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Report of the Comptroller and Auditor General of India

for the year ended 31 March 2012

Government of Uttarakhand

Report No. 1 of the year 2013

Presented to Legislative Assembly
on 18 September 2013

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Table of Contents

Appendices

PREFACE

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

2. Chapter-1 of this Report gives a general introduction on Social, General, Revenue and Economic Sectors and the profiles of the audited entities in each of these Sectors.

3. Chapter-2 of this Report features a general introduction of Social, General and Economic Sectors (Non-PSUs) and also deals with the audit findings of Performance Audit, Thematic Audit, Chief Controlling Officer based Audit of a Government Department and Transaction audit paragraphs relating to the Sector.

4. Chapter-3 of this Report covers a general introduction of the Revenue Sector and contains the findings of Performance Audit and Department centric Compliance Audit in Revenue Sector.

5. Chapter-4 of this Report pertain to general introduction of the Economic Sector (PSUs) and the findings of Performance Audit and transaction audit paragraphs on Public Sector Undertakings of all the four Sectors.

6. The Report containing audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the Government of Uttarakhand for the Year ended 31 March 2012 is presented separately under the heading Report on State Finances for the year ended 31 March 2012.

7. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 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 2011-12 have also been included, wherever necessary.

8. The Audit has been conducted in conformity with the Auditing Standards issued (March 2002) by the Comptroller and Auditor General of India.

CHAPTER-1

Introduction
on Social, General, Revenue and Economic Sectors

Chapter 1
Introduction on Social, General, Revenue and Economic Sectors

1.1 General Introduction

The Government departments have been grouped in Social Sector, General Sector, Revenue Sector and Economic Sector (Non-PSUs) and Public Sector Undertakings of all Sectors for the purpose of audit. This Report covers audit observations on Social Sector, General Sector, Revenue Sector and Economic Sector of both Non-PSUs and PSUs.

Chapter-2 of this Report relates to Social, General and Economic Sectors (Non-PSUs). Under Sectoral Re-organisation, there are 32 Government departments and 38 Autonomous Bodies in the Social Sector, 20 Government departments and three Autonomous Bodies in the Economic Sector and 23 Government departments and one Autonomous Body in the General Sector in the State, headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries/ Managing Directors/ Directors, which are audited by the Principal Accountant General (Audit), Uttarakhand.

This Chapter contains a broad profile of the Audited entities of the State Government Departments and autonomous bodies, expenditure profile under different sectors to these departments/ bodies during the last three years (2009-12) and the coverage of audited entities by Audit during 2011-12. Besides, the findings of performance audit, thematic audit, observations on audit of transactions in Government Departments and Autonomous Bodies and results of Chief Controlling Officer (CCO) based Audit of a Government Department are also included in this Chapter.

Chapter-3 of this Report relates to Revenue Sector. Under Sectoral Re-organisation, there are five departments (Commercial Tax, State Excise, Stamp and Registration, Transport, Entertainment Tax) of the Government which have been included under the Revenue Sector. These relates to Tax Revenue. The other departments fall under Social Sector, General Sector and Economic Sector which contribute Non-Tax Revenue. The major areas of Tax Receipts are Taxes on sale/ trade, Taxes on services administered by the Commissioner Commercial Tax, State Excise administered by the Excise Commissioner, Stamp Duty and Registration Fees, Taxes on Vehicles etc. Audit of 106 units of the above five departments out of total 239 was conducted by the Revenue Sector during the year 2011-12.

This Chapter contains a broad profile of the Audited entities under Revenue Sector, the tax and non-tax revenue receipts of the State Government, analysis of arrears of revenue etc. Besides, the findings of performance audit and department centric compliance audit relating to Revenue Sector are also included in this Chapter.

Chapter-4 of this Report relates to Economic Sector (PSUs). Under Sectoral Re-organisation, the Economic Sector (Public Sector Undertakings) comprises

20 departments. Some of the major departments are Industries, Power, Transport, Tourism, Animal Husbandry and Fisheries, Agriculture, Information Technology, Village and Small Industries etc. The total number of the Companies and Statutory Corporations of the State are 22 and two respectively. The working State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Uttarakhand, the State PSUs occupied a moderate place in the State economy. The working State PSUs registered a turnover of ₹ 3258.60 crore for 2011-12 as per their accounts finalised as of September 2012. Their turnover was equal to 5.35 *per cent* of State Gross Domestic Product (GDP) of ₹ 60898 crore for 2011-12. Major activities of State PSUs are concentrated in power sector. The working PSUs incurred a loss of ₹ 562.75 crore in 2011-12 **(Appendix 5.1)**. They had employed 18,329[1] employees as of 31 March 2012.

This Chapter contains broad profile of the Audited entities under Economic Sector (PSUs), audit mandate, budgetary outgo, grants/subsidies, guarantees and loans, arrears in finalisation of accounts etc. Besides, the findings of performance audit and observations on audit of transactions relating to Public Sector Undertakings are also included in this Chapter.

The primary purpose of this Report is to bring to the notice of the State Legislature, the important results of audit. Auditing standards require that the materiality level of reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executives of the Government to take corrective actions as also to frame policies and directives that result in improved financial management of the organizations, thus contributing to better governance of the State.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance audit is an independent assessment or examination of the extent to which an organization, programme or scheme operates economically, efficiently and effectively.

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

1 As per the details provided by 16 PSUs.

CHAPTER-2

Social, General and Economic Sectors (Non-PSUs)

Chapter 2
Social, General and Economic Sectors (Non-PSUs)

2A. General Introduction

Under Sectoral Re-organisation, there are 32 Government departments and 38 Autonomous Bodies in the Social Sector, 20 Government departments and three Autonomous Bodies in the Economic Sector and 23 Government departments and one Autonomous Body in the General Sector in the State, headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries/ Managing Directors/ Directors, which are audited by the Principal Accountant General (Audit), Uttarakhand.

2.1 Audit mandate

The authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. CAG conducts audit of expenditure of the Departments falling under Social, General and Economic Sectors (Non-PSUs) under Section 13 of the CAG's (DPC) Act. CAG is the sole auditor in respect of autonomous bodies which are audited under Sections 19 (2) and 20 (1) of the CAG's (DPC) Act. In addition, CAG also conducts audit of other autonomous bodies, under Section 14 of CAG's (DPC) Act, which are substantially funded by the Government (Details are given in **Appendix-2.1**). Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

2.1.1 Planning and conduct of Audit

Audit process starts with the assessment of risks based on certain parameters viz. revenue expenditure incurred, criticality/ complexity of activities, Government Policy, Public Accounts Committee (PAC) recommendations, assessment of overall internal controls and concerns of stakeholders and media reports. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

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

During 2011-12, 5,023[1] man days were utilised (up to December 2012) to carry out compliance audit/ Performance Audit of 194[2] auditable entities. The Audit Plan also covered those auditable entities which were vulnerable to significant risk as per our assessment.

2.1.2 Expenditure profile of the State Government

The comparative position of expenditure incurred by the Government during the year 2011-12 and in the preceding two years is given in the Table-1.1 below:

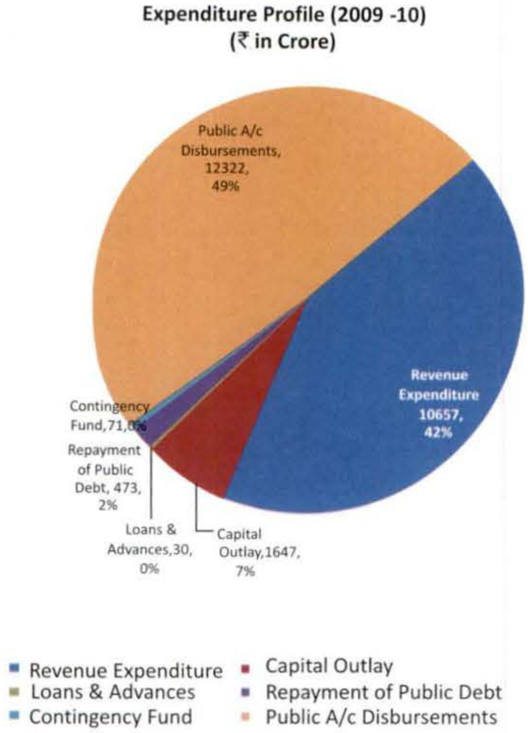
Table 1.1

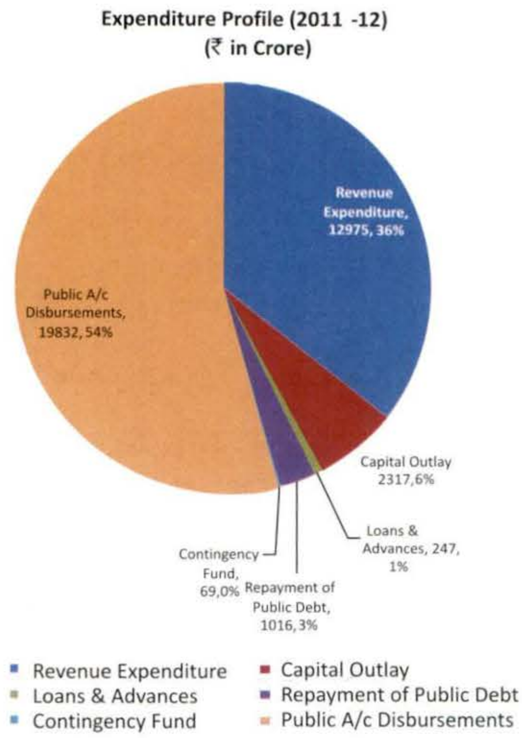
(₹ in crore)

Disbursements	2009-10			2010-11			2011-12		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue Expenditure									
General Services	2.86	3691.48	3694.34	20.63	4159.52	4180.15	3.72	4471.39	4475.11
Social Services	1697.55	3282.73	4980.28	1723.79	3445.70	5169.49	1651.58	4368.07	6019.65
Economic Service	594.93	1063.19	1658.12	728.07	1135.68	1863.75	665.78	1435.85	2101.63
Grant-in-Aid	3.70	321.03	324.73	0.01	407.67	407.68	0	378.80	378.80
Total	**2299.04**	**8358.43**	**10657.47**	**2472.50**	**9148.57**	**11621.07**	**2321.08**	**10654.11**	**12975.19**
Capital Expenditure									
Capital outlay	992.46	654.27	1646.74	1858.52	-3.68	1854.84	2071.00	245.94	2316.94
Loans and advances disbursed	24.32	5.74	30.06			59.68			246.83
Repayment of public debt (including transactions under WMA)			472.87			519.36			1015.78
Contingency Fund			71.42			536.71			69.07
Public Account Disbursements			12321.83			17608.20			19832.00
Total	**1016.78**	**660.01**	**14542.92**	**1858.52**	**-3.68**	**20578.79**	**2071.00**	**245.94**	**23480.62**
Grand Total	**3315.82**	**9018.44**	**25200.39**	**4331.02**	**9144.89**	**32199.86**	**4392.08**	**10900.05**	**36455.81**

While the capital outlay of the State increased from ₹ 1646.74 crore to ₹ 2316.94 crore (41 *per cent*) during 2009-12, the revenue expenditure increased from ₹ 10657.47 crore to ₹ 12975.19 crore (22 *per cent*) during the same period.

[1] Social Sector:-2,945 man days, Economic Sector:-1,922 man days and General Sector:-156 man days.
[2] Social Sector:-98 units, Economic Sector:-76 units and General Sector:-20 units.





2.1.3 Lack of responsiveness of Government to Audit

(a) Outstanding Inspection Reports

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

At the end of March 2012, 3,761 IRs and 7,164 paragraphs issued during the period 1990-91 to 2011-12 were outstanding for settlement.

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.

(b) Response of departments to the draft paragraphs

Copies of the draft paragraphs/ Performance Audits were sent to the Commissioners/ Secretaries of the departments concerned for furnishing replies within six weeks. No replies were received in respect of any draft paragraphs.

(c) Follow-up on Audit Reports

All the departments of the State Government are required to submit detailed explanations in the form of Action Taken Notes (ATNs) to the observations which featured in Audit Reports within four months of the Report being presented to the Legislature with copies thereof to Audit Office. However, 18 departments, from whom the ATNs are due, had not submitted it for 93 Performance Audits/ paragraphs for the period since the creation of the State to 2009-10, up to March 2012, as detailed in **Appendix 2.2**.

2B. Audit Findings

Highlights

A synopsis of the important audit findings relating to the Performance Audit of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS); Thematic Audits on Election Department, Uttarakhand Building and Other Construction Workers Welfare Board and Integrated Child Development Services; Chief Controlling Officer based audit of Horticulture Department and transaction audit paragraphs is given below:

(a) Performance Audits of Programmes/ activities/ departments

Mahatma Gandhi National Rural Employment Guarantee Scheme

The National Rural Employment Guarantee Act, 2005 (NREGA) was enacted (September 2005) by the Parliament with the primary objective of enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every registered household whose adult members volunteer to do unskilled manual work. In pursuance of this Act, MGNREGS was implemented in the State in three phases. First phase started on 02 February 2006 and scheme covered all the districts of the State by April 2008.

Performance Audit on MGNREGS revealed a number of deficiencies. The State Employment Guarantee Council was not meeting at regular intervals which left the major policy decisions like planning and monitoring unaddressed. Non-approval of District Perspective Plans which was prepared for five years by the expert agencies engaged at DPC level resulted in unfruitful expenditure. Annual Development Plans did not contain specific work site where the works were to be executed. State share was not being released timely and an average delay ranging from 13 to 90 days with the maximum delay of seven months was noticed in respect of four test checked District Programme Coordinators.

Out of the total 19.97 lakh households[3] in the State, 1.89 lakh to 5.42 lakh households demanded employment during the period 2007-12 and were provided employment at an average of 39 days per households per year. Only two to four *per cent* registered households were provided 100 days employment in the State during the period of 2008-12. Audit also noticed cases of delays in payment of wages, non-payment of unemployment allowance, non-maintenance of assets created etc.

[Paragraph 2.2]

(b) Thematic Audit

(i) Election Department

Election Department, Uttarakhand is responsible for conducting free and fair elections to the Parliament and the State Legislative Assembly in the State of Uttarakhand. The Chief Electoral Officer (CEO) of a State is overall in-charge

[3] As per Census, 2011

for conducting these elections under the direction and control of the Election Commission of India (ECI).

Audit of the Election Department revealed that the management of election expenses was weak. There was excess expenditure over prescribed limit for arrangement of tent and barricading, lights during the course of elections. Instances of non-adjustment of advances to polling staff engaged in election process even after a lapse of considerable time after the Vidhan Sabha election-2012 were seen in audit. Besides, forfeited security deposits were not credited to proper Government revenue account. Further, deduction of tax at source was ignored and the retention of heavy cash amounts in cash chests and parking of funds in bank accounts were unauthorised.

