उत्तराखण्ड शासन

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2010

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 2009-10 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 2009-10 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.

OVERVIEW

OVERVIEW

This Report includes five chapters with four performance reviews, a Chief Controlling Officer (CCO) based performance audit and 28 other paragraphs (including one general paragraph) dealing with results of audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

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 four audit paragraphs only. Wherever received and appropriate, the departmental views and explanations have been incorporated in this Report.

CIVIL

PERFORMANCE REVIEW

Department of Disaster Management

Performance Audit of Disaster Management

A scheme 'Calamity Relief Fund (CRF)' was conceived on the recommendations of the Ninth Finance Commission (January 1991) to build a safe and disaster resilient India by developing a holistic, proactive, multi-disaster oriented and technology driven strategy through a culture of prevention, mitigation, preparedness and response. The State of Uttarakhand received ₹ 499.43 crore (Central share: ₹ 376.34 crore and State share: ₹ 123.09 crore) in the CRF, against which ₹ 472.21 crore was spent over the period 2005-10. The performance audit of Disaster Management showed State Government's lackadaisical approach and lack of commitment in implementation of important aspects of disaster prevention, mitigation and preparedness. State Government, in the wake of Disaster Management Act, 2005, had yet to frame the guidelines, policies and rules. The State Disaster Management Authority was virtually non-functional since its inception.

The State Government failed to ensure incorporation of disaster prevention into the development process of the State as envisaged in the Act. In the absence of critical infrastructure such as trauma centres, the affected population could not be given immediate medical attention, depriving them of the basic medical facility. Assessment of structural and non-structural safety of school buildings and identification of necessary mitigative action was not included in the school safety programme, leaving 39 *per cent* of school buildings unattended. Reliable communication system was inadequate as it was seen that the delay in sharing of disaster information ranged from one to more than 24 hours. Despite incurring an expenditure of ₹ 22.55 crore, construction works were incomplete for want of release of second installment. Also, restoration works taken up under the CRF scheme were delayed by one to two years since the occurrence of disaster. ₹ 41.77 crore was sanctioned from CRF on inadmissible construction works in violation of norms of the scheme. In the absence of Rehabilitation & Resettlement policy, 80 identified villages of selected districts could not be rehabilitated.

[Paragraph 1.1]

Urban Development Department

Management of Maha Kumbh Mela -2010, Haridwar

Maha Kumbh Mela (MKM) is one of the largest spiritual gatherings known to humanity. A performance audit of management of MKM was conducted which revealed that detailed and comprehensive planning like preparation of integrated plan for MKM was absent. Out of a total of 311 approved works, only 82 works could be completed before start of MKM. Besides, additional 43 works were executed without prior sanction which resulted in committed liability on GOU and five works were sanctioned unauthorisedly, which were not relating to the MKM. Loss of revenue, non-accountal of accrued interest, short relisation of revenue, incorrect reporting regarding utilisation of funds indicated lack of financial control. Moreover, works taken up by the executing agencies in a hasty manner led to improper assessment, substandard execution and unfruitful, excess, avoidable and wasteful expenditure. However, making arrangement of sufficient bathing ghat facility before the start of MKM, was a remarkable achievement of the Irrigation Division Haridwar.

[Paragraph 1.2]

AUDIT OF TRANSACTIONS

FRAUDULENT DRAWAL/MISAPPROPRIATION/EMBEZZLEMENT/ LOSS

- ₹ 1.07 lakh was remitted by District Social Welfare Officer, Haridwar to a non-existent school at Bahadarabad (Haridwar).

[Paragraph 2.1]

INFRUCTUOUS/WASTEFUL/UNFRUITFUL/EXCESS EXPENDITURE

- Construction of a school building in District Chamoli on forest land without prior permission from Forest Department resulted in stoppage of work and unfruitful expenditure of ₹ 70 lakh.

[Paragraph 2.2]

- Due to lack of quality control and supervision, the Executive Engineer, Construction Division, Public Works Department (PWD), Purola (Uttarkashi) incurred an unfruitful expenditure of ₹ 2.03 crore on a defective and incomplete bridge.

[Paragraph 2.4]

- Suspension of road work due to work being carried out without having clear title of disputed land, deprived connectivity to intended population and resulted in unfruitful expenditure of ₹ 102.58 lakh by Construction Division, PWD, Dugadda (Pauri Garhwal).

[Paragraph 2.5]

- In absence of sewerage treatment plant (STP), expenditure of ₹ 97.51 lakh incurred by Executive Engineer, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, Doon Shakha, Dehradun on construction of sewer lines remained unfruitful.

[Paragraph 2.6]

UNDUE FAVOUR TO CONTRACTORS/AVOIDABLE EXPENDITURE

- Overlooking of IRC specifications and use of costlier material by Executive Engineer, Construction Division, PWD, Purola (Uttarkashi) resulted in avoidable expenditure of ₹ 42.78 lakh.

[Paragraph 2.7]

- Faulty rate analysis by Provincial Division, PWD, Lansdowne resulted in undue advantage of ₹ 1.20 crore to a contractor.

[Paragraph 2.8]

- Acceptance of a single tender in the Temporary Division, PWD, Gaucher (Chamoli) at rates higher than the departmental rates resulted in undue benefit of ₹ 88.58 lakh to a contractor.

[Paragraph 2.9]

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

- Non-utilization of life saving machines/equipment worth ₹ 85 lakh, procured more than four years ago, by Chief Medical Superintendent, Jawaharlal Nehru District Hospital, Rudrapur not only deprived the patients of the intended benefit but also resulted in deterioration in operational condition of the equipment.

[Paragraph 2.12]

- Due to casual approach of the DRDA, Government could not achieve the desired objectives of benefitting self help groups, artisans and swarojgaris despite incurring expenditure of ₹ 51.48 lakh.

[Paragraph 2.13]

- An injudicious expenditure of ₹ 2.79 crore was incurred by Executive Engineer II, Construction Division, Uttarakhand Peyjal Nigam, Almora on an incomplete pumping water supply scheme.

[Paragraph 2.15]

REGULARITY ISSUE

- Violation of the guidelines of Swarnjayanti Gram Swarojgar Yojna (SGSY) resulted in irregular payments of ₹ 95.24 lakh to a public trust.

[Paragraph 2.17]

CHIEF CONTROLLING OFFICER (CCO) BASED PERFORMANCE AUDIT OF INDUSTRIAL DEVELOPMENT DEPARTMENT

The Industrial Development Department (IDD) of the Government is responsible for overall sustainable growth of the State industrial sector and implementation of laid-down Industrial Policies as well as various departmental schemes. A department centric/CCO based performance audit of the IDD revealed that the number of industries, investment and employment in the State had grown significantly with an average of 26.22 *per cent*, 46.13 *per cent* and 24.36 *per cent* respectively over the period 2001-02 to 2009-10, but there were a number of deficiencies noticed in infrastructural development, management of industrial estates and operational activities of the Department.

Inadequate financial management in different wings of the IDD resulted in long pending recoveries of loans, unauthorized retention/blockage of funds and improper management of Government revenues. The implementation of various departmental schemes was not in consonance with their guidelines as there were instances of irregular disbursement of subsidies and non-recovery of subsidy from the defaulters.

Poor management of contracts by SIDCUL, inaccurate maintenance of cash accounts in UKGB, inadequate management of leases/revenue in Mining Unit and sanctioning of scheme funds to ineligible entrepreneurs were areas of concern and requires immediate attention by the Government.

[Paragraph 3.1]

REVENUE

PERFORMANCE REVIEW

Review on 'Transition from Sales Tax to VAT'

- The growth rate of revenue over the previous year after implementation of VAT touched a high of 34.78 *per cent* in 2006-07. Although the rate had fallen in the subsequent years, it still recorded a healthy 17.37 *per cent* growth in 2008-09.

  [Paragraph 4.2.6.1]

- Even after four years of implementation of VAT in the State, the VAT manual has not been finalized. There was more than 50 *per cent* of man Power shortage.

  [Paragraph 4.2.6.2.2]

- Though the computerization has been initiated all the modules of the software were yet to be implemented and unit offices/checkgates were not interlinked.

  [Paragraph 4.2.6.3]

- The department failed to detect and register the eligible dealers resulting in evasion of tax.

  [Paragraph 4.2.6.4.2]

- In the absence of mechanism the department failed to impose penalty for non/late filing of returns/audit reports.

  [Paragraph 4.2.6.5.1 & 4.2.6.5.2]

- Irregular allowance of input tax credit of ₹ 2.62 crore.

  [Paragraph 4.2.6.6]

AUDIT OF TRANSACTIONS

- Short levy of tax of ₹10.38 lakh due to application of incorrect rate of tax.

  [Paragraph 4.3]

- Short levy of tax of ₹ 20.58 lakh due to grant of trade tax exemption based on a false certificate.

  [Paragraph 4.4]

- For delay in payment of tax, penalty of ₹ 1.34 crore was not levied.

  [Paragraph 4.5]

- Low production of alcohol from fermentable sugar content of molasses against the prescribed minimum norms resulted in loss of revenue of ₹ 8.67 lakh.

  [Paragraph 4.6]

COMMERCIAL

Overview of Government Companies and Statutory Corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2010, the State of Uttarakhand had 20 working PSUs and four non-working PSUs which employed 0.16 lakh employees. The working PSUs registered a turnover of ₹ 1,722.95 crore for 2009-10 as per their latest finalised accounts. The working PSUs incurred an aggregate loss of ₹ 79.66 crore and had accumulated loss of ₹ 420.32 crore for 2009-10 as per their latest finalized accounts as on 30 September 2010.

- **Investments in PSUs**

As on 31 March 2010, the investment (capital and long term loans) in 24 PSUs was ₹ 5,783.88 crore. It increased by 272.89 *per cent* from ₹ 1,551.09 crore in 2004-05 to ₹ 5783.88 crore in 2009-10. The State Government extended budgetary support of ₹ 129.57 crore to state PSUs during 2009-10 in the form of equity, loans and grants/subsidies.

- **Performance of PSUs**

During the year 2009-10, out of 20 working PSUs, eight PSUs earned profit of ₹ 112.03 crore and 11 PSUs incurred loss of ₹ 191.69 crore. The major contributors to profit were State Industrial Development Corporation of Uttarakhand Limited (₹ 56.49 crore) and Uttarakhand Jal Vidyut Nigam (₹ 48.40 crore). The heavy losses were incurred by Uttarakhand Power Corporation Limited (₹ 144.02crore), Power Transmission Corporation of Uttarakhand Limited (₹ 19.16 crore), Uttarakhand Parivhan Nigam (₹ 10.29 crore) and Doiwala Sugar Company Limited (₹ 9.17 crore). The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years Audit Reports of CAG shows that the State PSUs losses of ₹ 1,367.95 crore and infructuous investment of ₹ 8.07 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

- **Quality of accounts**

The quality of accounts of PSUs needs improvement. All the 12 accounts finalized during October 2009 to September 2010 received qualified certificates.

- **Arrears in accounts and winding up of non-working PSUs**

Twenty working PSUs had arrears of 143 accounts as of September 2010. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were four non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

[Paragraph 5.1]

PERFORMANCE REVIEW RELATING TO A GOVERNMENT COMPANY

Uttarakhand Jal Vidyut Nigam Limited- Power Generating Activities

Power is an essential requirement for all facets of life and has been recognized as a basic requirement. In Uttarakhand, generation of power is managed by Uttarakhand Jal Vidyut Nigam Ltd (Company). As on 31 March 2010, Company has 13 large hydro generation stations and 21 small hydro generation stations with installed capacity of 1,284.85 MW and 21.05 MW respectively.

- **Capacity Addition**

Though 720 MW of capacity was planned to be added by Company during the five year ending March 2010, the actual addition was only 306 MW leaving a deficit of 414 MW. The State was not in a position to meet the demand as the power generated as well as power purchase fell short to the extent of 106.73 MUs to 1,433.24 MUs during 2006-07 to 2009-10.

- **Project Management**

MB-II (304 MW) LHP which got commissioned during review period, was scheduled to be completed by October 2005 involving a cost of ₹ 1,249.18 crore but the project was completed in February 2008 at a cost of ₹ 2,323.33 crore. Thus, time overrun of around two year and four months led to cost overrun of ₹1,074.15 crore.

Due to deficient preparation of DPR of Asiganga-II SHP, there was time over run of over four years.

- **Contract Management**

The Company failed to recover liquidated damages of ₹ 18.40 crore being the penalty for the delay in execution of civil works of the projects.

Interest free mobilisation advances of ₹ 31.83 crore were given to contractors in violation of principal agreements involved in construction of MB-II project which resulted in loss of interest of ₹ 5.92 crore to the company.

- **Manpower Management**

The Company was able to contain its surplus manpower from 976 in 2005-06 to 141 in 2009-10.

- **Plant Load Factor**

Plant Load Factor of the Company remained higher than national average during review period excepting 2009-10.

- **Outages**

The total number of hours lost due to planned outages increased from 46,226 hours in 2005-06 to 57890 hours in 2009-10 i.e. from 14.66 *per cent* to 16.52 *per cent* of the total available hours in respective years due to increase in days involved in maintenance schedule. The forced outages remained less than the norm of 10 *per cent* fixed by CEA in all the five years and were indicative of proper preventive maintenance.

Company incurred avoidable expenditure of ₹ 10 crore on removal of accumulated silt and also suffered a generation loss of ₹ 43.04 crore due to negligence and incautious approach in operation of Joshiyara Barrage for Maneri Bhali-II hydro electric project during August 2008.

- **Renovation & Modernization**

Inordinate delay in taking up R & M work in respect of Pathri hydro power plant resulted in cost overrun of ₹ 11.58 crore.

- **Operation & Maintenance**

The O & M expenses amounting to ₹ 74.79 crore were disallowed by the UERC, which was incurred over and above the norms of UERC during the period 2006-07 to 2009-10.

- **Tariff Fixation**

The UERC sets performance targets for each year of the Control Period for the parameters that are deemed to be "controllable" any financial loss on account of underperformance on targets for parameters is not recoverable through tariff. Company suffered a loss of ₹ 545 crore during 2006-07 to 2009-10 due to underperformance against the parameters fixed by the UERC.

- **Environmental Issues**

Company did not take any initiative for registration of its ten power stations having installed capacity of 313.70 MW which commenced operation after 1st January 2000 and generated the electricity 2,455.99 MU, under Clean Development Mechanism for sale of Certified Emission Reduction. Consequently company was deprived to obtain the revenue against the saving of 24,24,062.13 tonne CO_2.

- **Conclusion and Recommendation**

The Company failed to meet the growth in peak demand due to delay in planning and implementation of capacity addition programmes. The existing generating units were ageing and there were abnormal delays in taking up/execution of the renovation and modernisation works of these units. The Company has consistently not been able to achieve the performance parameters and targets set by UERC, which led to disallowance of expenses of ₹545 crore which could not be realised through tariff and in turn affected the financial health of the company.

The review contains seven recommendations which include intensification of its capacity addition programmes by exploring all resources of energy, improve plant load factor and capacity utilization, achieve the performance parameters set by the UERC, carry out R/M activities as per schedule and incorporate an interest bearing clause for mobilization advance in construction agreements.

[Paragraph 5.2]

Audit of Transactions

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

- Garhwal Mandal Vikas Nigam Limited suffered a loss of ₹ 1.39 crore due to improper planning and lack of strategy in sale of rosin and Turpentine oil.

[Paragraph 5.3]

- Power Transmission Corporation of Uttarakhand Limited awarded a contract without obtaining clearance from Forest Department, resulting in blocking of funds of ₹ 8.25 crore and loss of interest of ₹ 2.01 crore thereon.

[Paragraph 5.5]

- Uttarakhand Power Corporation Limited extended an interest free Mobilization Advance to a contractor in contravention of the guidelines issued by the Central Vigilance Commission, and suffered consequential loss of interest of ₹ 1.25 crore.

[Paragraph 5.7]

CHAPTER-I

PERFORMANCE REVIEWS

CIVIL DEPARTMENT

CHAPTER-I

PERFORMANCE REVIEWS

DEPARTMENT OF DISASTER MANAGEMENT

1.1 PERFORMANCE AUDIT OF DISASTER MANAGEMENT

Highlights

A scheme, '**Calamity Relief Fund (CRF)**', was conceived on the recommendations of the Ninth Finance Commission (January 1991) to build a safe and disaster resilient India by developing a holistic, proactive, multi-disaster oriented and technology driven strategy through a culture of prevention, mitigation, preparedness and response. The State received ₹ 499.43 crore (Central share: ₹ 376.34 crore and State share: ₹ 123.09 crore) in the CRF, against which ₹ 472.21 crore was spent during the period 2005-10. The performance audit of Disaster Management revealed State Government's lackadaisical approach towards implementation of important aspects of disaster prevention, mitigation and preparedness. The State Government had yet to frame the guidelines, policies and rules as envisaged in the Disaster Management Act, 2005. Further, the State Disaster Management Authority was virtually non-functional since its inception in October 2007. Important points are indicated below:

- ***The State Disaster Management Authority formed in October 2007 was virtually non-functional as it met only once (January 2008). The State Government also failed to ensure incorporation of disaster prevention into the development process as envisaged in the act.***

[Paragraph 1.1.6.2 & 1.1.8.1]

- ***In absence of critical infrastructure such as trauma centre, the affected population could not be given immediate medical attention.***

[Paragraph 1.1.8.5]

- ***Assessment of structural and non-structural safety of school buildings and identification of necessary mitigative action was not included in the school safety programme, leaving 39 per cent of school buildings unattended.***

[Paragraph 1.1.8.6]

- ***Reliable communication system was inadequate as the delay in sharing of disaster information ranged from one to more than 24 hours.***

[Paragraph 1.1.9.3]

- ***Despite incurring an expenditure of ₹ 22.55 crore, the construction works were incomplete for want of release of second installment. Restoration works undertaken under the CRF scheme were delayed by 12 to 24 months since the occurrence of disaster.***

[Paragraph 1.1.10.3 & 1.1.10.4]

- ***₹41.77 crore was sanctioned from CRF for inadmissible construction works in violation of norms of the scheme.***

[Paragraph 1.1.10.5]

- ***In absence of Rehabilitation & Resettlement policy, 80 identified villages of selected districts could not be rehabilitated.***

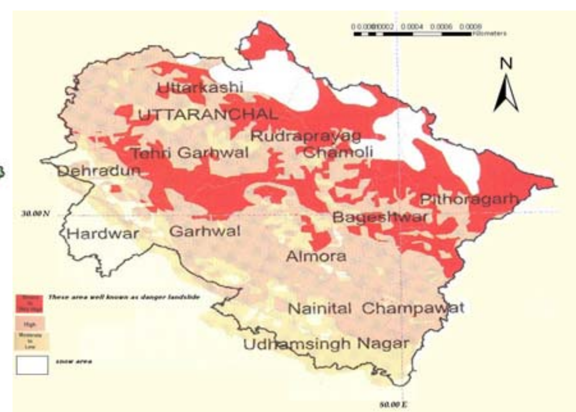
[Paragraph 1.1.10.8]

1.1.1 Introduction

The State of Uttarakhand, due to its complex terrain and ongoing tectonic activities, is highly prone to hazards like earthquakes, landslides, cloud bursts, and flash floods. The State also experiences a large number of forest fires and road accidents every year. Of the 13 districts of the State, four districts fall completely and five partially in Zone V of Earthquake Risk Map of India. The remaining parts of the State fall in Zone IV. Earthquakes are the most devastating disaster in the mountains and are unpredictable. However, no major earthquakes (> 6 magnitude) after Chamoli (1999) have been experienced in Uttarakhand. In the last five years (2005 onwards), Uttarakhand has also experienced a series of landslides/cloud bursts in Uttarkashi (2005), Ramolsari (2005), Devpuri (2007), Baram (2007) and Law-Jhekla (2009).

Chart-1.1.1 : Earthquake Risk Map of Uttarakhand

Chart-1.1.2 : Landslide hazard zonation of Uttarakhand



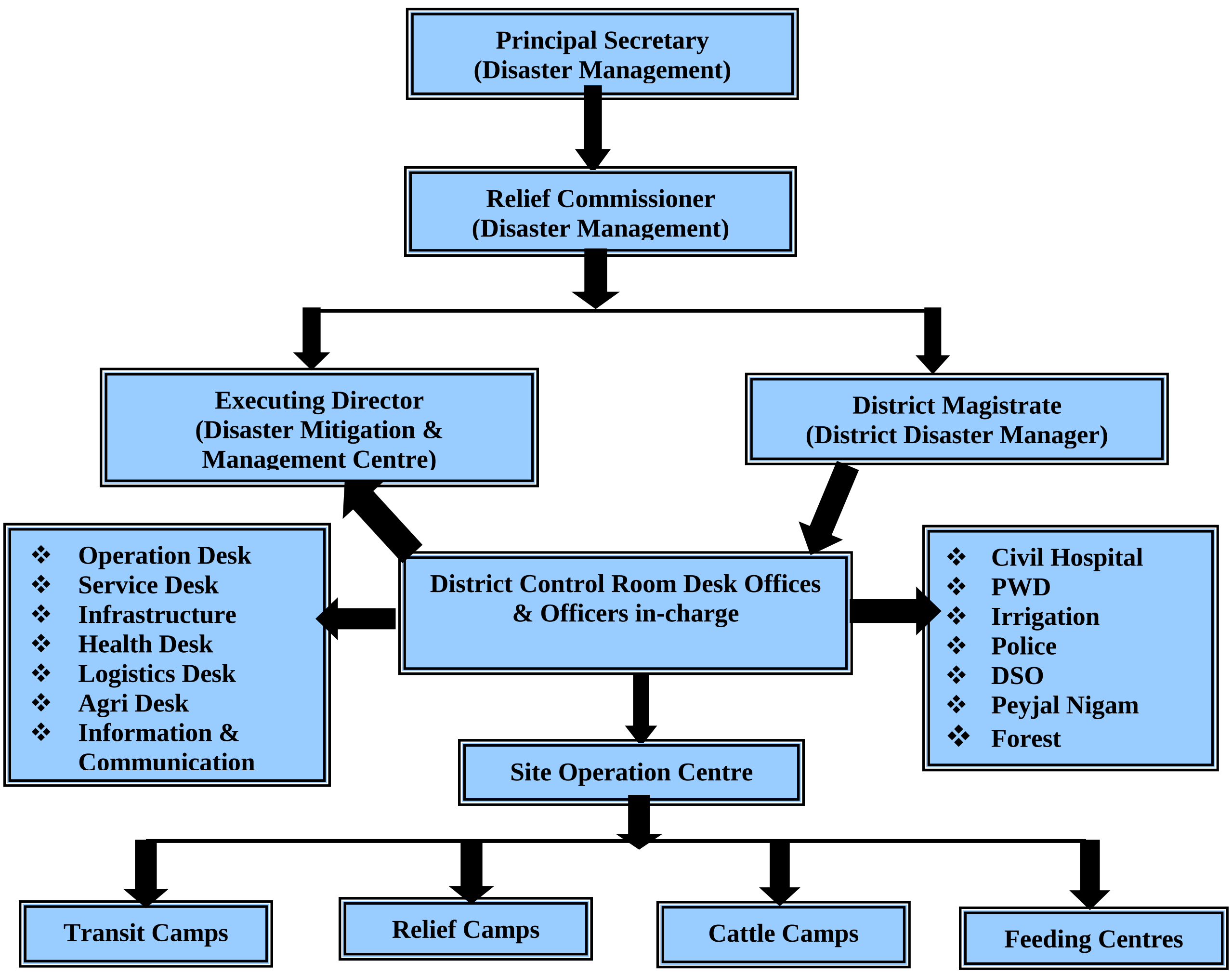
Source: Geological Survey of India

1.1.2 Organisational Set-up

Department of Disaster Management of the Government of Uttarakhand (GOU) is the nodal department in the State responsible for co-ordinating and implementing all disaster management related affairs. This includes pre-disaster hazard and risk assessment, planning, framing of appropriate policies, inter-departmental coordination, training and awareness and mainstreaming of disaster risk reduction related works together with coordination of relief and rescue efforts during the disaster and rehabilitating and restoration in the post-disaster phase.

- ***State level:*** The Department is headed by Principal Secretary, Disaster Management & Rehabilitation and relief and rehabilitation related matters are looked after by the Additional Secretary of the department. The department also has an autonomous institution namely Disaster Mitigation and Management Centre (DMMC) for undertaking disaster related studies and for providing technical support to the Department. DMMC is also responsible for managing the State Emergency Operations Centre (SEOC), throughout the year.
- ***District level:*** District Magistrate through District Emergency Operations Centre (DEOC) under the control of District Disaster Manager.
- ***Local level:*** Tehsil/Block/Village through Site Operations Centre under the control of the Site Manager.

The structure of disaster management system in the State at different levels is as follows:



1.1.3 Audit Objectives

The objectives of the performance audit were to assess the State Government's preparedness in dealing with disasters, measures adopted for obviating the impact of disasters, reaction time taken in responding to emergencies and efficiency and effectiveness of post disaster relief measures. To meet the objectives, the following aspects were examined to see whether:

- the lessons learnt from earlier disasters had been used for formulation of effective policies for disaster management;
- proper institutional mechanism had been set up for disaster management including pre-disaster risk assessment, mitigation, prevention and preparedness;
- proper arrangement of co-ordination committees existed both at the State and district level;
- emergency operation control centres were adequately equipped with telephones, wireless sets and manpower;
- funding for relief activities was adequate;
- in the event of a disaster, the coordination amongst the departments was effective and functional;
- the special assistance through National Calamity Contingency Fund (NCCF), CRF was forthcoming as per needs;
- general public awareness campaigns were adequate;
- post-disaster activities relating to provision of immediate assistance, restoration of infrastructural services, re-construction of houses, etc. were efficient, economic and effective;
- arrangements were in place for ample training modules and imparting training to state level officials, private sector and NGOs; and
- system of monitoring of relief/rehabilitation/reconstruction activities by Government was efficient and effective.

1.1.4 Audit Criteria

The audit findings were benchmarked against the following criteria:

- orders issued by GOI and State Government pertaining to sanction and release of funds for rescue, relief and rehabilitation;
- guidelines issued by the MHA for the implementation of NCCF;
- provisions of the National Disaster Management Act 2005, Disaster Management Act 2005 of the State;
- National Policy of Disaster Management;

- prescribed norms of expenditure; and
- targets and schedules prescribed by Government for rehabilitation activities.

1.1.5 Audit Scope and Methodology

Performance Audit of Disaster Management was carried out during May 2010 to August 2010 and covered the period 2005-06 to 2009-10. Out of 13 districts in the State, five districts[1] were selected for test-check on the basis of seismic zone and Probability Proportional to Size With Replacement (PPSWR) method. Information and data was collected from the Departments[2] of selected districts. Apart from these, information and data was also collected from five line departments/ executing agencies[3] of selected districts through questionnaire/audit memos.

Before commencing the performance audit, the audit objectives, criteria and scope were discussed (May 2010) with the Principal Secretary, Department of Disaster Management, GOU in an Entry Conference. Audit conclusions were drawn after scrutiny of relevant data and records of the related departments and executing agencies. Audit methodology also included physical verification of losses/damages and interaction with the affected population. The audit findings were discussed (27 December 2010) with the Secretary, Department of Disaster Management, GOU in an Exit Conference. The audit observations made in this report by audit were accepted by the department and it was stated that due care would be given by the department to audit recommendations in future.

Audit findings

Audit findings are mentioned in the succeeding paragraphs:

1.1.6 Policy Statement

1.1.6.1 Policy and planning

The Government of India (GOI) brought about a paradigm shift in its approach to disaster management based on the conviction that development can not be sustainable unless all aspect of disaster prevention, mitigation and preparedness are built into the development process. A strategic roadmap, National Disaster Management Framework (NDMF), drawn up by the GOI, was shared with all the State Governments with the advice to develop their own State specific roadmaps, taking the national roadmap as a broad guideline. This roadmap provided basis for preventing disaster and remaining prepared for disaster situations. The Disaster Management Act, 2005 (DM Act) envisaged that a State Authority shall have the

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[1] Chamoli, Dehradun, Pauri, Pithoragarh and Uttarkashi.

[2] Disaster Management, Secretariat, DMMC, District Magistrate, Public Works Department & Chief Medical Officer.

[3] Zilla Panchayat, Rural Engineering Service, Public Works Department, Block Development Offices and Jal Sansthan.

responsibility for laying down policies and plans for disaster management in the State.

Audit scrutiny revealed that GOU formed State Disaster Management Authority (SDMA) in October 2007. However, despite a lapse of nearly three years, the State authority could not formulate rules, regulations, policies and guidelines (August 2010).

1.1.6.2 Setting up of State Disaster Management Authority

As envisaged in the DM Act, the SDMA, headed by Chief Minister and eight other members, was constituted (October 2007) and were to meet as and when necessary. Audit noticed that the Authority met only once (January 2008) despite the fact that 474 lives were lost in 1,902 incidents over the period 2005-10. Further, 9,162 villages covering a population of 29.24 lakh were affected during the Monsoon season of 2010 and 214 lives were also lost during this season. In the absence of minutes of the meeting held in January 2008, audit could not verify the number of resolutions/directions issued by SDMA and their follow-up action by the respective departments. Audit noticed absence of any comprehensive guidelines prescribing the duties and responsibilities of various Government functionaries on the occurrence of a natural calamity and the methods to be adopted for assessing damages, losses and providing timely compensation to victims. Consequently, vital decisions relating to the disaster affected people were made on an ad-hoc basis and no long term strategies on disaster preparedness existed in the State. Thus, the SDMA was virtually non-functional since its inception.

1.1.6.3 Setting up of State Advisory Committee

Under Section 17 of DM Act, the SDMA was to constitute an advisory committee consisting of experts to make recommendations on various aspects of disaster management. Though the advisory committee was constituted (February 2008), it met only once (March 2008) so far. In the meeting, a number of recommendations were made regarding identification and retrofitting of life-line buildings i.e. schools, hospitals etc. conducting mock drills, framing of rehabilitation policy and monitoring of works of repairs of Government buildings and roads. However, these were not followed up by the various executing departments as discussed in the succeeding ***paragraphs 1.1.7 to 1.1.10*** of this report.

1.1.7 Financial Management

1.1.7.1 Funding pattern

The institutional arrangements for response and relief to natural disasters are well established. For the purpose of financing post calamity relief assistance, a CRF fund comprising Central and State share in the ratio of 75:25 was set up (January 1991) as per the recommendation of the Ninth Finance Commission. A National Calamity Contingency Fund (NCCF) was also created at the national level by the

GOI with the objective of supplementing the State's efforts in providing relief assistance during severe calamities.

1.1.7.2 Receipt of funds vis-à-vis expenditure

The funds received under CRF/NCCF during the period 2005-10, year-wise expenditure and closing balances were as under:

Table – 1.1.1

(₹ in crore)

Year	Previous year balance	Central share		State share	Total	Grand Total	Expenditure	Closing balance
		CRF	NCCF		(3+4+5)	(2+6)		(7-8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2005-06	**3.87**	71.02	-	23.67	94.69	98.56	57.16	41.40
2006-07	41.40	72.44	7.05	24.15	103.64	145.04	98.84	46.20
2007-08	46.20	73.94	-	24.64	98.58	144.78	94.94	49.84
2008-09	49.84	75.50	-	25.17	100.67	150.51	76.34	74.17
2009-10	74.17	76.39	-	25.46	101.85	176.02	144.93	**31.09**
G. Total :		**369.29**	**7.05**	**123.09**	**499.43**		**472.21**	

Source : Information obtained from the Department.

1.1.7.3 Non-investment of balances under CRF

The GOI guidelines prescribe that the CRF balances should be classified under the head '8235-General and other Reserve Funds - 111- Calamity Relief Fund' in the accounts of the concerned State Government and should be invested in Central Government dated Securities, Auctioned Treasury Bills, Interest earning deposits and Interest earning deposits in Co-operative Banks to secure interest for the State Government.

However, if the State was not in a position to invest the fund in the manner prescribed above, it could be permitted by the Ministry of Finance (GOI) to constitute CRF under the head '8121 – General and other Reserve Funds-Calamity Relief Fund' in the interest bearing section of the public account. The State Government should pay interest to the CRF at the rate applicable on over drafts under the scheme of the RBI. The interest was to be credited on a half yearly basis.

Scrutiny of records revealed that the State Government neither made any investment from the CRF nor kept it in 8121 – Interest Bearing Reserves in violation of GOI guidelines. There were large closing balances ranging between ₹ 41.40 crore and ₹ 74.17 crore during the period 2005-2010 relating to CRF lying in the Current Account which could have been invested. Audit analysed that due to non investment in government securities there was a potential loss of interest of ₹ 18.32 crore (***Appendix-1.1)***.

On being pointed out, the department confirmed (August 2010) that unutilized balances at the end of each financial year were not invested by them.

1.1.7.4 Non-opening of Personnel Ledger Account (PLA)

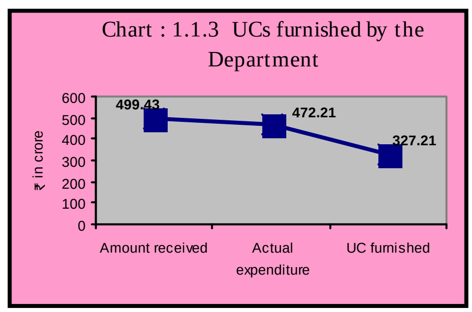
GOI guidelines clearly provide for opening of PLA in the State and districts, to facilitate the smooth utilisation of funds. Scrutiny of records of the Department of Disaster Management, GOU and five selected districts revealed that neither the department nor the district level offices except Chamoli district had opened the respective PLAs. Instead, bank accounts had been opened at both the levels in violation of the GOI guidelines to avoid the payments being routed through Treasuries. By not routing these payments through the Treasuries, there was a risk of leakage and misuse of funds. However, department replied that out of ₹ 14.79 crore lying in current account, an amount of ₹ 11.79 crore had been deposited (March 2010) in the State Disaster Response Fund and the balance amount was lying in the current account as of August 2010. The reply of the department did not hold good as the State Disaster Response Fund is meant for the State's own fund for disaster management.

1.1.7.5 Non-submission of Utilization Certificates (UCs)

Scrutiny of the records of the Department revealed the following:

CRF guidelines envisage for the remittance of Central Government's share to the State Government in two installments (on 1st June and 1st December) in each financial year. There were delays in submission of Utilisation certificates by GOU due to which there was a delay ranging from 54 days to 184 days in the release of funds by GOI during 2005-10 (***Appendix-1.2***).

Out of ₹ 499.43 crore released by GOI, ₹ 472.21 crore (95 *per cent*) (***Paragraph 1.1.7.2***) were spent by the department over the period 2005-10, of which UCs for ₹ 327.21 crore[4] were furnished to the GOI. UCs for funds amounting to ₹ 145.00 crore were not furnished by the department as of March 2010. The actual delay in submission of UCs could not be assessed by audit as the records pertaining to dates on which the UCs were submitted, were not made available. This indicated the poor reporting and monitoring mechanism both at the state and district levels of GOU.



Department reported that ₹ 472.21 crore had been spent during the year 2005-10. This was not consistent with the fact that there were cases of continuous surrender of CRF amount (***refer paragraph 1.1.10.1***) which led to the mismatch of actual expenditure incurred and UCs furnished. Even the UCs submitted for ₹ 327.21 crore claimed by the State were based on funds allotted to district administration

[4] Year 2005-06: ₹ 57.16 crore, 2006-07: ₹ 105.80 crore, 2007-08: ₹ 84.48 crore and 2008-09: ₹ 79.77 crore.

and not on the actual spending by the various agencies. In the absence of any control record, audit could not track the actual utilisation of fund.

1.1.8 Disaster Prevention

As mentioned in paragraph 1.1.6.1 above, although the State Government had not framed its own State specific policy for disaster management as required by the DM Act, most of the important features of the DM Act were covered in the first meeting (January 2008) of SDMA. The status of implementation in respect of other important features of the Act, however, left much to be desired as discussed below:

1.1.8.1 Mainstreaming of disaster prevention into the development process

The DM Act envisaged that each department of the State Government which had a role in prevention/mitigation should (i) take necessary measures for prevention of disaster, mitigation, preparedness and capacity-building in accordance with the guidelines laid down by the SDMA, (ii) integrate into its development plans and projects the measures for prevention of disaster and mitigation and (iii) allocate funds for prevention of disaster, mitigation, capacity-building and preparedness.

Scrutiny revealed that none of the departments had taken any specific measures for prevention, mitigation and preparedness in their development plans and projects. Further, no funds were allocated for the same by any of the State departments and instead, they remained dependent on CRF which was confirmed by all the line departments audited including department of disaster management. Thus, the State Government could not ensure incorporation of disaster prevention measures into the development process.

1.1.8.2 Techno-legal regime

In view of construction boom and rapid urbanisation, the National Policy of Disaster Management (NPDM) envisaged the need to review municipal regulations such as development control regulations, building bye-laws and structural safety features. These regulations were to be reviewed periodically to identify safety gaps in view of earthquake, flood, landslide and other disasters and required to be modified suitably in line with the revised building codes of the Bureau of Indian Standards (BIS). Undesirable practices compromising safety during disaster were also to be addressed in the regulations. Similarly, the need for the introduction of suitable regulations for rural areas was also to be emphasised. The Housing Agencies were responsible for enforcing compliance with BIS codes and for reviewing planning and building regulations in respect of Government and private buildings.

Audit scrutiny revealed that no regulations were formulated. Instead, only instructions/ orders were issued by the Housing Department to various agencies[5]. However, their enforcement and compliance were not found on record and also no building codes of the BIS were subsisting in the selected district authorities.

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[5] Development Authorities, Special Area Development Authority, Nagar Nigam, Nagar Palika Parishad and Nagar Panchayats.

1.1.8.3 Retrofitting of life-line buildings

GOI had advised the States to take necessary action for detailed evaluation and retrofitting of existing lifeline buildings like hospitals, administrative buildings, schools, cinema halls or multi-storied apartments in which people congregate, to ensure their compliance with BIS norms.

The State Government had established **Hazard Safety Cell** (May 2005) to ensure compliance of building byelaws and safe construction practices and provide technical support to the State Government in carrying out retrofitting of lifeline buildings and systems. The cell has so far identified only around 20,000 such buildings in five Cities/Towns[6] which need retrofitting. Audit noticed that the members of the cell did not meet frequently to identify and suggest remedial measures. On being pointed out, the department stated that in the absence of any statutory powers, the members of the safety cell were not taking interest in their work and thus, no remedial measures were taken yet. The reply of the department was not justifiable as the members of the cell were to achieve competence in hazard resistant design of buildings and structures of building codes, review the architectural and structural designs and to carry out review of government buildings. Therefore, the government should have ensured to see that the members of the cell meet regularly to make necessary recommendations for retrofitting of life line buildings.

In the event of a major earthquake striking the State, the possibility of collapse of hospitals, important Government buildings, schools and colleges etc. could not be ruled out, causing substantial loss of lives and property. Audit further observed that 12 to 88 *per cent* of houses in the selected districts were constructed of stone walls. Barring Dehradun, other four districts have, on an average, 80 *per cent* stone walled structures categorized as Very High Damage Risk in the event of an Earthquake. The details of buildings of selected districts are as under:

Table – 1.1.2

Name of District	Category A[7]		Category B[8]	Category C[9]		Category X[10]	Total buildings	% of stone wall buildings on total buildings
	Mud	Stone wall	Burnt brick wall	Concrete wall	Wood wall	Other materials		
Chamoli	2,954	1,46,649	11,622	1,761	772	2,320	1,66,078	88
Pauri	3,665	2,26,332	49,959	1,777	2,165	3,789	2,87,687	79
Dehradun	41,033	40,847	2,34,502	3,821	6,419	9,390	3,36,012	12
Pithoragarh	778	1,24,809	20,447	1,807	1,162	1,596	1,50,599	83
Uttarkashi	757	70,467	17,463	1,276	8,434	2,642	1,01,039	70

Source : Information obtained from Building Material and Technology Promotion Council.

6 Bageshwar – 1,165, Dehradun – 10,918, Joshimath – 1,708, Mussoorie – 3,344 & Nainital – 2,865.

7 Category A : Building in field-stone, rural structures, un-burnt brick houses, clay houses.

8 Category B : Ordinary brick building, buildings of the large block & prefabricated type.

9 Category C : Reinforced building, well built wooden structures.

10 Category X : Other materials not covered in A,B & C.

On being pointed out, department stated that for this purpose, an agreement had been signed between DMMC and Nanyang Technological University, Singapore for training and capacity-building programme on seismic strengthening for master and local builders in India (January 2010). The reply of the department was not satisfactory as the department took two years to initiate the State Advisory Committee's recommendation regarding the retrofitting of these high risk building. Further it was also noticed that GOU in collaboration with MHA and UNDP had prepared a study report in 2007 for safe construction practices in Uttarakhand. The report advocated that the houses in seismic zone could be built through Koti Banal Architect method, a traditional and time tested way of building houses in wooden material, however, this practice was not encouraged by the department.

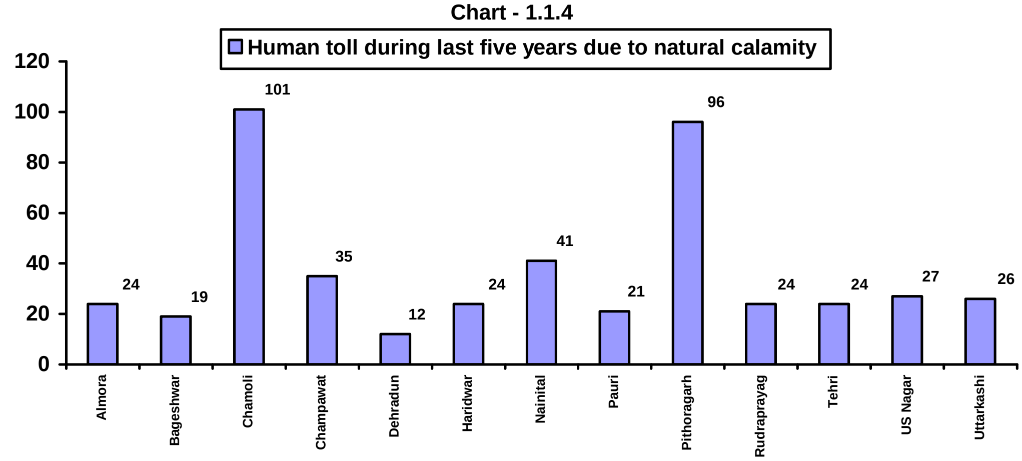
1.1.8.4 Slow progress of vulnerability assessment

With the advent of Satellite Remote Sensing and Geographic Information System (GIS), the information generation related to earth surface has become easier in terms of data base generation, storage, retrieval and data analysis.

Audit scrutiny revealed that basic infrastructure of the State like health, police and fire stations, Food Corporation of India (FCI) Godowns were mapped. For urban risk management and vulnerability assessment of buildings, six cities/towns were identified. Of these, studies relating to Dehradun and Rudraprayag were under preparation and the Study Report in respect of Mussoorie, Nainital, Joshimath and Bageshwar were finalized (May-July 2010).

Audit observed that even though the GIS centre at DMMC, Dehradun was making all efforts to prepare comparable data which would allow assessment of disaster management programme in six cities/towns in the State, nothing was done in the most vulnerable districts (zone IV and V) of Chamoli, Pithoragarh, Champawat, Rudraprayag and Uttarkashi so far. These districts had witnessed highest number of casualties on account of various natural calamities during last five years (***Appendix-1.3***) as shown in the chart 1.1.4:

Chart - 1.1.4



An analysis revealed that majority of casualties (26 *per cent*) was due to landslides during the last five years. About, 20 *per cent* of casualties from hailstorm, storm & epidemics, 19 *per cent* each from excessive rain and cloudburst, eight *per cent* from avalanche and four *per cent* each were from fire and flood.

Thus, the disaster management for preventive action in the vulnerable districts needs to be strengthened by the Government.

1.1.8.5 Medical and Mass Casualty

Medical preparedness is a critical component of any Disaster Management Plan (DMP). DMP for hospitals includes developing and training of medical teams and paramedics, capacity building, trauma and psycho-social care, mass casualty management and triage. These plans also address post-disaster disease surveillance systems, networking with hospitals, referral institutions and accessing services and facilities such as availability of ambulances and blood banks. The position of availability of these critical infrastructural facilities in the selected districts as on 31st March 2010 is shown in the table below:

Table – 1.1.3

Name of district	No. of hospitals				Total Bed Capacity	Extent of Expansion	No. of TC	No. of Vehicles	No. of Ambulance	Emergency GS
	DH	CHC	PHC	Total						
Chamoli	1	5	4	10	246	-	--	17	11	6
Dehradun	4	6	2	12	757	60	3	6	13	5
Pauri	1	5	10	16	322	110	1	10	13	15
Pithoragarh	3	4	4	11	322	-	--	15	12	10
Uttarkashi	1	3	3	7	180	90	-	7	8	-

Source: Information obtained from CMOs. (DH = District Hospital, CHC = Community Health Centre, PHC = Primary Health Centre, TC = Trauma Centre & GS = Generator Set)

Thus, it would be evident that there were no trauma centres in almost all the test checked districts barring district Dehradun and Pauri. However, trauma centres at Chamoli and Uttarkashi districts were under construction. The possibilities of expansion of bed capacity were limited, with district Pithoragarh and Chamoli being among the most vulnerable districts, which did not have any plan for expansion. It remains to be seen in the event of threatening disaster or a disaster how the health department would be able to fulfill its mandate. On being pointed out, the office of the CMOs stated that the availability of infrastructural facilities were not being taken care of by the State plan funds meant for disaster management. Scrutiny in this regard revealed that no fund was earmarked by the concerned department for disaster management.

In absence of critical infrastructure such as trauma centre, the affected population could not be given immediate medical attention, depriving them of the basic medical facility.

1.1.8.6 School Safety Initiative

School safety programme was introduced in GOU under Government of India-United Nations Development Programme (GOI-UNDP) supported Disaster Risk Management Programme (DRMP). It recognizes students as a vulnerable group and seeks to ensure their participation in dealing with disasters. It seeks to bring forth awareness amongst the students regarding various aspects of disaster safety and increase their capabilities in various life saving skills, disaster risks assessment, resources identification, preparation of DMP for their schools and so on. During 2007-08 to 2009-10, 25 training programmes were conducted by the department for 1,122 teachers and students covering a minimal percentage, which was 0.24 *per cent* of total population of students and teachers of selected districts.

Sarva Shiksha Abhiyan – in educating people's role regarding disaster management, Central Board of School Education has introduced Disaster Management in the school curriculum of social sciences from class VIII-X. State Government also included the same at class VI. VII. IX & X.

In the aftermath of any major disaster, school buildings are often utilized for shelter and coordinating relief works. It is, therefore, important to ensure that these are strong enough to survive the disaster impact. Scrutiny revealed that assessment of structural (Reinforcement of cement concrete) and non-structural (Stone Built) safety of school buildings and identification of necessary mitigative action was not included in the school safety programme. Audit noticed that out of 6,088 school buildings in the five selected districts, 2,371 buildings (39 *per cent*) were stone built. Thus, lives of 4,34,652 students and 34,602 teachers could be vulnerable in the event of a threatening disaster or a disaster.

In a recent instance of cloudburst in Sumgad Motor Marg, district Bageshwar, the ceiling of a School collapsed. The incident took lives of 18 school children and left two children seriously injured. Had adequate measures regarding the retrofitting of school buildings been taken by the department the impact of the mishap could have been avoided or minimised. The district administration took 12 hours to transmit the information of the happening to the State Headquarters.

Assessment of structural and non-structural safety of school buildings and identification of necessary mitigative action was not included in the school safety programme, leaving 39 *per cent* of school buildings unattended.

When enquired about retrofitting of old structural buildings, the department replied that only four schools[11] were selected for retrofitting in the State as on August 2010, which indicated that the retrofitting process was very slow in the State and needs to be expedited.

Pre-disaster Activities

1.1.9 Preparedness

Preparedness focuses on plans to respond to a disaster threat or occurrence. It includes in its objectives to improve capacity of those likely to be affected, system and reconstruction to ensure reduction in vulnerability. Efficacy of plans is tested

[11] Two schools each in Dehradun and Tehri.

and refined through training, seminars and mock drills. The position in this regard is enumerated below:

- 1,663 State Armed Police personnel, Revenue Police and Home Guards were trained for search and rescue operations during the period 2003-09.
- Search and rescue equipment such as concrete cutter, steel cutter, spreader and hydraulic were provided in eight districts only.
- Out of 14 Satellite phones 10 phones were provided in districts for immediate communication barring Haridwar, Udhamsingh Nagar and Dehradun districts.
- Out of 13 districts, mock-drill exercises were conducted in only four districts (Uttarkashi, Chamoli, and Bageshwar & Pithoragarh).

1.1.9.1 Community based disaster preparedness

DM Act states that the State Government shall lay down guidelines for prevention of disaster at the district and local level, as during any disaster, communities are not only the first to be affected but also the first responders. Community participation ensures local ownership, addresses local needs, and promotes volunteerism and mutual help to prevent and minimise damage. Therefore, the district administration should encourage and support initiatives from community based organisations (CBOs), local NGOs and private sector for promoting community based mitigation strategies through community needs assessment exercises. Accordingly, Village Disaster Management Committees (VDMCs) were formed by the department.

Community sensitization meeting paves the way for community decision making process. Munsiyari Block of district Pithoragarh has witnessed severe landslides in the year 2009. As a result many villages were swept away. Community sensitization meetings with help of the representatives from local self-government, trained volunteers, local NGOs were to be organised for identifying the need for disaster preparedness and mitigation initiatives. During interaction with local people by audit it was found that no such meetings were organised by the concerned authorities.

Scrutiny revealed that out of 16,826 villages in the State, VDMCs were established in 6,546 villages only (39 *per cent*) as of August 2010. No records were available in the department for preparing the plans by the VDMCs that would have catered to the training needs and other mitigative measures.

1.1.9.2 Shortage of man-power in Emergency centres

In pursuance to DM Act, the establishment of Emergency Operations Centres (EOCs) at the State Level and District level and equipping them with contemporary technologies and communication facilities and their periodic upgradation were to be accorded priority. SEOC/DEOCs are the nerve centres to support, co-ordinate and monitor the disaster management activities. In a disaster situation, the district magistrate is the central authority exercising emergency powers to issue directives to all departments to provide **Emergency Response Service**.

Scrutiny revealed that though SEOC was established (July 2006), it was running without adequate manpower. The Government had created eight posts for operation of SEOC in July 2006, but the same were yet to be filled (August 2010). Presently the SEOC was being run by contractual and staff on deputation. In the absence of permanent staff, the inventories like call register and log registers were not being maintained by the SEOC. Similarly, DEOCs were established in every district barring Nainital. These emergency centres had not been provided with adequate man-power for their smooth operation.

Audit scrutiny showed that State Government had created 117 posts for DEOCs as late as November 2009 but the same were yet to be filled. The department also accepted the fact that absence of adequate and skilled man power resulted in inadequate preparedness of centres in combating a threatening disaster or a disaster. This failure of the Government in empowering these important centres has also affected proper upgradation of District Disaster Management Action Plan (DDMAP), maintenance of data bank and inventory of resources.

Thus, an expeditious action to overcome the situation would require to be taken by the Government.

1.1.9.3 Warning and Communication

A warning system is essential to indicate the onset of a disaster. Warning confirms the event while prediction indicates the probability. In most disaster situations, experience had shown that loss of life and property could significantly be reduced with adequate preparedness measures and appropriate warning system. A system of pre-disaster risk assessment, forecasting and warning dissemination helps in improving preparedness for disaster management.

Scrutiny revealed that communication equipment such as satellite phones, police wireless, SMS network and video conferencing were established in the DEOCs. However, the warning and communication systems were not sufficient in almost all the selected test checked districts as illustrated below:

- Under the Indian Telegraph Act, 1885, the satellite phone users are required to seek license from GOI for fulfilling certain conditions regarding security. Audit noticed that license of 14 satellite phones (13 for each districts and one for DMMC) were not renewed till date (August 2010) despite the fact that the validity of these phones had expired of late in December 2005.
- Reliable communication system was inadequate as the sharing of disaster information was delayed by one to more than 24 hours. Out of this, 69 to 87 *per cent* cases were delayed by above three hours. The details are as under:

Table – 1.1.4

Year	No. of cases	Time taken for sharing disaster information through Action Taken Report					
		0-1 hour	1-3 hours	3-6 hours	6-12 hours	12-24 hours	Above 24 hours
2008	121	4 (3%)	12 (10%)	24 (20%)	20 (17%)	33 (27%)	28 (23%)
2009	138	7 (5%)	32 (23%)	34 (25%)	29 (21%)	26 (19%)	10 (7%)
2010	73 *	6 (8%)	17 (23%)	28 (38%)	10 (14%)	12 (17%)	0

Source: Information extracted from the records of SEOCs. ** upto July 2010*

On being pointed out, the department accepted the delay factor and stated that daily reports and returns got stalled due to the demography of the State, but no appropriate reply was given in respect of non-renewal of satellite phone licenses. Non-renewal of licenses could have led to stopping of the facility by the GOI and consequently, the vulnerable population would have been at risk in the event of a threatening disaster or disaster.

1.1.9.4 Capacity Building - Training

DM Act envisages to promote general education, awareness and community training in regard to the forms of disaster to which different parts of the State are vulnerable and the measures to be taken by such community to prevent, mitigate and respond to such disaster. DM Act also advocates facilitating community training and awareness programmes for prevention and mitigation of disaster with the support of local authorities, Government and NGOs.

As no policies, rules, norms and guidelines were laid down by the GOU, the department could not formulate the training modules, calendar and targets. However, Audit found that the department trained 4,013 Government officials and 3,157 non-government officials at state level and 2,456 Government officials and 3,532 non-government officials at district level during the period 2005-10. Audit did not see any involvement of NGOs in the training process of disaster mitigation. Some of the vital training programmes conducted by the department and their deficiencies are discussed below:

1.1.9.5 Preparing of Master Trainers

- **Engineering sector for construction of seismically safe buildings**

"Earthquakes don't kill people, unsafe houses do"[12]

The first step to improve the construction, quality and safety level of buildings is to prepare manpower trained in earthquake resistant construction technology. Engineers of the State executing agencies need training, so that the construction undertaken by these Government agencies is seismically safe. In addition, Civil and Structural Engineers in the private sector also need to be trained so that the housing stock coming up in the private sector is compliant to the BIS. GOI launched two national programmes namely; National Programme for Capacity building of Engineers in Earthquake Risk Management (NPCBEERM) and National Programme for Capacity Building of Architects (NPCBAERM) in 2004-05.

Scrutiny of records revealed that the State Government did not train architects under NPCBAERM as of August 2010. Against a target of 360 practicing engineers (60 *per cent*: Government Engineers and 40 *per cent*: Private Engineers) under NPCBEERM, only 213 Government Engineers[13] were imparted two week's training. On being pointed out, the department replied that due to the

[12] Quote: IIT Roorkee.
[13] Year 2007: 107 and 2008: 106.

non- availability of any database of private engineers, the target could not be achieved.

- **Doctors and para-medical staff as response to prevention and control of epidemics**

As per the Act, as part of Disaster Mitigation and Medical Preparedness, National Disaster and Management Authority (NDMA) was to organise various training programmes in paramedics, capacity building and trauma etc., from time to time. Audit found that no such training programmes were organised by the State Government. However, only two days training programmes[14] on Basic Life Support (BLS), Advanced Trauma Life Support (ATLS), Emergency Medical Response and, more importantly, Mass Casualty Management at Disaster Site under the medical preparedness programme were organised by NDMA, through which a total of 50 doctors from Uttarakhand were trained.

It was also noticed that no master trainers were trained to impart training to the staff at the district/block/village level engaged in the prevention and mitigation of disaster management. In the absence of such master trainers, audit could not ascertain the exact number of paramedical staff trained. However, as intimated by Disaster Management Department, only one Auxiliary Nursing Mid-wife (ANM) was imparted search & rescue training at State level in the last five years. Audit team visited the health centres of two selected districts (Pithoragarh & Uttarkashi), where 48 ANMs and Accredited Social Health Activists (ASHA) intimated that no disaster related training had been given to them.

1.1.9.6 Search and Rescue

A hazard becomes a disaster only when it affects human settlements and causes loss of life and damage to property. The extent of vulnerability of the area, people and property to a hazard or the probability of its occurrence defines the extent of risk. DM Act stresses the need for vulnerability analysis and risk assessment for evolving appropriate preventive measures and mitigation strategies.

Scrutiny of records showed that:

- The training on search and rescue was given only to the fire-service, police, revenue police and Pradeshik Rakhshak Dal. But the other lead agencies like Medical, Peyjal and Irrigation were not involved in this exercise.
- These training schedules were not adequate to cater to the needs of the people which are under threat from various disasters.
- The involvement of local people was also not taken care of in the training module for the preparation of youth volunteers.
- The role of NGOs was also not identified to ensure their involvement and participation.

[14] Year 2006 (35) and 2009 (15).

1.1.9.7 Public Awareness Campaign and Mock Drills

NPDM advocates that during any disaster, communities are not only the first to be affected but also the first responders. Therefore, efforts should be made to educate the masses through Public Awareness campaigns and mock drills. This would help encourage women and youth to participate in decision making committees and action groups for management of disasters. As such, the communities, who are the first responders to any disaster were to be given adequate training and education in first aid, search and rescue, management of community shelters etc.

These exercises were to be conducted fortnightly as had been recommended by State Advisory Committee, but audit scrutiny revealed that no such exercises were being conducted on regular basis. Out of 13 districts, only four districts[15] (31 *per cent*) were covered once. It was also observed that no training modules had been prepared by the department which should have ensured plan based training. No records/data in respect of gender base training programme conducted was available in the test checked districts. During joint visit of audit and representatives of district administration in the six disaster affected villages and interaction with the villagers, it was observed that no training was organised by the district administration resulting in non- participation of community in disaster management.

1.1.10 Post -disaster Activities

As per the DM Act, post disaster activities mainly include gratuitous relief, supplementary nutrition, assistance to farmers, and assistance for repair/restoration of damaged houses.

1.1.10.1 Improper Assessment of damages/losses

As envisaged in Section 36 of the DM Act, 2005 the State level Committee/district level committee are required to make assessment of losses that may occur due to a threatening disaster or a disaster.

Audit could not assess the reliability, authenticity and accuracy of the damages/losses assessment made by the Government since the basic data relied upon for estimating the losses were neither available in the Department nor in the test checked districts. Audit noticed that:

- In Pauri district, ₹ 12.72 lakh was sanctioned to Block Development Office (BDO), Thalisain in 2006-07 for repair of four school buildings. These works were not started and the entire amount was surrendered to district administration in July 2010 on the plea that two works amounting to ₹ 6.36 lakh were met from regular departmental budget (Sarva Shiksha) and remaining two were not started due to non-availability of tenderers.

[15] Bageshwar, Chamoli, Pithoragarh & Uttarkashi.

- Ten works valued at ₹ 29.99 lakh were sanctioned to three executing agencies[16] in 2005-06 and 2007-08 for meeting the restoration work that included repair of schools, roads, drinking water supply schemes etc. The works were not started and the entire amount was surrendered to district administration after a lapse of two to four years. The executing agencies were reluctant to start these works because these agencies held that the funds provided were inadequate. Therefore, agencies remitted the funds to the district administration, but the district administration refused to get these funds back on the plea that this amount was deemed to have been spent and the required UC had been submitted to the department.
- In district Bageshwar an amount of ₹ 10.56 lakh was sanctioned for repair and restoration work of three Drinking Water Supply schemes in the year 2006-07. The work was not started and the amount was surrendered to the department by district administration in March 2008 on the plea that these works were met from regular departmental budget.

This was indicative that the assessment of losses/damages and requirement of funds/release of funds were made without due care and the projections were arbitrary. Further, no follow up mechanism existed to watch the progress of the works subsequent to release of funds. This also led to funds remaining unutilized for long periods which could have been utilized in some other disaster related works.

1.1.10.2 Delay in assistance

DM Act envisaged that assistance to the victims' families should be provided within the maximum period of 15 days after calamities. During the year 2005-10, an amount of ₹ 11.36 crore was granted to 19,742 victims. Out of these cases, audit checked records of 250 cases (50 claimants in each district) on random basis which revealed the following:

- In 47 cases (19 *per cent)*, the gratuitous relief was provided to the victims after a delay of 10 to 561 days vide details as under:

Table – 1.1.5

Name of district	No. of victims	Amount sanctioned (₹ in crore)	Amount spent (₹ in crore)	Delay in assistance	
				No. of cases	Delay after considering 15 days norms
Chamoli	2,748	2.84	1.76	-	-
Dehradun	3,378	1.79	0.91	6	10 to 561
Pauri	4,505	1.72	1.22	3	25 to 160
Pithoragarh	2,575	2.73	2.28	-	-
Uttarkashi	6,536	2.28	1.56	38	24 to 406
Total	**19,742**	**11.36**	**7.73**	**47**	

Source: Information extracted from the records of the respective offices.

On being pointed out in audit, the district administration replied that due to long procedural formalities which included settlement of objections, timely

[16] Public Works Department, Block Development Offices and Nagar Parishad, Pauri.

compensation could not be made to the claimants. The reply of the district administration was not justifiable as the district authorities should have made efforts to simplify the compensation related procedures to avoid delay in release of assistance to the victims.

- In Uttarkashi district, eleven cases of 9 December 2009 incident were not given full compensation by the district administration as on August 2010 despite the fact that the district administration surrendered an amount of ₹ 6.06 lakh in March 2010.

1.1.10.3 Irregular release of funds

During the period 2005-10, under CRF, 1,361 works were sanctioned at an estimated cost of ₹ 28.22 crore to different executing agencies[17] in the test checked districts. As per the DM Act, all the affected works under the disaster should have to be executed immediately. Scrutiny of records revealed that against the sanctioned amount of ₹ 28.22 crore, ₹ 22.55 crore were released by the district administration to these agencies as first installment. The second installment amounting to ₹ 5.67 crore was not released due to non-submission of utilisation certificate by the respective executing agencies. As the second installment was not released yet, 641 works remained incomplete. The details are as under:

Table – 1.1.6

(₹in crore)

Name of district	Year	Total no. of works	Sanctioned amount	1st Installment	2nd Installment	Incomplete works
Pithoragarh	2005-06	209	0.93	0.69	0.24	29
	2006-07	175	1.57	1.19	0.38	85
	2007-08	355	4.10	3.13	0.97	178
Pauri	2008-09	16	0.71	0.40	0.31	15
	2009-10	29	0.94	0.66	0.28	26
Uttarkashi	2007-08	171	4.93	4.84	0.09	4
	2008-09	116	4.00	3.81	0.19	25
	2009-10	290	11.04	7.83	3.21	279
Total :		**1,361**	**28.22**	**22.55**	**5.67**	**641**

Source: Information extracted from the records of district administration

The norm is silent regarding release of funds by district administration to executing agencies on installment basis. However, since the works were of immediate nature, the question of second installment should not arise. This again raises doubt whether the works carried out were actually relief works as admissible in CRF guidelines. Thus, despite incurring expenditure of ₹ 22.55 crore, 47 *per cent* works were incomplete and had deprived the affected population of the basic infrastructure.

1.1.10.4 Delayed sanction and execution of works

The DM Act envisaged that all the affected works under the disaster should be executed immediately and should be completed within 60 days in hilly areas and 45 days in plain areas. Works relating to repair/restoration of immediate nature of damaged infrastructure in eligible sectors include (i) Roads and Bridges,

[17] BDO, RES, District Panchayat, PWD, Jal Sansthan & Peyjal Nigam.

(ii) Drinking Water Supply works, (iii) Irrigation, (iv) restoration of low transmission lines, (v) Primary Education, (vi) Primary Health Centres and (vii) Community Assets owned by Panchayats.

a) Scrutiny of records of selected districts as well as executing agencies[18] revealed that the funds were sanctioned to these agencies after a substantial delay vide details as under:

Table – 1.1.7

Name of District	Date of damage[19]	Total sanctioned works	Date of demand	Date of sanction	Date of release of fund to executing agencies	Delay (month)
Chamoli	May-Sept.	1,325	July-Oct.	Aug-Mar	Aug-Mar	6
Dehradun	July-Aug	203	May-Jan	Oct- Mar	Oct- Mar	7
Pauri	NA	295	NA	NA	NA	-
Pithoragarh	July-Sept.	1,479	Nov-Dec	Dec-Mar	Feb-Mar	6
Uttarkashi	July-Sept.	1,194	May-Oct	Oct-Mar	Oct-Mar	6

Source: Information provided by district administration

The average delay in sanction and release of funds to the concerned executing agencies was six months. On being pointed out, the district administration replied that due to delayed releases from the Government the sanctions to the executing agencies got delayed. The reply was not justified as delayed issue of sanction in these cases defeated the very purpose and objective of CRF norms and also deprived the affected population of the intended relief.

b) In the test checked districts, a total of 3,180 works amounting to ₹ 79.03 crore were scrutinised relating to five selected executing agencies for the period 2005-10. Audit scrutiny revealed that out of 3,180 works, 717 works (22 *per cent*) amounting to ₹ 20.25 crore were incomplete as of March 2010 and status of 406 works (13 *per cent*) was not made available by the executing agencies. It was also observed that out of 2,057 completed works (65 *per cent*), only 28 works (2 *per cent*) were completed within the prescribed timeframe of two months. 761 works (37 *per cent*) were delayed by one year, 830 works (40 *per cent*) were delayed by 12 to 24 months and 438 works (21 *per cent*) were delayed by more than 24 months. On being pointed out in audit, the agencies replied (May-August 2010) that the works could not be completed due to delayed release/sanction of funds. The details are in ***Appendix-1.4.***

Chart : 1.1.5 Status of works

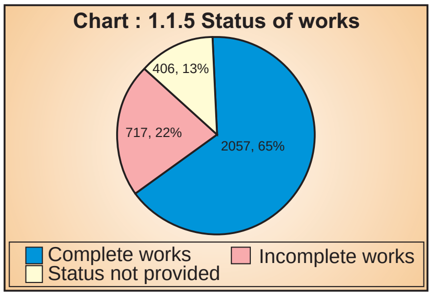
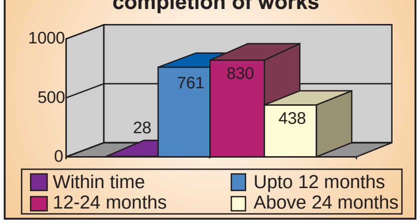


Chart :1.1.6 Monthwise delay in completion of works



[18] Public Works Department, Rural Engineering Services, Zilla Panchayat, Block Development Officer & Jal Sansthan.

[19] The date falls between May to September of the respective year of the report period.

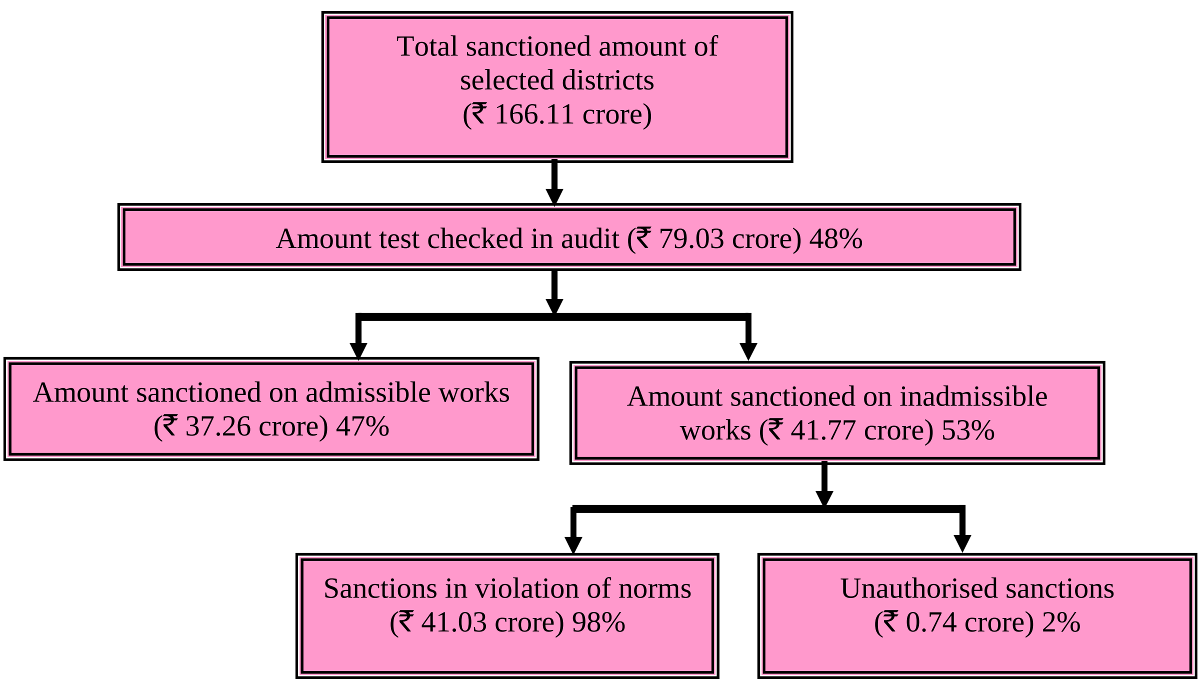
The works of repair and restoration are to be finished within prescribed time to bring immediate relief to affected people. Audit scrutiny in subsequent ***paragraphs 1.1.10.5 to 1.1.10.7*** revealed that 782 development works were carried out from the CRF violating CRF guidelines. Thus, delay and non-completion of works led to doubt that the works carried out were strictly for relief purposes.

1.1.10.5 Implementation of relief measures under CRF

In terms of the GOI guidelines, the funding of relief is not in the nature of a compensation for loss but an emergent assistance to help overcome stress by providing immediate relief to the victims of natural calamities such as cyclone, drought, earthquake, fire, flood, hailstorm, cloud burst, landslides, avalanche and pest attacks.

The assistance for repair/restoration of damaged infrastructure under CRF is permissible only for identified sectors and only for repairs of immediate nature. Such expenditure is to be normally incurred within a short span, mostly during the initial period of a disaster. The departments are required to have adequate annual maintenance budget for regular maintenance of their infrastructure and such regular maintenance expenditure is not to be borne out of CRF. As per Para 9.13 of Twelfth Finance Commission, the repair/ restoration of damaged infrastructure, where detailed analysis/estimation is required, is to be met from plan funds.

