities like accommodation, food, uniforms, books etc. free of cost. Three models for construction of buildings were permissible under KGBV viz.:

Model I: Schools along with hostels for 100 girls

Model II: Schools along with hostels for 50 girls

Model III: Hostels in existing schools for 50 girls.

There were 28 KGBV residential hostels functional in 12 districts of the State[17] and 5,499 girls[18] were enrolled in these KGBV during the period 2006-07 to 2010-11. It was found that from 2008-09 onwards, 822 girls studying in high schools, who were not eligible for these facilities, were accommodated in the KGBV hostels.

(i) Abnormal delay in construction of KGBV buildings

During the period 2004-05 to 2010-11, 28 KGBV residential buildings[19] were sanctioned in 12 districts[20] of the State. However, only five residential buildings sanctioned in the year 2006-07 of Haridwar district had been completed so far. The delay in completion of 21 KGBV hostel buildings ranged from two to five years whereas, two KGBV residential buildings have been sanctioned in 2010-11. As a result, the State Government had to bear extra burden of ₹ 3.44 crore for getting construction works completed in nine KGBVs due to cost and time over run. Further, revised estimates for nine other incomplete KGBVs buildings have also been submitted for approval of Government by the Department.

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[17] Excludes Rudraprayag district, where KGBV was not approved.

[18] 4677 of Class-6th to 8th & from 2008-09 onwards 822 girls of class 9th to 12th.

[19] 2004-05: 14; 2006-07:11; 2008-09: 1; 2010-11:2.

[20] This scheme was not implemented in Rudraprayag.

Audit Scrutiny of the records of test checked districts revealed that five residential buildings were sanctioned in 2005. Construction works of these buildings were not completed as per MOUs (before 31 December 2006) by Rural Engineering Service (RES) of the respective districts. GOI, in the meantime, approved Model-III in April 2008 at a revised cost of ₹ 23.10 lakh. As per the revised MOUs, the agency was required to complete the construction of buildings between November 2008 to February 2009 but no construction work was completed so far despite an expenditure of ₹ 1.41 crore (82 *per cent*) against the sanctioned amount of ₹ 1.73 crore. Details of the physical and financial achievements as of July 2011 were as per table-2.1.13:

Table -2.1.13 *(₹in lakh)*

Name of KGBV	MOUs Executed/ Scheduled date of completion		Construction cost of Model -III	Up to date Sanction		Total funds released	Exp.	Revised estimates submitted	Physical progress
	Pre revised	Revised		SSA	SCP				
Lamgaraha	July,06/ Dec, 06	June,08/ January, 09	23.10	23.10		9.18	8.19	53.90	Plinth level
Dhauladevi	July,06/ Dec, 06	March,08/ November, 08	23.10	15.00	72.06	65.59	65.59	-	Finishing level
Gangolihat	July,06/ Dec, 06	June,08/ January, 09	23.10	23.10	12.90	36.00	18.70	64.59	Door level
Tanakpur	July,06/ Dec, 06	March,08/ November, 08	23.10	15.00	16.80	31.80	28.83	56.80	Ground floor
Korba, Kalsi	July,06/ Dec, 06	July,2008/ February, 09	23.10	23.10		20.00	20 .00	50 .00	80% complete
Tuni, Chakarata	Not done			80.15		10.00	Nil		land not available

Source: DPOs and SPO

It is evident from the details that the progress of construction work was not in accordance with MOU executed with the RES. The abnormal delay in the execution of these construction works were indicative of poor monitoring mechanism of the Parishad which ultimately led to cost escalation and non-achievement of intended objectives.

On this being pointed out, the SPD replied (February, 2012) that KGBV buildings in hilly areas could not be completed with the sanctioned unit cost. The SPD further stated that the Government has provided additional funds to make up this shortfall and a request has also been put up before the GOI for sanctioning of additional amounts to complete the half constructed buildings.

The reply is not justified in view of the fact that the sufficiency of the approved funds should have been known to the authorities concerned at the time of the approval of the estimates. Despite knowing this fact, there was no point in starting the construction and subsequent blocking of funds.

2.1.11.4 Delayed distribution of free text books

Free textbooks up to class VIII were supplied to all focus group children *viz*; girls, SC/ ST children of government and government aided schools under SSA. The ceiling of text books under the programme is ₹ 150 per student in PS and ₹ 250 per student in UPS.

The allotment and expenditure on the procurement of free text books by State Project Office is shown in the table-2.1.14 below:

Table-2.1.14 *(₹in crore)*

Year	Approved outlay	Expenditure	Savings	Savings in *per cent*
2006-07	13.30	9.87	3.43	25
2007-08	12.02	8.03	3.99	33
2008-09	12.57	9.86	2.71	21
2009-10	14.82	12.30	2.52	17
2010-11	14.14	6.94	7.20	51

Source: Audited figures & Annual reports of the Parishad

Above table indicates that 17 to 51 *per cent* of funds remained unspent. The SPD replied that the savings were due to low cost of publishing and less number of actual enrolled children in the schools *vis-a-vis* the planned figures.

Further, instructions were issued by the Directorate of Education that free text books should be distributed in the first week of April each year. For timely distribution of text books, printing and proof reading was to be completed by the end of 30th November and these books were to be supplied to districts by the Directorate of Education by the end of January.

Audit Scrutiny of the records of the test checked districts and Directorate of Education revealed that work order for publishing and printing of text books were placed as late as between February to March mainly due to delay in tendering process during the period 2006-11, whereas the academic sessions start from April. As a result, complete set of text books were not made available to any of the school within the prescribed time. Audit also noticed that free text books procured during 2006-2011 were distributed with delays ranging from one to nine months in violation of the instructions issued by the Directorate of Education.

During the exit conference, the Dy. Secretary accepted the fact and stated (December, 2011) that the delay was due to the lack of permanent staff, unfixed publishers, absence of text book bureau in the State and late approval by the Government. However, no remedial measures were reported to be initiated.

2.1.12 Release of various grants to schools

The Parishad was required to release various grants like Teaching, Learning Equipment (TLE) Grant, School Grant, Maintenance and Repair Grants and Teacher Learning Material (TLM) Grant to the Village Education Committees (VECs)/ School Management Committees (SMCs).

2.1.12.1 Teaching Learning Equipment (TLE) Grant

Prior to 2008-09, TLE grant was admissible at the rate of ₹ 10,000 and ₹ 50,000 for PS and UPS respectively as well as to those existing UPSs not covered under Operation Black Board (OBB)[21] subject to furnishing a certificate to this effect. Thereafter, the rate for PS was revised to ₹ 20,000. The TLE grant was to be released as per local specific context and requirement/need was to be determined

[21] Up to 2007-08, thereafter at the rate of ₹ 20,000 and ₹ 50,000 to newly opened PSs and UPSs respectively.

by the teachers/Village Education Committees (VECs)/ School Management Committees (SMCs).

Audit Scrutiny of records revealed that TLE grant of ₹ 5.86 crore was released to 1,765 schools (PSs-837, UPSs-857 & existing UPSs-71) during the period 2006-07 to 2010-11 by the respective District Project Offices (DPOs). Audit could not confirm expenditure incurred by way of utilisation of TLE grant for want of UCs in the test checked districts. In one of the test checked schools[22], the amount released as TLE grant had not been utilized although it was being reported as utilized in the annual accounts.

During the exit conference, the Dy. Secretary accepted the fact and replied (December, 2011) that the authorities of DPOs have been directed to collect UCs against the expenditure incurred.

2.1.12.2 School Grant

School grant was admissible for replacement of non functional equipments and for other recurring costs such as consumables etc. This grant can also be used for science laboratories and computer education requirements in UPSs. Prior to 2008-09, school grant was admissible at a uniform rate of ₹ 2,000 per year per PS and UPS. Thereafter, the rate was enhanced to ₹ 5,000 per year per PS and ₹ 7,000 per year per UPS.

Audit Scrutiny of records revealed that ₹ 35.18 crore (96 *per cent*) were utilized in the State during the period 2006-11 against the approved outlay of ₹ 36.36 crore. In the test checked districts, ₹ 12.81 crore was utilized against the approved outlay of ₹ 13.21 crore. Audit, however, was unable to verify expenditure due to non production of UCs by the District Project Offices (DPOs).

School grants of ₹ 3.50 crore were released directly in the accounts of the Village Education Committees (Gram Nidhi), in the test checked districts, by the DPOs in 2010-11. Joint physical inspection of sampled schools revealed that, in 2010-11, 65 *per cent* of schools had not utilized the released amount and the remaining schools, who have reported utilisation, failed to furnish the vouchers in support of expenditure.

During the exit conference, the Dy. Secretary accepted the fact and replied (December, 2011) that the authorities of District Project Offices have been directed to collect UCs against the expenditure incurred.

2.1.12.3 Maintenance and repairs grant

Schools up to three classrooms were eligible for maintenance grant up to a maximum of ₹ 5,000 per school per year while schools having more than three classrooms were to get a maintenance grant up to a maximum of ₹ 10,000 per school per year, subject to the condition that the overall eligibility for the district would be ₹ 7,500 per school. This grant was to be provided on the specific proposal from the Village/ School Education Committees and on availability of

[22] UPS Umedpur, Dehradun.

data on number of existing government schools having their own buildings and school buildings requiring maintenance and repairs.

Test check of records revealed that maintenance and repairs grant of ₹ 49.37 crore was approved for the State during the period 2006-07 to 2010-11. Against the sanctioned amount, ₹ 44.67 crore (90 *per cent*) were shown as utilized by the SMCs/ VECs. Meanwhile, in the selected districts, maintenance and repairs grant amounting to ₹ 15.56 crore were released without receipt of specific proposal from the VECs/ SMCs. Audit was unable to verify the reported expenditure without production of UCs.

Further, maintenance and repairs grant of ₹ 3.57 crore were released directly in the accounts of the VECs (Gram Nidhi), in the test checked districts, by the DPOs in 2010-11. Joint physical inspection of sampled schools revealed that in 2010-11, 70 *per cent* of schools had not utilised the released amount and the remaining schools, which have reported utilisation, failed to furnish the vouchers in support of expenditure.

On this being pointed out, the respective DPOs replied that efforts were being made to collect the UCs and transfer of unutilized funds in the accounts of SMCs.

2.1.12.4 Teaching Learning Material (TLM) Grant

The TLM grant at the rate of ₹ 500 was admissible to the teachers of Government and Government aided schools. Out of approved outlay of ₹ 11.49 crore during the period 2006-07 to 2010-11, only ₹ 10.13 crore (88 *per cent*) were shown as utilized in the State. However, it was found that ₹ 3.58 crore (91 *per cent*) of the approved outlay of ₹ 3.93 crore, meant for 78,602 teachers, were utilized in the test check districts.

Joint physical inspection of the sampled schools revealed that these funds were released directly in the saving accounts of the teachers and were utilized by them for the purchase of chart papers etc. Entries of the TLM grant were not found in the cash book/ registers of the physically inspected schools. Hence, proper utilization of TLM grant could not be ascertained in audit.

On this being pointed out, the State Project Director (SPD) replied (February, 2012) that teachers are advised to maintain the accounts in a separate register and keep the vouches at their end. The reply is not acceptable as government money is to be accounted for in the cash book and its proper utilisation is to be watched through passed vouchers.

2.1.13 Management of teaching staff

There are prescribed norms for deployment of required number of teachers in the PSs/ UPSs and their capacity enhancement in the SSA framework. Besides, there was provision for additional staff for overall monitoring and supervision of the implementation of SSA programmes. Audit analysis of the same is being discussed in the following paragraphs:

2.1.13.1 Teaching Staff

As per the norms of the SSA, there should be at least two teachers in a PS and three teachers (one for each class) in UPS. The number of PSs and UPSs which did not comply with this norm is tabulated in table-2.1.15 below:

Table-2.1.15

Year	Government PSs	Number of PS functioning		Government UPSs	Number of UPS functioning		
		without teacher	Single teacher		Without teacher	Single teacher	Two teachers
2006-07	11,767	35	2,761	2,698	9	225	616
2007-08	12,291	59	2,584	2,866	32	180	350
2008-09	12,534	211	2,931	2,962	122	168	301
2009-10	12,593	129	2,425	3,034	82	201	374
2010-11	12,485	118	2,922	2,997	44	200	388

Source:-DISE

Above table indicates that 162 schools were without teachers and 3,510 schools (PSs: 2,922 & UPSs: 588) were having less teachers posted against the prescribed norms in the State during 2010-11. Similarly, it was found in the five test checked districts, that 1,492 (32 *per cent*) out of 4,601 PSs and 302 (28 *per cent*) out of 1,061 UPSs were having less number of teachers posted against the norms.

Further scrutiny revealed that out of 2,997 UPSs, 974 schools (33 *per cent*) were without mathematics and science teachers and 1,717 schools (57 *per cent*) were functioning without Headmaster in the State. As against the shortage mentioned above, 845 schools (PSs-568, UPSs-277) were having more teachers[23] than the norms. It was further noticed that 1,265 teachers of UPS were not called back to resume their duties in the parent cadre after existing UPS were upgraded into High Schools/ Government Inter Colleges. The above shortage could have been minimized by better management of available teachers.

On this being pointed out, the SPD replied (September, 2011) that shortage of teachers and delay in recruitment was the main reason behind the aforementioned facts. The reply was not acceptable as teachers were available but deployed disproportionately.

The SPD further replied (February, 2012) that State Government has brought new act providing for the deployment and transfer of teachers in the schools as per norms to arrest the inequitable deployment of teachers.

2.1.13.2 Pupils Teachers Ratio (PTR)

SSA envisaged one teacher for every 40 children but scrutiny revealed that PTR in PS stood at 23:1 and in UPS at 15:1 in the State which was well within the prescribed norms. However, an average calculation of PTR does not give a correct picture as 10 schools out of 125 test-checked and physically inspected schools[24], had average PTR up to 61:1 with the highest being 106:1; thus,

[23] Around 1011 teachers of PSs & UPSs calculated on the basis of number of teachers norm as well as PTR norm up to 120 students.

[24] Joint physical inspection-61 & test checked-64.

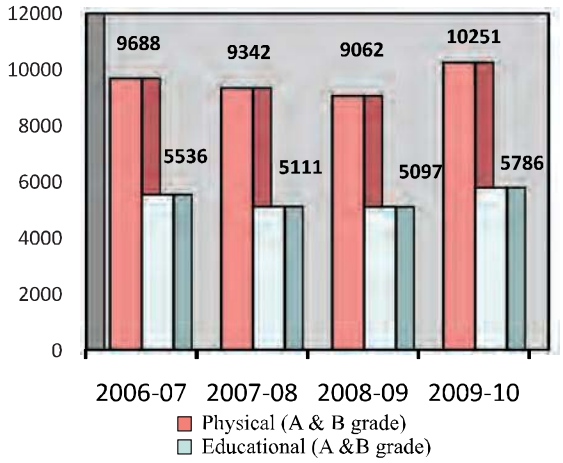
Audit scrutiny revealed that 392 posts (26 *per cent*) were filled in by teaching staff who were given additional charge; thus, compromising the teaching activities in the schools.

2.1.14 Internal control, Supervision, Monitoring and Evaluation

Internal control is a process affected by the management of implementing agencies and other personnel designed to provide reasonable assurance that the objectives of the programme are being achieved in the areas of (a) effectiveness and efficiency of operations, (b) reliability of financial and operational reporting and, (c) compliance with the provisions and other orders issued from time to time. Monitoring and supervision of the implementation of the programme and internal audit are the main controls exercised in internal control. Audit noticed the following deficiencies in the system:

- Annual Audit Report on SSA accounts was required to be submitted by Chartered Accountant (CA) to the Parishad by 30th September each year which was delayed by one to six months during the period 2006-07 to 2009-10[27] in contravention of the SSA guidelines.
- Cash book and bank reconciliation statements were not maintained/ prepared by DPO, Almora since 2006-07.
- Different sets of data were available for the same purpose such as population, enrolment, out of school and number of schools etc.
- As discussed in paragraph 2.1.13.4, a number of vital posts, which were primarily responsible for monitoring and supervisions of the schools at district, block and cluster levels, were lying vacant. As a result of it, regular teachers were given additional charge of the CRCs. This stopgap arrangement adversely affected the performance and quality of imparting education as well as the monitoring process. Lack of adequate supervision and monitoring was reflected in the declining trends of educational achievements of the schools in all the years, except the last year (2009-10)[28]. Year wise physical and educational grade achieved by the schools at State level is shown in the Chart 2.1.1.

Chart-2.1.1
Physical and Educational Achievement



[27] The audit for the year 2010-11 was under progress.
[28] From 2010-11, the existing grading system was replaced with Comprehensive and Continuous Evaluation (CCE) system.

indicating uneven distribution of teachers in schools which needs to be reviewed at the Government level for taking appropriate corrective measures.

The SPD replied (February, 2012) that the Government of Uttarakhand has passed an Act for regulating postings, promotions and transfers of State Government employees which would facilitate the redeployment of teachers appropriately.

2.1.13.3 Teachers training

There is a provision for 20 days in-service training for teachers each year under SSA. District Institute for Education & Training (DIET) at district level under guidance of State Council for Education and Training (SCERT), Narendranagar were responsible for imparting In-Service Training to teachers for upgrading their teaching skills.

Audit Scrutiny of the records revealed that an outlay of ₹ 33.81 crore was approved for conducting training in respect of 2,34,357 teachers of the State during the period 2006-11. Out of this, 2,10,898 teachers (90 *per cent*) received training[25] at a cost of ₹ 27.93 crore. In the test checked districts, 73,146 (93 *percent*) out of 78,610 teachers received In-Service Training at a cost of ₹ 8.65 crore during the said period.

A study on the impact of In-Service Training of teachers on class room transactions and perception about the effectiveness of the programme was conducted by the Academy of Management Studies (AMS), Dehradun, which disclosed that 67 *per cent* of the teachers considered the training modules, prepared for the year 2008-09 & 2009-10, to be appropriate in fulfillment of their academic needs. However, it was noticed that performance level of the schools in education were showing a declining trend over the years exception being 2009-10 (**as shown in the chart-2.1.3**). This was indicative of the fact that planning for training was not done on need basis; therefore, the objective of upgrading the skills of the teachers was not fully achieved.

2.1.13.4 Operational staff

The details of sanctioned strength and men-in-position of operational staff for supervision, monitoring and implementation of various SSA programmes at district, block and cluster level are given in the table-2.1.16 below:

Table-2.1.16

Operational Posts	Sanctioned strength	Men in position		Vacant
		Qualified	Adjustment[26]	
District Coordinators	65	52	0	13
Block Resource Coordinators	95	49	19	27
Asstt. Block Resource Coordinators	190	111	33	46
Cluster Resource Coordinators	994	576	340	78
Resource Teachers	183	160	0	23
Total	**1527**	**948**	**392**	**187**

Source: State Project Office

25 In-service training to 2,10,378 teachers, MT training to 401 teachers and Induction training to 119 teachers.

26 Where teachers have been given additional charge without having qualified the prescribed examination.

On this being pointed out, the authorities of the districts attributed decrease in learning level achievements to the shortage of teachers and deployment of single teachers in the schools. The reply was justifiable to some extent[29], but simultaneously lack of supervision staff at district, block and cluster level adversely affected the monitoring of the various schemes/ interventions in elementary education.

2.1.15 Impact analysis of the scheme

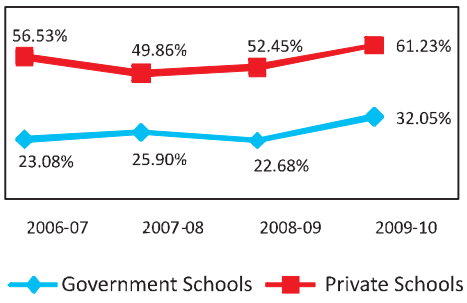
2.1.15.1 Assessment of Learning Level Achievements

National Policy on Education (NPE) lays emphasis on substantial improvement in the quality of education to enable all children to achieve essential level of learning.

A Competency Based Assessment of Children Studying in Class III, V and VIII of 1,900 schools of the State was conducted by the State Project Office (SPO), SSA and School Education Department, in October 2009, to get a feel of the learning levels of children in Uttarakhand at PSs and UPSs. The study revealed that there was a decline in learning levels from class III to class VIII. The performance was poor in Hindi language and better in Science and Mathematics.

Further, audit compared examination results (as per DISE data) of government and private schools of the State pertaining to class V and class VIII for the period 2006-07 to 2009-10 which showed, as can be seen in the graph alongside, that government run schools were far behind the private schools. The gap in the achievement ranged between 24 to 33 *per cent* in favour of the private schools.

Chart-2.1.2 Result of Govt. and Pvt. Schools



On this being pointed out, the Dy. Secretary replied (December 2011) that shortage of teachers as well as teachers being engaged in multiple tasks like census, election and pulse polio duties etc. were the main reason behind it. Thus, the objective of SSA to provide quality education was not fulfilled despite incurring huge expenditure on elementary education.

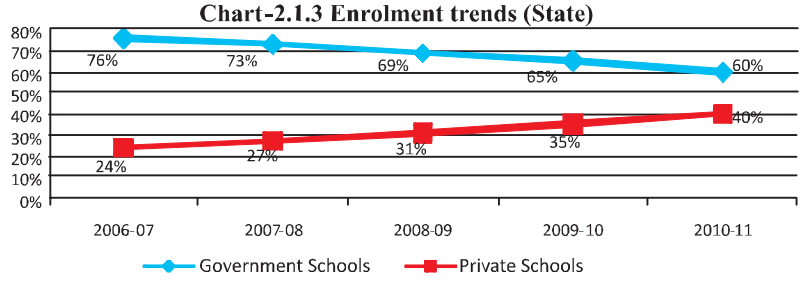
2.1.15.2 Enrolment of children in the Government Schools & Private Schools

Audit scrutiny of the records of State Project Office and test checked districts revealed that during 2006-11, enrolment of children in the targeted age group of

[29] Average 23 *per cent* of Primary schools were having no teacher or single teacher deployed during the period 2006-07 to 2010-11.

6-14 years, in the PSs and UPSs has shown an overall decrease in comparison to private schools as depicted in the chart-2.1.3.

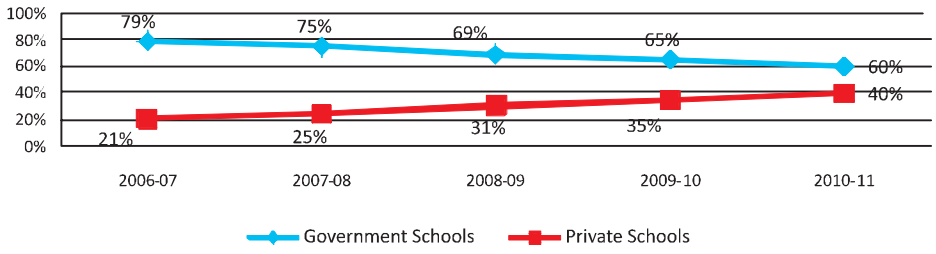
Chart-2.1.3 Enrolment trends (State)



Source: DISE

The above chart clearly indicates that there is a decreasing trend of enrolment in the government schools in the State despite infrastructural facilities worth ₹ 322.77 crore created during the period 2006-07 to 2010-11. Similar trend was noticed in the sampled districts as depicted in the chart-2.1.4 below. ***(also refer Appendix-2.1)***

Chart-2.1.4 Enrolment trends (Districts)



Source: DISE

On this being pointed out, the Dy. Secretary attributed (December, 2011) it to the shortage of teachers in government schools and attraction of parents towards private schools. However, audit analysed that the various shortcomings in infrastructural facilities and implementation of various schemes were also the reasons for this declining trend.

2.1.15.3 Enrolment of children

The objective of the SSA was to enroll children in the age group of 6-14 years in schools by 2005. In addition, it aimed to bridge gender and social category gaps at primary stage by 2007 and at the elementary stage by 2010 and also achieve universal retention by 2010.

The eligible children identified in house hold survey (HHS)/ Bal Ganana[30] and their enrolment in Government and Private schools in the State during 2006-11 was as per table-2.1.17:

Table-2.1.17

Year	Child population (Age 6-14 years)			Enrolment (Age 6-14 years)		Out of school children		
	Boys	Girls	Total	Boys	Girls	Boys	Girls	Total
2006-07	9,56,748	8,73,508	18,30,256	9,45,828	8,62,199	10,920	11,309	22,229
2007-08	9,38,628	8,52,869	17,91,497	9,31,070	8,44,531	7,558	8,338	15,896
2008-09	9,44,143	8,61,665	18,05,808	9,40,277	8,57,398	3,866	4,267	8,133
2009-10	9,37,138	8,56,138	17,93,276	9,32,860	8,51,941	4,278	4,197	8,475
2010-11	9,11,312	8,32,043	17,43,355	9,06,880	8,28,307	4,432	3,736	8,168

Source: State Project Office (Bal Ganana report)

From the above table, it is seen that the main objective of SSA to attain universal enrolment by 2010 was not achieved as there was still 8,168 out of school children in the State. Moreover, the District Information System of Education (DISE) report for the year 2010-11 indicated that there were still 83,914[31] out of school children in the State. No attempt was found made by the Parishad to analyse an in-depth study of reasons behind the dropout/ out of school children. This need to be looked into and the Government must take corrective measures for the achievement of the intended objectives of the SSA.

2.1.15.4 Gross Enrolment Ratio and Net Enrolment Ratio

The Gross Enrolment Ratio (GER) and Net Enrolment Ratio (NER) of the children in the school system are performance indicators for enrollment. GER[32] is the percentage of total enrolment in elementary level of education to the targeted child population in the State. NER[33] indicates the percentage of enrolment of targeted children corresponding to the targeted child population. The position of GER/ NER as per District Information of School Education (DISE) and Annual Work Plan & Budget (AWP&B) figures is depicted in the table-2.1.18 below:

Table-2.1.18

For the year 2010-11	GER as per		NER as per	
Age Group	**AWP&B**	**DISE**	**AWP&B**	**DISE**
6 - 11 years	101.73	99.00	99.00	79.91
11 - 14 years	101.14	87.99	98.67	64.45

Source: DISE & SPO

[30] By Department of Education.
[31] 83,914= 17,22,406(Population as per DISE)-16,38,492 (Enrolment as per DISE).
[32] GER =(Enrolment in grade I to VII/Total population of targeted age group (6 to 13)x100.
[33] NER = (Enrolment of the targeted population in PSs and UPSs/ Targeted population)x100.

Low NER of 64 as per DISE data indicates that there is a need to increase efforts to enroll targeted children at the elementary level. As GER, NER are principal indicators of elementary education, there is a need to reconcile the figures for correct assessment of the schemes.

2.1.15.5 Retention/ Dropout trends of students

The number of students who either dropped out or failed in the examination from Class-I to Class V over the years is depicted in the table-2.1.19 below:

Table-2.1.19

Year	Class							
	I	II	III	IV	V	VI	VII	VIII
2006-07	**235477**	203267	196478	183722	166632	155820	140255	131417
2007-08	237979	**221030**	214446	199090	186203	171237	158615	146524
2008-09	243016	218859	**220915**	206287	193639	185173	173694	164578
2009-10	239670	209556	207758	**205317**	194398	184776	177947	174267
2010-11	251154	218632	210065	204177	**200232**	192108	183626	178498

Source: DISE data

Only 2,00,232 out of 2,35,477 children (as depicted in blue colour) enrolled at primary level in 2006-07, could be retained in class V up to 2010-11. Thus, the Department failed to retain 35,245 children during the period 2006-11. On this being pointed out, the SPD replied that facilities like Mid Day Meal (MDM), free text books etc. were being provided to enhance retention.

The reply does not reflect the ground reality as there were numerous shortcomings in the implementation of the programmes under SSA as discussed in preceding paragraphs.

2.1.15.6 Out of School/ Dropout trends of Special focused children

The year wise details of out of school/ dropout of girls and children of SC/ ST are depicted in table-2.1.20 below:

Table-2.1.20

Year	State			Sampled districts		
	Total Out of School/ dropout	Out of the total dropout		Total Out of School/ dropout	Out of the total dropout	
		SC/ST (*per cent*)	All Girls (*per cent*)		SC/ST (*per cent*) (Boys+Girls)	All Girls (*per cent*) (All categories)
2006-07	22,229	5,851 (26)	11,309 (51)	2,910	1,220 (42)	1,699 (58)
2007-08	15,896	4,465 (28)	8,338 (52)	2,010	848 (42)	1,140 (57)
2008-09	8,133	2,540 (31)	4,267 (52)	1,917	784 (41)	1,041 (54)
2009-10	8,475	2,644 (31)	4,197 (50)	1,633	783 (48)	737 (45)
2010-11	8,168	2,943 (36)	3,736 (46)	2,730	1,054 (39)	1,318 (48)

Source: Information provided by DPOs and SPO (Bal Ganana)

Above table indicated that though the overall position of out of school students had gradually decreased but the special focused category (SCs/STs and Girls) in the sampled districts showed an increase with respect to total out of school children particularly in 2010-11.

Thus, the State as a whole and the sampled districts in particular failed to achieve the goal of universal retention even after the lapse of 10 years of the implementation of programme.

2.1.16 Conclusion

There were instances of under utilization of funds in all years due to faulty planning, delay in release of funds, short releases and poor implementation and monitoring of various programmes carried out by the executing agencies of the Parishad. The State also suffered from curtailment of funds of ₹ 239.47 crore because of under utilisation of funds received. Late release of funds retarded the achievement of annual targets of the scheme. Further, non submission of UCs by the line agencies, advances being booked as expenditure in the books of accounts and maximum disbursement of funds at the fag end of the financial year reflected poor financial management of the Department.

The scheme suffered due to lack of infrastructure and basic amenities like drinking water, toilets, electricity, kitchens etc. in the schools and the trend did not show any significant achievement in learning level of children enrolled in government run schools. The construction of school buildings and KGBV hostels were abnormally delayed.

There was shortage and disproportionate deployment of teachers in the schools and field level monitoring/ supervisory staff was also not sufficient which adversely affected the overall achievement of goals of the Department.

The objective of SSA to have all the children enrolled in school by 2005 and 100 *per cent* retention of children by the end of 2010 are yet to be achieved as 8,168 children were still out of school by the end of the year 2010-11.

2.1.17 Recommendations

The Government may consider to improve the effectiveness of the working of the Parishad through:

- Preparation of habitation level plans through involvement of grass root level functionaries.
- Preparation of correct and updated database on retention, drop out and out of school children for evaluation and future planning.
- Strengthening monitoring and internal control mechanisms at every level.

REVENUE DEPARTMENT

2.2 Performance Audit on Acquisition and Allotment of Land

Highlights

The Land Acquisition Act was introduced in 1894 for acquisition of land by Government and Government Grant Act came into force in 1895 for the allotment of Government land. Requirement of land for development activities has increased manifold in recent times. Land belonging to private owners can be acquired in public interest after following all laid down procedures. The compensation to land owners should also be made according to prescribed rules and regulations. Again, land at the disposal of Government may be allotted for specified purposes within the frame work of land policy, relevant Acts and Rules etc. Performance audit of Acquisition and Allotment of Land in Uttarakhand revealed delayed acquisition, excess payment of interest, violation of rules, etc. In the absence of proper monitoring mechanism, the utilization of allotted land could not be ascertained in respect of land acquired for public purposes. There were instances which indicated that Government land was allotted free of cost to both private and Government institutions in contravention of the rules. Some of the significant audit findings are highlighted below:

- ***Acquisition proceedings were carried out under urgency clause in every case of acquisition in the selected test-checked district without ascertaining the genuineness and emergent requirement on case to case basis by the Department.***

[Paragraph 2.2.8]

- ***Undue benefit of ₹10.48 crore was allowed to the land owners without seeing if they are migrants or landless and marginal farmers as prescribed in the National Rehabilitation & Resettlement Policy,2007.***

[Paragraph 2.2.10.4(A)&(B)]

- ***District Administration did not ensure availability of expected land reserved for general utilization and systematic development of villages before allotment of land to Government and non-Government bodies.***

[Paragraph 2.2.15(A),(B) &(C)]

- ***Undue benefit of ₹1.99 crore was extended to private institutions on account of allotment of Government land deviating from the prescribed allotment norms meant for realization of Nazrana and Malguzari.***

[Paragraph 2.2.16(A)]

- ***Lease holders in 103, 143 and 365 cases of leased land in Champawat, Lohaghat and Tanakpur respectively continued to occupy Government land despite expiry of the initial period of allotment of 30 years without renewal of lease and making payment towards lease rent.***

[Paragraph 2.2.18(A)&(B)]

❖ ***Mussoorie Dehradun Development Authority (MDDA) used 13.454 hectare of land acquired for construction of bus terminal, for construction of a shopping mall and a housing scheme without obtaining Government approval.***

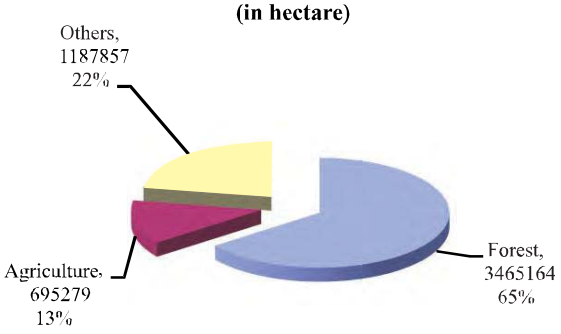
[Paragraph 2.2.19.3]

2.2.1 Introduction

'Land Acquisition' means acquiring of land for some public purpose by Government, as authorized by the law, from the landowner(s) after paying compensation in lieu of losses suffered by land owner(s) due to surrender of his/ their land to the concerned Government agency. For this purpose, the Land Acquisition Act (the Act) came into existence in 1894. Under Section 55 of the Act, the Government shall have the power to make rules consistent with this Act for guidance of officers in all matters connected with its enforcement and the State may from time to time alter and add to the rules so made. No such rule has been made by the State Government even after a lapse of a decade since formation of the State. Land, under the management of Revenue Department is allotted on lease to various users; both Government and non-Government Institutions under Government Grants Act, 1895 (G G Act) of Uttar Pradesh as adopted by Uttarakhand State.

Uttarakhand consists of 13 districts having geographical area of 53,48,300 hectare which includes forest land of 34,65,164 hectare. In compliance with decision of the Hon'ble Supreme Court (SC) (T N Godavarman *versus* Government of India), the entire 65 *per cent* hilly land of the State was declared forest land. This land is out of the purview of State Government for acquisition and allotment purposes. Due to the aforesaid decision of the Apex Court, there is limited scope for the Government for acquisition and allotment of land as only 13 *per cent* of land is governed by the Act, in the State.

Chart-2.2.1 Land use in Uttarakhand (in hectare)



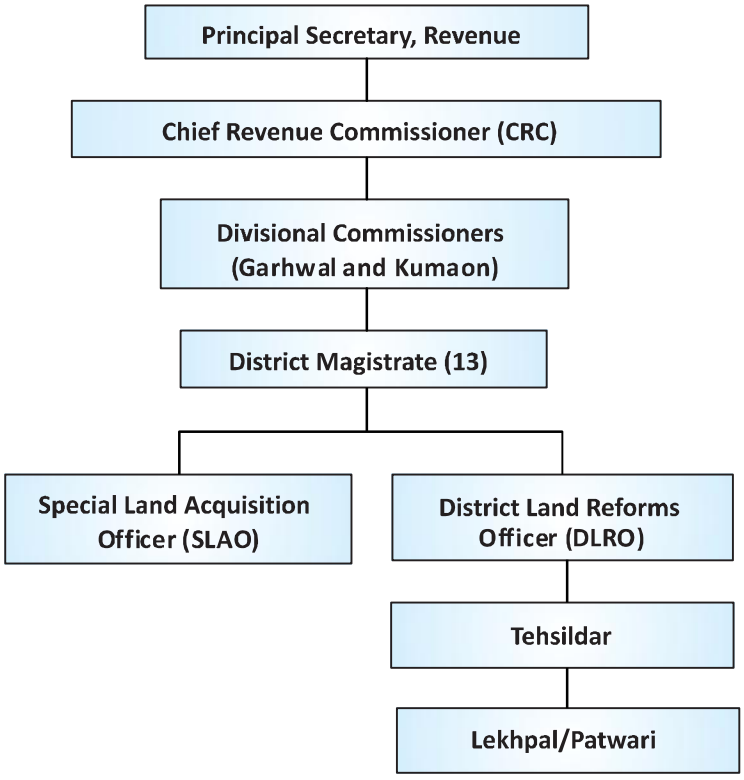
Source: Annual Report (2010-11)of Chief Revenue Commissioner, Uttarakhand & Uttarakhand Forest Statistics (2009-10).

2.2.2 Organizational set-up

The Principal Secretary, Revenue is the administrative head of the Revenue Department. As per Government Order (September, 2001), the post of Chief Revenue Commissioner (CRC) has been created, as head of the Revenue Department instead of Board of Revenue as prevalent in the erstwhile State of Uttar Pradesh. The CRC performs duties of the Head of Department of various Departments *viz*, Revenue, Consolidation, Land Acquisition and Land Settlement.

CRC is mainly responsible for maintenance of land records, excavation of land, administration of Government estates and administration of GG Act. All awards under acquisition process exceeding ₹ five crore is to be approved by the CRC. The CRC is assisted by two Divisional Commissioners, one each for Garhwal and Kumaon Divisions. All awards ranging from ₹ two crore to ₹ five crore is approved by the Commissioners. As per duties defined in Government Order (GO) dated December 2010, the Commissioners at Division level and District Magistrates (DMs) at district level are responsible for maintenance and upkeep of the land records. As per Paragraph 1137, Chapter 49 of the Revenue Manual, the Commissioners and the DMs are responsible for providing guidance, inspections and review of works performed by the officers in their respective domain. The main function of the DM, in the matters of acquisition and allotment, is to ensure payment of compensation to the affected land owners and allotment of government land as per priorities prescribed, with the assistance of Special Land Acquisition Officer (SLAO) and District Land Reform Officer (DLRO) respectively. The work of the SLAO is to execute entire acquisition proceedings within the purview of the Act as Collector. The function of DLRO is to examine the proposals regarding allotment of land to various Government and non-Government institutions as per prescribed priorities. The Tehsildar and Lekhpal assist the DLRO in the matter of allotment of Government land.

The organizational set up of the Revenue Department is as follows:



Besides, the jurisdiction of SLAO, Nainital includes Udham Singh Nagar and SLAO, Almora includes Bageshwar district, while the jurisdiction of SLAO, Pauri extends to district Chamoli also.

2.2.3 Audit Objectives

The main objectives of the review were to assess whether:

- the proceedings for acquisition of land were carried out as per Land Acquisition Act and compensations and awards given were as per norms;
- allotment of Government land to various institutions was as per guidelines/ Government Orders and allotment was judicious and as per the provisions;
- land acquired for Development Authorities were in accordance with the Act and provisions thereon and allotment of land by Development Authorities to the beneficiaries were as per objectives fixed by Government; and
- computerised central database of land at the Government, Chief Revenue Commissioner (CRC) and District levels and mechanisms for adequate and effective monitoring and evaluation executed.

2.2.4 Audit Criteria

The criteria for evaluating the performance was derived from the following:

- Land Acquisition Act, 1894 (the Act).
- The Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950 Adaption & Modification Order, 2001(Amendment) Act 2003.
- Government Grants Act, 1895 (G G Act).
- Guidelines, Government Orders & clarifications issued from time to time.

2.2.5 Scope of Audit and Methodology

The Performance Audit was conducted during May 2011 to September 2011 and covered the period from 2006-07 to 2010-11. Out of 13 Districts in the State, five Districts[34] were selected for test-check on the basis of Probability Proportional to Size with Replacement (PPSWR) method. Before commencing the performance audit, the audit objectives, criteria and scope were discussed with the Principal Secretary, Revenue, Government of Uttarakhand in an Entry Conference (July, 2011). In the districts, SLAOs and DLROs were covered for scrutiny of records and collection of information. Audit conclusions were drawn after scrutiny of relevant data and records of the related districts. Haridwar Development Authority (HDA) and Mussoorie Dehradun Development Authority (MDDA) were also covered in the performance audit. Further, joint verification of affected land owners in two acquisition cases each in three districts[35] was also conducted.

[34] Champawat, Chamoli, Dehradun, Haridwar and Nainital.
[35] Dehradun, Haridwar and Nainital.

The audit findings were also discussed (December, 2011) with the Principal Secretary, Revenue, Government of Uttarakhand in an Exit Conference and views of the Government were incorporated suitably in the report.

2.2.6 Procedure for acquisition of land

Acquisition of land for a public purpose or company means acquiring the land of landowner(s) by appropriate Government authority under the Land Acquisition Act, 1894 read with Amendment Act, 1984 (the Act) by paying compensation to the entitled persons, in lieu of the acquired land, in accordance with the provisions of the Act.

Acquisition proceedings start with the proposal being submitted by the user Departments mentioning the needs along with the details/ particulars of the land. If the land is required urgently, a certificate to this effect under Section 17 (urgency clause) of the Act is also required to be attached with the proposal. After verifying the requirement, preliminary notification, under Section 4, is published in the official Gazette and at least in two daily newspapers. Section 5 (A) provides an opportunity to the affected persons to file objections against any such acquisition within a period of 30 days from the date of notification. If the acquisition is being done under urgency clause, objections under Section 5 (A) are not applicable. Further, declaration under Section 6 of the Act is made within one year from the date of notification. Under Section 9, objections relating to claims are received and award is declared by the Collector under Section 11. Section 34 of the Act prescribes the conditions for payment of interest in the cases of delay in payment of compensation.

Section 48 of the Act provides liberty to the Government to withdraw the proceedings of the acquisition at any time before taking possession of the land but compensation to the interested persons shall be paid for the loss or damage caused due to acquisition proceedings.

Section 55 of the Act empowers the State Government to make rules consistent with the Act for the guidance of its officers in all matters connected with its enforcement and may from time to time alter and add to the rules so made. However, audit noticed that even after lapse of a decade since the formation of the State, no rules and orders had been formulated in this regard. The matter was raised during exit conference; no reasons were intimated by the Government.

Audit findings

Important audit findings are discussed in the succeeding paragraphs.

2.2.7 Overall status of acquisition

(A) Status of acquisition in the State

The overall status of acquisition of land in the State during the period 2006-11 as provided by the CRC is depicted in the table-2.2.1 below:

Table-2.2.1

Name of District	No of acquisition cases	Total acquired area (in hectare)	Total compensation (₹ in crore)			Court cases
			Deposited	Paid	Remained undistributed	
Dehradun	17	12.53	22.30	22.15	0.15	Nil
Haridwar	3	1.29	0.51	0.44	0.07	Nil
Tehri	4	114.73	43.34	43.34	Nil	Nil
Pauri	NA	NA	NA	NA	NA	NA
Chamoli	24	84.24	43.90	25.96	17.94	Nil
Uttarkashi	3	5.64	1.64	1.59	0.05	Nil
Udham Singh Nagar	1	0.244	NA	2.51	NA	Nil
Nainital	4	2.20	2.57	2.22	0.35	1
Champawat	Nil	Nil	Nil	Nil	Nil	Nil
Pithoragarh	2	9.51	NA	5.54	NA	Nil
Almora	6	5.61	NA	1.11	NA	Nil
Bageshwar	Nil	Nil	NIL	NIL	NIL	Nil
Rudraprayag	NA	NA	NA	NA	NA	NA
Total	**64**	**235.994**	**114.26**	**104.86**	**18.56**	**1**

Source: Figures provided by the CRC, NA=Not Available

It is evident from the above table that information relating to two districts[36] was not provided to audit whereas for other three districts[37], with a total acquired area of 15.36 hectare, information regarding the amount of compensation paid was provided but the actual amount due for compensation was not made available to audit. Further, in respect of 55 acquisition cases of 220.63 hectare of land in the remaining eight districts, only an amount of ₹ 95.70 crore was disbursed to the affected land owners against ₹ 114.26 crore deposited by various user Departments. Hence, ₹ 18.56 crore remained unutilized. The reason regarding non-disbursement of the total award was not furnished to audit. The findings were discussed in the exit conference (December,2011) and the Government was in agreement with the audit observations.

On this being pointed out, the Department stated (November,2011) that the required data for state were not being maintained by CRC and could be provided by the districts. The reply of the Department was not satisfactory as the structure of the Department have been framed by the State Government in September 2001, under which the duties, powers and functions of the CRC in relation to acquisition and allotment of land have been clearly indicated.

(B) Non-maintenance of records at the State level

Audit noticed that no mechanism existed in CRC for regular maintenance of records, compilation of data and consolidation of any periodical information (Monthly Progress Reports) from various districts. It was noticed that no computerized data of acquisition and allotment of land was maintained at any stage by any of the District Authorities/Divisions/CRC. The Department was fully

[36] Pauri and Rudraprayag.
[37] Udham Singh Nagar, Pithoragarh and Almora.

dependent on district authorities for the various requisite information which were required to be maintained, as per norms by the CRC.

As per the Revenue Manual Volume (I), Divisional Commissioners, as the head of Divisions in the matters of Revenue, monitor all the work relating to land revenue including acquisition and allotment of land. The approval of Divisional Commissioner was necessary in acquisition cases where the amount of award declared was more than ₹ two crore. Moreover, the Commissioners were to act as a bridge between the DMs and CRC.

Audit scrutiny of records revealed that there was no mechanism in the Department to maintain the records up to the Division level and like the CRC, the Divisions were dependent on the district authorities for information relating to acquisition and allotment of land. Consequently, due to non-maintenance of records in the CRC and Divisions, Audit was unable to comment on the overall status of acquisition and allotment of land in the State.

(C) Status of acquisition in the sampled districts

The status of total number of acquisition proceedings finalised, compensation received and disbursed in the test checked districts during the period 2006-11 is tabulated below in table-2.2.2:

Table-2.2.2

Name of district	Total number of cases			Total amount of compensation (₹*in crore*)				
	Received	Lapsed	Finalised	Due	Received	Paid	Excess/ deficit (5-6)	Remained undistributed (5-7)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Chamoli	24	Nil	24	27.17	43.90	25.96	16.73	1.21
Dehradun	17	Nil	17	22.30	22.30	22.15	0.00	0.15
Haridwar	38	2	3	0.47	0.51	0.44	0.04	0.03
Nainital	4	Nil	3[38]	2.22	2.57	2.22	0.35	0.00
Total	**83**	**2**	**47**	**52.16**	**69.28**	**50.77**	**17.12**	**1.39**

Source:-Information collected from concerned district during the audit

It is evident from the above table that out of the 83 cases received, only 47 cases were finalized (September,2011). Even in the finalised cases, a sum of ₹ 1.39 crore still remained undistributed to the land owners. Audit further noticed that in Chamoli, Haridwar and Nainital districts, the expected amount of compensation was not based on actual estimation as per land acquisition norms resulting in excess deposit of ₹ 17.12 crore which was still to be refunded to the respective user agencies[39].

[38] One case is pending due to court case.

[39] Tehri Hydro-electric Development Corporation (THDC) and National Thermal Power Corporation (NTPC) in Chamoli, Provincial Division, Upari Ganga Nahar Adhunik Khand, Roorkee and Commercial Tax Department in Haridwar and Revenue Department, Irrigation Department, PWD and Power Corporation Limited in Nainital.

Audit looked into the methodology of estimation and found that despite clear guidelines for deriving the lump sum amount of expected compensation to the land owners, there was huge difference between the actual award and the deposited amount.

The matter relating to delay in finalization of cases was raised during exit conference; no reply was received.

2.2.8 Acquisition under urgency clause (Section 17)

Urgency clause facilitates the acquisition of land for any purpose, urgent in nature, by suppressing Section 5 (A) of the Act i.e. by denying the landowners the right of protest against the acquisition of land. However, it was noticed that the definition of urgency and the cases which qualified as urgent, were not clearly outlined either in the Act or by the Government. However, Section 17 (2) identifies some urgency cases such as land required for Railways, irrigation, water supply, road communication and electricity. Audit scrutiny in the test checked districts revealed that out of the total 83 acquisition cases received during the period 2006-11, in all cases acquisition proceedings were carried out under the urgency clause. The reason for cent *per cent* evocation of urgency clause could be due to non defining of cases qualifying as urgent. Urgency clause, by its very nature, should have been used in rare cases and only after ascertaining the genuineness of each case. There is also a strong probability that this clause could have been misused to deprive the landowners of their rights to raise objections against acquisition of their land under Section 5 of the Act. Various shortcomings noticed in acquisition under urgency clauses are discussed in the succeeding paragraphs.

2.2.8.1 Non utilization of land acquired under urgency clause

(A) SLAO, Haridwar acquired 15.258 hectare land under urgency clause for the establishment of Transport Nagar on the request of Haridwar Development Authority (HDA). The possession of land was taken on 24 June 2004 and compensation of ₹ 7.75 crore was paid. Audit Scrutiny of records revealed that even after a lapse of 7 years, 4.73 hectare (31 *per cent*) land remained unutilized.

On this being pointed out, HDA replied that due to poor response of the applicants, land was lying vacant. The reply was not acceptable as the required land for selling for commercial purposes was acquired under urgency clause which should have been applied only after careful scrutiny of the proposal submitted by the HDA. Thus, non-utilization of land acquired under urgency clause even after seven years shows the arbitrary use of the urgency clause by the district authorities. Government in their reply (February, 2012) stated that for sale of vacant land, opening of registration is proposed.

(B) Government of Uttarakhand issued notification (January, 2006) under urgency clause for acquisition of Helvelian Out House and attached vacant land measuring 0.162 hectare for construction of residential and non-residential buildings of Revenue Department in District Nainital. The possession of the said land was taken on 20 August 2007 and compensation of ₹ 64.21 lakh was paid.

Audit scrutiny of records (August, 2011) of SLAO, Nainital and joint physical verification of the site revealed that the acquired land was still lying unutilized. On this being pointed out, the SLAO confirmed and said that the land was to be used by the Revenue Department. However, no specific reply regarding non-usage of land acquired for the purpose of construction of buildings both residential and non-residential was furnished by the Department.

Thus, acquisition under urgency clause was made by the Collector without detailed scrutiny of the proposal submitted by the Department which resulted in non-utilization of acquired land for four years.

2.2.8.2 Unauthorized work

On the request of Provincial Division, Public Works Department (PWD), Dehradun, Government of Uttarakhand issued preliminary notification (June,2008) under Section 4 (1) by applying urgency clause for acquisition of 0.20 hectare land for construction of Ring Road (Rajpur Nagal Sahastradhara Road portion) in Village Tarla Nagal, District Dehradun and declaration issued on 20 July 2009.

Audit scrutiny of records of SLAO, Dehradun revealed that contrary to acquisitions rules, the PWD had unauthorisedly constructed the road on the land prior to possession and payment of compensation to land owners.

On this being pointed out, the SLAO stated that the land was not demarcated by the Department so far due to technical aspects. The reply was not acceptable as it was the duty of SLAO to demarcate the land proposed for acquisition and also to prevent encroachment on the proposed land before handing over the possession to user Department.

Due to apathy of the Department, the user Department had unauthorisedly constructed the road and further due to non finalization of acquisition, compensation to the land owners was pending since last two years.

2.2.8.3 Acquisition of land without complying rule(s)

Under Section 16 (General clause), 0.162 hectare land was to be acquired for construction of residential and non-residential buildings for the officers of Revenue Department, under the Nagar Palika Parishad, Nainital. Audit noticed that the notification (Section 4) was issued (December,2005) under general clause whereas, the declaration (Section 6) was made (December,2006) by imposing urgency clause. Provisions of the Act stipulate that Section 17 should be used with 4 (1) so that the protests by the land owner under Section 5 may be avoided and the acquisition proceedings completed at the earliest. Section 17 was imposed after completion of the proceedings under Section 5 in violation of the Act. Further scrutiny revealed that notices in the newspaper was published (December,2005) prior to the publication of notification (January,2006) in the official gazette in contravention of the Act.

On this being pointed out, SLAO stated that the decision of declaration under urgency clause was taken at the Government level. The SLAO further stated that

due to printing of Gazette at Government press, Roorkee, the publication of notice in newspapers preceded the publication of Gazette notification.

The reply was not acceptable as urgency clause is imposed only after it is proposed by the SLAO and Gazette notification should precede the publication of notice in the newspaper as per the Act. The arbitrary imposition of urgency clause in this matter was in violation of the Act, so that the protest by the land owners under Section 5 may be avoided.

2.2.8.4 Inordinate delay in possession of land under urgency clause

Under Sub-Section (1) of Section 17 of the Act, the Collector may on the expiry of fifteen days from the publication of the notice in Sub-Section (1) of Section 9 take possession of any land needed for a public purpose.

Audit scrutiny of records of SLAOs of the test checked districts revealed that Government of Uttarakhand issued notifications under urgency clause in all the cases. Out of this none of the cases could be finalised within 15 days but took 79 days to nearly two years. The details are at ***Appendix-2.2***

On this being pointed out, the SLAO stated (June,2011) that the proceedings were completed with legal and technical process in which the delay was natural. The replies were not acceptable as time taken in finalization of cases clearly showed that the decision to impose urgency clause in these cases was not taken judiciously.

2.2.9 Delay in acquisition of land

As per the Act, declaration under Section 6 should be published within one year and award should be declared within three years from the date of notification under Section 4. Failure in adherence to the schedule would lead to automatic lapse of acquisition proceedings. Under urgency clause, possession of any land needed for a public purpose may be taken on the expiry of fifteen days after publication of notice under Section 9. Audit scrutiny revealed that out of 83 cases received in the test checked districts, only 47 cases were finalised. Out of the 47 finalised cases, there was delay in payment of compensation in 15 cases and delay in taking possession of the acquired land in 14 cases.

2.2.9.1 Interest of ₹ 63.82 lakh paid due to delay in payment of compensation

Section 34 of the Act provides that interest on compensation has to be paid by Collector at the rate of 9 *per cent* per annum for the first year and thereafter at the rate of 15 *per cent* per annum from the date of possession.

Audit scrutiny of records of SLAOs of test checked districts revealed that awards in 15 cases were declared with a delay ranging from one month to over 12 years, from the date of possession of land, for which interest of ₹ 63.82 lakh was paid to the parties as shown in ***Appendix-2.3***

On this being pointed out, the SLAOs stated (June, 2011) that it was a time consuming process and according to the Act it was permissible. The reply was not acceptable because as per Government Order (October, 1970), acquisition

proceedings including declaration of award should be completed within 11 months, so that payment of interest could be avoided. Hence, an avoidable interest of ₹ 63.82 lakh was paid due to non-adherence to the time frame prescribed in the Government Order.

2.2.9.2 Slow progress of acquisition of land for Railways

Government of Uttarakhand issued declaration (July & September, 2010) for acquisition of 70.5888 hectare land for construction of Deoband–Roorkee new railway line project in district Haridwar under urgency clause. The land was to be acquired in nine villages[40].

Audit Scrutiny of records revealed that the possession of 11.8023 hectare of land of three villages[41] was handed over to the Railways in time and possession of the remaining 58.7865 hectare land of six villages was pending since last one year which was contrary to the Government Order[42] (October, 1970). Further scrutiny revealed that despite lapse of one year from the date of issue of declaration no award was declared.

On this being pointed out, the SLAO stated that the farmers were against the acquisition on the ground that the Department was taking possession of the land in excess of declaration made.

The reply of the SLAO was not convincing on the ground that the possession to Railways could be restricted up to the declared land only and if more land was required by the Railways, fresh notification should have been issued. Moreover, the SLAO did not furnish any evidence in support of the objections raised by landowners. Consequently, despite taking over possession of land under urgency clause, the complete land acquisition had not taken place and the land acquired is lying unutilized. This resulted in non-completion of new railway line project.

2.2.9.3 Delay in declaration of award

197.5373 hectare of land of 46 villages in District Haridwar was to be acquired for National Highway 58. The declaration under urgency clause was issued in April 2010 and even after a lapse of 18 months (November, 2011) awards for only 141.0679 hectare land of 35 villages were declared (December, 2010) and declaration of award for 56.4694 hectare land of 11villages was pending. On this being pointed out, the SLAO stated (August, 2011) that due to non-receipt of valuation of the assets of area to be acquired, award could not be declared. The reply is not acceptable as the declaration of award should have been made within eight months from the date of notification and after that the compensation should be disbursed within three months as per GO (October, 1970).

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[40] Village: Rahimpur, Nazumpur Paniyali, Salhapur, Paniyala Chandapur, Jhabredi Kalan, Bahistipur, Sheetalpur, Lathardeva Shekh and Jhabreda.

[41] Village: Rahimpur, Salhapur and Bahistipur.

[42] As per GO of 24th October 1970, the award must be declared with in eight months from the date of notification and after that the payment of compensation must be disbursed within three months.

2.2.10 Award Management

At the time of land acquisition, the user Departments have to deposit 100 *per cent* of the expected award in advance under the general clause and 80 *per cent* advance in urgency case to SLAO for payment of compensation to the affected land owners. As per Government Order (February, 1971) there is a provision for charging acquisition proceeding fees from the user Department at the rate of 2.5 *per cent* of expected award amount after notification, five *per cent* after declaration and remaining 2.5 *per cent* on the completion of acquisition proceedings. Various shortcomings noticed in award management are discussed in succeeding paragraphs.

2.2.10.1 Status of land acquisition and payment of awards

The status of award pronounced, value of compensation collected and disbursed and area of acquired land in four test checked districts[43], for Government agencies and for Government commercial agencies in district Chamoli is depicted in the table-2.2.3 below:

Table-2.2.3

Particulars	Purpose of Acquisition	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Area of acquired land for (in hectare)	Public purposes	6.6134	4.7493	3.5871	0.8276	141.3169	**157.0943**
	Company	25.902	38.597	4.271	2.790	12.682	**84.242**
No. of awards pronounced	Public purposes	5	8	5	5	36	**59**
	Company	4	6	4	3	7	**24**
Compensation awarded (₹ in Crore)	Public purposes	5.23	13.31	3.52	2.60	137.76	**162.42**
	Company	7.26	13.93	1.10	0.99	3.89	**27.17**
Amount collected (₹ in Crore)	Public purposes	5.33	13.36	3.54	2.83	52.50	**77.56**
	Company	35.92	0.94	1.26	0.68	5.10	**43.90**
Amount disbursed (₹ in Crore)	Public purposes	5.08	13.31	3.48	2.60	33.60	**58.07**
	Company	7.19	13.83	1.01	0.57	3.35	**25.95**
Amount deposited in court for court cases (₹ in Crore)	Public purposes	0.15	Nil	Nil	Nil	Nil	**0.15**
	Company	Nil	Nil	Nil	Nil	Nil	**Nil**

Source: Information obtained from SLAO, Dehradun, Haridwar, Nainital and Joint Organization, Pauri Garhwal.

The above table shows that during the period 2006-07 to 2010-11, the total amount of compensation awarded was ₹ 189.59 crore against which the concerned SLAOs had collected only ₹ 121.46 crore (64 *per cent*) from the user Departments. Thus, there was a short collection of ₹ 68.13 crore from the user Departments due to incorrect estimations as per land acquisition norms. Audit further noticed that only 44 *per cent* of the actual land value was paid to the landowners. It indicated the slackness of the Departments in collection of

[43] No land was acquired in Champawat district.

compensation amount from the user Department and disbursement to the landowners. Further, it was also noticed that the major difference in the award pronounced and collected was in the year 2010-11 pertaining to 35 cases of acquisition under public purposes in Haridwar district.

2.2.10.2 Short payment to land owners

(A) SLAO, Haridwar issued notification (May, 2007) and declaration (December, 2007) for acquisition of 0.1859 hectare of land under urgency clause for the construction of incoming and outgoing Margin lane at combined check post Kuwanheri Narsan, district Haridwar. The SLAO declared the award (April, 2009) at a rate of ₹ 85 lakh per hectare, including 30 *per cent* solatium. After deducting 30 *per cent* solatium, cost of land was arrived at ₹ 59.50 lakh per hectare in place of the actual cost of ₹ 65.38 lakh per hectare. Thus, due to wrong application of rate per hectare of land, the total award of ₹ 28.04 lakh in place of ₹ 29.71 lakh led to short payment of ₹ 1.67 lakh to the land owners as depicted in ***Appendix-2.4***. Further, the user Department will have to bear the interest, at the rate of 15 *per cent* per annum, on the residuary amount.

On this being pointed out, SLAO stated (August, 2011) that the facts would be informed after due verification by them.

(B) As per Section 23 of the Act and Government Order (October,1970), the compensation of the acquired land is determined at market value and based on earlier executed sale deeds adjacent to affected land at the date of notification of Section 4 (1).

Audit scrutiny of records of HDA revealed that possession on 15.258 hectare acquired land was taken over (June,2004) for establishment of Transport Nagar (as discussed in *Paragraph 2.2.8.1 (A)*. Initially, the total compensation of ₹ 12.01 crore was calculated (August,2001) at the market rate, in accordance with the Act. On the request of HDA, the value of the land was recalculated at circle rate and compensation was fixed (October,2001) at ₹ 7.75 crore which was against the Act.

On this being pointed out, HDA stated that compensation was determined on the part of SLAO. Thus, a short payment of ₹ 4.26 crore was made due to wrong calculation of compensation which led to undue favour to the user agency.

2.2.10.3 Arbitrary recovery of interest

Audit scrutiny of records (June, 2011) of SLAO, Dehradun revealed that an amount of ₹ 3.44 crore was paid to the affected land owners after taking possession in four out of 30 cases of acquisition. After taking possession (2004-05) of the said land, the Government decided to exempt them from acquisition and the SLAO started recovery of the compensation amount paid (₹ 3.44 crore) to the land owners along with an interest of ₹ 55.12 lakh (calculated at a rate of 12 *per cent* per annum) (as discussed in *Paragraph 2.2.11.1*). As the decision to exempt the land from acquisition was taken by the Government, the imposition of recovery of interest was not justified, there being no fault on the part of land owners. On this being pointed out, the SLAO stated that this was

done in accordance with rule 48[44] of the Act and Section 17[45] of Uttar Pradesh Urban Planning and Development Act, 1973. Further, Government also stated (February, 2012) that the levy of interest was according to rules.

The reply was not acceptable as the conditions specified in both the above mentioned Acts were not applicable in this case and levying interest at the rate of 12 *per cent* was arbitrary on the part of SLAO.

2.2.10.4 Excess payment of compensation

(A) As per National Rehabilitation and Re-settlement Policy, 2007 (NRRP), the benefits of lump sum amount of compensation on agreement basis can be provided to those affected landowners who have become marginal farmers or had to migrate due to acquisition of their land.

Audit scrutiny of records of SLAO, Joint Organisation, Pauri revealed that the acquisition of 7.76 hectare (388 *Nali*) land in Auli for Tourism Department was carried out. The SLAO fixed compensation at the rate of ₹ 1.52 lakh per *Nali* in the light of NRRP although not a single case of migration in the affected area was reported by the SLAO. The Tourism Department was made to pay a compensation of ₹ 6.67 crore (80 *per cent* of compensation) against the admissible ₹ 4.56 crore as per the Act.

On this being pointed out, the SLAO admitted that there was no migration case and there was no information regarding landless and marginal farmers in the affected areas. The Government also stated (February, 2012) that an inflated payment was made in accordance to Government decision. Thus, wrong adoption of NRRP in the aforesaid case resulted in excess payment of ₹ 2.11 crore to the land owners.

(B) According to point 6 of the chapter VI of NRRP, a profile of resettlement scheme regarding identification of migrated, landless and marginal farmers would be prepared by Rehabilitation Officer. Thereafter, the report would be brought into notice of the affected land owners through Gazette notification.

Audit scrutiny of records relating to acquisition of land in five villages[46] of District Chamoli revealed that without ensuring the aforesaid guidelines in the Policy, the advantage of the NRRP was given to all the affected land owners irrespective of whether they belonged to the identified category or not. Further, an inflated payment of ₹ 15.57 crore, against the admissible amount of ₹ 7.20 crore as per the Act, was made in violation of the policy. The Government stated (February, 2012) that compensation of ₹ 15.57 crore including inflated amount was paid to land owners of five villages.

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[44] Provisions of Rule 48 are discussed in paragraph 2.2.6.

[45] Section 17 of UP Urban Planning and Development Act, 1973 provides that the land owners can reclaim their land on the pretext that the acquired land is not being used for the purpose for which it was acquired. On such request, the land can be exempted on payment of interest as well as refund of compensation.

[46] Village: Selang-19.02 hectare; Regaon-15.78 hectare; Dhak-7.02 hectare; Chamtoli-1.25 hectare and Tapovan-1.05 hectare. **Total: 44.12 hectare.**

Hence, the failure of the Department to follow the provisions of the policy led to an excess payment of ₹ 8.37 crore to the land owners.

2.2.11 Miscellaneous issues

2.2.11.1 Infructuous acquisition proceeding

Once land has been acquired and handed over to user Department, the acquisition proceedings cannot be terminated except under certain conditions under Section 55 of the Act.

Audit scrutiny of the records of SLAO, Dehradun, revealed that 30 proposals for acquisition of 654.0608 hectare of land of 30 revenue villages of Dehradun District were submitted (2002-03 to 2004-05) under urgency clause for systematic and planned development of Dehradun city. Mussoorie Dehradun Development Authority (MDDA) deposited ₹ 103.90 crore with the SLAO, Dehradun for the payment of compensation to landowners and expenses relating to acquisition proceedings. Notifications under Section 4 (1) and Section 6 of the Act were issued in all 30 cases. Out of 30 cases, possession of land (area 209.526 hectare) in six cases was given and mutation in revenue records was also done in favour of the MDDA. However, the Government exempted (October, 2006 and October,2007) this land from acquisition after handing over possession of land.

Even as the land was exempted from acquisition without any request of MDDA, the SLAO disbursed ₹ 3.44 crore as compensation to the affected land owners and ₹ 15.06 crore was adjusted against the expenses on land acquisition proceedings. The amount of ₹ 18.50 crore was not refunded to MDDA as of June 2011.

On this being pointed out, the SLAO stated (June,2011) that land owners' opinion was against the acquisition due to which the Government had taken the decision to exempt the land from acquisition, while MDDA accepted the facts and stated that demand for the refund of deposited amount had already been sent to the Government, but no action has been taken so far. The reply of SLAO was not acceptable as the proceedings of acquisition were exempted and thus, no acquisition expenses should have been realized.

Thus, the decision of the Government to exempt the land from acquisition due to land owners' resistance was contrary to Section 17 (urgency clause) of the Act.

2.2.11.2 Violation of the Act

Section 48 of the Act provides that the Government shall have the liberty to withdraw from acquisition of any land of which possession had not been taken. This was further clarified in GO (February,1971) that acquisition proceedings can not be stalled after handing over possession of the land to the users.

Possession was taken of 209.526 hectare of land in six cases by SLAO Dehradun by adopting urgency clause, details of which is being depicted in table-2.2.4 below:

Table-2.2.4

Case No	Mauza	Area of land (in hectare)	Date of possession	Date of exemption
4/2002-03	Mazra	61.2080	11-02-04	22-10-2007
6/2002-03	Cargi Grant	29.1280	24-09-04	22-10-2007
5/2002-03	Dhoran Khas	15.9090	22-06-05	22-10-2007
7/2002-03	Tarlanagal	42.5870	07-07-05	22-10-2007
8/2003-04	Brahamanwala	49.6130	23-01-06	22-10-2007
1/2002-03	Raipur	11.0810	06-07-05	22-10-2007
Total		**209.526**		

Source: SLAO, Dehradun.

However, all the land was exempted by the Government in October 2007 with the direction to recover the cost of land paid to the land owners with interest, in violation of the Act.

On this being pointed out, the SLAO stated that the decision of exemption was taken at Government level and Government also stated (February,2012) that the land was exempted in accordance to Government discussion. Reply was not acceptable as the Act clearly states that no land can be exempted after taking possession and thus, the exemption after possession of land was contrary to the provisions of Act.

2.2.11.3 Non- compliance of prescribed provisions

(A) As per Land Acquisition (Uttar Pradesh Amendment) Act, 1954 SLAO works in the capacity of Collector under Section 3 (c) in the matters of land acquisition. SLAO should put his signature on award as Collector in lieu of 'for Collector'.

Audit scrutiny of the records of SLAO Dehradun, Nainital and Haridwar revealed that the acquisition authorities did not perform the acquisition proceedings as Collector. Audit Scrutiny of acquisition cases of Chamoli revealed that there was no certified details of sale deeds on the basis of which compensation was calculated. Hence, the acquisition authorities did not perform their duties as per prescribed provisions.

(B) As per Government Order (February, 1971) only 10 *per cent* of expected compensation amount should be taken by SLAO after completion of acquisition proceedings.

Audit Scrutiny of records of SLAO Haridwar revealed that in acquisition cases of 3.3099, 6.1485 and 2.3439 hectare land in Rahimpur, Salhapur and Bahastipur respectively (November, 2009) 10 *per cent* of expected compensation amount of ₹ 28.06 lakh[47] was taken from Railway by the SLAO before ensuring the declaration of award, and the acquisition proceedings were pending from the last two years.

[47] Rahimpur ₹7.87 lakh, Salhapur ₹14.62 lakh and Bahastipur₹ 5.57 lakh.

On this being pointed out, SLAO admitted the irregularities.

