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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2009

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 2008-09 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 2008-09 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 three performance reviews, an Integrated 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.

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

CIVIL

PERFORMANCE REVIEW

Revenue Department

1.1 Computerisation of Land Records (CLR) Scheme

Ministry of Rural Development, Government of India (GOI) initiated 'Computerisation of Land Records (CLR)' project in 1988-89, as a centrally sponsored scheme for which 100 *per cent* financial assistance was provided to the States. As land records are a State subject, implementation of the project was to be done by the States. The central aim of the project was to remove the flaws inherent in the manual maintenance of land records. The project also aimed at making the maintenance of land records efficient and transparent and improving access to land records. An IT Audit of the scheme revealed several deficiencies in planning, documentation, input control, database design, etc.

Updated Antivirus software was not installed on the computer system. Business Continuity Plan was not in place and security controls were inadequate. Delays were noticed in updation of *khataunis*. The automatic updation of land records through online mutation was not found to be in practice. Mutation orders were not updated in computer system within the prescribed time limit. Only 48 *per cent* of total land area has been computerised; besides, the *khasra* is yet to be computerised. Except in Dehradun tehsil, Touch Screen Computer Kiosks were lying idle in absence of installation/proper connectivity/repairs. As a result of weak access controls, revenue officials below the rank of Registrar *Kanoongo* and even private operators were found working as 'administrator' having access to 'System Management Module' of the software. Bio-metric devices though purchased in December 2005 were not found to be installed in any of the test checked tehsils. Despite funds to the tune of Rs.12.08 crore having been provided, the Department could not initiate scanning and digitization of cadastral maps. The District Societies were able to utilize only 33 *per cent* of the receipts generated from distribution of Record of Rights (ROR); the Tehsil Data Centres (TDCs) suffered from day-to-day problems relating to operation and maintenance. The State Monitoring Cell at Dehradun and District Data Centres in all the five test checked districts were non-functional inspite of installation of hardware of the amount of Rs.44.27 lakh.

Field inspections form an integral part of ensuring effective implementation of any scheme. However, the State Revenue Department did not prescribe any procedure or time table for undertaking such inspections. As a result, only sporadic effort at reviewing and evaluating the implementation of CLR were in evidence.

[Paragraph: 1.1]

AUDIT OF TRANSACTIONS

INFRUCTUOUS/WASTEFUL EXPENDITURE AND OVER PAYMENT

- Failure in ascertaining and ensuring the safety of foundation structure by Construction Division, PWD, Haldwani led to the collapse of bridge entailing a financial loss of Rs.4.46 crore besides depriving smooth transport through bye-pass route.

[Paragraph 2.2]

- Reconstruction of a road by Construction Division, PWD, Kashipur (Udhamsingh Nagar) at a cost of Rs.1.36 crore without adopting proper overlay design coupled with poor execution and disregard to recommended corrective measures resulted in the road getting prematurely damaged within two months of construction.

[Paragraph 2.3]

- Negligent execution of road works by splitting into an inordinately high number of agreements compromised the quality of works by Temporary Division, PWD, Sahiya, Dehradun; leading to their premature damage resulting in wasteful expenditure of Rs.5.15 crore.

[Paragraph 2.4]

- Roads (Jaspur-Thakurdwara road and Kashipur-Aliganj road) reconstructed by Construction Division, PWD, Kashipur at a cost of Rs.1.61 crore without proper crust design were damaged within six months of their construction, rendering the entire expenditure wasteful.

[Paragraph 2.5]

UNDUE FAVOUR TO CONTRACTORS/AVOIDABLE EXCESS EXPENDITURE

- Inflated rate-analysis and superfluous use of bituminous macadam and semi dense bituminous concrete by Temporary Division, PWD Thatyur (Tehri) led to unjustifiable expenditure of Rs.2.68 crore.

[Paragraph 2.8]

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

- A project meant for strengthening forest roads in six districts (Udhamsingh Nagar, Haridwar, Nanital, Dehradun, Pauri and Champawat) taken up by the State Government failed to achieve its objectives of providing all weather roads in sensitive areas despite an expenditure of Rs.53.15 crore due to deficiencies in management and monitoring.

  [Paragraph 2.10]
- The trauma care unit, constructed by Chief Medical Superintendent, District Hospital, Gopeshwar at a cost of Rs.1.49 crore was non-functional in an area prone to road accidents; as a result, accident victims had to be referred to considerably distant places like Srinagar and Dehradun.

  [Paragraph 2.11]
- Construction Division, Uttarakhand, Peyjal Sansadhan Vikas Evam Nirman Nigam, Pauri failed to plan and formulate specifications accurately and execution of work with altered specifications without the prior approval of the Government, led to Rs.5.35 crore remaining blocked for over three years and non-achievement of the objective of the sewage treatment and utilization scheme.

  [Paragraph 2.13]
- Poor planning by Construction Division, PWD, New Tehri resulted in avoidable blocking of funds worth Rs.1.37 crore and denial of benefits to the local populace.

  [Paragraph 2.14]
- Flouting of Indian Road Congress (IRC) specifications, indicative of loose controls by Provincial Division, PWD, Haridwar resulted in damage to the road strengthened at a cost of Rs.4.28 crore.

  [Paragraph 2.15]
- Failure on the part of the project authorities to mobilize institutional credit led to foreclosure of a special self employment project leaving it only partially complete; the sustainability of the project to the extent it was completed, is also undermined despite incurring an expenditure of Rs. 3.92 crore.

  [Paragraph 2.16]

REGULARITY ISSUES AND OTHER POINTS

- Threat to wildlife in the Rajaji National Park continued due to non-evacuation of 147 families belonging to a semi-nomadic tribe, despite arrangements for their rehabilitation involving land and other facilities valued at Rs.9.01 crore.

  [Paragraph 2.18]

INTEGRATED AUDIT OF RURAL ENGINEERING SERVICE DEPARTMENT

An integrated audit of the Rural Engineering Service (RES) Department, to examine and assess the functioning / activities against its mandate and goals, for the period 2004-05 to 2008-09 revealed deficiencies in estimation, granting of technical sanctions, acceptance of bids and execution of works which resulted in excess expenditure on works and undue benefit to the contractors. Management of deposits and stores was not found in accordance with provisions of financial rules as there are number of cases relating to excess expenditure over deposits, non-recovery of advances, un-authorised retention of unspent balances, lapsed deposits and stock profit in all the sampled divisions. Human resource management of RES was also found poor as most of the executive and supervisory posts of the Department are being managed by nominating *Prabhari* from lower cadres, deployment of staff in the divisions was disproportionate and laid-down transfer policies were not adhered to. Periodical inspections by SEs were fewer than mandated and were rendered ineffective due to absence of follow-up actions, indicative of weak internal control mechanism.

There was substantial growth in entrustment of works and deposits in the divisions and the Department was unable to ascertain the quantum of works to be undertaken as the responsibility of the RES in terms of workload and number of client departments was never defined by the Government.

[Paragraph 3.1 to 3.1.14]

REVENUE

PERFORMANCE REVIEW

Review on 'Taxation on Transactions (Sale/Purchase & Transfer) in the course of Inter-State trade or commerce under Central Sales Tax Act, 1956'

- Due to the absence of a provision for verification of registration certificate/agreement before allowing stock transfers, the assessing authorities could not detect irregular claim of exemption on transfer of goods to places not declared in the registration certificate resulting in short realization of tax Rs.60.47 lakh including interest.

[Paragraph 4.2.7]

- Absence of a system for cross verification of declaration forms issued by the dealers of other States resulted in non-detection of fake/invalid forms and consequently, there was short realisation of tax Rs.1.43 crore including interest and penalty.

[Paragraph 4.2.8]

- Irregular allowance of exemption on defective forms resulted in short levy of tax of Rs.1.50 crore including interest.

[Paragraph 4.2.10]

- Suppression of purchase resulted in short realisation of tax of Rs.40.01 lakh including penalty.

[Paragraph 4.2.11]

- Irregular grant of concession to industrial units resulted in short levy of tax Rs.1.15 crore.

[Paragraph 4.2.12]

AUDIT OF TRANSACTIONS

- For delay in payment of tax, penalty of Rs. 57.84 lakh though leviable was not levied.

[Paragraph 4.3]

- Under valuation of property resulted in short levy of stamp duty of Rs.9.30 lakh.

[Paragraph 4.4]

- Additional tax of Rs. 80.36 crore was realised by the Uttarakhand *Parivahan Nigam*, of which Rs.27.68 crore was deposited, leading to non-remittance of Rs.52.68 crore.

[Paragraph 4.5]

- Non-realisation of revenue of Rs.23.65 lakh from 119 maxi cabs.

[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 2009, the State of Uttarakhand had 20 working PSUs and four non-working PSUs which employed 0.17 lakh employees. The working PSUs registered a turnover of Rs.1527.06 crore for 2008-09 as per their latest finalised accounts. The working PSUs incurred a loss of Rs.151.41 crore and had accumulated loss of Rs.283.60 crore for 2008-09.

- **Investments in PSUs**

As on 31 March 2009, the investment (capital and long term loans) in 24 PSUs was Rs.5476.79 crore. It increased by 429.66 *per cent* from Rs.1034.02 crore in 2003-04 to Rs.5476.79 crore in 2008-09. The Government contributed Rs.319.92 crore towards equity, loan and grants during 2008-09.

- **Performance of PSUs**

During the year 2008-09, out of 20 working PSUs, eight PSUs earned profit of Rs.63.86 crore and 10 PSUs incurred loss of Rs.215.27 crore. The major contributors to profit were State Infrastructure & Industrial Development Corporation of Uttaranchal Limited (Rs.56.49 crore) and Uttarakhand Purve Sainik Kalyan Udham Limited (Rs.3.67 crore). The heavy losses were incurred by Uttaranchal Power Corporation Limited (Rs.168.28 crore), Kichha

Sugar Company Limited (Rs.14.94 crore), Doiwala Sugar Company Limited(Rs.10.14 crore) and Uttarakhand Parivhan Nigam (Rs.10.29 crore). In respect of Uttarakhand State Infrastructure Development Corporation Limited and Uttarakhand Pey Jal Sansadhan Evam Nirman Nigam, the PSUs have yet to finalise/submit the accounts. The losses are attributable to various deficiencies in the functioning of PSUs. A review of two years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 99.80 crore and infructuous investment of Rs 9.52 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. In respect of 11 PSUs, the Statutory auditors gave qualified certificate and one PSU received adverse comment. In addition one adverse certificate was issued by the CAG to one company. In respect of seven accounts finalised during October 2008 to September 2009, report of Statutory auditors on internal control of the companies indicated four weak areas.

- **Arrears in accounts and winding up**

Twenty working PSUs had arrears of 135 accounts as of September 2009. 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.

- **Discussion of Audit Reports by COPU**

The Commercial Chapters included in the Audit Reports for 2003-04 onwards are yet to be discussed fully by COPU. These five chapters contained three reviews and 19 paragraphs which were yet to be discussed.

Performance Review relating to Statutory Corporation

Performance review relating to 'Functioning of Uttarakhand Parivahan Nigam' was conducted. Executive summary of the audit findings are given below:

Functioning of Uttarakhand Parivahan Nigam

The Uttarakhand Parivahan Nigam (Nigam) provides public transport in the state through its 17 depots. The Nigam had fleet strength of 1,095 buses as on 31 March 2009 and carried an average of 1.11 lakh passengers per day. It accounted for a share of 17.58 *per cent* in public transport with rest coming from private operators. The performance audit of the Nigam for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Nigam.

- **Finance and performance**

The Nigam suffered a loss of Rs. 14.09 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs.236.61 crore and Rs.33.13 crore as on 31 March 2009, respectively. The Nigam earned Rs.14.96 per km and expended Rs. 16.04 per km in 2008-09. Audit noticed that with a right kind of policy measure and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

- **Declining share**

Of 6,287 buses licensed for public transport in 2008-09, about 17.58 *per cent* belonged to the Nigam. The percentage share declined from 20.07 *per cent* in 2004-05 to 17.58 *per cent* in 2008-09. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/ add new buses) and lack of support from the State Government. Nevertheless, vehicle density (including private operators buses) per one lakh population increased marginally from 53.57 in 2004-05 to 60.30 in 2008-09 indicating stability in the level of public transport in the State.

- **Vehicle profile and utilisation**

Nigam's buses consisted of own fleet of 1095 buses and 63 hired buses at the end of 2008-09. Of its own fleet, 99 (9.04 *per cent*) were overage, i.e. more than eight years old. The *per cent* of overage buses declined from 43.31 per cent in 2004-05 to 9.04 *per cent* in 2008-09 due to acquisition of 981 new buses during 2004-09 at a cost of Rs.109.49 crore. Nigam's fleet utilization at 95 *per cent* in 2008-09 was above the All India Average (AIA) of 92 *per cent*. Its vehicle productivity at 340 kilometers per day per bus was also above the AIA of 313 kilometers. Similarly, its load factor at 68 *per cent* remained above the AIA of 63 *per cent*. However, the Nigam did not fix its own targets of vehicle productivity and load factor. Though the Nigam did well on operational parameters, its 73 *per cent* routes were unprofitable due to high cost of operations and non-reimbursement of full cost of operations on uneconomical routes by the State Government. Nigam's performance on repair and maintenance was poor.

- **Economy in operations**

Manpower and fuel constitute 73.68 *per cent* of total cost. Interest, depreciation and taxes account for 7.79 *per cent* and are not controllable in the short term. Thus, the controllable expenditure has to come from manpower and fuel. The manpower per bus increased from 5.49 in 2004-05 to 6.95 in 2006-07 but decreased to 6.24 in 2008-09. The Nigam did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs.23.22 crore during 2004-09. The number of hired buses decreased from 91 in 2004-05 to 63 in 2008-09. The Nigam earned a net profit of Rs.10.57 crore from hired buses during 2004-09. As this activity is profitable and has the potential to cut down the cost substantially, the Nigam needs to explore possibility to replace overage buses by hiring more buses in future.

- **Revenue maximisation**

Nigam's staff at depot and Headquarters conducts en-route checking of buses. Though checking by higher management was required, the same was not being carried out. This is one area for the Nigam to plug leakage of revenue. Further the Nigam has about 5.89 hectares of land. As it mainly utilizes the ground floor/land for its operation, the space above can be developed on public private partnership basis to earn steady income which can be used to cross-subsidise its operations. The Nigam has proposals for some projects on PPP mode, but these are still at very initial stage.

- **Need for a regulator**

The fare per kilometer stood at 54 paise from April 2008. Though the State Government approves the fare increase, there is no scientific basis for its calculation. The Nigam has also not framed norms for providing services on uneconomical schedules.

- **Inadequate monitoring**

Independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify the fixation of targets for various operational parameters and effective Management Information System (MIS) for obtaining feedback on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not take/ recommend suitable measures to control the cost and increase the revenue.

- **Conclusion and recommendations**

Though the Nigam is incurring losses, it is mainly due to its high cost of operations and not due to low fare structure. The Nigam can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains five recommendations to improve the Nigam's performance. Hiring of buses, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Transaction Audit Observations

Transaction audit observations 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:

Failure of Power Transmission Corporation of Uttarakhand Limited in exercising due diligence in land acquisition has resulted in blocking up of Rs.3.67 crore and consequential loss of Rs.72.36 lakh on account of interest.

[Paragraph 5.3]

State Infrastructure and Industrial Development Corporation of Uttarakhand Limited suffered a loss of Rs.1.16 crore by taking a decision for transfer of plots against its policy banning transfer of plots.

[Paragraph 5.6]

CHAPTER-I

PERFORMANCE REVIEW (CIVIL)

CHAPTER-I

PERFORMANCE REVIEW

REVENUE DEPARTMENT

1.1 COMPUTERISATION OF LAND RECORDS (CLR) SCHEME

Highlights

Fully funded by the Government of India (GOI) and technically supported by National Informatics Centre (NIC), the CLR project has been implemented in the State as *Dev-bhoomi*. A performance review of the CLR project with focus on Information Technology (IT) issues was carried out to examine the efficiency and effectiveness in achieving project objectives and deliverables. The main findings are highlighted below:

- ***Only 48 per cent of total land area has been computerised; besides, the khasra is yet to be computerised.***

[Paragraph 1.1.8.1]

- ***Delays were noticed in updation of khataunis; also automatic updation of land records through online mutation was not found to be in vogue.***

[Paragraph 1.1.9.1]

- ***Except in Dehradun tehsil, Touch Screen Computer Kiosks were lying idle for want of installation/proper connectivity/repairs.***

[Paragraph 1.1.9.6]

- ***Certain inadequacies in the software coupled with absence of appropriate input controls resulted in defective and incomplete information.***

[Paragraph 1.1.10.2]

- ***Because of weak access controls, revenue officials below the rank of Registrar Kanoongo and even private operators were found working as 'administrator' having access to 'System Management Module' of the software.***

[Paragraph 1.1.10.4 (a)]

- ***Bio-metric devices though purchased in December 2005, were not found to be installed in any of the test checked tehsils.***

[Paragraph 1.1.10.4 (d)]

- ***Despite funds to the tune of Rs.12.08 crore having been provided, the Department could not initiate scanning and digitization of cadastral maps.***

[Paragraph 1.1.11.1]

National Informatics Centre (NIC) provides IT infrastructure and network facilities. NIC also provides training to the Revenue Officials on the use of the application software.

1.1.3 Scheme Objectives

i) Computerisation of the mutation/updation process of land records and distribution of updated copies of ownership rights and details relating to tenancy, crops, land revenue, irrigation sources etc.

ii) Distribution of computerised copies of Records of Rights along with details of plot boundaries to the landowners on demand at reasonable charges.

iii) Abandoning the manual system of issuance of records of rights once the computerised system is stabilized and according legal sanctity to computer generated certificates.

iv) Levying suitable user charges for the services being offered by the computer centre for sustainability of the scheme in terms of AMC[6], hardware upgradation etc.

v) Integrating land records data with cadastral maps to create a comprehensive Land Information System (LIS).

1.1.4 Software development

Prior to the formation of Uttarakhand, during the period 1997-2000, land record data of all the tehsils was fed into computers at the district level in a Fox-base/UNIX environment. This data was, however, never updated till 2004-05. The old data was later ported onto a Windows based environment and then updated. For this purpose, the '*BHU-LEKH*' application developed by NIC UP was used in the State. In November 2005 the *BHU-LEKH* application was replaced by a newly developed application of NIC Uttarakhand called *Dev-bhoomi*.

Dev-bhoomi is a browser based application which uses three-tier technology to disseminate land records information through internet. The basic features of the software are as follows:

- 3-tier browser-based technology.
- The platform used is Microsoft Windows 2003 on servers and Win-2000/XP on clients.
- Language: ASP.NET/VB.NET
- Framework: .NET 2003
- SQL-Server-2000 is used for the back-end data base.
- Unicode Hindi-compliant (Mangal font).
- Indic Ver-5.0 and Crystal Report are used as third-party tools.

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[6] Annual Maintenance Contract

1.1.5 Audit Objectives

The main objectives of the IT performance audit were to assess and evaluate:

- The extent of computerisation of land records in the State.
- Realization of service deliverables envisaged in the scheme in course of implementation of the scheme.
- Compliance with technical parameters during execution.
- Efficacy of data capture, updation, maintenance, security and validation.
- Use of available funds.
- Training imparted to revenue personnel.
- Effectiveness of the existing monitoring mechanism.
- Impact on the beneficiaries of the CLR scheme.

1.1.6 Audit Criteria

The Audit findings were benchmarked against the following criteria:

- Scheme guidelines issued by GOI;
- Provisions of the U.P. Zamindari Abolition & Land Reforms Act as adopted, adapted and modified in Uttarakhand;
- UP Land Revenue Act as adopted, adapted and modified in Uttarakhand;
- Various Government orders and directives issued from time to time;
- Good practices of IT governance.

1.1.7 Scope of Audit and Methodology

This performance review was conducted from May 2009 to July 2009 and covered the period from 2004-05 to 2008-09.

A pilot study of the functioning of the scheme was first undertaken in the office of the Chief Revenue Commissioner (CRC), Dehradun, District Data Centre (DDC), Haridwar and its three Tehsils[7] Data Centres (TDC). Thereafter, an entry conference was held (April 2009) with the Principal Secretary and other officers of the Revenue Department wherein the audit objectives, criteria and scope of audit were discussed.

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[7] TDCs at Haridwar, Roorkee and Laksar Tehsil.

Four[8] DDCs out of 13 were selected using PPSWR (Probability Proportional to Size With Replacement) sampling method and eight TDCs[9] out of 84 were selected using SRSWOR (Simple Random Sampling Without Replacement) sampling method for conducting the review. Records at these centers relevant to the CLR scheme were scrutinized in course of the review. Besides, data and information made available by these centres in response to Audit memos and questionnaires were analyzed. Databases of seven tehsils[10] were also examined using Computer Assisted Audit Techniques namely SQL (Structured Query Language) with the help of NIC officials. Audit findings were discussed with the Principal Secretary and other officers of the Revenue Department in the exit conference (September 2009). The replies of the Government have been incorporated in the review at appropriate places.

Audit findings

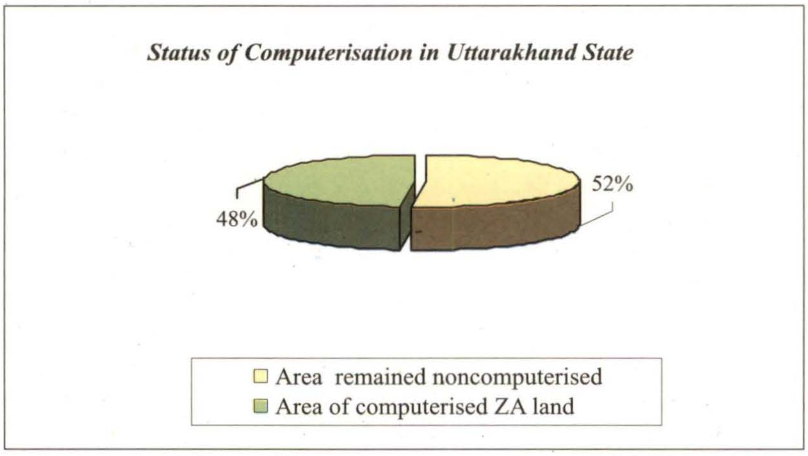
Audit findings from the IT Performance Review are enumerated below:

1.1.8 Extent of Computerisation

1.1.8.1 Partial Coverage

The scheme was implemented to cover only ZA land where the Uttar Pradesh Zamindari Abolition and Land Management Act, 1950 was in force. This constituted 52 *per cent* (1125065.782 hectare) of the total land area (2173982.60 hectare) in the state, which was not covered under the CLR scheme as there was no provision in the software to capture details of such land.

Chart-1.2



[8] DDCs Dehradun, Pauri, Pithoragarh and Udham Singh Nagar.

[9] TDCs at Dehradun, Tyuni, Kotdwar, Pauri, Dharchula, Pithoragarh, Kashipur and Kichcha.

[10] Haridwar, Dehradun, Pithoragarh, Kashipur, Kichcha, Kotdwar and Pauri.

On this being pointed out, it was intimated by department that suggestions have been invited from field offices regarding computerisation of non-ZA land and that required software would soon be developed with the help of NIC.

On being pointed out, the CRC replied that the computerisation of land records pertaining to non-ZA land will be taken under the new reorganized scheme of 'National Land Records Modernization Programme' (NLRMP).

As such, even after 16 years of implementation of the CLR scheme (7 years in Uttar Pradesh and 9 years in Uttarakhand) and an expenditure of Rs.6.60 crore[11], more than half of the land area in the state was still outside the purview of computerisation.

1.1.8.2 Limited Computerisation

Computerisation of land records envisages computerisation of both spatial and non-spatial data. Non-spatial data includes Record of Rights (ROR) or *khatauni*, cultivation data, crop details, and data on soil classification and irrigation. Spatial data includes digitization of cadastral maps, village maps etc.

At present, under the CLR scheme only *khatauni* data is being captured electronically and copies of RORs are being distributed by computer centres. Computerisation of second generation of land record information such as crop and cultivation details, type of soil, irrigation status, land revenue and other rights and liabilities is yet to be taken up.

Besides, no initiatives have been taken for digitization and computerisation of spatial records. This is despite the advantages that digitization of spatial records offers. Digitization allows preservation of old and worn out village and cadastral maps; makes updation fast and efficient; provides composite land records information and allows incorporation of data generated by modern survey equipment.

The Department, despite funds being made available to it as mentioned in *para 1.1.11.1*, failed to take initiatives for computerizing remaining textual land record data and spatial land record data.

NIC has successfully developed Field Measurement Book (FMB) Map plotting software for Tamil Nadu called 'Collabland', which enables translation of measurement data into map forms[12]. It can be adapted to fit the system prevalent in Uttarakhand.

1.1.9 Scheme Implementation

Agricultural land in Uttarakhand is administered under the provisions of the Uttar Pradesh Land Revenue Act, 1901 (as adapted, adopted and modified in 2001 for application in the State of Uttarakhand). A number of revenue functionaries are involved in matters relating to ownership of land and

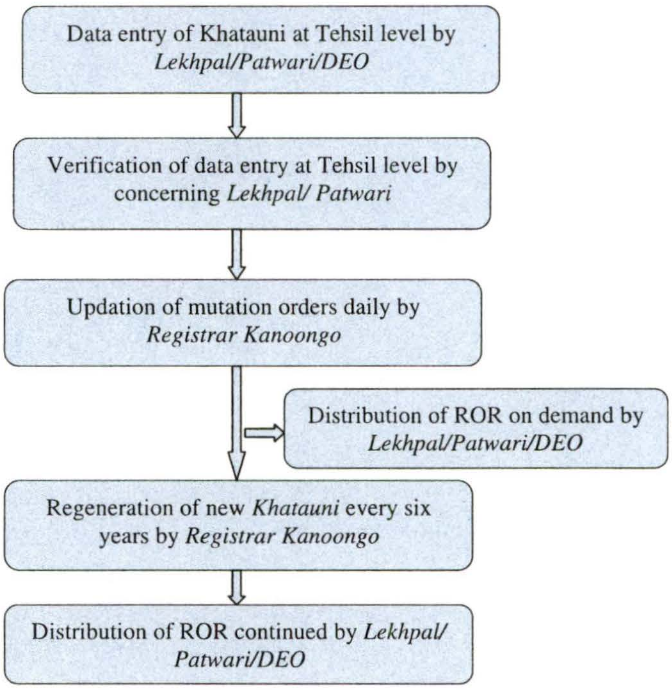
[11] Out of release Rs.85.48 lakh, expenditure of Rs.82.76 lakh incurred when it was part of U.P. and Rs.576.97lakh after formation of new State.

[12] Evaluation of Computerisation of Land Records in TamilNadu by Centre for Rural Studies, Lal Bahadur Shastri National Academy of Administration, Mussoorie.

collection of land revenue. After the computerisation of land records, the basic duties and responsibilities of these functionaries have only undergone minor changes.

Each village is assigned to a particular *patwari*[13] who maintains the record of ownership of land (*khatauni*[14]), record of cultivation of the land (*khasra*[15]), map of the village (*Sazra*) and other records of the village. The work of *patwari* is supervised by *Registrar kanoongo*, who is also responsible for checking village records and statistics. The work of the *patwari* and the *kanoongo* is further supervised by the Naib Tehsildar and Tehsildar. It is their duty to ensure timely and correct preparation of *Khatauni* and other land records.

Computerisation of village *khataunis* has been taken up using the application software, following the basic steps as depicted in the flow chart below:



Once the mutation[16] orders are passed, necessary entries are made in the Mutation Register (R-6) and thereafter the details are entered in the relevant columns of concerned *khataunis* in the computer. The process needs to be

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13 Village level revenue official.

14 Khatauni is the register of all persons cultivating or otherwise occupying land in a village. There is a separate *khatauni* for each village.

15 It is a register of harvest inspections wherein *patwari* records facts regarding crop grown, soil classification, cultivable capacity of the cultivators.

16 Mutation indicates the changes that have to be brought about in ownership and title of the land on the basis of sale deed, inheritance, gift deed, will etc.

carried out on a daily basis. Every six years, these *khataunis* are re-generated after incorporating all the changes on account of mutation orders passed over the period of 6 years. Eventually, the names of those who have died or have sold their entire land are removed and new *Khata* numbers are assigned to all landholders.

On being pointed out, the CRC stated that responsibilities of verification and updation of *khatauni* and other revenue records is well defined in revenue laws and manuals. However, necessary instructions will be re-issued to the concerned field authorities on the same.

An authorized copy of *khatauni* or ROR can be obtained by paying a nominal fee of Rs.15 for a single sheet and for every subsequent sheet Rs.5 per additional sheet.

Audit scrutiny of computerisation process and associated registers revealed:

1.1.9.1 Delayed incorporation of mutation orders

All the mutation orders are required to be entered in the R-6 and thereafter fed into the computers on the same day. Scrutiny of the R-6 registers and related computer databases disclosed that 39291 mutation orders were entered with delays, as tabulated below:

Table-1.2

Name of Tehsil	Delays in days	Number of mutation orders
Kashipur	5-10	11901
Pithoragarh		2815
Pauri	10-15	5520
Kichcha		9018
Dharchula	5-30	451
Kotdwar	30-135	9490
Tyuni	1-537	96
	Total	**39291**

Source: Information collected from tehsils

On being pointed out, the CRC replied that timely feeding of records will be ensured in future.

In Karnataka, the *Bhoomi* software contains an online Mutation Module. As soon as the mutation is approved the data base gets updated and reflects the actual current position[17]

1.1.9.2 Non-generation of New Khataunis

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

[17]Evaluation of Computerisation of Land Records in Karnataka by Centre for Rural Studies, Lal Bahadur Shastri National Academy of Administration, Mussoorie.

Scrutiny of records in 11 tehsils, which were part of the audit sample, revealed that 64260 *khataunis* pertaining to 597 villages, representing 22.4 *per cent* of total *khataunis* were not re-generated. The details are tabulated below:

Table-1.3

Name of Tehsil	No of villages	Total no. of *khatas*	No. of *khatas* not updated	In percentage
Dehradun	31	62087	14307	23.04 %
Dharchula	52	7879	5490	69.68 %
Haridwar	02	27641	1065	03.85 %
Kashipur	06	20840	3404	16.33 %
Kotdwar	176	19686	10899	55.36 %
Lakshar	11	22240	4171	18.75 %
Pauri	57	37961	5171	13.62 %
Pithoragarh	259	25772	18619	72.25 %
Roorkee	03	62415	1134	1.82 %
Total	**597**	**286521**	**64260**	**22.4 %**

Source: Information collected from 09 test checked tehsils

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

Two tehsils – Kichcha (Udham Singh Nagar) and Tyuni (Dehradun) reported 100 *per cent* generation of new khataunis for *fasli* 1411-1416.

On the above being pointed out to the department, It was replied that because of heavy work load timely updation of *khataunis* was getting adversely affected. However, it was found that duplication of work was continuing pointing to inefficiencies in the management of the computerisation process and a failure to properly redefine roles and responsibilities in the changed scenario.

1.1.9.3 Duplication of work

Despite computerizing the process of updation of land records, work was also being carried out manually. After entering details of mutation orders in the computer, print-outs were being taken and pasted in the *khatauni* register, on one side of the related *khata*. Every 6 years, these manual registers were being renewed by the *Patwari/Lekhpal*. The continued maintenance of manual records and registers added to the work load and delayed work relating to electronic updation and regeneration of *khataunis*.

On being pointed out, the Government stated that manual and computer work will be reassessed and the decision will be taken accordingly.

1.1.9.4 Inconsistency between manual and computerised records of land area

Major disparities were noticed in the ZA land area of tehsils as per manual register (R-57) and the area-reports generated through the software application. Inconsistencies were observed in all the sampled 11 tehsils with considerable variations existing in three tehsils as detailed in the table below:

Table-1.4

(Area in hectare)

Tehsil	Area as per Manual Record (R-57)	Area as per software report	Difference	Percentage inconsistency Excess(+) /Less(-)
(1)	(2)	(3)	(4)	(4 as % of 2)
Dehradun	29992.914	31142.590	1149.676	3.83
Dharchula	6271.144	12645.078	6373.934	101.61
Haridwar	35273.00	32073.616	-3199.384	(-) 9.07
Kashipur	16451.141	17767.0095	1315.869	8.00
Kichcha	28323.550	35036.819	6713.269	23.70
Kotdwar/Yamkeshwar	22114.654	28908.367	6793.713	30.72
Laksar	20093.00	20589.540	496.540	2.47
Pauri	28521.892	82067.948	53546.056	187.74
Pithoragarh	11749.709	41734.880	29985.171	255.20
Roorkee	38658.00	44455.590	5797.590	15.00
Tyuni	25685.796	28546.461	2860.665	11.14

Source: Information collected from 11 test checked tehsils

The reports generated through the software application should be complete, accurate and reliable. Variations, between computerised reports and the manual records, as detailed above, raises doubts on the authenticity of computerised data and reliability of the computerised system.

On being pointed out, the CRC replied that the problem pertains to computer software, which will be solved after discussions with the NIC.

1.1.9.5 Non-operational Tehsil Data Centres

Full computerisation of land records was required to be achieved in all tehsils by September 2005. Further, distribution of computerised *khataunis* was to be ensured on demand.

Audit scrutiny of the eleven sampled tehsils across five districts revealed that data entry of all village *khataunis* had been completed. However, two tehsil centres -Yamkeshwar (Pauri) and Khatima (Udham Singh Nagar) - could not put in operation and hence distribution of RORs from these centres was not taking place.

On being pointed out, it was replied that the operationalisation work in Yamkeshwar and Khateema is underway.

1.1.9.6 Touch Screen Computer Kiosks

As an e-governance initiative, 13 touch screen kiosks were purchased (March 2007) at a cost of Rs.13.32 lakh for installation at *sadar* tehsils[18] of all 13 districts.

A review of the functioning of these kiosks in five sampled districts, revealed that except for Dehradun tehsil , the kiosk machines in other test checked *sadar* tehsils had either not been installed or were idling in the absence of proper connectivity or repairs.

[18] Tehsil at district Headquarter.

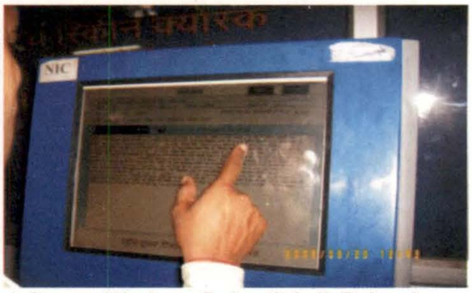
Picture 1: Kiosk touch screen at TDC, Kashipur lying idle for want of installation

Picture 2: Kiosk touch screen at TDC, Haridwar lying idle for want of repair

Thus the objective of providing easy electronic access to land record information was defeated resulting in the avoidable rush for getting printed RORs.

On being pointed out, the Government stated that necessary instructions are being issued to each tehsil data centre to get the Kiosk machine operationalised.

Touch screen kiosk at Dehradun Tehsil has introduced transparency and user-friendliness; ever increasing use by public is apparent from the photographs below:



Picture 3 and 4:People using Touch Screen Kiosk at Sadar Tehsil, Dehradun

1.1.9.7 Non-application of Holograms on RORs

In order to avoid manipulation/ fraudulent use of computerised *khataunis*, the State Government decided (February 2007) to apply holograms on computer generated *khataunis*.

Scrutiny of records of the five test checked districts revealed that holograms were being used only in Dehradun district. In the other districts[19], holograms were purchased (worth Rs.0.48 lakh) but were lying unused.

The need for use of holograms becomes acute if viewed in the context of a fraud which was unearthed (October 2007) in Haridwar district, wherein a copy of a computerised *khatauni* was manipulated for getting a bank loan.

[19] Haridwar, Pauri, Pithoragarh and U S Nagar.

On this being pointed out, it was stated that the holograms could not be applied for want of preprinted stationary. The CRC, on the issue replied that the matter will be investigated and appropriate action will be taken.

1.1.9.8 Networking

The guidelines given by GOI stressed the need for establishing network connectivity between district headquarters, sub-divisions and tehsils for integration of the computerised system and databases. The State Government had also planned to establish a State Wide Area Network (SWAN) by 2007.

Under SWAN, it was envisaged that a central server will be deployed in each district headquarter and there would be no need for keeping distributed databases in the tehsils. From the district central server, data would be automatically updated on the state's central server and disseminated over the Internet. As of August 2009, the system is yet to be established and the application is being run in a LAN environment in the tehsils.

On being pointed out, the Government stated that the work of SWAN is under progress and once the SWAN is implemented, the network connectivity between State Monitoring Cell, District Data Centre and TDCs will become effective.

Land-records data of all 84 tehsils is available on citizen-centric Web site http://gov.ua.nic.in/devbhoomi.

1.1.9.9 Infrastructure

a. According to guidelines issued by GOI, a minimum space of 200-250 sq. ft. was to be provided for Tehsil Computer Centres. However it was noticed that in four tehsils[20] out of the sample of 11 tehsils, representing 36 *per cent*, area provided ranging from 117 sq ft to 180 sq ft, which was below the prescribed norms.

b. No fire extinguishers were found installed in the computer rooms in 73 *per cent* of the 11 test checked tehsils. Moreover, it was also seen that none of the officials were trained to operate the extinguishers. Thus, fire safety measures undertaken in the Tehsil computer centres were inadequate.

c. Air-conditioners were not found installed in four out of the 11 test checked tehsils. Computer equipment were thus exposed to risk of damage from dust and humidity.

d. Broken window glasses and lack of door closers were also noticed in a few cases making the computer systems vulnerable to unauthorized access and damage.

On being pointed out, the Government stated that the matter will be reviewed and corrective measures will be initiated.

[20]Tyuni (132.00 sq.ft), Kichcha (180.00 sq.ft.), Kashipur (117.00 sq.ft.) and Kotdwar (120.00 sq.ft.).

1.1.10 System Design

1.1.10.1 Inadequacies of the software

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

b. The *Tippani* column meant for entering orders related to mortgage of land and subsequent bank loans was found blank. On being enquired, it was intimated that the *Tippani* column has been restricted to a 20 character space, highly insufficient for capturing the details on bank loans.

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

d. The software does not provide a facility for storing mutation history so that changes made in each *khatauni,* every six years can be identified. As a result when an ownership change takes place, every six years, the new entry is made by electronically overwriting old entries in the database. Though archiving of earlier records is done in the form of CDs, the system itself is not capable of giving the complete history of land ownership without consulting manual records or information stored in CDs.

Because of the above limitation, manual *khataunis* were being issued for the period prior to the generation of the new *khataunis.* 27,001 manual *khataunis* were found to be issued in the five sampled districts post computerisation.

On being pointed out, the CRC stated that the issues will be discussed with NIC to make necessary changes in the existing software.

1.1.10.2 Input Controls

For ensuring the accuracy and completeness of computer generated *khataunis* and other reports, it is critical that basic data is captured accurately and completely and stored properly in a secure manner. Input controls including validation checks help achieve this objective.

IT enabled analysis of data using SQL and tools available in the *Dev-bhoomi* software, disclosed several inconsistencies and gaps in input data. This places a question mark on the reliability of the database and the reports generated using it. Major deficiencies noticed are enumerated below:

- In 614 instances the name of the account holder and in 55,407 instances the name of the father/husband of the land holder was entered as blank, null or dot.

- In 3,82,519 instances the address of the account holder was left blank or incomplete.

- In 5,62,390 cases caste of the land holders was not entered. Thus, compliance with the provisions of Rule 157 (a) and (b) of the Zamindari Abolition and Land Management Act, 1950 that sale of SC/ST owned land to other community was not being allowed, was not being ensured.
- It was found that the share of the land owner was left blank in case of joint accounts, in the absence of which no check could be exercised through the software to ascertain land availability for each account holder.
- In 4421 instances the same plot number, which has to be unique in a particular village, was entered two to four times under the same village.
- In 60 instances plot areas were found to be negative.
- In 994 instances zero land area was shown against plots.
- In three[21] tehsils, total area of the village land as captured under two tables i.e. details of land holders (K_2 table) and details of plots (K_gata table) showed discrepancies.
- It was also noticed that description of the land type was not being entered in the database.

On being pointed out, the CRC stated that the audit observations have been viewed seriously and steps will be taken to ensure the quality of data fed into the software, in consultation with NIC.

1.1.10.3 Absence of Documentation

There was no mechanism for proper archiving of old electronic documents and computer prints outs. As such, the system was susceptible to risks of adverse impact on data integrity.

In the absence of proper documentation, there was no trail for various modifications/ changes made in the software. As a result it was found during the test check of the 11 selected tehsils that three versions of the *Dev-bhoomi* software were being used during the same period.

Table-1.5

Software Version	Name of Tehsils
Version 1.1	Haridwar, Roorkee, Pauri, Kotdwar and Kashipur
Version 1.2	Dehradun, Tyuni
Version 1.0	Dharchula, Pithoragarh, Kichcha and Laksar

Source: Information collected from 11 test checked tehsils

The officials of the tehsils were found to be unaware about the variations in the different versions of the software. Audit could also not ascertain the variations due to lack of documentation.

1.1.10.4 Access controls

a. Three levels have been associated with the computerisation of land records: Sub-Divisional Magistrate (SDM) as super user, Registrar Kanoongo (RK)

[21] Kotdwar, Kichcha and Pauri.

nominated by the SDM as administrator and other revenue officials (*patwari/ lekhpal*) as normal users.

As a part of logical access controls, the *Dev-bhoomi* software provides for different degrees of access to the aforementioned three levels. Out of total four modules viz. '*Khatauni*', 'Print', 'System Management' and 'Data Recovery' the normal users are given access to only two modules of '*Khatauni*' and 'Print' for enabling performance of the tasks of data entry and distribution of printed RORs.

The Administrator has been given access to the 'System Management' module so as to enable him to perform functions relating to creation of new *khataunis*, updation of mutation orders, correction in land information and crop year modifications etc.

However because of weak organizational control, the revenue officials below the rank of RK and even private operators were found working as administrators.

b. Though the software has in-built features for user authentication through access passwords but control procedures like restriction on number of unsuccessful login attempts, routine password change, alphanumeric passwords or minimum limit of characters for password was not incorporated in the application.

Moreover, user passwords had not been changed since the date of implementation of the scheme, in all the 11 test checked tehsils. Additionally, the system did not generate any log to record back-end access and the number of failed login attempts.

The application also had no provision for removing user accounts following transfer or retirement of a user. As a result the system was open to the risk of unauthorized users gaining access. Besides, there were also a very high number of idle and inactive users.

c. In all the 11 test checked tehsils, it was found that RORs were being distributed directly through the server and not through the client machines, exposing data security to increased risks.

d. Use of biometric systems for providing access through thumb impression of users/officials was envisaged (March 2005) to address security concerns. However, it was found that despite the purchase (December 2005) of bio-metric devices, these were not installed in any of the tehsils.