[Paragraph 2.3]

(ii) Functioning of Uttarakhand Building and Other Construction Workers Welfare Board

In pursuance of Building and Other construction workers (Regulation of Employment and Conditions of Service) Act, enacted by the Government of India in August 1996, Uttarakhand Government constituted (October 2005) Building and Other Construction Workers' Welfare Board (Board) to carry out welfare schemes for construction workers and impose cess at rate not exceeding two *per cent* and not less than one *per cent* in accordance with the provision of the Cess Act. As per the provision of the Cess Act, establishments which had employed on any day of the preceding twelve months, 10 or more building workers in any building or other construction work are required to pay cess at the rate of one *per cent* of the total cost of construction incurred by an employer. Construction workers were required to register themselves and receive identity cards to become eligible for the benefits.

Thematic audit of the Board revealed that the Government constituted the Board after a delay of almost five years of the formation of the State. The Welfare Fund was established after a delay of almost three years from the formation of Welfare Board. The first Construction Worker was registered after five years from the constitution of the Board and only 11 workers have benefitted since the inception of the Board. Annual accounts were not prepared by the Board. No survey regarding migratory/ local Building and Other Construction Workers engaged in the State was conducted. The database of the construction agencies in the State covered under the Act, which were liable to pay cess, was not prepared. Thus, the Board was unable to ensure the hundred *per cent* collection of cess from the agencies in the State covered under the Act. The Board could not formulate proper modalities for implementing welfare schemes for construction workers during past seven years as a result of which, the objectives of carrying out welfare schemes for the construction workers could not be achieved.

[Paragraph 2.4]

(iii) Integrated Child Development Services

The Integrated Child Development Services (ICDS) programme was launched in the year 1978-79 in three selected blocks[4] of Uttarakhand (then part of Uttar Pradesh) to provide a package of services comprising supplementary nutrition, immunisation, health check up, referral services, non-formal pre-school education and health and nutrition education. Presently, the programme is being implemented in the entire State and specific focus was given in this study to cover this scheme in audit.

Thematic Audit of the scheme revealed that the budget released under the schemes was under-utilised by the Department. Annual Action Plans for the implementation of the scheme were not being prepared by the district/ project authorities. Supplementary Nutrition Programme (SNP) and cooked food provided was much below the prescribed norms of 300 days. Beneficiaries were deprived of the facilities like medicine kits and pre-school kits despite allocation of funds by GOI for the purpose. Efforts were not made to operationalise the sanctioned number of Aanganwadi Centres (AWCs) in the State. Even the operational AWCs suffered from lack of basic amenities like buildings, toilets, drinking water, weighing scales, sufficient manpower and training. Shortage of staff, lack of training, lack of internal audit and shortage of supervision against norms hampered the smooth functioning of the schemes. Thus, the ICDS schemes implemented in the State need strengthening for achieving the objectives of providing basic services in critical areas.

[Paragraph 2.5]

(c) Compliance Audit of transactions

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the auditable entities.

- Advance payment of ₹ 70.00 lakh made by the Social Welfare Department against a contract on 'e-learning' programme (Project Taleem) for muslim students studying in Madarsas proved unfruitful as the contract was entered into without assessment of feasibility of the project.

  [Paragraph 2.6]

- Lack of planning of the department leading to change in design and frequent inclusion of new items of Haj House resulted in non-completion of building and blocking of fund of ₹ 5.95 crore for more than four years.

  [Paragraph 2.7]

- Indecisiveness in finalising the site for construction of the building for Directorate of Sports resulted in an avoidable extra expenditure of ₹ 60.28 lakh.

  [Paragraph 2.8]

[4] Chakrata, Dharchula and Kirtinagar Blocks

- Delay in clearance of site for construction work of the University building, under Higher Education Department, led to avoidable cost escalation of ₹ 0.56 crore.

[Paragraph 2.9]

- Non recovery of Liquidated Damage by Executive Engineer, Construction Division-2, Public Works Department, Almora resulted in undue advantage of ₹ 1.36 crore to a contractor.

[Paragraph 2.10]

- Irregular expenditure of ₹ 51.15 lakh was incurred against the second sanction by Executive Engineer, Provincial Division, Public Works Department, Pithoragarh while retaining the first sanction for construction of GIC Sukauli to Dungari Rawal motor road.

[Paragraph 2.11]

- Executive Engineer, Provincial Division, Public Works Department, Sahiya, Dehradun incurred avoidable extra expenditure ₹ 39.41 lakh on the use of first coat painting in place of prime coat in Barotiwala-Ambari motor road.

[Paragraph 2.12]

(d) CCO based Performance Audit

CCO based Performance Audit of Horticulture Department

The primary objective of the Department of Horticulture (DoH) is to promote horticulture by expanding the outreach of interventions *viz.* area expansion, irrigation facility and implementation of new technology in respect of quality seeds, plants & fertilizers along with value addition of the products to the farmers. The Department is also engaged in promotion of Sericulture, Tea Plantation, Medicinal and Aromatic Plants (MAPs) by creating infrastructure in the State.

The CCO based Performance Audit of the Department revealed that the Department was working without efficient planning to fulfil its objectives of overall development of Horticulture in the State. It could not take benefits of all the four mini-missions of Horticulture Mission for North-east and Himalayan States (HMNEH) except mini-mission II which focused on area expansion only. Central funds could not be fully utilized by the Department and it mismanaged Central schemes and projects being implemented in the Department. Scientific institutions, running under the Department, could not undertake research and developmental activities as envisaged.

The Department failed to ensure transparency and objectivity in procurements and safety of its inventory though State Government has well documented policies and procedures for the same. It lacked human resources to meet its objectives in coming years. Poor internal controls and inadequate monitoring made the Department vulnerable to fraud and other system breaches as noticed in the case of fictitious supply of planting material and forging of official documents.

[Paragraph 2.13]

PERFORMANCE AUDIT

Rural Development Department

2.2 Performance Audit of Mahatma Gandhi National Rural Employment Guarantee Scheme

The National Rural Employment Guarantee Act, 2005 (NREGA) was enacted (September 2005) by the Parliament with the primary objective of enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every registered household whose adult members volunteer to do unskilled manual work. The programme was rechristened as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in October 2009. Against the total funds of ₹ 1335.80 crore available in the State under MGNREGS during the period of 2007-12, ₹ 1312.88 crore was spent on generation of employment in the State. Out of the total 19.97 lakh households[1] in the State, 1.89 lakh to 5.42 lakh households demanded employment during the period 2007-12 and were provided employment at an average of 39 days per households per year. Performance Audit of MGNREGS brought out the following significant audit findings:

Highlights:

The State Employment Guarantee Council established in the State remained inactive due to which intended objectives of constituting the council could not be achieved.

[Paragraph 2.2.6.1]

Non submission/ approval of District Perspective Plans prepared by the districts resulted in unfruitful expenditure of ₹ 87.92 lakh.

[Paragraph 2.2.7.1]

Wide variations were noticed between the Labour Budgets compiled at District level and finally sent by the State to Government of India.

[Paragraph 2.2.7.3]

State share was not being released timely and an average delay ranging from 13 to 90 days with the maximum delay of seven months was noticed in respect of four test checked District Programme Coordinators.

[Paragraph 2.2.8.3]

Sampoorna Gramin Rojgar Yojna funds to the tune of ₹ 15.70 lakh were not transferred to MGNREGS.

[Paragraph 2.2.8.4]

[1] As per Census, 2011

Payment to beneficiaries was not made timely and a delay of up to 669 days was noticed in 500 test checked works with an average delay of 74 days. No compensation was paid to workers against such delay.

[Paragraph 2.2.9.2]

A liability of ₹ 1.49 crore was noticed in three out of ten test checked blocks which remained unliquidated as of March 2012.

[Paragraph 2.2.9.3]

Out of 899 works physically verified by Audit, 294 assets created at a cost of ₹ 3.18 crore were found damaged due to non-maintenance.

[Paragraph 2.2.11.1]

Creation of different cadres as per the Administrative pattern suggested by Ministry of Rural Development was adopted, but an overall shortage ranging from 41 to 90 per cent was noticed in these cadres.

[Paragraph 2.2.13.1]

2.2.1 Introduction

The NREG Act was notified by the GOI in September 2005 and by virtue of the Act, every rural household willing to do unskilled manual labour is entitled to at least 100 days of guaranteed wage employment. The MGNREGS, a Centrally Sponsored Scheme was implemented on a cost sharing basis between the GOI and the State. The basic objective of the scheme was to enhance livelihood security in rural areas besides generating productive assets, protecting the environment, empowering rural women and fostering social equity. The Ministry of Rural Development, Government of India issued detailed operational guidelines in January 2006 which were further modified in 2008. To run the scheme successfully, a gazette notification was issued by the State Government of Uttarakhand in September 2006.

The MGNREGS was brought into force in Uttarakhand with effect from February 2006 and it covered all the districts of the State from April 2008 in three phases as under:-

- Champawat, Chamoli and Tehri Garhwal Districts from February 2006;
- Udham Singh Nagar and Haridwar Districts from April 2007; and
- The remaining eight Districts[2] from April 2008.

The statistical profile of the State during the review period is detailed in **Table 2.2.1** below:

[2] Almora, Bageshwar, Dehradun, Nainital, Pauri, Pithoragarh, Rudraprayag and Uttarkashi.

Table 2.2.1

Sl No.	Subject	2007-08	2011-12
1.	Total No. of Districts :	13	13
	Total No. of		
	(i) - Blocks :	95	95
	(ii) - Gram Panchayats :	7541	7555
2.	Total Population of the State:	84,89,349	1,01,16,752
	(i) General :	67,16,034	Figures under compilation by the Census Department
	(ii) SC :	15,17,186	
	(iii) ST :	2,56,129	
		(Source: census 2001)	*(Source :census 2011)*
3.	Total Families/Households:	16,03,242	19,97,068
	(i) General :	12,77,202	15,56,544
	(ii) SC :	2,84,375	3,77,202
	(iii) ST :	41,665	63,322
4.	In test checked Districts/Blocks/GPs:	4 test checked districts	4 test checked districts
	Total No. of BPL Family/Household:	10 test checked blocks	10 test checked blocks
	(i) General :	-	-
	(ii) SC :	-	-
	(iii) ST :	-	-
5.	Total amount released (Amount in crore) (Government of India + State Government)	114.41(GOI) 13.59(S.S)	373.58(GOI) 38.85(S.S)

Source: Information provided by the Census & Rural Development Department

During the period from 2007-08 to 2011-12, fund amounting to ₹ 1335.80 crore was available under the programme in the State against which an amount of ₹ 1312.88 crore (98 *per cent)* was spent by the Department on the implementation of the scheme as detailed in **Table 2.2.2** below:

Table: 2.2.2 ***(₹ in crore)***

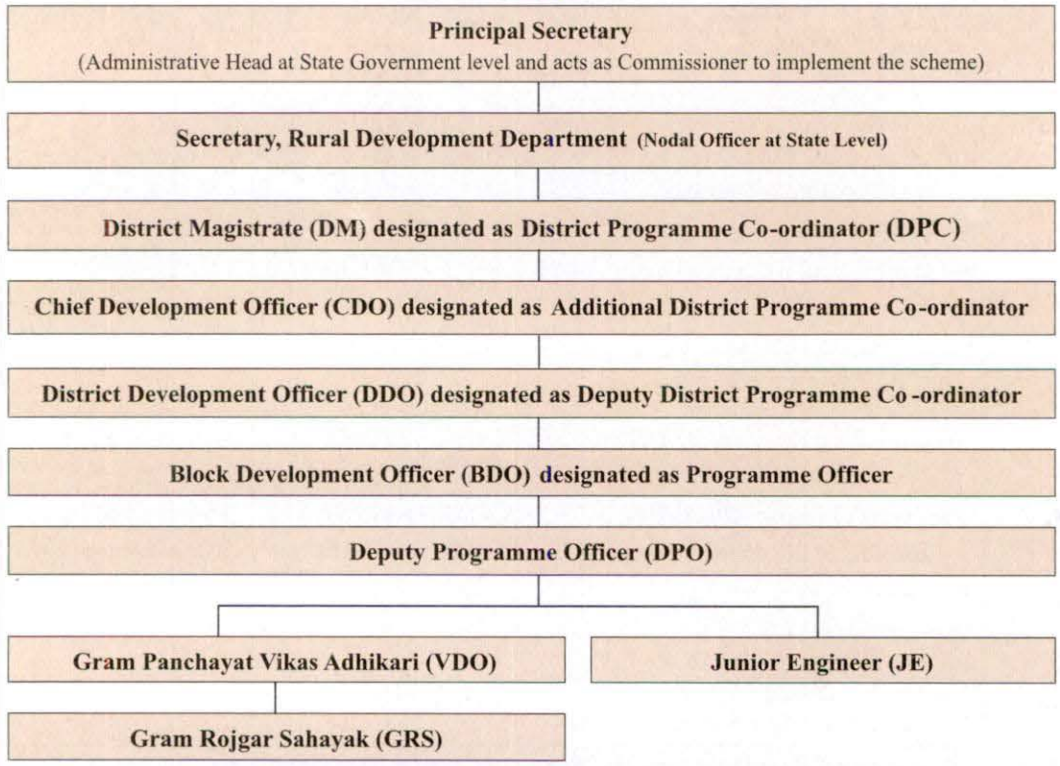
Year	Opening Balance	Receipt	Expenditure
2007-08	23.58	129.61	95.75
2008-09	68.67	106.69	135.79
2009-10	40.53	308.28	283.09
2010-11	65.72	339.67	380.20
2011-12	25.19	415.78	418.05

Source: Information provided by the Department

2.2.2 Organisational Set-up

The scheme was implemented by the Rural Development Department under the overall supervision of the Principal Secretary who also acted as the Commissioner, MGNREGS. District Programme Coordinators (DPCs) and Programme Officers (POs) were made responsible for implementation of the scheme at district and block levels respectively. The organisational set up for implementation of the scheme is indicated in **Chart-1** below:

Chart-1



2.2.3 Audit objectives

The audit objectives of the performance audit were to assess whether:

- Structural mechanisms were put in place and adequate capacity building measures were taken by the State Government for implementation of the Scheme;
- Planning process (including convergence of other schemes) for implementation of the programme was efficient and effective;
- Financial management (fund allocation, utilization and proper accountal) was efficient and effective;
- Implementation of the scheme was carried out economically, efficiently and effectively in providing employment to the needy persons;
- Maintenance of data and records as well as Management Information System generation was efficient and effective;
- Human Resource Management for implementation of the programme was efficient; and
- Monitoring mechanism (Social Audit, Village Monitoring Committee meetings and Inspections by higher authorities at Block, District and State levels) was in place and effective.