During the period 2005-06 to 2009-10, a total of 4,496 works worth ₹ 166.11 crore were sanctioned in the test-checked districts to various executing agencies under the CRF scheme, of which, 3,180 works valuing ₹ 79.03 crore were selected for detailed scrutiny. A finance inverse tree summarizing the audit check is shown below:



As would be seen from the above, the State Government used the CRF funds almost like a discretionary fund and ignored the prescribed norms under the scheme as amplified below:

1.1.10.6 Execution of works in violation of norms

a) Audit scrutiny in five districts revealed that 764 works (24 *per cent*) during 2005-10 valued at ₹ 26.32 crore were in violation of CRF norms. The 764 works sanctioned including cement concrete works (259), Khadinja works (Brick roads) (132), and protective works (207) and culverts (166) were of capital nature and did not come under the purview of CRF (***Appendix-1.5***). On being pointed out, the district administration replied that these items of works got damaged due to heavy rains and were, therefore, repaired under CRF. The reply of the district administration was not in line with the prescribed norms, which allows only execution of repairs/restorations works barring permission for fresh work.

Further, in an attempt to ascertain the status of the works, joint physical verification of 19 villages/places was conducted with representatives of the district administration. During physical verification and interaction with the local population, audit noticed that all the works were not carried out as per the CRF norms in these villages. Some of such works have been mentioned at Sl. No. 1 to 3 below:

1. The internal road/drain of Gangnani-Happy Home School at Srinagar, Pauri was damaged in July 2009 and the sanction worth ₹ 8.13 lakh was made in March 2010 i.e. after six months. The work was executed from CRF fund on the plea that during the monsoon the kuccha Nalla gets overflowed and the muddy water becomes a threat to the nearby habitation. At the time of verification, the road works were in progress.	 *Picture : Construction of internal road at Srinagar (Pauri)*
2. The internal road and protection wall of police line, Pauri was damaged in July 2008 and an amount of ₹ 4.97 lakh was sanctioned in March 2009 unauthorisedly from CRF funds after seven months. The work should have been executed from normal budget of the department.	 *Picture : Safety wall and drainage in police line, Pauri*

3. The repair of internal road in Vasant Vihar Enclave (Dehradun) was carried out at a sanctioned cost of ₹ 3 lakh (2008-09). These works fall under the administrative control of Local Bodies and should have been maintained/ repaired by the same body. Instead this work was got done under the CRF clearly in violation of CRF guideline.	 *Picture: Repair of internal road in Vasant Vihar Enclave (Dehradun).*

b) In addition to the above, six major sanctions amounting to ₹ 14.71 crore[20] were made in violation to CRF guidelines. As per guidelines, infrastructure development was to be met from normal State Budget. The details of some of these sanctions are highlighted below:

- Monsoon Nalla in Joshimath, Chamoli got damaged in 2008. This damage was not caused by any natural calamity but due to a large quantity of waste that had been dumped by the construction agency of Auli Winter Games at Auli, Joshimath (Chamoli). The Government, in March 2010, decided to repair the Nalla through CRF budget and sanctioned an amount of ₹ 4.77 crore for this purpose to Nagar Palika Parishad, Joshimath (March 2010).
- Government sanctioned (January 2006) ₹ 0.94 crore for construction of 36.6m span valley bridge over the river Mandakni on the Jolgibi - Munsiyari road, Pithoragarh on the basis of estimates prepared by Temporary Division, PWD, Askot. This was a construction of fresh bridge and thus, did not fall under the purview of CRF norms.
- Government sanctioned (January 2009) ₹ 0.40 crore for construction of 80 m long and 20 m high protection wall in Badrinath colony, Dehradun. The work was executed through Military Engineering Service, Division, Dehradun. The work was sanctioned on the recommendations of the local MLA. Scrutiny of records of District Magistrate, Dehradun revealed that this work was investigated by the district administration which found that the works did not qualify under the CRF category.

20 Monsoon Nalla, Joshimath, Chamoli : ₹ 4.77 crore, 36.6 m span valley bridge, Pithoragarh : ₹ 0.94 crore, protection wall in Badrinath Colony, Dehradun : ₹ 0.40 crore, 70 m span bridge, Manna village, Badrinath, Chamoli : ₹ 1.41 crore, Gola river, Haldwani: ₹ 4.58 crore and Raskiya Nala, Nainital : ₹ 2.61 crore.

1.1.10.7 Unauthorised repair/renovation of private small hydro-power project

Audit scrutiny revealed that sanctions worth ₹ 0.74 crore for carrying out 12 works of repair and renovation in ten private hydro-power stations, tehsil office and SSP office, were issued by the district administration against the CRF guidelines. The instances were as under:

a) The relief of ₹ 0.41 crore[21] was sanctioned to private small hydro-power projects for undertaking repair/renovation works of power channel clearly in violation of CRF rules which envisages that the funds shall be provided to power corporations for carrying out immediate repairs to Low Transmission lines only.

b) An amount of ₹ 0.25 crore was sanctioned (March 2010) by district authorities, Uttarkashi to renovate the existing campus of Tehsil Headquaters, Dunda, which included kitchen, latrine, protection wall, boundary wall, generator room and laying the bituminous semi-dense concrete of approach road. The expenditure on the work was required to be met from the regular budget of department concerned, and as such the sanction issued under CRF was irregular and un-authorised.

c) An amount of ₹ 0.08 crore was sanctioned (July 2009) by district authorities, Uttarkashi to renovate the existing campus of Senior Superintendent Uttarkashi residence and Police lines Uttarkashi, which included repair of windows, tiles work in the lobby, plaster work and paint works. These petty works undertaken under CRF were unjustified as these should have been met from the regular annual budget of the department concerned.

1.1.10.8 Rehabilitation

Rehabilitation is a major aspect of Disaster Management as it involves hectic exercise of shifting the habitations from vulnerable areas to safer places. Scrutiny revealed that GOU could identify only 100 villages vulnerable involving a population of 15,372 of 3,039 families on the basis of survey conducted by the geological survey (June 2008). In 80 villages, with a population of 10,110 covering 1,976 families of the five selected districts, no measures were taken by the GOU for rehabilitation, despite a lapse of two years after their identification.

On being pointed out, the department replied (August 2010) that these villages could not be rehabilitated due to non existence of Rehabilitation and Resettlement (R&R) policy. However, the policy was under preparation. The reply was not justified as the GOU should have effected the rehabilitation process as per the guidelines of National R & R Policy.

[21] Chamoli : ₹ 0.24 crore, Pithoragarh : ₹ 0.11 crore and Uttarkashi : ₹ 0.06 crore.

Further, in the six affected villages which audit visited, it was found that at least 498 people affected by various disasters, particularly the landslides were not identified/ placed on the priority list of rehabilitation. The relief/restoration works in all the six affected villages had not been carried out properly. The case study of three major affected villages is as under:

1. Baram-Malla Sain (Pithoragarh)

Baram is located at a distance of 82 kilometres from district headquarter and has five habitations that include Malla Sain, Talla Sain, Patal, Gatta Bagar and Baram. Baram has a population of 904 of which 490 are male and 414 female including 180 children in the age group 0-6 years (Census of India, 2001). The landslide took place in Baram in the midnight of 5 September 2007. Five houses were destroyed and the event took toll of 10 human lives. Audit team visited most affected habitation Malla Sain on 8 July 2010.

Picture : Malla Sain village (House debris)

***2.* Law & Jhekla (Pithoragarh)**

Law & Jhekla is located at a distance of 93 kilometres from district headquarter. Village of Law and Jhekla with a population of 235 people, (125 male and 110 female) was hit by landslide at midnight of 8 August 2009. Twenty two houses were destroyed (17 wholly and five partially) and the event took toll of 26 human lives. Audit team visited the village on 7 July 2010.

Picture : Law village

Picture : Jhekla village

3. Gadora, Amarpur (Chamoli)

Gadora, Amarpur is located at a distance of 55 kilometres from district headquarter. Village of Gadora, Amarpur with a population of 57 people, (32 male and 25 female) was hit by cloud burst in 2009. Eight houses were destroyed in the calamity. Audit team visited the village on 17 April 2010.

Picture : Gadora-Amarpur

Joint visit by audit and representatives of department of these villages revealed that:

- The village level bodies had not been framed in these villages.
- No remedial/preventive measures had been taken by the administration to lessen the impact of the future disasters.
- Role of ANM and ASHA had not been defined by the EOC, Pithoragarh thereby making them non-functional at the time of disaster.

- Water supply in village Baram had not been repaired and supply was being made on ad-hoc basis.
- The villagers of Baram and Gadora held that the assessment of land and property and the compensation made by the administration was not adequate.
- The entire infrastructure in village Law-Jhekla that had got damaged has not been repaired.
- The administration reached the affected area in village Law-Jhekla after 10 hours of the event.
- The villagers of Gadora are ignorant about the District Disaster Management Action Plan as their involvement had not been ensured in the mitigation process. They had also not been trained about the Dos and Don'ts in the event of a threatening disaster or disaster. No training programme was conducted by any agency.
- The administration reached the affected area of village Gadora for verification after two months.

Further, villagers had migrated to safer areas on their own due to prevailing insecurity. These villagers were generally peasants and were dependant upon the agricultural land but being under constant fear psychosis, they were not able to cultivate their land. As has been envisaged in the NPDM, the development processes should have been initiated in these affected villages through various central and State Governments schemes, which were in vogue i.e. Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGA), National Rural Health Mission (NRHM) and Atal Adarsh Gram Yojna. However, the department failed to take appropriate action in time.

1.1.11 Monitoring and Evaluation

National Level

The Ministry of Home Affair (MHA), which is the nodal Ministry for overseeing the operation of CRF is required to monitor the CRF scheme. The State Government was required to furnish by 30 September every year an Annual Report on natural calamities in the format prescribed by the MHA. Further, a half yearly return containing item-wise details of expenditure from the CRF/NCCF was also required to be sent to the MHA for monitoring and release of installments of Central share of CRF. The MHA was also to undertake evaluation of the expenditure incurred out of CRF through an independent agency for at least six States in a year so as to ensure that the evaluation for all States was done at least once in five years.

However, despite monitoring and evaluation mechanism prescribed for the scheme, audit scrutiny revealed that (i) Annual Report for the year 2009-10 was not furnished by the Government as of August 2010. (ii) Half yearly returns on item-wise details of expenditure were not sent at all. (iii) Although stipulated in the guidelines, the MHA had neither taken up evaluation of the CRF scheme nor got the evaluation done by any independent agency even once during the last five years 2005-10.

State Level

The Department of Disaster Management had laid down procedure for obtaining monthly reports (physical and financial) from district administration for inclusion in the half yearly and annual reports, which were required to be submitted to MHA. These reports were also required for effective monitoring and release of funds. However, audit scrutiny revealed that – (i) Out of 13 districts, only four districts[22] were regularly submitting these reports. (ii) No standard formats and returns were prescribed by the department for these reports.

The absence of a proper monitoring mechanism, led to poor monitoring of the disaster related activities.

On being pointed out, the department stated that in the absence of any monitoring and evaluation cell, the department was not in a position to assess the progress of the works both physically and financially. The reply of the department was not justifiable as the department should have ensured proper monitoring of these works to avoid unnecessary delays in the execution of works under CRF.

District Level

The district administration is the nerve centre to monitor, coordinate and implement the actions for disaster management. In a disaster situation, the district administration is the central authority exercising emergency powers to issue directives to all departments to provide emergency services. For this purposes, the district administration should obtain status reports from executing agencies to whom relief and restoration funds are released.

However, scrutiny revealed that – (a) District administration had not prescribed any format for the returns and reports. (b) No implementation status report was submitted by the executing agencies to district administration. Due to lack of monitoring, there were delays in execution of work as discussed earlier in ***paragraph 1.1.10.4***.

It would be evident that effective monitoring and evaluation of implementation of the CRF scheme was lacking at all the levels and the checks and balances envisaged in the scheme were not followed and thus, implementation of the scheme effectively remains to be ensured in the State.

1.1.12 Conclusion

The State of Uttarakhand due to its complex terrain and ongoing tectonic activities is highly prone to hazards like earthquake, landslide, cloud burst and flash flood. Thus, making Disaster Management an integral part of the Governance is of paramount importance. Although the Disaster Management Act came into existence in 2005, no rules, regulations, policies and guidelines were framed by the State Government. SDMA was not functional as it had met only once during 2005-10. Important aspects of disaster prevention such as mainstreaming of disaster mitigation/prevention into development process, preparation of plan schemes for vulnerability reduction and preparedness, enforcement of techno legal regime etc. were yet to be put into effect. Critical

[22] Almora, Chamoli, Haridwar and Rudraprayag.

infrastructure like trauma centres & communication was limited in the State. GIS mapping to identify landslide prone areas, declaration of unsafe areas, shifting of habitations from such areas and prevention of settlement in hazard prone sites had not been carried out in the most vulnerable cities. Life line buildings such as hospitals, schools, offices, community centres etc. had not been identified for retrofitting. There were no training schedules, modules and targets prepared by the department to cater to the needs of the people. In disaster management, the main focus of the State Government had been on post disaster relief activities and very little initiatives were taken on prevention, preparedness and rehabilitation. Even in the execution of post-disaster activities, expenditure was incurred on inadmissible works. Monitoring of disaster management activities by the state and the district level functionaries was virtually non-existent.

1.1.13 Recommendations

- ***The department should take immediate steps to formulate the policy guidelines, rules and norms.***
- ***The State Government should ensure effective functioning of the SDMA by convening regular meetings and reviewing follow up action of its recommendations.***
- ***The State Government should ensure that disaster management plan is developed so that disaster management measures are included in the development process.***
- ***The State Government should codify building bye-laws to ensure safe construction practices in the State.***
- ***Hazard Safety Cell should be empowered suitably to carry out its functions effectively.***
- ***Government should take steps to provide critical infrastructure such as trauma centre, so that the affected population could be given immediate medical attention.***
- ***Government should take steps to prepare training modules and calendars to upgrade the skills of personnel, NGOs & communities engaged in disaster prevention and mitigation.***
- ***Government should prioritize assessment of structural and non-structural safety of school buildings and identify necessary mitigative action to be included in the school safety programme.***
- ***Department should take immediate steps to form Village Disaster Management Committees in the remaining villages of the State.***
- ***Government should take immediate steps to prepare a comprehensive Rehabilitation & Resettlement policy to rehabilitate the disaster affected villages.***
- ***Monitoring and evaluation mechanism as prescribed by GOI should be made functional immediately.***

URBAN DEVELOPMENT DEPARTMENT

1.2 MANAGEMENT OF MAHA KUMBH MELA - 2010, HARIDWAR

Highlights

Maha Kumbh Mela (MKM) at Haridwar is held from 1 January to 30 April on the banks of river Ganga every twelfth year, which is one of the largest spiritual gatherings known to humanity. On this occasion pilgrims congregate in large number to Haridwar to have a holy dip in the sacred river Ganga.

In order to provide best of amenities to the pilgrims during the MKM, Government of India (GOI) sanctioned ₹ 565[23] crore as Additional Central Assistance (ACA). Accordingly, Government of Uttarakhand (GOU) sanctioned action plan amounting to ₹ 590.01 crore for different activities like maintenance of law and order, construction and rehabilitation of roads, bridges, ghats etc and for development of facilities related to accommodation, public health, sanitation, drinking water, electricity etc. An expenditure of ₹ 439.47 crore was incurred till July 2010 by Mela Adhikari Kumbh Mela Haridwar.

Performance audit revealed absence of integrated plan, lack of coordination amongst various departments, substandard work and poor management of affairs in various areas. However, there was a remarkable achievement of one of the executing agency[24] in making arrangement of sufficient bathing ghats facility before the start of MKM. Some of the main highlights are given below:

- ***Previously laid pipelines were not put to use due to change in layout of two sectors which showed lack of coordination between Mela Administration and Peyajal Nigam which led to wasteful expenditure of ₹ 0.77 crore.***

[Paragraph 1.2.16.1]

- ***Unauthorised expenditure of ₹ 19.39 crore for executing 43 works was incurred by 11 Departments without prior approval of the Government.***

[Paragraph 1.2.8.3]

- ***Lackadaisical approach toward generation of revenue from parking, providing of tin/tentage and water charges by Mela Administration led to loss of revenue of ₹ 3.85 crore.***

[Paragraph 1.2.11.2 to 1.2.11.5]

- ***Accepting of arbitrary conditions raised by the contractor in negotiations on hiring of tin/tentage and furniture led to extra expenditure of ₹ 4.77 crore and supply of tin/tentage in excess of requirement resulted in avoidable excess expenditure of ₹ 40.27 lakh.***

[Paragraph 1.2.13.1, 1.2.13.2 & 1.2.12.2]

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23 GOI share: ₹ 565 crore as ACA released in (December 2007, November 2008 & December 2009).

24 Irrigation Division, Haridwar.

- ***Improvement, extension of geologically unsuitable hill bye pass road and construction of road on disputed land at Haridwar led to avoidable expenditure of ₹11.64 crore.***

[Paragraph 1.2.15.8]

- ***Execution of strengthening work of 29.645 km motor road was done without approved design and against the guidelines of Indian Road Congress (IRC) which led to avoidable expenditure of ₹three crore.***

[Paragraph 1.2.15.4]

- ***Construction work of 3,310 metres new ones and renovation of existing bathing ghats completed before start of Mela, proved to be a milestone which had enhanced the capacity of ghats for catering to needs of large number of pilgrims at a time to take holy dip in Haridwar.***

[Paragraph 1.2.8.2]

1.2.1 Introduction

The origin of Kumbh dates back to the mythological times when Kalasha (pot of nectar of immortality) was recovered during churning of the primordial sea, for which a fierce war between Devtas (Gods) and Asuras (Demons) ensued. The festival is religiously most important for the Hindus. The MKM administered under the United Provinces Mela Act, 1938 (Mela Act). The rules empower the District Magistrate to act as Manager of the Mela. During Kumbh Mela, the Mela area is declared as a separate district and the Government appoints a DM level officer as Mela Adhikari. At Government level, Urban Development Department is the nodal department for conducting the Mela. The MKM was organized for 120 days from 01 January 2010 to 30 April 2010 which had 11 holy bathing days.

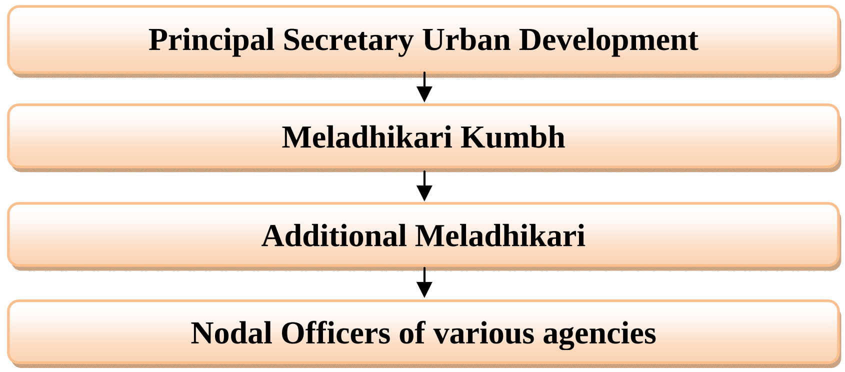
During Kumbh, the holy city of Haridwar is flooded with pilgrims and requires planning on a massive scale to provide basic services and facilities to the large floating population. For providing services and for better administrative control in MKM, a geographical area of approximately 150 sq. km. was covered sprawling in four districts[25]. Entire MKM area was divided in 32 sectors, and 31 police stations and 41 police chowkies were established in the Mela area for maintenance of law and order. Thirty six fire stations were also established to control any incident of fire. A Central Control Room (CCR) with all modern communication systems was established for monitoring of devotees inflow to avoid any crowd pressure in the core area round the clock. In all 14.6 km of length of the bathing ghats were made available for pilgrims of MKM.

1.2.2 Organizational set-up

In order to provide the frame work for proper management and to ensure smooth conduct of MKM at Haridwar, various Committee were constituted to formulate

25 Haridwar, Dehradun, Tehri and Pauri.

policy and to guide and advise the Mela Administration. The organizational set up of MKM is given below:



1.2.3 Audit Objectives

The audit objectives were to ascertain whether :

- The methodology of preparation of action plan and release of funds was done realistically and adequate care was taken to factor all relevant issues in pre-implementation stage;
- The infrastructure and public amenities created for the pilgrims were adequate and the funds allocated for the purpose were expended economically and effectively;
- Procurement of supplies and services was prudent and that procedures ensured transparency in selection of the vendors;
- Government found innovative and robust solutions for the utility and use of infrastructure created after the Mela period;
- Financial control was adequate and effective and
- Monitoring systems and internal controls at various levels functioned effectively in order to enforce the provisions of various acts and rules.

1.2.4 Audit Criteria

The Maha Kumbh Mela-2010 was assessed with reference to:

- Provisions of the United Provinces of Melas Act, 1938 [U.P. Act No.XVI of 1938 as amended by U.P. Act 4 of 1976].
- Implementation plan.
- Sanctions of the State Government and other regulations made their under.
- Financial Hand book volume (V) & (VI) and Uttarakhand Procurement Rules, 2008.

1.2.5 Scope of Audit and Methodology

The performance audit was conducted during March 2010 to August 2010 and covered the implementation of various interventions under the MKM during

2006-07 to 2010-11 (up to July 2010). Records of 12[26] of the 34 Nodal Departments/Offices as detailed in ***Appendix-1.6 & 1.7*** to whom funds were released, were test checked with a view to assess the economy, efficiency and effectiveness in the management of MKM, covering an expenditure of ₹ 337.93 crore (77 *per cent*) out of total expenditure of ₹ 439.47 crore. The results of the test check by audit are brought out in the succeeding paragraphs. Some Information was also collected from Principal Secretary (Urban Development), GOU, Dehradun. Photographic evidence and physical verification were also taken into consideration to substantiate audit observations. The audit findings were also discussed with Additional Secretary, department of Urban Development, Additional Mela Adhikari Kumbh Mela 2010 and Nodal Officers of the executing agencies in an exit conference (January 2011) and views of the Government/Departmental authorities were incorporated suitably in the report.

1.2.6 Acknowledgement

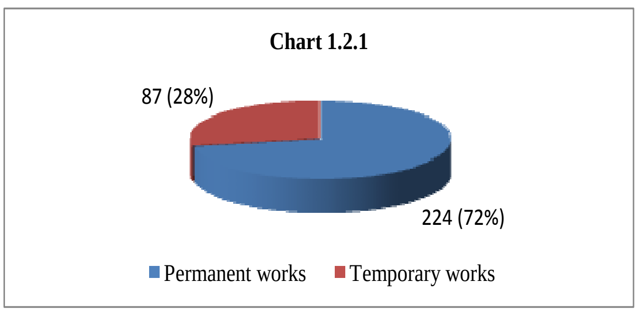
The office of the Principal Accountant General (Audit), Uttarakhand acknowledges the cooperation and assistance extended by the Mela Administration, Nodal offices test checked, Finance and Urban Development Department, GOU during the conduct of the performance audit.

Audit findings

Important audit findings are discussed in the succeeding paragraphs.

1.2.7 Planning

To cater to 4.80 crore pilgrims and tourist expected in MKM, massive planning and adequate arrangements were required. Apart from creation of permanent structures, the Government had planned temporary arrangements at a large scale as depicted in the pie chart:



Source: Progress Report of Mela Administration for July 2010

To begin with the preparedness of MKM, a committee under the chairmanship of the Secretary, Haridwar Development Authority (HDA) was constituted to

[26] Irrigation Department, Peyjal Nigam, Jal Sansthan, Ganga Pollution Control Unit, PWD, Haridwar Development Authority, Nagar Palika Parishad, Rural Engineering Service, Health, Mela Administration, Tourism Deptt. and Information & Public Relation Deptt.

prepare a base map for MKM followed by a sectoral plan which *inter-alia* had two parts:

a) **Macro Plan** was prepared to identify the sectors for allotment of land to various Institutions, religious groups, parking facilities, creation of media centres, traffic plan etc; and

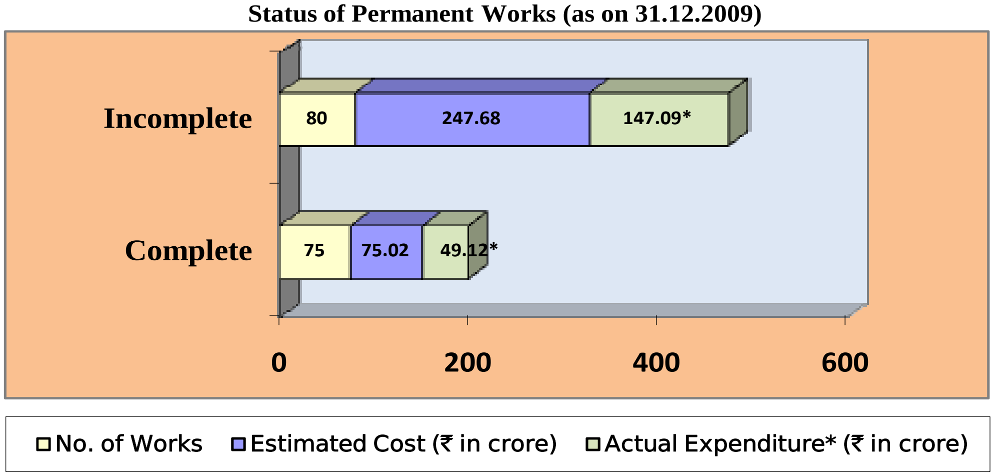
b) **Micro Plan** was prepared to identify the areas where road infrastructure, temporary electricity provisions, allotment of plots for camping, provision of temporary water arrangements, sector markets, fire station, temporary hospitals etc, were to be created.

Audit scrutiny revealed that implementation of works under MKM was marred by poor planning and injudicious selection of schemes. Surveys were conducted in a perfunctory manner resulting in taking up of unwarranted and unauthorized works which have been discussed in succeeding ***paragraphs 1.2.8.3 and 1.2.8.4***.

1.2.8 Targets and achievements

A total of 311 works were approved under MKM between 2007-08 to 2009-10 at an estimated cost of ₹ 590.01 crore, of which, 273 works at a cost of ₹ 527.09 crore were sanctioned up to December 2009, and were scheduled to be completed by 31 December 2009. Audit observed that despite incurring expenditure of ₹ 250.65 crore by 27 Departments entrusted with MKM, only 82 works were completed and 191 works remained incomplete as on 31 December 2009. The Department replied (January 2011) that the works were sanctioned belatedly and therefore intended targets could not be achieved in due course. Out of 273 works, the actual position of the permanent works of the 12 test checked Departments is depicted below:

Chart 1.2.2
Status of Permanent Works (as on 31.12.2009)



**** Actual Expenditure as on 31.07.2010 and balance payment was yet to be made.***

1.2.8.1 Incomplete Works

Against 311 works undertaken by 34 departments at a total cost of ₹ 565 crore, the records of 12 departments/divisions were test checked and it was found that 54 works with approved cost of ₹ 180.07 crore remained incomplete till the end of Mela period (July 2010).

Gist of few such works which were incomplete is indicated below:

Table-1.2.1

Sl. No	Name of the Division	Name of work and cost	Audit observations
1	Irrigation Division, Haridwar	Construction of Dhanuri-SIDCUL link road: ₹ 14.64 crore	In order to provide alternative route and to overcome traffic jam during MKM, the link road was sanctioned in October 2009 which included construction of 12 metre wide road in a stretch of 8 km and widening from 7 metre to 12 metre in a stretch of 2 km of the existing road from Bahadarabad. Audit observed that the work was not taken up by the division up to August 2010, as 12.645 hectare of land was under reserved forest area. This fact was ignored by the division while submitting the estimate to the Government. A sum of ₹ three crore against sanction of ₹ 14.64 crore was released to the division in October 2009, of which an expenditure of ₹ 7.36 lakh was reported to be incurred up to August 2010. Remaining fund of ₹ 2.93 crore was lying blocked with the division for last 12 months.
2	Uttarakhand Tourism Development, Board	Up gradation and renovation of existing public toilets in Mela Area: ₹ 2.60 crore	Government sanctioned up-gradation of 13 and renovation of 32 existing public toilets in Mela area. The work of up-gradation of 13 toilets amounting ₹ 1.56 crore and renovation of 21 toilets at a cost of ₹ 0.48 crore was entrusted to SISSO[27] and renovation of 11 toilets at a cost of ₹ 0.55 crore to M/s Surabhi Lok Organisation with the direction to complete the work before start of Mela. It was observed that none of the works were completed by these organizations before start of Mela and was still lying incomplete as of August 2010. Thus, the pilgrims of MKM were deprived of the benefits of public toilets despite spending ₹ 2.14 crore up to August 2010.
3	Construction Division, PWD, Narendar Nagar	Construction of road and drainage system in Dhalwala-Tapovan-Rishikesh: ₹ 2.97 crore	This work was initially allotted to Haridwar Development Authority in December 2009 which was transferred to PWD, Narendra Nagar in March 2010 by Government. No justification was, however, available on records to ascertain the reasons for transfer of work. The funds were allocated to the division in June 2010, however, work could not be started till date of audit (August 2010). The reason for not starting the work was attributed to the sewer work which was being undertaken by Ganga Pollution Control Unit (GPCU) and Peyjal Nigam at present. Thus, the purpose of sanction of this work from MKM budget was defeated. This also led to blocking of MKM funds.

[27] Sulabh International Social Service Organisation.

4	Irrigation Division, Haridwar	Beautification of Ghats at Roorkee near Laxmi Narain Temple: ₹ 0.84 crore & Electrification and rehabilitation of ghats and parks from old bridge to Boat club in Roorkee: ₹ 1.58 crore	Both works were initially allotted to Irrigation Division and ₹ 88.79 lakh was released in February 2010. The works were, however, transferred to Uttar Pradesh Rajkiya Nirman Nigam without justification. Audit observed that these works were not completed up to August 2010. The works were sanctioned for the purpose to provide adequate bathing facilities to the pilgrims of MKM which remained unachieved. This not only reflects the casual approach of the Government in selection of works but also indicates towards injudicious spending of Central Assistance.

Thus, delay in completion of works defeated the intended purpose, besides having an inevitable social and financial impact which was not adequately addressed by the Government.

1.2.8.2 Achievement of milestone for adequate bathing facility

Audit would like to place on record the fact that construction work of 3,310 metres new bathing ghat initiated by Irrigation Division, Haridwar at a cost of ₹ 15.15 crore was completed before the start of Mela period and proved to be a milestone in achieving the objectives for providing sufficient and adequate bathing facilities to the pilgrims during MKM. Besides, construction of new bathing ghats, Division had also taken up renovation of existing bathing ghats which had enhanced the capacity of ghats for catering to needs of large number of pilgrims at a time to take holy dip in Haridwar. In addition to this, the Irrigation Division Dehradun had constructed the Marine Drive (called as Aastha path) to beautify the river bank at Rishikesh for MKM pilgrims and tourists as depicted in pictures 1 and 2:

Picture 1: Rishikul Ghat at Haridwar (June 2010)

Picture 2: Aastha Path at Rishikesh (July 2010)

1.2.8.3 Execution of work without sanction

In addition to 311 approved works for MKM, audit observed 43 additional works amounting to ₹ 13.59 crore such as renovation of ghat, various temporary works in the camping areas like dressing and leveling etc; were executed by the 11 executing agencies[28] in anticipation of Government's sanction. Of these, two works costing ₹ 4.01 crore were reported as pertaining to Peyjal Nigam. However, Peyjal Nigam had intimated that additional works amounting to ₹ 9.81 crore were executed by them in anticipation of sanction. No written orders for carrying out these works in anticipation of sanction were found in the records of the auditee. Thus, execution of these works without prior sanction and reporting expenditure figures at variance to Mela Adhikari as well as to audit was leading to doubt about the genuineness of the expenditure. Works amounting to ₹ 19.39 crore were executed by 11 Departments without sanction of Government are detailed in ***Appendix-1.8.***

On being pointed out in audit, most of the executing agencies replied that works were executed on the verbal orders of Mela Adhikari and post-facto sanction on the works was pending with the Government. During the discussion held in the exit conference (January 2011) Additional Secretary mentioned in these cases, that the sanctions would be released after due examination of the estimates. However, the fact remain that the works were executed without obtaining prior sanction which was not only contrary to financial rules but also led to raise committed liability of the Government.

1.2.8.4 Works not authorized under MKM, sanctioned and executed

Audit observed that four[29] out of twelve test-checked departments sanctioned inadmissible works amounting to ₹ 17.40 crore during 2008-10 which had no relation with MKM, such as construction of inspection house, drinking water arrangements etc in MKM as detailed in ***Appendix-1.9.***

Thus, an expenditure of ₹ 17.40 crore was incurred on non-MKM works unauthorisedly by the Mela Adhikari.

Financial Management

Internal controls relating to utilization of funds were found weak and carried the risk of fraud and misappropriation. Important control registers were not maintained in the divisions and the practices followed with regard to unspent balances, stock accounts, muster roll payments etc; were in contravention of the financial rules. Audit found that Utilisation Certificates (UCs) were not based on the actual expenditure.

[28] Irrigation Department, PWD, Rajaji National Park, UP State Bridge Corporation, Health Department, Mela Administration, Tourism Department, Information & Public Relation Department, Culture Department, SISSO and Peyjal Nigam.

[29] CD, PWD, Roorkee; CD, Peyjal Nigam, Rishikesh; Jal Sansthan, Haridwar and Peyjal Nigam, Haridwar.

1.2.9 Funding Pattern

GOI announced (November 2006) central assistance of ₹ 100 crore for MKM. Against this, GOU submitted proposals of ₹ 129.47 crore[30]. Thereafter, GOI released (December 2007 and November 2008) installments of ₹ 50 crore and ₹ 115 crore respectively to State Government. GOU submitted various proposals to GOI for further sanction of works from time to time. Ultimately, GOU submitted (July 2009) proposals of ₹ 542.79 crore on which GOI agreed in principle on works amounting ₹ 400 crore and released the funds accordingly in December 2009. Thus, a total of ₹ 565 crore was released by GOI as ACA for management of MKM.

1.2.9.1 Allocation, release and utilisation of funds

The table below depicts the allocation made by the GOI, sanction issued *vis-à-vis* expenditure incurred by the departments:

Table-1.2.2

(₹ in crore)

Sl. No.	Year	Amount sanctioned by GOI	Amount sanctioned by State Government	Amount released to Mela Adhikari	Amount released by Mela Adhikari to Nodal Departments	Expenditure	Excess/ savings (6-7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	2007-08	50.00	47.31	36.96	36.89	33.39	3.50
2	2008-09	115.00	165.59	81.75	81.75	71.69	10.06
3	2009-10	400.00	358.93	346.11	339.57	300.92	38.65
4	2010-11 (Up to July 2010)	NIL	18.18	45.34	28.53	33.47	(-) 4.94 *(Excess)*
5		NIL	NIL	NIL	3.76*	NIL	3.76
	Total	**565.00**	**590.01**	**510.16**	**490.50**	**439.47**	**51.03**

Source: Mela Adhishthan Haridwar

** The amount shown at Sl. No. 5 pertain to 2009-10 (late release)*

- It would be evident from the above table that Mela Adhikari released ₹ 490.50 crore to the executing agencies entrusted with organization of MKM, but savings registered each year showed the slow pace of execution of works, specially, in the crucial financial year 2009-10, as major part (75 *per cent*) of MKM was over in the last quarter (January to March 2010). The Government ordered that the second or final installment of funds would be released after incurring expenditure of the 1st installment. The huge difference between sanctioned and spent amount up to July 2010 due to slow pace of works showed that the works sanctioned for MKM 2010 were still in progress despite completion of MKM.

[30] Seven works amounting to ₹ 78.05 crore and 4 works amounting to ₹ 51.42 crore.

- It was also further observed that due to above reasons, a sum of ₹ 51.03 crore was kept unutilized with 33 Nodal Departments due to ongoing projects and ₹ 19.68 crore was also lying in the Accounts of Mela Administration for further release, as of July 2010.

1.2.9.2 Provision of funds and expenditure in the departments test checked

The details of available funds and expenditure incurred by twelve test checked departments during MKM along with trends of expenditure up to July 2010 are depicted in the table below:

Table-1.2.3

(₹in crore)

Sl. No.	**Name of the department**	**Schemes sanctioned**		**Budget allocated**	**Expenditure**	**Excess/ Savings**
		Number	**Amount**			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Irrigation Department	65	93.54	59.77	52.97	6.80
2	Peyjal Nigam	25	55.39	53.97	53.32	0.65
3	Jal Sansthan	06	4.97	3.50	3.01	0.49
4	Ganga Pollution Control Unit (GPCU)	15	41.43	41.06	37.75	3.31
5	Public Works Department (PWD)	52	167.60	119.24	111.41	7.83
6	Haridwar Development Authority (HDA)	10	4.10	4.10	2.15	1.95
7	Rural Engineering Services (RES)	10	3.13	2.77	2.15	0.62
8	Medical, Health Department	5	51.61	49.98	41.34	8.64
9	Mela Administration	2	20.33	10.95	10.95	Nil
10	Tourism Department	1	5.18	5.18	5.18	Nil
11	Nagar Palika Parishad	38	22.38	19.73	14.70	5.03
12	Information and Public Relations (I&PR)	2	6.00	3.44	3.00	0.44
Total		**231**	**475.66**	**373.69**	**337.93**	**35.76**

Source: Progress Report of Mela Administration for July 2010

Of ₹ 373.69 crore received by 12 Nodal Departments during the period of MKM, ₹ 35.76 crore remained unutilised as of July 2010. On being pointed out by the audit, Mela Adhikari stated (December 2010) that the reasons for saving was due to working site conditions. The reply was not tenable as the executing agencies had selected and taken up the works in a hasty manner.

1.2.10 Irregular payment of advance

1.2.10.1 Unauthorized payment of advances to contractor

Rules[31] of the State Government do not cater for provision for payment of interest free advance. It was observed that interest free advance of ₹ 1.55 crore was provided to contractors by the departments as detailed below:

Table-1.2.4

(₹in crore)

Sl. No	Name of the department	Date of sanction of advance	Amount
1	Ganga Pollution Control Unit, Haridwar	September 2008 to October 2009	1.05
2	Nagar Palika Parishad, Haridwar	December 2009 to March 2010	0.50
Total			**1.55**

Source:Extracted from the records of the departments

It was revealed that the records like register of advances/contractors ledger were not maintained by most of the departments. The position of recoveries, adjustment of advances and interest, if any, could not be verified in audit. Against the advance of ₹ 1.05 crore provided by GPCU, ₹ 49 lakh were adjusted within one year while ₹ 43 lakh were adjusted after one year from the date of sanction of advance without levy of interest thereon, whereas ₹ 13 lakh was still pending adjustment as of August 2010 as reported by GPCU. However, in respect of Nagar Palika Parishad (NPP), Haridwar no such information was made available to ascertain whether the advance of ₹ 50.24 lakh granted to the contractor had been adjusted.

On this being pointed out, the Additional Secretary while accepting (January 2011) the fact, assured for taking appropriate action in the matter.

1.2.10.2 Irregular payment of secured advance

Government accorded (August 2008) approval for hill by-pass extension work at a cost of ₹ 18.16 crore. The work was awarded to a Dehradun based firm in January 2010 for ₹ 16.74 crore. Audit scrutiny revealed that materials[32] valuing ₹ 2.13 crore were brought at site by the firm for which ₹ 1.90 crore was paid by the division as secured advance in February 2010. A joint physical verification conducted by audit team and representative of auditee in June 2010 revealed lack of sufficient storage facility for the material at site and work was found to be at an initial stage though the stipulated period of completion was

Picture 3: Work at initial stage of ROB June 2010

[31] Clause 48 of Uttarakhand Procurement Rules, 2008.

[32] Cement, TMT bar, Bitumen emulsion, Bitumen 80/100 & 60/70, Bricks, Stone ballast 63-45.

October 2010 which was indicative of slow pace of work as depicted in the picture 3.

As the work was at the initial stage, material like bitumen, stone ballast 63-45 size etc; were required in the work only after completion of railway over bridge and viaduct for which irregular secured advance was provided to the contractors by the division. On being pointed out by audit in exit conference (January 2011), the fact was admitted by the Additional Secretary and assured for taking appropriate action in the matter.

1.2.11 Loss of revenue

1.2.11.1 Unaccounted accrued interest

Against allocation of ₹ 565 crore as Additional Central Assistance from GOI, for MKM, interest of ₹ 86.54 lakh (up to June 2010) was accrued and deposited in State Government Account. Audit noticed (June 2010) that Jal Nigam, Haridwar had not deposited ₹ 10.99 lakh of interest accrued till August 2010. The Government while submitting (February 2010) the Utilisation Certificate (UC)[33] to GOI did not disclose the amount of accrued interest for subsequent adjustment in future releases by GOI, which was irregular.

On being pointed out, the Additional Secretary assured (January 2011) that the appropriate action would be initiated in the matter shortly, which would be awaited.

1.2.11.2 Loss of revenue from parking places

(A) Mela Administration invited (November 2009) bids on different dates for the auction of 38 parking areas developed for augmenting proper parking of vehicles during Mela period. Against the auction of 38 parking areas, 35 bids amounting to ₹ 2.41 crore were received of which only 28 bidders finally turned up with bidding amount of ₹ 1.71 crore.

Audit scrutiny revealed that against amount of ₹ 1.71 crore, Mela Administration could realize ₹ 1.29 crore up to August 2010, which was required to be realized in full within 15 days of the auction. It was further observed that only 28 parking places had generated revenue, and ₹ 41.81 lakh was yet to be realized. No revenue could be generated from 10 parking places as 7 bidders did not turn up even after allocation of parking places to them while 3 areas were cancelled on administrative reasons. This had resulted in loss of revenue amounting to ₹ 69.46 lakh which was to be realized from un-auctioned parking places.

On this being pointed out by audit, Mela Administration stated (June 2010) that as most of the parking places were located far from Mela area and majority of pilgrims visited Haridwar by train and public buses on main bathing dates, the parking areas could not be auctioned. The reply of Mela Administration was not tenable as Mela Authorities had itself claimed visiting of around 4.80 crore

[33] Amounting ₹ 330.75 crore against release of ₹ 442.77 crore up to October 2010. Thereafter no UCs were furnished to GOI.

pilgrims during MKM. Further, the auction notice was also belatedly published from November 2009 to March 2010 though the proposal for publishing the auction notice was submitted to Mela Adhikari in May 2009. Adequate amount of earnest money as prescribed under procurement rules was also not fixed by Mela Administration which resulted in non-realisation of revenue.

(B) Mela Administration approved construction of 467 temporary shops[34] through M/s Laluji & Sons, Haridwar at a cost of ₹ 31.71 lakh. Audit noticed that shops were constructed without assessment of requirement and as a result, Mela Administration could auction 219 and 15 shops respectively (234 shops) against 467 shops constructed and could realize ₹ 47.40 lakh of which ₹ 1.50 lakh was pending to be realized. Remaining 233 shops constructed at a cost of ₹ 15.08 lakh could not be auctioned.

Thus, faulty planning of Mela Administration not only resulted in wasteful expenditure of ₹ 15.08 lakh on construction of temporary 233 shops which could not be auctioned but also led to non realization of ₹ 1.50 lakh.

1.2.11.3 Short-realisation of rent from stalls

Uttarakhand Tourism Development Board had decided (March 2010) to allot 299 stalls to various Government/Semi Government and private institutions at the rate of rent of ₹ 1,000 to ₹ 25,000, per stall for exhibition during MKM as per the policy of allotment framed in the meeting held under the chairmanship of Principal Secretary (Tourism) in March 2010.

Audit scrutiny revealed that the department did not follow the prescribed policy of allotment by levying the rents according to the categories fixed and thus, charging the rent arbitrarily by the concerned nodal officer which led to short realization of rent amounting to ₹ 6.94 lakh from stalls allotted to 10 organisations as detailed in ***Appendix-1.10.*** This had resulted in loss of revenue to Government amounting to ₹ 6.94 lakh.

1.2.11.4 Short-realisation of water charge

Uttarakhand PeyaJal Nigam, Haridwar decided to levy water charges on temporary water connections provided to various institutions at the following rates during MKM:

Non-refundable connection fees	**₹ 1000 per connection**
Connection fees for religious/Ann chetra	₹ 500 per connection
Security deposit	₹ 500 per connection
Water charges	₹ 100 per month (₹ 300, if deposited in lump-sum)

Audit scrutiny revealed that against 7,315 connections planned to be provided, the Nigam had provided 13,390 temporary water connections to various institutions during MKM and had realized only ₹ 7.78 lakh against the recoverable amount of ₹ 1.07 crore.[35] Thus, the Nigam failed to realize ₹ 99.22 lakh from various institutions on account of temporary water connections. Further, the amount of

[34] 443 shops of (9x15 Sq. feet) and 24shops of (18x30 Sq. feet).
[35] (₹ 500 + ₹ 300) x 13,390= ₹ 1,07,12,000.

₹ 7.78 lakh realized by the Nigam was neither accounted for nor deposited in Government Account.

On being pointed out, the Nigam stated that free water connections were provided to various institutions on the written orders of Mela Administration. The reply was not acceptable as Mela administration did not frame any policy for providing free water connections to the stake holders, but arbitrarily adopted pick and choose policy for making recoveries or otherwise. In this regard, neither such orders were issued by the Government nor there were any such provisions in the Mela Act. During exit conference held in January 2011, Additional Secretary upheld the view of audit stating that cost recovery was required to be made in all the cases. However, necessary provisions in this regard would be considered for inclusion in the Mela Act in future.

1.2.11.5 Non-levy of rent

According to Section 8 (1) of Mela Act, land and tent, etc. in the mela area were to be provided to various institutions, Akharas etc., on prescribed rent as decided by the Mela Adhikari. However, the Mela Adhikari, contrary to provisions of the Mela Act, allotted rent free sites of 271.72 hectare to various institutions during mela period, besides free facilities of tin, tentage and furniture, etc. to them. Based on the rates fixed by the Mela Adhikari for allotment of land, ₹ 51.36 lakh on account of land rent was recoverable from these institutions as detailed below:

Table-1.2.5

(₹in lakh)

Sl. No	Name of the Institutions	Numbers	Allotment of rent free land (in square feet)	Rate per 100 sq feet	Amount
1	Religious Institutions and Bairagi Khalsa	1,247	1,36,75,875	30	41.03
2	Akhara	13	31,46,000	30	9.44
3	Swainm Sevi Sansthain	14	2,95,000	30	0.89
Total		**1,274**	**1,71,16,875**		**51.36**

Source: Records of Mela Administration

Besides, ₹ 99.30 lakh was also recoverable from these institutions against supply of tin, tentage, furniture, etc. In reply, the Mela Adhikari stated (August 2010) that the above facilities were being provided free of cost since long. Reply was not tenable as orders for the provision of free facility of land, tent, etc. to any one was neither issued by Government nor provided in the Mela Act. During exit conference held in January 2011, Additional Secretary upheld the view of audit stating that cost recovery was required to be made in all the cases. However, necessary provisions in this regard would be considered for inclusion in the Mela Act in future.

1.2.11.6 Excess payment of centage charges

Government provided ₹ 4.97 crore to Uttarakhand Jal Sansthan, Haridwar Division to ensure undisrupted water supply in Mela areas. The Division had procured items between November 2009 to May 2010 worth ₹ 1.18 crore (which included ₹ 11.88 lakh paid as centage charges) from Central Stores Division, Jal Sansthan, Dehradun.

Audit scrutiny of records (June 2010) revealed that against the expenditure of ₹ 1.18 crore on procurement of items, Division had irregularly claimed ₹ 1.29 crore from Government. Audit noticed that Division had charged centage at the rate of 22.71 *per cent* against the provision of 9 *per cent* which had resulted in excess payment of centage charges to the tune of ₹ 13 lakh[36] to Jal Sansthan, Haridwar.

In reply, it was confirmed (January 2011) by the Additional Secretary that the excess centage charged by the Uttarakhand Jal Sansthan would be recovered and deposited in the Government account after due scrutiny. However, the action in this regard would be awaited.

1.2.11.7 Incorrect depiction of utilisation of funds

The State Government did not design a complete Financial Management System for the transfer and use of funds provided for MKM to ensure transparency, efficiency and accountability, and to trace the use of funds towards the final outcomes. There were no prescribed returns to ensure data flow for compiling the actual physical and financial progress of the works.

Audit observed that Mela Adhikari directed (July 2009) the Nodal Departments to submit regular progress reports related to the works undertaken. In seven out of 12 departments test checked, audit observed that the departments had reported inflated expenditure of ₹ 30.43 crore in order to obtain further installments of funds as depicted in table below:

Table-1.2.6

(₹ in crore)

Sl. No.	Name of departments	Reporting month	Actual expenditure	Expenditure reported to Mela Adhikari	Excess expenditure reported
1	Irrigation Department	April 2010	36.73	40.85	4.12
2	PWD, Haridwar	May 2010	21.05	31.20	10.15
3	Peyjal Nigam, Unit 3, Rishikesh	April 2010	8.49	14.87	6.38
4	CD, Peyjal Nigam, Rishikesh	March 2010	0.80	1.00	0.20
05	CD Peyjal Nigam, Haridwar	March 2010	18.99	26.17	7.18
06	CD, PWD, Roorkee	May 2010	27.29	27.48	0.19
07	CD, Peyjal Nigam, Dehradun	April 2010	1.47	3.68	2.21
Total					**30.43**

Source: Records and Progress Reports of various executing agencies.

36 Actual amount paid to Central store: (cost of items: ₹ 1.06 crore + centage charges paid @ 11.17 *per cent* = ₹ 11.88 lakh = ₹ 1.18 crore). Amount to be paid as per provisions: (Cost of items ₹ 1.06 crore + centage charges @ 9 *per cent*: ₹ 9.57 lakh = ₹ 1.16 crore). Excess centage paid ₹ 1.29 crore - ₹ 1.16 crore= ₹ 13lakh.

On being pointed out, the Additional Secretary assured (January 2011) for future compliance. Thus, expenditure reported to the Government without its actual verification by the Mela Adhikari not only reflected weak internal controls and ineffective monitoring but also led to reporting of inflated Utilization Certificates to GOI.

Implementation Management

1.2.12 Infrastructure arrangements: Provision of Health, Accommodation & Sanitation.

1.2.12.1 Irregular extra expenditure on engagement of sweepers

Mela Officer (MO), (Health) submitted (May 2009) Action plan for engagement of a large number of sweepers to maintain proper sanitation in Mela area at a cost of ₹ 15.29 crore. The proposal was approved by the Government in October 2009. The details of proposed and actual engagement of sweepers by MO (Health) are depicted below:

Table-1.2.7

(₹ in lakh)

Sl. No.	Months	No. of sweepers proposed to be engaged as per Action Plan	No. of sweepers actually engaged	Excess deployment (4-3)	Excess Man days for engagement of sweepers	Wages rate per day	Extra amount paid (6x7)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
1	October 2009	520	601	81	2,511	125	3.14
2	November 2009	2,520	3,640	1,120	33,600	125	42.00
3	December 2009	3,000	4,132	1,132	35,092	125	43.87
4	January 2010	6,000	6,066	66	2,046	180	3.68
Total							**92.69**

Source: Extracted from the records of Mela Adhikari (Health)

It would be evident from the table that MO (Health) had incurred extra expenditure of ₹ 92.69 lakh on engagement of sweepers against the sanctioned plan. No approval was obtained for engaging extra sweepers against the sanctioned number.

Audit scrutiny of the records related to engagement of sweepers revealed following flaws with respect to their engagement and payment:

- MO (Health) engaged sweepers involving huge payments, without competitive bidding[37]. It was claimed that notices inviting quotations were displayed in the office of MO (Health) between October 2009 to February 2010. Government vide order dated 15 October 2009 clearly directed that sweepers for MKM should be engaged through outsourcing and proper identification of each sweeper engaged, should be ensured. However, contrary to this MO (Health) had engaged sweepers locally without following the procedure as prescribed under extant rules. In absence of supporting data and documents, Audit could not verify the extent of transparency made in engagement of sweepers.

[37] Chapter-04 of Uttarakhand Procurement Rules, 2008.

- Principal Secretary, Medical Health, GOU directed (January 2010) MO (Health) to maintain proper registers for the engagement of sweepers to ensure their identity[38]. Audit scrutiny revealed that though the register was opened but was incomplete[39] up to the first week of May 2010 (after Mela period). In absence of the mandatory details the number of sweepers actually engaged during MKM as claimed by the Department could not be ensured.
- Scrutiny of enrollment forms revealed that most of relevant information like date of engagement of sweepers, their photographs, identity proof and sectors in which they were deployed was found missing in the forms. As such audit could not vouch the exact number of sweepers at various sectors in MKM.
- Audit found that Government had also directed opening of bank accounts of each sweeper and payments were to be made to them through cheque in order to ensure their identity as well as to ensure fiscal discipline. However, against deployment of around 9,000 sweepers, bank account for only 352 sweepers were found opened and payments to remaining sweepers was made through muster rolls, which was contrary to the Government directions.
- Against total deployment of sweepers in 31 sectors, Audit conducted joint physical verification in 6 sectors[40] between 27 March 2010 to 20 April 2010 and observed that daily attendance status in the form prescribed by the Government were not available in these sectors. Authentication by Sector Magistrates on number of sweepers deployed in their respective sectors as envisaged in the Government order was also not available. In two out of six sectors visited by audit, 69 sweepers[41] were found short. Further, the toilet areas were open and waste was lying undisposed in the area. Thus, the cleaning arrangements were inadequate and unhygienic, rendering the area open to potential health hazard.
- The rate of daily wages of sweepers was revised irregularly by the Government from ₹ 125 to ₹ 180 from January 2010 without consulting the Labour Commissioner and without sufficient justification of price index. This had resulted in extra burden of expenditure of ₹ 4.61 crore.

On being pointed out by audit, MO (Health) stated (August 2010) that engagement of sweepers was made on the basis of previous Kumbh Mela and no directives were issued by Government about the process of engagement of sweepers in MKM.

38 Name, father's name, complete address, age, photographs, identity, thumb impression and signature.
39 No photographs, signatures, payment details, identity etc.
40 Bahadarbad, Rori, Har-ki-paudi, Chandrbhaga, Jwalapur and Mayapur.
41 Bahadarbad and Chandrabhaga (Deployment 109, 82; Present 64, 58 respectively).

Reply was not acceptable as the Government had clearly directed to engage sweepers through outsourcing. Further, MO (Health) had disregarded the vital directives of Government in engagement of sweepers which resulted in irregular excess expenditure of ₹ 0.93 crore and ₹ 4.61 crore respectively.

However, the Additional Secretary stated (January 2011) that the inquiry has been initiated and action would be taken accordingly. The out come of the enquiry would thus, be awaited.

1.2.12.2 Avoidable expenditure of ₹40.27 lakh on hiring of tin/tentage

MO (Health) submitted action plan for temporary posting of 12 Class-I officers and 215 Class-II officers in MKM. However, it was observed that only 11 Class-I and 164 Class-II officers joined the MKM duty against the target. The Medical Department hired excess tents against the requirement without assessment as per Men-in-Position as depicted in the table below:

Table-1.2.8

(₹in lakh)

Sanctioned post as per plan		**Officers joined**		**No. of tents required**		**No. of tents hired**		**Excess payment**
Class-I officers	Class-II officers	Class-I officers	Class-II officers	Class-I officers	Class-II officers	Class-I officers	Class-II officers	
12	215	11	164	11	164	19	282	40.27

Source: Records of Mela Adhikari (Health)

It could be seen from the above table that the Department had hired 8 Darbari Tents for Class-I officers and 118 Swiss cottages for Class-II officers in excess of requirement for which extra rent of ₹ 6.93 lakh and ₹ 33.34 lakh respectively was paid.

The MO (Health) stated (August 2010) that excess tents were hired for senior departmental officers. The reply was not justified as there was nothing on records to establish that these excess tents were ever utilized by the senior officers of the Health Department during the Mela period. It is also pertinent to mention that a temporary circuit house was already in existence in MKM to accommodate VIPs and senior officers.

1.2.12.3 Extra expenditure on construction of temporary toilets

Action plan for construction of 13,906 temporary toilets[42] of various capacities at a cost of ₹ 10 crore at 3,291 sites of Mela area was submitted by MO (Health) in

42

Sl. No.	**No. of seats**	**No. of sites where toilets were to be constructed**	**Total No. of seats**
1	One seat	2028	2,028
2	Two seat	702	1,404
3	Ten seat	201	2,010
4	Twenty seat	360	7,200
Total			**12,642**
5	10% Extra seats		1,264
Grand Total		**3,291**	**13,906**

May 2009. Against the target of 13,906, Government accorded approval (October 2009) for construction of 10,010 temporary toilets by Medical Department at a cost of ₹ 7.32 crore and remaining 3,896 was awarded to M/s Sulabh International Social Service Organisation (SISSO), Dehradun at a cost of ₹ 2.68 crore.

Audit scrutiny revealed the following:

- Construction of 3,896 temporary toilets was awarded to SISSO. Against the sanction of 3,896, the agency had constructed 4,080 temporary toilets at 97 locations at a cost of ₹ 6.32 crore. No justification about assessment of locations was found available on records to ascertain the actual requirement of toilets as proposed by the SISSO.
- The MOU entered into with the agency was found unsigned by the representatives of Mela Administration and, therefore, the essence of the contract was not valid. It was noticed by audit that SISSO had constructed temporary toilets through erecting permanent brick and cement wall which had enhanced the cost of construction by ₹ 9,746[43] per toilet as compared to the cost of constructed by MO (Health). Further no provision of dismantling and realization of revenue through auction of bricks, sheets, debris etc were addressed in the plan and as a result of which, Government was deprived of revenue which would have been realized through auction. There was nothing on records to establish ownership of the material after dismantling of toilets by SISSO. This was indicative of the casual approach of the Mela Administration/ Government while sanctioning the work plan of SISSO.
- Out of 97 locations where the agency had taken up the construction work, Audit conducted joint physical verification at two locations and noticed that the number of toilets as claimed by the agency was found less on the site though it was claimed that the works had been verified by the respective sector magistrates as detailed in the table below:

Table-1.2.9

(₹ in lakh)

Sl. No.	Name of the location	No. of toilets reported to be constructed	No. of toilets found during physical verification	No. of toilets found short	Amount paid in excess of the actual existence of the toilets
1	MO (Health) Rishikul, Haridwar	16	8	8	1.24
2	Dam Khoti-I	5	2	3	0.46
Total		**21**	**10**	**11**	**1.70**

As would be evident from above table, variations at other locations also could not be ruled out, being temporary works.

[43] Cost of construction of one unit of temporary toilet: (SISSO: ₹ 15,490) – (MO (Health): ₹ 5,744) = ₹ 9,746.

- MO (Health) had constructed 10,566 temporary toilets, against the sanction of 10,010 which resulted in excess construction of 556 toilets costing ₹ 31.94 lakh. No approval was obtained for constructing excess toilets and there was nothing on the records to establish that excess toilets were at all required during Mela, as provision for additional 10 *per cent* toilets i.e. 1,264 was already made in the plan and included in 10,010 numbers of toilets.

Picture 4: Open left toilet seats after removing tin sheds May 2010

- MO (Health) fixed the base price for the auction for dismantling of seats, pipes etc after removing the tin sheds (as shown in picture 4) at ₹ 30 lakh which was later revised to ₹10 lakh. The auctions were held on 24 April 2010 and on 04 May 2010 but could not yield any results. No revenue was however realized as no bidders were ready to quote the base rates. Finally, as per directives of DM, Haridwar dismantling was done by NPP, Haridwar on which expenditure of ₹ 10 lakh was incurred. Had this been properly planned, the Government would not have been deprived of the intended revenue.

- Besides above, five seated modern toilet constructed at Bairagi Camp by Irrigation Division, Haridwar at a cost of ₹ 9.79 lakh against the sanction (October 2009) amount of ₹ 9.85 lakh was completed on 16 April 2010 though the stipulated date of completion was 3 January 2010 and could not be put to use during MKM. Audit conducted joint physical verification of the site in June 2010 and found that the toilet was locked and was not put to use even after MKM period as depicted in the picture 5.

Picture 5:Locked toilet in Bairagi Camp June 2010

On being pointed out by audit, the division stated (June 2010) that the toilet will be used in future melas. Thus, the purpose of constructing the modern toilet which was also designed to cater to handicapped pilgrims, was defeated even after spending ₹ 9.79 lakh.

Contract Management

1.2.13 Undue aid to contractor

1.2.13.1 Undue aid to contractor amounting to ₹ 1.34 crore on hiring of tin/tentage and furniture

The Tender Advisory Committee (TAC) constituted for hiring of tin/tentage for MKM decided[44] (May 2009) to invite the rates for the supplies inclusive of all taxes as applicable. Accordingly, Mela Administration invited (June 2009) bids for supply of tin/tentage and in response 3 bids were received. The TAC reviewed the proposals and decided (August 2009) to negotiate[45] the rates with the suppliers. The TAC, without conducting cost benefit analysis, negotiated and entered into an agreement with a firm[46] to provide on rent tin/tentage to three major departments[47] by reducing the price by five *per cent* with payment of taxes extra. As a result, the rates quoted by the firm in Notice Inviting Tender (NIT) was enhanced by 8.59 *per cent* [48]and the departments landed up paying additional amount of ₹ 1.34 crore[49] to the firm.

In reply, it was stated (August 2010) by Mela Administration that M/s Laluji & Sons, Haridwar quoted the rates exclusive of taxes. Therefore, question for inclusion of tax in the agreement did not arise. Reply was not acceptable as the NIT clearly stipulated calling of rates inclusive of tax. Further, the TAC should have rejected the bid submitted by the firm as it did not qualify the pre-requisite conditions as called for in NIT. It was also worthwhile to mention that rates quoted by other firms who had been selected for this purpose had quoted the rates inclusive of tax and were paid accordingly.

1.2.13.2 Excess payment of rent on hiring of tin/tentage

An agreement was executed (November 2009) with M/s Laluji & Sons to provide tin, tentage and furniture for Medical, Police and Mela Administration Department. The term of the contract stipulated that "the hire rates are for a period of six months or any fractional period thereof from the date of supply, erection and handing over the material to the concerned Department".

Audit noticed that Mela Administration and MO (Health) paid the excess rent of ₹ 3.43 crore to the supplier as indicated in the table below:

44 Decision taken in pre-bid meeting on 19 May2009 which was approved by Mela Adhikari.
45 This was contrary to the guidelines issued by Central Vigilance Commission.
46 M/s Laluji & Sons, Awas Vikas, Haridwar.
47 Mela Health, Mela Administration and Police Department.
48 100-5= 95 + 14.3 % tax (4% VAT and 10.3 % service tax) = 108.59-100 = 8.59 %.
49 Health Department ₹ 7,12,86,872, Mela Administration ₹ 8,45,53,530 = Total ₹ 15,58,40,402 x 8.59 % = ₹ 1,33,86,691.

Table-1.2.10

(₹ in crore)

Department	Date of issue of supply order	Rent paid from	Rent should have been charged		Detail of periodical supplies made	Amount to be paid	Amount actually paid	Excess amount paid
			From	To				
Mela Administration	08.12.2009	Lump-sum	December 2009	April 2010	229 supply orders from 08-12-09 to 29-04-10	7.05[50]	8.46	1.41
Mela Officer (Health)	19.11.2009	December 2009	December 2009	April 2010	03 supply orders from 19-11-2009 to 2-1-2010	5.11	7.13	2.02[51]
Total								**3.43**

Source: Records of Mela Adhikari (Health)

In response to the above, Mela Administration stated (August 2010) that the rent was fixed for six months irrespective of 1 to 180 days.

The reply was evasive as the rates of items were fixed for a minimum period of six months and rent beyond 180 days was chargeable for any fraction of days which was indicative of undue favour to the contractor. This had resulted in excess payment of rent amounting to ₹ 3.43 crore beyond the period of services not actually provided by the supplier. Further, the decision of accepting the contract for fixing rent on the basis of injudicious charge for a six months period irrespective of four months mela period was arbitrary which led to excess payment.

1.2.13.3 Excess purchase of stores

It was noticed that Nagar Palika Parishad, Rishikesh had purchased various electric and other items without assessment of requirement from MKM budget. 14 items as detailed in ***Appendix-1.11*** were purchased in excess of requirement amounting to ₹ 18.55 lakh and was lying unutilized as depicted in the pictures 6 and 7:

Pictures 6&7: Surplus Store lying in NPP, Rishikesh (April 2010)

50 ₹ 8,45,53,530/6 = ₹ 1,40,92,255, (₹ 1,40,92,255x5 = ₹ 7,04,61,275).

51

Months	Installation of tin/tentage in % age	Excess % age paid	Excess amount paid
December 09	30	70	83,16,802
January 10	50	50	59,40,573
February 10	70	30	35,64,344
March 10	80	20	23,76,229
Total			**2,01,97,948**

Similarly, it was also observed that NPP, Haridwar had placed supply order of various health and sanitation items valuing ₹ 1.02 crore against which items valuing ₹ 66.64 lakh were received between April to June 2010 (most of them after MKM) as detailed in ***Appendix-1.12*** which could not be used in MKM. This indicated that these items were not at all required and were purchased to exhaust the budget.

1.2.14 Tendering

1.2.14.1 Work executed without tenders

Uttarakhand Procurement Rules, 2008[52] stipulates that procurement of goods of estimated value of ₹ 15 lakh and above should be made through limited tender enquiry and goods of estimated value of ₹ 25 lakh and above should be procured by invitation of tender through advertisement in at least two widely circulated national news papers.

Audit noticed that contrary to the procurement rules, PWD and Jal Nigam had executed 10 works (estimated value ₹ 15 lakh and above in each case) amounting to ₹ 5.79 crore without any competitive bidding/invitation of tenders/limited tenders as detailed in table below**:**

Table-1.2.11

(***₹ in crore)***

Sl.No.	Name of Division	No. of works	Amount
1	Provincial Division, PWD, Haridwar	4	1.94
2	Construction Division, PWD, Narendra Nagar	2	0.36
3	Temporary Division, PWD, Rishikesh	2	2.70
4	Construction Division, Peyjal Nigam, Haridwar	2	0.79
Total		**10**	**5.79**

Source: Records of concerned divisions

The Government was thus, deprived of the benefit of competitive rates due to violation of procurement rules.

1.2.14.2 Violation of Government order

Government nominated (September 2009) a seven member Tender Committee under the chairmanship of Director General, Medical, Health and Family Welfare for procurement of items valuing ₹ 15,000 and above in respect of MO (Health) during MKM. Contrary to the above order, MO (Health) nominated a local purchase committee which recommended purchases through quotations. Audit scrutiny revealed that items valuing ₹ 39.62 lakh were procured by MO (Health) without consulting the committee nominated by the Government.

It was stated (August 2010) by MO (Health) that the aforesaid purchases were made in view of the urgency in the Mela. Reply was not acceptable as the purchases were contrary to Government order.

[52] Clauses 33 (a) and 43 (h & i) of Chapter 3 read with clauses 12(4) and 13(1) of Chapter 2

Execution of Works

1.2.15 Development and improvement of Infrastructures-Main roads

To provide smooth traffic movements during MKM, Government sanctioned 54 works to Public Works Department (PWD) at a total cost of ₹ 166.96 crore. The details and status of work are depicted below:

Table-1.2.12

(₹ in crore)

Sl. No	Name of the Division	No. of works sanctioned	Sanctioned Amount	Amount released to Division	No. of works taken up by the Division	Expenditure
01	Provincial Division, PWD, Haridwar	24	98.90	73.12	23	73.29
02	Temporary Division, PWD, Rishikesh	7	9.32	6.06	7	4.90
03	Construction Division, PWD, Narendar Nagar	9	6.59	3.92	9	3.85
04	Construction Division, PWD, Duggada	2	1.04	0.50	2	0.53
05	Construction Division, PWD, Roorkee	11	50.97	34.86	11	28.85
06	PWD, Muzaffar Nagar	1	0.14	NA	1	NA
	Total	**54**	**166.96**	**118.46**	**53**	**111.42**

Source: *Progress report of Mela Administration July 2010.*
Note: *Construction Division, PWD, Duggada and PWD, Muzaffar Nagar were not taken up in audit.*

The shortcomings noticed in some of these test checked works is discussed below.

1.2.15.1 Avoidable expenditure of ₹ 2.23 crore on strengthening and widening of Pashulok barrage road

Government accorded sanction (September 2009) for strengthening and widening of Pashulok barrage road at a cost of ₹ 2.35 crore under MKM. The work involved widening of road from 5.5 metre to 7 metre and laying of semi dense bituminous concrete (SDBC) in the entire length of 8 km. The work was scheduled to be completed by February 2010.

Scrutiny of the records of the Executive Engineer, Temporary Division, PWD, Rishikesh revealed that the work was incomplete as of August 2010 though the MKM was over on 30 April 2010. Joint physical verification of road by the audit team in August 2010 revealed that the existing road was in a good condition with no undulation. It was observed that Division had not assessed traffic density *viz.* Commercial Vehicle per day (CVPD), before taking a decision to strengthen and widen this road. The thermo plastic paint (painted in Ardh Kumbh Mela 2004

[AKM]) was also found to be in a good shape which reflects that the existing road did not require any strengthening and widening which could be clearly visible from the picture 8:

Picture 8:Proposed Pashulok Bairaj Road for improvement at Rishikesh August 2010

However, the division contrary to the above facts proposed to take up this work which was lying incomplete (November 2010) and an expenditure of ₹ 2.23 crore was already incurred up to November 2010. The Additional Secretary while admitting (January 2011) the fact stated that the works in such a manner should not be executed.

However, the fact remains that the road was not completed during MKM and the contention of division that the decision for widening and strengthening was taken in view of heavy traffic was not justified as work of widening and strengthening of the road was done only in 5 km during the Mela period i.e. up to 30 April 2010 and therefore, the purpose to cater to the heavy traffic during MKM was defeated. Further, expenditure proposed to be incurred on good surface road was avoidable which reflects lackadaisical approach of the Division towards spending of public money.

1.2.15.2 Over payment

Chief Engineer, Level-I, PWD vide circular dated 18 May 2009 stipulated that agreement entered into for the works relating to one road should not be used for construction of other roads as extra item.