Bhoomi application software being used for computerisation of land records in Karnataka has been integrated with finger print (bio metrics) technology to ensure fool proof authentication[22].

On being pointed out, the CRC stated that the measures regarding logical security will be enforced in future.

1.1.10.5 Insufficient Protective measures

Operational guidelines specified the periodicity and responsibility for taking back-ups. Accordingly, back-up of entire data on a pen-drive (daily) and CD

[22]Evaluation of Computerisation of Land Records in Karnataka by Centre for Rural Studies, Lal Bahadur Shastri National Academy of Administration, Mussoorie.

(weekly) was supposed to be taken by the RK. Further, monthly back-up was required to be taken on a CD, and copies kept at the TDC, in the locker-room at the sub-division and in the record room at Collectorates. However, it was seen that the guidelines were not being adhered completely. Also, no standard policy for restoring and checking backed up data had been prescribed. No licensed version of anti-virus software was found installed in the TDCs, making the system susceptible to virus attacks.

Since the database is being maintained on a single server, the risk of data loss was high given the potential that existed for unauthorized logical and physical access in all the data centres.

1.1.11 Financial management

1.1.11.1 Central Assistance

The scheme for computerisation of land records was fully financed by the GOI. Year wise details of funds released by the GOI and expenditure during 2004-09 have been tabulated below:

Table-1.6

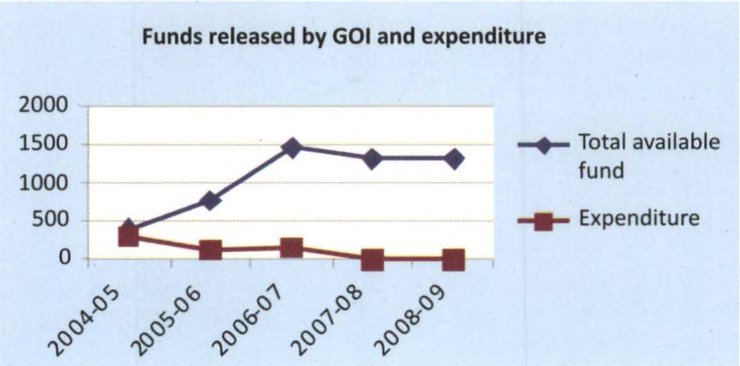
(Rupees in lakh)

Year	Opening balance	Amount released	Total available fund	Expenditure	Closing balance
2004-05	2.72	400.60	403.32	300.00	103.32
2005-06	103.32	653.44	756.76	115.00	641.76
2006-07	641.76	820.51	1462.27	153.82	1308.45
2007-08	1308.45	Nil	1308.45	8.15	1300.30
2008-09	1300.30	Nil	1300.30	Nil	1300.30
	Total	**1874.55**		**576.95**	

Source: Information collected from CRC, Dehradun

As is evident from the table above, the State Government was able to utilize only 30.78 *per cent* of the available central grants. A huge gap between availability and application of funds was a common feature of the financial performance achieved under the scheme across all the five years. This is shown in the chart below:

Chart: 1·3



Rs.12.08 crore, representing 93 *per cent* of the unspent balances, was provided by the GOI during 2005-07 for scanning and digitization of cadastral maps in two districts i.e. Almora and Pauri Garhwal which was not taken up. Additionally, a grant of Rs.6.35 crore[23], given for establishing the State Monitoring Cell, DDCs and TDCs could only be partially utilized, leaving an unspent amount of Rs.0.92 crore[24].

The huge unspent balances lying with the Government reflected its inability to use funds for achieving project objectives. However, the GOI permitted the State (June 2009) to utilize the unspent balances available with it, during the year.

On being pointed out, the CRC stated that the funds have been planned to be spent under reorganized NRLMP scheme.

1.1.11.2 Utilization certificates

As against the actual expenditure of Rs.576.97 lakh reported by the State Government under CLR, Utilization Certificates showing financial progress along with scheme outcomes were submitted only for Rs.334.82 lakh.

Despite, the serious concern raised (May 2009) by the GOI on the poor performance (only 18 *percent* progress as per UCs) of the scheme no effort was made to reconcile the difference between the actual and reported expenditure.

On being pointed out, it was stated that the figures will be reconciled to obviate the discrepancies and the status will soon be intimated to audit.

1.1.11.3 Purchase of 'Uttaranchal Information System' software

'Uttaranchal Information System' (UIS), intended for up-gradation of land records, was purchased (March 2006) at a total cost of Rs.40 lakh[25] for use in the CRC, 2 Divisional offices, 64 TDCs and 13 DDCs.

Out of the 11 TDCs and 5 DDCs, test checked during audit the said software was found to be installed in only 4 TDCs and 1 DDC. Besides, at none of the locations where the system was installed was it used for updating or upgrading land records.

A scrutiny of the UIS manual revealed that it is GIS enabled software which maps administrative boundaries within the state[26] and includes information on broad indicators of socio-economic development. The decision to purchase a copy of the UIS for each TDC and DDC was not prudent as the software captured information only on administrative segments while the effectiveness of CLR depended on individual land details needed for updating and upgrading land records.

[23] Rs.20 lakh for State monitoring Cell, Rs.110.50 lakh for DDCs and Rs.504 lakh for TDC.
[24] State Monitoring Cell (Rs.10.48 lakh), DDCs (Rs.20.42 lakh) and TDCs(Rs.61 lakh).
[25] @ Rs.50,000 per CD of UIS.
[26] State divisions, Districts, Tehsils, Sub-tehsils, Blocks, Kanoongo Circles, Patwari Circles, Nyaya panchayats, Gram sabhas and Revenue villages.

1.1.11.4 District Land Records Management and Maintenance Society

In accordance with the directions given (September 2005) by the State Government, a society under the chairmanship of the District Magistrate was to be constituted in every district. The society was made responsible for:

- Management of funds realized through issuance of RORs
- Operation and maintenance of the CLR scheme.

It was also required to get the accounts of the society audited annually; the report thereon was to be sent to the concerned Divisional Commissioner for onward submission to Chief Revenue Commissioner of the State.

District Societies were accordingly formed in all the 13 districts. Details of receipts and expenditure of the societies during 2006-09, are as under:

Table-1.7

(Rupees in lakh)

Name of District	Revenue generated	Expenditure	Balance
Almora	25.62	7.17	18.45
Bageshwar	14.77	4.12	10.65
Chamoli	12.48	5.33	7.15
Champawat	11.44	3.31	8.13
Dehradun	89.34	43.79	45.55
Haridwar	55.38	3.91	51.47
Nainital	61.28	19.83	41.45
Pauri Garhwal	22.49	8.90	13.59
Pithoragarh	19.45	6.86	12.59
Rudraprayag	10.22	1.40	8.82
Tehri Garhwal	30.67	13.67	17.00
Uttarkashi	22.99	9.19	13.80
U S Nagar	62.38	15.47	46.91
Total	**438.51**	**142.95**	**295.56**

Source: Information collected from CRC and test checked districts

Scrutiny of relevant records revealed that:

- In all the five sampled districts, despite sizeable receipts and expenditure of Rs.2.49 crore and Rs.0.79 crore respectively, the accounts of the societies were never audited.
- Basic records like cash book, stock register, agenda register etc. were not being maintained in any of the test checked districts.
- The amounts realized through issuance of RORs were required to be deposited in the Society's bank account on a weekly basis. Substantial delays ranging from 54 to 335 days were noticed in depositing the said amounts in five tehsils[27] out of the 11 test checked tehsils.
- Out of five districts societies test checked three societies kept their funds in savings bank accounts and earned an interest of Rs.4.57 lakh during the period 2006-08. The other two district societies i.e Pauri and Dehradun though holding significant receipts of Rs.1.12 crore, kept their funds in current bank accounts on which no interest was earned.

[27] Kichcha, Kashipur, Dharchula, Roorkee and Tyuni.

On being pointed out, the CRC stated that necessary instructions are being issued to field offices for proper maintenance of financial records of the society, for timely deposits of the receipts and for keeping the earned revenues in savings account.

1.1.12 Human Resource Management

1.1.12.1 Work load assessment

Being an e-governance project with public interface at grass root level, the success of the CLR project is critically dependent on timely and quality delivery of various services. The *Patwaris/ Lekhpals* have key responsibility for performance of several tasks such as maintenance of *khataunis*, *khasra* and *sazra* as also other records of the village. In the computerised set up they have responsibility for data entry of *khataunis* and distribution of authorized RORs. The RKs supervise the work of the patwaris and check village records and statistics. In the computerised system they discharge the role of administrators with specific responsibility for daily updation of mutation orders. The patwaris and the RKs are thus the two most crucial levels in the revenue department and their performance has a significant impact on the effectiveness of the CLR scheme.

The results of a work load analysis done in course of this performance review, in four tehsils, are tabulated below:

Table-1.8

Tehsil	No. of Villages	Total *Patwaris*	Villages per *Patwari*	Average RoRs per day
Dehradun	204	32	6.4	178
Haridwar	147	40	3.7	82
Roorkee	326	79	4.1	148
Pauri	830	57	14.5	13
Tehsil	**No. of Villages**	**Total RKs**	**Villages per RK for supervision**	**Average mutation orders per day**
Dehradun	204	02	102	11
Haridwar	147	03	49	5
Roorkee	326	03	109	38
Pauri	830	03	277	05

Source: Information collected from CRC and test checked tehsils

From the above it would be seen that the work load at the level of Patwaris was very high with a *patwari* on an average handling the work relating to four to fourteen villages. The discrepancies between computerised data and actual data, junk and blank entries, variation between different data tables are to an extent attributable to the excessive work load on the patwaris. The demand on patwaris is likely to grow exponentially in the future once work relating to second generation of computerizing land data would begin as this would require greater meticulousness and higher skills.

The table above also reveals the highly inadequate staff strength at the level of RKs. This has the effect of compromising the quality of supervision; the accuracy of updation of *khataunis* and the timeliness of feeding mutation orders and according authorization to the RoRs. An adverse consequence of the high work load on RKs is the fact that staff below the rank of RK and even private DEOs have unauthorized access to the 'System Management Module' which has serious repercussions for data confidentiality.

Two facility management staff[28] has been appointed for each district to provide technical support for the implementation of Tamil NILAM[29]

On being pointed out, the CRC stated that detailed an assessment of work load on these two levels will be carried out. Also, the option of hiring the services through outsourcing may be considered for the three districts of Dehradun, Haridwar and Udham Singh Nagar, where the work load is on the higher side as compared to the other districts.

1.1.12.2 Training

Operation of computer systems as part of the CLR project requires skilled manpower. This requirement specifically stems from the need to skillfully undertake computerised transactions and comply with the required security standards and policies. In order to equip existing personnel in the field with the requisite computer skills, 840 revenue functionaries of the Department (10 per tehsil) were given one- week training on the tools and technologies being used in the CLR project. It was seen that the scope of training both in terms of coverage and duration was highly inadequate. This limited training had the following adverse implications on the operation of the CLR project:

- Operation of the system in the field remained critically dependent on privately hired DEOs.
- Verification of data fed into the system could not be carried as the revenue officials lacked required technical competence.
- Computer operations did not meet several quality parameters and also suffered from delays.

In Tamil Nadu, basic training has been organized for all staff of revenue department of each taluk. Intensive training has been given to four officials per taluk to empower them as Key Resource Person (KRP)[30].

On being pointed out, the CRC replied that the matter will be taken up with NIC for imparting basic software training to all revenue officials in a phased manner.

1.1.13 Monitoring and evaluation

Non-functional State Monitoring Cell and District Data Centres

Funds amounting to Rs.130.50 lakh[31]were released (February 2006) by GOI for establishing a State Monitoring Cell and District Data Centres in all the 13 district headquarters with the specific objective of monitoring the physical and

[28] Privately hired persons with high technical competence.

[29] Evaluation of Computerisation of Land Records in TamilNadu by Centre for Rural Studies, Lal Bahadur Shastri National Academy of Administration, Mussoorie.

[30] Evaluation of Computerisation of Land Records in TamilNadu by Centre for Rural Studies, Lal Bahadur Shastri National Academy of Administration, Mussoorie.

[31] Rs.110.50 lakh for 13 DDCs @ Rs.8.50 lakh per DDC and Rs.20 lakh for State Monitoring Cell.

financial progress of CLR scheme. Further, hardware and software worth Rs.44.27 lakh[32] was also provided (May 2007) to these centres. However, the centres were found to be non-functional. The photographs below of DDCs in the five test checked districts reveal that despite having been provided with basic infrastructure and hardware these centres remained non-functional.

Picture 5: Non functional State Monitoring Cell at CRC, Dehradun

Picture 6: Non functional DDC, Haridwar

Picture 7 to 9: Non functional DDC at Pauri

On being pointed out, the Government stated that all efforts will be made to make the State Monitoring Cell and District Data Centres functional.

Review and Evaluation

Field inspections form an integral part of ensuring effective implementation of any scheme. However, the State Revenue Department did not prescribe any procedure or time table for undertaking such inspections. As a result only sporadic effort at reviewing and evaluating the implementation of CLR were in evidence.

In Haridwar the DM had drawn out (February 2008) a schedule for surprise field inspection of TDCs falling under his jurisdiction; but no records of the inspections were found during audit.

[32] Rs.9.52 lakh for State Monitoring Cell and Rs.34.75 lakh for 5 DDCs.

No independent evaluation of the implementation of CLR scheme was taken up by the Government at any level. In absence of this no feed back was available on the working of the project which was a major handicap in making plans for dealing with the problems being faced in project implementation and coping with future challenges. The CRC was found to confine itself to merely collecting data from all districts with no recorded evidence being available of any efforts to analyse the same.

TamilNadu Government has ensured periodic review of CLR; monthly review meetings are taken by Commissioner, Survey & Settlement. District Collectors also review the progress of the project in regular periodic meetings[33].

1.1.14 Impact of the Scheme

The CLR project in Uttarakhand has covered more than 78.21 lakh owners of rural land in 16,000 villages spread across 84 tehsils. Together they account for almost 13 lakh records of rights.

To assess the impact of the CLR project, 52 land holders were surveyed across 11 sampled tehsils. As the evaluation shows, computerisation has benefited farmers/land holders in several ways:

- All the persons who had obtained RORs opined that this system was less time consuming than the old manual system. In the manual system only 2 *per cent* applicants were able to get the RORs in time.
- 27 *per cent* of the respondents knew that the TDC has one touch screen computer kiosk at which they can view *khata* details, free of cost.
- All the respondents opined that the system of computerisation of land records had made things easier and records more accessible.
- 88 *per cent* of the respondents were satisfied with the accuracy of the computerised system. 12 *per cent* respondents found that computerised system was not accurate; most of the mistakes were due to wrong data entry.
- In the manual system, 84 *per cent* respondents obtained RORs by paying more than Rs.30. However, computerised RORs were obtained by all the respondents by paying the prescribed fee of Rs.15 (plus Rs.5 per sheet).
- 33 *per cent* of the respondents were of the opinion that the *khasra* needs to be computerised.

Besides the landholders, the State government has also benefited from the computerisation of land records as it has earned significant revenues from issuance of these records.

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[33]Evaluation of Computerisation of Land Records in Tamil Nadu by Centre for Rural Studies, Lal Bahadur Shastri National Academy of Administration, Mussoorie.

1.1.15 Conclusion

CLR was designed to promptly provide accurate information to landholders at nominal cost and to enable better use of collected data for meaningful analysis and intelligent decision making.

In Uttarakhand, the scheme has been partially successful as despite technical and man-power constraints, computerised copies of RORs are being distributed timely on demand. However, several concerns relating to implementation of the project still remain.

Non-ZA land which accounts for 52 *per cent* of the land in the state remains out of the coverage of computerisation. Likewise, computerisation of second generation of information relating to land records i.e *khasra* data and spatial data is yet to commence.

The implementation of the scheme at present suffers from several deficiencies such as delays in updating mutation orders; non-generation of new *khataunis* every six years in around 22 *per cent* of the cases; and discrepancies between manual and computerised data. This reflected adversely on the efficiency and accuracy of computer operations.

Though the response to the lone functional Touch Screen Computer Kiosk was found to be overwhelming, these kiosks provided in most other tehsils were idling for want of installation, repairs and proper connectivity.

The system documentation for the *Dev-bhoomi* software was inadequate. Input and access controls were also deficient. As a result both the system and data faced considerable with regard to their integrity, security and accuracy.

The department had been unable to properly and fully utilize funds provided by the GOI for the project. As a result, despite availability of substantial funds, there was no strategy for extending the scope of computerisation to capture several omitted textual data and spatial data related to land.

Though the department collected sizeable amounts through the distribution of computerised RORs, the district societies which had custody of these funds were able to spend only 33 *per cent* of the receipts. This was despite the fact that funds were badly needed for undertaking several operations and maintenance tasks. The district societies also did not maintain any books of accounts for recording financial transactions undertaken with these funds exposing the societies to the risk of fraud and embezzlement.

Field level functionaries of the Department *viz* patwaris and RKs were found to be overloaded with multiple responsibilities which adversely impacted on the quality of CLR project related work performed by them. The training given to them, in the use of computers and in software was found to be very limited and inadequate considering the tasks assigned to them under the project.

The mechanism for monitoring the implementation of the project across the state was almost defunct and no independent evaluation to obtain qualitative feed-back on the project had ever been undertaken.

Impact assessment however, showed a positive response from the users for the computerised land records system as compared to the manual system. People have derived several benefits in the form of easy and timely availability of record of rights. There is also a perception of greater transparency with the system becoming less susceptible to manipulation and delays. It is this positive perception of the project that contains the imperative for increasing the coverage and effectiveness of the project- an exercise that is now long overdue.

In the exit conference, it was stated that the audit observations have been taken seriously and as an important feed back to improve the present system.

1.1.16 Recommendations

- *The time schedule for updation of mutation orders and generation of new khataunis need to be firmly adhered.*
- *Regular quarterly updation of land record data on the internet needs to be ensured as only 25 per cent of tehsil records were found updated as of August 2009.*
- *Necessary steps may be initiated to get the TSCKs installed/repaired at all Tehsil Data Centres.*
- *A mechanism needs to be established for up gradation of hardware in view of technological advancements and also to take care of fresh requirements viz. higher storage capacities, new operating system etc.*
- *State Government may consider appointing permanent Key Resource Person to take care of technical aspects at TDCs.*
- *To avoid fraudulent use of computerised khataunis, the use of holograms should be made mandatory.*
- *Connectivity between TDCs, DDCs, State Monitoring Cell and NIC centres through SWAN needs to be established.*
- *Present system of security through password is prone to breach therefore it is necessary to provide security through biometric identification technology.*
- *Regular training programmes for all the revenue staff should be ensured.*
- *To gear up the monitoring mechanism, periodic review of the scheme by the Implementing authorities both at the state and district levels should be*

introduced. Also, the evaluation of the scheme may be entrusted to a reputed research organization for qualitative feed back.

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

- *At present, the computerisation of land records is restricted only to khataunis. The benefits of computerisation will become fully visible only after the computerisation of Khasra i.e. records of crops.*

- *It is also necessary to take up scanning of basic land records and digitization of cadastral maps/village maps in the next phase for making computerisation complete.*

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

During the final discussions in the Exit Conference, the recommendations given by audit were considered as an aid to the Executive. In the next phase of computerisation of land records in the form of NRLMP scheme, the recommendations will be given effect.

CHAPTER-II

AUDIT OF TRANSACTIONS

CHAPTER II

AUDIT OF TRANSACTIONS

Infructuous/wasteful expenditure and overpayment

PUBLIC WORKS DEPARTMENT

2.1 Excess expenditure

Arbitrary increase in machinery component rates resulted in an excess expenditure of Rs.26.53 lakh.

Plant & Machinery is deployed at all stages of road-construction for not only speedy completion but also for achieving the desired quality. Data book published by Indian Roads Congress (IRC) specifies the machinery component rates for standard outputs of bituminous macadam (BM) and semi dense bituminous concrete (SDBC). The basic rates mentioned in the data book are required to be enhanced periodically based on cost inflation index. This forms the basis for adoption of rates, featuring in the detailed estimate, for road works.

The Government accorded administrative and financial sanction of Rs.4.81 crore (November 2006) and Rs.2.41 crore (December 2006) for two works relating to improvement of riding quality over a length of 4 km and 1.7 km respectively in Haldwani-Kathgodam urban area of National Highway (NH)-87, Rampur-Nainital road. It also accorded administrative and financial sanction for Rs.4.69 crore (October 2006) for a work relating to general maintenance on Rudrapur-Nainital and Jeolikot-Khairna motor road.

Scrutiny of the records (March 2009) of the Executive Engineer (EE), National Highway Division, PWD, Haldwani revealed that the detailed estimates for the above mentioned works were based on an increase of machinery component rates by 75 *per cent* for plain regions and 75 + 33 *per cent* for hilly regions respectively. This was higher than the rate of enhancement in user charges of plant and machinery of 37.50 *per cent* approved (September 2006) by the Superintending Engineer, 24th Circle PWD, Dehradun.

Adoption of higher rates for machinery components for providing and laying of BM and SDBC layers led to the cost of the work being inflated which raised the floor level at which the bids were invited. As a result, the total cost of works upto which the payments have already been made to the contractors till March 2009 was escalated by Rs.26.53 lakh *(Appendix 2.1)*.

On being pointed out, EE accepted (June 2009) the facts and intimated that in future the estimates would be based on the machinery component rates prescribed in data-book with an addition of 37.5 *per cent* for plain regions and 37.5 + 33 *per cent* for hilly regions.

Thus the increase in rates was unjustified and irrational, resulting in an excess expenditure of Rs.26.53 lakh.

The matter was reported to the Government (July 2009); reply is awaited (November 2009).

2.2 Financial loss due to collapse of a bridge

Failure in ascertaining and ensuring the safety of foundation structure led to the collapse of bridge entailing a financial loss of Rs.4.46 crore besides depriving smooth transport through bye-pass route.

The State Government accorded (May 2001) revised[1] administrative and financial sanction of Rs.4.06 crore for the construction of a bridge over Gola river at Haldwani in district Nainital. The bridge with a life span of 100 years was to serve as bye-pass route connecting Kathgodam-Chorgaliya road to Almora-Bareilly road. The work was entrusted to Uttar Pradesh State Bridge Corporation (UPSBC) which completed the construction work (December 2003) at a cost of Rs.4.46 crore[2]. After completion, the bridge was handed over to Public Works Department (PWD) and opened for traffic (December 2003).

Scrutiny of the records (November 2008) of the Executive Engineer, Construction Division, PWD, Haldwani (Division) revealed that the bridge failed to withstand the heavy flow of water during the monsoon and collapsed (July 2008). A committee constituted (August 2008) under a retired Chief Engineer, PWD to investigate into the collapse, pointed out that excessive and indiscriminate mining was carried in the river-bed which resulted in a trench, eroding the pier foundations.

Damaged Bridge

Audit observed that a consultant[3] engaged by the department had recommended a raft foundation, safety structures and stone cladding around the piers to avoid the effects of swift river current and scouvering[4].

However, the compliance to safety measures recommended by the consultant was left by the department to the executing agency *viz.* UPSBC. The Division, while taking over the bridge from the UPSBC, did not obtain the drawings and design of the bridge; in absence of which, the safety of abutment and piers could not be established. Despite this, the bridge was opened for traffic without ensuring the adequacy of safety measures. It was only after this damage that the Division realized that the bridge was raised on open footing foundation

[1] Initial administrative and financial approval was granted in March 1993.
[2] Rs.251.35 lakh released by the Government of U.P. and Rs.194.18 lakh released by the Government of Uttarakhand.
[3] By M/s Cam Engineering Pvt. Ltd. Delhi.
[4] Piece of land being cut-off by the change of river course.

without any protection structures leaving the piers highly vulnerable to swift currents. Though the matter of excessive mining was raised by the Division with the district administration and the Divisional Forest Officer, clear breach of orders and directions regulating the extraction[5] was not taken up at the Government level. This left the serious issue unaddressed, threatening the very existence of the bridge.

On being pointed out (November 2008), the Division replied that mining activity quarry was under the control of Forest Department and that the enforcement of stipulation was their responsibility. With regard to protection works for safety of piers, it was replied that no immediate necessity was felt for erection of protection structures as the river bed level was high.

The reply is not convincing as the Division while taking over the bridge did not ascertain the safety of foundation structure and failed to take any remedial measures for protection of the piers. Moreover, the Department did not fix any responsibility for the untimely damage to the bridge entailing a financial loss of Rs.4.46 crore.

A fresh sanction for Rs.4.58 crore has been given (October 2008) for repair and reconstruction of damaged piers and deck slabs.

The matter was reported to the Government (May 2009); reply is awaited (November 2009).

2.3 Wasteful expenditure on sub-standard road work

Reconstruction of a road at a cost of Rs.1.36 crore without adopting proper overlay design coupled with poor execution and disregard to recommended corrective measures resulted in the road getting prematurely damaged within two months of construction.

The State Government sanctioned (February 2005) Rs.1.33 crore for reconstruction and improvement of the Bajpur-Janginala Motor Road in a length of six kilometers.

Scrutiny of records (May 2008) of the Executive Engineer (EE), Construction Division, PWD, Kashipur (Udham Singh Nagar) and further information collected (April 2009) revealed that the Technical Sanction (TS) accorded (February 2005) by the Superintending Engineer (SE) for the pavement design was not in conformity with India Road Congress (IRC) specifications.

IRC specifications governing strengthening of a road require that the crust design should be determined after taking into account the nature of soil, its moisture content and traffic density to ensure a design life of 10 to 15 years.

Though the detailed estimates contained provisions for overlay[6] thickness by laying Bituminous Macadam (BM) and Semi Dense Bituminous Concrete

[5] Issued by Government of Uttar Pradesh in 1990.

[6] Layer laid over the existing pavement for strengthening.

(SDBC) layers as corrective and surface courses, these were based on the visible deteriorated status of the road. No preparatory exercise relating to collection and collation of input data relating to moisture content traffic density etc. was carried out and the division embarked on reconstruction without any overlay design.

A site inspection (February 2006) by the SE, just two months after the completion (December 2005) of the work, found that cracks and depressions had developed on the road surface indicating poor quality of work. In response to this, some minor defects were rectified by the contractor and the division deducted a petty sum of Rs. 5,000 as penalty and paid the entire amount of Rs.1.36 crore to the contractor. After inspection of the rectifications carried out by the contractor, the Quality Controller, Nainital had further recommended (June 2006) the Division to take necessary corrective measures based on an assessment of the traffic volume density and make provision for adequate cross drainages etc. to check future damages to the road. However, no corrective measures as per the recommendations of the Quality Controller were taken by the Division and audit noticed that the road had got prematurely damaged.

On the above being pointed out, the division replied (April 2009) that the reconstruction work was done in accordance with specifications and the defects identified during site-inspection were rectified by the contractor at his cost. The reply is not acceptable as the rectifications carried by the contractor were short-lived as neither any corrective measures as recommended by the Quality Controller to check against future damages to the road after assessing traffic density were taken nor the provision for cross drainages was made by the Division. In the absence of these measures the road got prematurely damaged as is evident from the photographs below (April 2009).

Bajpur-Janginala road – At Km 3

Bajpur-Janginala road – At Km 4

The above shows that the division had undertaken reconstruction work without a proper overlay design. This combined with poor quality of work and subsequently ignoring the recommendations of the Quality Controller led to the reconstructed road getting prematurely damaged.

The matter was reported to the Government (July 2009); reply is awaited (November 2009).

2.4 Wasteful expenditure

Negligent execution of road works by splitting into an inordinately high number of agreements compromised the quality of works leading to their premature damage resulting in wasteful expenditure of Rs.5.15 crore.

Government sanctioned (March 2004) Rs.9.49 crore for strengthening and improvement of Sahiya-Kwanu (SK) road (in a length of 42.4 km) and Ichhadi-Kwanu-Meenus (IKM) road (in a length of 25.2 km) in Dehradun. Technical Sanction (TS) was accorded (August 2004) for Rs.7.62 crore by Chief Engineer, Garhwal Region.

Scrutiny (January 2009) of the records of Executive Engineer (EE), Temporary Division, PWD, Sahiya, Dehradun (Division) revealed that detailed estimate provided for:

- Hill-cutting and construction of breast-wall;
- Provision of 12 cm thick soling coat in marshy areas;
- Provision of two layers of Water Bound Macadam (WBM)) - inter coat (12 cm) and top coat (10 cm);
- Cross drainage measures including 14 causeways and laying of 340 RCC hume pipes and
- Laying of 20 mm thick layer of premix carpet (PC)[7] with seal coat.[8]

The division awarded the work to 68 contractors (during November 2004 to March 2006) through 43 agreements for SK road (42.4 km) and 25 agreements for IKM road (25.2 km.).

The agreements relating to SK road did not include the work of wearing course i.e. PC with seal coat. The work[9] of laying PC with seal coat was executed after a gap of seven months to 32 months from the date of laying top coat of water bound macadam (WBM).

Though agreements executed for the IKM Road included the work upto PC layer, it was laid in only 14 km of road-length through original agreements. For the remaining length, the PC work was executed through separate agreements, after a gap of nine months to 33 months from the date of completion of laying top coat in WBM.

Also, the road structures were found deficient in cross drainage measures as against the required number of 14 causeways and 340 hume pipes, only four causeways (28.5 *per cent*) and 15 hume pipes (4.41 *per cent*) were laid. The road works entailing a cost of Rs.5.15 crore were found badly damaged during physical

[7] This includes application of a thin layer of bitumen followed by a layer of stone chipping or coarse sand and then rolled; it prevents the removal of binding material from WBM surface.

[8] It is provided as a final coat over premixed carpet to develop skid resistant texture; it also improves the riding quality of the road.

[9] Except in a length of 4 km, wherein PC work was carried within two to three months.

premature damages. It was highlighted that due to excessive dust content in sub-grade (suggesting that sub-grade material was not washed before use) the binding between bitumen and sub-grade became ineffective, indicative of poor monitoring by the division during construction.

In reply to audit query regarding execution of work without proper crust design, the EE stated (April 2009) that the crust design was worked out and approved by the Superintending Engineer (SE).

The reply is not acceptable as the crust design for only Kashipur-Aliganj road was worked out, that too without considering the nature of soil, ground water table, submergence level of the area and traffic density.

Further information collected from the Division by Audit (March 2009) revealed that reconstruction of both the roads has been taken up afresh[10]. A comparison of crust design for both the stages also suggests that the earlier design lacked in soil stabilization and drainage works, with a much lower crust thickness[11], signifying that specifications were not followed diligently.

Thus, due to non-adherence to specifications compounded by poor monitoring during the execution, the roads reconstructed at a cost of Rs.1.61 crore were damaged within six months. Moreover, the Department showed little interest in fixing responsibility for the premature damage and resultant wasteful expenditure of public money.

The matter was reported to the Government (May 2009); reply is awaited (November 2009).

RURAL DEVELOPMENT DEPARTMENT

2.6 Wasteful expenditure

Flaws in project implementation, supervision in a rural roads project and abandoning the work by a private consultant led to the work being contracted out afresh rendering the works valued at Rs.1.02 crore futile, besides delaying the project by over five years.

Ministry of Rural Development, Government of India (GOI) accorded sanction (December 2001) for construction of Paithani-Bareth motor road of 14 kms length in district Pauri-Garhwal, connecting nine villages under Pradhan Mantri Gram Sadak Yojna (PMGSY).

The work was assigned (August 2002) to a private consultant, Uttaranchal Infrastructure Development Projects (UIDP), which had been selected as the Programme Implementation Agency (PIA) for PMGSY by the Rural Development Department of the State. As PIA, UIDP was responsible for

[10] Sanction for reconstruction of Jaspur-Thakurdwara road and Kashipur-Aliganj road has been accorded for Rs.181.65 lakh in September 2006 and for Rs.999.53 lakh in October 2008 respectively.

[11] 18.75 cms as against 52.70 cms.

carrying out detailed investigation, preparation of detailed design, cost estimate, detailed project report and supervision of construction activities for the work. UIDP awarded the construction work of the road (February 2003) to a contractor at Rs.2.45 crore with February 2004 as the target date for completion. The contract was, however, foreclosed (December 2005) without the road work being completed. Subsequently, the State PWD was given (September 2006) the responsibility of preparing fresh Detailed Project Report (DPR) for construction of the Paithani-Bareth road. Based on the fresh DPR, the State Rural Development Department approved (July 2007) construction of the road at a cost of Rs.4.18 crore.

Scrutiny of the records (May 2009) of the Executive Engineer (EE), Construction Division, PWD, Pauri-Garwhal and the Uttarakhand Rural Road Development Agency (URRDA) disclosed the following:

- The alignment of the road underwent change (December 2004) as the proposed width of the road could not be accomplished, indicating flawed investigation at feasibility stage.
- It was the responsibility of UIDP to arrange transfer of forest land and to obtain final clearance from GOI before initiating construction works. However, the construction of Paithani-Bareth road started in February 2003, much before the transfer of forest land. The required forest land was transferred in August 2004 and felling of trees could be completed only in March 2005. The procedural delay in the above case involved cost over-run, and consequentially, the contractor declined to complete the work at the agreed costs. Finally, the contract had to be foreclosed (December 2005) even though the work remained incomplete.
- Due to delays in execution of the original contract; the subsequent foreclosure of the contract; and time taken in taking up the work afresh, the cost of the project increased from Rs.2.45 crore to Rs.4.18 crore. The fresh estimate prepared by PWD was based on new alignment and had to take into account the cost of basic works of hill-cutting and protection works in the entire length of 14 kms as it was not done by the previous agency. Hence, the whole expenditure amounting to Rs.1.02 crore incurred till December 2005 on Paithani-Bareth road proved futile.

Thus, lapses in project implementation and supervision on the part of the PIA rendered Rs.1.02 crore spent under the foreclosed contract futile. Besides, it also contributed to cost escalation of almost 68 *per cent* and time over-run of five years for which nine villages remained deprived of the benefits of a motorable road.

The matter was reported to the Government (July 2009); reply is awaited (November 2009).

Undue favour to contractors/avoidable excess expenditure

UTTARAKHAND PEYJAL NIGAM

2.7 Extra expenditure

Non-adherence to tendering procedure resulted in additional liability of expenditure to the tune of Rs.52.77 lakh in laying of pipes.

With a view to provide drinking water facilities to the people of Pauri, Government of India accorded (October 2003) technical approval for 'Pauri Water Supply Augmentation Scheme from Nanghat Gadhera' at an estimated cost of Rs.43.57 crore under National Water Supply and Sanitation Programme (Urban). The scheme involved laying of 79.15 km pipe line.

Audit scrutiny (March 2009) of the records of Executive Engineer (EE), Construction Division, Uttarakhand Peya Jal Sansadhan Vikas Evam Nirman Nigam (Nigam), Pauri revealed that EE invited (September 2006) tenders (technical bid & financial bid) at an estimated cost of Rs.2.13 crore for laying, jointing of pipes and other allied works in 14.68 km from Nanghat (water source) to Molthadhar (junction reservoir) as part of the above mentioned scheme. In response, six tenders were received (September 2006).

Office Memorandum (January 2002) of Uttar Pradesh Jal Nigam applicable in Uttarakhand inter-alia provided that financial bids of tender value exceeding Rs.One crore shall be opened and approved by the Tender Evaluation Committee (TEC) headed by a nodal Chief Engineer, Uttarakhand Peya Jal Sansadhan Vikas Evam Nirman Nigam, Headquarters, Dehradun. The Regional Tender Evaluation Committee (RTEC) headed by a Regional Chief Engineer was only empowered to open and evaluate tenders valuing from Rs.40 lakh to Rs.One crore.

Audit scrutiny revealed that instead of sending the bids to TEC in terms of the aforesaid OM, technical bids were opened (September 2006) and subsequently evaluated (January 2007) by the RTEC headed by CE (Garhwal). The RTEC qualified two bidders and opened their financial bids in March 2007. These evaluated bids were sent to TEC including that of the shortlisted contractor (bid value: Rs.151.75 lakh) for approval. TEC rejected (May 2007) the proposal stating that evaluation of tenders exceeding Rs.One crore was made by RTEC in violation of OM concerned. The TEC instructed that retendering for the proposed work should be done and both the bids (technical and financial) should be sent to TEC for evaluation.

The work was retendered (June 2007) in which bids from the same two bidders including the earlier shortlisted contractor were received. The technical bids of both tenderers were opened (July 2007) again by RTEC despite instructions of TEC. However, financial bids of both tenders were submitted to TEC which approved the contract (August 2007) in favour of the same earlier shortlisted contractor at a cost of Rs.209.47 lakh. The work was awarded in September 2007 and was to be completed by September 2008[12].

Audit analysis of the scope of work incorporated in both the tenders revealed that despite instructions of TEC to retender the same work, some extra items (Rs.4.95 lakh) were included in the second tender. Audit also observed that as compared to the rate (Rs.151.75 lakh) offered by the shortlisted contractor in first tender invitation, the proposal accepted through second tender invitation was in his favour at a net cost of Rs.204.52 lakh[13] i.e. higher by Rs.52.77 lakh[14] (35 *per cent* hike). There was nothing on record to show that responsibility was fixed by the Nigam for non-adherence to tendering procedure during the process of first tender due to which the Nigam has to bear an extra liability of Rs.52.77 lakh. An expenditure of Rs.175.92 lakh with 70 *per cent* physical progress of laying of pipes was, however, incurred on the work till the date of audit (March 2009).

On this being pointed out in audit, the EE admitted (March 2009) that due to non adherence to the tender procedure in the first instance the work was put to retender which resulted in cost escalation.

Thus, non-adherence to tendering procedure resulted in an additional liability of expenditure to the tune of Rs.52.77 lakh on the same work to the Nigam. The Nigam remained indifferent towards fixing responsibility of the lapses of its own officials due to which it had to bear an extra liability.

The matter was reported to Government (July 2009); reply is awaited (November 2009).

PUBLIC WORKS DEPARTMENT

2.8 Unjustifiable expenditure

Inflated rate-analysis and superfluous use of bituminous macadam and semi dense bituminous concrete led to unjustifiable expenditure of Rs.2.68 crore.

The Government accorded (December 2006) administrative and financial sanction of Rs.23.88 crore for strengthening and improvement of three roads - Mussoorie-Chakrata Road (km14 to 27), Suvakholi-Thatyur Road (km one to 22) and Almas-Bhawan-Nagun Road (km 1 to 18). The work was awarded to a contractor[15] (December 2006) at Rs.19.74 crore with December 2008 as the targeted date of completion.

Scrutiny (May 2008) of the records of the Executive Engineer (EE), Temporary Division, Public Works Department (PWD), Thatyur (Tehri) and further information collected (March 2009) revealed following irregularities regarding

[12] Work completion date was extended from May 2008 to September 2008.

[13] Gross value: Rs.209.47 lakh (-) Rs.95 lakh = Rs.204.52 lakh.

[14] Rs.204.52 lakh (–) Rs.151.75 lakh = Rs.52.77 lakh.

[15] M/s RG Buildwell Engineers Ltd.

bituminous macadam (BM)[16] and semi dense bituminous concrete (SDBC)[17] works, carried for all three roads:

I. Analysis of rates contained in the detailed estimates revealed that job mix formula (indicating proportions and gradings of all ingredients) for BM and SDBC layers was formulated in conformity to the MORTH specifications. The density was kept as 2.20 tonne/cum[18] and 2.31 tonne/ cum[19] for BM and SDBC mix respectively.

Scrutiny of measurement book pertaining to the three roads revealed that the actual density of the mix used for BM and SDBC layers was 2.16 tonne/cum and 2.25 tonne/cum respectively, which was not in line with the specified job mix formula. The relatively low density of the mix indicated that either the contents of the mix (stone aggregates/bitumen) were of low grade or the compaction was not adequate, carrying an adverse impact on the riding quality and life expectancy of the roads. Thus undue benefit extended to the contractor by taking low density of BM and SDBC resulted in excess payment by raising the cost to Rs.31.36[20] lakh.

On being queried, the EE replied that the density was in accordance to the job mix formula, which was contrary to facts.

II. 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[21] for each of the layers as tack coat prepares the existing road surface for superimposition of BM/SDBC.

Scrutiny of running bills revealed that the BM and SDBC were laid in excess as compared to the area covered by tack coat leading to injudicious expenditure of Rs.2.36 crore[22] as tabulated below:

Table-2.8.1

(Rs in lakh)

Items	BM				SDBC			
	Required (in cum)	Laid (in cum)	Excess		Required (in cum)	Laid (in cum)	Excess	
Roads			Volume	Amount			Volume	Amount
Suvakholi-Thatyur	4173.47	4805.48	632.01	51.19	1814.55	2616.71	802.16	77.81
Mussoorie-Chakrata	3002.42	3275.17	272.75	22.09	1305.40	1511.65	206.25	20.00
Almas Bhawan Nagun	2565.22	3075.56	510.34	41.34	1282.61	1461.57	178.96	17.36
Total	**9741.11**	**11156.21**	**1415.10**	**114.62**	**4402.56**	**5589.93**	**1187.37**	**115.17**

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16 The work consists of construction of a layer of compacted crushed aggregates premixed with bituminous binder.

17 This work consists of construction in a single or multiple layers of semi-dense bituminous concrete on a previously prepared bituminous bound surface.

18 Taking output 205 cum (450 tonne).

19 Taking output 195 cum (450 tonne).

20 Including an increase of 2.8% (0.85 lakh) as per tendered cost.

21 This consists of application of a single coat of low viscosity liquid bituminous material.

22 Excess for BM Rs.114.62 lakh + excess for SDBC Rs.115.17 lakh + raise by 2.8% i.e. Rs.6.43 lakh as per bond (Total Rs.236.22 lakh).

On being pointed out, the EE replied that excess quantity of BM and SDBC was used for correction of undulations. The reply is not acceptable as SDBC being a wearing course is not meant for correcting undulations and the quantity of BM used was still higher after providing 15 *per cent* for correction of undulations and depression fillings (as per the detailed estimates).

Thus, the irregularities described above not only resulted in deviations from MORTH specifications but also caused an excess expenditure of Rs.2.68 crore.

The matter was reported to the Government (July 2009); reply is awaited (November 2009).

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

EDUCATION DEPARTMENT

2.9 Unfruitful expenditure

Apathy resulted in non-completion of construction of Inter College building since four years after its commencement even after incurring an expenditure of Rs.52.84 lakh.

The State Government accorded administrative and financial approval (February 2005) for the construction of main (non-residential) building at Government Inter College (GIC), Mehalchauri in district Chamoli at a cost of Rs.52.84 lakh.