2.2.4 Audit criteria

Audit criteria has been derived from the following sources:

- Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) and amendments thereto;
- MGNREGS Operational Guidelines 2006 and 2008 issued by the Ministry of Rural Development (MoRD), GOI, regarding MGNREGA and related circular issued by the MoRD;
- Gazette notification and orders issued by the State Government; and
- Guidelines/ Checklist for internal monitoring of the scheme issued by the State Government.

2.2.5 Audit scope, sampling and methodology

Performance Audit of MGNREGS covering the period from April 2007 to March 2012 was conducted between March 2012 and September 2012 through test-check of records of State MGNREGA Cell, four DPCs[3] including District Panchayats, ten POs[4] of selected districts and 100 Gram Panchayats (GPs) of selected POs. In the test checked districts, scheme was brought into force with effect from April 2008. However, the State figure as a whole covers the period w.e.f. April 2007 to March 2012. Selection of districts/blocks was made on the basis of registered households using Simple Random Sampling Without Replacement (SRSWOR) method and for Gram Panchayats, selection was made on the basis of expenditure using Probability Proportional to Size Without Replacement (PPSWOR) method. In all, 899 works executed under the scheme in these GPs were selected for detailed scrutiny. Joint physical inspection of the same was also done in the presence of concerned representatives/officials of the Department and members of the audit team. Besides, a beneficiary survey of 1,000 beneficiaries (10 beneficiaries in each test checked GP) was conducted through a questionnaire developed by Audit.

The methodology adopted was to test-check records with reference to the provisions of the Act, scheme guidelines, gazette notification of the State, financial rules and Government orders/ instructions.

The Audit objectives, scope and methodology were discussed in an Entry Conference held on 17th April 2012 with the Principal Secretary, Rural Development Department and other important officers of the State Government responsible for execution of the scheme in the State.

The audit findings were discussed in an Exit Conference on 21st December 2012 with the Secretary, Rural Development, Government of Uttarakhand and the replies have been incorporated at appropriate places.

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[3] Almora, Dehradun, Pauri & Pithoragarh.

[4] Bhikiasain, Chakrata, Didihat, Dwarahat, Dhaula devi, Ekeshwar, Khirsu, Pauri, Munsyari and Vikas Nagar.

Audit findings

2.2.6 Structural Mechanisms

Mahatma Gandhi National Rural Employment Guarantee Scheme is a vital scheme to be implemented at grass root level i.e at Gram Panchayat level. To run the scheme successfully in the State, the following mechanism was adopted by the State Government:

(i) State level:

Principal Secretary/ Secretary, Department of Rural Development, Government of Uttarakhand was the State Coordinator and was made responsible for overall coordination of the Scheme at the State level.

(ii) District level:

District Programme Coordinator is responsible for overall planning and coordination amongst the various State agencies for better implementation of the scheme.

(iii) Block level:

Programme Officer is responsible for overall planning and coordination at block level amongst the various Gram Panchayats.

(iv) Gram Panchayat level:

Gram Panchayat was made the pivotal body for the implementation of the Scheme and Village Development Officer was made responsible for overall activities carried out under the Scheme at this level.

Duties and responsibilities of all these functionaries are detailed in **Appendix-2.3**.

Audit Scrutiny revealed the following:

2.2.6.1 Setting up of State Employment Guarantee Council

State Employment Guarantee Council (SEGC) was to advise the State Government on the implementation of the Scheme, including monitoring and evaluation. Other roles of the SEGC include approval of District Perspective Plans and monitoring of the grievance redressal mechanism. The SEGC was to prepare an Annual Report on the implementation of the MGNREGS in the State to be presented to the State Legislature. The SEGC was also required to meet quarterly to take stock of the physical and financial progress of the scheme.

Audit scrutiny revealed that the SEGC was constituted after a delay of 17 months of launching of the scheme in the State on 31st August 2007. Further, the SEGC met only twice as of March 2012 against required 18 quarterly meetings (October 2007 and January 2011). Consequently, due to SEGC remaining inactive, District Perspective Plans submitted to the State by six DPCs, the oldest submitted in December 2008, were not approved. A shortfall of 95 *per cent* in inspection of works at the State level also remained unmonitored (Refer paragraph 2.2.14.2).

On this being pointed out (August 2012), the Department admitted the facts and stated (August 2012) that constitution of SEGC was delayed due to Legislative Assembly elections in the State but did not give any reasons for not conducting the meeting regularly. However, during the Exit Conference, the Secretary, Rural Development while accepting the audit observation, assured that henceforth meetings of SEGC would be held regularly as per norms.

2.2.6.2 Constitution of State Employment Guarantee Fund

The State Government had to establish a State Employment Guarantee Fund *(SEGF)* for the purpose of fund transfer to key agencies. But no such fund was established by the State Government, though notification for establishment of the same was made in January 2007.

On this being pointed out (October 2012), the Department replied (October 2012) that procedure related to constitution of SEGF is under consideration at GOI level.

2.2.6.3 Training of key agencies and Institutions

As provided in the MGNREGS Operational Guidelines, all key agencies/ stake holders were required to be trained in discharging their responsibilities under the Act. This was to include Gram Panchayats, Districts and State level Department personnel involved in implementing MGNREGS.

The details of trainings held during the period 2007-08 to 2011-12 are indicated in Table 2.2.3 below:

Table 2.2.3

Year	Number of trainings held	Level of participants	Number of participants	Subject of training
2007-08	41	PO/ PRI and elected representatives/ DPO/ VDO/ JE/ GRS/ Accountants/ Computer operators/ Line departments	2405	Capacity building/ Training workshop regarding important points of MGNREGS Operational Guidelines/ training related to accountancy/ Planning/ Social Audit/ Communication of MGNREGS
2008-09	46		3095	
2009-10	94		3920	
2010-11	78		3358	
2011-12	104		6190	

Source: Information provided by the Department

Training modules and targets were prepared by Uttarakhand Institute of Rural Development and all the targets were achieved.

2.2.6.4 Setting up of Technical Resource Groups

Para 13.1 and 13.2 of MGNREGA Operational Guidelines prescribed that the State Government had to facilitate technical resource support to implementing agencies like GPs, line departments etc. to ensure quality in all aspects of implementation. The guidelines envisaged the constitution of panel of accredited engineers at the district/block level for assisting the estimation and measurement of works.

The State Government created a post of District Engineer (DE) at district level and Junior Engineer at Block level to facilitate technical support to implementing agencies.

District Engineer: A post of DE was created (July 2009) at each DPC (13) by Government of Uttarakhand for according technical sanction to estimates prepared in respect of works to be executed under the scheme and to physically verify at least 20 *per cent* works.

Audit noticed that out of 13 DPCs, only two DEs, one each at Almora and Dehradun were posted. Moreover, the DE posted at Dehradun was given charge of only one block. No records regarding number and percentage of works inspected were shown to Audit by DE, Dehradun while DE, Almora stated that only two and four *per cent* works were inspected by him in 2010-11 & 2011-12 respectively which was below the target (20 *per cent*) of physical verification fixed by the State. No permanent records pertaining to inspection were maintained by any of the DEs, in the absence of which audit could not verify the details of inspections carried out.

Junior Engineer: The State Government created (July 2009) a post of Junior Engineer (JE) (one in each 557 Nyay Panchayats[5] in hills and one each in two Nyay Panchayats (113) in plains of the State) and assigned the work pertaining to preparation of technical estimates, measurement of works and providing technical guidance to Gram Panchayats officials. Audit noticed shortage of manpower of 64 *per cent* in JE cadre at State Level, which was 71 and 73 *per cent* in the test checked districts and blocks respectively.

Scrutiny of technical estimates in respect of 899 test checked works revealed that, provisions of the Act were not taken into consideration while preparing technical estimates by JEs and technical sanctions accorded to these works by the DEs did not contain specific work site locations. Further, audit observed delays in sanction of works due to the reason that there was a significant time lag between date of proposal of the work by the Gram Sabha and date of start of the work, but these could not be verified since TSs did not contain vital dates of submissions and sanctions.

On this being pointed out (August 2012), the Department replied (August 2012) that though demands for District Engineers were sent to different Departments, but none were made available. However, engineers posted at DRDA had been given additional responsibility for the purpose of according Technical Sanctions. It was also stated that instructions had been issued for physical verification of works as provisioned and for the maintenance of permanent records of the same. Regarding JEs, it was stated that the vacant posts in different cadres could not be filled due to stay (November 2009) in recruitment through Service Providers in the State by Honourable High Court and some alternative methods were being considered for recruitment of the same. Further, the Secretary, RD stated during the Exit Conference that instructions would be given to maintain inspection log books in support of inspections made and checking all the particulars of technical

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[5] A Nyay Panchayat is a system of dispute resolution at village level in India. Nyay panchayats can be endowed with functions based on broad principles of natural justice and can tend to remain procedurally as simple as possible. They can be given civil and minor criminal jurisdiction. But they should never follow civil and criminal procedure code in toto.

estimates which were required under the Act before according technical sanctions to the works proposed.

Though, additional responsibilities had been conferred on engineers of DRDA, the extent of irregularities in technical estimates underline the dire necessity of filling up of vacant posts of DE at the earliest and also regular monitoring of their functioning.

2.2.7 Planning Process

Planning was critical to the successful implementation of MGNREGS. A key indicator of success was the timely generation of employment within 15 days from the date of demand for work. The need to act within a time limit necessitates advance planning. The basic aim of the planning process was to ensure that the District plan was prepared well in advance to offer productive employment on demand. Further, MGNREGS Operational Guidelines stipulated for preparation of a five year District Perspective Plan (DPP) to facilitate advance planning and provide a development perspective for the district. The aim was to identify the types of MGNREGS works to be encouraged in the district and the potential linkages between these works with long-term employment generation and sustainable development.

2.2.7.1 Unfruitful expenditure on preparation of District Perspective Plan

A District Perspective Plan (DPP) for five years was to be prepared which would have the advantage of facilitating the annual labour budgets as a framework of long term planning so that it could respond to the new emerging needs of the area.

Test-check of records of MGNREGA Cell, Dehradun, and of test checked districts revealed that the State Government instructed districts (November 2007) to prepare the DPPs in pursuance of GOI guidelines, for the period of 2008-09 to 2012-13 with a total allocation of ₹ 1.30 crore @ ₹ 10.00 lakh per DPC (13). Out of this, ₹ 75.96 lakh was already paid to the expert agencies and ₹ 11.96 lakh was the pending liability, ₹ 13.36 lakh were used in the scheme and ₹ 28.72 lakh remained unutilized with the DPCs. Districts Champawat and Uttarkashi did not prepare DPPs against which no action was taken by the State. Out of the total 13 districts, only six districts had submitted perspective plans for approval to the State Government as of March 2012 which also were not approved, the oldest having been submitted in December 2008.

On this being pointed out (June and August 2012), the Department stated (June 2012) that these could not be approved due to late submission of DPPs by the DPCs. Regarding non-submission of DPPs by seven districts, Department stated (August 2012) that clarifications had been sought from respective DPCs.

The reply of the Department is not acceptable as DPPs were prepared for the duration of 2008-09 to 2012-13 and the last financial year 2012-13 is already operational. While no action was taken by the Department to approve such DPPs which were submitted by the DPCs, action was also not taken against those DPCs which did not submit/prepare the same. This resulted into unfruitful expenditure of ₹ 87.92 lakh as these DPPs have no relevance now. There was also blockade of funds amounting to ₹ 28.72 lakh since the same remained unutilized till date (August 2012). Further, as the District Perspective Plans were intended to integrate work priorities with a longer-term development strategy with the aim of creation of durable assets and strengthening the livelihood resource base of the rural poor, non-approval of the same defeated this purpose.

2.2.7.2 Preparation of Annual Development Plan

The Annual Development Plan (ADP) was an annual plan to be prepared by every GP and should comprise of shelf of projects for each village with administrative and technical approvals so that works can be started as soon as there was demand for work. The whole process of finalizing the Plans prepared by the GPs is depicted in **Chart-2** below:

Chart-2

PROCESS OF PREPARATI ON OF ANNUAL PLANS

At State level

- To consolidate district plans
- To forward the district plan to the Ministry by 31st January

↑

At District Panchayat level

- DPC to consolidate block plans and should also prepare the labour budgets
- District Plan to be approved by 31st December

↑

At Intermediate Panchayat (Block) level

- Programme Officer to consolidate GP plans
- To be prepared by 30th November

↑

At Gram Sabha level

- GP Plans to be prepared by GP on the basis of Gram Sabha recommendations
- To be prepared by 15th October

The development plan was supposed to comprise of the following components:

- Assessment of labour demand;
- Identification of works to meet the estimated demand for work;
- Identification of sites where works are to be executed;
- Estimated cost of works and wages; and
- Benefits expected in terms of employment generated and physical improvements.

Scrutiny of the ADPs at PO and District level revealed that the plans did not include specific location of the work sites and its benefit to the community expected from the works proposed to be executed under the scheme which remained unnoticed at each level i.e. PO, DPC and State Levels.

Test-check of ADPs compiled at PO level of sampled blocks revealed that the Plans prepared by the Gram Panchayat were not following the prescribed time schedule. None of the GPs recorded the date of submission of ADPs to the POs. However, the POs stated (May-June 2012) that they generally got the ADPs from GPs with a delay of two to three months. This delayed the submission of ADPs by the POs to the DPCs and by the DPCs to the State Government. Consequently, the late submission of ADPs and labour budget based on such ADPs for the whole State hampered the timely submission of proposals to GOI.

On this being pointed out (August 2012), the Department accepted the facts and stated (August 2012) that instructions had been issued to strictly adhere to the MGNREGS Operational Guidelines.

Weak monitoring mechanism to watch the follow up of these instructions had made these instructions of the Department ineffective which resulted in deficiencies in ADPs.

2.2.7.3 Preparation of Labour Budget

ADPs prepared by the Gram Panchayats and finally compiled by the DPC after checking all the particulars was to be the basis of labour budget (LB) as per the guidelines. The unique feature of MGNREGA was its bottom-up architecture i.e. planning and selection of works and their implementation were to be done in a participatory manner under the leadership of the Gram Panchayat (GP).