Audit scrutiny of the records of the Temporary Division, PWD, Rishikesh revealed that the division, in contravention of the above circular, awarded work for two other roads[53] in the agreement executed[54] for Pashulok barrage road as an extra item. The agreement for Pashulok barrage road was entered (October 2009) with the contractor on 3.23 *per cent* below the rates of bill of quantity (BOQ). However, it was observed that division paid running bills to the contractor at the rate of BOQ for other two roads by ignoring the clause of payment at 3.23 *per cent* below the rates of BOQ. As a result, the division had made over payment of ₹ 3.26 lakh[55] to the contractor up to August 2010 on these two roads.

The division stated (August 2010) that the payment was made as per schedule ‘B’ rates and as such there was no excess payment. The reply was not tenable as the

53 Veerbhadra Mandir Road and Rishikesh railway feeder road.

54 Contract bond No. 20/SE/2009-10.

55 Veerbhadra Mandir Road, payment made upto 5th running bill ₹ 32,11,682.89 (less 3.23% = ₹ 1,03,737) and Rishikesh railway feeder road, payment made upto 5th running bill ₹ 68,70,427 (less 3.23% = ₹ 2,21,915) Total (₹ 1,03,737+ ₹ 2,21,915 = ₹ 3,25,652).

payment had been made under extra item where schedule 'B' rates were not applicable. Further, the original contract bond was entered at 3.23 *per cent* below the BOQ which were applicable on these two roads also.

1.2.15.3 Wasteful expenditure on construction of foot over bridge

With a view to provide facilities for road crossing during MKM, Provincial Division, PWD, Haridwar proposed construction of steel foot over bridge between Shankracharya chowk to Kankhal at NH-58. Government accorded approval (September 2009) for this work at a cost of ₹ 77.28 lakh.

Audit scrutiny (May 2010) revealed that the Division had executed an agreement with the contractor in October 2009 to carry out work on construction of 40 metre long foot over steel bridge, railing work and CC approach road within the period of two months. Audit observed that the work was stopped owing to a land dispute at the site of Kankhal and stay had been imposed (November 2009) by District Court. The work was left incompleted till May 2010 as reflected in the picture 9 and 10:

Pictures 9 & 10: Incomplete abandoned foot over bridge at Shankaryacharya chowk, Haridwar June 2010

Meanwhile, Division had incurred an expenditure of ₹ 22.74 lakh on the incomplete work[56]. Thus, the objective to provide foot over bridge to the pilgrims of MKM was defeated and expenditure of ₹ 22.74 lakh was rendered wasteful.

1.2.15.4 Avoidable expenditure of ₹299.63 lakh

Guidelines of the IRC stipulate that as far as possible laying of water bound macadam (WBM)/wet mix macadam (WMM) course over an existing thick bituminous layer should be avoided since it would cause problems of internal drainage of the pavement at the interface of two courses.

Government accorded (December 2009) approval for reconstruction and strengthening of 29.645 km long Puhana-Ikbalpur-Jhabera-Narsan motor road at a cost of ₹ 12.32 crore. Technical sanction (TS) was accorded by Chief Engineer

[56] Incomplete stair work from Haridwar side and base work of pillar at NH-58.

(Garhwal Region) in January 2010 with directions that crust of the road should be decided as per CBR[57] value and traffic density duly vetted by IIT, Roorkee before execution of work.

Audit scrutiny of the records of the Division[58] revealed the following:

- That said road had pot holes measuring 4,962.40 M^3 for which Executive Engineer had designed the crust of the road by making provision for filling of pot holes from WMM with a layer of 125 mm WMM in entire length of the road before laying of bituminous macadam (BM) and SDBC. As the road was previously constructed during AKM, 2004 and had a crust thickness of 575 mm (SDBC black top surface) the reconstruction of the road should have been done as per IRC clause 3004.2. Further, provision of WMM & Prime Coat in entire length was made by the division without getting the design of the crust vetted by IIT, Roorkee in view of CBR and traffic density.
- The division, contrary to the IRC specification[59] and CE's instructions, laid WMM and prime coat at a cost of ₹ three crore[60] which was avoidable in absence of CBR value and traffic density on this road. It was stated that the work was executed as per TS. The reply was not acceptable as crust design of the road was not got vetted by IIT, Roorkee with reference to CBR and traffic density of the road and laying of WMM on previous prepared surface was contrary to clause 406.3.1 read with 404.3.1 of IRC.

1.2.15.5 Substandard road works

(A) Government accorded (October 2009) approval for improvement of Vithaldas Ashram motor road and Jhula bridge approach road, Rishikesh at a cost of ₹ 54.38 lakh and ₹ 21.58 lakh respectively from MKM funds. The work was awarded (November 2009) to a Rishikesh based contractor by the Division.[61] The third party quality assurance report submitted by the agency[62] revealed that the binder contents on both roads were 4.2 against the prescribed provision of 5.0 ± 0.3. The investigation report was referred back again to the agency for re-testing. The agency in its second report informed that binder content on the above two roads were 4.02 which was again less than the prescribed limit. The Division imposed

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57 California Bearing Ratio: a unit to measure the strength and plasticity of the soil.
58 Executive Engineer, CD, PWD, Roorkee.
59 Clause 406.3.1 read with 404.3.1 of IRC.
60

Item of work	Estimated quantity and unit	Actual quantity and unit	Rate	Amount
WMM (without undulation)	21,208.66m^3	(24,435.46- 4,962.40 undulation)= 19,473.06 m^3	₹ 1,350	2,62,88,631
Prime Coat	16,9673 m^2	1,59,744 m^2	₹ 23	36,74,112
Total				**2,99,62,743**

61 CD, PWD, Narendar Nagar.
62 Shri Ram Institute, New Delhi.

penalty on the contractor of ₹ 5.64 lakh which was not recovered till November 2010.

In response to above, Division stated (August 2010) that final payment and recovery would be made after completion of one rainy season as prescribed by the committee constituted by Mela Adhikari. The reply was not acceptable as the thickness of SDBC was 40 mm, on which the prescribed binder content as per IRC table 500-15 below clause 508.3.2 required minimum binder content 4.5. Thus, less quantity of binder content on SDBC resulted in sub-standard work of ₹ 75.96 lakh on both the roads.

(B) Government accorded (June 2009) approval for improvement and widening of 1.53 km road at Bairagi camp under MKM at a cost of ₹ 66.88 lakh. The work stipulated widening of road from 4.30 metre to 6.5 metre in 1.53 km stretch.

Audit scrutiny of records of the Division[63] revealed that an expenditure of ₹ 55.11 lakh was incurred upto November 2010 and the work was executed as per details given in the table below:

Table-1.2.13

Sl. No	Item of works	Quantity & unit as per estimate	Quantity actually laid up to 30-04-2010	Laid/worked in metres against 1,530 metres
1	Cleaning of existing space	9,945 m^{2*}	2,934 m^2	451
2	Prime Coat	3,366 m^2	2,934 m^2	1,334
3	Tack Coat	19,890 m^2	17,795.24 m^2	1,369
4	BM	471.90 $m^{3\#}$	465.82 m^3	1,433
5	SDBC	248.61 m^3	202.16 m^3	1,244

Source: Extracted from the records of irrigation division, Haridwar
**** Square metre, #Cubic metre***

The work was sub-standard on following grounds:

- Tack coat was laid without cleaning the existing 848 metre long and 4.30 metre wide black top surface which was contrary to clause 503.4.2 of Indian Road Congress (IRC).
- BM was laid at 1,433 metre long stretch whereas SDBC was laid in 1,244 metre long stretch on BM. As a result 189 metre (61.425 m^3) stretch of road was uncovered by wearing course which was also contrary to clause 504.5 of IRC.
- The binder content on BM was found only 3.1 against required 3.3-3.5 as per table 500-4 below clause 504.3.1 of IRC.
- The thickness of BM and SDBC laid was 46 mm and 18 mm respectively against minimum required 50 mm and 25 mm respectively which was against clause 504.1 and 508.1 of IRC.

Division stated (June 2010) that recovery from contractor was under process on account of less binder content etc. The reply was not acceptable as Executive

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63 Irrigation Division, Haridwar.

Engineer and Assistant Engineer who were responsible for checking measurement as per Measurement Book, did not take action on sub-standard work done at site, which was against the provisions of IRC and expenditure of ₹ 55.11 lakh incurred on entire road work proved sub-standard.

1.2.15.6 Execution of work against specification not only resulted in sub standard work of ₹ 33.44 lakh but also led to wasteful expenditure of ₹ 22.81 lakh paid against consultancy

Government accorded (November 2008) approval for construction of Railway Over Bridge (ROB) at Laksar-Purkaji Road at a cost of ₹ 25.59 crore under MKM. For the said work, the division[64] engaged (September 2007) a consultant for preparing Detailed Project Report (DPR) at a cost of ₹ 19.57 lakh[65] and paid ₹ 21.35 lakh inclusive of tax to the consultant.

Audit **s**crutiny revealed that consultant had recommended that DPR should be vetted by Indian Institute of Technology or by any other reputed institute before execution of work by the contractor. It was observed in audit that the division paid ₹ 1.46 lakh to IIT, Roorkee in January 2009 for proof checking of DPR. IIT, Roorkee suggested[66] (January 2009) certain amendments to the DPR.

The division awarded the contract to a Haryana based firm at a cost of ₹ 16.50 crore. The consultant had prescribed the design of approach road as per IRC guidelines 37 which had a life of 20 years. Audit noticed that the work was executed against the recommendation of the consultant as given in table below:

Table-1.2.14

Sl. No	Item of work	Thickness as per DPR and IIT, Roorkee	Thickness actually laid
1	Sub-grade	500 mm	500 mm
2	GSB layer	250 mm	300 mm
3	WMM layer	250 mm	300 mm
4	DBM layer	100 mm	Not done
5	BC layer	40 mm	Not done

Source: Extracted from the records of PD, PWD Haridwar

It could be seen from the above table that the division did not lay dense bituminous macadam (DBM) or BM as a base course of SDBC even after the job mix formula was provided by IIT, Roorkee and laid SDBC of 40 mm thickness on the bitumen painting over WMM and as a result, expenditure of ₹ 6.97 lakh and ₹ 26.47 lakh incurred on bitumen painting and SDBC respectively proved sub-standard.

Audit further noticed that division did not adhere to the guidelines of the consultant and IIT, Roorkee while taking up entire ROB work and as a result, it had to incur expenditure of ₹ 1.82 crore on seven extra items.

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[64] Provincial Division, PWD, Haridwar.

[65] Preparation of DPR: ₹ 15.07 lakh and DPR of ROB: ₹ 4.50 lakh.

[66] 5 piles for viaduct against 4 as recommended by consultant.

On this being pointed out in audit, the division replied (July 2010) that BM and SDBC were properly laid on approach road and DPR was submitted by the consultant as per requirement of ROB and works on the same were taken up as per requirement of site. The reply of the division was not acceptable as the final bill of the contractor clearly indicated that BM/DBM was not laid as a base course of SDBC though recommended on approach road. Since the work on ROB was not in consonance with the recommendations made by consultant/IIT Roorkee, therefore, the purpose of hiring of consultant after incurring expenditure of ₹ 22.81 lakh was totally defeated. Besides, expenditure of ₹ 33.44 lakh incurred on laying of bituminous course on approach road over WMM layer proved sub-standard.

1.2.15.7 Extra cost due to laying of excess BM and SDBC

Government accorded (March 2009) approval for strengthening and improvement of a road[67] at Haridwar under MKM.

Audit scrutiny revealed that division[68] had laid excess costly material on the road as depicted in the table below:

Table-1.2.15

Name of item	Unit	Estimated quantity	Actual quantity laid	Length in metre	Required to be laid as per tack coat in m^3	Laid in excess in m^3	Rate per unit (in ₹)	Cost of excess material laid (in ₹)
Shankaracharya chowk to Singh dwar								
Tack coat	m^2	19950	20530	2,933	--			
BM	m^3	NR	1,460.88	--	1,026.55	434.33	5,400	23,45,382
Tack coat	m^2	NR	2,096.09	2,999	--			
SDBC	m^3	NR	560.12	--	524.82	35.30	7,250	2,55,925
								26,01,307
Total: 9.9 % below tendered rate								**2,57,529**
Total								**23,43,778**

Source: Records of the Provincial Division, PWD, Haridwar

As evident from above table, division had laid excess costlier material contrary to clause 6.1 of IRC 95-1987, which led to excess expenditure amounting to ₹ 23.44 lakh which was avoidable.

1.2.15.8 Incorrect Selection of roads

(A) The hill by pass road in Haridwar was badly damaged in August 2000. A geological survey was done in August 2003 by CBRI, Roorkee which *inter-alia* contained following recommendations:

- The road construction work if required for traffic movement during MKM, could be done after detailed investigation only for light traffic (two wheelers) and if needed, the alignment of the road could be changed.

67 Shankaracharya chowk to Singh dwar (via Kankhal) road.
68 Provincial Division, PWD, Haridwar.

Further, in case of any evidence of distress on the road, it should be closed to traffic.

- In 2008, Geological Survey of India also recommended that alignment at the bridge site and abutment conditions must be studied so that the entire 500 metres problematic stretch could be completely avoided. However, for temporary short term measures, construction of causeway, culverts improvement of drainage system could be planned though these measures would not be long lasting.

Meanwhile, Hon'ble Supreme Court held (October 2008) that as the road passes through Rajaji National Park, it could be used at day time between sunrise and sunset only during special occasions on Kumbh Mela/Ardh Kumbh Mela and Somwati Amawasya.

Picture 11: Damaged hill bypass road in June 2010

Despite the above recommendations and directions of the Apex court, Government accorded (March 2008) sanction of ₹ 3.46 crore for improvement and strengthening of hill by pass road through BM and SDBC with the fact that road could be utilized only for four months during MKM. This could have been avoided by taking a judicious decision for reconstructing the road through premix carpet as provided in the TS which would have reduced the cost of reconstruction by ₹ 62.20 lakh[69]. During joint physical verification conducted by Audit in June 2010, it was found that even in light rainfall there were heavy slides coming on this road as would be evident from the picture. Further, the road was also badly damaged in heavy rainfall during August/September 2010.

Division stated that the old surface of the road was BM/SDBC surface hence premix carpet was not undertaken. The reply was not justified as the road was previously constructed 10-12 years back and did not have sufficient base course. Further, in view of use of the road very occasionally, use of BM and SDBC involving costly material could have been avoided.

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I Actually laid Material via BM and SDBC:		II Actual material which could have been laid via premix carpet:	
a) BM: 800.83 m^3x ₹4,815=	₹ 38,55,972.38	a) Prime Coat: 36,975 m^2x ₹10=	₹3,69,750
b) SDBC: 1,165.40 m^3x ₹6,625=	₹ 77,20,741.88	b) Premix carpet: 36,975 m^2x ₹110=	₹40,67,250
c) Tack coat: 50,816.61 m^2x ₹11=	₹ 5,58,982.71	c) Seal coat: 36,975x ₹40 =	₹14,79,000
Total	**₹1,21,35,696.9**7	**Total**	**₹59,16,000**

Avoidable expenditure (₹ 1,21,35,696.97-₹ 59,16,000) = ₹ 62,19,697.

(B) Besides above, Government accorded (August 2008) approval for ₹ 18.16 crore (for which revised estimate of ₹ 27.47 crore was pending with Government since December 2009) for hill bypass extension which included construction of 175 metre long via duct and Railway Over Bridge (ROB) in Sukhro river at Kharkhari where the old by pass connects with old NH-58. This work was avoidable too, for the following reasons:

Picture 12: Narrow hill bypass road in June 2010

- The hill bypass road was existing in dense populated area from its starting point which included additional 500 metre chainnage passing through dense habitations with narrow road.
- The soil of the road was not found suitable by CBRI, Roorkee and GSI as already pointed out above.
- The use of road was also limited to one day in a year and only for four months use after every six years and 12 years during AKM/MKM respectively as per the directions of Apex court.
- Keeping in view the limited financial resources of the Government, the revision of the estimate was pending for more than 8-9 months (August 2010).
- The new NH-58 (known as Haridwar bye pass) was being undertaken by National Highways Authority of India (NHAI) in four lanes after which the utility of this road would be meaningless, as intimated (October 2010) by NHAI.

The division had already incurred an expenditure of ₹ 9.20 crore against the sanction of ₹18.16 crore on this road up to May 2010 which was avoidable on the above grounds. In reply, the Additional Secretary while justifying (January 2011) the above construction in MKM, stated that various melas has to be organized throughout the year for which the road work was justified. The reply was not acceptable as the Hon'ble Apex Court has allowed traffic only during AKM, MKM and Somwati Amavasya and not for every mela. Moreover, The NHAI was also constructing another four lane road, after which the importance of the hill bypass road would be meaningless.

Thus, contrary to above facts, the division has taken up the road work, which was not justified.

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

Government accorded (September 2009) approval of ₹ 2.41 crore for construction of 930 metre long span of Harilok colony road at Jwalapur. The TS of the road was accorded (November 2009) by the competent authority for ₹ 2.22 crore.

Audit scrutiny revealed that the construction of road was taken up (October 2009) by the division[70] on disputed land which was in possession of UP Irrigation Department and the matter was sub-judice in the Apex court. The work was also not justified owing to following facts:

- Against the sanction of ₹ 2.22 crore, division had converted 930 metre *kacha* canal into Cement concrete canal at a cost of ₹ 1.33 crore whereas expenditure on road was only ₹ 0.81 crore which was injudicious as the land was in possession of UP.
- A Joint Physical verification of the road by audit team in August 2010 revealed that existing Laksar-Sarai village road (Picture 14 refers) had enough scope for widening in order to cater to the heavy traffic movement during MKM as claimed by the division in their proposal.
- The road constructed did not serve much purpose of diversion of Laksar-Sarai village road traffic but reflected that this road was taken up to serve the habitants of newly developed Harilok colony which would be evident from the picture 13.

Picture 13: New proposed Harilok minor colony road July 2010

Picture 14: Laksar village road at Transport Nagar July 2010

- Further, the purpose of taking up this work was also defeated as road was not completed during MKM period even after spending ₹ 1.82 crore up to November 2010. The work was lying incomplete upto November 2010 at WBM level.

70 Irrigation Division , Haridwar.

On this being pointed out in audit, the division stated (June 2010) that this was a permanent nature of work which could be utilized in future Ardh Kumbh Mela and Kanwar Mela. The reply was not acceptable as the work was undertaken on disputed land and the road did not have sufficient traffic density.

Improvement of Infrastructure- Supply of drinking water

1.2.16 Irregularities in execution of augmentation of water supply schemes in MKM

1.2.16.1 Preparation of inflated estimates and non utilisation of permanent pipelines.

Government accorded (November 2009) approval for provision of water arrangements during MKM at a cost of ₹ 4.22 crore which included arrangement of temporary drinking water at Rodibelwala and Pantdweep sectors at a cost of ₹ 65.88 lakh and ₹ 63.69 lakh respectively. The Construction Division (CD) Peyjal Nigam, Haridwar (Nigam), while preparing the estimates, did not take into account the pipelines laid in these sectors permanently in AKM.

Audit scrutiny of the work revealed the following:

- The estimates prepared by Nigam contained irregular provision for road cutting twice on temporary work (at the time of laying and dismantling of pipe lines) at a cost of ₹ 46.87 lakh. Audit noticed that the Nigam had incurred entire expenditure and did not pay any compensation to the user department for cutting the road twice. This was not only irregular but also reflected lack of coordination amongst departments executing the works of MKM. It was stated (March 2010) that on receipt of demand for compensation; it would be paid to the concerned department. The reply was not acceptable as the Nigam had irregularly made provision of road cutting on temporary work and had already incurred expenditure of ₹ 7.85 crore as against sanctioned estimate of ₹ 4.22 crore.
- Rodibelwala and Pantdweep sectors were built up as camping areas in AKM on which drinking water arrangements were made permanently at Rodibelwala and temporary at Pantdweep sectors. Fifty *per cent* of the pipe lines were left permanently for use in future Kumbh and as such pipelines of 11.830 km costing ₹ 51.87 lakh in Rodebelwala and 5.4 km costing ₹ 24.85 lakh[71] in Pantdweep which were laid in AKM was left permanently.
- Due to changes made in the drawings of Mela area by Mela Administration, these sectors were declared as hold up and office areas in MKM as compared to camping sites in AKM. Thus, the infrastructure created at a cost of ₹ 76.72 lakh in AKM could not be put to use due to change in layout of the sectors. The Nigam as well as Mela Administration admitted the facts

[71] Cost of civil works in AKM: ₹ 51,49,530/11.190 km = ₹ 4,60,190/km.
Thus, 5.4 km x ₹ 4,60,190 = ₹ 24,85,028

of non utilization of pipe lines of ₹ 76.72 lakh due to change in layout of these sectors.

1.2.16.2 Work executed without sanction and excess purchase of materials

Audit Scrutiny revealed that Uttarakhand Peyajal Nigam, Haridwar had a total unspent amount of ₹ 87.58 lakh (which included ₹ 59.59 lakh as loan to Nigam) of AKM period which was to be utilized in MKM. However, it was observed that besides expenditure of ₹ 4.22 crore on water arrangements in MKM, Nigam had also incurred unspent amount of ₹ 87.58 lakh on various works without obtaining sanction of the Government and the amount was not accounted for in MKM up to August 2010.

The Nigam stated that the amount of ₹ 87.58 lakh was incurred on additional works executed in MKM and ex-post-facto approval was under consideration. The reply of the Nigam was not acceptable as the Nigam had spent the amount on unapproved works without the approval of the Government.

- Audit further noticed that division had purchased specials (fitting items) valuing ₹ 5.26 crore without assessment of requirement and competitive bidding between June 2009 to February 2010 from two firms[72] on the basis of rates finalized by Almora and Tehri Division. This was irregular as the cost of material would have certainly been low for Haridwar as it involved less cost of transportation.
- The total pipe lines laid in MKM by the Division was 279.09 km at a cost of ₹ 11.40 crore and as per norms, requirement of specials are prescribed at 5 *per cent* of the cost of total pipelines laid in the scheme. As such requirement of specials in MKM works was only for ₹ 0.57 crore as against expenditure of ₹ 5.26 crore on these items. No records and details were updated by the Division in order to establish the utilization of specials in MKM work.

It was stated in reply that the purchase was made on the instructions of Superintending Engineer (SE) and on the basis of the rates finalized by other Divisions. The reply was not tenable as the requirement of specials was only 5 *per cent* and the instructions of Managing Director, Jal Nigam were ignored which *inter-alia* provided that the procurement of tools & plants (T&P), pipe specials should not be done without approval of the HQs and in case of requirement, it should have to be done from the surplus stock available in the Central Stores.

Thus, irregular extra purchase of specials amounting to ₹ 4.69 crore was done by the Division which could not be treated as expenditure of MKM.

[72] M/s Kumar Sanitary, Kotdwar and M/s Bharat and company, Dehradun.

1.2.17 Pollution control in river Ganga

1.2.17.1 Drainage of untreated water in river Ganga

With a view to control pollution in river Ganga and for adequate water treatment, Government provided a total of ₹ 41.43 crore[73] to Ganga Pollution Control Unit, Haridwar under MKM. Against above amount, a sum of ₹ 10.64 crore was provided on two Sewage Treatment Plant (STP) schemes which were earlier approved by GOI under National River Conservation Programme (NRCP). Remaining amount of ₹ 30.80 crore was also provided for interception and diversion of sewage works. Despite availability of adequate funds, 75 *per cent* of untreated water was discharged in river Ganga during MKM. The details of demand and availability of water in Haridwar were as follows:

Table-1.2.16

Area	Population			Water supply rate LPCD	Water Demand (MLD)	Availability of water (MLD)
	Permanent	Camping	Floating			
City	2,14,500	2,87,200	6,22,000	135	75	102.76
Temporary Sectors		10,00,000	2,00,000	50	52	32.16
Total	**2,14,500**	**12,87,200**	**8,22,000**	**185**	**127**	**134.92**

Source: Water supply status, Jal Nigam, Haridwar

It could be seen from the above table that 134.92 MLD water was available during MKM whereas sewage generated during MKM was 107.94 MLD[74] which was required to be treated before draining it in river Ganga.

Audit observed that capacity of STP available during MKM was as follows:

Table-1.2.17

Area	Capacity of STP	Additional capacity on peak load time	Functional	Total
Haridwar	18 MLD	O4 MLD	Yes	22 MLD
Rishikesh	03 MLD	01 MLD	From 31-03-2010	04 MLD
Sarai, Haridwar	08 MLD	NA	Yes	08 MLD
Total				**34** MLD

Source: Records of GPCU, Haridwar

It would be evident that against the requirement for treatment of 107.94 MLD sewage, GPCU had a capacity for treatment of only 34 MLD and as such 73.94 MLD sewage was drained in river Ganga without treatment as depicted in the pictures below:

73 13 permanent works of ₹ 37.83 crore and 2 temporary works of ₹ 3.60 crore.

74 Where sewerage system is to be started it is mandatory that water supply should be 135 LPCD. Sewerage system should be designed strictly as per sewerage manual norms i.e. 134.92 MLD x 80%= 107.94 MLD.


Pictures 15 & 16: The untreated sewage bye passing from STP draining directly into Ganga (July 2010)

On this being pointed out in audit, Project Manager, GPCU stated (September 2010) that 53 MLD capacity of sewage treatment was available during MKM by taking into account of 27 MLD capacity of enhancement of STP at Jagjitpur. The reply was not acceptable as the capacity enhancement of 27 MLD STP was not functional during the period of MKM, due to which intended objective of providing funds from MKM was defeated. Timely action to complete STP would have reduced the burden of 27 MLD sewage drained without treatment directly into river Ganga.

1.2.17.2 Unauthorised expenditure

Uttarakhand Peyjal Sansadhan Vikas Avam Nirman Nigam (Nigam) submitted (February 2008 and August 2008) a supplementary estimate for capacity enhancements of 18 MLD capacity into 45 MLD (enhanced capacity 27 MLD) and 3 MLD sewage treatment plants[75](STP) at a cost of ₹ 9.13 crore and ₹ 4.05 crore respectively for MKM. Government accorded (June 2008 and February 2009) approval for ₹ 6.85 crore and ₹ 3.79 crore respectively for the above work. The work was entrusted to Ganga Pollution Control Unit, Haridwar.

Audit scrutiny of records related to the above work revealed the following:

- The above works were initially sanctioned in November 2006 for abatement of pollution of river Ganga at Haridwar under NRCP at a cost of ₹ 15.99 crore and ₹ 3.59 crore respectively to be shared in the ratio of 70:30 between GOI and State Government. The work was required to be completed by October 2009. The sanction of the GOI *inter-alia* provided that the agency should ensure that there should not be any time and cost overrun and responsibility should be fixed for any delay in the implementation. Further, any increase in cost of the scheme was to be borne by the State Government.
- The GOI provided that capacity enhancement of the STP should be done through Activated Sludge Process technology. However, contrary to the directions of GOI, the Nigam had proposed and initiated the STP work

[75] Jagjeetpur, Haridwar and Rishikesh.

through Sequential Batch Reactor (SBR) method without approval of GOI. This was necessitated owing to the fact that the Nigam had delayed the process of tendering and award of contract by a period of 17/26 months from the date of sanction by the GOI and funds against the MKM were obtained to meet the price escalation.

- These funds were not utilized by the GPCU and works relating to two STPs were awarded in April 2008 and February 2009. Scrutiny of the estimates of 27 MLD STP (original and supplementary) revealed that there was no additional work and as such the original estimates sanctioned by GOI were inclusive of all items which were shown as additional items in the supplementary estimates. It was also noticed in audit that technical specification of both technologies inter-alia provides chlorination system for treatment of feacal coliform[76] before draining the water in river Ganga, therefore, selection of costlier technology was injudicious.
- The Government without ascertaining these facts, sanctioned an amount of ₹ 10.64 crore against MKM budget which was not justified, as GOI had already released its share, from time to time for the above two STPs.
- The work which was to be completed by October 2009, could not be completed till 30 April 2010 i.e; the last day of MKM defeating the purpose of sanctioning of funds under MKM. Further, the expenditure of ₹ 10.64 crore could not be treated as expenditure against MKM budget.
- The Division had reported utilization of complete funds allotted for STP in December 2009 though the actual payment was made after December 2009 by diverting funds from other schemes. Audit found that payment to the tune of ₹ 2.11 crore was made between January 2010 to June 2010.

1.2.17.3 Unjustified extra expenditure

The structural drawings and designs are required to be approved before preparing the estimate and cost of the project should be estimated on the basis of approved drawings and design. However, scrutiny of the records of GPCU, Haridwar revealed that;

- the division had taken up work on 2 STPs[77] simultaneously. The drawing and design of the STP was taken as a part of the agreement executed with the contractor though it was required to be prepared by the department.
- the cost of drawing and design for 27 MLD capacity STP was ₹ 25 lakh whereas that of 3 MLD capacity was ₹ 74 lakh which was abnormally high without justification. This resulted in excess payment of ₹ 49 lakh for much smaller and similar nature of work executed simultaneously.

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[76] Feacal coliform shows presence of domestic sewer in the river water.
[77] 27 MLD capacity at Jagjitpur, Haridwar and 3 MLD capacity at Rishikesh.

1.2.18 Monitoring and Quality Control

Effective monitoring of the programme is the key factor to achieve the objectives and benefits timely and random/periodic inspection by senior officers serves as a vital and effective tool of internal control. Government/Mela Adhikari envisaged a seven tier system of monitoring to evaluate the implementation of the facilities and infrastructure created during MKM as detailed below:

- Technical audit by retired engineers
- Audit by Indian Institute of Public Auditors
- Inter-departmental evaluation
- Monitoring at the level of Mela Adhikari and its representatives
- Monitoring at the level of Secretaries and Additional Secretaries at Government level
- Concurrent Audit by Internal Auditors of the State Government
- Third Party Quality Assurance

To ensure quality of infrastructure created for MKM, it was decided in January 2008 to establish a "Third Party Quality Assurance". The Government selected two agencies[78] for this purpose in January 2009. A five member[79] committee was formed to impose penalty on the contractors on the basis of negative reports submitted by these agencies. Audit noticed that agencies had submitted 1883 reports out of which 620 reports indicated that work was done against prescribed specifications by 14 Nodal Departments. Against 620 negative reports, action on 500 reports was taken by the Departments and penalty of ₹ 0.94 crore was imposed on the contractors up to August 2010. Action on 120 reports was yet to be initiated by the Departments.

1.2.19 Conclusion

Maha Kumbh Mela is one of the largest spiritual gatherings known to humanity. On this occasion pilgrims congregate in large numbers to Haridwar to have a holy dip in the sacred Ganga. In order to provide best of amenities to the pilgrims during the MKM, detailed inter- linked plans on a massive scale were required. Audit noticed that detailed and comprehensive planning like preparation of integrated plan for MKM was absent. Out of a total of 311 approved works, only 82 works were completed before starting of MKM. Besides, 43 additional works were executed without prior sanction which resulted in committed liability on GOU, five works were sanctioned unauthorisedly, not related with MKM. Late

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78 Shri Ram Institute for Industrial Research, New Delhi and TUV-SUD South Asia, Mumbai.

79 Chief Engineer, Level-2, PWD, Pauri; Superintend Engineer, PWD, Dehradun; General Manager, Ganga Pollution Control Unit, Haridwar; Superintending Engineer, Irrigation Department, Dehradun and Deputy General Manager, Power Corporation, SIDCUL, Haridwar.

release of sanctions created pressure upon executing agencies due to which irregular payment of advances to contractors were made and not adjusted in time. Loss of revenue, non-accountal of accrued interest, short realisation of revenue, incorrect reporting regarding utilisation of funds indicated lack of financial control. Moreover, works were taken up by the executing agencies in a hasty manner leading to improper assessment, substandard execution and unfruitful, excess, avoidable and wasteful expenditure.

1.2.20 Recommendations

In view of the various deficiencies noticed in audit, Government may consider the following for better arrangements of ensuing MKM:

- ***A detailed and comprehensive integrated plan for MKM should be prepared by taking into account the experiences of previous Melas in order to identify the actual requirements and to have better coordination amongst various agencies involved in MKM.***
- ***Constituting a permanent high power committee under the chairmanship of Urban Development Minister with adequate representation from all Nodal Departments engaged in development of Haridwar and Rishikesh town for macro level planning for overall development of these towns in order to reduce the burden of creation of huge infrastructure required during MKM/AKM.***
- ***Planning may be done in such a way that permanent structures created during the MKM should be adequately utilized in future Melas.***
- ***For effective financial discipline, the role of internal concurrent audit may be defined like release of next installment of funds may be allowed after recommendation of nil balances by concurrent audit. This process could be adopted especially for Jal Nigam as the funds released to the Nigam go out of Government Account.***
- ***Unspent MKM funds in the departments should be identified and suitable steps taken; cases of incorrect reporting in utilization certificates may be investigated and responsibility fixed. Large payments made on muster rolls with temporary imprest, must be discontinued.***

CHAPTER-II

AUDIT OF TRANSACTIONS

CIVIL DEPARTMENTS

CHAPTER II

AUDIT OF TRANSACTIONS

Fraudulent drawal/misappropriation/embezzlement/loss

SOCIAL WELFARE DEPARTMENT

2.1 Suspected fraudulent payment

₹ 1.07 lakh was remitted to a non-existent school at Bahadarabad (Haridwar).

Under Scheduled Caste/Scheduled Tribe (SC/ST) and Minority Scholarship Scheme, Social Welfare Department sanctions grants for scholarship @ ₹ 25 and ₹ 40 per month to SC/ST students[1] of class I to V and class VI to VIII respectively and ₹ 300, ₹ 480 and ₹ 720 per annum to minority students[2] of class I to V, class VI to VIII and class IX to X respectively. The scholarship is released on the basis of a demand letter from the school, duly countersigned by Khand Shiksha Adhikari and Upper Zilla Shiksha Adhikari/Zilla Shiksha Adhikari.

Scrutiny of records (December 2008) of the District Social Welfare Officer (DSWO), Haridwar revealed that under the above scholarship scheme, a total amount of ₹ 1.07 lakh (₹ 85,200 vide cheque No. SC 759187 dated 03 December 2007 and ₹ 21,600 vide cheque No. MT 291171 dated 24 March 2008) was remitted during 2007-08 to a primary school, Gyan Bharti Shiksha Sadan, at Bahadarabad (Haridwar) for which no Utilization Certificate (UC) was obtained (March 2010). The school had been granted temporary recognition upto June 1992, which had not been renewed since. On the initiative taken by audit to establish the validity of remittance, Up-Khand Shiksha Adhikari, Bahadarabad inspected the site (January 2009) and found that the school in question was not in existence.

Audit investigation further revealed that the remittance was made on the basis of lists of SC/ST and minority students of the school countersigned by the officers of Education Department. However, neither was there a system of verifying the signatures of the officers of the Education Department and nor was the list verified by the department as it did not have the certified signatures or a data base of beneficiaries. It was further noticed that the cheque for the amount of ₹ 85,200 was issued to Principal, Gyan Bharti Shiksha Sadan, Bahadarabad by designation only without obtaining the account number of Shiksha Nidhi Bank Khata of the school in which scholarship money received from Social Welfare Department, was to be deposited.

1 With no income limit for guardians.
2 With monthly income limit of ₹ 1,840 for guardians of rural area and ₹ 1,975 for guardians of urban area.

On this being pointed out, DSWO replied that UC was not obtained because the school was situated in a far flung area. DSWO admitted that data bank was not established for cross checking the validity of school and beneficiary students of various categories. DSWO also accepted that cheque for ₹ 85,200 was issued without obtaining Shiksha Nidhi Bank Account Number. At the instance of audit, it was also stated that steps to have certified signatures of the officers of Education Department would be taken up.

The reply is not tenable as the location of the school was hardly at a distance of 3-4 km away from DSWO's office at Roshnabad and could be easily approached. Moreover, non-maintenance of certified signatures of the officers of Education Department and appropriate data bank of beneficiaries and release of funds without cross verification of validity of schools by the DSWO was the root cause for the case and was fraught with the possibility of more funds being misappropriated, which in the instant case had resulted in an amount of ₹ 1.07 lakh having been remitted on account of scholarship to a school which was not in existence.

It is recommended that the Social Welfare Department should urgently review the procedure of sanction and release of its fund in order to plug loopholes which could result in the funds being misutilised or misappropriated.

The matter was referred to the Government (June 2010); reply was awaited (November 2010).

Infructuous/wasteful/unfruitful/excess expenditure

EDUCATION DEPARTMENT

2.2 Unfruitful expenditure on school building

Construction of a school building on forest land without prior permission from Forest Department resulted in stoppage of work and unfruitful expenditure of ₹ 70 lakh.

Section 2(ii) of the Forest (Conservation) Act, 1980 provides that- 'Notwithstanding anything contained in any other law for the time being in force in a State, no State Government or any other authority shall make, except with the prior approval of the Central Government, any order directing that any forest land or any portion thereof may be used for any non-forest purpose'.

Government of Uttarakhand granted (December 2005) Administrative approval and Financial sanction of ₹ 70 lakh for construction of building for Government Higher Secondary School, Nail Sankari (Chamoli) and a sum of ₹ 30 lakh was released (January 2006) by District Education Officer (DEO), Chamoli to a construction agency[3] as first installment. The sanction envisaged that the site

[3] Uttar Pradesh Rajkiya Nirman Nigam.

should be inspected before start of work. Second installment of ₹ 40 lakh was also released in January 2007 whereas only ₹ 20.20 lakh out of ₹ 30 lakh was spent by the construction agency.

Scrutiny of records (September 2009) of the Finance and Accounts Officer (FAO), under administrative control of DEO, Chamoli, revealed that prior approval for the use of forest land to construct the school building was not obtained from the Forest department as envisaged in the Forest (Conservation) Act, 1980.

Scrutiny further revealed that a proposal for transfer of Civil Forest land measuring 0.802 hectare at village Sankari was submitted (January 2008) belatedly after two years from the receipt of Administrative and financial sanction from the Government, by DEO to Nodal Officer and Chief Conservator of Forest, Land Survey Directorate, Dehradun. The work was started by the construction agency on forest land in January 2006 without obtaining the clearance from the Forest Department.

Deputy Conservator of Forest (DCF), Kedarnath Wildlife Division, Gopeshwar inspected (January 2009) the site and found that the school building was under construction on forest land and ordered that the work be stopped immediately. DCF, in February 2009 enquired the DEO about the school building being constructed violating the provisions of the Forest (Conservation) Act, 1980. In response, the DEO stated (March 2009) that no order for construction of the building on forest land was given by him.

On this being pointed out, DEO replied that neither the site was inspected before start of work, nor monitoring of the work was done.

The reply is not acceptable as the statement given by the DEO, that no order for construction was given by him, was factually incorrect as the DEO had released the first installment to the construction agency.

A total expenditure of ₹ 70 lakh had been incurred (June 2010) on the incomplete school building. Meanwhile, a revised estimate (RE) for ₹ 93.54 lakh was sanctioned (January 2010) by the Department despite the fact that the clearance from Forest Department was awaited (June 2010). Even after a lapse of more than four years after start of work, the department failed to obtain clearance from Forest Department and the work was at a stand still (December 2010).

Thus, construction of a school building on forest land without prior permission from Forest Department in violation of Forest (Conservation) Act, 1980 and lackadaisical approach of the department like non-inspection of site, non-monitoring of work done, resulted in an unfruitful expenditure of ₹ 70 lakh.

The matter was referred to the Government (September 2010); reply was awaited (November 2010).

PUBLIC WORKS DEPARTMENT

2.3 Excess expenditure due to wrong selection of quarry

Carriage from distant quarry and allowing higher hill rates for plain areas resulted in an excess expenditure of ₹ 34.93 lakh.

Government of Uttarakhand accorded sanction (September 2006) of ₹ 195 lakh and ₹ 306.80 lakh for renewal of internal roads of Tanakpur city and Champawat city respectively.

Audit scrutiny (November 2009) of the records of the Executive Engineer (EE), Provincial Division, Public Works Department (PWD), Champawat revealed that:

(i) The estimate for renewal of internal roads of Tanakpur city was prepared by selecting Lalkuan quarry (94 km away from Tanakpur) as the source for 'stone aggregates' whereas another quarry was available in Tanakpur itself, within a radius of 20 km from the work sites. The notified cartage rate of 'stone aggregates' between Lalkuan and Tanakpur was ₹ 615 per cum while the cartage rate within Tanakpur worked out to ₹ 159 per cum. This led to avoidable enhancement of cartage rate by ₹ 456 per cum (***Appendix –2.1***) and resulted in an excess payment of ₹ 19.33 lakh as per the details given in table below:

Table-2.3.1

Sl. No.	Item of work	Executed quantity	Rate of stone aggregates	Total Stone aggregates required	Excess rate (₹) per cum	Excess Amount ₹ in lakh
1.	Bituminous macadam (BM)	2,118.694 cum	1.42 cum per cum	3,008.54 cum	456	13.72
2.	Semi dense bituminous concrete (SDBC)	946.478 cum	1.30 cum per cum	1,230.42 cum	456	5.61
Total						**19.33**

(ii) Similarly, the estimate for renewal of internal roads of Champawat city was prepared taking into account Lalkuan quarry (169 km) as the source for 'stone aggregates' instead of the nearest quarry at Tanakpur, which is just 75 km away from Champawat. Even if additional margin of 25 km for local cartage to site at Champawat is taken into account, the distance works out to less than 100 km. Thus, selecting Lalkuan quarry for 'stone aggregates' instead of the closest quarry at Tanakpur led to avoidable enhancement of cartage rate of 'stone aggregates' from ₹ 643.95 per cum to ₹ 1,081.95 per cum (***Appendix –2.1***) resulting in excess payment of ₹ 15.60 lakh as per the following details:

Table-2.3.2

Sl. No.	Item of work	Executed Qty.	Rate of Stone aggregates	Total Stone aggregates required	Excess rate (₹) per cum	Excess Amount ₹ in lakh
1.	BM	1,745.78 cum	1.42 cum per cum	2479.00 cum	438	10.86
2.	SDBC	832.79 cum	1.30 cum per cum	1,082.62 cum	438	4.74
Total						**15.60**

On this being pointed out, the EE stated that a number of works were going on and large quantity of Grit was required, therefore, supply was taken from Lalkuan quarry. The reply was not convincing as the quantity of stone aggregate utilized in all ongoing works[4], including the cited works, was very small[5] as compared to the quantity extracted[6] from Tanakpur quarry.

Thus, carriage from distant quarry and allowing higher hill rates for plain areas resulted in an excess payment of ₹ 34.93 lakh (₹ 19.33 lakh+ ₹ 15.60 lakh).

The matter was referred to the Government (May 2010); reply was awaited (November 2010).

2.4 Unfruitful expenditure due to poor quality control

Due to lack of quality control and supervision, the division incurred an unfruitful expenditure of ₹ 2.03 crore on a defective and incomplete bridge.

Government of Uttarakhand sanctioned (December 2004) ₹ 2.32 crore for construction of a 3 km road along with 84 metre span steel girder motor bridge over Tonse River in km 1 of Mori-Mautar motor road under Special Component Plan (SCP). Technical sanction of ₹ 2.29 crore for the 84 metre span steel girder bridge was accorded by Chief Engineer (Garhwal Region), PWD, Pauri in December 2005.

Scrutiny of the records (June 2009) of the Executive Engineer (EE), Construction Division, PWD, Purola (Uttarkashi) revealed that the department entered into an agreement with Hillways Engineering Company, Rishikesh for construction of the 84 metre span bridge (February 2006) for ₹ 2.11 crore with the stipulated date of completion as February 2007.

As per clause 8 of General Public Works No. 9 (GPW-9) of agreement, a bill was to be submitted by the contractor each month on or before the date fixed by the Engineer-in-Charge for all works executed in the previous month and the Engineer-in-Charge was to take requisite measurement for verifying the

4 Total ongoing works – 21 (19 other works and 2 cited works).

5 Quantity utilized for 19 works = 17,581.14 cum and
quantity utilized in cited works = 7,800.58 cum
Total = 25,381.72 cum.

6 Total quantity extracted from Tanakpur quarry = 5,70,384.63 cum.

admissibility of claim. Further, it was mentioned in clause 6 of GPW-9 that during measurement, if it is found that there are certain visible defects to be resolved, the certificate to be granted by the Engineer-in-Charge shall specifically mention the details of the visible defects along with the estimate of the cost for removing these defects. The final certificate of completion of work shall be given after the visible defects pointed out have been removed.

The Engineer-in-Charge failed to point out any defects at the time of taking measurements and 96 *per cent* of bond amount i.e. ₹ 2.03 crore was paid (March 2008) to the contractor. However, during an inspection by the Technical Audit Committee (TAC) in March 2009, the following serious defects were noticed:

- 6,000 rivets had not been fixed due to mismatch of holes which affected the load bearing capacity of the bridge ;
- neither bolting work had been completed nor support removed; and
- bow shaped bending of 26 cm in the bottom cord towards down stream due to the defective work done by the contractor (as indicated in the photograph below) was also pointed out by the TAC advising (March 2009) that payment for the work should be made only after rectification was done by the contractor.

Incomplete and defective bridge over Tonse River

The above facts had previously also emphasized by the Chief Engineer, Level-I, who directed that structural steel and riveting work be tested and the proof checking of the structural design be conducted afresh by some reputed agency (January 2009). Accordingly, the safety and stability of the bridge was examined (December 2009) by a professor of Civil Engineering Department of IIT Roorkee. He concluded in his report that the bridge should not be used in the present state especially in view of the large number of missing rivets in the connections at joints and recommended re-assembling of the bridge.

Further information collected (October 2010), revealed that the work remained incomplete as the contractor had not rectified the defects and the department finalized the agreement (August 2010) by debiting ₹ 1.66 crore to Miscellaneous

Advances[7] against the contractor. This showed that the department did not take appropriate timely action against the contractor for defective work which was injudiciously measured, accepted and paid for. Since the defective structure was unsafe, the Engineer-in-Charge should have ensured proper riveting and bolting of the bridge prior to making payment. The unsafe structure was lying idle depriving the villagers of connectivity.

On this being pointed out, the department accepted the audit observation and stated that the bridge was unsafe to be used as it could develop secondary stress due to defective shape since joints had inadequate rivets.

Thus, due to poor monitoring and lack of quality control & supervision at various levels and releasing major part of payment without getting the defects removed by the contractor, the division incurred an unfruitful expenditure of ₹ 2.03 crore on construction of an incomplete and defective bridge. Further, since the defects were such that they could be easily detected, Government should investigate the matter and initiate action against the officers responsible for the lapse.

The matter was referred to the Government (June 2010); reply was awaited (November 2010).

2.5 Unfruitful expenditure on an incomplete road

Suspension of road work due to work being carried out without having clear title of disputed land, deprived connectivity to intended population and resulted in unfruitful expenditure of ₹ 102.58 lakh.

Government of Uttarakhand accorded administrative and financial sanction (February 2004) of ₹ 153 lakh for construction of 11 km of Balli-Mathana-Simlana motor road in District Pauri Garhwal to provide connectivity to six villages[8] having no alternate transport connectivity. Technical Sanction for ₹ 103.38 lakh was accorded (September 2005) by Chief Engineer (CE), P.W.D. Garhwal Region, Pauri with stipulation that the work must commence only after transfer of forest land.

Scrutiny of records (September 2009) of Executive Engineer (EE), Construction Division, PWD, Dugadda and further information collected (June 2010) revealed that after incurring an expenditure of ₹ 53.74 lakh on construction of first 6 km of road, the department cancelled (December 2007) 16 agreements awarded in November 2005 for construction of road in km 7 to 11. The work could not be taken up due to dispute on alignment with villagers and non-obtaining of clear title of land from Forest Department, resulting in non-availability of land.

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[7] An amount, which could not be recovered immediately by the department, was debited to this suspense head.

[8] Balli, Chaudali, Maiti, Sadaldhar, Mathaja and Mathana.

It was further noticed that expenditure debited to the work upto April 2010 was ₹ 102.58 lakh[9] including payments to Forest Department. The expenditure incurred[10] on hillside cutting of first 6 km and payments[11] made to Forest Department remained unfruitful as work was suspended half way, depriving people of the only proposed connectivity.

On this being pointed out, the EE replied that work for the remaining length could not be taken up due to dispute in alignment and non availability of Forest land. The reply was not acceptable as the work should have been taken up only after obtaining clear title of the land as emphasized by CE at the time of according technical sanction.

Thus, the expenditure of ₹ 102.58 lakh on construction of road remained unfruitful as the work was suspended halfway and could not be used by the intended population even after a lapse of more than five years.

The matter was referred to the Government (May 2010); reply was awaited (November 2010).

UTTARAKHAND PEYJAL NIGAM

2.6 Unfruitful expenditure on construction of sewer lines

In absence of sewerage treatment plant (STP), expenditure of ₹ 97.51 lakh incurred on construction of sewer lines remained unfruitful.

Government of Uttar Pradesh accorded financial sanction (April 1999) and technical & financial appraisal clearance was accorded (May 2002) by the Chief Engineer (Garhwal), Jal Nigam for ₹ 99.58 lakh for laying 2,628 metre sewer line with four units of septic tanks in Vijay Colony, Dehradun under Urban Sewerage Scheme. Accordingly, Government released ₹ 99.58 lakh in four installments to Peyjal Nigam (₹ 10 lakh on 05 April 1999; ₹ 30 lakh on 17 April 1999; ₹ 16 lakh on 28 April 2004 and ₹ 43.58 lakh on 06 November 2004).

Scrutiny of records (August 2009) of the Executive Engineer (EE), Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (UPSVNN), Doon Shakha, Dehradun, revealed that the work for laying of Sewer lines had been awarded to contractors in three phases (from June 2003 to July 2005) and was completed by August 2005. A total expenditure of ₹ 97.51 lakh was incurred on laying of 2,630 metre sewer lines. The remaining work *viz;* construction of septic tank was not taken up due to non availability of 1,950 sqm land. Further, scrutiny of records (May 2010) revealed that due to change in technology in the intervening period, the Nigam proposed to replace provision of septic tanks with STP having 0.42

[9] ₹ 73.43 lakh as per Monthly Account of April 2010 + ₹ 29.15 lakh as per information collected from Forest Department.
[10] ₹ 53.74 lakh to contractors.
[11] ₹ 29.15 lakh paid to Forest Department and ₹ 19.69 lakh for other petty works.

MLD[12] capacity at an estimated cost of ₹ 93.60 lakh. As the process of construction of new STP was yet to start (June 2010), the sewer lines laid five years ago could not be utilized due to non completion of STP and as a result, the sewer connections could not be given to the beneficiaries and residents used either individual septic tanks or/and discharged their municipal waste in the river Bindal through open drains.

On this being pointed out by audit, the EE stated that the land proposed for septic tank etc, in the estimate could not be finalized and 2,630 metre of sewer lines laid earlier would now to be connected with the STP proposed to be constructed under the JnNURM[13] scheme. The new project is expected to be completed by 2012.

The reply of EE confirmed that the expenditure of ₹ 97.51 lakh incurred on laying of 2,630 metre sewer lines remained unfruitful for more than five years and is likely to remain so for at least two years, depriving the intended beneficiaries of the facility for seven long years.

The matter was referred to the Government (August 2010); reply was awaited (November 2010).

Undue favour to contractors/avoidable expenditure

PUBLIC WORKS DEPARTMENT

2.7 Avoidable expenditure due to use of costlier material

Overlooking of IRC specifications and use of costlier material resulted in avoidable expenditure of ₹ 42.78 lakh.

Government of Uttarakhand sanctioned (September 2006) ₹ 9.49 crore under Twelfth Finance Commission (TFC) for reconstruction and repair of Purola-Jarmola motor road, Mori-Naitwar-Sankri motor road, Mori-Khunigad motor road and approach roads to Inspection House and office at District Uttarkashi, using bituminous macadam (BM) and semi dense bituminous concrete (SDBC). The technical sanction for the same was accorded by the Superintending Engineer (SE), Uttarkashi (November 2006).

Scrutiny of records (June 2009) of the Executive Engineer (EE), Construction Division, Purola (Uttarkashi) revealed that as per approved estimates, a layer of 5 cm of BM and 2.5 cm of SDBC was to be laid after applying tack coat[14] for each of the layers as tack coat prepares the existing road surface for superimposition of BM/SDBC. However, BM and SDBC were laid in excess as compared to the area covered by tack coat (2,43,181 sqm) as tabulated below:

[12] Million litre per day.
[13] Jawaharlal Nehru National Urban Renewal Mission.
[14] This consists of application of a single coat of low viscosity liquid bituminous material.

Table- 2.7.1

Sl. No.	Item of Work	Quantity actually laid (in cum)	Quantity required (in cum)	Excess Quantity laid (in cum)	Rate per cum (in ₹)	Amount (in ₹)
1.	BM*	6,846.79	6,383.50[15]	463.29	7,979	36,96,590.91
2.	SDBC	3,235.99	3,039.76[16]	196.23	9,509	18,65,951.07
Total						**55,62,541.98**
Less: Premix Carpet			9,265.80 sqm[17]	NIL	149.25	13,82,920.65
						41,79,621.33
Add : 2.35 *per cent* above as per condition in contract						**98,221.10**
Total paid in excess						**42,77,842.43**

**Including 5 per cent provision for undulation as proposed by the department.*

Thus, 463.29 cum of BM was excessively used and department could have saved excess expenditure of ₹ 23.14 lakh[18] on BM by using Premix Carpet (PC) as Profile Corrective Course (PCC). Moreover, there was no reason to lay excess SDBC of ₹ 18.66 lakh after levelling the surface by laying BM. Hence, department had incurred avoidable expenditure amounting ₹ 42.78 lakh.

On this being pointed out, the EE replied that the proposed roads were badly damaged and surface was undulated heavily as renovation work was not taken up from many years, hence excess quantity of BM and SDBC was used. The reply of the EE was not acceptable as the provision for undulation was already made in the estimates and the Indian Road Congress (IRC) Specification[19] clearly states that if the existing base is extremely irregular and wavy, it may be considered worthwhile to lay a bituminous leveling course as Profile Corrective Course (PCC) of adequate thickness to avoid an excessive use of the costly surface course.

Thus, overlooking of IRC specifications by laying excess quantity of costlier material (BM and SDBC) in place of suitable economical bituminous layer of Premix Carpet as PCC, resulted in avoidable expenditure of ₹ 42.78 lakh.

The matter was referred to the Government (May 2010); reply was awaited (November 2010).

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15 BM: 2,43,181÷2x0.05+5% of the quantity of laid BM =6,383.50 cum.
16 SDBC: 2,43,181÷2x0.025=3,039.76 cum.
17 463.29÷ .05= 9,265.80 sqm (volume÷ thickness = Area).
18 ₹ 36.97 lakh(for excess BM) - ₹13.83 lakh (for laying PC as profile corrective course @ ₹149.25 per sqm; 9,265.80× 149.25) = ₹ 23.14 lakh.
19 Para 6.1 of IRC : 95-1987.

2.8 Undue advantage to contractor due to faulty rate analysis

Faulty rate analysis resulted in undue advantage of ₹ 1.20 crore to a contractor.

Government of Uttarakhand sanctioned a sum of ₹ 10.59 crore (September 2006) under Twelfth Finance Commission (TFC) for strengthening of Lansdowne–Gumkhal–Chelusain motor road (km 1 to 32.6) and a sum of ₹ 10.89 crore and ₹ 10.67 crore (December 2006) respectively under State Plan Scheme for improvement and strengthening of Deriyakhal–Chundai–Rikhinikhal motor road (km 1 to 25 and km 26 to 49 respectively).

Scrutiny of the records (June 2009) of Executive Engineer (EE), Provincial Division, Public Works Department (PWD), Lansdowne revealed that contractor profit (CP) @ 10 *per cent* was allowed twice; first, at the time of collection of material such as grit, stone dust and bitumen, and again at the time of preparing rate analysis for bituminous macadam (BM) and semi dense bituminous concrete (SDBC). This inflated the rates for BM and SDBC as would be evident from ***Appendix –2.2***. These inflated rates formed the basis for higher rates in the agreement which resulted in excess expenditure as shown below:

Table 2.8.1

Item of Work	Detailed estimated rate (By Deptt.) (in ₹)	Tendered rates (in ₹)	Agreement rate (in ₹)	Rate analysed by audit* (in ₹)	Difference (in ₹) (4-5)	Quantity executed (cum)	Excess expenditure (₹ in lakh)
1	2	3	4	5	6	7	8
1.Lansdowne Gumkhal– Chelusain Motor Road (2% above the tendered rate as per agreement for column 4 and 5)							
B.M	5,958	6,120	6,242	5,717	525	8,055.170	42.29
SDBC	7,670	7,880	8,038	7,326	712	3,200.569	22.79
Total (A)							**65.08**
2.Deriyakhal-Chundai-Rikhinikhal Motor Road(3.5% above the tendered rate as per agreement for column 4 and 5)							
B.M	6,294	6,206	6,423	6,117	306	5,997.65	18.35
SDBC	8,185	8,019	8,300	7,904	396	2,721.69	10.78
Total (B)							**29.13**
3.Deriyakhal-Chundai-Rikhinikhal Motor Road(4.5% above the tendered rate as per agreement for column 4 and 5)							
B.M	6,532	6,413	6,702	6,404	298	5,609.07	16.72
SDBC	8,413	8,222	8,592	8,217	375	2,532.02	9.50
Total (C)							**26.22**
Grand Total (A+B+C)							**120.43**

**Audit has allowed contractor profit on material only once at the time of procuring material by contractor.*

On this being pointed out in audit, the EE replied that additional provision was made on the assumption of frequent increases in the rates of maxphalt and other material. The reply is not acceptable as the departmental rates should be based on either Departmental Schedule of Rate or Indian Road Congress/Ministry of Road Transport and Highways (IRC/MORTH) specifications as per prevailing procedure in the state. Hence, the department should have prepared detailed estimates accordingly as these rates become the basis for floating tenders. The contractor is free to access the market trend and quote higher/lower rates than that of departmental rates.

Thus, faulty rate analysis resulted in undue advantage of ₹ 1.20 crore to contractor.

The matter was referred to the Government (May 2010); reply was awaited (November 2010).

2.9 Undue benefit to contractor due to acceptance of single tender

Acceptance of a single tender at rates higher than the departmental rates resulted in undue benefit of ₹ 88.58 lakh to a contractor.

As per Government instructions issued in May 2002, major works (works having expenditure sanction above ₹ 40 lakh) should be executed on the basis of Two Bid System under National Competitive Bidding. For this purpose, Notice Inviting Tenders (NIT) should be published in at least two widely circulated newspapers (one national and one regional) twice for its wide publicity.

Scrutiny of records (November 2009) of the Executive Engineer (EE), Temporary Division (TD), PWD, Gaucher (Chamoli) revealed that the Government of Uttarakhand sanctioned (June 2005) ₹ 3.72 crore under IRQP[20] for reconstruction and improvement of Karanprayag-Nauti-Kirsal motor road (km 1 to 25). The technical sanction (TS) was accorded (11 May 2006) for the same amount for 20.640 km only.

Tenders for the said work were invited on 19 January 2006. NIT for the work was published in only one regional newspaper on 01 February 2006, even before obtaining the technical sanction (May 2006) with the result the department received a single tender from a contractor which was 35 *per cent* above the departmental rates mentioned in Schedule B.

The tender advisory committee (TAC) comprising of Chief Engineer (CE), Garhwal Region and Superintending Engineer (SE) recommended (20 May 2006) acceptance of the tender at rates which were 35 *per cent* higher than the departmental rates (announced in the same month in which technical sanction for the work was accorded). Finally, only 16.350 km of the road work was executed by the contractor against the length of 20.640 km for which the TS was accorded. The final bill for the work was settled in July 2009 and the contractor was paid an amount of ₹ 3.42 crore which included an extra amount of ₹ 88.58 lakh paid due to acceptance of tender at 35 *per cent* higher rates.

Absence of wide publicity and award of the contract on a single tender basis was in clear violation of the Government instructions issued (May 2002) and the instructions issued (September 2006 and April 2008) by the Chief Engineer (CE), Level-I stipulating that work should not be awarded on a single tender basis, if it was received at a higher rates and the contractor did not agree to reduce the rate upto the justified amount, the tender should be rejected and recalled. Moreover,

[20] Improvement of riding quality programme.

by publishing the NIT in only one regional newspaper, the department received and accepted a single tender at higher rates despite the fact that it had sufficient time to cancel and recall tenders as the single tender was opened (05 April 2006) after 75 days from the date of calling tenders and the department entered into an agreement (27 June 2006) after 158 days from the date of calling the tender.

On this being pointed out, the EE replied that due to the increasing trends in rates of materials, the tenders were not cancelled and recalled. The reply was not acceptable as price bid in which the contractor had quoted 35 *per cent* above the departmental rates was opened on 27 April 2006 and accepted by the TAC and just after 14 days, the detailed estimate was sanctioned[21] (11 May 2006) in which rates of materials were lower. Moreover, in the absence of wide publicity, the department could not explore the possibility of obtaining competitive rates which would have benefited the Government.

Thus, the acceptance of a single tender at rates higher than the departmental rates in an unjustified manner and constructing the motor road in reduced length, resulted in undue benefit of ₹ 88.58 lakh to the contractor.

The matter was referred to the Government (August 2010); reply was awaited (November 2010).

2.10 Undue benefit to contractor due to unjustified rates

Justification of unreasonable rates resulted in undue benefit of ₹ 21.81 lakh to contractor.

Government of Uttarakhand sanctioned (September 2006) ₹ 7.65 crore for the renewal of Lohaghat-Pancheshwar motor road, Lohaghat-Barakot motor road and Lohaghat-Mayawati motor road under TFC with bituminous macadam (BM) and semi dense bituminous concrete (SDBC).

Scrutiny of the records (March 2010) of the Executive Engineer (EE), Construction Division, PWD, Lohaghat (Champawat) revealed that tenders were invited (April 2006) before Administrative and Financial approval (September 2006) and technical approval (October 2006). A single tender was received (May 2006) and the department entered into an agreement (October 2006) at 25 *per cent* above the departmental rates, justified and advised by the Tender Advisory Committee (TAC). It was clear from the above facts that due process was not followed by the department while selecting the contractor because in the tendering process, competitiveness and fairness must be ensured to secure best value for money. Moreover, the 25 *per cent* hike on departmental rate was unreasonable as the tendered and agreed rate of bitumin was ₹ 29,352.50[22] per MT, whereas the contractor was issued bitumin from the departmental store at the

[21] Detailed estimate was sanctioned i.e. TS was obtained.
[22] ₹ 23,482 + ₹ 5, 870.50 (25 *per cent*).

rate of ₹ 26,922[23] per MT for the same work. The excess rate ₹ 2,430.50 per MT of bitumin benefited the contractor by ₹ 21.81 Lakh (***Appendix –2.3***).

On being pointed out, the EE replied that the rates were justified by the competent higher authority.

The reply was not reasonable as departmental issued rates in August 2007, were far less than that were justified in October 2006.

Thus, justification of unreasonable rates resulted in undue monetary favour to the contractor.

The matter was referred to the Government (July 2010); reply was awaited (November 2010).

Idle investment/idle establishment/blocking of funds/delay in commissioning equipment/diversion/misutilisation

EDUCATION DEPARTMENT

2.11 Damage to library books and blocking of funds

Lack of proper planning in shifting of library premises led to damage to books worth ₹ 25.89 lakh and blocking of funds to the tune of ₹ 12.10 lakh.

Government District Library, Gopeshwar (Chamoli) having 40,398 books[24], had been running on the first floor of departmental building since 1965. The building was declared (November 2006) unsafe due to damage by earthquake in 1999.

Scrutiny of the records (August & September 2009) of Finance and Accounts Officer (FAO), Gopeshwar revealed that Government of Uttarakhand sanctioned (March 2007) ₹ 72.10 lakh to District Education Officer (DEO), Chamoli for construction of library building at the same site. First installment of ₹ 12.10 lakh was released (April 2008) to construction agency[25] for initiating construction.

It was noticed that construction work had not started till date (May 2010). Further scrutiny revealed that DEO had vacated possession of the damaged building in September 2007 and shifted 11,144 books[26] to the reading room of the local municipality for public reading and the remaining 29,254 books valued at ₹ 25.89 lakh were dumped in almirahs and jute sacks in Government District Library, Chamoli (Gopeshwar). These books were lying unattended in moisture and were being eaten up by insects.

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23 Bitumin issued at the rate of ₹ 4,200 per drum, which is equal to ₹ 4,200 X 6.41 (1 MT=6.41 drum) = ₹ 26,922 per MT on the basis of August 2007 departmental issued rates.

24 Value: ₹ 38.30 lakh.

25 Uttaranchal Peyjal Sansadhan Vikas Evam Nirman Nigam.

26 Value: ₹ 12.41 lakh.

On being enquired about the fate of the books and the reasons for construction work not starting even after lapse of more than two years of release of funds, the FAO intimated (September 2009 and May 2010) that work could not start as ground floor of the building was occupied by the District Information Office (DIO) since 1965 and it was not vacated despite repeated requests in writing. It was accepted that the books dumped in almirahs and sacks were on the verge of getting damaged due to rain-water, insects and rats. The reply supports the audit finding that the department, not only released the fund prematurely without having a clear construction site, but also mis-managed the shifting of the library.

Thus, lack of proper coordination and proper planning in shifting of the library premises not only resulted in depriving the readers of the benefit of access to books (valued at ₹ 25.89 lakh), which are on the verge of being permanently destroyed, but also blocking of funds amounting to ₹ 12.10 lakh.

The matter was referred to the Government (June 2010). The Government accepted (October 2010) that only 11 thousand books were being used and 30 thousand books were dumped.

MEDICAL, HEALTH AND FAMILY WELFARE DEPARTMENT

2.12 Non-utilization of life saving machines/equipment

Non-utilization of life saving machines/equipment worth ₹ 85 lakh, procured more than four years ago, not only deprived the patients of the intended benefit but also resulted in deterioration in operational condition of the equipment.

To enhance the coverage of medical facilities and its quality, an autonomous Chikitsa Prabandhan Samiti (CPS) was formed by the Government in 2002-03 with the objectives of maintenance, repair and operation of equipment received from Government and purchase of fresh equipment as per requirement. The Prabandh Karyakarini Samiti (PKS) of CPS was to appoint medical/paramedical staff and engage services on short term contracts for smooth running of medical institutions, with the permission of Sanchalak Mandal (SM) and to organize training and workshops for doctors and staff. While SM was to meet every three months, PKS was required to meet compulsorily at least once a month.

During audit (August 2009) of office of the Chief Medical Superintendent (CMS), Jawaharlal Nehru District Hospital, Rudrapur (Hospital), Udhamsingh Nagar, it was found that:

- total 12 number of life saving machines/equipment of 9 categories[27] worth ₹ 85 lakh were supplied to the hospital between December 2005 and May 2006 by the Director General, Medical Health and Family Welfare, Uttarakhand, Dehradun;

Unutilized equipment

- above equipment were neither installed nor made operational till date (May 2010) and were lying unutilized in the hospital;
- CPS had neither arranged any training nor tried to appoint medical/para-medical staff on contract for operating the equipment[28];
- posting of specialists[29], capable of operating equipment like Neonatal, TMT, ICU ventilators, Diathermy unit, RO Plant and Haemodialysis were not made even after creation of the posts;
- 1,355 patients with medical problems in which these machines/equipment could have been used, had been referred (April 2006 to July 2009) elsewhere due to non-operation of machines;
- warranty period of three years of the above equipment had already expired; and
- PKS had not held any meeting in this regard and nor was there anything on record to suggest that any instructions were issued in this regard by SM.

Ignoring the objectives of constituting CPS and flouting of Government's directions, resulted in the general public being deprived of the benefits of available life saving machines worth ₹ 85 lakh. Operational condition of these idle machines/equipment was deteriorating due to passage of time and the warranty period was already over.

On this being pointed out, CMS accepted (December 2009) the above facts and stated that:

- due to lack of sufficient space and shortage of technicians, the equipment were not installed;
- the required training was not imparted to the staff due to shortage of staff;

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27 Neonatal Ventilator – 02; Diathermy Unit – 01; TMT – 01; ICU Ventilator – 01; Uretero Renoscope – 01; TUR Set – 01; Lap Chole Set – 01; RO Plant – 02; Haemodialysis – 02.

28 Uretero Renoscope , TUR Set and Lap Chole Set.

29 Cardiologist, Physiotherapist, Nephrologist/Urologist.

- The physician of the hospital who got training for ten days for operating Haemodialysis and RO Plant was transferred; and
- the meetings could not be organized due to non-availability of all the members including Chairman together at a time.

Reply of the CMS reinforces the audit finding that lackadaisical attitude of the management had led to non-achievement of objectives of CPS, also the idle life saving equipment could have benefited a large number of patients.

The matter was referred to the Government (May 2010); reply was awaited (November 2010).

RURAL DEVELOPMENT DEPARTMENT

2.13 Non-achievement of objectives due to casual implementation of work

Due to casual approach of the DRDA, the Government could not achieve the desired objectives of benefitting self help groups, artisans and swarojgaris despite incurring expenditure of ₹ 51.48 lakh.

Government of India, Ministry of Rural Development awarded (30 March 2000) administrative and financial sanction for establishment of SARAS Marketing Centre (MC) and Technology & Training Development Centre (TTDC) in District Haridwar with the aim of upgrading vocational skills of rural artisans to enhance their productivity and capacity by introducing better technologies and also for display and sale of their products. Project report (PR) stipulated ₹ 50 lakh as the cost of setting up the three-storey Marketing Centre, out of which ₹ 25 lakh was earmarked for civil works and rest for allied items *viz*; expenditure on Information Technology (IT) equipment, furniture, stocks and administrative staff etc. State Government issued sanction for ₹ 50 lakh in March 2001 and work was to be completed by March 2002. The assets so created, were to be used for the benefit of self help groups, artisans and swarojgaris in the State.

Scrutiny of records (December 2009) of the Project Director (PD), District Rural Development Agency (DRDA), Haridwar revealed that the construction of the Marketing Centre was started belatedly by the construction agency Uttarakhand Peyajal Sansadhan Evam Nirman Nigam on 4 December 2003 at Bahadarabad, Haridwar due to non-finalization of site and completed on 22 October 2005 with an expenditure of ₹ 51.48[30] lakh on civil work only.