(C) Audit Scrutiny of the records of SLAO, Haridwar revealed that two cases of acquisition of land[48] for Irrigation Department for 0.030 hectare and 0.193 hectare were respectively initiated (August, 2006 & February, 2007). The Department, contrary to Government Order (February, 1971), charged the acquisition fees at the rate of 10 *per cent* instead of the admissible rate of 2.5 *per cent* of the entire cost of acquisition. In the meantime, the user Department negotiated the purchase of land with landowners and requested the Department for termination of the acquisition proceedings and refund of the deposited fees. The Department forwarded (July, 2007) the request to Government but decision on cancellation of acquisition was pending.

On this being pointed out, the Department failed to justify the charging of 10 *per cent* acquisition fees in advance.

2.2.12 Allotment of land

Government land is allotted on lease according to Government Grant Act, 1895 (GG Act). According to Government Order (October 1987), the land is allotted on lease initially for a period of 30 years and may be renewed twice for the same period subject to a maximum of 90 years. The allotted land must be utilized for intended purpose within three years from the date of allotment. The Government Order (May, 1984) envisages prioritization[49] in allotment. Before the allotment, it should be ensured that the category wise priority envisaged in the GO is exhausted accordingly and a certificate to this effect has been attached by the competent authority.

2.2.13 Procedure of allotment

Allotment of land means leasing out of Government land, for a specified period of time, for certain purposes on the basis of defined priorities under Government Grants Act, 1895.

Under the G G Act, land under the control of Government, which had come under the Government fold under Uttar Pradesh Zamindari Abolition & Land Reforms Act, 1950 and Uttar Pradesh Ceiling Act, 1960 & 1976 and was handed over to village Panchayats, Urban Local Bodies and Development Authorities for its management, could be allotted on lease. In addition to the GG Act, Government Orders (GOs) can also be issued for facilitating the leasing criteria. Accordingly, GO (May, 1984) has been issued by Government of Uttar Pradesh stating the priorities of allotment to various categories. The allotment was to be made free of cost for the first three categories enlisted in the priority list and on payment of Nazrana (cost of land) and Malguzari (lease rent) as per specified rates from the remaining categories.

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[48] For construction of Parallel Deoband branch feeder channel in village Lathar Deva Hoon, Pragana Manglore

[49] Priority sequence: (i) landless people (ii) planned development of villages (iii) Service and Commercial Department /agencies of State Government (iv) Central Government and private persons/ institutions.

2.2.14 Status of allotment in the test-checked districts

The position of allotment of land during 2006-11in test-checked districts is given in the table-2.2.5 below:

Table-2.2.5

Year	Number of Districts	No. of allotment	Area of land allotted (in hectare)
2006-07	3	37	42.0116
2007-08	3	38	72.9125
2008-09	3	46	40.7372
2009-10	3	32	27.3338
2010-11	3	41	47.2902
Total		**194**	**230.2853**

Source: Information obtained from DM, Dehradun, Haridwar and Nainital.
Note: Five districts were selected as test-checked districts, out of which in Chamoli and Champawat district there was no allotment cases during the period 2006 to 2011 due to Supreme Court decision related to Godavarman case where the entire unmeasured hilly land has been declared as forest land.

2.2.15 Violation of rule in allotment of land

As per GO (May,1984), the management of Government land is to be looked after by the Village Panchayat, Urban Local Bodies (ULBs) and Development Authorities and land may be allotted by the Government to various agencies after production of a certificate by DM that the land has been allotted to all entitled persons viz; landless people, planned development of villages, Service and Commercial Department/ agencies of State Government, Central Government and private persons/ institutions.

(A) As per GO (May, 1984), the concerned DM has to certify that the land has been allotted to the entitled persons as prioritized in the rule and the expected land has been reserved for general utilization and systematic development of village.

Audit scrutiny of records of DMs of Dehradun, Haridwar and Nainital revealed that 58.507 hectare[50] of land was allotted on lease to Government Departments without the required certificate.

On this being pointed out, the DLROs stated (July & August,2011) that the proposals were sent to Government by DM for allotment of land. The reply was not acceptable as the DLRO was to assist the DM in this regard and the function of DLRO included examination of various proposals regarding allotment of land.

[50] **Dehradun**: Air Force Navel Housing Board, 6 hectare; Uttarakhand Power Corporation Ltd, construction of 132 KV sub station at Lal Tappar, 2 hectare; Archeological survey of India, 0.08 hectare; Co-operative Cane Development Society Doiwala, 0.045 hectare; SIDCUL, 4.24 hectare; Bharat Sanchar Nigam Ltd, 0.02 hectare; **Haridwar**: Sita Devi Memorial Institute of Education and Technology, Idgah Road, Jwalapur, 2.141 hectare; India Reserve Vahini, Village Kheri Shikohpur Jadid Mustkat, 40.27 hectare; Matri Anchal Sanskar Kendra, 0.41 hectare; SOS Children Villages, 1.70 hectare; **Nainital**: Uttarakhand Power Corporation Ltd for construction of 33/11KV sub station at village Phoolchaur, 1.601 hectare.

Thus, in the absence of the prescribed certificates, the audit could not verify the veracity whether the allotment was carried out as per the priority list envisaged in the GO.

(B) Village Panchayat Bhopal Pani, Dehradun had moved (April,2006) an application for allotment of land for Panchayat Ghar and play ground, which was second on the list of priority for allotment as per rule. However, the Government allotted (July,2007) the aforesaid 3.237 hectare land to India TV Institute by ignoring the priority prescribed in the rule. The matter was reported (May, 2008) to Chief Minister by the villagers but no action on the complaint was taken since the last three years.

On this being pointed out, DM, Dehradun stated that the land was allotted on the direction of Government and a letter has been issued to Tehsildar, Dehradun asking whether land was available for general use like play ground and Panchayat Ghar.

The reply was not acceptable because at the very first instance the allotment should have been made as per the priority prescribed in the GO, which was not the case.

(C) The Revenue Department received 1250.87 acre land[51] from ceiling in District Nainital. According to Government Order (May,1984), the first preference was to be given to the landless for allotment of land. Out of the acquired land, 1080.96 acre[52] was allotted to Government bodies but no piece of land was allotted to the landless. Audit scrutiny revealed that no exercise for identifying the landless in the area was carried out, which was in violation of the Government order as the land was allotted without ensuring the availability of entitled persons. The DM Nainital failed to produce evidence to show that there was no landless person for allotment of land.

On this being pointed out, DM stated that the decision was taken at Government level. Further, Government stated (February, 2012) that land at Dhari Tehsil was non-agricultural land and physical verification is being carried out in respect of land at Nainital Tehsil.

The reply was not acceptable as it was the responsibility of DM to submit a certificate to the Government while sending the proposal of allotment of land that the land had been allotted to all entitled persons as per the priority list and as envisaged in G.O (May,1984) the non-agricultural land should be reserved for planned development of village.

2.2.15.1 Arbitrary change of category of land

The Government of Uttarakhand allotted submerged land to four user Departments as detailed in the table-2.2.6 below:

[51] Tehsil Nainital 1190.19 acre and Tehsil Dhari 60.68 acre.
[52] Tehsil Nainital 1020.28 acre and Tehsil Dhari 60.68 acre.

Table-2.2.6

Year	Name of user Departments	Name of Area	Area allotted (in hectare)	Purpose
2007-08	Police Department	Harrawala	0.020	Police chowki
2008-09	Air Force Naval Board	East Hopetown,Jhajhara	6.00	Residential
2009-10	Zila Yuwa Kalyan Evam Prantiya Rakshadal	Badhau	1.155	Construction of Stadium
2010-11	Directorate of Home guard	Nanoor Khera	0.154	Office building
Total			**7.329**	

Source: DLRO, Dehradun.

It is evident from the above table that the land was required by the user Departments for residential, welfare activity and official purposes. Audit Scrutiny revealed that the Government had allotted the aforesaid land to user Departments with arbitrary change of category of land from submerged land to residential, without getting any geological or feasibility reports from the National Institute of Hydrology (NIH), Roorkee or from any recognized geologist. Moreover, construction work on the land allotted to Air Force and Naval Board has started on the basis of map approved by the MDDA.

On this being pointed out, the DM admitted the fact (July, 2011) while the Secretary, MDDA assured investigation in the matter.

2.2.16 Collection of Nazrana and Malguzari

Government Order (May, 1984) provides that the cost of land was to be realized as Nazrana from Central Government/ State Commercial Departments and private institutions at the rate of two times of prevailing market rate.

In addition to this, as per G O (September, 1997) the lump sum rent of the land as Malguzari was to be realized at the rate of 100 times, 150 times and 20 times, of the prevailing rates, from Central Government, State Commercial Departments and private persons/Institutions respectively.

(A) According to Government Order (May, 1984) issued under Uttar Pradesh Zamindari Abolition Act, 1950 Nazarana (cost of land) at 2 times of market rate along with 20 times of Malguzari (lease rent) was to be realized from private institutions in lieu of Government land allotted to them.

Audit scrutiny of records of DM, Haridwar revealed that Government of Uttarakhand allotted 1.70 hectare and 0.410 hectare land to two NGOs *viz;* SOS children villages and Matri Anchal Sanskar Kendra in October 2006 and September 2008 respectively. The land was allotted to these NGOs on payment of ₹ one and ₹ 33.70 lakh respectively instead of ₹ 12.11 lakh and ₹ 2.21 crore respectively contrary to GOs issued under UPZA Act, 1950. On this being pointed out, the DLROs stated (August,2011) that the lands were allotted at the Government level. The reply was evasive, because as per procedure, the proposal of allotment is always mooted by the district authorities. It was also noticed

during joint physical verification of the site that the allotted area of land was lying unutilised from three to five years as depicted in the pictures below:


Land allotted to Matri Anchal Sanskar Kendra (August 2011)


Land allotted to SOS Children Villages (August 2011)

Thus, the Government had allotted the land to the NGOs in violation of the GO (May, 1984) which resulted in loss of revenue of ₹ 1.99 crore[53].

(B) Similarly, during scrutiny of records of DM, Dehradun it was noticed that an area of 4.385 hectare[54] land was allotted to the Central Government and Commercial Departments during 2006-11 by the Government free of cost in contravention of GOs (May, 1984 & September, 1997) issued under UP Government Grant Act, 1895, where under cost of land (Nazrana) and lease rent (Malguzari) was to be realized at the rate of two times and 100 or 150 times of the prevailing market rate respectively. On this being pointed out, Department admitted the facts (July, 2011) but failed to report the amount of revenue loss.

(C) Ministry of Road Transport and Highways (MORTH), Government of India, issued notification (April, 2010) to acquire 197.5373 hectare land for widening/ four laning etc. for National Highway-58 in the chainage of km 152 to km 210.620 Muzaffarnagar-Haridwar section.

Audit scrutiny of records (August,2011) of SLAO, Haridwar revealed that out of total required land, 24.8808 hectare land belonged to the State Government. Nazrana and Malguzari was not recovered from the National Highways Authority of India (NHAI) as per Government Orders (September, 1997) on the State land. On this being pointed out, the SLAO stated (August, 2011) that the matter is pending at Government level. The reply was not acceptable, as no demand was raised by the Department with NHAI before grant of land.

(D) As per Government Orders (May, 1984 and September, 1997) the lump sum Nazrana as a cost of land and lease rent recovery was to be made from the Departments of Government of India, Commercial Department of State Government and annual lease rent from private institutions.

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[53] ₹ 2.21 crore – ₹ 0.34 crore = ₹1.87 crore + ₹ 0.12 crore = ₹ 1.99 crore.

[54] Indian Archeological Department 0.080 hectare, Co-operative Cane Development Society Ltd Doiwala0.045 hectare, SIDCUL4. 240 hectare and Bharat Sanchar Nigam Ltd 0.020 hectare.

Audit scrutiny of records of DM, Dehradun revealed that lease rent of ₹ 2.02 lakh was not realized from six[55] Departments/private institutions in lieu of Government land allotted to them.

At the instance of audit, the Department issued (July,2011) letters to the defaulter Departments/private institutions for recovery of lease rent.

2.2.17 Non-utilization of land within prescribed time limit

As per GO (October,1987), the allotted land must be utilized for intended purpose within three years from the date of allotment failing which the allotment stands cancelled. Further, there are no clear cut guidelines regarding timelines for execution of lease deed and giving the possession of land after allotment which makes it difficult for the allottees to utilize the land within three years. Audit noticed that no such exercise was carried out either at the district or State level to ensure utilization of allotted land in compliance with this order. No data or reports were being maintained at either level as a result of which audit was unable to comment on the status of utilization of land after allotment.

(A) The Government of Uttarakhand allotted (October,2003) 20 hectare land to Taleem Research Foundation (Institute), Ahmedabad, Gujarat to establish Himgiri Nabh Vishwavidyalaya at Village Shishambara, Tehsil Vikas Nagar, District Dehradun at a cost of ₹ 1.58 crore and annual lease rent of ₹ 0.49 lakh. The Institute deposited the amount and lease deed was executed on 6 December 2004.

As per conditions specified in the allotment letter, the land was to be utilized within three years, otherwise allotment would be cancelled. Audit Scrutiny of records of DM, Dehradun revealed that the first report of non utilization was reported to DM, Dehradun by Sub District Magistrate (SDM), Vikasnagar after elapse of more than five years (July, 2010) since the execution of the lease deed. Out of the proposed construction on 12.55 hectare of land, the Institute could only partially utilize 0.16 hectare of land. Moreover, the Institute did not deposit the lease rent of ₹ 1.47 lakh since the last three years. During joint physical verification of the construction site, audit noticed that no work was being carried out on the partially constructed building since 2006. The under construction Vishwavidyalaya is depicted in the picture given along side:



Himgiri Nabh Vishwavidyalaya under construction (July 2011)

[55] India TV ₹ 3,000; Jagran Public Trust ₹ 3,000; Border Road Organization ₹ 36,600; Meteorology Department ₹ 9,000; Army Welfare Housing Organization ₹ 3,836 and Himgiri Nabh Vishwavidyalaya ₹ 1,46,706.

On this being pointed out, the DLRO replied (July, 2011) that the cancellation of the allotment was under consideration from 2010. However, as mentioned above the first reporting was made in July 2010.

Thus, the government could neither ensure utilization of the allotted land nor cancellation of its allotment as per the GO.

(B) It was observed in audit scrutiny that six cases of allotment of land were made by the Government from 2007 to 2009 in which the lease agreements were executed with considerable delay. The details of such cases are being depicted in table-2.2.7 below:

Table – 2.2.7

Date of Allotment	Area of land in (hectare)	Purpose of allotment of land	Date of execution of lease	Delay in finalization of lease (in days)
17-12-2007	2.0235	Hostel of Jagran Public School Trust	04-08-2008	231
30-06-2008	0.6070	Residential and Office of Meteorology Department	12-07-2010	742
27-05-2008	4.0000	Residential building of Air Force and Naval Board	01-06-2009	370
04-08-2008	7.0650	Establishment of State Art Institute	01-06-2009	301
06-03-2009	0.2594	Construction of Passport Office	15-04-2011	770
27-02-2009	1.2140	Monitoring center of Communication & Information Technology Department	12-01-2011	684

Source: DLRO, Dehradun.

On this being pointed out, the DM, Dehradun stated (July, 2011) that the delay was due to some formalities relating to lease rent, Nazrana and registration of lease deed.

The reply was not acceptable. As can be seen from the details above, the time taken in executing the lease deed from the date of allotment took as much as two years thus, making it difficult for the lessee to comply with the utilisation clause of allotment and consequent cancellation of the allotments made.

(C) The Government of Uttarakhand allotted (December, 2007) 7.406 hectare of land to Border Road Organization (BRO) for establishment of Project Office of the Chief Engineer with the condition that the allotted land must be utilized for intended purpose within three years from the date of allotment otherwise it will be automatically deemed to have been cancelled.

Audit scrutiny of records of DM, Dehradun revealed that the Department had executed the lease deed with BRO with a delay of more than two years in March 2010 and possession of the land had not been handed over to BRO. Moreover, the BRO itself had requested for possession of land for the first time in May 2011.

On this being pointed out, the DM, Dehradun stated (July, 2011) that the delay in execution of lease deed was due to late deposition of cost of land by the user agency and SDM, Rishikesh had been directed (July, 2011) for handing over possession. The reply of DM was not convincing as the land was allotted to BRO

more than three years back and according to allotment conditions, the allotment of land was to be automatically cancelled after the lapse of three years from the date of allotment.

(D) Audit scrutiny of records relating to the allotment of Government land in district Dehradun, revealed that 2.0234 hectare land was allotted (December, 2007) to Sri Puran Chandra Gupta Memorial Trust, Kanpur for residential school with the condition that land was to be utilized for the intended purpose within three years of allotment. The aforesaid trust failed to use the land within the stipulated period and instead applied to the Government to change the purpose of the utilization of land to Jagaran School of Integrated Law. The request was accepted by the Government and change was made accordingly (August, 2010). Despite this the allotted land was lying idle till July 2011 and the required certificate regarding exhausting the priority list was also not found in the record.

On this being pointed out, the DLRO replied (July, 2011) that the allotment and the change of purpose of allotment was made by the Government itself and promised to sort out any procedural mistake made if any at the time of sending of proposal to the Government.

(E) According to Section 167 of UPZA Act, land holding by a land owner beyond 12.5 acre (5.06 hectare) was to be treated as Government land.

Audit scrutiny of records of DM, Dehradun revealed that Birla Yamaha Limited had purchased 14.90 hectare land to establish a manufacturing unit. As per the Ceiling Act, the excess land of 9.842 hectare was acquired by the Government. However, the same land was allotted (June,1986) to the said company on lease for 30 years on payment of an annual lease rent. The DM, Dehradun informed (September,2000) the Secretary, Revenue Department, after 14 years of allotment, to cancel the lease as 7.284 hectare land was lying idle and the company had also not paid the lease rent. Further, the Government sanctioned (September, 2005) fresh lease with the instruction that the company was to pay a lump sum amount as Nazrana (twice the present value of land) and lease rent (20 times of Malguzari) per annum. But the company had not paid Nazrana and lease rent. The DM, Dehradun instructed (May, 2008) the SDM, Rishikesh to submit a report for cancellation of allotment of land which was submitted in July 2008. In the mean time, the company filed (2008) a court case against the cancellation of lease.

On this being pointed out about the inaction on the part of the district authorities in getting the lease cancelled, the DM,Dehradun stated that there was no delay on the part of administration and that the Company was intimated about the cancellation of lease through the GO.

The reply of the Department was not acceptable for the fact that the DM failed to produce any record in support of the cancellation notice served. Further, the allotment which should have been cancelled by 1989 as per the GO (May,1984) was not cancelled till the date of audit leading to the matter being taken to court.

2.2.18 Non-renewal of lease land allotted under GG Act

According to Government Order (October, 1987), the land is allotted on lease initially for a period of 30 years and may be renewed twice for the same period subject to a maximum of 90 years. However, the State Government (UP/Uttarakhand) issued orders from time to time to freehold the Nazul land in favour of lease holders.

(A) Audit scrutiny of records (May, 2011) of DM, Champawat revealed that 343 plots were allotted on lease during 1974 to 1984. The tenure of lease was 90 years subject to the condition that the lease would be renewed after every 30 years. Audit scrutiny revealed that 103 lease holders continued to occupy the land even after expiry of lease period. No mechanism was adopted for realization of periodical revised lease rent. The Department was not in a position to work out the pending amount of lease rent.

On this being pointed out, the Department stated that necessary steps would be taken up in respect of lease expired cases as well as realization of revised lease rent.

(B) A total number of 143 lease holders were settled temporarily in the military cantonment in an area of 35.8771 hectare at Lohaghat in Champawat district. Further, scrutiny of records of the DM, Champawat revealed that there were several cases of transfer of lease land by original lease holders to others without prior permission of the controlling authority (Revenue Department). Renewal proceedings had also not been initiated till May 2011, and lease holders unauthorizedly occupied the land without paying the lease rent.

Similarly, there were 365 cases of temporary lease land covering the area of 6.1028 hectare noticed as per the records maintained by Nagar Palika Parishad, Tanakpur in Champawat District. The Nagar Palika Parishad, Tanakpur approached the Government (July, 2010) for conversion of this land into *Nazul* land to regularize the unauthorized occupants through freehold. Before 1971, it was managed at the level of Tehsil under the control of Revenue Department and thereafter no renewal proceedings were carried out and lease holders continue to occupy the land unauthorizedly.

On this being pointed out, the DM admitted the facts and stated (May, 2011) that the matter has been taken up with the Government for making the policy in this regard.

The matter was raised during the exit conference; no reply was received from the Government.

(C) The *Nazul* Land[56] in district Haridwar and Nainital was being managed by Municipal Corporations. The leases on *Nazul* Land were allotted for 90 years subject to renewal of two times at the interval of 30 years.

Audit Scrutiny of records (August 2011) of DM, Haridwar and Nainital and information collected from Municipal Corporations revealed that there were

[56] The plot of ground lying in or near a city belonging to the Government.

283 lease holders in Haridwar having 6.1998 hectare land and 2,557 lease holders in Nainital having 210.0109 hectare land as depicted in the table-2.2.8 below:

Table -2.2.8

Name of District	Name of Municipal Corporation/ Municipality	No. of lease holders	Area of lease land in hectare	No. of lease not renewed	No. of free hold plots	Area of free hold in hectare	Percentage of free hold plots with reference to lease hold plots
Haridwar	Haridwar	110	6.0641	63	47	1.8027	42.73
	Manglore	170	NA	168	2	-	1.18
	Roorkee	3	0.1357	-	1	0.0168	33.33
Total		**283**	**6.1998**	**231**	**50**	**1.8195**	**17.67**
Nainital	Bhowali	307	20.9736	147	113	4.1437	36.81
	Haldwani	1057	144.0183	588	47	4.6214	4.45
	Nainital	154	23.2840	122	32	1.7438	20.78
	Ram Nagar	1039	21.7350	478	437	8.2620	42.06
Total		**2,557**	**210.0109**	**1,335**	**629**	**18.7709**	**24.6**

Source: Information collected from Nagar Nigam, Haridwar & Haldwani, Municipality Manglore, Rorkee, Bhowali, Nainital & Ramnagar.

According to Government Order (October, 1987), the lease rent may be increased by 2.5 times of existing lease rent at the time of renewal. But 231 and 1335 lease holders in Haridwar and Nainital respectively never renewed the lease after initial allotment. Maintenance of records was very poor and lease rent was also not being recovered from the lease holders. Amount of outstanding lease rent recoverable from lease holders was not calculated by the respective Municipal Corporations/ Municipalities. Further it was revealed that in Haldwani, Nainital and Ram Nagar 82, 19 and 5 lessees respectively who were allotted before 1921 had expired and the lease expired land was neither cancelled nor converted to freehold. On this being pointed out, the DM stated (August, 2011) that the Municipal Corporations/ Municipalities have been directed to take necessary action.

Thus, even though Government of Uttar Pradesh and Government of Uttarakhand issued orders from time to time to freehold the *Nazul* Land in favour of lease holders as can be seen from the table above, only 50 (18 *per cent*) and 629 plots (25 *per cent*) were converted to freehold in Haridwar and Nainital respectively and is indicative of slow approach of Revenue Department and Municipal Corporations for such conversion.

2.2.19 Management of land by Development Authorities

The motto of the development authorities is to promote the urban development and planning the work in the State. The source of land bank for this purpose is formed through *Nazul* land, Ceiling land (Surplus land acquired in ceiling) and acquired land (through Land acquisition proceedings).

2.2.19.1 Short acquisition of land

Government of Uttarakhand issued notification (March, 2003) under Section 17 of the Act for acquisition of 12.330 hectare land for construction of Transport Nagar/Storage (Bhandaragar) at Mauza Sewala Khurd, district Dehradun.

Audit scrutiny of records (June, 2011) of MDDA revealed that instead of 12.330 hectare of land, only 8.393 hectare was acquired for the project and 3.937 hectare left out from acquisition without any revised notification issued by the Government.

On this being pointed out MDDA stated (June, 2011) that 8.393 hectare land was acquired as the same was found useful on spot.

The reply was not acceptable as the Government issued preliminary and final notification for acquisition of 12.330 hectare land and neither had MDDA pointed out at any stage that only 8.393 hectare land was required nor approached the Government for issuing revised notification.

2.2.19.2 Poor management of Nazul Land

Government of Uttar Pradesh transferred the management of *Nazul* Land from Municipal Corporation, Dehradun to MDDA in September 1986. As per records maintained by MDDA, there are 498 lease holders having 67.4547 hectare land in their possession in Dehradun.

Audit scrutiny of records (June 2011) of MDDA revealed that from the year 1932 to March 2011 lease of 422 allottees had expired. However, neither their lease was renewed nor cancelled by MDDA and lease rent was also not being recovered from them. Reasons for non-recovery of lease rent not forthcoming from the records. Only 76 lessees holding 3.6848 hectare land were valid.

On this being asked by audit, the MDDA stated that no notice was issued to the lease holders.

Further, audit scrutiny revealed that, despite of several orders issued from time to time by Government of Uttar Pradesh and Uttarakhand to freehold the *Nazul* Land in favour of lease holders, only 151 leases involving an area of 6.3433 hecatre were converted to freehold, out of which 57 plots were fully freehold and 94 were partially freehold. Similarly, in Mussoorie 9.8189 hectare of *Nazul* land was allotted to 211 lease holders. Out of this, only 12 plots were converted into freehold. It is evident from the above that the progress of freehold of *Nazul* land was very slow.

On this being pointed out, the MDDA accepted the facts and stated (June, 2011) that due to settlement of objections, progress was slow.

2.2.19.3 Diversion of land for unapproved purposes

Government of Uttarakhand issued notification (June 2001) under Section 17 of the Act for acquisition of 13.921 hectare land for construction of Bus Terminal at Mauza Mazra, Dehradun and finally 13.454 hectare land was acquired for the purpose.

However, scrutiny of records (June,2011) of Mussoorie Dehradun Development Authority (MDDA) revealed that apart from construction of Inter State Bus Terminal (ISBT), a Mall was also constructed on 4.255 hectare of land. Housing Scheme was under construction on the remaining land measuring 9.199 hectare as depicted in the pictures :


Mall adjoining ISBT (June 2011)


Housing scheme under construction (June 2011)

Thus, the land which was acquired for construction of Bus Terminal was irregularly diverted for additional activities *viz;* construction of Mall and a Housing Scheme.

On this being pointed out the Secretary, MDDA stated (June,2011) that the additional construction alongwith ISBT was made according to Uttarakhand Uttar Pradesh Urban Planning and Development Act, 1973 as amended by Uttarakhand Government in 2000. Further Government stated (February,2012) that, if the land was acquired for public purpose and after completion of such work, if land remains balance the same could be used for public purpose. The reply was not acceptable as according to the Act, the land should have been utilized for the purpose for which it was acquired. Moreover,the land was diverted for additional activities without issuing revised notification.

2.2.20 Non-maintenance of records

2.2.20.1 Variation in reports furnished by Revenue Department and District Administration

As per annual report (2010-11) of CRC, 3,310 leases covering an area of 2,135.14 hectare of land were allotted under GG Act, 1895 prior to 2006-07 in Nainital district whereas the DM, Nainital reported 735 lease cases on the basis of their records, while in audit DM could provide a list of only 639 lease holders covering area of 67.947 hectare. Moreover, 512 lease holders had not renewed their leases since their expiry. Hence their occupation was unauthorized.

On this being pointed out, the district administration admitted (July, 2011) the facts but was unable to justify the variations. Thus, there was huge variation between the two sets of figures of CRC and DM itself. The matter needs to be investigated and reconciled at both the levels of the Government.

2.2.21 Conclusion

The Land Acquisition Act (the Act) came into existence in 1894 and under the Act, the Government had the power to make/alter/add rules for guidance of officers in all matters connected with its enforcement. However, no such rules have been made by the State Government even after a lapse of a decade since formation of the State. No mechanism existed in CRC/Divisions for proper maintenance of records, compilation of data and consolidation of any periodical information from the districts and the Department was fully dependent on the district authorities for various requisite information. No computerized data of acquisition and allotment of land was maintained at any stage by any of the District Authorities/Divisions/CRC. Cent percent acquisition proceedings were carried out under the urgency clause in the test-checked districts. Even in the cases of land acquired under urgency clause there were cases of inordinate delay in possession of land, unauthorized work and non-utilization of acquired land. Audit also noticed delay in acquisition proceedings and out of the 83 cases only 47 were finalized. The delay occurred at various stages; from delay in declaration of award to delay in compensation to the landowners. Audit also noticed cases of both excess and short payment of compensation to landowners.

The allotment in the State, governed by the GG Act, showed violation of rule whereby, land was to be allotted as per the priority list prescribed by the GG Act. There were cases in which land was allotted free of cost to both private and Government institutions. There were instances of violation of the GG Act whereby the allotted land was neither utilized within the prescribed period nor was the allotment cancelled by the competent authority. Further, the allotted land was not used for the purpose for which it was allotted. In most of the cases, it was noticed that the leases of land, which were to be renewed every 30 years, were not renewed and the lease holders continued to occupy the land without paying the lease rent. The arbitrary application as well as non compliance of the Acts led to mismanagement of allotment and acquisition of land in the State.

2.2.22 Recommendations

The Government may consider to ensure:

- *compliance of Section 55 of the Act through making suitable amendments for the Department.*
- *rational use of the urgency clause for acquisition of land.*
- *timely completion of acquisition proceedings to avoid payment of interest on compensation to land owners.*
- *prompt action on the cancellation of allotment in cases of non-utilisation of allotted land.*
- *timely renewal of all leased land.*

Thematic paragraphs

PUBLIC WORKS DEPARTMENT

2.3 Use of Forest land for non-forest purposes

Test check of 17 divisions (out of 77 divisions) revealed that 339 road works amounting to ₹ 497.35 crore remained suspended due to non-obtaining of forest clearance. Of this, funds to the tune of ₹ 229.16 crore against 142 works were found blocked due to inaction/laxity of the Department. Besides, 34 works were taken up in violation of the Forest (Conservation) Act, 1980 and expenditure incurred thereon worth ₹ 15.13 crore proved unfruitful.

2.3.1 Introduction

Government of India (GOI) introduced the Forest (Conservation) Act, 1980 to regulate the use of forest land for non-forest purposes by adopting a balanced approach towards development and natural resources so that adverse effect on environment can be avoided.

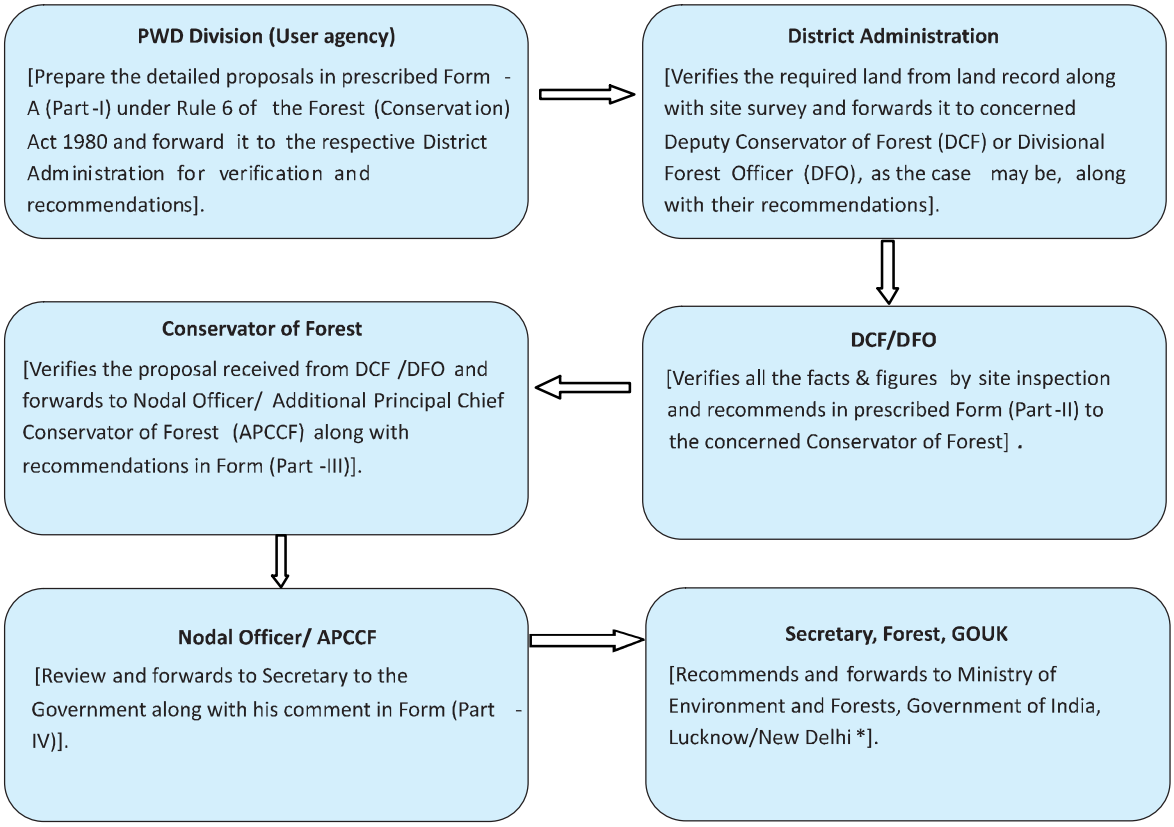
The Public Works Department (PWD) of the State Government is mainly responsible for construction of the roads, bridges and buildings to address necessity of local populace and large number of these works involve use of forest land. Keeping this in view, the functioning of PWD in respect of use of forest land for non-forest purposes was examined in audit. The audit was carried out (between May and August, 2011) through test-check of records of randomly selected 17 Divisions[57] (out of total 77 Divisions of the PWD, except Electrical & Mechanical Divisions) and information for the State as a whole was obtained from the office of the Chief Engineer (Level-1), Uttarakhand, Dehradun.

Ongoing 2101 construction works for 8391.84 km road length and 299 bridges as on 31 March 2011 of the sampled divisions were analysed to identify the works involving forest land and to know the status of works remaining incomplete due to delay in preparation of proposals/submission of incomplete proposals, delay in construction and non-settlement/clearance of forest land cases which led to idling/blocking of funds and non-achievement of intended objectives.

2.3.2 Procedure for acquiring forest land

A brief description of the procedure for acquiring the forest land through various stages is depicted in the flowchart given below:

[57] Provincial Divisions: Champawat, Pithoragarh, Didihat (Pithoragarh), Almora, Lansdowne, Rudraprayag, Construction Divisions: Lohaghat, Narendra Nagar, Duggada, Almora, Bajrao, Ukhimath; Temporary Divisions: Bhowali, Sahiya, and PMGSY Divisions: Nainital, Kotdwar, Almora.



**Proposals upto 40 hectares are sent to the Regional Office at Lucknow and proposals above 40 hectares are sent to the Ministry of Environment & Forest, GOI, New Delhi.*

2.3.3 Audit findings

The audit findings are discussed in the succeeding paragraphs:

2.3.3.1 Status of works and proposals

At the end of March 2011, there were 6891 sanctioned road works amounting to ₹ 6,348 crore with the PWD for construction of roads in all over the State, of which, 1705 works amounting to ₹ 2,785.62 crore required clearance of forest land from the GOI. However, the Department succeeded in obtaining final approval from the GOI in 666 cases (39 *per cent*). Of these, 87 works amounting to ₹ 360.18 crore were yet to be taken-up, for want of marking and cutting of trees by the Van Nigam which was in progress, even after final approval of the GOI. The proposals for the rest of 1,039 works amounting to ₹ 1,642.76 crore were pending at different levels.

In 17 test checked divisions, there were 2,101 sanctioned works amounting to ₹ 2,314.16 crore, of which, 489 works (23.27 *per cent*) involved use of forest land and only 150 works (30.68 *per cent*) were granted final approval by the GOI. The

proposals for the rest 339 works (69.32 *per cent*) costing to ₹ 497.35 crore were pending at different levels as per details given in the table-2.3.1 below:

Table: 2.3.1

Sl. No	Particulars	No. of cases	Amount (₹ in crore)	Audit observation
1.	Proposals sent to the GOI	72	112.41	The pendency was due to inaction and laxity in processing/pursuance of the cases by PWD divisions as detailed in succeeding paragraph 2.3.3.2, 2.3.3.3 and 2.3.3.4.
2.	Proposals with the Nodal office	31	59.98	
3.	Proposals with the CF office	22	28.09	
4.	Proposals with the DFOs	34	45.73	
5.	Proposals with Distt. Administration	10	16.98	
6.	Pending at division's level	170	234.16	
Total		**339**	**497.35**	

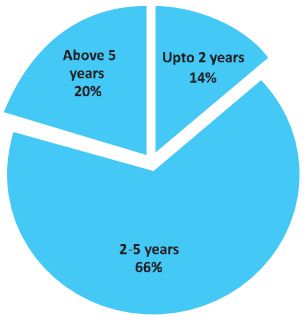
Source: Information obtained from test checked divisions.

2.3.3.2 Non-preparation of proposals

A joint inspection/survey with Forest and Revenue Departments for determining actual position of the land *viz;* title and type of land has to be conducted before preparation and submission of the proposal for transfer of forest land to forest authorities. The proposal includes a 1:50000 scale map showing the forest land, boundary of adjoining forest, justification for locating the project in forest area, cost benefit analysis etc. An undertaking to bear the cost of raising and maintenance of compensatory afforestation etc; is also submitted along with Form-A for seeking approval from the Forest authorities.

Audit scrutiny of the records of the test checked divisions revealed that out of 170 works involving forest land pending at the divisions' level, 122 works amounting to ₹ 154.49 crore (under which 668.88 km roads were proposed to be constructed to provide connectivity to 243 villages /64557 people) were more than one year old (sanctioned between January, 2002 and March, 2010) but no proposals were prepared for these works by the respective divisions. The period of pendency for preparation of proposals of these works could be seen from the chart alongside.

Chart 2.3.1: Period of pendency for preparation of proposals



Audit observed that the proposals could not be prepared in absence of the joint inspection/survey with Revenue and Forest Departments and due to non-finalisation of alignment of roads. Moreover, there was no time frame fixed by the Department for preparation of proposals and also no urgency was reflected in the Departmental efforts in this regard. This resulted in non-utilisation of sanctioned funds to the tune of ₹ 154.49 crore. Such undue delay in early stages of road works ultimately leads to revisions of sanctioned cost or causes incomplete construction in most of the cases. Therefore, Department may consider fixing time frame for preparation of proposals relating to road works.

2.3.3.3 Delay in processing the proposals

Randomly selected 17 works of the sampled divisions were scrutinized in detail by the audit which revealed that there was a delay of one to seven years in preparation and submission of proposals for obtaining the forest clearance from the GOI. The details are given in the table-2.3.2 below:

Table: 2.3.2

Sl. No	Name of Motor road	Name of division	Sanction cost (₹ in lakh)	Month of sanction	Date of Submission of proposal to the DFO	Delay in years (Upto March 2011)
1	Satuda-Doodpokhra	PD, Champawat	14.40	Dec-03	18.12.2008	5
2	Dhaun-Dauri	PD, Champawat	8.60	Jan-04	18.03.2010	6
3	Kweetad-Haldu Motor Road	PD, Pithoragarh	172.80	Feb-04	15.01.2009	5
4	Cheda-Kumiyachaur-Rasiyapata	PD, Pithoragarh	820.50	Feb-04	05.06.2007	3
5	Naulada-Kateda-Adichura	PD, Didihat	144.00	Feb-04	23.03.2006	2
6	Swala-Gurjila	PD, Champawat	144.00	Feb-04	03.03.2010	6
7	Pajaina-Dhaena-Lingrani	Ty Div, Bhowali	210.00	Feb-04	16.01.2006	2
8	Sipti-Simar Link Road	PD, Champawat	35.60	Aug-05	07.12.2006	1
9	Chaumail-Mau-Sheel-Baraudi	CD, Lohaghat	106.00	Aug-05	18.06.2010	5
10	Timlagunth-Pipaldeeng	CD, Lohaghat	105.95	Mar-06	10.12.2008	3
11	Dhunaghat-Barmtora	CD, Lohaghat	142.40	Mar-06	23.02.2010	4
12	Marodakhan-Dayartoli to Leeti Hichauda Bans	CD, Lohaghat	213.60	Mar-06	23.09.2010	4
13	Reethakhal-Mentade	CD, Lohaghat	89.00	Mar-06	30.06.2009	3
14	Kanyur-Rauli-Bagwadi-Kuleth Maroda	CD, Bajro, Pauri	166.80	Sep-06	21.12.2009	3
15	Patangaon-Kajeena-Punauli	CD, Lohaghat	53.40	Nov-06	30.06.2009	3
16	Narsing-Danda-Gurauli	PD, Champawat	175.00	Jul-08	31.12.2009	1
17	Chinkachina-Raulmail	CD, Lohaghat	280.00	Mar-10	06.08.2010	-

The delay in preparation and submission of proposals for clearance of forest land indicates a lackadaisical approach of the divisions towards construction of roads involving forest land which mainly results in delayed utilisation of sanctioned funds and cost escalation of the works. A case below highlights the impact of delay in processing of proposals:

State Government accorded administrative and financial sanction (January, 2006) of ₹ 1.09 crore for the construction of seven km long Jawadi-Link motor road involving 1.035 hectare of forest land in 1.150 km stretch (km 2.225 to km 2.700, 2.275 to 3.200 and km 3.575 to 3.750) in district Rudraprayag through the Provincial Division (PWD), Rudraprayag. The transfer of forest land was delayed by four years due to submission of late/incomplete proposal (October, 2007). The proposal was returned (April, 2008) by the Forest Department with objections which were settled in November 2009 by the Department and the GOI approval was received in October 2010. Audit noticed that the division, after spending ₹ 31.66 lakh, felt that the construction of work in the entire stretch of seven km with sanctioned funds was not possible. On this being pointed out, the division replied (June, 2011) that the construction work in only first five km was possible within the sanctioned amount and an additional amount of ₹ 92 lakh (₹ 46 lakh per km) at present rates would be required for construction of the remaining two km.

2.3.3.4 Submission of incomplete proposals

Provisions of the Forest (Conservation) Act, 1980 envisages that the proposal for transfer and use of forest land for non-forest purposes should be submitted to APCCF/nodal office duly completed in all respect in prescribed *Proforma* as per guidelines issued by the GOI from time to time. The proposals prepared/ submitted by the PWD are scrutinized by Divisional Forest Officer (DFO)/Conservator of Forest before final submission to the Nodal office for onward submission to the GOI.

Audit scrutiny of 73 proposals submitted (during 2006-07 to 2008-09) by the test checked PWD divisions to the Forest Department revealed that only 14 proposals (19 *per cent*) were complete which were processed without any objection. Of the remaining 59 proposals, 33 proposals (45 *per cent*) were returned once and 26 proposals (36 *per cent*) were returned twice by the Nodal office with objections. This shows that the majority of proposals were not prepared with due care following the prescribed guidelines and were submitted incomplete to the Forest Department/GOI by the respective PWD divisions.

Main-objections raised by forest Department:

- *Non-submission of topo-sheet map.*
- *Non-submission of Muck disposal plan.*
- *Submission of in-complete fact sheet.*
- *Plan to minimize the cutting of trees falling in the alignment.*
- *Non-submission of compensatory afforestation plan.*

On this being pointed out, most of the divisions mentioned that main reason for submission of incomplete proposals was non-availability of adequate staff in the divisions for preparation and proper checking of proposals before its submission to the forest authorities.

The divisions with available staff should devise an adequate mechanism for ensuring submission of forest clearance proposals complete in all respects within a fixed time frame to speedup the forest clearance process.

2.3.3.5 Obtaining irregular sanctions for PMGSY works

GOI guidelines for the Pradhan Mantri Gram Sadak Yojna (PMGSY) provides that the State Government should ensure availability of land prior to taking up the proposed road works and a certificate to this effect must accompany the proposal submitted to the GOI for its sanction and release of funds.

Audit scrutiny of records of three sampled PMGSY divisions[58] revealed that these divisional authorities had obtained sanctions (between June, 2009 and October,

[58] PMGSY Divisions at Almora, Nainital and Kotdwar.

2010) for construction of 20 road works (207.16 km length) amounting to ₹ 74.67 crore to facilitate 73 villages having population of 29,340 from the GOI through Uttarakhand Rural Road Development Agency, Dehradun by submitting false certificates regarding availability of land for these road works. As a result, the works could not be undertaken by the divisions as it involves 99.225 hectare of forest land for which no clearance was obtained.

On this being pointed out, the Divisions stated that Detailed Project Reports (DPRs) were submitted in anticipation of getting the forest clearance and assured that the DPRs will be submitted only after ensuring the availability of land in future. The Departmental reply itself confirms that the sanctions were obtained by the divisions without ensuring availability of land.

Thus, by not complying with pre-requisite formalities for obtaining sanction, the Department could not utilize ₹ 74.67 crore which deprived the targeted public of the intended benefit of road connectivity.

2.3.3.6 Delay in starting of work despite forest clearance

Audit scrutiny of records of the test checked divisions revealed that there were 29 road works for which the final approval of GOI (for use of 79.30 hectare forest land) had been received between August 2007 and December 2010, but construction was not taken up by the Department as of March 2011. These works were sanctioned by the Government for ₹ 35.87 crore between 2003 and 2008 involving construction of 192 km road length to connect 96 villages having a population of 28,088. Audit observed that despite obtaining final approval from GOI, these 29 works could not be commenced in time and were delayed[59] due to the apathetic approach of the Department. The delay was due to non-cutting of trees falling in the proposed alignment of the roads in most of the cases. Hence, there was no proper coordinating mechanism between the PWD division and Van Nigam which resulted in delay to start the works.

It was stated by most of the divisions in response to audit that work relating to conducting of survey, marking and cutting of the trees rest with the Van Nigam authorities. The reply was not satisfactory as these PWD divisions were primarily responsible to coordinate with the Van Nigam for the survey, marking and cutting of the trees. Thus, apathy of the divisional authorities led to delay in starting work in these cases despite forest clearance.

2.3.3.7 Execution of work in violation of the Act

Clarification-4.4 of Section-3B[60] of the Forest (Conservation) Act, 1980 provides that if a project/work involves forest as well as non-forest land, the work should not be started even on non-forest land till approval of the GOI for release of forest land under this Act.

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[59] 18 works (62 *per cent*) were delayed by more than six months, 10 works (34 *per cent*) were delayed by two years and one (4 *per cent*) was delayed by more than 4 years.

[60] Dealing with restriction on Authorities and Government Departments against violation of the Act.

Audit scrutiny of the test checked divisions revealed that 34 works costing ₹ 15.13 crore (sanctioned cost ₹ 55.99 crore) were being executed by the divisions in violation of the Forest (Conservation) Act, 1980. The details are given below:

(i) The Government sanctioned 31 road works amounting to ₹ 46.40 crore between 2002 and 2009 for construction of 280.50 km motor road in order to provide transport facility to 99 villages with a population of 22,460 (details are as per ***Appendix-2.5***). Forest clearances for these works were not obtained even after a lapse of two to nine years from the date of sanction but the divisions started the work on civil/private land in violation of GOI clarification. After construction of 89.62 km road and incurring an expenditure of ₹ 10.83 crore, the construction was stopped for want of forest clearance. Hence, the whole expenditure remained unfruitful and the targeted habitants were deprived of the intended benefits.

It was stated by most of the divisions that the works were taken up on the demand of local public and their representatives.

(ii) A 9.5 km road stretch was required to be constructed to connect Jakholi-Bheri-Guptkashi motor road with NH 109 (Rudraparyag–Gaurikund) and to provide transport facility to four villages of district Rudraprayag. However, the Government sanctioned (December, 2005 & September, 2006) the construction of Nagjagai-Fengu-Barmadi road in two phases (First: 4 km and Second: 4 km with one bridge at km 9) for ₹ 57.60 lakh and ₹ 289.50 lakh respectively and the remaining length of 1.5 km was yet to be sanctioned.

Audit scrutiny of records of the CD, Ukhimath, Rudraprayag revealed that the division had not obtained forest clearance for the land required for second phase of the work but started (March, 2009) the construction of bridge in 9th km without connectivity of road and an expenditure of ₹ 1.54 crore was incurred (March, 2010) thereon. In reply, the division stated (February, 2012) that the work was taken up on the request of local public and their representatives. The reply was not acceptable as the Department should have obtained forest clearance for the requisite land. Thus, execution of work in violation of the Act led the whole expenditure of ₹ 1.54 crore incurred on the construction of the bridge unfruitful/ infructuous.

(iii) Government accorded (November, 2006) administrative approval and financial sanction of ₹ 3.45 crore for construction of Karnavshram-Simlana-Paukhal motor road (20 km length) including a 72-metre span (double lane) bridge (January, 2009) at first km for ₹ 2.65 crore. Audit Scrutiny of records of Executive Engineer (EE), CD Duggada revealed that the proposal for the forest land clearance could not be initiated for the reason being a dispute between the locals and the concerned authorities over alignment of the road from Karnavshram side. The Department then renamed (January, 2010) the motor road as Paukhal-Simlana-Karnavshram motor road and started the construction of road work in the length of 11 km stretch (June, 2011) from

Paukhal side alongwith the bridge[61] (March, 2010) and incurred an expenditure of ₹ 2.95 lakh and ₹ 93.93 lakh respectively. Hence, the work was started without obtaining of the approval from GOI for forest land involved in remaining 9 km which resulted in blocking of funds to the tune of ₹ 96.88 lakh.

On this being pointed out, the division stated (August,2011) that the work was started only on non-forest land. The reply was not acceptable as the Act does not permit starting of work even on private land without obtaining the approval of GOI if any portion of the project involves forest land.

(iv) Government sanctioned (March, 2005) ₹ 2.67 crore for construction of 30 km Madkot-Bauna Motor Road along with a 48 metre span bridge (at km 27) by conversion of existing 25 km Light Vehicle Road (LVR). Audit scrutiny (June,2011) revealed that the 25 km of the road was completed with an expenditure of ₹ 179.15 lakh upto March 2011 but proposal for forest clearance for the entire length was yet to be prepared even after six years from the date of sanction. Further, scrutiny revealed that the LVR was originally constructed without obtaining clearance of forest land. However, reasons for non-preparation of proposal were not forthcoming from the divisional records which could indicate that proposal for acquiring forest land was prepared or initiated but a report of Geological survey conducted in February 1990 showed that 27 hectare civil forest land (between 6 to 30 km) was required for construction of road upto the Bauna village.

Besides, analysis of information provided by the Chief Engineer (level-I), Dehradun disclosed that there were 86 works amounting to ₹ 61.44 crore all over the State where construction had been started by the Department without final approval of the GOI for the forest land involved in these works.

These facts show that the Department failed to ensure availability of encumbrance free forest land before taking up the road works which was not only against the provisions of the Forest (Conservation) Act, 1980 but also the expenditure of ₹ 61.44 crore in the aforesaid cases remained unfruitful and deprived the targeted villages/population of intended benefits of road connectivity.

2.3.3.8 Loss due to ignorance of rules regarding deposit of NPV

Guidelines issued[62] by the Ministry of Environment and Forest, GOI for diversion of forest land for non-forest purposes under the Forest Conservation Act, 1980 provides that the Net Present Value (NPV) shall be charged/realized before final approval in all those cases which have been granted in-principle approval after 30 October 2002; however, it was not chargeable in those cases where the in-principle or final approval has been granted prior to 30 October 2002.

Though the NPV was to be deposited in only those cases where in-principle approval was accorded after 30 October 2002, it was seen in audit that the

[61] Forest clearance for bridge and its approach road (0.504 hectare) was obtained in April 2011.
[62] In compliance with the orders of the Hon'ble Supreme Court of India dated 30.10.2002.

Department deposited an amount of ₹ 4.81 crore for 13 works (involving 63.24 hectares of forest land) as in-principle approvals for these works were granted by the GOI before the said date. The details are as per ***Appendix-2.6***.

This issue was raised with the CE (Level-I) who accepted the fact and stated (February, 2012) that the matter will be examined and taken up with the nodal officer i.e; with the Principal Conservator of Forest, Dehradun for adjustment of the said amount.

Thus, the Department suffered a loss of ₹ 4.81 crore due to ignorance of rules regarding NPV.

2.3.3.9 Non-existence of monitoring mechanism

Effective monitoring is the key factor to achieve the objectives and timely/periodic inspection by senior officers serves as a vital tool of control mechanism.

Audit scrutiny revealed that there was absence of any manual or electronic monitoring mechanism in the PWD to keep watch over the processing of the proposals which could ensure speedy/timely clearance of the forest proposals. Even a watch register was not being maintained in the divisions to record flow of the proposals. Besides, the submission of incomplete proposals and repeated objections from the Forest Department further delayed the pace of works and led to blocking of sanctioned funds, as discussed in the preceding paragraphs.

2.3.4 Conclusion

Public works Department could not prepare the proposal on time in respect of 170 works in the test checked divisions. Further, the proposals in respect of 169 works were pending at various levels due to inaction and laxity in processing and pursuance of these cases by the test checked divisions. A detailed scrutiny of 17 works of the sampled division revealed delay ranging between 1-7 years in processing the proposals while scrutiny of the 73 proposals submitted by the test checked divisions disclosed that only 14 proposals were submitted in complete form by these divisions which were processed without any objection. Despite having forest clearance, 29 road works could not take off (March, 2011) due to slackness of the respective test checked divisions. All these factors not only contributed to delayed construction of roads and bridges intended to improve the connectivity despite having sanctioned by the competent authority but also blocked funds amounting to ₹ 229.16 crore.

2.3.5 Recommendations

- There should be a mechanism or specific time frame for preparation and processing of proposals for the use of forest land for non-forest purposes in the Department.
- The Department should nominate and make responsible a Nodal Office for processing and monitoring the proposals so that proposals of forest land could be taken up appropriately with the Forest Department through a single window and their objections could be resolved by frequent interaction.

- Violation of Forest (Conservation) Act 1980 should be dealt with strictly by the administration.

The matter was referred to the Government (November, 2011); replies were awaited (February, 2012).

SOCIAL WELFARE DEPARTMENT

2.4 Implementation of Pension Schemes

Inadequate planning in implementation of the schemes resulted in double payment of pension, pension to deceased and ineligible persons amounting to ₹ 10.12 crore. Besides, there were instances of parking of scheme funds (₹ 58.04 crore) and unfruitful expenditure on hiring of server and software (₹ 2.02 crore).

2.4.1 Introduction

The Social Welfare Department of the State Government is responsible for upliftment of the needy and helpless sections of society through implementation of various social security programmes/ schemes introduced by the GOI and State Government in consonance with the National Social Assistance Programme (NSAP), 1995. These social obligations of the Governments are mainly discharged by providing financial assistance in the shape of various types of pensions to targeted sections/people.

At present, three pension schemes *viz*; Old-age Pension Scheme, Widow Pension Scheme and Disability Pension Scheme are being implemented by the Department in the State in collaboration with Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Indira Gandhi National Widow Pension Scheme (IGNWPS) and Indira Gandhi National Disability Pension Scheme (IGNDPS). The IGNOAPS was introduced in August 1995 whereas the IGNWPS and IGNDPS were introduced in February 2009 by the GOI. Funds for these pension schemes are provided through State budget and Central assistance which vary according to the schemes. The beneficiaries of the schemes are to be selected in the open meetings of *Gram Sabhas* in rural areas and *Gram Vikas Adhikari* of *Gram Panchayat* prepares a list of eligible beneficiaries after considering the recommendation of the *Gram Sabha*. This list is forwarded to the DSWOs through the ASWOs to sanction the pension. In the municipal areas, the Ward Committee discharges the functions of the *Gram Panchayats*. As per the NSAP guidelines, a unique pension number is to be allotted by the DSWOs to each pensioner and payment of pension to be made through bank/post office accounts of the beneficiaries. No person shall be benefitted by more than one pension scheme.

A brief description of the schemes being implemented in the State along with their financial position for the period 2006-07 to 2010-11 is as under:

(i) Old Age Pension/IGNOAPS: Each person below the poverty line (BPL) and between the age of 60 and 64 years is eligible for a pension of ₹ 400 per month under the State Government's Old Age Pension Scheme. On attaining the age of

65 years, the beneficiary will be covered by the centrally assisted IGNOAPS, for which, an assistance of ₹ 200 per beneficiary per month is provided by the GOI and rest ₹ 200 is borne by the State Government. Year-wise allocation/ expenditure under the scheme during 2006-11was as given in the table-2.4.1 below:

Table-2.4.1 *(₹in crore)*

Years	Budget Allotment			Expenditure	Saving/Excess
	State	Central	Total		
2006-07	26.54	15.71	42.25	42.22	0.03
2007-08	32.75	16.76	49.51	48.19	1.32
2008-09	53.19	28.08	81.27	80.11	1.16
2009-10	55.73	41.09	96.82	96.62	0.20
2010-11	93.21	45.72	138.93	138.75	0.18

Source: Information provided by the Department

(ii) Widow Pension/ IGNWPS: Each widow BPL beneficiary of the age between 18 and 64 years is eligible for a pension of ₹ 400 per month under the scheme. The pension for age group 18 to 39 is borne by the State Government. On attaining the age of 40, the beneficiaries will be covered by the centrally assisted IGNWPS, for which, central assistance is ₹ 200 per beneficiary per month and rest ₹ 200 is borne by the State Government. On attaining the age of 65 year, the beneficiary will automatically be covered under the IGNOAPS. Year-wise allocation and expenditure under the scheme was as given in the table-2.4.2 below:

Table-2.4.2 *(₹in crore)*

Years	Budget Allotment			Expenditure	Saving/Excess
	State	Central	Total		
2006-07	30.65	The scheme was introduced in February 2009.	30.65	30.50	0.15
2007-08	35.10		35.10	34.56	0.54
2008-09	38.25		38.25	37.83	0.42
2009-10	35.80	-	35.80	35.80	0.00
2010-11	43.52	2.28	45.80	45.76	0.04

Source: Information provided by the Department

(iii) Disability Pension/IGNDPS: Each BPL beneficiary with disability[63] of the age group between 18 and 64 years shall receive a pension of ₹ 600[64] per month under the scheme which will be borne by the State and Central Government at the rate of ₹ 400 and ₹ 200 per month respectively. On attaining the age of 65 years, the beneficiary will automatically be covered under the IGNOAPS with same amount of pension of ₹ 600 (State share: ₹ 400 & Central share: ₹ 200). Year-wise allocation and expenditure under the scheme was as given in the table-2.4.3 below:

Table-2.4.3 *(₹in crore)*

Years	Budget Allotment			Expenditure	Saving/Excess
	State	Central	Total		
2006-07	12.08	The scheme was introduced in	12.08	11.92	0.16
2007-08	16.00		16.00	15.40	0.60

[63] As defined in Persons with Disabilities Act, 1995.

[64] The pension up to March 2010 was paid at the rate of ₹ 400 per month by the State Government.

2008-09	18.80	February 2009.	18.80	18.31	0.49
2009-10	19.67	-	19.67	19.64	0.03
2010-11	31.35	0.57	31.92	31.89	0.03

Source: Information provided by the Department

The implementation of these pension schemes was evaluated by test check of records of seven[65] District Social Welfare Offices (DSWOs) for the period 2006-07 to 2010-11 between April 2011 and July 2011 with the objectives that the allocation, release and utilisation of funds earmarked for various schemes were judicious, adequate and timely as envisaged in the scheme guidelines.

2.4.2 Audit findings

The audit findings are discussed in the succeeding paragraphs:

2.4.2.1 Lack of planning for coverage of schemes

According to the NSAP guidelines, the Department is responsible for preparation and implementation of an annual action plan for publicising the schemes, carrying out field inspections/verification of beneficiaries, monitoring the disbursement of pensions, preparing progress reports/utilisation certificates, conducting social audit to ensure the payment of pensions to eligible beneficiaries under the schemes as per their entitlements.

Audit scrutiny of the test checked DSWOs and information collected (February, 2012) from the Directorate Social Welfare, Haldwani revealed that no annual action plans, as envisaged in the guidelines, were prepared by the Department for the proper implementation of these pension schemes during the period 2006-07 to 2010-11. For this, it was stated by the Directorate (February, 2012) that though the annual action plans were not prepared by the Department, but instructions were issued to the all DSWOs from time to time to carry out the above activities. Audit observed that such instructions were not complied by the DSWOs. On this being pointed out in audit, most of the DSWOs replied (May - June,2011) that the activities as per guidelines were not followed due to shortage of staff and work load at block/district level.

Thus, the Department lacks proper planning for coverage of the schemes which ultimately resulted in payment of pension to ineligible and deceased persons and double payment of pension in number of cases despite the fact that 50,446 eligible persons were out of coverage at the end of 2010-11 in the State. These issues are discussed separately in the respective paragraphs as follows.

2.4.2.2 Inadequate implementation & monitoring of the schemes

The scheme guidelines provide that the beneficiaries are to be selected in the open meeting of Gram Sabha. A committee consisting of Up-Pradhan, Gram Panchayat Vikas Adhikari, Asha Karyakarti, Aanganbari Karyakarti, ASWO and Lekhpal/Patwari and headed by the Gram Pradhan would monitor the selection of beneficiaries, disbursement of pensions and periodic updation of the list of pensioners on account of death, migration and ineligibility. Applications

[65] Almora, Dehradun, Haridwar, Nainital, Pauri, Tehri and Udham Singh Nagar (out of 13 DSWOs of the Department in the State).

forwarded by Gram Sabha in rural areas and municipality in urban areas, would be processed through Assistant Social Welfare Officers (ASWOs) at block level and by DSWOs at district level. Thereafter, the payment of pension to the eligible persons is credited to Bank or Post Office accounts of the beneficiaries.

Audit scrutiny of the test checked offices revealed that the procedures for selection of beneficiaries as per the guidelines were not being adhered to as pension applications were received by the DSWOs through different levels *viz*; camps organized by ministers or directly from applicants in most of the cases. Overall Departmental participation in the Gram Sabha meetings during the period 2006-07 to 2010-11 ranged between 2 to 12 *per cent* against norms (twice in a year) and number of field visits of ASWOs were also found to be very low ranging between 3.28 to 22.26 *per cent* as against the required 120 visits per year in each block of the district (***Appendix*-2.7**).

Physical verification and social audit[66] of the schemes which would have been very helpful tools for identification of actual beneficiaries and other deficiencies of scheme implementation were also not being conducted by the Department at all. However, the State Government (for the first time after creation of the State) directed (December, 2009) all the District Magistrates to conduct physical verification of all pension beneficiaries upto 31 March 2010, but only 2,22,625 (80.33 *per cent*) of the total of 2,77,142 beneficiaries, were covered in this exercise **(*Appendix-2.8*).** Audit observed that the result of survey could not be utilised fully by the Department, as the columns of verification forms were not filled up as required, rendering the information about beneficiaries incomplete and thus, making the data unreliable and rendering the whole process of verification futile.

On this being pointed out, DWSOs stated (May, 2011) that steps would be taken to overcome the deficiencies.

In sum, the Departmental preparation for planning, implementation and monitoring of the pension schemes was inadequate.

2.4.2.3 Double payment of pension

The guidelines of NSAP as well as guidelines of State Government (governing all the three pension schemes) stipulate that no person shall be benefitted by more than one pension scheme or double payment of the same kind of pension. To prevent such occurrences, a unique pension number was to be allotted by the DSWOs after due verification of the identity to each pensioner and social audit is intended to serve as a tool for monitoring the schemes.

An audit analysis of electronic data of 2010 pension cases relating to release of second instalment under these schemes between September 2010 and March 2011

[66] As per the guidelines, Social Audit is to be conducted by the Gram Sabha at least once in every six months. For each Social Audit by the Gram Sabha, the Gram Sabha will elect for itself a Social Audit Committee comprising the current beneficiaries of the schemes for scrutinizing and evaluating the implementation of the schemes at field level. It also enhances transparency, accountability and also helps redress grievances in public matters.

by the test checked DSWOs revealed that there were double entries in respect of 990 pensioners (Almora-108, Dehradun-232, Haridwar-187, Nainital-80, Pauri-143, Tehri- 209, U S Nagar-31) which led to a double payment of pension of ₹ 27.02 lakh. The excess amount paid to the said pensioners would be to the extent of ₹ 83.66 lakh if calculated from the date of sanction ***(Appendix-2.9)***. Thus, it is evident that there was no monitoring mechanism for the data maintained by the Department.

Audit also observed that neither 'unique pension number' to every pensioner was allotted nor proper records for the pensions like pension payment register and particulars of pensioners were being maintained by the DSWOs. Besides, regular verification and social audit were also not conducted as prescribed in the guidelines (NSAP). Thus, the database for the pensioners was not fully reliable as it inflated the number of beneficiaries due to double entry of names in the records. The possibility of such erroneous data in the system in other DSWOs can not be ruled out.

On this being pointed out, the DSWOs accepted (May 2011) that proper cross checking of applications before sanction was not done due to shortage of staff, pressure of 'Members of Legislative Assembly' to distribute the cheques of pension in camps and non-availability of appropriate software which could detect the double payment of pension. However, it was assured that matter will be looked into and appropriate action taken accordingly. The reply regarding non-availability of appropriate software was not acceptable as the funds for development of software were available with the Department since May 2005 but the same is yet (October, 2011) to be developed as discussed in the *paragraph-2.4.2.9.*

Thus, the Department besides ceasing to stop making double payment of pensions should undertake corrective measures to recover the overpayment of pensions from the beneficiaries.

2.4.2.4 Pension to deceased persons

According to the NSAP guidelines, *Gram Panchayat* and *Tehsildar* have to report every case of death of pensioner to the respective DSWO. The DSWOs should ensure that the payment of pension is not released after the death of the pensioner and pension released in such cases is refunded to the Department.

Audit scrutiny revealed that intimation of death of pensioners was not being received in time and life certificates in respect of beneficiaries were also not being obtained before disbursement of pension every year. A pan-state survey conducted by the respective district administration in 2009-10 disclosed that there were 10,745 deceased beneficiaries in the State. The result of survey[67] used by audit in respect of all the seven sampled districts revealed that the pension amounting to ₹ 1.44 crore was paid in 2,937 cases for a period ranging from two to 123 months after the death of the beneficiaries (***Appendix-2.10***). Of these, the payment of pension in 1980 cases (67 *per cent*) was continued as of March 2011

[67] The result of survey was conveyed to the Department in October 2010.

despite the result of survey having been conveyed to the DSWOs by the surveyors.

On the basis of additional information collected from the Department (February, 2012), it was conveyed that the payment of pension to deceased beneficiaries for the period April 2011 to September 2011 (due in September, 2011) has been stopped after being pointed out during audit it was also stated that efforts are being made with the Banks/Post Offices to recover the released amount of pension in such cases.

In sum, the provisions of the NSAP Guidelines need to be followed strictly with regards to confirmation of each beneficiary before releasing the pensions, but no such exercise was undertaken by the DSWOs.

2.4.2.5 Pension to ineligible persons

The NSAP guidelines provide that the pension sanctioning authority has the right to stop/recover payments of any pension sanctioned on the basis of false or misleading information about the eligibility of the beneficiaries.

The result of pan-state survey disclosed that of the total 3,383 beneficiaries in the State, 1,291 beneficiaries of the test checked districts were ineligible for pension on various grounds like remarriage of widows, being under age and crossing the prescribed limit of income etc.

Audit scrutiny revealed that out of 1,291 ineligible beneficiaries in the sampled districts, payment to 798 (62 *per cent*) beneficiaries continued as of March 2011 and an amount of ₹ 73.91 lakh had been paid to them for a period ranging from two to 162 months (***Appendix- 2.11***). On this being pointed out, no specific reply was furnished by the DSWOs.

Thus, appropriate action needs to be taken to recover the amount of pension paid to the ineligible beneficiaries by the Department.

2.4.2.6 Non-payment of pension to eligible applicants

Test check of records of the sampled districts and information furnished by the Directorate of Social Welfare, Haldwani revealed that 50,446 applicants of pensions (Disability, Widow and Old-age) in the State were in the waiting list at the end of 2010-11 for want of funds and an amount of ₹ 24.79 crore would be required each year to cover the waitlisted applicants in the State (***Appendix-2.12***) for coverage of the scheme.

Thus, such a large number of eligible applicants in the waitlist indicated that the Department failed to fulfill the social obligation of the Government as envisaged in the scheme guidelines. At the same time, the Department incurred an expenditure of ₹ 10.12 crore on disbursement of pension to ineligible and deceased persons etc; (as discussed in *paragraphs – 2.4.2.3, 2.4.2.4, 2.4.2.5 & 2.4.2.7*) which could have been utilised to cover a major part of waitlisted applicants, had the pension schemes been implemented properly by the Department.

2.4.2.7 Avoidable expenditure on disbursement of pensions

The NSAP guidelines stipulate that pension shall be credited, where feasible, into a post office or public sector bank account of the beneficiaries and 'banking correspondent[68]/facilitator model' may be adopted where old and handicapped beneficiaries find it difficult to travel to the nearest bank/post office branches.

Audit scrutiny revealed that the disbursement of pension in large number of cases (Almora: 45 to 97 *per cent*; Dehradun: 39 to 66 *per cent*; Nainital: 14 to 75 *per cent*; Pauri: 36 to 95 *per cent*[69]; Tehri: 87 to 94 *per cent*[70]) was through money orders[71], for which an avoidable expenditure of ₹ 7.10 crore[72] (charges of money order is 5 *per cent*) was paid by the Department as commission to the post offices during the period 2006-07 to 2010-11.