Scrutiny of the records (October 2008) of the Finance and Accounts Officer (FAO), Chamoli and further information collected (February 2009) from District Education Officer (DEO), Chamoli revealed that the entire amount of Rs.52.84 lakh was released[23] to the executing agency, Uttar Pradesh Rajkiya Nirmaan Nigam, Srinagar (UPRNN). The work started in May 2005 without obtaining technical sanction and fixing the date of completion.

Subsequently, UPRNN submitted (September 2005) a revised estimate of Rs.105.67 lakh at the instance of the Principal, GIC, Mehalchauri which has not been approved. The two fold increase in the cost was justified on following grounds:

- Enhancement in plinth area from 457.59 sqm to 912.90 sqm ostensibly to accommodate 800 students of the college.
- Excess cost involved in site-development works.

The progress report submitted (January 2007) by the UPRNN showed 99 *per cent* physical progress for the construction work, however the physical verification carried out (March 2009) by audit team revealed the facts contrary to this claim.

[23] The funds were released in three installments: (i) Rs.10 lakh in February 2005 (ii) Rs.22.84 lakh in July 2005 and (iii) Rs.20 lakh in December 2005.

Incomplete building-GIC Mehalchauri

Condition of rooms

The work remains stalled as of date (April 2009). The incomplete building could not be put to use; the classes are being run either in old dilapidated building or in the open. On being pointed out, the DEO could not furnish any satisfactory justification for the need to revise the estimates as the present strength (2008-09) of the college was only 386 students indicating the DEO's apathy in not examining the basis for revision of the estimate before forwarding it for approval.

Thus, failure to drive the executing agency for getting the work completed in time resulted in unfruitful expenditure of Rs.52.84 lakh. The structure was lying incomplete and vulnerable to mishaps in view of open iron grids and cracks in the walls.

The matter was reported to the Government in May 2009. In its reply, the Government stated (October 2009) that work remained incomplete in absence of sanction of administrative approval of revised estimates. Further, Director, School Education has been instructed to complete the work in question as per present requirement of school. The fact remains that despite expending the entire sanctioned amount of Rs.52.84 lakh for the work during the four years, the Department has still (December 2009) not been able to provide the students with a building for running the college.

FOREST DEPARTMENT

2.10 Deficient management of a vital forest roads project

A project meant for strengthening forest roads failed to achieve its objectives of providing all weather roads in sensitive areas despite an expenditure of Rs.53.15 crore due to deficiencies in management and monitoring.

The State Government took up strengthening of forest roads under *'Project Mode'* in the year 2005-06 in *tarai*, *bhabar* and hill areas of six districts[24]. The project was planned in backdrop of insurgent activities, with the following features:

- To improve and convert *kuchcha* (fair-weather) forest motor roads into all-weather forest roads with the objectives of better patrolling, early

[24] Udham Singh Nagar, Haridwar, Nainital, Dehradun, Pauri and Champawat.

detection of any illegal activity and effective check on movement of anti-social elements from across the border.

- The total fund requirement was estimated at Rs.90 crore for strengthening of 824.75 km of forest roads in the sensitive areas of above six districts. Of this, an amount of Rs.53.24 crore was sanctioned by the Government in two installments[25].
- Engineering Projects (India) Limited (EPI)[26], New Delhi was appointed (July 2005) as the Project Manager based on the satisfactory past record[27] and the fact that State Public Works Department was not in a position to handle the road works under '*Project Mode*'.
- The Government entered (September 2005) into MOU with EPI. The services to be provided by EPI were clearly specified and this included – detailed survey for each road, preparation of detailed cost estimates & getting its approval from Technical Advisory Committee of Finance Department (TAC), to obtain clearances from Ministry of Environment & Forests (MOEF), GOI, execution through construction agency and inspection of work to ensure quality & timely completion.
- A Project Monitoring Committee (PMC) was set up (October 2005) under the Chairmanship of Additional Principal Conservator of Forests (APCF) to monitor the physical and financial progress of above project at field level in conformity with GOI guidelines and ensuring timely availability of funds for the project.

Scrutiny of the records (November 2008) of the Director, Rajaji National Park Dehradun (RNP) and further information collected form State Government and other concerned authorities (June- July-August 2009) revealed that 41 roads were selected on priority (October 2005) in the first phase. An amount of Rs.53.24 crore was provided to EPI for the purpose.

Road construction adopting Reinforced Cement Concrete (RCC) Beam method[28] was taken up (October 2005) on trial basis[29] and based on the recommendations of the Indian Institute of Technology, Roorkee (IIT) the beam method was proposed to be followed for renovation of forest roads situated in protected areas, whereas Water Bound Macadam (WBM)/ Cement Concrete (CC) method was to

[25] Rs.10 crore as first installment in September 2005 and Rs.43.24 crore as second installment in March 2006.

[26] A GOI enterprise under Ministry of Heavy Industries.

[27] EPI had worked as executing agency during Ardh-Kumbh and construction of residential complexes for Additional Secretaries.

[28] *Kuchcha* forest roads are generally made of soil and bajari which get eroded during rains; to enhance the life span of these roads, horizontal and vertical RCC beams are placed as frames around the *kuchcha* road to avoid them from getting washed away.

[29] For reconstructing of forest road in three kms of length falling under Motichur range.

be adopted for upgrading the forest roads in other forest lands after due approvals from GOI and National Board for Wild Life (NBWL)[30].

However, the technique adopted for renovating the roads falling under RNP and Corbett Tiger Reserve (CTR) were based on WBM and CC methods which involved extensive use of cement, iron grids and heavy machines carrying adverse impact on the rich bio-diversity and wild life habitats. Worse was the fact, that execution was started without taking prior permission from NBWL, flouting the GOI directions (September 2004) in this regard.

Even the inspections carried by Chief Wild Life Warden (CWLW) and Chief Conservator of Forest (CCF) in the protected areas revealed construction malpractices detrimental to wild life:

- Heavy civil construction in the form of six feet high parallel walls on either side of Ranipur –Mohand road in RNP (December 2006).
- In CTR, a detour was provided as an alternative path for vehicles, while the forest road was under strengthening. This involved cutting of local flora in a wide area (April 2007).
- Severe breaking up of the surface of forest land close to the roads (May 2007), causing disturbance to the wild life.
- Gangs of labourers were seen cooking their food over open fires (May 2007), extremely hazardous for the wildlife habitat.
- Continued presence of large number of labourers close to the streams, causing distress to wild animals during the lean season of water-availability (May 2007).
- Delays in completion of the roads, which hindered the fire management activities of the Forest Department (May 2007).

Furthermore, in terms of quality also the roads were found sub-standard on several counts – no bank protections were given, rounded aggregates were used in place of broken aggregates against the recommendations of IIT, inappropriate drainage measures; resultantly, more than 20 *per cent* of causeways failed to endure even the first monsoon.

Physical verification of RCC beam road by audit (September 2009) also disclosed construction defects and serious damage. In the same areas, however, traditionally built forest roads had survived the monsoon rains. Besides, roads parallel to the RCC beam roads were built using traditional methods to facilitate movement.

[30] NBWL was established through Wild Life (Amendment) Act 2002 with specific brief of duties including - to make recommendations on management of Protected Areas & on matters relating to restriction of activities in those areas and to carryout or cause to be carried out impact assessment of various projects and activities on wild life or its habitat.

Damaged forest road - Ranipur – Mohand road

Traditionally built forest road - Ranipur – Mohand road

A complete halt was imposed by Central Empowered Committee[31] (CEC) (May 2007) on the construction activities in the forest areas. The physical progress till such imposition was as below:

Table-2.10.1

Particulars	Number of roads	Estimated length (in km)	Estimated cost (Rs. in crore)	Completed length (in km)	Expenditure (Rs. in crore)
Permission to start the work not granted	03	45.97	14.94	0	0
Work stopped by CEC/CWLW	06	74.45	10.21	65.94	8.46
Incomplete works	15	164.54	49.75	55.17	20.92
Complete works	17	132.15	21.37	132.15	21.37
Total	**41**	**417.11**	**98.67***	**253.26**	**50.75**

** Including an expenditure of Rs.2.4 crore incurred on survey work.*

As evident from the table above, only 17 roads against the target of 41 were completed, with a success rate of 41.5 *per cent*, far behind the satisfactory status.

Therefore, despite an expenditure of Rs.53.15 crore[32] the project continues to be in a limbo while its objective of providing a stable all-weather road network in sensitive forest areas remains unachieved. Further, Audit investigation revealed that:

(i) Selection of Roads:

Selection of forest roads for the first phase was not done as per the directions of the Home Department (June 2005). Though the Police Department had pointed out (June 2005) only three sensitive roads[33] falling under the protected area,

[31] The CEC was constituted (September 2002) through a Gazette Notification in pursuance to Supreme Court's order; it's broad task is to monitor and ensure the compliance of the orders of the Supreme Court concerning the subject matter of forests and wildlife and other issues arising out of the said order.

[32] Includes an expenditure of Rs.2.4 crore on survey work.

[33] Three roads viz. Chilla-Mundal, Chilla-Rwasan and Kauria-Bidyasini falling under protected area of Rajaji National Park.

despite being in the project list, the said roads were not taken up in the first phase, while six other roads[34] were taken up for renovation in the same protected zone. Also a road was taken up flouting the order of Hon'ble Supreme court indicating crucial faults at planning stage.

(ii) Financial Planning and Management:

There was a huge variance between costs estimated at project approval stage and costs worked out at execution stage. The initial financial estimate for the project with coverage of 824.75 km of roads was Rs.90 crore at the project approval stage, but the approved detailed financial estimates for 41 roads covering 417 kilometers itself amounted to Rs.98.11 crore.

The MOU with EPI stipulated that the Department would release Rs.10 crore to EPI as initial deposit within 15 days of signing of the MOU. This initial deposit was to be recouped by the Department upon submission of expenditure statement and work progress report by EPI. It was seen that whereas an initial deposit was released in September 2005 as stipulated, a sum of Rs.43.24 crore was released to EPI in March 2006. The second release was irregular and violated the terms of the MOU as by March 2006 neither any expenditure was incurred by EPI on the project out of the initial deposit, nor a single work under the project had been approved by the Government. In fact the first lot of works was approved only in May 2006. Against the deposit of Rs.53.24 crore, EPI reported an expenditure of only Rs.19.70 crore by January 2007. It is thus evident that substantial funds were irregularly placed with EPI much in advance of requirement, without any security and at no charge leading to blockade of Government funds.

Later by December 2006, approvals for works given by the Government exceeded the funds provided to EPI and by February 2007 the total approvals accorded amounted to Rs.98.11 crore as against Rs.53.24 crore provided to EPI. No additional funds were, however, made available to EPI to cover the additional amounts sanctioned for the project, by the Government. EPI, however, stopped work on the project (July 2007) once funds available with it were exhausted. Consequently, work on 15 roads remains incomplete while work on one road could not be taken up at all, for want of funds. The expenditure incurred on incomplete roads was Rs.20.92 crore. Due to the stoppage of work these roads face a heightened risk of deterioration which will render the expenditure on the roads unproductive. Funds were not released despite requests made by EPI and the fact that Rs.79 crore and Rs.15 crore were provided in the grants of the department for the project in the financial year 2006-07 and 2007-08 respectively. These funds were not utilized and surrendered at the end of the year.

The financial management of the project was thus deficient, with fund releases being made in a haphazard and ad-hoc manner, without being aligned with the requirements of the project. This has caused the project to get stalled and has also

[34] Asharodi to Fandowala, Fandowala to Cherring Cross, Cherring Cross to Amsoth Beet, Amsoth Beet to Jhabrawals, Ranipur to Mohand and Kimsaur to Kaudiya.

increased the risk of expenditure of Rs.20.92 crore incurred on incomplete roads, being rendered wasteful.

(iii) Project Management:

Though EPI was mandated to obtain clearances from the MOEF, GOI it undertook several works without obtaining the requisite clearances. It also did not ensure that works being undertaken, especially in protected forest areas, complied with requirements of the Forest (Conservation) Act, 1980 and the Wildlife (Protection) Act, 1972 and directives of the Hon'ble Supreme Court.

Instead of restricting work only to those roads that it could complete with funds available to it, EPI started work on all projects forcing it to leave roads incomplete after having incurred substantial expenditure on these roads. This not only opened the project to risk of legal disputes but also made the incomplete roads susceptible to deterioration.

(iv) Project Coordination:

This project required the involvement of several agencies, various units and levels of the Forest Department and the Government. However, audit scrutiny revealed shortcomings in coordination between all these entities. Field level units of the Forest Department and regulatory agencies such as the State Chief Wildlife Warden (CWLW) were not consulted by EPI while framing DPRs and estimates. Consequently, impact on wild life could not be assessed before hand.

Communication channels between decision-makers and field officers of Forest Department were found to be choked. As such despite clarifying in a review meeting (January 2006) that the renovation works should be planned in an eco-friendly manner with no harm to local flora and fauna; field officers failed to carry out given directions during the execution phase.

(v) Project Monitoring:

EPI took up tasks such as tendering for works, award of contracts, measurement of work done and contract payments without any supervision by the department. Audit scrutiny revealed that EPI had adopted a system of tendering involving putting the tender notices on its website only, irrespective of the value of work. None of the agencies and units of the Forest Department-including park authorities- monitored compliance with conservation and wildlife protection norms by EPI which was allowed to initiate work without requisite approvals from NBWL and employ work methods involving use of heavy machines and eco-damaging practices until the CEC stepped in to stop work.

The Project Monitoring committee met infrequently and held only three review meetings during the duration of the project. There is no evidence of the committee critically analyzing project performance or undertaking periodical comprehensive field inspections and quality checks. The committee had specific responsibility for ensuring availability of funds for the project which it failed to achieve. Monitoring at higher levels was similarly weak with the Principal Chief Conservator of Forest (PCCF) and the Principal Secretary, Department of Forest reviewing the project only once each till date.

On this being pointed out in Audit (November 2008), Director of RNP replied (February 2009) that the RNP authorities were not consulted in preparation of DPR and that the work was done on the directions of Government. The reply is not acceptable as it is the prime responsibility of forest officials to object the adverse activities carried in the protected areas, which was not done. When queried (August 2009), the Forest Department, Government of Uttarakhand regarding above irregularities, the fact of not taking prior approvals from MOEF, GOI was accepted.

As of now, work is under halt; verification and evaluation of the works carried by EPI have been ordered (March 2009).

Thus critical flaws at the stage of road selection, weak financial management and deficiencies in project management, execution, coordination and monitoring, combined with gross violation of forest and environmental regulations has led to this important forest roads project remaining stalled for over two years with only 41.5 *per cent* of the roads being completed. Besides, 21 of the 41 roads which are in an incomplete state face a heightened risk of deterioration and damage which could render the expenditure of Rs.29.32 crore incurred on them unproductive. Thus, the objective of the project of providing a network of all weather roads in sensitive roads remains unattained despite an expenditure of Rs.53.15 crore.

The matter was reported to the Government (September 2009); reply is awaited (November 2009).

MEDICAL, HEALTH AND FAMILY WELFARE DEPARTMENT

2.11 Non-achievement of objective of providing emergency facilities to road accident victims

The trauma care unit, constructed at a cost of Rs.1.49 crore was non-functional in an area prone to road accidents; as a result, accident victims had to be referred to considerably distant places like Srinagar and Dehradun.

Government of India provided (March 2004) financial assistance of Rs.1.50 crore to Government of Uttarakhand for upgradation and strengthening of emergency facilities at District Hospital, Gopeshwar in district Chamoli under the Pilot Project meant for augmenting emergency facilities in Government hospitals located on national highways. The State Government released (September 2005) Rs.58.60 lakh for construction of 'Trauma care unit' (building)[35] and Rs.90 lakh (December 2005) for purchase of equipment to the Chief Medical Superintendent, District Hospital, Gopeshwar (CMS). The proposed trauma care unit was to give proper and timely medical treatment within the first hour of accident crucial in saving victim's life.

[35] Uttarakhand Peyjal Nigam was nominated as the executing agency.

Scrutiny of the records (March 2009) of CMS, revealed that the construction of the trauma care unit took more than three years against the stipulated one year. The delay was attributable to the inability of the department in handing over the site for the work and slow progress of work by the executing agency (Uttarakhand Peyjal Nigam). Contrary to the State Government directives (April 2005), no provision for fixing accountability of the executing agency for ensuring timely completion of work was made.

As per the conditions of the Central grant, the State Government was to provide specialist man power and supporting staff for the trauma centre. Audit noticed that, the proposal for creation of 23 posts[36] was awaiting approval from the Director General, Medical Health as of March 2009.

The trauma care unit also lacked in critical infrastructure for emergencies such as CAT scan to diagnose head injury, diagnostic laboratory and intensive care unit for critical victims. However, the procurement of equipment was still under process (July 2009). The two available ambulances for shifting patients were not equipped with life saving equipments. The control room and communication system to facilitate quick relay of information regarding accidents and other major emergencies was not established.

Non-functional Trauma Care Unit

Due to the apparent debilities, the trauma care unit could not be made functional; yet it was inaugurated (February 2009) by the Chief Minister for public use.

On being pointed out in Audit, CMS admitted (March 2009) that the trauma care unit could not be made operational and accident cases were being referred to Srinagar and Dehradun. Regarding deficiencies in basic infrastructure, it was stated that the Management Committee is making purchases to fill the gaps.

The reply reflects the lack of concern and urgency of the Department in providing timely medical facilities to save the lives of road accident victims.

Thus, delayed construction of trauma care unit without specialist care defeated the very purpose of providing immediate treatment to accident victims. As a result, 1072 accident victims had to be referred to Srinagar (four hours drive) and Dehradun (seven hours drive), putting them at high risk.

The matter was reported to the Government (May 2009). The Government accepted (July 2009) that the construction of trauma care unit was delayed and penal action was being taken against the executing agency. The proposal for creation of posts of specialists was pending and the installation of equipment in

[36] Neuro-Surgeon, 2; Orthopaedic-Surgeon, 2; Anesthetists, General Surgeon, 2; OT Technician, 15 Supporting staff.

ICU/ambulances and purchase of equipment for trauma care unit was still in process.

2.12 Unfruitful expenditure

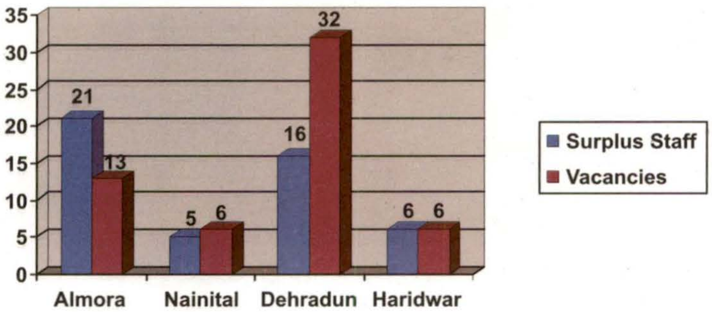
Failure to redeploy surplus staff following outsourcing of services, led to unfruitful expenditure of Rs.1.51 crore.

The State Government issued orders (December 2001 & August 2005) for outsourcing the work relating to sweeping, washing of clothes and cooking in certain big hospitals[37] of the State. The staff rendered surplus on account of outsourcing, were to be redeployed against vacancies in the respective districts.

Scrutiny (May 2008 & September 2008) of records of Chief Medical Superintendent (CMS), Female Hospital, Almora and Medical Superintendent (MS), Female Hospital, Haldwani (Nainital) and further information collected (May 2009) from six other hospitals[38] revealed that the above mentioned jobs in these hospitals were outsourced to private agencies from January 2002 at a cost of Rs.3.82 crore.

However, 48 employees[39] (as shown in chart below) who were rendered surplus on account of outsourcing in these hospitals could not be redeployed against vacancies available in the respective districts. An amount of Rs.1.51 crore was incurred on their pay and allowances up to March 2009.

Chart-2.12.1



On this being pointed out in audit, it was intimated (September 2008) that the matter regarding redeployment of surplus staff has been taken up with the Director General, Medical, Health & Family Welfare.

The reply indicates the lax approach of the Department in the matter of redeployment of surplus staff. No action was initiated to redeploy the staff in

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[37] 18 hospitals in 10 districts of the State

[38] In three districts of Almora, Dehradun and Haridwar

[39] Initially, it was 59 which has reduced to 48 as of July-August 2009.

those health facilities, which are in need of their services, even after a lapse of over three years.

Thus, partial implementation of the Government order on outsourcing has not only led to unfruitful expenditure of Rs.1.51 crore (*Appendix-2.2*) but also deprived other health facilities of the badly needed services of staff rendered surplus due to outsourcing.

The matter was reported to Government (August 2009); reply is awaited (November 2009).

UTTARAKHAND PEYJAL NIGAM

2.13 Non-achievement of objective of the scheme

Failure to plan and formulate specifications accurately and execution of work with altered specifications without the prior approval of the Government, led to Rs.5.35 crore remaining blocked for over three years and non-achievement of the objective of the sewage treatment and utilization scheme.

State Government accorded (March 2003) administrative and financial approval for Rs.5.37 crore and released[40] for 'Integrated Sewerage and Sewage Utilization Scheme for Irrigation Purposes' for Veer Chandra Singh Garhwali Horticulture College (College), Bharsar, Pauri (GB Pant University of Agriculture and Technology). The scheme included construction of sewer lines, pipe lines, irrigation channels, Sewage Treatment Plant and Facultative Stabilization Pond (STPFSP) and 25 Maturation Ponds/Impounding Reservoirs (MPs/IRs). Clause 5 of the Government approval provided that funds allocated for a particular item should not be diverted to other items of work. The work was entrusted to Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, Pauri (Nigam) with a scheduled completion date of December 2004.

Scrutiny (March 2009) of records of the Executive Engineer (EE), Construction Division, Nigam, Pauri (Division) revealed the following:

- For the construction of the two main components of the scheme (STPFSP and 25 MPs/IRs), the approved allocation was Rs.99.22 lakh and Rs.45 lakh respectively. However, an expenditure of Rs.2.15 crore had been incurred as of July 2009 on the construction of STPFSP and Rs.1.02 crore on the construction of 14 MPs (@ Rs.7.32 lakh each instead of Rs.1.80 lakh each). The excess expenditure was met by diversion of Rs.1.93 crore allocated for other items of work. Despite the diversion of funds, the work relating to these two items remained incomplete.
- In July 2004, the Division submitted a revised estimate (RE) of Rs.9.60 crore for the scheme which was yet (July 2009) to be sanctioned by the

[40] In 2003-04:Rs.322 lakh, 2004-05:Rs.175 lakh and 2005-06:Rs.40.03 lakh.

Government. Both the revision of costs and the substantial excess expenditure incurred on the two main components of the work were primarily due to belated changes made in the specifications by college authorities without approval of Government for construction of STPFSP and MPs/IRs, from structures with polysheet lining to reinforced cement concrete (RCC) structures. Due to these changes the estimated cost of construction of the STPFSP increased from Rs.99.22 lakh to Rs.4.27 crore (an increase of 330 *per cent*) and that of MPs/IRs increased from Rs.45 lakh to Rs.1.58 crore (an increase of 251 *per cent)*. The total estimate for the entire work also increased by 79 *per cent*.

- The Division exhausted the funds allocated for the scheme and had to stop work in June 2006. As a result, not only did the construction of the STPFSP and MPs/IRs remain incomplete, other items of work like laying of sewer lines, irrigation laterals and channels could also not be completed by the Division till date.

The prolonged cessation of work extending over three years has opened the scheme to the risks of further cost escalation and deterioration of works already undertaken. In addition, a sum of Rs.5.35 crore[41] expended on the scheme has remained blocked since 2006 with none of the intended benefits of the scheme flowing to the client.

On the above being pointed out in audit (March 2009), the EE stated that the change in specifications was made with the consent of the client.

The reply is not acceptable as execution of the work with changed specifications, without the prior approval of the Government was irregular as it involved considerable upward revision of costs. Further, diversion of funds to meet extra expenditure on two items of work from amount allocated to other items violated express conditions of the Government approval. The belated changes in specifications with considerable financial implication, is in itself a reflection of shortcomings on the part of both the client and the Division in planning the scheme.

Thus, failure to plan and formulate specifications accurately and in time and execution of the work with altered specifications without the prior approval of the Government, led to Rs.5.35 crore remaining blocked for over three years on an incomplete scheme for sewage treatment and utilization.

The matter was reported to the Government (August 2009); reply is awaited (November 2009).

[41] Sewer line: Rs.40.34 lakh, S.T.P.: Rs.215.51 lakh, Impounding Reservoir: Rs.102.41 lakh, Irrigation pipelines: Rs.19.41 lakh, Irrigation channels: Rs.12.91 lakh, B.F.G.: Rs.4.70 lakh, S.S.C:Rs.0.20 lakh, Centage on material: Rs.22.19 lakh, W.C.Establishment; Rs.0.52 lakh, Other consume material: Rs.57.66 lakh, Centage: Rs.59.48 lakh.

PUBLIC WORKS DEPARTMENT

2.14 Blocking of funds

Poor planning resulted in avoidable blocking of funds worth Rs.1.37 crore and denial of benefits to the local populace.

Director, Rehabilitation Directorate, Tehri Dam Project accorded (August 2006) administrative and financial sanction of Rs.4.69 crore for the construction of a pedestrian suspension bridge over river Bhilangna at Ghonti in district Tehri. The bridge was to provide transportation facility to the local populace of 30-40 villages, having a population of 30,000.

Scrutiny (May 2008) of the records of the Executive Engineer (EE), Construction Division, PWD, New Tehri revealed that in the past, on several occasions cited below, a demand for a Light Motor Vehicle (LMV)/Heavy Motor Vehicle (HMV) suspension bridge in place of a pedestrian suspension bridge had been made:

- In November 2005, the demand for HMV Bridge was raised before District Administration/Director, Rehabilitation, Tehri Dam Project, New Tehri.
- In December 2005, a demand was raised in the meeting of Executive Committee, Bhagirathi River Valley Development Authority, New Tehri.
- Again in April 2007, a demand for HMV Bridge was raised by local people before the Chief Minister and Irrigation Minister of the State.

Further, as the bridge was meant to connect areas, approachable by motor roads; it appeared illogical to have a pedestrian suspension bridge which could not have served the purpose of enabling movement of vehicles across the river.

However, despite being aware of the need for construction of a motorable bridge, construction of a pedestrian suspension bridge was undertaken by the Division. The work was awarded (September 2006) to a contractor at a cost of Rs.3.99 crore which was scheduled to be completed by February 2008.

Audit scrutiny further revealed that an amount of Rs.39.92 lakh was given as moblilisation advance (MA) and Rs.107.45 lakh was paid against supply of steel wire ropes in March 2007.

Subsequently during a visit of Additional Chief Secretary to the area (April 2007) the demand for construction of LMV suspension bridge was finally acceded too. By this time the work of hill side cutting and excavation for foundation had already commenced. Pursuant to this, a revised estimate for Rs.13.82 crore for construction of LMV suspension bridge at Ghonti was submitted (July 2007) to the Government. This was again revised upwards (September 2008) to Rs.19.89 crore following escalation of labour and material costs. Approval for the estimates is still awaited as of June 2009.

On this being pointed out (June 2009) by audit, the EE accepted the facts on laying WBM layer over existing bituminous surface and using SDBC as wearing course. Regarding, use of rounded river bed material, it was replied that the percentile of such material was less than 1 *per cent*, well within the permissible limits. The reply is factually wrong, as the test report of IIT Roorkee indicated the presence of 5-6 *per cent* rounded river bed aggregates in each layer, inadmissible for the construction of roads.

Thus, the division acted contrary to the approval accorded by the competent authority and against IRC specifications. Further the Division also overlooked the impermissible extra use of rounded river bed material by the contractor which was non-standard material. This caused the damaged to the road strengthened at a cost of Rs.4.28 crore. Besides, causing disruption to smooth movement of traffic.

The matter was reported to the Government (July 2009); reply is awaited (November 2009).

RURAL DEVELOPMENT DEPARTMENT

2.16 Non-achievement of project objectives

Failure on the part of the project authorities to mobilize institutional credit led to foreclosure of a special self employment project leaving it only partially complete; the sustainability of the project to the extent it was completed, is also undermined despite incurring an expenditure of Rs. 3.92 crore.

Government of India (GOI) sanctioned (April 2005) a special project under Swarna Jayanti Gram Swarojgar Yojna (SGSY) for creating self-employment opportunities for Rural Poor/SC/ST and BPL families through plantation of 'Jatropha'[47] in Uttarakhand. The total approved cost of the project was Rs.14.25 crore[48], against which GOI released Rs.2.36 crore (October 2005) and State Government Rs.0.79 crore (January 2006) to District Rural Development Agency, Almora (DRDA). The project involved undertaking Jatropha plantation on 4,280 hectare of degraded Van Panchayat and forest land within a period of three years. 2,250 families (*Swarojgaris*) were estimated to be directly provided self employment under the project. The State Government was required to furnish a letter of bank commitment for credit to GOI before release of funds as it was necessary to evolve a bankable model of jatropha plantation. From the 4th year onwards, the seeds were to be sold by the beneficiaries to a company for production of bio-diesel through Uttarkhand Van Vikas Nigam.

[47] Jatropha curcas is a perennial poisonous shrub which is an uncultivated non-food wild species. The seeds contain 27-40 *per cent* oil that can be processed to produce a high quality bio-diesel fuel, usable in a standard diesel engine.

[48] GOI: Rs.5.90 crore, State Government: Rs.1.97 crore, Bank Credit: Rs.4.24 crore and Beneficiary Contribution: Rs.2.14 crore in the form of labour only.

DRDA initiated (December 2005) the project by releasing Rs. Three crore to Uttaranchal Biofuel Board (UBB) without ensuring bank credit and beneficiary contribution and planted 71,07,500 plants (2,500 plants per hectare) on 2,843 hectare (66.42 *per cent* of the target) through 1,633 *swarojgaris* for the first year of the project at a cost of Rs.3.92 crore. Further no work was executed in subsequent years for want of funds and the State Government had already recommended foreclosure of the project (February 2009).

Scrutiny (February 2009) of the records of the Project Director, DRDA and other information and documents obtained from the UBB revealed the following:

- GOI released (October 2005) first installment of Rs.2.36 crore on the basis of intimation obtained from the two banks which contained no firm commitment to make bank credit available for the project. The State Government had not obtained the consent of *swarojgaris* for repayment of bank credit. So the banks had not given any commitment letter due to non assurance of guarantee or other collateral securities by the State Government.
- The survival rate of plantation was neither worked out nor verified by DFO/UBB/RDD[49]. During physical verification (November 2009) conducted by Audit team with the officials of Forest Department, the beneficiaries informed that the survival of plantation ranged between 'nil' to 40 *per cent.* Since no funds for maintenance of the plantation were made available, the probability of production of seeds from survived plants was very low. Further, beneficiaries confirmed that no contact was established with them about bank credit for maintenance of plantation under the project. Thus, objective to generate the income to *swarojgaris* was defeated due to non- production of seeds after lapse of three years of completion of the project.
- The UBB admitted that the *swarojgaris* were showing disinterest in maintaining the plants due to non-payment of their dues of Rs.12.10 lakh as funds were not being provided.
- Monitoring and evaluation activities could not be continued in the subsequent years due to non availability of funds.

On this being pointed out in audit, the Government merely forwarded a note received from the UBB (June 2009) and gave no comments. The UBB, however, accepted that plant protection and maintenance had not been undertaken as these were primarily to be funded through bank credit which could not be arranged. Due to paucity of funds, monitoring and evaluation activities were also discontinued from the second year.

Thus, the project authorities took up the project and released Rs. Three crore to the UBB, without tying up bank credit in advance. The project was abandoned without achieving the coverage targeted; even critical plant protection and

[49] Divisional Forest Officer, Uttaranchal Bio Fuel Board, Rural Development Department.

maintenance activities could not be ensured, despite incurring an expenditure of Rs.3.92 crore.

The matter was reported to the Government (September 2009); reply is awaited (November 2009).

TECHNICAL EDUCATION DEPARTMENT

2.17 Blocking of funds

Rs.47.25 lakh was blocked for four years due to inaction of college authorities, as a result the intended benefits of World Bank Project could not be availed of so far.

Under Technical Education Quality Improvement Programme (a World Bank Project launched in April 2004) various educational institutions and national engineering colleges were to be linked with computer networking. Kumaon Engineering College, Dwarahat, Almora (College) was selected as one of the networking institutions.

Scrutiny of records (April 2008) of the College revealed that the Principal of the College demanded (July 2004) Rs.40 lakh for campus wide networking alongwith Rs.30 lakh for purchase of Software from the State Government. Government sanctioned the fund in August 2004. The entire fund of Rs.70 lakh was drawn from the treasury in 2004-05 and was kept in the personal ledger account (PLA) by the Principal. Later on in August 2005, Rs.40 lakh was drawn from the PLA for the networking and purchase of software; out of which, only an expenditure of Rs.22.75 lakh was incurred on purchase of software and the balance amount of Rs.17.25 lakh is lying in the College account. The work relating to networking of the institution still remains to be taken up (April 2009).

On this being pointed out, the Registrar of the College intimated (April 2008) that although there was a dire need for networking in the College, the working plan could not be finalised due to the absence of a regular Principal. The reply is not acceptable, since two regular Principals chaired the post between the periods – March 2004 to March 2005 and July 2006 to July 2007, yet no concrete steps to prepare a working plan for networking the institution were taken and Rs.47.25 lakh drawn from Government account is lying idle since 2004-05.

Thus, due to lack of concern shown by the college authorities in networking the institution even after a lapse of five years deprived the students from the intended benefits of the project despite availability of adequate funds. Moreover, neither the department nor the Government fixed any responsibility for the inaction of the college authorities.

The matter was reported to the Government (May 2009); reply is awaited (November 2009).

Regularity issues and other points

FOREST DEPARTMENT

2.18 Threat to Wildlife

Threat to wildlife in the Rajaji National Park continued due to non-evacuation of 147 families belonging to a semi-nomadic tribe, despite arrangements for their rehabilitation involving land and other facilities valued at Rs.9.01 crore.

With a view to conserve flora and fauna and to preserve ecological balance, entry of and grazing by cattle in national parks is prohibited under Section 35 (6) and (7) of Wildlife (Protection) Act, 1972. Therefore, the State Government decided[50] to relocate families of a certain semi-nomadic tribe, inhabiting the area falling under the Rajaji National Park (RNP). Government of India (GOI) gave its consent (July 2000) for the rehabilitation of families belonging to the tribe, in the forest blocks of Pathari and Sabalgarh in district Haridwar.

1,390 families of the aforesaid tribe were identified for shifting outside the National Park area and rehabilitation in the aforesaid forest blocks. Out of these, 878 families were to be rehabilitated at Gindikhatta in Sabalgarh block (755 hectare) and 512 families in Pathari block (448 hectare)[51]. With the objective of conservation of forests and upgradation of economic and social status of these tribes, each family was to be provided with a land holding of two acres (8,200 sq metre[52]) along with basic community facilities in the rehabilitated colonies.

Scrutiny of records (March 2009) of Director, RNP revealed that status report (October 2008) on the rehabilitation plan showed successful rehabilitation of 1,297 families (512 in Pathari and 785 in Gindikhatta). Of the remaining 93 families, plots had also been allotted (February 2009) to 13 families.

However, it was found in audit that a total of 147 families (134 families in Chillawali and 13 families in Gohri ranges) despite taking hold of allotted plots in Gindikhatta, had not vacated the park area. As a result, during grazing, buffaloes belonging to these families, continued to cause damage to forest vegetation, causing enormous pressure on the forest resources. Besides, direct rehabilitation efforts made for these families, which had a financial implication of Rs.9.01

[50] After the creation of the Rajaji national Park in 1983 through amalgamation of Motichur and Chilla forests.

[51] The matter was also highlighted in the review on 'Management of National Parks & Sanctuaries', which appeared in the State Audit Report for the year 2005-06.

[52] 8000 sq metres for cultivation and 200 sq metres for housing.

crore[53] were going futile. The families that did not move constituted about 19 *per cent* of the families rehabilitated at Gindikhatta. The benefit from several community projects[54] with an outlay of Rs.6.48 crore, planned and executed by the Government at the rehabilitation site, was also not tapped by these families.

On the above being pointed out in audit, Director, RNP replied that the families from aforesaid tribe are being motivated to vacate the park area. However, the fact remains that 147 families, despite being rehabilitated at Gindikhatta have yet to vacate (June 2009) the restricted forest zone in defiance of the provisions of the Wildlife (Protection) Act, 1972 (May 2009). The damage to RNP's fragile ecosystem[55] and rich wildlife continued.

The matter was reported to the Government (July 2009); reply is awaited (November 2009).

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

At the end of March 2009, 3,720 IRs and 10,270 paragraphs issued during the period 1990-91 to 2008-09 were outstanding for settlement. The department-wise break-up of these outstanding IRs and paragraphs are given below:

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[53] Direct Cost components: (i) Land value 147x0.82 hectarex6.25 lakh=Rs.753.38 lakh (ii) Leveling cost 147x0.82 hectarex0.90 lakh= Rs.108.49 lakh (iii) Shifting charges 147x0.02 lakh= Rs.2.94 lakh (iv) Direct Expenses on erecting hand-pumps, construction of cattle shed and toilets 147x0.25 lakh=Rs.36.67 lakh.

[54] These included strengthening of 8 km long main road, construction of approach roads, toilets, cattle sheds, solar fencing, electrification, construction of Primary Health Centre, Veterinary hospital and Aanganwadi Kendra.

[55] The forest is home to approximately 23 species of mammals and 315 species of birds.

Table:2.19.1

Sl. No.	Name of Department	Number of IRs	Number of paragraphs	Period of pendency
1.	Agriculture	83	228	1996-97
2.	Education	111	390	1991-92
3.	Irrigation	323	668	1990-91
4.	Medical, Health & Family Welfare	186	672	1994-95
5.	Minor Irrigation	48	109	1992-93
6.	Police	23	108	1990-91
7.	Public Works	707	1,736	1990-91
8.	Rural Development	79	272	1997-98
9.	Rural Engineering Services	103	251	1990-91
10.	Social Welfare	54	243	1999-00
11.	State Autonomous Bodies	993	3,843	1990-91
12.	Others	1,010	1,750	1990-91
	Total	**3,720**	**10,270**	

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

INTEGRATED AUDIT OF GOVERNMENT DEPARTMENT

CHAPTER-III

RURAL ENGINEERING SERVICE DEPARTMENT

3.1 Integrated Audit Of Rural Engineering Service Department

The Rural Engineering Service (RES) Department is responsible for execution of deposit works in rural areas of the State for various departments of the Government.

An integrated audit of the RES Department for the period 2004-05 to 2008-09 revealed deficiencies in estimation, granting of technical sanctions, acceptance of bids and execution of works. Management of deposits and stores was not found in accordance with provisions of financial rules as there were instances of excess expenditure over deposits, non-recovery of advances, un-authorized retention of unspent balances, lapsed deposits and stock profit. Human resource management by the Department was also found poor as most of its executive and supervisory posts are being managed by nominating *Prabhari* from lower cadres; deployment of staff in the divisions was disproportionate and laid-down transfer policies were not adhered to. The main findings are highlighted below:

Highlights

- ***Department had no mechanism for centralised monitoring and effecting recoveries of outstanding advances, as advances amounting to Rs.49.67 lakh were outstanding for recovery, out of which Rs.21.70 lakh remained unrecovered for more than 10 years.***

[Paragraph: 3.1.7 (iii)]

- ***Responsibility of RES remains undefined in respect of number of client departments entrusting work resultantly, the department overburdened with a large number of works accumulating year after year.***

[Paragraph: 3.1.8.1]

- ***Sixteen works valued at Rs.14.05 crore were irregularly split into 50 parts by subordinate authorities to avoid approval of competent authorities indicating inadequate control by higher authorities.***

[Paragraph: 3.1.8.2]

- ***Contract management and execution of works was unsatisfactory with weak controls as there were instances of unjustified acceptance of bids, excess payment over agreed cost and arbitrary execution of works/deviation from sanctions.***

[Paragraph: 3.1.9]

- ***Despite instructions from Secretary RES, the Department is yet to completely switch over to vertical tendering process which envisages management of all material for work by the contractors.***

[Paragraph: 3.1.10.1]

- ***Stock profit (Rs.38 lakh) and unclaimed deposits for more than three years (Rs.98.35 lakh) remained to be credited to revenue account as required under financial rules.***

[Paragraph: 3.1.10.3 & 3.1.7 (ii)]

> ***The Department is running without regular Chief Engineer, Superintending Engineers and has a shortage of 28.57 per cent of Executive Engineers and 43.39 per cent of Assistant Engineers. The work of these posts was being managed by nominating 'Prabharies' from lower cadres.***

[Paragraph: 3.1.11.1]

3.1.1 Introduction

RES was established in July 1972 in Uttar Pradesh under Rural Development Department with a view to undertake and execute various departmental works in rural areas taking into account standard specifications and engineering aspects. Subsequently, it was created as a separate Department and continued to be so in Uttarakhand after the State reorganization in November 2000.

The RES Department has no scheme or project of its own; it undertakes assigned construction works of various Government departments viz. construction of buildings, link roads, small bridges and development of sites, etc, as 'Deposit Works'. The working of RES Department is similar to the working of the Public Works Department (PWD) and the various provisions / schedule of rates (SOR) meant for the PWD are applicable for the RES Department as well.

3.1.2 Organisational Set up

The RES Department is headed by a Secretary at Government level. Chief Engineer (CE) is the Head of the Department assisted by Superintending Engineers (SE), Garhwal and Kumaon Circles, respectively. Overall 13 divisional offices (one in each district) headed by an Executive Engineer (EE) are responsible for execution of all assigned works within their territorial jurisdiction.

3.1.3 Scope of Audit

Integrated audit of the RES Department was carried out between June and September 2009 through a test check of records of office of the CE, one SE (Garhwal Circle) out of the two, and six EEs out of 13, for the period 2004-05 to 2008-09.

During the course of audit, all 7 agreements of CE, 11 agreements of SEs (pertaining to sampled divisions), 50 *per cent* agreements of EEs and 25 *per cent* agreements of AEs were reviewed with reference to their progress, payments, time extension, security deposits etc. However, detailed analysis was carried out in 35 works depending upon materiality of the case with reference to their Technical Sanction (TS), SOR, Measurement books, running / final bills and other relevant records.

3.1.4 Audit Objectives

The audit objectives were to appraise the functioning of the RES and to assess:

- Whether the assigned works were in consonance with the capacities and resources commanded by RES.
- Whether estimation and sanction of works was carried in conformity with the applicable financial rules.