Physical verification (December 2009) of the Marketing Centre revealed that it was a two storey building and instead of being used for the activities of the project, it was being used by Block Development Officer (BDO) as his office. Audit scrutiny revealed that the estimate of ₹ 50.89 lakh for two-storey building instead of three storey building was prepared by the construction agency and technical sanction for ₹ 50 lakh was accorded by themselves in November 2005 i.e. after completion of work. There were no records available with DRDA which

[30] Original sanction: ₹ 50 lakh, Interest: ₹. 0.66 lakh, other resources: ₹.0.82 lakh.

could provide evidence that the estimate was sanctioned by the State Government. Yet, the DRDA released[31] the full amount of ₹ 50 lakh to the construction agency between December 2003 and July 2008 for the civil works relating to two storey only while ₹ 25 lakh was allocated for three storey building in the Project Report. Hence, ₹ 25 lakh allocated for the purchase of IT equipment, furniture, stocks and administrative staff etc. was also used for civil works rendering the Centre useless for targeted beneficiaries. Audit noticed that the land for construction was not available till September 2002 while as per DPR, suitable land was to be provided by DRDA, Haridwar.

On this being pointed out, PD, DRDA admitted that the drawing for two storey building for the Marketing Centre was prepared by the construction agency itself and got approved by them directly from the State Government. He stated that the Centre was taken over by BDO due to non-completion of office building for the BDO. He further accepted that financial sanction of the State Government for ₹ 50.89 lakh was not available with DRDA. It was also stated that additional funds would be demanded from State Government for the remaining items *viz;* IT equipment, furniture, stock and administrative staff etc.

Reply was not tenable in view of the facts that PD, DRDA was solely responsible for construction of the Marketing Centre. PD, DRDA could not produce any document conveying approval of the State Government of drawings of the Marketing Centre building, orders of State Government to release full fund of ₹ 50 lakh against GOI guidelines for incurring ₹ 25 lakh to construction agency for civil works only and for allowing BDO to use the Centre building as his office.

Thus, due to casual approach of the DRDA, the Government could not achieve the desired objectives of benefitting self help groups, artisans and swarojgaris despite incurring expenditure of ₹ 51.48 lakh and the building erected for the purpose, was occupied by BDO for his office.

The matter was referred to Government (June 2010); Government reply (September 2010) did not contradict any point raised by audit.

TOURISM DEPARTMENT

2.14 Idle investment on Tourist House

Unauthorised expenditure of ₹ 42.37 lakh on an incomplete construction of Tourist House at Aadibadri, district Chamoli resulted into an idle investment.

Government accorded (March 2002) administrative and financial sanction of ₹ 42.23 lakh for construction of a Tourist House (20 bedded) at Simli (Chamoli)

[31] ₹ 38 lakh by cheque: 4 December 2003; ₹ 8 lakh by cheque: 31 December 2005; ₹ 2 lakh by bank draft: 1 August 2008; ₹ 2 lakh by bank draft: 31 July 2008.

with an advance of ₹ 15 lakh, released to the construction agency[32] (May 2002). Clause 4 of the sanction envisaged that the fund should be used on the same project/items for which it was sanctioned and in no case, revision in cost would be admitted.

Scrutiny of records (November 2009) of Director, Tourism Department Uttarakhand, Dehradun revealed that site for construction was not identified till December 2004. In a meeting held under the chairmanship of Hon'ble Minister of Tourism for reviewing the status of work, it was decided to change the site of construction of tourist house from Simli to Aadibadri. The target to start the work was set as July 2005 with scheduled date of completion as February 2006. Department, however, used the fund sanctioned for Simli on the construction work at Aadibadri in September 2005. Further, funds to the tune of ₹ 27.23 lakh[33] were also released to the construction agency. The work was stopped in September 2009 after exhausting ₹ 42.37 lakh, against sanctioned amount of ₹ 42.23 lakh, after completing 80 *per cent* of the work. A revised estimate (RE) for ₹ 77.76 lakh was submitted (February 2006) to the Government, sanction of which was not received as of November 2010.

Audit scrutiny revealed that the site for construction at Simli was not ascertained before obtaining sanction from the Government and the fund was retained unauthorisedly by the construction agency for more than three years (May 2002 to September 2005) till the work started at Aadibadri in September 2005. Government also objected (September 2006) on non-obtaining of fresh sanction for the construction at Aadibadri. An earning asset was ultimately converted into an idle investment and the possibility of incomplete structure getting deteriorated over time could also not be ruled out.

On this being pointed out in audit, Department stated (November 2009) that the construction at Simli was to be done on the land of Industries Department but they refused to transfer the land subsequently. Department further stated that since same work was to be done at Aadibadri, the fund released for Simli was used by the Department in Aadibadri.

Reply was not tenable as the department could not produce records in support of their statement for refusal by Industries Department. Further, the department was not authorized to use the fund sanctioned for Simli on the construction at Aadibadri, in violation of the provisions of sanction itself. As per the provisions of budget manual, the fund should not have been drawn until the site for construction was available and in the event of drawal, it should have been surrendered to Government as soon as the possibility of availability of land at Simli was over. A fresh estimate for construction at Aadibadri should have been prepared and got sanctioned by Government before starting the construction work at Aadibadri.

[32] Garhwal Mandal Vikas Nigam Limited.

[33] ₹ 20 lakh in 2005-06 and ₹ 7.23 lakh in 2006-07.

Thus, despite incurring an unauthorized expenditure of ₹ 42.37 lakh by the department on an un-approved project at Aadibadri, the construction of Tourist House remained incomplete (November 2010), thereby defeating the purpose of its creation besides leading to an idle investment.

The matter was referred to the Government (October 2010); reply was awaited (November 2010).

UTTARAKHAND PEYJAL NIGAM

2.15 Injudicious expenditure on incomplete water supply scheme

An injudicious expenditure of ₹ 2.79 crore was incurred on an incomplete pumping water supply scheme in district Almora.

Government of Uttarakhand sanctioned (September 2004) a sum of ₹ 2.95 crore for construction of Paparsaili-Mat-Matena pumping water supply scheme in district Almora under Accelerated Rural Water Supply Programme (ARWSP).

The Scheme was to cover 40 habitations, 4 schools and tourist spots which covered a population of about 5,156 (Year 2008). Water supply scheme for these habitations was previously constructed in 1987 from gravity source which had since dried up and the villagers were meeting their daily requirement of water from '*gadheras*'[34] and springs which dry up in the summer.

Scrutiny of records (July 2008) of the Executive Engineer (EE), II Construction Division, Uttarakhand Peyjal Nigam, Almora revealed that:

(i) This Scheme was proposed to be constructed adjacent to the existing Almora pumping water supply scheme (constructed for water supply to Almora Town) with Kosi River as the common source of water for both the schemes;

(ii) The project report was prepared without taking into consideration the data regarding water discharge and availability of water at source. The details presented in the report failed to take into account the fact that water at the source was not sufficient as brought out in the succeeding sub-paras;

(iii) There was insufficient water available at the source was evident from the fact that there are 40 lift irrigation pumps and 6 pumps of 50 HP for water supply to Vivekananda Research Institute installed upstream of the river all of which remains closed during summers for ensuring water supply to Almora town; and

(iv) Due to insufficient water at source an effort was made to change the source of water for the Scheme. In this connection, a committee headed by the District Magistrate was set up which recommended (January 2004) that no

[34] Small river.

other water supply project should be proposed on Kosi River, but the Government did not accept the recommendation (March 2004).

Despite being aware of the fact that due to inadequate availability of water at source, the viability of the scheme was doubtful, the Government sanctioned the project and after incurring an expenditure of ₹ 2.77 crore, transferred the incomplete project to Uttarakhand Jal Sansthan in December 2008. At the time of transfer of the scheme, distribution systems had not been constructed in Falseema and Sikura village and the two water reservoirs, constructed at village Falseema and Gadholi, were not in working condition

The Government while accepting the audit observation stated (October 2009) that since for a short period during summer the discharge of Kosi River remains insufficient for Almora Water Supply and Paparsaili-Mat-Matena Water Supply Scheme, a temporary dam was constructed in the downstream side of pump houses meant for the above schemes.

The reply was not acceptable as the scheme has failed to meet the intended objective of providing water during summers to a population over 5,156 even after construction of the temporary dam downstream of the river at an additional expenditure of ₹ 1.86 lakh as the villagers were meeting their daily requirement of water from '*gadheras*' and springs which dry up in the summers.

Thus, a sum of ₹ 2.79 crore was injudiciously spent on a water supply scheme without ensuring the availability of water at source during summers.

Regularity issues and other points

ELECTION DEPARTMENT

2.16 Irregular payments to contractors in violation of financial limit

Irregular payments of ₹ 46.92 lakh were made to contractors engaged for arrangement of tents, furniture, light etc; for parliamentary/assembly elections of 2007 and 2008 in the State.

Government fixed (February 2002) financial limit of ₹ 0.80 lakh for the expenditure on the arrangement of tent and furniture etc[35], for the management of election process in each assembly segment of the State.

Scrutiny of the records (August 2010) of the District Election Officer, Dehradun revealed that tenders for arrangement for parliamentary and assembly elections of 2007 in nine assembly segments were allotted (February 2007) to two tenderers[36] for complimentary items and a total payment of ₹ 41.56 lakh[37] was made (between November 2007 and March 2008) to them.

35 Total 35 items *viz* light and sound, barricading, jug, tray, bucket, tub etc.

36 M/s Narendra for electrical items and M/s Sharda for items other than electrical.

37 M/s Narendra Electrical Co., Haridwar (₹ 20.97 lakh) and M/s Sharda Tent House, Haridwar (₹ 20.59 lakh).

Arrangement work for parliamentary by-election of 2008 was also allotted (February 2008) to the contractors on the rates of 2007 without inviting fresh tenders and a total payment of ₹ 20.56 lakh[38] was made (March 2008) to them on account of collective arrangement in 10 assembly segments.

Thus, a total amount of ₹ 62.12 lakh was paid to both the contractors in two years for 19 assembly segments out of which ₹ 61.71 lakh pertains to unapproved items, which were neither included in notice inviting tenders (NIT) nor in the offers of contractors and items which were offered by contractors as 'free items' (₹ 0.44 lakh) but were billed later.

After allowing, the prescribed limit of ₹ 0.80 lakh per assembly segment, the magnitude of irregular payment was to the tune of ₹ 46.92 lakh.[39]

The Department in their NIT invited only the rates of items and did not conduct any pre-assessment of quantum of items required. It was further noticed that the offers made by contractors were also not assessed in terms of their financial implications so as to keep the expenditure under prescribed limit.

On this being pointed out, Assistant District Election Officer, Dehradun intimated that payments were made to contractors on the verbal orders of higher officers. He further accepted that work regarding arrangement for parliamentary by-elections of 2008 was also allotted on the directions of higher officers to contractors on the rates offered by them for 2007 elections.

Further, Government replied (October 2010) that the arrangements for 2007 and 2008 elections were made after inviting proper tenders and the work was allotted on lowest rates. Reply was not tenable in view of the fact that the expenditure on election for each Assembly should have been limited to ₹ 0.80 lakh as per Government Order which had not been adhered to.

Thus an irregular payments of ₹ 46.92 lakh were made to the contractors in violation of the prescribed financial limit.

RURAL DEVELOPMENT DEPARTMENT

2.17 Irregular payments from SGSY infrastructure fund

Irregular payments of ₹ 95.24 lakh was made due to violation of the guidelines of Swarnjayanti Gram Swarojgar Yojna (SGSY).

Swarnjayanti Gram Swarojgar Yojna (SGSY), a centrally sponsored scheme was launched in 1999. Para 2.6 (d) of the guidelines of SGSY stipulates that any recurring expenditure in connection with operation of activities under this scheme will not be met from infrastructure fund created under the SGSY Scheme by

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38 M/s Narendra (₹ 9.87 lakh) and M/s Sharda (₹ 10.69 lakh).

39 ₹ 62.12 lakh - ₹ 15.20 lakh (₹ 0.80 lakh x 19 assembly segments).

Government of India. Such expenditure was to be borne either by the State Government or by the organization involved in the operation of activity.

Scrutiny of records of Project Director (PD), District Rural Development Agency (DRDA), Haridwar revealed (December 2009) that in connection with Integrated Cattle Development Programme[40] initiated under SGSY, DRDA entered into an agreement (March 2002) with a public trust[41] for establishing and operating 11 Cattle Development Centers in the State. Clause 5 (b) of the agreement provided that a payment of ₹ 13.42 lakh per year (with onward escalation in succeeding years) would be made to the public trust on account of operating cost (recurring cost). Audit further noticed that a total sum of ₹ 95.24 lakh[42] had been paid to the public trust through cheques between 2001-02 to 2008-09 on this account from the infrastructure funds of SGSY.

On this being pointed out, the PD, DRDA stated that the reason for inclusion of such clause in the agreement against the SGSY guidelines would be intimated after obtaining directions from the Government in this regard and the matter of bearing recurring expenditure from the infrastructure fund would be brought to the notice of State Government. However, the reply did not explain the justification for issue of cheques for meeting recurring expenditure by DRDA from the infrastructure funds in violation of the guidelines issued by Government of India under SGSY, resulting in irregular payment of ₹ 95.24 lakh.

The matter was referred to the Government (August 2010); reply was awaited (November 2010).

UTTARAKHAND PEYJAL NIGAM

2.18 Irregular expenditure on inadmissible items

Irregular expenditure of ₹ 26.29 lakh on item not included in the sanctioned estimate of a Peyjal Project.

Director (Rehabilitation), Tehri Dam Project accorded (September 2001) administrative and financial sanction of ₹ 12.65 crore and revised sanction (September 2004) of ₹ 14.15 crore for New Tehri Township Reorganisation Drinking water Scheme under deposit work. Technical sanction for this work was granted (April 2006) by Chief Engineer (Garhwal) for ₹ 15.03 crore (Civil Works: ₹ 10.37 crore + Electrical & Mechanical works: ₹ 4.66 crore).There was no record with the division to show that a revised financial sanction in support of the amount of technical sanction (₹ 15.03 crore) was obtained. The work commenced in August 2002 and was completed in April 2006 and the scheme was handed over in June 2010.

[40] For creating self employment through establishing units for artificial insemination of cattle.
[41] BAIF Development Research Foundation, New Delhi.
[42] ₹ in lakh : 13.42 + 14.30 + 9.66 + 17.86 + 10.00 + 10.00 + 20.00.

Scrutiny of the records (June 2009) of the Executive Engineer, Construction Division-II, Uttarakhand Peyajal Nigam, New Tehri (Division) revealed that against the technical sanction of ₹ 10.37 crore, an expenditure of ₹ 10.26 crore was incurred on civil works. Further, it was noticed that the Division incurred (upto December 2009) an expenditure of ₹ 26.29 lakh on the 'distribution system' which was already constructed under the original scheme, while necessary items, like staff quarter, camp office and chowkidar huts etc, were not constructed. On this being pointed out (June 2009), the Division accepted the facts and stated that the work of distribution system was undertaken on the basis of verbal orders of higher officers.

The reply of the Division was not acceptable as the distribution system had already been constructed under the original scheme. Moreover, the technical sanction prohibited expenditure on works which were not sanctioned in the detailed estimate[43]. Thus there was no justification for irregular expenditure of ₹ 26.29 lakh incurred on the item for which provision had not been made in the estimate.

The matter was referred to the Government (September 2010); reply was awaited (November 2010).

General

MISCELLANEOUS DEPARTMENTS

2.19 Lack of responsiveness to audit findings and observations resulting in erosion of accountability

Inadequate response to audit findings and observations resulted in erosion of accountability.

The Principal Accountant General (Audit) conducts periodical inspection of 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 2010, 3,898 IRs and 10,744 paragraphs issued during the period 1990-91 to 2009-10 were outstanding for settlement. The department-wise break-up of these outstanding IRs and paragraphs are given below:

[43] Rising main and pumping plant, treatment work, sump/water body, pump house and staff quarter, camp office and chowkidar huts.

Table:2.19.1

Sl. No.	Name of Department	Number of IRs	Number of paragraphs	Pending from
1.	Agriculture	86	232	1996-97
2.	Education	117	426	1991-92
3.	Irrigation	343	699	1990-91
4.	Medical, Health & Family Welfare	198	723	1994-95
5.	Minor Irrigation	52	122	1992-93
6.	Police	24	113	1990-91
7.	Public Works	725	1,789	1990-91
8.	Rural Development	169	576	1997-98
9.	Rural Engineering Services	108	246	1990-91
10.	Social Welfare	62	284	1999-2000
11.	State Autonomous Bodies	959	3,749	1990-91
12.	Others	1,055	1,785	1990-91
Total		**3,898**	**10,744**	

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.

CHAPTER-III

CHIEF CONTROLLING OFFICER (CCO) BASED AUDIT OF GOVERNMENT DEPARTMENT

CHAPTER-III

INDUSTRIAL DEVELOPMENT DEPARTMENT

3.1 CHIEF CONTROLLING OFFICER (CCO) BASED PERFORMANCE AUDIT OF INDUSTRIAL DEVELOPMENT DEPARTMENT

Highlights

The Industrial Development Department (IDD) of the Government is responsible for overall sustainable growth of the State industrial sector and implementation of laid-down Industrial Policies as well as various departmental schemes. The aim of the IDD is to generate additional employment opportunities to bring a significant increase in the Gross State Domestic Product (GSDP) and eventual widening of resource base of the State.

A department centric/CCO based performance audit of the IDD against its mandate and goals revealed that the number of industries, investment and employment in the State had grown significantly during 2001-02 to 2009-10 but there were a number of deficiencies noticed in infrastructural development, implementation of various departmental schemes, management of industrial estates, finances, revenues and contracts etc. Performance audit of the functioning of the Department for the period 2005-06 to 2009-10 brought out the following major points:

- ***Central Capital Investment Subsidy (CCIS) amounting to ₹ 79.23 lakh was provided by the IDD to four ineligible industrial units and no recovery was made from four other industrial units which got the CCIS amounting to ₹ 50.40 lakh but closed their units before completing minimum five years period as required under the scheme guidelines.***

[Paragraph: 3.1.8.6(ii)]

- ***₹ 17.64 crore was paid in excess against three agreements of infrastructural development, out of which overpayment of ₹ 15.08 crore was accepted by State Industrial Development Corporation Uttarakhand Ltd. (SIDCUL).***

[Paragraph: 3.1.12.2(iv)]

- ***Authorised corporations (GMVN, UVVN & KMVN) for mining of minor minerals were unable to pay even minimum dead-rent to the Government. The outstanding revenues against them was ₹ 115.95 crore.***

[Paragraph: 3.1.8.8(ii)]

- ***No recovery, was made by the Geology and Mining Unit against two firms which were involved in illegal mining of minor minerals amounting to ₹ 19.74 crore.***

[Paragraph: 3.1.8.9(i)&(ii)]

- ***₹ 9.34 crore as industrial loans and ₹ 3.17 crore as Khadi Evam Gramodyog loans were outstanding for recovery since 1995-96.***

[Paragraph: 3.1.7.4]

- ***Construction of Doon Cyber Tower at IT Park, Dehradun was stopped in July 2007 due to financial constraints of joint venture (JV) partner. Value of construction work carried out by the JV was estimated at ₹ 7.95 crore whereas an amount of ₹ 16.30 crore had been provided to the JV for the purpose.***

[Paragraph: 3.1.8.3(i)]

- ***Sixteen industrial estates measuring 1,120.31 acres of industrial land remained in possession of Uttar Pradesh (UPSIDC) depriving Uttarakhand of its land premium and lease rent.***

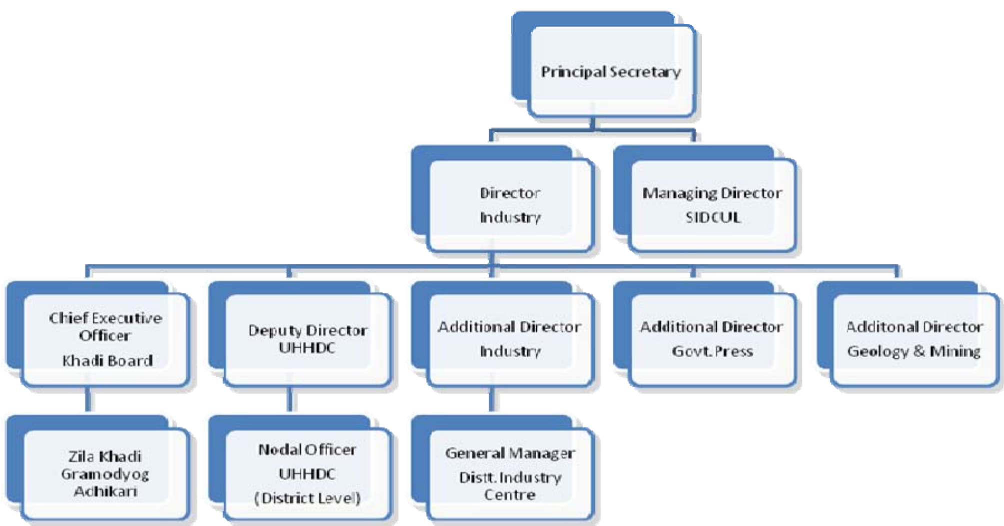
[Paragraph: 3.1.8.4]

- ***The Special Integrated Industrial Incentive Policy 2008 for Hilly Regions suffered as the IDD could spend only ₹ 2.57 crore during 2008-09 to 2009-10.***

[Paragraph: 3.1.8.1(iii)]

3.1.1 Introduction

The IDD comprises: (i) Micro, Small & Medium Industries (ii) Khadi & Handloom (iii) State Industrial Development Corporation of Uttarakhand Limited (SIDCUL) (iv) Mining & Geology and (v) Government Printing Press, Roorkee. The organizational structure of the IDD is as under:



The brief description of duties and responsibilities of these offices are as follows:

3.1.1.1 Directorate of Industries (DI)

Main functions of the Directorate of Industries are:

- Preparation and implementation of Industrial Policies.
- Registration of Micro, Small & Medium Entrepreneurs (MSME); and providing various information/assistance to entrepreneurs.
- Work on removal of various problems faced during industrial development.
- Arrangement for various integrated development programmes of Handloom, Handicrafts & Village Industries and Small Scale Industries (SSIs).
- Promotion and marketing of local product through Trade Fairs, Exhibitions and Publicity and encourage export of industrial, handloom, handicraft products.
- Identification and rehabilitation of sick industrial units.
- Compilation and preparation of budget estimates, monthly progress reports etc.

3.1.1.2 Khadi Evam Gramodyog Board

The functions of Uttarakhand Khadi Evam Gramodyog Board (UKGB), Dehradun are:

- Implementation of various welfare/Government schemes relating to Khadi and Gramodyog.
- Encourage local youths and provide training for establishing more *kuteer* and village industries and generating employment opportunities.
- Making arrangement for improving the financial position of local sheep breeders by purchasing wool from them and making the wool available to local weavers at cheaper rates through wool bank.

The Board has its district level offices (one in each district) known as District Village Industries Offices (DVIOs).

3.1.1.3 UHHDC

The Uttarakhand Handloom and Handicraft Development Council (UHHDC) was established for integrated development of handloom and handicraft industries in the State. The council is also responsible for sorting out the problems arising in this industry.

Presently, various Central and State schemes are being implemented through UHHDC to provide incentives to weavers of the State.

3.1.1.4 SIDCUL

The State Government, after bifurcation of the State from Uttar Pradesh, had realised that the availability of land in the industrial estates developed by the Uttar Pradesh State Industrial Department Corporation (UPSIDC) was not sufficient.

Consequently, the Government has established a separate nodal agency 'State Industrial Development Corporation Uttarakhand Ltd. (SIDCUL), for the development of infrastructural facilities in the State.

3.1.1.5 Geology and Mining Unit

There is a separate unit of Geology & Mining under the administrative control of the DI for scientific extraction, exploration & evaluation of minerals and to provide technical guidance to mining oriented industries. The unit also conducts studies of landslide and earthquake prone areas of the state and gives suggestions and recommendations to the Government and provides technical guidance relating to Geo-scientific suitability and stability of land for construction of buildings, bridges and roads of various departments.

3.1.1.6 Government Printing Press, Roorkee

It is the only Government Printing Press in the State under administrative control of the DI. The main functions of the press are publication and printing of Government Gazettes, books, forms and stationery.

3.1.1.7 District Industry Centre (DIC)

The DICs at district level are responsible for execution and monitoring of the departmental policies for Micro, Small and Medium Enterprises (MSMEs), heavy industries, handloom and handicraft industries and encourages the youth for self employment. Apart from this, the DICs perform the following:

- Wide publicity and implementation of State industrial policy.
- Temporary/permanent registration of industries and data collection.
- Selection of land and preparation of proposals for industrial estates.
- Execution of schemes of Development Commissioner, handloom and handicraft, small industries and Government of India (GOI) at district level.
- Marketing and publicity of local products through fairs and exhibitions.
- Work for problem redressal relating to industrial development.
- Identification and rehabilitation of sick units.

3.1.2 Funding pattern

The DI is responsible for overall financial control of the IDD and liaison with the Government. Budget approved by the Government is released directly by the Finance Department to the DI who further releases it to the concerned Drawing and Disbursing Officers (DDOs) of UKGB, UHHDC, SIDCUL, Geology & Mining and the DICs. Funds released by the Central Government for centrally sponsored schemes are routed through State Government to the DI.

3.1.3 Audit objectives

The audit objectives were to assess whether:

- Industrial growth of State was sustainable and its impacts upon GSDP and employment generation were positive.

- The programme/policies were planned properly and implemented timely, efficiently and effectively by the IDD.
- The IDD was able to provide infrastructural facilities and industry friendly environment to the entrepreneurs.
- Industrial estates developed by the IDD were utilised optimally.
- Proper budgetary and expenditure controls were in place and internal control system of IDD was effective.

3.1.4 Audit criteria

The performance audit of the IDD was evaluated with reference to the following criteria:

- The laid-down policies of the IDD.
- Guidelines of various schemes and Government Orders.
- Departmental Rule, Regulations, Manuals and Bye-laws.
- Provisions of the General Financial Rules and Budget Manual.

3.1.5 Audit methodology and coverage

Before commencing audit, the audit objectives, criteria and scope were discussed (March 2010) with the DI and other departmental authorities in an entry conference. The performance audit of the IDD was conducted during March 2010 to August 2010 through test check of records for the period 2005-06 to 2009-10 of the DI, UKGB, UHHDC, SIDCUL, Geology and Mining Unit, Government Design Centre-Kashipur and four district level offices of DI and UKGB (Dehradun, Haridwar, Nainital and Udhamsingh Nagar) out of 13 districts of the State. The district units were selected on the basis of Probability Proportional to Size with Replacement (PPSWR) technique. However, the Government Press, Roorkee was not covered due to variance of its objective and nature of work. The audit was carried out through issuance of audit memos, filling of questionnaires and collection of data[1] from the sampled units. Audit findings were also discussed (January 2011) with the Principal Secretary and other officers of IDD in an exit conference who assured that due attention would be given to the audit findings/recommendations and appropriate corrective action/enquiries will be taken wherever required.

3.1.6 Trend of State's industrial growth

The industrial sector represents an important part in the State's economy and rapid economic development depends on sustainable industrial growth. Uttarakhand, which was virtually known as "zero industry region" at the time of its bifurcation from Uttar Pradesh (November 2000) has succeeded in attracting huge investment in industrial sector and emerged as one of the fastest growing industrial States of northern India. This inference is based on the following facts:

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[1] Data relating to industrial growth was collected for whole period after bifurcation of State (November 2000 to March 2010) to make it comparative.

There were 35,955 Micro, Small and Medium Enterprises (MSMEs) and 203 Large Scale Industries (LSIs) registered in the State up to the end of March 2010 involving investment of ₹ 28,602.71 crore and providing employment to 2,22,478 persons. Out of these, 20,673 MSMEs and 163 LSIs were setup after creation of the Uttarakhand involving investment of ₹ 4,148.29 crore and ₹ 18,902.62 crore respectively and 1,52,794 employment (MSMEs: 1,01,935 and LSIs: 50,859) were generated by these industries (***Appendix-3.1***). As per policy of the State Government 70 *per cent* employment was being ensured to the local residents of Uttarakhand. Thus, the number of industries, investment and employment in the State during 2001-02 to 2009-10 had grown significantly with an average of 26.22 *per cent*, 46.13 *per cent* and 24.36 *per cent* respectively per year as compared to 2000-01, making a healthy impact on the State's economy as evident from the following assessments:

(i) As per report of the Thirteenth Finance Commission (TFC), the GSDP growth of Uttarakhand for the period 1999-2000 to 2006-07 was 9 *per cent* per annum, in which the growth rate of industrial sector was registered at 17.2 *per cent*. The growth performance of the State was not only better than the overall growth performance of the other Special Category States (SCS), but also better than the national average (GDP: seven *per cent* and Industrial Sector: 7.8 *per cent*). However, growth performance of the State prior to the year 2000 was much below the national average as well as the average of the SCSs.

(ii) A report of the CII[2] on GSDP covering data up to the year 2007-08 at constant rates of year 1999-2000 disclosed that Uttarakhand had witnessed highest growth rate amongst the northern States in manufacturing and construction sectors which brings the State amongst three fastest growing economies (Chandigarh, Uttarakhand and Haryana) in the northern region ***(Appendix-3.2)***.

Audit findings

The important points noticed during audit are discussed in the succeeding paragraphs:

3.1.7 Financial management

Proper financial management in an organisation is required to provide reliable financial data, safeguard assets and ensure adherence to prescribed policies, rules and norms. It is essential to prevent frauds, errors and mismanagement of funds and other resources.

Audit analysed the records of sampled financial controlling officers of the IDD to check the efficacy and effectiveness of their financial management. The findings are discussed below:

[2] Confederation of Indian Industry.

3.1.7.1 Financial position

The allotment of funds vis-à-vis expenditure for the period 2005-06 to 2009-10 was as under:

Table- 3.1.1

(₹ in lakh)

Name of the Unit	2005-06		2006-07		2007-08		2008-09		2009-10	
	Allotment	Exp.	Allotment	Exp.	Allotment	Exp.	Allotment	Exp.	Allotment	Exp.
DI	742.40	722.18	1,216.35	1,035.95	1,664.21	1,033.49	1,239.95	856.19	911.12	886.14
Khadi Board	318.25	318.25	389.80	389.80	493.13	493.13	580.10	580.10	322.85	322.64
UHHDC	582.40	582.40	690.35	690.35	230.05	230.05	439.82	344.49	143.19	143.19
SIDCUL	10,600.00	10,600.0	500.00	500.00	20.00	16.40	-	-	-	-
Govt. Press	114.17	114.17	67.56	67.56	52.33	52.33	-	-	22.60	22.60
Geology & Mining Unit	35.13	32.58	21.84	21.34	63.00	25.27	161.00	47.97	125.00	105.50
Total	**12,392.35**	**12,369.58**	**2,885.90**	**2,705.00**	**2,522.72**	**1,850.67**	**2,420.87**	**1,828.75**	**1,524.76**	**1,480.07**

Note: *Blanks in the table are indicative of no budget provisions and corresponding expenditure during the years.*

Broadly, the above details shows that there was persistent low utilisation of allotted funds by the DI during 2006-07 to 2008-09 (85.16 *per cent*, 62.10 *per cent* and 69.05 *per cent*) and by the Geology & Mining Unit during the period 2007-08 to 2009-10 (40.11 *per cent*, 29.79 *per cent* & 84.40 *per cent* respectively) which was indicative of poor budgetary management by the Department. Audit scrutiny further revealed that:

- The DI could utilise only ₹ 96.17 lakh (48 *per cent*) under interest subsidy scheme to SSI units against demand/allocated funds of ₹ two crore in the year 2006-07.
- Funds amounting to ₹ 9.50 crore apportioned to the DI for industrial promotion of hilly region of the State during 2007-08 (₹ 6.25 crore) and 2008-09 (₹ 3.25 crore) lapsed without utilisation at the end of financial years which showed that due attention was not paid by the Department for industrial development of hill region of the State in these years.
- Funds amounting to ₹ 37.73 lakh in 2007-08, ₹ 1.13 crore in 2008-09 and ₹ 19.50 lakh in 2009-10 pertaining to Geology and Mining Unit and ₹ 95.33 lakh in 2008-09 pertaining to UHHDC also lapsed without utilisation, which indicated that the funds could not be utilised as estimated and planned.

3.1.7.2 Pending apportionment of revenue

Land in the industrial estates at Pantnagar, Haridwar, Selaqui, IT Park Dehradun, Kotdwar and Sitarganj was provided by the State Government free of cost to the SIDCUL for development and allotment to entrepreneurs.

Audit scrutiny revealed that no modalities were worked-out/finalized between the Government and SIDCUL for apportionment of revenue realised by SIDCUL from allotment of plots in these industrial estates (on account of land premium and lease rent). However, an amount of ₹ 740 crore had already been paid (in 8 installments) by SIDCUL as and when demanded by the State Government (between March 2007 and January 2010). SIDCUL had a balance of ₹ 279.62

crore on account of land premium and ₹ 70.93 crore on account of lease rent in its bank accounts at the end of 2009-10. Scrutiny further revealed that revenue receipts from the ESIP, Sitarganj which had a balance of ₹ 68.15 crore at the end of year 2009-10 were being kept outside of these accounts by SIDCUL.

Thus, the above revenue receipts from Government properties remained outside the Government accounts due to non-finalization of apportionment modalities, which would require to be finalized expeditiously.

3.1.7.3 Unauthorised retention of lease rent of Government Spinning Mills

Two spinning mills of Uttar Pradesh State Textile Corporation (UPSTC) are located in Uttarakhand at Kashipur and Jaspur of district Udhamsingh Nagar (US Nagar). Consequent upon bifurcation of the State, these units had to be taken over by the Department. These units were lying sick and were on the verge of closure since 1998. The State Government had authorised SIDCUL to take over the possession of both units from UPSTC and to make arrangements for revival of these mills. The possession was taken by SIDCUL in August 2004 and ₹ 53.32 crore (approximately) were spent towards payment of outstanding salary/VRS to employees and other dues of the Mills which was borne by the State Government.

Audit scrutiny of the records of SIDCUL revealed that the mills were being operated on lease basis through a Ghaziabad based firm[3] since September 2005 (Kashipur Mill) and January 2006 (Jaspur Mill) respectively. An amount of ₹ 9.65 crore had been received by SIDCUL up to August 2010 on account of lease rent but this had not been credited to Government account.

3.1.7.4 Pending recovery of loans

Audit scrutiny revealed that loans amounting to ₹ 9.34 crore which pertained to the period prior to 1994-95 was pending recovery in the DICs (***Appendix-3.3***).

It was stated by the DI (August 2010) that several review meetings were conducted and the DICs were being instructed regularly for recovery of the outstanding loans. The department had also implemented one time settlement scheme in this connection (2005 to 2007), but results were not encouraging. The IDD should take some concrete and effective measures in this regard, to effect the recoveries.

Similarly, loans amounting to ₹ 3.17 crore were also pending for recovery in DVIOs under UKGB since 1995-96. These loans basically pertained to the KVIC, Mumbai which were granted to erstwhile UP Khadi Evam Gramodyog Board, (UPKGB), Lucknow for further distribution to the beneficiaries. Apart from this, it was also noticed during audit that an amount of ₹ 1.64 crore (Headquarters' office: ₹ 1.15 crore, Dehradun: ₹ 1.42 lakh, Haridwar: ₹ 40.63 lakh, Nainital: ₹ 3.75 lakh, and US Nagar: ₹ 3.07 lakh) of recovered loans were kept blocked in bank accounts. This amount was supposed to be sent to the KVIC, Mumbai as and

[3] M/s Alps Industry Ltd.

when these were realised. In reply, it was stated by the UKGB that the loans were taken by the UPKGB and settlement of many liabilities were pending with them. The reply was not acceptable as the loans were distributed through the district offices and their recoveries were required to be accounted for accordingly. Thus, the UKGB was responsible to recover the loans from beneficiaries and to repay the recovered amount to KVIC in time, but it failed in both respects.

3.1.7.5 Pending recovery of rent

A portion of UKGB's Regional Training Institute, Kaladhungi (Nainital) was rented out to a firm (M/s Prag Oil Mills Ltd, New Delhi) for seven years with effect from April 2003 to March 2010 on monthly rent basis at the rate of ₹ 9,990. A lease agreement to this effect was also executed (March 2003) between both the parties.

Audit scrutiny revealed that rent amounting to ₹ 6.89 lakh (up the May 2010) was not paid by the firm for the last 69 months. Even though the lease period has expired, neither the premises was vacated by the firm nor any legal action initiated by the Board against the firm. In reply, the Additional Chief Executive Officer (ACEO) Khadi Board assured that efforts were being made for recovery of outstanding rent along with compound interest from the firm through district administration.

3.1.7.6 Irregular handling of GOI funds

A centrally sponsored scheme Pradhan Mantri Rojgar Yojna (PMRY) was in operation by the end of 2007-08 and a new scheme Pradhan Mantri Employment Generation Programme (PMEGP) was launched from the year 2008-09. It is clearly mentioned in the PMEGP guidelines that new funds for 'forward and backward linkage' programme to be conducted by the DICs will be provided after obtaining an undertaking that the funds already provided under erstwhile PMRY were fully utilized or any unspent balances would be utilized for relevant expenditure under PMEGP.

Scrutiny of records of the DI revealed that funds amounting to ₹ one crore were provided by the GOI (February 2008) to the State Government for ongoing forward and backward linkage programme under the PMRY. However, the fund was released by the State to IDD in May 2008 which was not appropriated by the IDD as the scheme had already been closed in March 2008. Subsequently, the scheme funds were re-allocated by the State Government (between December 2008 and March 2009) for two other centrally sponsored schemes of the IDD out of which ₹ 69.10 lakh were utilised and remaining amount of ₹ 30.90 lakh lapsed as unspent balance at the end of the financial year. The same fund (₹ 30.90 lakh) had neither been allocated by the State Government to IDD nor refunded to the GOI. Besides this, audit also noticed that the scheme fund amounting to ₹ 63.41 lakh were also available with the DI (being kept in bank account) which was returned by the DICs as unspent balance after the closure of the scheme. Thus, the scheme funds were not being utilized as was required by the GOI guidelines and retained injudiciously by the DI/State Government.

On being pointed out in audit, the DI replied that diversion was made only for those centrally sponsored scheme under which the available allocation fell short and the GOI had already been requested (February 2009) to grant the permission for utilisation of unspent balance under PMEGP. The reply was misleading due to the fact that treatment of unspent balances was mentioned in the scheme guidelines and categorically clarified in December 2008. Moreover, the funds were partially diverted without permission/ intimation to the GOI.

3.1.7.7 Short realization of land premium and transfer levy by DICs

There are some standard terms and conditions (T&C) for allotment of industrial plots to the entrepreneurs which are mainly governed by a Government order issued in February 1994. According to the T&C, the allottee has to establish his declared industrial unit within stipulated time frame as mentioned in the allotment order failing which the allotment is deemed to be cancelled. Thereafter, the allottee has to pay 50 *per cent* cost[4] of the land as premium for revival of the plot in case of self-use and 75 *per cent* premium cum. transfer levy in case of transfer to other entrepreneurs. However, there was no record available in the test checked DICs regarding actual date of establishment of those units which were under production but audit scrutiny revealed that the above provisions were not adhered to in transfer cases of the plots which resulted into loss to the Government amounting to ₹ 64.99 lakh (***Appendix-3.4***).

3.1.7.8 Blockade of funds

UHHDC decided (May 2005) to establish a Craft Design Centre at the Kashipur Design Centre for planning and implementing product development as per requirement of the market. A proposal to this effect was submitted to the Government along with demand of funds. Audit scrutiny however, revealed that a grant of ₹ 20 lakh was provided by the Government to UHHDC in the year 2004-05 and 2005-06 for providing design support and marketing led design support but no investment was made by the UHHDC in this regard and the entire sanctioned fund was lying unspent in the bank account of UHHDC. In reply, the Chief Executive Officer (CEO), UHHDC stated (August 2010) that the funds could not be utilized due to non-sanctioning of technical staff for the Craft Design Centre by the Government. As such, the fund remained blocked for over four years.

Similarly, the Government sanctioned and provided a grant of ₹ 43.83 lakh in another proposal of Khadi Board (September 2003) for revival and strengthening of *Lok Vastra Ekai*, Jaspur (US Nagar) during the year 2004-05 and 2005-06. Audit found that no investment was made by the Khadi Board for revival and strengthening of the Jaspur *Ekai* till the date of audit (June 2010). However, the

[4] As per applicable rate of the IE.

sanctioned fund was lying unspent in the Board accounts but an administrative and financial sanction of ₹ 18.83 lakh had been granted by the Board for maintenance of building situated at Chamba, Tehri Garhwal by diversion of the fund for which no approval was obtained from the Government.

It was mentioned by the ACEO, Khadi Board in reply (June 2010) that the sanction for maintenance expenditure was made after approval of the Khadi Board. The reply was not acceptable as the intended objectives of the sanctioned fund remained unachieved and the partial diversion of funds was without approval of the Government.

3.1.8 Planning and Programme Management

As already mentioned, the IDD is responsible for overall sustainable growth of the State's industrial sector and implementation of laid-down Industrial Policies/various departmental schemes and to create high quality world class infrastructure facilities to attract national and international entrepreneurs to the State.

Audit scrutiny of overall activities of the Department against laid-down policies, schemes and programmes framed with reference to its objectives and goals are discussed in the following paragraphs:

3.1.8.1 Government/departmental policies

Since creation of Uttarakhand, the State Government had made following policies for the IDD:

(i) With an aim to reduce monopoly in the mining sector, the State Government had introduced (April 2001) a policy for mining of minerals known as Uttarakhand Rajya Khanij Niti (URKN), 2001 which was duly amended in October 2002. The policy envisaged that mining of minor minerals[5] available in riverbed areas of the State would be carried out only by three Government Corporations on lease basis, as per details given below:

Table- 3.1.2

Sl.	Name of the Corporation	Specified Area
1.	Uttaranchal Van Vikas Nigam (UVVN), Dehradun.	In all forest area of the State.
2.	Garhwal Mandal Vikas Nigam (GMVN), Dehradun.	In civil area of Garhwal Mandal.
3.	Kumaon Mandal Vikas Nigam (KMVN), Nainital.	In civil area of Kumaon Mandal.

Besides, in case of personal land or any other special circumstances, only short term permit or lease would be issued from district level with prior permission of the Government.

(ii) The State Government had introduced its new Industrial Policy, 2003 in the light of industrial promotional package granted by the GOI and in view of the interest already evinced by potential entrepreneurs, drawing lessons from the past

[5] Minor mineral means: building stones, gravel, ordinary clay, ordinary sand etc.

and experiences of other States. This policy and the package of the GOI had setup many milestones in industrialization of the State as discussed in the succeeding paragraphs.

(iii) The Government, after a lapse of four-five years realised that advantages of the special industrial package and the Industrial Policy 2003 were confined only to the plain areas of the State (Districts US Nagar, Haridwar and Dehradun) and remote/hilly areas of the State remained devoid of industrial development. Therefore, a Special Integrated Industrial Incentive Policy 2008 for hilly region was introduced (February 2008) by the Government. However, audit scrutiny revealed that a proper focus to the policy instruments and programmes was still not given by the IDD because only ₹ 2.57 crore[6] were spent during last two years as evident from the following details:

Table-3.1.3

Sl. No.	Name of scheme	Year 2008-09		Year 2009-10	
		No. units	Amount (₹)	No. units	Amount (₹)
1.	Capital investment subsidy	18	19,72,833	46	2,06,17,265
2.	Interest subsidy	-	-	57	24,39,855
3.	Electricity subsidy	01	464	03	5,67,108
4.	ISO registration subsidy	-	-	01	1,00,000
Total		**19**	**19,73,297**	**107**	**2,37,24,228**

Source: *Data provided by the DI.*

3.1.8.2 Availability of industrial infrastructure

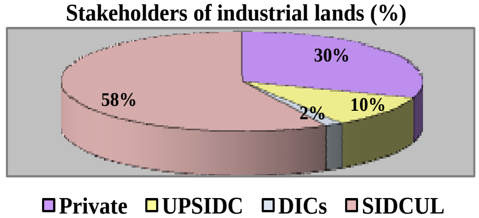
The vision of the State Industrial Policy, 2003 was to create high quality and world class infrastructure facilities in the State by setting/development of new/ existing Industrial Estates (IEs), Integrated Industrial Estate (IIE), Integrated Industrial Development Centers (IIDCs), Growth Centers, Special Economic & Commodity Zones & Parks and promote/encourage private sector participation in these sectors. To achieve these objectives, SIDCUL was made responsible for new infrastructural development of the State whereas management of old existing IEs remained the responsibility of DICs.

In combined State of Uttar Pradesh, 47 IEs covering 1,286.08 acres of land were setup in Uttarakhand region; out of which 1,120.31 acres land of 16 IEs was still (July 2010) being managed by the Uttar Pradesh State Industrial Development Corporation (UPSIDC) and rest 165.77 acres land of 31 IEs was being managed by the DICs (Paragraphs 3.1.8.4 & 3.1.8.5 respectively). No addition of land and infrastructural development were noticed in audit under these two sectors since bifurcation of the State from Uttar Pradesh. However, 9,461.61 acres of new industrial land was earmarked/notified by the Government for setting up new 54 IEs through SIDCUL and Private Developers[7]. The proportion of these stakeholders could be seen from the following chart:

6 ₹ 19.73 lakh in 2008-09 and ₹ 237.24 lakh in 2009-10.

7 Comprises 48 industrial estates over 3263.38 acres of land.

Chart 3.1.1
Stakeholders of industrial lands (%)



3.1.8.3 Infrastructure development by SIDCUL

The State Government had provided 6,198.23 acres of land free of cost to SIDCUL for development and allotment to the entrepreneurs. The SIDCUL undertook six mega projects thereon as per details given below:

Table- 3.1.4

(Area in Acres/position as on 15 June 2010)

Particulars	IIE, Haridwar	IIE, Pant Nagar	Pharma City, Selaqui	Growth Centre, Kotdwar	IT Park, Dehradun	ESIP, Sitarganj	Total
Total Area	1,695.00	3,193.23	50.00	100.00	67.00	1093.00	6,198.23
Allotable Area	1,146.00	2,604.79	37.00	60.87	50.00	631.00	4,529.66
Allotted Area	1,022.73	2,529.71	33.89	32.93	12.58	524.00	4,155.84
Area Vacant	123.27	75.08	3.11	27.94	37.42	107.00	373.82
No. of units	600	473	32	37	19	330	1,491
Units under const.	114	23	12	17	07	46	219
Units under prod.	482	433	20	11	05	94	1,045
Total investment[8] (₹ in crore)	168.50	269.78	8.97	19.14	21.91	47.31	535.61

Source: *Data provided by the SIDCUL.*

- The project of Information Technology (IT) Park, Dehradun comprised of an IT SEZ, Doon Cyber Tower and plots area for allotment to the interested entrepreneurs of IT sector.
- ESIP (Eldeco-Sidcul Industrial Project) is a joint venture project of SIDCUL and M/s Eldeco Infrastructure & Properties Ltd. situated at Sitarganj in district US Nagar.
- The IIEs Haridwar and Pant Nagar are known as world class Industrial Estates today which had industrial units of most prestigious national and international brands like Ashok Leyland, Nestle, Tata Motors, Wipro, Bajaj, Dabur, Parle, Green Ply, Hero Honda, Sterlite, Hindustan Unilever, ITC, Mahindra & Mahindra, Alps, Pfizer, Reckitt-Beinckzer, La-opala etc. Some photographs of these units are exhibited as under:

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8 Up to date investment by the SIDCUL in the projects.


Hindustan Unilever Ltd.

Mahindra &Mahindra Ltd.


Hero Honda Ltd.

Bajaj Auto Ltd.


Tata Motors Ltd.

Wipro Ltd.

- The Pharma City, Selaqui and ESIP, Sitarganj are more or less established projects but lot of development activities were yet to be done in the IT Park, Dehradun and Growth Centre, Kotdwar. In fact, the development activities in these two projects were found hampered over last three years as discussed in the succeeding sub-paragraphs along with other shortcomings of these projects:

(i) Incomplete Doon Cyber Tower

Doon Cyber Tower (DCT) in IT Park, Dehradun is one of the most prestigious projects of SIDCUL which was planned and designed as an intelligent building for "plug and play" facility with all modern amenities like health club, food courts, power back-up, service apartments and ample parking spaces. Floor spaces of the DCT were to be leased out to IT/ITES/BPO/Call Center companies. This would be the first 24x7 building of the Uttarakhand.

The project was to be constructed through a Joint Venture Company (JVC) of the SIDCUL and a private developer (M/s IDEB Construction Project Ltd, Bangalore) who was selected (February 2006) through inviting (June 2005) of 'expression of interest (EOI)'. A memorandum of agreement (MOA) was signed (March 2006) by both the partners and an amount of ₹ 16.30 crore (₹ 8.15 crore each) was provided for the JVC[9]. As per terms and conditions of the MOA, the IDEB was responsible for arrangement of at least 60 *per cent* of the total project cost as 'non-recourse debt (NRD)' from the financial institutions

[9] The SIDCUL and M/s IDEB respectively had to hold the 49 *per cent* and 51 *per cent* equity of the JVC.

which were to be increased upto 75 *per cent* by joint efforts of both the partners. M/s IDEB Ltd. was also appointed as a contractor for the project by the JVC.

The contractor M/s IDEB Ltd. started (June 2006) the construction work of DCT but could not continue due to paucity of funds. The work was lying held up since July 2007 till date of the audit (July 2010) as would be evident from the photograph alongside and an amount of ₹ 5.20 crore[10] of the JVC was lying unadjusted with the contractor. The SIDCUL had carried out an independent valuation (August 2009) of work done by the contractor in DCT from a State Government's construction agency who estimated its value at ₹ 7.95 crore.

Scrutiny of records of SIDCUL revealed that the selection of JV partner (M/s IDEB Ltd.) was partial and unjustified because the firm had no experience of raising NRD and work as JV with Government entities. Moreover, its net worth as per audited balance sheet and average turnover for last three years was also very low. The firm had got only 25 points out of 100 in technical qualification whereas there was a better performing company (M/s Larson and Tourbo Ltd.) who secured 80 points in the bidding process. No justification was found recorded for selection of such a low technically qualified firm but it was accepted by the MD, SIDCUL through a statement given (August 2010) to a news paper that selection of JV was wrong to whom so many relaxations were given during selection.

Thus, the facts showed that the selection of JV partner was unjustified which led to the DCT remaining incomplete, thereby defeating the very objective of the project.

(ii) Non-establishment of SEZs

Setting up Special Economic Zones (SEZs) in the country is a centrally sponsored scheme. The State Government had nominated (June 2006) the SIDCUL as nodal agency for setting up SEZs in the State and to avail the benefits as per policy of the GOI.

Audit scrutiny revealed that only two proposals were sent by the SIDCUL to the GOI for setting up the SEZs in the State which were accepted in principle by the GOI but the same were not setup due to lackadaisical approach of the nodal agency. The status of both the SEZs as on date of audit (July 2010) was as under:

[10] ₹ 4.20 crore as mobilization advance and ₹ one crore as advance for material.

Table- 3.1.5

Sl. No	Selected Place	Area (in hec.)	Type of SEZ	Status of GOI approval	Overall status of the project
1-	In IT Park, Dehradun	14.2	IT-ITES	Notified in June 2008.	No further initiatives were taken due to recession in IT Sector.
2-	Sitarganj, US Nagar	440	Multi Product	Only formal approval was granted (September 2007).	Steps are yet to be taken.

Thus, the nodal agency not only failed to set up and avail the intended benefits of the SEZs, but its 454.2 hectares of valuable industrial land earmarked for these projects was also lying unutilized over the years.

(iii) Establishment of IIDC against GOI Guidelines

Integrated Industrial Development Centre (IIDC) is a central sector scheme meant for promotion of the small scale and tiny industries. Under this scheme a project costing of ₹ 5.82 crore was approved by the GOI (August 2004)[11] for setting up an IIDC in IIE, Pant Nagar.

According to the GOI approval and scheme guidelines, only tiny and small scale industries having project cost between ₹ three lakh and ₹ 30 lakh were to be established in the IIDC by developing the plots measuring between 250-1,000 sqm. However, total 98 plots measuring 27.71 acres were developed by SIDCUL for allotment to entrepreneurs. Out of these 21.82 acres of land was allotted to 62 industrial units (75 plots) during the year 2005-06 to 2006-07 and rest of 23 plots measuring 5.89 acres were still lying vacant till July 2010.

Audit scrutiny revealed that only 62 plots were created as per norms (ranging between 747 to 1,000 sqm and area of remaining 36 plots was beyond the GOI norms ranging up to 2,400 sqm leaving no scope for small plots having area ranging between 250 and 746 sqm. It was also found that only 10 industrial units had their project cost between ₹ three lakh to ₹ 30 lakh and project cost of the remaining units (52) was above the norms (ranging between ₹ 30 lakh and ₹ 631 lakh). Thus, the GOI guidelines were overlooked by the SIDCUL both in terms of the size of plots and investments of most of the units were not as per norms which denied the probability of more small scale and tiny units in the IIDC.

(iv) Non-achievements of objectives of Growth Centre

The GOI introduced a scheme (1988) to encourage industrialization in backward areas by setting up Growth Centres. Under this scheme, a Growth Centre at Sigaddi, Kotdwar (Pauri) was sanctioned in December 2003. Total 100 acres of land was acquired by SIDCUL for the Growth Centre out of which 60.87 acres were developed for allotment to the entrepreneurs.

[11] The cost of project was to be borne by the GOI ₹ four crore and SIDCUL ₹ 1.82 crore respectively.

Records of SIDCUL showed that only 32.93 acres of land had been allotted to 37 industrial units and rest of 27.94 acres were lying vacant till August 2010. Out of the above allotments, 29.42 acres of land to 31 units was allotted by SIDCUL during the years 2005-06 to 2006-07 at fixed rate of ₹ 450 per sqm and only 3.51 acres of land to six units was allotted during last three financial years. Audit observed that the slow rate of allotment of plots in the Growth Centre was due to adoption of a faulty policy of bidding by the SIDCUL from the year 2007-08, which stipulates that the plots will be allotted only to the highest bidder and to those bidders who will quote their rate within the range of 30 *per cent* from highest bidder. By adoption of this allotment policy only two allotments (at the rate ₹ 2,800 per sqm and ₹ 2,200 per sqm) were finalized (July 2007) through bidding process out of 27 applicants as there was huge variation between the rates quoted by the bidders. Subsequently, the State Government in July 2008 also issued an order that further allotment of plots will be made at the rate of 125 *per cent* of the last allotment of industrial estate, according to which, plots for only four units were allotted at the rate of ₹ 3,500 per sqm up to August 2010.

Thus, the priorities were given to making more money by way of allotment at higher rates instead of encouragement of industrialization in backward area as per policy of GOI, which resulted in 45.90 *per cent* of industrial land remaining vacant in Growth Centre.

3.1.8.4 Industrial Estates remained in possession of Uttar Pradesh

In erstwhile State of Uttar Pradesh, 16 IEs measuring 1,120.31 acres of industrial land were set up by the Uttar Pradesh State Industrial Development Corporation (UPSIDC) in Uttarakhand region which had to be handed over to Uttarakhand after the bifurcation. The SIDCUL was made responsible by the Government (December 2004) to take over the possession of these IEs from the UPSIDC. Audit scrutiny revealed that all these IEs remained in possession of the Uttar Pradesh/UPSIDC as the SIDCUL had still (July 2010) not been succeeded to take over the possession. Moreover, the allotment of vacant plots of these IEs to the entrepreneurs was being made by the UPSIDC and this deprived Uttarakhand of revenue from land premium and lease rent.

Although, the details of allotments and realization of revenue by the UPSIDC could not be obtained in audit[12], but this being an established fact that huge industrialization took place in Uttarakhand during last six-seven years and the demand of industrial land was at its peak.

3.1.8.5 Management of Industrial Estates by DICs

Total 31 notified IEs measuring 165.77 acres of land were under the administrative control of the DICs in all over Uttarakhand at the time of

[12] The UPSIDC does not fall under purview of audit.

bifurcation. Out of this, 21 are mini industrial estates (MIE) measuring 47.43 acres of land and 10 are full-fledged IEs measuring land of 118.34 acres.

Although, no addition was found in the total area and number of industrial estates since bifurcation of the State but test check of records of the four sampled DICs and scrutiny of data available in DI revealed following deficiencies in management of these IEs/MIEs:

- Five MIEs[13] measuring 11.22 acres of land were totally undeveloped. Hence, no allotment took place in these MIEs.
- Five MIEs[14] and one IE (Syalidhar, Almora) measuring 27.79 acres of land were partially developed and allotted to industrial units but the units could not be established due to improper infrastructural facilities.
- Although, the IDD fixed allotment rates for 25 IEs/MIEs, yet the same were very nominal and remained unrevised since long. After creation of Uttarakhand, only one revision of allotment rates was made by the IDD for eight IEs in the year 2004-05 which were also not in consonance with circle rates of the area (issued by the concerned district authorities), resulting in loss of revenue to the Government.
- Allotments were not being cancelled regularly for those units which failed to establish their units within stipulated time as per the conditions of allotment.
- Two plots at IE Bhimtal which were initially allotted to M/s Kumaon Television Ltd. had been transferred to Kumaon University un-authorisedly by the allottee for non-industrial purposes in contravention of the provisions in the lease agreements.
- Possession of MIE Ragwar, Dehradun (3.22 acres) was yet to be taken over by the DIC, Dehradun as there was a dispute between the DIC and development agency UPSIDC since July 1996 regarding quality of development works done by UPSIDC.

Physical verification by audit team: Four MIEs/IEs of three sampled districts were inspected by audit team jointly with representative of respective DICs, which revealed the following deficiencies:

(i) Rural IE Vikasnagar (Dehradun): The maintenance of infrastructural facilities like internal roads, street lights and drainage system was very poor. Proper complaints in these regards were made available to audit by some of the occupant units.

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13 (i)Ragwar, Dehradun (ii) Buwakhal, Pauri (iii) Saroth (Chham), Tehri; (iv) Mori, Uttarkashi and (v) Purola, Uttarkashi.

14 (i) Kaleshwar, Chamoli (ii) Tarikhet, Almora (iii) Bhikiyasain, Almora (iv) Munsiyari, Pithoragrah and (v) Lachhamoli, Tehri.

(ii) MIE Chhharba (Dehradun): There was no infrastructural facility available in the MIE. The MIE was in dilapidated condition and only one workshop was found built up by an allottee.

(iii) IE Rudrapur (US Nagar): It is one of the best IE out of those which were in administrative control of the DICs but it also requires maintenance which was found lacking. Moreover, a common approach road was found unauthorisedly occupied by some allottee and stall owner as could be seen from the photograph.

(iv) MIE Laksar (Haridwar): Only two industrial units have been established in the MIE whereas no construction activities were carried out by five other industrial units who had been allotted 47 industrial plots out of total 55 plots.

Hence, the overall management of these IEs could be stated as poor in the light of above deficiencies. However, it was mentioned by the DI in reply (August 2010) that no further development of existing IEs was carried out as per decision taken (January 1993) by the erstwhile State Government but recently the duty was assigned to SIDCUL by the Government (May 2008) and plans for the same were being chalked-out jointly by the SIDCUL and DICs.

3.1.8.6 Departmental schemes and facilities to entrepreneurs

The schemes and facilities which were being mainly provided by the IDD to the entrepreneurs along with audit comments thereon are discussed below:

(i) Single window system (SWS)

The Single window contact, information, facilitation, and clearance system was operative in the DICs at District level as per provisions of the industrial policy 2003. These Centers have to provide all information, application form relating to sanctions of various departments and its disposal in time bound manner to the entrepreneurs at single place. A committee of nodal officers of various departments headed by the District Magistrate was a forum meant for facilitating single window clearances. The nodal officers were required to meet once a week at DIC for the purpose, which was to be monitored by the District Magistrate once a month.

Audit scrutiny revealed that although the single window system was functional in all the sampled DICs, yet the required meetings held were fewer than mandated and facilities were provided to very nominal number of cases. This was indicative that other required clearances of the various departments were obtained by the entrepreneurs through their personal efforts. The details for the year 2005-06 to 2009-10 are given below:

Table- 3.1.6

Sl. No	Major nodal departments	No. of industries registered during the period			
		Dehradun	Nainital	Haridwar	US Nagar
	Total number of cases	**1,333**	**874**	**1,878**	**1,683**
1	Fire Department	229	-	24	-
2	Development Authority	48	-	-	-
3	SIDA	188	-	-	-
4	Power Corporation	39	109	654	364
5	Pollution Board (consent)	96	13	-	-
6	Pollution Board (NOC)	-	09	7	-
7	Food Control	-	-	-	-
8	Excise Department	-	-	-	-
9	Trade Tax Department	-	-	03	-
10	Factory Act	-	-	-	-
No. of meetings held against required 260[15] meetings		**80**	**142**	**144**	**91**

Source: *Data collected from the concerned DICs.*

The State industrial policy, 2003 also envisaged that deemed clearances would be put in place through SWS wherein time bound limits in respect of various concerned departments had expired. However, audit observed that not even a single deemed clearance was granted by any of the four test checked DICs. To sum up, no change in the working of these departments was noticed towards providing facilities to the entrepreneurs, which resulted in non fulfillment of intended objectives of the SWS.

(ii) Central Capital Investment Subsidy (CCIS)

This is most popular incentive/scheme of the package granted by the GOI. All new industrial units established after 7 January 2003 and located in the notified area were eligible for CCIS at the rate of 15 *per cent* on their fixed capital investment in plant and machinery (P&M) subject to a ceiling of ₹ 30 lakh. The existing units located in the notified area (established prior to introduction of the scheme) on their substantial expansion in installed capacity by more than 25 *per cent* and thrust sector[16] industries were also entitled for the CCIS. The scheme was operative through State/district level committee(s) setup in the DI/DICs and SIDCUL was made State's designated agency for disbursement of the subsidy duly approved by the committee(s).

Audit scrutiny revealed that CCIS claims for 523 units were approved and recommended for disbursement by the committee(s) up to the end of year 2009-10. Out of these, CCIS amounting to ₹ 75.22 crore to 416 units had been disbursed and 107 cases involving ₹ 23.41 crore were pending with SIDCUL for want of funds from the GOI as of June 2010. The following discrepancies were noticed in test check of records relating to CCIS of the sampled DICs:

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15 Number of weeks in five years.

16 Listed in Annexure-II of the Concessional industrial Package granted by the GOI (vide OM No.1(10)/2001 -NER dated 07-01-2003).

- None of the DICs was obtaining statement of production form CCIS benefited units though it was mandatory as per the scheme guidelines.
- Four industrial units[17] of district US Nagar for which CCIS amounting to ₹ 50.40 lakh was provided, had closed their production/unit before completing minimum time of five years and no recovery was made by the IDD though required under the scheme.
- CCIS amounting to ₹ 30 lakh was provided (May 2006) by the IDD to a unit (Hotel Himalayan Heights, Ramnagar, Nainital) on total investment in P&M of ₹ 2.05 crore. Audit found that the unit was not entitled to receive the subsidy as land of the Hotel was purchased by the owners in 1996 at a cost of ₹ 86.32 lakh[18] which indicated that effective steps (as defined in the scheme guidelines) to establish the Hotel were taken prior to effectiveness of the scheme. Similarly, CCIS amounting to ₹ 10.62 lakh was provided (August 2006) to another ineligible unit (Hotel Monarch, Mussoorie) as a new unit whereas this was a prebuilt hotel, purchased in July 2001 by the applicant and some investment was made on its renovation after January 2003.
- CCIS amounting to ₹ 30 lakh was provided (January 2008) to a hotel (Country Inn and Suits, Motichur, Dehradun) for its substantial expansion of three floors and 18 rooms from existing capacity of three floors and 12 rooms. Audit scrutiny revealed that all the floors and rooms of the hotel were prebuilt since 1989 as was clearly mentioned in purchase agreement (August 2003) and sale deed (February 2004) of the hotel. Thus, there was no enhancement in hotel's installed capacity and the expansion was shown only for obtaining the subsidy.
- CCIS amounting to ₹ 8.61 lakh was provided to two sister units (September 2007 and March 2010) of a firm (M/s Pooja Packaging Industry, Nainital) as a thrust sector industries for production of Corrugated Boxes only. Audit found that units were also producing Printing, Coating and Lamination works which were among the listed items of negative list of the scheme and these facts were ignored during sanction of the CCIS. As such the unit was not eligible for the subsidy under the scheme.

All these issues were raised during audit of the DI who mentioned (August 2010) that necessary directives were being issued to the DICs for obtaining the statement of production and recovery of the CCIS in case of closed units. It was also mentioned by the DI in respect of hotels and other cases that the CCIS were allowed on the basis of investment declared by the units and valuation reports furnished by Chartered Engineers. The reply was not acceptable as the CCIS in these cases was allowed against the provisions of the scheme guidelines.

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[17] (i)M/s Jindal Agro Product Ltd, Kashipur (ii) M/s B&S Clothing Co., Kashipur (iii) M/s Uttaranchal Agrovet, Kashipur and (iv) M/s Sunshine Ind. Ltd. Bajpur.

[18] Valued by applicant itself amounting to ₹ 32 lakh in the scheme application.

(iii) State Capital Investment Subsidy (SCIS)

State Government vide hill industrial policy 2008 had also launched (February 2008) a SCIS scheme with similar conditions as prescribed for CCIS but at the rate of 25 *per cent* on their fixed capital investment in P&M for A-Category regions[19] and 20 *per cent* for B-Category regions[20] but same as per Category-A in case of State domicile subject to maximum ceiling of ₹ 30 lakh. Total ₹ 2.26 crore were sanctioned and provided to 64 industrial units under the scheme by the end of financial year 2009-10.

However, it was observed in audit that SCIS amounting to ₹ 1.13 crore was provided to six industrial units which had already got the CCIS amounting to ₹ 54.33 lakh on the same items of investments (P&M), hence, the subsidy under both the schemes exceeded their maximum ceilings as per details given below:

Table- 3.1.7

Sl. No	Name of units	Investment in P&M (₹)	SCIS (₹)	CCIS (₹)	Total Subsidy (₹)	%
1.	M/s Vinayak Packaging, Growth Centre, Kotdwar	56,91,350	11,38,270	4,10,935	15,49,205	27.22
2.	Hotel Surya Plaza, Kotdwar, Pauri	1,09,61,362	27,40,245	16,44,207	43,84,452	40.00
3.	M/s Vardhman Indusry, Dhalwala, Tehri	35,05,919	8,76,479	5,25,887	14,02,366	39.99
4.	Hotel Daya Palace, Chamba, Tehri	93,49,321	23,37,330	14,02,493	37,39,823	40.00
5.	M/s Pooja Print Pack, Kotabag, Nainital	1,33,31,509	30,00,000	7,04,191	37,04,191	27.78
6.	Hotel Shiv Palace, Baurari, New Tehri	49,70,582	12,42,645	7,45,587	19,88,232	39.90
Total			**1,13,34,969**	**54,33,300**	**1,67,68,269**	

Source: *Records of the DI.*

In reply, it was mentioned by the DI that the subsidy was allowed as per provisions of the industrial policy 2008 which permits the subsidy up to ₹ 60 lakh or 60 *per cent* in a case of investment. The reply was not satisfactory as the related provisions of the policy were for all financial incentives admissible to a unit from the IDD, which *inter-alia* comprises Capital Investment Subsidy, Interest Subsidy, Transport Subsidy, Electric Subsidy, ISO Registration Subsidy etc. Therefore, the interpretation of IDD was un-acceptable as none of Government schemes would be allowing such duplicity of subsidy beyond maximum ceiling. Moreover, all these units had submitted an affidavit[21] to this effect that they had not taken any subsidy on these items of investment from any Central or State Government funds.

[19] Total area of District Pithoragarh Uttarkashi, Chamoli, Champawat, and Rudraprayag.

[20] Total area of District Pauri, Tehri, Bageshwar, Dehradun except area of Vikasnagar, Doiwala, Raipur and Sahaspur Blocks, Nainital except area of Haldwani and Ramnagar Blocks.

[21] To IDD at the time of filing CCIS application.

(iv) Interest subsidy

As per provisions of the industrial Policy 2003, interest subsidy is being provided by the IDD to encourage SSI units. Under this scheme, newly established SSI units as well as those units which had taken loan from bank/financial institution for establishment/modernization/expansion of their units were entitled to interest subsidy at the rate of three *per cent* subject to maximum of ₹ two lakh per year whereas units which were located in remote and hilly areas were entitled for subsidy at the rate of five *per cent* subject to maximum of ₹ three lakh per year. The scheme was operative through the DICs and DVIOs under district sector.

The following deficiencies were noticed during test check of records for the period 2005-06 to 2009-10 of the four sampled DICs and DVIOs:

- Total 506 cases amounting to ₹ 7.74 crore were sanctioned by the DICs but the subsidy could be provided in 326 cases amounting to ₹ 4.31 crore due to short allocation of funds under the scheme. Thus, rest of 180 cases amounting to ₹ 3.39 crore[22] were pending for grant of subsidy as of July 2010.
- ₹ 95.85 lakh were provided to the DVIOs who could utilize only ₹ 65.78 lakh (866 cases). However, funds were withdrawn from the treasury and unspent amounts were kept in bank accounts of the DVIOs.
- Total ₹ 47.55 lakh[23] were blocked in bank accounts of these DVIOs as of date of audit (between May and July 2010). They neither tried to make full use of the allotted funds under the scheme nor surrendered the unspent amount at the end of the financial year and instead, kept the funds blocked at their end.
- An industrial unit (M/s B&S Clothing Company, Kashipur) to which interest subsidy amounting to ₹ 5.56 lakh was provided by DIC, US Nagar had closed its production (December 2008) within three years from receipt of last claim of the subsidy. The whole amount of subsidy was to be recovered from the unit as per provisions of the scheme, but no recovery was made by the DIC as of April 2010.

It would thus be evident that the distribution of scheme funds was imbalanced for these two wings of IDD as sufficient funds were not provided to the DICs whereas the DVIOs had excess funds over requirement.