On this being pointing out, the DSWOs stated (May, 2011) that pension in the remote areas of the State could be delivered only through the money orders due to lack of bank and post office branches. The reply was not acceptable in view of the fact that the scholarships to students were being disbursed by the Department only through banks or post offices accounts in the same areas of the State.

Thus, the Department would require streamlining the procedure for disbursement of the pensions as per scheme guidelines.

2.4.2.8 Parking of scheme funds

According to Government instructions (April, 2003 and September, 2009), the Government money should remain in Personal Ledger Account (PLA) of the Department and operation of bank accounts for scheme funds is strictly prohibited.

Audit scrutiny revealed that no PLA was opened by the Department and the funds were being kept in bank accounts by the DSWOs. Audit observed that an amount of ₹ 58.04 crore[73] which includes funds relating to pension, scholarships etc. and interest earned thereon was parked in various bank accounts of the DSWOs in contravention of the Government instructions.

2.4.2.9 Unfruitful expenditure on hiring of Server

The Department decided in 2005 to develop software and install a server for proper implementation/monitoring of Pension schemes. The work was assigned to a firm[74] through Information Technology Development Agency, Dehradun

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[68] The RBI working group has recommended banks of the need to accept the business correspondent or facilitator (BC) to provide banking services to inaccessible areas. The BC model is all about a certain set of people or entities allowed by RBI to conduct banking businesses as agents of the banks at places other than the bank premises.

[69] Only for the year 2006-07 to 2009-10.

[70] Only for the year 2006-07 and 2007-08.

[71] Mention was made in para 4.12 of the CAG's Audit Report for the year ended 31 March 2008 that an amount of ₹ 3.62 crore was paid as commission to Post Offices for disbursal of pension through money orders during 2006-07 to 2007-08.

[72] Almora: ₹ 2.23 crore, Nainital: ₹ .90 crore, Tehri: ₹ .95 crore, Pauri: ₹ 1.01 crore, Dehradun: ₹ 2.01 crore

[73] U.S.Nagar: ₹ 1.44 crore, Haridwar: ₹ 36.30 crore, Almora: ₹ 3.57 crore, Nainital: ₹ 5.40 crore, Dehradun: ₹ 1.55 crore, Tehri: ₹ 6.53 crore and Pauri: ₹ 3.25 crore.

[74] M/s Comat Technologies (P) Ltd., Bangalore.

(ITDA[75]). The installation was to be completed within 12 months from the date of signing of MOU (23 May, 2005).

Audit scrutiny of the test checked districts and information gathered from the Directorate of Social Welfare and ITDA revealed that neither the software was developed nor any Departmental server was installed as on date of audit (June 2011). However, an expenditure of ₹ 2.02 crore[76] under the project was incurred (June, 2011) by the ITDA to hire (December, 2006) a server from 'Centre for Development of Advanced Computing, Noida' but the same was also shut down (March, 2011) due to non-payment of dues. As a result, Departmental work, as envisaged, was being undertaken manually in the absence of the development of software. This led to the instances of double payment of pension besides, non-achievement of connectivity amongst the functionaries as intended for better management of pension schemes.

2.4.3 Conclusion

As required in the NSAP Guidelines, the Department failed to allot the unique pension number to each pensioner, ensure physical verification/social audit of the schemes, maintain appropriate data base of pensioners and adopt the banking correspondent/facilitator model for old and handicapped beneficiaries. All these factors led to double payment of pension of ₹ 83.66 lakh to 990 pensioners, payment of pension of ₹ 73.91 lakh to 1,291 ineligible persons and ₹ 1.44 crore to 2,937 deceased persons despite the fact that 50,446 applicants of pensions were in the waiting list at the end of 2010-11 for want of funds. Besides, an amount of ₹ 58.04 crore was parked in various bank accounts of the DSWOs in contravention to Government orders and an avoidable expenditure of ₹ 7.10 crore was incurred on disbursement of pensions through money orders against the provisions of guidelines.

The matter was referred to the Government (November 2011); replies were awaited (February, 2012).

[75] An executing agency as project monitoring unit of Information Technology Department, Uttarakhand.

[76] Hardware:₹118.86 lakh, Software:₹13.83 lakh, Consultancy:₹58.20 lakh and License:₹10.70 lakh.

CHAPTER III

AUDIT OF TRANSACTIONS

Audit of transactions of the Government Departments, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Non-compliance with the rules

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are as under:

PUBLIC WORKS DEPARTMENT

3.1.1 Infructuous expenditure

Commencement of construction of a bridge by the PWD without ensuring availability of land resulted in infructuous expenditure of ₹ 1.59 crore incurred on an incomplete bridge.

Paragraph 378 of the Financial Hand Book (Vol-VI) provides that no work should commence on land which has not been duly handed over by the competent authority.

The State Government accorded (January, 2006) administrative and financial sanction of ₹ 4.78 crore for construction of 132.50 metre span motor bridge and 1.30 km approach road between Jamunwala and Dehradun Cantonment area over Noon river of Dehradun district. Technical sanction of the work was accorded (May, 2006) by the Chief Engineer (Garhwal Region), Pauri for the entire amount and the work was awarded (November, 2006) to a contractor[1] for ₹ 4.66 crore with the stipulated date of completion by November 2007.

Test check (June, 2010) of the records of the Executive Engineer, Provincial Division, PWD, Dehradun revealed that the work for right portion of the bridge was started (November, 2006) without ensuring the clear title of land for the left abutment. The right portion of the bridge and 250 metre approach road were falling on the civil land and left portion of the bridge alongwith 1.05 km approach road was falling in the cantonment area. After completion of 100 metre approach road and 64.50 metre bridge work from right portion, the work was stopped (July, 2008) on objections raised by the Defence authorities of Dehradun Cantonment. Since then, the work is lying incomplete with an expenditure of ₹ 1.59 crore, as is evident from the photograph given in the next page. However, it was noticed in audit that the division had applied for clearance of land to the Defence authority

[1] M/s N.K.G. Infrastructure Limited, New Delhi.

in February 2006 and the matter was also being pursued thereafter but the Defence authorities refused the same (April, 2011).



Incomplete bridge over Noon River, Dehradun

On this being pointed out, the EE accepted (June, 2010) the fact and stated that the work was stopped on the objection raised by the Defence authority. It was further stated that efforts were being made to start the work after changing the alignment. Reply was not acceptable as the commencement of construction work without ensuring possession of land by the PWD was contrary to the financial rules and the Defence authority did not even permit the construction of abutment on their land to change the alignment.

Thus, commencement of work without ensuring availability of land resulted into an infructuous expenditure of ₹ 1.59 crore on an incomplete bridge besides denial of intended benefit of commutation to the users.

The matter was referred to Government (May, 2011); reply was awaited (February, 2012).

3.1.2 Injudicious expenditure

Erroneous process adopted by the division in awarding of contract and using excessive material resulted in injudicious expenditure of ₹ 83.66 lakh in addition to the execution of substandard road work.

Government accorded (March, 2003) an administrative approval and financial sanction for ₹ 11.09 crore for reconstruction and improvement of the Baijaro-Chaukhal-Ufraikhal-Bhungidhar-Bachuaban motor road (48 km length) in district Pauri, Garhwal. The technical sanction (TS) was accorded (February, 2004) by the Chief Engineer (CE), Garhwal region, Pauri for the same amount.

Audit scrutiny of records (March, 2010) of the Executive Engineer (EE), Construction Division, PWD, Baijaro (Pauri) revealed that the work was awarded to a contractor at 18.75 *per cent* above the Departmental estimated rates for an amount of ₹ 10.32 crore under which the work was to be executed up to Bituminous Macadam (BM)/Semi Dense Bituminous Concrete (SDBC) level with scheduled date of completion by October 2005.

Audit observed that despite awarding contract at 18.75 *per cent* above the Departmental rates, all the items of work could not be executed in the entire length of the road. Items up to Water Bound Macadam (WBM) level were

executed in varied[2] lengths and the execution (up to BM, SDBC level) of work was done only in 28 km. The works in the remaining portion of the road could not be undertaken due to the following reasons/deficiencies:

- The work was put to tender (November, 2003) by the division three months before its Technical Sanction by the competent authority (February,2004) with enhanced rates for certain items (WBM, Tack Coat and BM as compared to TS) which led to an injudicious expenditure of ₹ 21.07 lakh to the work (***Appendix-3.1***).
- Items of work like earth filling and collection/consolidation of 45-63 mm gauge stone ballast (12 cm loose and 9 cm compacted) were executed in excess of the estimated/agreed quantity resulting in an excess expenditure of ₹ 3.12 lakh and ₹ 34.90 lakh respectively (***Appendix-3.2***).
- As per TS, 5 cm layer of BM and 2.5 cm layer of SDBC were to be laid after applying tack coat (coating of low viscosity liquid bituminous material) for each of the layers as tack coat prepares the existing road surface for superimposition of BM/SDBC. Audit found that BM was laid in excess as compared to the area covered by tack coat leading to injudicious expenditure of ₹ 24.57 lakh as per details given in the table-3.1.1 below:

Table-3.1.1

Area covered by tack coat	BM required[3] for the area	BM actually laid	Excess quantity	Rate/ cum	Excess Expenditure
28 km (2,20,407 sqm)	5,775 cum	6,476 cum	701 cum	₹ 3,505	₹ 24.57 lakh

- Despite clear instructions of the CE that no expenditure should be incurred on items of work which are not included in the detailed estimate, the contractor was allowed by the division to carry out work on extra items amounting to ₹ 2.13 crore, leading to incomplete execution of work in the full length of road. However, audit found that some important items of work[4] were executed as extra items which showed that the there were flaws in the preparation of the estimate itself.

- Total value of work done by the contractor was ₹ 9.48 crore out of which the contractor was paid ₹ 9.19 crore (till September, 2007) after deducting ₹ 10.23 lakh for defective works. Besides, the final bill[5] of the contractor remained withheld (June, 2011) for adjustment of an additional recovery of ₹ 24.18 lakh against the contractor for using substandard material which came to the knowledge of division from test reports of the materials used. This clearly indicates that the execution of work was substandard and the division failed to ensure quality standards during execution.

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[2] Hillside cutting in 38 km; collection and laying of 45-63 mm gauge stone ballast in 34 km and 22.40-53 mm gauge stone ballast in 32 km.

[3] 28,000m x 3.75x0.05=5,250+10% (extra for curves) of 5,250=5,775cum.

[4] Stone filling, MS Iron work in RCC, construction of scupper, culvert and catch pit, making super elevation and construction of drainage.

[5] ₹ 947.51 lakh (Total value of work done) – (₹ 919.49 lakh + ₹ 10.23 lakh) = ₹17.79 lakh only.

Due to the above deficiencies, the division had to get an additional sanction of ₹ 5.66 crore[6] from the Government (January, 2007) for the remaining work of the road which was in progress as on date of audit (March, 2010). However, audit observed that two different standards were adopted by the division as cheaper material (Premix Carpet with seal coat) in place of BM/SDBC was provisioned and being laid in this portion of road length thus compromising the quality and strength of road.

On this being pointed out, the EE accepted the fact (March, 2010) that the BM/SDBC work was executed in 28 km only in place of 48 km due to the execution of essential extra items which were duly approved by the competent authority. The EE mentioned that tender was invited before according the TS to avoid delay in construction of the work due to the fact that the road was on the priority of the then Government as it bridges the two regions of State (Garhwal and Kumaon). The reply was not acceptable due to the following reasons:

- in no circumstances should the prescribed procedure of tendering be violated;
- agreement of the work with the contractor was executed after receiving the TS, hence, the rates should have been rectified accordingly; and
- had the work actually been a priority then it should have been completed in time.

Thus, an injudicious expenditure of ₹ 83.66 lakh was incurred by the division by adopting an erroneous process in awarding the contract (₹ 21.07 lakh), using the excess quantity of work in respect of earth filling, gauge stone ballast and BM (₹ 62.59 lakh) in addition to the execution of substandard road work.

The matter was referred to the Government (July, 2011); reply was awaited (February, 2012).

3.1.3 Undue payment to the contractor

An item of road work (BM) was executed on job mix formula in which output was higher but its payment was made as per estimated rate based upon lesser output, resulted in an undue payment of ₹ 23.57 lakh to the contractor.

Estimates of work are to be prepared on rate analysis of various items and these rates are liable for payment of the items of work. But provisions of the Ministry of Road, Transport & Highways (MORTH) specification data book (2003) provides that if an item of work is executed on the basis of job mix formula then the actual quantities should be worked out on the basis of job mix formula.

Records of the Executive Engineer (EE), Construction Division, PWD, Almora showed that the State Government sanctioned ₹ 15.35 crore[7] for strengthening

[6] TS was accorded by the CE (July,2007) for ₹ 5.40 crore.

[7] Almora-Baijnath-Gwaldam-Karanprayag motor road (km 28-51): ₹ 4.61 crore (November, 2004) & ₹ 1.60 crore (March, 2005) and Someshwar Gagas-Binta-Someshwar motor road: ₹ 9.14 crore (February,2006).

and improvement of Almora-Baijnath-Gwaldam-Karanprayag motor road (km 28 to 51) and Gagas-Vinta-Someshwar motor road (29 km) and its technical sanctions were accorded (April, 2005 and April, 2006 respectively) by the Chief Engineer (Kumaun Region), Almora for the entire amount. Though, the rate analysed by the Division for Bituminous Macadam (BM) layer of the roads was based upon 2.19 gm/cm^3 density and taking output of 205 cum out of 450 tonnes, yet actual work was executed on the basis of job mix formula[8], under which the density of BM layer for the roads was 2.13 gm/cm^3 (output 211 M^3/450 tonnes) and 2.12 gm/cm^3 (output 212 M^3/450 tonnes) respectively.

Audit observed (February, 2011) that payment to the contractor for the BM work was made (October, 2008 and May, 2009) as per provision of the estimate/ agreement by considering output 205 M^3/450 tonnes instead of actual work done / output received as per job mixed formula (211 M^3/212 M^3). This resulted in an undue advantage of ₹ 23.57 lakh to the contractor ((***Appendix-3.3***).

On this being pointed out, the EE accepted (February, 2011) that the work of BM was executed on job mix formula as prescribed by the Pant Nagar University while payment was made as per rates provided in the agreement. As such, the Division had extended an undue payment of ₹ 23.57 lakh to the contractor by not considering the actual output of BM as per job mix formula as required under MORTH specifications. Moreover, the chances of recovery from the contractor are remote, as no such provision was made in the agreement.

The matter was referred to the Government (May, 2011), reply was awaited (February, 2012).

3.1.4 Unjust benefit to contractors

Interest free mobilization advance of ₹ 8.48 crore was provided by two PWD divisions, in violation of the Rules framed by the Government, CPWA Code and guidelines of Central Vigilance Commission, which became a source of benefit to the contractors amounting to ₹ 1.12 crore.

Mobilisation Advance (MA) is paid to the contractors to extend financial assistance to mobilize resources and to procure equipment (Plant & Machinery) dedicated to the work for providing momentum to the project.

Provisions of the Uttarakhand Procurement Rules, 2008 in respect of advances to contractors for works provide that the MA shall be subject to payment of interest, till the amount is deducted or adjusted. Besides, the Central Public Works Account (CPWA) Code and the guidelines of Central Vigilance Commission stipulate the following for protecting the Government interest:

- The MA should be interest-bearing and it should not exceed 10 *per cent* of the contracted value of work or ₹ one crore whichever is less;
- MA should be need based and given in installments, based on utilization certificates (UCs) from the contractor for the earlier installments;

[8] Prescribed by the G.B. Pant University, Pantnagar.

- Insurance and hypothecation to the Department should be ensured in case the advance is for procurement of equipment;
- The recovery of MA should be made in suitable installments commencing from the second running bill or after 10 *per cent* of work is completed, whichever is earlier and the entire amount shall be recovered before 80 *per cent* of the work is completed.

Audit scrutiny of records of the following two PWD divisions revealed contravention of these provisions as shown below:

(i) An interest free MA of ₹ 6.27 crore (within 10 *per cent* of the contracted value) was paid (October, 2009) by the Executive Engineer (EE), Temporary Division (TD), Rishikesh to contractors against two agreements[9] executed for construction of 22 km four lane fast track motor road from Doiwalla (Rishikesh) to Thano-Raipur Sahstradhara (Dehradun). Audit found that despite allowing the interest free MA to the contractors, no time frame for recovery of such MA was incorporated in the agreements to avoid any scope of its misuse/undue advantage. Only ₹ 2.15 crore[10] was recovered as of January 2012 and rest of the MA for ₹ 4.12 crore remained unadjusted with the contractors as the repayment of MA depended upon the completion of work and submission of bills by the contractors. The whole process led to delay the progress of work, thus, only 8 and 18 *per cent* of work was achieved against Agreement No. 16 and 17 respectively even after a lapse of one year from the scheduled date of completion (January, 2011).

(ii) Similarly, an interest free MA of ₹ 2.21 crore (15.12 *per cent* of the contracted value) was given to a contractor in three installments[11] (between May, 2010 and November, 2010) by the EE, TD, Berinag against an agreed cost of ₹ 14.61 crore[12]. Audit found (November, 2010) that no records were available with the Division which could prove that the subsequent installments were released after getting UCs from the contractor for the earlier installments. MA of ₹ 50 lakh[13] only was recovered as of January 2012 and ₹ 1.71 crore was still outstanding with the contractor despite the fact that the scheduled date of completion of work was October 2011 but only 35 *per cent* work was completed as of August 2011.

On this being pointed out in audit, the EE-TD, Rishikesh stated (November 2010) that interest free MA was given as per the conditions of agreement and no guidelines were available regarding the recovery of such advance. The EE-TD, Berinag stated (November 2010) that there was no limit fixed for payment of MA. The replies were not acceptable as the acts of these divisions were contrary to the provisions of Uttarakhand Procurement Rules-2008 which is applicable to all

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[9] Agreement No. 16 & 17 dated 19.9.2009 for ₹ 33.87 crore & ₹ 33.72 crore respectively).

[10] ₹ 1.13 crore against agreement no. 16 and ₹ 1.02 crore against agreement no. 17 recovered as of January 2012.

[11] ₹ 82 lakh (May, 2010), ₹ 64 lakh (October, 2010), ₹ 75 lakh (November, 2010).

[12] Agreement No. 03/SE/2010-11 dated 09.04.2010 for improvement and strengthening of Berinag-Gangolihat-Rameshwar road (44.30 km) in district Pithoragrah.

[13] ₹ 2 lakh (December, 2010), ₹ 37 lakh (August, 2011) and ₹ 11 lakh (September, 2011).

Departments of the State Government. Moreover, the CPWA Code should have been followed in the absence of specific provisions/guidelines in respect of mode of payment and recovery of the MA.

Thus, interest free MA of ₹ 8.48 crore without time based recovery was paid by these divisions allowing the contractors to retain it for indeterminate period defeating the purpose of MA and benefiting the contractors as it became a source of benefit to them. Going by the conservative rate of interest on borrowing of the State Government (at the rate 7.34 *per cent*), an amount of ₹ 1.12 crore could have been earned (upto December, 2011) as interest on these advances, had the aforesaid provisions/guidelines been followed by the divisions.

The matter was referred to the Government (August, 2011); reply was awaited (February, 2012).

HOUSING DEPARTMENT

3.1.5 Diversion of fund

An aquarium at island of Bhimtal Lake was established at a cost of ₹ 1.48 crore by diversion of fund provisioned for conservation and management of lakes led to damage of objectives of the project.

National River Conservation Directorate (NRCD), Ministry of Environment & Forest, Government of India (GOI) issued (June, 2003) an administrative and financial sanction for a project amounting to ₹ 16.85 crore[14] for conservation and management of four lakes namely Bhimtal, Naukuchiatal, Sattal and Khurpatal in Nainital District under National Lake Conservation Plan. The Nainital Lake Region Special Area Development Authority (NLDA), Nainital was appointed (September,2003) as the nodal agency for execution of works of the project.

Audit scrutiny of records (January, 2011) of the NLDA, Nainital revealed that a decision to establish an aquarium at an island of Bhimtal Lake was taken (March, 2004) in a meeting of Management and Monitoring Committee of the Project (MMCP)[15] despite the fact that no such provisions was included in the approved project. The NLDA entered into (August,2005) a memorandum of understanding with a private firm[16] for establishment of aquarium at the island of Bhimtal Lake on turn key basis. The work was completed (May, 2009) after incurring an expenditure of ₹ 1.48 crore diverted from the approved items[17] of the project without approval of the NRCD, GOI.

In reply to audit observation, the Secretary NLDA accepted (January 2011) the fact that permission for diversion of fund was not obtained from the NRCD, GOI.

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[14] The cost was to be borne by the Central and State Government in the ratio of 70:30 respectively.

[15] Formed (September, 2003) by State Government under the chairmanship of Commissioner Kumaon.

[16] M/s Aquazona Exports, New Delhi.

[17] Soil Conservation: ₹ 0.80 crore, Dredging and restoration: ₹ 0.25 crore, Low cost sanitation: ₹ 0.25 crore, and Misc. expenses: ₹ 0.18 crore.

Thus, the NLDA/MMCP not only violated the provisions of the GOI sanction *ibid* but also caused to setback the project by diverting the allocated funds for soil conservation, low cost sanitation, dredging and restoration works etc. to the tune of ₹ 1.48 crore.

The Government in its reply (August, 2011) stated that in the island in Bhimtal lake, the existing restaurant was polluting the lake, therefore, in place of the existing restaurant, a decision to establish an aquarium was taken for conservation and beautification of the lake from the funds of its conservation plan. The reply is not tenable as the State Government was aware of the pollution caused by the restaurant; hence, the provision of establishment of the aquarium should have been included in the original project or its approval was to be obtained from the GOI.

UTTARAKHAND PEYJAL NIGAM

3.1.6 Irregular expenditure

In violation of Government order, interest of ₹ 1.81 crore was irregularly utilized on maintenance works instead of depositing the same in Government accounts.

Government order (April, 2003) stipulates that wherever funds drawn from consolidated fund are not spent immediately under special circumstances and kept in interest bearing deposits, the interest earned thereon is to be deposited into Government accounts[18].

Audit Scrutiny of records (July, 2010) of the Managing Director, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (Nigam), Dehradun revealed that an amount of ₹ 91.01 crore was provided by the Government to 13 units[19] of the Nigam during the period 2007-08 to 2010-11 for construction of work under various Peyjal Schemes. The amount was kept by these units in the bank accounts (saving accounts/fixed deposits) against which a sum of ₹ 1.81 crore was earned as interest during the said period. Audit observed that the whole amount of ₹ 1.81 crore earned as interest was utilized by the Nigam for maintenance works of the schemes instead of depositing the same in Government account in violation of the Government order.

In reply to audit, the Nigam replied (May & July, 2011) that though there was no Government order which authorized the utilization of interest on maintenance works, yet the interest earned was incurred on maintenance works of the executed schemes in anticipation of release of funds from the Government. The reply was not acceptable as the use of interest on maintenance work was against the Government order *ibid*.

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[18] Major Head: 0049-Interest Receipts-04-Interest Receipts of Government of State/UT, 800-Other Receipts, 12- Other Miscellaneous Receipts.

[19] Construction Units- Gangolihat, Almora, Pithoragarh (I & II), Bhikiasain, Dev Prayag, Ghansali, Nainital, Haldwani; Mechanical Units-Almora, Dehradun, Haldwani and Dehradun Unit, Dehradun.

Thus, in violation of Government order, utilisation of interest of ₹ 1.81 crore on maintenance works by the Nigam was irregular and unauthorized.

The matter was referred to the Government (August, 2011); reply was awaited (February, 2012).

3.2 Audit against propriety/Expenditure without justification

Authorisation of expenditure from public funds is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure, some of which are hereunder.

POLICE DEPARTMENT

3.2.1 Avoidable expenditure

Irregular selection of construction agency for the construction of Police Training Academy, Narendra Nagar without cost effective comparison of estimates led to an avoidable expenditure of ₹ 2.23 crore.

The State Government decided (April, 2005 & November, 2005) that all construction work of buildings costing above ₹ eight crore should be got executed through State Public Works Department, Irrigation Department, Uttarakhand Peyjal Sansadhan Evam Nirman Nigam (UPJN) as well as the Uttar Pradesh Rajkiya Nirman Nigam Limited (UPRNN) on competitive basis by obtaining estimates through tenders, whereas preference was to be given to the construction agencies of Uttarakhand.

Accordingly, the Police Headquarters Uttarakhand (PHq), Dehradun called for (February, 2007) estimates for construction of Police Training Academy (PTA) at Tehri from the above mentioned construction agencies but only three agencies[20] submitted their estimates. The estimates were forwarded (February/ March 2007) by the PHq to the Government who accepted the lowest estimate of UPRNN (ex-State agency) for an amount of ₹ 15.52 crore and issued (March, 2008) an administrative approval/financial sanction of ₹ 14.50 crore[21] with the instruction to complete the work by March 2010 within the sanctioned amount and no further revision of estimate would be accepted.

Audit scrutiny (January, 2010) of the issue at PHq revealed the followings deficiencies:

- Though, the first installment of sanctioned fund of ₹ five crore had been made available to the UPRNN in March 2008, yet a memorandum of understanding of the work between the PHq and UPRNN was executed belatedly (January, 2009) after a lapse of nine months of financial sanction

[20] UPJN, Irrigation Department and UPRNN.

[21] Released in two instalments (₹ 5 crore in March, 2008 & ₹ 9.50 crore in October, 2009) through the PHq.

and October 2011 was fixed as the scheduled date of completion of the work in violation of instructions of the Government sanction. The work was started in January 2009 and an expenditure of ₹ 13.61 crore had been incurred (November,2011) on the ongoing work.

- No comparative statement of required works included by these executive agencies in estimates was prepared by the PHq. The lowest/selected estimate of UPRNN amounting to ₹ 15.52 crore was short by 12 items costing ₹ 2.62 crore (***Appendix-3.4***) than the estimate of UPJN of ₹ 17.11 crore which was as per the requirement of the Department. Despite the fact, the Government was assured by the PHq that the estimates had been prepared in accordance with all requirements of the PTA.
- A comparison of both the estimates with reference to common items showed that the cost offered by the UPJN (₹ 12.24 crore) was lesser by ₹ 2.23 crore (***Appendix-3.5***) than the cost offered by UPRNN (₹ 14.47 crore).
- The UPRNN submitted (March, 2008) a fresh proposal for four[22] left over items as 'extra items' costing ₹ 3.41 crore only after 16 days of issue of financial sanction (04 March 2008) which was also forwarded (20 March 2008) by the PHq to the Government for sanction. This was, however, objected (May 2008) by the Government for unjustified extra items and has not been sanctioned yet (June, 2011).

Hence, the above facts showed that the selected estimate of UPRNN was incomplete and comparatively higher than the estimate of UPJN and no intended exercise to ascertain the financial viability of these estimates was done either by the PHq or by the Government for selection of construction agency for execution of the work. This erroneous process led to loss of ₹ 2.23 crore to the Government in respect of awarded works to the UPRNN which could have been avoided, had a cost effective comparison been made for the purpose. Further, no preference was given to the construction agency of Uttarakhand State by the Department.

On this being pointed out in audit, no specific reply was given by the PHq on account of loss to the Government but instead informed (April 2011) that the decision of selection of the construction agency had been taken at Government level. However, the Government in its reply (October 2011) stated that as per requirement of PHq, a list of items of work was made available to the construction agencies but UPJN had wrongly included 12 extra items in the estimate on their own. The reply was not acceptable in view of the fact that the PHq had provided a certification to the Government that all the estimates received, were prepared as per the requirement of the Department and the Department admitted in its earlier reply (June,2011) to audit that these 12 items are essential to be executed[23] and will be taken up in future.

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[22] Internal road, Drain, Boundary wall and Barbed wire fencing.

[23] In fact, out of the 12 items, one item of work (External Water Supply) had been allotted to the UPJN which had been completed and proposals for four items are pending for sanction at Government level.

Thus, the selection of construction agency of UPRNN for construction of the PTA was irregular and this process led to an extra expenditure of ₹ 2.23 crore which could have been avoided.

PUBLIC WORKS DEPARTMENT

3.2.2 Excess expenditure

Two road works with inflated estimated rates were put into tender before its technical sanction by competent authority which resulted in avoidable excess expenditure of ₹ 38.75 lakh to the works.

Government sanctioned (March, 2003) ₹ 9.31 crore for repair and renovation works of 51 km length (three stretches[24]) of Dhanachuli–Okhalkanda–Khanshayu–Patlot motor road in district Nainital. The technical sanction (TS) of the entire work was accorded (August, 2005) by the Chief Engineer (CE), Kumaon Region, Almora for ₹ 8.76 crore.

Audit scrutiny (June, 2010) of records of the Executive Engineer (EE), Temporary Division, PWD, Bhawali, Nainital revealed that the tender for the work was floated (May, 2005) before TS (August, 2005) of the competent authority (CE) contrary to prevailing system of tendering. Only a single tender at 30 *per cent* above the floated rates was received which was finally agreed upon at 27 *per cent* above after negotiation with the contractor. Accordingly, the work was awarded (October, 2005) to the contractor for ₹ 8.66 crore which was completed in June 2010 at a cost of ₹ 10.13 crore[25].

Audit observed that rates floated by the division in the tender for Bituminous Macadam (BM) and Semi Dense Bituminous Concrete (SDBC) were higher than approved rates of TS despite the fact that the tender was accepted at 27 *per cent* above. This resulted into excess expenditure of ₹ 17.74 lakh to the work as per details given below:

Table-3.2.1

Name and stretch of the road	Item of work	Rates (₹) floated into tender	Approved rates (₹) as per TS	Difference (₹)	Executed quantity (M^3)	Amount (₹)
Dhanachuli - Okhalkanda	BM	2,931/M^3	2,856/M^3	75/M^3	5,071.904	3,80,392.80
	SDBC	3,611/M^3	3,522/M^3	89/M^3	2,092.510	1,86,233.39
Okhalkanda - Khanshayu	BM	2,931/M^3	2,856/M^3	75/M^3	3,533.930	2,65,044.75
	SDBC	3,611/M^3	3,522/M^3	89/M^3	1,717.830	1,52,886.87
Khanshayu - Patlot	BM	2,931/M^3	2,856/M^3	75/M^3	3,662.160	2,74,662.00
	SDBC	3,611/M^3	3,522/M^3	89/M^3	1,544.030	1,37,418.67
Total :						**13,96,638.48**
Add: 27 *per cent*						3,77,092.39
Grand total :						**17,73,730.87**

Similarly, it was also noticed in audit (June, 2011) of the EE, Provincial Division, PWD, Didihat, Pithoragrah that improvement and strengthening work of

[24] Dhanachuli to Okhalkanda (19 km): ₹ 3.42 crore; Okhalkanda to Khanshayu (16 km): ₹ 2.94 crore and Khanshayu to Patlot (16 km): ₹ 2.95 crore.

[25] The excess expenditure was duly approved by the competent authority (CE).

Thal-Munsyari motor road (57 km in three stretches)[26] in district Pithoragrah was put into tender (November,2004) before its TS (December, 2004) of ₹ 9.20 crore by the CE, Kumaon Region, Almora. A single tender at 2.50 *per cent* above the Departmentally floated rates was received for the work and the division entered into an agreement with a contractor for ₹ 9.17 crore**.** The work was started in January 2005 and got completed in September 2008 at a cost of ₹ 9.28 crore.

Audit found that rates floated by the division in tender for BM and SDBC works were higher than the rates approved by the competent authority (CE) in TS which resulted in excess expenditure of ₹ 21.01 lakh to the work as per details given below:

Table 3.2.2

Name of the road	Item of work	Rates (₹) floated into tender	Approved rates (₹) as per TS	Difference (₹) (Col. 3– 4)	Executed quantity (M^3)	Amount (₹) (Col. 5 X 6)
Thal - Munsyari	BM	4,945/M^3	4,841.75/M^3	103.25/M^3	11196.893	11,56,079.20
	SDBC	6,112/M^3	5,887.70/M^3	224.30/M^3	3983.575	8,93,515.87
Total :						**20,49,595.07**
Add: 2.50 *per cent*						51,239.88
Grand total :						**21,00,834.95**

Thus, the above details showed that an excess expenditure of ₹ 38.75 lakh was incurred by these divisions on the works by adopting an irregular process of tendering which could have been avoided, if the tender of these works were invited after TS by the competent authority.

On this being pointed out in audit, both the divisions replied (June,2010 and June, 2011) that the tender was finalised with the approval of tender advisory committee[27]. The reply was not acceptable as contrary to the provisions, the tenders with inflated rates were invited before the works were technically sanctioned by the competent authority, which resulted in an avoidable excess expenditure of ₹ 38.75 lakh.

The matter was referred to the Government (July, 2011); reply was awaited (February, 2012).

3.2.3 Undue benefit extended to contractors through double loading of contractor's profit

Double loading of contractor's profit for certain items of material in the cost estimates pertaining to road works under Construction Division (PWD), Pauri led to undue benefit of ₹ 1.61 crore to contractors.

Government sanctioned (September/December, 2006) ₹ 29.23 crore for improvement and strengthening of two roads of district Pauri (Tehri-Muradabad State Highway from km 120 to 143 for ₹ 8.71 crore & from km 144 to 167 for ₹ 8.94 crore and Satpuli-Ekeshwar-Chubatakhal motor road from km 0.0 to km 35 for ₹ 11.58 crore) under State Plan and technical sanctions (TS) for entire amount

[26] Sanctioned by the Government in February 2004 (km 01 to 50 = 50 km, km 60 = 01 km, and km 65 to70 = 6 km) for ₹ 9.60 crore.

[27] Consisting of the Chief Engineer-Kumaon, Superintending Engineer and Executive Engineer.

of the roads were accorded (November/December, 2006) by the Chief Engineer, PWD, Garhwal Region, Pauri. The works were awarded (December, 2006) to three contractors and were completed between October 2009 and March 2010.

Audit scrutiny of records (October 2010) of the Executive Engineer (EE), Construction Division (PWD), Pauri revealed that contractor's profit (CP) at the rate of 10 *per cent* on materials (like grit, stone dust and bitumen) were applied twice by the divisional authorities for preparation of estimates of the above works; first time for making rate analysis for collection of raw materials from quarry etc. and second time for analysing the rates of bituminous macadam (BM) and semi-dense bituminous concrete (SDBC) item of the works. Besides, none of the higher authority (SE/CE) had rectified the error of these estimates while recommending / according the TS. The act of the responsible authorities was against the prescribed procedure of the Ministry of Road Transport & Highways (MORTH) as well as the PWD which provides that only 10 *per cent* CP of total cost of work should be included in rate analysis.

Thus, the double loading of CP in estimated rates of these items of works (BM & SDBC) resulted into extra payment of ₹ 1.61 crore to the contractors, as the agreed rates of the works were entirely based upon the estimated rates of the division (details are as per (***Appendix-3.6***).

On this being pointed out, the division did not comment upon extra payment/ undue benefit to the contractors but the facts regarding application of CP twice while preparing estimates was accepted (October, 2010) by the PWD. Thus, an undue benefit of ₹ 1.61 crore was extended to the contractors by inflating the rates of certain items of work in the estimates.

The matter was referred to the Government (May, 2011); reply was awaited (February, 2012).

3.3 Failure of Governance/Oversight

The Government has an obligation to improve the quality of life of the people for which it works towards fulfillment of certain goals in the area of health, education, development and upgradation of infrastructure and public service *etc*. However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases are discussed below:

PUBLIC WORKS DEPARTMENT

3.3.1 Unfruitful expenditure on construction of bridges

An expenditure of ₹ 1.71 crore incurred on construction of two bridges at km 25 & 30 of a 32 km long road remained unfruitful after a lapse of six years because the road connectivity was available for first 18 km and the rest portion of road (14 km) was yet to be sanctioned.

Government accorded (January, 2002) administrative and financial sanction of ₹ 6.94 crore for construction of 32 km (0-32 km) Ghat-Sutol-Kanol Light Vehicle Road (LVR) length along with seven bridges at km 4, 13, 15, 16, 18, 25 and 30 with the objectives to reduce the distance by 32 kms for famous Nanda Devi Rajjat Yatra organized annually in the State and to provide road connectivity for local habitant of 10 villages. Technical sanction (TS) was accorded (April,2002)) by the Chief Engineer, PWD, Garhwal for construction of only 18 km (km 0-18) LVR and the seven bridges at a cost of ₹ 6.06 crore.

Audit scrutiny of records (May, 2010) of the Executive Engineer (EE), Provincial Division (PD), PWD, Karanparyag (Chamoli) and further information collected (June/July 2011) revealed that the construction work of 18 km long LVR including first five bridges was completed by October 2003 at a cost of ₹ 5.22 crore and this portion[28] of the road was open to traffic since 2005. The construction of rest of the two bridges at km 25 and 30 was held-up since June 2005 after incurring an expenditure of ₹ 1.71 crore as against the scheduled date of completion of April 2005. It was also noticed in audit, the Division in its reports (January & February, 2009) to the Superintending Engineer informed that these two incomplete bridges would not be fit for use despite their completion due to followings reasons:

- 8.05 tonnes iron was short utilized for bridge at km 25 by the contractor and the construction of bridge was tilted due to which it was not possible to rectify.
- only two stringers were erected in place of three for bridge at km 30 and only 17 cm slab was laid against 23 cm which is not appropriate for class-B loading.

Despite these, no penal action was taken against the contractor.

Thus, the expenditure incurred on construction of these two bridges not only remained unfruitful for last six years without road connectivity but their future use are also doubtful in the light of above deficiencies.

Apart from above, a revised estimate of ₹ 3.17 crore for construction of remaining portion of road (km 19 to 32) was submitted (April, 2006) by the Division to State Government for its financial sanction which was awaited (May, 2011) from the Government after expiry of five years.

On this being asked by audit as to why the TS was accorded for 18 km only against the sanction of 32 km, the EE replied that due to increase in span of bridges (from total 266 metres to 282 metres) and cost of labour/material, the TS was given by the CE for 18 km road only. Reply was not acceptable due to the following facts:

- the question of cost escalation does not arise as the TS was accorded just after three months in April 2002 from the date of Government sanction (January, 2002).

[28] Covered only four villages out of the ten.

- the expenditure of ₹ 1.71 crore incurred on the construction of two unusable bridges could not serve any purpose without construction of connecting road.
- the need for additional fund could be anticipated well in time and submitted to Government accordingly.

Thus, the expenditure of ₹ 1.71 crore incurred on construction of two incomplete bridges without road connectivity remained unfruitful after a lapse of six years and defeating its very objective to reduce the distance of the Nanda Devi Rajjat Yatra.

The matter was referred to the Government (July, 2011); reply was awaited (February, 2012).

3.3.2 Wasteful expenditure on road work

A road work executed without survey, had to be carried out afresh after consultation with IIT-Roorkee which resulted in wasteful expenditure of ₹ 28.72 lakh.

Government accorded (March, 2009) an administrative approval & financial sanction of ₹ 6.27 crore for renovation of 18.4 km Roorkee-Laksar road under provisions of the Twelfth Finance Commission. Technical sanction (TS) was accorded (March 2009) for the entire amount. The work was proposed to be carried out by two divisions of the PWD: (i) km 1 to 9 by Construction Division (CD), Roorkee and (ii) km 10 to 18.400 by Provincial Division (PD), Haridwar but the entire work was under coverage of single agreement[29] with probable date of completion by September 2009.

Audit scrutiny of records (August, 2010) of the Executive Engineer (EE), CD, Roorkee revealed that after incurring an expenditure of ₹ 1.70 crore[30] by the Haridwar division in km 10 to 18.400, the work was transferred (November, 2009) to Roorkee division as per direction of the SE (August, 2009). It was clearly mentioned in the handing over charge report that Bituminous Macadam (BM) work done by the PD, Haridwar under km 9.00 to 14.881 and km 17.550 to 18.440 was damaged and both edges of the road were depressed, at various places. The SE in his inspection (October, 2009) of the road also found that km 15 to 19 of the road is water logged area for which direct BM and Semi-dense Bituminous Concrete (SDBC) work would not be suitable for future and directed the division to take suggestions from IIT, Roorkee for that portion of the road. It was also observed in audit that neither the TS of work was obtained from the competent authority[31] (Chief Engineer, Garhwal Region, Pauri) nor the detailed survey of work was conducted as provisioned fund for the survey work (₹ 2.21 lakh) was found unspent.

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[29] No. SE-9th/PDD/2008-09 dated 02-03-2009 (Amounting to ₹ 5.87 crore with M/s R.G. Buildwell Engineers Ltd., Ghaziabad).

[30] On Tack coat (37030.97 sqm), BM (2131.54 cum) and BUSG (18.30 cum).

[31] SE was empowered to accord a TS for works amounting upto ₹ one crore only.

The IIT-Roorkee suggested (October, 2009) to increase the crust thickness of road by providing an additional layer of Water Bound Macadam (WBM) subsequently by BM/SDBC. By considering the suggestions of IIT-Roorkee, a revised estimate within the earlier sanctioned limit (₹ 6.27 crore) was prepared/sanctioned (November/December 2009) and the remaining works like SDBC and protection works of the road (km 5-18.4) amounting to ₹ 2.67 crore were covered under Kumbh Mela 2010[32]. The work was completed by December 2010 after incurring an expenditure of ₹ 8.30 crore. Hence, the whole work done (Tack Coat and BM) by the Haridwar division previously had to be carried out afresh by Roorkee division to increase the desired crust thickness of the road.

On this being pointed out, the EE accepted (August 2010 and November 2011) the facts and stated that the work was executed again on the basis of suggestions given by IIT, Roorkee. Thus, the expenditure of ₹ 28.72 lakh[33] incurred on earlier work of the road without survey was wasteful which could have been avoided.

The matter was referred (June, 2011) to Government; reply was awaited (February, 2012).

MEDICAL HEALTH AND FAMILY WELFARE DEPARTMENT

3.3.3 Unfruitful expenditure

A trauma care centre, constructed at a cost of ₹ 55.82 lakh was non-operational for over two years. This not only endangered the life of accident victims of accident prone area but also rendered the entire expenditure unfruitful.

The vicinity of Vikas Nagar is known as prone to accidents. With a view to establish the TCC with an objective to provide immediate treatment to accidental cases to save the lives of victims being the monthly average of accident victims was high as per records of the CHC, Vikas Nagar, Dehradun, Government sanctioned (December, 2006) ₹ 55.82 lakh for construction of a Trauma Care Centre (TCC) at Community Health Centre (CHC), Vikas Nagar, Dehradun with allotment of the work to Uttarakhand Peyjal Nigam, Rishikesh Unit (executing agency).

Audit scrutiny of records (June, 2010) of the Chief Medical Officer (CMO), Dehradun and further information collected in June 2011 revealed that the construction of TCC was completed and handed over to the Department in

[32] The fund was sanctioned by the State Government in December 2009 and itsTS was accorded (December, 2009) by the C.E. (Garhwal Region), Pauri.

[33]

Items of work	Portion of the road	Executed quantity	Rate/unit (in ₹)	Amount (in ₹)
Tack coat	km 14.00 to 14.881 & km 17.550 to 18.400 (881 m + 850 m) = 1731 metre length x 5.50 (width)	**9,520.50 sqm**	**09.91 per sqm**	**94,348**
BM	50 mm in km 14.00 to 14.881 & 75 mm in km 17.550 to 18.440 = 881 m x 5.50 x 0.050 m = **242.275 cum** and 850 m x 5.50 x 0.075 m = **350.625 cum**	**592.90 cum**	**4,685.20 per cum**	**27,77,855**
Total				**28,72,203**

February 2009 by the executing agency but the TCC remained non-functional due to non-availability of staff and equipments even after a lapse of more than two years.

Audit observed that a proposal for creation of posts of specialists, paramedical and other supporting staff as well as procurement of essential equipments to the TCC was submitted by the CMO belatedly in July 2009 through the Directorate of Medical Health and Family Welfare, Dehradun to the Government. The Government, however, sanctioned 33 posts for the TCC (January, 2011) but neither any staff was posted nor any essential equipment were procured as of May 2011. Meanwhile, the victims of accidents were continuously being referred[34] to hospitals at Dehradun and Herbertpur putting their lives at risk due to distance involved in reaching hospitals.

On this being pointed out (June, 2010 and June, 2011), the CMO accepted (June 2011) the facts but did not propose any solution to meet the requirements of TCC to make it functional. The Government in its reply (November, 2011) stated that request for recruitment of specialized doctors/surgeons as per requirement of TCC has been made to the Public Service Commission, Uttarakhand and no equipment have been procured so far in absence of any specialized staff. However, at present the services of CHC, Vikas Nagar are being obtained for the TCC.

The Government reply was not acceptable as the core issues remained the same as improper planning of the Department defeated the very objectives of the creation of TCC. Besides, the victims of the vicinity are deprived of the intended facility of TCC for want of staff and equipments for a considerable time. Thus, expenditure of ₹ 55.82 lakh incurred thereon is rendered unfruitful on construction of TCC.

ANIMAL HUSBANDRY DEPARTMENT

3.3.4 Idle expenditure on surgical cells and equipment

An expenditure of ₹ 2.33 crore on construction of surgical cells and purchase of equipment remained idle due to improper planning of the Department.

To provide surgical facilities to veterinary hospitals in five districts[35], Government accorded administrative approval and financial sanction for ₹ 1.09 crore (February, 2008) for construction of surgical cells and ₹ 1.50 crore (November, 2008) for procurement of surgical equipment/machines.

Audit scrutiny of records of the Chief Veterinary Officer (CVO), Champawat (June, 2010) & Udham Singh Nagar (June, 2011) and further information collected (April, 2011) from the three CVOs (Dehradun, Haridwar & Pithoragrah) as well as from the Director, Animal Husbandry, Dehradun (DAH) revealed that the surgical equipment/machines[36] for an amount of ₹ 1.24 crore were procured/delivered to the concerned hospitals by the DAH in March 2009, whereas, the construction of

[34] 27 cases between July 2009 and May 2011.
[35] Champawat, Udhamsingh Nagar, Dehradun, Haridwar and Pithoragarh
[36] X-ray, Ultrasound machines & Generators, Drawing Knife, Operation table etc.

surgical cells at an expenditure of ₹ 1.09 crore were completed between June 2010 and March 2011 after a delay of 15 months to 24 months from the date of purchase of equipment.

Audit further observed that the surgical cells were not being utilized in the absence of the surgeon in the hospitals except at Haridwar and no technicians were posted in any of the hospitals for operation of surgical equipment/machines, as a result of which the whole expenditure of ₹ 2.33 crore remained idle for more than two years. Moreover, the warranty period of the equipment had also expired.

On this being pointed out, all the five CVOs accepted (April 2011) that the equipment/machines were lying idle in absence of trained technicians as a result of which 96 cases[37] of X-ray and ultrasound were referred to private hospitals in the year 2010-11 by CVOs, Dehradun, Udham Singh Nagar and Haridwar.

However, the DAH informed (February, 2012) that the budget earmarked for construction of surgical cells had already been handed over to the construction agency and the surgical equipment was purchased in anticipation that agency will complete the construction in stipulated time. The DAH further stated that 'No Objection Certificates' (NOCs) were to be obtained from the Bhabha Atomic Research Centre, Kolkata (BARC) and from district authorities before installation of the surgical equipment and the make/model/specifications of the equipment was to be specified at the time of applying for NOC, which could be done only after purchase of equipment. On the issue regarding posting of surgeons and technicians, the DAH also informed that qualified Veterinary Officers were already posted at all five cited units and all the B.V.Sc and A.H. degree holders are authorized to practice veterinary medicine and surgery in the State as per the provisions of the Indian Veterinary Council Act-1984.

The reply of the DAH was not acceptable for the reason being the equipment was to be purchased only after completion of the construction of surgical cells /ensuring other required infrastructure for the same and only details regarding make/model/specifications of equipment after satisfaction of the authorities could be provided for obtaining the NOC from BARC. The reply regarding use of machines/equipment by the Veterinary officers posted in the hospitals was contradictory to the statements of concerned CVOs who stated that the equipment were lying idle in absence of the specialized staff.

Thus, the expenditure of ₹ 2.33 crore on construction of surgical cells and purchase of equipment/machines remained idle due to improper planning of the Department.

The matter was referred to the Government (July, 2011); reply was awaited (February, 2012).

[37] Dehradun: 52 cases, Udham Singh Nagar: 18 cases and Haridwar: 26 cases.

SOCIAL WELFARE DEPARTMENT

3.3.5 Blocking of funds due to incomplete school building

Failure of the Department to obtain Central share resulted in blocking of State's share of ₹ 1.50 crore on incomplete construction of residential school buildings being constructed to increase the education in Tribal area.

Government of India (GOI) launched (1990-91) a scheme for establishment of Ashram Schools (with residential facility) in States/UTs to increase education among Scheduled Tribes (ST) on the basis of 50 *per cent* sharing of cost. Under the said scheme, the proposal for setting up a school in ST area was required to be accompanied by a plan duly approved by the competent authority in the State Government and the certificates regarding existence of matching share in State budget and availability of unencumbered cost free land.

Audit scrutiny of records (July, 2010) of the Director, Tribal Welfare (DTW), Dehradun revealed that the State Government submitted (February, 2005) a proposal to the GOI for establishment/construction[38] of Rajkiya Ashram Padhati Vidyalaya at Binsore, Tyuni, Dehradun under the said scheme at an estimated cost of ₹ 2.92 crore. Subsequently, the State Government accorded (March, 2005) administrative approval and financial sanction of ₹ 2.71 crore for the construction work and released ₹ one crore to the construction agency[39]. The work was started in January 2006 and was scheduled to be completed by March 2009 but it was stopped (November,2007) due to exhaustion of funds and remained suspended till March 2009. Meanwhile, (i) the State Government further released (March,2009) an amount of ₹ 0.54 crore to the construction agency; and (ii) the GOI revised the scheme guidelines with effect from April 2008 incorporating new clauses therein. The State Government submitted revised proposals to the GOI on various occasions[40] which were not accepted by the GOI as of June 2011 being incomplete proposals and varied demands of funds from ₹ 2.71 crore to ₹ 3.81 crore.

Further, it was also observed in audit that the Vidyalaya was functioning in a rented building[41] with insufficient space since October 2005 causing difficulties to the students. The construction of school remained incomplete in absence of GOI approval/share despite incurring an expenditure of ₹ 1.50 crore[42] (up to February, 2011) from State's share.

On this being pointed out, the DTW intimated (April 2011) that the objections of GOI were removed in the proposal submitted during 2010-2011 and Central share is expected to be received during this year. The reply was not acceptable as the

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[38] School building (single storey); hostel (double storey) for capacity of 175 students; and residential buildings-category-I (2 nos.), category-II (2 nos.) & category-III (1 no).

[39] Uttar Pradesh Samaj Kalyan Nirman Nigam Limited.

[40] Seven times between January 2008 and May 2011.

[41] An expenditure of ₹ 4.22 lakh was incurred on account of rent up to April 2011.

[42] On foundation work of the school building and work up to laying of lintel for hostel building.

Government failed to obtain Central share for past six years by submitting incomplete and varied proposals to the GOI.

Thus, failure of the Department to obtain the Central sanction/share of the scheme for last six years led to blocking of ₹ 1.50 crore on an incomplete construction work, beside, non-achievement of intended objective of increasing education among STs conceived through the scheme.

The matter was referred to the Government (July, 2011); reply was awaited (February, 2012).

UTTARAKHAND PEYJAL NIGAM

3.3.6 Non-achievement of intended objective

Objective of a work for abatement of pollution to the Ganga River remained unachieved due to stoppage of the work after incurring an expenditure of ₹ 3.19 crore on intercepting and diversion works of Loknath Nala in the upstream of Harki-pauri, Haridwar.

Article-378 of the Financial Hand Book (Vol.-VI) provides that no work should be commenced on the land which has not been duly made over by the responsible civil officers.

The National River Conservation Directorate (NRCD), Ministry of Environment & Forests, GOI accorded (November, 2006) an administrative approval/financial sanction of ₹ 4.48 crore[43] for interception and diversion (I&D) works of Loknath Nala at Bhopatwala region of Haridwar city by passing it through a main pumping station across Bhimgoda Barrage and its bridges to a planned 9 mld Sewage Treatment Plant (STP)[44] at Laljiwala for treatment. The objective of the work was to provide sewage free discharge into the Ganga River by intercepting of Loknath Nala which is currently polluting the water of the Ganga in the upstream of Harki-pauri near Sarvanand Ghat. As per detailed project report (DPR) of the project, 4.64 mld sewage directly flows into the Ganga canal through Loknath Nala during peak season which adversely affected the water quality on the main religious bathing Ghats at Harki-pauri, Brahm Kund etc. The work was scheduled to be completed by October 2009.

Audit scrutiny of records (December, 2010) of the Project Manager (PM), Ganga Pollution Control Unit (GPCU[45]), Haridwar, and further information collected (June, 2011) revealed that the GPCU had to stop the I&D works at Loknath Nala after incurring an expenditure of ₹ 3.19 crore, for the reason being that the Irrigation Department, Government of Uttar Pradesh did not permit the GPCU for erection and laying of 600 mm dia ductile iron (DI) pipes for rising main across the Bhimgoda Barrage and its bridges being in their possession. The project for construction of STP at Laljiwala could also not be commenced due to non-

[43] GOI share: ₹ 313.42 lakh & State Government share: ₹ 134.32 lakh.

[44] Construction of STP at Laljiwala (Bhopatwala) is a separate project sanctioned by the GOI at a cost of ₹ 6.13 crore.

[45] A unit of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

availability/transfer of required land (measuring 0.4 hectare) which is under possession of the Irrigation Department, Government of Uttar Pradesh, though, on the contrary, it was stated (October,2003) by the GPCU in its DPR to the NRCD, GOI that the required land for the project was already under its possession.

Further scrutiny of the matter revealed that the GPCU incurred an expenditure of ₹ 2.02 crore out of the total expenditure, for purchase of DI pipes for the project but the same were lying unused in a rented field (at the rate of ₹ 2,000 per month) since February 2009 as is evident from the photograph alongside.



Unutilised DI pipes lying in a field at Jwalapur Sarai, Haridwar

Hence, the objective of the project remained unachieved after incurring an expenditure of ₹ 3.19 crore.
In reply to audit, the PM-GPCU stated (June & November, 2011) that the project could not be completed for want of land from Irrigation Department, Uttar Pradesh and the transfer of land is not possible presently as a Supreme Court verdict (September, 2009) stayed the status quo maintained as on date. The reply was not acceptable as the work was commenced by the division without having possession of required land which was against the provision of financial rules. Besides, the Department also misled the GOI by submitting false information in the DPR regarding land being in possession of GPCU.

Thus, the intended objective of the work for abatement of pollution to the holy Ganga River in the upstream of main bathing religious Ghats (Harki-pauri, Brahm Kund etc.) at Haridwar could not be achieved and the entire expenditure of ₹ 3.19 crore rendered as unfruitful on the work executed without clear possession of land.

The matter was referred to the Government (June, 2011); reply was awaited (February, 2012).

CHAPTER-IV

AYUSH DEPARTMENT

4.1 Chief Controlling Officer (CCO) based Performance Audit of AYUSH Department

Highlights

The Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) is responsible for outreach health care through preventive and curative intervention, affordable and efficacious services, up-gradation of AYUSH educational standards, quality control and standardization of drugs, research and development and awareness generation about the efficacy of the systems domestically.

A Chief Controlling Officer based audit of the AYUSH Department against its mandate and goals revealed lack of planning, financial mismanagement, ineffective programme management, human resources mismanagement and absence of adequate internal control and monitoring mechanisms during the period 2006-11. Some of the major findings are as follows:

- ***The Department failed to utilize ₹69.27 crore out of the total available funds of ₹435.43 crore during 2006-11.***

[Paragraphs 4.1.7.1& 4.1.7.2]

- ***The Department did not frame a comprehensive documented policy on Indian System of Medicine for the State.***

[Paragraph 4.1.8.1]

- ***The Department failed to extend AYUSH facilities to most of the Allopathic centers of the State despite availability of funds.***

[Paragraph 4.1.8.2]

- ***Medicines were procured for AYUSH wings of non functional allopathic dispensaries without ensuring availability of Ayurvedic doctors and Medical staff.***

[Paragraph 4.1.9.2]

- ***Licenses were issued to 18 Pharmacies without consulting Panel of Experts whereas 32 licenses were renewed without ensuring Good Manufacturing Practice (GMP) certificate.***

[Paragraphs 4.1.11.1& 4.1.11.2]

- ***Central Council of Indian Medicine (CCIM) attendance norms were flouted at Rishikul Post Graduate Ayurvedic College. Registrations of 686 AYUSH medical practitioners were not renewed as required under CCIM norms.***

[Paragraphs 4.1.11.3& 4.1.12.2]

4.1.1 Introduction

Department of Indian Systems of Medicine and Homoeopathy (ISM&H), Ministry of Health and Family Welfare (MOHFW), Government of India (GOI) was created in March, 1995 and re-named as Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) in November 2003. The primary objectives of the Department were; the up-gradation of AYUSH educational standards, quality control and standardization of drugs, improving the availability of medicinal plant material, research and development and awareness generation about the efficacy of the systems domestically and internationally as outlined in the National Policy on ISM&H, 2002.

Directorate of Ayurveda & Unani Services and Directorate of Homeopathy were established in Uttarakhand in August 2001 and October 2004 respectively under the Department of AYUSH. Under the Ayurveda Directorate, 546 Ayurvedic and Unani hospitals with 1935 beds in rural and urban areas were functioning and 107 homeopathic dispensaries were functioning under the Homeopathy Directorate. Besides, the State has two Government Ayurvedic Colleges, one Ayurvedic Aushadhi Nirmanshala and one State Drug Testing Laboratory (SDTL) at Haridwar The AYUSH provided Ayurveda treatment to 77,53,160 outdoor and 75,547 indoor patients while 33,58,464 patients availed Homoeopathy treatment during the year 2006-11.

The major activities of the Department were as follows:

- Renovation and up-gradation of AYUSH hospitals, Educational Institutions etc.;
- Creation of infrastructure in existing allopathic hospitals/dispensaries so as to provide AYUSH facilities in these centers;
- Purchase of medicines and equipments for AYUSH hospitals and institutions; and
- Quality Control of essential AYUSH drugs.

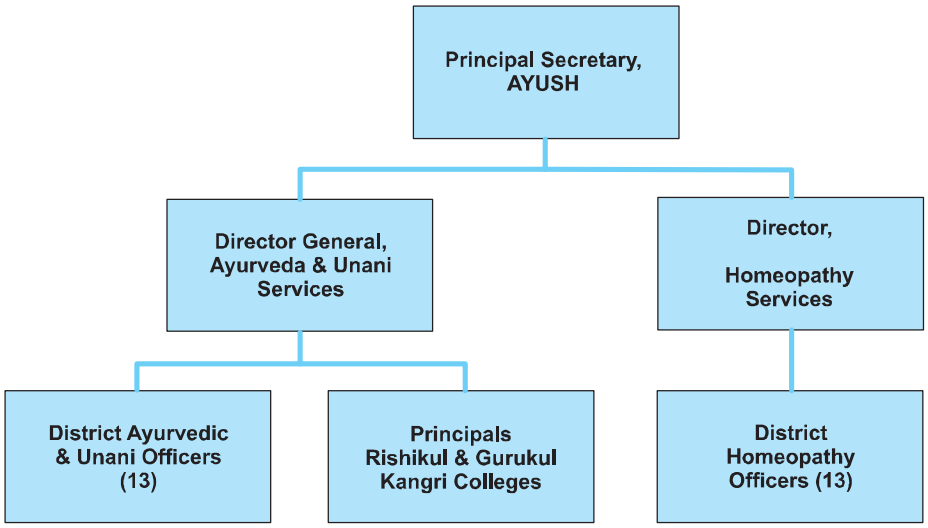
For laying down minimum standards of education and maintaining Central Register of practitioners and regulating the professional practices by the practitioners of ISM&H, the following regulatory bodies were functioning in the State:

- Board of Indian Medicine Uttarakhand under Central Council of Indian Medicine (CCIM).
- Homeopathic Medicine Board Uttarakhand under Central Council of Homeopathy (CCH).

4.1.2 Organizational set-up

Principal Secretary, Department of AYUSH is the administrative head and overall in-charge of the Department. He is assisted by Director General, Ayurveda and Unani Services (DGAU) and Director, Homeopathy Services (DH). District Ayurvedic and Unani Officers (DAOs) and District Homeopathic Officers

(DHOs) ensure the implementation of departmental activities at the district level. The organizational chart of the Department is depicted in the following flow chart:



4.1.3 Funding Pattern

The Department of AYUSH receives funds through the state budgetary provisions and central assistance to carry out its activities. From the year 2007-08, the central assistance is routed to the Department through the State Health Society (SHS) for implementation of various Centrally Sponsored Schemes (CSSs). GOI also release funds under National Rural Health Mission (NRHM) for engagement of employees on contractual basis in AYUSH wings of allopathic hospitals/dispensaries of the State. These funds are released directly to the SHS and are deposited in banks.

During the period 2006-07 to 2010-11, a total amount of ₹ 435.43 crore (₹ 382.39 crore for Ayurveda & ₹ 53.04 crore for Homeopathy) under state budget apart from central assistance was allotted/released to the Department. Against that, an expenditure of ₹ 366.16 crore (₹ 327.80 crore by Ayurveda and ₹ 38.36 crore by Homeopathy) was incurred by the Department during the period.

4.1.4 Audit Objectives

The objectives of the CCO based Performance Audit was to assess whether:

- Financial management was efficient;
- Planning and programme management was economical, efficient and effective;
- Management of store system was efficient;
- Human Resource Management was efficient;
- Internal control was effective; and
- Monitoring mechanism was in place and was effective.

4.1.5 Audit Criteria

For achievement of audit objectives, the performance of the Department was evaluated against the following criteria:

- National Policy on ISM&H, 2002;
- Guidelines of various operational Centrally Sponsored Schemes and GOI orders thereon;
- Drugs & Cosmetics Act, 1940 and Drugs & Cosmetics Rules, 1945;
- Norms and Directives of CCIM and CCH;
- Departmental Rules, Regulations, Orders and Manuals;
- Budget Manual and Financial Handbooks, Uttarakhand; and
- Uttarakhand Procurement Rules, 2008.

4.1.6 Audit Scope and Methodology

The CCO based audit of AYUSH Department was conducted during August 2011 to October 2011 through test check of records pertaining to the period 2006-07 to 2010-11 of the offices of Director General, Ayurvedic and Unani Services, the Director, Homeopathy, the Principal cum Superintendent, Rishikul Post Graduate Medical College and Hospital, Haridwar, the Superintendent, Government State Pharmacy, Haridwar and selected district level offices of Ayurveda and Homeopathy. Four[1] out of 13 districts were selected using stratified Probability Proportional to Size Without Replacement (PPSWOR) Sampling method. Before commencing audit, the audit objectives, criteria and scope were discussed (August 2011) with the Principal Secretary, AYUSH and other departmental authorities in an Entry Conference. Audit findings were discussed with the Principal Secretary and other officers of AYUSH Department in an Exit Conference (March, 2012) and views of the Government / Department were incorporated suitably in the report.

Audit Findings

4.1.7 Financial Management

Proper financial management entails budgeting of funds on realistic assessment of requirements and effective utilization of available funds and ensures that operational activities do not suffer for want of funds. Audit revealed mismanagement of state and central funds as brought out in succeeding paragraphs.

4.1.7.1 Under-utilization of available state funds

Year-wise details of funds received and expenditure incurred from the state budget by both the Directorates during the period 2006-07 to 2010-11 were as follows in table- 4.1.1:

[1] Dehradun, Haridwar, Pauri and Almora.

Table-4.1.1

(₹in crore)

Year	Allotment			Expenditure			Savings (+)/ Excess (-)			Utilisation (%)		
	P	NP	T	P	NP	T	P	NP	T	P	NP	T
Directorate of Ayurvedic and Unani Services												
2006-07	18.55	40.66	59.21	17.53	37.19	54.72	1.02	3.47	4.49	95	91	93
2007-08	9.02	43.76	52.78	7.51	35.73	43.24	1.51	8.03	9.54	83	82	83
2008-09	9.21	52.07	61.28	7.88	46.73	54.61	1.33	5.34	6.67	86	90	88
2009-10	9.63	67.24	76.87	9.00	56.52	65.52	0.63	10.72	11.35	93	84	89
2010-11	11.77	68.38	80.15	11.60	66.39	77.99	0.17	1.99	2.16	99	97	98
Total	**58.18**	**272.11**	**330.29**	**53.52**	**242.56**	**296.08**	**4.66**	**29.55**	**34.21**	**91**	**89**	**90**
Directorate of Homoeopathy Services												
2006-07	**2.81**	5.38	**8.19**	**1.41**	2.14	3.55	**1.40**	3.24	**4.64**	50	40	45
2007-08	2.69	4.15	6.84	1.68	2.85	4.53	1.01	1.30	2.31	62	69	66
2008-09	1.61	7.25	8.86	1.03	5.62	6.65	0.58	1.63	2.21	64	78	71
2009-10	2.55	9.84	12.39	2.13	6.47	8.60	0.42	3.37	3.79	83	66	75
2010-11	3.12	11.10	14.22	2.93	7.93	10.86	0.19	3.17	3.36	94	72	83
Total	**12.78**	**37.72**	**50.50**	**9.18**	**25.01**	**34.19**	**3.60**	**12.71**	**16.31**	**71**	**65**	**68**
G. Total	**70.96**	**309.83**	**380.79**	**62.70**	**267.57**	**330.27**	**8.26**	**42.26**	**50.52**	**81**	**77**	**79**

Source: Data provided by the Department ***P: Plan; NP: Non Plan; T: Total***

It was observed that-

- The Department could spend only ₹ 330.27 crore against an allotment of ₹ 380.79 crore during the period 2006-11, thereby resulting in a saving of ₹ 50.52 crore (13 *per cent*) which was surrendered.
- Out of total expenditure, ₹ 267.57 crore (81 *per cent*) was Non-Plan expenditure which accounted for nearly 82 *per cent* and 73 *per cent* of total expenditure for Ayurveda and Homeopathic services respectively.
- Out of the total savings, nearly 84 *per cent* were under the Non-Plan head. This indicated poor forecasting of budget for pay and allowances of staff.

On this being pointed out, the Department accepted that a major part of the budget was spent on establishment and that the budget was forecasted on the basis of sanctioned strength of staff. The reply was not acceptable as forecasting of budget on sanctioned strength inflated the budget which ultimately led to eventual surrender of funds.

4.1.7.2 Under-utilization and mismanagement of central assistance

(A) Year-wise details of funds received and expenditure incurred from the central assistance by both the Directorates during the period 2006-07 to 2010-11 were as follows in table - 4.1.2:

Table – 4.1.2

(₹ in crore)

Year	Opening Balance			Releases			Expenditure			Closing Balance		
	Ayush	NRHM	T	Ayush	NRHM	T	Ayush	NRHM	T	Ayush	NRHM	T
Directorate of Ayurvedic and Unani Services												
2006-07	**0.00**	**0.00**	**0.00**	4.05	0.00	4.05	3.44	0.00	3.44	0.61	0.00	0.61
2007-08	0.61	0.00	0.61	19.04	1.80	20.84	10.55	0.00	10.55	9.10	1.80	10.90
2008-09	9.10	1.80	10.90	2.19	0.00	2.19	2.05	1.78	3.83	9.24	0.02	9.26
2009-10	9.24	0.02	9.26	6.16	3.61	9.77	5.61	3.19	8.80	9.79	0.44	10.23
2010-11	9.79	0.44	10.23	8.41	6.84	15.25	0.35	4.75	5.10	**17.85**	**2.53**	**20.38**
Total				**39.85**	**12.25**	**52.10**	**22.00**	**9.72**	**31.72**			

Directorate of Homoeopathy Services												
2006-07	**3.40**	**0.00**	**3.40**	0.00	0.00	0.00	0.00	0.00	0.00	3.40	0.00	3.40
2007-08	3.40	0.00	3.40	0.01	0.00	0.01	0.01	0.00	0.01	3.40	0.00	3.40
2008-09	3.40	0.00	3.40	0.24	0.00	0.24	0.60	0.00	0.60	3.04	0.00	3.04
2009-10	3.04	0.00	3.04	0.10	1.00	1.10	0.21	0.00	0.21	2.93	1.00	3.93
2010-11	2.93	1.00	3.93	0.16	1.03	1.19	2.36	0.99	3.35	**0.73**	**1.04**	**1.77**
Total				**0.51**	**2.03**	**2.54**	**3.18**	**0.99**	**4.17**			
Grand Total				**40.36**	**14.28**	**54.64**	**25.18**	**10.71**	**35.89**	**18.58**	**3.57**	**22.15**

Source: Data provided by the Department ***(T: Total)***

It was observed that

- The Department could spend only ₹ 35.89 crore against central release of ₹ 54.64 crore during the period 2006-11, thereby resulting in a saving of ₹ 18.75 crore (34 *per cent*).
- During the period 2006-11, in the AYUSH component, only ₹ 25.18 crore of the available central assistance of ₹ 43.76 crore (₹ 3.40 + ₹ 40.36) could be spent. Thus, nearly 42 *per cent* of available central assistance could not be utilized.
- During the period 2006-11, under NRHM only ₹ 10.71 crore out of an available central assistance of ₹ 14.28 crore could be spent. Thus, nearly 25 *per cent* of available central assistance could not be utilized.