- Whether basic canons of financial propriety were adhered to and public resources were safeguarded during the stages from entering into contracts till project execution.
- Whether procurement and management of stores was as per laid down rules and in conformity to the principle of economy.
- Whether human resources available with the Department were being utilized optimally and deployed judiciously.
- Whether the Department had an effective mechanism of internal controls.

3.1.5 Audit Criteria

The performance of the Department was evaluated and benchmarked with the following audit criteria:

- Provisions of departmental Rules, Regulations and Manuals.
- Provisions of the Financial Hand Book (Volume –V & VI).
- PWD-SOR applicable in concerned district / area and estimates approved by designated authorities.
- Directives of client departments for deposit works.
- Inspection and monitoring mechanism prescribed in the Department.

3.1.6 Audit Methodology

Before commencing audit, the audit objective, criteria and scope were discussed (June 2009) with the Secretary and CE of the Department in an entry conference. Six divisions, three from each region (Dehradun, Haridwar, Pauri from Garhwal; and Almora, Nainital, Udham Singh Nagar (U S Nagar) from Kumaon) were selected through random sampling method: PPSWR (Probability Proportional to Size with Replacement) based on division-wise total expenditure for the year 2004-05 to 2008-09. The audit findings were also discussed (November, 2009) with the Joint Secretary, the CE and concerned EEs in an exit conference and views of the Department were suitably included in the report.

Audit findings

The results of the integrated audit are enumerated as follows:

3.1.7 Financial Management

The financial position of the Department for the period 2004-05 to 2008-09 was as under:

Table-3.1

(Rs. in crore)

Year	Opening Balance	Funds Received	Funds Available	Expenditure	Closing Balance
2004-05	17.60	40.58	58.18	40.10	18.08
2005-06	18.08	64.98	83.06	54.29	28.77
2006-07	28.77	115.30	144.07	89.27	54.80
2007-08	54.80	113.27	168.07	102.85	65.22
2008-09	65.22	156.26	221.48	129.57	91.91

Source: Departmental figures

The financial position of sampled divisions is given in *Appendix-3.1*.

Following deficiencies were noticed in the management of deposit funds:

(i) Paragraph 580 of the FHB[1] (Vol.-VI) provides that outlay on deposit works is required to be limited to the amount of deposit received. It was noticed in 49 works that an expenditure amounting to Rs.34.35 lakh[2] was incurred in excess of deposits received for these works by diversion of deposits relating to other works.

(ii) Paragraph 622 of the FHB (Vol.-VI) provides that unclaimed deposits for more than three completed years should be credited to revenue as lapsed deposits. Scrutiny revealed that none of the sampled divisions credited such unclaimed deposits amounting to Rs.98.35 lakh[3] to the revenue account during the year 2004-05 to 2008-09.

(iii) Paragraph 578 of the FHB (Vol.-VI) stipulates that transactions related to sale on credit, expenditure incurred on deposit works in excess of deposits received, losses, retrenchments, recoverable penalties and advances against employees etc are recorded as 'Miscellaneous P.W. Advances', which should be recovered by the divisional officer as soon as possible.

Scrutiny of records of the sampled divisions revealed that miscellaneous advances of 181 cases[4] amounting to Rs.49.67 lakh were outstanding for recovery as on date of audit out of which an amount of Rs.21.70 lakh pertaining to 118 cases were outstanding for more than 10 years which indicates that the divisional officers had a lackadaisical approach towards recovery of these outstanding advances.

(iv) Paragraph 634 of the FHB (Vol.-VI) stipulates that unexpended balances of completed works should be refunded to concerned departments by taking it as reduction in the deposits. Scrutiny revealed that unexpended balance of 27 completed works amounting to Rs.35.42 lakh (Almora: Rs.8.55 lakh of 12 works; and Nainital: Rs.26.87 lakh of 15 works) was not refunded to the concerned departments after completion of these works (between November 2006 and March 2008).

(v) Paragraph 514 of the FHB (Vol.-VI) stipulates that the account of deposit work should be closed as early as possible after completion / handing over of the work. Scrutiny revealed that, contrary to the provision, accounts of 114[5] works were kept open and expenditure amounting to Rs.1.87 crore was incurred after handing over of works to the concerned departments.

(vi) The EEs are responsible to recover the applicable Government revenues, viz. Income Tax, Royalty and Sales Tax from the contractors' bills at the prevailing rates. It was noticed in U S Nagar division that royalty on mineral-ores (viz. boulder, sand and earth) used for various construction works

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1 Financial Hand Book

2 Almora: Rs.2.76 lakh in 5 works; Nainital: Rs.12.06 lakh in 12 works; Pauri: Rs.18.57 lakh in 25 works; U S Nagar: Rs.0.96 lakh in 7 works.

3 Almora: Rs.2.95 lakh; Dehradun: Rs.3.24 lakh; Haridwar: Rs.8.15 lakh; Nainital: Rs.7.11 lakh; Pauri: Rs.51.37 lakh; and U S Nagar: Rs.25.53 lakh

4 Almora: Rs.10.24 lakh (4 cases); Dehradun: Rs.5.62 lakh (46 cases); Haridwar: Rs.0.83 lakh (3 cases); Nainital: Rs.11.44 lakh (79 cases); Pauri: Rs.12.64 lakh (39 cases); and U S Nagar: Rs.8.90 lakh (10 cases).

5 Almora: Rs.47.85 lakh (in 15 works); Dehradun: Rs.30.10 lakh (in 21 works); Haridwar: Rs.18.15 lakh (in 8 works); Nainital: Rs.48.31 lakh (in 12 works); Pauri: Rs.17.22 lakh (in 37 works); and U S Nagar: Rs.25.53 lakh (in 21 works).

by contractors was not recovered for entire period of audit (2004-05 to 2008-09) except royalty on earth of Rs.0.40 lakh which was started only from October 2008.

The EE stated (August 2009) that deduction of royalty on boulders and sand at applicable rates has also been started from July 2009.

(vii) The Government of Uttar Pradesh (at the time of re-organization of the State of Uttar Pradesh on 9th November 2000) had frozen all deposits under head of account '8443-Civil Deposits' for appropriate bifurcation of assets and liabilities between Uttar Pradesh and Uttarakhand. Scrutiny revealed that deposits amounting to Rs.2.79 crore of four[6] divisions (Almora: Rs.95.91 lakh; Dehradun: Rs.38.72 lakh; Nainital: Rs.47.44 lakh & Pauri: Rs.97.09 lakh) remained frozen in possession of the Government of Uttar Pradesh even after lapse of more than nine years.

The CE accepted the above points and assured (November 2009) that necessary initiatives are being taken to rectify all the irregularities pointed out by Audit.

In sum, the RES has no mechanism for centralized monitoring of excess expenditure and outstanding dues. The lackadaisical approach towards recovery of advances, excess expenditure and frozen funds indicates that financial management of the department was not satisfactory.

3.1.8 Status and estimation of works

Each work is undertaken by the RES on receipt of administrative and financial sanctions, site and funds for the work from client Department; however, the funds are provided in installments by client departments in most of the deposit works. The TS is granted by the designated authorities of the RES.

3.1.8.1 Physical position

Status of works in sample divisions was as under:

Table- 3.2

Name of divisions	Type of works			Total	Sanctioned Cost (Rs.in crore)	Completed works	Yet to be completed
	Buildings[7]	Roads[8]	Other[9]				
Almora	242	90	323	655	51.76	567	88
Dehradun	117	382	145	644	36.44	573	71
Haridwar	360	1275	401	2036	115.27	1851	185
Nainital	306	174	125	605	36.13	516	89
Pauri	210	355	388	953	46.41	780	173
U S Nagar	323	160	33	516	41.63	330	186
Total	**1558**	**2436**	**1415**	**5409**	**327.64**	**4617**	**792**

Year-wise details of assigned works

Year	2004-05	2005-06	2006-07	2007-08	2008-09
No. of works	669	978	1569	977	1216
Expenditure (Rs. in crore)	28.67	44.80	79.10	80.50	94.56

Source: *Data extracted from deposit registers of respective division*

6 Rest two sampled divisions (Haridwar and U S Nagar) were created after bifurcation.

7 Buildings includes: Construction of Govt. offices, schools, hospital, additional rooms and staff quarters.

8 Roads includes: Cement-Concrete, Bituminous, *Kharanja* and Pedestrian roads.

9 Others includes: Repairs / renovations of Govt. buildings and Temples, construction of small bridges & mini stadia and site- development works etc.

An analysis of the physical position of the sampled divisions revealed that

- RES divisions have large number of deposit works in hand and sites of these works are scattered in remote and hilly areas. It was found that there were no terms and conditions between RES and client departments regarding time bound execution of works. This, coupled with heavy workload and scattered nature of the works, has adversely affected the efficiency and timely execution of works resulting in yearly accumulation of deposits.
- Out of 792 works which were yet to be completed as on date of audit (between June and September, 2009), 61 works amounting to Rs.6.16 crore were un-started and no further expenditure was noticed in 44 works for past one year after incurring an expenditure of Rs.3.03 crore. Thus, the un-started and held-up works defeated the very objective of their deposits. Audit observed that the works were un-started due to non-availability of site and disputes thereon; whereas the held-up works were attributable mainly to non-availability of remaining instalments from the client departments.
- The responsibility regarding entrustment of works to the RES has not been defined by the Government in terms of workload and number of client departments. As such, the Department faced the brunt of uncertainty regarding the quantum of work.

The State Administrative Reforms Committee in its report to the Government (October 2007) has recommended that the works valuing less than Rs.2 lakh should be assigned to Panchayats instead of an agency like RES; Government approval is awaited.

The CE stated (September 2009) that the Department is burdened with heavy workload and a proposal for restructuring and formation of some new divisions has been sent (February 2009) to the Government, on which, decision is awaited. Timely execution of works could be ensured if the sanctioned funds are made available in time and the restructuring of the Department is approved by the Government.

3.1.8.2 Flaws in estimation and sanction

- **Inaccurate estimation of works**

The correctness of detailed estimates is to be measured by the extent of nominal variation between quantities estimated and actually executed. Any substantial variation between these quantities of work indicates that estimation was not done accurately.

The above aspect was analysed in audit through comparison between estimated / agreed cost and actual cost of work agreements of the sampled divisions. In 261 work agreements, audit found that there was overall 25.50 *per cent* variation between the costs which is indicative of inaccurate estimation. The details are given in *Appendix -3.2.*

The CE assured (November 2009) that the substantial variation in costs will be viewed seriously.

➢ Unjustified revision of TS

Government sanctioned (March 2006) Rs.32.09 lakh for construction of a Mini Stadium, Bhirgukhal (Yamkeshwar – Block), Pauri; the work was assigned to the EE, RES, Pauri. The work consisted of (i) Construction of Pavilion building at a cost of Rs.15.87 lakh, and (ii) Construction of Play Ground at a cost of Rs.14.28 lakh including miscellaneous expenses of Rs.1.94 lakh as per details of TS accorded (October 2006) by the EE, Pauri. The funds were made available to the division in two instalments[10] against which expenditure as on date was Rs.21.31 lakh (May 2009).

Audit noticed that on receipt of second instalment of the work, the division prepared and got sanctioned (June 2008) a fresh estimate only for construction of Play Ground costing Rs.32.09 lakh by excluding the provision relating to construction of Pavilion building. The hike in cost of play ground was mainly due to addition of 15 cms extra layer of earth filling, which was to be carted from Kotdwar valued at Rs.10.73[11] lakh. Ostensibly, the additional provision of earth filling was made for adjustment of funds relating to Pavilion building as there was no such provision for additional layer in two similar constructions of Mini Stadia under construction (Pavoan and Dudbodevi) for the same client Department.

The EE replied (June 2009) that the estimate was revised due to price escalation and as per direction of the client Department. The revision of TS was unjustified as the division had received no such direction from the client Department for revision of estimate and utilisation of funds relating to Pavilion, accordingly.

➢ Irregular estimation of cartage rate

It is mandatory for preparation of estimate / granting of TS for each work that distance for cartage of material is to be taken from the nearest approved quarry or market as the case may be.

Audit scrutiny of the following cases revealed that cartage rate for material upto the site was estimated irregularly:

(i) TS granted by the EE-Haridwar for construction of 4.24 km. Peetpur–Allavalpur road of Haridwar district provides that estimated rate of stone ballast was taken from Doiwala (Dehradun) quarry instead of nearest quarries at Bahadrabad, Haridwar. The cartage difference up to the site of the work from the two quarries was Rs.111 per cum and 2986.22 cum stone ballast was used for the work. This resulted in an extra expenditure of Rs.3.31 lakh on the work.

(ii) 0.5 km. mule cartage for material (grit, sand and cement) was allowed by the EE, Almora through TS for re-construction of two cement concrete Motor Roads despite the fact that *Kachcha* roads were available for transportation of the material through power[12] cartage, resulting in an excess expenditure of Rs.2.67 lakh.

[10] Rs.6.00 lakh in August 2006 and Rs.26.09 lakh in March 2008.
[11] The entire cost (Rs.894/cum) pertains to carriage of soil from Kotdwar to the site.
[12] Power cartage means, the material carted through a Truck or Motor.

The EE, Haridwar stated that cartage rates from Doiwala quarry was taken as the district administration had banned all quarries of district Haridwar at that time. The reply was not acceptable as the respective district authority of Haridwar had clarified (November 2009) that the quarry was banned only in the rainy season whereas the TS of the work was granted in February 2008.

- **Granting of irregular TS**

Paragraphs 321 and 369 of the FHB (Vol.-VI) provide that no officer may sanction any estimate for a work or a group of works which forms one project if the cost of all such works collectively exceeds his power of sanction. The financial limits for granting of TS by various designated authorities of RES are Rs.2 lakh for AE, Rs.40 lakh for EE, Rs.1 crore for SE; and full powers for CE.

Audit scrutiny of the sampled divisions revealed that TS for 7 works of CE's power (amounting to Rs.9.15 crore) were granted by subordinate authorities (SEs/EEs) in contravention to the above financial provisions through splitting of the works into 26 parts as per their suitability of financial limits. Similarly, 9 works of SE's power (valued at Rs.4.90 crore) were also splitted in 24 parts by EEs for granting of TS (details are given in *Appendix -3.3*). Thus, the TS were granted irregularly and approval of competent authorities avoided; which is indicative of inadequate supervisory controls.

In sum, large number and scattered nature of works as well as undefined responsibility of the RES due to the uncertainty in the number of client departments entrusting work to it, are adversely affecting the utilisation of funds and timely execution of works. Besides, cases relating to irregular and inaccurate estimation of works do not provide reasonable assurance about adequate mechanism in the Department for preparation/sanction of estimates.

3.1.9 Contract management and execution of works

RES executes all works through contractors which are selected through tendering. An agreement stipulating quantities of work to be done, agreed sum and the period for completion of the work is required to be prepared and signed between the authorized signatory of the department and the contractor.

Progress of work being executed by contractor is required to be constantly supervised and monitored by the technical staff of the division and each item is to be recorded in the measurement book. Payment to the contractors is made as per the item rate specified in the contract and quantity actually executed.

The deficiencies noticed relating to contract management and execution of works have been discussed as under:

3.1.9.1 Unjustified acceptance of bids

Although financial rules are silent about higher and lower ceiling for acceptance of tendered rate, financial prudence shows that tendered rate over estimated cost should not be accepted invariably at first instance to maintain transparency in dealing with public money. Further, any tendered rate over estimated cost for deposit work can not easily be accepted until and unless assurance to bear the liability of extra financial burden from the client department is received. Audit scrutiny revealed that bids for six[13] agreements amounting to Rs.11.13 crore were accepted over estimated cost in the first instance through negotiations with lowest bidders. Audit further noticed that bill of quantity (BOQ) amounting to Rs.1.14 crore of two works was reduced while signing the agreements to keep the tendered cost within limit of the financial sanctions. The details are as under:

Table- 3.3

(Rs. in lakh)

Agreement No.	Cost of Agreement	Estimated cost / BOQ as per TS	Estimated cost of agreed BOQ	Value of left BOQs	Tendered rate over estimated cost (in percentage)
06/CE/05-06	219.29	201.98	201.98	-	Above 8.57
07/CE/05-06	206.68	248.77	177.48	71.29	Above 16.45
08/CE/05-06	130.06	115.98	115.98	-	Above 12.14
01/CE/06-07	225.51	259.41	216.40	43.01	Above 4.21
02/CE/06-07	114.58	112.82	112.82	-	Above 1.56
03/CE/06-07	217.05	206.73	206.73	-	Above 4.99
Total	**1113.17**	**1145.69**	**1031.39**	**114.30**	

Source: Agreements of the CE.

The acceptance of higher bids in the first instance was unjustified as funds were provided by client departments in accordance with estimated cost and their assurance for bearing extra burden was essential.

The CE replied that the bids on negotiation were accepted to avoid further delay of re-tendering. The reply was not convincing as process of retendering was to be exercised at least once to observe the principle of economy and transparency in dealing with public funds.

3.1.9.2 Irregular selection of contract and execution of work beyond sanction

Records relating to construction of Sports Stadium, Kotdwar of Pauri Division showed that the work was awarded to the third lowest contractor at a cost Rs.55.12 lakh; whereas, first lowest bid for the work was Rs.48.30 lakh (12.38 *per cent* lower than third bidder). The justification recorded for not awarding the contract to the first and second bidders was that the progress and quality of some other works in progress of these contractors was not satisfactory.

Audit scrutiny revealed that awarding of contract to the third lowest bidder was irregular because the division had neither imposed any penalty for works being carried out by the first and second bidders, for which the justification was recorded, nor the contractors were blacklisted. Moreover, sub-work amounting to Rs.7.05 lakh of the same work was awarded to the same

[13] Out of total seven agreements executed by the CE during the period 2004-05 to 2008-09.

contractor whose second lowest bid was rejected earlier. Thus, awarding of contract to the third lowest bidder was irregular and expenditure of Rs.12.35 lakh on this work could have been avoided had the contract been awarded to the first lowest bidder as the value of work done against this agreement was Rs.99.78 lakh[14].

Further analysis of records revealed that 2050.50 cum good earth (mixed with clay and sand) was required to be supplied and laid (12 cm. thick) at a cost of Rs.8.49 lakh[15] for the Stadium (Hockey and Sports grounds) as per agreement and TS of the work. But 8971.68[16] cum earth work was supplied and laid (up to 55 cm. thick) against this item of work at a cost of Rs.37.14 lakh without obtaining any revised sanction or variations from the competent authority (SE). The value of total work done had already exceeded over total sanctioned cost (Rs.101.40 lakh) of the work by Rs.16.50 lakh and payment for aforesaid item of work for 5644.81 cum (Rs.23.37 lakh)[17] was pending as of May 2009. Thus, the execution of work amounting to Rs.28.65 lakh beyond sanctions was irregular.

The EE-Pauri assured that work done by the contractor will be re-measured once again and final payment will be made accordingly.

3.1.9.3 Unjustified execution of works

Scrutiny of the following cases revealed that execution of works and quantities recorded in measurement books (MB) was not found justified in accordance with provisions of TS and scope of work:

Re-construction of 430 metres [18] internal roads of Rudrapur Industrial Estate, U S Nagar was to be carried out in 3.60 meter width and 1,548 Sqm area (430 x 3.60) of the roads. Audit scrutiny revealed that there was huge variation in sanctioned quantities and actual execution of the roads as per details given below:

Table- 3.4

Sl. No	Item of work	Quantity[19] as per TS	Quantity as per execution	Difference in quantity	Cost of work done (Rs.)	
					Unit Rate	Amount
1	Scraping	774.00 sqm.	648.00 sqm.	(-)126.00 sqm.	9.50	6,156.00
2	Inter Coat	160.99 cum.	121.62 cum.	(-) 39.37 cum.	862.80	1,04,933.73
3	Top Coat	157.89 cum .	177.86 cum.	19.97 cum.	866.80	1,54,169.00
4	BM-1	1548 sqm.	1900.50 sqm.	352.50 sqm.	35.00	66,517.50
5	PC (BM)	1548 sqm.	1900.50 sqm.	352.50 sqm.	43.60	82,861.80
6	Seal Coat	1548 sqm..	1900.50 sqm.	352.50 sqm.	16.00	30,408.00
7	Cost of Bitumen	1548 sqm.	1900.50 sqm.	352.50 sqm.	129.25	2,45,639.62
					Total	**6,90,685.65**

Source: Data extracted from the divisional records.

[14] As on date of audit (June 2009).
[15] As per tendered rate of Rs.414 per cum.
[16] The layer was laid 55 Cm. (thick) in Hokey Ground and 14 Cm in Sports Ground as per MB No-107(L).
[17] Payment was made to the contractor only for 3326.87 cum. by the division.
[18] Respectively: 130, 200 & 100 metres in length.
[19] For full road length of 430 metre.

Apart from the deviation in quantities sanctioned and actually executed, the minimum quantities for inter coat and top coat of 1900.5 sqm area of the road was required to be laid 228.06 cum and 190.05 cum, respectively. But the details of above table shows that the quantity for inter and top coats was laid 121.62 cum and 177.86 cum only.

Thus, the inter and top coats were laid in lesser portion; whereas, the bituminous work were carried out in more than total area of the proposed roads which shows that the data recorded in measurement book was itself contradictory and doubtful.

3.1.9.4 Sub-standard and incomplete execution of works

(i) Analysis of work relating to construction of two roads (600 and 540 meters respectively) of U.S. Nagar division for 46th Battalion, PAC, Rudrapur revealed that the work was carried out only in 809 metres against sanctioned length of 1140 metres, as per details given below:

Table- 3.5

Item of Work	Required execution as per TS			Work executed			
	Area (sqm.)	H/D in Cm. (loose)	Quantity (cum.)	Area (sqm.)	H/D in Cm. (loose)	Quantity (cum.)	Cost (Rs.)
Soling Coat	5082	15	762.30	3723.07	13.70	510.35	4,28,898
Inter Coat	5082	12	609.84	3723.07	10	371.58	3,20,599
Top Coat	5082	10	508.20	3723.07	10	370.46	3,21,115
Premixed Carpet	5082	As per sqm.		3723.07	As per sqm.		3,52,575
Seal Coat	5052	-do-		3723.07	-do-		1,39,987
						Total	**15,63,174**

Source: Data extracted from the divisional records

Above details show that the execution of road work was not only incomplete but it also was substandard as the desired thickness of the soling and inter coats were not laid as per TS. It was also found that Rs.7.52 lakh pertaining to this work was spent on other items[20] of work which were not part of the sanction.

The EE did not respond to the low thickness of soling and inter coats of the road but it was mentioned that expenditure was incurred as per requirement of client department / direction of the Commandant, PAC, Rudrapur. The reply was not acceptable as the quality of road work was compromised in lieu of other requirement of client Department.

(ii) TS (Rs.29.85 lakh) for construction of Mini Stadium at Shankarpur village (Sahaspur Block), Dehradun provided that the stadium ground was to be prepared with 15 cm. thick layer of screened earth (mixed with clay and sand)[21] in total area of 4900 sqm.

Analysis of the work revealed that only 2.05 cum screened earth (mixed with clay and sand) was laid against 735 cum required quantity for the proposed layer; which means the upper layer of ground was left unfinished. However, the work was shown completed (February 2007) and handed over with full utilisation of funds.

[20] Wire fencing, brick and cement concrete works.

[21] After filling and leveling of 859.46 cum earth managed locally.

A physical verification of the site by the audit team (July 2009) noticed that the ground was not being utilized by the local public as: (i) the ground was covered with shrubs; (ii) levelling of ground was inadequate, mixed with stones; and (iii) electric line is passing over the ground having an electric pole in middle of the ground as is evident from the photograph.

Thus, the incomplete work was handed over by the division which rendered the expenditure unfruitful as condition of the ground did not appear to be usable.

The Division replied that the condition of the ground was in order at the time of handing over the work which, however, was misleading and contrary to the facts.

3.1.9.5 Excess payment over agreed cost

Fundamental meaning of any valid contract is that both the parties (Contractor and Department) are legally bound to execute the work on the rates which was mentioned in the agreemented documents.

Audit scrutiny of 11 agreements of the EE, Nainital pertaining to three[22] road works at Bindukhatta, Haldwani revealed that an amount of Rs.20.14[23] lakh was paid to contractors in excess of agreed rates as per details given below:

Table- 3.6

Particulars	Item of work (stone ballast)		
	Soling Coat	Inter Coat	Top Coat
Sanctioned (TS) and agreed rate	Rs.600 / cum.	Rs.634 / cum.	Rs.641 / cum.
Payment rate	Rs.773 / cum.	Rs.798 / cum.	Rs.798 / cum.
Excess rate paid	Rs.173 / cum.	Rs.164 / cum.	Rs.157 / cum.
Total work done	5202.83 cum.	3796.03 cum.	3128.61 cum.
Excess payment	Rs.9,00,089.59	Rs.6,22,548.92	Rs.4,91,191.77

Source: Data extracted from the divisional records

According to the division, the higher rates for the soling, inter and top coats were allowed for crusher stone ballast in place of approved rate / stone ballast from Gola River quarry because material supply from this quarry was banned by the Forest Department during construction period of the roads. The justification of division was not acceptable in audit as there was no provision for revision of rates in the agreement documents; hence, the contractors were legally bound to execute the work on tendered rates. The division had an alternative of granting of time extension to the contractors for the banned

[22] **(i)** Chitrakut Tewari Marg, **(ii)** Khairani-Vikaspuri and Trolly line Marg, **(iii)** Dr. Shushila Tewari Marg.

[23] Rs.20.14 lakh (Rs.9,00,089.59 + Rs.6,22,548.92 + Rs.4,91,191.77).

period instead of allowing of higher rates which was not opted. Moreover, a certificate of Forest Department showed that the Gola River quarry was open during execution of these road works (between October 2006 and April 2007).

In short, the contract management and execution of works in the Department lacked adequacy and sufficiency of desired controls. The cases relating to excess payment over agreed cost and acceptance of unjustified bids indicates that interest of Government money was not being secured by the departmental executives. The deviation from sanctions and arbitrary execution of works by contractors represents insufficiency of supervision by the departmental officials.

3.1.10 Management of Stores

The deficiencies relating to management of stores are as under:

3.1.10.1 Non-adoption of vertical tendering process

Secretary, RES had issued an instruction (July 2003) for adoption of vertical tendering process in the Department but audit scrutiny revealed that five out of six test checked divisions (except Haridwar division) had still not adopted the vertical tendering process; thus, depriving the Department from the following benefits:

- Presently the Department is required to provide material to contractors at rate as per *Schedule*[24]*-'C'* of work agreements without considering future escalations in the cost of materials; whereas in vertical tendering process the price hike is to be borne by the contractor. This was to help the Department for ensuring timely execution of work by the contractor as price escalation in the material would affect the contractor directly.
- The Department will not have to deploy its own resources for purchase and the maintenance of the stores.

State PWD is working with vertical tendering process since May 2002, under which all the required material for work is to be managed by the contractors themselves.

3.1.10.2 Procurement of stock without tender

Provision of the State Store Purchase Rules stipulates that all items shall be purchased by inviting tenders unless value of order to be placed is small.

Scrutiny of five sampled store divisions revealed that store material (cement and steel) for the period 2004-05 to 2008-09 were purchased in bulk on quotation basis instead of inviting tenders, which was contrary to the above provisions. The EEs assured that the future store purchases will be made by inviting the tenders.

3.1.10.3 Profits on Stock

Paragraph 217-A of the FHB (Vol.-VI) provides that profit accruing on stock at the end of each year should be credited to revenue.

[24] List of items and rates of the material to be issued to the contractor.

Audit scrutiny revealed that none of the divisions had credited profit on stock to revenue during the period 2004-05 to 2008-09. At the end of year 2008-09, there was unaccounted profit on stock amounting to Rs.38 lakh[25] in four sampled divisions as per stock closing of March 2009. However, Almora division did not work out the details of profit or loss on stock for the period of report. It was also noticed during audit of the EE, U S Nagar that the division had obtained an approval from the SE, Kumaon for utilisation of stock profit of Rs.3.58 lakh for construction of sub-divisional godown at Kashipur which was in violation to the financial rules as profit of stock can not be utilised for creation of assets.

3.1.10.4 Avoidable expendi'ure on transportation of Cement

Provision of PWD-SOR provides that the cartage rate of cement for procurement of store is allowed from nearest Railhead only.

Scrutiny of records of the EE, Pauri revealed that 36279 bags of cement were procured by the division for Kotdwar store from Rishikesh railhead (120 km. away) during the period 2004-05 to 2008-09 by providing cartage of Rs.28 per bag despite the fact that Kotdwar is a rail-head town. This resulted into an avoidable expenditure of Rs.10.16 lakh.

The EE replied that the cement was procured from Rishikesh because the Cement Corporation of India's (CCI) dump is not available at Kotdwar. Reply was not acceptable as the division was not bound to purchase the cement of a particular brand while so many reputed brands are available in the market and the act of division was contrary to provision of SOR.

In sum, management of stock was not required since the vertical tendering process is applicable to the Department. However, if it was desirable, full adherence to the financial rules was to be ensured.

3.1.11 Human Resource Management

Human resource management necessitates that appropriate and transparent policies are framed and adhered to, for proper functioning of an organisation and achieving its goals. The following paragraphs examine adequacy of such management in the RES:

3.1.11.1 Staff management

The staff position of the Department was as under:

Table-3.7

Name of the Post	Sanctioned Strength	Filled-up Posts	Vacant Posts
Chief Engineer (CE)	01	-	01
Superintending Engineer (SE)	02	-	02
Executive Engineers (EE)	14	10[26]	04
Assistant Engineers (AE)	53	30	23
Junior Engineers (JE)	217	232	(Excess 15)
Other Group-C Staff	193	175	18

Source: *Information provided by the CE*

[25] Dehradun: Rs.2.72 lakh; Nainital: Rs.24.02 lakh; Pauri: Rs.7.68 lakh and U S Nagar: Rs.3.58 lakh.

[26] One is on deputation.

Evidently the Department is running without regular CE, SEs and has a shortage of EEs (28.57 *per cent*) and AEs (43.39 *per cent*), which are vital posts for any Engineering Department. However, there are excess filled-up posts in the JEs cadre over sanctioned strength but the Department is deprived of their services since October 2005 as 17 JEs had been sent on deputation (after their appointments[27]) to Public Works Department due to non-availability of vacant post in the RES Department.

Audit observed that the posts of CE, SEs and EEs are promotional but no departmental promotion committees were formed for filling of vacancies of these posts during the period 2006-07 to 2008-09 despite the fact that sufficient number of eligible candidates are available for EEs and SEs posts. However, the Department has nominated officer-in-charge (*Prabhari*) for these vacant posts from feeder cadres. The *Prabhari* charges of the CE and SEs are with 3 EEs, 8 AEs and 25 JEs are looking after the charges of EEs and AEs, respectively. Thus, more than 50 *per cent* posts of executive / supervisory cadres (AE to CE) are being managed on ad-hoc basis from lower cadres; resultantly, the entire burden of the vacant posts rests with men-in-position at the bottom cadre of the technical staff (JEs). The absence of well structured organizational mechanism reflects system inadequacy impacting upon the operational efficiency of the Department.

In reply, the CE-in-charge mentioned (November 2009) that regular promotion could not be granted in these years due to non-finalization of seniority lists for AEs and EEs cadres. The seniority lists of AEs and EEs have been finalized by the Government (September 2009) and the matter of promotions is under process.

3.1.11.2 Disproportionate deployment of staff

Scrutiny revealed that deployment of JEs (Civil) in divisional offices was imbalanced. Despite overall shortage of 27[28] men-in-position (MIP) in the Department, JEs in Haridwar, U S Nagar, Dehradun and Pithoragarh divisions were posted in excess of its sanctioned strength which indicates poor management of man-power. The details are given in *Appendix-3.4*.

3.1.11.3 Non-adherence to transfer policy

The transfer policies (2005, 2006, and 2008) laid down by the Government provided that all transfers were to be finalized on the recommendations of the designated Transfer Committees (State and Regional level). The provisions further provide that an employee can stay at a station for a maximum period of five years.

Analysis of the departmental transfers for the period 2004-05 to 2008-09 revealed that the Transfer Committee was formed once in the year 2005. The transfers for the remaining years were finalized mainly on recommendations of politicians and the designated committees were rendered moribund. Scrutiny also revealed that 26 employees[29] (Group–'B' and 'C') were kept posted at the same station for more than ten years. In reply, the CE assured

[27]The RES had to appoint 17 JEs in excess of sanctioned posts (217) due to issuance of a faulty requisition to the State Public Service Commission (SPSC).

[28] Due to nomination of 25 JEs as AEs and 2 vacant posts.

[29] Dehradun: 5, Pauri: 5, Nainital: 6, U S Nagar: 8; and Almora: 2.

(November 2009) the Government transfer policy will be adhered to from the next financial year.

3.1.11.4 Undefined office procedure

Any Government Department requires a defined office procedure to govern its activities. It helps the organization to decide the incumbencies of employees and ensure a systematic and disciplined functioning.

Scrutiny revealed that the RES had no Office Procedure Manual (OPM) for its proper functioning. Hence, the duties and responsibilities of staff other than technical were undefined. In reply, the CE assured (November 2009) that instruction for preparing duty charts of ministerial staff were being issued.

3.1.11.5 Idle investment on testing lab

On request of RES, the Government sanctioned (February 2005) Rs.10.19 lakh for construction of a testing lab at Dehradun. Scrutiny revealed that the building was completed in May 2006 but no equipment and staff were provided by the Department to the laboratory as on date (September 2009) of the audit.

The CE replied that provision for staff for the laboratory has been included in the proposal of restructuring of the Department which is pending with the Government. The reply was not acceptable because these provisions would have been ascertained at the time of sending proposal for construction of the laboratory. Thus, the expenditure of Rs.10.19 lakh remained idle.

Most of the executive and supervisory posts of the Department are vacant and are being managed by nominating the *Prabhari*. Such system does not provide free and fair working atmosphere to any organisation that purely deals with contracts and construction activities. The idle investment, non-adherence to laid-down transfer policy, undefined office procedure and disproportionate deployment of JEs are indicative of poor resource management.

3.1.12 Internal Control Mechanism

The adequacy of accounting and internal controls in the RES was examined with reference to laid down procedure for internal controls, recording transactions and maintenance of records. The deficiencies noticed during audit are as under:

3.1.12.1 Improper recording of measurements

The proper rolling and compaction of layers is a vital factor for the life of a road. Record measurement of road works, for laying of Soling, Inter and Top coats are required to be recorded (in MBs) three times as per the PWD specifications: for collection of material; laying of loose quantities / layers as per TS; and compacted quantities / layers after proper rolling to ensure achievement of desired compaction of layer.

Audit scrutiny of records (MBs) of the sampled divisions revealed that only the first two measurements were recorded in the MBs and there was no record measurement for compacted quantities of the road layers. As a result, it was not possible to ascertain whether desired rolling / compaction of the loose quantities / layers was done properly or not.

3.1.12.2 Non-maintenance of vital records

Audit scrutiny revealed that vital records like Register of Works (Form - 40 & 41), Contractors' Ledger (Form-43) and Deposit Registers (Part I to V in Form-67) of the divisions either were incomplete or were not maintained at all. The details are as under:

Table-3.8

Division	Records not being maintained	Incomplete records
Almora	Stock register in form-12	Register of works.
Dehradun	Contractors' ledger & Register of works	Deposit Register Part-III, Stock A/cs.
Haridwar	Register of works	Deposit Register Part- III
Nainital	Contractors' ledger & Register of works	Tools & Plant Register.
Pauri	Register of works	Contractors' ledger.
U S Nagar	-	Register of works, Contractors' Ledger, Deposit Registers': Part-II & III.

Source: Records / register of the concerned division.

3.1.12.3 Insufficient supervision of divisional offices

Paragraph 70 and 71 of the FHB (Vol.-VI) stipulates that the SE will inspect the state of various works within his circle to ensure that the system of management prevailing is efficient and economical. He will also inspect the divisional offices under his control at least once a year and submit a report to the CE in the prescribed form with a copy to concerned divisions for compliance.

Audit scrutiny of records of the SE, Garhwal (Pauri) revealed that only one inspection of each test checked division was carried out (2008-09) by the SE during the period 2004-05 to 2008-09 and none of the divisions had submitted requisite compliance report to the SE till the date of audit. Audit scrutiny of records of the Almora, Nainital and U S Nagar divisions revealed that no inspection was carried out by the SE, Kumaon (Nainital) during the reported period. Thus, the supervision of divisional offices was not only insufficient but also was ineffective due to non-compliance of inspection reports.

3.1.12.4 Non-settlement of audit paras

The periodical inspections of the Departments conducted by the Accountant General (Audit) are followed up with Inspection Reports (IRs) to the Heads of Offices inspected with a copy to the next higher authorities. The Heads of Offices and the next higher authorities are required to report their compliance to the Accountant General (Audit) within four weeks of receipt of IRs.

Audit scrutiny of records of the test checked divisions revealed that 110 paragraphs[30] of 43 IRs[31] for the period 1987-88 to 2007-08 were outstanding for settlement at the end of March 2009. The long pendency of outstanding audit paras / IRs indicates that proper and timely actions were not being initiated by these divisional officers resulting in erosion of accountability.

[30] Almora: 21; Dehradun: 22; Haridwar: 04; Nainital: 26; Pauri: 26; and U.S.Nagar: 11.
[31] Almora: 7; Dehradun: 7; Haridwar: 2; Nainital: 12; Pauri: 10; and U.S.Nagar: 5.

In sum, periodical supervision of divisional offices by the SEs and timely pursuance of audit findings were an area of neglect in the Department which are very effective tools to monitor and control the internal weaknesses. Moreover, incomplete and non-maintenance of vital records leaves scope for errors and omissions.

3.1.13 Impact Assessment / Conclusion

The Rural Engineering Service Department was unable to ascertain the quantum of works to be undertaken by it as the responsibility of the Department in terms of workload and number of client departments was never defined by the Government resulting in overburdening due to substantial growth in entrustment of works and deposits in the divisions in recent years.

The deficiencies in estimation, granting of technical sanctions, acceptance of bids and execution of works do not provide a reasonable assurance about adequate mechanism in the Department for preparation / sanction of estimates. Management of deposits and stores was not found in accordance with provisions of financial rules as there are number of cases relating to excess expenditure over deposits, non-recovery of advances, un-authorised retention of unspent balances, lapsed deposits and stock profit in all the sampled divisions. Human resource management of RES was also found poor as most of the executive and supervisory posts of the Department are being managed by nominating *Prabhari* from lower cadres, deployment of staff in the divisions was disproportionate and laid-down transfer policies were not adhered to. Periodical inspections by SEs were fewer than mandated and were rendered ineffective due to absence of follow-up actions, indicative of weak internal control mechanism.

3.1.14 Recommendations

- *The internal control mechanism in the Department needs to be strengthened. An internal audit or vice-versa inspection (Peer Review) among the divisional offices would be fruitful to minimize the financial irregularities.*
- *The Government should decide and identify the departments for assignment of works to RES so that the department may become focused and accountable.*
- *The departmental proposal for restructuring/creation of new divisions should be expedited at the Government level to rationalize the heavy workload and facilitate proper monitoring of the works.*
- *The process of regular promotions needs to be expedited to minimize ad-hoc (prabhari) arrangements and deployment of staff should be proportionate to the sanctioned strength and work load of the divisions.*
- *A system for periodical returns on excess expenditure and outstanding advances to the CE and SE offices needs to be established for exercising proper watch and monitoring.*
- *The matter regarding long standing dues should be prioritised for recoveries and legal action may be initiated against defaulters.*

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 2008-09, the State's share of divisible Union taxes 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

(Rupees in crore)

	2004-05	2005-06	2006-07	2007-08	2008-09
I. Revenue raised by the State Government					
• Tax revenue	1,444.36	1,784.69	2,513.78	2,738.75	3,044.91
• Non-tax revenue	547.70	650.09	646.82	668.38	699.44
Total	**1,992.06**	**2,434.78**	**3,160.60**	**3,407.13**	**3,744.35**
II. Receipts from the Government of India					
• State's share of divisible Union taxes	519.97	1,009.82	1,131.83	1,427.70	1,506.59[1]
• Grants-in-aid	1,573.57	2,092.42	3,080.79	3,056.26	3,384.03
Total	**2,093.54**	**3,102.24**	**4,212.62**	**4,483.96**	**4,890.62**
III. Total receipts of the State (I+II)	**4,085.60**	**5,537.02**	**7,373.22**	**7,891.09**	**8,634.97**
IV. Percentage of I to III	**48**	**43**	**42**	**43**	**43**

Source: Finance Accounts 2008-09

The revenue raised by the State was 43 *per cent* of the total revenue receipts; the balance 57 *per cent* was from the Government of India. The composition has remained more or less unchanged in the last four years. Annual growth of total revenue of the State Government which was 36 and 33 *per cent* respectively in 2005-06 and 2006-07, abruptly dropped to seven *per cent* in 2007-08. In the current year, the revenue raised by the State Government increased marginally by nine *per cent* over the previous year.

4.1.2 Tax revenue

The following table presents the details of the tax revenue raised during the period from 2004-05 to 2008-09:

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[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 2008-09. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0028 - Other taxes on income and expenditure, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services. Share of net proceeds assigned to States booked in the Finance Accounts under A - tax revenue had been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

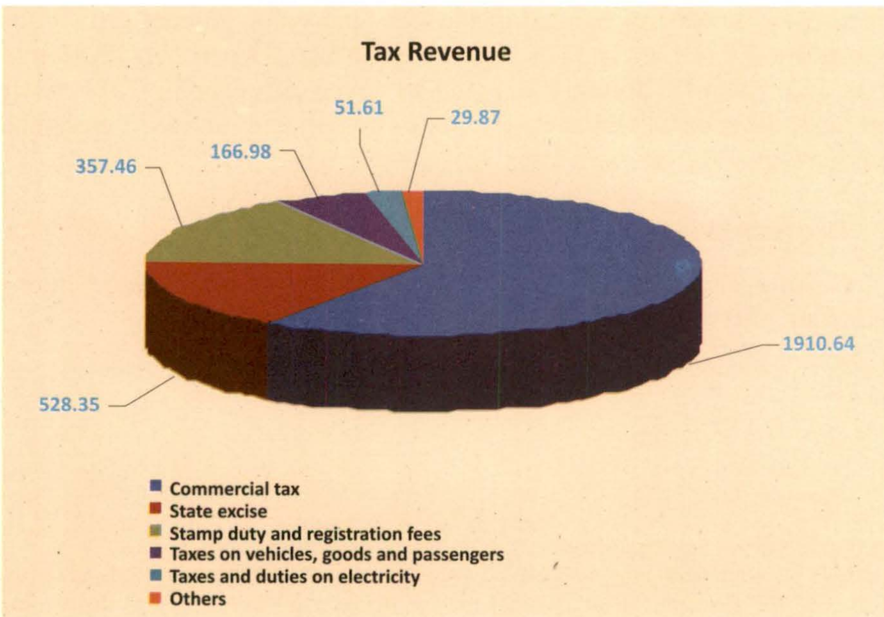
Table 4.1.2

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/decrease (-) in 2008-09 over 2007-08
1.	Commercial tax/VAT	793.51	1,014.33	1,361.42	1,627.41	1,910.64	(+) 17.40
2.	State excise	292.01	292.75	372.91	441.56	528.35	(+) 19.66
3.	Stamp duty and registration fees	207.80	333.39	546.32	424.27	357.46	(-) 15.75
4.	Taxes on vehicles, goods and passengers	98.91	114.85	141.46	155.26	166.98	(+) 7.55
5.	Taxes and duties on electricity	37.49	12.24	66.19	55.22	51.61	(-) 6.54
6.	Land revenue	7.74	9.18	15.42	23.40	17.90	(-) 23.50
7.	Other taxes and duties on commodities and services	4.04	4.39	5.44	6.45	5.87	(-) 8.99
8.	Others	2.86	3.56	4.62	5.18	6.10	(+) 17.76
	Total	**1,444.36**	**1,784.69**	**2,513.78**	**2,738.75**	**3,044.91**	**(+) 11.18**

Source: Finance Accounts 2008-09.