3.1.8.7 Mineral exploration and Geo-technical works

The Geology and Mining Unit of IDD is responsible to explore and evaluate the available minerals in State and to provide guidance for scientific extraction of

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22 Difference of ₹ four lakh is due to undisbursed amount of interest subsidy with DIC US Nagar.

23 Dehradun: ₹ 12.41 lakh, Haridwar: ₹ 11.89 lakh, Nainital: ₹ 6.30 lakh, and US Nagar: ₹ 16.95 lakh.

these mineral ores. The Unit is also responsible to carry out various geo-technical works assigned by construction agencies.

Audit scrutiny of records for the period 2005-06 to 2009-10 revealed that:

- No such exploration work of mineral was carried out by the Unit against physical targets set by the Government for traversing (620 square km) and mapping (10.60 square km).
- Overall performance of the Unit for Geo-technical works was more or less satisfactory as survey reports were submitted against all assigned 1,747 works, though the targets set by the Government were 2,000 for the period.

On being pointed out, the Unit replied that physical targets for mineral exploration were set in anticipation of sanction of proposed departmental structure but the same was still pending with the Government for approval. Reply was not convincing as against 20 sanctioned posts of technical staff (Geologists/Assistant Geologists, Chemist/Assistant Chemist and Survey officer) 11 officials were available with the Unit and even they were not utilized for the purpose.

3.1.8.8 Mining through State Corporations

Royalty from mineral ores is an important source of revenue for State which mostly comes from minor minerals in Uttarakhand. All mining activities of minor minerals are governed by the State Minor Minerals (Concession) Rules-1963; hence, the working of Mining Unit of IDD was evaluated in the light of these rules and provisions of the Uttarakhand Rajkiya Khanij Nitti (URKN), 2001 which revealed the following:

(i) Non-execution of lease deeds

Rule-3(1) provides that no person should undertake any mining operations in any area within the State of any minor mineral to which these rules were applicable except under and in accordance with the terms and conditions of a mining lease or mining permit granted under these rules. Further, paragraph-2 of the Government policy (URKN 2001, as amended in October 2002) also provides that river-wise leases would be provided to three Government Corporations [UVVN, GMVN and KMVN as mentioned in the paragraph 3.1.8.1 (i)for extraction of minor minerals. Audit scrutiny revealed that no lease deed was executed by the IDD (Mining Unit) with three Government Corporations for which State-wide mining consent were provided by the Government in the policy. However, the mining of minor minerals were being carried out by all these three corporations since 2001-02, which were contrary to the above provisions. As such, the terms and conditions of these mining rights were still undefined and were based on only the policy consent of the Government. It was also observed in audit that no permanent records were being maintained by the respective wing of the IDD in respect of the mining quantities, revenue realised and deposited to Government accounts by these corporations. The department was totally depending upon these corporations for management of the state of affairs. Thus, in the absence of proper management a reasonable assurance about the working of these corporations and accountability to the Government could not be ensured.

(ii) Outstanding revenues

Provision of Rule-21 provides that lessee shall pay 'royalty' in respect of any mineral removed by them from the lease area at the rates specified by the Government from time to time. Rule-22 further provides that the holder of a mining lease shall, during the terms of the lease, pay in advance, annual installments of the lease, such amount as 'dead rent' at the rate specified by the State Government from time to time, provided that the lessee shall pay the 'royalty' or the 'dead rent' whichever is higher in amount and not the both. Audit scrutiny revealed that revenues as per provisions of the above rules were not being deposited by these three corporations to the Government accounts. They were depositing only royalty amounts realized, which were much lower than dead rent for most of the river lots. A calculation, prepared by the Mining Unit for such revenue as per provisions of aforesaid rules, on the basis of river-wise actual royalty paid[24] by these corporations disclosed that an amount of ₹ 115.95 crore was outstanding up to the year 2008-09[25] against these corporations as per details given below:

Table-3.1.8

(₹ in crore)

Year	Dead-rent/royalty due			Royalty Paid			Outstanding revenue			
	UVVN	GMVN	KMVN	UVVN	GMVN	KMVN	UVVN	GMVN	KMVN	Total
2001-02	8.74	10.61	0.19	3.87	7.07	0.16	4.87	3.54	0.03	8.44
2002-03	13.69	11.20	0.23	7.96	6.86	0.17	5.73	4.34	0.06	10.13
2003-04	16.35	12.23	0.24	9.71	7.16	0.11	6.64	5.07	0.13	11.84
2004-05	18.92	12.71	0.15	12.61	7.38	0.05	6.31	5.33	0.10	11.75
2005-06	28.20	12.44	0.42	21.73	5.77	0.31	6.47	6.67	0.11	13.24
2006-07	36.57	12.42	0.56	27.68	7.24	0.40	8.89	5.18	0.16	14.23
2007-08	38.78	12.31	0.80	24.54	8.26	0.60	14.24	4.05	0.20	18.49
2008-09	43.11	12.49	1.05	21.33	6.97	0.52	21.78	5.52	0.53	27.83
Total	**204.36**	**96.41**	**3.64**	**129.43**	**56.71**	**2.32**	**74.93**	**39.70**	**1.32**	**115.95**

Source: *The calculation was made by the unit in concerned files.*

Above details also indicate that these corporations were unable to generate minimum amount of revenue equivalent to dead rent as required under the rules and specified by the Government. Further, there were no incremental growths in royalty realization by the GMVN and KMVN over the years and despite the fact that the IDD did not take any concrete action against these corporations either for recovery of revenue as per rules or debarring them from authorization of mining works. Hence, the Government had been deprived of such heavy amounts of revenue due to inadequate monitoring by the Mining Unit of IDD.

[24] However, there was no own records in the Mining Unit for such payable amounts of dead rent or royalty.

[25] Detail for the year 2009-10 was not available in the files.

In reply, it was mentioned (August 2010) by the Senior Mines Officer, Geology and Mining Unit that the issue of outstanding revenue against these Corporations was under consideration by a committee set by the State Government under the chairmanship of Principal Secretary, Finance.

(iii) Unauthorised realisation of charges by Corporations

Provisions of the URKN, 2001 clearly provide that the authorised corporations shall have the rights for realization of service charge at the rate of 10 *per cent* on royalty only. Except this, neither any other fund would be provided by the Government nor will any liabilities be created by them. Audit scrutiny of records available in the Mining Units relating to revenue realisation by these three corporations revealed that in contravention of these provisions, the corporations were realizing extra charges in the name of "corporation's expenses" in addition to the Royalty, Service charges, Income tax, VAT and Stamp duty, as per details given below:

Table- 3.1.9

(Rates in ₹ for per cum. quantity)

Minor minerals	Prescribed rate of royalty	Service charge admissible	Corporation's expenses		
			UVVN	GMVN	KMVN
Boulders	24.00	2.40	14.61	24.78	14.50
Bajari	30.00	3.00	10.14	29.50	14.50
Reta	18.00	1.80	11.17	28.28	14.50

Source: *Rate lists of respective corporation, available in the concerned files of the Mining Units.*

Audit did not find any objection raised by the IDD against these three corporations for the above extra realisation of corporations' expenses. This issue was raised in audit with the Senior Mines Officer who replied (August 2010) that there was no provision for price control in the Government policy. However, the reply was contrary to the facts as it was clearly mentioned in the URKN 2001 that these corporations had no authorization for realisation of such expenses other than admissible service charges. Thus, this was another case of non-discharging of duties/responsibility by the Mining Unit of IDD.

3.1.8.9 Illegal mining

Illegal mining of minor mineral had always been a problem for the Government. The problem was not only due to outsiders or unknown persons but it was also, to some extent, due to possible connivance of responsible authorities of Government.

Provisions of existing rules provide that only district administration is responsible to deal with such cases of illegal mining but the IDD had also made some departmental authorities responsible for better administrative controls by setting up district-wise task forces. Audit found that there was increasing trend in number of registered cases of illegal mining in the State as would be evident from the table given below:

Table- 3.1.10

Year	Number of cases	Penalties recovered (₹ in crore)
2006-07	250	1.26
2007-08	370	1.49
2008-09	550	1.58
2009-10	1,086	5.00

Source: *Data provided by the Mining Unit.*

Test check of cases relating to illegal mining revealed that minor cases were being penalized timely by these district and departmental authorities but there was unnecessary delay and lackadaisical approach towards following two major cases of illegal mining:

(i) A case of illegal mining was reported (July, 2007) by the Task Force, Dehradun to the State Mining Unit that 10,76,479 cum. minor minerals (valued at ₹ 3.16 crore as per applicable rate of royalty) were extracted from 31.89 hectares area by a firm[26] which was involved in construction activities of runway for Jollygrant Airport, Dehradun. The report was based on a detailed survey carried out (June 2007) by senior level authorities of the Mining Unit which disclosed that there was 90 *per cent* of *Bajri* (968831cum.) in ratio and rest 10 *per cent* of Boulders (1,07,648 cum.) in the total quantities of the illegal mining. It was also mentioned in the report that four to five lakh cum. mineral was further required for the work because construction of 400-500 metre runway remained to be done by the firm.

The matter was evaluated in the State Mining Unit which found it as illegal mining of 16,14,719 cum. of minor minerals (*Bajri* and Boulders) by adding of 1.5 time soil factor in quantities and compounding cost of ₹ 17.81 crore. Accordingly, the firm was directed (August 2007) to deposit the requisite amount of revenue along with a copy of letter to the concerned District Magistrate (DM) for taking necessary action and to the Government as well. The Principal Secretary (PS), IDD also agreed with the initiative taken by the unit and directed (April 2008) the DM, Dehradun for necessary action because the DM was the competent authority in the matter. Accordingly, a recovery order (May 2008) was issued by the DM, but the firm filed an appeal with the State Government against this recovery order. After hearing the appeal, the Director of Geology and Mining Unit who is also the PS, IDD issued (October 2008) a revised letter to the DM, Dehradun that 90 *per cent* component of the mineral i.e. *Bajri* can be treated as ordinary soil as it is a basic material required for any such construction activity and revenue may be recovered accordingly to the tune of ₹ 1.08 crore[27].

Audit scrutiny revealed that:

- There was no progress regarding recovery of any amount from the firm;

[26] M/s PNC Construction Ltd, Agra, Uttar Pradesh.
[27] The calculation was made by excluding compounding rates of royalty.

- Conversion of minor mineral into ordinary soil from *Bajri* was arbitrary because neither any further survey was carried out nor the available facts of survey report denied;
- How could it be denied that there was no use of *Bajri* or riverbed material in the Airport runway with the fact it would be an essential and the most consumable material for preparation of crust and runway of the work and
- Nothing was mentioned about remaining requirement of material for the work.

Thus, the above facts indicate that there was undue favoritism extended to the firm and interest of Government revenue was set-aside.

(ii) The Mining Unit also found (December 2008) that another agency[28] involved in construction of terminal building of the same Airport had used 11,62,92 cum. (soil factor 1,74,438 cum.) minor mineral without prior permission and payment of royalty, for which the agency was liable for compounding payment of ₹ 1.93 crore. This calculation was also based on a departmental survey (November 2008) which disclosed that the illegal mining was carried out in 4.581 hectares of land having 80 *per cent Bajri* and 20 *per cent* Soil. The fact was accepted by the agency itself which moved into appeal (March 2009) with Government by citing the first case relating to the runway. Once again the PS, IDD passed a similar order (June 2009) for conversion of whole quantity into soil and fixed the revenue to ₹ 10.71 lakh without compounding rate of royalty which still (August 2010) was not deposited by the agency. Hence, this was another case of paying undue advantage to the agency resulting in loss of revenue to the Government.

On being pointed out in audit, no specific reply was given by the Mining Unit. However, it was mentioned that the recoveries were to be made by the DM, Dehradun.

3.1.9 Human resource management

Proper management of manpower (staff) necessitates that staff requirements are assessed and reviewed at regular intervals by giving due considerations to the departmental activities and appropriate/transparent policies are framed/adhered to, for recruitment and capacity enhancements to achieve goals of organisation.

It was observed in audit that overall management of human resource in DI and its field offices (DICs) was quite satisfactory than that of other wings of the IDD. The shortcomings of other wings are discussed below:

- In UKGB, 100 sanctioned posts were lying vacant (40.32 *per cent*) against total sanctioned strength of 248 which was putting adverse effect on the Board's activities. The situation was due to continuous retirement of old

[28] M/s Consolidated Construction Consortium Ltd, Varapani, Chennai.

staff and non-recruitment of new staff which could not be recruited due to non-finalization of recruitment rules of the Board.

- There was no sanctioned posts of Group-'B' and 'C' for SIDCUL despite lapse of eight years of its formation. The work of these posts was being carried out on contractual basis which could not be considered as reliable in comparison to permanent staff for specialized work like accounting, dealing with contracts and supervision of construction activities.
- There was overall shortage of 27.68 *per cent* in the Geology and Mining Unit. The position was worst in case of technical staff of the unit as only 36 posts were filled up against 68 sanctioned posts which badly affected the survey and exploration work of minerals in the State.
- There was no regular schedule in existence for capacity building of staff within the IDD.

3.1.10 Internal controls

Internal audit is an effective tool for internal controls which helps an organisation to examine, monitor and evaluate the level of compliance to the departmental rules, manuals and procedures. The system of internal audit also provides assurance to senior executives on the adequacy of risk management at various levels in the organisation.

Audit scrutiny revealed that no periodic internal audits were being carried out within IDD despite the fact that staff of internal audit was available with DI as well as with UKGB. Eight Senior Auditors/Auditors were available with DI but they were posted in different DICs and at headquarters' office for routine works. Similarly, three Accounts Inspectors were available with UKGB who were also performing routine work of the Board. Thus, the internal audit system in the IDD was found non-functional and thus, steps would require to be taken up to strengthen the internal control system.

3.1.11 Accounting controls

The adequacy of accounting controls by the department was examined with reference to laid-down accounting procedures for recording transactions and maintenance of records. The deficiencies noticed during audit are discussed below:

3.1.11.1 Non-maintenance of vital records for budget and expenditure

As already mentioned in paragraph 3.1.2, the DI was responsible for overall financial control of the IDD and to keep liaison between the Government and DDOs of the Department. Audit found that the following records, which are very vital for each departmental controlling authority as per provisions of the State Budget Manual (BM), were not being maintained in the Directorate:

- Receipts Broadsheet in Form BM-6.

- Controlling officer's Broadsheet for watching of accounts return from DDOs in Form BM-10.
- Controlling officer's register of expenditure in Form BM-11.
- Controlling officer's register of monthly expenditure and liability in Form BM-12, and
- Budget control register in Form BM-17.

Thus, immediate action to maintain the records as per provisions would require to be taken under intimation to audit.

3.1.11.2 Non-preparation of annual accounts by UKGB

Section 30, of the UKGB Act, 2002 provides that the Board shall maintain such books of accounts and other records in relation to its functioning in such form and in such manner as may be prescribed. An annual statement of accounts will be prepared immediately after the closing of its annual accounts. The account of the Board shall be audited by the Accountant General or any officer authorized by him on his behalf. The annual statement of accounts of the Board together with the audit report thereon shall be submitted by the Board to the State Government which shall be laid before the State Legislature. However, it was found in audit that even after a lapse of eight financial years from formation of the Board in the State of Uttarakhand, neither any structure for books of accounts was prescribed nor any annual accounts were prepared by the Board as of June 2010.

3.1.11.3 Irregular operation of Bank Accounts

Section 26, of the UKGB Act, 2002 provides that there shall be a fund of the Board to which shall be credited all money received by or on behalf of the Board. The money shall be deposited in Government treasury under two separate personal ledger accounts (PLAs) to be called the 'Khadi Account' and the 'Village Industries Accounts' and also in any other similar accounts to be opened by the Board as and when necessary in respect of its different schemes.

In contravention to the above, the Board was operating all its transactions through number of bank accounts and huge balances were being kept therein, outside the Government accounts. The closing balance of such bank accounts only for headquarters' office of the Board as on 31 March 2010 was ₹ 10.55 crore. On this being pointed out in audit, the ACEO replied (June 2010) that process for opening of PLA accounts had been started.

Similarly, audit scrutiny of records of the UHHDC revealed that all funds were being kept in bank accounts despite specific instructions of the Finance Department, Government of Uttarakhand for opening of PLA in treasury.

3.1.12 Vulnerability to fraud and corruption

3.1.12.1 Inaccurate maintenance of cash accounts

As per provisions of the Financial Rules, it is a duty of every DDO to make physical verification of cash/balances with its relevant records and record the certificate for every month to the effect that cash balances as per cash book and pass books/cash in hand have been checked/verified and found correct. Any discrepancy in this regard requires immediate inquiry of the matter.

Scrutiny of records of the UKGB revealed that the prescribed procedure had never been followed by headquarters' office of the Board. So many cash books were being maintained in the office and no certificate of balances was recorded in the cash books by the DDO. Moreover, there was huge difference in the balances as per cash books and as per bank pass books of the Board as per details given below:

Table-3.1.11

(Position as on 31 March 2010)

Head of accounts	Balance as per Pass book (₹)	Balance as per Cash book (₹)	Difference (₹)
Non-plan funds	2,8690,967.91	1,34,19,377.01	1,52,71,590.90
Plan funds	2,64,74,646.21	1,31,30,741.71	1,33,43,904.50
Zonal exhibitions	88,06,949.50	86,13,539.00	1,93,410.50
Loan's recoveries	1,02,82,784.50	94,49,319.00	8,33,465.50
Board's fund	2,12,29,290.99	2,05,24,013.99	7,05,277.00
Wool-bank	1,00,00,000.00	1,00,00,000.00	-
Total	**10,54,84,639.11**	**7,51,36,990.71**	**3,03,47,648.40**

Source: *Concerned records of UKGB.*

It would be evident that closing balance as per cash books as compared to pass books was short by ₹ 3.03 crore which was termed as a very serious and highly objectionable issue, because, any unaccounted withdrawal from bank accounts (either may be duly authorised or fraudulent) would not be traceable until the checking of each and every entry of the bank transactions.

Although, detailed checking of all transactions was not possible in audit, but it was found in test check of cash book (Non-plan) that a receipt side entry for ₹ 40 lakh was recorded (dated 10 November 2009) as only ₹ four lakh and a balance was noted as ₹ 1,20,98,774 (dated 10 November 2009) after deduction of an expenditure of ₹ 13,595 from opening balance of ₹ 1,24,12,369; hence, an amount of ₹ 39 lakh (₹ 36 lakh and ₹ three lakh respectively) was noted short in the cash book.

Therefore, the correctness of the accounts could not be ensured in audit. It warrants an immediate action to reconcile the balances in order to satisfy both sets of accounts to obviate the possibilities of fraud/misappropriation of funds.

3.1.12.2 Poor management of contracts by SIDCUL

Test check of records relating to various infrastructural development activities carried out by SIDCUL through contracts revealed serious irregularities as per details given below:

(i) An agreement was signed (September 2005) between SIDCUL and a Delhi based architect (M/s Morphogenesis Architecture Studio Pvt. Ltd.) for providing designs and architectural support for the proposed Doon Cyber Tower at IT Park, Dehradun. The agreed cost of professional fee payable to the architect was ₹ 30 per square feet for built up area and ₹ 15 per square feet for basement area which was estimated at approximately 3,52,165 and 2,15,280 square feet respectively. Audit scrutiny revealed that the selection of architect was not transparent as per prevailing system of tendering because selection was made by obtaining quotations from few firms without calling for any public notice. Moreover, a member out of four member committee constituted for finalization of these bids recorded his statement in the concerned file that *'I was shocked to note that I was member of said committee because I was never consulted nor any paper relating to this case was shown to me. The bids were opened and signed by only one member and none other else as evident from enclosed documents'*. Audit noted that no action was found initiated in this regard. However, construction of the Tower was held up since July 2007 and this contract was alive with payment of ₹ 53.49 lakh as July 2010.

Thus, such state of affairs led to an impression that bidding process for selection of architect was predetermined with some vested interests of the authorities.

(ii) SIDCUL entered into a contract (February 2005) with M/s Gangotri Enterprises Ltd. for construction of Roads, Public Health Engineering (PHE) and allied works of the IT Park, Sahastradhara Road, Dehradun. The estimated cost of the works was ₹ 7.09 crore whereas tendered/agreed cost was ₹ 5.30 crore (25.25 *per cent* below). The works were scheduled to be completed by the end of November 2005, but were delayed and could be completed by July 2006 at a cost of ₹ 7.30 crore, which was 37.74 *per cent* higher than the agreed cost. The hike was mainly attributed to extra earth work amounting to ₹ 1.40 crore, water drain works amounting to ₹ 45.37 lakh, road work and other extra items amounting to ₹ 1.12 crore despite the fact that quantities of PHE works amounting to ₹ 95.57 lakh were leftover.

Audit scrutiny of these excess expenditures revealed that:

- The extra earth work amounting to ₹ 1.40 crore was executed outside the scope of agreement by the contractor, for which neither any formal work order was given by the SIDCUL or by Engineer-in-charge. No prior survey was conducted to ascertain and estimate the quantities. The work was executed during October-November 2005 whereas it's administrative and expenditure approval was granted in March 2006. Moreover, a report of experts of the SIDCUL (June 2006) available in the concerned file disclosed that *'Ex-facto verification of the quantities could not be possible as level of the original ground was neither recorded (in MBs) jointly by the contractor and the consultant of the work nor verified by the SIDCUL Engineers'*. Thus, payment of earth work without details of measurement was not only irregular, but execution of this item of work was also doubtful;
- There was more than three times variation of quantities between agreed and actually executed for storm water drain works as total 8,822.80 running

metre (RM) RCC pipes (200 mm to 500 mm *dia*) were laid against agreed quantity of 2,870 RM. Hence, laying of such large size of RCC pipes in 8.82 km length was unjustified/doubtful as the scope/area of work remained the same;

- The excess expenditure in road work was due to change in crust design of the roads. SIDCUL had to revise (January 2006) the original crust design of roads because no bituminous macadam (BM) layer was provided between water bound macadam (WBM) and semi dense bituminous carpet (SDBC) which was essential as per the Indian Road Congress (IRC) specifications. Resultantly, the provision for 50mm thick layer of BM was added along with replacement of 225 mm thick layer of WBM by 225 mm thick layer of wet mixed macadam (WMM). Audit observed that although the addition of the BM layer was required for the work, yet the replacement of WBM layer (at the rate of ₹ 503.90 per cum.) by WMM layer (at the rate of ₹ 1,475 per cum.) was only for revision of agreed rate of this item of work because bearing capacity of both the layers were same as per specification of the IRC. Thus, an undue benefit amounting to ₹ 59.57 lakh was provided to the contractor which indicates towards collusion of both the parties.

On these being pointed out in audit, no satisfactory justification was given by the management of SIDCUL, but it was mentioned that the payments were made after due approval of competent authorities.

(iii) A floriculture park was to be developed at Chaffi, Nainital jointly by SIDCUL and Horticulture Department under ASIDE scheme of Government of India over 0.99 hectare of land. The land belongs to the Horticulture Department whereas management rights for development and construction of the Park was with SIDCUL. A contract (January 2007) amounting to ₹ 8.09 crore was executed by SIDCUL with M/s Indo-Dutch Horticulture & Technologies Pvt. Ltd. for development activities of the Park. As per terms and conditions of the contract, the development activities were to be completed by October 2007 and any delay in this regard would attract penalty at the rate 0.05 *per cent* per day subject to a maximum of 5 *per cent* of the total agreed cost. However, it was found in audit that development work was completed after a delay of 470 days (February 2009) but the liable penalty amounting to ₹ 40.45 lakh was not imposed by SIDCUL upon the contractor. Thus, undue favouritism to the contractor against the spirit of the contract resulted in a loss of ₹ 40.45 lakh to the Government.

(iv) SIDCUL awarded (November 2005) three contracts amounting to ₹ 62.20 crore in respect of Phase-II works[29] of the IIE, Pant Nagar by dividing the scope of work into three identical packages. First two contracts were awarded to M/s SAB Industries Ltd. each at a cost of ₹ 19.81 crore and third was awarded to

[29] All three works was schedule to be started in December 2006 and completed by October 2006.

M/s. Gangoteri Enterprises Ltd. at a cost of ₹ 22.58 crore[30]. The works under these agreements were continued beyond the schedule date of completion (October 2006) upto July 2007 with payment up to ₹ 45.98 crore. While passing the next running bills amounting to ₹ 6.96 crore of the contractors, SIDCUL felt that there was abnormal enhancement of quantities executed on earthworks against agreed quantities, for which the payment of ₹ 11.96 crore had already been made to the contractors. Therefore, SIDCUL stopped the payment of next running bills and issued show cause notices to the contractors as well as the Project Management Consultant (PMC)[31] who was responsible for the supervision of the works and certification of the bills raised by the contractors. Consequently, a dispute arose between both the parties and since then the works were held up and the matter was pending under arbitration as on date of audit.

However, these quantities of earth work were shown as completed for embankment of internal roads of the IIE, but no record (length, width and height) was available with SIDCUL in support of these executed quantities such as details of burrow area from where soil was carted and the area in which the embankment was done. Audit scrutiny of the related records (BOQ, agreement and quantities executed as per contractors' bills) revealed that actual amount of over payment made to the contractors was ₹ 17.64 crore instead of ₹ 11.96 crore vide details as under:

Table-3.1.12

Agreement No.	Agreed quantities	Quantities executed	Excess quantities	Rate (₹ /unit)	Amount (₹)
15/2005-06	91,248 cum.	1,08,223 cum.	16,975 cum.	160	27,16,000
16/2005-06	91,248 cum.	4,83,092 cum.	3,91,844 cum.	160	6,26,95,040
17/2005-06	91,248 cum.	8,56,996 cum.	7,65,748 cum.	145	11,10,33,460
Total excess payment					**17,64,44,500**

Source: *Concerned agreement and bills available in SIDCUL.*

A calculation made by audit on the basis of other items of work done (WBM/WMM) for the road works under these agreements found that the height of these roads would have been up to 13 metres, had the quantities shown executed, actually been laid.

It was also noticed that few left over works of above agreements were being carried out by SIDCUL through another contractor[32] of the project under extra items of works amounting to ₹ 4.08 crore without inviting any tender which involved an excess provision of ₹ 39.30 lakh as compared to the old agreed rates.

On this being pointed out, SIDCUL accepted that initial calculation of over payment was wrong and mentioned that a detailed survey in this regard was

30 Awarding contract at higher rate (₹ 2.77 crore) than first two contracts has already been pointed out vide Para-7.3 of the CAG's Audit Report for year 2006-07.

31 M/s Gherzi Eastern Ltd.

32 Agreement No. 03/SIDCUL/PTN /2009-10 with M/s Shyama Construction Pvt. Ltd.

conducted by them recently, which established the over payment of ₹ 15.08 crore. This fact would be brought to the notice of the arbitrator as mentioned by SIDCUL. It was also mentioned that the over payment took place through connivance of the contractor with the PMC for which an FIR was lodged with Police. The reply was not acceptable since over payment was only possible with involvement of departmental authorities, who were responsible for overall monitoring of the work and payment of running bills to the contractors; hence, SIDCUL could not escape from its responsibility.

To sum up, the contract management of SIDCUL lacked on various fronts such as granting of contracts, execution of works and making payments to contractors indicating towards non-vulnerability of the organisation against fraud and corruption.

3.1.13 Other miscellaneous points

3.1.13.1 Irregular functioning of Khadi Board

UKGB, Act 2002 stipulates (section 17) that main functions of the Board are to plan, develop, formulate schemes for khadi and village industries and submit it to the Government for approval. An annual financial statement (AFS) containing the financial layout of these programmes and schemes is also required to be prepared and submitted to the Government for approval in respect of every financial year.

Audit scrutiny revealed that no annual plans were prepared and submitted by the Board to the Government. However, lump sum annual grants were provided by the Government as per provisions of the budget approved by the Legislature. It was also observed that Board meetings were not being held regularly. Only nine meeting were held by the Board since its inception and no meeting was held during the years 2007, 2008 and 2009.

3.1.13.2 Inquiry Commission for SIDCUL

It was realized by the State Government itself that some serious irregularities had taken place in SIDCUL relating to execution of works, allotment of industrial lands to entrepreneurs, award and management of contracts. Therefore, a single member 'Inquiry Commission' was setup by the Government in May 2007, expecting its report within three months but the same was still awaited despite several extensions granted from time to time and incurring expenditure of ₹ 53.05 lakh as of August 2010.

3.1.14 Conclusion and recommendations

3.1.14.1 Conclusion

Although the IDD succeeded in attracting huge investment and large number of industries in the State as well as providing infrastructural facilities to entrepreneurs, but these industrial developments were confined only to three districts of plain area and remaining parts of the State remained deprived despite specific policy of the Government. Financial management of different wings of the IDD lacked on various fronts such as long pending recoveries of loans, unauthorized retention/blockage of funds and improper management of Government revenues. The implementation of various departmental schemes was not in consonance with their guidelines as there were instances of irregular disbursement of subsidies and non-recovery of scheme funds from the defaulters.

Poor management of contracts in SIDCUL, inaccurate maintenance of cash accounts in UKGB, inadequate management of leases/revenue in Mining Unit and sanctioning of scheme funds to ineligible entrepreneurs by the DI were the areas of concern and requires immediate attention by the Government.

3.1.14.2 Recommendations

- ***The instruments of hill policy 2008 need more attention and commitments by the DI for implementation of its schemes/programmes.***
- ***All funds of the UKGB and UHHDC should be kept in PLAs with Government Treasury only.***
- ***Assessment of the requirement of manpower by the SIDCUL and Geology & Mining Unit should be realistically done so as to achieve their optimal utilisation in the field of effective monitoring/programme implementation.***
- ***Internal audit wings of DI and UKGB need to be made functional and accountable for their designated responsibilities at the earliest.***

CHAPTER-IV

REVENUE RECEIPTS

CHAPTER-IV

REVENUE RECEIPTS

4.1 GENERAL

4.1.1 The tax and non-tax revenue raised by the Government of Uttarakhand during the year 2009-10, 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 below:

Table-4.1.1

(₹ in crore)

Sl.No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	**Revenue raised by the State Government**					
	• Tax Revenue	1,784.69	2,513.78	2,738.75	3,044.91	3,559.04
	• Non-tax revenue	650.09	646.82	668.38	699.44	631.86
Total		**2,434.78**	**3,160.60**	**3,407.13**	**3,744.35**	**4,190.90**
2.	**Receipts from the Government of India**					
	• Share of net proceeds of divisible Union taxes and duties	1,009.82	1,131.83	1,427.70	1,506.59	1,550.01[1]
	• Grants-in-aid	2,092.42	3,080.79	3,056.26	3,384.03	3,745.22
Total		**3,102.24**	**4,212.62**	**4,483.96**	**4,890.62**	**5,295.23**
3.	**Total revenue receipts of the state Government (1 and 2)**	**5,537.02**	**7,373.22**	**7,891.09**	**8,634.97**	**9,486.13**
4.	**Percentage of 1 to 3**	43	42	43	43	44

Source: Finance Accounts 2009-10

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 4,190.90 crore) was 44 *per cent* of the total revenue receipts against 43 *per cent* in the preceding year. The balance 56 *per cent* of receipts during 2009-10 was from the Government of India.

[1] For details see statement No. 11-detailed accounts of revenue by minor heads in the Finance Accounts of the Government of Uttarakhand for the year 2009-10. 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 States share of divisible Union taxes in this statement.

4.1.2 Tax revenue

The following table presents the details of tax revenue raised during the period 2005-06 to 2009-10:

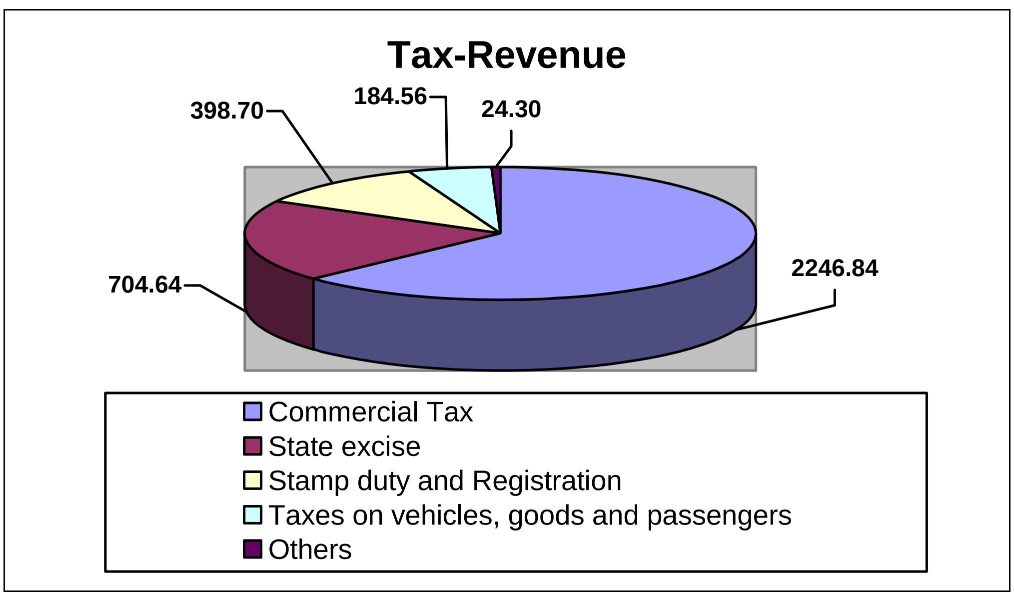
Table-4.1.2

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of Increase (+)/ decrease (-) in 2009-10 over 2008-09
1.	Tax on sales, trade etc	1,014.33	1,361.42	1,627.41	1,910.64	2,246.84	(+)17.60
2.	State excise	292.75	372.91	441.56	528.35	704.64	(+)33.37
3.	Stamp duty and registration fees	333.39	546.32	424.27	357.46	398.70	(+)11.54
4.	Taxes on vehicles, goods and passengers	114.85	141.46	155.26	166.98	184.56	(+)10.53
5.	Taxes and duties on electricity	12.24	66.19	55.22	51.61	2.11	(-)95.91
6.	Land revenue	9.18	15.42	23.40	17.90	8.80	(-)50.84
7.	Other taxes and duties on commodities and services	4.39	5.44	6.45	5.87	6.27	(+)6.81
8.	Others	3.56	4.62	5.18	6.10	7.12	(+)16.72
Total		**1,784.69**	**2,513.78**	**2,738.75**	**3,044.91**	**3,559.04**	**(+)16.88**

Source: Finance Accounts 2009-10.

Chart-4.1



The following trends were observed in collection of tax revenue by the state:

- Revenue from Commercial Tax contributed to 63.13 *per cent* of total tax collections in 2009-10. State excise, Stamp duty and registration fees and taxes on vehicles together accounted for 36.19 *per cent* of the total tax in 2009-10. Commercial tax collection 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 stabilization of VAT regime.
- Excise Department attributed the increase in the Excise duty for the year 2009-10 that the license fee and maximum portion of first installment of security money for 2010-11 was deposited in March 2010.
- 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. The department stated that 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 other departments did not furnish (October 2010) the reasons for variation, though called for (September 2010).

4.1.3 Non-tax revenue

The following table presents the details of the non-tax revenue raised during the period from 2005-06 to 2009-10:

Table-4.1.3

(₹ in crore)

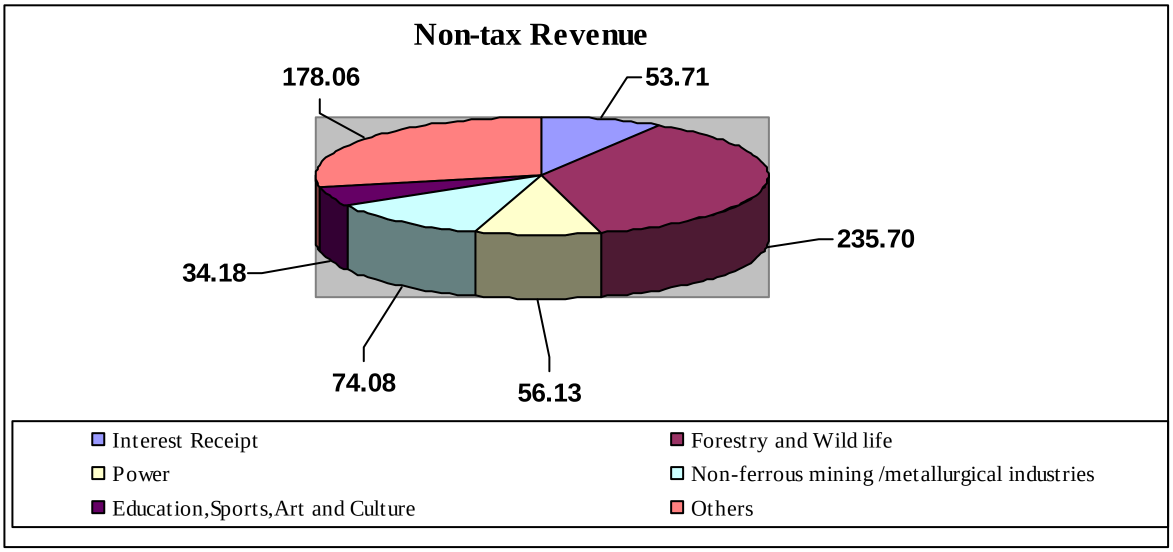
Sl. No	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Interest receipts	34.60	40.94	41.56	68.49	53.71	(-)21.58
2.	Forestry and wildlife	159.47	188.09	209.75	207.16	235.70	(+)13.78
3.	Power	230.81	172.22	144.37	171.37	56.13	(-)67.25
4.	Non-ferrous mining/metallurgical industries	52.97	62.58	73.06	63.73	74.08	(+)16.24
5.	Education, sports, art and culture	24.84	23.34	30.69	28.66	34.18	(+)19.26
6.	Public works	8.62	11.52	13.96	15.53	19.50	(+)25.56
7.	Major and medium irrigation	6.21	5.69	5.76	5.91	5.18	(-)12.35
8.	Police	5.23	5.24	5.96	7.01	9.62	(+)37.23

[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.

9.	Other administrative services	35.71	11.83	35.53	28.09	21.18	(-)24.60
10.	Medical & public health	6.04	4.29	5.29	6.84	11.73	(+)71.49
11.	Co-operation	1.19	3.99	5.58	3.19	1.78	(-)44.20
12.	Crop husbandry	2.80	2.73	3.94	3.62	4.55	(+)25.69
13.	Others	81.60	114.36	92.93	89.84	104.52	(+)16.34
Total		**650.09**	**646.82**	**668.38**	**699.44**	**631.86**	**(-)9.66**

Source: Finance Accounts 2009-10

Chart-4.2



The following trends were observed in collection of non-tax revenue by the State.

- Non-tax revenue has remained more or less stagnant from 2005-06 onwards. At ₹ 632 crore, non-tax revenue constituted 6.66 *per cent* of the total receipts. The non-tax revenue has decreased over the pervious year by 9.66 *per cent*.

- Forest and Wild life: ₹ 236 crore (37 *per cent*) and Non- Ferrous mining/metallurgical industries[3]: ₹ 74 crore (12 *per cent*) have been the principal contributors to non-tax revenue. However the growth in revenue in 2009-10 (as compared to the previous year) in Forest was only 14 *per cent* while revenue from Power decreased 67 *per cent* over the previous year. The contribution of interest receipt to non-tax revenue was 8.5 *per cent* during the current year.

[3] Royalty charges levied on non-ferrous mining/metallurgical industries.

The department did not furnish (October 2010) the reasons for variation, though called for (August 2010).

4.1.4 Variation between the budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts under the principal heads of tax and non-tax revenue for the year 2009-10 is mentioned below:

Table-4.1.4

(₹ in crore)

Sl. No.	Revenue head	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage
	Tax revenue				
1.	Taxes/VAT on sales trade etc.	2,220.80	2,246.84	(+)26.04	(+)1.17
2.	State excise	598.22	704.64	(+)106.42	(+)17.79
3.	Stamp duty and registration fees	422.69	398.70	(-)23.99	(-)5.68
4.	Taxes on Vehicles	193.09	184.56	(-)08.53	(-)4.42
5.	Taxes and duties on electricity	72.00	2.11	(-)69.89	(-)97.07
	Non-tax revenue				
6.	Interest receipts	54.28	53.71	(-)0.57	(-)1.05
7.	Other administrative services	24.86	21.18	(-)3.68	(-)14.80
8.	Crop husbandry	4.99	4.55	(-)0.44	(-)8.82
9.	Police	6.92	9.62	(+)2.70	(+)39.02
10.	Medical and public health	7.57	11.73	(+)4.16	(+)54.95
11.	Roads and bridges	3.78	1.24	(-)2.54	(-)67.20
12.	Public works	10.46	19.50	(+)9.04	(+)86.42
13.	Forestry and wildlife	219.27	235.70	(+)16.43	(+)7.49
14.	Non-ferrous mining and metallurgical industries	90.00	74.08	(-)15.92	(-)17.69
15.	Education, sports, art and culture	34.30	34.18	(-)0.12	(-)0.35
16.	Power	220.74	56.13	(-)164.61	(-)74.57

Source: Receipt Budget and Finance Account for the year 2009-10

The reasons for the variations, Stamp and Registration Department stated (August 2010) that the decrease was due to reduction in the development charges from two *per cent* to one *per cent* and also 25 *per cent* concession on stamp duty on the transfer of land and property in favour of female which was increased from ten to twenty lakh.

The other departments did not inform (October 2010) about the variations, despite being requested (July 2010).

4.1.5 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 year 2007-08, 2008-09 & 2009-10 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 2008-09 are mentioned below:

Table-4.1.5

(₹ 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 2008-09
1.	Sales/Commercial tax/ VAT	2007-08	1,620.84	34.53	2.13	0.88
		2008-09	1,902.38	34.16	1.79	
		2009-10	2,240.84	39.31	1.75	
2.	State excise	2007-08	441.71	4.05	0.91	3.66
		2008-09	528.32	5.95	1.13	
		2009-10	703.71	7.33	1.04	
3.	Taxes on vehicles	2007-08	152.04	7.81	5.14	2.93
		2008-09	163.84	10.03	6.12	
		2009-10	182.16	10.64	5.84	
4.	Stamp duty and registration fees	2007-08	424.16	5.81	1.36	2.77
		2008-09	357.44	5.45	1.52	
		2009-10	398.75	5.72	1.43	

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 2008-09, while in the case of taxes on vehicles was higher. Transport department stated (September 2010) that higher cost of collection in comparison with all India average was due to disbursement of arrear pay of the sixth pay commission to its employees/retired officials and some recruitment during the year. Establishment of two driving training institutes and disbursement of compensation for laying the railway line.

4.1.6 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 2009-10 as furnished by the Commercial Taxes department is mentioned below.

[4] The figure for collection of all four taxes in the year 2007-08 to 2009-10, provided by the State departments and reflected in the table are at variance with the figures reflected in the Finance Account.

Table-4.1.6

(₹ 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.	2009-10	1,843.75	407.57	1.08	19.83	2,232.57	82.6
Entry Tax	2009-10	8.26	Nil	Nil	Nil	8.26	100

Almost the entire collection made under commercial tax and entry tax was at the pre-assessment stage. Only ₹ 388.82 crore representing 17.42 *per cent* of the net collection was collected after regular assessment.

4.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 in respect of the principal heads of revenue as reported by the departments was ₹ 730.04 crore of which ₹ 416.53 (57.06 *per cent*) were outstanding for more than five years as mentioned below:

Table-4.1.7

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2010	Amount outstanding for more than five years	Remarks
1.	Taxes/VAT on Sales, trades etc.	501.43	391.79	Department stated that ₹ 29.54 crore was pending in court and rest of amount was being pursued as per rules.
2.	Taxes on vehicles	2.39	1.02	Department stated that four cases were subjudice and in rest of the cases demand for recovery had been processed through D.M.
3.	Land revenue	0.34	0.0054	For the recovery concerned officials are directed from time to time.
4.	State Excise	0.48	-	-
5.	Taxes and duties on electricity	205.13	11.79	The arrears were recoverable from Uttarakhand power corporation Ltd.
6.	Public Works Department	2.16	0.81	The department stated that recovery of arrears was under process. Some of the records pertaining to material purchase amounting to ₹ 53.90 lakh were under the custody of court and necessary adjustment could not be taken up. Three cases amounting to ₹ 3.36 lakh are subjudice.
7.	Entertainment Tax	0.62	0.45	Department stated that cases amounting to ₹ 50.42 lakh are pending in the court of law.

8.	Stamp duty and Registration fees	4.53	4.27	Department stated that cases amounting to ₹ 3.39 crore were pending in court. Action is being taken for recovery of arrears.
9	Registrar co - operative society	8.37	6.39	-
10	Taxes on purchase of Sugarcane	4.59	Nil	Due to discount to Kashipur Sugar mills, under BIFR, for four years ₹ 80.06 lakh were in arrear. The matter is subjudiced.
TOTAL		**730.04**	**416.53**	

Source: State Department.

4.1.8 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 2009-10, as reported by the department concerned are mentioned below:

Table-4.1.8

Name of tax/duty	Cases pending as on 31 March 2009	Cases detected during 2009-10	Total	Number of cases in which assessments/ investigation completed and additional demand including penalty etc., raised during the year 2009-10		Number of pending cases as on 31 March 2010
				No. of cases	(₹ in lakh)	
Commercial Tax/VAT	457	5,394	5,851	3,543	1,574.38	2,308

Source: State Department

4.1.9 Refunds

Commercial tax department settled 90.58 *per cent* of the refund claims in 2009-10 while in the case of stamp duty and registration, all the cases were settled during the year as mentioned below:

Table-4.1.9

(₹ in lakh)

Sl. No.	Particulars	Commercial Tax		Stamp duty and registration	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	375	957.87	Nil	Nil
2.	Claims received during the year	4,955	2,344.66	11	202.84
3.	Refunds made during the year	4,828	1,982.88	11	202.84
4.	Balance outstanding at the end of the year	502	1,319.65	Nil	Nil

4.1.10 Failure of senior officials to enforce accountability and protect the interest of the State Government.

The Principal Accountant General (Audit), Uttarakhand (PAG) 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 procedure. 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 PAG 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 2009 disclosed that paragraphs involving ₹ 245.26 crore relating to 1,159 IRs remained outstanding at the end of June 2010 as mentioned below alongwith the corresponding figures for the preceding two years:

Table-4.1.10

	June 2008	June 2009	June 2010
Number of IRs pending for settlement	1,046	1,098	1,159
Number of outstanding audit observations	2,093	2,211	2,323
Amount involved (Rupees in crore)	231.37	228.11	245.26

The department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below.

Table-4.1.11

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	306	803	57.82
		Electricity duty	56	66	68.05
		Entertainments tax, luxury tax, etc.	52	86	01.48
2.	Excise	State Excise	76	116	33.75
3.	Revenue	Land revenue	146	237	5.18
4.	Transport	Taxes on motor vehicles	88	266	34.50
5.	Stamps and registration	Stamps and registration fees	278	429	11.67
6.	Others	Department	157	320	32.81
Total			**1,159**	**2,323**	**245.26**

4.1.11 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 to be constituted by the Government. However, no audit committee meeting was held during the year 2009-10 which indicates that the Government had not taken desired initiative for early settlement of the outstanding audit observations.

4.1.12 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 para by the Department/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Four draft paragraphs and one review proposed to be included in the Report for the year ending 31 March 2010 were sent to the Department/Government during the year. Replies of the draft paras have been included in the paragraphs (November 2010).

In respect of VAT review exit conference with the Department/Government was held and replies recorded in the minutes of exit conference meeting have been incorporated in the review.

4.1.13 Follow up on Audit Reports-summarised position

After creation of the state, the Public Accounts Committee had been notified in the year May 2001. The Report of the Comptroller & Auditor General of India is laid in the Legislative Assembly and the departments shall initiate action on the audit paragraphs. The action taken/ explanatory notes thereon should 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 the 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 years 2005-06 to 2009-10 and explanatory notes/action taken in ten cases were still awaited as on 31 March 2010.

4.1.14 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 include 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 2009-10, the audit universe comprised of 514 auditable units, of which 127 units were planned and 89 units were audited during the year 2009-10 which is 70 *per cent* total planned units.

Besides the compliance audit mentioned above, one performance review titled "Transition from sales tax to VAT" was also taken up to examine the efficacy of the tax administration of their receipts.

4.1.15 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Report by the departments/Government, the action taken on the paragraphs of the last 5 years in respect of the Commercial Tax Department has been evaluated.

The summarised position of the inspection reports relating to Commercial Tax Department, issued during the last 5 years, paragraphs included in these reports and their status as on 31 March 2010 is tabulated below:

Table-4.1.12

(₹ 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.	2005-06	147	314	15.93	33	76	0.69	Nil	6	0.05	180	384	16.57
2.	2006-07	180	384	16.57	34	137	3.69	Nil	Nil	Nil	214	521	20.26
3.	2007-08	214	521	20.26	22	93	1.55	3	57	2.51	233	557	19.30
4.	2008-09	233	557	19.30	49	206	21.63	8	69	2.32	274	694	38.61
5.	2009-10	274	694	38.61	44	105	12.04	6	48	0.64	312	751	50.01

No Audit Committee meetings were arranged by the Government/Department for settlement of IRs and paragraphs. As is evident from the above table, against 147 IRs with 314 outstanding paragraphs as on 2004-05, the number of outstanding IRs rose to 312 with 751 paragraphs at the end of 2009-10.

This is indicative of the fact that adequate efforts were not made by the department in this regard resulting in piling up of the outstanding IRs and paragraphs.

4.1.16 Recovery of revenue of accepted cases

In respect of Paragraphs featured in the Audit Reports 2004-05 to 2008-09, the department/Government accepted audit observations involving ₹ 4.89 crores of which only ₹ 3 lakh i.e. 0.61 *per cent*, was recovered till 31 March 2010 as mentioned below:

Table-4.1.13

(₹ in crore)

Year of Audit Report	Total Money value	Accepted money value	Recovered Amount
2004-05	5.44	0.72	0.01
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
Total	**81.53**	**4.89**	**0.03**

4.1.17 Results of audit

Test check of the records of 93 units of commercial tax, State excise, motor vehicles, forest and other departmental offices conducted during the year 2009-10 revealed underassessment/short levy/loss of revenue aggregating to ₹ 21.66 crore in 217 cases.

This Report contains four paragraphs and one performance review on "Transition from Sales tax to VAT" relating to short/non-levy of tax, interest and penalty etc., involving financial effect of ₹ 6.73 crore. The department/Government accepted money value of ₹ 4.68 crore. These are discussed in succeeding paragraphs.

COMMERCIAL TAX DEPARTMENT

4.2 Review on 'Transition from Sales Tax to VAT'

Highlights

- The growth rate of revenue over the previous year after implementation of VAT touched a high of 34.78 *per cent* in 2006-07. Although the rate had fallen in the subsequent years, it still recorded a healthy 17.37 *per cent* growth in 2008-09.

[Paragraph 4.2.6.1]

- Even after four years of implementation of VAT in the State, the VAT manual has not been finalized. There was more than fifty *per cent* of man Power shortage.

[Paragraph 4.2.6.2.2]

- Though the computerization has been initiated, all the modules of the software were yet to be implemented and unit offices/checkgates were not interlinked.

[Paragraph 4.2.6.3]

- The department failed to detect and register the eligible dealers resulting in evasion of tax.

[Paragraph 4.2.6.4.2]

- In the absence of mechanism the department failed to impose penalty for non/late filing of returns/audit reports.

[Paragraph 4.2.6.5.1 & 4.2.6.5.2]

- Irregular allowance of input tax credit of ₹ 2.62 crore.

[Paragraph 4.2.6.6]

4.2.1 Introduction

The Government of India decided to implement State Level Value Added Tax (VAT) in all the states on the basis of a decision taken on 23 January 2002 by the empowered committee of the States' Finance Ministers. A white paper released by the empowered committee on 17 January 2005 outlines the basic structure of State VAT.

The main features of the VAT are:

- elimination of cascading tax burden, by providing a set off for input tax as well as tax paid on previous purchases;
- rationalization of the overall tax burden;
- built in self assessment by the dealers; and
- simple and transparent tax structure.

The Government of Uttarakhand repealed the Uttarakhand (The Uttar Pradesh Trade Tax Act, 1948) Adaptation and Modification order, 2002 and enacted an Act called 'The Uttarakhand Value Added Tax (UVAT) Act, 2005' to provide for and consolidate the laws relating to levy of value added tax on sales or purchases of goods in the state of Uttarakhand. The Act, as passed by the Uttarakhand legislative assembly and assented to by the Governor on 9th November 2005 is deemed to have come into force from the 01 October 2005.

The main differences between the existing VAT Act and the repealed Act are as under:

- VAT is a multipoint tax system while sales tax was a single point tax system.

- VAT system provides for dealers to pay tax willfully (Self assessment) and submit returns while supporting documents were required along with returns in sales tax. Thus VAT reduces the control of the executive on the dealers.
- There is a percentage check provided in VAT while there was cent *per cent* assessment in repealed Sales tax Act.

The salient features of the Uttarakhand VAT Act, 2005 are mentioned below:

1. It comprises of XI chapters and V schedules relating to registration of dealers, filing of returns, recovery and refund of tax, rates of tax, appeal and revision, penalties etc.
2. As per Section 3(7) of the Act, no dealer shall be liable to pay tax if during the Assessment Year, the aggregate of his turnover of sales is less than ₹ 5 lakh.
3. Section 15(6) /80(22) provides that a dealer registered under the repealed Act, shall be deemed to be registered under the Uttarakhand VAT Act, 2005 from the date of commencement of this Act. If a dealer who is not liable to tax and not desirous of continuing to be registered dealer under the Act, shall submit an application to the Assessing Authority to this effect within 30 days from the commencement of this Act.

The transitional process from Uttarakhand (The Uttar Pradesh Trade Tax Act, 1948) Adaptation and Modification order, 2002 to UVAT Act, 2005 was reviewed by audit which revealed a number of deficiencies as discussed in succeeding paragraphs.

4.2.2 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 and 43 Assistant Commissioners 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.

4.2.3 Audit Objectives

The review aimed to ascertain whether:

- The planning for implementation and the transition from the sales tax Act to VAT Act was effected timely and efficiently;
- The organisational structure was adequate and effective;
- The provisions in the UVAT Act and Rules made thereunder were adequate and enforced properly to safeguard the revenue of the state;

- Internal control mechanism existed in the department and was adequate and effective to prevent leakage of revenue; and
- Checking the status of system after being in place for four years.

4.2.4 Scope of Audit and Audit Methodology

This performance review has been attempted to ascertain the timely implementation and the extent of compliance with the provisions of the state VAT Act, related rules and departmental circulars/instructions. For this purpose, a test check of the assessment records of 7 DCs (A)[5] and 8 ACs (A)[6] was taken up. The selection of the units was made on the basis of Probability Proportional to Size with Replacement (PPSWR) method.

The assessments for the FY 2005-06 had been completed by the department and the assessments for the FY 2006-07 were in progress at the time of audit. As such, scrutiny of the cases assessed upto FY 2006-07 and returns filed by the dealers upto 2008-09 has been taken up in the performance review.

4.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the cooperation of the Commercial Tax Department in providing necessary records and information for audit. An entry conference was held on 21 January 2010 with the Additional Commissioner, Commercial Tax Department wherein the audit objectives and scope of audit was discussed. The draft review was sent to Government/Department in July, 2010 for their response. An exit conference was held on 9 August 2010 with Additional Commissioner (Admn), Jt. Commissioner (Legal) Headquarter, Commercial Tax in which the results of the audit and the recommendations were discussed. The department has accepted most of the audit findings /recommendations and assured to take action. The comments/reply of the department has been appropriately included in this report under the respective paragraphs.

4.2.6 Audit Findings

System defeciencies

4.2.6.1 Trend of Revenues

The tax collection position of Pre VAT and Post VAT regimes (2003-04 to 2008-09) and the growth rate have been tabulated below:

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[5] DC IV Dehradun, DC V Dehradun, DC VI Dehradun, DC I Hardwar, DC II Haldwani, DC I Rudrapur and DC II Kashipur.

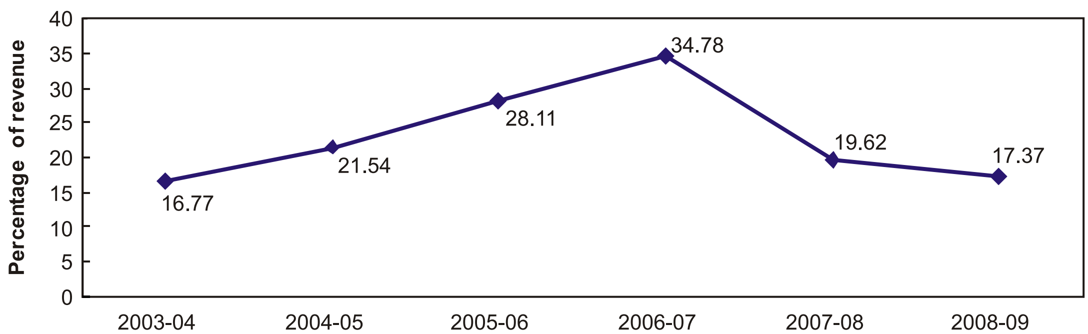
[6] AC IV Dehradun, AC I Rishikesh, AC II Roorkee, AC I Haridwar, AC Nainital, AC Tanakpur, AC II Kashipur and AC I Haldwani.

Table-4.2.1

(₹ in crore)

Year	Collection of Revenue	Growth Rate (%)
2003-04	645.58	16.77*
2004-05	784.68	21.54
2005-06	450.36 up to Sep 2005 554.92 from Oct 2005 to March 2006	28.11
2006-07	1,354.98	34.78
2007-08	1,620.84	19.62
2008-09	1,902.38	17.37

**The revenue collections for year 2002-03: ₹552.86 crore*



Thus, the average growth rate during 2003-05 was 19.15 *per cent* while the average growth rate for 2006-09 was 23.92 *per cent*. The growth rate of revenue over the previous year after implementation of VAT touched a high of 34.78 *per cent* in 2006-07. Although the rate had fallen in the subsequent years, it still maintained a healthy growth rate in succeeding years.

After this was pointed out, the department stated (August 2010) that increase in the ITC claims with the stabilization of VAT regime resulted in fall of revenue growth rate.

4.2.6.2 Preparedness and transitional process

4.2.6.2.1 Delayed implementation of VAT

VAT came into effect from 1 October 2005 in the State, after a delay of six months from the planned date. Implementation of VAT from mid of financial year resulted in double assessments for the FY 2005-06 i.e. April 2005 to September 2005 (Sales Tax) and October 2005 to March 2006 (VAT), resulting in non completion of assessments for the financial year 2005-06 within stipulated time i.e. upto March 2009, which had to be extended till September 2009.

4.2.6.2.2 Manpower management

With the VAT regime coming into force, need for reorganizing the organizational structure of the department was realized. This reorganization was considered necessary in view of the growing requirements of the Department viz. (i) increase in number of assessments from 62,945 to 85,141 during 2006-09, (ii) for effective check on inter state sales through establishing new check posts, and (iii) to strengthen the enforcement, speedy disposal of appeal related matters, and to prevent tax evasion etc., In pursuance, additional posts were created under various cadres (December 2006) commensurate to the aforesaid requirement.

However, manpower shortage ranging from 62.8 *per cent* to 58.2 *per cent* during post VAT period, handicapped the department in performing its regular functions. As such, only the assessments pertaining to 2005-06 were complete and the assessments for the subsequent years were in progress as of March 2010.

Table-4.2.2

Cadre	Sanctioned Strength			Men in Position			Shortage					
	2006-07	2007-08	2008-09	2006-07	2007-08	2008-09	2006-07		2007-08		2008-09	
Gr A	56	56	56	29	24	26	27		32		30	
Gr B	294	294	294	108	155	148	186		139		146	
Gr C	987	987	989	360	339	385	627		648		604	
Total	**1,337**	**1,337**	**1,339**	**497**	**518**	**559**	**840**	**62.8 %**	**819**	**61.2 %**	**780**	**52.2%**

The Government may consider fulfilling the vacant post in post computerization scenario for better tax administration.

4.2.6.2.3 Creation of manual

Although the UVAT Act came into force in November 2005 and VAT has been in place for more than four years, the department is yet to prepare a VAT manual. As a result, shortcomings were noticed in effective follow-up of the Act/rules/circulars, as enumerated below:

1. Records/registers to monitor various departmental activities and modifications in dealers' database like register of receipt of periodical returns, register of casual dealers, register of defaulters, register to watch submission of annual returns and audited report by the dealers were not being maintained.

After this was pointed out, the department stated (August 2010) that committee has been constituted and old manuals are being updated for VAT regime which is expected to be completed by October 2010.

The Government may expedite the preparation of the VAT manual and record/registers to streamline the working of the department.

2. Due to absence of any reference point for effective practices, instances of non-compliance to the Act provisions and departmental circulars were also revealed during the test check.

- As per departmental circular dated 4 January 2008, the dealers whose turnover exceeds Rupees one crore are required to be assessed by Deputy Commissioners (Assessment) while Asstt. Commissioners (Assessments) are authorized to assess the cases of the dealers whose gross turnover ranges from 25 lakh to one crore.

In contravention of the above, 17 cases pertaining to three AC(A)s[7], having turnover of more than one crore for FY 2005-06 were not transferred for assessment to DC(A).

The matter was referred to the department (July 2010); reply is awaited (November 2010).

- Section 29 (3) (4) of the Act Provide that the assessment or reassessment in respect of turnover escaped from assessment may be passed at any time within three years and nine months ending 31 December after expiry of assessment year for which assessment is to be made, provided that the notice under this section has been served within a period of three years and six months ending 30 September after expiry of the assessment year for which assessment is to be made. Further if the commissioner on his own or on the basis of reason recorded by the assessing authority is satisfied, he may authorize the assessing authority but the assessment or reassessment may be made after the expiration of the period aforesaid but not after expiration of six years from the end of such assessment year.

It was noticed in case of two dealers[8] falling under DC II, Haldwani that permission from the Commissioner regarding re-assessments for time barred cases pertaining to the period 2005-06 (VAT period) was not obtained.

The matter was referred to the department (July 2010); reply is awaited (November 2010).

4.2.6.3 Computerisation of the commercial tax department

With an objective to computerize the departmental operations, application software was developed by the National Informatics Centre (NIC) – Uttarakhand State Unit. It aimed to enable better tax administration through improved tax compliance, reduced tax evasion and bringing new commercial establishments into the tax net.

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[7] AC-I Haridwar(2 cases), AC-I Haldwani (5 cases), AC Tanakpur (10 cases).
[8] Hindustan stone Company Haldwani , Himalaya stone Industries, Haldwani.

4.2.6.3.1 Partial operationalisation of the modules

Under the web enabled VAT software, four modules have been developed - Dealer database, Registration, Returns and Forms. Audit observations in this regard are as follows:

- The department had effectively implemented the system to register dealers as of March 2006.
- Though the database module has been operationalised, vital information in fields relating to PAN number, Bank Account number, initial capital investment, e-mail address etc is yet to be fed in a large number of cases.
- 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 are being fed into the system, the documents attached with the returns i,e purchase and sales list of the dealers are not being fed in the computers, which narrows down the scope for checking the authenticity of the claims through cross-verification.
- The module provided for issuance of forms is yet to be fully operationalized as only issuance of 'form 16'[9] is being carried out.
- The website of the Department offers electronic services like e-registration, e-filing, e-payment and e-forms. However, on being accessed, it revealed that only two services pertaining to registration and filing were functional with user manuals to guide the prospective users. Further, the number of dealers actually using the services was miniscule[10], indicating a need for active awareness campaigns to popularize the use of e-services.

During exit conference the department while accepting the objections stated that the software shall be revamped and the modules rectified and simplified.

The Government may consider taking steps for implementation of all the modules and to provide necessary training to its staff. It may also campaign actively to popularize the e-governance initiatives of the department for better response.

4.2.6.3.2 Inadequacies of the software

- There was no in-built mechanism in the software for detection of late payment of tax and calculation of interest thereon.
- Test check of the feeding of returns in DC II Kashipur and DC-I Rudrapur revealed that the software was not capable of accepting the periodical returns having a turnover of more than nine digits. Thus the monthly returns

[9] Form 16 is declaration for import of goods in the state.
[10] 350 dealers have been provided with password for e-filing.

of India Glycols Ltd (IGL), Kashipur and Bajaj Auto Limited, Pant Nagar could not be fed into the computer.

- The software was not supported by a fully documented user's guide. In all, only six NIC representatives were deployed to cater to the need of 64 DC and AC offices for providing technical assistance.
- Information collected from the offices of DC (A) II Haldwani and DC (A) I Rudrapur revealed that the UPS was not able to provide power back ups.
- No standardized restoration policy was found in vogue to cope with any probable data mishap. Since database is being maintained at a single server, high risk of data loss was involved. Disaster recovery system has not been installed so far.
- No licensed version of Anti-virus software was found installed in the field offices, making the system susceptible to virus attacks and corruption of data.

After this was pointed out, the department while accepting the observations stated (August 2010) that these shall be taken care of while revamping of the software.

Government may consider smooth operationalisation of the software and other equipments. A guide to use the software is also required to be documented. An IT wing equipped with trained personal may be established to reduce dependence on NIC.

4.2.6.3.3 Checkgates and their interlinking

The computerization 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 interstate trade.

Despite availability of funds, the interlinking of the offices and check posts could not be taken up. Year-wise allocation and utilization of budget for computerization during 2005-06 to 2008-09 is indicated below:

Table-4.2.3

(₹ in lakh)

Year	Budget Allocations	Utilization	Surrendered	Diverted
2005-06	98.14	98.14	-	-
2006-07	100.00	74.38	25.62	-
2007-08	400.00	13.42	249.76	136.81
2008-09	400.00	81.67	188.33	130.00

It is evident from the table that out of ₹ 8 crore allocated during the period 2007- 09, only ₹ 95.09 lakh, a mere 11.89 *per cent* of budget allotted was utilized for computerisation. The remaining amount was either surrendered or diverted.

Also, where the computers have been purchased, they were lying idle as noticed during the audit. The information collected from AC, in charge, check post Sutaiya revealed that the computers had been purchased (February 2009), but were not installed as of June 2010.

After this was pointed out, the department accepted and stated (August 2010) that the connectivity is expected to be complete by September 2010.

The Government may consider interlinking of the check post with the commissioner and other unit offices immediately.

4.2.6.3.4 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 were not being uploaded at the central server, thereby hampering the cross verification process.

After this was pointed out, the department replied that the TINXSYS programme was initially started with the aim of verification of interstate transactions covered with declaration forms. The programme did not respond as per the expectations. As such, the progress of uploading of information was not upto the mark.

4.2.6.4 Registration and database of the dealers

4.2.6.4.1 Carrying forward of database

As per the UVAT Act, registered dealers under the repealed Act[11] are deemed to be registered dealers under the UVAT as well. Prior to implementation of VAT, separate registration numbers viz. UPTT number and CST number were being issued to registered dealers for carrying out sales within the state and outside the state respectively.

Post VAT, unique taxpayers' identification number (TIN) of 11 digits is being issued to the registered dealers for carrying out sale transactions. Since May 2008, the same TIN numbers have been effective for inter state transactions also.

As on 31 March 2006, there were 62,945 registered dealers. This number had gone up to 85,141 at the end of 2008-09 as seen from the table below:

[11] Uttarakhand (The Uttar Pradesh Trade Tax Act, 1948) – Adaptation and Modification Order, 2002.

Table-4.2.4

Period	No. of dealers	Increase of dealers with reference to previous year	Percentage increase of dealers with reference to previous year
2005-06	62,945	7,730*	14 %
2006-07	68,176	5,231	8 %
2007-08	76,469	8,293	12 %
2008-09	85,141	8,672	11 %

* *Number of registered dealers in 2004-05 was 55,215*

4.2.6.4.2 Registration of new dealers

Under the UVAT Act, no dealer liable to pay tax shall carry on his business as a dealer unless he has been registered and possesses a certificate of registration (RC) within 30 days from the date of liability. Audit scrutiny revealed that the department has not issued any instructions for conducting survey for detection of unregistered dealers to bring them into tax net.

The Government may consider it mandatory to conduct periodic survey to unearth unregistered dealers in the interest of revenue.

Deficiencies noticed in this regard are discussed below.

- Audit found through scrutiny of purchase lists[12], attached with the returns of dealers falling under two DC (A) offices that though five unregistered dealers sold taxable goods, exceeding the limit of ₹ 5 lakh, the concerned officer-in-charge of the units could not detect the dealers and register them. This resulted in non realisation of tax of ₹ 3.89 lakh along with interest of ₹ 2.53 lakh as mentioned in the following table:

Table-4.2.5

(₹ in lakh)

Name of unit	Name of Purchasing dealer/Year of Purchase	Name of unregistered Selling dealer	Total amount of purchase	Non realization of tax	Interest amount
D.C.(A) CT-I, Rudrapur	Shah Industries, Rudrapur 2005-06	(i) Bishta Metal, Rudrapur	25.55	1.02	0.67
		(ii)PanjabTraders, Rudrapur	26.66	1.07	0.69
		(iii) Durga Trading Co., Rudrapur	23.07	0.92	0.60
D.C.(A) CT-II Haldwani	Keshav Mineral Industries, Haldwani 2005-06	(i)Laxman Singh Chauhan Bageshwar	7.06	0.35	0.23
		(ii) Pradeep Chandra Joshi Pithoragarh	10.56	0.53	0.34
Total				**3.89**	**2.53**

12 Purchase list is a statement of purchases of goods with names and registration numbers of selling dealers, based on which, input tax credit is admitted.

After this was pointed out, the concerned units replied that the matter has been brought to the notice of the Asstt. Commissioners for registration of the dealers.

The matter was referred to the department (July 2010); reply is awaited (November 2010).

- Under UVAT Act, every dealer in liquor including beer is liable for registration irrespective of the turnover.

Information/ data collected from Excise Commissioner, Uttarakhand revealed that a substantial number of dealers operate in liquor trade as tabulated below:

Table-4.2.6

Area	No of dealers operating in liquor trade			
	2005-06	2006-07	2007-08	2008-09
AC (A), I & II, Rudrapur	87	87	85	85
AC (A), Nainital	27	27	27	27

A cross verification with the records of AC (A) responsible for registration of these dealers revealed that neither the dealers got themselves registered nor any departmental initiative was taken to cover them under the tax net.