(B) The guidelines governing release of central assistance to the State for AYUSH schemes and NRHM stipulated that unspent balance at the end of financial year was to be reported to the Ministry concerned, within a period of two months from the closing of the financial year. The unspent balance was subject to utilization provided that the GOI authorized the Department to incur expenditure otherwise the unspent balance along with interest was to be refunded to the GOI.

Audit analysis revealed that Directorate of Homoeopathy earned an interest of ₹ 82.53 lakh (October, 2011) on the unspent balance of central funds lying idle since 2005-06. Similarly, the SHS earned an interest of ₹ 25.10 lakh on funds that were not released by it to the Department. It was further noticed that neither the unspent balance was refunded to GOI nor the total interest amounting to ₹ 107.63 lakh earned on unspent funds was adjusted against subsequent allotments.

On this being pointed out, the Directorate of Homeopathy replied that the interest earned would soon be refunded to GOI as per guidelines. The SHS stated that the fund could not be released due to non-receipt of proposal for establishment of PHCs/CHCs from the Department and the amount of interest earned was being reported to GOI in the annual accounts. The State Government, however, accepted (March, 2012) the fact and assured for taking appropriate action in the matter.

The reply of the Department was not acceptable in view of the fact that the adjustment of interest was still (October, 2011) pending.

4.1.7.3 Non-utilization of central funds meant for strengthening enforcement Machinery

With a view to ensure availability of quality drugs and to eliminate the possibility of production and marketing of sub-standard drugs, strengthening enforcement machinery for Ayurveda, Siddha, Unani & Homeopathy (ASU&H) drugs was envisaged under 'CSS of Quality Control of ASU&H Drugs'. The scheme envisaged to provide an annual financial assistance of ₹ 15.00 lakh per year for the duration of the 11th Plan only. Expenditure incurred on following items would be reimbursed-

i) Purchase of vehicle for State AYUSH Drug Controller after 1-4-2007 ;

ii) Expenditure on computerization of office of AYUSH Drug Controller/Licensing Authority incurred after 1-4-2007 ;

iii) Expenditure on collection of statutory/survey samples (maximum ₹ one lakh per annum) and

iv) Expenditure on training of technical staff at Pharmacopeial Laboratory for Indian Medicine (PLIM)/HPL/NABL as per approved cost norms.

Audit scrutiny revealed that GOI released (March, 2008 and April, 2009) an amount of ₹ 15 lakh and ₹ 14 lakh respectively for the above purpose. These funds remained unutilized and were kept in the current account of the Department till the date of audit (October, 2011).

On this being pointed out, the Department replied (August, 2011) that the approval of State Government for procurement of vehicle was awaited (August, 2011), computerization of office of AYUSH/Drug Controller would be carried out after shifting of office in new building and expenditure in collection of statuary/survey sample and training of staff will be done after nomination of Drug Inspector. Further, it was also intimated (January, 2012) by the Department that ₹ 14 lakh had been surrendered.

The reply of the Department was not acceptable as even after two to three years of receipt of central assistance, the objective of strengthening enforcement machinery for ASU&H drugs in the State remained unachieved. Besides, keeping funds in current account lacked justification.

4.1.7.4 Irregular expenditure on establishment of Homoeopathic Dermatology clinics

Establishment of specialty clinic of ISM&H i.e., system specific outdoor treatment centre was envisaged under 'CSS for promoting development of healthcare facilities of ISM&H'. This scheme envisaged one time grant of ₹ 10 lakh per centre for building repair/ alteration, furniture, fixtures, equipments, medicines etc.

Audit scrutiny of records revealed that GOI sanctioned (December 2005) ₹ 60 lakh for establishment of six Dermatology clinics[2]. As the Directorate of

[2] Coronation Hospital, Dehradun and District Hospitals at Haridwar, Narendra Nagar, Pauri, Pithoragarh and Rudraprayag.

Homoeopathy failed to utilize the funds for two years, the GOI ordered adjustment (December, 2007) of the entire amount in favour of Directorate of Ayurveda under the Head 'Integration of AYUSH at the level of PHC and CHC' and transferred (December, 2010) the entire amount to the Directorate of Ayurveda. The Directorate of Homoeopathy, in violation of that order, sanctioned (June, 2009 to January, 2010) renovation of buildings for setting up of four dermatology clinics[3] at a cost of ₹ 11.17 lakh.

Further scrutiny revealed that all the four dermatology centre buildings were renovated but were non-functional (October, 2011) due to lack of furniture, equipments, medicines and staff etc.

On this being pointed out, the Department replied (October, 2011) that the expenditure on renovation of dermatology centre buildings was incurred prior to transfer of the funds and stated that a fresh sanction would be obtained.

The reply of the Department was not acceptable as renovation of buildings was sanctioned two years after the issue of adjustment order of GOI. Further, no efforts have since been made by the Directorate of Homoeopathy to seek fresh sanction and therefore, the expenditure of ₹ 11.17 lakh was irregular.

The State Government accepted the fact and assured (March, 2012) to take appropriate action.

4.1.7.5 Irregular expenditure on payment of Honorarium

Supplementary Financial Rule 31 authorized the Head of Departments to sanction non-periodical honorarium of ₹ 750 to regular employees working under them.

Audit scrutiny of records of Director, Homoeopathy (DH) revealed that the Director had sanctioned honorarium (April, 2011) to 38 persons of which only five were from the Department and were working under him. Out of the remaining 33 persons, seven persons[4] were employed on contractual basis at the Directorate, 18 were departmental employees but were not working under DH and eight were Home Guards. These persons, who were not entitled for honorarium as per the rule mentioned above, were paid ₹ 24,750 as honorarium.

On this being pointed out, the Department accepted the fact and assured that the provisions of the Financial Rules would be adhered to in future. The same assurance was also given by the State Government in exit conference (March, 2012).

4.1.8 Planning and Programme Management

All programmes of the Department were primarily aimed at promotion of ISM&H, expansion and enhancement of infrastructure and development of AYUSH in the State. For achievement of these objectives, it was pertinent for the Department to develop and formulate a planned approach in order to efficiently and effectively implement various programmes. Audit revealed lack of proper

[3] Coronation Hospital, Dehradun and District Hospitals at Narendra Nagar, Pauri, Nainital.

[4] Two from Uttar Pradesh Purva Sainik Kalyan Nigam Limited (UPNL) and five from Prantiya Rakshak Dal (PRD).

planning in the Department which led to non-achievement of intended outcomes under various operational schemes as brought out in succeeding paragraphs.

4.1.8.1 Lack of a comprehensive documented policy

For achievement of its mandate and as a good practice, the Department should have prepared a 'Perspective Plan' which could be further broken down into actionable schemes/programmes to be completed within a specified time frame. Forecasting of financial and human resources required to meet the departmental mandate should have been based on this plan. However, it was observed that despite the existence of National Policy on ISM&H since 2002, the Department made no efforts to develop a policy customized to the needs of Uttarakhand. The future strategy of the Department covered a limited number of aspects and was primarily focused on purchase of medicines and equipments.

Thus, lack of comprehensive documented policy restricted the Department to adopt holistic approach.

The State Government admitted the fact (March 2012) and assured that policy would be chalked out soon.

4.1.8.2 Centrally Sponsored Scheme for promoting development of health care facilities of Indian System of Medicine and Homeopathy (ISM&H)

(A) Extension of AYUSH facilities to Primary Health Centre (PHCs) and Community Health Centres (CHCs)

Integration of AYUSH at the level of PHCs and CHCs was envisaged by the Department of AYUSH, Ministry of Health and Family Welfare (MOHFW) under 'CSS for Promoting Development of healthcare facilities of ISM&H'. Under the scheme, central assistance was provided to States for renovation of buildings, purchase of equipments and medicines and training etc.

The Directorate of Ayurveda, in order to streamline AYUSH, sent a proposal (April, 2007) for setting up of AYUSH wings in 116 PHCs and 23 CHCs with proposed expenditure of ₹ 16.66 crore[5]. GOI approved the proposal and sanctioned (December, 2007) the amount. Scrutiny of records revealed that GOI allocated ₹ 4.63 crore for renovation of buildings of proposed PHCs and CHCs with a ceiling of ₹ three lakh per PHC and ₹ five lakh per CHC. The Directorate invited estimates (January, 2008) from all DAOs for renovation of buildings and received estimates for only 83 PHCs and 23 CHCs. At the time of releasing funds against 63 sanctioned estimates, the Directorate released funds (September, 2011) only for six CHCs and 26 PHCs because the other sanctioned estimates (17 CHCs and 14 PHCs) exceeded the financial ceiling. Thus, against the target of setting AYUSH wings in 116 PHCs and 23 CHCs, funds for renovation of buildings of PHCs/CHCs could be released (September, 2011) to only six CHCs and 26 PHCs despite availability of funds since December 2007.

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[5] ₹4.63 crore for renovation of buildings; ₹ 5.78 crore on purchase of equipments, furniture & stationery and ₹ 6.25 crore for purchase of medicine, training and lump-sum contingency etc.

Further, it was noticed that till November 2011, the Directorate had incurred an expenditure of ₹ 3.86 crore against a total sanction of ₹ 5.78 crore on centralized purchase of equipments, furniture and stationery for all the originally proposed CHCs & PHCs. During joint physical inspection in the test checked districts, it was observed that the procured equipments were lying idle due of lack of space either in the premises of district offices or in the respective PHCs/CHCs. The pictures placed below are self explanatory.



Furniture & Equipments lying unutilized in store at DAO office, Dehradun.

Panchkarma tub, putty board & hand exercise machine lying in store of DAO, Almora

Purchase of equipment worth ₹ 3.86 crore, despite the fact that renovation work of CHCs and PHCs had not been completed, was injudicious. On this being pointed out, the Department replied (October, 2011) that the DAOs have been instructed to submit revised estimates. Further, about the idle equipments, the Department failed to furnish any concrete reason for the purchase.

The reply of the Department was not acceptable as preliminary checks should have been done before forwarding the estimates to the sanctioning authority and the equipments should have been purchased after ascertaining the availability of the space in the PHCs/ CHCs. Thus, due to apathy of the Department, only 22 *per cent* and 26 *per cent* of the PHCs and CHCs respectively could be provided funds for renovation and equipment worth ₹ 3.86 crore were lying idle since September 2010 in the district level stores/ PHCs and CHCs.

The State Government, while accepting audit observation (March,2012) assured to analyze the situation in other districts also.

(B) Delay in establishment of Reproductive and Child Health (RCH) centers

National Policy on ISM&H, 2002 strives for operational use of RCH to facilitate Ante-Natal Care (ANC), Post-Natal Care (PNC) and Neo-Natal Care (NNC) under 'CSS for promoting development of healthcare facilities of ISM&H'.

Chief Medical Superintendents (CMS') of eight districts[6], in response of a letter (June, 2004) of the Director General, Department of AYUSH, had sent their consent for establishment of RCH centers and the GOU forwarded (May, 2005) the proposals to GOI. The GOI approved (November, 2005) the proposal for setting up of eight RCH centers as Homoeopathy Specialist Wings in eight existing Allopathic District Hospitals and accorded sanction for payment of ₹ 2.80 crore in the year 2005-06 for the following components in the table-4.1.3 below:

Table-4.1.3 *(₹ in lakh)*

Items	Cost per unit	Total Cost for eight unit
Renovation, repair etc. for existing buildings	10	80
Equipment	15	120
Medicine, diet etc. (per year for the remaining plan period)	7	56
Training of medical and paramedical staff	1	8
Lump sum contingency	2	16
Total	**35**	**280**

Source: Information provided by the department.

Audit scrutiny revealed that the Directorate, Homoeopathy released ₹ 36.39 lakh (August,2008) to DHOs for the renovation of RCH centers in only five districts[7] after a delay of three years. The renovation work of all the RCH centers except Udham Singh Nagar had been completed while possession of RCH center at Haridwar had not been taken over (September, 2011). These renovated RCH centers were non functional due to non-availability of man-power, equipments and medicines. Further, due to non utilization of the allotted funds, the GOI transferred (December,2010) a sum of ₹ 1.62 crore to Directorate of Ayurveda.

In reply to audit observation involving release of fund for five RCHs centers only and non-functioning of three renovated ones, the Department stated that the fund was released for the renovation of only five RCH clinics as site was not made available in other three district hospitals and intimated that proposal had been sent (March, 2011) to the Government for procurement of medicines, equipments etc, for the renovated centers.

Thus, despite availability of funds, the RCH centers remained non functional in the State depriving beneficiaries of the intended benefits of the scheme.

4.1.8.3 Functioning of Rishikul Rajkiya Ayurvedic Aushadhi Nirmanshala (RAAN)

The RAAN, Haridwar was established by Uttar Pradesh Government in the year 1974. It was functioning as part of Rishikul Ayurveda College (RAC), Haridwar before being separated from the RAC on 23rd December 2006.

The objective of RAAN was to manufacture medicine and to supply them to government hospitals and dispensaries of the State. It worked on indigenous technology and the manufacturing machines can produce medicines valuing ₹ two

[6] Haridwar (2 Hospitals), Pithoragarh, Almora, Udham Singh Nagar and Pauri Garhwal, Dehradun and Uttarkashi.

[7] Haridwar, Pithoragarh, Almora, Udham Singh Nagar and Pauri Garhwal.

crore provided there was adequate fund for material. The pricing of medicine is determined by cost involving expenditure incurred on raw material, labour, machinery and packing charges and thereafter 105 *per cent* as establishment overhead. The RAAN manufactured only those medicines which were approved and required by the Directorate, AYUSH. It was manifested to produce 153 nos. of medicines. However, it planned to produce only 11 to 44 nos. of medicine during the year 2006-11.

Scrutiny of records of RAAN revealed the following:

(A) Operating loss of ₹ 1.87 crore

RAAN was incurring operating expenditure in the form of direct expenses (raw material, electricity, labour etc.), establishment and manpower engaged in processing of medicine. The expenditure of RAAN for the period 2006-11 is tabulated below in table-4.1.4.

Table-4.1.4 *(₹in lakh)*

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Budgetary Allocation for Direct expenditure	25.00	25.00	35.00	40.00	40.00	165.00
Total Exp. (Direct + Establishment) in producing medicine	64.29	60.42	101.69	118.98	130.21	475.59
Establishment Expenditure	39.30	44.52	66.73	80.15	93.05	323.75
Direct expenditure on production	24.99	15.9	34.96	38.83	37.16	151.84
Value of medicine produced	42.00	60.75	22.78	46.19	117.13	288.85
***Per cent* of production to total Exp**[8]	65.33	100.55	22.4	38.82	89.95	60.74
Operating loss[9]	22.29	-0.33	78.91	72.78	13.08	186.73

Source: Extracted from the records of the Department.

Audit scrutiny of records pertaining to store and accounts revealed that RAAN incurred total expenditure of ₹ 4.76 crore in manufacturing medicine valued at ₹ 2.89 crore during the period 2006-11. Thus, RAAN incurred operating loss of ₹ 1.87 crore during the period 2006-11. Further, it was observed that there was a steep increase in establishment expenditure during this period.

In reply to audit observation, RAAN stated (September,2011) that poor budgetary allocation for direct expenditure was the main reason for continued operating losses. The reply was not acceptable as no direct linkage between budgetary support and value of medicine produced could be established in audit. The State Government while accepting (March, 2012) the fact, assured for taking appropriate measure.

(B) Idling of machines purchased for ₹32.80 lakh

Joint inspection of the processing plant at RAAN, Haridwar revealed that the two machines *viz*; Online Packing Machine (OLPM) and Fluid Bed Granulator Dryer-30 Kg, which were procured to streamline the system of packaging and drying of

[8] Value of medicine produced*100/Total Exp. (Direct + Establishment) in producing medicine.
[9] Total expenditure (Direct Establishment) in producing medicine-Value of medicine produced.

granulator respectively, were not utilized since they were procured. The details of machine are as in table-4.1.5 below:

Table-4.1.5

Name of machine	Year of procurement	Cost (₹in lakh)	Function
On-line Packing Machine	2005-06	26.00	To streamline the packaging system
Fluid Bed Granulator Dryer-30Kg	2006-07	6.80	Drying of granulator

Source: Information provided by the department

It was observed that due to non utilization of the OLPM, packaging was being done manually by private packers. Similarly, the newly installed Fluid Bed Granulator Dryer-30 Kg was not being used. Instead, previously procured lower capacity machine was being used for this purpose.

In reply to audit observation, the Superintendant, RAAN stated (September 2011) that the OLPM and Fluid Bed Granulator Dryer-30Kg could not be utilized due to non-availability of skilled operator and compressor respectively.

Thus, the expenditure of ₹ 32.80 lakh incurred for procurement of machines remained idle.

4.1.8.4 Non-establishment of Ayurvedic University

The process of establishment of Ayurvedic University in the State was started in the year 1976 when a charitable trust (Rishikul Vidyapith Brihmacharya Ashram) agreed to donate its property except for its Sanskrit College for advancement of education in Haridwar. Accordingly, the erstwhile Government of Uttar Pradesh notified (June, 1981) the acquisition of entire property of the Trust which was stayed (July, 1981) by Hon'ble High Court on a petition moved by the Trust. However, Hon'ble Supreme Court rejected (November, 2004) the stay order of the Hon'ble High Court and paved the way for the Government to acquire the property.

Meanwhile, GOU engaged a consultant[10] to prepare a Detailed Project Report (DPR) who also concluded in the DPR that Haridwar was the best suited place for opening up of the University. As per the DPR, the University campus consisted of Vice Chancellor's office, Examination Section, 150 bedded hospital, Post Graduate Training and Research Institute and Residential Quarters. The proposed plan for University envisaged only Post Graduate Course including Diploma which would cater 87 nos. to 231 nos. of seats from first year to final year respectively. The teacher and student ratio would be 1:4.

Audit scrutiny of records of the Ayurveda Directorate revealed that the Government failed to acquire the said land despite the orders of the Hon'ble Supreme Court and it was decided (September, 2010) to run the administrative block of the University at Dehradun on temporary basis in rented premises. Further, the Government approved the detailed estimate of ₹ 6.03 crore for the

[10] Educational Consultant India Limited, NOIDA.

establishment of University at Haridwar and sanctioned ₹ one crore for its establishment (March, 2010) with instruction to keep the fund in PLA till finalization of site. On the one hand, the released amount was lying idle in the Personal Ledger Account (PLA) of the Department and on the other the Government was paying ₹ 6.24 lakh per annum as rent.

Further it was also observed that a 'CSS for development of AYUSH institutions' was in operation during the 9th, 10th and 11th Five-Year Plan under which States were to be considered for one time financial assistance to the extent of ₹ 10 crore for setting up of Ayurvedic University in the States. Due to inaction on the part of District Administration Haridwar, the land for Ayurvedic University could not be acquired and the State was deprived of a possible central assistance of ₹ 10 crore.

Thus, the ambitious project of establishment of an Ayurvedic University in Uttarakhand could not be implemented due to non-acquisition of land despite the orders of the Hon'ble Supreme Court.

4.1.8.5 Establishment of AYUSH Grams

In accordance with the National Policy on ISM&H 2002, the Government had set (September, 2007) a target to establish AYUSH Grams in each district of the State with a view to encourage AYUSH tourism to enhance sustainability of rural economy in the targeted areas under the 11th plan period (2007-12). Government approved (January, 2009) guidelines for establishment of AYUSH Grams involving facilities based on various Indian Systems of Medicine, pharmacy, herbal garden, Ayurvedic cottage, Ayurvedic museum, pathology, and centre for yoga, meditation and Panchkarma etc; through Public-Private Partnership (PPP) mode.

To implement the scheme, the Director, Ayurveda sought proposals from all the 13 districts but only eight proposals were received. Out of these, only two proposals were found suitable. Accordingly, the Department was able to acquire land in two districts[11] after the lapse of more than four years from the beginning of 11th plan. Further, the Department issued advertisement for setting up of AYUSH gram at Nainital only. The Department finalized the contract and entered into agreement (August, 2010) with M/s Emami Limited, Kolkata (firm) for developing and operating Ayush Gram at Bhawali in Nainital district. The Department handed over land for 35 years for this purpose to the firm. According to the agreement, the firm submitted bank guarantee of ₹ 50 lakh along with upfront payment of ₹ 2.50 crore which was deposited (September, 2010) in the treasury. As per the agreement, the Department was responsible to create minimum infrastructure (approach road, water, and electricity) but the Department could not provide the same till date (October, 2011) due to which the AYUSH Gram at Nainital could not be established.

Audit scrutiny revealed that the process of acquiring land was in progress in seven districts[12] while action was still to be initiated in the remaining four districts while

[11] Nainital and Pauri.

[12] Chamoli, Bageshwar, Uttarkashi, Tehri, Champawat, Pithoragarh and Rudraprayag.

no action was initiated for creation of Ayush Gram at Pauri even after acquisition of land.

On this being pointed out, the Department stated (October,2011) that the process for providing infrastructural facilities was underway.

Thus, the objective of promoting AYUSH tourism in the State as a potential source of revenue could not be achieved despite lapse of more than four years.

4.1.8.6 Incomplete Civil Works

Out of the total 541 hospitals and dispensaries of the State, 412 (76 *per cent*) were functioning in rented buildings. The Department of Ayurveda had proposed to initiate the construction of buildings for hospitals and dispensaries. Accordingly, the State Government sanctioned ₹ 24.03 crore and released ₹ 15.60 crore during 2006-11 for construction of 57 hospitals.

Audit scrutiny of the records revealed that none of the buildings could be handed over to the Department by the civil work implementing agencies during the period 2006-11. A summarized position of construction works are as per table-4.1.6 below while the detailed status is given in ***Appendix-4.1.***

Table-4.1.6 (*₹ in crore*)

Sl. No	Reason	Hospital (in No.)	Sanctioned cost	Amount released to Implementing agency	Completion cost
1	Completed but not handed over to department	05	1.58	1.55	1.55
2	Incomplete even after release of sanctioned amount to the Implementing agency.	16	5.19	5.19	NA
3	Construction was held up due to non-release of balance funds of ₹1.80 crore	06	3.15	1.35	NA
4	Fund was released to executing agency without ensuring availability of land.	06	4.66	2.48	NA
5	Construction could not be started due to damaged approach road.	03	1.25	0.61	NA
6	Construction was in progress at different level.	21	8.20	4.42	NA
Total		**57**	**24.03**	**15.60**	**1.55**

On this being pointed out, the Department admitted the fact and assured to take up the matter with concerned executing agencies.

The State Government accepted the fact (March,2012) and assured to review the progress of works with executing agencies.

4.1.8.7 Distribution of medicines after their 'Best before' period

The Directorate of Ayurveda places purchase orders to various firms for supplying the medicines directly to District Ayurvedic Offices which issues medicines to Hospitals/ Dispensaries/ AYUSH wings of the district.

Audit scrutiny of records pertaining to receipt and distribution of medicines in the four selected districts[13] during 2006-11 revealed that there were inordinate delays in distribution of medicines by the DAOs to Hospitals/ Dispensaries shown in the table-4.1.7:

Table-4.1.7

Name of the district	Time taken for distribution of medicines to the hospitals/dispensaries after their receipt
Dehradun	04 months to 22 months
Haridwar	02 months to 15 months
Pauri	03 months to 26 months
Almora	03 months to 23 months

Source: Information extracted from the records of DAO's

It was observed that there were no norms or fixed time-frame for distribution of the medicine from DAOs to Hospitals/ Dispensaries/ AYUSH wings of the district. Audit scrutiny further revealed that 'Manufacturing' dates & 'Best before' dates were not mentioned in most of the bills produced by the firms. Further, where these dates were mentioned in the bills, it was observed that there were cases where the medicines were distributed to the patients one to 12 months after their 'Best before' periods.

On this being pointed out, the Department replied (October, 2011) that information was being gathered from field offices. However, the Department failed to provide justification for distribution of medicines after their 'best before use' period. Further, no time-frame to deliver medicines to hospitals was prescribed and no mechanism existed to ensure that 'Manufacturing' dates & 'Best before' dates was invariably mentioned in the bills of suppliers.

The State Government while accepting (March, 2012) the fact, assured to conduct an enquiry and to take appropriate action.

4.1.8.8 Non-formation of Rogi Kalyan Samitis

Constitution of Rogi Kalyan Samitis[14]/ Hospital Management Committees (RKS) was envisaged under 'CSS for Development of AYUSH Hospitals & Dispensaries' by the Department of AYUSH, MOHFW. RKS for AYUSH Hospitals were to be set up on the pattern approved for allopathic hospitals under NRHM so as to provide flexibility and autonomy to the AYUSH hospitals at the district/ sub-district levels. Expenditure for the same was to be met from the contingency provided under the scheme with a ceiling of ₹ 0.70 lakh per year per unit.

Audit scrutiny revealed that RKS had not been constituted in any of the 546 AYUSH hospitals and dispensaries.

On this being pointed out, the Department accepted (August, 2011) the observation and the State Government assured (March, 2012) to take steps for their formation.

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[13] Dehradun, Haridwar, Pauri and Almora.

[14] Consisting of members of PRIs, NGOs, Local elected representatives and officials from Government Sector.

Thus, the Department of Ayurveda failed to establish RKS in AYUSH hospitals/dispensaries in the State as required under the scheme which showed lackadaisical approach of the Department towards community participation in implementation of the scheme.

4.1.8.9 Functioning of the State Drug Testing Laboratory (SDTL)

A centrally sponsored scheme for Quality Control of AUS&H drugs was in operation during the 11th Five-year plan period. The scheme had following objectives:

- To strengthen the existing State Drugs Testing/ Analysis laboratory for exercising quality control.
- To improve access to the drug testing facility and to expand the services and support systems for producing quality drugs as well as to set up in-house quality laboratories.

These laboratories were also to cater to private drug manufacturers for testing their products for quality assurance of the products on payment basis.

In order to streamline drug testing, the Government established (July,2005) State Drug Testing Laboratory at Haridwar. The status of men-in-position as on September 2011 was as below in table-4.1.8:

Table-4.1.8

Sl. No.	Name of post	Sanctioned Strength	Men-in-position	Shortage	Remarks
1	Scientific Officer	3	1(chemistry)	2	The SO (Chemistry) was deployed for the period February 2006 to August 2006 and October 2008 to date of audit (September 2011) respectively.
2	Analyst	2	-	2	
3	Lab. Attendant	1	1(out sourcing)	-	
4	Safaiwala	1	1(out sourcing)	-	

Source: Information provided by the Department

Drug testing procedure comprises the following three steps:

Step I : Preliminary identification of Ayurvedic drugs as per their textual characteristic by Scientific Officer (ISM);

Step II : Analysis for botanical identification i.e.; microscopic study by Scientific Officer (Post-Graduate in Chemistry with Botany in Graduation); and

Step III : Chemical analysis by Scientific Officer (PhD in Chemistry).

It was observed that functioning of laboratory depended on proper deployment of Scientific Officers (SO) from the field of ISM, Botany and Chemistry at each step of testing. However, the Department was able to deploy only one SO of Chemistry during the period 2006-11. Even this deployment was for a period of nearly three years during the period 2006-11. Further scrutiny revealed that the SO (Chemistry) carried out even the Microbiological and Botanical tests on the samples for which he was not qualified, which created serious doubts on the

results of the sample analysis. Due to the fact, very few samples were received in the laboratory from the non government manufacturers[15].

On this being pointed out, the Department stated that the requisition for appointment of Scientific Officers has already been sent to Public Service Commission (PSC). The State Government while accepting (March 2012) the fact informed that the process of recruitment by Public Service Commission was on.

Thus, the main objective of the SDTL of achieving Current Good Laboratory Practices (CGLP) could not be achieved due to shortage of qualified manpower.

4.1.9 Management of Stores

4.1.9.1 Procurement of equipment/furniture worth ₹ 85 lakh without assessing the availability of space, lying idle

Up-gradation of AYUSH hospitals (other than PHCs/ CHCs/ DHs) at the District/ Sub-District levels was envisaged under the 'CSS for Development of AYUSH hospitals and dispensaries'. The scheme envisaged one time grant up to ₹ 50 lakh for undertaking construction, renovation of existing premises; furniture and fixtures, equipments etc. subject to the condition that expenditure on addition/alteration of existing premises should not exceed 75 *per cent* of the total amount. Out of ₹ 50 lakh, 85 *per cent* was to be in the form of central assistance and remaining 15 *per cent* had to be borne by the State Government.

GOI sanctioned up gradation of eight Ayurvedic hospitals in five districts[16] of the State and released (July, 2010) ₹ 3.40 crore (85 *per cent* for eight hospitals). Out of ₹ 3.40 crore, ₹ 2.55 crore (75 *per cent*) was for construction, renovation of existing premises and remaining ₹ 85 lakh (25 *per cent*) for furniture, fixtures and equipments. The department was yet to receive state share (15 *per cent*) amounting to ₹ 61.87 lakh as on date of audit.

It was observed that the construction and renovation of hospitals was under progress as out of eight hospitals, estimates of only three hospitals were approved while the estimates of five hospitals were under the process of approval.

However, pending construction/ renovation of the hospitals, the Directorate issued (March, 2011) centralized supply orders to various firms for procurement of equipments and furniture and the firms supplied the same up to August 2011. During joint physical verification of two upgraded hospitals, it was noticed that all procured equipments were stored in the rooms and lying idle (October, 2011) in the hospitals. The details of physically verified hospitals are depicted in the following photographs:

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Year		2006-07	2007-08	2008-09	2009-10	2010-11
Sample received	Govt.	99	89	60	83	46
	Non-Govt.	01	--	--	15	12

16 Dehradun -02, Pauri-02, Uttarkashi-01, Pithoragarh-01 & Tehri-02.

Ayurvedic Hospital Pauri Mukhyalya, Pauri-Audit visited the hospital (04.10.2011) and noticed that the existing indoor patient room was converted into store as equipments/ furniture procured (08.08.2011) was kept in the room. Further, due to non availability of indoor patient room, the indoor patients could not be admitted in the hospital. The average numbers of patients admitted each year were 274 in the hospital during the last five years as depicted in the table below:

Year	2006 -07	2007 -08	2008- 09	2009 -10	2010 -11
No. of patient	93	130	434	199	516

On this being pointed out, the Medical Officer in-charge stated that due to lack of space the equipments/ furniture received were kept in indoor room and these could be used only after availability of space.



Ayurvedic Hospital Pauri Mukhyalaya, Pauri, Indoor dispensary converted into store

Rajkiya Ayurvedic Dispensary, Kotdwar, Pauri- Audit visited the hospital (08.10.2011) and noticed that the equipments/ furniture received in August, 2011 were lying idle in the daily medicine distribution room. On this being pointed out, the Medical Officer in-charge stated that due to lack of space the equipments/ furniture received were kept in the room and the room would be used only after construction work of new building is completed. However, the construction work of hospital building had not yet started.



Ayurvedic dispensary, Kotdwar, Furniture lying in a room

On this being pointed out, the Department replied (October, 2011) that utilization of grants had to be submitted to GOI within the stipulated period and therefore, the equipments and furniture were procured and issued to field offices. However, space availability for these hospitals would be ensured after obtaining inspection report from the field offices.

The reply of the Department was not acceptable as the procurement of equipments should have been done only after the creation of infrastructure. The Department, without assessing the availability of space, procured the equipments and furniture worth ₹ 85 lakh which remained unutilized and were lying idle in the hospitals. There is a possibility that the warranty of the equipments might expire and the equipments might be rendered useless with the passage of time.

The State Government while accepting the fact (March, 2012) stated that action would be taken accordingly.

4.1.9.2 Purchase of medicines for non-functional AYUSH wings in allopathic dispensaries

Supply of essential drugs to rural & backward area dispensaries was envisaged under 'CSS for Promoting Development of Healthcare Facilities of ISM&H'. Under the Scheme, financial assistance was to be provided for AYUSH dispensaries located in rural and backward areas. The CSS envisaged recurring grant of ₹ 25 thousand per annum for essential drugs.

GOI released ₹ 45 lakh each in September 2007 and March 2009 for purchase of essential drugs for AYUSH wings of 180 non-functional allopathic dispensaries of the State. Directorate of AYUSH issued centralized supply order of these medicines for 172 and 180 AYUSH dispensaries in March 2008 and August 2010 respectively.

The Government sanctioned (July, 2006) 180 posts of Ayurvedic doctors for non-functional[17] allopathic dispensaries. It was observed that the Department was unable to post Ayurvedic doctors in all the 180 AYUSH wings of allopathic dispensaries even after engaging doctors directly on contractual basis. The status of Ayush wings during the period 2007-11 is depicted in the table-4.1.9 below:

Table-4.1.9

Year	Sanctioned	Functional Ayush wings	Non-functional Ayush wings	*Per cent* of Non-functional Ayush wings
2007-08	180	61	119	66
2008-09	180	38	142	79
2009-10	180	33	147	82
2010-11	180	45	135	*75*

Source: Information provided by the Department.

It was observed that 66 to 82 *per cent* wings in allopathic dispensaries remained non-functional during 2007-11.

It was further noticed that the Department had procured medicines for all the 180 AYUSH wings. These medicines were received during the period August 2010 to July 2011 in the dispensaries.

During joint physical verification of DAO, Almora (October, 2011), it was noticed that the medicines were lying unutilized since 2010 and kept packed in the store room.

On this being pointed out, the Department stated that medicines were purchased in anticipation of posting of doctors. The State Government upheld the view of audit (March, 2012) and stated to evolve norms in this regard.



Medicines of AYUSH wing lying idle in the store of DAO Almora(Date of inspection : 15.10.2011.

[17] Due to non-availability of allopathic doctors.

Thus, the medicines for 180 AYUSH wings in non-functional allopathic dispensaries were purchased by the Department without assessing the availability of doctors. The Ayurvedic medicines were lying unutilized and the objective of providing at least AYUSH facilities in the non-functional allopathic dispensaries was defeated.

4.1.9.3 Distribution of medicine to the dispensaries/hospitals without assessing number of patients in the respective dispensaries/hospitals

Ayurvedic medicines in the State were primarily procured by the Directorate of Ayurveda and Unani centrally in 'Sets'. The sets of medicines were procured for all Hospitals/ Dispensaries/Ayush wings of the State. It was observed that these sets of medicines were distributed to the districts on the basis of number of Hospitals/ Dispensaries/Ayush wings in the district and not on the basis of number of patients and requirement of the respective Hospitals/ Dispensaries/ Ayush wings.

The number of patients per year in the hospitals of four test checked DAOs is depicted in the table- 4.1.10 below:

Table-4.1.10

Number of patients per year	Average number of hospitals during 2006-07 to 2010-11 in the district				
	Dehradun (51)	Haridwar (25)	Pauri (58)	Almora (51)	Total (185)
Less than 4000	10	01	17	02	30 (16 %)
4001 to 6000	15	01	31	04	51 (28%)
6001 to 10000	15	07	08	18	48 (26%)
10001 to 15000	07	06	02	19	34 (18%)
More than 15000	04	10	00	08	22 (12%)

Source: Information provided by the respective DAOs

It was observed that out of 185 hospitals in the four test-checked districts, 81 (30+51) hospitals (44 *per cent*) had less than 6000 patients per year whereas 104 (48+34+22) hospitals (56 *per cent*) had more than 6000 patients per year. Irrespective of number of patients, the Directorate and DAOs distributed medicines equally to all the hospitals/ dispensaries. During joint physical verification, it was observed that in the hospitals where the numbers of patients were in excess of 10000 per year, 27 *per cent* to 84 *per cent* of medicines were out of stock and where numbers of patients were less than 10000, the medicines were lying unused.

On this being pointed out, the Department accepted the fact and assured (October, 2011) that necessary instructions in this regard would be issued to the concerned DAOs. The State Government while accepting (March,2012) the fact, assured of appropriate action.

Thus, the Department had issued medicines to the dispensaries without assessing the actual requirement of the dispensaries irrespective of number of patients due to which patients of the dispensaries having larger number of patients were deprived of free medicines.

4.1.10 Human Resources Management

Human Resources Management necessitates that staff requirements are assessed and reviewed at regular intervals by giving due consideration to the departmental activities and appropriate/transparent policies are framed/adhered to, for recruitment and capacity enhancements to achieve the goals of organization.

4.1.10.1 Shortage of Manpower

A) Directorate of Ayurveda & Unani (DAU) Services

The status of manpower deployed under DAU in the years 2006-07 and 2010-11 was as per table-4.1.11 below:

Table-4.1.11

Group (Cadre)	2006-07				2010-11			
	SS	MIP	Vacancy	Vacancy *Per cent*	SS	MIP	Vacancy	Vacancy *Per cent*
A	110	26	84	76	111	44	67	60
B	685	410	275	40	866	553	313	36
C	773	438	335	43	879	598	281	32

Source: Information provided by the department (SS- Sanctioned Strength, MIP- Men in position)

It was observed that although the vacancy position had improved during the period 2006-11, vacancies still remained high at the end of the year 2010-11 at 60 *per cent*, 36 *per cent* and 32 *per cent* in Group A, B & C cadres respectively. The status of deployment of doctors and paramedical staff in 546 hospitals/ dispensaries was also very poor as vacancies in these cadres ranged from 16 to 100 *per cent* as shown in table - 4.1.12 below:

Table-4.1.12

Designation	SS	MIP	Vacancy	Vacancy *Per cent*
Doctors	759	483	276	36
Pharmacist	613	513	100	16
Panchkarma Assistants	76	Nil	76	100

Source: Information provided by the Department.

It was further observed that there were 46 *per cent* vacancies in the DAO cadre. Officers of this cadre functioned as the nodal officers for carrying out activities of the Department at district level. Failure to fill up vacancies in this cadre adversely impacted implementation of activities and schemes at the district level.

On this being pointed out, the Department accepted (August, 2011) the audit observations and stated that the procedure for filling up different posts was under progress and accordingly the deployment will be made shortly.

B) Directorate of Homeopathy Services

Restructuring of the Homoeopathy wing was done vide Government order (December, 2009) by sanctioning various posts at Directorate and district levels for its efficient functioning.

Audit scrutiny revealed that 18 out of the total 25 Group A, B and C posts, accounting for 72 *per cent* of total sanctioned strength, were lying vacant at Directorate level. Further, out of the total sanctioned strength of 214 in the cadres

of Doctor and Pharmacist at district level, 36 posts, accounting for 17 *per cent* of total strength, were lying vacant which included 32 *per cent* vacancies in the Pharmacist cadre. Moreover, the Department had 10 District Homeopathy Officers posted against the sanctioned strength of 13.

On this being pointed out, the Department admitted the shortage of manpower and attributed it to procedural delays in appointment.

4.1.10.2 Creation and operation of posts without identification of duties

GOU approved organizational structure of AYUSH and AYUSH education (June, 2010) and created a new gazetted post of Officer-in-charge, Pharmacy for District offices in the pay band 9,300-34,800 (grade pay ₹ 4,200). Directorate of Ayurveda promoted (November, 2011) five Chief Pharmacists to the newly created post and posted them at different districts.

Audit scrutiny revealed that the service regulations were neither prepared at the time of re-organization nor at the time of promotion. All the five officers joined their place of postings and were carrying out general duties in the absence of prescribed duties and responsibilities of the newly created post.

On this being pointed out, the DAOs stated that due to non availability of duties and functions of Officer-in-charge Pharmacy, they supervised the work of Chief Pharmacist or Pharmacist and Stores.

Thus, the promotion of five Chief Pharmacists to the newly created post of Officer-in-charge, Pharmacy without defining duties and functions of the post was not justified. The five officers were being paid a monthly salary of ₹ 1.49 lakh[18] per month since November 2010.

4.1.10.3 Under-engagement of contractual medical staff

One of the key strategies of NRHM was to mainstream AYUSH by funding hiring of manpower[19] at all PHCs/ CHCs to be established under 'CSS for Development of Hospital and Dispensaries' either by relocation of AYUSH doctors from existing dispensaries or from contractual hiring of AYUSH doctors under NRHM.

The GOU had approved setting up of 171[20] PHCs/ CHCs during the year 2007-11 which required appointment of 603[21] medical personnel on contractual basis. Accordingly, the GOI approved Project Implementation Plan (PIP) based on the required manpower under NRHM and allocated ₹ 30.09 crore during 2007-11 as salary of the contractual staff. The position of number of personnel required and personnel in position (PIP) and details of funds approved, received and utilized as per approved PIP was as per table-4.1.13 below:

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[18] Minimum ₹ 13,500 basic per month (9,300-34,800, grade pay ₹ 4,200), total for 11 months (11/2010 to 09/2011) ₹ 1,48,500 of five persons, adding up to ₹ 7,42,500.

[19] Doctors, Pharmacists and Multi Purpose Workers (MPW).

[20] 116 PHCs/ 23 CHCs in Ayurveda and 25 PHCs/ 07 CHCs in Homeopathy.

[21] 486 & 603 medical personnel required during 2007 to 2008-09 and 2009-10 to 2010-11 respectively.

Table-4.1.13 *(₹in crore)*

Year	No. of personnel		Fund position as per PIP approved by the GOI			
	Required	In position	Approved	Received	Expenditure	Balance
2007-08	486	148	5.41	1.80	0	0
2008-09	486	264	0	0	1.78	0.02
2009-10	603	380	5.31	4.61	3.19	1.42
2010-11	603	298	19.37	7.87	5.74	2.13
Total			**30.09**	**14.28**	**10.71**	**3.57**

Source: Information provided by the department

It was observed that the Directorate of AYUSH was eligible for obtaining funds amounting to ₹ 30.09 crore under NRHM during the period 2007-11. However, based on the demand raised by it, the Department received only ₹ 14.28 crore which was 47 *per cent* of available funds. Further, the Department could utilize only ₹ 10.71 crore which was 35 *per cent* of the amount available as per approved PIP. This was primarily due to the fact that the Department failed to appoint the requisite number of medical personnel on contractual basis.

In its reply, the Department stated (October, 2011) that medical personnel could not be appointed due to delay in appointment process which also included unavailability of candidates from reserved categories.

Thus, the objectives of mainstreaming AYUSH and integration of AYUSH at PHCs/ CHCs level could not be achieved due to failure of the Department to appoint the requisite number of medical personnel despite availability of funds.

4.1.11 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, complying with applicable rules and regulations and its operations are proceeding as planned. Thus, effective internal controls in a Government Department help strengthen the public accountability of the Government. Audit revealed lack of adequate internal controls in the Department thereby rendering the Department vulnerable to fraud and corruption as brought out in succeeding paragraphs.

4.1.11.1 Issue of licenses to pharmacies without consulting Panel of experts

Rule 154 (2) of Drugs & Cosmetic Rules, 1945 envisaged that a license to a pharmacy under this rule shall be granted by the licensing authority after consulting such expert in Ayurvedic or Unani systems of medicines, as the case may be, which the State Government may nominate in this behalf. Accordingly, the State Government nominated panel of experts and the details of the same are shown in table- 4.1.14 below:

Table-4.1.14

S. No.	Period	Panel existed or not	Validity	Number of licenses issued
1	25.03.2004 to 24.03.2005	**Existed**	01 year	15
2	**25.03.2005 to 23.10.2005**	**Not existed**	**07 months**	***02***
3	24.10.2005 to 23.10.2006	**Existed**	01 year	22
4	**24.10.2006 to 20.11.2007**	**Not existed**	**13 months**	***14***
5	21.11.2007 to 20.11.2008	**Existed**	01 year	34

6	**21.11.2008 to 16.02.2009**	**Not existed**	**03 months**	***02***
7	17.02.2009 to 16.02.2010	**Existed**	01 year	27
8	19.02.2010 to 18.02.2011	**Existed**	01 year	34
9	13.04.2011 to 12.03.2012	**Existed**	01 year	04

Source: Information provided by the department.

Audit scrutiny revealed that contrary to rule, the licensing authority (Director, Ayurvedic and Unani Services) issued licenses to 18 pharmacies without the consultation of experts as the panel was not in existence at that time.

On this being pointed out, the Department admitted (August,2011) the facts. The State Government stated (March,2012), that appropriate action would be initiated in this regard. Thus, the Department issued 18 drug licenses in violation of the Drugs & Cosmetic Rules, 1945. There was no system in the Department to ensure that such instances are not repeated.

4.1.11.2 Renewal of licenses without Good Manufacturing Practice (GMP) Certificate

GOI vide its notification (March, 2003) stated that the certificate of GMP to manufacturer of Ayurvedic medicines should be issued to licensees who comply with the requirements of GMP as laid down in Schedule 'T' of Drug & Cosmetics Act, 1940. In pursuance of the notification, the Directorate issued (July, 2008) orders to all the DAOs to ensure that firms had obtained GMP before renewal of their license.

Audit scrutiny revealed that 32 licenses were renewed after the notification of GOI without issuance of GMP including 10 licenses issued after the Departmental Order (July,2008).

On this being pointed out, the Department stated (August,2011) that the Gazette notification was received only in April 2008 and notices had been issued to the pharmacies to obtain GMP certificates. The State Government assured (March, 2012) that the matter would be looked into.

The reply of the Department was self contradictory as the Department had issued licenses even after issuance of the Departmental Order. Thus, the Department failed to ensure GMP certificates prior to issuance of licenses.

4.1.11.3 Flouting of attendance norms prescribed by CCIM

As per norms of Central Council of Indian Medicine (February, 2005), the students shall have to attend at least 75 *per cent* of total lectures, practical classes and clinical tutorials or classes to become eligible for appearing in the examination.

Audit scrutiny of attendance registers and related records maintained by the Rishikul College revealed that the attendance of students in Under Graduate courses in the test checked semesters was far below the norms as shown in the table-4.1.15 below:

Table-4.1.15

Semester	Period of attendance	Total number of		Lectures attended by the students (in number)	
		Lectures conducted	Students	0-74% (lectures)	75-100% (lectures)
Ist	9/2008 to 9/2009	1,009	44	44	00
IInd	2/2009 to 2/2010	1,076	49	46	03
IIIrd	9/2008 to 9/2009	467	49	47	02

Source: Information extracted from the records of the Department.

Further scrutiny revealed that the theory and practical classes for UG courses were not being conducted regularly, during the period 2006-11, in the college as per norms of CCIM as indicated in the table-4.1.16 below:

Table-4.1.16

Semester	Subject	No. of lectures prescribed		No of lectures actually conducted		*Per cent* of lectures conducted	
		Theory	Practical	Theory	Practical	Theory	Practical
I semester	6	4,150	1,500	2,657	792	*64*	*53*
II semester	6	4,600	1,650	2,960	201	*64*	*12*
III semester	6	5,050	3,925	2,755	2,138	*55*	*54*

Source: Information extracted from the records of the Department.

On this being pointed out, the Department while acknowledging the audit observations stated (September, 2011) that records and details of attendance were not properly maintained prior to 2008-09 and thereafter few improvements in this regard had been made which would be continued in future. However, the State Government attributed it (March,2012) to shortage of teaching staff and assured to fulfill the vacancies by conducting walk in interview.

Thus, the college, which was to act as centre of excellence and was expected to develop high standards of teaching, training and research, failed in matching norms prescribed by CCIM. There was also no system in place to ensure that CCIM norms are adhered to by the college.

4.1.12 Monitoring

Monitoring is one of the key components of Internal Controls. Monitoring ensures that controls are working as intended and are modified appropriately as per occasion demanded. This is accomplished through ongoing monitoring or separate evaluations or a combination of both.

All observations made during audit and reported above (in paragraphs 4.1.7 to 4.1.11) could be attributable to deficient monitoring at the State and district levels. It was further observed that there was no system of inspecting dispensaries either at Directorate level or district level in Homeopathy Services.

In reply to audit observations, the Department accepted that there was no monitoring system in existence.

4.1.12.1 Field Inspections

For effective implementation of activities/ schemes, the Department was to ensure that the officers at the State and district levels closely monitor all aspects of the scheme through visits to the field. A schedule of inspections prescribing the

number of field visits for each supervisory level functionary was to be drawn up by the Department and strictly adhered to.

Audit scrutiny revealed that there were no norms laid down by the Department prescribing the number of field visits for supervisory levels. The number of inspections carried out at district level in test checked districts was as below in table - 4.1.17 (a) and (b):

Table-4.1.17 (a)
Inspection of Hospitals/Dispensaries by District Ayurvedic Officers during 2006-07 to 2010-11

District	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Dehradun	No. of hospitals/ dispensaries	48	50	51	52	53
	No. of inspections	30	20	32	12	39
Haridwar	No. of hospitals/ dispensaries	23	27	27	27	27
	No. of inspections	27	38	30	17	48
Pauri	No. of hospitals/ dispensaries	55	57	57	60	61
	No. of inspections	26	33	36	39	28
Almora	No. of hospitals/ dispensaries	51	51	51	51	52
	No. of inspections	NA	NA	16	56	62

Source: Information provided by the districts; ***NA: Not available***

Table-4.1.17 (b)

Inspection of Pharmacies by District Ayurvedic Officers during 2006-07 to 2010-11

District	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Dehradun	No. of pharmacies	44	47	51	55	56
	No. of inspections	Nil	Nil	Nil	Nil	12
Haridwar	No. of pharmacies	48	59	75	104	110
	No. of inspections	06	08	31	37	34
Pauri	No. of pharmacies	10	10	10	12	11
	No. of inspections	02	02	02	02	02
Almora	No. of pharmacies	04	04	04	05	05
	No. of inspections	01	02	02	04	06

Source: Information provided by the districts.

It was observed that visits/ inspections made by the district level functionaries were considerably low as compared to number of hospitals and pharmacies in the districts.

On this being pointed out, the Department stated that State Government notified (August, 2010) drug inspectors for the purpose of inspection of pharmacies and after that, number of inspections are increasing day by day. The State Government accepted (March, 2012) the fact and assured to improve the modalities of inspections.

4.1.12.2 Non-renewal of registrations of medical practitioners

The CCIM was responsible for maintaining a register for each system of Indian medicine to be known as the Central Register of Indian Medicine which was to contain the names of all persons who were enrolled on any State Register of Indian Medicine maintained by each State Board of Indian Medicine. CCIM norms stipulated that registrations should be renewed every five years by Board of Indian Medicine in every State.

Board of Indian Medicine, Uttarakhand was established in the year 2004 and registration of practitioners was started in February 2005. Audit scrutiny revealed that registration of 663 practitioners in Ayurveda and 23 in Unani system was due for renewal up to September 2011 as per the CCIM norms.

On this being pointed out, the Department stated that the process of renewal has been started. However, not a single renewal has been carried out till date (September, 2011). The State Government accepted (March, 2012), the fact and assured to take appropriate action.

Thus, the Department failed to follow the prescribed norms of the CCIM regarding renewal of registrations. There was no system to monitor the number of practitioners due for renewal of registration.

4.1.12.3 Non-renewal of licenses of pharmacies

According to the Rule 156 of Drugs & Cosmetics Rules 1945, the duration of license shall be valid for three years and thereafter the license of a Pharmacy shall deemed to have been expired, if application for its renewal is not received within three months of its expiry.

Audit scrutiny of the Directorate, Ayurveda revealed that out of 200 pharmacies in the State, licenses of 47 pharmacies were due for renewal from the year 2007-11 but the Department did not cancel their licenses. Moreover, nine pharmacies, established prior to 2007, were running without valid licenses in Pauri district. It was further noticed that neither the district authorities nor the licensing authority inspected these pharmacies or cancelled their licenses. Further, the district/Licensing authority was unaware about the existence of these Pharmacies in the District.

On this being pointed out, the Department replied (August, 2011) that several instructions were issued to the Pharmacies to renew their licenses and the process of cancellation of licenses of these firms would be carried out in the financial year 2011-12.

Thus, the Department failed to ensure the compliance of the Drugs & Cosmetic Rules, 1945 which resulted in running of these Pharmacies without valid licenses. Further, there was no system in place to monitor the number of pharmacies without valid licences.

4.1.12.4 Irregular collection of patient collection money by NGO

GOU vide its order (March 2011) permitted Help Age India (the NGO) to run AYUSH Mobile Medical Unit (MMU). As per Government order the permission was granted with following conditions:

- The entire expenditure on execution of AYUSH MMU will be borne by the NGO ;
- The NGO will provide road map of running of the MMU to Director, Ayurveda ;
- Necessary medicines required for MMU will be provided by the Directorate ;
- The Ayurvedic Doctors for the aforesaid MMU will be provided by the Directorate on rotation basis and
- The Directorate will effectively monitor the MMU.

During the course of audit of DAO, Dehradun, it was noticed that one MMU was running at 12 identified sites in a week from 21st March 2011. The doctors were provided by DAO, Dehradun on rotation basis and medicines were supplied by private pharmacies. It was further noticed that the NGO was charging 'Patient Collection Money' and a cumulative total ₹ 9,720 was collected up to 31st August 2011 and the amount was deposited in Bank Account of Help Age India (IDBI Bank).

On this being pointed out, the Department stated that no order was issued by it regarding collection of patient collection money by the NGO. However, the collection of charges by the NGO would be scrutinized and appropriate action would be taken. Thus, lack of monitoring at the district level led to irregular collection of money by the NGO.

Conclusion

Although objectives of AYUSH were clearly laid down in the National Policy of ISM&H 2002, the Department did not formulate a strategy for achieving these goals in the State in holistic manner till November 2011. Most of the works were taken up under Centrally Sponsored Schemes but adequate planning and internal control mechanisms were not put in place to ensure that works activities progressed as intended and that all regulatory, legal and accountability requirements were met. Assessment of resources, both financial and human, was not based on reliable inputs from the field.

Consequently, this led to instances of funds remaining unspent, medicines and equipments remaining idle, shortages of permanent and contractual medical staff, non establishment of Ayurvedic University and AYUSH Grams, huge operating losses in RAAN, failure to extend AYUSH facilities to allopathic centers, distribution of medicines after their 'best before' period, irregular issue and renewal of licenses of pharmacies and non-renewal of licenses of AYUSH practitioners of the State.

Recommendations

The Government may consider:

- To fully utilize central assistance obtained under operational schemes.
- Integration of AYUSH with the allopathic system of medicine and completion of civil works in this regard on priority.
- Procurement of Medicines and Equipments should be need based and that too on the basis of demands sent by the district functionaries.
- Effective Internal Control Mechanisms to strengthen existing Acts and Rules.

CHAPTER-V

REVENUE RECEIPTS

EXECUTIVE SUMMARY

Revenue Receipts	During the year 2010-11, the revenue raised by the State Government (₹ 5,083.54 crore) was 44 *per cent* of the total Revenue Receipts. The balance 56 *per cent* of receipts (₹ 6,524.63 crore) during 2010-11 were from the GOI.
Reasons for increase in Revenue Receipts over those of the previous year	**Sales Tax/VAT:** Increase of price of diesel and petrol, imposition of additional tax, better management in tax realisation and administration of the VAT Regime, successful efforts in curbing tax evasion attempts and increase in the GSDP index of the State. **Stamp and Registration Fees:** Increase in numbers of Sale deeds during the year.
Mandate	The audit of Revenue Receipts of the Government of Uttarakhand is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.
Results of audit conducted by us in 2010-11	Test check of the records of 112 units under Revenue Departments conducted during the year 2010-11 revealed under assessment/short levy/loss of revenue and other deficiencies aggregating ₹ 115.53 crore in 241 cases. During the course of the year, the Departments concerned accepted under-assessments and other deficiencies of ₹ 0.31 crore involved in 13 cases which was pointed out by us during 2010-11 and recovered ₹ 0.28 crore in 44 cases during the year.
Very low recovery by the Departments in respect of observations pointed out in Audit Reports of earlier years	During the period 2005-06 to 2009-10, the Departments/ Government accepted audit observations involving ₹ 10.38 crore of which only ₹ 0.02 crore had been recovered till March 2011 i.e. only 0.19 *per cent* of the accepted amount. This highlights the need for the Government to take concerted action to effect recoveries in the accepted cases.
What we have highlighted in this Chapter	In this Chapter we present two illustrative cases of ₹ 1.03 crore selected from observations noticed during our test check of records relating to revenue units of Sales Tax and State Excise wherein we found that the provisions of the Acts/Rules were not observed. The paras relate to underassessments/loss of revenue due to excess loss claimed on sale of goods and excessive wastages in production of alcohol with reference to prescribed norms. We also present two Performance Audits on **"Computerisation in the Motor Vehicle Department"** and **"Cross Verification of Declaration Forms in Inter State Trade and Commerce"** relating to system deficiencies in administration of the Central Sales Tax Act provisions and non-assessment, loss of revenue and other compliance deficiencies involving financial effect of ₹ 0.33 crore and ₹ 0.36 crore respectively.
Our conclusions	The Government needs to initiate immediate action to set right the systems deficiencies pointed out in our Performance Audits on **"Computerisation in the Motor Vehicle Department"** and **"Declaration Forms in Inter State Trade and Commerce"** and also to recover the tax involved in the observations in the Audit Reports.

5.1 GENERAL

5.1.1 The tax and non-tax revenue raised by the Government of Uttarakhand during the year 2010-11, the State's share of net proceeds of divisible Union taxes

and duties assigned to 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-5.1.1 below:

Table-5.1.1 *(₹ in crore)*

Sl.No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	**Revenue raised by the State Government**					
	• Tax Revenue	2,513.78	2,738.75	3,044.91	3,559.04	4,405.48
	• Non-tax revenue	646.82	668.38	699.44	631.86	678.06
Total		**3,160.60**	**3,407.13**	**3,744.35**	**4,190.90**	**5,083.54**
2.	**Receipts from the Government of India**					
	• Share of net proceeds of divisible Union taxes and duties	1,131.83	1,427.70	1,506.59	1,550.01	2,460.07[1]
	• Grants-in-aid	3,080.79	3,056.26	3,384.03	3,745.22	4,064.56
Total		**4,212.62**	**4,483.96**	**4,890.62**	**5,295.23**	**6,524.63**
3.	**Total Revenue Receipts of the State Government (1 and 2)**	**7,373.22**	**7,891.09**	**8,634.97**	**9,486.13**	**11,608.17**
4.	**Percentage of 1 to 3**	42	43	43	44	44

Source: Finance Accounts 2010-11.

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 5083.54 crore) was 44 *per cent* of the total Revenue Receipts. The balance 56 *per cent* of receipts (₹ 6,524.63 crore) during 2010-11 was from the Government of India.

5.1.2 Tax revenue

The table-5.1.2 below presents the details of tax revenue raised during the period 2006-07 to 2010-11:

Table-5.1.2 *(₹ in crore)*

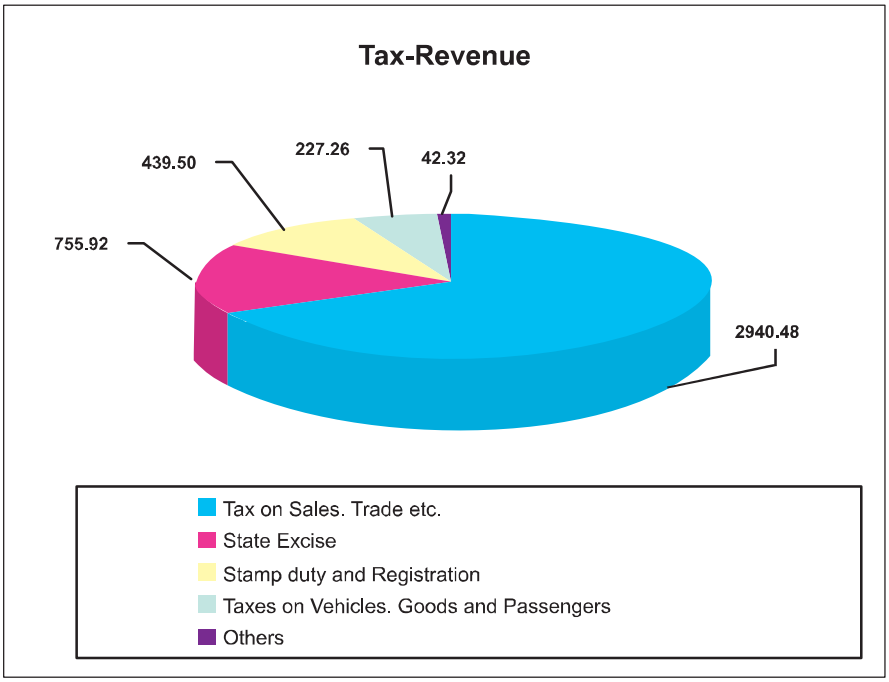
Sl. No	Head of Revenue Receipt	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of Increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Tax on Sales, Trade etc	1,361.42	1,627.41	1,910.64	2,246.84	2,940.48	(+) 30.87
2.	State Excise	372.91	441.56	528.35	704.64	755.92	(+) 7.28
3.	Stamp Duty and Registration Fees	546.32	424.27	357.46	398.70	439.50	(+) 10.23
4.	Taxes on Vehicles, Goods and Passengers	141.46	155.26	166.98	184.56	227.26	(+) 23.14
5.	Taxes and Duties on Electricity	66.19	55.22	51.61	2.11	2.16	(+) 2.37

[1] For details see statement No. 11-detailed accounts of revenue receipts by minor heads in the Finance Accounts of the Government of Uttarakhand for the year 2010-11. Figures under the major heads 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on Wealth, 0037-Customs, 0038- Union Excise Duties and 0044-Service Tax. Share of net proceeds assigned to States booked in Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

6.	Land Revenue	15.42	23.40	17.90	8.80	18.31	(+) 108.07
7.	Other taxes and Duties on Commodities and Services	5.44	6.45	5.87	6.27	12.15	(+) 93.78
8.	Others	4.62	5.18	6.10	7.12	9.70	(+) 36.24
Total		**2,513.78**	**2,738.75**	**3,044.91**	**3,559.04**	**4,405.48**	**(+) 23.78**

Source: Finance Accounts 2010-11.

Chart-5.1



The following trends were observed in collection of tax revenue by the State:

- Revenue from Taxes on Sales, Trade etc. contributed to 66.75 *per cent* of total tax collections in 2010-11. State Excise, Stamp Duty and Registration Fees and taxes on Vehicles together accounted for 32.29 *per cent* of the total tax in 2010-11. Taxes on Sales, Trade etc. after witnessing 34.22 *per cent* increase after introduction of VAT in 2005, slowed down to an increase of 17.60 *per cent* in 2009-10 over the previous year, due to increase in the ITC claims with stabilisation of VAT regime but again gained a hike and increased by 30.87 *per cent* in 2010-11 over the previous year.
- The Commercial Tax Department stated (October,2011) that the increase in revenue receipts was due to increase of price of diesel and petrol, imposition of additional tax, better management in tax realisation, successful efforts in curbing tax evasion attempts and increase in the GSDP index of the State.
- The Stamp Duty and Registration Department receipts increased due to increase in registration of Sale deeds from 1,39,464 in 2009-10 to 1,81,786 in 2010-11.

- Taxes and Duties on Electricity registered a decrease of 95.91 *per cent* despite increase in billing and collection by Uttarakhand Power Corporation Ltd[2] (UPCL) during the year 2009-10. As against the total assessment of ₹ 97.64 crore no payment could be made to the Government during the year 2009-10 as the Corporation was continuously running under loss. The position remained more or less stagnant as there was a nominal increase of 2.37 *per cent* during 2010-11.

The other Departments did not furnish (November, 2011) the reasons for variation, though called for (September, 2011).

5.1.3 Non-tax revenue

The table-5.1.3 below presents the details of the non-tax revenue raised during the period from 2006-07 to 2010-11:

Table-5.1.3

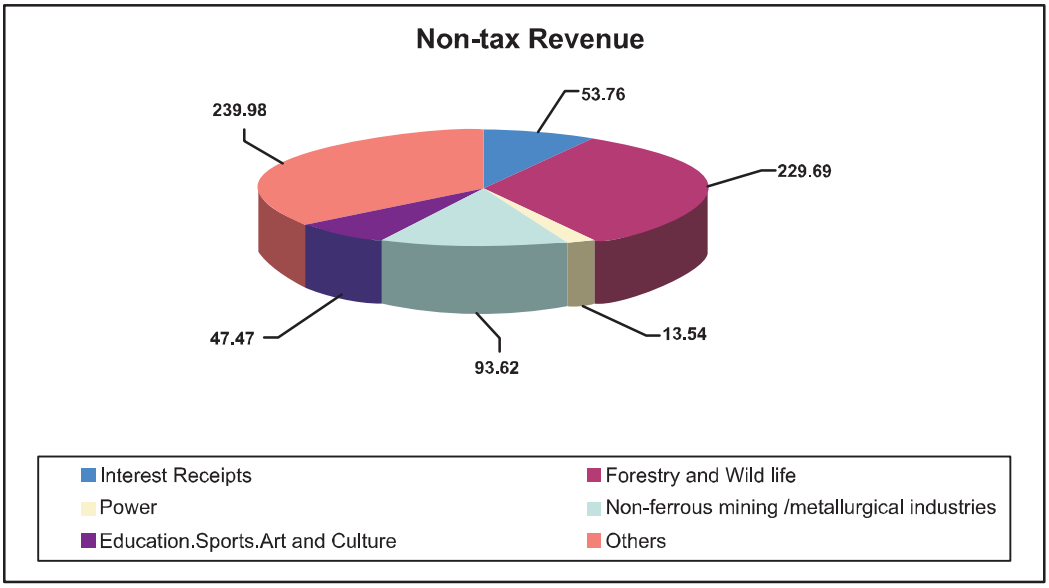
(₹ in crore)

Sl. No	Head of revenue receipt	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage increase (+)/decrease (-) in 2010-11 over 2009-10
1.	Interest Receipts	40.94	41.56	68.49	53.71	53.76	(+) 0.09
2.	Forestry and Wildlife	188.09	209.75	207.16	235.70	229.69	(-) 2.55
3.	Power	172.22	144.37	171.37	56.13	13.54	(-) 75.88
4.	Non-Ferrous Mining/ Metallurgical Industries	62.58	73.06	63.73	74.08	93.62	(+) 26.38
5.	Education, Sports, Art and Culture	23.34	30.69	28.66	34.18	47.47	(+) 38.88
6.	Public Works	11.52	13.96	15.53	19.50	24.83	(+) 27.33
7.	Major and Medium Irrigation	5.69	5.76	5.91	5.18	5.10	(-) 1.54
8.	Police	5.24	5.96	7.01	9.62	11.26	(+) 17.05
9.	Other Administrative Services	11.83	35.53	28.09	21.18	47.15	(+) 122.62
10.	Medical & Public Health	4.29	5.29	6.84	11.73	29.01	(+) 147.31
11.	Co-operation	3.99	5.58	3.19	1.78	1.70	(-) 4.49
12.	Crop Husbandry	2.73	3.94	3.62	4.55	3.78	(-) 16.92
13.	Others	114.36	92.93	89.84	104.52	117.15	(+) 12.08
Total		**646.82**	**668.38**	**699.44**	**631.86**	**678.06**	**(+) 7.31**

Source: Finance Accounts 2010-11.

[2] The duties are collected by UPCL in bills raised against consumers for consumption of energy, with the billing cycles varying for different categories of consumers.

Chart-5.2



The following trend were observed in collection of non-tax revenue by the State:

- Non-tax revenue has remained more or less stagnant since 2006-07 onwards. At ₹ 678.06 crore, non-tax revenue constituted 5.84 *per cent* of the total receipts, whereas the increase over the pervious year was 7.31 *per cent*.

  Forest and Wild life (33.87 *per cent*) and Non- Ferrous Mining/Metallurgical Industries[3] (13.81 *per cent*) have been the principal contributors to non-tax revenue.

5.1.4 Variation between the budget estimates and actual

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2010-11 are mentioned in the table-5.1.4 below:

Table-5.1.4 *(₹ in crore)*

Sl. No.	Head of Revenue Receipt	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage
	Tax revenue				
1.	Taxes/VAT on Sales Trade etc.	2,586.00	2,940.48	(+) 354.48	(+) 13.71
2.	State Excise	686.93	755.92	(+) 68.99	(+) 10.04
3.	Stamp Duty and Registration Fees	425.65	439.50	(+) 13.85	(+) 3.25
4.	Taxes on Vehicles	225.30	227.26	(+) 1.96	(+) 0.87
5.	Taxes and Duties on Electricity	72.00	2.16	(-) 69.84	(-) 97
	Non-tax revenue				
6.	Interest Receipts	62.01	53.76	(-) 8.25	(-) 13.30
7.	Other Administrative Services	10.12	47.15	(+) 37.03	(+) 365.91
8.	Crop Husbandry	4.88	3.78	(-) 1.10	(-) 22.54
9.	Police	9.01	11.26	(+) 2.25	(+) 24.97

[3] Royalty charges levied on Non-Ferrous Mining/Metallurgical Industries.

10.	Medical and Public Health	11.48	29.01	(+) 17.53	(+) 152.70
11.	Roads and Bridges	5.13	1.53	(-) 3.60	(-) 70.18
12.	Public Works	14.51	24.83	(+) 10.32	(+) 71.12
13.	Forestry and Wildlife	266.10	229.69	(-) 36.41	(-) 13.68
14.	Non-Ferrous Mining and Metallurgical Industries	99.01	93.62	(-) 5.39	(-) 5.44
15.	Education, Sports, Art and Culture	19.17	47.47	(+) 28.30	(+) 147.63
16.	Power	230.00	13.54	(-) 216.46	(-) 94.11

Source: Receipt Budget and Finance Accounts for the year 2010-11.