Chart 4.1



Following trends were observed in collection of tax revenue by the State.

- Revenue from Commercial Tax contributed to 62.75 *per cent* of total tax collections in 2008-09. State excise, stamp duty & registration fees & taxes on vehicles together accounted for 34.58 *per cent* of the total tax in 2008-09. Commercial tax collection after witnessing 34 *per cent* increase after introduction of VAT in 2005, slowed down to an increase of 17 *per cent* in 2008-09 over the previous year, which the department felt was a normal growth.
- Receipts under stamps and registration continued to follow a declining trend. During the current year it reduced by Rs. 67 crore, as registration of sale deeds reduced from 1,45,571 in 2007-08 to 1,16,042 in 2008-09.
- Taxes and duties on electricity registered a decrease of 6.5 *per cent* in 2008-09 despite increase in billing and collection by Uttarakhand Power Corporation Limited[2] (UPCL) during the year. The UPCL stated (October 2009) that against the assessment of Rs. 87.17 crore, an amount of Rs. 50 crore has been deposited in 2008-09. Reason for short deposit was not intimated. It was further observed that the UPCL had not reconciled the figures of amount due and amount deposited with the State Government, as a result of which there were wide inter-year fluctuations in collection.

The other departments did not furnish (November 2009) the reasons for variation, though called for (August 2009).

4.1.3 Non-tax revenue

The following table presents the details of the non-tax revenue raised during the period from 2004-05 to 2008-09:

Table 4.1.3

(Rupees in crore)

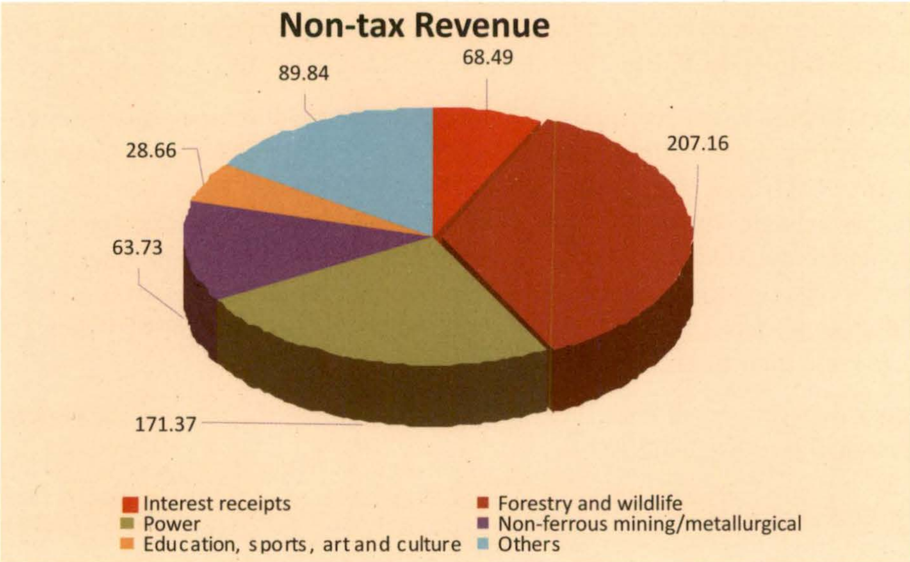
Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	21.96	34.60	40.94	41.56	68.49	(+) 64.80
2.	Forestry and wildlife	130.58	159.47	188.09	209.75	207.16	(-) 1.23
3.	Power	219.69	230.81	172.22	144.37	171.37	(+) 18.70
4.	Non-ferrous mining/ metallurgical industries	36.61	52.97	62.58	73.06	63.73	(-) 12.77
5.	Education, sports, art and culture	22.27	24.84	23.34	30.69	28.66	(-) 6.61
6.	Public works	3.99	8.62	11.52	13.96	15.53	(+) 11.25
7.	Major and medium irrigation	5.74	6.21	5.69	5.76	5.91	(+) 2.60
8.	Police	4.20	5.23	5.24	5.96	7.01	(+) 17.62
9.	Other administrative	27.04	35.71	11.83	35.53	28.09	(-) 20.94

[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.

	services						
10.	Medical & public health	2.60	6.04	4.29	5.29	6.84	(+) 29.30
11.	Co-operation	2.94	1.19	3.99	5.58	3.19	(-) 42.83
12.	Crop husbandry	6.40	2.80	2.73	3.94	3.62	(-) 8.12
13.	Others	63.68	81.60	114.36	92.93	89.84	(-) 3.33
	Total	**547.70**	**650.09**	**646.82**	**668.38**	**699.44**	**(+) 4.65**

Source: Finance Accounts 2008-09.

Chart-4.2



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 Rs.699.44 crore, non-tax revenue constituted 8.10 *per cent* of the total receipts.

- Forestry and Wild life: Rs. 207 crore (30 *per cent*) and Power Rs. 171 crore (24 *per cent*) have been the principal contributors to non-tax revenue as shown in Chart 4.2.

The departments did not furnish (November 2009) the reasons for variation, though called for (August 2009).

4.1.4 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue are as tabulated in Table 4.1.4.

Table 4.1.4

(Rupees in crore)

Sl. no.	Revenue head	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage of variation
	Tax revenue				
1.	Commercial tax/VAT	1,849.50	1,910.64	(+) 61.14	(+) 3.31
2.	State excise	501.00	528.35	(+) 27.35	(+) 5.46
3.	Stamp duty and registration fees	485.04	357.46	(-) 127.58	(-) 26.30
4.	Taxes on Vehicles	175.54	166.98	(-) 8.56	(-) 4.88
5.	Taxes and duties on electricity	64.60	51.61	(-) 12.99	(-) 20.11
	Non-tax revenue				
6.	Interest receipts	38.02	68.49	(+) 30.47	(+) 80.14
7.	Other administrative services	34.20	28.09	(-) 6.11	(-) 17.87
8.	Crop husbandry	3.10	3.62	(+) 0.52	(+) 16.77
9.	Police	6.50	7.01	(+) 0.51	(+) 7.85
10.	Medical and public health	6.05	6.84	(+) 0.79	(+) 13.06
11.	Roads and bridges	7.65	1.39	(-) 6.26	(-) 81.83
12.	Public works	4.06	15.53	(+) 11.47	(+) 282.51
13.	Forestry and wildlife	200.68	207.16	(+) 6.48	(+) 3.23
14.	Non-ferrous mining and metallurgical industries	85.00	63.73	(-) 21.27	(-) 25.02
15.	Education, sports, art and culture	37.60	28.66	(-) 8.94	(-) 23.78
16.	Power	270.00	171.37	(-) 98.63	(-) 36.53

Source: Receipt Budget and Finance Account for the year 2008-09.

The departments did not provide reasons for the wide variation (November 2009), though called for (August 2009).

4.1.5 Analysis of collection

The breakup of the collection at the preassessment stage and after regular assessment of sales tax and entry tax for the year 2008-09 as furnished by the concerned department is tabulated in table 4.1.5:

Table 4.1.5

(Rupees in crore)

Head of revenue	Amount collected at the pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 2 to 6
1	2	3	4	5	6	7
Commercial tax	1,896.92	10.40	0.96	9.13	1,899.15	99.88
Entry tax	3.23	Nil	Nil	Nil	3.23	100

Almost the entire collections made under commercial tax and entry tax was at the pre-assessment stage. Only Rs. 2.23 crore representing 0.12 *per cent* of the net collection was collected after regular assessment.

4.1.6 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2006-07, 2007-08 and 2008-09 alongwith the relevant all India average percentage for the year 2007-08 is tabulated below:

Table 4.1.6

(Rupees in crore)

Sl. no.	Head of revenue	Year	Gross collection[3]	Expenditure on collection of revenue	Percentage col. 5 to 4	All India average percentage for the year 2007-08
1	2	3	4	5	6	7
1.	Sales/Commercial tax/VAT	2006-07 2007-08 2008-09	1,354.98 1,620.84 1,902.38	31.02 34.53 34.16	2.29 2.13 1.80	0.83
2.	State excise	2006-07 2007-08 2008-09	372.84 441.71 528.32	3.93 4.05 5.95	1.05 0.92 1.13	3.27
3.	Taxes on vehicles	2006-07 2007-08 2008-09	136.95 152.04 163.84	5.30 7.81 10.03	3.87 5.14 6.12	2.58
4.	Stamp duty and registration fees	2006-07 2007-08 2008-09	546.24 424.16 357.44	4.34 5.81 5.45	0.79 1.37 1.52	2.09

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 2007-08, while in case of commercial tax/VAT and taxes on vehicles, these were higher. The cost of collection of taxes on vehicles has been increasing continuously which should be investigated by the Department.

4.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs. 759.27 crore of which Rs. 176.83 crore (23 *per cent*) was outstanding for more than five years as mentioned in the following table:

Table 4.1.7

(Rupees in crore)

Sl. no.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than five years as on 31 March 2009
1.	Commercial tax/VAT	631.18	157.86
2.	Taxes on vehicles	1.92	0.20

[3] The figure for collection of all four taxes in the years 2006-07 to 2008-09, provided by the concerned departments and reflected in the table, are at variance with the figures reflected in Finance Accounts. These are being reconciled.

3.	Stamp duty and registration fee	3.30	1.60
4.	Taxes and duties on electricity	107.49	10.04
5.	State excise	0.80	0.50
6.	Registrar, Co-operative Societies	8.54	6.17
7.	Taxes on purchase of sugarcane	5.38	Nil
8.	Entertainment tax	0.66	0.46
	Total	**759.27**	**176.83**

Source: State Departments.

4.1.8 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Tax Department, cases finalised and the demands for additional tax raised in 2008-09, as reported by the department, are mentioned below:

Table 4.1.8

(Rupees in lakh)

Name of tax/duty	Opening balance	Detected during the year	Total	Cases in which additional demand including penalty raised		Closing balance
				No. of cases	Amount of demand	
Commercial tax	508	53	561	104	105.27	457

Source: State Department.

4.1.9 Refunds

Commercial Tax Department settled 90 *per cent* of the refund claims in 2008-09 while in the case of stamp duty & registration, all the cases were settled during the year as mentioned in table 4.1.9.

Table 4.1.9

(Rupees in lakh)

Sl. no.	Reasons	Commercial tax		Stamp duty and registration	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	971	872.68	8	25.78
2.	Claims received during the year	2,937	998.74	8	130.88
3.	Refunds made during the year	3,533	913.55	16	156.66
4.	Balance outstanding at the end of the year	375	957.87	Nil	Nil

Source: State Departments.

4.1.10 Failure to enforce accountability and protect interest of the Government

The Accountant General (Audit), Uttarakhand arranges to conduct periodical inspection of Government departments concerned with the tax revenue to test check the transactions and verify the maintenance of important records in accordance with the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs) issued to the heads of offices inspected, with a copy to the next higher authorities. The heads of offices and the next higher authorities are required to ensure compliance with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Accountant General (Audit). Serious irregularities are also brought to the notice of the heads of the departments by the office of the Accountant General (Audit). The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2008 and pending settlement by the departments as on 30 June 2009 alongwith corresponding figures for the preceding two years are mentioned below:

Table 4.1.10

Particulars	As at the end of		
	June 2007	June 2008	June 2009
Number of pending IRs	1,863	1,046	1,098
Number of outstanding audit observations	3,400	2,093	2,211
Amount of revenue involved (Rupees in crore)	1,757.02	231.37	228.11

4.1.11 Recovery of revenue of accepted cases

During the years 2005-06 to 2007-08, the departments/Government accepted cases involving Rs.3.26 crore, of which Rs. 2 lakh only *i.e.* 0.61 *per cent,* was recovered as mentioned below:

Table 4.1.11

(Rupees in crore)

Sl. no.	Year	Total Money value	Accepted money value	Recovery made
1.	2005-06	7.58	3.19	0.01
2.	2006-07	1.03	0.02	0.01
3.	2007-08	60.48	0.05	NIL
Total		**69.09**	**3.26**	**0.02**

4.1.12 Audit Committee Meeting

During the year 2008-09, no audit committee meeting was held.

4.1.13 Results of audit

Test check of the records of commercial tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2008-09 indicated underassessment/short levy/loss of revenue amounting to Rs. 29.83 crore in 252 cases.

This chapter contains a review on 'taxation on transaction (sale, purchase & transfer) in the course of Inter-State Trade or Commerce Under the CST Act, 1956' and four paragraphs involving financial effect of Rs. 7 crore as discussed in the succeeding paragraphs.

COMMERCIAL TAX DEPARTMENT

4.2 Review on 'Taxation on Transactions (Sale/Purchase & Transfer) in the course of Inter-State trade or commerce under Central Sales Tax Act, 1956'

Highlights

- Due to the absence of a provision for verification of registration certificate/agreement before allowing stock transfers, the assessing authorities could not detect irregular claim of exemption on transfer of goods to places not declared in the registration certificate resulting in short realisation of tax Rs. 60.47 lakh including interest.

  [Paragraph 4.2.7]

- Absence of a system for cross verification of declaration forms issued by the dealers of other States resulted in non-detection of fake/invalid forms and consequently, there was short realisation of tax Rs. 1.43 crore including interest and penalty.

  [Paragraph 4.2.8]

- Irregular allowance of exemption on defective forms resulted in short levy of tax of Rs. 1.50 crore including interest.

  [Paragraph 4.2.10]

- Suppression of purchase resulted in short realisation of tax of Rs. 40.01 lakh including penalty.

  [Paragraph 4.2.11]

- Irregular grant of concession to industrial units resulted in short levy of tax Rs. 1.15 crore.

  [Paragraph 4.2.12]

4.2.1 Introduction

The Central Sales Tax Act, 1956 (CST Act) read with the Central Sales Tax (Registration and Turnover) Rules (CST Rules), 1957 and the Uttar Pradesh Trade Tax Act and Rules, 1948 as adopted by the Uttarakhand Government and the CST Rules of Uttarakhand, 2006, stipulate that every dealer who in the course of inter-state trade or commerce sells to a registered dealer, goods of the class or classes specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax at four *per cent* upto March 2007, three *per cent* from April 2007 to May 2008 and two *per cent* from June 2008, if such purchases are supported by declarations in Form 'C'. Further, purchases made in course of inter-state trade or commerce by the government departments are also to be taxed at the concessional rates provided such purchases are supported by a certificate in Form 'D'. However, the concession under Form 'D' was withdrawn from April 2007. Transfer of goods claimed other than by way of sale made by a registered dealer to any other place of business located outside the state is exempt from tax on production of prescribed declarations in Form 'F'. A dealer may in support of his claim that he is not liable to pay tax in respect of any sale in the course of export out of the territory of India, furnish to the prescribed authority a certificate in form 'H' alongwith evidence of export of such goods. The requirement for furnishing the evidence of export was withdrawn from 14 July 2005. The rules place considerable responsibility on the departmental authorities with regard to the safe custody and maintenance of accounts of the use of the declaration forms. To safeguard against the misuse of declarations/ certificates, the rules and departmental circulars provide for imposition of penalties.

The efficacy of the existing systems and mechanisms for concessions and exemptions on transactions relating to inter-state trade and commerce allowed by the Commercial Tax Department was reviewed by audit which indicated a number of system and compliance deficiencies as discussed in the succeeding paragraphs.

4.2.2 Organisational set up

The Commercial Tax Department is divided into two zones viz. Kumaun and Garhwal with headquarters at Rudrapur and Dehradun respectively. In these two zones there are four regions. Under these four regions there are 18 Deputy Commissioners (Assessment) and 28 Assistant Commissioners (Assessment). 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 objectives of this review were to

- evaluate the adequacy, reliability and effectiveness of the system of receipt, issue and use of the statutory forms and to detect short payment or evasion of commercial tax in inter-state transactions;
- ascertain whether concessional rate of tax allowed on inter-state sales/exemption of tax on branch transfer/export was in conformity with the provisions of the Act/Rules and duly supported by valid statutory forms; and
- assess whether sufficient internal controls existed to ensure proper control on the use of declaration forms so as to prevent leakage of revenue.

4.2.4 Scope and methodology of audit

The review was conducted between November 2008 and June 2009 through test check of the assessment records of eight out of 18 Deputy Commissioners (Assessments) and 10 out of 28 Assistant Commissioners (Assessments) and one check post for the period from assessment years 2001-02 to 2005-06 (completed during the financial years 2004-05 to 2008-09). Out of the 1,980 dealers registered under these assessing authorities, assessment records of 658 dealers were reviewed. The selection was based on 'probability proportional size without replacement method'.

4.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Tax Department in providing the necessary records for audit. Before taking up the performance review, an entry conference was held on 19 February 2009 with the Additional Commissioner, Commercial Tax Department in which the audit objectives and scope of audit was discussed. The draft review report was forwarded to the Government/department in September 2009 and discussed in the exit conference held on 15 October 2009 which was attended by the Additional Commissioner, Commercial Tax Department. The reply of the department received during the exit conference has been incorporated in this review. A formal reply has not, however, been received from the Government (November 2009).

Audit findings

System deficiencies

4.2.6 System of receipt and issue of statutory forms

All the statutory forms are printed through private press for which tenders are invited by the department. After printing, these forms are received by the stores of the headquarters of the department. From the stores, the forms are issued to the Joint Commissioners as per their requirement. The Joint Commissioners further issue these forms to the assessing authorities i.e. Deputy Commissioners and Assistant Commissioners based on their indents.

Statutory forms are obtained by the registered dealers from the assessing authorities, after payment of fee fixed by the department from time to time. Two registers are maintained by the assessing authorities - in a prescribed format - one to keep an account of the forms received from the Joint Commissioner's office and their issue to various dealers and the other to keep a dealer wise account of forms issued and used by the dealers along with the details of fee paid for the forms. It is incumbent upon the department to ensure proper receipt, custody and issue of these forms to avoid any possibility of misuse leading to leakage of revenue..

Audit scrutiny indicated that physical verification of the statutory forms held by Headquarters; Joint Commissioners and the assessing authorities, was neither prescribed nor conducted. Thus, there was no assurance that forms

shown in stock and other registers as held at different levels were indeed physically available. This considerably increased the risk of non-detection of missing forms and their misuse which may lead to irregular concessions and tax exemptions and consequent loss of revenue to the State Government. Verification of the 'C' and 'F' forms issue register of the stores of the headquarters of the department indicated that:

- Form No 570001 to 620000 were issued on 28 April 2008 and thereafter instead of issuing form No 620001 onwards, form No 625001 and onwards were issued. As such 5,000 forms from No. 620001 to 625000 were not issued at all.

After this was pointed out, the department replied (July 2009) that the said forms are in the stock and shall be issued. In August 2009, these forms were issued.

- The closing stock of 'C' forms as on 28 April 2008 was shown as 9,00,000 forms in the allotment register at the Headquarters, while the closing balance as per the disbursement register kept in the stores was 9,50,000 forms. The difference of 50,000 forms remained unreconciled.

The department stated (July 2009) that the matter would be investigated.

- With regard to the Form 'F' disbursement register, out of a balance of 1,65,100 forms, 15,000 forms were issued on 16 September 2008. However, the closing balance after issue of the forms was shown as 1,50,000 instead of 1,50,100.

The department stated (July 2009) difference was due to clerical mistake. The forms (Form No 024901 to 025000) were issued in August 2009.

- Scrutiny of the records of Deputy Commissioner (A)-I Kashipur indicated that Form 'F' serial numbers 115890 to 115900 were issued on 2 September 2004 to Mahalaxmi Medicines and on the same date instead of issuing Form 'F' from serial number 115901 onwards, serial numbers 116001 to 116004 were issued. Serial numbers 115901 to 116000 were issued later, on 10 January 2005.

The department while accepting the fact assured (July 2009) that forms will be issued serially in future.

Verification of the system of receipt, custody and issue of the forms was carried out in one Joint Commissioner's Office and offices of two assessing officers attached to it for one year i.e. 2005-2006. It was found that receipts and issues were accurately recorded in the books of the authorities test checked. The issue of forms to the dealers was required to be attested by a witness, but this requirement was not adhered to.

During the exit conference, the department stated that necessary instruction had been issued for the issue of forms strictly in accordance with serial number. Further, the department stated that the system of physical verification of forms would be considered for implementation.

The Government may install a mechanism for periodic verification of stock registers of declaration forms and issue of forms chronologically.

4.2.7 Exemption of tax on transfer of goods

Sub section (1) of Section 7 of the CST Act read with Rule 3 of the CST (R&T) Rules stipulates that every dealer shall make an application in form 'A' for registration and declare the place of business in other states, if any. Where the dealer desires the certificate to be amended, he shall submit an application under Rule 7 of the CST (R&T) Rules, to the notified authority setting out the specific matters in respect of which he desires such an amendment. Further, sub section (i) of Section 6A read with Rule 12(5) of the CST (R&T) Rules provide that a declaration in Form 'F' has to be submitted for transfer of goods to other places of business or to his agent or principal for claiming exemption.

Audit scrutiny indicated that the department has not installed a system for verification of registration certificate or copies of the agreement between the principal and the agents, among other records, before allowing exemption on stock transfers. Cases of irregular allowance of exemption are discussed below.

Scrutiny of the records indicated that two dealers under Deputy Commissioner (A)-1 Kashipur, were allowed exemption on goods valued at Rs. 3.47 crore on account of branch transfer on the basis of Form 'F'. As per the registration certificates, the dealers did not have any other place of business. **However, due to the absence of a system to verify this, the assessing authorities failed to detect irregular claim of stock transfer, and did not levy tax at normal rates.** This resulted in under assessment of tax of Rs. 34.69 lakh. In addition, interest of Rs. 25.78 lakh was also leviable.

The Government may consider prescribing a mechanism for verification of registration certificates or copies of the agreement, among other checks as stipulated in the CST Act and Rules, before allowing exemption on stock transfers.

4.2.8 Cross verification of declaration forms

Section 8 (4) of the CST Act, provides that the inter-state sales to registered dealers are taxable at the concessional rate of four *per cent* when such sales are supported by the declaration in Form 'C'. Further, if a dealer issues or furnishes a false certificate or declaration, he shall be liable to a penalty of a sum not less than 50 *per cent*, but not exceeding 200 *per cent* of the amount of tax, which would thereby have been avoided.

Audit scrutiny indicated that the department has not installed any mechanism for cross verification of declaration forms before allowing exemptions/concessions. Absence of such mechanism resulted in irregular allowance of exemptions/concessions on fake/invalid forms as discussed below.

Cross verification of nine statutory forms 'C' available in the case records of three dealers under Deputy Commissioner (A)-I, Commercial Tax, Haridwar with those of the Taxation Departments of concerned States indicated the following:

Six Forms 'C' amounting to Rs. 7.63 crore were not issued by the Sales Tax Department of the State mentioned in the forms. In case of one Form 'C', the purchasing dealer submitted an affidavit to the concerned assessing authority that the form was issued blank and unsigned and no goods were received against that form. However, the selling dealer of Uttarakhand claimed the sale for an amount of Rs. 1.27 crore on that form and availed the concession. In case of two Forms 'C', the dealer submitted the 'C' Form for Rs. 19.63 crore though these forms were actually issued by the purchasing dealers for Rs. 19.20 crore only resulting in irregular concession on an amount of Rs. 43 lakh. **Due to the absence of a system of cross verification, the assessing authorities accepted these invalid/ fake forms.**

The grant of incorrect concession on these fake/incorrect forms involving turnover of Rs. 9.33 crore resulted in short levy of tax of Rs. 70.84 lakh. Besides, interest of Rs. 36.92 lakh and minimum penalty of Rs. 35.42 lakh was also leviable.

During exit conference the department stated that the verification of forms had not been done so far due to shortage of staff and it will be considered now.

The Government may install a mechanism for random cross verification of declaration forms at periodic intervals to detect fake/invalid forms and consequent evasion of tax.

4.2.9 Adequacy of internal control mechanism

4.2.9.1 Internal Control System

Internal control is intended to provide reasonable assurance of proper enforcement of laws, departmental rules and orders.

Absence of control over the receipt, custody and issue of statutory forms which is key to avoidance of misuse of these forms has been indicated in Paragraph 4.2.6. Further absence of a system for conducting physical verification of the forms has also been highlighted in that paragraph.

4.2.9.2 Delays and defects in assessments

Audit scrutiny indicated that as on date, assessments have only been completed upto the year 2004-05 and that assessment for subsequent period are in progress. These delays are primarily a result of considerable manpower shortages in the Commercial Tax department which is evident from the table below:

Table 4.2.1

Cadre	Sanctioned strength			Men in position			Shortage		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Group A	48	56	56	29	29	24	19	27	32
Group B	178	294	294	114	108	155	64	186	139
Group C	709	987	987	363	360	339	346	627	648

This level of shortages cannot but have an adverse impact on the number and quality of assessment work undertaken which is reflected in the defects noticed in several of the assessments undertaken, in course of this review. The pending assessments will affect the implementation and administration of the Value Added Tax Act, 2005 in the State.

During the exit conference, the department while accepting the facts stated that action is being taken in this regard.

4.2.9.3 Internal Audit

Internal audit is an important tool of internal control. In the context of the Commercial Tax Department, periodic checks of assessment orders and other functional aspects relating to the custody and issue of statutory forms can help to detect loss or leakage of revenue due to inaccurate or incorrect application of rules or misuse of forms.

It was noticed that there was no internal audit system in the Commercial Tax Department. Also, the Department of Finance did not undertake any internal audit of the department during the last five years from 2004-05 to 2008-09 during which assessments of 2001-02 to 2005-06 was done. Due to the absence any internal audit, the department remained unaware of the deficiencies pointed out in this review.

The Government may install a mechanism for conducting regular internal audit of the department so that the defects and discrepancies in the assessments are detected timely, thus preventing leakage of revenue.

Compliance deficiencies

4.2.10 Irregular allowance of concessions/exemptions

Under the CST Act and Rules made thereunder, tax on branch transfer/inter-state sales of goods made to registered dealers and supported by prescribed declaration Forms 'F/C' is exempt/leviable at the rate of four *per cent* or at such lower rate as applicable to the sale or purchase of such goods in the State. Tax on goods not covered by such declarations in case of the declared goods shall be calculated at twice the rate applicable in the appropriate State and in respect of the other goods at the rate of 10 *per cent* or at the rate applicable to the sale of such goods inside the appropriate State whichever is higher. Furnishing of Form 'C' is mandatory with effect from 13 May 2002. Further, a single declaration in Form 'F' may cover transactions affected during a period of one calendar month only.

Acceptance of defective forms

Scrutiny of the assessment records indicated that concessional rate of tax on 21 forms 'C' valued at Rs. 2.19 crore, two forms 'D' valued at Rs. 1.78 crore and exemption of tax on nine forms 'F' valued at Rs. 2.28 crore, was allowed to 13 dealers by six assessing authorities[4], though the forms produced in support of the sales were incomplete as they did not contain the seller's name, registration number of the purchasing dealer, amount for which the form was issued and signature of the issuing dealer. Acceptance of such defective forms for grant of exemption/concessional rate of tax resulted in short levy of tax of Rs. 41.91 lakh on which interest of Rs. 30.84 lakh was also leviable.

Allowance of concessions/exemptions without declaration forms

Test check of the records indicated that three assessing authorities while finalising the assessment of five dealers for the years 2002-03 to 2004-05, incorrectly assessed the inter-state sale of goods/branch transfer valued at Rs. 1.78 crore and allowed concessional rate of tax/exemption though the sales were not supported by the declaration Form 'C/F'. In one case, the Assistant Commissioner (A), Ramnagar in his assessment order has recorded that the assessee has neither furnished the 'C' Form nor made an application, but still applied the concessional rate of tax. The incorrect concession/exemption resulted in short levy of tax of Rs. 10.30 lakh. Besides, interest of Rs. 7.57 lakh was also leviable.

Acceptance of invalid forms

Form 'F'

Under Section 6A-(1) of the CST Act read with Rule 12(5) of CST (R&T) Rules, a dealer can claim exemption on payment of tax on goods transferred to any other place of business or to his agent or principal in other state by furnishing a declaration in the Form 'F' provided that a single declaration may cover the transactions effected during a period of one calendar month only.

Scrutiny of the records indicated that four assessing authorities allowed exemption on taxable turnover of Rs. 2.27 crore in four cases, on the basis of declaration forms which covered transaction for more than one calendar month. The acceptance of declaration forms covering more than a month's transaction was against the provisions of the Act and transactions beyond a month should have been rejected. However, failure of the assessing authorities to do so resulted in underassessment of tax of Rs. 19.70 lakh. Besides, interest of Rs. 14.51 lakh was also leviable.

Form 'D'

Under Section 8(4) of the CST Act read with Rule 12(1) of the CST (R&T) Rules, as it stood during the relevant period, sale of goods by a registered dealer to the

[4] Assistant Commissioner (A), Sector IV, Dehradun; Sector II, Haldwani; Sector I, Haridwar; Sector I, Roorkee and Deputy Commissoiners, A-I and A-II, Kashipur.

Government departments in other states are allowed at a concessional rate of four *percent* provided such sale is supported by certificate in Form 'D'.

Test check of the records indicated that three assessing authorities[5] levied tax on the sale of Rs. 1.40 crore pertaining to three dealers at concessional rates on the strength of forms 'D' on account of sales made to *Bharat Sanchar Nigam* Limited, Vishakapatnam and Uttar Pradesh Police *Awas Vikas Nigam* Limited which are not Government departments. Further, in case of six transactions of one dealer, though the Form 'D' was issued to HCL Infinet Ltd, Noida UP, the concession was allowed to HCL Infinet Limited Uttarakhand, Dehradun. Thus, the application of incorrect rate of tax by accepting the Forms 'D' of ineligible departments/assessees resulted in short levy of tax of Rs. 13.01 lakh. In addition, interest of Rs. 12.35 lakh was also leviable.

4.2.11 Evasion of tax due to suppression of purchase/sale

Section 28 A of the UP Trade Tax Act, (as adopted in Uttarakhand) provides that any person who intends to bring, import or otherwise receive, any goods into the state from any place shall obtain the prescribed form (No 31) of declaration from the assessing authority. Further, violation of the provisions of Section 28A attracts penalty of a sum not exceeding 40 *per cent* of the value of the goods involved or three times of the tax leviable on such goods under any of the provisions of this Act, whichever is higher.

Scrutiny of the records indicated that one dealer under Assistant Commissioner (A), Ramnagar showed the position of raw material and its consumption as under:

Table 4.2.2

(Rupees in lakh)

Year	Opening stock	Purchase	Sale	Closing stock	Raw material used in manufacturing	Water/ electricity charges paid	Rebate
2003-04	23.79	89.29	128.85	22.63	90.46	1.05	0.46
2004-05	22.63	84.44	130.14	16.45	90.63	2.19	1.04

In view of the increasing water/electricity charges and rebate disclosed by the dealer, audit conducted a detailed scrutiny of the records of the dealer which revealed that the dealer did not account for purchase of raw material amounting to Rs. 80.02 lakh for which 13 forms 'C' had been issued. It was also noticed that this purchase was not supported by Form 31 which is mandatory for the import of material. Thus, the dealer suppressed the purchases of raw material which the assessing authority failed to detect resulting in short levy of tax of Rs. 8 lakh on the corresponding sales turnover. Besides, penalty of Rs. 32.01 lakh was also leviable.

During the exit conference, the department stated that the matter appears to be of serious nature which needed in-depth investigation and suitable action will be

[5] Assistant Commissioner (A), Sector III, Dehradun; Ramnagar and Deputy Commissioner, A III, Dehradun.

taken after investigation. Further development has not been reported (November 2009).

4.2.12 Irregular grant of concession to industrial units

Notification[6] dated 25 July 2001 issued by the Government of Uttarakhand provides that the tax payable under sub section (1) of section 8 of the CST Act, by any manufacturing industrial unit having his main place of business in Uttarakhand, in respect of the sales made by him from any such place of business, in the course of inter-state trade or commerce, of any goods to which the said sub section (1) applies, shall, subject to the condition that hereinafter specified, and on furnishing the declaration in Form 'C' or certificate in Form 'D', be calculated at the rate of one *per cent*. The conditions specified are:

(i) the sales are made by the manufacturing industrial units whose total capital investment in the plant and machinery is less than Rs. 5 crore, which shall be determined by a committee constituted by the State Government in this behalf. The amount of investment in the plant and machinery was further amended and raised from Rs. 5 crore to Rs. 25 crore vide notification dated 3 July 2004.

(ii) the sales are made by manufacturing industrial units other than units engaged in manufacture and sale of paddy and rice.

Scrutiny of the assessment records revealed that 10 assessing authorities[7] allowed the benefit of the said notification to 16 dealers without fulfillment of the condition regarding investment in plant and machinery. In fact, one trader (not being a manufacturer) involved in the sale of paddy and rice was given the benefit of the notification. The irregular concession granted on sale of Rs. 24.81 crore resulted in short levy of tax of Rs. 74.43 lakh, on which interest of Rs. 40.89 lakh was additionally leviable.

During the exit conference the Joint commissioner agreed that the benefit to the traders was not in order and stated that it will be withdrawn after investigation. Further development has not been reported (November 2009).

4.2.13 Irregular concession on purchase of goods not covered in the registration certificate

Section 10(b) read with Section 10 A(1) of the CST Act, provides that if any registered dealer falsely represents when purchasing any class of goods, that the goods of such class are covered by his certificate of registration, the authority who granted him, or as the case may be, is competent to grant to him a certificate of registration under this Act, may after giving him a reasonable opportunity of being heard, by order in writing, impose upon him by way of penalty a sum not

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6 No: 6222/1.F/2-2001/2000-01

7 Assistant Commissioner (A), Sector II, III and IV, Dehradun; Sector II, Haldwani; Sector I, Haridwar; Sector I, Roorkee; Ramnagar; Deputy commissioner A I, Dehradun and A I Haridwar and Roorkee.

exceeding one and a half times the tax which would have been levied under sub-section (2) of Section 8 in respect of the goods, if the sale had been a sale falling within that sub-section.

Scrutiny of the records indicated that 18 dealers under 12 assessing authorities issued Forms 'C' amounting to Rs. 1.49 crore for purchase of goods not covered by the registration certificate. It was also noticed that the assessing authority in one case categorically refused to add some items in the registration certificate but the dealer issued Form 'C' for those items. In other cases, goods imported/purchased were neither declared in the registration certificate, nor got added to it. These were not detected by the assessing authorities during the assessment which resulted in non-imposition of penalty of Rs. 21.68 lakh.

During the exit conference, the department stated that action would be taken and results intimated to audit. Further development has not been reported (November 2009).

4.2.14 Grant of concession on inter-state transactions without registration

Section 7(1) of the CST Act, provides that every dealer liable to pay tax, shall, within such time as may be prescribed for the purpose, make an application for registration under this Act to such authority in the appropriate State as the Central Government may, by general or special order specify, and every such application shall contain such particulars as may be prescribed.

Scrutiny indicated that four dealers under three assessing authorities[8] were given concession on the strength of the declaration forms for the sales made to the other states though the dealers were not registered as per the provision stated above. Thus, the incorrect concession allowed on an amount of Rs. 2.46 crore resulted in short levy of tax of Rs. 23.83 lakh on which interest of Rs. 18.71 lakh was also leviable.

4.2.15 Invalid exemption on export sales

Sub Rule 10(a) of Rule 12 of the CST Rules, provides that a dealer may in support of his claim that he is not liable to pay tax under this Act in respect of any sale of goods on the ground that the sale of such goods is a sale in the course of export of those goods out of the territory of India within the meaning of sub-section (3) of section 5, furnish to the prescribed authority a certificate in Form 'H' duly filled and signed by the exporter along with evidence of export of such goods.

Scrutiny of the records of Assistant Commissioner (A), Ramnagar indicated that three dealers were allowed exemption on the export sales made by them only on production of Form 'H'. The exemption allowed on an amount of Rs. 19.35 lakh without production of evidence in support of export was irregular and resulted in short levy of tax of Rs. 1.83 lakh and interest of Rs. 1.47 lakh.

[8] Assistant Commissioner (A), Sector II, Dehradun and Sector I, Haridwar and Deputy Commissioner, A I, Haldwani.

4.2.16 Application of incorrect rate of tax

Under the CST Act and Rules made thereunder, as it stood during the relevant period, tax on inter-state sales of goods made to the registered dealers supported by prescribed declarations is leviable at the rate of four *per cent* or at such lower rate as applicable to the sale or purchase of such goods in the state. Tax on goods not covered by such declarations in case of declared goods shall be calculated at twice the rate applicable in the appropriate state and in respect of other goods at the rate of 10 *per cent* or at the rate applicable to the sale of such goods inside the state whichever is higher.

Test check of the records indicated that three assessing authorities while finalising the assessments of five dealers for the year 2002-03 to 2005-06, did not apply the correct rate of tax on an amount of Rs. 20.24 lakh which resulted in short levy of tax of Rs. 0.62 lakh. In addition, interest of Rs. 0.51 lakh was also leviable.

4.2.17 Conclusion

The review revealed that due to the absence of a system of physical verification of statutory forms held at the headquarters, there was no assurance that the forms shown in stock were actually available. Concessions/exemptions were allowed without cross verification of prescribed declaration forms to ascertain whether the forms submitted by the dealers are genuine. Irregular allowance of concessional rate to industrial units led to underassessment of tax. Acceptance of defective forms and non-detection of suppression of purchases and sales have caused leakage of revenue. The internal controls within the department were weak as evidenced by absence of an internal audit wing.

4.2.18 Summary of recommendations

The Government may consider the following steps to rectify the system and compliance deficiencies:

- install a mechanism for periodic verification of stock registers of declaration forms and issue of forms chronologically;
- prescribe a mechanism for verification of registration certificates or copies of agreements before allowing exemption on stock transfers;
- devise a system for periodic cross verification of the declaration forms on random basis;
- ensure that the concession on the rate of tax/exemption is allowed only on production of the declarations fulfilling all the conditions specified therein; and
- install a mechanism for conducting regular internal audit of the department so that the defects and discrepancies in the assessment are detected timely, thus preventing leakage of revenue.

Other audit observations

Scrutiny of the records of the Commercial Tax, Registration and Transport Departments revealed several cases of non-compliance of the provisions and other cases as mentioned in the succeeding pargaraphs. 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 Non-levy of penalty

For delay in payment of tax, penalty of Rs. 57.84 lakh though leviable was not levied

The provisions of the Uttar Pradesh Trade Tax Act, 1948 (as applicable in Uttarakhand), provides that if any dealer or other person has without reasonable cause, failed to pay, within the time allowed, the tax due from him, such dealer or person shall be liable to pay by way of penalty, in addition to the tax due, a sum not less than 10 *per cent,* but not exceeding 25 *per cent* of the tax due, if the tax due is upto Rs. 10,000 and 50 *per cent*, if the tax due is above Rs. 10,000.

Scrutiny of the records of the Deputy Commissioner (A)–IV, Commercial Tax, Dehradun in August 2008 indicated that four dealers[9] delayed payment of tax amounting to Rs. 1.16 crore by 2 to 52 days, for which they were liable to pay a penalty of Rs. 57.84 lakh which was not levied by the assessing authority.

After this was pointed out, the Department informed (June 2009) that the orders for demand of penalty of Rs. 57.84 lakh have been issued (May & June 2009). A report on recovery had not been received (November 2009).

The matter was reported to the Government in July 2009; their reply has not been received (November 2009).

STAMP AND REGISTRATION DEPARTMENT

4.4 Short levy of stamp duty

Under valuation of property resulted in short levy of stamp duty of Rs. 9.30 lakh

Under the Indian Stamp Act, 1899 (as amended in its application in Uttar Pradesh and adopted in Uttarakhand), stamp duty on a deed on conveyance is chargeable on the market value of the property or on the value of consideration set forth

[9] IFB Industries, Dehradun, Tata Engineers Locomotive Company, Dehradun, Videocon International Ltd, Dehradun and Sikkim Distillery Ltd, Dehradun.

therein, whichever is higher. As per the Uttar Pradesh Stamp (valuation of property) Rules 1997, market rates of various categories of land, building are to be fixed by the collector for the guidance of registering authorities biennially.

During audit of the office of the Sub-Registrar, Kichha, District Udham Singh Nagar in December 2006, it was noticed that 16,080 square metre residential land situated at village Bhamraula, Rudrapur was transferred (October 2006) in favour of M/s Shivalik Education & Placement Services Pvt. Ltd., Rajpur Road, Dehradun and the stamp duty was levied on the value of Rs. 1 crore by affixing stamp duty amounting to Rs. 10 lakh. However, as per the rate list issued (July 2006) by the concerned District Magistrate, valuation (at the rate of Rs 1,200 per square meter) of the property comes to Rs.1.93 crore, on which stamp duty of Rs.19.30 lakh was to be levied. This resulted in short levy of stamp duty amounting to Rs.9.30 lakh.

After this was pointed out, the department stated (February 2009) that Assistant Commissioner (Stamp), Udham Singh Nagar accepting the short levy of stamp duty of Rs. 9.30 lakh, made a judgment (October 2008) for recovery of stamp duty of Rs. 9.30 lakh along with penalty of Rs. 5 lakh totalling Rs. 14.30 lakh. A report on recovery has not been received (November 2009).

The matter was reported to the Government in March 2007; their reply has not been received (November 2009).