- The issuance of registration certificates was not found to be uniform. As such, the RCs pertaining to sales within state were being issued in a computerized format through centralised registration mechanism while RCs pertaining to inter state sales were being issued manually.
- No periodic analysis of RCs to detect TINs that remained unused for a considerable time has been conducted to safeguard against misuse.

After this was pointed out, the department while accepting the audit observation in respect of registration of dealers in the trade of liquor replied (August 2010) that the matter shall be looked into and results intimated to audit.

The Government may consider making appropriate provision in the UVAT Act/Rules to cross verify the records with other dealers/other Government departments/TINXSYS while scrutinizing returns/audit assessments.

4.2.6.4.3 Dealers below the threshold

Under the UVAT Act, every dealer whose turnover exceeds ₹ 5 lakh is required to be registered and pay the tax at the prescribed rate.

Scrutiny of the records, however, revealed that the eligibility for tax liability was ascertained on the basis of the returns submitted by the dealers only. There was no system instituted for periodic scrutiny of the books of accounts to verify whether a dealer/contractor has crossed the above threshold.

It is pertinent to mention that in the pre-vat regime, the limit for getting registration was ₹ 1 lakh for dealers and ₹ 1.5 lakh for manufacturers. As such, carrying forward of the database maintained in the earlier regime and ascertaining the actual sales turnover is crucial for keeping an eye on the dealers nearing threshold.

The government may consider prescribing a system for periodic verification of the books of accounts of the dealers to detect the cases of crossing the threshold.

4.2.6.4.4 Database of dubious/risky dealers

Audit scrutiny revealed that a database of dubious/risky dealers was not prepared by the department. 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.

After this was pointed out, the department stated (August 2010) that after revamping the software the database shall be maintained in the computer system.

Compliance deficiencies

4.2.6.5 Scrutiny of returns

Scrutiny of the returns, a vital part of VAT administration, was not done as there are no mandatory provisions in the Act/rules for compulsory scrutiny of returns. Even the software did not contain any mechanism for system based scrutiny of the returns through cross linking of the information furnished through returns. Due to which, discrepancies in tax payment and instances of tax evasion were noticed, as discussed below:

4.2.6.5.1 Mechanism to monitor filing of the returns

Under the UVAT Act, all the registered dealers shall file returns showing the details of the total turnover, exemption claimed, taxable turnover, output tax due, tax collected, input tax credit availed of, tax due including reverse tax credit, if any, and the tax paid separately for that return period. The return period is monthly in majority of the cases and in some cases quarterly to be filed before the end of the ensuing month.

Further, the registered dealers are also required to submit an annual return of turnover of purchase and sales, in addition to the monthly/quarterly returns. Any deviation attracts penalty up to ₹ 5,000.

Deficiencies noticed in the mechanism for monitoring the filing of the returns are mentioned below:

- Registers for receiving the returns have neither been prescribed nor maintained in any of the units test checked. As such, it was not possible to ascertain the timely receipt of the returns/filing of the revised returns.

- There was no system of monitoring and taking action for belated submission of the returns.
- There was no mechanism to ascertain whether notices were issued to the dealers who had not submitted the returns.

After this was pointed out, the department stated (August 2010) that the deficiencies noticed shall be considered while revamping of the software.

The Government may take appropriate steps for regular monitoring of timely receipt of the returns and prompt action against the defaulters.

Scrutiny of records of all sampled 7 DC (A) and 8 AC (A) revealed that 41 *per cent* to 52 *per cent* of dealers submitted monthly/quarterly returns either late or did not submit at all and 45 *per cent* to 76 *per cent* of the dealers did not submit the annual returns. No penalty, as stipulated in the Act was levied in a single case. Details have been tabulated below:

Table-4.2.7

Year	Total no. of registered dealers in selected units	Total number of dealers who submitted their periodical returns late/ did not submit at all	Total number of dealers who didn't submit their annual returns
2005-06	10,869	5,652	8,337
2006-07	11,532	5,190	8,935
2007-08	13,617	5,730	9,253
2008-09	15,057	6,183	10,578
Total		**22,755**	**37,103**

4.2.6.5.2 Non submission of annual audit report

UVAT Act provides that wherein any particular year gross turnover of a dealer exceeds forty lakh rupees, the dealer shall get his accounts in respect of that year, audited by an accountant and a copy of such report shall be furnished to the assessing authority within two months after the expiry of the period during which the audit is required to be completed. Non submission of audit report attracts penalty of ₹ 5,000.

Audit scrutiny revealed that 52.1 *per cent* to 63.8 *per cent* of dealers during the period 2005-09 did not submit the audit report, as mandated by the Act provisions.

Table-4.2.8

Year	Dealers having gross turnover of more than ₹ 40 lakh	Dealers who did not submit the audit report	
		In numbers	In percentage
2005-06	15,24	973	63.8
2006-07	18,82	1,102	58.5
2007-08	23,04	1,201	52.1
2008-09	22,41	1,368	61.0
Total		**4,644**	

No penal action as provided in the Act was initiated against 64,502 (22,755+37,103+4,644) dealers despite default being on the increase, resulting in non imposition of penalty amounting to ₹ 32.25 crore.

The matter was referred to the department (July 2010); reply is awaited (November 2010).

4.2.6.5.3 Suppression of production/ turnover

Section 15 of the repealed Act and section 58 of UVAT Act provides that any dealer committing an offence shall pay, by way of penalty in addition to the tax, such amount as may be specified for that offence.

- Test check of the assessment records in DC-I Haridwar disclosed that a dealer[13] declared taxable sale turnover of ₹ 27.62 lakh for the year 2005-06 and the assessing authority accepted the figure. However, scrutiny of financial statements revealed a sale of ₹ 27.80 lakh. Thus the dealer concealed sales worth ₹ 1.88 lakh with tax effect of ₹ 0.24 lakh and interest thereon worth ₹ 0.15 lakh. Besides, penalty of ₹ 0.12 lakh is also leviable.
- On being pointed out, the concerned Assessing Authority replied that the matter shall be investigated. The matter was referred to the department (July 2010); reply is awaited (November 2010).
- Test check of assessment records of 163 dealers maintained in 3 DC offices[14] revealed that three dealers registered purchase turnover of ₹ 23.37 crore; however, cross verification of purchase lists with balance sheet, sales list of selling dealers and utilisation statement of form 'C'[15] revealed the actual purchase turnover of ₹ 25.08 crore. The dealers concealed the purchase turnover to the tune of ₹ 1.70 crore. The Assessing Authority had also failed to detect the suppression of purchase turnover. This resulted in evasion of tax of ₹ 15 lakh including interest. Besides, penalty of ₹ 11.59 lakh is also leviable.
- On being pointed out, the concerned Assessing Authority replied that the matter shall be investigated. The matter was referred to the department (July, 2010); reply is awaited. (November 2010)
- Test check of the assessment records in DC II Kashipur revealed that a dealer[16] engaged in production of liquor used 8.11 lakh litre of raw material (alcohol) in the year 2005-06. As per the norms contained in FL2 Rules the total liquor produced from the raw material should be 18.96 lakh litres; but, production of only 17.93 lakh litres of liquor was shown. The assessing

[13] Ashoka Enterprises, Haridwar.
[14] DC-II Kashipur (2006-07), DC-VI Dehradun (2005-06) & DC-I Rudrapur (2005-06).
[15] Form 'C' is issued for purchase of goods from outside the state at concessional rate of taxation.
[16] Redico Khetan Kashipur.

authority failed to detect the suppression of production worth 1.03 lakh litres, resulting in evasion of tax of ₹ 21.38 lakh and interest of 13.90 lakh. Besides, penalty of ₹ 10.69 lakh is also leviable.

After this was pointed out, the unit replied that the matter shall be investigated and necessary action taken.

During exit conference, the department replied (August 2010) that the comments shall be sent to audit after investigation.

4.2.6.5.4 Irregular allowance of concessions based on recognition certificates[17]

- UVAT Act provides that, where any goods liable to tax are sold by a dealer to another dealer and such another dealer holds a recognition certificate[18], the selling dealer shall be levied a tax at the rate of 4 *per cent* in respect of those goods, provided that no single form shall cover the transactions of purchase or sale of more than one assessment year and of value more than ₹ 5 lakh.

During scrutiny of the records of four DCs (A)[19] and one AC (A)[20], it was noticed that the assessing authority allowed irregular concessional rate of tax on 53 forms involving sales transactions of ₹ 9.87 crore, though the forms enclosed exceeded the limit of ₹ 5 lakh. The irregular grant of concession resulted in short levy of tax of ₹ 67.58 lakh. Besides, interest of ₹ 40.55 lakh is also leviable.

After this was pointed out, DC-IV & DC-VI, Dehradun, DC-I, Rudrapur and AC-I Kashipur replied that the matter shall be investigated and necessary action taken. However DC-I, Haridwar replied that as per notification dated 20.04.2008 limit of rupees five lakh on issuance of form 3B does not apply to the units having a turnover of more than rupees ten crore. The reply of the assessing authority is not tenable as the said notification is conditional and applies only when the assessing authority of the dealer issuing form 3B record a certificate on form 3B certifying the amount for which the form has been issued. No such certificate was recorded on the forms and concession allowed.

The matter has been referred to the department (July 2010); reply is awaited. (November 2010)

- Section 4 B (1) (b) of the repealed Act and Section 7(a) of UVAT Act provide that where any goods liable to tax are sold by a dealer to another dealer and such other dealer furnishes to the selling dealer in the prescribed

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[17] A certificate issued by the department to manufacturer stating the names of goods to be manufactured (as notified goods) and names of goods required for manufacture of notified goods. Concessional rate of tax is applicable on the goods mentioned in the certificate.

[18] Form 3B (pre vat)/ Form 11 (post vat) is issued to the selling dealer by the recognition certificate holder.

[19] DC IV Dehradun, DC VI Dehradun, DC I Hardwar and DC I Rudrapur.

[20] AC II Kashipur.

form and manner a certificate to the effect that he holds a recognition certificate, the selling dealer shall be liable in respect of those goods to tax at such concessional rate or be wholly or partly exempt from tax. Further Rule 25 (A) (5) of the repealed Rules and Rule 22 (5) of UVAT Rules, provide that the recognition certificate shall take effect from the date of presentation of application.

Section 3B of the repealed Act provide that a person who issues a false or wrong certificate shall be liable to pay on such transaction an amount which would have been payable as tax on such transaction had such certificate not been issued. Further penalty under section 58(XXIX) is also leviable for such offence.

Audit scrutiny of the records of DC II Kashipur revealed that a dealer[21] holding a recognition certificate purchased HSD for an amount of ₹ 47.32 lakh during April 2005 to June 2005 (pre VAT). The dealer availed concessional rate of 1 *per cent* by issuing a form 3B to the selling dealer.

Scrutiny of the recognition certificate revealed that the addition of HSD took place in July 2005, which is after the purchase was made. Thus, the dealer was not authorized to issue form 3B and avail concessional rate. Failure of the assessing authority to detect the irregular claim resulted in short levy of tax of ₹ 9.46 lakh, besides interest of ₹ 6.15 lakh. A penalty of ₹ 29.81 lakh is also leviable.

After this was pointed out the unit replied that the matter shall be investigated and necessary action taken.

- Scrutiny of the records of DC I Haridwar revealed that a dealer[22] sold 'hair oil' worth ₹ 4.30 crore during 2005-06 against form 3B to another dealer[23] falling under the jurisdiction of DC II Haridwar.

On being cross verified, it was noticed that the dealer who purchased the product, was not authorised to issue form 3B as per the recognition certificate possessed by him.

This resulted in non realization of revenue of ₹ 50.34 lakh and interest thereon of ₹ 30.40 lakh. Besides, penalty of ₹ 62.65 lakh was also leviable.

The matter was referred to the department (July 2010); reply is awaited (November 2010).

- It is provided in the Act, that where a dealer in whose favour a recognition certificate has been granted, purchases goods after payment of tax at concessional rates, and the goods manufactured out of such goods are sold or disposed of otherwise than by way of sale in the state or in the course of interstate trade or commerce, such dealer shall be liable to pay an amount equal to the difference between the amount of tax on the sale or purchase of

[21] Shyam Pulp and Board Mill Ltd, Kashipur.
[22] Herbal Concept Health Care (P) Ltd, Haridwar.
[23] Lotus Beauty Care (P) Ltd, Haridwar.

such goods payable under this section and the amount of tax payable under any other provision of the Act.

During scrutiny of the records of DC II Kashipur, it was noticed that a dealer[24] purchased raw material (molasses) for production of liquor during September 2008 to March 2009 and showed sale of produced liquor worth ₹ 58.85 crore during the same period. However, as the sale included stock transfer of ₹ 3.64 crore (6.18 *percent*) the dealer was not entitled for concessional taxation on the raw material used for producing the liquor, which was transferred.

As per the Act provisions, he was supposed to deposit ₹ 29.89 lakh based on differential rate of taxation on purchase of molasses, which was used to produce liquor otherwise for sale.

After this was pointed out the unit replied that the matter shall be investigated and necessary action taken.

During exit conference, the department stated (August 2010) that the matter shall be looked into and results intimated to audit.

4.2.6.5.5 Short/non levy of tax

According to Section 4 of UVAT Act, the tax payable by a dealer shall be levied on his taxable turnover at such rates as may be prescribed in schedules of the Act.

- During test check of records of 365 dealers falling under three DCs (A)[25] and three ACs (A)[26], it was noticed that in case of eleven dealers tax was levied at a lower rate (details provided in ***Appendix-4.1***) on a total sale quantum of ₹ 5.14 crore, resulting in short levy of tax of ₹ 43.56 lakh and interest of ₹ 20.31 lakh.
- Test check of the records of 268 dealers falling under three DCs(A)[27] and one AC(A)[28] revealed that tax was not levied at all on six dealers for sales transactions amounting to ₹ 2.49 crore (details provided in ***Appendix-4.2***), resulting in non levy of tax of ₹ 21.47 lakh and interest of ₹ 12.98 lakh.

During exit conference, the department while accepting the audit objection replied (August 2010) that the cases shall be examined and results intimated to audit.

4.2.6.5.6 Excess allowance of relief

- As per section 4A of UPTT Act, 1948 read with departmental notification (February 1997), industrial units holding eligibility certificate u/s 4A are liable to pay the tax on sales upto the base production only.

24 IGL Kashipur (2008-09).
25 DC IV Dehradun, DC VI Dehradun and DC II Kashipur.
26 AC I Hardwar, AC II Kashipur and AC I Rishikesh.
27 DC IV Dehradun, DC II Kashipur and DC I Hardwar.
28 AC Nainital.

Scrutiny of records of DC II Haldwani revealed that a dealer[29] engaged in manufacture of pulp and paper holding eligibility certificate u/s 4A had total production of 1,58,670 metric tonnes and base production of 60,075 metric tones during 2005-06. During the same period, the total sale of the dealer was ₹ 566.74 crore and he was required to pay tax upto sale of ₹ 215.04 crore, in the ratio of actual *vis-à-vis* base production. But the dealer paid tax on sale of ₹ 213.14 crore only, evading tax liability on sales worth ₹ 1.90 crore. This resulted in short levy of tax of ₹ 7.58 lakh besides interest of ₹ 4.93 lakh.

During exit conference, the department stated (August 2010) that necessary action shall be taken under an intimation to audit.

4.2.6.5.7 Late deposit of TDS

As per UVAT Act, every person responsible for making payment in pursuance of a work contract shall at the time of making such payment deduct the amount of tax deduction at source and deposit the same in the Govt. Treasury before the expiry of the month following that in which deduction is made. Any deviation attracts a penalty of a sum not exceeding twice the amount deductible but not deducted or deducted but not deposited besides payment of simple interest at the rate of 15 *per cent*.

During scrutiny of records of 313 dealers falling under four ACs (A)[30], it was noticed that five dealers[31] deducted TDS amounting to ₹ 56.95 lakh but did not deposit the same into Government treasury within the prescribed period. The delay ranged from one to ninety one days. The assessing authority neither imposed the penalty amounting to ₹ 1.14 crore nor levied the interest thereon amounting to ₹ 0.74 lakh.

After this was pointed out, the unit replied that the matter shall be looked into and necessary action taken.

The matter was referred to the department (July 2010); reply is awaited (November 2010).

4.2.6.5.8 Non /Short deposit of interest

As per UVAT Act and departmental circular (May 2009), where a dealer is at default or deemed to be at default in making the payment of any amount of tax assessed in excess of tax admitted and the amount remains unpaid for three months after expiry of the period specified in the order of assessment and notice

29 M/s Century Pulp & Paper, Lalkuan, Haldwani.
30 AC I Haridwar, AC IV Dehradun, AC II Kashipur and AC II Roorkee.
31 Ex. Eng. Khara Pariyojna Nirman Khand I Haridwar (2005-06/2006-07), Ex. Eng. Nirman Khand 24th circle Dehradun (2005-06), Ex. Eng. Vidyut Pareshan Khand Kashipur (2005-06), Garrison Eng. MES Roorkee (2005-06), Asai Glass India Ltd. Roorkee (2005-06).

of demand, he shall be liable to pay simple interest @15 *per cent* per annum from the date of such default till payment of said tax.

Audit scrutiny of the records of 187 dealers coming under 3 DCs (A)[32] revealed that the assessing authority while raising the demand in case of five dealers has mentioned in the assessment order for deposit of interest @15 *per cent* per annum in addition to tax, but two dealers have deposited less interest while three dealers have not deposited interest at all on the demand raised, which amounted to ₹ 1.53 lakh.

After this was pointed out, the department while accepting the audit objections stated (August 2010) that necessary action shall be taken and results intimated to audit.

4.2.6.6 Input tax credit

Under the UVAT Act, input tax credit (ITC) shall be allowed to a registered dealer on the purchase of the taxable goods (other than the goods specified in Schedule I and III of the Act) within the State from another registered dealer for the purpose specified therein. For this, a dealer has to submit a statement of the purchase in which the invoice number, date, TIN of the dealer effecting sale, description and the value of the goods, VAT charged etc., are required to be entered.

Discrepancies noticed in this regard are as follows:

- The benefit of ITC was being given to the dealers on the basis of purchase list furnished with the periodical returns. No institutional mechanism to confirm the genuineness of input tax credit claims through cross verification of sales quantum mentioned in purchase list *vis-à-vis* sales list[33] of other dealers was found in place.
- It was only in May 2008, that the department amended the rules and issued instructions to furnish the sales list alongwith the periodical returns to facilitate the cross verification. However, as of March 2010, no system was found in place to upload the sales lists, which could be accessed at the time of assessments.
- As per departmental circular (December 2008), every assessing authority is required to maintain a register of top 20 dealers claiming maximum ITC and cross verify the purchases for the purpose of allowing ITC. However it was noticed that though the registers have been maintained, cross verification is not being carried in all cases before allowing ITC.

Cases of irregular allowance of input tax credit detected during the review are mentioned below:

[32] DC I Rudrapur, DC II Kashipur and DC IV Dehradun.
[33] Sales list is a statement of sale of goods with names and registration numbers of purchasing dealers.

- During test check of records of 502 dealers falling under two DCs (A)[34] and six ACs (A)[35], it was noticed that thirteen dealers applied incorrect tax rate on the inputs for claiming higher tax credit (details provided in ***Appendix-4.3***), involving financial implication of ₹ 3.03 lakh.
- Under UVAT, a dealer who makes sale of goods by way of transfer of property in goods involved in works contract is not allowed for input tax credit on his purchases.

Scrutiny of records of a dealer[36] under the jurisdiction of DC I Hardwar revealed that ITC for ₹ 2.20 crore was claimed for the period from 2005-06 to 2007-08 in the monthly returns filed. This was not detected and disallowed by the assessing authority. Besides, interest of ₹ 1.14 crore is also leviable.

- UVAT Act provides that in respect of goods held in the opening stock on the date of commencement of this Act, input tax credit shall be claimed in six equal monthly installments in returns for the tax periods covering period of six months starting after expiry of three months from the month of the date of commencement of the Act. This was however amended vide notification dated 31 March 2008 and the expiry of six months in place of three months was substituted.

Scrutiny of records of 6 DCs (A) and 8 ACs (A), revealed that 68 dealers claimed the ITC on opening balance of the stock after the expiry of three months from the date of commencement of the Act and the assessing authority allowed the claim resulting in irregular allowance of ITC on opening balance in the FY 2005-06 to the tune of ₹ 39.09 lakh.

On being pointed out, the units replied that the benefit of ITC on opening balance has been allowed as per provision of the original UVAT Act. The reply is not tenable as the provision in the original Act was amended from April 2008 and the assessments for the period 2005-06 to which ITC on opening balance pertain were made after April 2008 by the department.

During exit conference, the department stated (August 2010) that the ITC claim in respect of Works contract will be looked into and comments thereon sent to audit.

The Government may consider prescribing a system of cross verification of the records/information on random basis for allowing ITC.

4.2.6.7 Tax Audit

As per the UVAT Act, tax audit of records, stock in trade and related documents of the dealers may be conducted by officers posted in tax audit wing or by other

[34] DC IV Dehradun & DC II Kashipur.

[35] AC Nainital, AC II Roorkee, AC I Haldwani, AC Tanakpur, AC IV Dehradun and AC II Kashipur.

[36] Larson & Toubro Pvt. Ltd. entered into a works contract with Asai Glass Ltd. Roorkee for construction of factory building.

officer of the department including assessing officer so authorized by the commissioner or by an officer of the tax audit wing not below the rank of Additional Commissioner for the purpose to ensure the correctness, admissibility of claims/ITC and compliance by the dealer with the requirement of the Act.

Audit scrutiny revealed that there is no manual for tax audit which would be a reference point for effective audit. No application software has been developed for tax audit. Department issued circular regarding tax audit as late as September 2008 according to which the selection of dealers for tax audit is to be made by the Additional Commissioner (Audit). No scientific method based on risk analysis has been devised for such selection. Further tax audit in case of only four dealers has been conducted during the period 2006-07 to 2009-10.

During exit conference, the Additional Commissioner accepted and stated (August 2010) that the man power shortage affects the smooth functioning of the tax audit wing. However he stressed upon the need to strengthen the wing. Regarding preparation of a manual it was stated that the same is under consideration. It was also accepted by the department that no software has been prepared for tax audit.

4.2.6.8 Deficiencies in deterrent measures

Though penal measures have been provided in UVAT Act and Rules made thereunder for offences like non/late submission of returns, audited accounts in case of dealers with gross turnover of ₹ 40 lakh and above, delayed payment of admitted tax, concealment of turnover, no provision for levy of additional penalties have been provided for repeated/willful default.

4.2.6.9 Internal audit

Internal audit is one of the most vital tools of the internal control mechanism and evaluates the efficiency and effectiveness of the mechanism. It also independently appraises whether the activities of the organisation are being conducted efficiently and effectively.

It was observed that the Commercial Tax Department has no independent internal audit wing.

After this was pointed out, the department accepted non existence of an internal audit wing.

Since only a few returns would be taken up for detailed scrutiny in tax audit, the Government may consider setting up of a separate internal audit wing fully dedicated to scrutiny and other aspects of functioning of VAT administration.

4.2.7 Conclusion

Analysis of the transitional process from sales tax to VAT revealed various deficiencies in the process. Even after four years of implementation of VAT in the State, the VAT manual has not been finalised, due to which various departmental initiatives/directions could not be institutionalised.

The department was functioning at more than 50 *per cent* of man power shortage; the matter needs to be given adequate attention by the Government.

Though computerisation has been initiated, all the modules of the software were yet to be implemented and the unit offices/check posts were not inter-linked with the Commissionerate.

There was no system of survey to detect unregistered dealers crossing the threshold and to bring them into tax net. Periodic verification of the books of accounts to check tax evasion was not found in place. Coupled with this, delayed and inadequate scrutiny of returns left ample scope for leakage of revenue.

The department has not instituted a system of cross verification with the records of other dealers/other Government departments/TINXSYS while scrutinising returns/audit assessments. There was no internal audit mechanism to ensure the correctness of the departmental processes.

4.2.8 Recommendations

The Government may consider the following steps for effective implementation of the VAT system:

- ***Preparing VAT manual, record/registers to streamline the working of the department.***
- ***Steps may be initiated for operationalising the remaining modules of the software at the earliest; a guide to use the software is also required to be documented. Also, interlinking of the check posts with the commissioner and other unit offices may be expedited.***
- ***Active campaigns to popularize the e-governance initiatives of the department for better response may be organized.***
- ***The department may consider to establish an IT wing equipped with trained personnel to reduce dependence on NIC, smooth operationalisation of the software and imparting training to the personnel.***
- ***Mechanism for detection of unregistered dealers through regular surveys and gathering of information from different sources needs to be in place.***
- ***The department may consider prescribing a system for periodic verification of the books of accounts of the dealers to detect cases of crossing the threshold.***

- ***Appropriate steps for regular monitoring of timely receipt of the returns and prompt action against the defaulters are required.***
- ***A system of cross verification of the records/information on a random basis may be prescribed before allowing the ITC.***

Audit of Transactions

Scrutiny of the records of the Commercial Tax and State Excise Departments revealed several cases of non-compliance of the provisions and other cases as mentioned in the succeeding paragraphs. These cases are illustrative and are based on test check carried out in audit. Such omissions on the part of the departmental officers are pointed out in audit each year but not only the irregularities persist; these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit.

COMMERCIAL TAX DEPARTMENT

4.3 Short levy of tax

Short levy of tax of ₹10.38 lakh due to application of incorrect rate of tax.

As per section 4 (2) (b) (i) (d) of Uttarakhand Value Added Tax Act, 2005 goods not included in any schedule would be taxable at 12.5 *per cent* on its sale. Further, Schedule-II (B) of the Act includes 'River sand, grit & boulders' excluding boulders, sand and grit manufactured by stone crushers, where the applicable tax rate is @ 4 *per cent*. Besides, interest under section 34 (4) of the Act is also leviable for default in making payment of tax.

Scrutiny of the records of Assistant Commissioner (Assessment) Commercial Tax-I, Rudrapur (May 2009) revealed that a dealer[37] deposited tax on the sale of sand, grit and boulders worth ₹ 74.12 lakh, purchased from a stone crusher @ 4 *per cent* during the assessment year 2005-06. This resulted in short levy[38] of tax of ₹ 10.38 lakh (tax : ₹ 6.29 lakh and interest[39] : ₹ 4.09 lakh).

After this was pointed out, the Assistant Commissioner, Commercial Tax, Rudrapur informed (April 2010) that the demand for difference of tax beyond the prescribed rate and interest thereon as pointed out by audit had been raised (February 2010). However, a report on recovery has not been received (April 2010).

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37 M/s. K & D Suppliers, Rudrapur (K-257).

38 The applicable rate on sand, grit and boulders produced by stone crusher would be 12.5 *per cent* as it is not included in any schedule; hence, short levy of tax by 8.5 *per cent* will amount to ₹ 6.29 lakh.

39 Interest @ 15 *per cent* for the period from 01.01.2006 to 30.04.2010.

The matter was reported to the Government (May 2010); reply has not been received (November 2010).

4.4 Incorrect exemption

Short levy of tax of ₹ 20.58 lakh due to grant of trade tax exemption based on a false certificate.

Under Section 4 of Uttar Pradesh Trade Tax Act, (UPTT Act) 1948 read with Government notification dated 27 February 1997, sale or purchase of goods manufactured by village industries, certified by All India Khadi & Village Industries Commission or the State Khadi and Village Industries Board (Board), are exempted from trade tax; the exemption is applicable upto a turnover of rupees fifty lakh only, in an assessment year.

Further, Section 3B of the UPTT Act provides that if a person issues a false or wrong declaration, by reason of which tax on sales or purchase ceases to be leviable, the dealer shall be liable to pay a sum equal to the amount of relief in tax secured by him. Sections 15A (1) and (r) (ii) of the same Act provide for a penalty of a sum not less than 50 *per cent*, but not exceeding 200 *per cent* of the tax amount under the aforesaid condition.

Scrutiny of the records (March 2010) of Assistant Commissioner (Assessment), Division I, Commercial Tax, Haldwani revealed that exemption from trade tax on sale of wooden furniture was granted to a dealer[40] during the period 2002-06, based on a certificate produced by him, purportedly issued by Uttarakhand Khadi & Village Industries Board, indicating a validity period of five years from 1 October 2002 to 21 December 2007. However, on cross verification with the records of the issuing authority i.e. the Khadi & Village Industries Board, it came to notice that the dealer had submitted a false certificate as the original certificate issued by the Board to the dealer had a validity period of only three years from 22 December 2004 to 21 December 2007.

Acceptance of a false certificate submitted by a dealer to avail exemption on sale of wooden furniture (worth ₹ 1.08 crore) manufactured by him, resulted in short levy of tax of ₹ 8.67 lakh, equal to the relief in tax secured by him against the sale and interest of ₹ 7.58 lakh there on. Besides, a minimum penalty of ₹ 4.33 lakh at the rate of 50 *per cent* of tax was also leviable on account of claiming exemption on a false certificate.

On being pointed out, the department assured (March 2010) to take action after investigation.

The matter was reported to the Government (July 2010); the reply has not been received (November 2010).

[40] M/s Naina Gramodyog Sansthan, Bareilly Road, Haldwani.

4.5 Non-levy of penalty

For delay in payment of tax, penalty of ₹ 1.34 crore was not levied.

Sub-sections (1) and (4) of Section 35 of the Uttarakhand VAT Act, 2005 stipulate that every person responsible for making payment to any contractor for discharge of any liability on account of valuable consideration payable for the transfer of property in goods in pursuance of works contract, shall, at the time of making such payment to the contractor, deduct an amount equal to four *per cent* and deposit the same in Government Treasury before the expiry of the month following that in which deduction is made.

Further, sub-section (8) of the same section, provides that in the event of default, the Assessing Authority may direct that such dealer shall pay, by way of penalty, a sum not exceeding twice the amount deductible but not so deducted and if deducted, not so deposited into Government Treasury.

Scrutiny of the records (February 2009, May 2009 and January 2010) of three[41] assessing authorities revealed that the tax valued at ₹ 67.06 lakh deducted at source by four[42] departmental executives from contractors for the period from 2004-05 to 2005-06 was deposited in the Government Treasury after the prescribed time, with delay ranging between seven days to 291 days, for which the departmental executives were liable to pay a maximum penalty of ₹ 1.34 crore[43], which was not levied.

After this was pointed out, the Departments replied (November 2009 and September 2010) that the demand of penalty has been raised. However, the report of recovery has not been received.

The matter was reported to the Government (May and August 2010); reply has not been received (November 2010).

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[41] (i) Assistant Commissioner, Khatima, (ii) Assistant Commissioner, Commercial Tax - V, Dehradun, (iii) Assistant Commissioner, Vikas Nagar.

[42] (i) Executive Officer, Nagar Palika Parishad, Khatima, US Nagar (₹ 0.80 lakh), (ii) Central Public Works Department, Circle –I, Dehradun (₹ 51.90 lakh), (iii) Executive Engineer, National Highway Division, PWD, Badkot, Uttarkashi (₹ 9.93 lakh) and (iv) Executive Engineer, Tunnel and Power House Division-I, Dak Pathar, Dehradun (₹ 4.43 lakh).

[43] (i) Executive Officer, Nagar Palika Parishad, Khatima, US Nagar (₹ 1.60 lakh), (ii) Central Public Works Department, Circle –I, Dehradun (₹ 1.04 crore), (iii) Executive Engineer, National Highway Division, PWD, Badkot, Uttarkashi (₹ 19.87 lakh) and (iv) Executive Engineer, Tunnel and Power House Division-I, Dak Pathar, Dehradun (₹ 8.86 lakh).

STATE EXCISE DEPARTMENT

4.6 Loss of revenue

Low production of alcohol from fermentable sugar content of molasses against the prescribed minimum norms resulted in loss of revenue of ₹ 8.67 lakh.

The Uttaranchal 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 office-incharge of the distillery and sent for examination to the alcohol technologist. Failure to maintain the minimum yield of alcohol from molasses entails, in addition to imposition of penalty, cancellation of licence of the distillery and forfeiture of security deposit.

Scrutiny of the records of the Officers-incharge Excise, India Glycol Limited Distillery, Kashipur and Bajpur Sahkari Aswani, Bajpur, Udhamsingh Nagar, in January 2009 and March 2010 respectively revealed that in six cases[44] of composite samples drawn, only 6,01,009.5 AL was extracted from 11,742.76 quintal of fermentable sugar against a minimum of 6,16,494.48 AL as per the norms. Thus, the production of alcohol was lower than the norm by 15,484.98 AL which resulted in loss of revenue of ₹ 8.67 lakh[45] to the Government.

However, the department neither imposed penalty nor took action for forfeiture of security deposit and cancellation of licence as of March 2010.

On being pointed out, the Department replied that the matter has been referred to Commissioner, State Excise for taking penal action.

The matter was reported to the Government (August 2010); reply has not been received (November 2010).

[44] Three cases each of Kashipur and Bajpur distilleries, pertaining to 2007-08 and 2008-09 respectively.

[45] Calculated at average rate of excise duty ₹ 56 per AL.

CHAPTER-V

COMMERCIAL ACTIVITIES

CHAPTER V

COMMERCIAL ACTIVITIES

5.1 Overview of State Public Sector Undertakings

Introduction

5.1.1 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 ₹ 1,722.95 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 3.68 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Uttarakhand State PSUs are concentrated in power sector. The State working PSUs incurred a loss of ₹ 79.66 crore in aggregate for 2009-10 as per their latest finalised accounts as on 30 September, 2010. They had employed 0.16 lakh[1] employees as of 31 March 2010. The State PSUs do not include seven prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in Chapter-II of this Audit Report.

5.1.2 As on 31 March 2010, there were 24 PSUs as per the details given below. Of these, no company was listed on the stock exchange.

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

5.1.3 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.

[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.

5.1.4 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) 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.

5.1.5 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 Peyjal Sansadhan Vikas Evam Nirman Nigam, the audit was entrusted to CAG with effect from 2003-04 for six years upto 2008-09 under Section 20(1) of CAG (DPC) Act, 1971. Entrustment of audit for subsequent years was awaited.

Investment in State PSUs

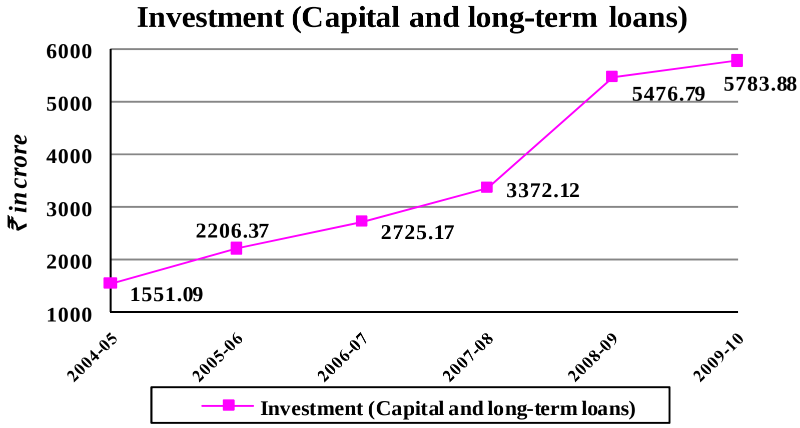
5.1.6 As on 31 March 2010, the investment (capital and long-term loans) in 24 PSUs (including 619-B companies) was ₹ 5,783.88 crore as per details given below:

(₹ in crore)

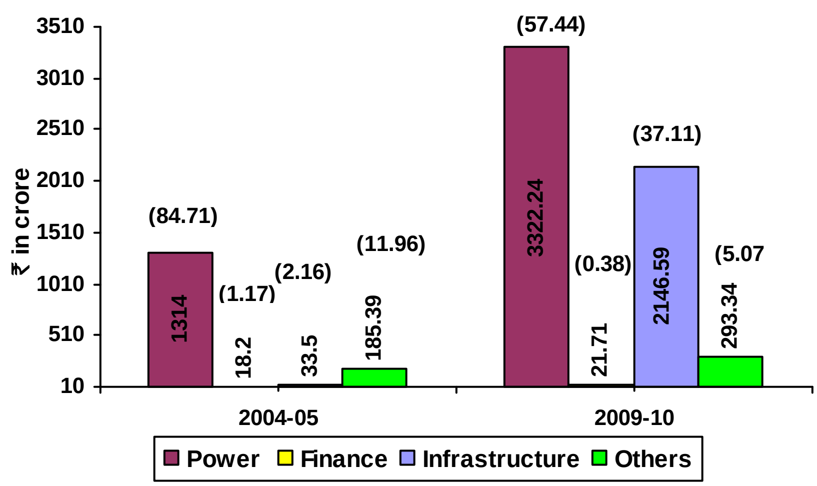
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1,083.51	2,481.93	3,565.44	2,111.59	106.46	2,218.05	5,783.49
Non-working PSUs	0.39	-	0.39	-	-	-	0.39
Total	**1,083.90**	**2,481.93**	**3,565.83**	**2,111.59**	**106.46**	**2,218.05**	**5,783.88**

A summarised position of government investment in State PSUs is detailed in ***Appendix 5.1***.

5.1.7 As on 31 March 2010, of the total investment in State PSUs, 99.99 *per cent* was in working PSUs and the remaining 0.01 *per cent* in non-working PSUs. This total investment consisted of 55.25 *per cent* towards capital and 44.75 *per cent* in long-term loans. The investment has grown by 272.89 *per cent* from ₹ 1,551.09 crore in 2004-05 to ₹ 5,783.88 crore in 2009-10 as shown in the graph below:



5.1.8 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. Though the major investment was in Power Sector (57.44 *per cent*), the thrust of PSU investment in the State was mainly in infrastructure sector which had seen its percentage share rising from 2.16 *per cent* in 2004-05 to 37.11 *per cent* in 2009-10.



(Figures in brackets show the percentage of total investment)

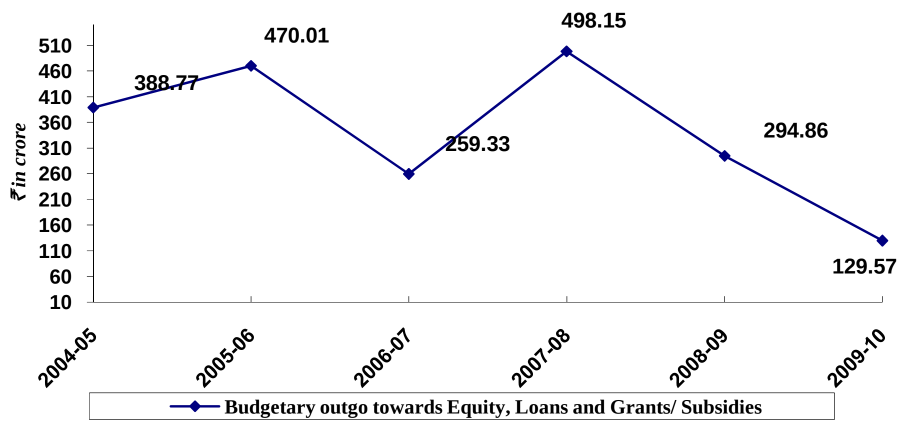
Budgetary outgo, grants/subsidies, guarantees and loans

5.1.9 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued in respect of State PSUs are given in ***Appendix 5.3.*** The summarised details are given below for three years ended 2009-10.

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	307.27	5	256.14	3	104.01
2.	Loans given from budget	6	162.19	5	36.55	2	24.32
3.	Grants/Subsidy received	4	28.69	2	2.17	6	1.24
4.	Total Outgo (1+2+3)	-	498.15	-	294.86		129.57
5.	Guarantees issued	2	211.05	1	3.15	2	277.54
6.	Guarantee Commitment	1	1,200.00	2	1,143.15	3	1,428.81

5.1.10 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 ₹ 498.15 crore to ₹ 129.57 crore during 2004-05 to 2009-10.

5.1.11 The amount of guarantee commitment as on 31 March 2008 was ₹ 1,200 crore (one PSUs) which decreased to ₹ 1,143.15 crore (two PSUs) as on 31 March 2009 and again increased to ₹ 1,428.81 (three PSUs) as on 31 March 2010. 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 ₹ 5.47 crore was paid to state government by only one PSU (Power Transmission Corporation of Uttarakhand Limited) during 2009-10.

Reconciliation with Finance Accounts

5.1.12 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the

Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2010 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1,276.04	3,170.99	1,894.95
Loans	511.98	736.98	225.00
Guarantees	1,309.00	1,428.81	119.81

5.1.13 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

5.1.14 The financial position and working results of PSUs are detailed in ***Appendix 5.2***. A ratio of PSUs turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period from 2004-05 to 2009-10.

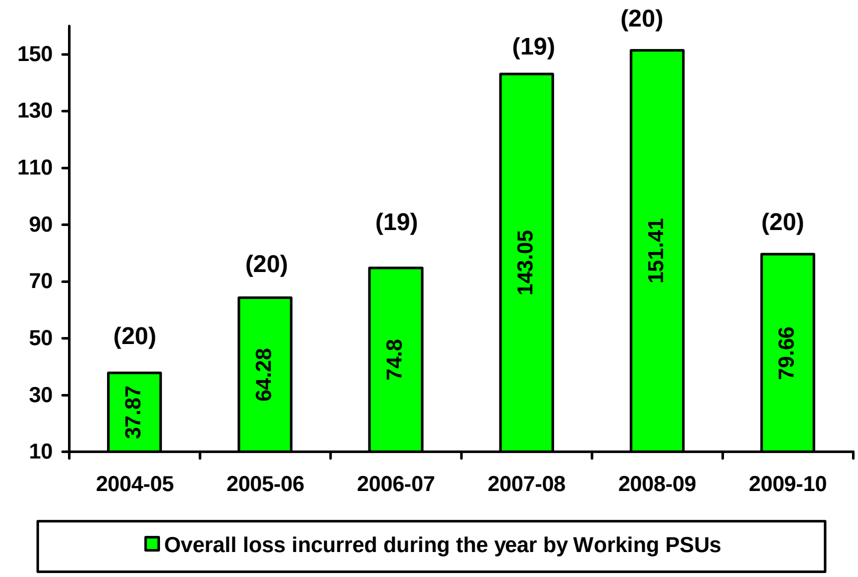
(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover[4]	486.46	1,293.01	1,366.26	1,481.94	1,527.06	1,722.95
State GDP	22,765.00	25,776.00	29,881.00	34,549.00	40,159.00	46,872.00
Percentage of Turnover to State GDP	2.14	5.02	4.57	4.29	3.80	3.68

The percentage of turnover to the State GDP after increasing from 2.14 in 2004-05 to 5.02 in 2005-06, had shown a declining trend in subsequent years and was at 3.68 *per cent* during 2009-10. This was because of disproportionate growth in the turnover figures of State PSUs in comparison with the State GDP figures during these years.

5.1.15 Losses incurred by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.

[4] Turnover as per the latest finalised accounts as of 30 September 2010.



(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 ₹ 37.87 crore in 2004-05 to ₹ 79.66 crore in 2009-10. During the year 2009-10 out of 20 working PSUs, eight PSUs earned profit of ₹ 112.03 crore and 11 PSUs incurred loss of ₹ 191.69 crore as per their latest finalized accounts as on 30 September 2010. One PSU[5] which was incorporated in March 2008 had not furnished its first accounts. The major contributors to the profit were State Industrial Development Corporation of Uttarakhand Limited (₹ 56.49 crore) and Uttarakhand Jal Vidyut Nigam Limited (₹ 48.40 crore). The heavy losses were incurred by Uttarakhand Power Corporation Limited (₹ 144.02 crore), Power Transmission Corporation of Uttarakhand Limited (₹ 19.16 crore), Uttarakhand Parivahan Nigam (₹ 10.29 crore) and Doiwala Sugar Company Limited (₹ 9.17 crore).

5.1.16 The losses of 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 ₹ 1,367.95 crore which was controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	(-) 143.05	(-) 151.41	(-) 79.66	(-) 374.12
Controllable losses as per CAG's Audit Report	4.52	80.11	1,283.32	1,367.95
Infructuous Investment	5.07	3.00	-	8.07

5 Serial No. A.6 of ***Appendix 5.2***.

5.1.17 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.

5.1.18 Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (*Per cent*)	1.31	6.42	11.40	-	-	0.96
Debt	1,275.73	1,644.05	1,950.91	2,356.08	2,387.65	2,588.39
Turnover[6]	486.40	1,293.01	1,366.26	1,481.91	1,527.06	1,722.95
Debt/ Turnover Ratio	2.62:1	1.27:1	1.43:1	1.59:1	1.56:1	1.50:1
Interest Payments	58.72	187.74	304.16	158.78	156.53	124.82
Accumulated Profits (losses)	(-) 80.33	(-) 146.43	(-)168.20	(-)291.71	(-) 283.60	(-) 420.39

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

5.1.19 It can be seen that though the Debt figures had shown increasing trend during 2004-05 to 2009-10, the debt-turnover ratio had decreased from 2.62:1 in 2004-05 to 1.50:1 in 2009-10 due to correspondingly higher growth in the turnover figures as compared to the debt figures. The percentage of consolidated return on capital employed of all PSUs varied between 1.31 in 2004-05 and 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. The accumulated losses increased from ₹ 80.33 crore in 2004-05 to ₹ 420.39 crore in 2009-10.

5.1.20 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 to the State Government. As per their latest finalised accounts, eight PSUs earned a profit of ₹ 112.03 crore but no dividend had been declared.

Arrears in finalisation of accounts

5.1.21 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 below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

[6] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	20	19	19	20	20
2.	Number of accounts finalised during the year	09	15	10	13	12
3.	Number of accounts in arrears	115	119	128	135	143
4.	Average arrears per PSU (3/1)	5.75	6.26	6.74	6.75	7.10
5.	Number of Working PSUs with arrears in accounts	19	19	19	20	20
6.	Extent of arrears	1 to 19 years	1 to 20 years	1 to 21 years	1 to 22 years	1 to 23 years

5.1.22 As may be seen from above, the arrear of finalisation of accounts increased from 115 during 2005-06 to 143 during 2009-10. It can be seen that the State PSUs even failed to clear average one account per PSU during any of preceding five years from 2005-06 to 2009-10. The main reason as stated by the PSUs for delay in finalization of accounts was lack of trained staff. The state PSUs need to take effective measures for early clearance of backlog and make the accounts up-to-date.

5.1.23 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 20 to 23 years.

5.1.24 The State Government had invested ₹ 655.93 crore (Equity: ₹ 475.31 crore, loans: ₹ 154.81 crore and grants/subsidy: ₹ 25.81 crore) in nine PSUs during the years for which accounts have not been finalised as detailed in ***Appendix 5.4***. 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.

5.1.25 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though we had informed of the arrears in finalisation of accounts to the concerned administrative departments and officials of the Government every quarter no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. We had also taken up the matter of arrears in accounts with the Chief Secretary/Secretary (Finance) to expedite the backlog of arrears in accounts in a time bound manner.

5.1.26 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

5.1.27 There were four non-working PSUs as on 31 March 2010. Of these, one PSU has commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below:

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	04	04	04	04	04

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose.

5.1.28 The stages of closure in respect of non-working PSUs are given below.

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

5.1.29 During the year 2009-10, 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 19 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may take decision regarding winding up of three non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

5.1.30 12 working companies forwarded their audited 12 accounts to Accountant General (AG) during the year 2009-10. All these accounts were selected for supplementary audit. 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 below.

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	13.07	5	93.50	4	168.70
2.	Increase in loss	1	20.32	4	131.16	7	16.19
3.	Non-disclosure of material facts	-	-	3	2.47	3	169.52

5.1.31 During the year, the statutory auditors had given qualified certificates for all the 12 accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were four instances of non-compliance with AS in six accounts during the year.

5.1.32 Some of the important comments in respect of accounts of companies are stated below:

Uttarakhand Jal Vidyut Nigam Limited (2006-07)

- Non provision of penal guarantee fee payable in case of non payment of guarantee fee has resulted in understatement of current liability and overstatement of profit for the year by ₹ 28.86 crore.
- Non provision of expenditure of ₹ 1.63 crore incurred on Sobla – II project which came under submergence area of NHPC Project has resulted overstatement of CWIP and profit by the same amount.
- The inter unit balances prior to formation of the company amounting to ₹ 21.74 crore have not been provided, which has resulted in over statement of current assets as well as profit for the year by ₹. 21.74 crore.
- Long pending electricity bills of ₹ 7.59 crore realizable from UP Irrigation Department, which were neither verified nor paid by the department and as such should have been provided for. Non-provision against these bills, has resulted in overstatement of Sundry Debtors & Profit by ₹ 7.59 crore.

Uttarakhand Power Corporation Limited (2005-06)

- Non provision of penal guarantee fee payable in case of non-payment of guarantee fee to the Government has resulted in under statement of loss and current liabilities by ₹ 4.13 crore each.
- Non accounting for the deferred tax assets of ₹ 7.02 crore has correspondingly resulted in overstatement of loss to the same extent.

Power Transmission Corporation of Uttaranchal Limited (2005-06)

- Non provision against surplus/obsolete inventory valuing ₹ 2.39 crore has resulted in understatement of loss and overstatement of inventories by the same amount.

- Non provision of salary payable for the month of March 2006 has resulted in understatement of current liabilities and loss by ₹ 1.07 crore each.

Power Transmission Corporation of Uttaranchal Limited (2006-07)

- The company has not provided guarantee fee and penalty amounting to ₹ 2.74 crore, which has resulted in understatement of loss & current liabilities by the same amount.
- Non provision of miscellaneous advances outstanding for more than five year has resulted in overstatement of loans & advances and under statement of loss by ₹ 3.10 crore.

5.1.33 Similarly, one Statutory Corporation (Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam), audit of which was entrusted to CAG under Section 20(1) of CAG (DPC) Act, 1971 had finalized one account (2002-03) during 2008-09 and forwarded the same during 2009-10 was audited. The details of aggregate money value of comments of CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.70	-	-	-	-
2.	Increase in loss	-	-	1	0.23	1	2.11
3.	Non-disclosure of material facts	-	-	-	-	-	-
4.	Errors of classification	1	0.86	-	-	1	370.30

5.1.34 Important comment in respect of Statutory Corporation is stated below:

Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (2002-03)

- Inventories included ₹ 2.11 crore unserviceable materials for which provision of obsolete material should have been made. This has resulted in overstatement of material and understatement of deficit by ₹ 2.11 crore.

5.1.35 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 to them 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 seven Companies, for the year 2009-10 are given below.

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 5.2*
1.	Non-fixation of minimum/ maximum limits of store and spares	3	A 14, 15 & 16
2.	Absence of internal audit system commensurate with the nature and size of business of the company	4	A 1, 12, 15 & 17
3.	Non maintenance of cost record	2	A 12 & 16
4.	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	4	A 12, 13, 16 & 18
5	Lack of internal control over sale of Power	1	A14

Status of placement of Separate Audit Reports

5.1.36 The following table shows 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.

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	17 July 2009	Accounts are under printing
2.	Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam	-	2002-03	22 January 2010	-do-

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(s).

Disinvestment, Privatisation and Restructuring of PSUs

5.1.37 The State Government had no plan of disinvestment, privatisation or restructuring of any of the PSUs.

Reforms in Power Sector

5.1.38 The State has Uttarakhand Electricity Regulatory Commission (UERC) formed 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 licences. During 2009-10, two orders were issued by UERC on annual revenue requirements and nine on other matters.

PERFORMANCE REVIEW RELATING TO A GOVERNMENT COMPANY

5.2 UTTARAKHAND JAL VIDYUT NIGAM LIMITED- POWER GENERATING ACTIVITIES

Executive summary

Power is an essential requirement for all facets of life and has been recognized as a basic requirement. In Uttarakhand, generation of power is managed by Uttarakhand Jal Vidyut Nigam Ltd (Company). As on 31 March 2010, Company has 13 large hydro generation stations and 21 small hydro generation stations with installed capacity of 1,284.85 MW and 21.05 MW respectively.

Capacity Addition

Though 720 MW of capacity was planned to be added by Company during the five year ending March 2010, the actual addition was only 306 MW leaving a deficit of 414 MW. The State was not in a position to meet the demand as the power generated as well as power purchase fell short to the extent of 106.73 MUs to ,1433.24 MUs during 2006-07 to 2009-10.

Project Management

MB-II (304 MW) LHP which got commissioned during review period, was scheduled to be completed by October 2005 involving a cost of ₹ 1,249.18 crore but the project was completed in February 2008 at a cost of ₹ 2,323.33 crore. Thus, time overrun of around two year and four months led to cost overrun of ₹,1074.15 crore.

Due to deficient preparation of DPR of Asiganga-II SHP, there was time over run of over four years.

Contract Management

The Company failed to recover liquidated damages of ₹ 18.40 crore being the penalty for the delay in execution of civil works of the projects.

Interest free mobilisation advances of ₹ 31.83 crore were given to contractors in violation of principal agreements involved in construction of MB-II project which resulted in loss of interest of ₹ 5.92 crore to the company.

Manpower Management

The Company was able to contain its surplus manpower from 976 in 2005-06 to 141 in 2009-10.

Plant Load Factor

Plant Load Factor of the company remained higher than national average during review period excepting 2009-10.

Outages

The total number of hours lost due to planned outages increased from 46,226 hours in 2005-06 to 57,890 hours in 2009-10 i.e. from 14.66 per cent to 16.52 per cent of the total available hours in respective years due to increase in days involved in maintenance schedule. The forced outages remained less than the norm of 10 per cent fixed by CEA in all the five years and were indicative of proper preventive maintenance.

Company incurred avoidable expenditure of ₹ 10 crore on removal of accumulated silt and also suffered a generation loss of ₹ 43.04 crore due to negligence and incautious approach in operation of Joshiyara Barrage for Maneri Bhali-II hydro electric project during August 2008.

Renovation & Modernization

Inordinate delay in taking up R & M work in respect of Pathri hydro power plant resulted in cost overrun of ₹ 11.58 crore.

Operation & Maintenance

The O & M expenses amounting to ₹ 74.79 crore were disallowed by the UERC, which was incurred over and above the norms of UERC during the period 2006-07 to 2009-10.

Tariff Fixation

The UERC sets performance targets for each year of the Control Period for the parameters that are deemed to be "controllable" any financial loss on account of underperformance on targets for parameters is not recoverable through tariff. Company suffered a loss of ₹ 545 crore during 2006-07 to 2009-10 due to underperformance against the parameters fixed by the UERC.

Environmental Issues

Company did not take any initiative for registration of its ten power stations having installed capacity of 313.70 MW which commenced operation after 1st January 2000 and generated the electricity 2,455.99 MU, under Clean Development Mechanism for sale of Certified Emission Reduction. Consequently company was deprived to obtain the revenue against the saving of 24,24,062.13 tonne CO_2.

Conclusion and Recommendation

The Company failed to meet the growth in peak demand due to delay in planning and implementation of capacity addition programmes. The existing generating units were ageing and there were abnormal delays in taking up/execution of the renovation and modernisation works of these units. The Company has consistently not been able to achieve the performance parameters and targets set by UERC, which led to disallowance of expenses of ₹ 545 crore which could not be realised through tariff and in turn affected the financial health of the company. The review contains seven recommendations which include intensification of its capacity addition programmes by exploring all resources of energy, improve plant load factor and capacity utilization, achieve the performance parameters set by the UERC, carry out R/M activities as per schedule and incorporate an interest bearing clause for mobilization advance in construction agreements

Introduction

5.2.1. Power is an essential requirement for all facets of life and has been recognized as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. The Electricity Act 2003 provides a framework conducive to development of the Power Sector, promote transparency and competition and protect the interest of the consumers. In compliance with Section 3 of the Act, the Government of India (GOI) prepared the National Electricity Policy (NEP) in February 2005 in consultation with the State Governments and Central Electricity Authority (CEA) for development of the Power Sector based on optimal utilisation of resources like coal, gas, nuclear material, hydro and renewable sources of energy. The Policy aims at, *inter alia*, laying guidelines for accelerated development of the Power Sector. It also requires CEA to frame National Electricity Plan once in five years. The Plan would be short term framework of five years and give a 15 years' perspective.

During the year 2005-06, electricity requirement in Uttarakhand was assessed as 5,157 Million Units (MU) of which 5,426 MU were available with surplus of 269 MU. The total installed power generation capacity in the State of Uttarakhand was 1,123.50 Mega Watt (MW), of which 999.90 MW pertained to the Company. The effective available capacity of the Company was 405.90[7] MW against the peak demand of 825 MW. As of March 2010, the comparative figures of requirement and availability of electricity were 8,936 MU and 7,503 MU with a shortfall of 1,433 MU. There was a growth in demand of 3,779 MU during review period and capacity addition in the state was 2,041.25 MW of which 306 MW was added by

[7] Worked out on the basis of PLF.

the company. However, despite adequate available capacity, the demand could not be met owing to under utilization (36.07 *per cent*) of available capacity, resulting into deficit of 5,160.64 MU.

In Uttarakhand, generation of power is carried out by Uttarakhand Jal Vidyut Nigam Ltd. (Company), which was incorporated on 12th February 2001 under the Companies Act 1956 as a wholly owned Company of Government of Uttarakhand. It came into being under UP Electricity Reform Act 1999 and UP State Electricity Reform Transfer Scheme 2000, under the administrative control of the Power Department of the Government of Uttarakhand. The Management of the Company is vested with a Board of Directors comprising a Chairman, a Managing Director, two whole time Directors and eight part time Directors appointed by the State Government. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Company with the assistance of whole time Directors and General Managers. The Company has 13 large hydro generation stations and 21 small hydro generation stations with the installed capacity of 1,284.85 MW and 21.05 MW respectively. The turnover of the Company was ₹ 504.32 crore in 2009-2010, which was equal to 29.27 *per cent* and 1.08 *per cent* of the State PSUs turnover (₹ 1,722.95 crore) and State Gross Domestic Product (₹ 46,872 crore), respectively. It employed 2,479 employees as on 31 March 2010.

Scope and Methodology of Audit

5.2.2 The present review conducted during February 2010 to July 2010 covers the performance of the Company during the period 2005-06 to 2009-10. The review mainly deals with Planning, Project Management, Financial Management, Operational Performance, Environmental Issues and Monitoring by Top Management. The audit examination involved scrutiny of records at the Head Office, GM office of Small Hydro Projects (SHPs) and four out of 13 large hydro generating stations. Out of the total installed capacity of 1,305.90 MW, four large hydro generating stations (*viz* Maneri Bhali-II- 304 MW, Chibro- 240 MW, Chilla -144 MW and Khodri -120 MW aggregating to 808 MW which is 61.87 *per cent* of the total installed capacity) had been selected for audit examination.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top managements, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and requesting comments of Management on draft review.

Audit Objectives

The objectives of the performance audit were:

5.2.3 Planning and Project Management

- To assess whether capacity addition programme taken up/to be taken up to meet the shortage of power in the State is in line with the National Policy of Power for All by 2012;
- To assess whether a plan of action is in place for optimization of generation from the existing capacity;
- To ascertain whether the contracts were awarded with due regard to economy and in transparent manner;
- To ascertain whether the execution of projects were managed economically, effectively and efficiently;and
- To ascertain whether hydro projects were planned and formulated after taking into consideration the optimum design to get the maximum power, dam design and safety aspects.

5.2.4 Financial Management

- To assess the soundness of financial health of the Company; and
- To assess whether all claims including energy bills and subsidy claims were properly raised and recovered in an efficient manner.

5.2.5 Operational Performance

- To assess whether the power plants operated efficiently and preventive maintenance as prescribed was carried out minimising the forced outages;
- To assess whether the manpower requirement was realistic and its utilisation optimal;
- To assess whether the life extension (renovation and modernization) programme were ascertained and carried out in an economic, effective and efficient manner; and
- To assess the impact of R&M activity on the operating performance of the Unit.

5.2.6 Environmental Issues

- To assess whether environment management system required to meet the environmental obligations has been formulated and adhered to.
- To assess whether environmental audit reports were submitted to the Pollution Control Board and scrutinized by the environmental auditor.
- To assess whether green belt for pollution control by planting more plantation had been created.

- To assess whether hydro electric projects have been registered under Clean Development Mechanism (CDM)

5.2.7 Monitoring and Evaluation by Top management

- To ascertain whether adequate MIS existed in the entity to monitor and assess the impact and utilize the feedback for preparation of future schemes.

Audit Criteria

5.2.8 The audit criteria adopted for assessing the achievement of the audit objectives were:

- National Electricity Plan, norms/guidelines of Central Electricity Authority (CEA) regarding planning and implementation of the projects;
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Targets fixed for generation of power ;
- Parameters fixed for plant availability, Plant Load Factor (PLF) etc;
- Performers of best achievers in the regions/all India averages;
- Prescribed norms for planned outages; and
- Acts relating to Environmental laws.

Financial Position and Working Results

5.2.9 The financial position of the Company for the five years ending 2009-10 is given below:

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
A. Liabilities					
Paid up Capital	370.1	469.57	659.98	712.31	788.69
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	777.92	824.26	745.51	762.76	842.88
Borrowings (Loan Funds)					
Secured	-	-	-	-	-
Unsecured	855.47	1103.3	1,388.73	1,373.21	1,355.43
Current Liabilities & Provisions[8]	221.18	204.45	370.01	438.03	441.13
Total	**2,224.67**	**2,601.58**	**3,164.23**	**3,286.31**	**3,428.13**
B. Assets					
Gross Block	748.49	772.47	2,549.2	2,561.78	2,576.78
Less: Depreciation	528.19	540.95	550.91	619.58	704.52

[8] Current liabilities & Provisions includes deferred tax liability.

Net Fixed Assets	220.3	231.52	1,998.29	1,942.2	1,872.26
Capital works-in-progress	1,417.02	1,801.77	394.74	409.82	424.82
Investments					
Current Assets, Loans and Advances[9]	587.35	568.29	771.20	934.29	1,131.05
Accumulated losses	-	-	-	-	-
Total	**2,224.67**	**2,601.58**	**3,164.23**	**3,286.31**	**3,428.13**
Debts Equity Ratio	**1:1.33**	**1:1.17**	**1:1**	**1:1.08**	**1:1.22**

(Source: Information compiled from the balance sheet &the data available with the Company)

The accounts of the company for the years 2008-09 and 2009-10 were in arrear. Therefore, the figures shown in the above table for the period from 2008-09 and 2009-10 are provisional.

It may be seen from the above table that unsecured loan increased from ₹ 855.47 crore to ₹ 1,355.43 crore during review period. Debt Equity Ratio of the company deteriorated from 1:1.33 to 1:1.22 during this period.

We observed the followings:

- Unsecured loans increased by ₹ 499.96 crore as the company could not recover its dues of ₹ 502 crore from debtors.
- Gross block increased from ₹ 748.49 crore in 2005-06 to ₹ 2,549.20 crore in 2007-08 due to commissioning of Maneri Bhali –II hydro project.
- Current assets, loan & advances increased by ₹ 543.70 crore due to increase in short term deposits (FDs), Sundry Debtors and advances.
- The debts equity ratio remained in good position and publicized the soundness of the company.

The details of working results like cost of generation of electricity, revenue realisation, net surplus/loss and earnings and cost per unit of operation are given below:

(₹ in crore)

Sl. No	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	**Income**					
	Generation Revenue	138.2	113.48	276.19	454.45	504.32
	Other income including interest/subsidy	7.34	15.63	6.35	22.42	20.00
	Total Income	***145.54***	***129.11***	***282.54***	***476.87***	***524.32***
2.	**Generation**					
	Total generation (In MUs)	3,543.86	3,316.15	3,603.17	4,613.23	4,126.54
	Less: Auxiliary consumption (In MUs)	9.28	14.22	9.25	12.55	12.07
	Total generation available for Transmission and Distribution (In MUs)	**3,534.58**	**3,301.93**	**3,593.92**	**4,600.68**	**4,114.47**

9 Current Assets, Loans & Advances includes Misc. Expenses(to the extent not written off).

3.	**Expenditure**					
(a)	**Fixed cost**					
(i)	Employees cost	54.66	76.73	64.69	99.57	109.06
(ii)	Administrative and General expenses	10.54	13.07	9.54	14.47	20.40
(iii)	Depreciation	10.35	10.45	10.14	66.11	84.94
(iv)	Interest and finance charges	8.63	8.29	15.51	169.08	148.13
	Total fixed cost	**84.18**	**108.54**	**99.89**	**349.23**	**362.53**
(b)	**Variable cost**					
(i)	Lubricants and consumables	0.81	0.68	1.29	1.24	2.82
(ii)	Depreciation and maintenance	27.33	33.85	39.94	54.90	78.85
	Total variable cost	**28.14**	**34.53**	**41.23**	**56.14**	**81.67**
(c)	**Total cost 3(a) + (b)**	**112.32**	**143.07**	**141.12**	**405.37**	**444.20**
4.	Realisation (per unit)	0.39	0.34	0.80	1.00	1.13
5.	Fixed cost (per unit)	0.24	0.33	0.29	0.77	0.82
6.	Variable cost (per unit)	0.08	0.10	0.12	0.12	0.18
7.	Total cost per unit (5+6)	0.32	0.43	0.41	0.89	1.00
8.	Contribution (4-6) (per unit)	0.31	0.24	0.68	0.87	0.95
9.	**Profit (+)/Loss(-) (4-7)**	**0.07**	**-0.09**	**0.39**	**0.11**	**0.13**

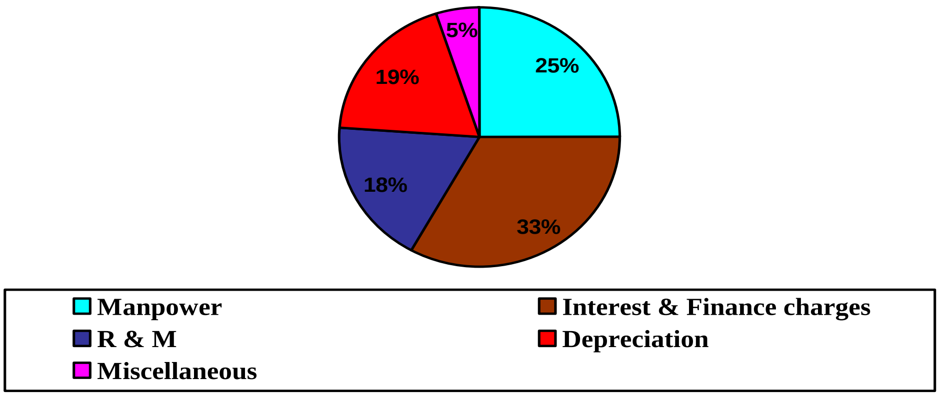
(Source: Information compiled from the data available with the Company)

It would be seen from the above that the total cost per unit increased from ₹ 0.32 to ₹ 1 from 2005-06 to 2009-10.Correspondingly, realization per unit also increased from ₹ 0.39 to ₹ 1.13 during the same period. The employee cost of the company increased by ₹ 54.40 crore during review period mainly due to implementation of the Sixth Pay Commission report during 2008-09. Interest & finance charges of the company increased exponentially by ₹ 139.50 crore during review period due to interest paid against PFC loans. However, the resultant effect, in terms of profit/loss witnessed fluctuations; the company registered highest profit of 39 paise per unit, during 2007-08. For the ensuing years, though the company was able to derive profit per unit, it went down substantially to 13 paise per unit during 2009-10.

5.2.10 Elements of cost

Interest & Finance Charges and employee cost constitute the major elements of costs. The percentage break-up of costs for 2009-10 is given below in the pie-chart:

Components of various elements of cost

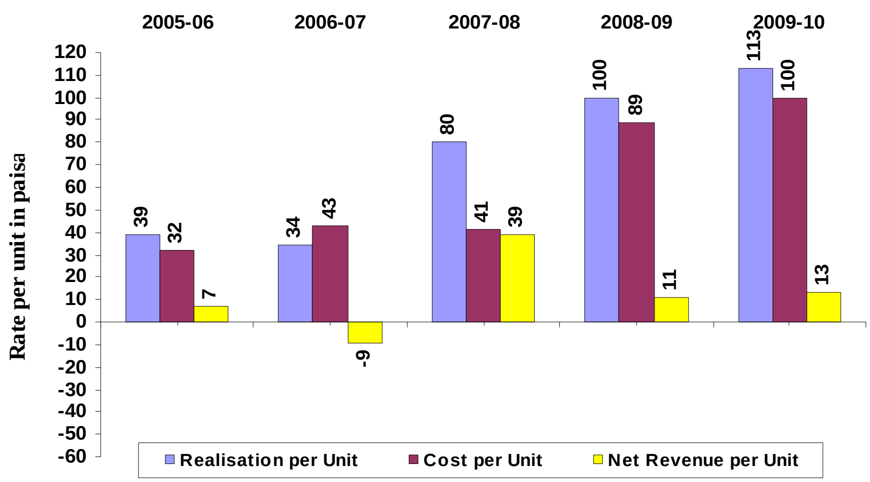


5.2.11 Elements of revenue

Sale of Power constituted 99 *per cent* of the total elements of revenue.

5.2.12 Recovery of cost of operations

The recovery position of cost of operations of the Company during the last five years ending 2009-10, the net revenue showed a fluctuating trend as given in the graph below:



The total revenue earned by Company was sufficient to cover the cost and an additional amount of ₹ 240.56 crore was available with the Company for capacity addition/life extension programmes during review period. The main reason for low cost of generation was negligible cost of input as entire power generation was based on hydro resources.

Audit Findings

5.2.13 Audit explained the audit objectives to the Company during an 'entry conference' held in February 2010. Subsequently, audit findings were reported to the Company and the State Government in July 2010 and discussed in an 'exit conference' held in November 2010, which was attended by Managing Director, Director (Project), Director (Operation), Director (Finance) and General Manager (SHP) of the Company. The Company/Government have not furnished the replies to the audit findings separately. However, the views expressed by them in exit conference have been considered while finalising this review. The audit findings are discussed below:

Operational Performance

5.2.14 The operational performance of the Company for the five years ending 2009-10 is given in ***Appendix 5.5***. The operational performance of the Company was evaluated on various operational parameters as described below. It was also seen whether the Company was able to maintain pace in terms of capacity addition with the growing demand for power in the State. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there was scope for improvement in performance.