The reasons for the variations are as follows:

Commercial Tax Department stated (October, 2011) that the variation in VAT receipts with reference to the estimates was due to increase in prices of diesel and petrol, imposition of additional tax, better management in tax realisation, successful efforts in curbing tax evasion attempts and increase in the GSDP index of the State.

The other Departments did not inform (November, 2011) about the variations, despite being requested (September,2011).

5.1.5 Cost of Collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2008-09 to 2010-11 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2009-10 are mentioned in the table-5.1.5 below:

Table-5.1.5

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross Collection[4]	Expenditure on collection	Percentage of expenditure to gross on collection	All India average percentage for the year 2009-10
1.	Sales/Commercial Tax/ VAT	2008-09 2009-10 2010-11	1,902.38 2,240.84 2934.95	34.16 39.31 38.58	1.79 1.75 1.31	0.96
2.	State Excise	2008-09 2009-10 2010-11	528.32 703.71 755.98	5.95 7.33 8.57	1.13 1.04 1.13	3.64
3.	Taxes on Vehicles	2008-09 2009-10 2010-11	163.84 182.16 216.26	10.03 10.64 13.22	6.12 5.84 6.11	3.07
4.	Stamp Duty and Registration Fees	2008-09 2009-10 2010-11	357.44 398.75 439.45	5.45 5.72 11.37	1.52 1.43 2.58	2.47

Source: Concerned State Department.

Thus, the cost of collection in respect of State Excise and Stamp and Registration Fees were lower than the all India average percentage for the year 2009-10, while in the case of Taxes on Vehicles and Sales/Commercial Tax/VAT were considerably higher. Transport Department stated (October, 2011) that higher cost

[4] The figure for collection of all four taxes in the year 2008-09 to 2010-11, provided by the State Departments and reflected in the table are at variance with the figures reflected in the Finance Accounts.

of collection in comparison with all India average was due to disbursement of arrears pay of the Sixth Pay Commission to its employees/retired officials, some recruitment and enhancement of financial assistance to dependents of deceased and injured persons during the year 2009-10.

The Sales/Commercial Tax/VAT Department did not inform about the reasons for higher cost of collection (October,2011).

5.1.6 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on Sales, Trade etc., and Entry Tax during the year 2010-11 as furnished by the Commercial Taxes Department is mentioned in the table-5.1.6 below:

Table-5.1.6 *(₹ in crore)*

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per Department	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Taxes/ VAT on Sales, Trade etc.	2010-11	2451.60	502.48	1.36	26.46	2928.98	83.70
Entry Tax	2010-11	5.96	-	-	-	5.96	100

Collections made under Commercial Tax and Entry Tax at the pre-assessment stage were to the extent of 83.70 *per cent* whereas16.30 *per cent* of the net collection was collected after regular assessment.

5.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 in respect of the principal Heads of Revenue as reported by the Departments was ₹ 1249.80 crore of which ₹ 254.99 crore (20.40 *per cent*) were outstanding for more than five years as per details mentioned in the table-5.1.7 below:

Table-5.1.7 *(₹ in crore)*

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2011	Amount outstanding for more than five years	Remarks
1.	Taxes/VAT on Sales, Trades etc.	881.07	249.90	Recovery of ₹ 97.11 crore is *subjudice* and Recovery Certificates have been issued for ₹ 208.46 crore.
2.	Taxes on Vehicles	4.43	2.06	Department stated that 403 cases were *subjudice* and for rest of the cases demand for recovery had been processed through D.M.
3.	Land Revenue	0.38	0.01	Recovery of revenue was withheld upto 31-03-2011 by Government due to heavy rains during 2010-11.
4.	State Excise	0.48	0.48	The Department stated that one case amounting to ₹ 12.08 lakh is pending in the court of law. In other cases action is being taken to recover the amount.
5.	Taxes and Duties on Electricity	352.61	-	Department stated that regular correspondence is being made with Uttarakhand Power Corporation Ltd.

6.	Public Works Department	1.73	0.86	The Department stated that efforts for speedy recovery are being made. Recovery of ₹ 0.04 lakh is *subjudice*.
7.	Entertainment Tax	0.63	0.04	Department stated that cases amounting to ₹ 48.05 lakh are pending in the court of law. In rest of the cases recovery certificates have been issued.
8.	Stamp Duty and Registration Fees	3.22	1.64	-
9	Taxes on purchase of Sugarcane	5.25	-	Due to exemption to Kashipur Sugar Mills, under BIFR, for four years ₹ 123.12 lakh were in arrear. The matter is *subjudice*.
Total		**1249.80**	**254.99**	

Source: State Department.

5.1.8 Arrears of Assessment

The table-5.1.8 below shows details of assessment position of Sales Tax/VAT returns during the period 2005-06 to 2009-10.

Table-5.1.8

Year	No. of cases for tax assessment during the year	No. of tax assessment cases assessed so far	No. of tax assessment cases not assessed so far	Efforts being made for cases not assessed so far
2005-06	1,10,620	1,10,620	--	--
2006-07	84,403	84,403	--	--
2007-08	82,172	82,172	--	--
2008-09	87,857	10,243	77,614	Time barred by March, 2012. Efforts are being made to assess these cases timely.
2009-10	47,450	1,762	45,688	Time barred by March, 2013. Efforts are being made to assess these cases timely.

Source: State Department (September, 2011).

The Department stated that efforts are on to complete the assessments in time.

5.1.9 Evasion of Tax

The details of cases of evasion of tax detected by the Commercial Tax Departments, cases finalised and demands for additional tax raised in 2010-11, as reported by the Department concerned are mentioned in the table-5.1.9 below:

Table-5.1.9

Name of tax/duty	Cases pending as on 31 March 2010	Cases detected during 2010-11	Total	Number of cases in which assessments/investigation completed and additional demand including penalty etc., raised during the year 2010-11		Number of pending cases as on 31 March 2011
				No. of cases	(₹ in lakh)	
Commercial Tax/VAT	2308	2,999	5,307	3,814	773.38	1,493

Source: State Department.

5.1.10 Refunds

Commercial Tax Department settled 95.15 *per cent* of the refund claims in 2010-11 while in the case of Stamp Duty and Registration, all the cases were settled during the year as mentioned in the table-5.1.10 below.

Table-5.1.10 *(₹in lakh)*

Sl. No.	Particulars	Commercial Tax		Stamp Duty and Registration Fee	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	502	1,319.65	Nil	Nil
2.	Claims received during the year	6,318	2,920.90	12	214.83
3.	Refunds made during the year	6,489	2,645.88	12	214.83
4.	Balance outstanding at the end of the year	331	1,594.67	Nil	Nil

5.1.11 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Principal Accountant General (Audit), Uttarakhand (Pr. AG) conducts periodical inspection of the Government Departments concerned to test check the transactions and verify the maintenance of the 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 Pr. AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Inspection Reports issued up to December 2010 disclosed that 2,432 paragraphs involving ₹ 280.88 crore relating to 1,213 IRs remained outstanding at the end of June 2011 as mentioned in the table-5.1.11 below along with the corresponding figures for the preceding two years:

Table-5.1.11

	June 2009	June 2010	June 2011
Number of IRs pending for settlement	1,098	1,159	1,213
Number of outstanding audit observations	2,211	2,323	2,432
Amount involved (₹ in crore)	228.11	245.26	280.88

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amounts involved are mentioned in the table-5.1.12 below:

Table-5.1.12

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Finance	Taxes/VAT on Sales, Trade etc.	350	915	70.79
		Electricity duty	56	66	68.05
		Entertainments tax, Luxury Tax, etc.	50	81	1.21
2.	Excise	State Excise	70	102	53.02
3.	Revenue	Land Revenue	148	243	8.05
4.	Transport	Taxes on Motor Vehicles	95	272	35.12
5.	Stamps and Registration	Stamps and Registration fees	276	421	11.11
6.	Others	-	168	332	33.53
Total			**1,213**	**2,432**	**280.88**

5.1.12 Departmental Audit Committee Meetings

In order to expedite the settlement of the outstanding audit observations contained in IRs on Revenue Receipts of the Government of Uttarakhand, the Departmental Audit Committees were constituted by the Government. Four Audit Committee Meetings were held during the year 2010-11 for early settlement of the outstanding audit observations and as a result of these meetings, 23 paras pertaining to Excise and Entertainment Departments were settled during the year.

5.1.13 Response of the Department to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller & Auditor General of India are forwarded to the Secretaries of the Department concerned, drawing their attention and requesting for their response within six weeks. The fact that in case of non receipt of replies from the Departments/Government within stipulated time will tantamount to acceptance of facts and figures of draft paras by the Department/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

5.1.14 Follow up on Audit Reports-summarised position

After creation of the State, the Public Accounts Committee had been notified in the May 2001. The Report of the Comptroller & Auditor General of India is laid in the Legislative Assembly and the Departments initiate action on the audit paragraphs. The action taken/ explanatory notes thereon are to be submitted by Government for the consideration of the Committee. The explanatory notes on audit paragraphs of the Reports were being delayed inordinately by Department/Government. The Reports of the Comptroller & Auditor General of India on Revenue Receipts of the Government of Uttarakhand for the years 2000-01 to 2005-06 were discussed in the Public Accounts Committee in the

period 2005-06 to 2010-11 and explanatory notes/action taken in seven cases were awaited as on 31 March 2011.

5.1.15 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual Audit Plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration i.e. budget speech, White Paper on State Finances, Reports of the Finance commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past 5 years etc.

During the year 2010-11, the audit universe comprised of 574 auditable units, of which 116 units were planned and 101 units were audited during the year 2010-11 which is 87 *per cent* total planned units.

5.1.16 Analysis of the mechanism for dealing with the issues raised by Audit – Commercial Taxes

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs of the last five years in respect of the Commercial Taxes Department was evaluated.

The summarised position of the Inspection Reports relating to Commercial Tax Department, issued during the last five years, paragraphs included in these Reports and their status as on 31 March 2011 is tabulated in the table-5.1.13 below:

Table-5.1.13 *(₹in crore)*

SI. No.	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
1.	2006-07	180	384	16.57	34	137	3.69	Nil	Nil	Nil	214	521	20.26
2.	2007-08	214	521	20.26	22	93	1.55	3	57	2.51	233	557	19.30
3.	2008-09	233	557	19.30	49	206	21.63	8	69	2.32	274	694	38.61
4.	2009-10	274	694	38.61	44	105	12.04	6	48	0.64	312	751	50.01
5.	2010-11	312	751	50.01	54	158	89.37	6	32	0.70	360	877	138.68

No Audit Committee meetings were arranged by the Government/Department for settlement of IRs and paragraphs. As is evident from the above table, against 180 IRs with 384 outstanding paragraphs as on 2006-07, the number of outstanding IRs rose to 360 with 877 paragraphs at the end of 2010-11, whereas 206 paras were cleared during the period.

This is indicative of the fact that adequate efforts were not made by the Department to take action in the interest of revenue of the State, resulting in piling up of the outstanding IRs and paragraphs.

5.1.17 Recovery of revenue of accepted cases

In respect of paragraphs featured in the Audit Reports 2005-06 to 2009-10, the Department/Government accepted audit observations involving ₹ 10.38 crore of which only ₹ two lakh was recovered till 31 March 2011 as mentioned in the table-5.1.14 below:

Table-5.1.14 *(₹in crore)*

Year of Audit Report	Total Money value	Accepted money value	Recovered Amount
2005-06	7.58	3.19	0.01
2006-07	1.03	0.02	0.01
2007-08	60.48	0.05	Nil
2008-09	7.00	0.91	Nil
2009-10	8.47	6.21	Nil
Total	**84.56**	**10.38**	**0.02**

The fact that only 0.19 *per cent* of the accepted amount has been recovered, points to the need for the Government to take concerted action in this regard.

5.1.18 Results of audit

Test check of the records of 112 units of Commercial Tax, State Excise, Motor Vehicles and other Departmental offices conducted during the year 2010-11 revealed underassessment/short levy/loss of revenue aggregating to ₹ 115.53 crore in 241 cases, of which the Department accepted ₹ 31.06 lakh in 13 cases and recovered ₹ 28.18 lakh in 44 cases.

This Chapter contains two paragraphs involving money value of ₹ 1.03 crore and two Performance Audits on **"Computerisation in the Motor Vehicle Department"** and **"Cross Verification of Declaration Forms in Inter State Trade and Commerce"** having financial impact of ₹ 0.33 crore and ₹ 0.36 crore respectively. The Department/Government accepted money value of ₹ 0.22 crore. These are discussed in succeeding paragraphs.

MOTOR VEHICLE DEPARTMENT

5.2 Performance Audit on "Computerisation in the Motor Vehicle Department"

Highlights

- ***The plan of computerisation for implementation of VAHAN and SARATHI software was executed in two phases in fifteen RTO/ARTO offices whereas RTO Dehradun was computerised on pilot basis in 2003 itself. In the first phase, four RTOs and five ARTOs were computerised by March 2007 while in second phase, six ARTOs were computerised by March 2010.***

[Paragraph 5.2.7]

- ***The Departmental employees handle entire data entry at the Departmental counters but the database administration is handled by outsourced agency. The Department did not develop technical expertise within the Department to handle the database administration.***

[Paragraph 5.2.9]

- ***In absence of interlinking of Regional Transport offices and Transport Commissioner office, the intended objectives of computerisation such as online transmission of data to all other offices, cross verification, elimination of duplicate registration of vehicles, elimination of bogus duplicate licences, etc. could not be achieved in full.***

[Paragraph 5.2.10]

- ***Backlog entries relating to 80-90 per cent of the old driving licences and 25-30 per cent of the old registrations are yet to be fed in the database of the State Consolidation Register (SCR) and the State Register (SR).Thus the State Register and National Registers are incomplete to that extent.***

[Paragraph 5.2.11]

- ***Check Posts are important enforcement points where vehicles are checked for possession of valid permits and licences. The Department did not implement the process of computersation of the Check Posts.***

[Paragraph 5.2.12]

- ***No provision/module has been made in the Vahan software for issue of trade certificate to vehicle dealers and these are being issued manually resulting in non renewal of the certificates in time and non recovery of prescribed fees. There is also no module/provision in the software for levy and recovery of surcharge under "Uttarakhand Road Transport Relief Fund", as a result of which the Fund was being realised manually only in two ARTO offices out of the eight RTO/ARTO offices checked by us.***

(Paragraphs 5.2.13, 5.2.14)

- ***The tax module was not designed in a manner so that the correct distances could be mapped in the system which led to manipulation of distances by the data entry operators. Short calculation/levy of additional tax due to, wrong feeding of rates/distances in the Vahan software resulted in short realisation of additional tax of ₹2.58 lakh in test checked units.***

[Paragraphs 5.2.15, 5.2.18]

- ***We saw inadequate supervision controls in implementation of SARATHI system resulting in irregularities in conducting of tests for issue of learner/regular driving licences and insufficient/incorrect documentation on record regarding licences issued.***

[Paragraph 5.2.24]

5.2.1 Introduction

The Transport Department, one of the major revenue earning Department, in the State of Uttarakhand is responsible for exercising control over the work of registration and regularisation of the vehicles which ply in the State, grant of permits to transport vehicles, levy and collection of taxes, fee and penalties, issue of driving and conductors' licence and certificates of fitness to transport vehicles.

The Ministry of Road Transport and Highways, Government of India had embarked upon a scheme for creation of a National Database network by introduction of Information Technology in the Road Transport Departments. Thus the Central Government has been encouraging the States to work on a standardised application formats and to undertake computerisation of backend processing, based on such standardised formats and inter operatable software, so that the Registration Certificates/National Permits/driving licences are readable throughout the country. For this, the National Informatics Centre (NIC) designed two softwares *viz.* (1) VAHAN for registration, assessment of taxes / fee and fitness of the vehicles and (2) SARATHI for issue / renewal of the driving licence. The software was made operational by the State Government in four RTOs and five ARTO offices in March 2007 and in six ARTO offices in March 2010.

5.2.2 Organisational Set-up

The Transport Department is headed by the Transport Commissioner. There are four Regional and eleven sub Regional offices in the State. Besides, there are 19 regular and five seasonal Check Posts. The over all control of the Department lies with the Transport Commissioner at Dehradun.

5.2.3 Audit Objectives

The Performance Audit was conducted with a view to assess:

- the extent to which the objectives of the computerisation had been achieved ;
- that the computerised system implemented were complete and to ensure the correctness and completeness of the data captured;
- that the software adequately addressed the business needs and to ensure the correctness of the realisation of tax and additional tax etc;
- that there were sufficient validation checks in the software ;
- connectivity between the field offices and the Headquarter; and
- internal control mechanism.

5.2.4 Audit Criteria

We referred to the following Acts and Rules for the Performance Audit:

- The Motor Vehicles Act, 1988;
- The Central Motor Vehicles Rules, 1989;

- Uttar Pradesh Motor Vehicle Rules, 1998;
- Uttrakhand Motor Vehicles Taxation Reforms Act,2003;
- Uttrakhand Motor Vehicles Taxation Reforms Rules, 2003;and
- Departmental Manuals/Notifications.

5.2.5 Scope of audit and methodology

The Performance Audit was conducted between June 2011 and August/September 2011 through test check of the application software of three[5] out of four R.T.Os, five[6] out of 11 A.R.T.O offices, three[7] out of 19 Check Posts and office of the Transport Commissioner for the period since the software was implemented in these units *i.e.* from March 2007 to March 2011. The selection of the units was made on the basis of 'Probability Proportional to Size without Replacement (PPSWOR)' method. Under this method, the sampling has been done on the basis of total revenue collection for the period from 2007-08 to 2009-10 for each unit and random sampling method has been used for selection of the units.

5.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit. An Entry Conference was held on 24th June, 2011 with the Asstt. Transport Commissioner and other Departmental officers wherein the audit objectives and scope of audit were discussed. The draft Performance Audit was forwarded (October, 2011) to the Department. The Exit Conference was held with the Commissioner, Transport Department, Uttarakhand on 06.02.2012. The replies of the Department during Exit Conference have been incorporated in the relevant paragraphs of the Performance Audit.

Audit findings

5.2.7 Status of Computerisation in the State

There are four RTOs and 11 ARTOs in the State and the Computerisation of these RTOs and ARTOs was started with the implementation of VAHAN in R.T.O, Dehradun on pilot basis in the year 2003. NIC was entrusted with the responsibility of supply of the software of VAHAN and SARATHI and its installation and implementation. A State Govt. Undertaking namely M/s HILTRON was entrusted with the work of supply, installation and benchmarking of computers, peripherals, servers and networking equipments. The work of computerisation was completed by the undertaking in two phases as mentioned in the table-5.2.1 below:

[5] RTOs; Dehradun, Pauri, Nainital.
[6] ARTOs: Rishikesh, Haridwar, U.S.Nagar, Rudraprayag, Kotdwar.
[7] Check Post : Rudrapur, Kashipur, Narsen.

Table-5.2.1

Phase	Name of the RTOs	Name of the ARTOs	Date of completion
I	Dehradun, Pauri, Nainital and Almora	Haridwar, Rishikesh, Kotdwar, Udham Singh Nagar and Tanakpur	March 2007
II	Nil	Tehri, Uttarkashi, Karanprayag, Rudraprayag, Pithoragarh and Bageshwar	March 2010

Thus,it would be seen from the above, that it took about seven years to complete the computerisation of MVT Department since its inception in 2003 at RTO, Dehradun. Even the State Government undertaking took four years to complete the project of computerisation in the State.

Balance fund with HILTRON

Against total fund of ₹ 5.11 crore disbursed to M/s HILTRON, they have submitted expenditure statement of ₹ 4.27 crore. Thus, balance fund of ₹ 83.99 lakh are still outstanding with M/s HILTRON since the year 2009.

During Exit Conference the Department stated that M/s Hiltron has been directed (July,2011) for depositing the amount in the treasury.

5.2.8 Absence of Internal Audit and physical verification of Assets

We noticed that no internal IT audit was conducted to get an assurance on the working of the computerised system in RTO and ARTO offices. The headquarter office issued a circular on 18 August 2008 for maintenance of IT asset register and its physical verification. We noticed that though the register was maintained, no physical verification of the IT assets was conducted in any of the units checked by us.

We recommend that the Government may ensure that internal/IT audit inspection are conducted as part of the internal controls mechanism.

5.2.9 Manpower Management and training of staff

Any IT system though initially developed/ implemented through outsourcing has to be invariably taken over by the Department eventually, by developing expertise within the Department. Though the employees of the Department handle entire data entry at the Departmental counters, yet the database administration is handled by outsourced agency. In spite of the importance of the data and data confidentiality, the Department could not develop technical expertise within the Department.

The sanctioned strength *vis-a-vis* effective strength of the Transport Department for the period from 2008-09 to 2010-11 is given in the table-5.2.2 below:

Table-5.2.2

Cadre	Sanctioned Strength			Men in Position			Shortage		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
Group A	11	11	11	06	06	06	05	05	05
Group B	59	59	59	12	20	28	47	39	31
Group C	476	476	476	270	276	289	206	200	187
Total	**546**	**546**	**546**	**288**	**302**	**323**	**258 (47%)**	**244 (45%)**	**223 (41%)**

From the above table, it is evident that there is a considerable shortage of man power of 41 to 47 *per cent* from 2008-09 to 2010-11 in the Transport Department which adversely impacted the regular functioning of the Department.

During Exit Conference the Department stated that the appointment/promotions are in progress for filling up vacant posts. The Department further stated that on job training has been imparted to the staff by NIC, but the results were not upto the mark. Due to non availability of expertise, NIC has provided a data base administrator for each office.

5.2.10 Partial computerisation of VAHAN- Absence of Interlinking of RTOs

One of the objectives of computerisation was automatic flow of data from one RTO/ARTO to another RTO/ARTO.

We noticed though all RTOs and ARTOs were computerized, they were neither interlinked with each other nor with the Transport Commissioners' office at Dehradun.

Our test check of the records revealed that 16 vehicles registered in RTO, Dehradun and 17 vehicles registered in ARTO Rudrapur paid additional tax at ARTO Tehri, Haridwar, Rishikesh and RTO, Haldwani respectively. Due to non-interlinking of the RTOs/ARTOs, tax clearance certificate could not be issued by RTO, Dehradun and by ARTO, Rudrapur, till the owners of the vehicle produced proof of payment of additional tax. Thus in the absence of interlinking the intended objectives of computerisation such as online transmission of data to all other offices, cross verification, duplicate registration of vehicles, elimination of bogus duplicate licences etc. could not be achieved in full.

During Exit Conference, the Department stated that RTO/ARTO offices have been connected with broadband/VPN and a lease line has been provided in the Office of the Commissioner, Transport Department. Though the data is available at State NIC unit, its availability shall also be made at Headquarters' office after consultation with NIC.

5.2.11 Maintenance of State/National Register

The State Consolidation Register (SCR) and the State Register (SR) is being maintained by the NIC unit, Dehradun. The data is also sent to the National Register from the State Register. The formats have been designed in consultation

with the State Government as well as Ministry of Road Transport & Highways (MoRTH). The backup of the data is taken up in a standby server and a portable hard disk and the same is sent to NIC unit, Dehradun through broadband VPN by the field offices for consolidation and preparation of SCR and SR.

On being approached, the NIC unit, Dehradun, stated that the SCR and SR have been completed and the State Government has been requested to launch the same. The details of legacy data was not provided to us, however the Transport Commissioner intimated that 80-90 *per cent* of the old driving licenses and 25-30 *per cent* of the old registrations are yet to be fed in the database. This indicated that the State Register and National Register are incomplete to that extent.

During Exit Conference, the Department stated in reply that the backlog data entry of the old driving licence is done when the licence is received for renewal or any other process. As the old driving licences were in large number, a policy was needed to be framed in this regard. As regards the backlog data entry of registration of old vehicles, the data entry in respect of transport vehicles had nearly been completed. However the RTO/ARTO had been directed again to complete the backlog data entry.

We recommend that the State Government may take necessary steps for feeding the backlog of licenses/registrations.

5.2.12 Non-Computerisation of the Check Posts

Check posts are important enforcement points where vehicles are checked for possession of valid permit and payment of tax. Overloading of goods in the goods vehicle is also checked at the Check Posts. Though the Department had an objective of computerisation of the Check Posts, it was not implemented till date. We further noticed that no separate proposal was prepared for computerisation of the Check Posts. There are nineteen regular and five seasonal Check Posts in the State and our test check in one of the Check Posts at Kashipur revealed that it did not have the basic infrastructure facility like accommodation required for installation of computers.

During Exit Conference, the Department stated that the proposal for computerisation of check posts was being prepared. After approval from the Government, further action would be taken.

Mapping of Business Rules

5.2.13 Non-Mapping of CMV Rule 33 relating to Trade Certificate in VAHAN

Rule 33 of Central Motor Vehicle Rules, 1989, stipulates that a motor vehicle in possession of a dealer shall be exempt from the necessity of registration subject to the condition that he obtains a trade certificate from the concerned Registering Authority. The trade certificate shall be in force for a period of twelve months

from the date of issue or renewal. The certificate is required to be renewed annually on payment of prescribed fee.

In test checked three RTOs and five ARTOs, we found that trade certificates were being issued manually. No module for issue, renewal and collection of fee for the trade certificates was provided in the VAHAN software developed by the NIC. Our test check of the records in two[8] RTOs and two[9] ARTOs revealed that the trade certificates had not been renewed timely. The delay in renewal ranged from three months to two years.

Further, in ARTO Haridwar, two dealers applied for issuance of 211 trade certificates for which a fee of ₹ 21,100 was deposited against a fee of ₹ 42,200. Thus the dealers short deposited ₹ 21,100. Non-availability of a module in the software for issuance of trade certificates, resulted in lack of a check on the prescribed fee to be deposited besides renewal of trade certificates by the dealers in time.

During Exit Conference the Department stated that the software for issuance of Trade certificate would be developed in consultation with State NIC unit.

5.2.14 Non-mapping of Section 6(5) of the Uttarakhand Motor Vehicle Taxation Reforms Act, 2003, relating to Accident Relief Fund in VAHAN

As per Section 6(5) of the Uttarakhand Motor Vehicle Taxation Reforms Act, 2003, where a public service vehicle is wholly or partially exempt from the payment of additional tax by or under the Act, a surcharge for the purpose of fund established under Section 8 known as "Uttarakhand Road Transport Accidents Relief Fund" shall be levied @5% of the additional tax which would be due if not exempted.

We found that the given Rule was not mapped in the VAHAN software and the fund was being recovered manually only in two ARTO offices whereas in remaining six RTOs/ ARTOs it was not being realised at all. Absence of the provisions resulted in non-realisation of the fund in these RTOs/ARTOs.

Thus, the above facts indicate that the Department should map the provisions relating to issue of Trade Certificate and Accident Relief Fund in VAHAN so that there is timely renewal of the trade certificates and uniformity in realisation of Accident Relief fund.

During Exit Conference, the Department stated that calculation of Accident relief fund, as suggested by the audit, would be made through software after consultation with NIC.

We recommend that the Department may consider mapping of business Rules like provisions relating to issue of Trade Certificate and Accident Relief Fund in VAHAN.

[8] RTO, Dehradun and Pauri.
[9] ARTO, Rishikesh and Haridwar.

5.2.15 Incorrect Mapping of distances in Tax Table of VAHAN

As per Article I of Fourth Schedule of Uttarakhand Motor Vehicle Taxation Reforms Act, 2003, the rates of additional tax for stage[1] carriage (per seat per quarter) is ₹ 154/146 (Plain/Hill) for a distance run up to 4500 Km and if the distance exceeds this limit, ₹ 0.04 per Km/seat shall be added to the amount prescribed up to 4500 kms. Further, explanation (1) below the Schedule indicates the total quarterly tax payable shall be such number of times of the rates given, as the maximum number of seats permitted by the registering authority. The additional tax is being calculated by the software and the mandatory fields to be entered in the computer are the distance covered per quarter and total number of seats.

We noticed in the additional tax payable by stage carriages covering distance of more than 4,500 kms was not worked out correctly by the system. The System did not take into account initial distance of 4,500 km for the purpose of calculating the tax. The data entry operator had to add a fixed distance to arrive at correct amount of tax as mentioned in the table-5.2.3 below:

Table-5.2.3

Actual Distance Covered	Tax calculated by the system per seat per quarter	Distance fed into the system for arriving correct amount of tax	Actual Tax payable per seat per quarter	Remarks
9,000 Kms	₹ 180	12,648Kms	₹ 326	A hit and trial method was applied by the Department and distance is increased till the amount matches with the appropriate additional tax.
7,200 Kms	₹ 108	10,848 Kms	₹ 254	

After we pointed this out, RTO,Pauri and ARTO,Rudraprayag while accepting the observation stated that the software calculates short additional tax when original distance is fed. As such the distance is increased so as to arrive at tax due. ARTO, Kotdwar has stated that the matter would be investigated and action taken under intimation to audit.

During Exit Conference, the Department while admitting the audit observation stated that the software was being modified in consultation with NIC.

We found that in ARTO Haridwar while digitising legacy data incorrect rates of taxes were fed against Air Conditioned buses. The rates of taxes was ₹ 255 per seat per month while rate of ₹ 225 per seat per month applicable to deluxe bus was incorrectly fed in four cases while in other cases the AC bus was charged ₹ 160 per seat per month as applicable to ordinary bus. This data entry error resulted in short recovery of additional tax of ₹ 0.61 lakh for five AC buses per year.

During Exit Conference, the Department, while accepting the audit observation, stated that notice would be issued and differential amount be recovered. Besides, the software would be modified accordingly after consultation with NIC.

We recommend that the Department may consider updating the tax module to ensure that correct distances are mapped into the system so as to avoid manipulation of distances by the data entry operators.

5.2.16 Non-Mapping of business rules relating to penalty in Enforcement Module

We found that the Enforcement module was in operation in the State. The Mobile squad checks the vehicle and in cases of offences, challans those vehicles (in the form PB Books) that commit an offence in Public Place. The vehicle owner is given four months' time to present his case before the concerned RTO/ARTO and in case he fails to do so, a suit is filed against the owner in a court of Law.

Though, the software module contains details of the offences mentioned in the Acts/Rules, it does not contain rates of penalty, leviable against each offence, notified by the State Government vide Notification no. 153 dated 15 July 2009. The Department prepares a 'Crime Register' manually and the offence is fed in the database. In the absence of rates of penalty being mapped, there was no transparency in levy of penalty/fine as it was being calculated manually. We also found that there was no system (like SMS alert/online connectivity on spot) under which the enforcing agencies after challan for offending vehicles on the road could send a message immediately so that the offence of the vehicle was fed in the database without any delay.

Our scrutiny of the records in three[10] RTOs, four[11] ARTOs and one Check post at Rudrapur, revealed that in 95 cases[12] challans were issued to the offending for overloading, non production of driving license, fitness certificates, non registration of vehicles, etc. However, penalty in these cases was levied incorrectly by the concerned RTOs /ARTOs resulting in short levy of penalty of ₹ 1.33 lakh.

During Exit Conference, the Department stated in reply that revised circulars were received late by RTO/ARTOs which resulted in loss of revenue. However action was being taken for recovery.

We recommend that the Government may direct the Department for mapping of the rates of the penalty in the system and also devise a method so that the challan details are immediately sent and fed in the database of the concerned office.

5.2.17 Non-mapping of rates of additional tax payable by city bus in VAHAN

Stage carriage permit is allotted to vehicles plying on a particular route. These include vehicles plying within and outside the municipal limits. For both, the rates of additional tax are different. In case of vehicles plying on a fixed route, the

10 RTOs, Dehradun, Pauri and Nainital.
11 ARTOs, Rishikesh, Haridwar, U.S.Nagar and Rudraprayag.
12 RTOs Dehradun=13, Pauri=14, Nainital=17 ARTOs.
Rishikesh=21, Haridwar=1,U.S.Nagar=12, Rudraprayag=10 and Check Post Rudrapur=7.

distance field is mandatory for calculation of additional tax. However, for vehicles plying within municipal limits the rate of additional tax is fixed.

Our scrutiny in RTO, Pauri and Dehradun revealed that additional tax payable by the stage carriages plying in the city was being collected but there was no option in the software for calculation of additional tax for such buses. In both the units, in the absence of option for city buses, the additional tax was recovered using the option of contract carriage or Private Service vehicle permit.

During Exit Conference, the Department stated that steps would be taken for providing option of city bus in the software, after consultation with NIC.

We recommended that the software needs to be modified and option for city buses provided.

Data Accuracy

5.2.18 Short realisation of additional tax due to incorrect feeding of rates in the software

As per the provisions of Third Schedule (A) of the Uttarkhand Motor vehicles Taxation Reform Act, 2003, the rate of additional tax on goods carriages operating on hill routes shall be calculated at the rate of ₹ 210 and on plain routes at the rate of ₹ 85 per metric ton of gross vehicle weight of the vehicle or part thereof.

Our test check of database of RTO,Dehradun and ARTO, Rishikesh, revealed that while working out the additional tax of four vehicles plying on hills the option of plain instead of hill was fed in the software. This resulted in short payment of additional tax of ₹ 0.51 lakh for the period between January 2006 and September 2011.

After we pointed this out, RTO,Dehradun, while accepting the observation replied that differential amount of ₹ 0.34 lakh had been recovered in respect of three vehicles. However ARTO,Rishikesh while accepting the observation replied that the notice would be issued for recovery.

Further, in RTO, Dehradun and ARTO,Rishikesh, in case of two contract carriage vehicles less additional tax had been recovered by entering wrong option of permit resulting in short charge of additional tax of ₹ 1.46 lakh. We noticed that incorrect rate of additional tax was applied due to manual intervention in the software.

During Exit Conference, the Department stated that the incorrect rate was applied due to selection of wrong option. However the software would be modified in consultation with NIC.

We recommend that the Department may consider the provision of locking the permit option in the software for each vehicle so as to arrest such irregularities and leakage of revenue.

5.2.19 Inaccuracies in VAHAN data

The registration of the vehicles is mandatory for transport[13] as well as non transport[14] vehicles. After Departmental computerization, the data of the vehicles registered is fed in database.

Our scrutiny of the data/ records relating to the registration of the vehicles revealed the following inadequacies:

There is a basic input control check for uniqueness of the engine number and chassis number for two different vehicles in the software. If same engine or chassis number is fed for two vehicles, the computer shows a message of duplicacy.

- A test check of the data relating to the registration of the vehicles in RTO, Pauri and ARTO, Kotdwar revealed that the engine number was same as the chassis number in seventeen cases due to wrong feeding of data. On cross verification with the records/Sale letters, Form 22, stencils of these vehicles, we found it to be different. As a result, some vehicle owners are in possession of Registration Certificate (RC) with wrong chassis/engine number.
- During test check of data fed in the database in RTO, Dehradun, we noticed that 21 buses have been registered under the name of various firms but wrong ownership code as "individual" instead of "firm" has been entered in the field provided for registration of the vehicles.

Thus, the above irregularities show the lapse on the part of the supervisory level staff in verification of the data entry before its approval.

As per Form 20 (Rule 47), every purchaser of the vehicle has to submit his Permanent Account Number (PAN) at the time of registration of the vehicle. The PAN field was blank in respect of all the vehicles registered. In 92 cases the insurance cover note number was left blank. In seven cases, Form 20 had not been signed by the owner and the vehicles had been registered. In 10 cases, Form 34 (Hypothecation) was blank and bore only the seal and signatures of the financer.

All the above inaccuracies affected the correctness of the Vahan database. After we pointed this out, the units while accepting the observations replied that those had been noted for future guidance.

During Exit Conference, the Department while admitting the audit observation stated that the errors were being rectified by the concerned offices and instructions had been issued to be vigilant in future.

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[13] A transport vehicle is a vehicle which is used for commercial purpose *viz*; stage carrier, truck, goods vehicle *etc.*

[14] A non transport vehicle is a vehicle used for non commercial purpose *viz*; motor cycle, motor car *etc.*

5.2.20 Manual Cash Receipts not entered in database

We noticed that whereas the computer showed the details of the amount for which the computerised receipt had been issued, the receipts which had been issued manually were not entered in the database. The details of the amount received manually as well as through computer were monitored through subsidiary and main cash book.

Hence, the system did not have the provision for entering the details of manual receipts. Thus all transactions were not being monitored by the computerised system, leaving chances for misappropriation.

During Exit Conference, the Department stated that NIC would be consulted for entering the manual receipts in the database.

We recommend that the software needs to be modified solve the problem of non-monitoring of all transactions to avoid chances of misappropriation.

Data Security

5.2.21 Absence of Validation checks in issue of fancy/choice number

As per circular (No. 821/ix/587/2007 dated 12.12.2007) any choice number reserved by the vehicle owner should not exceed one thousand numbers ahead of the last number assigned, on the date of reservation of such choice number. There is a separate module in the software as "Advance number allotment". Fancy/ choice number reserved shall be allotted to the vehicle owner and such vehicle should be presented within thirty days from the date of reservation, failing which the reservation shall be cancelled and the number shall be allotted to another person requesting for allotment, after payment of such fee as prescribed.

We noticed in two[15] RTOs and four[16] ARTO offices that 46 choice numbers were issued beyond one thousand numbers of the last number assigned on the date of reservation. Further, our test check of the records relating to issue of fancy/ choice numbers in three[17] RTOs and four[18] ARTO offices revealed that twenty five fancy/ choice numbers were allotted to the vehicles presented and registered after more than thirty days from the date of reservation of such numbers. The delay ranged from two to three months. In five cases, the registration number was reserved in January 2008 but the vehicles had not been produced till the date of audit i.e. August/September 2011 and no action had been initiated in this regard.

We noticed that the software was not customised for automatic cancellation of these fancy/ choice registration numbers after thirty days, as required to be done as per Departmental instructions. It also did not have necessary validation check for issuance of the choice number within one thousand series of the last number assigned on the date of reservation of such number.

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[15] RTOs Dehradun and Pauri.
[16] ARTOs Rishikesh, Haridwar, Udham Singh Nagar and Rudraprayag.
[17] RTOs Dehradun, Pauri and Nainital.
[18] ARTOs Rishikesh, Haridwar, Kotdwar and Rudraprayag.

During Exit Conference, the Department while admitting the observation stated that NIC would be requested to put necessary validation checks.

We recommend that the Department may customise the software for automatic cancellation of these fancy/choice registration numbers if the vehicle is not presented for registration within thirty days. Besides, validation check should be provided for issuance of the choice number within one thousand series of the last number assigned on the date of reservation of such number.

5.2.22 Transaction on Holidays

As per the existing procedure, the Transport Department does not work on Sundays and other holidays and the transactions are closed on Sundays and holidays. Our scrutiny of the data in ARTO Haridwar, revealed that in 869 cases the registration were shown as issued on second Saturdays and Sundays and even on national holiday (26 January) and 445 transactions relating to fee were made on Sundays and holidays.

During Exit Conference, the Department stated that the transactions on holidays and Sundays were made on the orders of the concerned controlling officers. However, in order to avoid any misuse, a provision in the software for noting the "authority under whose orders the office was opened" could be made. For this necessary steps would be taken after consultation with NIC.

5.2.23 Non-maintenance of database of stolen vehicles

The information relating to the vehicles registration number, chassis number, vehicle type, engine number *etc*. have to be shared by the Police Department for initiating action in the cases of theft, loss *etc*. The VAHAN software provides a module for stolen vehicles. Database of stolen vehicles is to be maintained to prevent any transaction of these vehicles till the vehicle is reclaimed as normal. Cross check of the list of the stolen vehicles provided by the Police Department, with the data fed in the computer, revealed that the units did not maintain any database of stolen vehicles.

During Exit Conference, the Department stated that the Police Department had been requested to nominate an officer so that user id could be provided to access National Register database. As soon as the officer is nominated, the user id would be provided.

The Department has thus not put in place a mechanism to receive information on stolen vehicles and have thus not implemented the existing module for stolen vehicles, in VAHAN.

SARATHI

5.2.24 Lacunae noticed in issue of driving licence

An individual desiring to obtain a driving licence is initially issued a learner's licence after passing preliminary learner's licence test. The data relating to the

individual is captured when the learner's licence is issued and all the subsequent transactions are monitored through the data captured. After passing the driving test, a permanent driving licence is issued.

On scrutiny of "SARATHI" software related to issuance/ renewal of driving licence, we observed that:

- In six units the learner's licence test was conducted verbally while in two units written test was being conducted. Further, in ARTO Kotdwar, applicants obtaining 50 *per cent* marks had been declared as passed whereas the minimum pass percentage is 60 *per cent* as per the CMV Rules, 1989.
- As per Circular dated 18 July 2006 from Transport Commissioner Office, maximum number of driving licences issued per working day should not exceed 50. These instructions were issued to upgrade the quality of test of driving skill keeping in view the number of accidents.

On scrutiny of the data relating to issuance of driving licence in RTO Dehradun and ARTO Haridwar, we observed that 1,62,517 and 74,807 driving licences were issued in the year 2009-10 and 2010-11 respectively. From the data it is evident that an average of 270 and 124 licences were issued per working day which defeated the objective of upgrading the quality of test of driving skill, as envisaged by the Department :

- The Department does not have a database of the cancelled driving licences of the persons involved in fatal accidents. Therefore, their details were not put on Departmental website.

On scrutiny of the manual records/files in two[19] RTO and four[20] ARTO offices relating to the issue of driving licence, we observed that:

- in 21 cases, the form of application for licence to drive a motor vehicle (Form 4) did not bear the signature of the applicant, yet the licence had been issued;
- in 27 cases, the signature of the applicant on the application form was different from the digital one on the licence;
- in five cases, there was no photo pasted on the application form (Form-4);
- two out of five cases relating to renewal of licence where the applicants' age was above fifty years, the medical certificate required was not enclosed and the photo pasted on the medical certificate was different from the one on the licence in three cases;
- as per the CMV Rules, 1989, the consent of parent or guardian is a must in case of minors applying for a licence to drive a motor cycle without gear. In nine cases, consent certificate had not been obtained before issue of licence; and
- in 13 cases, where the driving licence had been allotted to drive Light Motor Vehicle (LMV), the registration number noted, in respect of the vehicle by which the driving test had been held was of motor cycle instead of LMV and

[19] RTOs Dehradun and Pauri
[20] ARTOs Rishikesh, Haridwar, Udham Singh Nagar and Rudraprayag

in two cases where the licence to drive motor cycle had been issued, the registration number of the vehicle used for driving test was of LMV.

The above instances show inadequate supervisory controls of RTO officials over conducting of driving tests for learners/regular licenses; documentation and licences issued.

During Exit Conference, the Department stated that the errors had been rectified and the instructions had been issued to be vigilant and ensure that the errors did not recur. Further, 'SARATHI' software had a provision for learners' licencee test but additional hardware was required for making it operational. On the basis of budget availability, steps would be taken to make it operational with the help of NIC.

5.2.25 Other Implementation Issues

5.2.25.1 Non-renewal of fitness certificate

Section 56 of the Motor Vehicle Act, 1988 (MV Act) provides that a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness issued by the prescribed authority. Further, Rule 62 of the CMV Rules 1989 provides that fitness certificate granted under the Act in respect of a newly registered transport vehicle is valid for two years and thereafter requires to be renewed every year on payment of prescribed fee.

As per the information supplied by the sampled units audited, the comparative position of transport vehicles along with fitness certificates issued is given in the table-5.2.4 below:

Table-5.2.4

Sl. No.	Name of Units	Total number of vehicles due for fitness (2007-08 to 2010-11)			Total number of vehicles for which fitness not done (2007-08 to 2010-11)		
		Heavy	Medium	Light	Heavy	Medium	Light
1.	R.T.O Dehradun	6,712	1,450	8,445	201	88	270
2.	A.R.T.O. Kotdwar	1,578	419	5,566	14	27	149
3.	A.R.T.O. Rudraprayag	141	154	1,675	10	13	94
Total		**8,431**	**2,023**	**15,686**	**225**	**128**	**513**
		26,140			**866**		

From the above table it is evident that out of 26,140 vehicles, fitness certificates of 866 vehicles was neither renewed nor was any action initiated against the vehicles plying without fitness. There was no structured mechanism to record and follow up the requirement of obtaining the fitness certificate.

During Exit Conference, the Department stated that the fitness fee is collected only from the owners who produced their vehicle for fitness and late fee was charged for fitness after due date. In addition to this, during on road checking, penalty was imposed on the vehicle plying without fitness certificate. The reply of the Department is not acceptable as there was no structured mechanism to record and follow up the requirement of obtaining fitness certificate.

5.2.25.2 Non-realisation of fitness fine

As per Rule 81 of CMV Rules, 1989, the fees for conducting test for grant/ renewal of certificate of fitness is ₹ 200 in case of Light Motor Vehicle (LMV), ₹ 300 for Medium Motor Vehicle and ₹ 400 in case of Heavy Motor Vehicle. Further, in case of late fitness a fine equal to the fee due shall be paid as per UP Motor Vehicle Rules, 1998 (as adopted in Uttarakhand). The fitness fee as well as fine, if any, is being calculated by the software.

We noticed that the software did not show up information in 22 cases pertaining to two[21] ARTO offices though the vehicles obtained their fitness after due date. This resulted in non realisation of fine of ₹ 7,400.

During Exit Conference, the Department, admitting the observation, stated that in case of one vehicle the amount had been recovered while in case of four vehicles notices had been served. For other vehicles also the recovery would be made.

5.2.26 Non-assignment of registration numbers to vehicles transferred from other States

Section 47 of the Motor Vehicle Act, 1988 read with Rule 54 of the Central Motor Vehicle Rules, 1989 provide that when any motor vehicle which is registered in a State, is kept in another State for a period of more than twelve months, then the owner of that vehicle, within a period and in the format prescribed by the Central Government , shall apply for registration to that Registering Authority under whose jurisdiction that vehicle plies at that time and produce the registering certificate to that Registering Authority.

The information provided by two RTOs and three ARTO units out of the sampled units relating to the assignment of registration numbers for the vehicles registered in other States and transferred to this State is given in the table-5.2.5 below:

Table-5.2.5

Sl. No	Name of Unit	Total number of vehicles due for assignment of registration number (2007-2008 to 2009-2010)			Total number of vehicles assigned with registration number (2007-2008 to 2009-2010)			Pending vehicles for assignment of new registration number (2007-2008 to 2009-2010)			Total Assignment fee for vehicles pending assignment (2007-2008 to 2009-2010) (₹ in thousand)		
		Heavy	Medium	Light	Heavy	Medium	Light	Heavy	Medium	Light	Heavy	Medium	Light
1	R.T.O. Dehradun	256	24	61	52	07	13	204	17	48	204x0.6= 122.40	17x0.4= 6.80	48x0.3= 14.40
2	R.T.O. Nainital at Haldwani	1063	20	24	17	-	01	1046	20	23	1046x0.6= 627.60	20x0.4= 8.00	23x0.3= 6.90
3	A.R.T.O. Rishikesh	86	02	09	25	01	06	61	01	03	61x0.6= 36.60	01x0.4= 0.40	03x0.3= 0.90
4	A.R.T.O. Haridwar	17	12	17	08	04	05	09	08	12	09x0.6= 5.40	08x0.4= 3.20	12x0.3= 3.60
5	A.R.T.O. Kotdwar	16	01	94	16	-	76	--	01	18	--	01x0.4= 0.40	18x0.3= 5.40
Total		**1438**	**59**	**205**	**118**	**12**	**101**	**1320**	**47**	**104**	**792.00**	**18.80**	**31.20**
Grand Total				**1702**			**231**			**1471**			**842.00**

As per the above table, it is evident that out of 1,702 vehicles, only 231 vehicles were assigned new registration numbers whereas 1,471 vehicles were not

[21] ARTOs Haridwar and Rudraprayag.

assigned new registration numbers in the State. Thus, the Department was not prompt in registering these vehicles, though they had relevant data with them, resulting in incomplete and unreliable data in Vahan, besides non realisation of revenue of ₹ 8.42 lakh for assignment fee.

The number of such vehicles, for the State as a whole, would be much more.

During Exit Conference, the Department while accepting the audit observation, stated that instructions were being issued to all the registering officers to run special drive for assigning the registration numbers of the State for transport vehicles registered in another States and transferred to this State.

5.2.27 Grant of tourist permit beyond permissible age of vehicle

As per Rule 82 (2) (a) of the CMV Rules, 1989 read with explanation below the Rule, a tourist permit shall be deemed to be invalid from the date on which the motor vehicle covered by the permit completes eight years in case of maxi cab unless the motor vehicle is replaced. The period of eight years shall be computed from the date of initial registration of the motor vehicle.

During scrutiny of the records of the Transport Commissioner office relating to issue of tourist permit to Maxi cabs, we noticed that the permits had been allotted to 18 vehicles (Maxi cabs) for a period of nine years instead of eight years as admissible.

During Exit Conference, the Department, while admitting the audit observation, stated that the permits had been cancelled in case of ten vehicles and in case of six vehicles notice had been issued. Further in order to provide a check in the software regarding the age limit of the vehicle, necessary steps would be taken in consultation with NIC.

5.2.28 Preparedness for facing adverse circumstances

- The field offices audited so far revealed that the standby server had been installed in each office so as to immediately resume the work in case of server failure due to fault or crash.
- In some field offices the antivirus had not been updated, making the system susceptible to virus attacks and corruption of data.
- In four units, including the Transport Commissioner office, the fire safety measures like fire extinguisher, fire alarm and smoke detection systems were either not in adequate number or were not in place.

During Exit Conference, the Department stated that due to lack of budget, antivirus and other security measures could not be provided earlier. After implementation of user charges budget is being provided to the offices for antivirus and other security measures.

5.2.29 Discrepancies in Manual records/statements with computerised data

The statements S4[22] and S5[23] is to be sent to the Headquarter office by each field office. A cross verification of the registration data of the vehicles with the statement S4 and S5 in three[24] RTO and two[25] ARTO offices revealed that the figures shown in the statements did not tally with the data fed in the database. Thus the information generated out of the system may not be authentic and reliable.

During Exit Conference, the Department stated that the difference in the annual statement with the database was due to non feeding of backlog data in the database. However, in case of monthly statement, the Department assured that there would be no error in future.

5.2.30 Non-levy of additional tax on Industrial buses

As per section 3 of Uttarakhand Motor Vehicle Taxation Reforms Act, 2003 read with Rule 28 and 29 of Uttarakhand Motor Vehicle Taxation Reforms Rules, 2003, there is no provision for exemption of additional tax on industrial buses, i.e. additional tax is leviable.

Our scrutiny of the records in two[26] RTOs and one[27] ARTO office revealed that 27 industrial buses have been exempted from additional tax resulting in non levy of additional tax of ₹ 6.73 lakh per year.

During Exit Conference, the Department stated that out of 20 vehicles in Haridwar and Dehradun, 15 vehicles had been allotted Private Service vehicle permits, four vehicles were surrendered for which additional tax was not to be recovered and one vehicle plied under Uttatrakhand Transport Corporation for which the additional tax was paid by the corporation. The reply is not correct as no exemption has been granted to industrial buses under the Act or Rules made there under. Besides, we also found that the Department had already levied additional tax on industrial buses. This indicated that there was no uniformity in levy of additional tax for such buses.

5.2.31 Short levy of Road tax on Utility vehicles

As per the provisions of Article II, Part D of the First schedule of the Uttarakhand Motor Vehicle Taxation Reform Act, 2003, vehicles plying on hire for the conveyance of limited number of passengers and the transport of a limited quantity of passenger goods, the tax is payable under Article I, Part D of the same schedule in respect of the authorized number of passenger seats in addition to tax for every metric ton of the vehicle or part thereof.

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22 A monthly statement depicting total number of vehicles registered in a month.
23 An annual statement depicting progressive total of registered vehicles ending that year.
24 RTOs Dehradun, Pauri and Nainital.
25 ARTOs Rishikesh and Haridwar.
26 RTOs Dehradun and Nainital.
27 ARTO Haridwar.

Our test check of the software in two[28] RTOs and five[29] ARTOs revealed that road tax was incorrectly levied at the rate of ₹ 255 instead of ₹ 365 per vehicle per quarter on 1377 vehicles[30] resulting in short realisation of road tax of ₹ 6.06 lakh per year.

During Exit Conference the Department stated that necessary changes in the software for calculation of tax and additional tax, as per provisions of the Uttarakhand Motor Vehicles Taxation Reform Act, 2003, would be made in consultation with NIC.

5.2.32 Short levy of one time Road tax on Private vehicles

As per Part B of First Schedule of the Uttarakhand Motor Vehicle Taxation Reform Act, 2003, one time road tax in case of private vehicles shall be calculated at the rate of 2.5 *per cent* of the value of the vehicle. The tax is levied on the value shown in the sale invoice.

Our test check of the records in RTO Pauri and ARTO, Kotdwar revealed short charge of one time road tax in case of 23 vehicles, as the amount of VAT shown in the sale invoice was not taken while feeding the value of the vehicle in the fields provided in the module for registration. This resulted in under charge of one time road tax of ₹ 0.20 lakh in respect of these vehicles.

During Exit Conference,the Department, admitting the audit objection, stated that recovery from two vehicles had been made by ARTO, Kotdwar and notices were being issued by RTO, Pauri for recovery.

5.2.33 Misclassification in registration of vehicles

Section 4(2) of the Uttarakhand Motor Vehicle Taxation Reforms Act, 2003 provides that no transport vehicle shall be used in any public place unless a tax at the rates applicable to such motor vehicle, as specified in Part D of the First Schedule has been paid in respect thereof. Further, Private Service vehicles are those that carry more than six persons ordinarily used by or on behalf of the owner of such vehicle in connection with his trade or business otherwise than for the hire or reward but does not include a motor vehicle used for public purpose. These fall within the definition of transport vehicle.

Our test check of the Private Service Vehicle Permits of seven vehicles in RTO Nainital and ARTOs Haridwar and Udham Singh Nagar revealed that vehicles were incorrectly classified as non-transport vehicle and were charged one time road tax, when these were required to be registered as transport vehicles and were liable to pay quarterly road tax and monthly additional tax. Misclassification in registering these vehicles resulted in non levy of Road tax of ₹ 1.19 lakh and additional tax of ₹ 5.78 lakh.

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[28] RTOs Dehradun and Pauri.

[29] ARTOs Rishikesh, Haridwar, U.S.Nagar, Kotdwar and Rudraprayag.

[30] RTOs Dehradun=1027,Pauri=62, ARTOs Rishikesh=183,Haridwar=34,U.S.Nagar=13, Kotdwar=30 and Rudraprayag=28.

During Exit Conference, the Department stated that all the RTO/ARTOs were being instructed that Private service vehicles would not be charged with one time road tax.

5.2.34 Conclusion

Though the computerisation through Vahan and Sarathi Application Systems has been completed in the Department over the period 2003-2010 but the backlog of the data relating to registrations of vehicles (25-30 *per cent*) and licences (80-90 *per cent*) issued prior to computerisation was not completed which defeated the purpose of having a complete database of all the licences issued and registrations made. In this way, the status of State Consolidation Register (SCR) and State Register (SR) is incomplete to that extent. Computerisation of Check Posts could not be done. The intended objectives of computerisation of RTO and ARTO offices could not be achieved in full due to absence of the interlinking of field offices and the Headquarters' office. The mapping of Business Taxation Rules was not ensured in the Vahan software due to which taxes on city buses, trade certificate and Accident Relief Fund were not collected. Various software deficiencies necessitated manual interventions particularly in calculation of taxes. Misclassification in registration of vehicles led to non levy of road tax and additional tax. Taxes/Fees collected manually were not entered in the computerised database leaving it vulnerable to misappropriation. Due to wrong feeding of data, some vehicle owners were in possession of Registration Certificates with wrong chassis/engine numbers. In some cases, wrong ownership code as "individual" instead of "firm" has been entered in the field provided for registration of vehicles. The maximum number of driving licences issued should not exceed 50 in a day but the average number of driving licences issued in a day touched even 270 which compromised the quality of test of driving skill. The Department could not utilise the system to exercise the control on the issue of fancy/choice numbers. Cross check of list of stolen vehicles provided by the Police Department, with the data fed in the computer, revealed that the units did not maintain any database of stolen vehicles in absence of any coordination mechanism. Besides, there were cases of short charge of penalty in challans of offending vehicles, non-renewal/non-realisation of fitness certificate/fitness fine, non-assignment of registration numbers to vehicles transferred from other States and grant of tourist permit beyond permissible age of vehicles. The internal controls within the Department were weak as evidenced by absence of an internal IT audit wing. Efforts were not made to develop technical expertise within the Department to handle database administration.

5.2.35 Recommendations

The Government may consider implementation of the following recommendations for rectifying the system and other issues:

- feeding of backlog data entry of old registrations and licences for a complete database for State Register and National Register;

- develop the modules in the software for city buses, trade certificate and Accident Relief Fund;
- ensure the internal/IT audit inspection and strengthening the internal control at various levels to ensure data completeness and correctness;
- undertake the training of the staff on priority basis which would reduce dependency on the outsourcing agency and will be in the interest of data integrity;
- updating the tax module to ensure that correct distances are mapped into the system so as to avoid manipulation of distances by the data entry operators;
- interlinking of the field offices and the Headquarter office and to provide link to the Police Department to prevent transactions relating to stolen vehicles;
- the rates of penalty in the system should be mapped and the challan details should be immediately sent to the concerned offices and fed in the database for correct imposition of penalty;
- provision of locking the permit option in the software may be introduced so as to arrest irregularity of wrong option of permit and prevent consequential leakage of revenue;
- customise the software for automatic cancellation of the fancy/choice registration numbers if the vehicle is not presented within thirty days and provide necessary validation checks in the software to arrest irregularities related to issue of such numbers;
- ensure entries in database of manual cash receipts; and
- issue the driving licences within the prescribed limit of 50 per day to upgrade the quality of test of driving skills keeping in view the number of accidents.

COMMERCIAL TAX DEPARTMENT

5.3 Performance Audit on "Cross Verification of Declaration Forms in Inter State Trade and Commerce"

Highlights

- ***The Department did not issue the statutory forms serially which may lead to their misuse and loss of revenue.***

[Paragraph 5.3.9.1]

- ***The application software module, provided for filing of returns, could be made operational only in 2009-10, which resulted in non-feeding of returns prior to this period. The module for issuance of forms is yet to be operationalised fully. The computerisation of the Check Posts and their interlinking with offices has not been completed.***

[Paragraph 5.3.9.2]

- ***Due to partial operationalisation of software modules in TINXSYS, the forms relevant to Inter State transactions are not being uploaded at the Central server, thereby hampering the cross verification process.***

[Paragraph 5.3.9.3]

- ***The Department had no independent Internal Audit Wing and no internal audit of assessments was done during the period 2007-10.***

[Paragraph 5.3.9.5]

- ***On scrutiny of verification results, we observed that two selling dealers of the State claimed exemption on 'C' forms which were not found to be issued to the corresponding purchasing dealers. The tax involved on these fake forms was ₹6.78 lakh, besides penalty leviable.***

[Paragraph 5.3.9.6]

- ***Irregular concession/exemption was granted on photocopies of 14 'C' and 15 'F' forms. The tax involved in these irregular concessions/ exemptions was ₹17.39 lakh.***

[Paragraph 5.3.9.7]

- ***Irregular concession/exemption was allowed on 'C' forms covering transaction for more than one quarter, and on 'F' forms covering transaction for more than one calendar month. The tax involved in these irregular concessions/exemptions was ₹1.27 lakh.***

[Paragraph 5.3.9.8]

- ***Irregular concession was granted on purchase of goods, not covered in the Registration Certificate. This resulted in non-imposition of penalty of ₹10.16 lakh.***

[Paragraph 5.3.9.9]

5.3.1 Introduction

The Central Sales Tax Act,1956 (CST Act) read with the Central Sales Tax (Registration and Turnover) Rules, 1957 (CST Rules), CST (Amendment) Act, 1972 and the UP Trade Tax Act and Rules, 1948 as adopted by the Uttarakhand Government and CST Rules of Uttarakhand, 2006, stipulate that every dealer who in Inter State trade sells to a registered dealer, goods specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax of four *per cent* up to March, 2007, three *per cent* from April, 2007 to May, 2008 and two *per cent* from June, 2008 if such purchases are supported by declarations in Form 'C'. Transfer of goods claimed otherwise than by way of sale made by a registered dealer to any other place of business located outside the State is exempt from tax on production of prescribed declarations in Form 'F'. The Rules place considerable responsibility with regard to the safe custody and maintenance of accounts of the use of the declaration forms. To safeguard against the misuse of declaration forms, the Rules and Departmental Circulars provide for imposition of penalties.

The purpose of the Performance Audit is to assess whether the concessions and exemptions claimed on declaration forms have been correctly allowed by the Commercial Tax Department of the State of Uttarakhand.

5.3.2 Organisational Set up

The Commercial Tax Department in the State of Uttarakhand is divided into two zones viz. Kumaon and Garhwal with headquarters at Rudrapur and Dehradun respectively. There are four regions in these two zones. Under these four regions there are 21 Deputy Commissioners (Assessment) and 43 Assistant Commissioners (Assessment) as of March 2010. Besides, there are Check Posts and Trade Tax Offices as well. Overall control of the Department vests with the Commissioner, Commercial Tax with Headquarters at Dehradun.

5.3.3 Audit Objectives

The objectives of this Performance Audit are to:

- evaluate the adequacy, reliability and effectiveness of the system of receipt, issue and use of statutory forms;
- ascertain whether exemption/concession granted by the assessing authority was supported by original declaration forms;
- ascertain whether there is a system of cross verification for ascertaining genuineness of the forms for preventing evasion of tax;
- analyse the system of uploading the particulars in the TINXSYS website and the data available for verifying the correctness of forms;
- ascertain whether appropriate steps are taken on receipt and detection of fake, invalid and defective (without proper or insufficient details) forms and
- assess whether effective and adequate internal control mechanism existed in the Department.

5.3.4 Audit Criteria

We referred to the following Acts and Rules for the Performance Audit :

- Central Sales Tax Act, 1956;
- Central Sales Tax (Registration and Turnover) Rules, 1957;
- Central Sales Tax (Amendment) Act, 1972;
- Uttar Pradesh Trade Tax Act and Rules, 1948 as adopted by the Uttarakhand Government;
- Central Sales Tax Rules of Uttarakhand, 2006 and
- Departmental Manuals/Notifications.

5.3.5 Scope of audit and methodology

With a view to evaluate the extent of compliance with the provisions, system of operation, effectiveness and efficiency of verification of declaration forms, a Performance Audit was conducted from November, 2010 to January 2011. For this purpose, a test check of the assessment records of three Deputy Commissioners(Assessment) and seven Assistant Commissioners (Assessment) covering all assessments made in respect of Inter State trade during the period from assessment years 2004-05 to 2006-07, completed during the financial period 2007-08 to 2009-10, was carried out.

We received 862 'C' and 305 'F' forms from our Accountant General offices of other States for cross verification. We verified 701 'C' and 235 'F' forms, and we sent 79 'C' and 50 'F' forms for cross verification to AG offices of other States, of which results of verification of 56 'C' and 38 'F' forms were received by us. Results of such cross verification are mentioned in this Report.

5.3.6 Acknowledgement

Before the commencement of the Performance Audit an entry conference was held on 15 November 2010 with the Additional Commissioner (Admn.) and Deputy Commissioner, Commercial Tax (Hqtr) wherein the audit objectives and scope of audit were discussed. The Exit Conference of the Performance Audit has not taken place (November, 2011).

5.3.7 Trend of Revenue

The tax collection position of Central Sales Tax for the period from 2007-08 to 2009-10 along with the growth rate has been given in the table-5.3.1 below:

Table-5.3.1 *(₹in crore)*

Year	Collection of Revenue (CST)	Growth
2007-08	132.63	(-) 6.84*
2008-09	168.24	26.85
2009-10	262.51	56.03

**** Total Revenue (CST) for 2006-07 being ₹142.37 crore.***

It is evident from the above table that CST receipts increased by 56.03 *per cent* in 2009-10 over the previous year.

5.3.8 Manpower management

The sanctioned strength *vis-a-vis* effective strength of the Commercial Tax Department for the period from 2007-08 to 2009-10 is given in the table-5.3.2 below:

Table-5.3.2

Cadre	Sanctioned Strength			Men in Position			Shortage		
	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10
Gr A	56	56	57	24	26	33	32	30	24
Gr B	294	294	294	155	148	199	139	146	95
Gr C	987	989	989	339	387	410	648	602	579
Total	**1337**	**1339**	**1340**	**518**	**561**	**642**	**819 (61 %)**	**778 (58 %)**	**698 (52 %)**

We, on scrutiny, observed that the assessments up to the assessment year 2005-06 have been completed by the Department and the assessments for the year 2006-07 were in progress as of March, 2010. The time limit for its completion was extended up to June, 2010. The man power shortages have adversely impacted the Department as evident from the backlog in CST assessments.

5.3.9 Audit findings

System Deficiencies

5.3.9.1 System of receipt, issue and use of statutory forms

All statutory forms are printed through private press for which tenders are invited by the Department. After printing, these forms are received by the stores of the headquarters office of the Department. From the stores the forms are issued to the Joint Commissioners as per their requirement. The Joint Commissioners further issue these forms to the assessing authorities i.e. Deputy Commissioners and Assistant Commissioners based on indents.

Statutory forms are obtainable by registered dealers from the assessing authorities, after a payment of such amount i.e., a fee fixed by the Department from time to time. Two registers are maintained by the assessing authorities in a prescribed format - one to keep an account of the forms received from the Joint Commissioner's office and their issue to various dealers and the other to keep a dealer wise account of forms issued and used by the dealers along with details of fee paid for these forms.

It is incumbent upon the Department to ensure proper receipt, custody and issue of these forms to avoid any possibility of misuse leading to leakage of revenue. It is important that all authorities involved with the issue of forms ensure that these are issued serially so that any manipulation or misuse can be avoided. The CST Rules of Uttarakhand also place considerable responsibility on the dealers with regard to the safe custody and maintenance of accounts of the use of these forms.

Rule 8 (14) &(15) of the CST (UK) Rules, 2006 provides that the Commissioner may, declare forms of a particular series, design or colour as obsolete and invalid with effect from such dates as he may specify and may substitute in their place forms of different series, design or colour and all dealers shall, on or before the date specified by the Commissioner therein surrender all unused forms which may be in their possession, and obtain in exchange such new forms as may be

substituted in their place. Further Section 58 (XXIX) of the Act provides that if a dealer issues or furnishes a false or wrong form of declaration or certificate by reason of which a tax on sale or purchase ceases to be leviable under this Act or the rules made there under, he shall pay, by way of penalty, a sum not exceeding forty *per cent* of value of goods involved or three times tax leviable on such goods under the provision of this Act, whichever is higher.

Our scrutiny of the records and other information and documents relating to the forms revealed the following:

During scrutiny of the Headquarter's form 'C' issue register, we noticed that 5000 forms bearing serial No: 140001 to 145000 pertaining to series VAT UA/DT-06 were issued on 23.April 2007 to Joint Commissioner, Kashipur, and thereafter instead of issuing form 'C' of the same series, 20000 forms of a different series UK VAT /C 2007 (Serial No 00001 to 20000) were issued on 9 May 2007. Forms of old series from Serial No 145001 to 150000 (5000 forms) were not issued by the Department for more than three years i.e. up to the date of audit. Non- issuance of forms serially defeats the control mechanism and may lead to misuse and evasion of tax.

After we pointed this out, the Department, while accepting the audit observation, stated that the said forms were in stock and would be issued (January, 2011).

The Department notified (November, 2006) that a particular series of Form 'C' which was in vogue, was declared as invalid after 31 December, 2006 and the forms were not to be issued either by the Department or the dealer after such date.

However, scrutiny of form issue register of AC(A), Kotdwara and AC(A)-II Dehradun, revealed that 1303 (303 + 1000) form 'C' of the series declared as invalid were issued by the Department to 166 (50 +116) dealers for the period from January 2007 to March 2007.

After we pointed this out, the units stated that the matter would be looked into and action would be intimated.

Similarly, scrutiny of the records of one DC (A) and two AC (A), as indicated in the table-5.3.3 below revealed that the assessing authorities issued form 'C' to the dealers before the date of its invalidation but the dealers instead of replacing the invalid forms with valid ones issued 640 forms amounting to ₹ 34.42 crore to other dealers after the date the forms were declared as invalid.

Table-5.3.3 *(₹in crore)*

Name of the Assessing Authority	Total no of dealers issuing invalid forms	Total no of invalid forms issued	Total amount for which the forms have been issued	Penalty to be imposed
Deputy Commissioner(A)-I Kashipur	10	516	32.86	13.14
Assistant Commissioner(A)-II Haldwani	5	20	0.13	0.05
Assistant Commissioner(A) Ramnagar	11	104	1.43	0.57
Total	**26**	**640**	**34.42**	**13.76**

The assessing authority has not pointed out the irregularity while assessing the cases of these dealers.

On scrutiny of the 'form issue register' of the units audited, we observed that though receipts and issues were accurately recorded in the books, the receipt of forms by the dealers was required to be attested by a witness but this requirement was not adhered to.

After we pointed this out, the units replied that the observation had been noted and would be complied with in future.

We recommend that the Department maintains a clear position of Declaration forms printed, forms issued during a particular period and forms available at a particular date. Issue register of declaration forms may be maintained properly showing clearly opening balance, receipt, issue, closing balance etc. and forms should be issued chronologically. The Assessing Authorities be advised to be vigilant in disallowing forms declared as invalid.