Audit analysis revealed that there was a wide variation among the labour budget complied at DPC level **(Appendix-2.4)**, LB proposed by the State Government to Government of India and the LB finalized by the State Government against finalization of the same by Empowered Committee, MoRD, GOI which can be seen in **Table 2.2.4** below:

Table-2.2.4 *(Amount ₹ in lakh)*

Year	LB compiled at test checked districts based on demands from GPs	LB proposed by the State to GOI against test checked districts (in *per cent*)	LB finalized by the State against test checked districts on the basis of allocation of funds by GOI (Difference in percentage between LB proposed by GPs & finalized)	Overall LB proposed by the State to GOI	LB finalized by the GOI (percentage of LB reduced by GOI against State proposal)
2008-09	68766	27186 (*40*)	27186 (*60*)	54654	54654(*00*)
2009-10	48497	20580 (*42*)	10189 (*79*)	49745	37321(*25*)
2010-11	49746	29955 (*60*)	13203 (*73*)	77218	38282(*50*)
2011-12	57938	23324 (*40*)	15286 (*74*)	68229	46422(*32*)

Source: Information provided by the Department

A curtailment of 40 to 60 *per cent* of budget proposals by the State was noticed by Audit in the test checked districts. The Empowered Committee of GOI further curtailed the State budget proposals even up to 50 *per cent.* However, the final allocation by the State to test checked DPCs got reduced up to 79 *per cent.*

The Secretary, RD admitted the fact during the Exit Conference and stated that curtailment was made keeping in view the performance of the district in the last year. Further, the final allocation was made to the districts according to the budget finalized for the State by the Empowered committee of GOI.

2.2.7.4 *Information Education and Communication*

Public awareness is critical for successful implementation of any scheme. Para 3.2 of MGNREGS Operational Guidelines stated that every State Government would undertake an intensive Information Education Communication (IEC) exercise to publicise the key provisions of the National Rural Employment Guarantee Act (NREGA) for awareness generation. The State Government was to draw up an IEC Plan and develop communication material designed to help people articulate their demand and claim their entitlements. Information should be widely disseminated, especially in remote areas, SC/ST hamlets through TV, radios, films, print media including vernacular newspapers, pamphlets, brochures.

The State Government did not devise an IEC plan and left it to DPCs resulting in communication of MGNREGA provisions in a non-uniform manner.

Complaint registers were blank (three out of 10 test checked blocks) and there was no demand of unemployment allowance and compensation which clearly indicates that awareness generation was not up to the mark. This was also confirmed during Beneficiary Survey conducted by the audit team wherein 818 (out of 1000) beneficiaries stated that they get the work on its availability and 697 stated that payment was made to them after 15 days of completion of work. During the test-check of records of 899 works, delays up to 669 days in making payment to the beneficiaries were also noticed by Audit.

The Secretary, RD admitted the facts during the Exit Conference and stated that IEC plan would be developed at the earliest.

2.2.7.5 *Nominal role of District Panchayat in implementation of scheme*

District Panchayat was a pivotal body for development of the district and needed to play an active role in planning, implementation and monitoring of the scheme. MGNREGS Operational Guidelines clearly stated that the Block-wise shelf of projects and Labour Budget based on it was to be submitted to the District Panchayat by the DPC for approval and modification, if necessary. Further, the District Panchayat was to monitor all aspects of implementation, especially timely issue of Job Cards, provision of employment, social audits, flow of funds, progress and quality of works.

In four test checked DPCs, it was found that Chairman, District Panchayat was approving the ADP consolidated by the DPC but no records regarding submission of ADP by the DPC to the District Panchayat Office and return of the same to DPC after approval were maintained at District Panchayat. It was also seen that the District Panchayats were not involved in monitoring the implementation of the Scheme at any level.

The Secretary, RD accepted the facts during the Exit Conference and stated that instructions had been issued to strictly adhere to the MGNREGS Operational Guidelines.

2.2.7.6 Convergence with line departments

As per Para 14.1 of MGNREGS Operational Guidelines, convergence of MGNREGS funds with funds from other sources for the creation of durable assets was permissible. However, care was to be taken to ensure that MGNREGS funds do not substitute for resources from any other sectors or schemes. MGNREGS funds were intended to provide/create additional employment. The funds from other programmes for the permissible works under MGNREGA could be dovetailed with MGNREGA funds, but not vice versa. All initiatives of convergence were to be within the parameters of MGNREGA, especially the need to design labour intensive works and complete ban on contractors.

Audit analysis revealed that although instructions regarding convergence/ dovetailing of different schemes/activities were issued (July 2008) by the State Government, but the meetings amongst the line departments and the State Programme Coordinator were not held on regular basis. Convergence plans were not prepared annually and only one draft plan was prepared for 2009-10. Out of a total expenditure of ₹ 1312.88 crore incurred under the scheme, a meagre amount of ₹ 38 crore (03 *per cent*) was incurred, during 2009-10 to 2011-12 through convergence with different departments showing low priority of State Government towards convergence works. Expenditure on works in the test checked districts was almost entirely borne by MGNREGS funds. Information pertaining to the conduct of social audit in respect of works carried out by the line departments was neither maintained at line department nor at PO/GP level, and thus could not be examined by audit.

The Secretary, RD accepted the facts during the Exit Conference and attributed the fact to lack of interest by other Departments in MGNREGS, but efforts would be made towards convergence of works with other line departments.

2.2.8 Financial Management

2.2.8.1 Financing Pattern

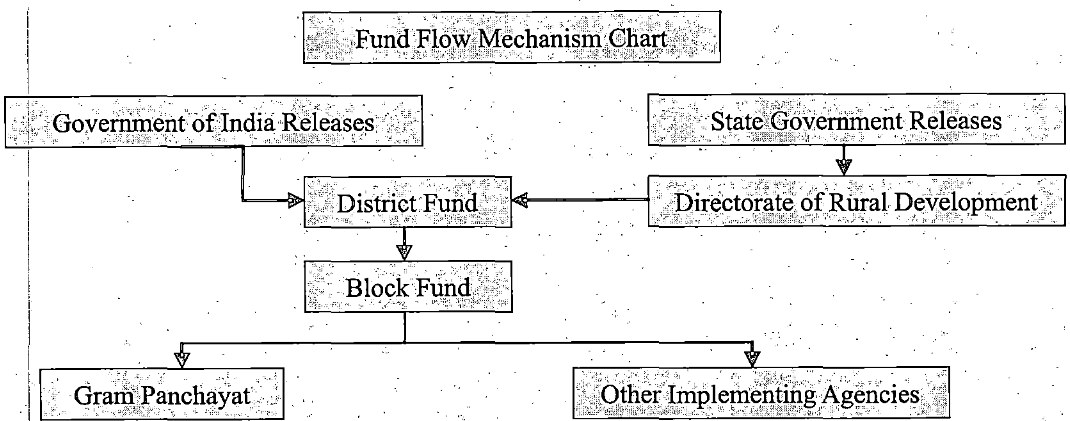
Section 22 of NREG Act, 2005 stated that the Central and State Governments would bear the expenditure of the scheme as detailed in Table 2.2.5 below:

Table-2.2.5

Item of expenditure	Central share	State share
Unskilled labour	100 *per cent* at notified rates	Excess over notified rates of the Centre
Skilled labour	75 *per cent*	25 *per cent*
Material	75 *per cent*	25 *per cent*
Unemployment allowance	Nil	100 *per cent*
Administrative expenses	As determined by GOI	Administrative expenses of the SEGC

Fund flow mechanism adopted in Uttarakhand is depicted in **Chart-3** below:

Chart-3



2.2.8.2 Fund Availability and Expenditure

During 2007-12, ₹ 1335.80 crore[6] was available under the scheme out of which ₹ 1312.88 crore[7] were spent by the Government. The details of budget allocations and expenditure incurred by the State Government on the Scheme are shown in **Table 2.2.6** below. Further, details of the same for the test checked districts is given in **Appendix-2.5**.

Table-2.2.6 *(₹ in crore)*

Year	Districts covered under the scheme	Opening balance	Funds released				Total funds available	Expenditure	Unspent fund
			Central share	State share	Total	Misc. receipt			
2007-08	05	23.58	114.41	13.59	128.00	1.61	153.19	95.75	57.44
2008-09	13	68.67	92.15	10.66	102.81	3.88	175.36	135.79	39.57
2009-10	13	40.53	278.45	27.38	305.83	2.45	348.81	283.09	65.72
2010-11	13	65.72	300.05	37.45	337.50	2.17	405.39	380.20	25.19
2011-12	13	25.19	373.58	38.85	412.43	3.35	440.97	418.05	22.92
Total			1158.64	127.93	1286.57	13.46		1312.88	

Source: Information provided by the Department

Audit noticed that there was a variation of ₹ 11.23 crore between the Closing Balance (CB) of 2007-08 and Opening Balance (OB) of 2008-09 and of ₹ 0.96 crore between the CB of 2008-09 and OB of 2009-10.

The Secretary, RD accepted the facts during the Exit Conference and stated that serious attention would be given to it. Further, it was stated by the Additional Secretary, Finance Department that reasons for such non- reconciliation might be transfer of funds from SGRY to MGNREGS on 1st April 2008. However, details would be made available to Audit after reconciling the same.

[6] Central and State share : ₹ 1286.57; Miscellaneous receipt: ₹ 13.46 crore; Opening Balance of 2007-08 :₹ 23.58 and transfer of funds from SGRY:₹ 12.19 crore.

[7] Works expenditure: ₹ 1263.15 crore; Administrative expenditure: ₹ 49.73 crore

The reply of the State Government was not satisfactory as the differences in opening and closing balances could not be reconciled even after a lapse of four years which indicates weak financial monitoring mechanism at State level.

2.2.8.3 Delay in release of State Share

In order to provide impetus to the scheme, the State Government was required to release the State share within 15 days to districts from the date of release of 1st tranche by GOI as per Para 8.4 of MGNREGS Operational Guidelines.

Audit analysis revealed that the State share was not being released in stipulated timeframe. An average delay ranging from 13 to 90 days with the maximum delay of seven months was noticed in four test checked DPCs in releasing of the State share during the period 2008-09 to 2011-12.

The details of Central fund release (1st tranche) and delay in release of State share is indicated in **Table 2.2.7** below:

Table-2.2.7

Name of DPC	Date of release of Central fund (1st tranche)				Date of release of State share (Delay in days)				Average delay (in days)
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12	
Almora	07.05.08	30.06.09	14.05.10	27.04.11	02.06.08 (11)	22.09.09 (69)	15.07.10 (47)	14.07.11 (63)	48
Pauri	22.04.08	22.07.09	15.05.10	04.05.11	02.06.08 (26)	31.07.09 (00)	07.06.10 (08)	07.06.11 (19)	13
Dehradun	09.05.08	11.08.09	28.06.10	23.04.11	05.08.08 (73)	25.03.10 (211)	26.07.10 (13)	08.07.11 (61)	90
Pithoragarh	01.04.08	20.04.09	16.04.10	01.04.11	29.05.08 (43)	29.04.09 (00)	07.06.10 (37)	07.06.11 (52)	33

Source: Details worked out from the records of four test checked DPCs

On this being pointed out (August and October 2012), the Department stated (November 2012) that the process of releasing State share takes time because funds were released by GOI directly to the districts and after demanding State share by the respective districts against such funds received from GOI, proposal was sent to the State level by the Directorate, Rural Development after consolidation of the demands of all the districts. Further, this proposal was sent to the Department of Finance/Planning and after their approval funds for releasing State share were allotted to them. Reasons for such delay were also attributed to difficult geographical condition of the State. Regarding delay of more than seven months in releasing State share, it was stated (August 2012) that the State share could not be released in time due to non-availability of sufficient funds under Grant No. 19: Rural Development. However, the Additional Secretary, Finance Department assured Audit during the Exit Conference that State share would be released in time in future.

Reply of the Department is not acceptable as estimated release of Central share in the upcoming year was well known to the State in advance, since it was finalized by the Empowered Committee of GOI against the budget proposal by the State. Therefore, the State Government should have made adequate provisions in the annual budget for release of State share in time keeping in view the provisions of the scheme like providing employment on demand and making payment of wages to the worker within a fortnight.

2.2.8.4 *Transfer of funds from SGRY to MGNREGS*

Ministry of Rural Development, GOI issued directives (March 2008) regarding closure of Sampoorna Gramin Rojgar Yojna (SGRY) and transfer of its unspent balance to MGNREGS. According to these directives, the SGRY account was to be closed on 31 March 2008 and the unspent amount under this scheme was to be transferred to MGNREGS account. Test-check of records of DPC/Block/GPs of Dehradun district revealed the following irregularities:

1. Advances of ₹ 5.28 lakh (related to construction, social forestry, purchase of cement, contingencies) from SGRY fund to various agencies[8] were not recovered till the date of audit (June 2012). However, these funds were shown transferred to the accounts of MGNREGS.
2. SGRY fund to the tune of ₹ 7.40 lakh was transferred (April 2008) to Vermi Compost instead of MGNREGS in Vikas Nagar block of Dehradun district.
3. An amount of ₹ 3.02 lakh of SGRY was not transferred to the accounts of MGNREGS till the date of audit (June 2012) in Chakrata block of Dehradun district.
4. Amount under SGRY was not transferred and was still lying in account of SGRY (June 2012) in test-checked GPs of DPC Dehradun.

The Secretary, RD stated during the Exit Conference that the matter would be looked into and reflected in the accounts/records.

Implementation of the Scheme

2.2.9 Ensuring livelihood security by providing 100 days of employment

2.2.9.1 *Non-fulfilment of ensuring livelihood security to rural households*

Para 1.1 of MGNREGS Operational Guidelines stated that the primary objective of the scheme was to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

Out of the total 19.97 lakh households[9] in the State, 1.89 lakh to 5.42 lakh households demanded employment during the period 2007-12 and were provided employment at an average of 39 days per households per year. Audit analysis revealed that only two to four *per cent* of total registered households in the State were provided 100 days of employment during the period 2007-08 to 2011-12 and it was two *per cent* in respect of test checked districts/blocks. The average person days per rural

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[8] Basic Shiksha Adhikari, Dehradun (JRY); PEXFED, Dehradun; Food Corporation of India, Dehradun; Executive Engineer, Rishikesh (JRY); Executive Engineer (PD) PWD, Dehradun; Sub Divisional Magistrate, Dehradun (JRY); Sub Divisional Magistrate, Chakrata (JRY); Commissioner Garhwal, Pauri; District Economical and Statistical Officer, Dehradun; Uttar Pradesh State Cement Corporation; Cement Corporation of India, Dehradun (JRY).

[9] As per Census, 2011

household, for which employment was provided per registered HH per year in the aforesaid period, was 39 days at State level while it was 32 and 35 days in the test checked districts and blocks respectively (**Appendix 2.6 A & B**).

All the applications received for demand of employment were to be entered into the application format (no. 6) which was the first step towards providing livelihood through the scheme. The application format (no. 6) for employment prescribed by the State Government did not contain any separate column for date from which the employment would be sought by the applicant although the same was provided in the sample format prescribed in MGNREGS Operational Guidelines. Thus, the delay in providing employment could not be ascertained at any level. The fact was also substantiated during beneficiary survey as 818 out of 1000 beneficiaries held that the application for the demand of work was taken from them only when the funds were allocated to the GPs. Thus, there was no opportunity to give State funded unemployment allowance as elucidated in the MGNREGS Operational Guidelines, which ultimately deprived the eligible beneficiaries from getting the same.