TRANSPORT DEPARTMENT

4.5 Non-remittance of additional tax

Additional tax of Rs. 80.36 crore was realised by the Uttarakhand Parivahan Nigam, of which Rs. 27.68 crore was deposited, leading to non-remittance of Rs. 52.68 crore

As per Section 6 of Uttaranchal *Motoryan Karadhan Sudhar Adhiniyam,* 2003 *(Adhiniyam)*, the State Road Transport Undertaking is liable for payment of the additional tax as per the formula prescribed under the Fifth schedule.

During test check of the records of the Uttarakhand *Parivahan Nigam* in May 2009, it was noticed that during the period from November 2003 to March 2009, the *Nigam* had realised an amount of Rs. 80.36 crore on account of additional tax but Rs. 27.68 crore only had been remitted to the State Government. This resulted in non-remittance of Rs. 52.68 crore in the Government account.

After this was pointed out (July 2009), the Commissioner, Transport, Uttarakhand, Dehradun stated (August 2009) that the Managing Director, *Nigam* when requested for the additional tax intimated that a request for conversion of this liability into share capital had been made with the State Government. Further development had not been reported (November 2009).

The matter was reported to the Government in September 2009; their reply has not been received (November 2009).

4.6 Non-realisation of road/additional tax

Non-realisation of revenue of Rs. 23.65 lakh from 119 maxi cabs

Under the provisions of the *Adhiniyam*, quarterly road tax and additional tax in respect of maxi cabs (10 seater) was fixed at Rs. 350 and Rs. 3,375 respectively.

During test check of the records of the Regional Transport Officer, Dehradun in August 2007, it was noticed that road tax/additional tax on 119 maxi cabs from January 2001 to June 2007 was neither paid by the vehicle owners nor was any action taken by the RTO to recover it. This resulted in non-realisation of road tax/additional tax amounting to Rs. 23.65 lakh.

After this was pointed out, the department stated (July 2009) that an amount of Rs. 11.85 lakh had been recovered from 66 cab owners during the period from August 2007 to June 2009 and for the remaining amount of Rs. 11.80 lakh on 53 maxi-cabs, action for recovery was in progress. Further development had not been reported (November 2009).

The matter was reported to the Government in September 2009; their reply had not been received (November 2009).

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 State PSUs registered a turnover of Rs.1527.06 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 3.80 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Uttarakhand State PSUs are concentrated in power sector. The State working PSUs incurred a loss of Rs.151.41 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 0.17 lakh[1] employees as of 31 March 2009. 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 2009, 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	4	22
Statutory Corporations	2	-	02
Total	**20**	**4**	**24**

5.1.3 During the year 2008-09, one PSU namely Uttarakhand State Infrastructure Development Corporation Limited was established.

Audit Mandate

5.1.4 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

[1] As per the details provided by 16 PSUs. Remaining 08 PSUs did not furnish the details.
[2] Non-working PSUs are those which have ceased to carry on their operations.
[3] includes 619-B companies.

were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

5.1.5 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 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.

5.1.6 Audit of statutory corporations is governed by their respective legislations. Out of two Statutory corporations, CAG is the sole auditor for Uttaranchal Parivahan Nigam. Though, CAG is the sole auditor for Uttarakhand Peyjal Sansadhan Evam Nirman Nigam, entrustment of audit is awaited.

Investment in State PSUs

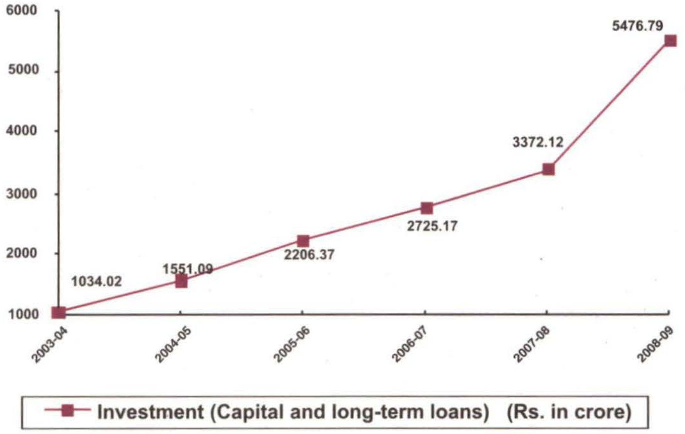
5.1.7 As on 31 March 2009, the investment (capital and long-term loans) in 24 PSUs (including 619-B companies) was Rs.5476.79 crore as per details given below:

(Rs. in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	977.77	2277.68	3255.45	2111.59	109.36	2220.95	5476.40
Non-working PSUs	0.39	-	0.39	-	-	-	0.39
Total	**978.16**	**2277.68**	**3255.84**	**2111.59**	**109.36**	**2220.95**	**5476.79**

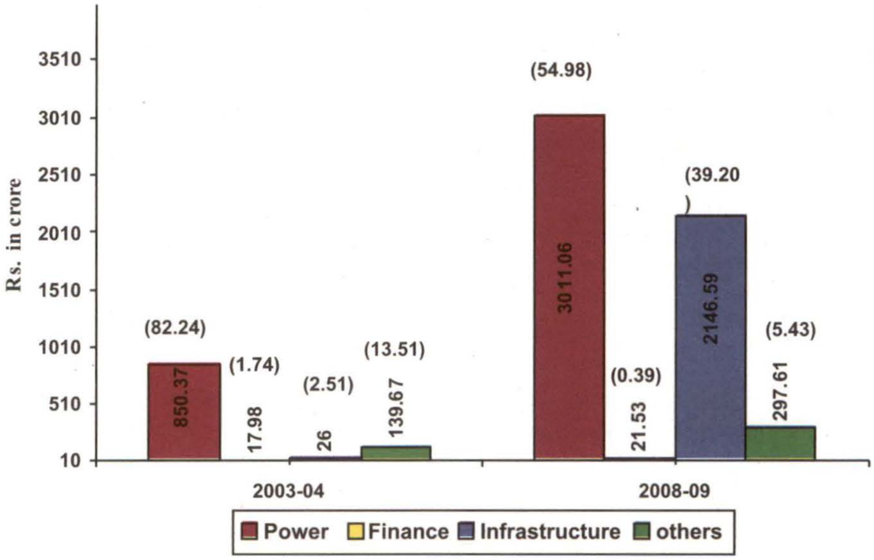
A summarised position of government investment in State PSUs is detailed in *Appendix 5.1.*

5.1.8 As on 31 March 2009, 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 56.42 *per cent* towards capital and 43.58 *per cent* in long-term loans. The investment has grown by 429.66 *per cent* from Rs.1034.02 crore in 2003-04 to Rs.5476.79 crore in 2008-09 as shown in the graph below:



(Note : Sudden increase in investment was due to inclusion of investment of Rs.2108.59 crore of Uttarakhand Pey Jal Sansadhan Vikas and Nirman Nigam for which information was not provided by the Company in earlier years)

5.1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. Though the major investment was in Power Sector (54.98 *per cent*), the thrust of PSU investment in the State was mainly in infrastructure sector which had seen its percentage share rising from 2.51 *per cent* in 2003-04 to 39.20 *per cent* in 2008-09.



(Figures in brackets show the percentage of total investment)

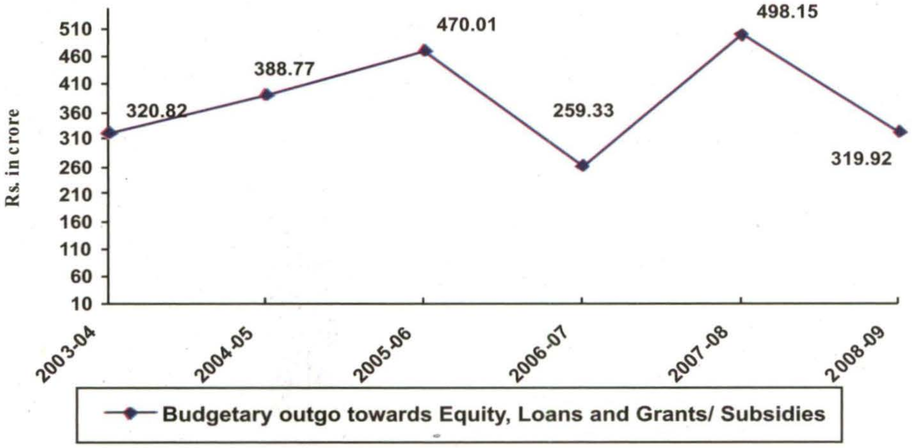
Budgetary outgo, grants/subsidies, guarantees and loans

5.1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Appendix 5.3.* The summarised details are given below for three years ended 2008-09.

(Amount Rs.in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	144.95	4	307.27	5	256.14
2.	Loans given from budget	5	97.70	6	162.19	5	36.55
3.	Grants/Subsidy received	3	16.68	4	28.69	5	27.23
4.	Total Outgo (1+2+3)	-	259.33	-	498.15	-	319.92
5.	Guarantees issued	1	1200.00	2	211.05	1	3.15
6.	Guarantee Commitment	4	1654.16	1	1200.00	2	1143.15

5.1.11 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 range between Rs.259.33 crore and Rs.498.15 crore during 2004-09.

5.1.12 The amount of guarantee commitment as on 31 March 2007 was Rs.1654.16 crore (three PSUs) which decreased to Rs.1200 crore (one PSU) as on 31 March 2008 and to Rs.1143.15 (two PSUs) as on 31 March 2009. 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. During the year none of the PSUs has paid any guarantee fee out of Rs.14 crore payable to the Government as on 31 March 2009.

Reconciliation with Finance Accounts

5.1.13 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 2009 is stated below:

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1170.10	3065.74	1895.64
Loans	432.60	721.11	288.51
Guarantees	1599.61	1143.15	456.46

5.1.14 Audit 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

5.1.15 The financial results of PSUs, financial position are detailed in *Appendix 5.2.* A ratio of PSUs turnover to State GDP shows the extent of PSU activities in the State economy. Following table provides the details of working PSUs turnover and State GDP for the period from 2003-04 to 2008-09.

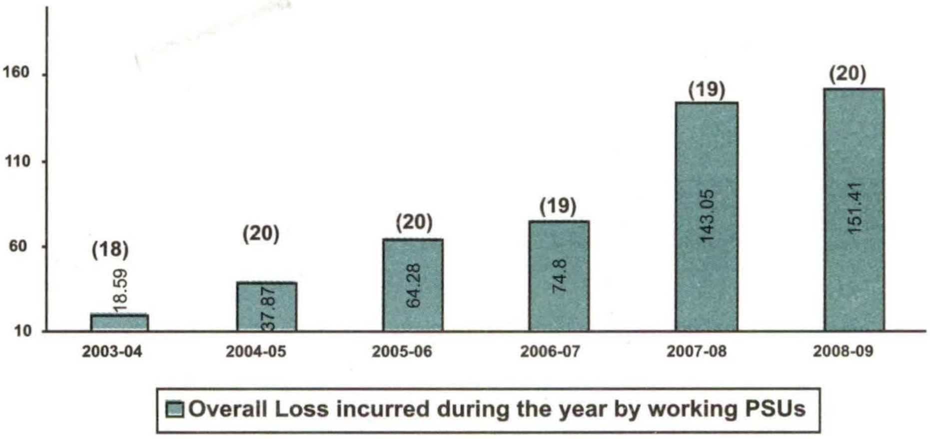
(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[4]	307.38	486.46	1293.01	1366.26	1481.94	1527.06
State GDP	20668.00	22765.00	25776.00	29881.00	34549.00	40159.00
Percentage of Turnover to State GDP	1.48	2.14	5.02	4.57	4.29	3.80

The percentage of turnover to the State GDP rose from 1.48 in 2003-04 to 3.80 in 2008-09 and turnover of PSUs also increased from Rs.307.38 crore to Rs.1527.06 crore.

5.1.16 Losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.

[4] Turnover as per the latest finalised accounts as of 30 September.



(Figures in brackets show the number of working PSUs in respective years)

It can be seen from the bar chart that overall loss increased during 2004 to 2009. The Losses increased from Rs.18.59 crore in 2003-04 to Rs.151.41 crore in 2008-09. As per their latest finalised accounts, out of 20 working PSUs, eight PSUs earned profit of Rs.63.86 crore and 10 PSUs incurred loss of Rs.215.27 crore. One PSU (Uttarakhand State Infrastructure Development Corporation Limited) has been newly created and its first account had not been received. The entrustment of audit in respect of one PSU (Uttarakhkand Pey Jal Sansadhan Evam Nirman Nigam) is still awaited. The major contributors to the profit were State Infrastructure Development Corporation of Uttaranchal Limited (Rs.56.49 crore) and Uttarakhand Purv Sainik Kalyan Udham Limited (Rs.3.67 crore). The heavy losses were incurred by Uttarakhand Power Corporation Limited (Rs.168.28), Kichha Sugar Company Limited (Rs.14.94 crore), Doiwala Sugar Company Limited (Rs.10.14 crore) and Uttarakhand Parivahan Nigam (Rs.10.29 crore).

5.1.17 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 Rs.99.80 crore and infructuous investment of Rs.9.52 crore which were controllable with better management. Year wise details from Audit Reports are stated below:

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit (loss)	(-) 74.80	(-) 143.05	(-) 151.41	(-) 369.26
Controllable losses as per CAG's Audit Report	15.17	4.52	80.11	99.80
Infructuous Investment	1.45	5.07	3.00	9.52

5.1.18 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.

5.1.19 Some other key parameters pertaining to State PSUs are given below:

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	-	1.31	6.42	11.40	-	-
Debt	923.84	1275.73	1644.05	1950.91	2356.08	2387.65
Turnover[5]	307.38	486.40	1293.01	1366.26	1481.91	1527.06
Debt/ Turnover Ratio	3.01:1	2.62:1	1.27:1	1.43:1	1.59:1	1.56:1
Interest Payments	12.36	58.72	187.74	304.16	158.78	156.53
Accumulated Profits (losses)	(-) 49.61	(-) 80.33	(-) 146.43	(-)168.20	(-)291.71	(-) 283.60

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

5.1.20 It can be seen that though debt/turnover ratio had decreased from 3.01:1 during 2003-04 to 1.56:1 during 2008-09, the debts actually increased. This increased the pressure on profit margins by way of increased interest. The percentage of consolidated return on capital employed of all PSUs varied between 1.31 in 2004-05 and 11.40 in 2006-07. It was negative in the year 2003-04, 2007-08 & 2008-09. The accumulated losses increased from Rs.49.61 crore in 2003-04 to Rs.283.60 crore in 2008-09.

5.1.21 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 Rs.63.86 crore but no dividend had been declared.

Performance of major PSUs

5.1.22 The investment in working PSUs and their turnover together aggregated to Rs.7003.46 crore during 2008-09. Out of 20 working PSUs, the following four PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These four PSUs together accounted for 87.59 *per cent* of aggregate investment *plus* turnover as indicated below:

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
1. Uttarakhand Power Corporation Limited	463.26	757.57	1220.83	17.43
2. Uttarakhand Jal Vidyut Nigam Limited	2006.63	233.59	2240.22	31.99
3. Uttarakhand Pey Jal Sansadhan Evam Vikas Nigam	2108.09	-	2108.09	30.10
4. Power Transmission Corporation Limited	541.17	23.99	565.16	8.07
Total	**5119.15**	**1015.15**	**6134.30**	**87.59**

[5] Turnover of working PSUs as per the latest finalised accounts as of 30 September.

Some of the major audit findings of past five years for two of these PSUs are stated in the succeeding paragraphs.

Uttarakhand Power Corporation Limited

5.1.23 The Company had arrear of accounts for four years as on September 2009. The arrears were for two years as on September 2006. The arrears have increased despite having a separate accounts department. The company attributed non-finalisation of accounts to shortage of trained staff.

5.1.24 The Company earned profit of Rs.12.41 crore in the year 2002-03, however, it incurred a loss of Rs.49.45 crore in the year 2003-04 which increased to Rs.168.28 crore in the year 2004-05. The turnover of the company has declined from Rs.916.94 crore to Rs.757.57 crore during this period and the return on capital employed which was 6.48 *per cent* in the year 2002-03 became negative in the year 2004-05.

5.1.25 Deficiencies in implementation

- The Company failed to realize revenue of Rs.3.41 crore from Bharat Heavy Electrical Limited due to incorrect raising of bill. (Paragraph 7.4 of the Audit Report 2005-06)
- The Company awarded contract without obtaining clearance for diversion of forest land resulting unfruitful expenditure of Rs.5.70 crore. (Paragraph 7.3 of the Audit Report 2007-08)

5.1.26 Deficiencies in monitoring

- The Company did not charge additional 25 *per cent* amounting to Rs.42.51 crore on electricity charges of Rs.170.04 crore as applicable on construction work. (Paragraph 7.2 of the Audit Report 2004-05)

5.1.27 Deficiencies in financial management

- Vitiation of the tender process by the Company resulted in avoidable extra expenditure of Rs.1.10 crore. (Paragraph 7.3 of the AR 2004-05)
- The Company suffered extra financial burden of Rs.2.29 crore due to non-recovery of security deposit. (Paragraph 7.4 of the AR 2007-08)

Power Transmission Corporation of Uttarakhand Limited

5.1.28 The Company had arrear of accounts for four years as of September 2009. The arrears were for two years as on September 2006. The arrears have increased despite having a separate accounts department. The company attributed non-finalisation of accounts to shortage of trained staff.

5.1.29 The Company incurred loss of Rs.8.59 crore in the year 2004-05.

5.1.30 Deficiencies in monitoring

- Failure of the Company to raise a demand on the contractor for the abnormal energy used during testing resulted in a loss of Rs.0.41 crore. (Paragraph 7.7 of the AR 2007-08)

5.1.31 Deficiencies in financial management

- The Company failed to recover Rs.1.53 crore as liquidated damage from a contractor despite enabling provision in the agreement. (Paragraph 7.6 of the AR 2007-08)

Conclusion

5.1.32 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

5.1.33 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 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	20	20	19	19	20
2.	Number of accounts finalised during the year	08	09	11	09	12
3.	Number of accounts in arrears	106	115	119	128	135
4.	Average arrears per PSU (3/1)	5.30	5.75	6.26	6.74	6.75
5.	Number of Working PSUs with arrears in accounts	20	19	19	19	20
6.	Extent of arrears	1 to 18 years	1 to 19 years	1 to 20 years	1 to 21 years	1 to 22 years

5.1.34 As may be seen from above, the arrear of finalised of accounts increased from 106 during 2004-05 to 135 during 2008-09. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date. The PSUs should also ensure that at least two accounts are finalised each year so as to clear the backlog and further accumulation of arrears.

5.1.35 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of four non-working PSUs, one had gone into liquidation process, remaining three non-working PSUs had arrears of accounts for 19 to 22 years.

5.1.36 The State Government had invested Rs.1214.58 crore (Equity: Rs.754.94 crore, loans: Rs.400.40 crore and grants: Rs.59.24 crore). The years for which accounts have not been finalised are detailed in *Appendix 5. 4.* In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.37 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 the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/ Finance Secretary to expedite the backlog of arrears in accounts in a time bound manner.

5.1.38 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

5.1.39 There were four non-working PSUs as on 31 March 2009. Of these, one PSU have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	06	04	04	04	04

5.1.40 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

5.1.41 During the year 2008-09, no company/corporation was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for more than 18 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make a decision regarding winding up of 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

5.1.42 Twelve working companies forwarded their audited 12 accounts to Accountant General (AG) during the year 2008-09. 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:

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	5.62	2	13.07	5	93.50
2.	Increase in loss	1	0.06	1	20.32	4	131.16
3.	Non-disclosure of material facts	3	89.74	-	-	3	2.47

5.1.43 During the year, the statutory auditors had given qualified certificates for 11 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for one account. The compliance of companies with the Accounting Standards (AS) remained poor as there were four instances of non-compliance with AS in two accounts during the year. One adverse certificate was issued to a company by the CAG.

5.1.44 Some of the important comments in respect of accounts of companies are stated below:

UP Hill Electronics Corporation Limited (1994-95)

- The Company gave loans & advances of Rs.1.13 crore to four firms, which were either sick or closed and the chances of recovery are remote for which provision was not made by the Company. This has resulted in overstatement of profit as well as loans and advances by Rs.1.13 crore.
- The sundry debtors (Rs.1.16 crore) of the Company were as old as 16 to 17 years and no recovery had been made upto 2008-09. Provision for bad and doubtful debts had also not been made in the accounts. This has resulted in overstatement of profit as well as sundry debtors by Rs.1.16 crore.

Uttarakhand Jal Vidyut Nigam Limited (2004 - 05)

- The Nigam had taken loan of Rs.800 crore, but no guarantee fee (Rs. 11.06 crore) was paid. The provision for guarantee fee should have been made in the accounts. Non provision of guarantee fee resulted in understatement of current liabilities and overstatement of profit by Rs.11.06 crore.

Doiwala Sugar Company Limited (2005 – 06)

- It was decided in the meeting held (13 July 2001) between the Secretaries of Government of Uttar Pradesh and Uttarakhand that no further claim would be raised on account of transfer of Sugar Mills. However, the company has accounted for loans and advances of Rs.30.35 crore recoverable from UP Government. This resulted in overstatement of loans and advances and understatement of loss by Rs.30.35 crore.

Power Transmission Corporation of Uttaranchal Limited (2004 -05)

- Stores & spares valuing Rs.2.39 crore were surplus/obsolete for which provision should have been made in the accounts. Non- provision had resulted in overstatement of current assets and understatement of loss by Rs.2.39 crore.

State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (2007-08)

- As per Accounting Standards (AS -1) interest earned/accrued of Rs.78.85 crore on fixed deposits with the banks, income from sale/leased out of land, interest charges on land premium and interest on leased rent should have been shown as payable to the State Government instead of income. This resulted in overstatement of profit and understatement of current liabilities by Rs.78.85 crore.

5.1.45 One working statutory corporation (Uttarakhand Parivahan Nigam) forwarded the accounts for one year (2005-06) to AG during the year 2008-09, which were audited. The details of aggregate money value of comments of CAG are given below:

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		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
3.	Non-disclosure of material facts	01	0.08	-	-	-	-
4.	Errors of classification	-	-	1	0.86	-	-

5.1.46 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, account for which was finalised during the year 2008-09 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	4	A 11, 14, 15 & 17
2.	Absence of internal audit system commensurate with the nature and size of business of the company	6	A 5, 10, 11, 15, 16 & 17
3.	Non maintenance of cost record	1	A 17
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 11, 15, 17 & 18

Status of placement of Separate Audit Reports

5.1.47 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	AGM was not held

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

5.1.48 The State Government had no plan of disinvestment, privatisation or restructuring of any of the PSUs.

Reforms in Power Sector

5.1.49 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 2008-09, no order was issued by UERC on annual revenue requirements and other matters.

Discussion of Audit Reports by COPU

5.1.50 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2003-04	-	2	-	-
2004-05	-	4	-	-
2005-06	1	3	-	-
2006-07	1	5	-	-
2007-08	1	5	-	-
Total	**3**	**19**	**-**	**-**

5.1.51 The matter relating to clearance of backlog of discussion of reviews/ paragraphs was taken up by AG with Chief Secretary/ Finance Secretary of the State and Chairperson of COPU in June & July 2009.

PERFORMANCE REVIEW RELATING TO STATUTORY CORPORATION

DEPARTMENT OF TRANSPORT

5.2 UTTARAKHAND PARIVAHAN NIGAM

Executive summary

The Uttarakhand Parivahan Nigam (Nigam) provides public transport in the state through its 17 depots. The Nigam had fleet strength of 1095 buses as on 31 March 2009 and carried an average of 1.11 lakh passengers per day. It accounted for a share of 17.58 per cent in public transport with rest coming from private operators. The performance audit of the Nigam for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Nigam.

Finance and performance

The Nigam suffered a loss of Rs.14.09 crore in 2008-09 without considering prior period adjustments. Its accumulated losses and borrowings stood at Rs.236.61 crore and Rs.33.13 crore as on 31 March 2009, respectively. The Nigam earned Rs.14.96 per km and expended Rs.16.04 per km in 2008-09. Audit noticed that with a right kind of policy measure and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining share

Of 6287 buses licensed for public transport in 2008-09, about 17.58 per cent belonged to the Nigam. The percentage share declined from 20.07 per cent in 2004-05 to 17.58 per cent in 2008-09. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/ add new buses) and lack of support from the State Government. Nevertheless, vehicle density (including private operators buses) per one lakh population increased marginally from 53.57 in 2004-05 to 60.30 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

Nigam's buses consisted of own fleet of 1095 buses and 63 hired buses at the end of 2008-09. Of its own fleet, 99 (9.04 per cent) were overage, i.e. more than eight years old. The per cent of overage buses declined from 43.31 per cent in 2004-05 to 9.04 per cent in 2008-09 due to acquisition of 981 new buses during 2004-09 at a cost of Rs.109.49 crore. Nigam's fleet utilization at 95 per cent in 2008-09 was above the All India Average (AIA) of 92 per cent. Its vehicle productivity at 340 kilometers per day per bus was also above the AIA of 313 kilometers. Similarly, its load factor at 68 per cent remained above the AIA of 63 per cent. However, the Nigam did not fix its own targets of vehicle productivity and load factor. Though the Nigam did well on operational parameters, its 73 per cent routes were unprofitable due to high cost of operations and non-reimbursement of full cost of operations on uneconomical routes by the State Government. Nigam's performance on repair and maintenance was poor

Economy in operations

Manpower and fuel constitute 73.68 per cent of total cost. Interest, depreciation and taxes account for 7.79 per cent and are not controllable in the short term. Thus, the controllable expenditure has to come from manpower and fuel. The manpower per bus increased from 5.49 in 2004-05 to 6.95 in 2006-07. but decreased to 6.24 in 2008-09. The Nigam did not attain its own fuel consumption targets resulting in

excess consumption of fuel valued at Rs.23.22 crore during 2004-09.

The number of hired buses decreased from 91 in 2004-05 to 63 in 2008-09. The Nigam earned a net profit of Rs.10.57 crore from hired buses during 2004-09. As this activity is profitable and has the potential to cut down the cost substantially, the Nigam needs to explore possibility to replace overage buses by hiring more buses in future.

Revenue maximisation

Nigam's staff at depot and Headquarters conducts enroute checking of buses. Though checking by higher management was required, the same was not being carried out. This is one area for the Nigam to plug leakage of revenue. Further, the Nigam has about 5.89 hectares of land. As it mainly utilizes the ground floor/ land for its operation, the space above can be developed on public private partnership basis to earn steady income which can be used to cross-subsidise its operations. The Nigam has proposals for some projects on PPP mode, but these are still at very initial stage.

Need for a regulator

The fare per kilometer stood at 54 paise from April 2008. Though the State Government approves the fare increase, there is no scientific basis for its calculation. The Nigam has also not framed norms for providing services on uneconomical schedules.

Inadequate monitoring

Independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify the fixation of targets for various operational parameters and effective Management Information System (MIS) for obtaining feedback on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not take/ Recommend suitable measures to control the cost and increase the revenue.

Conclusion and recommendations

Though the Nigam is incurring losses, it is mainly due to its high cost of operations and not due to low fare structure. The Nigam can control the losses by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains five recommendations to improve the Nigam's performance. Hiring of buses, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendation.

Introduction

5.2.1 In Uttarakhand, public road transport is provided by the Uttarakhand Parivahan Nigam (Nigam), which is mandated to provide an efficient, adequate, economical and properly coordinated road transport. The State also allows private operators to provide public transport. The State has not reserved any route exclusively for the Nigam. At present, the private operators also operate on the routes on which the Nigam operates. The fare structure is controlled by the State Government and is different for the Nigam and for private operators.

5.2.2 The Nigam was incorporated on 31 October 2003 by the State Government under Section 3 of the Road Transport Corporation Act, 1950 as a Nigam jointly owned by Central Government and State Government. The Nigam is under the administrative control of the Transport Department of the Government of Uttarakhand. The Management of the Nigam is vested with a Board of Directors comprising the Chairman, the Managing Director and Directors appointed by the Government of Uttarakhand. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Nigam, with the assistance of General Managers, Finance Controller, Deputy General Managers, Divisional Managers and Assistant Regional Managers. The Nigam has three Regional Offices[6], seventeen Depots[7] and three Regional Workshops[8]. The work of bus body building is carried out through external agencies. The organisation chart is given in *Appendix-5.5.*

5.2.3 The Nigam had a fleet strength of 1095 buses as on 31 March 2009 excluding 63 hired buses and carried an average of 1.11 lakh passengers per day during 2008-09. The Nigam's share in the passenger transport operations in the State was 17.58 *per cent* and the remaining 82.42 *per cent* was accounted for by private operators. The turnover of the Nigam was Rs.195.22 crore in 2008-09, which was equal to 0.47 *per cent* of the State Gross Domestic Product (Rs.40159 crore). The Nigam employed about 6897 employees as at 31 March 2009 including 1007 drivers and 915 conductors engaged through outsourcing.

Scope and Methodology of Audit

5.2.4 The present review conducted during February 2009 to July 2009 covers the performance of the Nigam during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of the social obligations and monitoring by top management of the Nigam. The audit examination involved scrutiny of records at the Head Office, three Regional workshops, three Regional Offices and ten[9] out of seventeen depots. The selection of depots was based on the profit and loss earned/suffered by the depots keeping a mix of Depots located in the plains and in hill areas. During 2008-09, the total revenue earned by these depots was Rs.103.96 crore and constituted 53.25 *per cent* of the total revenue of the Nigam.

5.2.5 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria,

[6]Dehradun, Nainital and Tanakpur.

[7]'B', Hill, Rural, Haridwar, Rishikesh, Roorkee, Kotdwar, Almora, Kathgodam, Kasahiur, Rudrapur, Ranikhet, Bhowali, Ramnagar, Pithoragarh, Lohaghat and Tanakpur.

[8]Dehradun, Kathgodam and Tanakpur.

[9]B, Hill, Hardwar,Kotdwar, under Dehradun region, Kashipur, Rudrapur, Almora and Ranikhet under Nainital region and Lohaghat and Pithoragarh under Tanakpur region.

raising of audit queries, discussion of audit findings with the management and issue of draft review to the management for draft comments.

Audit Objectives

5.2.6 The objectives of the performance audit were to assess:

Operational Performance

- the extent to which the Nigam was able to keep pace with the growing demand for public transport;
- whether the Nigam succeeded in recovering the cost of operation; and
- whether the adequate maintenance was undertaken to keep the vehicles roadworthy.

Financial Management

- whether the Nigam was able to raise claims and recover its dues efficiently; and
- the possibility of realigning the business model of the Nigam to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Nigam operated adequately on uneconomical routes.

Monitoring by Top Management

- whether the monitoring by Nigam's top management was effective.

Audit Criteria

5.2.7. The audit criteria adopted for assessing the achievement of audit objectives, were:

- all India average for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/norms fixed by the management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms etc;
- instructions of Government of India (GOI) and State Government and other relevant rules and regulations; and
- procedures laid down by the Nigam.

Financial position and working results

5.2.8 The overall financial position and working result of the Nigam for five years upto 2008-09 are given below :

(Rs.in crore)

Particulars	2004-05	2005-06	2006-07[10]	2007-08[10]	2008-09[10]
A. Liabilities					
Paid up Capital	37.24	57.24	77.24	78.24	79.74

[10] Provisional figures.

Reserves & surplus (including Capital grants but excluding Depreciation Reserve)	1.23	1.97	1.38	1.61	2.79
Borrowings (Loan Funds)	24.94	26.02	19.68	36.02	33.13
Current liabilities & Provisions	122.68	133.00	133.50	139.24	143.91
Inter Office adjustment	114.85	114.85	114.85	114.85	114.40
Total	**300.94**	**333.08**	**346.65**	**369.96**	**373.97**
B. Assets					
Gross Block	109.27	123.16	114.22	125.62	142.88
Less: Depreciation	67.88	61.02	64.42	73.86	88.36
Net Fixed Assets	41.39	62.14	49.80	51.76	54.52
Current Assets, Loans & Advances	17.81	18.65	47.31	67.92	56.43
Uttarakhand & U.P. Reorganisation settlement A/c	26.41	26.41	26.41	26.41	26.41
Accumulated losses	215.33	225.88	223.13	223.87	236.61
Total	**300.94**	**333.08**	**346.65**	**369.96**	**373.97**

Working Results

5.2.9 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost per kilometre of operation are given below:

(Rs. in crore)

Sl. No.	**Description**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
1.	Total Revenue	106.56	141.17	171.58	187.04	195.22
2.	Operating Revenue[11]	102.19	135.36	165.76	180.33	188.47
3.	Total expenditure	121.67	151.46	168.83	187.35	209.31
4.	Operating Expenditure[12]	121.51	151.20	168.39	186.27	208.61
5.	Operating Profit/Loss	(19.32)	(15.84)	(2.63)	(5.94)	(20.14)
6.	Profit/Loss for the year	(15.11)	(10.29)	2.75	(0.31)	(14.09)
7.	Net Prior period income	(0.79)	(0.26)	0.00	(0.43)	1.35
8.	Accumulated loss	215.33	225.88	223.13	223.87	236.61
9.	Fixed Costs					
	(i) Personnel Costs	47.51	50.47	55.52	61.78	65.39
	(ii) Depreciation					
	(iii) Interest	6.80	12.85	16.72	17.80	14.66
	(iv) Other Fixed Costs[13]	0.16	0.26	0.44	1.09	0.70
		19.02	18.63	18.70	20.71	22.38
	Total Fixed Cost	**73.49**	**82.21**	**91.38**	**101.38**	**103.13**

[11] Operating revenue includes traffic earnings, season tickets, re-imbursement against concessional passes, fare realised from private operators under KM scheme, etc.

[12] Operating expenditure includes expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licenses and taxes and general administrative expenses.

[13] Other fixed costs include miscellaneous expenditure, payment to hired bus owners and expenditure on incentives.

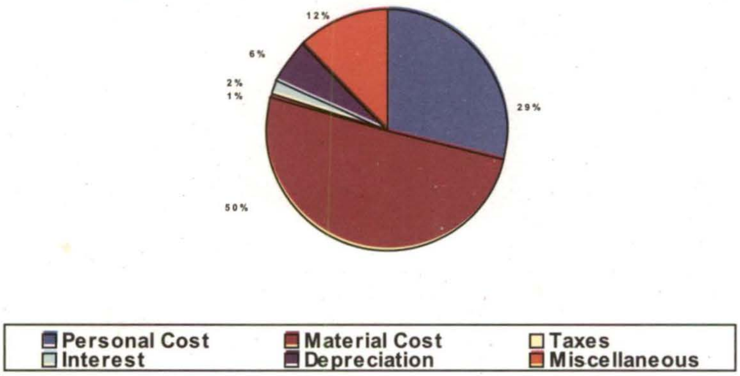
10.	Variable Cost					
	(i) Fuel & Lubricants	39.15	59.44	66.10	71.64	88.83
	(ii) Tyres & Tubes	2.61	3.33	4.95	7.60	7.91
	(iii) Other Items/ spares[14]	5.57	5.66	5.26	5.86	8.50
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	0.85	0.82	1.14	0.87	0.94
	Total Variable Costs	48.18	69.25	77.45	85.97	106.18
11.	Effective Kms. Operated (in crore) as per Operation	8.83	10.14	11.04	12.12	13.05
12.	Revenue per KM (Rs.) (1/11)	12.07	13.92	15.54	15.43	14.96
13.	Fixed Costs per KM (Rs.) (8/11)	8.32	8.11	8.28	8.36	7.90
14.	Variable Cost per KM (Rs.) (10/11)	5.46	6.83	7.02	7.09	8.14
15.	Cost per KM (Rs.) (3/11)	13.78	14.94	15.29	15.46	16.04
16.	Net Earnings per KM (Rs.) (12-15)	(1.71)	(1.02)	0.25	(0.03)	(1.08)
17.	Traffic Revenue[15] (Rs.in crore)	91.18	125.60	158.78	172.94	178.75
18.	Traffic revenue per KM (17/11)	10.33	12.39	14.38	14.27	13.70
19.	Operating profit/ Loss per KM (Rs.) (5/11)	(2.19)	(1.56)	(0.24)	(0.49)	(1.54)

5.2.10 The working results show that except for 2006-07, the Nigam was unable to recover its operating cost in all the years covered by the review. The operating loss per KM, however, has been decreasing from 2004-05 to 2006-07, but has again increased thereafter. Subsequent audit findings show that these losses were controllable and there is scope for improvement in the Nigam's performance.

Elements of Cost

5.2.11 Personnel cost and material cost constitute the major elements of the cost. The percentage break-up of costs for 2008-09 is given below in the Pie chart.

Components of various elements of cost



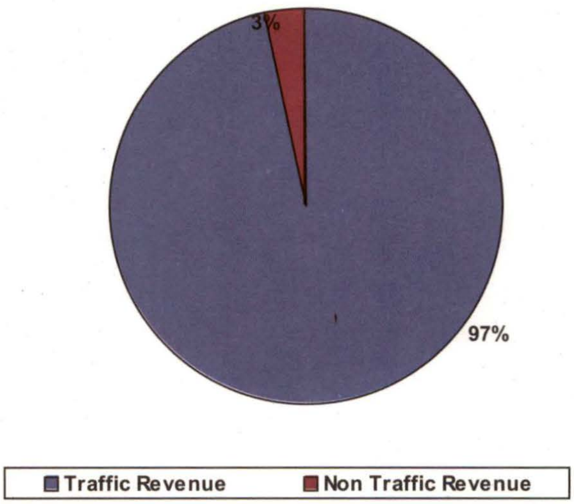
[14] Other items/ spares include expenditure on batteries, outsourced repair and maintenance and expenditure on spare parts.

[15] Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Elements of Revenue

5.2.12 Traffic revenue, and non-traffic revenue constitute total revenue. The percentage break-up of revenue for 2008-09 is given below in the pie chart.

Components of various elements of revenue



Audit Findings

5.2.13. During an entry conference held on 17 March 2009, the audit objective, scope and methodology were explained to officers of the Nigam. Subsequently, audit findings were reported to the Nigam and Government in September 2009 and discussed in an exit conference held on 12 November 2009 which was attended by Managing Director, General Manager (Administration), Finance Controller and Dy. General Manager (Technical). The views expressed by them have been considered while finalizing this review. The formal reply of the Nigam/ State Government was awaited. The audit findings are discussed below:

Operational Performance

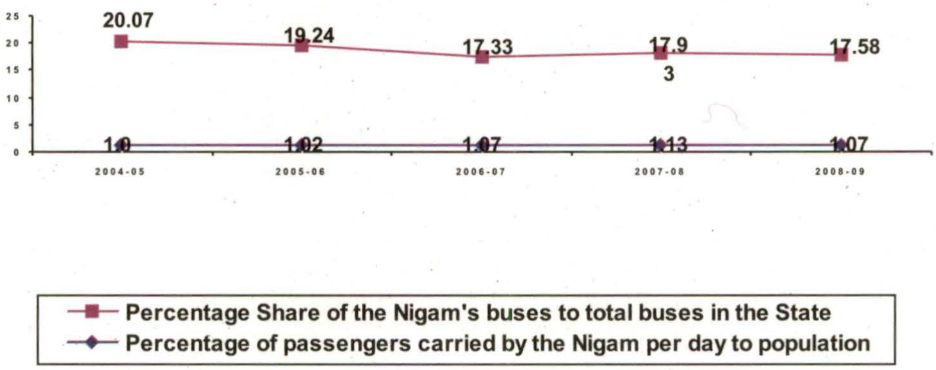
5.2.14. The operational performance of the Nigam for the five year ending 2008-09 is given in the *Appendix 5.6.* The operational performance of the Nigam was evaluated on various operational parameters as described below. It was also seen whether the Nigam was able to maintain pace with the growing demand for public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Nigam in public transport

The percentage share of the Nigam in bus transport decreased from 20.07 to 17.58 during 2004-09.

5.2.15 The State Government has not framed any transport policy to provide adequate and affordable public transport. The transport policy of the State Government should have been aimed at achieving a balanced modal mix of public transport and to discourage personalized transport. The focus should be on increasing mass transport systems by providing adequate, accessible and affordable modes of transport. The policy should recognize that in a hill state the bus system will continue to play the role of main mass transport system.

5.2.16 A Line graph depicting the percentage share of the Nigam buses in public bus transport of the State and percentage of average passengers carried per day by the Nigam to the population of the State during five years ending 2008-09 is given below:



5.2.17 The Table depicts the growth of public transport in the State.

S. No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Nigam's buses including hired	1015	961	985	1069	1105
2.	Private stage carriages	4043	4035	4698	4894	5182
3.	Total buses for public transport	5058	4996	5683	5963	6287
4.	Percentage share of the Nigam	20.07	19.24	17.33	17.93	17.58
5.	Percentage share of private operators	79.93	80.76	82.67	82.07	82.42
6.	Estimated population (lakh)	94.41	96.77	99.19	101.67	104.22
7.	Vehicle density per one lakh population (3/6)	53.57	51.63	57.29	58.65	60.32

(Figures in S. no. 1, 2 and 3 are average number of buses.)

5.2.18 The Nigam has not been able to keep pace with the growing demand for public transport. The share of Nigam in public transport decreased from 20.07 *per cent* (2004-05) to 17.58 *per cent* (2008-09). The effective per capita km. operated by the Nigam per year, however, increased from 9.35 km. to 12.52 km during the period under review as given below:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective kms. operated (lakh)	882.81	1013.52	1103.92	1212.22	1304.73
Estimated population (lakh)[16]	94.41	96.77	99.19	101.67	104.22
Per capita km. per year	9.35	10.47	11.13	11.92	12.52

5.2.19 Even though the Nigam's share in the overall public transport has decreased, the above table shows that the Nigam has increased coverage of its services in absolute terms over the years. This is on account of increase in fleet size of the Nigam, better utilization of the fleet and operation on a larger number of routes. This is apparent from the fact that effective kilometers operated by the Nigam, has grown by a massive 47.80 *per cent* during the period covered by the review.

5.2.20 Public transport has definite benefits over personalized transport in terms of costs, congestion on roads and environmental impact. The public transport service has to be adequate to derive those benefits. Yet despite increasing the overall coverage of its service, the Nigam was not able to maintain its share in public transport mainly on account of a lack of policy both on the part of the Government and the Nigam with regard to expanding the services of the Nigam on new routes and in the far flung and remote regions of the State. In the absence of such a policy and financial incapacity of the Nigam itself to expand its fleet size and regularly renew its fleet, the Nigam failed to take advantage of the growing demand in the State for affordable and reliable mass public transport.