Planning

5.2.15 National Electricity Policy aims to provide over 1,000 units of per capita electricity by 2012, for which it was estimated that need based capacity addition of more than 1, 00,000 MW would be required during 2002-2012 in the country. The Government has laid emphasis on the full development of hydro potential being cheaper source of energy as compared to thermal. The Central Government would support the State Government for expeditious development of hydro power projects by offering the services of Central Public Sector Undertakings like NHPC, NTPC and NEEPCO. Besides, environmental concerns would have to be suitably addressed through appropriate advance actions. The power availability scenario in the state indicating own generation, purchase of power, peak demand and net deficit was as under:

During the period 2005-10, the actual generation by the Company was substantially less than the peak as well as average demand as shown below:

Year	Generation (MW)	Peak Demand (MW)	Average Demand (MW)	Percentage of actual generation to Peak Demand	Percentage of actual generation to Average Demand
2005-06	405	825	589	49.04	68.68
2006-07	379	948	677	39.93	55.92
2007-08	403	1,199	805	33.57	50.00
2008-09	527	1,251	896	42.10	58.77
2009-10	471	1,339	1,009	35.18	46.68

(Source: Information compiled from the data of the Distribution Company)

As may be seen from the above, the actual generation could meet average demand to the extent of 68.68 *per cent* in 2005-06 which was lowered up to 46.68 *per cent* in 2009-10. Similarly peak demand was met to the extent of 49.04 *per cent* in 2005-06 and was reduced to 35.18 *per cent* in 2009-10. Therefore, the gap increased substantially during review period.

However, the total supply even after import was not sufficient to meet the peak demand during 2005-06, 2006-07 and 2009-10, as shown below:

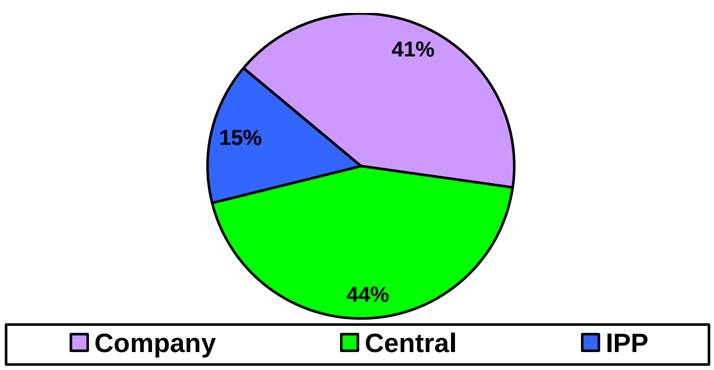
Year	Peak Demand (MW)	Peak Demand met (MW)	Sources of meeting peak demand					Shortfall in peak demand (MW)	Peak Deficit (percentage of Peak Demand)
			Own	Central Share	Overdraw	Banking	Purchase		
2005-06	825	803	525	278	-	-	-	22	2.66
2006-07	948	903	560	343	-	-	-	45	4.74
2007-08	1,199	1,199	576	477	76	70	-	-	-
2008-09	1,251	1,251	672	482	97	-	-	-	-
2009-10	1,339	1,159	373	593	74	75	44	180	13.44

(Source: Information compiled from the data of the Distribution Company)

There remained a shortfall of 180 MW (about 13.44 *per cent* of the peak demand) even after import during 2009-10. Consequently, rotational load shedding was enforced.

5.2.16 Capacity Additions

The State had total installed capacity of 1,123.50 MW[10] at the beginning of 2005-06 and increased to 3,164.75 MW[11] at the end of 2009-10.The break up of generating capacities, as on 31 March 2010, under Company, Central Government and IPP is shown in the pie chart below:



To meet the deficit of 5,160.64 MUs in the State as at the end of 2009-10, a capacity addition of about 589.12 MW was required during 2005-06 to 2009-10. According to NEP, capacity addition of 919 MW for the projects categorised as ‘Projects under Construction’ (PUC) and 2,041.25 MW for the

10 Central Government 120 MW, Company 999.90 MW and IPP 3.60 MW.
11 Central Government 1400MW, Company 1,305.90 MW and IPP 458.85 MW.

'Committed Projects[12] (CP) were earmarked during review period; all of which were based on hydro resources.

The two projects namely Pala Maneri (480 MW), which was under construction and Bharoghati (381 MW), which was a committed project, had been suspended (2008-09) due to environmental concerns. The expenditure incurred on the Pala Maneri project was ₹ 95.26 crore till the deferment.

The particulars of capacity additions envisaged, actual additions and peak demand *vis-a-vis* energy supplied during review period are given below.

Sl.No	Description	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1.	Capacity at the beginning of the year (MW)	1,123.50	1,408.45	2,809.25	3,123.05	3,124.25	-
2.	Additions Planned for the year as per National Electricity Plan (MW)	-	704	-	-	-	-
3.	Additions planned by the Company (MW)	304	-	-	-	416	-
4.	Additions planned by the State (MW)	684.95	1005	4.80	156.50	20.20	1,871.45
5.	Actual Additions (MW)	284.95	1,400.80	313.80	1.20	40.50	2,041.25
6.	Capacity at the end of the year (MW) (1 + 5)	1,408.45	2,809.25	3,123.05	3,124.25	3,164.75	-
7.	**Shortfall in capacity addition (MW) (5 – 4)**	**-400**	**-**	**-**	**-155.30**	**-**	**-**
8.	Demand during the year (MUs)	5,157	5,997	7,049	7,847	8,936	-
9.	Energy supplied (MUs)						
	a) Energy produced	3,166.34	3,106.63	3,255.38	4,254.01	3,775.36	-
	b) Central Share	2,259.28	2,260.69	3,393.09	3,486.26	3,613.57	
	c) energy purchased	-	-	-	-	113.83	-
10.	Shortfall in meeting demand (MUs)	-	-629.68	-400.53	-106.73	1,433.24	

(Source: Information compiled from the data available with the Company and Distribution Company)

We observed from the above table that during review period actual capacity addition was 2,041.25 MW against 1,871.45 MW planned by the State; major part

[12] National Electricity Plan defines Committed Projects as Projects for which the formal approval to take up the same has been granted by the CEA.

of this achievement came from the Central Government (1,280 MW) followed by IPP (455.25 MW). The Company's contribution was only 306 MW as against planned addition of 720 MW. The particulars of the capacity as on 1 April 2005, additions during review period and capacity at the end of 2009-10 are given below:

Sl.No	Description	Installed capacity as on 1.4.2005	Additions	Installed capacity at the end of 2009-10
		(In MW)		
1.	Company	999.90	306.00	1,305.90
2	Central Share	120.00	1,280.00	1,400.00
3.	IPP	3.60	455.25	458.85
Total		**1,123.50**	**2,041.25**	**3,164.75**

Despite maintaining pace with the demand in terms of capacity addition, the State was not in a position to meet the demand as the power generated as well as power purchased fell short during review period excepting 2005-06. The State met the demand partially through receipt of 15,012.89 MU from Central share during review period. Only 113.83 MU was purchased during 2009-10 for meeting the demand and shortfall remained to the extent of 1,433.24 MW.

The major reasons for the gap between demand and availability of power were:

- Insufficient capacity addition by the Company;
- Due to heavy dependence on water availability, power projects remained under utilised for almost two thirds part of a year, resulting into low generation;
- Delay in commissioning of Green side projects[13]; and
- Low Plant Load Factor as discussed in **paragraph 5.2.32**

5.2.17 Optimum Utilisation of existing facilities

In order to cope with the rising demand for power, not only the additional capacity need to be created as discussed above, the plan needs to be in place for optimal utilisation of existing facilities and also undertaking life extension programme/replacement of the existing facilities which are near completion of their age besides timely repair/maintenance. The details of the power generating units, which fell due for Renovation and Modernisation/Life extension programmes (as per CEA norms) during the five years ending 2009-2010 *vis-à-vis* actually taken are indicated in the Table below:

[13] Environmental friendly Projects which are under construction.

Sl. No.	Name of the Plant	No. of Units due for Renovation and Modernisation /LEP	Installed Capacity (MW)	Due date of completion of Renovation (as per CEA norms)	Date when actual renovation taken up	Date when actually completed/ expected to be completed
1.	Chibro	4	240	March 07	2003-04	May 07
2.	Khodri	4	120	March 07	2003-04	April 09
3.	Chilla	4	144	March 07	2003-04	April 09
4.	Khatima	3	41.40	March 10	Not yet taken up	-
5.	Pathri	3	20.40	March 10	Agreement entered on March 10, but work was not started	March 13
6.	Ramganga	3	198	March 10	Not yet taken up	-

(Source: Information compiled from the data available with the Company)

From the above, it may be seen that the 12 units of Chibro, Khodri and Chilla due for being taken up for Renovation and Modernisation/Life extension programmes in 2002-2007 were actually taken up (2003-04) under 10th Plan period, but only 68 to 97 *per cent* work could be completed and remaining work spilled over to 11th Plan period. It was also noticed that nine units of Khatima, Pathri and Ramganga power plants were due for renovation, modernisation and life extension programme by March 2010 (under 11th plan) but the same could not be taken up (March 2010). Besides, the facilities which fell due during the past five years, audit examination of the existing facilities which are ageing and may need replacement/ refurbishment within the next five years revealed that out of 13 Large Hydro Projects (LHP), the Company had planned for R&M of only six LHPs. There were four[14] other LHPs, which were more than 35 years old, essentially requiring R&M, for which the Company had no plans for the near future.

Project Management

5.2.18 Preparation of an accurate and realistic Draft Project Report (DPR) after a detailed feasibility study, considering factors like creation of infrastructure facility, addressing bottlenecks likely to be encountered in various stages of project planning are critical activities in planning stage of the project.

Project management includes timely acquisition of land, effective actions to resolve bottlenecks, obtain necessary clearances from Ministry of Forest and Environment and other authorities, rehabilitation of displaced families, proper scheduling of various activities using PERT/ CPM technique, adequate budget provisions, etc. Notwithstanding, time and cost over runs and other deficiencies

[14] Dhakrani (1965), Dhalipur (1965), Kulhal (1975) and Mohd.pur (1952).

were noticed throughout the implementation of the projects during review period as discussed in succeeding paragraphs.

5.2.19 Time and Cost Overruns

The following table indicates the scheduled and actual dates of completion of the power stations, date of start of transmission, date of commissioning of power stations and the time overrun.

Time overrun

(In months)

Sl No.	Phase-wise name of the Unit	Details	As per DPR	Actual date of completion	Time overrun
1.	Maneri Bhali-II Unit 1	Date of completion of unit	October 2005	17.2.08	27 months
		Date of start of transmission		17.2.08	27 months
		Date of commercial operation/ commissioning of unit		15.3.08	28 months
2.	Unit -2	Date of completion of unit	November 2005	10.3.08	27 months
		Date of start of transmission		10.3.08	27 months
		Date of commercial operation/ commissioning of unit		15.3.08	27months
3.	Unit-3	Date of completion of unit	December 2005	23.2.08	25 months
		Date of start of transmission		23.2.08	25 months
		Date of commercial operation/ commissioning of unit		15.3.08	26 months
4.	Unit 4	Date of completion of unit	January 2006	16.2.2008	24 months
		Date of start of transmission		16.2.2008	24 months
		Date of commercial operation/ commissioning of unit		15.3.2008	25 months

(Source: Information compiled from the data available with the Company)

It would be seen from above that the units of Maneri Bhali-II (304 MW) LHP got commissioned during review period after time overrun of 28 months to 24 months. The slippages in time schedule were avoidable at various stages of implementation, as discussed below:

5.2.20 The development of the project was initiated in 1984; erstwhile Government of Uttar Pradesh (GoUP) awarded contracts for civil works to four agencies. The construction work came to standstill in 1991-92 due to paucity of funds. After formation of the State of Uttarakhand in November 2000 and the Company in February 2001, it was decided (November 2001) to complete the left over works of the aforesaid project. For civil works, Department of Irrigation (DoI) was nominated as the executing agency. Accordingly, DoI of the GOU entered into supplementary agreements (July 2002) with the four construction agencies, who were initially employed by the GoUP. As per the terms of the agreements, project was scheduled to be completed by October 2005 at a cost of ₹ 1,249.18 crore.

Scrutiny of the records revealed that as the project could not be completed within scheduled time and the cost of the project was revised (December 2005) to ₹ 1,714.41 crore with extended target date of November 2006. However, the project work could not be concluded in this extended period as well and the cost escalated to ₹ 2,131.01 crore with the deadline of March 2007. However, the Company failed to adhere even to the amended targets and the project work was finally completed in February 2008 at a cost of ₹ 2,323.33 crore. The reasons analysed by us were as under:

- In order to complete the left over civil work, it was decided (February 2001) by GOU to complete these work through DoI but the works were awarded in June 2002 by DoI. Thus, there was a delay of one year and four months in awarding of civil works.
- Due to poor control/monitoring by the company the works were delayed by one year and three months.
- Change in scope of work.

Delay in execution of project led to extra expenditure of ₹1,074.15 crore and time overrun of over two years

Thus, time overrun of around two and half years led to cost overrun of ₹ 1,074.15 crore (85.9 *per cent*), adding to the cost of generation from the envisaged 30 paise to 55 paise per unit and from ₹ 4.11 crore per MW in 2005-06 to ₹ 7.64 crore per MW in 2007-08.

5.2.21 Jummagad Project, having installed capacity of 1.2 MW was approved in February 1993 by erstwhile GoUP. The initial estimated cost of the project was ₹ 3.12 crore and it was to be completed by 31 March 1995. The construction of Jummagad project was executed by Steel Industrial Kerala Ltd (SIKL). As per terms of contract, project was to be commissioned by January 1994. However, the contractor could not complete the project in stipulated period and work was continued till February, 2001. Thereafter, the project was transferred to the Company. But no action was taken either by the contractor or by the Company till January 2006. The notice for rescinding the contract was issued to the contractor in February 2006 and tenders were re floated to complete the balance works. The work was awarded (December 2006) to M/s Alps Power Technology Pvt. Ltd. As per terms of the contract, balance works were to be completed and project was to be commissioned within three months from the date of commencement. However, the project was completed only in May 2008 at a cost of ₹ 7.50 crore, registering a cost escalation of 140 *per cent*, however Power Generation from the Project could not be commissioned till March 2010 for want of 11KV grid supply. This resulted in a generation loss of 8.4 MU (0.4 MU each month) amounting to ₹ 2.35 crore at the rate of ₹ 2.80 per unit. Thus delay of five year in completion of project is attributed to the company.

The cost overruns are tabulated below:

Cost Overrun

(₹ in crore)

Phase-wise name of the Unit	Estimated/ Amended cost as per DPR	Actual expenditure as on completion	Expenditure over and above estimate (3 – 2)	Percentage increase as compared to cost
(1)	(2)	(3)	(4)	(5)
Maneri Bhali (MB-II)	1,249.18	2,323.33	1,074.15	85.99
Jummagad	3.12	7.50	4.38	140.38

(Source: Information compiled from the data of the Company)

5.2.22 *Non-adherence to the time schedule*

Government of India (GOI) introduced (March 2003) '*Accelerated Generation & Supply Programme (AG & SP) Interest Subsidy Scheme'* for hydro-electric projects with the aim to reduce the gap between costs incurred per unit and revenue realised per unit. The scheme was applicable on the projects to be developed and commissioned in the 10th Plan period. As a condition, it was stipulated that if the projects slip in their completion schedule, the entire amount of interest subsidy along with interest thereon will have to be refunded by the Hydro Power Generating Company.

Company suffered a loss of ₹ 74.66 crore due to non-adherence to the given schedule.

In Uttarakhand, MB – II was included under this scheme, scheduled to be completed in the 10th Plan period (2002-07). Accordingly, GoI granted subsidy of ₹ 63.50 crore on loan taken from Power Finance Corporation, for development of the aforesaid project. However, as the project could not be completed even by the end of the 10th Plan period, the entire subsidy amount of ₹ 63.50 crore along with interest of ₹ 11.16 crore was recovered (August 2009) by GOI. Thus, due to non-adherence to the given time schedule, the Company suffered loss of ₹ 74.66 crore, defeating the purpose of the scheme.

Ongoing Projects

5.2.23 Delay in execution of the project due to incorrect input data

In order to develop a small hydro project (SHP) at Madhyamaheshwar Ganga, a DPR was got prepared (August 2005) from Indian Institute of Technology (IIT), Roorkee. Based on the discharge data furnished by the Company, DPR proposed the potential of the project at 10 MW. The contract to build the project was awarded (November 2007) involving a financial implication of ₹ 49.10 crore. Further, an interest free mobilisation advance of ₹ 4.73 crore was given (February 2008) to the contractor and the project was expected to be completed within 24 months, i.e., by February 2010.

However, based on the water discharge data collected from Central Water Commission (CWC) for five years, the contractor proposed augmentation of the project capacity by 50 *per cent*, from 10 to 15 MW, with a revised estimate of ₹ 76.50 crore. The proposal was also found technically correct by IIT, Roorkee with regard to the amended discharge data. Hence, a renewed agreement was entered into (March 2010) by the Company with the same contractor for developing a 15 MW hydro project with the completion date of August 2011.

Thus if the water discharge data for five years was collected from CWC at the time of preparation of DPR then delay in execution of project for two years could have been avoided. Also, interest free amount forwarded as mobilisation advance was blocked with the Contractor for two years.

5.2.24 Delay in taking up rehabilitation work of damaged project

Sobla I, a SHP situated in district Pithoragarh, having installed capacity of 2 x 2000 KW got damaged in June 2000. In order to rehabilitate the project, a DPR was got prepared (May 2004).

The rehabilitation of the project was to be completed by December 2006 at a cost of ₹ 16.11 crore; the annual energy generation was envisaged at 33.55 MU per annum with 60 *per cent* PLF. However, no action on this DPR was taken by the Company. In May 2009, after almost five years, a fresh DPR for rehabilitation of project was prepared by the Company itself. As per the revised DPR, the scheduled date of completion of the project has been estimated as September 2011, with financial implication of ₹ 36.26 crore.

Thus, the delay in taking up the project resulted in avoidable cost escalation to the extent of ₹ 20.15 crore.

5.2.25 Deficient preparation of DPR

In order to construct Asiganga II, SHP, a DPR was prepared by U.P. Jal Vidyut Nigam Ltd (UPJVNL) and approved by Public Investment Board of erstwhile Uttar Pradesh in September 1999 for ₹ 12.54 crore. After approval of the DPR, tenders for various works of the project were invited (October 1999) by UPJVNL. After creation of the State of Uttarakhand these works were transferred to the company in February 2002.

On transfer of the project to company, DPR of the project was reviewed and revised. As per the revised DPR, cost of the project was revised to ₹ 11.57 crore in March 2004. However, no action was taken on this DPR till July 2005. The Company again revised the DPR due to change in drawings of the project. In the meantime, rates of equipments and material had increased. As a result, the cost of DPR was revised to ₹ 21 crore, in August 2005. However, DPR was not approved by the BOD on the ground that cost per MW was too high i.e. ₹ 7 crore per MW. The Company decided (July 2007) to increase the capacity of the project for reducing the cost per MW. Accordingly, capacity of the project was increased from 3 MW to 4.5 MW. The revised DPR was finalized in September 2008 with the condition that the project was to be commissioned by May 2010. However, the contract was awarded in January 2009 to M/s Avantica Contractors-JV for ₹ 26.40 crore with the scheduled date of completion is September 2011.

Further, progress of the work was 14 *per cent* only, thus progress of the works was far behind the schedule.

Deficient preparation of DPR of the project led to delay of over four years.

Audit noticed that had the DPR of the project been prepared considering all the aspects of drawings and increase in the capacity in March 2004 itself, the project would have been commissioned by March 2007. Thus, due to deficient preparation of DPR the implementation of the project has been delayed by over four years.

Contract Management

5.2.26 Contract management is the process of efficiently managing contract (including inviting bids and award of work) and execution of work in an effective and economic manner. The work is generally awarded on turn key (Composite) basis to a single party involving civil construction, supplies of machines and ancillary works.

During review period, contracts valuing ₹ 499.16 crore were executed. The agreements related to civil works, supply of equipment and other miscellaneous works.

The instances of poor contract management in various projects undertaken during review period are given below:

5.2.27 Inefficiencies in contract management

Scrutiny of records relating to Maneri Bhali-II hydro electric project (discussed earlier in para *5.2.19 and 20*) revealed that:

Extra expenditure of ₹ 40.39 crore due to entering into the contract at higher rate.

- DoI, GoU entered into supplementary agreement (July 2002) with four contractors, initially employed by GoUP, to complete the left over works. The rates of items were fixed on the basis of whole sale price index as on December 2001 except in case of M/s Srink Construction Company (SCC). Moreover, the rates of items among remaining three contractors could not be uniformly applied, resultantly, price of increase of balance works awarded to M/s NPCC, M/s CCC and M/s HCL was higher by 6.37, 7.82 and 10.25 times respectively. Award of work to M/s HCL at higher rate was not justified, as it was higher by 31.07[15] *per cent* in comparison to M/s CCC; hence, M/s HCL was allowed undue benefit of ₹ 40.39[16] crore.

Company failed to recover liquidated damages of ₹ 18.40 crore.

- In case of delays, agreements also stipulated clauses regarding liquidated damages. We observed that the project could not be completed in the scheduled time period and extension was granted from time to time up to March 2007 stating that no further extension would be granted and penalty

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[15] (10.25 – 7.82 = 2.43/7.82 x 100 = 31.07 *per cent*).

[16] ₹ 129.99 crore x 31.07/100 = ₹ 40.39 crore.

would be levied. The project could be completed only in February 2008. Thus, as per terms and conditions of the agreements, all three construction agencies were liable to pay liquidated damages aggregating to ₹ 18.40 crore. However, no damages were recovered, allowing undue benefit to these agencies.

Company suffered loss of interest of ₹ 5.92 crore due to violation of principal agreements.

- The principal agreements (March 1981) provided for mobilization advances to contractors at an annual interest of 14 *per cent*. However, the supplementary agreements contained modified clause regarding interest free mobilization advance, in supercession of principal agreements. As per clause of supplementary agreements mobilization advances of ₹ 31.83 crore[17] were given to the contractors. This resulted in undue benefit to contractors involved in the construction of Maneri Bhali hydro project and company suffered a loss of interest to the tune of ₹ 5.92 crore[18].

5.2.28 Undue favour to contractor companies

As mentioned in para 5.2.23 an interest free mobilisation advance of ₹ 4.73 crore was given (February 2008) to the contractor though the agreement did not provide for the same categorically. Moreover, the guidelines issued by Central Vigilance Commission (CVC) in this regard indicate that mobilisation advance given to the contractors has to be interest bearing. Further, as the work could not take off till March 2010, the amount given as mobilisation advance remained blocked with the contractor. This invites all the more concern as on one hand the Company had to resort to taking loans from the Power Finance Corporation (PFC) at the rate of 11.5 *per cent* per annum to fulfill its liquidity requirements and on the other it provided interest free mobilisation advance to the contractors. Consequently, the Company faced an avoidable outflow as interest of ₹ 1.13 crore on loan of ₹ 4.73 crore.

The same contractor was also awarded the work to develop another SHP, Kaliganga-I, where an amount of ₹ 2.40 crore was given (February 2008) to him as interest free mobilisation advance and the project was expected to be completed by February 2010. But, due to tardy progress, the project work was mid way (as of March 2010) and only ₹ 0.89 crore of mobilisation advances could be adjusted till March 2010 and balance of ₹ 1.51 crore was with the contractor. Thus, the Company lost ₹ 0.36 crore by way of interest on ₹ 1.51 crore at the rate of 11.5 *per cent* per annum for its liquidity requirement (from February 2008 to March 2010).

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17 M/s HCL – ₹ 13 crore, M/s NPCC – ₹ 5.11 crore and M/s CCC- ₹ 13.72 crore.
18 M/s HCL – ₹ 2.69 crore, M/s NPCC – ₹ 0.74 crore and M/s CCC- ₹ 2.49 crore.

Input Efficiency

Manpower Management

5.2.29 The CEA in its report (April 2007) recommended 1.79 person per mega watt of the installed capacity. The position of actual manpower, sanctioned strength & manpower as per CEA recommendation is given below:

Sl. No.	Particulars.	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Sanctioned strength	3,584	3,584	3,584	3,783	3,783
2.	Manpower as per the CEA recommendations	1,784	1,785	2,329	2,337	2,338
3.	Actual manpower	2,760	2,742	2,659	2,562	2,479
4.	Excess manpower with reference to CEA norms	976	957	330	225	141
5.	Expenditure on salaries (₹ in crore)	43.59	63.90	67.08	83.98	123.39
6.	Extra expenditure with reference to CEA norms (₹ in crore) [(5/3) x (3–2)]	15.41	22.30	8.33	7.38	7.02

(Source: Information compiled with the data of the Company)

The table above shows that actual manpower was higher than CEA norms, incurring extra expenditure of ₹ 60.44 crore during review period. Besides, overtime was observed as a regular feature. The overtime wages paid by generating stations during the period of review, worked out to ₹ 11.09 crore. However, excess manpower was reduced from 976 in 2005-06 to 141 in 2009-10.

Output Efficiency

5.2.30 The output efficiency of the company during review period showing the shortfall in generation, low plant load factor and its reasons, plant availability, low capacity utilization and auxiliary consumption of power, has been discussed below:

5.2.31 Shortfall in generation

The targets for generation of power for each year are fixed by the Company and approved by the Central Electricity Authority. We observed that LHPs of the Company exceeded the targets in generating 14,901 MU during 2005-06 to 2008-09 against target of 14,433 MU. However, during 2009-10 the LHPs registered a shortfall of 311.56 MU. In respect of SHPs, the Company generated 219.79 MU against the target of 331.86 MU during the review period. The position is shown in the following table:

Year	Category of project	Target (MUs)	Actual (MUs)	Shortfall (MUs)
2005-06	LHP SHP	3,373 67.40	3,497.64 46.22	- 21.18
2006-07	LHP SHP	3,265 70	3,273.71 42.84	- 27.18
2007-08	LHP SHP	3,365 70	3,560.89 42.29	- 27.71
2008-09	LHP SHP	4,430 81.09	4,568.89 44.34	- 36.75
2009-10	LHP SHP	4,394 43.37	4,082.44 44.10	311.56 -

(Source: Information compiled from the data of the Company)

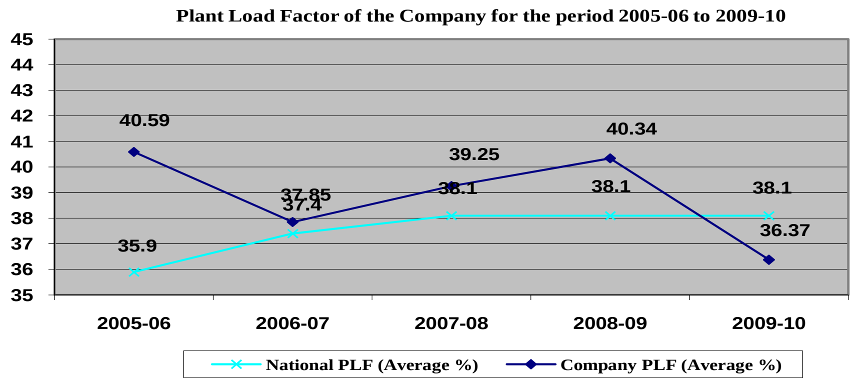
The year-wise details of energy to be generated as per design, actual generation, plant load factor (PLF) as per design and actual plant load factor in respect of the power Projects commissioned up to March 2010 are given in ***Appendix 5.6***.

We observed from the Appendix that:

- The actual generation and actual PLF achieved were far below the energy to be generated and PLF as per design during the five years upto 2009-10.
- As against the total designed generation of 21,654.04 MU of energy during the five years ended 2009-10, the actual generation was 19,092.03 MU leading to the shortfall of 2,562.01 MU (11.83 *per cent*), which could have been technically produced.
- As the PLF had been designed considering the availability of inputs the loss of generation of 2,562.01 MU during the period 2005-06 to 2009-10 indicated that resources and capacity were not being utilized to the optimum level due to design deficiencies, frequent breakdown of units and delay in timely rectification of defects as discussed subsequently.

5.2.32 Low Plant Load Factor (PLF)

Plant load factor (PLF) refers to the ratio between the actual generation and the maximum possible generation at installed capacity. According to norms fixed by Central Electricity Regulatory Commission (CERC), the PLF for hydro power generating stations should be 80 *per cent*, against which the national average was 35.9 to 38.1 *per cent* during 2005-06 to 2009-10. The PLF achieved by the Company remained higher than national average during 2005-06 to 2008-09. In 2009-10, the PLF was lower by 1.73 *per cent* only as indicated below:



The details of maximum possible generation at installed capacity, actual generation and corresponding Plant Load Factor achieved in respect of each generating unit for the five years up to 2009-2010 are given in ***Appendix 5.6.*** The main reasons for the low PLF as compared to CERC norms, as observed in audit were:

- Low capacity utilization;
- Major shut downs and delays in repairs and maintenance;
- Availability of water; and
- Closure of plants for 7,145 hours during rainy season.

These are discussed in the following paragraphs:

5.2.33 Plant availability

Plant availability means the ratio of actual hours operated to maximum possible hours available during certain period. As against the CERC norm of 80 *per cent*, plant availability during 2004-2009 and 85 *per cent* during 2010-2014, the average plant availability of power stations was 82.54 *per cent* during the five years up to 2009-10.

The details of total hours available, total hours operated, planned outages, forced outages and overall plant availability in respect of LHPs are shown below:

S.No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Total hours available	3,15,360	3,15,360	3,16,224	3,50,400	3,50,400
2.	Operated hours	1,85,484	1,78,970	1,87,216	2,11,453	1,88,883
3.	Planned outages (in hours)	46,226	55,698	50,507	51,394	57,890
4.	Forced outages (in hours)	5,467	4,293	6,700	8,298	5,028
5.	Plant availability (per cent)	83.94	81.18	81.90	83.33	82.34

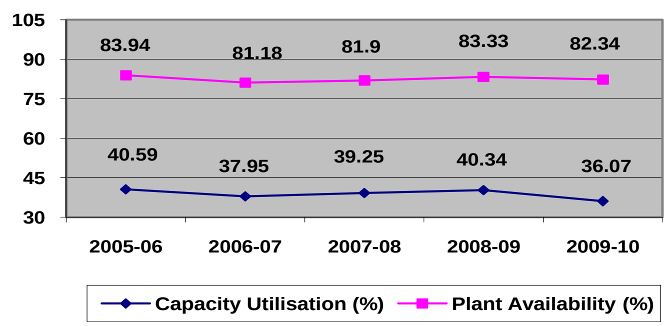
(Source: Information compiled from the data of the Company)

It could be seen from above table that the plant availability of LHPs of Company was above norm of CERC (80 *percent)* during review period.

5.2.34 Low Capacity Utilization

Capacity utilization means the ratio of actual generation to possible generation during actual hours of operation. Based on national average PLF and plant availability norm, standard capacity utilization factor works out to be 38.84 *per cent* for power plants. Audit analysis revealed that 62.69 *per cent* of the installed capacity remained unutilized.

Capacity Utilisation of the company during 2005-06 to 2009-10



The main reasons for the low utilisation of available capacity during 2005-10 analysed in audit were:

- Running of units with partial load;
- Old and depreciated plant & machinery;
- Sharp variations in water availability and
- Capacity of Chibro and Khodri power stations was restricted to 185 MW and 83 MW from 2004-05 onwards against the original capacity of 240 MW and 120 MW respectively, due to tunnel discharge limitations.

5.2.35 Outages

Outages refer to the period for which the plant remained closed for attending planned/forced maintenance. Audit observed following deficiencies in planned and forced outages:

- The total number of hours lost due to planned outages increased from 46,226 hours in 2005-06 to 57,890 hours in 2009-10 i.e. from 14.66 *per cent* to 16.52 *per cent* of the total available hours in the respective years due to increase in days involved in maintenance schedules.

- The forced outages in power stations decreased from 5,467 hours in 2005-06 to 5,028 hours in 2009-10 i.e. from 1.73 to 1.44 *per cent* of the total available hours in the respective years. The forced outages remained less than the norm of 10 *per cent* fixed by CEA in all the five years ending 31 March 2010 and was indicative of proper maintenance.

One instance of forced outage due to negligence in operation of Joshiyara barrage is given below:

5.2.36 Negligence in barrage operations

Joshiyara Barrage for Maneri Bhali – II hydro electric project for controlling floods and maintaining adequate water supply to the power house was got constructed (February 2008) by M/s Continental Construction Ltd at a cost of ₹ 137.19 crore. The 97 sedimentation chambers/hoppers (69 in all weather and 28 in fair weather) in the barrage were meant for de-silting the river waters.

The project started power generation in February 2008 and the barrage also had become functional at the same time. However, after five months, the generation had to be stopped (August 2008) due to huge accumulation of silt since the hoppers failed to wash out the silt. Silt was accumulated due to improper operation of barrage and sedimentation gallery by Irrigation Department resultantly generation was stopped in the month of August 2008.

In order to remove the accumulated silt from sedimentation chambers of the project, an agreement was entered into (October 2008) between the Company and M/s N.K.G. Bharat Infrastructure for ₹ 9.12 crore. As per terms of the agreement the works were to be completed within 89 days. After completion, some problem remained in fair weather sedimentation Chamber and additional work for cleaning of the same and work for providing of pressure were given to the contractor as these works were not envisaged in the initial agreement. Accordingly, cost of the agreement was revised (June 2009) to ₹ 10 crore and works were also completed in June 2009.

Negligent and incautious operation of the barrage led to loss of ₹ 53.04 crore.

Thus, due to negligent and incautious approach in operating, the hoppers failed only after five months of their commissioning and power generation had to be stopped in August 2008, while water availability in that period was ample due to rainy season. As a consequence, the Company suffered a loss of ₹ 43.04 crore[19] as generation was stopped in the Month of August 2008. Besides an expenditure of ₹ 10 crore, which was incurred on removal of accumulated silt could have been avoided.

[19] (Average generation of the month of August 2008 =160 MU X 10,00,000 X ₹2.69= ₹ 43,04,00,000).

5.2.37 Availability of water

The projects (LHPs) of the company depend on the water of five rivers to generate the electricity. Five[20] projects depend on the water of Tons and Yamuna rivers, six[21] projects depend on the water of Bhagirathi, Ganga and Sharda rivers. To achieve the maximum possible generation, the different design discharge[22] of water for each project in cumecs[23] was required.

We observed that sharp variation of water discharge in respect of all rivers was registered in the range of 33 cumecs to 457 cumecs during seven months (i.e. April, May, November to March of 2005-06 to 2009-10). In remaining five months (June to October of 2005-06 to 2009-10); though, availability of water was in the range of 524 cumecs to 2,374 cumecs , over and above the required quantity, however, the envisaged generation could not be achieved.

5.2.38 Auxiliary consumption of power

Energy consumed by power stations themselves for running their equipments and common services is called Auxiliary Consumption. Uttarakhand Electricity Regulatory Commission (UERC) allowed (December 2004) 0.20 *per cent* of the power generated to be used as auxiliary consumption. However, the actual auxiliary consumption of power stations increased from 0.30 *per cent* in 2005-06 to 0.44 *per cent* in 2009-10 resulting in excess consumption of 9.41 MU which could not be dispatched to the grid. The units lost in excessive auxiliary consumption were sufficient to meet the energy requirement of 3,136 households, consuming an average of 3,000 units per year.

Repairs & Maintenance

5.2.39 To ensure long term sustainable levels of performance, it is important to adhere to periodic maintenance schedules. The efficiency and availability of equipment is dependent on the strict adherence to annual maintenance and equipment overhauling schedules. Non adherence to schedule carries a higher risk of forced outages which necessitate undertaking R&M works. These factors lead to increase in the cost of power generation due to reduced availability of equipment which affects the total power generated.

Audit observed that annual maintenance of units of majority of large power stations was done after considerable delay (details given in the ***Appendix 5.7***).

[20] Chibro, Khodri, Dhakrani, Dhalipur & Kulhal.
[21] Tiloth, MB-II, Chilla, Pathri, M.Pur & Khatima.
[22] Chibro- 200 Cumecs, Khodri- 200 Cumecs, Dhakrani – 199.2 cumecs, Dhalipur – 199.2 cumecs, Kulhal – 198 cumecs , Tiloth– 71.4 cumecs , MB-II– 142 cumecs, Chilla – 560 cumecs , Pathri – 253 cumecs M.Pur – 255 cumecs, Ram ganga – 285 cumecs & Khatima – 269 cumecs.
[23] 1 cumecs = 1 metre^3/second.

The delayed maintenance caused continuous deterioration in the condition of machines causing forced outages[24] and loss of generation of power, discussed as under:

- During the review period, annual maintenance of unit no.03 of Tiloth, LHP (90 MW) was due in 2007-08; as it was not taken up well in time, major faults developed (June 2008) and it had to undergo major repairs in the subsequent year (2009-10), as a result an expenditure of ₹ 0.97 crore was incurred on major repair. This indicates poor planning of the company.
- Major repair work of unit no. 01 of the same project continued for four years from 2006-07 to 2009-10 and a sum of ₹ 3.33 crore was incurred on these repair works, due to which, the generation targets could not be achieved; the short fall of generation ranged from 3.5 MU to 61.2MU for the said period.
- A total of 7,536 hours were spent on carrying interim repairs of three units (unit 1, 2 & 3) of Tiloth project, which were shown as planned outages, though they should have been shown as forced outages as the repairs were short term.
- The SHPs did not have any annual maintenance plan leading to deterioration of machines which finally resulted in low PLF.

Renovation & Modernisation

5.2.40 R&M activities are aimed at overcoming problems in operating units caused due to generic defects, design deficiency and ageing by re-equipping, modifying, augmenting them with latest technology/systems. R&M activities are undertaken in hydro power operating at Low Plant Load Factor (PLF) and frequent break down after assessing the performance and requirement of the units.

Refurbishment activities are aimed at extending economic life of the units by 15 to 20 years which have served for more than 35 years or are operating at Low PLF. Necessary permission and clearance for R&M and Refurbishment activities from State Electricity Regulatory Commission (SERC)/CEA/State Government are obtained. Residual Life Assessment (RLA) study is also conducted for all Refurbishment activities and in major R&M works. For Refurbishment and R&M activities, Power Finance Corporation, GOI, sanctions loan equal to 70 *per cent* of the estimated cost of the activity against guarantee furnished by the State Government and rest of the fund is met through internal sources or loan from State Government.

[24] Forced outages are closure of plant in excess of prescribed limit due to break down in the system.

5.2.41 Inordinate delays in taking up R&M

Extra expenditure of ₹ 11.58 crore due to failure of the Company in taking up R & M and LE work in time.

Pathri hydro power plant (20.4 MW) almost 55 years old, was selected (April 2007) for R&M and LE by CEA; at an estimated cost of at ₹ 60 crore. We observed that in order to carry out R&M and LE works tender specifications were prepared (February 2008) but no action was taken and company decided (July 2008) to carryout these works through Lease, Renovate, Operate and Transfer (LROT) ; which was not approved (August 2008) by the Board. Consequently the Company decided (January 2009) for taking up these works through its own resources for which an agreement was entered into between the Company and M/s Andritz Hydro Private Limited in March 2010 involving financial implication of ₹ 71.58 crore. As per terms of the agreement, the work was to be completed (March 2013) within 36 months from the date of commencement of the works. Thus due to indecision, works had been delayed inordinately. Consequently, there was a cost over run of ₹ 11.58 crore.

Khatima power house and Ramganga power house having installed capacity of 41.4 MW and 198 MW respectively were also planned for R&M and LE by March 2010. However, no action in this regard has still been initiated by the Company as of March 2010.

5.2.42 Operation &Maintenance

The operation and maintenance (O&M) cost includes expenditure on the employees, repair & maintenance including stores and consumables, consumption of capital spares not part of capital cost, security expenses, administrative expenses etc. of the generating stations besides corporate expenses apportioned to each generating stations.

We observed that O&M expenses incurred were higher than the norms fixed by UERC in this regard. Consequently, expenses amounting to ₹ 74.79 crore incurred over and above the norms of UERC during the period 2006-07 to 2009-10 added to the loss of the Company as per following details:

(₹ in crore)

Year	O&M expenses incurred	O&M expenses allowed	O&M expenses disallowed
2006-07	113.34	80.09	33.25
2007-08	116.70	96.12	20.58
2008-09	124.21	104.98	19.23
2009-10	32.05	30.32	1.73
Total	**386.30**	**311.51**	**74.79**

(Source: Information compiled from the data of the Company)

As may be seen from the above, the O&M expenditure during 2006-07 to 2009-10 amounting to ₹ 74.79 crore pertaining to various project of the company was disallowed by the UERC for tariff fixation as the company failed to justify this expenditure.

Financial Management

5.2.43 Efficient fund management is the need of the hour in any organisation. This also serves as a tool for decision making, for optimum utilisation of available resources and borrowings at favourable terms at appropriate time.

The power sector companies should, therefore, streamline their systems and procedures to ensure that:

- Funds in idle inventory are not invested;
- Outstanding advances are adjusted/recovered promptly;
- Funds are not borrowed in advance of actual need; and
- Swapping high cost debt with low cost debt is availed expeditiously.

The main sources of funds were realisations from sale of power, subsidy from State/Central Governments, loans from State Government/Banks/Financial Institutions (FI), etc. These funds were mainly utilized to meet payment of debt servicing, employee, other operational expenses on maintenance and consumables, system improvement works of capital and revenue nature and capacity addition programmes.

Details of cash inflow and outflow of resources on actual basis for the Company during the years 2005-06 to 2008-09 are given below:

(₹ in crore)

Sl No.	Particulars	2005-06	2006-07	2007-08	2008-09
Cash inflow					
1.	Net Profit/(loss)	30.1	(21.27)	50.57	(16.87)
2.	Add: Adjustments	45.09	108.27	145.87	166.62
3.	Operating activities (1+2)	75.19	87.00	196.44	149.75
4.	Investing activities	6.75	-	1,540.57	21.18
5.	Financing activities	395.76	347.30	478.10	54.66
	Total	**477.70**	**434.30**	**2,215.02**	**225.59**
Cash outflow					
6.	Operating activities	23.64	78.47	189.50	120.47
7.	Investing activities	367.37	368.73	1,910.88	57.71
8.	Financing activities	-	-	-	15.66
	Total	**391.01**	**447.20**	**2,100.38**	**193.84**
	Net increase/decrease in cash and cash equivalent	**86.69**	**(12.90)**	**114.64**	**31.75**

(Source: Information compiled with the data of the Company)

It would be seen from the above that the cash deficit during 2006-07 was on account of increased outflow on operating activities as compared to inflow.

The instances of poor financial management are given below:

5.2.44 Non recovery of advances

According to power purchase agreement with the J.P. Power Venture Ltd assets of ₹ 5.59 crore in respect of Hyrdo Electric Project at Bishnu Prayag were transferred as loan amount and repayment alongwith interest was to commence from the date of starting generation by the first unit of power plant. Power generation from the first unit of the project was started from June 2006. However, the company did not pursue for recovery till March, 2010.

Advances of ₹ 4.98 crore were given to the various contractors/firms against material/repair works (₹ 3.74 crore during the period April 2002 to September 2009 and ₹ 1.24 crore prior to 2001) but the same were neither recovered nor adjusted till March 2010. Thus, funds to the extent of ₹ 4.98 crore were lying blocked.

5.2.45 Failure to recover dues

The contractors for Maneri Bhali – II were given access to the generated electricity for construction purposes by way of releasing electric connections. We observed that electricity dues of ₹ 4.83 crore were not paid by the contractors nor recovered by the Company from the bills of ₹ 391.91 crore received from them (June 2009).

5.2.46 Non lodging of claim with NHPC

The BoD decided (May 2007) to lodge the claim of ₹ 4.09 crore with NHPC as compensation of the Shobla II SHP as the same has come into submergence in upcoming project of NHPC. We observed that the Company failed to lodge the claim with NHPC till March 2010.

Claims and Dues

5.2.47 The Company sells energy to Uttarakhand Power Corporation Limited (UPCL) and Himachal Pradesh State Electricity Board (HPSEB) as per provisions of Power Purchase Agreement (PPA) approved by UERC. We observed that dues receivable from UPCL increased from ₹ 102.02 crore to ₹ 490.67 crore during review period, as UPCL did not make payment on due dates. Out of which ₹ 151.83 crore pertaining to capacity charges, capacity index incentive and deemed generation during 2005-06 to 2009-10 were not admitted by UPCL as amounts were not verified by State Load Dispatch Centre (SLDC). In this connection, various meetings were also held but the outcome of the same was still awaited (March 2010). The HPSEB also did not admit billing claim of ₹ 13.70 crore during review period as the company raised the energy bills at revised rate as directed by UERC. Accordingly, the company filed an appeal (No.183 of 2009) before Tribunal for Electricity, New Delhi to get the payment. However, the judgment on the same was awaited till March 2010. This also forced the Company to take interest bearing loans for financing its expansion activities.

Tariff Fixation

5.2.48 The Company is required to file the application for approval of Generation Tariff for each year 120 days before the commencement of the respective year or such other date as may be directed by the Commission (UERC). The Commission accepts the application filed by Company with such modifications/conditions as may be deemed just and appropriate and after considering all suggestions and objections from public and other stakeholders, issue an order containing targets for controllable items and the generation tariffs for the year within 120 days of the receipt of the application.

The Commission sets performance targets for each year of the Control Period for the items or parameters that are deemed to be "controllable" and which include:

(a) Operation and Maintenance Expenses;

(b) Financing Cost which includes cost of debt (interest), cost of equity (return);

(c) Depreciation; and

(d) Interest on working capital.

Any financial loss on account of underperformance on targets for parameters specified in Clause (a) to (d) is not recoverable through tariffs. We noticed that the Commission did not allow various amounts of expenditure on account of above mentioned items, amounting to ₹ 545 crore[25] during 2006-07 to 2009-10 on account of lack of proper justification for the expenditure. Therefore, this expenditure was controllable and could have been avoided.

Environment Issues

5.2.49 In order to minimize the adverse impact on the environment, the GOI had enacted various Acts and statutes. At the State level, Uttarakhand Environment Protection Pollution Control Board (UEPPCB) is the regulating agency to ensure compliance with the provisions of these Acts and statutes. Ministry of Environment and Forests (MoEF), GOI and Central Pollution Control Board (CPCB) are also vested with powers under various statutes.

In this regard, we observed that the Company has no documented Environment Policy to ensure sustainable development and optimal use of natural resources and

[25] ₹ 162.26 crore pertaining to interest of loan return on equity, depreciation, O&M and interest on working capital in respect of various project and ₹ 382.74 crore pertaining to operation cost, subsidy withdrawal, capital cost, depreciation and return on equity in respect of MB-II project.

environmental considerations. A few important concerns have been discussed as under:

5.2.50 Downstream flow

In order to maintain and sustain aquatic ecosystem in the downstream stretch of a river, sufficient amount of discharge during the lean period has to be ensured. The policy on hydro-power projects is silent on this vital issue. Further, there are no clear directions from the UEPPCB relating to downstream flow. However in this regard, Himachal Pradesh has notified (September, 2008) a minimum flow of 15 *per cent* of the lean season to be maintained by Hydro Electric Projects. No such norm has been stipulated by Uttarakhand. Even the Company had no documented policy governing mandatory discharge in the downstream stretch. As such, injudicious proliferation of hydro projects and their cumulative impact may well result into drying up of river beds or reducing the river flow to a trickle, adversely affecting the ecology of the nearby areas.

5.2.51 Non achievement of afforestation

Though run-of-river projects do not involve submergence of vast areas of land and vegetation yet, construction of project facilities, access roads to the project site, and transmission systems and lines would involve deforestation. There are thus risks of soil erosion, disruption to local flora and fauna and disturbance to hill slopes in run-of-river projects. However, these can be moderated through plantation and needs to be protected till they attain a height, which is above grazing level. Afforestation is considered necessary to avoid soil erosion and for rehabilitation of degraded forest areas, habitat improvement and structural stabilisation in landslide prone areas.

We observed that during execution of Pela Maneri project 3703 trees were cut down involving 53.53 ha forest land. As compensatory afforestation, as directed by Forest Department, 2.14 lakh saplings were to be planted. However, the company did not plant any sapling so far (March 2010).

5.2.52 Environmental Management Plan

Hydro-power projects carry direct and indirect impact on various environmental elements mainly aquatic, terrestrial, geophysical and human, both during the construction and operational phase. The impact due to the construction of hydro-power projects commences right from the start of exploration activities, construction of tunnels, head race tunnels and approach roads and may continue up to the stage of commercial operation of the project.

The construction activity may cause some adverse impacts on the surrounding environment. Therefore, the company should have adopted proper environmental management plan with regard to air, noise, and water pollutions, after evaluation of magnitudes of impacts of a project, specifying protective and mitigation measures.

We noticed that only MB-II project was constructed and commissioned during review period, however, the company did not formulate the EMP of the project, hence in the absence of EMP, audit is unable to assess the loss to the environment and its monetary value.

5.2.53 Disposal of Muck in an unplanned manner

The directions of the MoEF, GOI relating to muck disposal state that muck generated from excavation in course of construction activity, must be disposed in a planned manner so that it takes the least space, is not hazardous to the environment and does not contaminate any land or water source. With special reference to hilly areas, muck-disposal should be carried in such a way that usable terraces are developed with suitable retaining walls. The terraces should ultimately be covered with fertile soil and suitable plants. Muck generated from construction activities like tunnel etc., should be used for construction of the project to the maximum possible extent of 50 *per cent*. Rest of the muck is required to be disposed off in a planned manner.

We observed that during implementation of Maneri Bhali-II a 16 kilometer long with 06 metre dia of horse shoes shape tunnel was constructed and quantity of muck generated was 5,49,328.32M^3 of which Only 10 *per cent* muck was used for construction works by the Company; rest was not used due to lesser strength. The remaining muck was disposed off in an un-planned manner.

5.2.54 Loss due to flash flood

Flash floods may occur due to cloud bursts, incessant heavy rains and bursting of glacial lakes. The adverse consequences of such floods are acute as they can not only damage the project structures but can cause loss of live in low-lying down stream areas. Civil construction in projects is required to factor in this natural threat. Also the bigger the project, the greater should be the efficacy of the preventive measures.

We observed that two SHPs, *viz.* Urgam and Pilangad faced this threat. Consequently, Urgam SHP remained damaged for almost four years from August 2004 to May 2008, leading to huge generation and revenue loss. Pilangad SHP, in absence of specific remedial measure, got repeatedly damaged thrice in 2005, 2007 and 2009. It is pertinent to mention here that the two projects mentioned above were of low capacity and local community was not adversely impacted during floods. However, the large projects need to be more vigilant and meticulous in designing and erecting the civil structure, so as to avoid mass disruption in case of any mishap.

5.2.55 Non registration of Hydro Electric Projects under CDM

The Clean Development Mechanism (CDM) set under Kyoto Protocol provides for booking and sale/purchase of '*reduction of green house gas emissions*' as Certified Emission Reduction (CER), commonly known as Carbon Credits. For sale of CER, registration of the power plant is required as a CDM project with United Nations Framework Convention on Climate Change (UNFCCC). The power plants that commenced operations on or after 1st January 2000 are eligible for registration by submitting the request with Designated National Authority (DNA). In India, the Ministry of Environment and Forest (MOEF), Government of India has been nominated as DNA.

As per the report of the international agency "Benign Energy" the Environmental implication of Renewable (1998), 987 gram carbon dioxide (CO_2) is emitted during generation of 1kwh energy through thermal power stations.

We observed that the Company did not take any initiative for registration of its plants having installed capacity of 313.70 MW which commenced operation after 1 January 2000 for sale of CER, the following projects of the company generated 2,455.99 MUs during the period from its commissioning to March 2010 and avoided 24,24,062.13 tonne CO_2, which could have spread in the environment.

Name of project	Year of Commissioning	Capacity in MW	Total Generation since commencement to March 2010 (MU)	CO_2 reduction in MT
Harsil SHP	2001	0.2	3.98	3,928.26
Tharali SHP	2002	0.4	10.07	9,939.09
Sone Prayag SHP	2002	0.5	7.52	7,422.24
Tilwara SHP	2003	0.2	0.85	838.95
Pilangad SHP	2004	2.2	75.12	74,143.44
Badri Nath-II SHP	2004	1.2	8.94	8,823.78
Relagad SHP	2004	3	26.43	26,086.41
Tapoban SHP	2006	0.8	2.89	2852.43
Jumagad SHP	2008	1.2	0.18	177.66
M.B.II, LHP	2008	304	2,320.01	22,89,849.87
Total		**313.70**	**2,455.99**	**24,24,062.13**

(Source: Information compiled from the data of the Company)

As seen from the above, the company was deprived to obtain the revenue against the saving of 24,24,062.13 MT CO_2.

Further, we observed that environmental audit report had not been prepared and submitted to the Pollution Control Board as required under CEA guidelines and Environmental Protection Rule, 1986.

Monitoring by Top Management

MIS data and monitoring of service parameters

The Company plays an important role in the State economy. For such a giant organisation to succeed in operating economically, efficiently and effectively, there should be documented management systems of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. Audit review of the system existing in this regard revealed the following:

- The Company did not set plant wise targets for important operational parameters like Plant Load Factor and plant availability.
- The Company did not devise a proper MIS to compile data in respect of total hours available, operated hours, planned outages, forced outages and plant availability in respect of SHPs for effective monitoring.
- The Company did not formulate any annual maintenance plan for SHPs.
- The BOD did not discuss the operational or financial performance of the Company as a whole.
- The Company did not generate reports to identify the recurring maintenance problem at project.

Conclusion

- The Company failed to meet the growth in peak demand by 514 MW, as the capacity addition was only 306 MW against additional planed capacity of 720 MW during 2005-10, due to delay in planning and implementation of capacity addition programmes,
- The Company was able to contain its surplus manpower from 976 in 2005-06 to 141 in 2009-10,
- While planned outages remained above the norms, forced outages were very well within the norms and ranged from 1.73 to 1.44 *per cent* of the total available hours during the review period. This was indicative of proper preventive maintenance,

- The existing generating units were ageing and there were abnormal delays in taking up/execution of the renovation and modernisation works of these units,
- The Company has consistently not been able to achieve the performance parameters and targets set by UERC, which led to disallowance of huge expenses of ₹ 545 crore which could not be realised through tariff, which in turn affected the financial health of the company, and
- The company failed to address the environmental issues at the power generation stations.

Recommendations

The Company needs to:

- ***Intensify its capacity addition programmes by exploiting all resources of energy by involving government entrepreneurs and by close monitoring the programmes for timely execution so as to meet the national objective of power for all by 2012;***
- ***Improve plant load factor and capacity utilisation by containing the break down;***
- ***Maintain data of auxiliary consumption of power in respect of SHPs for better monitoring;***
- ***Carry out the scheduled maintenance of its power stations and undertake renovation & modernisation of the power plants in time;***
- ***Achieve the performance parameters set by the Commission failing which accountability should be fixed against the persons concerned in the Company;***
- ***Insist on a interest bearing clause for mobilisation advance in all construction agreement; and***
- ***Address the environmental issues in proper prospective.***

The matter was referred to the Company and Government (July 2010); their replies had not been received (November 2010).

Audit of Transactions

GARHWAL MANDAL VIKAS NIGAM LIMITED

5.3 Loss due to deficit planning

Nigam suffered a loss of ₹ 1.39 crore due to improper planning and lack of strategy in sale of rosin and Turpentine oil.

The Rosin & Turpentine Factory, Uttarkashi (Factory) of Garhwal Mandal Vikas Nigam Limited (Nigam) had not been in operation since 2004 due to high cost of input material i.e. Lisa. With a view to revive the operations of defunct factory, Nigam procured (February 2006) 460 MT of Lisa (a forest produce) at a cost of ₹ 2.13 crore from Forest Department for processing into rosin and turpentine oil in the Factory. Quantity for procurement of Lisa was assessed on expected ensuing business, as there was no pending supply order with the Nigam. However, no feasible study was carried out by the Nigam taking into account the market rates, demand of the product, cost benefit analysis, etc. on scientific basis before taking up the operation. The cost of processing the entire quantity of Lisa procured into rosin and Turpentine Oil was ₹ 17.20 lakh and ₹ 20.93 lakh respectively.

Test check of records of the Nigam revealed (March 2009) that the Nigam received (April 2006) an offer from M/s Som Rosin & Turpentine Company Limited, New Delhi (firm S) to lift a minimum 54 MT rosin per month with an assurance to lift the entire quantity of rosin produced by the Nigam from 460 MT of Lisa. The buyer requested the Nigam to prepare the agreement accordingly. The supply of rosin was to be made against advance payment at an agreed rate of ₹ 53,410 per MT. While formulation of a formal agreement with Firm S was pending, the Nigam supplied (June 2006) one truck full load of 9 MT rosin to Firm S at a sale value of ₹ 4.81 lakh against the advance payment of ₹ 6 lakh. In July 2006 the Nigam demanded a guarantee deposit of ₹ 5 lakh from the Firm S and also increased the rate of supply by ₹ 1,460 per MT unilaterally. Firm S did not accept the demand and stopped further lifting of rosin in protest against the undue demand of Nigam. This resulted in piling up of the processed stock.

In order to dispose of the perishable stock of rosin, Nigam accepted (June 2008 & February 2009) the tendered offer of M/s United Chemicals, New Delhi at a much lower rate of ₹ 25,960 per MT and supplied a quantity of 221.11 MT rosin at a total sale value of ₹ 57.40 lakh. Thereafter, the Nigam obtained (June 2008 & February 2009) two supply orders from two New Delhi based firms for a supply of 107.17 MT rosin at an average rate of ₹ 28,207 per MT with total sale consideration of ₹ 30.23 lakh. Further, a quantity of 59,600 litre of turpentine oil processed out of 460 MT of Lisa procured was also sold (February 2008 & February 2009) to two firms of Bareilly and New Delhi with total sale value of ₹ 19.11 lakh at an average rate of ₹ 32.06 per litre. Thus, the entire quantity of rosin and turpentine oil manufactured out of 460 MT of Lisa had been disposed of leaving no unsold stock with the Nigam. The Nigam however, incurred a total loss of ₹ 1.39 crore[26] in the whole business.

Thus, due to imprudent decision of the Nigam for revival of the operation of the defunct factory without carrying out the feasibility of the activity on scientific basis, Nigam incurred a loss of ₹ 1.39 crore. Further, the Nigam could have reduced the losses to the extent of ₹ 0.87 crore[27] by timely entering into supply agreement with Firm S at offered rate of ₹ 53,410 per MT for assured lifting of entire quantity of the product by Firm S.

On this being pointed out in audit, Nigam stated (June 2009) that the stock of Lisa, rosin and Turpentine Oil was nil and the loss in whole business was caused due to reduced rate of rosin in international market. Reply is not convincing as despite the offer of Firm S for assured purchase of entire quantity of rosin manufactured at the reasonable rate of ₹ 53,410 per MT, Nigam failed to sign the agreement for the deal. Moreover, the Nigam demanded unfair hike in the selling price of rosin and insisted upon additional security deposit, which allowed Firm S to withdraw from the offer.

Thus, the Nigam suffered loss of ₹ 1.39 crore due to improper planning and lack of strategy in sale deal of rosin.

The matter was reported to the Nigam/Government (May 2010); their replies had not been received (November 2010).

UP HILL ELECTRONICS CORPORATION LIMITED

5.4 Non-filing of Income Tax Return

Company suffered a loss of ₹ 20 lakh due to non-filing of Income Tax Return.

As per Section 139 (3) of the Income Tax Act, 1961 read with Section 80 of the Act, any person who has sustained a loss in any financial year under the head “Profit and gains of business or profession” or under the head “capital gains,” can claim that loss or any part thereof for setting off against profits for subsequent eight assessment years (Section 72(3), 74(2) of IT Act) only if the return for the year in which loss was suffered was filed in the prescribed form/manner within the time limit as stipulated under Section 139 (1).

Our scrutiny of records revealed (March 2010) that the Company suffered a loss of ₹ 69.75 lakh during the financial year 1999-2000 (Assessment Year 2000-2001) but did not file the Income Tax Return for that year. Consequently,

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[26] Investment: ₹ 2.51 crore minus Return: ₹ 1.12 crore = Loss: ₹ 1.39 crore.

[27] 328 MT X ₹ 53410 per MT (rates offered by Firm S) i.e. ₹ 1.75 crore minus ₹ 0.88 crore(actual sale amount) = ₹ 0.87 crore.

the Income Tax Department did not allow the Company to carry forward the loss suffered in 1999-2000 for setting off against taxable profits of subsequent years. During the financial year 2004-05 (AY 2005-06), the Company had taxable profits of ₹ 1.66 crore (including capital gain of ₹ 0.20 crore) against which the tax authorities demanded (August 2007) tax of ₹ 63.76 lakh from the Company.

The Company filed (Oct. 2007) an appeal against the demand notice and also deposited (August 2008) ₹ 20 lakh with the department as per the direction (August 2008) of the Assistant Commissioner of Income Tax. The Commissioner of Income Tax (Appeals), Dehradun heard the appeal (November 2009) and observed that the loss incurred in the financial year 1999-2000 was not allowed to be carried over, hence, no tax relief was allowable to the Company on this account. Thus, the Company lost the opportunity to set off the taxable profits (₹ 1.66 crore) for the assessment year 2005-06 to the extent of losses of ₹ 69.75 lakh pertaining to the financial year 1999-2000 due to non-filing of Income Tax Return for the loss year and incurred avoidable tax liability of ₹ 20 lakh[28].

The Management admitted (March 2010) that the tax liability to the tune of ₹ 20 lakh was on account of non filing of return for the financial year 1999-2000 and the person responsible for not filing the return had been charge sheeted.

The Company needs to strengthen the internal control mechanism for effectively monitoring filing of Income Tax Returns in time so as to avoid recurrence to such lapse in future.

The matter was referred to the Company/Government (May 2010); their replies had not been received (November 2010).

POWER TRANSMISSION CORPORATION OF UTTARAKHAND LIMITED

5.5 Blocking of funds and loss of interest

Company awarded a contract without obtaining clearance from Forest Department, resulting in blocking of funds of ₹ 8.25 crore and loss of interest of ₹ 2.01 crore thereon.

In order to reduce the transmission losses and to improve the voltage supply in remote areas of Chamoli district of Garhwal region, a sub-station of 132 KV was proposed to be constructed at Simli, under first phase of Rural Electrification Corporation's (REC) Scheme. Accordingly, the Company awarded (November 2005) a contract to ABB Ltd., Dehradun for supply of equipment and other materials and construction of 132 KV sub-station. The work was completed

[28] Worked out at flat rate of 30 *per cent* of the previous losses (₹ 69.75 lakh), *viz*. the income tax rate applicable in the case of the company.

(December 2007) by the Contractor as per schedule at a total expenditure of ₹ 8.25 crore.

A test check (February 2010) of records of the Company revealed that the sub-station could not be energized till date (November 2010) due to non-completion of 132 KV transmission line from Srinagar to Simli. The work of construction of this line was awarded in October 2005 but the same could not be completed due to non availability of clearance for use of forest land from Government of India (GOI). The case for forest clearance was submitted to GOI, Ministry of Forest and Environment by the Chief Conservator of Forest (Nodal Officer) only in July 2009 and the forest clearance for the work was finally granted in April 2010. However, the construction of the transmission line from Srinagar to Simli was still in progress. (November, 2010). We noticed that pending construction and energisation of transmission line, the sub-station had to be back charged (July 2009) from Karnprayag feeder so as to keep the transformers alive.

We observed that the work of construction of transmission line involve clearance of forest land from Government of India, Forest Department and for the purpose, work of detailed route survey needed to be taken up. As per the past experience of the Company, the exercise is tedious and time consuming as it involved consent of various departments of State and Central Governments. Keeping this fact in view, the Company should have planned for completing the construction of transmission tine in advance and should have awarded the work for construction of the sub-station later. However, the Company awarded the work for taking up the route survey and for construction of the sub-station simultaneously in October 2005 & November 2005 respectively, which was indicative of deficient planning by the Company. Resultantly, the expenditure of ₹ 8.25 crore incurred on construction of the sub-station remained unfruitful since December 2007. The Company has suffered a loss of interest of ₹ 2.01 crore on cost of construction of sub-station so blocked for the period from January 2008 to November 2010 calculated at minimum lending rate (9.75 *per cent*) of REC.

The Management in its reply stated (May 2010) that the delay occurred because after the award of contract (October 2005) the work of detailed route survey started (April 2006) and could be completed only in July 2009, as it was routed through various offices of different departments. The reply of the Management is not convincing as the planning of the company was defective and the survey work should have been taken up separately and well in advance of finalization of the contract.

It is recommended that the clearance from Forest Department and other such formalities should be completed well in advance before awarding the contract.

The matter was reported to the Company/Government (May 2010); their replies are awaited (November 2010).

STATE INDUSTRIAL DEVELOPMENT CORPORATION OF UTTARAKHAND LIMITED

5.6 Undue favour to private firms

Company suffered a loss of ₹ 32.68 lakh due to restoration of allotment of three plots at rates lower than those specified in its policy.

State Industrial Development Corporation of Uttarakhand Ltd. developed an Integrated Industrial Estate (IIE) at Pantnagar. Three plots at IIE were allotted to M/s Akash Cables (1,416 sqm), M/s National Packaging (1,340 sqm) and M/s World Ad Packaging (968.50 sqm) during the period from June 2005 to January 2006 @ ₹ 560 per sqm, ₹ 588 per sqm and ₹ 560 per sqm, respectively.

As per conditions of the undertaking given by the allottees at the time of allotment of the plots, the possession of the plot was to be taken within 60 days of allotment after execution of lease deed and also the construction work was to be started within 90 days from the date of allotment, failing which allotment was bound to be cancelled.

Scrutiny of records (September 2008) of the Company revealed that allotment of these three plots was cancelled (7 July 2006) by the Company as neither the lease deed was executed nor also the construction started on the plots as per the conditions of allotment. As per the restoration policy of the Company, however, the defaulter could request for restoration of the cancelled plots latest by 21 August 2006. The documents for restoration of the plot by all three allottees were submitted after a delay of 18 days to 29 days. The delay was condoned (December 2006) by the Board of Directors and restoration of allotment of the three plots was allowed (25 January 2007) by the company by charging 7.5 *per cent* on ₹ 700 per sqm, being the rate of allotment prevailing on the last date (21 August 2006) fixed for submission of documents for restoration of plots.

The decision of allowing restoration of three plots was contrary to the revised restoration policy approved (September 2006) by the Company and made effective from 2 November 2006 i.e. before approval of the restoration in 25 January 2007. According to this policy "*restoration of allotment was to be allowed at the difference between current base price and originally allotted price or 7.5 per cent on the current base rate of allotment, whichever is higher*".

As the current base rate of allotment on the date of restoration (January 2007) had increased (18 September 2006) to ₹ 1,500 per sqm, the restoration should have been made by charging the difference between ₹ 1,500 per sqm and the rate of original allotment (being higher than 7.5 *per cent* of the current base rate of ₹ 1,500 per sqm). The decision to restore the above three plots by charging only

7.5 *per cent* on ₹ 700 per sqm was a clear violation of the extant restoration policy and resulted in a loss of ₹ 32.68 lakh[29].

It is recommended that the company should adhere to their Rules, Regulations and Policy and also the financial interest of the Company while deciding on restoration of the cancelled plots and should recover the restoration charges as per the applicable rates.

The matter was referred to the Company/Government (August 2010); their replies had not been received (November, 2010).

UTTARAKHAND POWER CORPORATION LIMITED

5.7 Undue advantage to a contractor

Interest free Mobilization Advance was given to a contractor in contravention of the guidelines issued by the Central Vigilance Commission, with a consequent loss of interest of ₹ 1.25 crore.

Government of India, Central Vigilance Commission (CVC) issued guidelines from time to time (October 1997 and January 2002) regarding Mobilisation Advance (MA) which, inter alia, provided that:

i) Provision of MA should essentially be need based and decision to provide such advance should rest at the level of Board (with concurrence of Finance) in the organisation;

ii) Recovery of MA should be time-based and not linked with progress of work;

iii) There should be clear stipulation of interest to be charged on delayed recoveries either due to the late submission of bill by the contractor or any other reason;

iv) MA should be given in installments and subsequent installments should be released only after getting satisfactory utilization certificate from the contractor for the previous installment already released; and

v) Bank guarantee of equal amount should be obtained before releasing the MA, and in case contractor fails to complete the work in stipulated period

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[29]

Plot	1416 sqm x ₹ 940 (₹ 1500-₹ 560)	=	₹ 13.31 lakh
Plot	1340 sqm x ₹ 912 (₹ 1500-₹ 588)	=	₹ 12.22 lakh
Plot	968.50 sqm x ₹ 940 (₹1500-₹ 560)	=	₹ 9.10 lakh
Total	3724.50 sqm		₹ 34.63 lakh
Less the restoration charges (7.5 *per cent* of ₹ 700x 3724 sqm)		=	₹ 1.95 lakh
			₹ 32.68 lakh

the whole amount of MA should be recovered by encashing the bank guarantee.

The Company entered into (December 2005) a contract with M/s ICOMM Tele Ltd., Hyderabad (contractor) for execution of the work of Route Survey, Design, Supply, Testing, Commissioning of material and equipment required for electrification of villages and their households under Rajeev Gandhi Gramin Vidyutikaran Yojna (RGGVY) in Almora on turnkey basis, at a cost of ₹ 95.37 crore. The contractor could complete only 60 *per cent* of the work till October 2010 as against the scheduled date of June 2007 fixed for completing the entire work.

Further, in accordance with the terms and conditions of the contract, an interest free MA of ₹ 9.54 crore i.e. 10 *per cent* of the contract value was given to the contractor against an equal value of the bank guarantee in two instalments in May and June 2006. In this connection, we observed the following irregularities with reference to the guidelines of CVC in the matter:

a) The clause regarding extending the interest free MA was incorporated in the contract without approval of the Board of Directors in violation of CVC guidelines;

b) Second instalment of MA of ₹ 4.77 crore was released (June 2006) without obtaining utilization certificate of previous installment;

c) No time bound schedule was fixed for recovery of MA nor the contract contained any provision for charging interest on delayed recovery of MA from the contractor;

d) The Company could adjust the MA to the extent of ₹ 2.08 crore only against the running bills of the contractor till the scheduled date of completion of the work (viz. June 2007). Balance amount of MA of ₹ 7.46 crore was recovered/adjusted from the running bills of the contractor during the period from July 2007 to October 2010. However, no interest was charged on the MA remaining pending for recovery after the schedule date of completion of work which was in contravention of CVC guidelines; and

e) Although the Company obtained a bank guarantee of ₹ 9.54 crore against the MA the company never encashed the same for recovery of long pending MA from the contractor.