Agreeing with the observations of Audit (August 2012), the Department intimated that the application format no. 6 prescribed earlier has been revised for demand of employment and circulated to the DPCs for adoption. The Department also stated that as the scheme was demand-based, instructions had been issued to DPCs to give wide publicity of the provisions of MGNREGS. Instructions to the DPCs included the fact that during publicity it was to be ensured that each job card holder should be aware of the provision that employment was to be provided to him within 15 days of demand and a receipt was to be provided against beneficiaries' demand.

2.2.9.2 Non Payment of compensation for delayed payment of wages

Para 7.1.4 & 7.1.5 of MGNREGS Operational Guidelines stated that the wages should be paid on a weekly basis on a pre-specified day of the week in each GP. Details of wages paid through the banks/post office network should also be made public. Workers were entitled to be paid on a weekly basis and in any case within a fortnight of the date on which the work was done. In the event of any delay in wage payments, the workers were entitled to compensation as per the provisions of the Payment of Wages Act, 1936 (NREGA, Schedule II, Section 30) which was to be borne by the State Government.

Section 15 of the Wages Act states that

a. If any payment of wages had been delayed, the aggrieved person may apply to any labour inspector under the Act or any authority designated for this purpose for compensation within twelve months from the date on which the payment of wages was due to be made.

b. The authority shall hear the applicant and the employer or other person responsible for the payment of wages and after inquiry, may direct for payment of the delayed wages, together with the payment of such compensation not exceeding three thousand rupees but not less than one thousand five hundred rupees (₹1500) and even if the delayed wages were paid before the disposal of the application, the authority may direct for the payment of such compensation not exceeding two thousand rupees.

Audit observed the following in 899 test checked works of 100 Gram Panchayats in 10 Blocks:

- There was an average delay of 74 days in 500 works with a maximum delay of 669 days (approximately two years) in making payment to the beneficiaries.
- No amount was found to have been paid as compensation to any labour in 100 test checked GPs.

The Secretary, RD stated during the Exit Conference that this was a serious matter and would be attended to.

It is evident from the above that the Department was not able to provide 100 days employment and whatever meagre employment was provided, the payments of the same were not made in time to the beneficiaries. Delayed payments in respect of 500 works as mentioned above in the test checked districts ultimately deprived the 13,278 workers employed on these works from getting the benefit of compensation amounting to at least ₹ 1.99 crore[10]. The State Government needs to streamline the payment procedure to reduce the delay in making payments.

2.2.9.3 *Liability of ₹ 1.49 crore created by different POs*

The State Government instructed (December 2011) all the DPCs for (i) achieving the target as fixed where funds were sufficiently available and (ii) doing the works and creating liabilities where funds were insufficient. Regarding payment, it was clearly stated that payment against work done would be made to the beneficiaries in future, as and when the funds were made available to them. As per these instructions, liabilities so created would be treated as an achievement.

During the course of audit, it was reported by the POs of Dhauladevi, Dwarahat and Chakrata blocks that liability of ₹ 80.72 lakh, ₹ 27.57 lakh and ₹ 40.33 lakh during 2011-12 respectively was created in their blocks for want of funds.

On being pointed out (August 2012), the Department admitted the facts and stated that instructions were issued to create liability due to briefing by the DPCs regarding non-availability of funds which resulted in inability to provide employment.

The reply is not acceptable as the instructions of the Department did not contain the provision for compensation in cases where the timely payments were not being made and such instructions were in violation of the Act which ensured payment within a week or maximum 15 days.

[10] Total 13,278 workers were employed in 500 works in which audit found that the payment was made to the workers after due date i.e. after 15 days of completion of the work. If each worker would be paid the compensation @ ₹ 1500 it comes as ₹ 19917000 (13,278 x ₹1500) or say ₹ 1.99 crore.

2.2.9.4 Non-Issue of wage slips to the workers

Para 7.2.1 of MGNREGS Operational Guidelines stated that when the amount was paid, a wage slip might be generated for intimation to the worker as per the format prescribed. Amount should be disbursed to the worker only on production of wage slip and the withdrawal slip by the worker or his authorised representative.

Audit found during test-check of the records of 100 GPs that the wage slips were not being issued to the workers in any of the test checked GPs.

On this being pointed out (August 2012), the Department admitted the facts and stated (August 2012) that instructions had been issued for issuing wage slips.

2.2.9.5 Maintenance of Muster Rolls

A Muster Roll is a labour attendance register, pertaining to a particular work site and a particular period. According to Para 9.4 of MGNREGS Operational Guidelines, Muster Rolls (MRs) with a unique identity number issued from the Block level were to be maintained by the GPs and other implementing agencies, in a proforma suggested by the Ministry. The muster roll was required to indicate the job card number, name of the worker and days worked. Workers' attendance and the wages paid were to be shown against each name with signature/thumb impression of the worker.

During scrutiny of 10,759 Muster Rolls used in 899 works in respect of 100 test checked GPs, cuttings were found in 1,110 MRs, fluid was used in 510 MRs and overwriting was done in 771 MRs in violation of Para 307-A of Financial Handbook Volume V Part-I.

Secretary, RD stated during the Exit Conference that the matter would be looked into and action would be taken accordingly. However, presently, an instruction had been issued for making no cuttings, fluid and overwriting on Muster Rolls.

2.2.10 Job Cards

2.2.10.1 Maintenance of Job Cards

As envisaged in Para 5.3 of MGNREGS Operational Guidelines, photographs of registered adult members were to be affixed in the job cards. The Job Card (JCs) would be in the custody of the household to whom it was issued and be updated regularly. To ensure the outcomes and implementation aspects of the scheme, audit selected 1,000 beneficiaries, ten each from 100 test checked GPs and visited villages to interview each selected beneficiary. During the beneficiary survey the following facts came to light:

- Job cards were not shown to Audit in 279 cases during beneficiary survey. Out of these, it was stated by 210 beneficiaries that their Job Cards were with Gram Pradhans which was against the spirit of the Act.
- Photos were not found pasted in the Job cards of 196 out of 721 job cards produced before audit team. In the absence of photos the genuineness of the beneficiaries could not be ascertained.

- Payment entries were not found updated in 316 cases, due to which employment of beneficiaries and payment made against them could not be reconciled.
- Photos of all the registered adult members of the family were not pasted in 174 cases which was necessary as per the MGNREGS Operational Guidelines.
- Out of 1,000 beneficiaries surveyed, 95 beneficiaries stated that Job Cards were issued to them after 15 days instead of the prescribed limit of 15 days.

The Secretary, RD appreciated the point during the Exit Conference and stated that adequate attention would be given to this issue.

2.2.10.2 Maintenance of Job Card Register

Para 9.1.1 of the MGNREGS Operational Guidelines envisaged that the details of the members of the households who had been issued job cards should be inscribed in the Job Card Register. This Register was to be maintained by Gram Panchayat/ Programme Officer.

The following deficiencies were noticed during the scrutiny of job card registers of test checked GPs:

Out of total 14,707 registered House Holds;

- Photos of 6,309 beneficiaries (43 *per cent*) were not found pasted.
- Signatures of 2,444 beneficiaries (17 *per cent*) were not recorded.
- Signatures of VDOs in 1,999 beneficiaries (14 *per cent*) were not recorded.
- Bank/Post Office Account number was not recorded in 5,868 (40 *per cent*) cases.

As mentioned above in paragraph 2.2.10.1 of this Report, genuineness of beneficiaries could not be established by Audit as photos of 43 *per cent* beneficiaries were not found pasted in the register. In addition to the above, payment made to the beneficiaries in genuine account could also not be established as no bank account number was found recorded in the registers in 40 *per cent* cases.

The Secretary, RD accepted the point during the Exit Conference and stated that adequate attention would be given to this issue.

2.2.11 Asset creation

A total of 1,52,292 works were executed in the State during the period of 2007-08 to 2011-12 by incurring an expenditure of ₹ 1263.15 crore. Out of these, 1,00,631 works were completed (up to March 2012). Year-wise details of the same are given in **Table 2.2.8** below:

Table: 2.2.8 *(Amount ₹ in crore)*

Year	Completed works		Ongoing works		Total	
	No. of works	Amount	No. of works	Amount	No. of works	Amount
2007-08	6307	52.39	4664	39.28	10971	91.67
2008-09	10297	64.72	9882	62.69	20179	127.41
2009-10	24677	175.78	12296	96.59	36973	272.37
2010-11	29749	248.24	12457	118.07	42206	366.31
2011-12	29601	284.01	12362	121.38	41963	405.39
Total	**100631**	**825.14**	**51661**	**438.01**	**152292**	**1263.15**

Source: Information provided by the Department

2.2.11.1 Non maintenance of assets created

Para 6.1.3 of MGNREGS Operational Guidelines envisaged that the maintenance of assets created under the Scheme (including protection of afforested land) would be considered as permissible work under MGNREGA.

Out of 818 GPs of 10 POs in four test checked DPCs, 100 GPs were selected for detailed scrutiny and out of a total of 1,692 works executed in these 100 test checked GPs under the scheme in the period of 2008-09 to 2011-12, 899 works were physically verified by the joint team of Audit officials and departmental representatives. During the joint physical verification, it was found that 294 (33 *per cent* of the total works inspected) assets created at a cost of ₹ 3.18 crore were found damaged as can be seen in the sample photographs.

During the test-check of records of 899 works of 100 GPs of four districts, it was noticed that no expenditure was incurred for maintenance of assets.

Check Dam Nirman, Year 2009-10 Quarijimiya GP, Munsyari Block, District Pithoragarh

Chal Khal Nirman Gokuldhura, Year 2008-09, Kottiyura GP, Munsyari Block, District Pithoragarh

The Secretary, RD agreed during the Exit Conference that no expenditure had been incurred on maintenance of assets in the State, but assured that instructions would be issued to take care of maintenance of assets during labour budget preparation.

2.2.11.2 Worksite facilities

As per Para 6.8.1 of the MGNREGS Operational Guidelines, provisions of facilities like medical aid, drinking water, shade and crèche were to be ensured by the implementing agencies.

Audit conducted door to door beneficiary survey of 1,000 beneficiaries falling under 100 villages of ten blocks which revealed that works site facilities were not provided by the implementing agencies (GPs and Line Departments) in most of the cases. Details are given in Table 2.2.9 below:

Table-2.2.9

Category	Facility provided (in numbers)	Facility not provided (in numbers/percentage)	Not known (in numbers)
Shade	312	644 (64 *per cent*)	44
Drinking water	412	545 (55 *per cent*)	43
Creche	004	950 (95 *per cent*)	46
First Aid Kit	360	596 (60 *per cent*)	44

Source: Details worked out from beneficiary survey

As a result of this, beneficiaries were deprived of the above basic amenities at work site.

On this being pointed out (August 2012), the Department admitted the facts and replied (August 2012) that instructions had been issued to strictly adhere to the MGNREGS Operational Guidelines for providing work site facilities.

2.2.12 Management Information System

Management Information System (MIS) was the only source of consolidated information on the Scheme which was readily available in the public domain. The MIS of MGNREGS was widely used by the beneficiaries, research organizations, academicians and other stake holders. It was an important constituent in the efficient and effective functioning of the Scheme. The centrally collected data plays a crucial role in providing management inputs necessary to monitor, evaluate and direct all the aspects of the Scheme.

As the system was primarily based on inputs by block level officials through the website at different levels of the implementation hierarchy, the data uploaded in the website was examined to ensure the veracity of information flow. Data generated in the implementation process of the scheme was being used for preparing all the summary reports available on the NREGA website. This data was also to be used for generating information necessary for monitoring and evaluation of the vital aspects of the Scheme. Reliability of data uploaded in the website was cross checked with the data available in the MPRs of the test checked districts for the years 2009-10 to 2011-12. Categories of data covered for detailed analysis related to (a) number of households which were issued job cards; (b) cumulative number of households which demanded employment; (c) number of households provided employment; (d) cumulative person days generated; (e) total availability of funds at district level and (f) total expenditure incurred in the districts

As would be clear from **Appendix-2.7** that there was marked mismatch between the figures uploaded in the MIS on MGNREGS website with figures reported through MPR in respect of some of the key areas as mentioned at 'a to f' above. This is a serious issue and puts the reliability of the MIS data at stake, which is being used by Government of India for showcasing the achievements and is also relied upon by intelligentsia.

On this being pointed out (August 2012), the Department accepted the facts and replied (August 2012) that data could not be made available in time to officials responsible to feed the data in MIS due to shortage of staff due to which differences existed between two sets of data.

Reply of the Department is not acceptable as such mismatch calls into question the reliability of the data in the MIS. In the absence of a reliable MIS, any conclusions drawn on the basis of the MIS data would be prone to errors and misleading conclusions.

2.2.13 Human Resource Management

2.2.13.1 Administrative Resources

Ministry of Rural Development (MoRD), Government of India (GOI) had suggested an administrative pattern to be followed by each State for smooth functioning of the scheme. According to this pattern, Gram Rojgar Sahayak at GP level, PO (BDO could also be given the charge of PO and a dedicated Deputy Programme Officer may be appointed to assist the PO) at block level and DPC at district level were identified as key posts for discharging the time bound activities of the scheme. Further, a designated GRS was to be appointed to assist Village Development Officer. Government of Uttarakhand adopted the administrative pattern in February 2006. Detailed staff position of the key posts in the State, test checked districts and test checked blocks is indicated in **Table 2.2.10** below:

Table-2.2.10

At State level

Designation	SS	MIP	Shortfall (in *per cent*)
District Programme Coordinator	13	13	00 (00)
Deputy Programme Officer	95	56	39 (41)
Gram Rozgar Sahayak	1811	648	1163 (64)

At test checked Districts level

Designation	SS	MIP	Shortfall (in *per cent*)
District Programme Coordinator	04	04	00 (00)
Deputy Programme Officer	40	14	26 (65)
Gram Rozgar Sahayak	839	246	593 (71)

At test checked blocks level

Designation	SS	MIP	Shortfall (in *per cent*)
Deputy Programme Officer	10	01	09 (90)
Gram Rozgar Sahayak	330	51	279 (85)

Source: Information provided by the Department

Deputy Programme Officer- Full-time dedicated POs were not posted in any test checked blocks. Instead Block Development Officers (BDOs) were given the additional charge of Programme Officers.

Audit scrutiny revealed that an overall shortage of DPOs (41 *per cent*) existed at the State Level. However, it was 65 *per cent* and 90 *per cent* in ten test checked districts and blocks respectively.