5.3.9.2 Computerisation of the Commercial Tax Department

The application software of the Department was developed by the National Informatics Centre (NIC) – Uttarakhand State Unit. Four modules have been developed – Dealer database, Registration, Returns and Forms.

On scrutiny, we noticed the following deficiencies:

- The module, provided for filing of returns, could be made operational only in 2009-10, which resulted in non feeding of returns prior to this period. Even in the cases where returns were being fed into the system, the documents attached with the returns i.e. purchase and sales list of the dealers were not being fed in the database, which narrows down the scope for checking the authenticity of the claims through cross-verification.
- The module provided for issue of forms is yet to be fully operationalised as only issue of Form 16, i.e. Form of declaration for import is being carried out.
- There is no in-built mechanism in the software for detection of late payment of tax and calculation of interest thereon.

The Computerisation of the Check Posts and their linking is an essential tool to cross-verify the credit claims and ensure the authenticity of correct payment of tax by the dealers involved in Inter State trade. However, it has been observed that interlinking of the offices and Check Posts has not been completed.

Year-wise allocation of budget for computerisation during 2007-08 to 2009-10 is indicated in the table-5.3.4 below:

Table-5.3.4 *(₹in lakh)*

Year	Budget Allocations	Utilisation	Surrendered	Diverted
2007-08	400.00	13.42	249.76	136.81
2008-09	400.00	81.62	188.33	130.00
2009-10	200.00	62.91	08.09	129.00

It is evident from the table that out of ₹ 10 crore allocated during the period 2007-10, only ₹ 1.58 crore, a mere 15.80 *per cent* of budget allotted was utilised for computerisation. The remaining amount was either surrendered or diverted. Despite availability of funds, the interlinking of the offices and Check Posts has not been completed.

5.3.9.3 Uploading data on TINXSYS

TINXSYS (Taxation Information Exchange System), a database on inter State dealers, is intended to serve as a centralised repository of all Inter State transactions. The information available in TINXSYS can be used for verification of the central statutory forms issued by other State Taxation Departments and submitted by the dealers in support of the claim for concessions/exemptions.

However, due to partial operationalisation of software modules, the forms relevant to Inter State transactions are not being uploaded at the central server, thereby hampering the cross verification process.

After we pointed this out, the Department replied that the TINXSYS programme was initially started with the aim of verification of Inter State transactions covered with Declaration forms. This programme did not respond as per the expectations and hence was discontinued.

We recommend that the Department may upload the dealers' details and forms issued to the dealers on the TINXSYS website and utilise the website for cross verification purposes.

5.3.9.4 Database of dubious/risky dealers

To prevent evasion of tax, a database of dubious dealers needs to be prepared based on their past history on fraud/concealment/usage of fake forms and updated at regular intervals. The database should be made online in the Department's website/TINXSYS, which will facilitate a watch on the dealers. Our scrutiny revealed that a database of dubious/risky dealers was not prepared by the Department.

5.3.9.5 Adequacy of Internal Control Mechanism

Internal Control System

Proper control over the receipt, custody and issue of statutory forms is the key to avoid misuse of these forms. Instances of defective system of issue of forms have been noticed by us as indicated in above paragraphs. Further no system for conducting physical verification of the forms existed up to 2009-10. However the physical verification was conducted by the Department in April, 2010 after being pointed out during earlier Performance Audit.

Internal Audit

Internal Audit is an important tool of internal control. In the context of Commercial Tax Department, periodic check of assessment orders and other functional aspects relating to the custody and issue of statutory forms can help

detect loss or leakage of revenue due to inaccurate or incorrect application of rules or misuse of forms. We noticed that there existed no Internal Audit system. For the period from 2007-08 to 2009-2010 (during which the assessments of 2004-05 to 2006-07 were done) no Internal Audit was conducted by the Department. The Commercial Tax Department has no independent Internal Audit Wing.

We recommend that a separate Internal Audit Wing may be introduced in the Department to strengthen the internal control mechanism.

Compliance Deficiencies

5.3.9.6 Cross verification of Declaration forms-Fake forms

Section 8(4) of the CST Act, provides that the Inter State sales to registered dealers are taxable at the concessional rate/exempted when such sales are supported by a declaration form. Further, if a dealer issues or furnishes a false declaration, he shall be liable to a penalty.

On scrutiny, we observed that the Department has not installed any mechanism for cross verification of declaration forms before allowing exemption/ concession. From the verification results, we observed that two selling dealers of Uttarakhand claimed exemption on 'C' forms which were not found to be issued to the corresponding purchasing dealers of Delhi and Maharashtra by their Sales Tax Departments. The dealers need to be issued notices for cross verifying this information and recovery of taxes of ₹ 6.78 lakh. Besides, penalty is leviable on the forms being established as fake.

5.3.9.7 Irregular grant of concession/exemption on photocopies of Declaration forms

5.3.9.7.1 Acceptance of photocopies of 'C' forms

Scrutiny of the records of DC (A) I, Kashipur revealed that the assessing authority allowed concessional rate of tax on Inter State sales of ₹ 1.04 crore, on the basis of photocopies of 14 'C' forms, without any mention in the assessment order for the year 2005-06, as to why concession was allowed on the basis of photocopy of forms. Grant of concession on photocopies of the statutory forms by the assessing authority was irregular. Action be taken to obtain original 'C' forms failing which taxes of ₹ 7.80 lakh be recovered.

5.3.9.7.2 Acceptance of photocopies of 'F' forms

Our scrutiny of the records of DC(A) I, Kashipur revealed that the exemption on stock transfer of ₹ 95.92 lakh in case of one dealer was allowed by the assessing authority on the basis of photocopies of 15 'F' forms. Action be taken to obtain original 'F' forms failing which taxes of ₹ 9.59 lakh be recovered.

After we pointed this out, the units replied that the matter would be looked into and comments intimated to audit.

5.3.9.8 Acceptance of invalid forms

5.3.9.8.1 Form 'C'

Under section 8(4) of the CST Act, read with Rule 12(1) of the CST (R&T) Rules, a dealer can claim concession on payment of tax on Inter State sale by furnishing a declaration in form 'C' provided that a single declaration may cover all transaction of sale, which take place in a quarter of a financial year between the same two dealers.

Our scrutiny of the records of DC(A)-I, Kashipur and AC(A)-I, Rudrapur revealed that concession was allowed on taxable turnover of ₹ 23.01 lakh on the basis of form 'C' covering transaction for more than one quarter. The acceptance of declaration form covering transaction for more than one quarter was against the provisions of the Act and transaction beyond single quarter (₹ 6.92 lakh) should have been rejected. This involved short levy of tax of ₹ 0.67 lakh.

After we pointed this out, the unit replied that the matter would be looked into and necessary action would be taken.

5.3.9.8.2 Form 'F'

Under section 6(A) 1 of the CST Act read with Rule 12(5) of CST (R&T) Rules, a dealer can claim exemption on payment of tax on stock transfer by furnishing a declaration in form 'F', provided that a single declaration form may cover the transaction effected during a period of one calendar month.

Our scrutiny of the records of AC(A)-I, Rudrapur revealed that exemption was allowed on taxable turnover of ₹ 21.97 lakh on the basis of declaration forms covering transaction for more than one calendar month. Acceptance of declaration forms covering transaction for more than one calendar month was against the provisions of the Act and transaction beyond a month (₹ 7.47 lakh) should have been rejected. This involved under assessment of tax of ₹ 0.60 lakh.

After we pointed this out, the unit replied that the matter would be looked into and necessary action would be taken.

5.3.9.9 Irregular concession on purchase of goods, not covered in the Registration Certificate

Section 10(b) read with Section 10 A(1) of the CST Act, provides that if any registered dealer, falsely represents, when purchasing any class of goods, that the goods of such class are covered by his certificate of registration, the authority who granted him, or as the case may be, is competent to grant to him a certificate of registration under this Act, may after giving him a reasonable opportunity of being heard, by order in writing, impose upon him by way of penalty a sum not exceeding one and a half times the tax which would have been levied under sub section (2) of Section 8 in respect of the sale to him of the goods, if the sale had been a sale falling within that sub section.

Our test check of records of three assessing authorities as indicated in the table below revealed that three dealers were issued Form 'C' amounting to ₹ 60.23 lakh for purchase of goods, not covered by the Registration Certificate. The goods

purchased were neither declared in Registration Certificate, nor got added to it. As such the forms should have been disallowed. This resulted in non-imposition of penalty of ₹ 10.16 lakh as shown in the table-5.3.5 below:

Table-5.3.5 *(₹in lakh)*

Sl. No	Name of Unit	Name of Dealer/AY	Amount	Commodity for which form C issued but not covered by the registration certificate	Tax Rate	Tax	Penalty
1.	D.C.(A)-I C.T. Kashipur	M/sAjanta Traders Kashipur (2005-06)	23.47	Tooth brush, Perfume, ice cream cone	12.5%	2.93	4.40
2.	A.C. (A) -I Rudrapur	Murliwalah Agro Tech Pant Nagar (2005-06)	0.37 12.13	Computer, transformer	4% 12.5%	0.01 1.52	0.02 2.28
3.	D.C.(A)-II, Kashipur	M/s Manokamna Steels, Pvt. Ltd. Bajpur	5.97 18.29	Building material Weighing Bridge Transformers	8% 10%	0.48 1.83	3.46

After we pointed this out, the units stated that the matter would be looked into and action taken would be intimated.

5.3.9.10 Acceptance of defective forms

Section 8 (4) (a) of the CST Act, stipulates that the provisions of sub section (1) shall not apply to any sale in the course of Inter State trade or commerce unless the dealer selling the goods furnishes to the prescribed authority in the prescribed manner a declaration duly filled and signed by the registered dealer to whom the goods are sold containing the prescribed particulars in a prescribed form obtained from the prescribed authority. The purpose of this stipulation is to ensure the genuineness of the claims on which concessional rate of tax is granted.

On scrutiny of assessment records of DC(A)-II, Rudrapur and AC(A)-I, Rudrapur, in case of two dealers, we observed that concessional rate of tax on 12 forms 'C' valued at ₹ 3.86 crore was allowed by the assessing authority, though forms produced in support of the sales were incomplete so much so that they did not contain the seller's name, registration number of the purchasing dealer, date of issue by the purchasing dealer. In case of four forms, it was not even depicted as to which assessing authority issued these forms. The assessing authority is required to ensure that concessional rate of tax is allowed only on the basis of genuine and valid statutory forms issued by the respective assessing authority of the issuing State.

We recommend that the Department may ascertain the genuineness of the transactions covered by these incomplete forms and consequential tax liability, if any, may also be ascertained.

5.3.10 Conclusion

The Department did not issue the statutory forms serially which may lead to their misuse and loss of revenue. The forms relevant to Inter State transactions are not being uploaded at the Central server due to partial operationalisation of software modules in TINXSYS website, thereby hampering the cross verification process both for the Department and other State Sales Tax Departments.

Concession/exemption on declaration forms were allowed without ascertaining the genuineness of these declaration forms through cross verification. The acceptance of the defective forms was irregular and taxes due were not recovered, nor penal provisions invoked. Non existence of Internal Audit wing resulted in weak internal control mechanism in the Department.

5.3.11 Recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance issues:

- a clear position of declaration forms printed, forms issued during a particular period and forms available at a particular date should be maintained.
- Issue register of declaration forms may be maintained properly showing clearly opening balance, receipt, issue, closing balance etc. and forms should be issued chronologically;
- dealers' details and forms issued to the dealers may be uploaded on the TINXSYS website and the website may be utilised for cross verification purposes;
- a system needs to be devised and linkages established for periodic cross verification of statutory forms on test check basis from the assessment records of the issuing State;
- an element of deterrence needs to be introduced by way of strict and rigorous imposition of penalties on persistent defaulters;
- it may be ensured that concession/exemption is allowed only on production of declaration forms, fulfilling all the conditions specified therein;
- assessments under CST Act are finalised in time and
- a separate Internal Audit Wing may be introduced in the Department to strengthen the internal control mechanism.

Audit of Transactions

COMMERCIAL TAX DEPARTMENT

5.4 Short assessment of tax

A dealer was reassessed for showing abnormal loss on sale of Inter State purchases leading to additional tax liability of ₹ 11.08 lakh.

Section-21(1) of the U.P. Trade Tax Act, 1948 provides that if the Assessing Authority has reason to believe that the whole or any part of the turnover of a dealer, for any assessment year or part thereof, has escaped assessment to tax or has been under-assessed or has been assessed to tax at a rate lower than that at which it is assessable under this Act, or any deductions or exemptions have been wrongly allowed in respect thereof, the assessing authority may, after issuing notice to the dealer and making such inquiry, as it may consider necessary, assess or reassess the dealer to tax according to law. The Uttarakhand VAT Act, 2005 was applicable to State from 1 October 2005.

On scrutiny of records (March, 2009) of the Deputy Commissioner (Assessment)-V, Dehradun, we observed that a dealer[31] for the assessment year 2003-04 assessed during 2007-08 had paid tax of ₹ 5.04 lakh as per details of his trading Account given in the table-5.4.1 below:

Table-5.4.1

Item of Goods	Opening Balance (₹)	Purchase during the year (₹)	Closing Balance (₹)	Sale during the year (₹)	Profit/Loss (*in per cent*)
Purchases within State					
Aqua guards	10,98,419	1,78,32,306	20,42,124	3,41,33,868	102% Profit
Vacuum Cleaners	58,496	56,10,982	3,68,895	1,17,84,111	122% Profit
Purchases from other States					
Aqua guards	42,15,194	60,36,802	2,66,270	42,60,053	57 % Loss
Vacuum Cleaners	15,48,793	16,19,538	2,97,273	6,46,675	77 % Loss

It is evident from the above details that the firm showed a profit of 102 *per cent* and 122 *per cent* on the sale of aqua-guards and vacuum cleaners respectively, which were purchased within the State. At the same time, 57 *per cent* and 77 *per cent* loss was shown on sale of the same goods purchased from outside the State. We observed that since the sale of goods purchased within the State is not taxable, the dealer showed a huge profit on the sale of goods purchased within State so that the loss shown on the sale of goods purchased from outside State could be compensated in the account, against the Inter State sale profits.

On this methodology for evasion of tax being pointed out, the Assessing Authority, issued a notice (13.5.2010) to the dealer under the Act by reassessing minimum profit of 20 *per cent* on the sale of aqua-guards and vacuum cleaners purchased from out side the State as per details given in the table-5.4.2 below:

Table-5.4.2

Item of Goods	Opening balance (₹)	Purchase (₹)	Closing Stock (₹)	Balance (₹)	Profit @ of 20% (₹)	Sale (₹)	Tax[32] (₹)
Aqua guards	42,15,194	60,36,802	2,66,270	99,85,726	19,97,145	1,19,82,871	11,98,287
Vacuum Cleaners	15,48,793	16,19,538	2,97,273	28,71,058	5,74,211	34,45,269	4,13,432
Total							**16,11,719**

[31] Eureka Forbes Ltd; Astley Hall, Dehradun.

[32] Applicable rate of tax on Aqua-guards and Vacuum cleaners was 10 *per cent* and 12 *per cent* respectively.

No reply was furnished by the dealer within the stipulated time; hence, it was presumed that the dealer had no objection on the reassessment made by the Assessing Authority. Thereafter, the Assessing Authority levied tax for ₹ 16.12 lakh and issued (May, 2010) a demand notice to the dealer for additional tax liability of ₹ 11.08 lakh. However, a report on recovery of the pending tax had not been received (November, 2011).

The matter was referred to the Government (July, 2011); reply was awaited (November, 2011).

STATE EXCISE DEPARTMENT

5.5 Loss of revenue

Low production of alcohol from fermentable sugar content of molasses against the prescribed norms resulted in loss of revenue of ₹ 91.62 lakh.

The Uttarakhand Excise Manual (Vol-I) provides that every quintal of fermentable sugar content present in molasses shall yield minimum 52.5 alcoholic litre (AL) of alcohol. For this purpose, composite samples of molasses are required to be drawn by the officer in charge of the distillery and sent for examination to the alcohol Technologist/Chemical Examiner. Failure to maintain the minimum yield of alcohol from molasses entails, in addition to imposition of penalty, cancellation of license of the distillery and forfeiture of security deposit.

We saw during the scrutiny of records (February, 2011) of the Officer In-charge Excise (OICE), Bajpur Distillery Bajpur, Udham Singh Nagar that there was a ratio of 1:70 between non-potable and potable alcohol produced during the year 2009-10 and only country made liquor was produced under potable alcohol. Our scrutiny of nine cases of composite samples drawn in May 2009 and December 2009 revealed that 593715.70 AL was extracted from 11979.61 quintal of fermentable sugar against a minimum of 628929.99 AL as per the norms. Thus, the production of alcohol was lower than the norms by 35214.29 AL and was 49.56 AL against the prescribed minimum of 52.5 AL per quintal of fermentable sugar content. Considering the ratio of non-potable and potable alcohol (Country made liquor) produced by the distillery, the country made liquor would have been produced to the extent of 96438 Bulk Litre[33] out of 34718 AL. This shortfall in production, against the norms resulted in loss of revenue of ₹ 91.62 lakh[34] to the Government.

After we pointed this out, the OICE of the Distillery replied that in cases of low production of alcohol the matter would be taken up with the Commissioner of State Excise, Uttarakhand. The reply is silent on action taken by the officer in charge at the Distillery on the samples drawn and shortfall in production as per norms.

The matter was referred to the Government (July 2011); reply was awaited (November 2011).

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[33] ALx100/Strength = BL where strength is 36 V/V.

[34] 96438 BL x ₹ 95 (applicable rate of Excise duty for the year).

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1 Overview of State Public Sector Undertakings

Introduction

6.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State working PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Uttarakhand, the State PSUs occupy a moderate place in the State economy. The working State PSUs registered a turnover of ₹ 2,539.52 crore for 2010-11 as per their accounts finalised as of September 2011. Their turnover was equal to 4.87 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of State PSUs are concentrated in power sector. The working PSUs incurred a Loss of ₹ 221.62 crore in 2010-11. They had employed 0.19 lakh[1] employees as of 31 March 2011. The State PSUs do not include seven prominent Departmental Undertakings (DUs) of the Government which carry out commercial operations. Audit findings of these DUs are incorporated in Chapter-II of this Audit Report.

6.1.2 As on 31 March 2011, there were 24 PSUs as detailed in the table-6.1.1 below. None of these companies were listed on the stock exchange.

Table-6.1.1

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	18	04	22
Statutory Corporations	02	-	02
Total	**20**	**04**	**24**

Audit Mandate

6.1.3 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the Paid up Capital is held by Government(s). A Government Company includes a subsidiary of a Government Company. Further, a Company in which 51 *per cent* of the Paid up Capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act.

6.1.4 The accounts of the Government Companies are audited by Statutory Auditors who are appointed by the Comptroller & Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

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1 As per the details provided by 16 PSUs.
2 Non-working PSUs are those which have ceased to carry on their operations.
3 includes 619-B companies.

6.1.5 Audit of Statutory Corporations is governed by their respective Legislations. Out of two Statutory Corporations, CAG is the sole auditor for Uttarakhand Parivahan Nigam. In respect of Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam, the audit was entrusted to CAG with effect from 2003-04 to 2008-09 and then extended upto 2013-14 under Section 20(1) of CAG (DPC) Act, 1971.

Investment in State PSUs

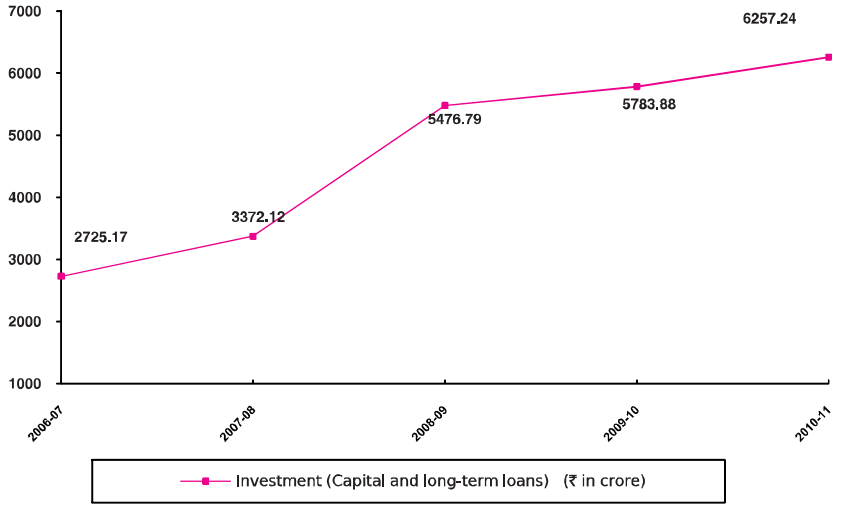
6.1.6 As on 31 March 2011, the Investment (Capital and Long Term Loans) in 24 PSUs (including 619-B Companies) was ₹ 6,257.24 crore as per details given in the table-6.1.2 below.

Table-6.1.2 *(₹in crore)*

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1679.97	2438.24	4118.21	2111.59	27.05	2138.64	6256.85
Non-working PSUs	0.39	-	0.39	-	-	-	0.39
Total	**1680.36**	**2438.24**	**4118.60**	**2111.59**	**27.05**	**2138.64**	**6257.24**

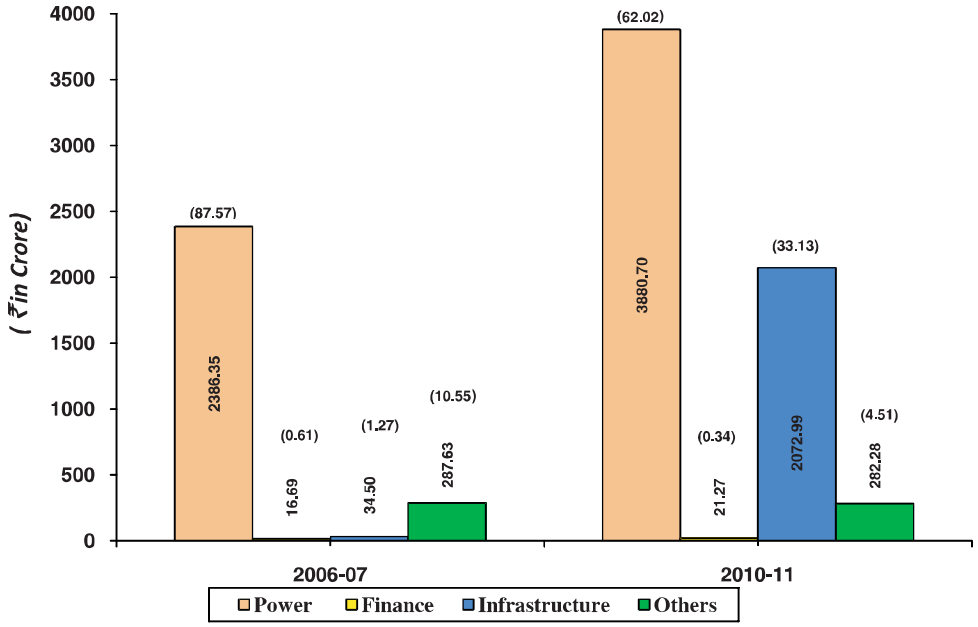
A summarised position of Government Investment in State PSUs is detailed in ***Appendix 6.1***.

6.1.7 As on 31 March 2011, 99.99 *per cent* of the total Investment in State PSUs was in working PSUs and the remaining 0.01 *per cent* in non-working PSUs. This total Investment consisted of 59.20 *per cent* towards Capital and 40.80 *per cent* in Long Term Loans. The Investment increased by 129.61 *per cent* from ₹ 2,725.17 crore in 2006-07 to ₹ 6,257.24 crore in 2010-11 as shown in the graph below:



6.1.8 The Investment in various important sectors of the Economy and their percentage thereof at the end of 31 March 2007 and 31 March 2011 are indicated in the bar chart. Though the major Investment was in power sector (62.02 *per cent*), the thrust of Investment in the State was shifting towards infrastructure

sector, the percentage of which rose from 1.27 *per cent* in 2006-07 to 33.13 *per cent* in 2010-11.



(Figures in brackets show the percentage of sector investment to total investment)

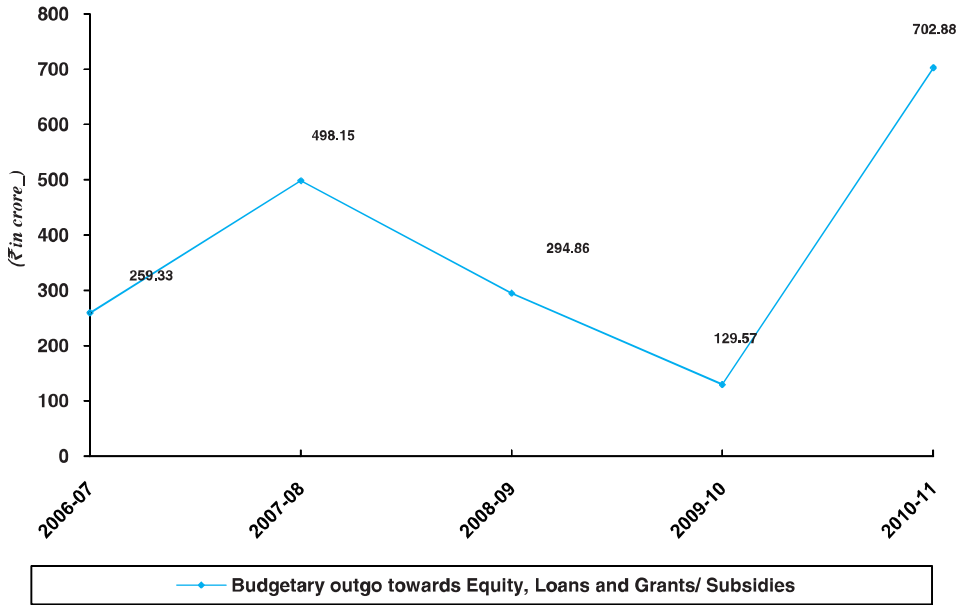
Budgetary outgo, Grants/Subsidies, Guarantees and Loans

6.1.9 The details regarding budgetary outgo towards Equity, Loans, Grants/ Subsidies, Guarantees issued in respect of State PSUs are given in ***Appendix 6.2.*** The summarised details are given in the table-6.1.3 below for three years ended 2010-11.

Table-6.1.3 *(₹in crore)*

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	256.14	3	104.01	3	603.71
2.	Loans outgo from budget	5	36.55	2	24.32	3	65.70
3.	Grants/Subsidy outgo	2	2.17	6	1.24	3	33.47
4.	Total Outgo (1+2+3)	-	294.86		129.57	5	702.88
5.	Guarantees issued	1	3.15	2	277.54	2	279.98
6.	Guarantee Commitment	2	1,143.15	3	1,428.81	3	289.75

6.1.10 The details regarding budgetary outgo towards Equity, Loans and Grants/ Subsidies for past five years are given in a graph below:



The budgetary outgo in State PSUs in the form of Equity, Loans and Grants ranged between ₹ 129.57 crore and ₹ 702.88 crore during 2006-07 to 2010-11.

6.1.11 The amount of Guarantee Commitment as on 31 March 2009 was ₹ 1143.15 crore (two PSUs) which increased to ₹ 1428.81 crore (three PSUs) as on 31 March 2010 and decreased to ₹ 289.75 (three PSUs) as on 31 March 2011. The State Government charged Guarantee fee at the rate of one *per cent* in case of all PSUs and two *per cent* in case of defaulting PSUs. Guarantee fee of ₹ 12.72 crore was paid to State Government by two PSUs (Power Transmission Corporation of Uttarakhand Limited and Uttarakhand Jal Vidyut Nigam Limited) during 2010-11.

Reconciliation with Finance Accounts

6.1.12 The figures in respect of Equity, Loans and Guarantees outstanding as per records of State PSUs should match with that of the figures appearing in the Finance Accounts of the State. In case the figures do not match, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2011 is given in the table-6.1.4 below.

Table-6.1.4 *(₹in crore)*

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1289.34	3791.56	2502.22
Loans	448.80	2465.29	2016.49
Guarantees	1309.00	289.75	1019.25

6.1.13 We observed that the differences occurred in respect of 20 PSUs and some of the differences were pending reconciliation since 2003. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

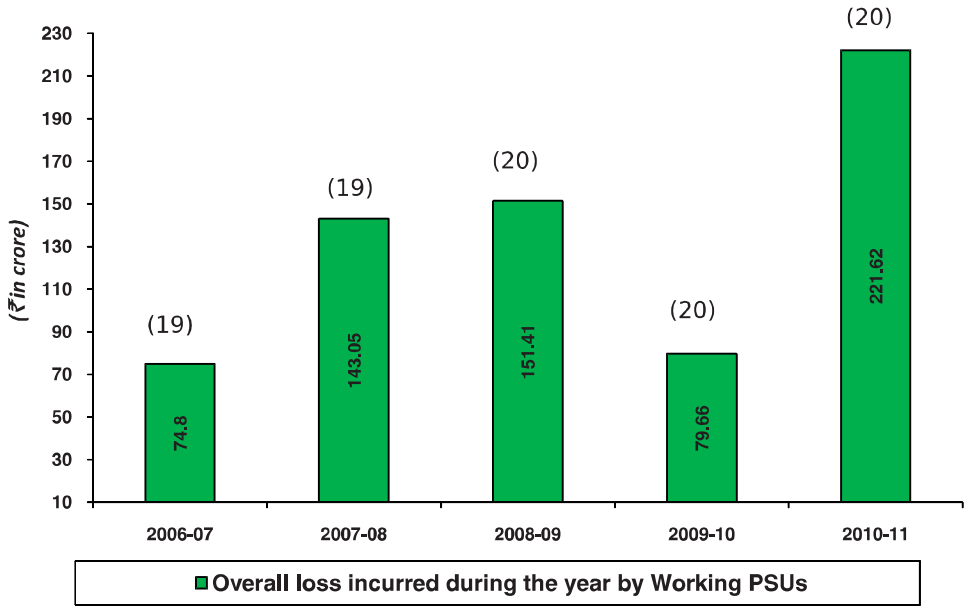
6.1.14 The financial position and working results of PSUs are detailed in ***Appendix 6.3***. A ratio of PSUs Turnover to State GDP shows the extent of PSUs activities in the State economy. Table-6.1.5 below provides the details of working PSUs Turnover and State GDP for the period from 2006-07 to 2010-11.

Table-6.1.5 *(₹ in crore)*

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[4]	1,366.26	1,481.94	1,527.06	1,722.95	2,539.52
State GDP	29,881.00	34,549.00	40,159.00	46,872.00	52,143.00
Percentage of Turnover to State GDP	4.57	4.29	3.80	3.68	4.87

The percentage of Turnover to the State GDP had declined from 2006-07 to 2009-10 and increased in the year 2010-11. This was mainly due to the fact that the Turnover of PSUs did not keep pace with the growth of the State GDP.

6.1.15 Losses incurred by State working PSUs during 2006-07 to 2010-11 are given below in the bar chart.



(Figures in brackets show the number of working PSUs in respective years)

It can be seen from the bar chart that overall Losses increased from ₹ 74.80 crore in 2006-07 to ₹ 221.62 crore in 2010-11. During the year 2010-11 out of 20 working PSUs, nine PSUs earned Profit of ₹ 75.41 crore and 11 PSUs incurred Loss of ₹ 297.03 crore. The main profit earning PSUs were State Industrial Development Corporation of Uttarakhand Limited (₹ 33.86 crore) and Uttarakhand Jal Vidyut Nigam Limited (₹ 26.49 crore). The main loss making PSUs were Uttarakhand Power Corporation Limited (₹ 243.05 crore), Power

[4] Turnover as per the latest finalised accounts as of 30 September 2011.

Transmission Corporation of Uttarakhand Limited (₹ 26.97 crore), Uttarakhand Parivahan Nigam (₹ 14.67 crore) and Doiwala Sugar Company Limited (₹ 9.17 crore).

6.1.16 The reasons for the Losses incurred by the PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred Losses to the tune of ₹ 2075.19 crore and infructuous Investment of ₹ 9.29 crore which was controllable with better management. Year wise details from Audit Reports are stated in the table-6.1.6 below:

Table-6.1.6 *(₹ in crore)*

Particulars	2008-09	2009-10	2010-11	Total
Net Profit (Loss)	(-) 151.41	(-) 79.66	(-) 221.62	(-) 452.72
Controllable Losses as per CAG's Audit Report	80.11	1,283.32	711.76	2075.19
Infructuous Investment	3.00	-	6.29	9.29

6.1.17 The above Losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable Losses would be much more. The above table shows that with better management, the Losses can be minimised. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

6.1.18 Some other key financial parameters of State PSUs are given in the table-6.1.7 below:

Table-6.1.7 *(₹ in crore)*

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*per cent*)	11.40	-	-	0.96	0.98
Debt	1950.91	2356.08	2387.65	2588.39	2,465.29
Turnover[5]	1366.26	1481.91	1527.06	1722.95	2,539.52
Debt/ Turnover Ratio	1.43:1	1.59:1	1.56:1	1.50:1	0.97:1
Interest Payments	304.16	158.78	156.53	124.82	271.63
Accumulated Profits (losses)	(-)168.20	(-)291.71	(-) 283.60	(-) 420.39	(-) 807.79

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

6.1.19 It can be seen that the Debt figures had increased from 2006-07 to 2009-10, but slightly decreased in 2010-11. The Debt-Turnover ratio had decreased from 1.43:1 in 2006-07 to 0.97:1 in 2010-11 as the rate of increase in Turnover outstripped the rate of increase in Debt. The percentage of consolidated Return on Capital Employed of all PSUs was 11.40 in 2006-07 and after registering negative returns during 2007-08 and 2008-09, it improved and registered the return of 0.96 *per cent* during 2009-10 and 0.98 *per cent* during 2010-11. The accumulated Losses increased from ₹ 168.20 crore in 2006-07 to ₹ 807.79 crore in 2010-11.

6.1.20 The State Government had not formulated any dividend policy for the PSUs under which PSUs would be required to pay a minimum return of Dividend

[5] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September 2011.

to the State Government. As per their latest finalised accounts, nine PSUs earned a Profit of ₹ 75.41 crore but no Dividend had been declared.

Arrears in finalisation of accounts

6.1.21 The accounts of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table-6.1.8 below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Table-6.1.8

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of working PSUs	19	19	20	20	20
2.	Number of accounts finalised during the year	15	10	13	12	28
3.	Number of accounts in arrears	119	128	135	143	135
4.	Average arrears per PSU (3/1)	6.26	6.74	6.75	7.15	6.75
5.	Number of working PSUs with arrears in accounts	19	19	20	20	19
6.	Extent of arrears	1 to 20 years	1 to 21 years	1 to 22 years	1 to 23 years	1 to 24 years

6.1.22 As may be seen from above, the arrears in finalisation of accounts increased from 119 during 2006-07 to 143 during 2009-10 but decreased to 135 in 2010-11. It can be seen that the State PSUs failed to clear on an average at least one account per PSU during any of preceding four years from 2006-07 to 2009-10. As stated by the PSUs, lack of trained staff was the main reason for delay in finalization of accounts. The State PSUs need to take effective measures for early clearance of backlog in finalization of accounts and bring the position up-to-date.

6.1.23 In addition to above, there were arrears in finalisation of accounts by non-working PSUs also. Out of four non-working PSUs, one had gone into liquidation process, remaining three non-working PSUs had arrears of accounts for 21 to 24 years.

6.1.24 The State Government had invested ₹ 1216.43 crore (Equity: ₹ 866.04 crore, loans: ₹ 323.92 crore and Grants/ Subsidy: ₹ 26.47 crore) in five PSUs during the years 2002-03 to 2010-11 for which accounts have not been finalised as detailed in **Appendix 6.4.** Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

6.1.25 The Administrative Departments have the responsibility to oversee the activities of these entities and ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The Principal Accountant General (PAG) brought the position of the arrears in finalisation of accounts to the notice of the concerned Administrative Departments and officials of the Government every quarter. We noticed that arrears in finalization of accounts of working PSUs increased from 119 in 2006-07 to 135 in 2010-11. As a result of this, the Net Worth of these PSUs could not be assessed in Audit. The PAG also brought the

matter to the notice of the Chief Secretary/ Finance Secretary, Government of Uttarakhand to expedite the clearance of backlog of arrears in accounts in a time bound manner.

Winding up of non-working PSUs

6.1.26 There were four non-working PSUs as on 31 March 2011. Of these, one PSU has commenced liquidation process.

6.1.27 The stages of closure in respect of non-working PSUs are given in the table-6.1.9 below:

Table-6.1.9

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

6.1.28 During the year 2010-11, no Company/Corporation was finally wound up. The only Company which had taken the route of winding up by Court order was under liquidation for more than 20 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously.

Accounts Comments and Internal Audit

6.1.29 12 working Companies forwarded 18 audited accounts to PAG during the year 2010-11. As on 30 September 2011, 16 accounts were selected for Supplementary Audit and non-review certificates were issued in respect of two companies. The Audit Reports of Statutory Auditors appointed by CAG and the Supplementary Audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given in the table-6.1.10 below:

Table-6.1.10 *(₹ in crore)*

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	93.50	4	168.70	7	174.57
2.	Increase in loss	4	131.16	7	16.19	7	247.12
3.	Non-disclosure of material facts	3	2.47	3	169.52	6	1251.59

6.1.30 During the year, the Statutory Auditors had given qualified certificates for all the 18 accounts.

6.1.31 Some of the important comments on the accounts of Companies are stated below:

Uttarakhand Jal Vidyut Nigam Limited (2008-09)

- Non-provision of penal interest due to default in repayment of Principal and Interest on loan amount of LIC resulted in understatement of unsecured loan, interest payable to LIC and overstatement of profit by ₹3.25 crore.
- Non- provision of expenditure of ₹ 1.63 crore incurred on Sobla – II Project which came under submergence area of NHPC Project resulted in overstatement of capital work in progress and profit by ₹ 1.63 crore each.
- Non provisioning of Electricity charges of ₹ 9.44 crore billed against UP Irrigation Department during 2001 to March 2009, being doubtful of recovery, resulted in overstatement of sundry debtors as well as profit by like amount.
- Non-provision of penal guarantee fee payable to Uttarakhand Government resulted in understatement of current liabilities and overstatement of profit by ₹ 34.12 crore.

Uttarakhand Power Corporation Limited (2007-08)

- Non-provision of penal guarantee fee payable to the Government resulted in understatement of loss and current liabilities by ₹ 5.20 crore.
- Non provision of Interest Liability for the year 2006-07 and 2007-08 on account of Tax free 'Power Bonds' issued to Central Public Sector Undertakings by Uttarakhand Government resulted in understatement of sundry creditors as well as loss by ₹ 97.24 crore.

6.1.32 Audit in respect of Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam, entrusted to CAG under Section 20(1) of CAG (DPC) Act, 1971, had been finalized for seven accounting years (2003-04 to 2009-10) during 2010-11. Another Statutory Corporation, Uttarakhand Parivahan Nigam, of which CAG is the sole auditor, audit had been finalized for three accounting years (2006-07 to 2008-09) during the year 2010-11. The details of aggregate money value of comments of CAG are given in the table-6.1.11 below:

Table-6.1.11 *(₹ in crore)*

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	-	-	-	-	5	40.84
2.	Increase in Loss	1	0.23	1	2.11	5	5.25
3.	Non-disclosure of material facts	-	-	-	-	3	23.73
4.	Errors of classification	-	-	1	370.30	-	-

6.1.33 Important comments in respect of Statutory Corporations are stated below:

Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam (2009-10)

- Non -provision of interest of ₹ 12.61 crore on loan of ₹ 21.02 crore taken from Uttarakhand Government during 2002-03 to 2008-09 resulted in

understatement of liabilities and overstatement of surplus by ₹ 12.61 crore.

- Non-provision of Interest of ₹ 0.90 crore (upto 2006-07) payable to UP Jal Nigam resulted in understatement of liabilities and overstatement of surplus by ₹ 0.90 crore.

Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam (2008-09)

- The Nigam accounted for leave encashment and other retirement benefits (gratuity and pension) on cash basis instead of actuarial basis as required in AS 15.
- The Nigam showed General Provident Fund interest as its income amounting to ₹ 3.23 crore in contravention of its accounting rules/practice. The interest income should have been shown separately.

Uttarakhand Parivahan Nigam (2007-08)

- Non-provision of statutory benefits to employees as per actuarial valuation as required in AS 15.

6.1.34 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of twelve Companies for the year 2010-11 are given in the table-6.1.12 below:

Table-6.1.12

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 6.3
1.	Non-fixation of minimum/ maximum limits of store and spares	2	A 14, 15
2.	Absence of internal audit system commensurate with the nature and size of business of the company	5	A 4, 10, 13, 14 & 17
3.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	2	A 2 &10
4.	Lack of internal control over sale of Power	1	A13

Status of placement of Separate Audit Reports

6.1.35 The status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature by the Government, is given in the table-6.1.13 below:

Table-6.1.13

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	Reasons for delay in placement in Legislature
1.	Uttarakhand Parivahan Nigam	2004-05	2005-06 to 2008-09	NA	NA
2.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2009-10	NA	NA	NA

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

6.1.36 The State Government had not formulated any plan of disinvestment, privatisation or restructuring of any of the PSUs.

Reforms in Power Sector

The State constituted Uttarakhand Electricity Regulatory Commission (UERC) in September 2002 under Section 17 of the Electricity Regulatory Commission Act 1998 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2009-10, two orders were issued by UERC on Annual Revenue Requirements and nine orders on other matters.

Performance Audit of Uttarakhand Power Corporation Limited

6.2 Uttarakhand Power Corporation Limited – Power Distribution Utilities

Executive summary

The power distribution in Uttarakhand is carried out by Uttarakhand Power Corporation Limited (Company) which was incorporated on 12/02/2001 under the Companies Act, 1956. As on 31 March 2011, the State had a distribution network of 0.88 lakh Circuit Kilo Meters (CKM) of lines (33/11 KV and LT), 262 sub-stations and 64164 Distribution transformers (DTR) catering to 15.26 lakh consumers.

Distribution Network planning

The Company did not plan any addition of sub stations during 2006-07 to 2010-11. However, it added 62 sub- stations during above period. As against the increase of connected load from 2337 M.W in 2006-07 to 3739 M.W in 2010-11 (i.e. 1752.5 MVA), D.T.R. capacity increased from 1617 MVA to 2186 MVA (i.e. 569 MVA) indicating the inadequate addition of distribution capacity to meet the increase in connected load.

Implementation of centrally sponsored scheme

Under the RGGVY Scheme, the Company electrified 591 villages against the target of 665 villages. During the years 2007-08, 2009-10 & 2010-11, the Company could not utilise the allotted fund effectively. The Company released 1.92 lakh B.P.L connections against target of 2.28 lakh as on March 2011. The Company incurred extra expenditure of ₹ 212.81 lakh on B.P.L. connections in six districts .The Company lost interest amounting to ₹ 8.22 crore by not adhering to C.V.C. guidelines on mobilization advance. The Company could not complete the I.T. work in its pilot town (Dehradun) and additional pilot town (Vikas Nagar). As a result, it delayed the implementation of R-APDRP Part –A scheme.

Energy Audit

The Company did not carry out energy audit during 2006-07 to 2010-11, due to non-completion of metering of distribution transformers.

Operational efficiency

Due to excessive sub Transmission & Distribution losses as compared to UERC norms, the Company suffered a loss of revenue of ₹ 600.70 crore. Poor maintenance and the wide gap between transformation capacity and connected load resulted in overloading of distribution system, excess failure of Distribution Transformers (DTRs) and higher quantum of energy losses.

1280 DTRs of various capacities damaged during April 2007 to December 2010 were not being repaired and lying with Ranikhet Circle.

The Company did not procure mandatory dry type DTRs as required under section 64 (2) (e) (iv) of Indian Electricity Rules, 1956.

Financial Position

Accumulated losses increased from ₹ 616.27 crore in 2006-07 to ₹ 1960.11 crore in 2010-11 which is almost equal to the total net worth of ₹ 2038.39 crore as on 31 March 2011.

Billing & Revenue collection efficiency

The Company's debt receivable was at ₹1816.75 crore at the end of March 2011.

An amount of ₹ 41.27 crore was due from defaulting consumers, notices for which were issued and the recovery is still pending.

Initial security amount of ₹ 1.77 crore and additional security amount of ₹ 24.96 crore was pending recovery from 588 (all Government category) consumers and 672 (Commercial and Industrial) consumers up to March 2011 respectively.

The Company failed to levy the electricity duty amounting to ₹ 2.44 crore on 16412 private tube well/ pump set consumers during the period 2006-07 to 2008-09.

Financial Management

The Company could not recover ₹ 188.81 crore from the Government of Uttarakhand on account of assets transferred to PTCUL. The Company has

estimated scrap & obsolete stock to the tune of ₹ 14.52 crore lying since the time of its incorporation and not yet disposed.

Monitoring by Top Management

The Company is not having a proper system for monitoring the adherence to targets and performance parameters of distribution system.

Internal Control Mechanism

The internal control mechanism of the Company was inadequate as the Company failed to arrest distribution losses and ensure timely recovery of its dues.

Introduction

6.2.1 Electricity is an essential requirement for all facets of our life. It has been recognized as a basic human need. It is a critical infrastructure on which the socio-economic development of the country depends. Supply of electricity at reasonable rate to rural India is essential for its overall development. Equally important is the availability of reliable and quality power at competitive rates to Indian industry to make it globally competitive and to enable it to exploit the tremendous potential of employment generation. Services sector has made significant contribution to the growth of our economy. Availability of quality supply of electricity is very crucial to sustained growth of this segment.

Recognizing that electricity is one of the key drivers for rapid economic growth and poverty alleviation, the nation has set itself the target of providing access to electricity for all households in next five years.

The major responsibility for achievement of the key parameters devolves largely on the distribution sector. Distribution Companies are the first point of contract with the people and households. Achievement of various objectives of electricity sector including access to electricity for all households, supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates, protection of consumers interests rest with the distribution sector. To meet the above objectives, the Distribution Company requires financial and commercial viability.

Electricity Reforms and electricity scenario in Uttarakhand

6.2.2. Consequent upon bifurcation of Uttar Pradesh, Uttarakhand State was created on 09.11.2000. The business of transmission and distribution of power in Uttarakhand is being carried out by Uttarakhand Power Corporation Limited (Company) which was incorporated on 12th February 2001 under the Companies Act 1956, under the administrative control of Power Department of the Uttarakhand Government. On 1st June 2004, the Power Transmission Corporation Limited (PTCUL) was formed to maintain & operate 132 KV & above Transmission Lines & substations in the State.

Vital parameters of Electricity Supply in Uttarakhand

6.2.3 Sale of energy increased from 3,885.90 MU in 2006-07 to 7250.68 MU in 2010-11, registering an increase of 86.59 *per cent* during the five-year period

2006-11. As on 31 March 2011, the State had distribution network of 0.88 lakh Circuit Kilo Meters (CKM) of lines (33/11 KV and LT); 262 sub-stations; 46,164 transformers of various categories (DTR). The number of consumers was 15.26 lakh. The turnover of the Company was ₹ 2641.72 crore in 2010-11, which was equal to 5.07 *per cent* of the State Gross Domestic Product. The Company employed 4327 employees as on 31 March 2011.

Performance Audit of electricity sector

6.2.4 Performance Audit on 'Implementation of Accelerated Power Development Reforms Programme" in the Company was included in the Report of the Comptroller and Auditor General of India, Government of Uttarakhand for the year ended 31 March 2008. The Report is yet to be discussed by COPU. This Performance Audit is conducted on the functioning of Power Distribution Company in Uttarakhand.

Scope and Methodology of Audit

6.2.5 The present Performance Audit conducted during April to October 2011 covers the performance of the Company during the period from 2006-07 to 2010-11. The Performance Audit mainly deals with Network Planning and execution, Implementation of Central Schemes, Operational efficiency, Billing and Collection efficiency, Financial Management, Consumer Satisfaction, Energy Conservation and Monitoring. The audit examination involved scrutiny of records at the Head Office and 17 out of 65 Divisions. The selection of operational units for audit was done on the basis of risk assessment and revenue realisation.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the personnel of audited entity, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft Performance Audit Report to the Management for comments.

Audit Objectives

6.2.6 The objectives of the Performance Audit were to assess:

- whether aims and objectives of National Electricity Plans were achieved and distribution reforms implemented;
- adequacy and effectiveness of network planning and its execution;
- efficiency and effectiveness in implementation of the central schemes such as, Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) and Revised Accelerated Power Development & Reform Programme (RAPDRP);
- operational efficiency in meeting the power demand of the consumers in the State;
- billing and collection efficiency of revenue from consumers;
- effectiveness of financial management;

- whether energy conservation measures were undertaken and
- whether an effective monitoring system was in place and the same was being utilised in improving the performance of its working.

Audit Criteria

6.2.7 The audit criteria adopted for assessing the achievement of the audit objectives were:

- Provisions of Electricity Act, 2003;
- Various milestones of achievement prescribed in National Electricity Plan;
- Norms of performance fixed by the Uttarakhand Electricity Regulatory Commission (UERC);
- Terms and conditions contained in the documents of Central Schemes;
- Norms prescribed by various agencies with regard to operational activities;
- Standard procedures for award of contract and principles of economy, efficiency and effectiveness in conducting operations of the Company;
- Norms of technical and non-technical losses and
- Guidelines/ instructions/ directions of State Government/ UERC.

Audit Findings

6.2.8 We explained the audit objectives to the Company during an 'Entry Conference' held on 11th April 2011. Subsequently, audit findings were reported to the Company and the State Government in December 2011 and discussed in an 'Exit Conference' held on 6 January 2012. The Exit Conference was attended by Managing Director, Director (Finance), Director (Operation), Director (Project) and Executive Director (Commercial). The views expressed by them have been considered while finalizing the Performance Audit Report. The audit findings are discussed in subsequent paragraphs.

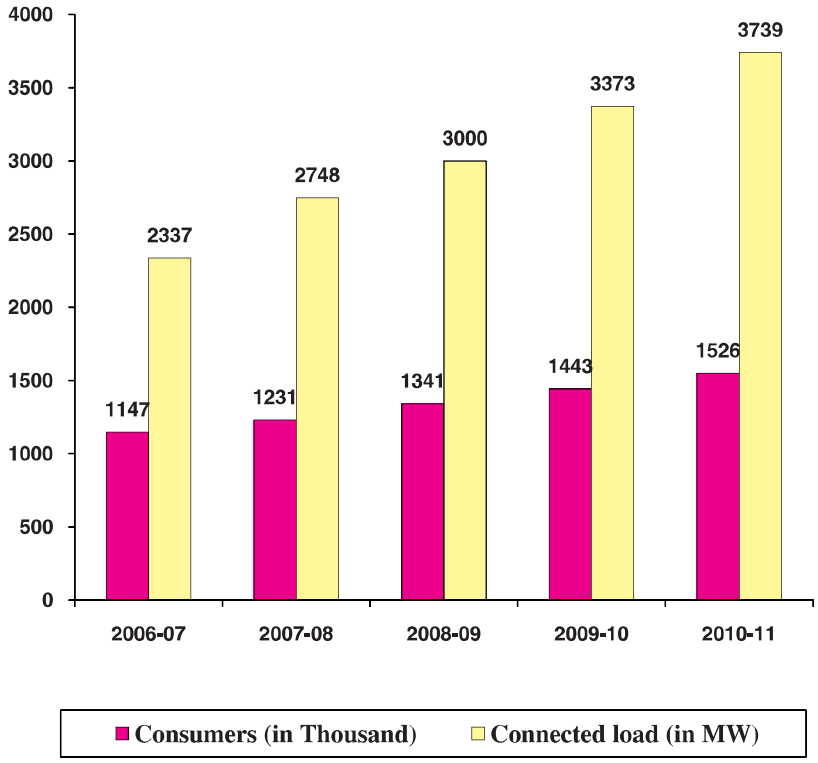
Distribution Network Planning

6.2.9 The National Electricity Policy was evolved with the objectives of providing:

- Access to electricity –Available for all household in next five years from 2005.
- Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates.

To ensure access to electricity by all, the Company is required to prepare long term/ annual plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State. Besides, the Company is required to upkeep the existing network and further expands the distribution network keeping in view new connections and growth in demand. We observed that the Company did not prepare plans for augmentation of their distribution Network.

6.2.9.1 The analysis of consumers and the connected load (in MW) are indicated in the Chart.



The particulars of target of distribution network planned and its achievement in the State as a whole is depicted in ***Appendix – 6.5***.

6.2.9.2 The Company had 200 numbers of 33/11 KV sub-stations with a capacity of 1617 MVA at the beginning of 2006-07. The Company did not plan any addition of sub-stations during 2006-07 to 2010-11. However, it added 62 numbers of 33/11 KV sub-stations of 569 MVA thereby increasing its capacity to 2186 MVA (2010-11). The above increase was not sufficient to meet the growth in the connected load which increased from 2337 MW in 2006-07 to 3739 MW (equivalent to 4674 MVA at 0.80 Power Factor) in 2010-11, registering an increase of 59.99 per cent. Thus the increase in distribution capacity was not commensurate with the pace of growth in the connected load and the available capacity, thereby resulting in problems of overloading of transformers with frequent failures in the distribution network and tripping of power supply. This also led to higher failure rate of transformers. Some of the observations on planning are discussed below:

Inadequate transformation capacity

6.2.10 Transformer is a static device installed for stepping up or stepping down voltage in transmission and distribution of electricity. The energy received at high voltage (132 KV, 66 KV, 33 KV) from primary sub-stations of the Transmission

Companies is transformed to lower voltage (11 KV) at 33/11 KV sub-stations of the Distribution Companies to make it usable by the consumers. In order to cater to the entire connected load, the transformation capacity should be adequate. The ideal ratio of transformation capacity to connected load is 1:1.

The table-6.2.1 below indicates the details of transformation capacity at 33/11 KV sub-stations and connected load of the consumers in the State during the period from 2006-11.

Table-6.2.1 *(in MVA)*

Year	Transformation Capacity	Connected load	Gap in Transformation capacity	Ratio of Transformation capacity to connected load
2006-07	1859	2921	1062	1:1.57
2007-08	2001	3435	1434	1:1.72
2008-09	2100	3750	1650	1:1.79
2009-10	2162	4216	2054	1:1.95
2010-11	2186	4674	2488	1:2.14

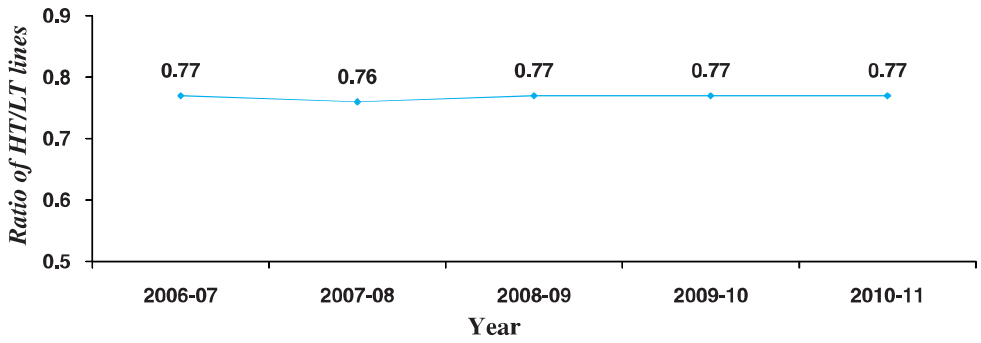
(Source: Information compiled from the data available with the Company)

It is clear from the above that the ratio of transformation capacity to total connected load ranged between 1:1.57 to 1:2.14. High gap of transformation capacity resulted in overloading of the system and consequential tripping, adverse voltage regulation and higher quantum of energy losses.

6.2.11 High Voltage Distribution System is an effective method for reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. The GOI stressed (February 2001) the need to adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses. National Electricity Plan 2005 also laid down that the distribution companies should be prompted to reduce LT/HT ratio keeping in view the techno economic considerations.

Implementation of LT less system

6.2.12 The HT-LT ratio during the performance audit period in respect of the Company is depicted in the graph:



It may be seen from the above that HT/LT ratio of the Company averaged around 0.76 to 0.77 during 2006-11. To improve its transmission and distribution network, the Company should have planned equal length of HT & LT lines.

During 2006-11, the Company has added 8964 CKM and 11278 CKM of HT and LT lines respectively in its network. As seen from the above graph, the ratio of HT & LT ratio remained static and there was no effort on the part of the Company to replace the LT lines with HT lines.

Implementation of Centrally Sponsored Schemes

Rural Electrification

6.2.13 The key development objective of the power sector is supply of electricity to all areas including rural as mentioned in Sec 6 of the Electricity Act. Rural Electrification Corporation (REC) of India is the nodal agency to implement the programme of giving access to electricity to all households in the next five years beginning from 2005. The Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) scheme initiated by REC aims at electrifying all villages and habitations.

As per the new definition of village electrification w.e.f 2004-05, a village would be declared as electrified if,

a) Basic infrastructure such as distribution transformers and distribution lines are provided in the inhabited locality as well as the Dalit Basti hamlet where it exists.

b) Electricity is provided to public places like schools, panchayat's office, health centers, dispensaries, community centers etc.

c) The number of households electrified should be at least 10 *per cent* of the total number of households in the village.

6.2.13.1 As on 31 March 2006, out of 15761 villages in the State (as per 2001 Census), 14834 villages were electrified (94.12 *per cent*). The year-wise target *vis-à-vis* achievement of electrification of various BPL households in villages under RGGVY scheme during 2006-07 to 2010-11 is shown in the table-6.2.2 below:

Table-6.2.2 ***(In numbers)***

Year	Total Electrified in the beginning of the year	Targeted for electrification during the year	Electrified during the year	Total Electrified in the end of the year	Percentage of achievement against target during the year
2006-07	14834	324	324	15158	100.00
2007-08	15158	187	158	15316	84.49
2008-09	15316	93	63	15379	67.74
2009-10	15379	47	33	15412	70.21
2010-11	15412	14	13	15425	92.86

(Source: Information compiled from the data available with the Company)

We observed that:-

- During 2006-07 to 2010-11, the target of electrification was achieved only in 2006-07. The percentage of achievement during 2007-08 to 2010-11 ranged between 67.74 and 92.86 *per cent*.

- The Company had electrified 591 un-electrified villages against the target of 665 villages during 2006-07 to 2010-11under RGGVY scheme.
- As per 2001 Census, out of a total of 927 un-electrified villages in the State, the Company targeted to electrify 665 villages under RGGVY Scheme (71.74 *per cent*). Against the target, the Company electrified 591 villages which worked out to 88.87 *per cent* of the target.

Financial Performance of RGGVY

6.2.13.2 REC sanctioned ₹ 658 crore (April 2005) for 100 *per cent* electrification of the villages in the State. This was further revised to ₹ 760.14 crore (July 2009). The funds received comprised of 90 *per cent* grant and 10 *per cent* loan. Due to non-achievement of 100 *percent* BPL connection, the Company could not get all the sanctioned amount of ₹ 760.14 crore. It received proportionate amount of ₹ 660.77 crore till March 2011. The remaining amount of ₹ 99.37 crore would be released only on completion of remaining BPL connections. The year wise position of the funds available vis-à-vis utilization up to 31 March 2011 is given in the table-6.2.3 below.

Table-6.2.3 *(₹in crore)*

Year	Opening Balance	Funds received during the year	Total funds available	Funds Utilized	Unspent funds at the end of the year
2005-06	--	59.44	59.44	79.98	(-)20.54
2006-07	(-)20.54	198.50	177.96	223.63	(-)45.67
2007-08	(-)45.67	212.83	167.16	155.48	11.68
2008-09	11.68	78.62	90.30	97.79	(-)7.49
2009-10	(-)7.49	102.06	94.57	69.96	24.61
2010-11	24.61	9.32	33.93	28.97	4.96

(Source: Information compiled from the data available with the Company)

Audit analyzed that:

- During the years 2005-06, 2006-07 and 2008-09, the Company had spent more than the funds received from REC.
- During the years 2007-08, 2009-10 and 2010-11 the amount of funds utilized was less than the funds received due to slow progress of work.

Some instances of poor contract management in implementation of the RGGVY scheme are given below

Extra expenditure on BPL Connections

6.2.13.3 REC fixed an amount of ₹ 1500 as expenditure to be incurred for every BPL connection. We observed that the Company spent more than ₹ 1500 per connection and incurred an extra expenditure of ₹ 2.13 crore. The details of rate obtained, the number of connections released and the extra expenditure incurred per district are given in the table-6.2.4 below:

Table-6.2.4 *(Amount in ₹)*

Sl. No.	Name of District	Number of BPL Connection	Unit Rate (as per contract)	Unit Rate (as per REC)	Difference in unit rate	Extra expenditure (3X6)
1	2	3	4	5	6	7
1	Chamoli	7340	1680	1500	180	13,21,200
2	Dehradun	15077	1520	1500	20	3,01,540
3	Nainital	20009	2200	1500	700	140,06,300
4	Pauri	20300	1690	1500	190	38,57,000
5	Rudraprayag	11919	1610	1500	110	13,11,090
6	US Nagar	24202	1520	1500	20	4,84,040
Total extra expenditure						**2,12,81,170**

(Source: Information compiled from the data available with the Company and REC norms)

We further observed that the extra expenditure of ₹ 2.13 crore incurred by the Company in releasing connections to BPL consumers was disallowed by REC. Overlooking the REC conditions and awarding the contracts at higher rates resulted in extra burden of ₹ 2.13 crore to the Company.

Slow progress in releasing of BPL connections

6.2.13.4 As per census 2001, 587524 rural BPL households were not electrified out of total number of 623790 rural BPL households in the State. Under the scheme, the Company released connection to 191656 BPL households till March 2011 against its target of 227579 BPL households. Hence 35,923 BPL families of the State were deprived of availing the facility of electricity for last 12 to 42 months.

Management stated (November 2011) that the delay was on the part of the contractors and they were being pursued to complete the work as soon as possible. However, the fact remains that the Company failed to get the work completed within the prescribed time.

Loss of interest

6.2.13.5 As per Guidelines of Central Vigilance Commission (October 1997) Mobilisation Advances (MA) to Contractors should be interest bearing. We noticed that the Company granted (December 2005-January 2006) interest free MA of ₹ 68.90 crore to 13 contractors engaged in carrying out the RGGVY work. The Company did not levy interest and suffered a loss of ₹ 8.22 crore.

We further noticed that in two districts viz. Almora and Pauri, the second installment of MA of ₹ 4.76 crore and ₹ 1.30 crore was released to the contractors in July 2006 and June 2008 respectively without obtaining the utilization certificate of previous installment. In this connection, following irregularities were noticed:

- The clause regarding payment of the interest free mobilization advance was incorporated in the contract without approval of Board of Directors;
- No time bound schedule for recovery of MA was fixed by the Company;
- The Company recovered the MA during the period from April 2006 to October 2010 in installments.

While no interest was charged on MA, the Company had paid the interest at the rate of 8 *percent* to REC on the loan amount taken for RGGVY scheme.

Management stated (November 2011) that MA was given as per the terms of tender documents and agreement. However, the terms and conditions of the tenders relating to MA were in violation of CVC guidelines.

Short recovery of liquidated damage

6.2.13.6 As per terms and conditions of the contract, the works were scheduled to be completed within 18 months from the date of award of the contract. Clause 14 of the contract, *interalia,* provides that in case the contractor fails to complete the work in stipulated period, he would be liable to pay liquidated damage (LD) at the rate of 0.1 *per cent* per day, subject to a maximum of 10 *per cent* of the contract amount.

We noticed that the work of RGGVY scheme had to be completed by December 2008 and April 2007 in Champawat and Bageshwar districts respectively. Against the scheduled dates, the works were actually completed by March 2011 in both districts. Hence, the contractors of both districts were liable to be levied LDs to the tune of ₹ 0.28 crore and ₹ 0.39 crore. The Company recovered LDs of ₹ 0.15 crore and ₹ 0.29 crore. Thus, ₹ 0.23 crore was short recovered with remote chances of further recovery, as the works had already been completed and payments made in full. Management accepted the audit observation (November 2011) and stated that the recovery of LD will be made after verification.

Restructured Accelerated Power Development Reforms Programme

6.2.14 The Government of India (GOI) approved the Accelerated Power Development Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. The scheme was implemented with the objective of up-gradation of sub-transmission and distribution system including energy accounting and metering. The financial support for the scheme was provided by GOI.

In order to carry on the reforms further, the GOI launched the Restructured APDRP (RAPDRP) in July 2008 as a Central Sector Scheme for XI Plan with Power Finance Corporation (PFC) as nodal agency. The RAPDRP scheme comprises of Part A and B. Part A was dedicated to establishment of IT enabled system for achieving reliable and verifiable baseline data system in all towns besides installation of SCADA[6]/ Distribution Management System. For this, 100 *per cent* loan is provided by GOI and the loan was convertible into grant on completion of the project and verification of same by Third Party independent evaluating agencies. The Part B of the scheme deals with strengthening of regular sub-transmission & distribution system and up gradation projects.

[6] **Supervisory Control And Data Acquisition –** It generally refers to industrial control systems, computer systems that monitor and control industrial, infrastructure, or facility-based processes.

Financial Performance of RAPDRP

6.2.14.1 The details of the funds released by GOI and its utilisation are depicted in the table-6.2.5 below:

Table-6.2.5 *(₹in crore)*

Year	Funds released by GOI	Funds available	Funds utilised	Balance	Percentage of balance to funds available
2008-09	2.44	2.44	-	2.44	100.00
2009-10	35.30	37.74	-	37.74	100.00
2010-11	-	37.74	32.99	4.75	12.59

(Source: Information compiled from the data available with the Company)

Delayed preparation and submission of DPRs by the Company to PFC resulted in non utilization of the funds during 2008-09 and 2009-10. Further, the Company entered into contract with IT Implementation Agency (ITIA) only in April 2010, leading to delayed start of the project by 12 months.

Implementation of Part A of the RAPDRP

6.2.14.2 For implementation of Part A of the RAPDRP, 100 *per cent* loan is provided by PFC. This was convertible into grant on completion and verification of same by Third Party (independent evaluating agencies).

We noticed that:-

- The Company appointed (April 2010) M/s Infinite Computer Solutions India Ltd as ITIA for implementation of Part A in 31 identified towns (where population as per census 2001 was more than 10,000) at a cost of ₹ 125.82 crore. The pilot project of the scheme was to be completed within 12 months from the date of award of contract and the entire project was to be completed within 18 months from the date of issue of award. Dehradun was selected as pilot town and after passage of 15 months Vikas Nagar was selected as additional pilot town. However, neither Dehradun nor Vikas Nagar has been integrated with the network till August 2011, resulting in delay of commissioning of pilot project. Consequently, completion of project in other identified towns has also been delayed as the real time assessment of live data and the network created cannot be validated and processes cannot be verified unless project of pilot town is commissioned.

Management stated (November 2011) that on the advice of PFC, Vikas Nagar was selected as additional pilot town, in respect of which the modules started functioning in testing environment in August 2011. However, the pilot town should also go on- live with all modules within 12 months and in the remaining identified towns, within 18 months from the date of award of contract. We observed that the Company is still in a testing phase for pilot town. Further, Management reply is silent on the progress of work in respect of Dehradun and the work in respect of the remaining identified towns has not yet been started.

- Slow progress of GIS mapping by ITIA is also a major reason for slow progress of part A project as the work was completed in only six towns[7] out of 31 identified towns within the schedule period.

Management accepted the audit observation and stated (November 2011) that the work of GIS mapping was delayed due to lack of skilled manpower and heavy rains in hilly terrains and the remaining work will be completed by January 2012.

- The RAPDRP scheme envisages 100 *per cent* metering on Distribution Transformers (DTRs) and installation of Modem[8] by October 2011. It was noticed that the metering of un-metered DTRs and Modem was completed only in three[9] out of 31 identified towns within schedule date.

Management accepted the audit observation and stated (November 2011) that the contractor took long time to supply the meters due to their dependency on Central Power Research Institute, Bangalore for testing of meters.

Implementation of Part B of the RAPDRP

6.2.14.3 The RAPDRP Part B scheme is concerned with strengthening and modernization of Transmission and Distribution system of the Company with an objective of bringing AT&C losses to the level of 15 *per cent*. Under this scheme, 31 towns of the State were selected for implementation. The Steering Committee has fixed time limit of five years for completion of the project from the date of its approval. For implementation of Part B, 90 *per cent* of the project cost was to be funded by GOI through PFC and balance 10 *per cent* as loan either from PFC or any other financial institutions/ its internal resources. The Company submitted (February 2011) the DPRs for implementation of Part B at a cost of ₹ 719.56 crore to PFC. This was revised to ₹ 630.62 crore by the Company as per directions of PFC.

Audit observed that the Company paid to M/s Trident Techlabs Pvt. Ltd ₹ 0.26 crore up to July 2011 for the preparation of DPR of Part B. The activities of Part B should have been started within three to six months after the commencement of Part A. Therefore, the work of Part B should have been started by October 2010. The preparation of DPRs was delayed till February 2011.