Thus, the Company failed to safeguard its financial interest by incorporating unfavourable condition in the contract for providing interest free MA to the contractor and suffered an interest loss of ₹ 1.25 crore[30] on delayed recovery of MA after scheduled date of completion of work (viz. July 2007 to October 2010).

[30] Calculated on reducing balance at an average rate of interest of 8.5 *per cent* per annum.

In the Division level reply, it was stated (July 2010) that the provision of payment of 10 *per cent* interest free MA was made in the tender document and agreement in question as per the past practice of the company.

Reply of the company is not acceptable as the terms and conditions on which the MA was given contravened the guidelines of the CVC in this regard. Company needed to revise the tender document for future duly taking into account the guidelines issued by CVC from time to time.

The matter was referred to the Company/Government (August 2010); their replies had not been received (November 2010).

Dehradun **(ASHWINI ATTRI)**
The **Principal Accountant General (Audit), Uttarakhand**

Countersigned

New Delhi **(VINOD RAI)**
The **Comptroller and Auditor General of India**

APPENDICES

Appendix-1.1

(Reference: Paragraph 1.1.7.3; Page 7)

Statement showing the details of interest on CRF to be paid by the State Government

Year	Repo rate of RBI	Average rate of interest (in per cent)	Opening Balance (₹ in crore)	Accrued interest (₹ in crore)	Calculation
2005-06	6.50	6.38	3.87	0.32	3.87* (6.38+2)/100
	6.25				
Total	**12.75**				
2006-07	6.75	7.25	41.40	3.82	41.40* (7.25+2)/100
	7.00				
	7.25				
	7.50				
	7.75				
Total	**36.25**				
2007-08	7.75	7.75	46.20	4.50	46.20* (7.75+2)/100
Total	**7.75**				
2008-09	8.00	7.00	49.84	4.49	49.84* (7.00+2)/100
	8.50				
	8.00				
	7.50				
	6.50				
	5.50				
	5.00				
Total	**49.00**				
2009-10	4.75	5.00	74.17	5.19	74.17* (5.00+2)/100
	5.00				
	5.25				
Total	**15.00**			**18.32**	

Source: http://www.rbi.org.in and http://in.reuters.com ** Interest applied repo rate plus 2 per cent.*

Note: The interest which was to be charged on half yearly basis has been computed on yearly basis on the opening balances of the respective years by taking in to account the average Repo rate of the year inclusive of two *per cent* surcharge as is provided in the RBI regulation.

Appendix-1.2

(Reference: Paragraph 1.1.7.5; Page 8)

Statement showing the delay in release of central share by GOI, MoF

Year	Installment	Amount (₹ in crore)	Date of release	Prescribed date of release	Delay (days)
2005-06	I	Not available			
	II	35.51	5.12.2005	1.12.2005	-
2006-07	I	36.22	26.7.2006	1.6.2006	54
	II	36.22	18.4.2007	1.12.2006	137
2007-08	I	36.97	27.9.2007	1.6.2007	117
	II	36.97	3.6.2008	1.12.2007	184
2008-09	I	37.75	3.6.2008	1.6.2008	--
	II	37.75	27.2.2009	1.12.2008	87
2009-10	I	38.20	20.8.2009	1.6.2009	79
	II	38.20	25.3.2010	1.12.2009	113

Source : Information obtained from the department.

Appendix-1.3

(Reference: Paragraph 1.1.8.4; Page 11)

Statement showing the details of district-wise human losses due to various disasters

(Period 1.1.2005 to 31.12.2009)

Name of Districts	Landslide	Cloudburst	Excessive rain	Flood	Fire	Avalanche	Others *	Total
Almora	5	3	9	-	-	3	4	24
Bageshwar	4	2	7	1	1	3	1	19
Chamoli	29	8	14	11	4	3	32	101
Champawat	17	1	4	1	2	5	5	35
Dehradun	1	-	-	-	-	2	9	12
Haridwar	1	3	15	-	-	-	5	24
Nainital	7	1	25	-	1	3	4	41
Pauri	5	7	2	1	5	1	-	21
Pithoragarh	30	47	3	-	1	10	5	96
Rudraprayag	4	14	2	-	-	-	4	24
Tehri	12	1	2	-	1	3	5	24
U.S. Nagar	1	-	5	5	3	1	12	27
Uttarkashi	6	2	2	1	2	3	10	26
Total	**122 (*26*)**	**89 (*19*)**	**90 (*19*)**	**20 (*4*)**	**20 (*4*)**	**37 (*8*)**	**96 (*20*)**	**474**

Source : Information provided by the Department. ** include hailstorm, epidemics etc.*

Appendix-1.4

(Reference: Paragraph 1.1.10.4; Page 21)

Statement showing the details of incomplete works of the selected executive agencies

(₹in lakh)

Name of District	Name of main executive agencies	Total works sanctioned	Total amount sanctioned	Complete work	Incomplete work	Amount sanction in incomplete work	Within time	Delay in completion		
								Upto 1 year	1-2 years	Above 2 years
Chamoli	Zilla Panchayat	58	221.75	27	31	149.34	-	8	15	4
	P.W.D.	32	134.90	20	12	50.28	2	18	-	-
	R.E.S.	70	178.80	61	9	30.98	-	23	28	-
	B.D.O.	199	453.77	NA	NA	NA	NA	NA	NA	NA
	Jal Sansthan	171	166.40	154	17	44.92	-	150	4	-
Total		**530**	**1,155.62**	**262**	**69**	**275.52**	**2**	**209**	**47**	**4**
Pauri	Zilla Panchayat	34	98.80	15	19	87.94	1	13	1	-
	P.W.D.	22	82.04	22	-	-	5	15	2	-
	R.E.S.	207	562.99	NA	NA	NA	NA	NA	NA	NA
	B.D.O.	31	80.49	20	11	32.71	-	3	8	9
	Jal Sansthan	24	48.00	24	-	-	-	22	2	-
Total :		**318**	**872.32**	**81**	**30**	**120.65**	**6**	**53**	**13**	**9**
Dehradun	Zilla Panchayat	55	303.93	47	8	33.79	7	32	5	3
	P.W.D.	58	158.72	41	17	45.47	-	32	7	2
	R.E.S.	10	46.07	2	8	26.38	-	1	-	1
	B.D.O.	29	63.46	16	13	17.01	-	14	2	-
	Jal Sansthan	7	14.23	5	2	6.65	-	3	2	-
Total		**159**	**586.41**	**111**	**48**	**129.30**	**7**	**82**	**16**	**6**
Pithoragarh	Zilla Panchayat	283	716.33	128	155	338.66	1	82	43	2
	P.W.D.	126	882.28	107	19	183.43	6	88	13	-
	R.E.S.	559	1,100.74	380	179	350.47	1	104	216	59
	B.D.O.	124	298.82	70	54	94.81	-	18	27	25
	Jal Sansthan	84	112.68	83	01	1.50	1	45	31	6
Total :		**1,176**	**3,110.85**	**768**	**408**	**968.87**	**9**	**337**	**330**	**92**
Uttarkashi	Zilla Panchayat	524	1,409.80	429	95	394.51	-	14	218	197
	P.W.D.	27	102.69	18	9	58.53	3	12	3	-
	R.E.S.	207	318.61	201	6	12.07	-	45	119	37
	B.D.O.	168	240.63	164	4	3.23	-	4	78	82
	Jal Sansthan	71	105.58	23	48	62.31	1	5	6	11
Total		**997**	**2,177.31**	**835**	**162**	**530.65**	**4**	**80**	**424**	**327**
G. Total		**3,180**	**7,902.51**	**2,057**	**717**	**2,024.99**	**28**	**761**	**830**	**438**

Source: Information provided by district administration.

Appendix-1.5

(Reference: Paragraph 1.1.10.6; Page 23)

Statement showing the details of inadmissible works of the selected executive agencies

(₹in lakh)

Name of district	Total works	Sanctioned/ Expendi-ture	Executive agencies	Total works	Sanctioned amount	Expen-diture	Cement Concrete work	Sanction ed amount	Khandinja work	Sanction ed amount	Cul-vert	Sanctioned amount	Protection work	Sanction ed amount
Chamoli (2005-10)	1,325	3,724.70/ 3,508.65	Zilla Panchayat	58	221.75	124.69	2	4.00	1	3.30	8	34.24	3	7.11
			P.W.D.	32	134.90	66.19	-	-	-	-	-	-	-	-
			R.E.S.	70	178.80	177.26	-	-	-	-	16	50.97	4	7.24
			B.D.O.	199	453.77	355.00	22	46.53	4	7.91	26	72.70	39	65.21
			Jal Sansthan	171	166.40	121.48	-	-	-	-	-	-	-	-
Total	**1325**			**530**	**1,155.62**	**844.62**	**24**	**50.53**	**5**	**11.21**	**50**	**157.91**	**46**	**79.56**
Pauri (2007-10)	Not available		Zilla Panchayat	34	98.80	65.69	2	2.48	11	30.16	-	-	1	5.00
			P.W.D.	22	82.04	48.95	1	3.00	-	-	-	-	1	4.45
	295	1,000.00/ 990.05	R.E.S.	207	562.99	523.03	40	121.67	6	17.06	8	24.83	1	3.33
			B.D.O.	31	80.49	53.68	10	22.76	-	-	-	-	-	-
			Jal Sansthan	24	48.00	48.00	-	-	-	-	-	-	-	-
Total	**295**			**318**	**872.32**	**739.35**	**53**	**149.91**	**17**	**47.22**	**8**	**24.83**	**3**	**12.78**
Dehradun (2005-10)	203	1,874.44/ 804.98	Zilla Panchayat	55	303.93	257.13	31	177.90	-	-	-	-	1	15.90
			P.W.D.	58	158.72	113.98	3	8.00	-	-	-	-	4	11.65
			R.E.S.	10	46.07	27.73	3	7.10	-	-	-	-	-	-
			B.D.O.	29	63.46	59.12	6	17.49	-	-	-	-	1	1.68
			Jal Sansthan	7	14.23	7.58	-	-	-	-	-	-	-	-
Total	**203**			**159**	**586.41**	**465.54**	**43**	**210.49**	**-**	**-**	**-**	**-**	**6**	**29.23**
Pithoragarh (2005-10)	1,479	5,861.08/ 4310.29	Zilla Panchayat	283	716.33	436.64	45	113.38	35	84.22	-	-	1	0.31
			P.W.D.	126	882.28	752.47	-	-	5	14.19	1	94.20	22	235.91
			R.E.S.	559	1,100.74	839.67	49	100.45	46	99.44	-	-	56	128.35
			B.D.O.	124	298.82	219.18	27	76.33	23	48.59	1	5.93	5	32.96
			Jal Sansthan	84	112.68	92.14	-	-	-	-	-	-	-	-
Total	**1,479**			**1,176**	**3,110.85**	**2,340.10**	**121**	**290.16**	**109**	**246.44**	**2**	**100.13**	**84**	**397.53**
Uttarkashi (2005-10)	1,194	4,151.27/ 3,572.84	Zilla Panchayat	524	1,409.80	1,042.52	12	27.92	-	-	77	524.29	28	74.18
			P.W.D.	27	102.69	43.25	-	-	-	-	-	-	4	15.18
			R.E.S.	207	318.61	289.76	6	3.46	-	-	21	85.54	26	30.81
			B.D.O.	168	240.63	227.44	-	-	1	3.70	8	49.57	10	9.84
			Jal Sansthan	71	105.58	45.93	-	-	-	-	-	-	-	-
Total	**1,194**			**997**	**2,177.31**	**1,648.90**	**18**	**31.38**	**1**	**3.70**	**106**	**659.40**	**68**	**130.01**
G. Total	**4,496**	**16,611.49/ 13,186.81**		**3,180**	**7,902.51**	**6,038.51**	**259**	**732.47**	**132**	**308.57**	**166**	**942.27**	**207**	**649.11**

Source: Extracted from the records of concerned executive agencies.

Appendix – 1.6

(Reference: Paragraph 1.2.5; Page 33)

List of Departments to whom Funds were allocated in MKM (as on 31.07.2010)

(₹ in lakh)

Sl.No	Name of Department	No. of Schemes	No. of Completed Schemes	Sanctioned Amount by Govt.	Amount released by Govt.	Allotment to Departments	Expenditure
1	Irrigation Department	65	56	9,353.61	6,015.42	5,977.44	5,296.64
2	Northern Ganga Canal Division Roorkee	8	8	745.65	682.01	567.99	456.55
3	Peyajal Nigam	25	22	5,539.34	5,446.72	5,396.72	5,331.96
4	Jal Sansthan	6	5	497.17	415.17	350.26	301.01
5	Ganga Pollution Control Unit	15	12	4,143.48	4,106.26	4,106.26	3,774.85
6	Power Corporation	14	14	4,401.23	3,924.02	3,924.02	3,869.31
7	Public Works Department	52	36	16,759.65	13,331.97	11,923.83	11,140.94
8	Rajaji National Park Dehradun	5	5	71.66	71.66	71.66	71.66
9	Police Department	9	7	1,175.00	1,175.00	1,175.00	1,140.69
10	Shakti Canal Division Haridwar	6	4	104.07	92.32	92.32	59.99
11	Haridwar Development Authority	10	10	409.77	409.77	409.77	214.72
12	Rajkiya Nirman Nigam	1	1	472.16	472.16	472.16	472.16
13	Nagar Palika Parishad/Nagar Panchayat	38	36	2,238.02	2,018.01	1,972.67	1,469.50
14	U.P. Rajya Satu Nigam	20	19	2,579.80	2,544.78	2,526.83	2,454.08
15	Forest Department, Haridwar	2	2	13.28	13.28	13.28	13.28
16	Transport Nigam	2	1	400.76	400.76	366.44	321.80
17	Transport Department	1	1	40.70	40.70	40.70	33.50
18	Rural Engineering Service	10	8	312.73	277.32	277.32	214.16
19	Health Department	5	4	5,160.60	4,997.58	4,997.58	4,134.01
20	Animal Husbandly Department, Haridwar	1	1	10.50	10.50	10.50	10.50
21	Meladihakari Nivartan	1	1	100.00	100.00	89.37	89.37

22	Mela Administration	2	2	2,033.16	2,033.16	1,095.03	1,095.03
23	Tourism Department	1	1	518.44	518.44	518.44	518.44
24	Homeopathic Medical Department	1	1	13.00	13.00	13.00	13.00
25	Sulabh International	1	1	632.61	632.61	632.61	632.61
26	Uttarakhand Dairy Federation, Haldwani	1	1	37.20	37.20	37.20	37.20
27	Ayurvedic & Unane Department	1	1	15.00	15.00	15.00	15.00
28	Information & Public Relation Department	2	2	600.00	600.00	343.99	300.00
29	District Supply Department, Haridwar	1	1	15.00	15.00	15.00	15.00
30	Culture Department	1	1	180.00	180.00	180.00	180.00
31	D.G. Health (GVK EMRI)	1	1	250.00	250.00	250.00	158.45
32	Garhwal Mandal Vikas Nigam	1	1	142.92	142.92	142.92	107.92
33	Mandi Parishad	1	1	29.58	29.58	0.00	0.00
34	Electric Security Department	1	1	4.00	4.00	4.00	4.00
Total		**311**	**268**	**59,000.08**	**51,016.32**	**48,009.30**	**43,947.33**

Appendix – 1.7

(Reference: Paragraph 1.2.5; Page 33)

List of Departments which were audited & Funds allocated in MKM (as on 31.07.2010)

(₹ in lakh)

SI. No.	Name of Department	No. of Schemes	No. of Completed Schemes	Sanctioned Amount by Govt.	Amount released by Govt.	Allotments to Departments	Expenditure
1.	Irrigation Department	65	56	9,353.61	6,015.42	5,977.44	5,296.64
2.	Peyajal Nigam	25	22	5,539.34	5,446.72	5,396.72	5,331.96
3.	Jal Sansthan	06	05	497.17	415.17	350.26	301.01
4.	Ganga Pollution Control Unit	15	12	4,143.48	4,106.26	4,106.26	3,774.85
5.	Public Works Department	52	36	16,759.65	13,331.97	11,923.83	11,140.94
6.	Haridwar Development Authority	10	10	409.77	409.77	409.77	214.72
7.	Nagar Palika Parishad/Nagar Panchayat	38	36	2,238.02	2,018.01	1,972.67	1,469.50
8.	Rural Engineering Service	10	08	312.73	277.32	277.32	214.16
9.	Health Department	05	04	5,160.60	4,997.58	4,997.58	4,134.01
10.	Mela Administration	02	02	2,033.16	2,033.16	1,095.03	1,095.03
11.	Tourism Department	01	01	518.44	518.44	518.44	518.44
12.	Information & Public Relation Department	02	02	600.00	600.00	343.99	300.00
Total		**231**	**194**	**47,565.97**	**40,169.82**	**37,369.31**	**33,791.26**

Appendix-1.8

(Reference: Paragraph 1.2.8.3; Page 37)

Execution of work without sanction

(₹ in crore)

Sl. No.	Name of Department	No. of works	Cost of work
01	Irrigation Department, Haridwar	21	1.23
02	Public Works Department	05	1.35
03	Rajaji National Park	08	0.23
04	Uttar Pradesh Bridge Corporation	01	0.24
05	Health Department	01	0.30
06	Mela Administration	01	0.20
07	Tourism Department	01	3.84
08	Information & Public Relations	01	1.80
09	Culture Department	01	0.10
10	Sulabh International	01	0.29
11	PeyaJal Nigam	02	9.81*
Total		**43**	**19.39**

*Expenditure as reported by CD, Peyjal Nigam, Haridwar.

Appendix-1.9

(Reference: Paragraph 1.2.8.4; Page 37)

List of works not authorized under MKM, sanctioned and executed

Sl. No.	Name of the Division	Name of work and its sanctioned cost	Audit observations
1	Construction Division, PWD, Roorkee	Construction of Inspection house at office campus of PWD, Roorkee: ₹ 84.66 lakh	This work was not taken up by the Division in the original plan but was belatedly sanctioned in February 2010. The work was started in July 2010 and expenditure of ₹ 1.12 lakh was incurred as of July 2010. The sanction of this work from MKM budget was irregular as evident by the nature of work itself. Thus, ₹ 84.66 lakh was sanctioned by the Government in order to exhaust central assistance provided for MKM.
2	Construction Division, Uttarakhand Peyjal Nigam, Rishikesh	Dhalwala peyjal scheme: ₹ 4.92 crore	This scheme was taken up by the Division to augment water supply to 04 habitats[1] of upper zone of Dhalwala. Audit found that these 04 areas were not falling in the Mela area and therefore, had no relation with Mela. It was found that no activity related to Mela was undertaken in this area during MKM. The scheme was taken up to enhance the capacity of water supply from 40 LPCD to 135 LPCD to serve the need of local residents. It was evident from the records that the scheme was proposed to be taken up by the Division through Minimum Need Programme. The Division too had accepted this fact. As such it was construed that the Division had irregularly taken up this work from MKM budget.
3	Jal Sansthan, Haridwar	Construction of 4 tubewells at Roorkee: ₹ 1.69 crore	Government accorded approval of ₹ 4.97 crore to Jal Sansthan, Haridwar for providing uninterrupted water supply in Mela Area. Against the above amount, Jal Sansthan proposed construction of 04 tubewells in Roorkee at a cost of ₹ 1.69 crore. It was observed that this work was not related to MKM as there was nothing on records to establish that Sansthan had taken up this work for providing drinking water during MKM. The work was taken up to bridge up the shortage of water supply to local population of Roorkee.
4	CD, Uttarakhand Peyjal Nigam, Rishikesh	Installation of India Mark-II handpump in Legislative area of Roorkee: ₹ 42.92 lakh	On the request made by Member of Legislative Assembly (MLA), Roorkee in December 2009, Government accorded approval (February 2010) for installation of 100 hand pumps in Roorkee's Legislative area at a cost of ₹ 42.92 lakh of which ₹15 lakh was released in February 2010. The Division had informed installation of 34 hand pumps at a cost of ₹ 15 lakh but failed to provide relevant records related with the execution of work like bill/voucher, supply orders, estimates, copy of agreement etc; which led to suspicion about the execution of work. Further, the work was not related to MKM as it was executed outside the Mela area for which Government had irregularly sanctioned the funds from MKM budget.
5	Uttarakhand Peyjal Nigam, GPCU, Haridwar	Enhancement of capacity of Sewage Treatment Plant at Jagjitpur & Rishikesh: ₹ 10.64 crore	This work was already sanctioned by GOI under National River Conservation plan in November 2006 and GOI had provided the funds from time to time. The case is discussed in detail in the succeeding ***paragraph 1.2.17.2.***

[1] Dhalwala, Shanti Nagar, Surya Gram and Rajiv Gram

Appendix-1.10

(Reference: Paragraph 1.2.11.3; Page 42)

Short realization on account of rent charges in Exhibition organized by Tourism Department in Kumbh Mela 2010

Name of the organisation	No. of Stalls	Amount in ₹		
		To be realized	Actual realization	Short realization
Gujrat Cooperative Milk Marketing Federation	01	10,000	1,000	9,000
Bansa Narayan Engineering	02	Allotted to SIDCUL	Not provided	---
Red cross Society	02	20,000	Nil	20,000
Uttrakhand Silk cooperative Federation Dehradun	01	10,000	1,000	9,000
UREDA	04	40,000	Nil	40,000
Uttarakhand Khadi evam Gramodyog Board	38	3,80,000	Nil	3,80,000
Uttarakhand jaivik Utpad Parishad Dehradun	01	10,000	3,000	7,000
IRCTC New Delhi	01	10,000	Nil	10,000
Menka Jagriti Samiti Dehradun	01	10,000	Nil	10,000
Gotirthashram Tihri Garhwal	01	10,000	Nil	10,000
Maha Kombi Pathshala	01	10,000	Nil	10,000
Ganga prem Shraddha Cancer care Institute Rishikesh	01	10,000	1,000	9,000
Patanjali Yogpeeth Haridwar	02	20,000	Nil	20,000
Shantikunj Haridwar	02	20,000	Nil	20,000
Lakashya Prem Divine Foundation Ahmadabad	02	20,000	2,000	18,000
Acupressure Sujok sansthan Haridwar	01	10,000	Nil	10,000
Sankhubaba International	03	30,000	SIDCUL	Not provided
Sanatan Sanstha Varanasi	01	10,000	2,000	8,000
Soham Baba Mission Kolkata	02	20,000	2,000	18,000
Bharat swayam Sahayata Samooh Haridwar	02	20,000	Nil	20,000
Shri Mataji Nirmala Devi Sahaj Yog trust Haridwar	03	30,000	Nil	30,000
Uttarakhand State AIDS Control Society Haridwar	04	40,000	4,000	36,000
Total		**7,40,000**	**16000**	**6,94,000***

***Note:** *Details regarding realization of revenue from the stalls allotted to SIDCUL was not provided to Audit.*

Appendix-1.11

(Reference: Paragraph 1.2.13.3; Page 51)

Items purchased in excess of requirements

(In ₹)

Sl. No.	Items	Quantity	Rate	Amount
1	Sodium choke 250watt	500	787.5	3,93,750
2	Sodium igniter 250/150/70	300	66.38	19,914
3	Sodium condenser 250watt	200	120.38	24,076
4	Sodium holder250watt	100	56.25	5,625
5	Sodium bulb 250watt	400	317.25	1,26,900
6	Sodium choke 150watt	500	528.75	2,64,375
7	Sodium bulb 150watt	500	281.25	1,40,625
8	Sodium condenser 150watt	200	68.63	13,726
9	Sodium bulb 70 watt	300	182.25	54,675
10	Sodium choke 70watt	150	320.63	48,095
11	Tube light 40 watt	200	37.13	7,426
12	PVC wire 3/20 triple wire	15	936.00	14,040
13	Fogging machine	5	99,000	4,95,000
14	Hand garbage trolley	96	2570	2,46,720
Total		**3,466**		**18,54,947**

Appendix-1.12

(Reference: Paragraph 1.2.13.3; Page 52)

Details of items received by delay in Nagar Palika Parishad, Haridwar

Particulars	Quantity	Amount in ₹	Date on which received
Refused compacter bins	100	19,97,600	20-04-2010 to 24-04-2010
Hand cart contraries	50	3,88,000	04-05-2010
Aicher tier truck Tier fabrication work	04 04	23,51,707 13,92,000	12-05-2010 12-05-2010
Tractor carrier	04	5,34,360	08-04-2010 11-06-2010
Total		**66,63,667**	

Appendix –2.1

(Reference: Paragraph 2.3; Page 74)

PWD Schedule of Rates for Cartage of material for Hill and Plains prevailing in 12th Circle Pithoragarh with effects from 20.08.2005

Distance	Rate for Plains		Rate for Hills	
	₹ per km	Total amount	₹ per km	Total amount
1st km	43.00	43.00	55.00	55.00
From km 2 to km 3	7.50	15.00	8.50	17.00
From km 4 to km 5	5.50	11.00	8.00	16.00
From km 6 to km 10	4.50	22.50	6.80	34.00
From km 11 to km 20	2.60	26.00	5.30	53.00
From km 21 to km 30	2.00	20.00	4.70	47.00
From km 31 to km 50	1.90	38.00	4.00	80.00
From km 51 to km 100	1.80	90.00	3.50	175.00

Name of work	Calculation as per department			Audit observation			Difference (4)-(7) (₹)
	Cartage of material From - to	Distance (in km)	Cartage* (₹)	Cartage of material From - to	Distance (in km)	Cartage* (₹)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Internal Roads of Tanakpur city**	Lalkuan to Tanakpur	94	615.00	Tanakpur to Tanakpur	20	159.00	456
Internal Roads of Champawat city	Lalkuan to Champawat	169	1081.95	Tanakpur to Champawat	100	643.95	438

*Rate of cartage includes 35 *per cent* for increase in POL rates.

**Department has calculated cartage rates as per Hill rates whereas audit observed Tanakpur and Lalkuan as plain areas.

Appendix –2.2

(Reference: Paragraph 2.8; Page 81)

Statement showing difference in rates due to extra provision of contractor profit

S.No.	**Components**	**Lansdowne-Gumkhal-Chelusain Road (km 1 to 32.6)**		**Deriyakhal -Chundai-Rikhnikhal Road (km 1 to 25)**		**Deriyakhal -Chundai-Rikhnikhal Road (km 26 to 49)**	
		BM (output 205cum) (in ₹)	**SDBC (output 195cum) (in ₹)**	**BM (output 205cum) (in ₹)**	**SDBC (output 195cum) (in ₹)**	**BM (output 205cum) (in ₹)**	**SDBC (output 195cum) (in ₹)**
1.	(A) Labour	2,082.40	2,082.40	2,600.80	2,600.80	2,600.80	2,600.80
2.	(B) Machinery	2,82,359.00	2,80,606.32	2,75,914.85	2,80,606.36	2,75,914.85	2,80,606.33
3.	(C) Material	7,25,025.20	9,53,525.60	7,87,893.80	10,35,926.11*	8,28,199.80	10,72,612.90
4.	(D) Overhead charges 10 *per cent* (on A+B+C)	1,00,946.66	1,23,621.43	1,06,640.94	1,31,913.32	1,10,671.55	1,35,582.00
5.	(E) Contractor profit 10 *per cent* (on A+B+C+D)	1,11,041.33	1,35,983.58	1,17,305..04	1,45,104.66	1,21,738.70	1,49,140.20
6.	Total as by Department	12,21,454.59	14,95,819.33	12,90,355.44	15,96,151.25	13,39,125.70	16,40,542.23
7.	**Rate per cum as per detailed estimate**	**5,958.32**	**7,670.87**	**6,294.42**	**8,185.39**	**6,532.32**	**8,413.04**
8.	**Agreement Rates**	**6,120**	**7,880**	**6,206**	**8,019**	**6,413**	**8,222**
9.	Total as by audit excluding CP on Material (C)	11,48,952.06	14,00,466.76	12,11,566.04	14,89,228.63	12,56,305.71	15,33,280.94
10.	**Rate per cum calculated by audit**	**5,604.64**	**7,181.88**	**5,910.07**	**7,637.06**	**6,128.32**	**7,862.98**
11.	**Difference in rates (8-10)**	**515.36**	**698.12**	**295.93**	**381.94**	**284.68**	**359.02**

*****The department miscalculated cost of material as ₹ 10,35,926.11 instead of actual cost ₹ 10,32,926.11, as calculated by audit.

Appendix –2.3

(Reference: Paragraph 2.10; Page 84)

Statement showing excess expenditure incurred on following items of bituminous work

Sl. No.	Item of work	Rate of bitumin usage	Executed quantity of work	Quantity of bitumin	Excess rate of bitumin (in ₹)	Amount (in ₹)
1.	Tack coat	0.20 kg per sqm	2,38,306.42 sqm	47661.28 kg or 47.66 MT	2,430.50 per MT	1,15837.63
2.	BM	7.65 MT per 102.50 cum of BM	6,535.922 cum	487.80 MT	2,430.50 per MT	11,85,597.90
3.	SDBC	11.025 MT per 97.80 cum of SDBC	3,211.34 cum	362.01 MT	2,430.50 per MT	8,79,865.31
Total						**21,81,300.84**

Appendix-3.1

(Reference :Paragraph 3.1.6; Page 102)

Details of industries registered including investment and employment

Districts	**Position up to 2000-01**			**Position up to 2009-10**		
	No. of Ind.	**Investment *(₹ in crore)***	**Employment**	**No. of Ind.**	**Investment *(₹ in crore)***	**Employment**
	Micro, Small and Medium Enterprises (MSMEs)					
Almora	1,016	18.06	2,018	2,737	30.47	5,028
Bageshwar	403	2.10	637	891	9.67	1,578
Champawat	165	5.07	359	691	13.39	1,478
Chamoli	954	6.02	1,344	2,203	24.80	3,816
Dehradun	2,527	89.01	7,658	5,294	587.75	29,448
Haridwar	2,622	124.26	8,569	5,732	1,905.96	37,670
Nainital	835	158.43	3,553	2,353	281.46	8,873
Pauri	1,776	29.23	4,452	3,690	114.98	9,381
Pithoragarh	604	6.16	1,136	1,872	19.79	3,715
Rudraprayag	422	7.40	796	1,011	15.14	2,132
Tehri	1,158	14.94	2,689	2,861	54.21	6,845
Uttarkashi	1,839	11.17	2,508	3,023	23.91	4,521
U.S.Nagar	961	235.54	5,126	3,597	1,774.15	28,295
Total	**15,282**	**707.39**	**40,845**	**35,955**	**4,855.68**	**142,780**
	Large Scale Industries (LSIs)					
Bageshwar	01	10.15	460	01	10.15	460
Dehradun	06	153.38	2,886	12	256.44	3,309
Haridwar	05	1,824.27	12,461	74	13,282.77	43,059
Nainital	04	1,233.84	3,166	04	1,233.84	3,166
Pauri	02	66.94	763	02	66.94	763
U.S.Nagar	22	1,555.83	9,103	110	8,896.89	28,941
Total	**40**	**4,844.41**	**28,839**	**203**	**23,747.03**	**79,698**

Source: *Information obtained from the DI.*

Appendix-3.2

(Reference: Paragraph 3.1.6(ii); Page 102)

A comparative statement of GSDP growth of the northern region States

(₹ in crore)

State/UT	**1999-2000**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**Growth (in %)**
Chandigarh	4,141	6,264	6,909	7,795	8,593	9,705	*234.36*
Delhi	55,220	68,007	75,982	84,377	97,086	1,09,201	*197.76*
Haryana	51,391	70,225	76,289	83,438	95,283	1,04,189	*202.74*
Himanchal Pr.	14,112	17,925	19,281	20,928	22,854	24,817	*175.85*
J.& K.	15,660	18,278	19,234	20,421	21,698	23,060	*147.25*
Punjab	67,162	77,618	81,460	85,125	91,354	97,325	*144.91*
Rajasthan	82,720	1,04,189	1,02,258	1,09,107	1,17,630	1,25,997	*152.32*
Uttar Pradesh	1,75,159	1,99,682	2,10,462	2,21,510	2,37,420	2,54,422	*145.25*
Uttarakhand	**12,621**	**17,653**	**19,947**	**21,227**	**23,434**	**25,869**	***204.97***

Source: *The CII data based on Central Statistical Organisation, Ministry of Statistics Programme Implementation, GOI.*

Appendix-3.3

(Reference: Paragraph 3.1.7.4; Page 104)

Pending recovery of Industrial loans

Sl. No	Name of the Scheme	Amount outstanding for recovery (₹ in lakh)			
		Principal	Interest	Penal interest	Total
1.	Integrated margin money loan	206.80	307.78	0	514.58
2.	District industry centre loan	51.24	90.33	0	141.57
3.	DIC margin money loan	25.64	61.23	0	86.87
4.	Development centre loan	31.33	54.53	0	85.86
5.	Commission loan	3.08	7.74	0.72	11.54
6.	*Seemant* loan	0.36	0.91	1.24	2.51
7.	Headquarters loan	1.85	3.71	1.65	7.21
8.	Dev. Centre margin money loan	3.82	5.59	0	9.41
9.	R.E.P. loan	2.29	3.26	0	5.55
10.	Handicraft loan	0.45	0.48	0	0.93
11.	Ind. Co-operative Society loan	3.31	61.73	0	65.04
12.	Inter caste marriage loan	1.01	1.52	0	2.53
Total		**331.18**	**598.81**	**3.61**	**933.60**

Source: *Data obtained from the DI.*

Appendix-3.4

(Reference: Paragraph 3.1.7.7; Page 106)

Short realization of land premium and transfer levy by DICs

Name of IE	Plot number	Date of transfer	Amount to be realized (₹)	Amount realized (₹)	Short realization (₹)
IE, Roorkee	C-14	11-10-2006	94,416	-	94,416
	C-19	07-02-2009	1,43,976	-	1,43,976
MIE, Pipali	12 to 15	12-10-2006	30,830	29,688	1,142
		18-02-2009	30,830	12,332	18,498
IE, Rudrapur	B-27	02-11-2006	3,92,949	-	3,92,949
	C-8	10-10-2007	74,088	-	74,088
	C-10	24-07-2006	1,92,360	-	1,92,360
	C-17	20-02-2008	2,02,022	80,809	1,21,213
IE, Kashipur	A-1	23-06-2004	13,77,600	-	13,77,600
	A-5	24-01-2007	8,54,377	-	8,54,377
	B-6	14-11-2007	4,36,850	-	4,36,850
	C-17, 18	16-02-2009	5,61,859	-	5,61,859
IE, Vikasnagar	A-6	25-11-2005	2,50,927	-	2,50,927
		13-06-2006	2,50,927	-	2,50,927
IE, Patelnagar	C-5	19-06-2008	6,17,585	-	6,17,585
	C-6	30-12-2009	5,85,502	-	5,85,502
	E-3	10-11-2006	2,62,500	-	2,62,500
	E-5	13-11-2006	2,62,500	-	2,62,500
Total			**66,22,098**	**1,22,829**	**64,99,269**

Source: *Details extracted from the concerned files.*

Appendix-4.1

(Reference: Paragraph 4.2.6.5.5; Page 161)

Short levy of tax

Sl. No	Name of Unit	Name of Dealer/ Financial Year.	Short charge of tax			Interest (up to Jan 2010) (₹)	Remarks
			Amount (₹)	Difference rate of tax leviable	Difference amount of tax leviable (₹)		
1	A.C.(A) CT-I Haridwar	Adrite Marketing, Haridwar/2006-07	475615	12.5-4=8.5%	40427	20213	Fax Machine /Telephone
		Neha Foam Emporium, Haridwar/2006-07	1070809	12.5-4=8.5%	91019	45509	Coir Mattress
		National Watch Service, Haridwar/2005-06	69792	12.5-4=8.5%	5932	3633	Telephone
2	A.C.(A) CT-II Kashipur	Jain Kirana Store, Kashipur/2005-06	475240	12.5-4=8.5%	40395	24742	Gutkha
3	D.C.(A) CT-IV Dehradun	Motors Industries Co. Ltd. Dehradun/2005-06 (IInd Part)	5036487	12.5-4=8.5%	428101	262212	Machinery Parts
		D.S. Dhyani & Co. Dehradun/2006-07	121807	12.5-4=8.5%	10354	5177	Electronic Goods
		Hillstron, Dehradun/2005-06 (IInd Part)	3472009	12.5-4=8.5%	295121	180762	LT/HT Coils
		Hillstron, Dehradun/2006-07	9675100	12.5-4=8.5%	822386	411193	LT/HT Coils
		Hillstron, Dehradun/2007-08	8125254	12.5-4=8.5%	690647	241726	LT/HT Coils
		Hillstron, Dehradun/2008-09	7827081	12.5-4=8.5%	665302	133060	LT/HT Coils
4	D.C.(A) CT-VI Dehradun	Elite Auto Agency, Dehradun/2005-06	154863	12.5-4=8.5%	13163	8062	Inverter, Trolley, Batteries
		Shivalik Control Switch Gears, Dehradun/2005-06 (Ist Part)	642924	10-4=6%	38575	26424	Electrical Goods
		2005-06 (IInd Part)	4114611	12.5-4=8.5%	349742	214217	-----Do---------
5	A.C.(A) CT-I Rishikesh	Venus Industries Corporation, Rishikesh	50472	12.5-4=8.5%	4290	2628	Tayer/Tube
6	D.C.(A) CT-II Kashipur	Ashirvad industries, Bazpur/2005-06 (IInd Part)	2217995	12.5-4=8.5%	188530	115475	Soap Stone Powder
		2006-07	7910490	12.5-4=8.5%	672392	336196	Soap Stone Powder
Total			**51440549**		**4356376**	**2031229**	

Appendix-4.2

(Reference: Paragraph 4.2.6.5.5; Page 161)

Non-levy of tax

Sl. No.	Name of the Unit	Name of Dealer/ Financial Year	Amount of sale on which tax not levied	Rate of tax	Tax(₹)	Interest (up to Jan 2010) (₹)	Remarks
1.	D.C. (A) CT-IV Dehradun	Commercial Motors (P) Ltd. Dehradun/2005-06 (IInd Part)	1013015	12.5%	126627	77559	Sale of Lubricant
2.	D.C. (A) CT-II Kashipur	Bazpur Corporative Sugar Factory, Bazpur/2005-06 (IInd Part)	3735142	32.5%	1213921	743527	Spirit
		Dhampur Sugar Mill, Kasipur/2005-06 (IInd Part)	16385647	4%	655426	401448	Bagasse
3.	A.C.(A) CT Nainital	Mohan Chemist, Nainital/2006-07	561989	4%	22480	11240	Medicine
		Naini Drug Agency, Nainital/2006-07	422058	4%	16882	8441	Medicine
4.	D.C. (A) CT-I Haridwar	Kishan Machine Tools, Haridwar/2006-07	2755095	4%	110204	55102	Scrap
		2007-08 (excluding IV Quarters)	42700	4%	1708	598	Scrap
Total			**24915646**		**2147248**	**1297915**	

Appendix-4.3

(Reference: Paragraph 4.2.6.6; Page 164)

Irregular allowance of input tax credit

Sl. No.	Name of the Unit	Name of Dealers/ Financial Year.	ITC claim (₹)	ITC admissible (₹)	Irregular ITC claim (₹)	Goods	Remarks
1.	D.C.(A) CT-IV Dehradun	Philips India Ltd. Dehradun/2005-06	410807	345433	65374	Electronics goods	ITC not admissible on stock transfer
		A.B. Motors (P) Ltd. Dehradun/2005-06	80688	63562	17126	Motor Vehicles & consumable	ITC not admissible on Consumable goods
2.	A.C.(A) CT Nainital	Shah Pushtak Bhandar, Nainital/2005-06	57757	50981	6776	Stationary	ITC not admissible on cash purchase
3.	A.C.(A) CT-II Roorkee	Agrawal Plywood Traders, Roorkee/2005-06	22699	14438	8261	Plywood	In the Month of Feb. 06, ITC claim @ 12.5% instead of 4%
		Durga Trading Co., Roorkee/2005-06	47718	45810	1908	Cement	ITC claim @ 12.5% instead of 12% on OB
4.	A.C.(A) CT-I Haldwani	Tirupati Sales Corporation, Haldwani/2005-06	103926	99241	4685	Electronics goods	Irragular ITC allowed on OB
		Devaki Nandan Nand Kishor, Haldwani/2005-06	117025	113683	3342	Kiryana	Irragular ITC allowed on OB
5.	A.C.(A) CT Tanakpur	Ramesh Agency, Tanakpur/2005-06	19605	4453	15152	Cold Drink	Irragular ITC allowed on OB
		Ram Ratan Lal & Co. Tanakpur/2005-06	45169	32298	12871	Rice	ITC not admissible on Inter State Purchase
6.	A.C.(A) CT-IV Dehradun	G.C. Automatic, Dehradun/2005-06	140335	133505	6830	Motor Spare Parts	ITC not admissible on Goods Returns.
		Ujhha Ayurvedic Agency, Dehradun/2006-07	41977	8342	33635	Ayurvedic Medicine	ITC not admissible on MRP & Discount
7.	D.C.(A) CT-II Kashipur	Cheema Papers Ltd. Kashipur/2005-06	401087	289245	111842	Board & Paper	Irragular ITC allowed on OB
8.	A.C.(A) CT-II Kashipur	Prince Tires, Bazpur/2005-06	47231	31562	15669	Tyre & Tube	ITC claim @ 12.5% instead of 8% on OB
TOTAL			**1536024**	**1232553**	**303471**		

Appendix – 5.1

(Reference: Paragraph 5.1.6; Page 172)

Statement showing particulars of up date paid-up-capital, loans outstanding and Manpower as on 31 March 2010 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 Capital[1]				Loans[2] outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (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	10.00	-	-	10.00	1.59:1 (1.83:1)	452
Sector Wise total				**3.92**	**0.84**	**1.54**	**6.30**	**10.00**	**-**	**-**	**10.00**	**1.59:1**	**452**
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	1.26	2.47	4.94:1 (4.28:1)	26
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)	Hill Development	June 1975	0.22	-	0.28	0.50	-	-	-	-	-	32
4.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	Social Welfare	October 2001	11.90	3.88	-	15.78	-	-	2.46	2.46	0.16:1 (0.33:1)	34
Sector Wise total				**12.32**	**3.88**	**0.58**	**16.78**	**1.17**	**0.04**	**3.72**	**4.93**	**0.29:1**	**92**
INFRASTRUCTURE													
5.	State Industrial Development Corporation of Uttarakhand Limited	Finance	July 2002	26.00	-	2.50	28.50	6.00	-	-	6.00	(0.21:1) 0.21:1	24
6.	Uttarakhand State Infrastructure Development Corporation Limited	Finance	March 2008	4.00	-	-	4.00	-	-	-	-	-	10
Sector Wise total				**30.00**	**-**	**2.50**	**32.50**	**6.00**	**-**	**-**	**6.00**	**0.18:1**	**34**

[1] Paid – up capital includes share application money

[2] Loans outstanding at the close of 2007-08 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 2009-10				Debt equity ratio for 2009-10 (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	-	6.73	40.50	2.25:1 (2:31:1)	902
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)	-
Sector Wise total				**32.49**	**-**	**5.68**	**38.17**	**83.27**	**1.40**	**17.11**	**101.78**	**2.67:1**	**1135**
POWER													
13.	Uttarakhand Power Corporation Limited	Urja	February 2001	10.00	-	-	10.00	219.13	124.77	276.22	620.12	62.01:1 (45.33:1)	4600
14.	Uttarakhand Jal Vidhyut Nigam Limited	Urja	February 2001	785.21	-	-	785.21	127.88	-	1151.27	1279.15	1.63:1 (1.74:1)	2473
15.	Power Transmission Corporation of Uttarakhand Limited	Urja	May 2004	172.09	-	-	172.09	185.24	-	270.43	455.67	2.65:1 (3.43:1)	971
Sector Wise total				**967.30**	**-**	**-**	**967.30**	**532.25**	**124.77**	**1697.92**	**2354.94**	**2.43:1**	**8044**
SERVICES													
16.	Kumaon Mandal Vikas Nigam Limited	Hill Development	March 1971	14.66	-	-	14.66	-	-	-	-	-	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 2009-10				Debt equity ratio for 2009-10 (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)	809
Sector Wise total				**21.46**	**-**	**-**	**21.46**	**4.28**	**-**	**-**	**4.28**	**0.63:1 (0.63:1)**	**1836**
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)				**1068.49**	**4.72**	**10.30**	**1083.51**	**636.97**	**126.21**	**1718.75**	**2481.93**	**2.29:1**	**11593**
B. Working Statutory corporations													
INFRASTRUCTURE													
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	Peya Jal	November 2002	2031.85	-	-	2031.85	74.60	-	1.64	76.24	0.04:1 (0.04:1)	-
Sector Wise total				**2031.85**	**-**	**-**	**2031.85**	**74.60**	**-**	**1.64**	**76.24**	**0.04:1 (-)**	**-**
SERVICE													
2.	Uttarakhand Parivahan Nigam	Transport	October 2003	70.50	9.24	-	79.74	25.41	-	4.81	30.22	0.36;1 (0.42:1)	4794
Sector Wise total				**70.50**	**9.24**		**79.74**	**25.41**		**4.81**	**30.22**	**0.38:1 (0.42:1)**	**4794**
Total B (All sector wise- working Statutory corporations)				**2102.35**	**9.24**	**-**	**2111.59**	**100.01**	**-**	**6.45**	**106.46**	**0.05:1**	**4794**
Grand Total (A+B)				**3170.84**	**13.96**	**10.30**	**3195.10**	**736.98**	**126.21**	**1725.20**	**2588.39**	**0.81:1**	**16387**
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													

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 2009-10				Debt equity ratio for 2009-10 (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)**
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)				**3170.99**	**13.96**	**10.54**	**3195.49**	**736.98**	**126.21**	**1725.20**	**2588.39**	**0.81:1**	**16387**

Appendix- 5.2

(Reference:Paragraphs 5.1.14 and 5.1.35; Pages 175 and 182)

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[4]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[5]	Return on capital employed[6]	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depre ciation	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														
AGRICULTURE & ALLIED														
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	2008-09	2009-10	1.54	2.87	0.38	(-) 1.71	99.48	(-) 0.11	4.08	9.40	96.50	1.16	1.20
Sector Wise total				**1.54**	**2.87**	**0.38**	**(-) 1.71**	**99.48**	**(-) 0.11**	**4.08**	**9.40**	**96.50**	**1.16**	**1.20**
FINANCE														
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited)	1989-90	2001-02	(-) 0.13	-	-	(-) 0.13	0.28	-	0.50	(-) 0.59	0.33	(-) 0.13	-
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	2002-03	2006-07	0.88	0.24	0.02	0.62	-	-	0.05	0.76	12.44	0.86	6.91
Sector Wise total				**0.73**	**0.24**	**0.02**	**0.47**	**0.38**	**-**	**1.05**	**0.13**	**13.23**	**0.71**	**5.37**
INFRASTRUCTURE														
5.	State Industrial Development Corporation of Uttarakhand Limited	2007-08	2008-09	58.12	1.45	0.18	56.49	11.30	(-) 79.96	28.50	119.27	153.44	57.94	37.76
6.	Uttarakhand State Infrastructure Development Corporation Limited[7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector Wise total				**58.12**	**1.45**	**0.18**	**56.49**	**11.30**	**(-) 79.96**	**28.50**	**119.27**	**153.44**	**57.94**	**37.76**

[4] 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.

[5] 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).

[6] Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

[7] 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														
7.	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	-
8.	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	-
9.	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
10.	Uttar Pradesh Hill Electronics Corporation Limited	1994-95	2009-10	0.19	-	0.04	0.15	1.93	(-) 2.29	8.95	(-) 0.53	1.14	0.15	13.16
11.	Kichha Sugar Company Limited	2008-09	2009-10	10.53	10.29	0.22	0.02	86.36	-	17.99	(-) 49.77	70.12	10.31	14.70
12.	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				**10.97**	**21.39**	**0.60**	**(-) 11.02**	**147.20**	**(-) 1.73**	**38.17**	**(-) 136.45**	**129.36**	**10.37**	**8.02**
POWER														
13.	Uttarakhand Power Corporation Limited	2005-06	2010-11	24.33	74.53	93.82	(-) 144.02	835.71	4.13	5.00	(-) 406.78	1395.56	(-) 69.49	-
14.	Uttarakhand Jal Vidhyut Nigam Limited	2006-07	2010-11	67.14	8.29	10.45	48.40	233.38	(-) 62.25	363.79	63.88	2386.46	56.69	2.38
15.	Power Transmission Corporation of Uttarakhand Limited	2006-07	2010-11	14.41	10.38	23.19	(-) 19.16	42.98	(-) 5.11	56.80	(-) 39.16	599.20	(-) 8.78	-
Sector Wise total				**105.88**	**93.20**	**127.46**	**(-) 114.78**	**1112.07**	**(-)63.23**	**425.59**	**(-) 382.06**	**4381.22**	**(-) 21.58**	-
SERVICES														
16.	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
17.	Garhwal Mandal Vikas Nigam Limited	1999-2000	2008-09	2.69	1.69	1.85	(-) 0.85	50.30	97.48	6.80	(-) 8.62	31.40	0.84	2.68

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				**5.00**	**2.74**	**2.15**	**0.11**	**155.97**	**97.44**	**20.22**	**(-) 8.55**	**60.90**	**2.85**	**4.68**
MISCELLANEOUS														
18.	Uttarakhand Purv Sainik Kalyan Udham Limited	2008-09	2009-10	5.45	-	0.07	5.38	55.94	(-) 0.04	0.05	15.20	16.09	5.38	33.44
Sector Wise total				**5.45**	**-**	**0.07**	**5.38**	**55.94**	**(-) 0.04**	**0.05**	**15.20**	**16.09**	**5.38**	**33.44**
Total A (All sector wise- working Government companies)				**187.69**	**121.89**	**130.86**	**(-) 65.06**	**1582.34**	**(-) 47.63**	**517.66**	**(-) 383.06**	**4850.74**	**56.83**	**1.17**
B. Working Statutory corporations														
INFRASTRUCTURE														
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2002-03	2010-11	(-) 1.20	2.93	0.18	(-) 4.31	5.25	(-) 2.12	935.00	(-) 0.65	(-) 106.24	(-) 1.38	-
Sector Wise total		**-**	**-**	**(-) 1.20**	**2.93**	**0.18**	**(-) 4.31**	**5.25**	**(-) 2.12**	**935.00**	**(-) 0.65**	**(-) 106.24**	**(-) 1.38**	**-**
SERVICE														
2.	Uttarakhand Parivahan Nigam	2005-06	2008-09	2.26	-	12.55	(-) 10.29	135.36	0.23	78.24	(-)36.61	(-) 23.04	(-) 10.29	-
Sector Wise total				**2.26**	**-**	**12.55**	**(-) 10.29**	**135.36**	**0.23**	**78.24**	**(-)36.61**	**(-) 23.04**	**(-) 10.29**	
Total B (All sector wise- working Statutory corporations)				**1.06**	**2.93**	**12.73**	**(-) 14.6**	**140.61**	**(-) 1.89**	**1013.24**	**(-) 37.26**	**(-) 129.28**	**(-) 11.67**	
Grand Total (A+B)				**188.75**	**124.82**	**143.59**	**(-) 79.66**	**1722.95**	**(-) 49.52**	**1530.90**	**(-) 420.32**	**4721.46**	**45.16**	**0.96**

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 [8]	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)				**188.72**	**124.82**	**143.59**	**(-) 79.69**	**1722.95**	**(-) 49.52**	**1531.25**	**(-) 420.39**	**4721.68**	**45.13**	**0.96**

8 Company under liquidation since 31.03.1991.

Appendix – 5.3

(Reference: Paragraph 5.1.9; Page 173)

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 2010

(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 [9]		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.	-	-	8.84	0.72	-	9.56	-	-	-	-	-	-
2.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	0.05	-	-	0.29	-	0.29	12.54	12.54	-	-	-	-
3.	State Industrial Development Corporation of Uttarakhand Limited	-	-	24.40	-	-	24.40	-	-	-	-	-	-
4.	Uttarakhand Power Corporation Limited	-	21.01	102.06	-	-	102.06	265.00	265.00	-	-	-	-
5.	Uttarakhand Jal Vidhyut Nigam Limited	54.15	3.31	5.05	-	1.83	6.88	-	1151.27	-	-	-	-
6.	Power Transmission Corporation of Uttarakhand Limited	49.81	-	-	-	-	-	-	-	-	-	-	-
7.	Uttar Pradesh Hill Electronics Corporation Limited				0.23		0.23						
Total (working Government companies)		**104.01**	**24.32**	**140.35**	**1.24**	**1.83**	**143.42**	**277.54**	**1428.81**	**-**	**-**	**-**	**-**

[9] Figures indicate total guarantees outstanding at the end of the year.

Appendix -5.4

(Reference: Paragraph 5.1.24; Page 178)

Statement showing the investment made by the State Government in Companies whose accounts are not finalised upto 30 September 2010

(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 Seed & Tarai Development Corporation Ltd.	2008-09	4.08	2009-10	-	-	0.72	-
2	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	2002-03	0.05	2003-04	3.97	-	-	
				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	
3	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	
4	Uttar Pradesh Hill Electronics Corporation Limited	1994-95	8.95	2009-10			0.23	
5	Uttarakhand Power Corporation Limited	2005-06	5.00	2006-07	-	13.02	2.00	
				2007-08	-	23.31	7.57	
				2008-09	5.00	-	2.08	
				2009-10	-	21.01	-	

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	
6	Uttarakhand Jal Vidhyut Nigam Limited	2006-07	363.79	2007-08	282.46	-	-	
				2008-09	-			
				2009-10	54.15	3.31		1.83
7	Power Transmission Corporation of Uttarakhand Limited	2006-07	56.80	2007-08	22.59	94.16		
				2008-09	25.05			
				2009-10	49.81			
8	Kumaon Mandal Vikas Nigam Limited	2002-03	13.42	2009-10	1.24			
Total – A (Working Government companies)			**452.44**		**452.81**	**154.81**	**23.98**	**1.83**
B. Working Statutory Corporation								
	Service							
9	Uttarakhand Parivahan Nigam	2005-06	78.24	2006-07	20.00	-	-	
				2007-08	1.00			
				2008-09	1.50			
				2009-10	-			
	Total –B (Working Statutory Corporation)		**78.24**		**22.50**	**-**	**-**	**-**
	Grand Total - (A+ B)		**530.88**		**475.31**	**154.81**	**23.98**	**1.83**

Appendix -5.5

(Reference: Paragraph 5.2.14; Page 191)

Statement showing operational performance of the company

Sl. No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Installed capacity	**(MW)**				
(a)	Hydel	999.90	998.45	1301.20	1305.40	1305.90
	TOTAL	**999.90**	**998.45**	**1301.20**	**1305.40**	**1305.90**
2.	Normal maximum demand	825	948	1199	1251	1339
	Percentage increase/decrease (-) over previous year	7.84	14.91	26.47	4.33	7.03
3.	Power generated	**(MKWH or MU)**				
(a)	Hydel	3543.87	3316.15	3603.18	4613.23	4126.54
	TOTAL	**3543.87**	**3316.15**	**3603.18**	**4613.23**	**4126.54**
	Percentage increase/decrease (-) over previous year	12.08	(-) 6.43	8.66	28.03	(-)10.55
	LESS: Auxiliary consumption					
(a)	Hydel (MU)	8.21	13.00	8.98	12.49	11.27
	(Percentage)	6.90	58.34	(-)30.92	39.09	(-)9.77
	TOTAL	**8.21**	**13.00**	**8.98**	**12.49**	**11.27**
	(Percentage)	6.90	58.34	(-)30.92	39.09	(-)9.77
4.	Net power generated	3535.66	3303.15	3594.20	4600.74	4115.54
5.	Total demand (in MUs)	5157	5997	7049	7847	8936
6.	Deficit (-)power (in MU)	1621.34	2693.85	3454.80	3246.26	4820.46
7.	Power purchased					
(a)	Within the State					
	(i) Government					113.83
	(ii) Private	-	-	-	-	-
(b)	Other States	-	-	-	-	-
	Total power purchased (MU)	-	-	-	-	113.83
8.	**Net deficit**	**1621.34**	**2693.85**	**3454.80**	**3246.26**	**4706.63**

Appendix -5.6

(Reference: Paragraph 5.2.31 & 5.2.32; Pages 203 and 204)

Statement showing station – wise year-wise details of energy to be generated as per design, actual generation and plant load factor as per design *vis-à-vis* actual of the Company

Year	Energy Generation (MU)		Plant Load Factor (per *cent*)	
	As per design	Actual	As per design	Actual
Chibro Power Station (240MW)				
2005-06	893.63	804.94	55.14	49.67
2006-07	893.63	756.17	55.14	46.66
2007-08	893.63	755.08	55.14	46.59
2008-09	893.63	837.68	55.14	51.69
2009-10	893.63	587.89	55.14	37.65
	4,468.15	**3,741.76**	**55.14**	**46.45**
Khodri Power Station (120 MW)				
2005-06	416.85	378.82	57.33	52.10
2006-07	416.85	356.18	57.33	48.99
2007-08	416.85	354.66	57.33	48.78
2008-09	416.85	379.98	57.33	52.26
2009-10	416.85	275.88	57.33	39.35
	2,084.25	**1,745.52**	**57.33**	**48.29**
Dhakrani Power Station (33.75 MW)				
2005-06	169	164.62	57.16	55.68
2006-07	169	147.47	57.16	49.88
2007-08	169	148.93	57.16	50.37
2008-09	169	146.53	57.16	49.56
2009-10	169	105.08	57.16	36.96
	845	**712.63**	**57.16**	**48.49**
Dhalipur Power Station (51 MW)				
2005-06	244.80	236.14	54.79	52.86
2006-07	244.80	214.28	54.79	47.96
2007-08	244.80	210.70	54.79	47.16
2008-09	244.80	224.44	54.79	50.24
2009-10	244.80	160.15	54.79	37.36
	1,224.00	**1,045.71**	**54.79**	**47.11**
Kulhal Power Station (30 MW)				
2005-06	153.91	160.94	58.57	61.24
2006-07	153.91	148.68	58.57	56.58
2007-08	153.91	149.76	58.57	56.99
2008-09	153.91	143.68	58.57	54.67
2009-10	153.91	112.62	58.57	44.45
	769.55	**715.68**	**58.57**	**54,78**
Tiloth Power Station (90 MW)				
2005-06	395	456.30	50.10	57.88
2006-07	395	467.49	50.10	59.30
2007-08	395	466.14	50.10	59.13
2008-09	395	403.80	50.10	51.22
2009-10	395	449.07	50.10	58.06
	1,975.00	**2,242.8**	**50.11**	**51.72**

Manari Bhali -II Power Station (304 MW)				
2007-08	Generation started w.e.f. February 2008			
2008-09	1566	1044.95	58.80	41.56
2009-10	1566	1198.04	58.80	49.55
	3,132.00	**2,242.99**	**58.80**	**45.55**
Chilla Power Station (144 MW)				
2005-06	725	659.23	57.47	52.26
2006-07	725	740.51	57.47	58.70
2007-08	725	825.97	57.47	65.48
2008-09	725	776.59	57.47	61.56
2009-10	725	739.50	57.47	58.76
	3,625.00	**3,741.8**	**57.47**	**59.35**
Pathri Power Station (20.4 MW)				
2005-06	98	98.60	54.84	55.18
2006-07	98	91.55	54.84	51.23
2007-08	98	95.10	54.84	53.22
2008-09	98	97.35	54.84	54.47
2009-10	98	84.05	54.84	44.65
	490.00	**466.65**	**54.84**	**51.75**
Mohammadpur Power Station (9.3 MW)				
2005-06	30	36.36	36.82	44.64
2006-07	30	39.54	36.82	48.53
2007-08	30	39.36	36.82	48.31
2008-09	30	44.56	36.82	54.70
2009-10	30	42.83	36.82	51.20
	150.00	**202.65**	**36.82**	**49.47**
Ramganga Power Station (198 MW)				
2005-06	311	333.29	N.A	N.A
2006-07	311	154.17	N.A	N.A
2007-08	311	279.06	N.A	N.A
2008-09	311	325.48	N.A	N.A
2009-10	311	174.30	N.A	N.A
	1,555.00	**1,266.3**		
Khatima Power Station (41.4 MW)				
2005-06	194.04	164.99	53.51	45.50
2006-07	194.04	154.03	53.51	42.47
2007-08	194.04	155.43	53.51	42.86
2008-09	194.04	140.65	53.51	38.78
2009-10	194.04	151.01	53.51	42.46
	970.20	**766.11**	**53.51**	**42.41**
Kotabagh (SHP)				
2005-06	0.438	0.047	25.00	2.7
2006-07	0.438	0.105	25.00	6.0
2007-08	0.438	0.269	25.00	15.4
2008-09	0.438	0.196	25.00	11.2
2009-10	0.438	0.246	25.00	14.0
	2.19	**0.863**	**25.00**	**9.86**

Gauri				
2005-06	0.438	0.026	25.00	1.5
2006-07	0.438	0.125	25.00	7.2
2007-08	0.438	0	25.00	0.0
2008-09	0.438	0	25.00	0.0
2009-10	0.438	0	25.00	0.0
	2.19	**0.151**	**25.00**	**4.35**
Tilwara				
2005-06	0.438	0.130	25.00	7.4
2006-07	0.438	0.224	25.00	12.8
2007-08	0.438	0.175	25.00	10.0
2008-09	0.438	0.073	25.00	4.2
2009-10	0.438	0.008	25.00	0.5
	2.19	**0.610**	**25.00**	**6.98**
Harsil				
2005-06	0.876	0.515	50.00	29.4
2006-07	0.876	0.302	50.00	17.3
2007-08	0.876	0.510	50.00	29.1
2008-09	0.876	0.575	50.00	32.8
2009-10	0.876	0.481	50.00	27.4
	4.38	**2.383**	**50.00**	**27.2**
Sapteshwar				
2005-06	1.978	0	75.27	0.0
2006-07	1.978	0	75.27	0.0
2007-08	1.978	0	75.27	0.0
2008-09	1.978	0	75.27	0.0
2009-10	1.978	0.008	75.27	0.3
	9.89	**0.008**	**75.27**	**0.3**
Garaon				
2005-06	0.59	0.322	22.45	12.2
2006-07	0.59	0.198	22.45	7.5
2007-08	0.59	0.758	22.45	28.8
2008-09	0.59	0.647	22.45	24.6
2009-10	0.59	0.585	22.45	22.2
	2.95	**2.51**	**22.45**	**19.06**
Chharandev				
2005-06	0.642	0.009	18.32	0.3
2006-07	0.642	0.426	18.32	12.2
2007-08	0.642	0.832	18.32	23.7
2008-09	0.642	0.894	18.32	25.5
2009-10	0.642	0.804	18.32	22.9
	3.21	**2.965**	**18.32**	**16.92**
Tharali				
2005-06	0.876	0.466	25.00	13.3
2006-07	0.876	1.269	25.00	36.2
2007-08	0.876	1.840	25.00	52.5
2008-09	0.876	2.079	25.00	59.3
2009-10	0.876	1.494	25.00	42.6
	4.38	**7.148**	**25.00**	**40.78**

Sonprayag				
2005-06	4.0874	0.756	93.32	17.3
2006-07	4.0874	1.116	93.32	25.5
2007-08	4.0874	1.341	93.32	30.6
2008-09	4.0874	0.948	93.32	21.6
2009-10	4.0874	0.984	93.32	22.5
	20.437	**5.145**	**93.32**	**23.5**
Taleshwar				
2005-06	3.378	0.557	64.27	10.6
2006-07	3.378	0.669	64.27	12.7
2007-08	3.378	0.418	64.27	7.9
2008-09	3.378	0.862	64.27	16.4
2009-10	3.378	1.884	64.27	35.8
	16.89	**4.390**	**64.27**	**16.68**
Barar				
2005-06	1.63	1.638	24.81	24.9
2006-07	1.63	1.638	24.81	24.9
2007-08	1.63	1.512	24.81	23.0
2008-09	1.63	1.493	24.81	22.7
2009-10	1.63	1.080	24.81	16.4
	8.15	**7.361**	**24.81**	**22.38**
Suringad				
2005-06	3.504	0.940	50.00	13.4
2006-07	3.504	1.770	50.00	25.3
2007-08	3.504	1.348	50.00	19.2
2008-09	3.504	0.833	50.00	11.9
2009-10	3.504	0.734	50.00	10.5
	17.52	**5.625**	**50.00**	**16.06**
Kulagad				
2005-06	3.327	3.360	31.65	32.0
2006-07	3.327	2.789	31.65	26.5
2007-08	3.327	3.026	31.65	28.8
2008-09	3.327	0.096	31.65	0.9
2009-10	3.327	0	31.65	0.0
	16.635	**9.271**	**31.65**	**22.05**
Tapovan				
2005-06	3.5	1.045	49.94	14.9
2006-07	3.5	1.045	49.94	14.9
2007-08	3.5	1.049	49.94	15.0
2008-09	3.5	0.442	49.94	6.3
2009-10	3.5	0.361	49.94	5.2
	17.5	**3.942**	**49.94**	**11.26**
Badrinath-II				
2005-06	3.61	1.325	32.97	12.1
2006-07	3.61	1.661	32.97	15.2
2007-08	3.61	1.871	32.97	17.1
2008-09	3.61	2.121	32.97	19.4
2009-10	3.61	1.964	32.97	17.9
	18.05	**8.942**	**32.97**	**16.34**

Chirkilla				
2005-06	3.015	3.169	22.95	24.1
2006-07	3.015	3.218	22.95	24.5
2007-08	3.015	1.438	22.95	10.9
2008-09	3.015	3.239	22.95	24.7
2009-10	3.015	2.866	22.95	21.8
	15.075	**13.93**	**22.95**	**21.2**
Pilangad				
2005-06	13	13.132	65.96	66.6
2006-07	13	13.082	65.96	66.4
2007-08	13	12.962	65.96	65.8
2008-09	13	13.665	65.96	69.3
2009-10	13	9.784	65.96	49.6
	65	**62.625**	**65.96**	**63.54**
Relagad				
2005-06	12.37	3.901	47.07	14.8
2006-07	12.37	3.901	47.07	14.8
2007-08	12.37	1.868	47.07	7.1
2008-09	12.37	3.583	47.07	13.6
2009-10	12.37	4.890	47.07	18.6
	61.85	**18.143**	**47.07**	**13.78**
Urgam				
2005-06	10.4	0	39.57	0.0
2006-07	10.4	0	39.57	0.0
2007-08	10.4	0	39.57	0.0
2008-09	10.4	3.045	39.57	11.6
2009-10	10.4	4.009	39.57	15.3
	52	**7.054**	**39.57**	**13.45**
Kanchauti				
2006-07	3.948	9.299	22.53	53.1
2007-08	3.948	11.079	22.53	63.2
2008-09	3.948	9.538	22.53	54.4
2009-10	3.948	8.270	22.53	47.2
	15.792	**38.186**	**22.53**	**43.58**
Jummagad				
2008-09	4.8	0.012	45.66	0.1
2009-10	4.8	0.175	45.66	1.7
	9.6	**0.187S**	**45.66**	**0.9**

Appendix -5.7

(Reference: Paragraph 5.2.39; Page 207)

Statement showing delay in maintenance of Units of the Company

Name of power Station	Unit No.	When due	When done	Delay in days
2006-07				
Chibro (4 x 60) MW	1 4	16.10.2006 15.11.2006	10.11.2006 16.1.2007	24 62
Khodri (4 x 30) MW	1 2	16.11.2006 26.12.2006	22.2.2007 05.1.2007	98 10
Dhakarani (3 x 11.25) MW	1. 2.	01.11.2006 05.1.2007	17.1.2007 05.3.2007	78 59
Dhalipur (3 x 17) MW	1.	12.12.2006	2.2.2007	51
Kulhal (3 x 17)MW	3	01.11.2006	27.1.2007	88
Chilla (4 x 36) MW	1. 4.	01.12.2006 31.03.2007	24.2.2007 26.4.2007	86 25
Ramganga (3 x 66) MW	2	10.7.2006	06.9.2006	58
Khatima (3 x 13.8) MW	2	21.12.2006	14.1.2008	389
2007-08				
Chibro (4 x 60) MW	4	25.12.2007	02.2.2008	39
Dhakarani (3 x 11.25) MW	1	26.12.2007	29.12.2007	2
Dhalipur (3 x 17) MW	3	13.11.2007	27.1.2008	75
Tiloth (3 x 30) MW	3	15.7.2007	29.6.2008	349
Chilla (4 x 36) MW	1. 2	01.11.2007 03.3.2008	01.3.2008 20.3.2010	120 747
Pathri (3 x 6.8)MW	2	21.10.2007	10.10.2008	355
Khatima (3 x 13.8) MW	1.	12.11.2007	18.1.2008	67
2008-09				
Chibro (4 x 60) MW	1 4	08.2.2009 01.11.2008	09.4.2009 13.2.2009	59 105
Khodri (4 x 30) MW	1 4	15.10.2008 10.1.2009	10.12.2008 09.3.2009	55 58
MB-II (4 x 76)MW	1.	25.2.2009	16.4.2009	50
Chilla (4 x 36) MW	2 4	01.1.2009 01.4.2009	20.3.2010 26.4.2010	444 391
Pathri (3 x 6.8)MW	1.	10.10.2008	05.3.2009	146
2009-10				
Chibro (4 x 60) MW	2	26.11.2009	11.1.2010	46
Khodri (4 x 30) MW	2	29.11.2009	09.2.2010	72
Kulhal (3 x 17)MW	2	02.12.2009	20.3.2010	60
MB-II (4 x 76)MW	1. 3 4	20.10.2009 31.1.2010 30.11.2009	08.12.2009 01.4.2010 28.1.2010	59 59 59
Chilla (4 x 36) MW	2 4	15.12.2009 30.1.2010	20.3.2010 26.4.2010	95 86

PRICE : INLAND : ₹ 65.00
FOREIGN : US $ 5
(Including postage/air mail)

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