As Block Development Officer was overburdened with the works related to various schemes like MPLAD, MLALAD, State Finance Commission, 12th and 13th Finance Commission, Kshetra Panchayat Vikas Nidhi, Swarna Jayanti Gram

Swarojgar Yojna, Disaster Management, Indira Awas Yojna, Atal Awas Yojna, Deendayal Awas Yojna, all pension schemes etc., absence of full time dedicated DPOs hampered proper implementation of the scheme. Major deficiencies at block levels noticed by audit were as under:

- There was shortfall up to 47 *per cent* in inspection of works at the level of blocks. (Refer to paragraph 2.2.14.2)
- Adequate attention was not given towards timely payment to the beneficiaries against works done by them. (Refer to paragraph 2.2.9.2)
- Administrative approval was being accorded without checking the particulars like specific location of the works contained in technical estimates. (Refer to paragraph 2.2.6.4)
- The social audit being conducted once instead of twice a year remained unmonitored. (Refer to paragraph 2.2.14.3)

Gram Rozgar Sahayak- Gram Rozgar Sahayak (GRS) was the main implementing hand for MGNREGS as he/she was a buffer between GP and PO and his/her duty was to maintain all MGNREGS related documents at the Gram Panchayat level, including prescribed accounts, and ensuring that these documents are conveniently available for public scrutiny, overseeing the process of registration, distribution of job cards, provision of dated receipts against job applications, overseeing job applications, allocation of work, payment of wages, payment of unemployment allowance and ensuring that the requisite Gram Sabha meetings are held and social audits conducted.

Para 3.1.1 of MGNREGS Operational Guidelines prescribed that there should be one GRS in each GP against which the State Government notified (July 2009) that there would be one GRS for four GPs in hills and six GPs in plains.

Audit analysis revealed that there was acute shortage (85 *per cent)* in GRS cadre in ten test checked blocks. However, the shortage was 71 and 64 *per* cent in test checked districts and State as a whole respectively. Shortage of GRS resulted in non-maintenance of records like issuance of acknowledgement in respect of employment demanded, improper maintenance of Job cards, delayed payment to the beneficiaries etc., which in turn deprived the eligible beneficiaries from getting their due benefits. (Refer to paragraphs 2.2.9.2 and 2.2.10.1)

Further, shortage in other cadres meant for MGNREGS in the State viz., district engineers, junior engineers, computer programmers and village development officer was also noticed **(Appendix-2.8)**.

On being pointed out (August 2012), the Department stated that posts of GRS were created as per requirements duly approved by the Finance Department of the State while the vacant posts in different cadres could not be filled up due to stay (November 2009) in recruitment through Service Providers in the State by Honourable High Court. Regarding the progress of the case, Secretary, RD stated during the Exit Conference, that final hearing in the High Court is going on.

2.2.13.2 Improper distribution of staff

Proper distribution of staff is necessary for smooth functioning of any work. The overall picture in the State and the test checked districts and blocks indicated that the shortages were not spread over proportionately leading to lopsided balance of key staff in the districts/blocks, since vacancy in DPO cadre in State level remained at 41 *per cent* while it was 65 and 90 *per cent* in test checked districts and test checked blocks respectively. Similarly, there was a vacancy of 64 *per cent* in GRS cadre in the State as a whole while it was 71 and 85 *per cent* in test checked districts and test checked blocks respectively.

The absence of dedicated staff/ improper distribution of staff led to weak institutional arrangement, which in turn hampered the smooth functioning of the MGNREGS at State/ DPC/ Block/ GP levels.

2.2.14 Monitoring Mechanism

2.2.14.1 Grievance Redressal Mechanism

Para 11.7 of MGNREGS Operational Guidelines prescribed that if a person had a grievance against any issues relating to the implementation of the scheme, he/she could bring the matter to the notice of the Programme Officer. If the grievance was against the Programme Officer, he/she could bring it to the notice of the District Programme Coordinator or the designated grievance-redressal authority at the Block or District level and if the grievance was against the District Programme Coordinator, he/she could bring it to the notice of designated authority of Grievance Redressal at State level.

Para 9.1.1 of MGNREGS Operational Guidelines prescribed that proper maintenance of records was one of the critical success factors in the implementation of MGNREGS. Complaint register was one of the crucial records to be maintained at each level. This Register would contain the date of receipt of the complaint, details of the complainant including its nature, the action taken on the complaint and the date of final disposal. This Register would be maintained by Programme Officer/ DPC/ Gram Panchayats/ other implementing agencies.

During the course of the performance audit, inordinate delays in disposal of complaints were noticed by audit. The complaints remained pending for more than three years at State level. The oldest complaint remained pending for more than three years. Similarly, the records of the test checked districts revealed that only 19 *per cent* complaints were disposed of within 15 days. Delay in disposal of remaining complaints ranged between four and 257 days. Moreover, it was noticed during test-check of records of ten blocks relating to complaints that three blocks, namely, Khirsu, Ekeshwar blocks of Pauri district and Chakrata block of Dehradun district were having complaint registers which were blank for the period 2008-09 to 2011-12. In the remaining seven test checked blocks, only 26 complaints were registered during the period 2008-09 to 2011-12.

Delay in disposal of complaints clearly indicated that public complaints were not being taken up seriously.

On this being pointed out (August 2012), the Department accepted the facts and stated (August 2012) that pendency at State Level was due to the reason that complaints received were forwarded to respective DPCs for required action where these were not being disposed of in time due to shortage of staff. Regarding non-maintenance of Complaint Register at GP level, the Department stated that instructions had been issued for maintenance of Complaint Register at each level.

2.2.14.2 *Lack of supervision of works*

According to Para 10.3.1 of the MGNREGS Operational Guidelines, quarterly targets were fixed for internal verification of works at the field level by the official functionaries according to which 100 *per cent* of works at the Block level, 10 *per cent* at the district level and two *per cent* of the works at the State level were to be verified.

Scrutiny of records at State level, selected districts, blocks and GPs revealed that no permanent record of inspection of works carried out by various levels was being maintained. However, the information provided regarding inspection of works during 2008-09 to 2011-12 is given in **Table 2.2.11** below:

Table-2.2.11

No. of works due for inspection	No. of works inspected	Shortfall (*in per cent*)
	State Level	
2826	147	*95*
	District level (Test checked four)	
4574	4693	*Nil*
	Programme Officer Level (Test checked ten)	
11527	6061	*47*

Source: Information provided by the Department

As no permanent records of inspection were maintained at any level in support of their data shown in MPR, Audit could not ascertain the effectiveness of the inspections carried out.

The Secretary, RD admitted the facts during the Exit Conference and replied that instructions had been issued for maintenance of inspection log books in support of inspections made.

2.2.14.3 *Transparency and Public Accountability*

To ensure public accountability in the implementation of projects, MGNREGS provides continuous vigilance through 'Social Audit', which was to be conducted once every six months giving people an opportunity to review compliance with ongoing requirements of transparency and accountability and conduct a detailed public audit of all MGNREGS works. Social Audits were required to be conducted to promote transparency in the process of administration and decision making, participation of the affected persons in decision making and validation, accountability towards the affected people and redressal in response to complaints.

During scrutiny of records of test checked 100 GPs, 39 GPs did not provide/ show records relating to Social Audit. Moreover, it was also noticed that 49 Gram

Panchayats were conducting only one Social Audit in a year against the set norm of two. The details are given in **Table 2.2.12** below:

Table-2.2.12

Year	Number of GPs test checked	Social Audit to be conducted as per norms	Number of GPs in which Social Audit conducted (Once in a year)	Number of GPs in which Social Audit conducted (Twice in a year)	Number of GPs who did not provide details	Number of GPs where Social Audit not conducted
2008-09	100	200	44	00	39	17
2009-10	100	200	50	11	39	00
2010-11	100	200	49	12	39	00
2011-12	100	200	49	12	39	00

Source: Information provided by the GPs

The Social Audits conducted were being recorded in *Kaaryawahee* Register and no separate minutes were being prepared in this regard.

The minutes as well as irregularities with regard to Social Audits conducted were not being recorded with the result that Audit could not verify the objections raised and compliance thereof. However, beneficiary survey of 1,000 beneficiaries falling under 100 villages of ten blocks revealed that 804 beneficiaries (80 *per cent)* had no knowledge of Social Audit indicating the fact that people's participation was not being ensured, making this provision of the Act ineffective.

Secretary, RD accepted the facts during the Exit Conference, and stated that instructions had been issued to conduct Social Audits bi-annually and record the minutes of meeting in the prescribed proforma.

2.2.15 Conclusion

There was mismatch between the data of MIS and MPR which indicated non-existence of any mechanism to verify the authenticity of data before being uploaded to the MGNREGS website. Due to this, the reliability of the MIS data is at stake, which is being used by GOI as well as by intelligentsia. Besides, the whole exercise of sound planning is based on sound MIS data. The State has formed the State Employment Guarantee Council, but it was not meeting at regular intervals which left the major policy decisions like planning and monitoring unaddressed. Administrative pattern as suggested by MoRD was adopted, but an overall shortage ranging from 41 to 90 *per cent* was noticed particularly in DPO and GRS cadres, which adversely affected the implementation of the scheme in the State. District Perspective Plans prepared at a cost of ₹ 87.92 lakh for the period of 2008-13 were rendered wasteful as these were not approved even after a lapse of more than three years.

The primary objective of ensuring the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates was not achieved as only two to four *per cent* of registered households were provided 100 days of employment during the period from 2007-08 to 2011-12. Application format for employment prescribed by the State Government did not contain the separate column for date from which the employment would be sought by the applicant although the same was provided in the sample format prescribed in MGNREGS Operational Guidelines. Thus, delay in providing employment could not be ascertained at any level, in turn leaving no opportunity to give State funded unemployment allowance. Consequently, Audit did not come across even a single instance of unemployment allowance being given to any beneficiary. Audit noticed an average delay of 74 days with a maximum delay of 669 days (approximately two years) in making payment to the beneficiaries against which no compensation was paid to the beneficiaries. No expenditure was incurred on maintenance of assets created under the Scheme. No permanent records of inspection and monitoring of works were maintained at any level. Majority of GPs were conducting only one Social Audit in a year against the set norm of two.

Thus, although the scheme began in the year 2006, it suffered from lack of planning and inefficient implementation due to various factors mentioned above and the aim of providing guaranteed 100 days of employment was not fulfilled.

2.2.16 Recommendations

The Government may consider to:

- ensure mapping of Management Information System data uploaded in the MGNREGS website with respect to Monthly Progress Report data maintained by the implementing agencies.
- ensure regular meetings of State Employment Guarantee Council to address issues of planning, monitoring, grievance redressal and Social Audit of the scheme.
- ensure taking input from the annual development plans prepared by Gram Panchayats for finalizing the annual plan and labour budget for the State.
- make rural people more aware about the provisions and benefits of the scheme through mass media publicity.
- encourage the GPs to make provisions in their subsequent ADPs for maintenance of assets created earlier.
- strengthen the monitoring mechanism, Social Audit and redressal of public complaints.

THEMATIC AUDIT

Election Department

2.3 Thematic Audit on Election Department

2.3.1 Introduction

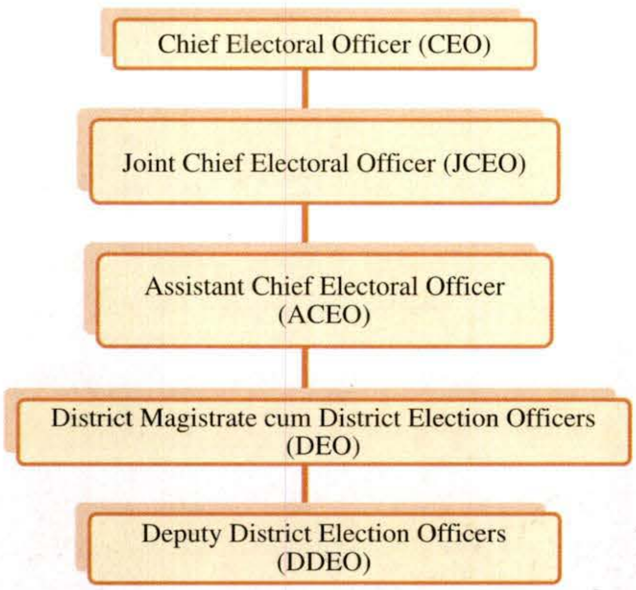
Under Article 324 of the Constitution of India, Election Commission has been entrusted the responsibilities of conducting elections to the Parliament and the State Legislative Assemblies. Section 20 of the Representation of the People Act, 1951 provides that the Chief Electoral Officer (CEO, itself a controlling authority) of a State is overall in-charge for conducting free and fair elections of Lok Sabha and Vidhan Sabha in the State under direction and control of the Election Commission of India (ECI). Further, under the provision of Article 243-K and 243-ZA of the Constitution of India and other relevant Acts and Rules, the election of Panchayat and Urban Local Bodies in Uttarakhand are conducted in the superintendence, direction and control of State Election Commission, Uttarakhand, a body other than the CEO.

The total population of the State is 101.17 lakh[11] out of which the total numbers of eligible voters are 62.78 lakh[12] (62 *per cent*). There are five Lok Sabha seats and 70 Vidhan Sabha seats in the State of Uttarakhand.

2.3.2 Organisational Set-up

The organisational set-up of the Election Department is depicted in the **Chart 1** below:

Chart-1



[11] As per 2011 Census.

[12] 32.84 lakh male voters and 29.94 lakh female voters.

2.3.3 Audit Scope and Methodology

Records of the CEO, Dehradun and 10[13] out of the total 13 District Election Offices (DEOs) of the State were test-checked to examine the regularity issues and efficacy of Election Department during the course of Audit. The Audit was conducted between May and July 2012 covering the period of three years from 2009-10 to 2011-12 which included Lok Sabha Election, 2009 (April/ May) and Vidhan Sabha Election, 2012 (January) including by-elections for two Vidhan Sabha seats[14].

The audit findings were discussed on 17 December 2012 with the Additional Secretary and Joint Chief Electoral Officer in an Exit Conference. The views of the Government were suitably incorporated against the relevant paragraphs, at appropriate places.

2.3.4 Audit objectives

The thematic audit was carried out to assess whether:

- the Electoral Roll and Electoral Photo Identity Card (EPIC) were prepared in time and covered the eligible voters;
- the expenditure incurred was as per the ECI norms;
- the advances paid to personnel engaged in the election were adjusted in time; and
- human resources were optimally utilized.

2.3.5 Audit criteria

Audit criteria has been derived from the following sources:

- General Financial Rules and Treasury Rules;
- Manual of Election Law, compiled by GOI;
- Handbook of Returning Officer; and
- ECI guidelines and instructions/ orders issued by the Government from time to time.