Consumer metering

6.2.14.4 Attainment of 100 *per cent* metering is one of the objectives of the RAPDRP scheme. The work of metering of unmetered consumers, replacement of electro-mechanical meters with tamper proof electronic meters and replacement of defective & stopped meters in eight[10] circles of the Company was to be completed by March 2012. By August 2011, the Company did not even identify the number of defective or mechanical meters to be replaced. As on 31 March

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[7] Vikas nagar, Rishikesh, Manglore, Landhora, Joshimath and Laksar.
[8] To help to collect the live data from DTRs.
[9] Vikas nagar, Rishikesh and Laksar.
[10] Srinagar, Roorkee, Haridwar, Dehradun (Rural), Dehradun (Urban), Rudrapur, Haldwani, Ranikhet.

2011, 15.01 lakh consumers were metered as against total number of 15.26 lakh consumers.

The progress made by the Company in installation of meters was as given in the table-6.2.6 below:

Table-6.2.6 *(In lakh)*

Year	Meters installed at the opening of the year	Targeted for metering during the year	Actual meters installed during the year	New connection released during the year	Meters installed at the close of the year	Percentage of achievement against the target
1	2	3	4	5	6 (2+4+5)	7 (4/3x100)
2006-07	10.66	0.46	0.05	0.40	11.11	10.87
2007-08	11.11	0.41	0.11	0.78	12.00	26.83
2008-09	12.00	0.30	0.02	1.12	13.14	06.67
2009-10	13.14	0.28	0.01	1.02	14.17	03.57
2010-11	14.17	0.26	0.01	0.83	15.01	3.85

(Source: Information compiled from the data available with the Company)

We observed that the Company failed to achieve the targets of 100 *per cent* metering of the consumers during 2006-07 to 2010-11 as 0.25 lakh consumers remained unmetered as of March 2011.

Loss due to non- compliance of UERC orders

6.2.14.5 UERC ordered in September 2003 that the Company should complete 100 *per cent* metering of all types of consumers by December 2003. As the Company could not comply with the direction, UERC in August 2005 imposed a consolidated penalty of ₹ One lakh and additional penalty of ₹ 5000 per day on account of supply of electricity to unmetered consumers. The Company paid ₹ 1.04 crore up to March 2011. The Company was suffering losses on two fronts i.e. loss of revenue (since billing was done on assessment basis) and loss due to penalty imposed by UERC. Management accepted the audit observation and stated (November 2011) that the unmetered consumers will be metered very soon.

Project and Contract Management

Irregularities observed during audit of project and contract management are discussed below.

Unfruitful expenditure on Consumers indexing

6.2.15 The Company decided to index all its consumers by March 2007 at the cost of ₹ 1.72 crore. It was expected to improve the billing and revenue collection. Any new connection would be given to the consumer through consumer indexing so that the data would automatically get up-dated. For this purpose, the Company projected a target of indexing of 6.66 lakh consumers in its six[11] out of eight circles and incurred an expenditure of ₹ 3.39 crore on the above work. We noticed

[11] Rudrapur, 1.25 lakh consumers, Roorkee, 1.35 lakh consumers, Dehradun (urban), 1.10 lakh consumers, Ranikhet, 1.04 lakh consumers, Haldwani, 0.92 lakh consumers, Dehradun (Rural), 1.00 lakh consumers.

that the consumer data could not be linked to the billing system and new connections were also not released to the consumers through consumer indexing. Consumer Index Numbers (CIN) were not allotted to 100 *per cent* consumers with reference to their electricity bills and ledgers. The Company also failed to capture all users of electricity and connect them up to the respective DT meters and feeders. Due to this, the Company could not identify unbilled consumers through indexing and failed in better billing and revenue collection.

Audit further observed that:

- In Rudrapur circle, the Company could complete only 59 *per cent* of the scheduled work;
- In Haldwani circle, indexing work was not completed in scheduled time and the work was stopped in December 2008;
- In Roorkee, Dehradun (Urban) and Ranikhet circles, the work of indexing was completed with time over run of 31 to 41 months from the scheduled date;
- The Company also targeted the indexing of one-lakh consumers of Dehradun (Rural) circle, but could not start the work;

Management accepted the audit observation and stated (November 2011) that there was lack of skilled manpower and IT enabled persons due to which targets were not achieved. However, the facts remain that the Company had to undertake same exercise of consumer indexing under RAPDRP scheme. Thus, the amount of ₹ 3.39 crore incurred on the above indexing work became unfruitful.

Diversion of funds

6.2.16 A provision of ₹ 5.28 crore from APDRP funds was made by the Company for installation of 115 data logging system in four circles[12] during 2006-07. These projects were not taken up. Only minor works amounting to ₹ 0.11 crore were taken up in Dehradun- urban circle. The funds amounting to ₹ 5.17 crore were diverted/ utilized for other works of APDRP scheme by the Company in 2008-09 for which no approval was available on record.

Delay in construction of Sub-station

6.2.17 The Company entered (June 2006) into an agreement with M/s ABB Ltd for construction of six 33/11 KV sub-stations at the cost of ₹ 14.37 crore at Pant Nagar for providing electricity to an industry established at Sidcul. This was scheduled to be completed during the period from August 2006 to February 2007. Out of these six sub-stations, five sub-stations were completed with the delay ranging from 119 days to 484 days. Thus, due to delay in completion of sub-stations, the Company failed to provide the electricity connections to the Industrial consumers in time and was also deprive of the revenue for the said period.

[12] Haldwani (33 nos; ₹ 0.58 crore), Roorkee (35 nos; ₹ 2.18 crore) Dehradun-Urban (14 nos; ₹ 0.87 crore), and Rudrapur (33 nos; ₹ 1.65 crore)

Management accepted (November 2011) the audit observation and stated liquidated damages for delay in completion of work will be recovered from the contractor.

Inadequate planning in construction of sub-stations

6.2.18 The Company entered (June 2007) into an agreement with M/s Kashmirilal Construction Private Limited for construction of five 33/11 KV sub-stations and its associated lines at Munakot, Barakot, Pati, Bhisiyachhana and Okalkanda at the cost of ₹ 17.96 crore with completion scheduled by April 2009 to November 2011. Scrutiny of the records revealed that only one sub- station at Pati was completed in time and Munakot sub-station and its associated line was completed after delay of 136 days. Bhisiyachhana and Okalkanda sub-stations were not completed till November 2011 due to lack of clearance of forest area and Brakot sub-station could not be constructed due to heavy land slide.

Management accepted (November 2011) the delay in energization of Munakot sub-station and stated that the route of lines was diverted due to landslide in the area. It further stated that the line work will be completed soon in respect of Bhisiyachhana and Okalkanda sub-stations. However, the fact remains that it failed to obtain forest clearance even after lapse of four years from the award of contract, which was required to be done before awarding the contract. This resulted in blockade of funds amounting to ₹ 2.51 crore in respect of two works at Bhisiyachhana and Okalkanda.

Blockade of fund as well as loss of interest

6.2.19 The Company entered (May 2007) into an agreement with M/s Madan Construction for construction of 33/11 sub-station at Kirtinagar and 20 KM associated lines at the cost of ₹ 8.01 crore with the scheduled date of completion by February 2008. The work has not been completed (November 2011) even after 46 months from the scheduled date of completion (February 2008). The work was stopped due to lack of forest clearances. The Company has paid ₹ 7.14 crore to the contractor till March 2011. As the work was still incomplete (December 2011), the expenditure incurred thereon is blocked for last three years, resulting in loss of interest of ₹ 1.71 crore.[13] Management accepted the audit observation and stated (December 2011) that the delay in the construction of sub-station and associated lines was linked with the forest clearance which was obtained from forest Department in August 2010 and cutting of trees was completed in June 2011. However, the fact remains that all clearances should have been obtained before awarding the contract and the project should have been completed by February 2008.

Ongoing projects

Negligence in award of contract

6.2.20 The Company invited tenders for construction of 33/11 KV sub-station and its associated lines at Kudi-Phutgarh and Agastyamuni in Rudraparayag district,

[13] ₹ 7.14crore x3x8/100=₹ 1.71 crore.

whereas the contract was awarded (January 2011) to M/s A2Z Maintenance & Engineering services Private Limited for construction of 33/11 KV sub-stations at Sumari Bhardar, Chopta and Dhauntary at a cost of ₹ 4.89 crore. The Company changed the location of these sub- stations to Sumari Bhardar and Chopta in same district from Kudi-Phutgarh and Agastyamuni without considering the change in rates depending upon the location of the project. The scheduled date of completion was nine months from the date of handing over of land.

Audit noticed that:

- The distance from rail head to Sumari Bhardar (new site) is lesser by 25 KM as compared to the distance from rail head to Kudi Phutgarh (original site) and also difference in height from the sea level is 715 meter lesser between the locations of these two places. As per norms (July 2010) of PWD, the reduction in the rates are allowed at the rate of one *per cent* for every 10 KM and height index at the rate of one *per cent* for every 100 meter. Therefore, the rates of the contract in respect of construction of Sumari Bhardar sub-station should have been reduced by 9.5 *per cent* [14]of the contract price. However the Company ignored these essential facts and allowed ₹ 0.10 crore[15] excess amount to the contractor.
- Further, the construction works of Chopta and Dhauntary sub-station had not been commenced due to non-availability of site (November 2011). The Company did not identify the land for construction of sub-stations before awarding the contract and as a result the construction of above sub-stations was delayed. Further, the residents of the area are deprived of quality power supply till date (December 2011).

Non achievement of targets in construction of sub-station

6.2.21 The Company entered (August 2010) into an agreement with M/s Negi Construction and M/s Kashmirilal Construction Private Limited for construction of 33/11 KV sub-station at Lakhamandal and 6 KM lines respectively. These were awarded at the cost of ₹ 0.92 crore and 0.60 crore with respective scheduled date of completion by November 2010 and August 2011. Lakhamandal substation and associated line was not completed up to November 2011 as the required material was not provided to the contractor. It indicated poor planning. Management while accepting (December 2011) the observation stated that the required material was not available in the Store division Dehradun. However the fact remains the same, the Company should ensure the availability of the material before awarding the contract.

Blockade of fund

6.2.22 The Company entered (December 2010) into an agreement with M/s Saggi Electricals for construction of 40 KM 33/11 KV lines from Chamba to

[14] The difference should be reduced 2.5 *per cent* due to less distance from rail head plus 7 *per cent* due to less height from sea level = 9.5 *per cent*.

[15] Cost of Sumari Bhardar sub-station: ₹ 1.10crore, therefore:₹ 1.10 crore x 9.5/100 = ₹ 0.10 crore.

Koteshwar at a cost of ₹ 2.91 crore with the scheduled period of completion of four months after obtaining the forest clearance. The work in respect of above line was not completed till November 2011 as it was stopped due to absence of required forest clearance. Thus, payment of ₹ 1.22 crore made to the contractor towards construction of the line resulted in blockade of fund.

Management accepted the audit observation and stated (December 2011) that the work of construction of line in non-forest area was in progress. However, about 20 *per cent* work of the line falling in forest area was still pending. The Company did not ensure forest clearance before awarding the contract.

Operational efficiency

6.2.23 The operational performance of the Company was evaluated on the basis of various factors including availability of adequate power for distribution, adequacy and reliability of distribution network, minimising line losses and detection of theft of electricity. These aspects are discussed in the ensuing paragraphs.

Purchase of Power

6.2.23.1 Assessment of future demand and requirement of power is calculated on the basis of past consumption trends, present requirement, load growth trends and T & D losses and its trend. UERC approves the sources of purchase of power and the purchase cost based on the estimates made in the Annual Revenue Requirement (ARR).

The details of demand of power assessed for the State based on the 17th Electric Power Survey (EPS), purchase of power approved by UERC and actual power purchased during the period 2006-07 to 2010-11 is given in the table-6.2.7 below:

Table-6.2.7 ***(In Million Units)***

Year	Demand assessed in EPS	Purchases approved by UERC	Actual Power purchased	Power Deficit	Excess/ Shortfall in purchase against approved by UERC
(1)	(2)	(3)	(4)	(5) = (2 – 4)	(6) = (3 – 4)
2006-07	5957.00	7922.17	5705.88	251.12	(-)2216.29
2007-08	7047.00	6679.00	6855.22	191.78	176.22
2008-09	7841.00	6884.00	7854.22	(13.22)	970.22
2009-10	8920.00	7631.99	8464.50	455.50	832.51
2010-11	9838.00	8031.06	9390.28	447.72	1359.22
Total	39603.00	37148.22	38270.10	1332.90	1121.88

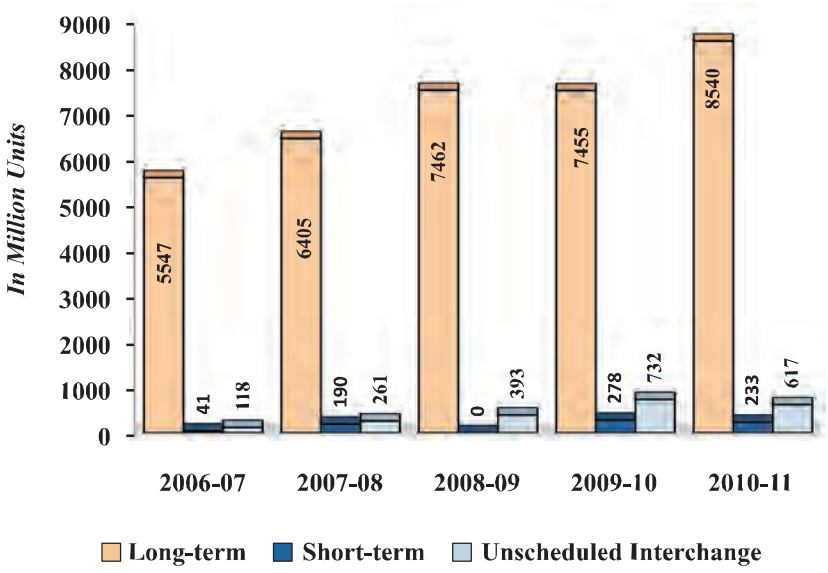
(Source: Information compiled from the data available with the Company)

We observed that:-

- The deficit of power in the State ranged between 191.78 MUs and 455.50 MUs during 2006-07 to 2010-11 except 2008-09.
- The Company had purchased excess power ranging between 176.22 MUs and 1359.22 MUs during 2007-08 to 2010-11 as against the approval of UERC.

- During period from 2006-07 to 2010-11 the Company purchased 38270.10 MUs comprising of 18215.91 MUs from State electricity Generation PSUs for ₹ 2449.73 crore, 14409.90 MUs from Central Sector for ₹ 3204.97 crore, 582.54 MUs from Independent Power Producers (IPPs) of the State for ₹ 189.43 crore and 5061.74 MUs from Others for ₹ 1497.32 crore.
- During the last five-years i.e. 2006-11, the Company dealt with Unscheduled Interchange (UI)/ Overdrawl of 2120.47 MUs for ₹ 973.07 crore to meet the demand of the State.

The Company entered into Long term and Short term power purchase agreements with various agencies viz., State Generation Companies, Central PSUs, IPPs, etc. for purchase of power. Further, it also resorted to Unscheduled Interchange purchases on need basis. The break-up of the total power purchased into long term, short term and U.I. has been shown in the bar chart.



The Company purchased power from seven parties at different rates. The rates varied from ₹ 0.88 per unit to ₹ 5.68 per unit in the year 2006-07. The rates ranged from ₹ 1.48 per unit to ₹ 3.48 per unit in 2010-11. The source-wise purchase of power during 2006-07 to 2010-11 is given in the ***Appendix –6.6***.

Though the Company had analyzed the power requirement and its supply from the power generators of the State during 2006-07 to 2010-11, it did not enter into long term power purchase agreements with the power generators outside the State to purchase the power at economical rates. As a result, the Company had to purchase power at higher rates from open market and resorted to Unscheduled Interchange (UI).

Sub-transmission & Distribution Losses

6.2.24 The losses at 33 KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. The losses occur

mainly on two counts i.e. technical and commercial. Technical losses occur due to inherent character of equipment used for transmission and distribution of power and resistance in conductors through which the energy is carried from one place to another. Commercial losses occur due to theft of energy, defective meters and drawl of un-metered supply, etc. The loss of energy on account of these factors must be kept at the bare minimum.

The table-6.2.8 below indicates the energy losses in respect of the State for last five years up to 2010-11.

Table-6.2.8 ***(In Million Units)***

S. No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy purchased	5705.88	6855.22	7854.22	8451.87	9390.28
2.	Energy sold	3885.90	4736.10	5493.73	6249.21	7250.68
3.	Energy losses (1 – 2)	1819.98	2119.12	2360.49	2202.66	2139.60
4.	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	31.90	30.91	30.05	26.06	22.79
5.	Percentage of losses allowed by UERC (*per cent*)	28.32	24.32	22.32	20.32	19.00
6.	Excess losses (in MUs)	204.27	451.76	607.13	485.14	355.89
7.	Average realisation rate per unit (in ₹)	**2.38**	**2.48**	**2.91**	**2.89**	3.46
8.	Value of excess losses (₹ in crore) (6 x 7)	48.62	112.04	176.67	140.21	123.14

(Source: Information compiled from the data available with the Company)

It can be seen from the above table that losses ranged between 31.90 and 22.79 *per cent* during the last five years ending 31 March 2011. Reduction in these losses is the most significant step towards making the Company financially self-sustaining. The importance of reducing losses can be gauged from the fact that one *per cent* decrease in losses could add ₹ 32.49 crore[16] to the profit of the Company annually. The main reasons for such high-energy losses were the heavy number of unmetered consumers thereby leading to high quantum of assessed sales against metered sales, failure of distribution transformers, reduction in maintenance activity, non-replacement of electromechanical meters with tamper proof electronic meters, low percentage of HT/LT ratio and theft of electricity.

Performance of Distribution Transformers

6.2.24.1 The UERC did not fix any norm for failure of Distribution Transformers (DTRs) in its tariff orders. The failure norm of DTRs fixed by Uttar Pradesh Electricity Regulatory Commission (UPERC) is five *per cent.* The details of actual DTRs failed and the expenditure incurred on their repairs is depicted in the table-6.2.9 below.

[16] Based on average rate of realization of the Company during 2010-11.

Table-6.2.9

Sl.No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTRs at the close of the year (in Number)	30442	34125	37532	40866	46164
2.	DTR Failures (in Number)	4019	4369	4807	4755	5956
3.	Percentage of failures	13.20	12.80	12.81	11.64	12.90
4	Failure norms fixed by UPERC *(in percentage)*	5.00	5.00	5.00	5.00	5.00
5.	Excess failure percentage over norms	8.20	7.80	7.81	6.64	7.90
6.	Expenditure on repair of failed DTRs (₹ in crore)	21.25	32.23	26.50	43.77	37.75

(Source: Information compiled from the data available with the Company)

As seen from the above table, the Company did not contain its failure rate within the target fixed by UPERC and the failure rate was more than two times during 2006-11. The Company incurred an expenditure of ₹ 161.50 crore on repair of failed DTRs over a period of five years, out of which ₹ 97.09 crore was incurred on DTRs failed in excess of the norms. In the absence of history card of DTRs, the details about maintenance of transformers were not available with the Company. As a result, the Company could not avail the benefit of warranty period for its transformers.

The percentage of failure of DTRs was very high in some of the districts. It ranged from 15.31 to 23.91 *per cent* in Haridwar district[17], 11.75 to 15.75 *per cent* in Chamoli district[18] and 15.02 to 20.49 *per cent* in U.S. Nagar district[19] during 2006-11 due to over-loading, poor maintenance, lightening and internal faults. Failure of DTRs could have been controlled by carrying out timely preventive maintenance, installation of lightning arrester in hilly areas, proper earthing of DTRs and conversion of LT conductors into Aerial Bunched Cables.

6.2.24.2 DTR failure due to over-loading has decreased from 15.62 *per cent* in 2006-07 to 10.36 *per cent* in 2010-11 as detailed in table-6.2.10 below:-

Table-6.2.10

Year	Total Number of DTRs failed during the year[20]	Number of failures due to over-loading	Percentage of failures due to over-loading
2006-07	3993	624	15.63
2007-08	4347	609	14.01
2008-09	4777	623	13.04
2009-10	4690	604	12.88
2010-11	5890	610	10.36

(Source: Information compiled from the data available with the Company)

The above depicts that failure of DTRs due to over-loading decreased from 624 in 2006-07 to 610 in 2010-11. This could be further reduced by proper checking of

[17] EDD Roorkee (Rural & Urban), and Haridwar (Rural & Urban).
[18] EDD Gopeshwar.
[19] EDD Rudrapur, Bazpur, and Kashipur.
[20] Excluding failures due to manufacturing defects.

consumers load, timely preventive maintenance and installation of DTRs of appropriate capacities. 23906 DTRs were damaged during 2006-07 to 2010-11, out of which 20627 DTRs were damaged due to internal fault, 3070 DTRs due to overloading and 209 DTRs due to manufacturing defects.

Delay in repair of Distribution Transformers

6.2.24.3 The Company undertakes repair of damaged transformers both in-house and through outside agencies. Though no time limit was prescribed for in-house repairs of the damaged DTRs, a period of two months was prescribed for return of repaired transformers by outside agencies. As per the general terms and conditions of purchase order, the suppliers were required to guarantee the performance of DTRs for 12 to 30 months from the date of supply/ installation. 186 DTRs of various capacities pertaining to Garhwal Zone failed during 2009-10 to 2010-11 and sent for repairs during January to March 2011. They were lying with the outside agencies for more than seven months. In Ranikhet Circle, 1280 DTRs damaged during April 2007 to December 2010 were lying with the five[21] distribution divisions for repair till March 2011. Management accepted the audit observation and stated (November 2011) that 284 damaged DTRs of various capacities had been sent to work shop up to the month of September 2011 and for remaining 996 damaged DTRs, instructions have been issued to the concerned Executive Engineer (EE) for early repair.

Lack of initiative for timely repairing of the damaged transformers indicated poor management control of the Company.

Non -procurement of dry type DTRs

6.2.24.4 The Dry type DTRs are maintenance free, easy to install, low running cost and environment friendly whereas oil DTRs are flammable, need regular maintenance and cause pollution to environment. Air works as coolant in Dry type DTRs and oil works as coolant in Oil type DTRs. As per rule 64(2)(e)(iv) of the Indian Electricity Rules, 1956, only dry type of transformers should be used for installations inside the residential and commercial buildings.

One oil transformer (250 KVA) blasted on 11-12-2006 at adjoining primary school, Kashipur causing injury to 21 children, out of which four children died during treatment. The reasons for blast were not available on records. The Company incurred an expenditure of ₹ 28.47 lakh[22] in this regard.

Despite the above incident, the Company did not prepare any time bound action plan to replace the existing oil filled indoor DTRs with dry type transformers in residential and Commercial buildings.

[21] Almora, Pithoragarh, Champawat, Bageshwar & Ranikhet.

[22] ₹ 7.19 lakh on rent of Helicopter to carry injured children from Kashipur to NDelhi; ₹13.00 lakh on compensation; ₹ 8.28 lakh on treatment at Delhi.

Capacitor Banks

6.2.25 Capacitor banks (CBs) improve power factor by regulating the current flow and voltage regulation. In the event of voltage falling below normal, the situation can be set right by providing sufficient capacity of CBs to the system as it improves the voltage profile and reduces dissipation of energy to a great extent thereby saving loss of energy. The position as regards CBs is shown in the ***Appendix – 6.7***.

The CBs save energy to the extent of 0.04959 MU per MVAR (Mega Volt Ampere Reactive Power) of its capacity.

The Company procured (March 2005) 13489 DTR CBs comprising of 170 MVAR[23] at ₹ 7.02 crore and installed them on 13489 transformers (25 KVA to 1000 KVA) in seven circles. During 2005-06 to 2010-11, the Company added CBs of 170 MVAR and saved 34.57 MU amounting to ₹ 12.86 crore. Hence, CBs have recovered its cost within four years and started giving savings from fifth year. Therefore, the Company may consider installing CBs on rest of the DTRs to save more energy.

Commercial losses

6.2.26 The majority of commercial losses relate to consumer metering and billing besides pilferage of energy. While the metering and billing aspects have been covered under implementation of R-APDRP scheme and billing efficiency respectively, the other observations relating to commercial losses are discussed below:

Conversion of LT Conductors into Aerial Bunch Cables

6.2.26.1 Aerial Bunch (AB) cables prevent illegal tapping of low voltage distribution lines and help in reducing overloading of DTRs and maintain voltage of the supply.

We noticed that the Company has laid AB cables only under RGGVY scheme. Against target of 12265 KM, a total of 11225 KM of AB cables was laid during 2006-11. The Company failed to identify the high theft prone area of the State for conversion of LT line into AB cable so as to reduce theft of power.

Negligible checking of unauthorized tapping

6.2.26.2 Substantial commercial losses are caused due to theft of energy by tampering of meters by the consumers and unauthorized tapping/ hooking by the unauthorized consumers. As per section 135 of Electricity Act 2003, theft of energy is an offence punishable under the Act. The details of number of checking conducted, theft cases identified, amount assessed and amount realised there against are given in ***Appendix – 6.8***.

We observed that the Company did not fix any target for number of checking. An analysis of the appendix revealed that the number of checking of the consumers decreased from 3215 in 2006-07 to 1061 in 2010-11 and the amount realized

[23] MVAR =KVAR x number of capacitor banks /1000.

decreased from ₹ 1.11 crore to ₹ 0.20 crore for the same period. Further as against assessed amount of ₹ 9.33 crore the actual realization was ₹ 2.60 crore only during 2006-07 to 2010-11.

Performance of Raid Team

6.2.27 Section 163 of Electricity Act 2003 provides that the licensee may enter into the premises of a consumer for inspection and testing the apparatus to ensure that there was no theft of electricity. The Company has a sanctioned strength of 12 officers for the Vigilance Wing against which only three are in position. EE of the concerned Division prepares Work Plan to conduct raids for identifying consumers/ areas where large scale theft was suspected. The Raid Team needs the assistance of the Engineers of the concerned divisions for checking of theft of electricity. However, there was lack of coordination between the vigilance wing and the concerned divisions. It was observed that in many cases, the officers/ officials of the concerned area where the raids were planned to be conducted were not available, as they were attending to technical faults/complaints in some other areas. As no substitute was provided to Raid Team for assistance, raids could not be conducted in a planned manner. Following is the position of raids conducted during 2006-07 to 2010-11 given in the table-6.2.11.

Table-6.2.11

Sl. No	Year	Total number of consumers as on 31 March (in lakh)	No. of consumers checked	Assessed amount (₹ in lakh)	Realised amount (₹ in lakh)	Unrealised amount (₹ in lakh)	Percentage of checking to total nos. of consumer
1	2006-07	11.47	3215	318.67	110.92	207.75	0.28
2	2007-08	12.31	3066	418.84	126.24	292.60	0.25
3	2008-09	13.41	914	37.93	2.87	35.06	0.07
4	2009-10	14.43	882	34.78	0.20	34.58	0.06
5	2010-11	15.50	1061	123.00	19.78	103.22	0.07

(***Source: Information compiled from the data available with the Company***)

We noticed that the percentage of consumers checked was negligible in comparison to the total number of consumers. The Company was not having any norm and plan for surprise checking. Vigilance team could check only 9138 consumers in last five years ending 2010-11. Shortage of manpower and absence of targets affected the quantum of checking of unauthorised connections. The Company needs to strengthen its Vigilance Wing and prepare a proper checking plan to reduce theft of energy.

Financial Position and Working Results

6.2.28 Financial Turnaround and commercial viability of electricity sector was one of the major aims and objectives of the National Electricity Policy of 2005. The financial position of the Company for the five years ending 2010-11 is given in the table-6.2.12 below:

Table-6.2.12 *(₹in crore)*

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
A. Liabilities					
Paid up Capital	5.00	5.00	5.00	577.00	577.00
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	873.25	1141.46	1267.08	1411.43	1461.39
Borrowings (Loan Funds)					
Secured	371.30	329.52	321.65	349.44	332.15
Unsecured	782.16	809.02	825.07	850.20	870.15
Current Liabilities & Provisions	1793.38	2138.22	2522.74	2602.47	3135.38
Total	**3825.09**	**4423.22**	**4941.54**	**5790.54**	**6376.07**
B. Assets					
Gross Block	1538.20	1850.89	2009.29	2330.18	2760.30
Less: Depreciation	732.97	791.36	860.87	936.05	1025.71
Net Fixed Assets	805.23	1059.53	1148.42	1394.13	1734.59
Capital works-in-progress	724.33	719.84	814.39	744.23	579.10
Investments	260.46	211.85	102.77	162.90	128.27
Current Assets, Loans and Advances	1418.80	1558.06	1635.56	1745.23	1974.00
Accumulated losses	616.27	873.94	1240.40	1744.05	1960.11
Total	**3825.09**	**4423.22**	**4941.54**	**5790.54**	**6376.07**
Debt : Equity Ratio[24]	1:0.76	1:1	1:1.11	1:1.66	1:1.70
Net Worth	**261.98**	**272.52**	**31.68**	**244.38**	**78.28**

(Source: Information compiled from the balance sheet & the data available with the Company)

It may be seen from the table that the loans (secured & unsecured) increased from ₹ 1153.46 crore to ₹ 1202.30 crore during 2006-07 to 2010-11. Equity was increased during 2009-10 as the State Government allowed the conversion of liability towards Power Purchase Bond amounting to ₹ 572 crore into equity. Debt equity ratio of the Company has improved from 1:0.76 to 1:1.70 during this period. The net worth decreased from ₹ 261.98 crore in 2006-07 to ₹ 78.28 crore in 2010-11 which shows fluctuating position of the Company. In this regard, we also observed that:

- The Accumulated losses of the Company increased by ₹ 1343.84 crore (218.06 *per cent*) from ₹ 616.27 crore in 2006-07 to ₹ 1960.11 crore in 2010-11.
- Current liabilities & Provisions increased from ₹ 1793.38 crore during 2006-07 to ₹ 3135.38 crore in 2010-11.
- Gross Block of Fixed Assets increased from ₹ 1538.20 crore in 2006-07 to ₹ 2760.30 crore in 2010-11 due to capitalization of new 33/11 KV sub-stations.
- The sundry debtors of the Company increased by ₹ 611.38 crore i.e. from ₹ 1205.37 crore in 2006-07 to ₹ 1816.75 crore in 2010-11 due to poor collection efficiency.

[24] Equity includes paid up capital plus reserve and surplus.

Working results

6.2.29 The table-6.2.13 summarizes the working result of the Company for the five years period from 2006-07 to 2010-11 are indicated below:

Table-6.2.13

Sl.No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1.	**Income (₹ In crore)**					
(i)	Revenue from Sale of Power	924.66	1172.94	1598.39	1805.25	2509.20
(ii)	Other income[25]	30.28	46.91	115.65	226.39	182.02
	Total Income	**954.94**	**1219.85**	**1714.04**	**2031.64**	**2691.22**
2.	**Distribution (In MUs)**					
(i)	Total power purchased	5705.88	6855.22	7854.22	8451.87	9390.28
(ii)	Less: Transmission losses	175.55	123.17	222.78	171.78	140.86
(iii)	Net Power available for Sale	5530.33	6732.05	7631.44	8280.09	9249.42
(iv)	Less: Sub-transmission & distribution losses	1644.43	1995.95	2137.71	2030.88	1998.74
	Net power sold	**3885.90**	**4736.10**	**5493.73**	**6249.21**	**7250.68**
3.	**Expenditure on Distribution of Electricity**					
(a)	**Fixed cost (₹ In crore)**					
(i)	Employees cost	94.39	104.75	105.99	168.87	201.94
(ii)	Administrative and General expenses	14.72	13.50	15.90	17.29	20.26
(iii)	Depreciation	101.49	71.22	85.65	93.42	107.75
(iv)	Interest and finance charges	53.48	46.32	70.88	76.60	84.97
(v)	Other Expenses[26]	50.16	58.84	76.40	99.82	125.46
	Total fixed cost	**314.24**	**294.63**	**354.82**	**456.00**	**540.38**
(b)	**Variable cost (₹ in crore)**					
(i)	Purchase of Power	742.92	1037.21	1463.10	1897.32	2077.67
(ii)	Transmission/ Wheeling Charges	82.18	100.93	212.14	166.16	227.66
(iii)	Repairs & Maintenance	25.09	30.32	38.76	49.20	64.57
	Total variable cost	**850.19**	**1168.46**	**1714.00**	**2112.68**	**2369.90**
(c)	**Total cost 3(a) + (b)**	**1164.43**	**1463.09**	**2068.82**	**2568.68**	**2910.28**
4.	Realisation (₹ per unit)	2.38	2.48	2.91	2.89	3.46
5.	Fixed cost (₹ per unit)	0.81	0.62	0.65	0.73	0.75
6.	Variable cost (₹ per unit)	2.19	2.47	3.12	3.38	3.27
7.	Total cost per unit (in ₹) (5+6)	3.00	3.09	3.77	4.11	4.02
8.	Contribution(4-6)(₹ per unit)	0.19	0.01	-0.21	-0.49	0.19
9	**Profit (+)/Loss(-) per unit (in ₹) (4-7)**	**-0.62**	**-0.61**	**-0.86**	**-1.22**	**-0.56**

(Source: Information compiled from the data available with the Company)

The loss per unit has increased by 24 to 60 paise per unit in 2008-09 and 2009-10 as compared to 2006-07 .The loss per unit has decreased by 01 to 06 paise per unit in 2007-08 and 2010-11as compared to 2006-07.

The following facts were also observed during the audit:

- The total cost per unit has increased from ₹ 3.00 in 2006-07 to ₹ 4.02 in 2010-11.

[25] Other income includes interest on FDRs, delayed payment surcharge, misc. receipts and rebate/ incentives etc.

[26] Other expenses includes provision for bad-debts and fringe benefits tax.

- The cost of purchase of power increased from ₹ 742.92 crore in 2006-07, to ₹ 2077.67 crore in 2010-11, as the Company had to purchase power during peak hours at higher rate in excess of tariff rate fixed by UERC.
- Interest and finance charges of the Company increased from ₹ 53.48 crore to ₹ 84.97 crore during 2006-07 to 2010-11 due to interest paid against the PFC loan.

It was also evident from the above table that the power purchase, transmission/ wheeling charges and employees cost constituted the major elements of cost in 2010-11 which represented 71.39, 7.82 and 6.94 *per cent* of the total cost in that year. On the other hand, sale of power constituted the major element of revenue in 2010-11, representing 93.24 *per cent* of the total revenue.

6.2.30 The financial viability of the Company is generally influenced by the various factors such as:

- Timely revision of Tariff;
- Subsidy support from Government;
- Cross subsidization ;
- Financial Management of the Company and
- Billing Efficiency.

Each of these factors is discussed in following paragraphs.

Timely revision of Tariff

6.2.30.1. The Company was required to file Aggregate Revenue Requirement (ARR) for each year 120 days before the commencement of the respective financial year. The UERC accepts the application filed by the Company with such modifications/ conditions as may be deemed just and appropriate after considering all suggestions and objections from public and other stakeholders. The table-6.2.14 below shows the due date of filing ARR, actual date of filing, date of approval of tariff petition and the effective date of the revised tariff.

Table-6.2.14

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2006-07	30-11-2005	20-12-2005	20	12-07-2006	01-04-2006
2007-08	30-11-2006	17-08-2007	260	18-03-2008	01-03-2008
2008-09	30-11-2007	suo-moto proceedings were initiated by UERC	-	18-03-2008	-
2009-10	30-11-2008	01-01-2009	32	23-10-2009	01-10-2009
2010-11	30-11-2009	30-11-2009	-	10-04-2010	01-04-2010

(Source: Information compiled from the data available with the Company)

The Company failed to file the petition within due date in three out of five years. Further, there was inordinate delay in filing of tariff petition by the Company in 2007-08 and its snow ball effect carried to next year when the commission started suo-moto proceedings for tariff fixation as the Company failed to file their ARR

for the year 2008-09. Hence, the Company was deprived of benefits of higher tariff during 2008-09.

Detailed analysis revealed that the extent of tariff was lower than breakeven levels of revenue at the present level of operations and efficiency. However, recovery of the costs may be increased by improving operational efficiency, viz., control of AT&C losses, conversion of LT lines to HT lines and metering of unmetered connections.

It was also observed from the tariff orders that UERC did not allow various amount of expenditure on account of depreciation (₹ 48.82 crore), power purchase including transmission charges (₹ 380.04 crore), return on equity (₹ 35.06 crore), interest on working capital (₹ 32.43 crore) and O&M expenditure (₹ 30.00 crore), totaling to ₹ 526.35 crore during 2006-11 as the company could not justify the expenditure.

Subsidy support from Government

6.2.30.2 Government did not provide any subsidy support to the Company during 2006-11. As per State Government order (December, 2010), the Company has waived off ₹ 16.83 crore on account of late payment surcharge in respect of defaulting Private Tube wells(PTW) and Domestic category consumers in Haridwar district[27] who had deposited their pending dues till March, 2011. The Company claimed this amount from the State Government, but no payment has been received till November 2011.

Cross subsidisation

6.2.30.3. Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the Average Cost of Supply (ACOS) of electricity and also reduce cross subsidy in a phased manner as specified by the Commission. National Tariff Policy envisaged that the tariff of all categories of consumer should range within plus or minus 20 *per cent* of the ACOS by the year 2010-2011. The position as regards cross-subsidies in various categories of the consumers of the Company during 2006-07 to 2010-11 is given in the ***Appendix* -6.9.**

It may be observed from the Appendix that tariff in case of Commercial and Industrial consumers were within plus/ minus 20 *per cent* of ACOS. On the other hand, tariff in case of domestic and agricultural consumers, were far below from minus 20 *per cent* of ACOS. Hence, the objective of keeping the tariff of all categories within plus/minus 20 *per cent* of the ACOS by the year 2009-10, as envisaged in the National Tariff Policy, has not been achieved. Thus, there is a need to correct this imbalance by progressively and gradually achieving the National Policy target.

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[27] Haridwar (Urban): 2288 domestic,3 PTW consumers:-₹ 2.32 crore & ₹ 0.89lakh, Haridwar(Rural): 5895 domestic, 158 PTW consumers: ₹ 4.52 crore & ₹ 0.22 crore, Roorkee(Urban): 3200 domestic, 20 PTW consumers: ₹ 2.54 crore & ₹ 0.03 crore and Roorkee (Rural): 5392 Domestic, 414PTW consumers : ₹ 4.97 crore &₹ 2.23 crore.

Financial Management of the Company

6.2.30.4 It is evident from the increasing accumulated losses of the Company that the Company has started relying on borrowed funds for its financial management rather than generation of own surplus from core activities. Some of the instances of poor financial management are narrated below:

Transfer Settlement Scheme

6.2.30.4.1 A transfer settlement scheme was finalized in June 2004. After bifurcation of the Company, PTCUL was formed on 1st June 2004 as a Power Transmission Company of the State. As a result of this settlement, ₹ 188.81 crore was recoverable from the Government of Uttarakhand on account of assets transferred to the new company. The above amount is pending for more than six years and is yet to be recovered (November 2011) from State Government.

Supply of Material

6.2.30.4.2 After formation of PTCUL in June 2004, the Company supplied material amounting to ₹ 68.57 crore to PTCUL for construction of its new 132 KV transmission lines during 2004-05 to 2006-07.This amount has not been recovered (November 2011) from PTCUL.

Non-disposal of scrap

6.2.30.4.3. The Company has estimated the value of its scrap and obsolete stock to the tune of ₹ 14.52 crore, at the time of its incorporation. The Company neither evaluated the present value of the above scrap, nor did they take any step for its disposal so far (November, 2011).

Billing Efficiency

6.2.30.5 The efficiency in billing of energy lies in 100 *per cent* billing and timely realisation of the same from its consumers. The table-6.2.15 below indicates total energy available for sale and energy billed during 2006-07 to 2010-11.

Table-6.2.15 ***(Figures in MUs)***

Sl. No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy available for sale	5530.33	6732.05	7631.44	8280.09	9249.42
2.	Free Supply	-	-	-	-	-
3.	Energy billed	3885.90	4736.10	5493.73	6249.21	7250.68
4.	Assessed sales as percentage of metered sales	Not maintained by the Company				

(Source: Information compiled from the data available with the Company)

The energy billed during 2006-07 to 2010-11 ranged between 70.27 and 78.39 *per cent* of the total energy available for sale. As per the norms of UERC, seven *per cent* cases of No Access/No Reading (NA/NR) and four *per cent* cases of defective meters of total consumers are allowed. It was observed that the performance of the Company has improved in NA/NR cases as it has decreased from 21 *per cent* in 2007-08 to 12.92 *per cent* in 2010-11. In case of defective meters, the performance of the Company has worsened a little from 10 *per cent* to 10.63 *per cent* during 2007-08 to 2010-11.

Non- realization of Initial/ Additional Security

6.2.30.5.1 As per rate schedule (April 2007) issued by UERC, the initial security was revised to ₹ 1000 per KW for all consumers (except domestic and PTW consumers[28]). 30 days notice was to be given to all such consumers for depositing the security failing which the electricity supply of the consumers could be disconnected. Based on the average monthly consumption of the preceding financial year, an additional security deposit to cover the estimated power consumption for two months was required to be determined and to be reviewed every year.

A test check of records of nine[29] distribution divisions revealed that initial security to the extent of ₹ 1.77 crore was pending against 588 (all Government category) consumers. Further, the additional security amounting to ₹ 24.96 crore was pending (August 2011) for realisation from 672 (Commercial and Industrial) consumers up to March 2011.

Management stated (November 2011) that notices for realisation of initial/ additional security were being issued and instructions for early realisation were also issued to concerned divisions. However, fact remains that the suitable action for realisation of initial/ additional security should have been taken in time.

Non-realization of late payment surcharge

6.2.30.5.2 As per section 56 of Electricity Act 2003 and general conditions of tariff orders issued by UERC from time to time, the late payment surcharge of 1.25 *per cent* will be applicable, if electricity bills are not paid in full within 15 days grace period after due date. The Company has right to disconnect the power supply in case the surcharge is not paid by the consumers under above referred Act. Late payment surcharge amounting to ₹ 241.89 crore was pending for realisation (August 2011) against the consumers namely Nagar Nigam/Palika, Jal Nigam and Jal Sansthan for the period up to March 2011.

Management accepted the audit observation and stated (November 2011) that the correspondence regarding recovery of late payment surcharge with State Government is under progress.

Non-levy of electricity duty

6.2.30.5.3 As per office order (December, 2003) of the Company, electricity duty at the rate of 09 paisa per unit to 25 paisa per unit will be levied from different categories of consumers except State Government. Further, in case of unmetered consumer, electricity duty will be levied at the rate of 20 *per cent* on their fixed charges. The Company failed to levy the electricity duty amounting to ₹ 2.44 crore on 16412 un-metered private tube well/pump set consumers during the period 2006-07 to 2008-09. However, the Company started levying the electricity duty from 2009-10 onwards.

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[28] Rate of Initial security for domestic and PTW was ₹ 400 per KW and ₹ 100 per KW respectively.

[29] Bazpur, Rudrapur, Sitarganj, Dehradun (Central &South), Haldwani (Urban & Rural), Vikas Nagar, Kashipur.

Loss due to non–charging of Shunt Capacitor Surcharge

6.2.30.5.4 The Company's Rate Schedules (March 2008) provide that Low Power Factor surcharge at the rate of five *per cent* on the current energy charges shall be levied on the consumers without Electronic Trivector Meters (ETMs) or who have not installed shunt capacitors[30]. Audit noticed that Sitarganj and Nainital division released 28 and 66 connections respectively to the Uttarakhand Jal Sansthan, for which neither ETMs were installed nor billing on KVAh was made. Therefore, five *per cent* Shunt Capacitor Surcharge was to be charged on current charges. Non-charging of surcharge has resulted in loss of ₹ 0.63 crore.

Management stated (November 2011) that in respect of Sitarganj division, consumers will be billed on KVAh basis to avoid further loss. In respect of Nainital division, factual position of installation of shunt capacitor would be checked and required surcharge will be charged in case shunt capacitors are not installed.

Revenue collection efficiency

6.2.31 As revenue from sale of energy is the main source of income of the Company, prompt collection of revenue assumes great significance. The table-6.2.16 below indicates the balance outstanding at the beginning of the year, revenue assessed during the year, revenue collected and the balance outstanding at the end of the year.

Table-6.2.16 ***(₹In crore)***

Sl.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Balance outstanding at the beginning of the year	1096.09	1205.37	1345.18	1477.26	1574.85
2	Revenue assessed/Billed during the year	924.66	1172.94	1598.39	1805.25	2509.20
3	Total amount due for realisation (1+2)	2020.75	2378.31	2943.57	3282.51	4084.05
4	Amount realised during the year	815.38	1033.13	1466.31	1707.66	2267.29
5	Balance outstanding at the end of the year	1205.37	1345.18	1477.26	1574.85	1816.76
6	Percentage of amount realised to total dues (4/3)	40.35	43.44	49.81	52.02	55.52
7	Arrears in terms of No. of months assessment	15.64	13.76	11.09	10.47	8.69

(Source: Information compiled from the data available with the Company)

We observed from the above details that:

- The balance dues outstanding at the end of the year increased from ₹ 1205.35 crore in 2006-07 to ₹ 1816.75 crore in 2010-11.
- Group-wise analysis of debts outstanding as on 31 March 2011 revealed that an amount of ₹ 41.27 crore was due from disconnected services of 3588 consumers. The Company had issued notices during the period

[30] A capacitor or a group of capacitors which are placed across an electric power line or electric appliance to provide a voltage increase or to improve the power factor of the circuit.

2006-07 to 2009-10 under Section 5 of UP Electricity Dues and Recovery Act, 1958 (Act) to the concerned District Magistrate (DM) offices for recovery from defaulting consumers but the recovery is still pending as on date.

Non-disconnection of supply of consumers with heavy arrears

6.2.31.1 Commercial and Revenue manual of Uttar Pradesh Power Corporation Limited (UPPCL), adopted by the Company *interalia* provides that in case a consumer does not pay the electricity dues within 15 days from the receipt of bill, his supply should be disconnected and action for recovery under Section 3 & 5 should be initiated and completed within six months. We observed that, in nine[31] divisions of the Company, 162 consumers having connected load of 25 KW and above with arrears of more than ₹ one lakh, did not make payment of electricity dues for 2 to 12 months. However, their supply was not disconnected, resulting in accumulation of arrears to the extent of ₹ 63.09 crore (March 2011).

Management stated (November 2011) that the notices for depositing the dues under section 3 have been issued to consumers and instructions to concerned divisions had been issued for early recovery. However, the fact remains that the suitable action for recovery should have been initiated within prescribed time.

Non-recovery of electricity dues and late payment surcharge from Industrial consumers

6.2.31.2 As per tariff order (June 1998) of Uttar Pradesh Electricity Regulatory commission, an industrial consumer located in a specified area of hill district in undivided Uttar Pradesh was eligible to get the benefit of 33.3 *percent* of its electricity bills as Hill Development Rebate (HDR). This rebate was withdrawn from 14/01/2000 through U.P. Electricity Reforms Act 1999.

Audit noticed that 11 Industrial consumers of Kotdwar division, who were affected because of withdrawal of HDR, continued to deposit their electricity bills after deducting the HDR. On the above matter, Supreme Court awarded the judgment (10/12/2007) in favour of the Company. Accordingly, the Company asked the affected consumers to deposit the arrear on account of HDR and late payment surcharge (LPS) thereon in four equal installments. The consumers deposited the amount of HDR without payment of LPS which accumulated to the tune of ₹ 11.67 crore[32] as on 10/12/2007.

It was further observed that the Company continued supplying power to these 11 industrial consumers against whom LPS was pending. Out of these,

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[31] Bazpur, Rudrapur, Sitarganj, Dehradun (Central &South), Haldwani (Urban & Rural), Vikas Nagar, Kashipur.

[32] M /s Kotdwar Steel Ltd. : ₹ 1.49 crore, M/s Sant Steel: ₹ 1.27 crore, M/s Bhagya Shree Steel: ₹ 1.17 crore, M/s HRJ Steel: ₹ 74.04 lakh, M/s Pusker Steel: ₹ 1.04 crore, M/s Kukreti Steel: ₹ 1.21 crore, M/s Amrit Varsha Udyog: ₹ 96.23 lakh, M/s Poddar Allige: ₹ 1.38 crore, M/s Rana Casting: ₹ 88.34 lakh, M/s Aruna Steel: ₹ 88.11 lakh and M/s Sidhbali Steel : ₹ 65.57 lakh.

three[33] consumers wound up their industries and an additional arrear of ₹ 8.35 crore pertaining to electricity bills were generated and pending (November 2011).

Management stated (November 2011) that the affected consumers had made representation (February 2008) to the State Government regarding waiver of HDR. However, no documentary evidence in this regard was provided to audit. Even after a lapse of four years from the judgment of Supreme Court, the Company failed to recover its LPS and discontinue the power supply of the defaulted consumers. Due to lack of appropriate action in time, three defaulting consumers have already wound up their industries. Thus, due to lackadaisical approach of the Company the chances of recovery of ₹ 20.02 crore are grim.

Failure to finalise Permanent Disconnection cases

6.2.31.3 The Electricity Supply Code (April 2007) of UERC states that the Company may issue a disconnection notice to the consumer who defaults in payment of dues, after giving him 15 clear days to pay the dues. Thereafter, if the consumer does not clear all the dues, such connection should be disconnected permanently.

Audit noticed that in nine[34] divisions of the Company, 5280 consumers having arrears more than ₹ 0.5 lakh each did not deposit their dues from 12 to 48 months. The supply in respect of these consumers was temporarily disconnected and billing was stopped. However, the Company did not disconnect the power supply permanently which resulted in non-realisation of arrears amounting to ₹ 32.59 crore (March 2011).

Consumer Satisfaction

6.2.32 One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service to them. The consumers often face problems relating to supply of power such as non-availability of the distribution system for the release of new connections or extension of connected load, frequent tripping on lines and/ or transformers and improper metering and billing.

The Company was required to introduce consumer friendly actions like introduction of computerised billing, online bill payment, establishment of customer care centres, etc. to enhance satisfaction of consumers and reduce the advent of grievances among them. The billing issues have already been discussed in proceeding paragraphs. The redressal of grievances is discussed below:

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[33] M/s Rana casting: Wind up and PD of their connection finalized on 29.12.2005 with electricity dues amounting to ₹ 4.97 crore, M/s Aruna Steel: Wind up and PD of their connection finalized on 31.05.2006 with electricity dues amounting to ₹ 2.85 crore and M/s Sidhbali Steel: Wind up and PD of their connection finalized on 26.10.2009 with electricity dues amounting to ₹ 53.44 lakh.

[34] Bazpur, Rudrapur, Sitarganj, Dehradun (Central &South), Haldwani (Urban & Rural), Vikas Nagar, Kashipur

Redressal of Grievances

6.2.32.1 The UERC specified the mode and time -frame for redressal of grievances in pursuance of the Electricity Act 2003. The Commission had also prescribed the Standards of Performance for the Company in which the time limit for rendering services to the Consumers and compensation payable for not adhering to the same are specified. The nature of services contained in the Standards, *inter-alia,* include line breakdowns, Distribution Transformer failures, period of load shedding/ scheduled outages, voltage variations, meter complaints, installation of new meters/ connections or shifting thereof, etc.

The time limit prescribed for resolution of complaint of various types was four/eight hours for fuse blown out calls, six/twelve hours for line break down for Urban/Rural areas respectively and 24/48 hours for replacement of failed DTRs in plain and hilly areas respectively.

The Company was having two Electricity Consumer Grievances Redressal Forums consisting of three members each at Dehradun and Haldwani. The Forum announces regular schedule for hearing of complaints/ grievances of the consumers. The overall position of receipt of complaints and their clearances by the forum is given in the table-6.2.17 below:

Table-6.2.17

(In number)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Total complaints received[35]	57	122	260	165	173
2.	Complaints redressed within time	23	29	144	77	47
3.	Complaints redressed beyond time	18	24	31	30	29
4.	Pending complaints	16	69	85	58	97
5.	Percentage of complaints redressed beyond time to total complaints	31.58	19.67	11.92	18.18	16.76

(Source: Information compiled from the data available with the Company and consumer grievance redressal forum)

As seen from the above, the forums have redressed 320 complaints within prescribed time out of 549 complaints received during 2006-11. 132 complaints were redressed beyond time limit and 97 complaints remained un-redressed at the end of the year 2010-11.

Energy Conservation

6.2.33 Recognizing the fact that efficient use of energy and its conservation is the least-cost option to mitigate the gap between demand and supply, the GOI enacted the Energy Conservation Act, 2001. The conservation of energy being a multi-faceted activity, the Act provides both promotional and regulatory roles on the part of various organizations. The promotional role includes awareness campaigns, education and training, demonstration projects, R&D and feasibility studies. The regulatory role includes framing of rules for mandatory audits for large energy consumers, devising norms of energy consumption for various

[35] Total complaints received include pending complaints at the close of previous year.

sectors, implementation of standards and provision of fiscal and financial incentives.

With effect from April 2006, the Company extends to those consumers who installed and used solar water heating system a rebate of ₹ 75 per month for each 100 litre capacity of the solar geyser system or actual bill for that month, whichever is less, The Company granted a total rebate of ₹ 33.57 lakh during 2008-09 to 2010-11. The details of rebate in respect of 2006-07 and 2007-08 were not available with the Company. However, the Company has not advertised publically for popularizing the use of solar power except displaying this on its website.

Energy Audit

6.2.34 A concept of comprehensive energy audit was put in place with the objective of identifying the areas of energy losses and take steps to reduce the same through system improvements besides accurately accounting for the units purchased/ sold and losses at each level. The main objectives of energy audit are:

- better and more accurate monitoring of the consumption of electricity by consumers;
- elimination of wastages;
- reduction of downtime of equipment; and
- massive savings in operational costs and increase in revenue.

We noticed that the Company did not carry out energy audit during the period 2006-07 to 2010-11. Non completion of metering of DTRs is the main reason for not taking up the energy audit. Metering of DTRs helps in proper accounting of energy sent out from the feeders to various consumers and also in identifying high energy loss areas. UERC vide its tariff orders (2010-11 & 2011-12) issued directions to the Company to expedite the work of metering of DTRs. However, the work of metering was very slow as only 881 meters (only 35.50 *per cent*) had been installed (August 2011) on DTRs against the target of 2482 distribution transformers.

Monitoring

6.2.35 The Power Distribution Company plays an important role in the State economy. For the organisation to succeed in operating economically, efficiently and effectively, there has to be a Management Information System (MIS).

We observed that:

- The Company is not having proper system to evaluate power demand and supply position in the State to take timely decisions regarding long term power purchase agreements to avoid energy/ peak shortages.
- The Company is not having a proper system for monitoring the adherence to targets and performance parameters of distribution system.
- The Company is not having any system in place to identify the age wise analysis of its inventory.

- The Company is not having any procedure in place for documenting the necessary information regarding age, history and maintenance schedule of DTRs.

Internal Control Mechanism

6.2.36 Internal control is a process designed for providing reasonable assurance of efficiency of operation, reliability of financial reporting and compliance with applicable laws and statutes. A built in internal control system and strict adherence to the statutes, codes and manuals minimizes the risk of errors and irregularities. An evaluation of the system in vogue in the Company revealed the following weaknesses:

- Non-formulation of control system to prevent distribution losses and failure to carry out 100 *per cent* metering of all consumers resulted into high line losses and payment of penalty.
- The Company could not evolve any system for ensuring timely recovery of its dues resulting in accumulation of huge arrears.
- Record of age wise/ consumer wise analysis of dues was not maintained to identify the actual position of debtors.
- The Company could not convert the cases of temporary disconnection into permanent disconnection within the prescribed time resulting into poor realization of revenue.

Conclusions

Performance Audit of the Company revealed that:

- the increase in distribution capacity was not commensurate with the pace of growth in the connected load resulting in overloading of transformers with frequent failures in the distribution network and tripping of power supply
- out of total 927 un-electrified villages in the State, the Company electrified 591 villages up to March 2011, indicating a poor rate of village electrification
- the company disregarded the guidelines of Central Vigilance Commission and paid interest free mobilization advances to contractors.
- the Company failed to obtain forest clearance before awarding the contracts for construction of sub-stations and associated lines.
- the Company failed to meet the demand of power in the State and resorted to unplanned purchase of power at exorbitant higher rates.
- its accumulated losses increased year after year and the entire capital including reserves was eroded by 2010-11.
- the Company failed to take adequate and effective steps for recovery of outstanding dues.
- the Company is not having proper system for monitoring the adherence to targets and performance parameters of distribution system.

Recommendations

The Company may consider to:

- increase the distribution capacity in accordance with the pace of growth of connected load
- expedite the pace of village electrification
- ensure compliance to the guidelines of central vigilance commission
- ensure forest clearance before awarding the contracts for construction of sub-stations and associated lines
- take effective steps for recovery of outstanding dues.
- develop an online MIS for quick and timely action.

Audit of Transactions

KUMAON MANDAL VIKAS NIGAM LIMITED

6.3 Non-construction of Eco-Huts for tourists and diversion of funds of ₹ 56.78 lakh to other facilities

Funds amounting to ₹ 56.78 lakh obtained from GOI for construction of Eco-Huts was diverted to other facilities which resulted in the deprival of tourism facility to the people.

The Government of India (GOI) approved (September 2007) the proposal of the Uttarakhand Tourism Development Board (Board) for development of Corbett National Park as a Tourism Circuit in the State at a cost of ₹ 6.02 crore. A grant of ₹ 3.52 crore was provided by the GOI (between 2007-08 to 2009-10) for construction of 25 Eco-Huts and associated facilities each at Dhaila, Dhikuli and Mohaan in the outer area of Corbett Circle, Ramnagar (Nainital). The works were to be executed through Kumaon Mandal Vikas Nigam Limited (Nigam). The then Managing Director and General Manager of Nigam had assured that the land at all three places were available for construction and they were free from all encumbrances.

Scrutiny of records (March 2011) of the Nigam revealed that Eco-Huts were constructed at Dhaila and Mohaan. The construction at Dhikuli was not undertaken due to non-availability of land. The related funds to the tune of ₹ 56.78 lakh were diverted to construction of Hi-tech Toilets (₹ 20.22 lakh) and Signages (₹ 36.56 lakh[36]) without obtaining any approval from the GOI for incurring such expenditure.

On this being pointed out, the Nigam accepted the observation and stated (July 2011) that the land at Dhikuli could not be purchased because owners of land demanded extremely high rates and being a Government company it was not possible for them to purchase land at rates higher than the circle rates. It further

[36] Only ₹ 3.80 lakh was approved under the project for installation of signages at Dhikuli against which expenditure of ₹ 40.36 lakh was incurred.

stated that the funds were utilized by Nigam on the basis of decision taken in a meeting (October 2008) between Board and Nigam. At present, Nigam has taken 0.53 hectare of land at Dhikuli on lease basis for 12 years which is being utilized for tourist camps by setting up tents.

The reply of the Management was considered and observed that the sanction of GOI was obtained without checking up the facts relating to availability of land at Dhikuli. Moreover, the funds of ₹ 56.78 lakh were diverted without permission of the GOI. Further, Nigam has incurred extra expenditure of ₹ 8.47 lakh in temporary setting up of tents at Dhikuli.

Thus, the above agencies (Board and Nigam) of the State Government not only obtained the GOI grants without ensuring the availability of land but also deprived the tourist of the intended facilities at Dhikuli.

The matter was reported to the Government (May 2011); and their reply was awaited (December 2011).

6.4 Unfruitful expenditure on Tourist Rest House (TRH)

Expenditure of ₹ 1.02 crore incurred on construction of TRH without ensuring water facility remained unfruitful as there was no occupancy in TRH since inception.

Government sanctioned and granted ₹ 1.11 crore (March 2002 and May 2008) to Kumaon Mandal Vikas Nigam (Nigam) for construction of a 40 bedded Tourist Rest House (TRH) at Jalana in the district of Almora. The construction of TRH was completed in January 2008 with an expenditure of ₹ 1.02 crore and requisite staff was posted in May 2008 for operation and maintenance of the TRH.

Scrutiny of records (March 2011) of the Nigam revealed that there was no occupancy in TRH from May 2008 to till date (December 2011) due to non-availability of water for the TRH. Though there was an overall shortage of water in Kumaon Region of Uttarakhand, construction of TRH at Jalana was considered to be the best in respect of environment and its view. However, the fact of non-availability of water at TRH was well known to the Nigam and Vice Chairman directed (June 2004) Managing Director to ensure availability of water before construction of the TRH in Jalana. However, no concrete steps were initiated and TRH was constructed without ensuring availability of water.

On this being pointed out, Management stated (April 2011) that water was available at the time of construction of the TRH through bore wells which dried up subsequently. Now in order to provide the water facility in the TRH, a connection is being taken from the Uttarakhand Jal Sansthan for which requisite fee of ₹ 0.88 lakh has been deposited (September 2009). The reply of the Management was considered and observed that the Nigam failed to ensure regular water availability in TRH and the connection from Jal Sansthan is still awaited for last two years. Thus, the expenditure of ₹ 1.02 crore on construction of TRH without ensuring availability of water remained unfruitful in addition to the

expenditure incurred on salaries of staff at TRH which is a recurring loss to the Nigam.

The matter was referred to the Government (May 2011) and the reply was awaited (December 2011).

UP HILL ELECTRONINCS CORPORATION LTD (HILTRON)

6.5 Loss of ₹ 21.24 lakh due to unauthorised retention of EPF

The corporation suffered a loss of ₹ 21.24 lakh due to unauthorised retention of Employees Provident Fund

As per section 1 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act), every establishment employing twenty or more persons or establishments specified by Central Government by notification in the Official Gazette are under the coverage of the Act. As per section 17 of the Act, the appropriate Government (Central or State as the case may be) may, by notification in its Official Gazette, exempt any establishment to which this Act applies. Such establishment will establish a Board of Trustees for administration of the Employees Provident Funds (EPF).

Scrutiny of the records (February 2011) of Uttar Pradesh Hill Electronics Corporation Limited (Corporation) revealed that the Corporation was under the coverage of the Act with code no. UA/33097. However, the Corporation did not deposit EPF contributions in EPF accounts of the employees but managed the funds through a Trust[37] formed in November 1991 after bifurcation of its accounts from previous Holding Corporation[38] in 1990. On the basis of enquiry conducted in June 2008, Regional Provident Fund Commissioner (RPFC) passed an order in October 2009 requiring Corporation to transfer ₹ 2.07 crore relating to EPF alongwith interest accrued thereon to the EPF accounts of the employees. While paying the said amount (between December 2009 to June 2010), the Corporation had to pay an amount of ₹ 21.24 lakh from its own resources as the amount of interest earned by the corporation on investment of the funds was lesser than the amount of interest payable to the subscribers. This resulted in extra cost and loss to Corporation.

On being pointed out, the Corporation stated (April 2011) that the Trust was formed through bifurcation of the Trust from its Holding Corporation. After bifurcation, the Corporation has applied for exemption under the Act. However, formation of the Trust without obtaining exemption was illegal and in violation of Act.

Thus, the Corporation suffered a loss of ₹ 21.24 lakh due to unauthorized retention of EPF contributions.

The matter was referred to the Corporation/Government (May 2011); their replies were awaited (December 2011).

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[37] M/s HILTRON Employees Contributory Provident Fund Trust.
[38] Uttar Pradesh Electronics Corporation Limited.

UTTARAKHAND JAL VIDYUT NIGAM LIMITED

6.6 Unfruitful expenditure on consultancy

Nigam incurred unfruitful expenditure of ₹ 1.88 crore by extending undue favour to consultancy firm as the intended objective of early commissioning of the project remained unachieved.

Government of Uttarakhand (GOU) decided (March 2002) to get the civil works of reconstruction and development of 304 MW Maneri Bhali Stage-II (MB-II) Hydro Power Project[39] through Department of Irrigation (DOI). As per Memorandum of Understanding (MOU) entered (June 2002) into between Uttarakhand Jal Vidyut Nigam Limited (Nigam) and DOI, funding for the project was to be provided by Power Finance Corporation to Nigam who will act as nodal agency and be responsible and liable under the loan agreements for utilization of loan. The work was to be completed within 42 months of MOU. The work started in July 2002 and its targeted date of commissioning was December 2005. Against this targeted date of commissioning of December 2005, the project was commissioned only in the month of October 2007 due to various technical reasons.

Considering that each single day of delay in commissioning of the project was causing revenue loss of about ₹ one crore and adding interest burden by ₹30 lakh to the Nigam, Special Adviser Energy (SAE) to the State Government *suo-moto* decided (December 2006) to engage a consultant to guide the project engineers at various stages of the project. Accordingly tenders[40] were invited (27/01/2007) with the last date of submission of bid by 14/03/2007. Within the stipulated period the Nigam received only one bid of M/s Kayviats International Project Consultants Private Limited (KIPCL).

During the meeting chaired by Additional Chief Secretary of the State held on 27/04/2007, representative of DOI pointed out that earliest possible commissioning of the project would be by February 2008. However, during another meeting held on 01.05.2007, SAE offered that if services of KIPCL are placed at his disposal, the project could be commissioned in October 2007.

Though KIPCL was not meeting the basic minimum criteria of experience and rates quoted by them were higher, Letter of Intent (LOI) was issued to KIPCL on 17/05/2007 for an amount of ₹0.76 crore with permissible variation of 10 *per cent*. As certain payment conditions were not acceptable to KIPCL, LOI was revised in July 2007 and contract was entered into between Nigam and KIPCL for ₹ 0.76 crore (excluding taxes). The contract value was enhanced to ₹ 1.14 crore with 10 *per cent* variation in November 2007 and to ₹1.52 crore with 10 *per cent* variation in March 2008. Finally, the project was commissioned in March 2008 against the targeted date of October 2007 and KIPCL was paid ₹1.88 crore (including 10 *per cent* variation of ₹0.15 crore and taxes of ₹0.21 crore).

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[39] Project was stopped in 1991-92 by the Government due to paucity of funds.

[40] Separate tender invitations were sent to renowned consultant companies like NHPC, SJVNL, RITES and WAPCOS on 31.01.2007.

However, even after incurring an expenditure of ₹1.88 crore, the intended objective of early commissioning of the project to avoid projected revenue loss remained unachieved rendering the whole expenditure as unfruitful.

On this being pointed out by audit, the Nigam stated (August/December 2011) that in view of urgency of work, offer of KIPCL having some qualification on lower side was considered as only this offer was received within the due date. Further, February 2008, as projected by DOI might not have been achievable if the consultancy services would have not been engaged. However, Management remained silent on the issues of projected revenue loss and non achievement of objectives in time. Reply is not convincing as even after appointment of KIPCL, the intended objective of early commissioning of the project to avoid projected revenue loss remained unachieved. The Nigam did not consider the economical and technically sound proposal of SJVNL as suggested by the various stakeholders of the project by giving the reasons that the proposal was received late by three days and gave undue favour to KIPCL resulting in unfruitful expenditure of ₹1.88 crore. Thus, the Nigam incurred unfruitful expenditure of ₹1.88 crore due to undue favour extended to M/s. KIPCL.

The matter was reported to the Government (July 2011); reply was awaited (December 2011).