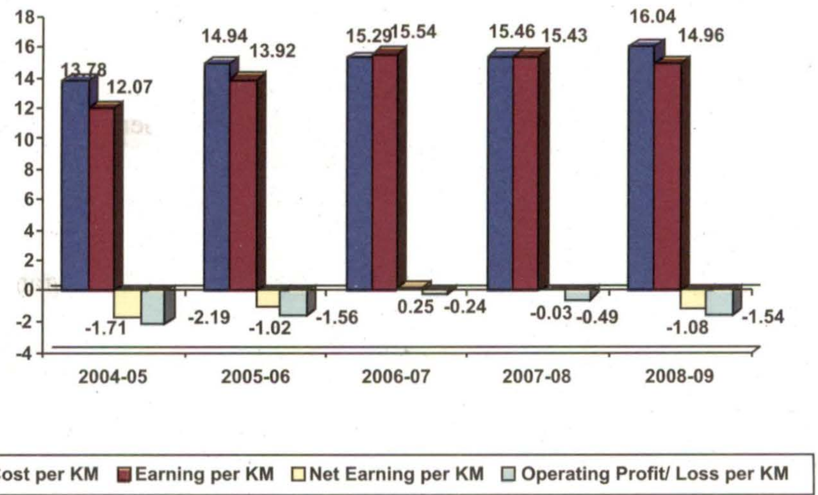
Recovery of Cost of Operation

5.2.21 As stated in para 5.2 above the Nigam was consistently unable to recover its cost of operations in all the years covered by the review. During the last five years ending 2008-09, the net operational revenue per km remained negative as shown in the graph[17] below:

[16] The population of Uttarakhand in 2001 was 84.80 lakh. The growth of population on All India basis has been taken as 2.5 percent per annum.

[17] Operational cost per KM represents total expenditure divided by effective KM operated. Operational revenue per KM is arrived at by dividing total revenue with effective KM operated. Net operational Revenue per KM is revenue per KM reduced by cost per KM.

Operational Performance



Orissa, Uttar Pradesh and Karnataka registered best net earnings per KM at Rs.0.49, Rs.0.47 and Rs.0.34 respectively during 2006-07.
(Source: STU's profile and performance 2006-07 by CIRT, Pune)

5.2.22 The above graph indicates that performance of the Nigam looked up in 2005-06 and 2006-07 largely on account of renewal of its fleet and fleet additions, the slide has resumed in the last two years. When compared to the All India Average for operating revenue per km of Rs.18.22 (2006-07) per km, the Nigam earned Rs. 15.54 per km for its best year of 2006-07. On the front of net earnings, the Nigam was behind the net earning of the best performers and in all the years the Nigam's net revenue was negative. The consistently adverse operational performance has undermined the capacity of the Nigam to renew and expand its fleet and operations as it is unable to generate or mobilize funds for the purpose.

5.2.23 There was no evidence of efforts being made by the Nigam to contain and eliminate its losses as both fixed and variable costs continued to rise. During the period, variable costs primarily consisting of cost of materials such as POL, tyres and tubes and spare parts, grew by 120 *per cent* over the period of review, which was much higher than the growth in effective kilometers run even after considering the normal price escalation during review period, the increase in cost was on higher side. In case remedial action is not initiated the financial viability of the Nigam would be in the risk of being undermined to an extent that it will put the Nigam's operations and very existence in peril.

Efficiency and Economy in operation

Fleet strength and utilization

Fleet Strength and its Age Profile

5.2.24 The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometers, whichever was earlier. The Nigam has its own fleet of buses. It also hires buses from contractors. Audit findings in respect of hired buses are given in paragraphs 5.2.58 to 5.2.60. The Table below shows the age-profile of buses held by the Nigam for the period of five years ending 2008-09:

Sl. No.	Particulars[18]	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total number of buses at the beginning of the year	803	875	977	943	1003
2.	Addition during the year	300	300	175	95	111
3.	Buses scrapped during the year	228	198	209	35	19
4.	Buses held at the end of the year (1+2-3)	875	977	943	1003	1095
5.	Of (4), number of buses more than 8 years old	379	180	191	110	99
6.	Percentage of overage buses to total buses	43.31	18.42	20.25	10.97	9.04

5.2.25 Procurement of buses constitutes a large part of the capital expenditure of the Nigam. As buses become over-aged with usage and passage of time, they are required to be replaced continuously. Hence, the Nigam is required to incur capital expenditure on a regular basis so as to keep its fleet modern and at an appropriate level consistent with its expansion plans. Towards this end, the Nigam should have prepared a plan outlining its capital expenditure requirements for a reasonable period and the means of financing the procurement of buses. No such plan was however, prepared by the Nigam. As a result, procurement of buses was not taking place in a planned manner keeping in mind the objectives of timely fleet renewal and expansion and the special requirements of a hill state. During 2004-09, the Nigam procured 981 buses at the cost of Rs.109.49 Crore. The percentage of overage buses came down from 43.31 *per cent* in 2004-05 to 9.04 *per cent* in 2008-09.

5.2.26 The main reason for non-replacement of all the overage buses or undertake fleet expansion is inability of the Nigam to generate enough internal resources to fund the acquisitions. During 2004-09, the Nigam incurred a loss of Rs.37.05 crore. The Nigam also provided for depreciation of Rs.14.66 crore during the year. Had the Nigam replaced all its overaged buses during

[18]The number of buses would not match with the figure given in the table under paragraph 8.3 as that indicate average number of buses during the year (s) and included hired buses.

2008-09, it would have required Rs.11.88 crore to replace 99 buses (at the rate of Rs.12.00 lakh per ordinary bus) for which the company's internal generation of funds was completely inadequate.

5.2.27 The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes to increase operational inefficiency and causes losses which, in turn, affect the ability of the Nigam to replace its fleet on a timely basis. However, the Nigam does not book the expenditure on maintenance on overage and underage buses separately.

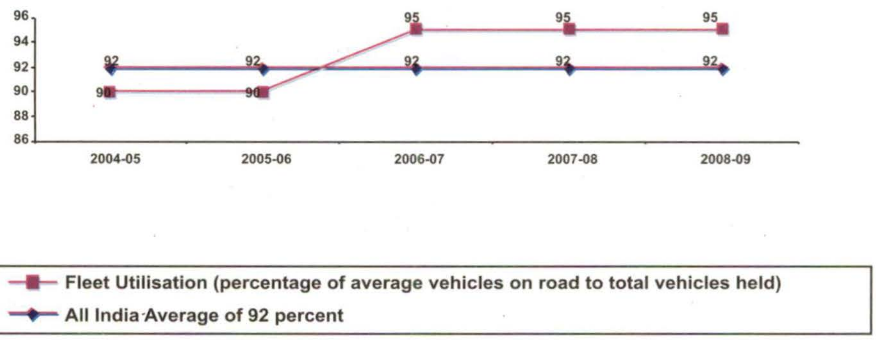
Fleet Utilization

5.2.28 Fleet utilization represents the ratio of total buses held by the Nigam to the buses on road. The Nigam had not set any target of fleet utilization. The fleet utilization of the Nigam varied from 90 *per cent* in 2004-05 to 95 *per cent* in 2008-09 as compared to the performance of APSRTC (best performer) of 99.40 *per cent* as indicated in the graph given below:

Andhara Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and 98.3 *per cent* respectively during 2006-07.
(Source: STU's profile and performance 2006-07 by CIRT, Pune)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Average number of buses held including hired buses	1015	961	985	1069	1105
2.	Buses on road	914	865	936	1015	1050
3.	Fleet utilisation *(per cent)*	90.05	90.01	95.03	94.95	95.02

The line graph depicts fleet utilisation of the Nigam for five years ending 2008-09 *vis-à-vis* All India average.



5.2.29 The reasons for lower utilisation during 2004-05 and 2005-06, as compared to All India average of 92 *per cent,* were not analysed by the Nigam. It was also seen that the rate of utilization furnished by the Nigam was notional and was arrived at by assuming that 10 *per cent* buses remained off-road till 2005-06 and 5 *per cent* thereafter on account of maintenance, accidents, break-downs etc.

5.2.30 A test check of the records pertaining to fleet utilisation in two depots i.e. Hill depot and B depot in Dehradun for the year 2008-09 revealed that the average bus utilisation of Hill depot was 93.47 *per cent* and that of B depot was 90.85 *per cent.* Variations in utilization were also noticed within the year with utilisation in the Hill depot ranging from 90.36 *per cent* (May 2008) to 95.18 *per cent* (June 2008) and in the B depot it ranged from 87.80 *per cent* (August 2008) to 92.68 *per cent* (February 2009). Since these two depots would be the busiest in the Nigam, its claim of maintaining fleet utilization at 95 *per cent* appears to be weak.

5.2.31 The Nigam stated (July 2009) that the schedule for operation of buses is prepared at 90 *per cent* of the buses and 5 *per cent* each are left for maintenance and for operation due to accidents or break-downs.

Vehicle Productivity

5.2.32 Vehicle productivity refers to the average kilometers run by each bus per day in a year The Nigam has not fixed its internal target for vehicle productivity for control purposes. The vehicle productivity of the Nigam *vis-à-vis* the average fleet for the five years ending 2008-09 is shown in the table below:

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Vehicle productivity (KMs run per day per bus)	265	321	323	327	340
Overage fleet (percentage)	43.31	18.42	20.25	10.97	9.04

> Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 463 KMs per day respectively during 2006-07. (Source: STU's profile and performance 2006-07 by CIRT, Pune)

5.2.33 The vehicle productivity of the Nigam during the period 2004-05 to 2008-09 has increased from 265 kms. per day (2004-05) to 340 kms. per day (2008-09). This is a result of renewal of the bus fleet of the Nigam initiated since 2005-06 and phasing out of overage buses. However, despite induction of 981 new buses in the last four years the vehicle productivity achieved by the Nigam was far less than that of best performer i.e. 474 km. achieved by Tamil Nadu (Villupuram). The vehicle productivity could still be improved in case, the following factors were controlled:

- Deficient route planning (Para 5.2.41)
- Cancellation of scheduled KMs. (Para 5.2.45)
- Want of crew (Para 5.2.45)
- Excess time taken for servicing/ overhauling and repairs (Para 5.2.51)

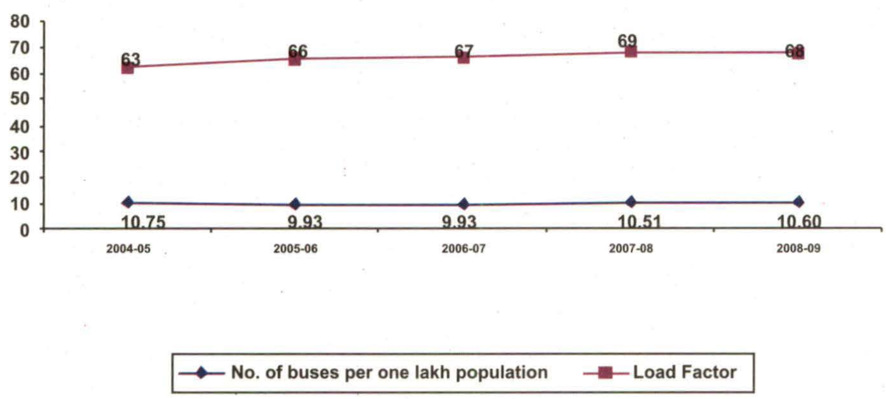
5.2.34 The Nigam stated (Oct 2009) that it had received 957 old buses in bad condition and since 2004-05 the Nigam started adding new buses in its fleet which resulted in improvement of vehicle productivity.

Capacity utilisation

Load Factor

5.2.35 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. Schedules and routes to be operated should normally be decided after a proper study of routes. Routes and schedules should be periodically reviewed so that the overall load factor can be enhanced.

5.2.36 The load factor and number of buses per one lakh population of the Nigam is given below in the line graph:



State Express Transport Corporation (Tamil Nadu), Tamil Nadu (Coimbatore) and Tamil Nadu (Villupuram) registered best load factor at 85.69, 79.57 and 79.06 *per cent* respectively during 2006-07. (Source: STU's profile and performance 2006-07 by CIRT, Pune)

5.2.37 The load factor of the Nigam increased from 63 *per cent* (2004-05) to 68 *per cent* in 2008-09. While the load factor achieved by the Nigam since 2005-06 has been higher than the All India average of 63 *per cent*, it was much lower than the load factor of the best performer. This showed that the Nigam was operating routes and schedules where demand was not very high causing seats to go empty on buses operating on such routes. There was no evidence of any study or review conducted by the Nigam of load factor on various routes/schedules with a view to optimize operations.

5.2.38 The Table below provides the details for break-even load factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost per KM.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per KM. (Rs.)	13.78	14.94	15.29	15.46	16.04
2.	Traffic Revenue per KM on 100 *per cent* load factor	16.40	18.77	21.46	20.68	20.15
3.	Break-even Load Factor considering only traffic revenue (1/2)	84.02	79.59	71.25	74.76	79.60

5.2.39 From the above table it is evident that break-even load factor considering only traffic revenue had a decreasing trend during review period. Scrutiny of the monthly route-wise Daily Vehicle Report (DVR) for the year 2007-08 and 2008-09 revealed that:

- the Nigam operated buses at a very low average load factor ranging from 24.5 *per cent* to 61.38 *per cent* on 31 routes.
- the services on some routes were provided for a short period and discontinued due to continuous loss. The load factors on these routes were very low.

Route planning

5.2.40 Appropriate route planning to tap demand leads to higher load factor. No systematic route planning has been made by the Nigam. There are 887 routes (2008-09) including 13 interstate routes in the State, of these 52 routes are nationalized. The Nigam operates its fleet on 12492 route kilometers irrespective of the fact whether the route is nationalized or private. The State Government has not earmarked any route exclusively for the Nigam. It is observed in audit that the State Government has not nationalized any additional route since formation of Uttarakhand (November 2000). The routes nationalised by the State Government of Uttar Pradesh remained applicable in Uttarakhand. Services on all routes were provided without any scientific route planning and without any previous survey of the routes. On some routes services were provided without assessing the actual demand and the service was terminated after a short period due to poor load factor.

5.2.41 Some routes are profitable while others are not. The position in this regard is given in the Table below:

Sl. No.	Particulars	Total No. of Routes	No of routes making profit	No of routes not meeting total cost
1.	2004-05	259 (100)	73 (28)	186 (72)
2.	2005-06	274 (100)	74 (27)	200 (73)
3.	2006-07	274 (100)	75 (27)	199 (73)
4.	2007-08	303 (100)	82 (27)	221 (72)
5.	2008-09	305 (100)	83 (27)	222 (73)

5.2.42 The Nigam provides transport services only on 34.39 *per cent* of the total routes. The remaining routes are serviced by private operators. In view of its very low share of the routes operated in the state, it is essential that the

Nigam take steps to expand its services to more routes after due care so that people of the state in all regions get access to economical and safe public transport services since percentage share of routes not meeting total cost remained stagnant at 72-73 despite increase of routes during review period by 17.76 *per cent* highlighting that new routes were not undertaken for operation after due cost benefit analysis.

5.2.43 Though some of the routes are non-profitable, being a Government public utility the Nigam is under obligation to provide services even on uneconomical routes. However, to maintain operational and financial viability it is essential that the Nigam formulate and implement a plan for providing an optimum quantum of services on different routes so that revenues are optimized even while it meets its obligations as a public utility. No such exercise was, however, carried out by the Nigam leading to sub-optimal operations.

5.2.44 The Nigam stated (August 2009) that while its fleet is limited, many of the private operators have been operating bus services from the period earlier than the formation of the Nigam. Besides, smaller passenger utility vehicles like Mahindra Jeep, maxi cabs, Tata Sumos, Commanders etc. also operate in large numbers on hill routes due to their better maneuverability. The reply is not justifiable as the Nigam being a state-owned utility should increase its operations to routes which are being profitably operated by private operators.

Cancellation of Scheduled Kilometers

5.2.45 A review of the operations indicated that the scheduled kilometers were not fully operated by the Nigam mainly due to non-availability of adequate number of buses, shortage of crew and other factors like accidents, breakdowns, strikes, road blockages etc. The details of scheduled kilometers, effective kilometers, cancelled kilometers, avoidable cancellation etc are given below:

(Lakh kms)

Sl.No	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Scheduled Kilometers	1113.73	1150.07	1240.04	1302.64	1374.84
2	Effective Kms	882.81	1013.52	1103.92	1212.22	1304.73
3	Kilometers cancelled	230.92	136.55	136.12	90.42	70.11
4	Percentage of Cancellation	20.73	11.87	10.98	6.94	5.10
Cause-wise analysis						
5	Want of buses	92.81	57.42	55.44	22.52	24.99
6	Want of crew	78.65	40.99	35.63	18.92	14.92
7	Others	59.46	38.14	45.05	48.98	30.20
8	Contributions per Km (in Rs.)	4.87	5.56	7.36	7.18	5.56
9	Avoidable cancellation (want of buses and crew)	171.46	98.41	91.07	41.44	39.91
10	Loss of contribution (8x9) (Rs.in crore)	8.35	5.47	6.70	2.98	2.22

[19] Contribution =Traffic Revenue per km-variable cost per km (Sr. No. 18-14 of Table Paragraph No. 5.2.12)

Cancellation of scheduled kilometers for want of buses and crew led to loss of contribution of Rs. 25.72 crore during 2004-09.

5.2.46 It is observed that percentage of cancellation of scheduled kilometers reduced from 20.73 (2004-05) to 5.10 (2008-09). However, the percentage was still very high compared to the best performers. Due to cancellation of scheduled kilometers for want of buses and crew, the Nigam was deprived of contribution of Rs.25.72 crore.

> Tamil Nadu (Salem), state Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of Scheduled KMs. at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07.
> (Source: STU's profile and performance 2006-07 by CIRT, Pune)

Maintenance of vehicles

Preventive Maintenance

5.2.47 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. The Nigam had Tata and Leyland make buses and a schedule of maintenance had been prescribed by the Original Equipment Manufacturers (OEMs), which is given in the Table below:

(in Kms.)

Sl. No.	Particulars	Prescribed Schedule	
		Ashok Leyland	Tata
1.	Engine oil change	32000	18000
2.	Brake Inspection	24000	18000
3.	Wheels hub	32000	36000
4.	Fuel injection pump	32000	18000
5.	Coolant	72000	72000
6.	Wheel alignment	9000	9000
7.	Gear oil change	32000	36000

5.2.48 The Nigam stated (August 2009) that it was following the norms prescribed by the OEMs for maintenance. It was seen in audit that the Nigam also had another set of norms which included: various processes of maintenance like checking of engine oil, coolant, brake system etc. These maintenance activities were required to be undertaken at 4000, 8000, 16000 and 32000 kms. stages. It was also seen that each bus also underwent checks each time it was garaged in the depot at the end of the day/ trip.

Repair and Maintenance

5.2.49 The summarized position of the Nigam's fleet holding, over-aged buses and repairs and maintenance (R & M) expenditure for the last five years upto 2008-09 is given below:

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Number of own buses[20] at the end of year	875	977	943	1003	1095
2.	Over-aged buses (more than 8 years)	379	180	191	110	99
3.	Percentage of over-aged Buses	3.31	18.42	20.25	10.97	09.04
4.	R & M expenses (Rs.in crore)	8.17	8.99	10.21	13.46	16.42
5.	R & M expenses per bus (4/1) (Rs.in lakh)	0.94	0.92	1.08	1.34	1.50

[20] Exluding hired buses.

5.2.50 It would be seen from the above table that expenditure on repair and maintenance of its buses increased sharply year after year from Rs.8.17 crore (2004-05) to Rs.16.42 crore (2008-09) during review period though its holding of overaged buses reduced from 30 *per cent* to 6 *per cent* during the same period.

Delay in overhauling of engines

5.2.51 Workshops are the backbone of Transport Corporations. Efficiency in operation depends to a large extent on the efficient working of the workshops. The Nigam has three Regional Workshops located at Dehradun, Kathgodam and Tanakpur for overhauling of engines and repair of heavily damaged buses. The Nigam has fixed a norm of six days for overhauling of engines at the Regional Workshops. A test check of records of the Regions revealed that the Nigam lost a contribution of Rs.7.40 crore during the period of review due to excess time taken beyond norms on overhauling of engines as detailed below:

Delay in overhauling of engines led to loss of contribution of Rs.7.40 crore during 2004-09.

Year (1)	Number of engines repaired (2)	Excess docking (Days) (3)	Loss in terms of vehicle productivity (4)	Contribution per kilometer (In Rs.) (5)	Loss of contribution (Rs.In crore) (3x4x5) (6)
2004-05	441	9141	265	4.87	1.18
2005-06	238	8499	321	5.56	1.52
2006-07	184	8009	323	7.36	1.90
2007-08	121	7066	327	7.18	1.66
2008-09	145	6061	340	5.56	1.14
Total	1129	38776	--	--	7.40

Manpower cost

5.2.52 The cost structure of the organization shows that manpower and fuel constitute 73.68 *per cent* of total cost. Interest, depreciation and taxes- the costs which are not controllable in the short-term account for 7.79 *per cent.* Thus, the major cost saving can come only from manpower and fuel.

> Gujrat, Tamilnadu (Villupuram) and Tamilnadu (Salem) registered best performance at Rs.6.10, Rs.6.13 and Rs.6.21 cost per effective KM respectively during 2006-07.
> (Source: STU's profile and performance 2006-07 by CIRT, Pune)

5.2.53 Manpower is an important element of cost which constituted 31.24 *per cent* of total expenditure of the Nigam during 2008-09. Therefore, it is imperative that this cost is kept under control so as keep operations viable and that manpower is utilised optimally to achieve high productivity. The sanctioned strength of manpower was 6,397 including all cadres. The manpower in position as on 31 March 2009 was 4,793 employees thereby having a shortage of 1604 employees. This shortage was mainly in the category of operational staff/ officers who constitute the core staff of the Nigam. The shortage of drivers and conductors has been met by engaging them on contract or through service providers (drivers 1007 and conductors 915). Thus, the Nigam had employed 500 employees on contract in excess to sanctioned strength.

5.2.54 The Table below provides the details of manpower, its cost and productivity:

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower including crew on contract (Number)	5568	6591	6841	7108	6897
2.	Manpower Cost (Rs.in crore)	47.52	50.47	55.52	61.78	65.39
3.	Effective Kilometer (in lakh) including hired buses	882.81	1013.52	1103.92	1212.22	1304.73
4.	Cost per effective Km.(Rs.)	5.38	4.98	5.03	5.10	5.01
5.	Productivity per day per person (kms.)	43.43	42.13	44.21	46.72	51.83
6.	Total no. of buses (Average) including hired	1015	961	985	1069	1105
7.	Manpower per bus	5.49	6.86	6.95	6.65	6.24

5.2.55 The manpwer cost per effective KM. during all the years was better than the All India Average of Rs.7.50 per effective KM. (2006-07) but was much higher than the best performers. Likewise, while the staff per bus of the Nigam was better than the All India Average of 6.5 staff per bus during 2004-05 and 2008-09, while it was higher during the remaining years. However, it remained higher than the staff-bus ratio of 4.89 of the best performer. Audit analysis revealed that number of crew per bus increased from 3.28 in 2004-05 to 4.38 in 2006-07 but subsequently decreased to 4.03 in 2008-09. Similarly, other staff per bus also increased from 1.36 in 2004-05 to 2.76 in 2005-06 which again decreased to 2.18 in 2008-09.

North West Karnataka State Road Transport, Karnataka State Road Transport and Himachal Pradesh registered best performance at 4.89, 4.99 and 4.94 manpower per bus.
(Source: STU's profile and performance 2006-07 by CIRT, Pune)

Fuel Cost

5.2.56 Fuel is major element of cost which constituted 35.90 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Nigam for fuel consumption, actual consumption, mileage obtained per litre (kilometer per litre i.e. KMPL), All India average and estimated extra expenditure:

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross kilometers (in lakh) (Nigam only)	853.24	947.63	1059.04	1174.12	1187.64
2.	Actual consumption (in lakh liters)	183.89	202.47	226.73	253.08	254.09
3.	Kilometer obtained per liter (KMPL)	4.64	4.68	4.67	4.64	4.67
4.	Targets of KMPL fixed by the Nigam	5.0	5.0	5.0	5.0	5.0

5.	Consumption as per Nigam's norm (in lakh liters)	170.65	189.53	211.81	234.82	237.53
6.	Excess consumption (in lakh liters)	13.24	12.94	14.92	18.26	16.56
7.	Average cost per liter (in Rs.)	21.89	29.80	33.88	31.50	34.17
8.	Extra expenditure (Rs. in crore) (6 x 7)	2.90	3.86	5.05	5.75	5.66

Consumption of fuel in excess of its norm led to extra expenditure of Rs.23.22 crore during 2004-09.

5.2.57 The above table indicates that the Nigam consumed 75.93 lakh liters of fuel in excess during 2004-05 to 2008-09 as compared to its own norm of 5 KMPL resulting in extra expenditure of Rs.23.22 crore.

North East Karnataka State Road Transport, Uttara Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.
(Source: STU's profile and performance 2006-07 by CIRT, Pune)

Cost effectiveness of hired buses

5.2.58 The Nigam hires private buses on kilometer payment basis. Agreements with the private bus owners were entered into for a period of three years under the kilometer scheme. The owners of these buses are required to provide buses with drivers and incur all expenditure for running of the buses. The Nigam provides conductors and make payments as per the actual kilometers operated by the hired buses. During the period of review, the Nigam earned a net profit of Rs.10.57 crore from hired buses. While the net revenue per km. of the Nigam's fleet remained negative in all the years during the period of review, it was as high as Rs.8.39 per km for hired buses during 2004-05, which declined down to Rs.0.31 per km but increased to Rs.3.53 per km in 2007-08. Thus, despite being a profitable activity, operation of hired buses was reduced from 91 (2004-05) to 51 (2006-07) and again increased to 79 in 2007-08 and 63 in 2008-09. The main reasons for decrease in hired buses were as below:

- Unauthorised charging of service tax from the private bus owners·
- the shortage of conductors ;
- irregular payment to the bus owners and
- increase in hire charges not commensurate with the hike in fuel prices.

5.2.59 It was also observed in audit that liabilities arising on account of the operation of hired buses had not been properly managed. It was seen from the records of the Divisional Manager, Dehradun that the Nigam had paid compensation for victims of accidents caused by hired buses on the orders of courts. However, the amounts paid had not been recovered from the bills of the hired bus owners. It was also observed that the Nigam's interest in such matters had not been appropriately protected by the agreements entered with the private bus owners. The Nigam thus failed to recover the compensation paid amounting to Rs.44.95 lakh from the private owners and had even returned the security deposits to some bus owners on the expiry of the agreement.

5.2.60 The Nigam stated (June 2009) that payments due to the concerned private bus owners had been withheld. The reply is not based on facts as there is nothing on record to show that any amounts due to the private bus owners whose agreements have already expired, were withheld.

Body Building

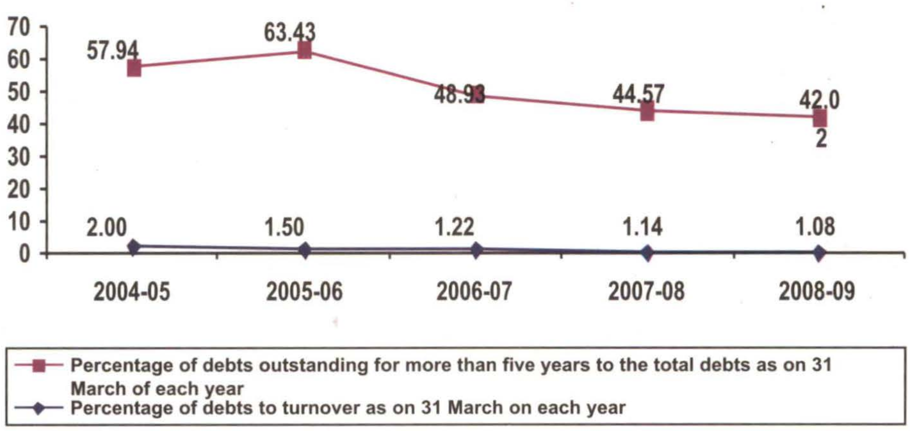
5.2.61 The fabrication of bus bodies was got done by the Nigam from UPSRTC, Himachal Road Transport Corporation and HMM Coach, Ambala upto 2004-05. Thereafter, the work of fabrication was awarded on the basis of open tenders. Orders for seats are given to separate vendors. During 2004-09, the Nigam got 980 bus bodies of different makes and wheel bases fabricated from different firms at a total cost of Rs.41.09 crore.

Financial Management

Claims and Dues

5.2.62 The Nigam did not give its buses on hire to schools or any other party during review period. The Nigam also does not provide free or concessional passes to students and senior citizens and as such no claims on this account has been raised against the State Government. However, the Nigam had outstanding debts of Rs.4.86 crore on 31 March 2009 recoverable from Central/ State Government departments on account of public administration, Railway etc and a few private parties on account of services hired by political parties. Before the formation of the Nigam, buses were given on hire for which an amount of Rs.2.05 crore was due for over 5 years from various Government departments and a private party.

5.2.63 An analysis in Audit of the debts outstanding as a percentage of turnover and the percentage of outstanding debts for more than five years to the total debts for the five years ending March 2009, is depicted in the graph below:



5.2.64 As already mentioned, UPSRTC was bifurcated and Uttarakhand Parivahan Nigam was established under the Road Transport Act, 1950 vide Government of India notification dated 31 October 2003. The assets and liabilities were to be divided as per the Government of India notification. The dues relating to the employees like pension, GPF, welfare etc. were to be divided in the ratio of 95:5 as per the orders of the Government of Uttar Pradesh dated 12 November 2003. Accordingly, the employees dues for the period October 2003 to March 2008 and tax etc were to be realized from UPSRTC to the extant of Rs.55.40 crore at the end of 2008-09. However, efforts were not made by the Nigam to recover these huge debts despite a period of more than five years elapsed.

5.2.65 Further, the assets pertaining to UPSRTC which were outside Uttarakhand and were treated as common assets like (i) Workshop at Kanpur (two) (ii) Training Centre at Lucknow (iii) UPSRTC Hqrs. and Car Section in Lucknow and (iv) Guest House in Delhi were required to be valued at present market rate and distributed between UPSRTC and the Nigam The value of these assets itself has not been ascertained so far (March 2009).

The Nigam stated (July 2009) that the action for settlement of the matter is being taken by both the States and the Central Government.

Payment of passenger tax

5.2.66 As per Government of Uttarakhand Gazette Notification (October 2003), the Nigam was collecting passenger tax from passengers traveling by the Nigam's buses along with other traffic revenue. A test check of the records of the Nigam revealed that it did not pay the passenger tax amounting to Rs.52.68 crore as on March 2009 to the State Government since its creation. It was also observed that in addition Rs 63.43 crore pertaining to the period before creation of Nigam was also pending for payment up to March, 2009.

5.2.67 The Nigam stated (October 2007) that State Government has been requested to convert the liability of tax into grant. It was also stated that the amount so collected had been spent in purchasing new buses and in paying the arrears of salary of the employees. Utilisation of passenger tax for other purposes, without the approval of the State Government, was irregular.

Realignment of business model

5.2.68 The Nigam is mandated to provide efficient, adequate and economical road transport to the public. Therefore, the Nigam cannot take an absolutely commercial view in running its operations. It also has to cater to uneconomical routes to fulfill its mandate and keep its fares affordable. In such a situation, it is imperative for the Nigam to tap non- traffic revenue sources to cross subsidies its operations. However, the quantum of non-traffic revenues at Rs.29.45 crore earned during 2004-05 to 2008-09 was meager. This revenue mainly came from advertisements, sale of scrap and restaurants/ shop rentals etc. Audit however, observed that the Nigam has not fully tapped the all the potential for raising non-traffic revenues. For example, the Nigam has land at important locations measuring 5.89 hectares valued at Rs.33.66 crore as detailed below:

Particulars	Cities (Municipal area)	District Headquarters	Tehsil Headquarters	Total
Number of sites	2	1	9	12
Occupied land (in hectares)	2.65	1.39	1.85	5.89
Present market value (Rs.in crore)	32.58	0.20	0.87	33.66

5.2.69 The Nigam's efforts to commercially utilize a piece of land owned by it at old bus station in Dehradun have been mired with problems. The land had become available due to the operation of the ISBT at another location. A decision was taken (October 2004) for commercial utilisation of the land. The Nigam had executed (July 2008) an agreement for 30 years with a contractor for building a commercial complex on this land in the Public Private Partnership (PPP) mode. The contractor paid Rs.2.16 crore in July 2008 as first concessional payment (Rs.1.08 crore) and performance guarantee (Rs.1.08 crore) to the Nigam. However, in the Master Plan declared (November 2008) by the State Government the said land was demarcated for "Local Bus Stand and Thela Parking". The Nigam thereafter, approached the State Government for change of use of the land but a decision is still pending. Meanwhile, construction work on the land has been stopped since the declaration of the Master Plan. The above shows lack of coordination with other departments and weak planning.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

5.2.70 The Nigam adopted (2003) the fare structure prevalent in UPSRTC. The Government of Uttarakhand empowered (May 2005) the Nigam to increase fares upto 10 *per cent* in a year on account of increase in diesel prices and dearness allowances (DA) on employees' salary. A test check has revealed that the Nigam has not increased the fares with reference to increase in diesel prices and DA rates as allowed by the State Government. However, the Nigam increased its fare five times disproportionately with increase of diesel prices and D. A. rates as detailed below:

Date	Fare per KM. (in paisa)
From 05 March 2003	41.68
From 10 June 2005	43.92
From 30 June 2005	45.00
From 09 September 2005	46.00
From 09 March 2006	49.00
From 22 April 2008	54.00

5.2.71 The Nigam stated (July 2009) that the revision of rates of fare needs approval of the State Government. The reply is not convincing because as per orders of the State Government the Nigam could increase the fare upto 10 *per cent*. It was noted that there is no independent regulatory body or mechanism for fixing fares after taking into account costs and scope for effecting reductions in the same.

5.2.72 The fare structure of UPSRTC adopted by the Nigam has no scientific basis as it does not take into account the normative cost. Thus, there is a risk of commuters paying for inefficiency of the Nigam since excess cost was being incurred on manpower and fuel as discussed in the earlier paragraphs.

5.2.73 The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Adequacy of services on uneconomical routes

5.2.74 The Nigam had about 27 *per cent* profit making routes as of March 2009 as shown in Table under paragraph 5.2.41. However, the position would change if the Nigam improves its efficiency. Though the Nigam is required to provide service on some routes even if they are uneconomical but the Nigam has not formulated any norms for providing services on these routes. In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained during audit. The setting up of an independent mechanism for specifying quantum of services on uneconomical routes, taking into account the specific needs of commuters, is essential. A large number of routes in the hilly areas are not covered by the Nigam and the commuters totally depend upon private operators whose services are not always available and reliable.

5.2.75 Due to operation on uneconomic routes, the Nigam is suffering huge losses every year and claimed Rs.20.70 crore per year from the Government of Uttarakhand as compensation for losses incurred due to operating in hill routes only. However, there are 14 other routes in the plain area which also suffer huge loss having very low load factor. Thus, the claim of the Nigam that only hill area routes were uneconomical, is not based on facts.

5.2.76 The Nigam stated (July 2009) that bus services are often provided on different routes on the demand of public representatives and on Government orders. The reply of the Nigam underscores the fact that route planning by the Nigam is not based on objective traffic assessments and in terms of a conscious and carefully laid down policy of providing services on uneconomical routes.

Monitoring by top management

MIS data and monitoring of service parameters

5.2.77 For an organisation like a Road Transport Corporation to operate economically, efficiently and effectively, there has to be written norms of operation, 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. In the light of this, Audit reviewed the system prevailing in the Nigam and noticed that the Management set the targets for important parameters except fleet utilisation and load factor. The top Management never gave any direction/ instruction on various short comings with a view to further improve the operations.

5.2.78 The top management of the Nigam is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, such ability was not seen either from records or performance of the Nigam during period under review.

Acknowledgement

Audit acknowledges the cooperation and assistance extended by different levels of the Management at various stages of conducting the performance audit.

Conclusion

Operational Performance

- The Nigam could not keep pace with the growing demand for public transport as its share declined from 20.07 to 17.58 *per cent* in 2008-09.
- The Nigam could not recover the cost of operations in any of the five years under review. The Nigam has suffered operational loss of Rs.63.87 crore during the five years. This was mainly due to operational inefficiencies and inadequate/ ineffective monitoring by top management.

Financial management

- **The Corporation did not follow up recovery of its dues to logical end.**
- **The Corporation has tremendous potential to tap non-conventional sources of revenue but it did not have a policy in place to undertake large scale tapping of such funds.**

Fare policy and fulfillment of social obligations

- The Nigam has not framed any fare policy.
- There is no regulatory body to fix the fares, specifying the operation on uneconomical routes.

Monitoring by top management

- There is no MIS system in the Nigam and the monitoring by top management of key operational parameters and service standards was largely ineffective.

On the whole, there was immense scope to improve the performance of the Nigam. However, the present set-up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

Recommendations

The Nigam may:

- increase its percentage share in passenger transport.
- hire more number of buses, being a profitable activity.
- rationalise manpower to achieve economy in operations.
- consider devising a policy for tapping non-conventional sources of revenue on a large scale, which will result in steady inflow of revenue without additional investment.

The State Government should :

- consider creating a regulator to regulate fares and also services on uneconomical routes.

Transaction Audit Observations

POWER TRANSMISSION CORPORATION OF UTTARAKHAND LIMITED

5.3 Blockage of funds

Failure of the company in exercising due diligence in land acquisition has resulted in blocking up of Rs.3.67 crore and consequential loss of Rs.72.36 lakh on account of interest

In order to provide reliable, uninterrupted and quality power at affordable cost and to reduce load of existing sub-stations, a Detailed Project Report (DPR) was prepared (January 2003) by the Company for construction of a 220 KV sub-station at Dehradun. It was anticipated that the cost (Rs.29.05 crore) of sub-station would be recovered within two years on account of benefits from reduction in energy losses and by way of additional sale of energy. The scheme was to be financed through loan of Rs.176.46 crore from National Bank of Agricultural and Rural Development (NABARD) at 6.5 *percent* interest and Rs.49.47 crore from the State Government as equity, which was provided in January 2004. The construction of sub-station in Dehradun Circle was part of that scheme.

With a view to implement the work of construction of the sub-station at Dehradun, the Company selected (March 2005) land measuring 22.128 hectare (ha) of which 15.949 ha belonged to the State Government and 6.179 ha belonged to private parties. An application for acquisition of private land was filed in (March 2005) with the Special Land Acquisition Officer (SLAO), Dehradun. SLAO asked (July 2005) the Company to deposit 10 *per cent* of cost of land (Rs.408.22 lakh) i.e. Rs.40.82 lakh to enable initiation of land acquisition. The Company deposited the amount (August 2005) and a Gazette Notification for acquisition of the land was published in newspapers on 4 December 2005.

On publishing of the Gazette Notification in newspapers, a Co-operative Society (Dron Vihar Avas Vikas Sahkarita, Dehradun) filed (December 2005) an objection against the acquisition of land with the State Government in terms of orders issued (October 1986) by Government of Uttar Pradesh (GoUP) prohibiting acquisition of land which was held by Co-operative Societies for residential purposes. The SLAO further demanded (January 2006) 80 *per cent* cost amounting to Rs.3.27 crore and the same was deposited (February 2006) by the Company but the land in question could not be acquired (February 2009).

Audit Scrutiny revealed (February 2009) that while undertaking acquisition of the land for construction of sub-station, it did not keep in view the following:

- The order of the GoUP (October 1986) prohibiting acquisition of land which was held by Cooperative Societies for residential purposes;
- A Co-operative Society had already published its intention in newspapers on 3 June 2005 to purchase the same land; and
- The Dron Vihar Avas Vikas Sahkarita, Dehradun had already filed (December 2005) their objection with the State Government well before 80 *per cent* cost of the land was deposited by the company stating that the land belonged to the Cooperative Housing Society and was held for the residential purposes.

The obstacles of land acquisition for the sub-station were discussed (January 2007) in a meeting chaired by the Additional Chief Secretary. It was decided that alternate land would be identified for a sub-station of a higher capacity and the deposit already made with the SLAO would be used for the purpose. The work relating to construction of sub-station was, however, finally dropped from the scheme (July 2007) even after an expenditure of Rs.3.67 crore towards cost of land acquisition.

The Management stated (June 2009) that the verification and other formalities relating to acquisition were required to be done by the District Authorities and the amount was deposited as per demand raised by the SLAO under the provisions of Land Acquisitions Act, 1894. The demand for refund of the amount had not been made in view of decision of the January 2007 meeting that this amount would be utilized for purchase of alternate land for construction of a sub-station.

The reply is not convincing as the site had been identified by the Company and since the plan of constructing a sub-station was finally dropped (July 2007), there was no question of utilizing the amount deposited for acquisition of alternate land. Further, 80 *per cent* of the cost of the land had been deposited after the Society had filed its objection with the State Government. The Company has also not initiated any action for a refund of the cost of land, deposited with the SLAO since February 2006. The Company should have verified status of land before requesting the SLAO for acquisition of the said land.

Thus, due to failure in exercising due diligence an amount of Rs.3.67 crore remained blocked resulting in a loss on account of interest of Rs.72.36 lakh. The Company was also deprived of financial benefits to the tune of Rs.14.50 crore per year envisaged in the DPR. Besides, due to non-implementation of the work, envisaged benefit of reliable and uninterrupted quality power could not be achieved.

The matter was reported to the Government (August 2009), reply had not been received (November 2009).

STATE INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT CORPORATION OF UTTARAKHAND LIMITED

5.4 Avoidable payment of interest on Income Tax

Incorrect assessment of estimated profit for payment of Income tax resulted in avoidable payment of interest of Rs.89.90 lakh.

Under section 208 read with section 210 of the Income Tax Act, 1961 (Act), it was obligatory to pay Advance Income Tax (AIT) during the financial year in every case where amount of tax payable exceeded Rs.5,000. AIT on the current income (as calculated under section 209 of the Act) was payable in four installments between June and March for each financial year (Section 211 of the Act). If the amount of AIT falls short by more than 10 *per cent*, the assessee is liable to pay simple interest for default in payment of balance tax at the rate of one *per cent* per month under section 234 B of the Act. Further interest at the rate of one *per cent* for deferment of AIT under section 234 C of the Act is also payable if total AIT fell short of total tax liability. Simple interest at 12 *per cent* per annum on amount of TDS not collected or paid short from the date on which such tax was deductable to the date on which it is actually paid will be charged under Section 201 (1A) of the Act.

In case assessee has paid advance tax in excess of actual income tax then as per provision of section 214 of Income Tax Act, 1961, Income Tax Department will pay simple Interest @ 15 *per cent* per annum on such excess amount.