2.3.6 Financial position

The election expenses for conducting the election of Lok Sabha are fully borne by Central Government and in respect of Vidhan Sabha, it is fully borne by the State Government. The expenditure on establishment, preparation and printing of electoral rolls/ issue of photo identity cards to the voters are shared equally between the Centre and the State for both elections. The details of allotment of funds and actual expenditure during the years 2009-10 to 2011-12 in respect of Election Department are given in **Table 2.3.1** below:

[13] Almora, Chamoli, Dehradun, Haridwar, Nainital, Pauri, Pithoragarh, Tehri, U.S. Nagar and Uttarkashi.

[14] Kapkot in May 2009 and Vikasnagar in September 2009.

Table: 2.3.1 (₹ in crore)

Year	Preparation and printing of Electoral Rolls			Lok Sabha Election			Vidhan Sabha Election		
	Allotment	Expenditure	Surrender	Allotment	Expenditure	Surrender	Allotment	Expenditure	Surrender
2009-10	8.38	5.95	2.43	18.60	17.80	0.80	0.89	0.45	0.44
2010-11	10.13	9.14	0.99	0.48	0.46	0.02	0.06	0.04	0.02
2011-12	9.44	7.89	1.55	0.58	-	0.58	23.20	20.61	2.59
Total	**27.95**	**22.98**	**4.97**	**19.66**	**18.26**	**1.40**	**24.15**	**21.10**	**3.05**

The expenditure given in above table pertains to establishment, preparation and printing of electoral rolls/ issue of photo identity cards to the voters, arrangements for polling, counting, travelling, remuneration and light refreshment to the personnel deployed for polling and counting etc.

2.3.7 Audit findings

As per the data available with the CEO, 62.68 lakh voters (99.84 *per cent*) out of 62.78 lakh eligible voters in the State have been provided with Electoral Photo Identity Cards. Photographs of 62.65 lakh voters (99.79 *per cent*) out of 62.78 lakh eligible voters were available in the Electoral Roll of State as on 01 January 2012. Elections for Lok Sabha in 2009 and for Vidhan Sabha in 2012 were conducted by the Department and no cases of re-polling, breach of Model Code of Conduct and unsettled compensation of polling staff deployed in the election duty were found, during the period covered in Audit. Department took necessary steps for creating the awareness programme amongst the people through different sources *viz.* print media, electronics media, NGOs, volunteers organisations, educational institutions etc.

Some major audit findings on election expenses and other compliance issues are enumerated in the following paragraphs:

2.3.7.1 Excess expenditure over prescribed limit

A. State Government fixed (February 2004) financial limit of ₹ 0.80 lakh for the expenditure on the arrangements for tent & barricading, furniture, light and sound etc. for the management of election process in each assembly segment of the State.

During examination of records of 10 test checked DEOs and information gathered from CEO pertaining to Lok Sabha Election 2009, audit noticed in 11 out of 13 DEOs, that against the bills (claims) of ₹ 175.84 lakh as submitted by the contactors / firms, the departmental authorities, after verification of details, recommended/paid ₹ 137.53 lakh to the contractors/ firms which exceeded the permissible expenditure of ₹ 42.40 lakh by ₹ 95.13 lakh. The excess expenditure over permissible limit in the districts was ranging between 38 to 502 *per cent* (detailed in **Appendix-2.9**).

It was also observed in Audit during examination of records that CEO had also expressed (October 2009) concerns on excess expenditure over prescribed limit stating that economy in expenditure was not observed by DEOs while incurring the expenditure. Instances were cited by the CEO stating that there was no propriety in using water proof tents, renting of CFL ₹ 200/- per day in Bageswar, rent of 100 watts bulb at ₹ 10/- per day, ₹ 11/- per day, ₹ 9.50 per day in Nainital, Almora and Chamoli respectively.

B. Similarly, Government fixed (October 2009) financial limit of ₹ 1.60 lakh for the expenditure on the arrangement of tent & barricading, furniture, light and sound etc. for the management of election process in each assembly segment of the State for Vidhan Sabha elections held in February 2012.

During examination of records of 10 out of 13 DEOs and information furnished by CEO pertaining to Vidhan Sabha Election 2012, audit noticed that cognizance of above financial limit was not taken by DEOs while inviting and finalising tenders for the arrangements of tent & barricading, furniture, lights etc. Against the bills (claims) of ₹ 271.63 lakh as submitted by the contactors / firms, departmental authorities, after verification of details, recommended ₹ 222.02 lakh for payment. Out of this, ₹ 92.33 lakh had been paid to contractors/firms and ₹ 129.69 lakh was still due for payment to contractors/firms (as of August 2012) for want of additional funds. The recommended amount of ₹ 222.02 lakh exceeded the permissible expenditure of ₹ 80 lakh by ₹ 142.02 lakh. The excess expenditure over the permissible limit in the districts ranged between 97 to 340 *per cent* (detailed in **Appendix-2.10**).

On this being pointed out, Government in both the above cases accepted the facts and stated (December 2012) that election expenses were emergent in nature and incurred as per requirements. In regard to Vidhan Sabha Election 2012, Government stated that an extra expenditure was incurred on law and order, security arrangements of EVM and records relating to election due to a long gap between voting (30 January 2012) and counting (04 March 2012). The reply is not acceptable as claims/bills relating to elections expenditure were far in excess of prescribed limit.

2.3.7.2 Unadjusted remuneration advances of polling staff

As per norms (January 2009) of the ECI, the staff deployed on polling/counting duty was paid remuneration as per prescribed rates. A lumpsum amount was provided by the Department to the duty staff as an advance, which was to be adjusted through adjustment bills submitted by the person concerned.

In this connection, all DEOs were instructed by the CEO (February 2012) that the adjustment bills must be obtained from the polling officials and all advances/ balance amount must be adjusted during the financial year 2011-12. Audit scrutiny of the test checked DEOs revealed that total advances of ₹ 2.04 crore[15] were provided by the Department to polling staff during the Vidhan Sabha election 2012, out of which, only ₹ 65.20 lakh (32 *per cent*) was adjusted at the end of financial

[15] Almora: ₹ 11.46 lakh, Chamoli: ₹ 15.43 lakh, Dehradun: ₹ 37.00 lakh, Haridwar: ₹ 33.89 lakh, Nainital: ₹ 23.54 lakh, Pauri: ₹ 19.50 lakh, Pithoragarh: ₹ 8.57 lakh, Tehri: ₹ 19.51 lakh, U.S.Nagar: ₹ 20.98 lakh and Uttarkashi: ₹ 14.18 lakh.

year 2011-12 and the remaining advances of ₹ 1.39 crore[16] were lying unadjusted as on date of audit (May-July 2012).

On this being pointed out, Government stated (December 2012) that ₹ 1.35 crore was adjusted against the unadjusted advance of ₹ 1.39 crore to the polling staff, and instructions have been issued to concerned DEOs to adjust the remaining amount of ₹ 4.23 lakh immediately so that it would be adjusted in current financial year. The reply reflects the fact that the instructions issued by the CEO to the district authorities that all adjustment bills must be finalised in the financial year 2011-12, had not been complied and adjustment of bills were still (December 2012) being done.

Thus, the Department failed to adjust the advances given to the polling staff in time.

2.3.7.3 Human Resource Management

Human Resources Management necessitates that staff requirements are assessed and reviewed at regular intervals by giving due consideration to the departmental activities and appropriate/transparent policies are framed/adhered to, for functioning of an organization and achieving its goals. The details of staff position of the Department as on the date of audit is tabulated in **Table 2.3.2** below:

Table: 2.3.2

Designation	Sanctioned strength	Men in position*	Vacant Posts	Vacant in percentage
At Headquarter level				
Chief Electoral Officer	01	01	-	-
Joint Chief Electoral Officer	01	01	-	-
Assistant Chief Electoral officer	01	-	01	100
Section Officer	02	01	01	50
Sr. Assistant	04	02	02	50
Jr. Assistant	09	04 (on contract from UPNAL)	05	56
At District level				
Asstt. District Election Officer	13	12	01	7.69
Sr. Assistant	42	42	-	-
Jr. Assistant	30	02 (out of which, 01 on contract from UPNAL)	28	93

Source: -* Information provided by the CEO.

It is evident from the above table that the department was running without Assistant Chief Electoral Officer since 2009, who assists the CEO in all the departmental work and is one of the key posts at Headquarters in the Department, through whom proposals/ files transmit to higher level officers for approval.

[16] Almora: ₹ 2.87 lakh, Chamoli: ₹ 15.43 lakh, Dehradun: ₹ 28.75 lakh, Haridwar: ₹ 32.18 lakh, Nainital: ₹ 7.04 lakh, Pauri: ₹ 13.18 lakh, Pithoragarh: ₹ 7.21 lakh, Tehri: ₹ 19.51 lakh, U.S.Nagar: ₹ 1.99 lakh and Uttarkashi: ₹ 10.70 lakh.

There was also a shortage of one Section Officer and 33 Jr. Assistant against the existing sanctioned strength in the department. Audit also observed that due to acute shortage of Jr. Assistant, there were inordinate delays in adjustment of advances of polling staff and other administrative works.

During the Exit Conference, the Joint CEO stated that the vacant posts could not be filled up since the department was pre-occupied in continuous elections works. Further, the Government stated (December 2012) that approval for the appointment of Group 'C' (Jr. Assistant) has been obtained from the Personnel Department and the process of filling up the the existing vacancies is in progress.

2.3.8 Other points of interest

2.3.8.1 Forfeited security deposits not credited to Government account

Under Section 158 of the Representation of the People Act, 1951, security deposit of a contestant to Lok Sabha and Vidhan Sabha is to be forfeited who fail to secure one sixth of total votes polled. The forfeited security deposit is to be credited to the revenue account of the Government as per Para 8.2 of Chapter – XVI of the Handbook for Returning Officer.

Scrutiny of records of the seven test checked DEOs and information obtained from the CEO, Dehradun revealed that security deposits of ₹ 46.85 lakh pertaining to 664 contestants of Vidhan Sabha Election, 2012 were forfeited by the Election Department. Of this, ₹ 33.25 lakh[17] was lying (as of August 2012) in Civil Deposit Account (Major Head 8443) instead of the same being credited to Government Revenue Account[18]. Retention of forfeited security by District Election Officers in the wrong head was in contravention of Rules.

On this being pointed out, Government stated (December 2012) that out of seven districts, forfeited security deposits of five districts have been credited into the Government Account and instructions have been issued to the remaining two districts (Chamoli and Udhamsingh Nagar) to deposit the same into the Government Account immediately.

2.3.8.2 Unauthorised retention of money in cash chests

The general principles of Financial Rules[19] provide that all money standing in the Government accounts must either be held in the treasury or in banks which are duly authorised by the Government and no money should be withdrawn from the treasury unless it is required for immediate disbursement.

Audit scrutiny of the sampled districts revealed that heavy amounts withdrawn from treasuries during the course of election (through AC bills by the DDOs) were being retained in cash chest for long time in eight districts without any specific permission of the Government even though the counting for the

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[17] Bageshwar: ₹ 1.10 lakh; Chamoli: ₹ 2.10 lakh; Dehradun: ₹ 5.60 lakh; Haridwar: ₹ 10.85 lakh; Nainital: ₹ 5.15 lakh; Pithoragarh: 1.70 lakh and U.S. Nagar: ₹ 6.75 lakh.

[18] 0070-Other Administrative Services-02-Election-104-Fees, Fines and Forfeitures-Other Receipts-Forfeited amount of security deposits.

[19] Paragraph-20 and 162 of Financial Hand Book (Vol.-V), Part I & Treasury Rule-3.

Vidhan Sabha Election, 2012 were completed in March 2012. The position of cash balances in cash chests, which were withdrawn (January/ February) from treasuries for the Vidhan Sabha Election 2012, at the end of financial year 2011-12 and as on date of audit (May/ July 2012) is detailed in Table 2.3.3 below:

Table: 2.3.3 (₹ in lakh)

Sl. No.	Name of the office	Cash balance as on 31st March 2012	Cash balance as on date of Audit
1.	DEO, Almora	18.27	-
2.	DEO, Dehradun	17.37	3.18
3.	DEO, Haridwar	26.47	7.66
4.	DEO, Nainital	15.43	0.63
5.	DEO, Pauri	59.95	3.42
6.	DEO, Pithoragarh	7.82	0.28
7.	DEO, U.S.Nagar	5.35	-
8.	DEO, Uttarkashi	32.25	0.01
Total		182.91	15.18

Thus, it is evident from the above table that heavy cash amounts were retained by these DEOs in their cash chests which was unauthorised and against the provisions of financial rules.

On this being pointed out, the Government accepted the facts and stated (December 2012) that instructions have been issued to all DEOs that under no circumstances heavy amount should be kept in cash chest.

2.3.8.3 Non-deduction of tax at source

Section 194 (C) of the Income Tax Act, 1961 provides that it is the duty of every DDO to deduct tax at source (TDS) from the bills for payment to firms/ contractors for supply and execution of work valued above ₹ 30000 and deposit it to the Government account.

During scrutiny of vouchers of four DEOs, it was observed that TDS amounting to ₹ 2.07 lakh[20] was not deducted from various bills of printing and supply of election materials of contractors/ suppliers resulting in loss of revenue.

On this being pointed out, Government accepted the facts (December 2012) and assured that the compliance of the provision of the Income Tax Act will be ensured in future payments.

2.3.8.4 Irregular operation of Bank Accounts

According to Government instructions of April 2003 and September 2009, Government money should remain in treasuries or Personal Ledger Account (PLA) of the Department/ DDO and operation of bank accounts without prior permission of Government is strictly prohibited.

Audit scrutiny revealed that no PLA was in operation in the Department whereas significant expenditure was being incurred by the DDOs during the course of elections. Despite repeated instructions of the Government for closure of bank

[20] Almora: ₹ 0.17 lakh, Nainital: ₹ 1.01 lakh, Pithoragarh: ₹ 0.55 lakh and Tehri: ₹ 0.34 lakh.

accounts and opening of PLA, the bank accounts were being operated in six districts in the names of DEOs/ Deputy DEOs and an amount of ₹ 53.36 lakh[21] was parked in these bank accounts during May-July 2012. No reason could be ascertained from the DEOs for non-operation of PLAs except DEO, Tehri who stated that there were no instructions for opening the PLA.

On this being pointed out, the Government accepted the facts and stated (December 2012) that necessary instructions have been issued to all DEOs to strictly follow the directions of the Finance Department regarding operation of PLA and closure of bank accounts.