Dehradun **(ASHWINI ATTRI)**
The **Principal Accountant General (Audit), Uttarakhand**

Countersigned

New Delhi **(VINOD RAI)**
The **Comptroller and Auditor General of India**

Appendix-1.1

(Reference: Paragraph 1.7.1; Page 11)

Details of outstanding Inspection Reports and Paragraphs

Sl. No.	Name of Department	Number of IRs	Number of paragraphs	Pending from
1.	Agriculture	87	240	1996-97
2.	Education	121	436	1991-92
3.	Forest	31	92	2006-07
4.	Irrigation	351	694	1990-91
5.	Medical, Health & Family Welfare	207	734	1994-95
6.	Minor Irrigation	63	156	1992-93
7.	Police	27	102	1990-91
8.	Public Works	757	1,886	1990-91
9.	Rural Development	168	482	1997-98
10.	Rural Engineering Services	103	216	1990-91
11.	Social Welfare	66	313	1999-2000
12.	State Autonomous Bodies	1,017	3,910	1990-91
13	Others	1,078	1,843	1990-91
Total		**4,076**	**11,104**	

Appendix 1.2

(Reference: Paragraph 1.7.3; Page 12)

Details of Departmental Notes Pending as of 31 March 2012 (Excluding General and Statistical Paragraphs)

Sl.No	Department	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	Total
1	Agriculture	1										1
2	Jail	1										1
3	Revenue	2	7	4	4	2	5	1	2			27
4	Irrigation	3				1		1				5
5	PWD	2	2		4	3	2		10			23
6	Medical Health & Family Welfare	1		1	2	1	1					6
7	Rural Development	1				2	3					6
8	Education		1				1		2			4
9	Sports & Youth Welfare			1	1							2
10	Peyjal Nigam				1	2		2				5
11	Social Welfare				1				1			2
12	Forest				2							2
13	Fisheries					1						1
14	Tourism					3	2					5
15	Finance							1				1
16	Police								1			1
17	NRHM Review (Stand Alone)								1			1
18	Gharwal Mandal Vikas Nigam Limited, Dehradun						1				1	2
19	Kumaon Mandal Vikas Nigam Limited, Nainital					1	1	1				3
20	U.P. Hills Electronics Limited		1								1	2
21	State Industrial Development Corporation of Uttarakhand Limited							3		4	1	8
22	Uttarakhand Transport Corporation									1		1
23	Uttarakhand Seeds & Tarai Development Corporation, Pantnagar			3								3
24	Doiwala Sugar Company				1							1
25	Uttarakhand Power Corporation Limited		1				2	2	4		1	10
26	Power Transmission Corporation of Uttarakhand Limited								2	1	1	4
27	Uttarakhand Jal Vidyut Nigam Limited										1	1
28	Uttarakhand Forest Development Corporation	1										1
Total		**12**	**12**	**9**	**16**	**16**	**18**	**11**	**23**	**6**	**6**	**129**

Appendix 1.3

(Reference: Paragraph 1.7.4; Page 12)

Paragraphs (excluding General and Statistical) yet to be discussed/finalised by Public Accounts Committee (PAC) as of 31st March 2012

Sl.No.	Department	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	Total
1	Basic Education	1					1	2		1	2	7
2	Medical Health & Family Welfare	2	2	4		2	2	1	3	2	1	19
3	Social Welfare	1		1							1	3
4	Revenue	1	1	5	2	3	2	3	2	6	5	30
5	Environment	1										1
6	Rural Development	1	2	2		1	1	1	1	2	2	13
7	Forest		1	2	1		2	1	1	2		10
8	Police		1									1
9	Tourism		2			1					1	4
10	PWD		2	3		4	1	7		8	7	32
11	Irrigation		1	2	3		1					7
12	Urban Development		1						1		1	3
13	Finance		1	1	1	1	1	1	1	1	1	9
14	Food & Civil Supply			1		1	1	1				4
15	Sports & Youth Welfare				1		1					2
16	Panchayati Raj				1							1
17	Peyjal							1		3	3	7
18	Civil Aviation							1				1
19	Information Technology							2				2
20	Information & Public relation Department								1			1
21	Technical Education								2	1		3
22	Miscellaneous								1	1	1	3
23	Rural Engineering Service									1	-	1
24	Department of Disaster Management										1	1
25	Election										1	1
26	Industrial Development										1	1
27	AIBP Review Stand alone								1			1
28	Hydropower Development through Private Sector Participation Stand alone (Review)									1		1
Total		**07**	**14**	**21**	**09**	**13**	**13**	**21**	**14**	**29**	**28**	**169**

Appendix 1.4

(Reference: Paragraph 1.7.4; Page 12)

Paragraphs (excluding General and Statistical) yet to be discussed/finalised by Committee on Public Undertakings (COPU) as of 31st March 2012

Sl.No.	Department	03-04	04-05	05-06	06-07	07-08	08-09	09-10	Total
1	Gharwal Mandal Vikas Nigam Limited, Dehradun			1				1	2
2	Kumaon Mandal Vikas Nigam Limited, Nainital		1	1	1				3
3	U.P. Hills Electronics Limited							1	1
4	State Industrial Development Corporation of Uttarakhand Limited				3		4	1	8
5	Doiwala Sugar Company	1							1
6	Uttarakhand Power Corporation Limited			2	2	4		1	9
7	Power Transmission Corporation of Uttarakhand Limited					2	1	1	4
8	Uttarakhand Transport Corporation						1		1
9	Uttarakhand Jal Vidyut Nigam Limited							1	1
Total		**1**	**1**	**4**	**6**	**6**	**6**	**6**	**30**

Appendix-2.1

(Reference: Paragraph 2.1.15.2; Page 39)

Enrollment in government and private schools

Year	Category of schools	Rudraprayag	Almora	Pithoragarh	Champawat	Dehradun	District Total	District Total (Govt + Pvt)	Percentage of sampled districts	State total	State total (Govt + Pvt)	Percentage
2006-07	Govt.	40642	104344	71367	NA	65380	281733	356310	79.07	1073869	1413068	76.00
	Pvt	7951	16794	22367	NA	27465	74577		20.93	339199		24.00
2007-08	Govt.	38848	101150	66959	37505	109368	353830	473117	74.79	1120611	1535124	73.00
	Pvt	10314	17548	25473	10397	55555	119287		25.21	414513		27.00
2008-09	Govt.	35620	97743	62413	38057	110910	344743	501129	68.79	1106981	1606161	68.92
	Pvt	13171	18836	28155	14253	81971	156386		31.21	499180		31.08
2009-10	Govt.	34281	93864	59093	36751	102725	326714	506478	64.51	1042462	1593689	65.41
	Pvt	13806	21854	29276	13125	101703	179764		35.49	551227		34.59
2010-11	Govt.	32267	86543	54451	34901	98611	306773	512410	59.87	986657	1638492	60.22
	Pvt	14103	26240	30019	14353	120922	205637		40.13	651835		39.78

Appendix-2.2

(Reference: Paragraph-2.2.8.4; Page 52)

Statement showing delay in possession of land under urgency clause

Name of District	Case No.	Name of village	Purpose of acquisition	Date of notification	Date of notice under Section 9	Date of Possession	Delay in Possession in days after Section 9
Dehradun	8/2005-06	Uddiwala Karanpur	Expansion /Development of Junction Improvement of widening of Eucalyptus Road at Naini Bakery Junction	14-8-2006	28-8-2006	4-2-2008	510
	1/2005-06	Sewala Kalan	Expansion/Development of Junction of improvement of Transport Nagar Junction of Shimla Bypass	24-7-2006	3-8-2006	11-7-2008	693
	3/2006-07	Jakhan	30 meter span bridge with approach Road between Canal Road Jakhan to Chironwali Dhoran Khas over Rispana River	2-4-2008	1-5-2008	9-7-2009	419
	18/2008-09	Hariyiwala Khurd	Construction of 150 meter span Bridge over Noon River between Jantanwala Dhaulash with motor road and approach road for Vipasana Meditation Centre in village Hariyawala Khurd	13-10-2009	29-10-2009	15-7-2010	236
Chamoli	04/2008-09	Kheeron	Construction of Alaknanda Hydro Power Project (440 MW) through GMR Energy Ltd	6-11-2009	4-12-2009	1-6-2011	174
	07/2006-07	Hat	Construction of Vishnugad-Pipalkoti Hydro Electric Project (440 MW) through THDC Ltd	14-11-2007	10-1-2008	31-8-2009	584
	09/2006-07	Gulabkoti	Do	31-10-2007	8-1-2008	19-7-2008	178
	06/2006-07	Jaisal	Do	8-11-2007	9-1-2008	9-8-2008	269
	10/2006-07	Batula	Do	21-11-2007	11-1-2008	8-8-2008	226
	30/2007-08	Gulabkoti	Construction of Vishnugad-Pipalkoti Hydro Electric Project Stage-II through THDC Ltd	30-6-2009	12-9-2009	6-9-2010	344
	18/2007-08	Guniyala	Do	30-6-2009	13-9-2009	5-9-1010	342
	08/2006-07	Naurakh	Construction of Vishnugad-Pipalkoti Hydro Electric Project (440 MW) through Tehri THDC Ltd	31-10-2007	7-1-2008	10-4-2008	79
	26/2007-08	Tenduli Chek Hat	Construction of Vishnugad-Pipalkoti Hydro Electric Project Stage-II through THDC Ltd	30-6-2009	13-9-2009	7-4-2010	191
	40/2007-08	Naurakh	Do	30-6-2009	14-9-2009	7-4-2010	190

Source: SLAOs, Dehradun and Joint Organization, Pauri.

Appendix-2.3

(Reference: Paragraph 2.2.9.1; Page 52)

Statement showing payment of excess interest

(Amount in ₹)

Name of district	Sl.No	Case No	Name of Village	Name of user department	Purpose of acquisition	Date of possession	Date of award	Delay after possession (in days)	Interest @ 9 *per cent* and 15 *per cent*
Dehradun	1	2/2003-04	Uddiwala Karanpur	Executive Engineer, Provincial Division PWD,Dehradun	Widening of Eucklyptis Road	25-6-2004	24-3-2006	633	1,07,540.00
	2	-	Jolly Grant	Director, Civil Aviation Department, Dehradun	Connecting road for Himalyan Institute	11-9-2006	03-03-2007	177	NA
	3	6/2005-06	Mohabewal a	Assistant Commissioner, Commercial Tax Check Post, Dehradun	Construction of combined Check Post	30-11-2006	07-11-2007	311	30,48,069.00
	4	2/2004-05	Uddiwala Karanpur	Executive Engineer Provincial Divison, PWD Dehradun	Extension of Secretariat	31-03-2006	19-11-2007	599	24,21,973.00
	5	-	Adhoywala	Uttarakhan Power Corporation, Dehradun	Construction of Power Station and Residential colony	14-08-2008	17-12-2008	126	79,598.00
	6	4/2006-07	Niranjanpur	Sachiv ,Krishi udpadak Mandi Samiti	Construction of Khadyan Mandi	02-06-2008	31-12-2008	213	1,83,618.00
Total									**58,40,798**
Haridwar	7	13	Kotwal Alampur	Executive Engineer Upri Gang Nahar Adhunik Khand-1 Roorke	Construction of parallel Deoband Branch feeder channel	13-9-07	30-8-08	323	41,362.42
	8	16	Kotwal Alampur-II	Do	Do	20-3-08	10-6-09	449	6,517.02
Total	9	17	Kuwanheri Narsan	Deputy Commissioner Commercial Tax Department, Hardwar	Construction of incoming and outgoing Margin lane in combined check post	17-4-08	17-4-09	364	76,012.41
									1,23,891.85
Nainital	10	49/4	Nanital Nagar Palika area	Revenue Department	Construction of Residential and Non-Residential buildings for the officers of Revenue Department	20-8-2007	31-5-2008	284	92,624.00
	11	49/2	Mitha Amla	Executive Engineer Construction Division, Haldwani	Construction of Motor Road Fathehpur Bhakra Chauraha to Bansani in Distt Nainital	13.11.1995	16.7.2008	4624	69,336.00
Total									**1,61,960.00**
Chmaoli	12	10/2006-07	Batula	THDC Ltd,	Construction of Vishnugad – Pipalkoti Hydro Power Project	08-8-08	08-9-08	31	31,840.00
	13	7/2006-07	Haat	THDC Ld,	Do	31-8-09	6-11-09	37	1,08,856.00
	14	6/2006-07	Jaisal	THDC Ld,	Do	09-8-08	19-10-08	64	94,250.00
	15	9/2006-07	Gulabkoti	THDC Ld,	Do	19-7-08	23-11-08	123	20,356.00
Total									**2,55,302.00**
Grand Total									**63,81,951.85**

Source: SLAOs, Dehradun, Haridwar, Nainital and Joint organization, Pauri.

Appendix-2.4

(Reference: Pragraph- 2.2.10.2; Page 55)

Statement showing short payment to land owners

Calculation of SLAO Haridwar		**Calculation of audit**	
Cost of land (including 30 % solatium) ₹85,00,000 per hectare		Cost of land (including 30 % solatium) ₹85,00,000 per hectare	
Cost of land after deduction of 30% solatium =₹5950000 per hectare		Actual cost of land after deduction of 30% solatium (₹8500000/130x100) = ₹6538461.54 per hectare	
Cost of 0.1859 hectare land 0.1859x 5950000 =₹ 1106105		Cost of 0.1859 hectare land 0.1859x 6538461.54 = ₹ 1215500	
Determination of compensation		**Determination of compensation**	
(a) i- value of land	₹ 1106105	**(a) a)** i-value of land	₹ 1215500
ii-value of trees	₹ 17325	ii-value of trees	₹ 17325
iii-value of buildings	₹ 793700	iii-value of buildings	₹ 793700
Total (i,ii,iii)	**₹ 1917130**	**Total (i,ii,iii)**	**₹ 2026525**
(b) 30 % solatium of (a)	**₹ 575139**	**(b)** 30 % solatium of (a)	**₹ 607957.5**
(c) 12% additional of (a) for 374 days	**₹ 235728.20**	**(c)** 12% additional of (a) for 374 days	**₹ 249179.29**
(d) (a+b+c)	**₹ 2727997.20**	**(d) (a+b+c)**	**₹ 2883661.79**
Less disbursed	₹ 1686535.86	Less disbursed	₹ 1686535.86
Balance amount	**₹ 1041461.34**	**Balance amount**	**₹ 1197125.93**
(e) Interest @ 9% of(296 days) on balance amount @ 365 days per year	**₹ 76012.41**	**(e)** Interest@9% of (296 days) on balance amount	**₹ 87373.79**
(f) compensation admissible to interested person **(d+e)**	**₹ 2804009.61**	**(f)** compensation admissible to interested persons **(d+e)**	**₹ 2971035.58**

Difference amount ₹167025.97 payable to interested persons

Interest was to be paid for the difference of compensation amount from 17-4-09 (award declaration date) to 16-8-11 (audit date)

(i) Difference of compensation 2883661.79-2727997.20 =	**₹ 155664.57**
(ii) Interest @ 9% of (69 days)	₹ 2648.43
(iii) interest @ 15%of (783 days)	₹ 50089.87
(iv) Total Interest	**₹ 52738.30**

Appendix –2.5

(Reference: Paragraph 2.3.3.7(i); Page 78)

Statement showing works taken up without clearance of forest land from GOI

S. No.	Name of Road	Name of Division	Date of Admn. approval	Sanctioned length (in km)	Sanctioned amount (₹ in lakh)	Beneficiaries		Forest land involved (in hect)	Work started in the portion of private land (in km)	Expenditure upto March 2011 (₹ in lakh)	Items of work executed
						No. of Villages	Population				
1	Badda-Tadkeshwar first phase	PD, Lansdowne	Jan-02	1	3.5	1	238	0.87	1	1.29	Hillside cutting work
2	Badda-Tadkeshwar Second phase	PD, Lansdowne	Dec-02	1	13.1	1	238	0.87	0.025	6.3	Hillside cutting work
3	Pandisain-Dabrad-Buthanagar first phase	PD, Lansdowne	Mar-03	15	64.5	6	724	NA	NA	20.39	NA
4	Pandisain-Dabrad-Buthanagar first phase	PD, Lansdowne	Feb-04	12	115.2				1	8.3	Hillside cutting work in 1 km
5	Sukhidang-Danda-Minra	PD, Champawat	Feb-04	51	726.4	10	3180	18.29	1.5	4.78	Hillside cutting
6	Badhani-Chennagad	PD, Rudraprayag	Feb-04	10	139	NA	NA	NA	NA	6.33	Hillside cutting
7	Balli-Mathana-Simlana	CD, Duggada	Feb-04	11	153	3	845	1.8	6	87.69	Hillside cutting work
8	Madkot-Bauna	PD, Didihat	Mar-05	30	267.3	4	1113	NA	25	179.15	All items of work for widening of road upto km 25
9	Thana-Bend to Martoli thod	PD, Didihat	Mar-05	6	86.4	1	702	NA	1.75	34.63	Hillside cutting work
10	Chuamail-Mau-Sheel-Barudi	CD, Lohaghat	Aug-05	9	106	4	610	1.62	2	30.3	Hillside cutting in 2 km from 5 to 7 km
11	Hanumanti-Chanda-Mandai	CD, Duggada	Oct-05	10	139	4	1010	4.4325	1	15.73	Hillside cutting work
12	Sari Malli link road	PD, Lansdowne	Nov-05	2	27.8	3	652	1.08	2	1.93	Hillside cutting in 2 km
13	Jui link road in Rikhnikhal Block	PD, Lansdowne	Nov-05	4	55.6	3	499	2.02	NA	44.13	NA
14	Badari-Kantebora to Baunkot	PD, Pithoragarh	Nov-05	10	178	3	383	2.835	6	85.21	Hillside cutting work
15	Samkhal-Mandoli	PD, Lansdowne	Dec-05	3	41.7	3	691	2.394	2.5	6.81	Hillside cutting in 2.5 km
16	Chenna-Uchola-Bakseer-Dangi-Khode	PD, Rudraprayag	Jan-06	5	35.15	NA	NA	NA	NA	12.52	Hillside cutting
17	Chennagad-Ghanghasu	PD, Rudraprayag	Jan-06	3.5	58.8	NA	NA	NA	NA	2.81	NA
18	Mandoli-Parinda-Bautha-Deriakhal	PD, Lansdowne	Mar-06	10	172.5	9	1169	3.348	8.5	26.45	Hillside cutting in 8.5 km
19	Madmanle-Bhutadi	PD, Pithoragarh	Mar-06	4	62.6	1	507	1.015	2	26.26	Hillside cutting work
20	Sisvadi-Amlesha-Langwadi-Dieodi-Dholkhetkhal	CD, Duggada	Jun-06	10	185.85	4	531	1.84	7	81.5	Hillside cutting, scrupper, retaining and breast wall work in km 3 to 10

21	Chrekh-Dhargaon	CD, Duggada	Aug-06	5	86.25	4	514	1.125	5	28.27	Hillside cutting work
22	Remaining portion of Shivpuri-Hadisera	CD, Narendra Nagar	Sep-06	10	220.5	1	166	N.A	1	25.42	Hillside cutting
23	Mustkhal-Pulyansu-Uttinda	PD, Lansdowne	Sep-06	7	172.5	8	1785	2.385	2.5	33.13	Hillside cutting in 2.5 km and retaining/ breast wall in 2 km
24	Kalsin-Katiya-Pabeh Dungra	PD, Pithoragarh	Oct-06	7	142.1	3	917	1.19	5	113.98	Hillside cutting work
25	Barakot-Simalkhet to Kamajula to Bhanar Raidhadi	CD, Lohaghat	Nov-06	7	124.6	6	764	3.15	2	8.27	Hillside cutting
26	Kundasain to Chorio Tok	PD, Rudraprayag	Nov-06	1	26.6	NA	NA	NA	NA	16.76	Hillside cutting
27	Karial to Jamradi	Ty. Div. (PWD), Bhowali	Nov-06	3	53.9	3	1210	1.05	1.75	31.59	Metalling in 1.75 km stretch
28	Sirtoli-Mangoli	CD, Lohaghat	Mar-07	3	64.2	5	1100	1.35	1	35.65	Hillside cutting, scrupper, retaining and breast wall work
29	Bhanoli Sivioli	CD, Lohaghat	Jan-08	2	42.8	3	350	0.49	1	25.9	Hillside cutting, scrupper, retaining and breast wall work
30	Lawan – Bandun	PMGSY, Kotdwar	Jun-09	11	480.4	4	1199	3.06	1.5	72.57	Hillside cutting, scrupper, retaining and breast wall work in km 1.5
31	Chaka-doigi-Bharapur	CD, Narendra Nagar	Mar-10	17	595	2	1363	N.A	1.595	9.15	Hillside cutting
Total				**280.5**	**4640.25**	**99**	**22460**	**56.22**	**89.62**	**1083.20**	

Appendix –2.6

(Reference: Paragraph 2.3.3.8 ; Page 80)

Statement of payment of NPV cases where in-principle sanctions were granted by the GOI before 30.10.2002

S. No	Name of Road	Forest land (in hect.)	Reference of in-principle sanction & date	Amount of NPV (₹ in lakh)
1	Submergence Light Vehicle Motor(LMV) Road of Dist. Dehradun	1.86	8B/09/1927/99/FC/29 dated 10.1.2000	17.14
2	Lahun Bend- Babdidhar (LMV) Road Sahiya of Dist. Dehradun	3.75	8B/09/1864/99/FC/681dated 5.11.1999	34.50
3.	Patan-Samalta-Damta-Magati to Pachnaula LMV Road of district Dehradun	1.78	8B/09/1854/99/FC/61dated 28.1.2000	16.38
4	Dirnad link Motor road of district Dehradun	2.92	8B/UP/2116/09/2000/FC/6/239 dated 24.3.2000	36.91
5	Quasi-Damta Motor road of district Dehradun	16.69	8B/09/1917/99/FC/414 dated 02.06.2000	153.55
6	Quasi-Damta Motor road of district Dehradun	3.27	8B/09/1856/99/FC/85 dated 04.02.2000	30.08
7	Ghewa Bend to Savayee LMV of district Dehradun	2.70	8B/09/1912/FC/15 dated 06.01.2000	24.84
8.	Kalsi-Chakarata-Utpalta LMV of district Dehradun	3.15	8B/09/1946/99/FC/686 dated 10.11.1999	29.06
9	Sudhowala Poltechnic Bhadrakali gram link motor road of district Dehradun	4.50	8B/UCP/06/109/2002/FC/159 dated 08.07.2002	41.40
10	Chutha Bend Naraya-Lorali Motor road of district Dehradun	9.05	8B/UCP/06/218/2007/FC/796 dated 24.08.2000	24.00
11	Seranada to Nada rest House motor road of district Dehradun	3.87	8B/UP/06/203/2001/FC/78 dated 25.09.2001	35.60
12	Kauja-Kandara motor road of district Rudraprayag	6.24	8B/09/855/96/FC/118 dated 14.02.2000	5.75
13	Nagarasu-Hariyali Kot Talla and Malla link motor road of district Rudraprayag	3.46	8-350/89-FC dated 11.11.1991	31.91
Total		**63.24**		**481.12**

Appendix –2.7

(Reference: Paragraph 2.4.2.2 ; Page 84)

Details of inspection by the Assistant Social Welfare Officers for the period of 2006-07 to 2010-11

Sl. No.	Districts	No. of *Gram Sabha*	Required No. of Meeting* (•)	Participation in open meeting of *Gram Sabha*	Participation in open meeting of *Gram Sabha* (in *per cent*)	No. of Blocks	Required No. of field visits #	Participation in field visits	Field inspection (in *per cent*)
(1)	(2)	(3)	(4)	(5)	(6) = (5) of (4)		(7)	(8)	(9) = (8) of (7)
1	U.S. Nagar	**1545**	**3090**	**112**	**3.62**	**7**	**4200**	**935**	**22.26**
2	Haridwar	**1555**	**3110**	**163**	**5.24**	**6**	**3600**	**601**	**16.69**
3	Almora	**5230**	**10460**	**230**	**2.20**	**11**	**6600**	**1389**	**21.05**
4	Nainital	**1355**	**2710**	**129**	**4.76**	**8**	**4800**	**261**	**5.43**
5	Dehradun	**510**	**1020**	**56**	**5.49**	**6**	**3600**	**118**	**3.28**
6	Tehri	**2900**	**5800**	**240**	**4.14**	**9**	**5400**	**515**	**9.54**
7	Pauri	**865**	**1730**	**199**	**11.50**	**15**	**9000**	**726**	**8.07**

Source: Information provided by the DSWOs.

* *2 meeting were required to be held in a year.*

120 visits per year were mandatory in each 'Block' of the district.

(•) The details for the actual meetings held are not available.

Appendix –2.8

(Reference: Paragraph 2.4.2.2 ; Page 84)

Status of physical verification during 2006-2011

Sl. No.	Districts	Total Pensioners shown in survey			Actual number of pensioners covered under survey		
		Old Age Pension	Widow Pension	Handicapped Pension	Old Age Pension	Widow Pension	Handicapped Pension
1	Almora	26800	8926	4262	6067	3460	924
2	Tehri	31112	8768	4756	29803	8536	4623
3	Dehradun	28555	10515	6361	19127	7107	3639
4	Pauri	23829	8710	4361	22994	8508	4330
5	Nainital	13309	7184	3020	9380	6068	1385
6	U.S. Nagar	19835	10220	4758	19835	10220	4758
7	Haridwar	39959	7959	3943	39959	7959	3943
Total		**183399**	**62282**	**31461**	**147165**	**51858**	**23602**
Total		**277142**			**222625**		

Source: Information provided by the Districts

Appendix –2.9

(Reference: Paragraph 2.4.2.3; Page 85)

Details of double payment of Pension during 2006-07 to 2010-11

Sl. No.	District	Old Age Pension			Widow Pension			Handicapped Pension			Old & Widow			Old & Handicapped		
		No. of Cases	Amount (in ₹)	Range (in months)	No. of Cases	Amount (in ₹)	Range (in months)	No. of Cases	Amount (in ₹)	Range (in months)	No. of Cases	Amount (in ₹)	Range (in months)	No. of Cases	Amount (in ₹)	Range (in months)
1	U.S.Nagar	04	54000	25-167	22	508800	36-60	05	96800	36-60	Nil	Nil	Nil	Nil	Nil	Nil
2	Haridwar	157	924000	09-24	28	110400	12-30	02	11400	12	Nil	Nil	Nil	Nil	Nil	Nil
3	Almora	103	874400	10-191	Nil	Nil	Nil	Nil	Nil	Nil	04	34800	12-32	01	16800	36
4	Nainital	75	310000	06-93	Nil	Nil	Nil	01	9200	23	04	3600	9	Nil	Nil	Nil
5	Dehradun	165	2110800	05-124	Nil	Nil	Nil	67	888000	12-48	Nil	Nil	Nil	Nil	Nil	Nil
6	Tehri	172	1202000	19-213	18	149600	04-48	10	154400	19-43	09	121200	18-42	Nil	Nil	Nil
7	Pauri	42	321600	03-41	84	220800	12	13	212800	05-51	04	30800	29-48	Nil	Nil	Nil
	Total	718	5796800		152	989600		98	1372600		21	190400		01	16800	
Total no. of cases 990; Amount involved = ₹ 83,66,200																

Source: Information provided by the DSWOs.

Appendix –2.10

(Reference: Paragraph 2.4.2.4 ; Page 85)

Details of pension payment to deceased persons

Sl. No.	District	Pension Schemes	Pensions released to number of deceased persons	Position of deceased persons as on 31st March 2011	Excess amount released	
					amount in ₹	Period in months
1	U.S.Nagar	Old	473	288	1826400	06-12
		Widow	19	15	81600	06-12
		Handicapped	39	14	190800	06-12
2	Haridwar	Old	289	109	1426800	04-123
		Widow	06	0	34800	05-38
		Handicapped	06	01	54800	08-34
3	Almora	Old	102	83	657200	04-39
		Widow	0	0	0	-
		Handicapped	0	0	0	-
4	Nainital	Old	310	0	1789200	02-67
		Widow	48	03	285200	04-53
		Handicapped	18	0	107600	04-27
5	Dehradun	Old	193	46	994800	03-38
		Widow	0	0	0	-
		Handicapped	0	0	0	-
6	Tehri	Old	898	898	4310400	12
		Widow	99	99	475200	12
		Handicapped	78	78	374400	12
7	Pauri	Old	247	247	1254800	03-36
		Widow	89	89	427200	12
		Handicapped	23	10	142200	09-12
Total			2937	1980	14433400	-
			Percentage	**67% (1980 of 2937)**		

Source: Information provided by the DSWOs.

Appendix –2.11

(Reference: Paragraph 2.4.2.5; Page 86)

Details of pension payment to ineligible persons

Sl. No.	District	Pension Schemes	Total number of ineligible persons benefitted	Number of ineligible beneficiaries benefitted till March 2011	Excess amount paid (in ₹)	Period of excess payment (months)
1	U.S.Nagar	Old	41	15	127200	06-12
		Widow	21	21	100800	06-12
		Handicapped	20	07	97200	06-12
2	Haridwar	Old	221	47	507600	01-12
		Widow	01	01	3600	09
		Handicapped	28	-	59000	01-12
3	Almora	Old	-	-	-	-
		Widow	10	10	57600	12-24
		Handicapped	-	-	-	-
4	Nainital	Old	63	-	491200	02-68
		Widow	-	-	-	-
		Handicapped	-	-	-	-
5	Dehradun	Old	220	37	2495600	2-162
		Widow	-	-	-	-
		Handicapped	-	-	-	-
6	Tehri	Old	411	411	1972800	12
		Widow	133	133	638400	01-12
		Handicapped	55	55	264000	01-12
7	Pauri	Old	50	50	478000	05-36
		Widow	05	05	24000	12
		Handicapped	12	06	73600	12-48
Total			**1291**	**798**	**7390600**	-
			Percentage	**62% (798 of 1291)**		

Source: Information provided by the DSWOs.

Appendix –2.12

(Reference: Paragraph 2.4.2.6; Page 86)

Details of non-payment of pension to eligible persons

Sl. No.	District	Pension Schemes		
		Handicapped	Widow	Old
1	U.S.Nagar	513	2465	10712
2	Haridwar	250	1600	7552
3	Almora	-	1101	-
4	Nainital	-	387	2993
5	Dehradun	81	975	6746
6	Tehri	586	560	5333
7	Pauri	303	457	693
Total no. of cases		**1733**	**7545**	**34029**
No. of cases in other districts		**666**	**1266**	**5207**
Total		**2399**	**8811**	**39236**
Amount needed (₹ in lakh)		**172.73**	**422.93**	**1883**
Grand Total (₹ in lakh)		**2478.99**		

Source: Information provided by the Directorate

Appendix –3.1

(Reference: Paragraph 3.1.2; Page 91)

Details of injudicious expenditure

Sl. No.	Item of work	Rates as per NIT* (₹/cum)	Agreed rates by adding 18.75 % (₹ /cum)	Rates as per TS (₹/cum)	Rates after adding 18.75% (₹/cum)	Difference in rates ₹/cum (Col. 4-6)	Quantity executed (in cum)	Un-due aid (in ₹)
1	2	3	4	5	6	7	8	9
1.	Collection and consolidation of 45 - 63 mm gauge stone ballast (9 cm compacted).	455	540.31	430	510.62	29.69	20,499.50	6,08,630.16
2.	Collection and consolidation of 45 - 63 mm gauge stone ballast (7.5 cm compacted).	457	542.68	430	510.62	32.06	14,203.66	4,55,369.34
3.	Collection and consolidation of 22.4 - 53 mm gauge stone ballast.	469	556.93	442	524.87	32.06	10,629.25	3,40,773.76
4.	Providing and applying tack coat	4.80	5.70	3.30	3.91	1.79	2,20,407.24	3,94,528.96
5.	Laying of 5 cm thick BM	3,505	4,162.18	3,465	4,114.68	47.50	6,476	3,07,610.00
Total								**21,06,912.22**

Notice inviting tender.

Appendix –3.2

(Reference: Paragraph 3.1.2; Page 91)

Details of excess executed quantity over estimated/agreed quantity

Sl No	Items of work	Works to be executed as per agreement			Works actually executed			Difference (in ₹)	Percentage of work executed
		Quantity	Rate per unit (₹)	Amount (₹)	Quantity	Rate per unit (₹)	Amount (₹)		
1	Excavation in hillside cutting	201630 cum	26.90	5423847	160414.40	26.90	4315147.90	-1108699.10	80
2	Earth filling in making super elevation, sub-grading and patri filling	44400 cum	18	799200	61712.93	18	1110832.74	311632.74	139
3	C/C of 45-63 mm gauge stone ballast (12 cm loose & 9 cm compacted)	12830 cum	455	5837650	20499.50	455	9327272.50	3489622.50	160
4	C/C of 45-63 mm gauge stone ballast (10 cm loose & 7.5 cm compacted)	19800 cum	457	9048600	14203.66	457	6491072.62	-2557527.38	72
5	C/C of 22.40 -53 mm gauge stone ballast	15840 cum	469	7428960	10629.25	469	4985118.25	-2443841.75	67
6	P/A tack coat	396000 sqm	4.80	1900800	220407.20	4.80	1057954.75	-842845.25	56
7	P/A bituminous macadam	9900 cum	3505	34699500	6476	3505	22698380.00	-12001120.00	65
8	P/A semi dense bituminous concrete	4950 cum	4131	20448450	2775.40	4131	11465177.40	-8983272.60	56
9	Providing collie walling	12000 cum	110	1320000	4011.26	110	441238.60	-878761.40	33
	Total			**86907007**			**61892194.76**		
	Add 18.75 % above as per Contract Bond condition			16295064			11604786.52		
	Total			**103202070**			**73496981.28**		
	Extra items executed			Nil			21253646		
	Grand total			**103202070**			**94750627.28**		

C/C= Collection and consolidation; P/A= Providing and applying.

Appendix –3.3

(Reference: Paragraph 3.1.3; Page 93)

Comparative analysis of rates of Bituminous Macadam (BM) as per Job mix formula

Almora-Baijnath-Gwaldam-Karanprayag motor road (km 32 to 51=19 km)						**Gagas-Vinta-Someshwar motor road (29 km)**				
Density = 2.13 (output: 211cum/450 tonne)						Density= 2.12 (output: 212 cum/450 tonne)				
A. Labour =					**₹ 1,709.60**					**₹ 1973.20**
B. Machinery =					**₹ 1,13,429.70**					**₹ 111890.50**
C. Material =	**Qty.**	**Unit**	**Rate**	**% of Mix**	**in ₹**	**Qty.**	**Unit**	**Rate**	**% of Mix**	**in ₹**
1. Bitumen	15.615	Tonne	14036	3.47	2,19,172.14	15.750	Tonne	19760	3.50	3,11,220.00
2. Aggregate-										
(i) 20 mm	69.51	Cum	810	23.17	56,303.10	34.74	Cum	950	11.58	33,003.00
(ii) 10 mm	121.62	Cum	886	40.54	107,755.32	150.54	Cum	1002	50.18	150,841.00
(iii) 5 mm	60.81	Cum	886	20.27	53,877.66	75.27	Cum	1002	25.09	75,421.00
Filler (stone dust)	37.65	Cum	886	12.55	33,357.90	28.95	Cum	1002	9.65	29,008.00
			Total		**585,605.42**					**713,356.70**
D. Overhead charges @ 10% (a+b+c)					**58,560.54**					**71,335.67**
E. Contractors profit @ 10% (a+b+c+d)					**64,416.59**					**78,469.23**
Cost of 211 Cum			**=**		**₹ 7,08,582.55**	**Cost of 212 Cum**			**=**	**₹ 8,63,161.60**
Rate per Cum = 708582.55 / 211					**= ₹ 3358.21per cum Say = ₹ 3358.00 per cum**	**Rate per cum 863161.60 / 212**				**= ₹ 4071.51 per cum Say= ₹ 4071.00 per cum**

Name of work	**Rate analysed by the Division**	**Rate as per Job mix formula**	**Difference in rates**	**Executed Quantity (in Cum)**	**Amount (in ₹)**	**Add agreed rate# (₹)**	**Total (₹)**
Almora-Baijnath-GwaldamKaranprayag Motor Road	₹ 3503.00 Per M^3	₹ 3358.00 Per M^3	₹ 145.00 Per M^3	7536.96	10,92,859	2,26,222	13,19,081
Gagas-Vinita-Someshwar Motor Road	₹ 4167.00 Per M^3	₹ 4071.00 per M^3	₹ 96.00 Per M^3	8129.307	7,80,413	2,57,536	10,37,949
Total Excess Payment							**23,57,030**

Agreed rate above the estimated rate for Almora-Baijnath-GwaldamKaranprayag Motor Road and Gagas-Vinita-Someshwar Motor Road was 20.7 *per cent* and 33 *per cent* respectively.

Appendix –3.4

(Reference: Paragraph 3.2.1; Page 98)

List of left over items

Sl. no	Description of left over items of work, as called for, by the Police Headquarters, Uttarakhand	Cost as per UPJN (₹ in lakh)	Remarks
1	PT Store	3.89	Work is essential and yet to be done.
2	Musketry Store	3.89	-do-
3	Firing Range (small Range)	25.00	-do-
4	Obstacle Course	10.00	-do-
5	External water supply (source work, reservoir and pipe line)	40.00	Work allotted to UPJN.
6	External Sanitary works, Septic Tank, Soak Pit	50.00	Work is essential and yet to be done.
7	Rain water Harvesting	11.21	-do-
8	External Boundary Wall	6.00	-do-
9	Barbed wire fencing	15.00	-do-
10	Gate and Santry Post (2)	2.00	-do-
11	Internal Road	59.93	-do-
12	Fire Fighting System for Administrative block, quarter guard, MT block, Mess & hospital MP hall	35.04	-do-
Total		**261.96**	

Note: *No such provisions were made in the estimate of UPRNN (₹15.52 crore).*

Appendix –3.5

(Reference: Paragraph 3.2.1; Page 98)

Comparative statement of common items of UPRNN and UPJN estimates

Sl. No	Description of work	Cost as per UPJN (₹ in lakh)	Cost as per UPRNN (₹ in lakh)
1.	Administrative Block	54.33	59.37
2.	Quarter Guard	48.63	54.27
3.	M.T. Section	33.48	43.44
4.	Training Block	71.10	83.78
5.	Barracks/Hostel		
(i)	S.I. Hostel & Entertainment Room	55.93	53.61
(ii)	Arakshi Barracks	155.44	245.95
(iii)	Arakshi Mess	22.74	
(iv)	Arakshi Recreation Room	24.21	
(v)	Staff Barrack & Mess	28.32	33.74
6.	Officer Mess with VIP room	42.22	45.89
7.	Hospital	23.62	23.62
(a)	Power wiring of Hospital and Lab.	00.94	Include in building cost
(b)	Cost of extra height for Administrative block, MT Section, Training Block, Staff Barrack	09.55	Include in building cost
8.	Parade ground & other works		
(i)	Parade ground with Stadium	85.00	63.98
(ii)	Multi purpose Hall with Gymnasium	41.81	70.17
9.	Residential Buildings		
(i)	Type-VI (1 no.)	18.09	17.92
(ii)	Type-V (1 no.)	18.09	15.61
(iii)	Type-IV (2 nos.)	16.68	20.43
(iv)	Type-III (16 nos.)	74.87	77.61
(v)	Type-II (30 nos.)	118.97	128.81
	Type-I (20 nos.)	54.68	46.14
11.	Electrification including installation of transformer	100.00	51.00
12.	Site development	125.78	312.08
Total		**1224.48**	**1447.42**

Appendix –3.6

(Reference: Paragraph 3.2.3; Page 101)

Details of double loading of contractors profit (CP)

(Amount in ₹)

Sl. no.	Components	Tehri-Muradabad State Highway (km 120 - 143)		Tehri-Muradabad State Highway (km 144 - 167)		Satpuli-Ekeshwar-Chubatakhal motor road (km 0 - 35)	
		BM (by taking output of 205 cum)	SDBC (by taking o.utput of 195 cum)	BM (by taking output of 205 cum)	SDBC (by taking output of 195 cum)	BM (by taking output of 205 cum)	SDBC (by taking output of 195 cum)
1.	**Rate analysis as per estimates**						
	A) Labour	2082.40	2082.40	2082.40	2082.40	2082.40	2082.40
	B) Machinery	237222.67	237222.67	237222.67	237222.67	237222.67	237222.67
	C) ***Material*** (including CP @10%)	938653.35	1181938.21	967709.10	1211454.17	870101.40	1116993.48
2.	Total A+B+C	1177958.42	1421243.28	1207014.17	1450759.24	1109406.47	1356298.55
3.	Overhead charges @10% on Sl no-2	117795.84	142124.33	120701.42	145075.92	110940.65	135629.85
4.	Total (Sl no- 2+3)	1295754.26	1563367.61	1327715.59	1595835.16	1220347.12	1491928.41
5.	CP @ 10 *per cent* on Sl no-4	129575.43	156336.76	132771.56	159583.52	122034.71	149192.84
6.	Total (2+3)	1425329.69	1719704.37	1460487.15	1755418.68	1342381.83	1641121.25
7.	**Estimated rates (₹/per cum)[1]**	**6952**	**8819**	**7124**	**9002**	**6548**	**8416**
8.	**Rate analysed by Audit**						
	A) Labour	2082.40	2082.40	2082.40	2082.40	2082.40	2082.40
	B) Machinery	237222.67	237222.67	237222.67	237222.67	237222.67	237222.67
	C) ***Material***	853321.23	1074489.28	879735.55	1101321.97	791001.27	1015448.62
9.	Total A+B+C	1092626.30	1313794.35	1119040.62	1340627.04	1030306.34	1254753.69
10.	Overhead charges @10% on Sl no-9	109262.63	131379.43	111904.06	134062.70	103030.63	125475.36
11.	Total (Sl no-9+10)	1201888.93	1445173.78	1230944.68	1474689.74	1133336.97	1380229.05
12.	CP @10 *per cent* on Sl no-10	120188.89	144517.37	123094.46	147468.97	113333.69	138022.90
13.	Total (Sl no-11+12)	1322077.82	1589691.16	1354039.14	1622158.71	1246670.67	1518251.96
14.	**Rate per cum (Sl no-13 ÷ output)**	**6449**	**8152**	**6605**	**8319**	**6081**	**7786**
15.	Difference in rates (7-14)	503	667	519	683	467	630
16.	Quantity executed (in cum)	5169.00	2316.37	4630.00	2102.80	7505.00	3460.00
17.	Excess expenditure (₹)						
	(a) Sl no-15 x 16 =	2600007.00	1545018.79	2402970.00	1436212.40	3504835.00	2179800.00
	(b) Add agreed rate[2] =	468001.26	278103.38	432534.60	258518.23	595821.95	370566.00
18.	**Total (a + b)**	**3068008.26**	**1823122.17**	**2835504.60**	**1694730.63**	**4100656.95**	**2550366.00**
		1,60,72,388.61 Say ₹ 1.61 crore					

[1] (Total of Sl no-6) ÷ output (205 for BM & 195 for SDBC).

[2] Agreed rate for Tehri-Muradabad State Highway and Satpuli-Ekeshwar-Chubatakhal motor road was 18 *per cent* and 17 *per cent* respectively over the estimated rates.

Appendix-4.1

(Reference: Paragraph 4.1.8.6; Page 125)

Details of incomplete Civil works

(₹in lakh)

Sl. No.	Year	Name of Hospitals (District)	Sanction amount	Release amount	Status of works/remarks
A	**Non-utilization of completed buildings**				
1	2006-07	Basar (Almora)	39.77	36.00	Finishing work pending
2	2007-08	Bamsayu (Almora)	34.66	34.66	Water, Electricity Installation pending
3	2007-08	Pasira (Pauri Garhwal)	25.00	25.00	Finishing work pending
4	2008-09	Pang (Pauri Garhwal)	22.94	22.94	Finishing work pending
5	2009-10	Shrikotkhal (Pauri Garhwal)	36.03	36.03	Finishing work pending
Total amount against 05 works under (A)			**158.40**	**154.63**	
B	**Works incomplete even after release of sanction amount**				
1	2006-07	Ghodapani (Bageshwar)	48.60	48.60	Work not started
2	2006-07	Pokharkhal (Pauri Garhwal)	21.20	21.20	NA
3	2006-07	Shayalana (Uttarakashi)	69.10	69.10	Land dispute
4	2007-08	Khargad (Rudraprayag)	29.49	29.49	NA
5	2007-08	Sirsauli (Rudraprayag)	27.21	27.21	NA
6	2007-08	Dhugarakot (Pithoragarh)	24.20	24.20	Approach road damage
7	2007-08	Aauri (Pauri Garhwal)	19.55	19.55	Land slide
8	2007-08	Jaspur (Udham Singh Nagar)	32.68	32.68	Under Progress
9	2008-09	Padavthali (Rudraprayag)	31.00	31.00	NA
10	2008-09	Pipalkoti Nilkhand (Pauri Garhwal)	32.66	32.66	Retaining wall damage
11	2008-09	Khimkhola (Pithoragarh)	41.47	41.47	Approach road damage
12	2009-10	Raimer Badath (Uttarakashi)	24.70	24.70	Land not available
13	2010-11	Saizi (Tehri Garhwal)	37.00	37.00	Slow progress
14	2010-11	Kunain (Dehradun)	46.55	46.55	Under Progress
15	2010-11	Kunain (Dehradun)	18.45	18.45	Under Progress
16	2010-11	Dhimar (Chamoli)	15.00	15.00	Under Progress
Total amount against 16 works under (B)			**518.86**	**518.86**	
C	**Paucity of funds**				
1	2006-07	Aamdhar (Almora)	62.10	46.61	Paucity of funds
2	2006-07	Matla Mahadev (Almora)	61.90	28.00	Paucity of funds
3	2007-08	Ghuna (Almora)	41.57	40.34	Paucity of funds
4	2009-10	Changathi (Almora)	49.99	7.50	Paucity of funds
5	2009-10	Kavali (Almora)	49.88	7.50	Paucity of funds
6	2009-10	Gharkhet (Almora)	49.97	5.00	Paucity of funds
Total amount against 06 works under (C)			**315.41**	**134.95**	

D	**Land dispute and damage approach roads**				
1	2006-07	Nali (Almora)	77.50	67.61	Land dispute
2	2006-07	Rajgadi (Uttarakashi)	72.15	23.00	Land dispute
3	2006-07	Karmi (Bageshwar)	53.30	31.43	Damage approach road
4	2007-08	Muni-Ki-Reti (Tehri Garhwal)	147.00	86.70	Land dispute
5	2008-09	Pingale (Bageshwar)	34.00	20.11	Land dispute
6	2010-11	Silla (Uttarakashi)	60.36	5.00	Land dispute
7	2010-11	Shimalkhet (Champawat)	75.00	46.00	Land dispute
8	2010-11	Pangbhe (Pithoragarh)	41.96	14.00	Damage approach road
9	2010-11	Sethigaon (Pithoragarh)	30.22	15.77	Damage approach road
Total amount against 09 works under (D)			**591.49**	**309.62**	
E	**Other hospital Works (Under progress/land purchase/MOU**				
1	2006-07	Daphot (Bageshwar)	50.60	35.00	MOU under execution
2	2006-07	Dhobhalgaon (Uttarkashi)	70.75	13.00	Under progress
3	2007-08	Bhatvada (Tehri Garhwal)	18.65	11.75	NA
4	2007-08	Thati Kthud (Tehri Garhwal)	23.91	6.63	NA
5	2007-08	Gadhhatal (Uttarkashi)	49.80	48.00	Under progress
6	2007-08	Chamoli (Chamoli)	30.00	14.00	Under progress
7	2007-08	Phutkhuwa (Nainital)	29.30	21.66	Under progress
8	2007-08	Bagad (Nainital)	35.09	29.37	Under progress
9	2008-09	Kothuli (Chamoli)	43.10	20.35	Under progress
10	2008-09	Khanuli (Chamoli)	35.10	18.00	Under progress
11	2009-10	Lamgondi (Rudraprayag)	46.97	36.69	NA
12	2009-10	Kotdwar (Pauri Garhwal)	33.89	8.00	Work at preliminary stage
13	2009-10	Jogimarhi (Pauri Garhwal)	36.85	19.56	NA
14	2009-10	Jhanjra (Dehradun)	31.77	20.00	Under progress
15	2009-10	Meddhal (Dehradun)	38.70	20.00	Under progress
16	2009-10	Birgul (Champawat)	68.50	48.50	Under progress
17	2009-10	Dhampareva (Nainital)	47.81	20.00	Under progress
18	2010-11	Karyalaya (Bageshwar)	49.95	10.00	Only land purchase done
19	2010-11	Dada Jalalpur (Haridwar)	44.80	20.00	NA
20	2010-11	Malari (Chamoli)	18.00	11.45	Under progress
21	2010-11	Suraithotha (Chamoli)	16.50	10.49	Under progress
Total amount against 21 works under (E)			**820.24**	**442.45**	
Grand Total			**2,404.40 (24.04crore)**	**1,560.51 (15.60 crore)**	

Appendix – 6.1

(Reference: Paragraph 6.1.6; Page 188)

Statement showing particulars of up date paid-up-capital, loans outstanding and Manpower as on 31 March 2011 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid –up Capital1				Loans2 outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.[3]	Agriculture	February 1969	3.92	0.84	1.54	6.30	8.50	-	-	8.50	1.35:1 (1.59:1)	417
Sector Wise total				**3.92**	**0.84**	**1.54**	**6.30**	**8.50**	**-**	**-**	**8.50**	**1.35:1**	**417**
FINANCE													
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited)	Hill development	June 1974	0.20	-	0.30	0.50	1.17	0.04	1.44	2.65	5.3:1 (4.94:1)	21
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)	Hill Development	June 1975	0.22	-	0.28	0.50	-	-	-	-	-	NIL
4.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	Social Welfare	October 2001	11.90	3.88	-	15.78	-	-	1.84	1.84	0.12:1 (0.16:1)	**31**
Sector Wise total				**12.32**	**3.88**	**0.58**	**16.78**	**1.17**	**0.04**	**3.28**	**4.49**	**0.27:1**	**52**
INFRASTRUCTURE													
5.	State Industrial Development Corporation of Uttarakhand Limited	Finance	July 2002	26.00	-	2.5	28.50	6.00	-	-	6.00	0.21:1 (0.21:1)	22
6.	Uttarakhand State Infrastructure Development Corporation Limited	Finance	March 2008	3.00	-	-	3.00	2.00	-	-	2.00	0.67:1 (-)	53
Sector Wise total				**29.00**	**-**	**2.5**	**31.50**	**8.00**	**-**	**-**	**8.00**	**0.25:1**	**75**

[1] Paid – up capital includes share application money

[2] Loans outstanding at the close of 2010-11 represent long term loans only.

[3] Above includes Section 619-B companies at Sr. No. 01

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid –up Capital				Loans outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
MANUFACTURING													
7.	Trans cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam limited)	Hill Development	November 1973	-	-	1.63	1.63			2.75	2.75	1.69:1 (1.69:1)	48
8.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	Hill Development	March 1978	-	-	0.35	0.35	1.40	1.40	4.48	7.28	20.80:1 (20.80:1)	78
9.	Uttarakhand Chay Vikas Nigam Limited Formerly Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	January 1974	-	-	3.25	3.25	-	-	-	-	-	-
10.	Uttar Pradesh Hill Electronics Corporation Limited	Hill Development	June 1985	8.95	-	-	8.95	-	-	-	-	-	107
11.	Kichha Sugar Company Limited	Sugar & Cane Development	February 1972	17.54	-	0.45	17.99	33.77	-	.3.22	36.99	2.06:1 (2.25:1)	851
12.	Doiwala Sugar Company Limited	Sugar & Cane Development	December 2001	6.00	-	-	6.00	48.10	-	3.15	51.25	8.54:1 (8.54:1)	N.A.
Sector Wise total				**32.49**	**-**	**5.68**	**38.17**	**83.27**	**1.40**	**13.6**	**98.27**	**2.57:1**	**1084**
POWER													
13.	Uttarakhand Power Corporation Limited	Urja	February 2001	577.00	-	-	577.00	230.15	283.39	127.10	640.64	1.11:1 (62.01:1)	4327
14.	Uttarakhand Jal Vidhyut Nigam Limited	Urja	February 2001	801.79	-	-	801.79	153.80	3.04	1026.02	1182.86	1.48:1 (1.63:1)	2365
15.	Power Transmission Corporation of Uttarakhand Limited	Urja	May 2004	187.21	-	-	187.21	136.25		354.95	491.20	2.62:1 (2.65:1)	973
Sector Wise total				**1566.00**			**1566.00**	**520.20**	**286.43**	**1508.07**	**2314.70**	**1.48:1**	**7665**
SERVICES													
16.	Kumaon Mandal Vikas Nigam Limited	Hill Development	March 1971	13.42	-	-	13.42	-	-	-	-	-	1027

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid –up Capital[$]				Loans[$@] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6©	6(d)	(7)	(8)
17.	Garhwal Mandal Vikas Nigam Limited	Hill Development	March 1976	6.80	-	-	6.80	4.28	-	-	4.28	0.63:1 (0.63:1)	794
Sector Wise total				**20.22**	**-**	**-**	**20.22**	**4.28**	**-**	**-**	**4.28**	**0.21:1**	**1821**
MISCELLANEOUS													
18.	Uttarakhand Purv Sainik Kalyan Udham Limited	Sainik Kalyan	March 2004	1.00	-	-	1.00	-	-	-	-	-	-
Sector Wise total				**1.00**	**-**	**-**	**1.00**	**-**	**-**	**-**	**-**	**-**	**-**
Total A (All sector wise- working Government companies)				**1664.95**	**4.72**	**10.3**	**1679.97**	**625.42**	**287.87**	**1524.95**	**2438.24**	**1.45:1**	**11114**
B. Working Statutory corporations													
INFRASTRUCTURE													
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	Peya Jal	November 2002	2031.85	-	-	2031.85	-	-	1.64	1.64	(-)	2878
Sector Wise total				**2031.85**	**-**	**-**	**2031.85**	**-**	**-**	**1.64**	**1.64**	**(-)**	**2878**
SERVICE													
2.	Uttarakhand Parivahan Nigam	Transport	October 2003	70.50	9.24	-	79.74	25.41	-	-	25.41	0.32:1 (0.36:1)	4794
Sector Wise total				**70.50**	**9.24**	**-**	**79.74**	**25.41**	**-**	**-**	**25.41**	**0.32:1**	**4794**
Total B (All sector wise- working Statutory corporations)				**2102.35**	**9.24**	**-**	**2111.59**	**25.41**	**-**	**1.64**	**27.05**	**0.01:1**	**7672**
Grand Total (A+B)				**3767.30**	**13.96**	**10.3**	**3791.56**	**650.83**	**287.87**	**1526.59**	**2465.29**	**0.65:1**	**18786**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	UPAI Limited	Agriculture	April 1977	0.15	-	0.02	0.17	-	-	-	-	-	-
Sector Wise total				**0.15**	**-**	**0.02**	**0.17**	**-**	**-**	**-**	**-**	**-**	**-**
MANUFACTURING													
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Hill Division	April 1987	-	-	0.18	0.18	-	-	-	-	-	
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Hill Division	July 1987	-	-	0.03	0.03	-	-	-	-	-	-
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited)	Hill Division	July 1989	-	-	0.01	0.01	-	-	-	-	-	-
Sector Wise total				**-**	**-**	**0.22**	**0.22**	**-**	**-**	**-**	**-**	**-**	**-**
Total C (all sector wise non working Government Companies				**0.15**	**-**	**0.24**	**0.39**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A +B+C)				**3767.45**	**13.96**	**10.54**	**3791.95**	**650.83**	**287.87**	**1526.59**	**2465.29**	**0.65:1**	**18786**

Appendix – 6.2

(Reference: Paragraph 6.1.9; Page 189)

Statement showing equity, loans received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2011

(Figures in column 3 (a) to 6(d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year [4]		Waiver of dues the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
Working Government Companies													
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	-	-	-	20.47	-	20.47	-	-	-	-	-	-
2.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	-	-	-	7.44	-	7.44	13.16	13.16	-	-	-	-
3.	State Industrial Development Corporation of Uttarakhand Limited	-	-	10.22	-	-	10.22	-	-	-	-	-	-
4.	Uttarakhand Power Corporation Limited	572.00	20.45	9.69	-	-	9.69	266.82	266.82	-	-	-	-
5.	Uttarakhand Jal Vidhyut Nigam Limited	16.59	43.25	-	5.56	-	5.56		9.77	-	-	-	-
6.	Power Transmission Corporation of Uttarakhand Limited	15.12	-	-	-	-	-	-	-	-	-	-	-
7.	Uttarakhand State Infrastructure Development Corporation Limited[5]	-	2.00	-	-	-	-	-	-	-	-	-	-
Total (working Government companies)		**603.71**	**65.70**	**19.91**	**33.47**	**-**	**53.38**	**279.98**	**289.75**	**-**	**-**	**-**	**-**

[4] Figures indicate total guarantees outstanding at the end of the year

[5] The Company was incorporated in March 2008 and had not submitted its first accounts.

Appendix- 6.3

(Reference:Paragraphs 6.1.14 and 6.1.34; Pages 191 and 196)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Figures in column 5 (a) to (6) and (8) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[6]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[7]	Return on capital employed[8]	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies													(5b +5d)	11/10
AGRICULTURE & ALLIED														
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	2010-11	2011-12	2.82	1.63	0.32	0.87	97.21	Non Review Certificate issued	4.08	5.93	83.18	2.5	3.01%
Sector Wise total				**2.82**	**1.63**	**0.32**	**0.87**	**97.21**	**-**	**4.08**	**5.93**	**83.18**	**2.5**	**3.01%**
FINANCE														
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited)	1990-91	2011-12	(-) 0.11	0.04	-	(-) 0.15	0.28	-	0.50	(-) 0.78	0.34	(-) 0.11	-
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)	1986-87	2002-03	(-) 0.02	-	-	(-) 0.02	0.10	-	0.50	(-) 0.04	0.46	(-) 0.02	-
4.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	2003-04	2011-12	0.19	0.34	0.04	(-) 0.19	-	0.10	3.91	(-) 0.04	27.10	0.15	0.55
Sector Wise total				**0.06**	**0.38**	**0.04**	**(-) 0.36**	**0.38**	**0.10**	**4.91**	**(-) 0.86**	**27.90**	**0.02**	**0.07%**
INFRASTRUCTURE														
5.	State Industrial Development Corporation of Uttarakhand Limited	2009-10	2011-12	34.06	-	0.20	33.86	8.13	(-) 0.92	28.50	205.15	242.15	33.86	13.98
6.	Uttarakhand State Infrastructure Development Corporation Limited[9]	2008-09	2010-11	(-) 0.68	-	-	(-) 0.68	-	(-) 0.02	2.00	(-) 0.68	1.29	(-) 0.68	-
Sector Wise total				**33.38**	**-**	**0.20**	**33.18**	**8.13**	**(-) 0.94**	**30.50**	**204.47**	**243.44**	**33.18**	**13.63%**

[6] Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/decrease in losses (-) decrease in profit/increase in losses.

[7] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposit and borrowing (including refinance).

[8] Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

[9] The Company was incorporated in March 2008 and had not submitted its first accounts.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING														
1.	Trans cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam limited)	1999-2000	2002-03	(-) 0.84	-	-	(-) 0.84	2.80	-	1.63	(-) 5.80	2.90	(-) 0.84	-
2.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	1996-97	1997-98	(-) 1.19	-	-	(-) 1.19	0.29	-	0.35	(-) 6.95	0.35	(-) 1.19	-
3.	Uttarakhand Chay Vikas Nigam Limited Formerly Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	2000-01	2008-09	0.01	-	-	0.01	0.05	0.72	3.25	(-) 0.14	8.25	0.01	0.12%
4.	Uttar Pradesh Hill Electronics Corporation Limited	1995-96	2011-12	(-) 0.07	-	0.03	(-) 0.10	2.02	-	7.95	(-) 0.64	4.53	(-) 0.10	-
5.	Kichha Sugar Company Limited	2009-10	2010-11	11.77	7.40	0.22	4.15	103.44	(-) 0.22	17.99	(-) 45.26	78.47	11.55	14.71%
6.	Doiwala Sugar Company Limited	2008-09	2010-11	2.27	11.10	0.34	(-) 9.17	55.77	(-) 0.16	6.00	(-) 73.26	46.60	1.93	4.14%
Sector Wise total				**11.95**	**18.50**	**0.59**	**(-) 7.14**	**164.37**	**0.34**	**37.17**	**(-) 132.05**	**141.10**	**11.36**	**8.05%**
POWER														
7.	Uttarakhand Power Corporation Limited	2007-08	2011-12	(-) 125.51	46.32	71.22	(-) 243.05	1182.72	(-) 135.70	5.00	(-) 873.95	1600.80	(-) 196.73	-
8.	Uttarakhand Jal Vidhyut Nigam Limited	2008-09	2010-11	266.02	169.11	70.42	26.49	534.32	(-) 48.44	363.79	140.93	2801.96	195.60	6.98%
9.	Power Transmission Corporation of Uttarakhand Limited	2009-10	2011-12	23.22	27.83	22.36	(-) 26.97	75.81	(-) 5.92	172.09	87.31	768.54	0.86	0.11%
Sector Wise total				**163.73**	**243.26**	**164.00**	**(-) 243.53**	**1792.85**	**(-) 190.06**	**540.88**	**(-) 645.71**	**5171.3**	**(-) 0.27**	-
SERVICES														
10.	Kumaon Mandal Vikas Nigam Limited	2002-03	2010-11	2.31	1.05	0.30	0.96	105.67	(-) 0.04	13.42	0.07	29.50	2.01	6.81%
11.	Garhwal Mandal Vikas Nigam Limited	2000-01	2010-11	4.23	1.72	1.51	1.00	61.64	(-) 0.04	5.76	(-) 7.74	(-)5.27	2.72	-

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Sector Wise total				**6.54**	**2.77**	**1.81**	**1.96**	**167.31**	**(-) 0.08**	**19.18**	**(-) 7.67**	**24.23**	**4.73**	**19.52%**
MISCELLANEOUS														
12.	Uttarakhand Purv Sainik Kalyan Udham Limited	2009-10	2011-12	5.66	-	0.09	5.57	77.20	Non Review Certificate issued	0.05	19.08	19.97	5.57	27.89
Sector Wise total				**5.66**		**0.09**	**5.57**	**77.20**		**0.05**	**19.08**	**19.97**	**5.57**	**27.89%**
Total A (All sector wise- working Government companies)				**224.14**	**266.54**	**167.05**	**(-) 209.45**	**2307.45**	**(-) 190.64**	**636.77**	**(-) 556.81**	**5711.12**	**57.09**	**1.00%**
B. Working Statutory corporations														
INFRASTRUCTURE														
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2009-10	2011-12	7.93	5.09	0.34	2.50	43.26	(-) 24.04	935.11	(-) 13.76	(-) 567.20	7.59	-
Sector Wise total				**7.93**	**5.09**	**0.34**	**2.50**	**43.26**	**(-) 24.04**	**935.11**	**(-) 13.76**	**(-) 567.20**	**7.59**	**-**
SERVICE														
2.	Uttarakhand Parivahan Nigam	2008-09	2010-11	0.10	-	14.77	(-) 14.67	188.81	(-) 0.56	79.74	(-) 237.22	(-) 35.14	(-) 14.67	-
Sector Wise total				**0.10**	**-**	**14.77**	**(-) 14.67**	**188.81**	**(-) 0.56**	**79.74**	**(-) 237.22**	**(-) 35.14**	**(-) 14.67**	**-**
Total B (All sector wise- working Statutory corporations)				**8.03**	**5.09**	**15.11**	**(-) 12.17**	**232.07**	**(-) 24.6**	**1014.85**	**(-) 250.98**	**(-) 602.34**	**(-) 7.08**	**-**
Grand Total (A+B)				**232.17**	**271.63**	**182.16**	**(-) 221.62**	**2539.52**	**(-) 215.24**	**1651.62**	**(-) 807.79**	**5108.78**	**50.01**	**0.98%**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed©	Return on capital employed$	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
C. Non working Government companies														
AGRICULTURE & ALLIED														
1.	UPAI Limited [10]	1988-89	1999-2000	(-) 0.01	-	-	(-) 0.01	-	-	0.17	(-) 0.05	0.10	(-) 0.01	-
Sector Wise total				**(-) 0.01**	-	-	**(-) 0.01**	-	-	**0.17**	**(-) 0.05**	**0.10**	**(-) 0.01**	-
MANUFACTURE														
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1989-90	1990-91	(-) 0.02	-	-	(-) 0.02	-	-	0.18	(-) 0.02	0.12	(-) 0.02	-
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector Wise total				**(-) 0.02**			**(-) 0.02**			**0.18**	**(-) 0.02**	**0.12**	**(-) 0.02**	
Total C (All sector wise- working Government companies)				**(-) 0.03**			**(-) 0.03**			**0.35**	**(-) 0.07**	**0.22**	**(-) 0.03**	
Grant Total (A+B+C)				**232.14**	**272.11**	**182.16**	**(-)222.13**	**2539.52**	**(-) 215.24**	**1651.97**	**(-) 807.86**	**5109.00**	**49.98**	**0.98%**

[10] Company under liquidation since 31.03.1991

Appendix -6.4

(Reference: Paragraph 6.1.24; Page 193)

Statement showing the investment made by the State Government in Companies whose accounts are not finalised upto 30 September 2011

(Figures in column 4 and 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of Accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrear			
					Equity	Loan	Grant	Others to be specified (Subsidy)
1	2	3	4	5	6	7	8	
A. Working Government Companies								
1	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	2003-04	15.78	2004-05	2.29	-	-	
				2005-06	0.76	-	-	
				2006-07	4.22	-	-	
				2007-08	1.22	-	-	
				2008-09	-	-	0.09	
				2009-10	0.05	-	0.29	
				2010-11	-	-	7.45	
2	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	1996-97	0.35	2002-03	-	-	0.78	
				2003-04	-	-	0.78	
				2005-06	-	-	4.28	
				2006-07	-	-	3.59	
				2007-08	-	-	0.78	
				2008-09	-	-	0.79	
3	Uttarakhand Power Corporation Limited	2007-08	5.00	2008-09	5.00	-	2.08	
				2009-10	-	159.50	-	
				2010-11	572.00	162.42	-	
	Uttarakhand State Infrastructure Development Corporation Limited			2009-10	2.00	-	-	
				2010-11	3.00	2.00		
4	Uttarakhand Jal Vidhyut Nigam Limited	2008-09	363.79	2009-10,	260.38	-	-	-
				2010-11	-		5.56	
5	Power Transmission Corporation of Uttarakhand Limited	2009-10	172.09	2010-11	15.12	-	-	-
Total – A (Working Government companies)			**586.68**		**866.04**	**475.32**	**26.46**	-

Appendix -6.5

(Reference: Paragraph 6.2.9.1; Page 202)

Statement showing particulars of distribution network planned vis-à-vis achievement there against in the State as a whole during 2006-07 to 2010-11

S.No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Substations (33/11 kv)**					
i	At the beginning of the year	200	226	237	248	259
ii	Additions planned for the year	No Target was fixed by the Company				
iii	Additions made during the year	26	11	11	11	03
iv	At the end of the year	226	237	248	259	262
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA
(B)	**HT Lines (in CKM)**					
i	At the beginning of the year	29480	31401	34509	36331	36867
ii	Additions planned for the year	No Target was fixed by the Company				
iii	Additions made during the year	1921	3108	1822	536	1577
iv	At the end of the year	31401	34509	36331	36867	38444
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA
(C)	**LT Lines (in CKM)**					
i	At the beginning of the year	38687	40987	45241	47445	48062
ii	Additions planned for the year	No Target was fixed by the Company				
iii	Additions made during the year	2300	4254	2204	617	1903
iv	At the end of the year	40987	45241	47445	48062	49965
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA
(D)	**Transformers Capacity (in MVA)**					
i	At the beginning of the year	1617	1859	2001	2100	2162
ii	Additions planned for the year	No Target was fixed by the Company				
iii	Additions made during the year	242	142	99	62	24
iv	At the end of the year	1859	2001	2100	2162	2186
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA

Appendix -6.6

(Reference: Paragraph 6.2.23.1; Page 215)

Statement showing source-wise purchase of power during 2006-11

(in Million Units/ Average Cost per Unit)

Year	State Generation PSUs	Central Sector	IPPs	Others	Total
2006-07	2827.92	2530.08	51.08	296.80	5705.88
	0.88	1.68	5.68	2.45	1.36
2007-08	3122.86	2707.28	59.60	965.48	6855.22
	0.87	2.00	2.57	2.21	1.52
2008-09	4101.55	2715.12	88.59	948.96	7854.22
	1.49	2.18	2.70	3.09	1.93
2009-10	3748.89	2970.93	151.83	1592.84	8464.49
	1.77	2.44	2.86	3.33	2.32
2010-11	4414.69	3486.49	231.44	1257.66	9390.28
	1.48	2.64	3.36	3.48	2.22
Total	**18215.91**	**14409.90**	**582.54**	**5061.74**	**38270.09**

Appendix -6.7

(Reference: Paragraph 6.2.25; Page 219)

Statement showing progress of installation of capacitor banks and consequential loss of envisaged energy savings for the five years ending 2010-11

Year	Installed capacity at the beginning of the year	Targeted addition during the year	Actual addition during the year	Installed capacity at the close of the year	Percentage of shortfall in achievement of target	Loss of envisaged energy savings		
						In MUs	Cost per Unit	₹ in crore
2006-07	25	NA	77	102	NA	3.15	3.00	0.95
2007-08	102	NA	68	170	NA	6.13	3.09	1.89
2008-09	170	NA	0	170	NA	8.43	3.77	3.18
2009-10	170	NA	0	170	NA	8.43	4.11	3.46
2010-11	170	NA	0	170	NA	8.43	4.01	3.38

Appendix -6.8

(Reference: Paragraph 6.2.26.2; Page 219)

Statement showing targets & actual performance of checking, theft cases detected, assessment made and amount realized for the five years ending 31 March 2011

Year	No. of checking		Theft cases		Assessed amount (₹in lakh)		Amount Realised (`₹ in lakh)	
	Targets	Actual	Targets	Actual	Targets	Actual	Targets	Actual
2006-07	NA	3215	NA	153	NA	318.67	NA	110.92
2007-08	NA	3066	NA	68	NA	418.84	NA	126.24
2008-09	NA	914	NA	178	NA	37.93	NA	2.87
2009-10	NA	882	NA	393	NA	34.78	NA	0.20
2010-11	NA	1061	NA	266	NA	123.00	NA	19.78

Appendix -6.9

(Reference: Paragraph 6.2.30.3; Page 224)

Statement showing the Cross subsidisation in various major sectors of the Company for the five years ending 31 March 2011

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Average cost of supply (ACOS)	300		309		377		410		401	
Average Revenue from										
	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS
Domestic	179	59.67	181	58.58	186	49.34	189	46.10	229	57.11
Commercial	317	105.67	308	99.68	332	88.06	339	82.68	395	98.50
Industrial	278	92.67	286	92.56	339	89.92	332	80.98	394	98.25
Agricultural	80	26.67	91	29.45	122	32.36	139	33.90	154	38.40
Others[11]	285	95	218	70.55	286	75.86	275	67.07	301	75.06

[11] Including Railways, Public Works, Street lighting, etc.