The company did not deposit the AIT due on 15 June 2006, 15 September 2006 and 15 December 2006 for the assessment year 2007-08, but deposited an amount of Rupees two crore on 14 March 2007. In addition an amount of Rs.4.71 crore deducted at source was also paid. The total payment of Rs.6.71 crore, however, fell short by Rs.8.22 crore of total Income Tax of Rs.14.93 crore payable by the Company on its profit of Rs.44.36 crore for the year 2006-2007, which was more than 10 *per cent.* The Company paid interest of Rs.40.28 lakh and Rs.49.62 lakh under section 234-B and 234-C of the Act respectively alongwith balance Income Tax of Rs.8.22 crore (Rs.5.10 crore in June 2007 and Rs.4.02 crore in November 2007) despite having sufficient Bank balances in its current account with Bank earning no interest.

Audit observed that the company failed to consider the interest income on realistic basis to arrive at the tax payable. Had the Company deposited AIT based on income on realistic basis after taking into account all contributing factors and available data, the installments of AIT would have been paid in time and payment of interest to Income Tax department could have been avoided.

The Management stated (December 2008) that the tax amount was calculated on the estimated interest income of Rs.15.11 crore but the interest income was

Rs.32.98 crore and due to non consideration of income from sale of land being share from Eldeco Sidcul. This resulted in short deposit of Advance Tax, which was deposited in June 2007 and November 2007 alongwith interest of Rs.89.90 lakh.

The reply is not convincing as the interest income from Bank should have been calculated accurately and revenue share of income on sale of land should have been estimated on realistic basis. It is also recommended that the AIT should be estimated on slightly higher side as Income Tax Department return the overpayment of Tax alongwith interest at the same rate as Nationalised Banks.

Thus, the failure of the management in estimating its income with reasonable accuracy resulted in avoidable payment in the form of interest of Rs.89.90 lakh paid to Income Tax Department.

The matter was reported to Government (April 2009), the reply is awaited (November 2009).

5.5 Loss due to restoration of a plot

Loss of Rs.54.95 lakh due to irregular and unjustified restoration of industrial plot.

As per condition for allotment of plots and grant of lease in Integrated Industrial Estate in BHEL, Haridwar and Pantnagar, the allottee shall take possession of the allotted land within sixty days from the date of allotment or from the date of execution of license agreement whichever is earlier. The allottee will have to complete construction of the factory building, install plant and machinery and start commercial production therein, within the specified time period subject to a maximum period of two years, failing which the allotment of plot is liable to be cancelled with forfeiture of deposit. Besides, as per the extant policy of restoration of cancelled plots, a plot can not be restored once cancellation has happened.

Scrutiny (September 2008) of the records of the company revealed that a plot having area of 4,995 sqm was allotted (May 2004) to Smt Kavita Aggarwal (allottee) at the rate of Rs.560 per sqm for setting up an industrial unit to manufacture packing material. The allottee did not comply with the terms and conditions of the allotment and hence her allotment was cancelled (November 2005) by the Company. The allottee again requested for restoration of plot and plot was restored only up to 26 January 2006 violating the policy of restoration.

The allotment was again cancelled (July 2006) as the allottee once again did not comply with the terms and conditions of the allotment. The allottee filed a writ petition (July 2006) in the Hon'ble High Court of Uttarakhand at Nainital, against the cancellation order. The Hon'ble Court dismissed (July 2006) the petition as the Court did not find any ground for grant of the interim relief sought by the petitioner and passed an order that the Company shall be free to re-allot the plot in question but the re-allotment shall be subject to the final decision in the writ petition. The petition was finally dismissed as withdrawn by the petitioner (September 2006) as the applicant/petitioner did not want to press the writ petition. In the meanwhile, the Company invited bids (August 2006) for re-allotment of the plot and the plot was allotted to Lakhani Sheet Metal Private Limited at the rate of Rs.2,600 per sqm, being highest bidder. However, the plot was once again restored (January 2007) to the original allottee at the current base price of Rs.1,500 per sqm even though the allottee had withdrawn her petition from Court after which the petition was dismissed (September 2006). Lakhani Sheet Metal Private Limited was allotted another plot at the same rate of Rs.2,600 per sqm. Restoration of the plot for a second time at the base rate was unjustified and lacked prudence as this should have been done at the prevailing market rates of Rs.2,600 per sqm.

The management stated (December 2008) that decision of restoration of plot was taken in view of the direction of Hon'ble High Court to take a more lenient view and grant some more time to allottees for commencing commercial operation in various cases. The reply is misleading as the Hon'ble Court did not give any such directions in this case at any time. On the contrary the writ petition filed by the allottee was dismissed as withdrawn before restoration of the allotment. The plot in question should have been allotted afresh to the party, at the rates prevailing in August 2006 through a bidding process.

Thus, due to irregular and unjustified restoration of the plot at the base rate without applying available current market rates, the Company suffered a loss of Rs.54.95 lakh. It is recommended that the Company should have a strong independent internal control for allotment of plots and responsibility should be fixed on the officers responsible for such lapses.

The matter was reported to Government (April 2009), the reply is awaited (November 2009).

5.6 Loss due to wrong transfer of plots

The Company suffered a loss of Rs.1.16 crore by taking a decision for transfer of plots against its policy banning transfer of plots.

The company was making allotment of Industrial Plots at the Integrated Industrial Estate (IIE) BHEL, Haridwar on "First come first serve basis" as a regular practice till November 2005. The Company allotted (December 2004) one plot measuring 1,06,706 sqm to Global Auto Tech (P) Limted (GATL) and plots of 4,000 sqm each to Prima Telecom Limited (PTL) and Damus Crafts Pvt. Limited (DCL) as ancillaries to GATL out of turn and on preferential basis against regular practice and even without approval of the Board. Ex-post facto approval was granted by the Board only in April 2005. Later, a decision was taken (November 2005) by the Chief Secretary, Government of Uttarakhand, ex-officio & Chairman of the Company, that in view of the high demand for land at IIE, Haridwar, plots will thereafter be sold only through competitive bidding.

GATL surrendered the plot allotted to it and money was refunded (May 2006) at the rate of Rs.900 per sqm (i.e. after deducting 10 *per cent* from the prevailing base price of Rs.1,000 per sqm.) against the rate of allotment of

Rs.560 per sqm. Subsequently, bids were called from prospective bidders and the plot in question was allotted (May 2006) to Sterlite Transmission Limited at the highest bid price of Rs.2,351 per sqm as per extant policy. After the surrender of the plot of GATL, both the ancillaries PTL and DCL applied for transfer of their plots to GDK Solutions and Printworld and the transfer of these plots was permitted (May 2006) which was contrary to the Board's decision (May 2006) to ban the transfer of Industrial Plots till March 2010 to stop speculative trading. On receipt of permission for transfer of the plots in question, these were transferred (May 2006) to GDK Solutions and Printworld respectively.

Audit scrutiny (September 2008) revealed that the plots allotted to GATL and their ancillaries had been identified and listed as "Non-transferable" but this fact was not mentioned in the allotment letters issued by the Company.

Thus, the Company allowed the transfer of Industrial Plots in question and gave undue benefit to the extent of Rs.1.16 crore[21] to the concerned parties.

Management stated (December 2008) that on the request of ancillaries for transfer of plots, the Company proposed two options before the Board for consideration (a) since the main unit has surrendered the land, the ancillaries cannot be set up. Therefore, they must also surrender the land back to the Company for further allotment (b) that because their setting up of the unit was contingent on the main unit being set up and they cannot be faulted for not setting up of their unit they may be permitted to transfer their land in the manner that other allotees have been permitted. The Board approved option (b) and granted permission (May 2006) to transfer these plots.

The reply is not convincing as the decision of the Board is against the policy banning transfer adopted by the Board in the same meeting and the interest of the Company because plots in question were identified and listed as "Non-transferable" at the time of their initial allotment on preferential basis. Further, had the plots been surrendered and subsequently auctioned as per policy, in the same manner as was done in case of the plot allotted to GATL, the Company would have realised additional revenue of Rs.1.16 crore from the sale of these plots.

Hence, the Company contrary to its policy allowed speculative trading and suffered a loss of Rs.1.16 crore. It is recommended that Company should adhere to the laid down policy and should not compromise its financial interest by deviating from the policy.

The matter was reported to the Government (August 2009); reply is awaited (November 2009).

5.7 Unfruitful expenditure

The Company suffered a loss of Rs.15.50 lakh by paying remuneration package to an Advisor without having done any work for the Company.

[21] (Rs.2,351x8,000 - Rs.900x8,000 = Rs.1,16,08,000)

State infrastructure of Industrial Development Corporation of Uttarakhand Limited (Company) was incorporated on 18 July 2002 as a Company under the Companies Act, 1956 with the objectives of the development of Industrial Estate and Industrial Parks.

Scrutiny (September 2008) of records revealed that Shri D.S. Mehta after his retirement as Director, Department of Mines and Geology, Government of Rajasthan in November 2001, joined Uttaranchal Government as Advisor (Mining) and offered to join the company as Advisor/Consultant (Mining). The Company appointed (February 2003) Shri D.S. Mehta as Advisor (Mining) for a period of two years on contract basis. His appointment was made considering his long experience in the field of Mineral Exploration and Mineral Management on the plea that his presence in the Company would be of a great help with mining based projects. Even though no mining activity was taken up by the Company, his contract period was extended three times i.e. upto 29 February 2008.

The Board of Directors (BoD) of the Company in its meeting held on 13 September 2007 reviewed the engagement of Shri D.S. Mehta, Advisor (Mining) and found that till September 2007 no mining activity had been taken up by the Company and that there was no possibility of mining related work being taken up in the near future. It was decided to discontinue the services of Shri Mehta and accordingly Shri D.S. Mehta was relieved on 31 January 2008. During the period from March 2003 to January 2008 Company paid Rs.15.50 lakh to Shri D.S. Mehta as salary without any fruitful service to the Company.

The management stated (December 2008) that the then Managing Director (MD) proposed that services of Shri D.S Mehta might be taken. Further, the Vice-Chairman of the Company in consultation with the then Chief Secretary, Uttarakhand and Principal Secretary (Finance) decided that Shri D.S Mehta would work in the Company as a whole time Advisor and his remuneration package may be fixed accordingly which would be paid by the Company. Thus, an appointment letter was issued by the Company to Shri D.S. Mehta. Further, the services of Shri D.S. Mehta were being utilised by the Government of Uttarakhand as Consultant (Mining) and for this no additional payment was made to him by the Government. The Management further stated that from 2003 to 2007 Managing Directors of the Company were holding the charge of both MD, SIDCUL as well as Additional Secretary/Secretary, Industrial Development Department, Government of Uttarakhand, and as mining activity comes under the Industrial Development Department, Shri D.S. Mehta was continued in the Company as an Advisor (Mining).

The reply is not convincing because the Company itself admitted that no mining activity was undertaken by the Company. Further, the services were utilized by the State Government and no specific work in the Company had been assigned to him. As the initial appointment of Shri D.S. Mehta was not approved by the BoD the appointment was unauthorized. Thus, the company engaged Sh. D.S. Mehta as a consultant for more than four years without any work for the company. Besides being irregular, the engagement of Sh. D.S.

Mehta as Advisor (Mining) caused the Company to incur unfruitful expenditure of Rs.15.50 lakh on account of remuneration and other benefits provided to him, which was a loss to the company.

The matter was reported to the Government (August, 2009); reply is awaited (November 2009).

Dehradun **(PRAVIR PANDEY)**

The 01 अप्रैल APR 2010 **Accountant General (Audit), Uttarakhand**

Countersigned

New Delhi **(VINOD RAI)**

The 09 अप्रैल APR 2010 **Comptroller and Auditor General of India**

APPENDICES

Appendix-2.1

(*Reference: Paragraph 2.1 ;page 27*)

Statement showing excess expenditure on BM and SDBC

Item of Work	Estimated rate by the division (Rs./cum)		Tendered rate (Rs/cum)		Rate @ 37.50 % enhancement (Rs./cum)		Difference (Rs/cum)		Quantity (cum)		Excess amount (in lakh)	
	BM	SDBC	BM	SDBC	BM	SDBC	BM	SDBC	BM	SDBC	BM	SDBC
I	5196.60	6430.50	5253	6469.	4670	6014	583	455	2061.625	2082.65	12.02	9.48
II	5797.30	6916	5264	6426	4670	6014	594	412	627.300	316.59	3.73	1.30
Total											15.75	10.78
Grand Total											26.53	

Appendix-2.2

(Reference: Paragraph 2.12 ;page 49)

Statement showing details of pay and allowances incurred on surplus staff

Sl. No.	District	Hospital	Ref. of GO	Period involved	Wages paid on outsourcing (Rs.in lakh)	No. of regular staff	Pay & allowances paid to regular Staff (Rs.in lakh)	Vacancy in the District
1.	Almora	(i) CMS, Female Hospital	22.08.05	7/06 to 5/08 (23 months)	9.04	13 to 10	19.70	-
		(ii) CMS, PHGP. Distt Hospital	-do-	12/06 to 3/09 (28 months)	4.71	11	34.06	-
		Total			**13.75**	**24-21**	**53.76**	**13**
2.	Nainital	MS Female Hospital, Haldwani	22.08.05	9/06 to 9/08 (25 months)	10.55	5	9.38	-
		Total			**10.55**	**5**	**9.38**	**6**
3.	Dehradun	(i) CMS SPS, Govt. Hospital, Rishikesh	26.12.01	01/2002 to 3/09 (85 months)	34.86	8 to 4	33.35	-
		(ii) CMS, Distt. Hospital	26.12.01	04/06 to 3/09 (36 months)	236.83	14 to 12	35.02	-
		Total			**271.69**	**22-16**	**68.37**	**32**
4.	Haridwar	(i) CMS, CR Women Hospital	22.08.05	9/05 to 3/09 (43 months)	10.46	2	3.30	
		(ii) CMS, HMG Hospital	-do-	9/05 to 3/09 (43 months)	39.58	5 to1	10.06	-
		(iii) CMS, JNSM Roorkee	26.12.01	4/05 to 3/09 (48 months)	36.31	1 to 3	6.26	-
	Total				**86.35**	**8-6**	**19.62**	**6**
	Grand Total				**382.34**	**59-48**	**151.13**	

Appendix-3.1

(Reference: Paragraph 3.1.7; page 63)

Financial position of six sampled divisions

(Rs. in crore)

Name of Divisions	Year	Opening Balance	Funds Received	Funds Available	Expen-diture	Closing Balance	Average utilisation of funds (in %)
	2004-05	4.64	8.10	12.74	7.41	5.33	
	2005-06	5.33	7.85	13.18	5.61	7.57	
Almora	2006-07	7.57	18.33	25.90	9.95	15.95	**76.78**
	2007-08	15.95	9.54	25.49	11.64	13.85	
	2008-09	13.85	14.42	28.27	10.11	18.16	
	Total		**58.24**		**44.72**		
	2004-05	3.80	5.16	8.96	7.20	1.76	
Dehradun	2005-06	1.76	5.29	7.05	4.65	2.40	
	2006-07	2.40	10.85	13.25	6.48	6.38[1]	**93.83**
	2007-08	6.38	8.29	14.67	10.25	4.42	
	2008-09	4.42	15.00	19.42	13.26	6.16	
	Total		**44.59**		**41.84**		
	2004-05	-	5.22	5.22	3.49	1.73	
	2005-06	1.73	11.76	13.49	10.05	3.44	
Haridwar	2006-07	3.44	25.19	28.63	20.05	8.58	**87.52**
	2007-08	8.58	31.00	39.58	24.75	14.83	
	2008-09	14.83	38.95	53.78	39.79	13.99	
	Total		**112.12**		**98.13**		
	2004-05	3.65	5.96	9.61	6.81	2.80	
	2005-06	2.80	7.39	10.19	5.47	4.72	
Nainital	2006-07	4.72	16.71	21.43	10.53	10.90	**76.58**
	2007-08	10.90	7.63	18.53	8.32	10.21	
	2008-09	10.21	16.20	26.41	10.14	16.27	
	Total		**53.89**		**41.27**		
	2004-05	2.39	2.89	5.28	3.92	1.36	
Pauri	2005-06	1.36	7.54	8.90	5.37	3.53	
	2006-07	3.53	11.17	14.70	7.21	7.49	**74.54**
	2007-08	7.49	8.04	15.53	6.61	8.92	
	2008-09	8.92	18.28	27.20	12.61	14.59	
	Total		**47.92**		**35.72**		
	2004-05	2.93	2.51	5.44	3.46	1.98	
U.S. Nagar	2005-06	1.98	10.15	12.13	8.09	4.04	
	2006-07	4.04	12.72	16.76	10.39	6.37	**87.31**
	2007-08	6.37	14.06	20.43	11.59	8.84	
	2008-09	8.84	9.76	18.60	9.43	9.17	
Total			**49.20**		**42.96**		
Grand Total			**365.96**		**304.64**		**83.24**

Source: Information provided by the concerned division

1 The EE excluded frozen amount of Rs. 38.72 lakh from the accounts.

Appendix-3.2

(Reference: Paragraph 3.1.8.2; page 66)

Details of inaccurate estimation of works

Name of Division	Ranges of variation (in Percentage)	Number of agreements	Estimated cost (Rs.)	Actual cost (Rs.)
Almora	**5 to 10**	17	79,53,850	85,38,470
	11 to 20	13	35,22,520	40,59,201
	21 to 50	06	41,49,498	52,79,879
	51 & above	01	8,39,068	17,19,644
Dehradun	**5 to 10**	06	99,00,702	1,06,61,480
	11 to 20	05	35,95,580	40,76,360
	21 to 50	10	97,42,327	1,27,94,010
	51 & above	05	48,99,085	86,45,389
Haridwar	**5 to 10**	03	34,08,656	36,45,053
	11 to 20	08	1,05,76,150	1,20,62,928
	21 to 50	11	1,30,31,614	1,71,49,546
Nainital	**5 to 10**	12	1,06,68,440	1,13,60,069
	11 to 20	14	1,19,62,235	1,35,90,775
	21 to 50	08	44,22,014	56,50,484
	51 & above	01	1,45,824	3,55,830
Pauri	**5 to 10**	17	73,98,318	79,53,465
	11 to 20	19	93,72,862	1,07,64,892
	21 to 50	28	1,53,77,864	2,02,32,950
	51 & above	31	72,59,278	1,36,54,548
U.S. Nagar	**5 to 10**	12	66,84,806	72,12,095
	11 to 20	18	2,24,51,804	2,56,07,953
	21 to 50	14	5,17,25,405	6,80,61,026
	51 & above	02	54,42,277	87,17,167
Total		**261**	**22,45,30,177**	**28,17,93,214**

Source: Divisional agreements and final expenditure incurred.

Appendix-3.3

(Reference: Paragraph 3.1.8.2; page 68)

Details of irregular Technical Sanctions

(Rs. in lakh)

Name of Division	Name of Work		Cost of Work	Competent Authority	TS Granted by	
					Amount	Authority
Almora	1	Const. of Mini Stadium, Doulaghat, Almora	64.95	SE, Kumaon	58.66 (in 3 parts)	EE, Almora
	2	Const of Internal Roads at Govt. Horticulture Centre, Dunagiri.	43.08	SE, Kumaon	43.08 (in 3 parts)	EE, Almora
Dehradun	1	Const. of non-residential buildings at ETC, Shankarpur.	156.25	Chief Eng.	153.78 (in 2 parts)	SE, Garhwal
Haridwar	1	Cont. of Residential School Building at Alipur, Bahadrabad.	135.00	Chief Eng.	98.92	SE, Garhwal
					19.68	EE, Haridwar
	2	Const. of KGB Residential School Building, Harjolli.	135.00	Chief Eng.	111.52 (in 6 parts)	EE, Haridwar
	3	Const. of 25 metre span bridge at Lenewalla Ghat, Peetpur.	48.72	SE, Garhwal	44.68 (in 2 parts)	EE, Haridwar
	4	Re-const. of 4.24 Km. Allavpur–Peetpur Road.	44.92	SE, Garhwal	44.92 (in 2 parts)	EE, Haridwar
Nainital	1	Const. of Residential Building at Tehsil Betalghat.	57.37	SE, Kumaon	45.59 (in 2 parts)	EE, Nainital
	2	Const. of Residential Quarters at Police Line, Nainital	129.34	Chief Engineer	122.87 (in 7 parts)	EE, Nainital
	3	Re-const. of Shushila Tewari Marg, Bindukhata	58.84	SE, Kumaon	57.97 (in 3 parts)	EE, Nainital
	4	Re-const. of Shushila Tewari Marg, Bindukhata	49.00	SE, Kumaon	48.58 (in 3 parts)	EE, Nainital
	5	Re-const. of Link Road Khairani-Vikaspuri, Bindukhata	65.82	SE, Kumaon	62.89 (in 4 parts)	EE, Nainital
	6	Const. of Residential and Office buildings at Betalghat Block.	119.50	Chief Eng.	103.54 (in 7 parts)	EE, Nainital
Pauri	1	Auditorium building at Kotdwar.	138.50	Chief Eng.	50.00 (Partly)	SE, Garhwal
	2	Sports Stadium, Kotdwar	101.40	Chief Eng.	101.40	SE, Garhwal
U.S. Nagar	1	Const. roads in 46-Battalon of PAC, Rudrapur.	57.18	SE, Kumaon	57.18 (in 2 parts)	EE, U.S.Nagar

Source: TS and agreements of the concerned works.

Appendix-3.4

(Reference: Paragraph 3.1.11.2; page 75)

Disproportionate deployment of staff (JEs-Civil)

Name of Division	Details of JEs Posting		
	Sanctioned Post	MIP	Excess (+) / Shortage (-)
Almora	23	22	(-) 01
Bageshwar	07	06	(-) 01
Chamoli	19	12	(-) 07
Champawat	09	09	-
Dehradun	**13**	**14**	**(+) 01**
Haridwar	**13**	**16**	**(+) 03**
Nainital	17	17	-
Pauri	32	17	(-) 15
Pithoragarh	**17**	**18**	**(+) 01**
Rudraprayag	07	04	(-) 03
Tehri	19	14	(-) 05
U.S.Nagar	**15**	**19**	**(+) 04**
Uttarkashi	13	09	(-) 04
Total	**204**	**177**	

Source: Information and details provided by the CE.

Appendix – 5.1

Statement showing particulars of up -to-date paid-up-capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations

(Reference: Paragraph 5.1.7; page 104)

(Figures in column 5 (a) to 6 (d) are Rupees in crore)

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 2008-09				Debt equity ratio for 2008-09 (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.	Uttaranchal Seed & Tarai Development Corporation Ltd.(USTDCL)	Agriculture	February 1969	3.92	0.84	1.54	6.30	11.50	-	-	11.50	1.83:1	451
Sector Wise total				**3.92**	**0.84**	**1.54**	**6.30**	**11.50**	**-**	**-**	**11.50**	**1.83:1**	**451**
FINANCE													
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited) (GAJVNL)	Hill development	June 1975	0.20	-	0.30	0.50	1.27	-	0.87	2.14	4.28:1 (2.55:1)	27
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)(KAJVNL)	Hill Development	June 1975	0.22	-	0.28	0.50	-	-	-	-	-	32
4.	Uttaranchal Bahudeshia Vitta Evam Vikas Nigam Limited(UBVEVNL)	Social Welfare	October 2001	11.85	3.39	-	15.24	-	-	3.15	3.15	0.33:1 (0.06:1)	34
Sector Wise total				**12.27**	**3.39**	**0.58**	**16.24**	**1.27**		**4.02**	**5.29**	**0.33:1**	**93**
INFRASTRUCTURE													
5.	State Industrial Development Corporation of Uttaranchal Limited (SIDCUL)	Finance	July 2002	26.00	-	2.50	28.50	6.00	-	-	6.00	0.21:1 (1.21:1)	25
6.	Uttarakhand State Infrastructure Development Corporation Limited(USIDCL)	Finance	March 2008	4.00	-	-	4.00	-	-	-	-	-	10
Sector Wise total				**30.00**	**-**	**2.50**	**32.50**	**6.00**	**-**	**-**	**6.00**	**0.18:1**	**35**

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 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	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) (TCL)	Hill Development	November 1973	-	-	1.63	1.63	-	-	2.75	2.75	1.69:1 (1..68:1)	48
8.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)(UPDL)	Hill Development	March 1978	-	-	0.35	0.35	1.40	1.40	4.48	7.28	20.80:1 (20.69:1)	78
9.	Uttarakhand Chay Vikas Nigam Limited Formerly Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited) (UCVNL)	Hill Development	January 1974	-	-	3.25	3.25	-	-	-	-	-	-
10.	Uttar Pradesh Hill Electronics Corporation Limited (UPHECL)	Hill Development	June 1985	8.95	-	-	8.95	-	-	-	-	-	107
11.	Kichha Sugar Company Limited (KSCL)	Sugar & Cane Development	February 1972	17.54	-	0.45	17.99	33.77	-	7.84	41.61	2.31:1 (1.89:1)	906
12.	Doiwala Sugar Company Limited (DSCL)	Sugar & Cane Development	December 2001	6.00	-	-	6.00	48.10	-	3.15	51.25	8.54:1 (8.09:1)	-
Sector Wise total				**32.49**	**-**	**5.68**	**38.17**	**83.27**	**1.40**	**18.22**	**102.89**	**2.70:1**	**1139**
POWER													
13.	Uttarakhand Power Corporation Limited (UPCL)	Urja	February 2001	10.00	-	-	10.00	211.11	-	242.15	453.26	45.33:1 (103.11:1)	4687
14.	Uttaranchal Jal Vidhyut Nigam Limited (UJVNL)	Urja	February 2001	731.06	-	-	731.06	88.26	3.53	1183.78	1275.57	1.74:1 (3.44:1)	2650
15.	Power Transmission Corporation of Uttaranchal Limited (PTCUL)	Urja	May 2004	122.28	-	-	122.28	215.41	-	203.48	418.89	3.43:1 (4.43:1)	921
Sector Wise total				**863.34**	**-**	**-**	**863.34**	**514.78**	**3.53**	**1629.41**	**2147.72**	**2.49:1**	**8258**
SERVICES													
16.	Kumaon Mandal Vikas Nigam Limited(KMVNL)	Hill Development	March 1971	13.42	-	-	13.42	-	-	-	-	(1.39:1)	1027
17.	Garhwal Mandal Vikas Nigam Limited (GMVNL)	Hill Development	March 1976	6.80	-	-	6.80	4.28	-	-	4.28	0.63:1 (0.63:1)	809

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 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
Sector Wise total				20.22	-	-	20.22	4.28	-	-	4.28	0.21:1	1836
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6©	6(d)	(7)	(8)
MISCELLANEOUS													
18.	Uttarakhand Purv Sainik Kalyan Udham Limited (UPSKUL)	Sainik Kalyan	March 2004	1.00	-	-	1.00	-	-	-	-	-	-
Sector Wise total				**1.00**	**-**	**-**	**1.00**	**-**	**-**	**-**	**-**	**-**	**-**
Total A (All sector wise- working Government companies)				**963.24**	**4.23**	**10.30**	**977.77**	**621.10**	**4.93**	**1651.65**	**2277.68**	**2.33:1**	**11812**
B. Working Statutory corporations													
INFRASTRUCTURE													
1.	Uttarakhand Peya Jal Sansadhan Vikas Evam Nirman Nigam (UPJSVENN)	Paya Jal	November 2002	2031.85	-	-	2031.85	74.60	-	1.64	76.24	0.04:1 (-)	-
Sector Wise total				**2031.85**	**-**	**-**	**2031.85**	**74.60**	**-**	**1.64**	**76.24**	**0.04:1 (-)**	**-**
SERVICE													
2.	Uttarakhand Parivahan Nigam (UPN)	Transport	October 2003	70.50	9.24	-	79.74	25.41	-	7.71	33.12	0.42:1 (0.46:1)	4794
Sector Wise total				**70.50**	**9.24**		**79.74**	**25.41**		**7.71**	**33.12**	**0.42:1 (0.46:1)**	**4794**
Total B (All sector wise- working Statutory corporations)				**2102.35**	**9.24**	**-**	**2111.59**	**100.01**	**-**	**9.35**	**109.36**	**0.05:1**	
Grand Total (A+B)				**3065.59**	**13.47**	**10.30**	**3089.36**	**721.11**	**4.93**	**1661.00**	**2387.04**	**0.77:1**	**16606**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	UPAI Limited (UPAIL)	Agriculture	April 1977	0.15	-	0.02	0.17	-	-	-	-	-	-
Sector Wise total				**0.15**	**-**	**0.02**	**0.17**	**-**	**-**	**-**	**-**	**-**	**-**
MANUFACTURING													
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited) (KL)	Hill Division	April 1987	-	-	0.18	0.18	-	-	-	-	-	-

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 2008-09				Debt equity ratio for 2008-09 (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)
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)(UPHPL)	Hill Division	July 1987	-	-	0.03	0.03	-	-	-	-	-	-
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited) (UPHQL)	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)				**3065.74**	**13.47**	**10.54**	**3089.75**	**721.11**	**4.93**	**1661.00**	**2387.05**	**0.77:1**	**16606**

Above includes Section 619-B companies at Sr. No. 01

$ Paid – up capital includes share application money.

** Loans outstanding at the close of 2007-08 represent long term loans only.

Appendix- 5.2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Reference: Paragraphs 5.1.15 and 5.1.46; page 107 & 115)

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

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)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	USTDCL	2007-08	2008-09	4.58	2.90	0.34	1.34	77.30	-	4.08	10.77	95.26	4.24	4.45
Sector Wise total				**4.58**	**2.90**	**0.34**	**1.34**	**77.30**		**4.08**	**10.77**	**95.26**	**4.24**	**4.45**
FINANCE														
2.	GAJVNL	1989-90	2001-02	(-) 0.13	-	-	(-) 0.13	0.28	-	0.50	(-) 0.59	0.33	(-) 0.13	-
3.	KAJVNL	1986-87	2002-03	(-) 0.02	-	-	(-) 0.02	0.10	-	0.50	(-) 0.04	0.46	(-) 0.02	-
4.	UBVEVNL	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.	SIDCUL	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.	USIDCL[1]	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	TCL	1999-2000	2002-03	(-) 0.84	-	-	(-) 0.84	2.80	-	1.63	(-) 5.80	2.90	(-) 0.84	-
8.	UPDL	1996-97	1997-98	(-) 1.19	-	-	(-) 1.19	0.29	-	0.35	(-) 6.95	0.35	(-) 1.19	-
Sector Wise total				**56.09**	**1.45**	**0.18**	**54.46**	**14.39**	**(-)79.96**	**30.48**	**106.52**	**156.69**	**55.91**	**35.68**

[1] First account not received

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														
9.	UCVNL	2000-01	2008-09	0.01	-	-	0.01	0.05	0.72	3.25	(-) 0.14	8.25	0.01	0.12
10.	UPHECL	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.	KSCL	2007-08	2008-09	(-) 7.13	7.56	0.25	(-) 14.94	42.86	-	17.99	(-) 49.62	62.54	(-) 7.38	-
12.	DSCL	2005-06	2008-09	4.69	5.25	0.45	(-) 1.01	52.34	30.57	6.00	(-) 28.41	31.45	4.24	13.48
Sector Wise total				**(-) 2.24**	**12.81**	**0.74**	**(-) 15.79**	**97.18**	**29.00**	**36.19**	**(-) 78.70**	**103.38**	**(-) 2.98**	**-**
POWER														
13.	UPCL	2004-05	2007-08	43.08	125.70	85.66	(-) 168.28	757.57	-	5.00	(-) 262.48	1316.85	(-) 42.58	-
14.	UJVNL	2004-05	2008-09	20.58	10.67	9.40	0.51	233.59	(-) 11.06	5.00	(-) 14.63	1579.20	11.18	0.71
15.	PTCUL	2004-05	2008-09	6.03	-	14.62	(-) 8.59	23.99	2.39	0.05	(-) 08.95	159.65	(-) 8.59	-
Sector Wise total				**69.69**	**136.37**	**109.68**	**(-) 176.36**	**1015.15**	**(-) 8.67**	**10.05**	**(-) 286.06**	**3055.70**	**(-) 39.99**	
SERVICES														
16.	KMVNL	2001-02	2008-09	2.40	1.07	0.26	1.07	81.43	(-) 0.15	13.42	(-) 0.88	27.20	2.14	7.88
17.	GMVNL	1999-00	2008-09	2.69	1.69	1.85	(-) 0.85	50.30	97.48	6.80	(-)8.62	31.40	0.84	2.68
Sector Wise total				**5.09**	**2.76**	**2.11**	**0.22**	**131.73**	**97.33**	**20.22**	**(-) 9.50**	**58.60**	**2.98**	**5.09**
MISCELLANEOUS														
18.	UPSKUL	2007-08	2008-09	3.73	-	0.06	3.67	55.57	(-) 0.04	0.05	9.92	10.81	3.67	33.95
Sector Wise total				**3.73**	**-**	**0.06**	**3.67**	**55.57**	**(-) 0.04**	**0.05**	**9.92**	**10.81**	**3.67**	**33.95**
Total A (All sector wise- working Government companies)				**137.67**	**156.53**	**113.13**	**(-) 131.99**	**1391.70**	**37.66**	**102.12**	**(-) 246.92**	**3493.67**	**24.54**	**0.70**
B. Working Statutory corporations														
INFRASTRUCTURE														
1.	UPJSVENL[2]	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector Wise total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
SERVICE														
2.	UPN	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)				**2.26**		**12.55**	**(-) 10.29**	**135.36**	**0.23**	**78.24**	**(-)36.61**	**(-) 23.04**	**(-) 10.29**	
Grand Total (A+B)				**139.93**	**156.53**	**125.68**	**(-)142.28**	**1527.06**	**37.89**	**180.36**	**(-) 283.53**	**3470.63**	**14.25**	**0.41**

[2] First account have been received but certification is pending

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.	UPAIL[3]	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.	KL	1989-90	1990-91	(-) 0.02	-	-	(-) 0.02	-	-	0.18	(-) 0.02	0.12	(-) 0.02	-
3.	UPHPL	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	UPHQL[4]	-	-	-	-	-	-	-	-	-	-	-	-	-
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)				**139.90**	**156.53**	**125.68**	**(-)142.31**	**1527.06**	**37.89**	**180.71**	**(-) 283.60**	**3470.85**	**14.22**	**0.41**

\# 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.

@ 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).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

[3] Company under liquidation since 31.03.1991

[4] First account not received

Appendix – 5.3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity into equity during the year and guarantee commitment at the end of March 2009

(Reference: Paragraph 5.1.10; page 106)

(Figures in column 3 (a) to 6(d) are Rupees 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 @		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)
A. Working Government Companies													
1.	USTDCL	-	-	-	-	0.57	0.57	-	-	-	-	-	-
2.	UBVEVNL	-	-	-	0.09	-	0.09	3.15	3.15	-	-	-	-
3.	SIDCUL	-	-	22.90	-	0.01	22.91	-	-	-	-	-	-
4.	USIDCL	4.00	-	-	-	-	-	-	-	-	-	-	-
5.	UPDL	-	0.79	-	-	-	-	-	-	-	-	-	-
6.	KSCL	-	7.71	1.58	-	-	1.58	-	-	-	-	-	-
7.	DSCL	-	11.17	-	-	-	-	-	-	-	-	-	-
8.	UPCL	5.00	14.23	-	2.08	-	2.08	-	-	-	-	-	-
9.	UJVNL	-	-	-	-	-	-	-	1140.00	-	-	-	-
10.	PTCUL	25.05	-	-	-	-	-	-	-	-	-	-	-
Total A (working Government companies)		**34.05**	**33.90**	**24.48**	**2.17**	**0.58**	**27.23**	**3.15**	**1143.15**	**-**	**-**	**-**	**-**
B. Working Statutory corporations													
1.	UPJSVENN	220.59	2.65	-	-	-	-	-	-	-	-	-	-
2.	UPN	1.50	-	-	-	-	-	-	-	-	-	-	-
Total B (working Statutory corporations)		**222.09**	**2.65**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grad Total (A+B)		**256.14**	**36.55**	**24.48**	**2.17**	**0.58**	**27.23**	**3.15**	**1143.15**	**-**	**-**	**-**	**-**

@ Figures indicate total guarantees outstanding at the end of the year.

Appendix -5.4

Statement showing the investment made by the State Government in Companies whose accounts are not finalised upto 30 September 2009

(Reference : Paragraph 5.1.36; page 112)

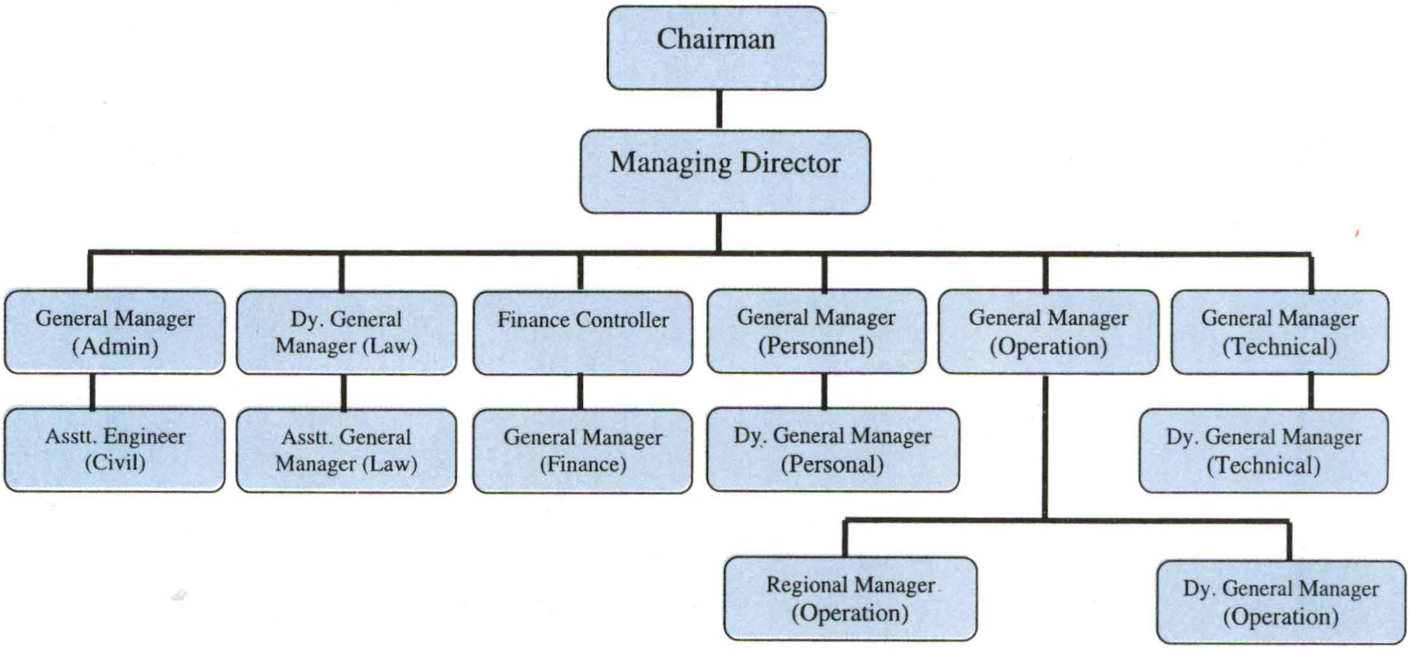
(Figures in column 4 and 6 to 8 are Rupees in crore)

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
1	2	3	4	5	6	7	8
A. Working Government Companies							
1	UBVEVNL	2002-03	15.24	2003-04 to 2008-09	12.46	-	0.09
2	UPDL	1996-97	0.35	1997-98 to 2008-09	-	11.00	-
3	KSCL	2007-08	17.99	2008-09	-	7.71	-
4	DSCL	2005-06	6.00	2006-07 to 2008-09	-	25.51	-
5	UPCL	2004-05	10.00	2005-06 to 2008-09	-	91.81	49.55
6	UJVNL	2004-05	731.06	2005-06 to 2008-09	588.75	-	-
7	PTCUL	2004-05	122.28	2005-06 to 2008-09	121.99	242.94	
Total – A (Working Government companies)			**902.92**	-	**723.20**	**378.97**	**49.64**
B. Working Statutory Corporation							
	Service						
8	UPN	2005-06	79.74	2006-07 to 2008-09	31.74	21.43	9.60
	Total –B (Working Statutory Corporation)		**79.74**	-	**31.74**	**21.43**	**9.60**
	Grand Total - (A+ B)		**982.66**		**754.94**	**400.40**	**59.24**

Appendix-5.5

Organisation Chart:

(Reference Paragraph 5.2.2; page 119)



Appendix-5.6

(Reference: Paragraph No.5.2.14;page 123)

Statement showing operational performance of Uttarakhand Parivahan Nigam

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average no. of vehicles held	1015	961	985	1069	1105
Average no. of vehicles on road	914	865	936	1015	1050
Percentage of utilization of vehicles	90.05	90.01	95.03	94.95	95.02
Number of employees	5568	6591	6841	7108	6897
Employee vehicle ratio	5.49:1	6.86:1	6.94:1	6.65:1	6.24:1
Number of routes operated at the end of the Year	259	274	274	303	305
Route kilometers	10183	10705	11110	12142	12492
Kilometers operated (in lakh)					
Gross (Nigam)	853.24	947.63	1059.04	1174.12	1187.64
(i) Effective including hired	882.81	1013.52	1103.92	1212.22	1304.73
(ii) Effective Nigam	842.49	936.12	1047.77	1161.95	1175.41
(iii) Effective hired	40.32	77.40	56.15	50.27	129.32
Dead (Nigam)	10.75	11.51	11.27	12.17	12.23
Percentage of dead kilometers to gross kilometers	1.20	1.12	1.01	1.00	0.93
Average kilometers covered per bus per day	265	321	323	327	340
Average revenue per kilometer (Rs.)	12.07	13.92	15.54	15.43	14.96
Average expenditure per kilometer (Rs.)	13.78	14.94	15.29	15.46	16.04
Loss (-)/Profit (+) per kilometer(Rs.)	-1.71	-1.02	0.25	-0.03	-1.08
Number of operating depots	17	17	17	17	17
Average number of break-down per lakh kilometers	1.3	1.2	0.6	0.6	0.5
Average number of accidents per lakh kilometers	0.09	0.08	0.09	0.10	0.08
Passenger kilometer operated (in crore)	8.83	10.14	11.04	12.12	13.05
Occupancy ratio (Load Factor)	63	66	67	69	68
KMPL obtained of Diesel Oil	4.64	4.68	4.67	4.64	4.67