2.3.9 Conclusion

The management of election expenses was found to be weak. There was excess expenditure over prescribed limit for arrangement of tent, barricading, lights etc. during the course of elections. Instances of non-adjustment of advances to polling staff engaged in election process even after a lapse of considerable time after the Vidhan Sabha Election, 2012 were seen in audit. Besides, forfeited security deposits were not credited to proper Government revenue account. Further, deduction of tax at source was ignored and retention of heavy cash amounts in cash chests and parking of funds in bank accounts were unauthorised.

21 Almora: ₹ 0.42 lakh, Tehri: ₹ 51 lakh, Nainital: ₹ 0.14 lakh, Pithoragarh: ₹ 0.13 lakh, U.S. Nagar: ₹ 0.63 lakh and Uttarkashi: ₹ 1.04 lakh.

Department of Labour

2.4 Functioning of Uttarakhand Building and Other Construction Workers Welfare Board

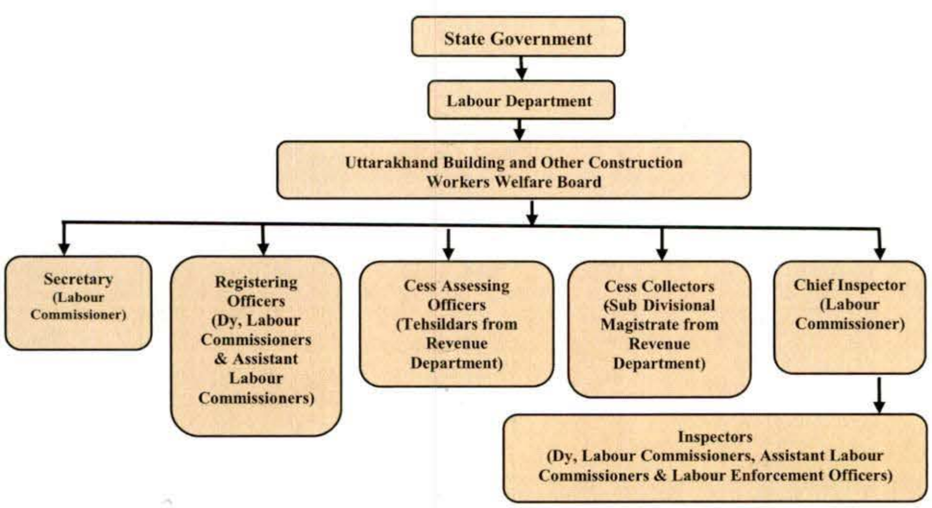
2.4.1 Introduction

Government of India (GOI) enacted the Building and Other construction workers (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) and the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) with a view to provide safety, health and welfare measures to building and other construction workers. Accordingly, Uttarakhand Government framed (June 2005) Uttarakhand Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005 (UKBOCW Rules). Further, Uttarakhand Government constituted (October 2005) Building and Other Construction Workers Welfare Board (Board) to carry out welfare schemes for construction workers. As per the provision of the Cess Act, establishments which had employed on any day of the preceding twelve months, 10 or more building workers in any building or other construction work are required to pay cess at the rate not exceeding two *per cent* and not less than one *per cent* of the total cost of construction incurred by an employer. The cess so collected was required to be spent for the welfare of building and other construction workers. Construction workers were required to register themselves and receive identity cards to become eligible for the benefits. The audit of 'Building and Other Construction Workers Welfare Board' was conducted (April 2012) covering the period from 31 October 2005 to 31 March 2012.

2.4.2 Organizational Set-up

The organisational set-up for implementation of the BOCW Act is given in **Chart 1** below:

Chart-1



2.4.3 Audit Objectives

The audit was conducted to examine:

- whether planning for implementation of welfare measures was effective;
- whether financial management was effective;
- whether welfare measures were implemented effectively;
- whether human resource management was effective; and
- whether monitoring and internal control mechanisms were in place and were adequate.

2.4.4 Audit criteria

Audit criteria was derived from the following sources:

- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996;
- Building and Other Construction Workers Welfare Cess Act, 1996;
- Building and Other Construction Workers Welfare Cess Rules, 1998;
- Uttarakhand Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005; and
- Uttarakhand Procurement Rules, 2008.

2.4.5 Audit Mandate

As per Section 27(2) of the BOCW Act, the annual accounts of the Board, being a corporate body, shall be audited by CAG of India under Section 19 (2) of the CAG's DPC Act, 1971.

2.4.6 Scope and Methodology of Audit

Thematic audit of the Building and Other construction workers Welfare Board was conducted in April 2012 covering the period from 31 October 2005 to 31 March 2012. Further information was collected from the Board in July and September to November 2012. Apart from this, information and data regarding recovery of cess was also collected from four departments/ executing agencies i.e. Uttar Pradesh Rajkiya Nirman Nigam (UPRNN), Medical College Unit, Haldwani, Nagar Nigam, Dehradun (NNDDN), Mussoorie-Dehradun Development Authority, Dehradun (MDDA), Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (UPSVNN) through questionnaire/ audit memos. These departments/executing agencies were selected on a random sample method.

The replies of the Secretary of the Board have been incorporated in the draft report at appropriate places.

2.4.7 Audit Findings

2.4.7.1 *Planning Process*

As per provisions contained in the BOCW Act, the State Government was responsible for constitution of State Advisory Committee, Expert Committee, State Welfare Board and framing of rules. In addition, the Government was also responsible to appoint Registering Officers, Chief Inspector, Assessing Officers and Cess Collectors. The Board was responsible for constituting Welfare Fund for proper and timely recovery of any amount due to the Board, to lay down policies for deposit of the due amount and to register the building workers as beneficiaries. During scrutiny of records of the Board, the following irregularities were noticed.

2.4.7.2 *Framing of Rules for implementation of BOCW Act*

As per the provision contained in the BOCW Act, State Government may constitute one or more expert committees consisting of persons specially qualified in building or other construction work for advising the Government for making Rules under this Act. State Government constituted (November 2003) Expert Committee for advising the State Government in making Rules. Audit scrutiny revealed that Uttarakhand Government framed the Rules for implementations of Act in the State vide Gazette notification dated 25 June 2005, after one and half year of constitution of the Expert Committee.

2.4.7.3 *Constitution of Board*

As per provision contained in the BOCW Act, every State Government shall, with effect from such date as it may, by notification, appoint, constitute a Board to be known as the Building and Other Construction Workers Welfare Board to exercise the powers conferred on, and perform the functions assigned to it. As per Rule 251 of the UKBOCW Rules, the Board shall consist of a Chairperson appointed by the State Government, a member nominated by the Central Government, three members representing the State Government, three members representing the employers appointed by the State Government and three members representing the building and Other Construction workers nominated by the Government. One of the appointed members shall be a woman. Audit scrutiny revealed that:

(a) Uttarakhand Government constituted (October 2005) Building and Other Construction Workers Welfare Board for welfare of construction workers after delay of almost five years from the formation (November 2000) of Uttarakhand.

(b) The composition of the Board was conforming to the provisions of the BOCW Act. There were ten members of the Board excluding the chairperson and tenure of the Board was for three years.

(c) After termination of the first tenure (three years) of the Board on 31 October 2008, the Board remained defunct as the Board thereafter, was reconstituted after a gap of one and half year on 07 April 2010.

On this being pointed out in audit, Secretary of the Board stated (October 2012) that meetings of the Board could not be organized due to the post of Labour Commissioner lying vacant from March 2007 to September 2008 and from December 2008 to reconstitution of the Board and consequently, the proposal for the reconstitution of the Board was sent to the Government in June 2009.

2.4.7.4 Constitution of Building and Other Construction Workers Advisory Committee

As per the provision contained in Section 4 of BOCW Act and Rule 10 of the UKBOCW Rules, State Government constituted Building and Other Construction Workers Advisory Committee vide notification dated 20 December 2006. Although, the tenure of the Committee expired in December 2009, no Committee was in existence thereafter till September 2012.

On this being pointed out, Secretary of the Board stated (September 2012) that the proposal of reconstitution of Building and Other Construction Workers Advisory Committee was forwarded (08 April 2010) to the Government which was under consideration as of September 2012.

2.4.7.5 Appointment of Registering Officers, Assessing Officers and Cess Collectors

As per rule 263 of the UKBOCW Rules, the Board may, with the prior concurrence of the Government, appoint officers of the Government not below the rank of Assistant Labour Commissioner in the Labour Department and such other officers/ employees of any department of the Government, as it considers necessary to assist the Board in the efficient discharge of its functions under the Act.

During scrutiny of records of the Board, it was noticed that Deputy Labour Commissioners and Assistant Labour Commissioners were appointed as Registering Officers in April 2005 whereas, Tehsildars and Sub-Divisional Magistrates were appointed as Assessing Officers and Cess Collectors respectively in November 2005 respectively. The Registering Officers, Assessing Officers, Cess Collectors and Inspectors perform their duties in addition to their regular duties.

The Secretary of the Board stated (July 2012) that the additional work could not be done by the Cess Accessing Officers and Cess Collectors of Revenue Department as per the provisions of Building and Other Construction Workers Welfare Cess Act due to heavy work load of their original work.

2.4.7.6 Board Meetings not held

As per Section 20 of the BOCW Act & Rule 253 of UKBOCW Rules, the Board shall ordinarily meet once in 2 months. During scrutiny of records, it was observed that a total of 24 meetings were required to be organized from October 2005 to October 2009, but only one meeting was organized during the said period. Further scrutiny of the minutes of meeting held on 25 March 2006 revealed that some important issues like preparation of organizational set-up of the Board, appointment of required officials for the Board and assigning the work of registration of maximum construction workers to an independent agency for offering some incentive were discussed in that meeting. In compliance, no major action, except engaging three group 'C' employees from Uttarakhand Purva Sainik Kalyan Nigam for registration of workers, was taken.

On being pointed out, the Secretary of the Board replied (October 2012) that regular meetings during the period from March 2006 to May 2010 could not be organized since the Secretary of the Board was not nominated.

2.4.7.7 Registration of Construction Workers

As per Rule 266 and 267 of UKBOCW Rules, the Board was to register building and other construction workers. The construction workers were to contribute to the Board, twenty rupees per mensem, to become a beneficiary and if a registered construction worker commits default in the payment of the contribution continuously for a period of one year, he shall cease to be a beneficiary of the Fund. However, the membership will be restored on repayment of arrears of contribution. Audit scrutiny revealed the following:

(a) The State Government does not have any statistical data of the exact strength of construction workers in the State. However, as per the survey conducted by the National Sample Survey Organisation (1999-2000), approximately one lakh workers were employed in the State in various construction activities such as Hydro Power Projects, Dams, construction of Bridges and Roads etc. It was seen that the first worker was registered in September 2010, after five years from the constitution of the Board and only 4,201 workers were registered upto August 2012.

(b) Database regarding valid registered construction workers was not maintained by the Board. On being pointed out, the Secretary of the Board replied (July and October 2012) that information regarding valid construction workers was being collected from Registering Officers.

(c) The mechanism for conducting the survey of the total number of migratory/ local building and other construction workers engaged in the State was not developed by State Government/Board.

On being pointed out, the Secretary of the Board accepted (July 2012) that no survey regarding migratory/ local building and other construction workers engaged in the State was conducted.

2.4.8 Financial Management

2.4.8.1 Constitution of the Uttarakhand Building and Other Construction Workers Welfare Fund

The Board was to constitute Uttarakhand Building and Other Construction Workers' Welfare Fund (UBOCWWF) immediately after the enforcement of the Rules (June 2005) by the State Government for implementation of the BOCW Act in the State. To augment the resources of the Board, Section 3 of the Cess Act provides for levy and collection of labour welfare cess at the rate not exceeding two *per cent* and not less than one *per cent* of the total cost of construction incurred by an employer. As per the Act, cess was to be deducted at source on buildings or other construction works of Government or Public Undertakings from the bills paid and proceeds of the cess so collected were to be transferred to the Board.

During the scrutiny of the records, it was observed that a bank account to create the said Funds was opened on 14 August 2008 after a delay of almost three years from the constitution of the Board.

2.4.8.2 Receipt and actual expenditure

The year-wise receipt of Funds and expenditure there against is detailed in **Table 2.4.1**:

Table-2.4.1 *(₹ in crore)*

Financial Year	Opening Balance	Receipt			Expenditure	Closing Balance
		Cess collected	Annual subscription/ registration	Interest earned		
2005-06	Nil (As on 31.10.2005)					
2006-07	Nil	Nil	Nil	Nil	Nil	Nil
2007-08	Nil	Nil	Nil	Nil	Nil	Nil
2008-09	Nil	1.67	Nil	0.05	Nil	1.72
2009-10	1.72	0.73	Nil	0.10	Nil	2.55
2010-11	2.55	3.33	0.005	0.18	0.02	6.05
2011-12	6.05	8.03	0.02	0.56	0.02	14.64

Besides, the above mentioned amount, no grant from State or Central Government was received by the Board. Out of the total amount of ₹ 14.68 crore received during the period from 2005-06 to 2011-12, the Board incurred an expenditure of ₹ 4.28 lakh (0.29 *per cent*) only during the above period, indicating poor utilisation of funds.

2.4.8.3 Non-preparation of Annual Accounts

The Building and Other construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 provided that the Board shall:

(i) prepare an annual statement of accounts, annual report giving a full account of its activities during the previous financial year and submit a copy to the State Government or Central Government; and

(ii) prepare, in such form and at such time in each financial year, as may be prescribed, its budget for the next financial year, showing the estimated receipts and expenditure of the Board and forward the same to the State Government and the Central Government.

During scrutiny of records of the Board, it was observed that:

(a) Receipt & Payment Account, Income & Expenditure Account and Balance Sheet were not being prepared in the prescribed format by the Board. Instead, only a register showing the income and expenditure was being maintained.

(b) Only one Annual Activity Report for the year 2010-11 was prepared and submitted to the State Government, but the same was not forwarded to the GOI.

On being pointed out, the Secretary of the Board stated (September 2012) that annual accounts were being maintained in ordinary office register due to unavailability of prescribed formats and action for preparation of annual accounts in prescribed formats is being taken.

2.4.8.4 *Blocking of Funds of ₹ 14.68 crore*

An amount of ₹ 14.68 crore including interest was deposited into the Building and Other Construction Workers' Welfare Fund from August 2008 to March 2012. During scrutiny of records of the Board, it was noticed that out of the total deposited amount, expenditure of a meager sum of ₹ 44333 was incurred for welfare of only 11 workers since the constitution of the Welfare Fund till October 2012.

On being pointed out, the Secretary of the Board replied (October 2012) that as per provisions contained in the rules, an eligible construction worker can apply to get the benefits. Only one worker had applied for medical assistance in 2011-12 to whom the assistance of ₹ 200 was provided and in 2012-13 financial assistance of ₹ 42333 for tools kit was provided to nine workers on their application and ₹ 1800 was paid for education to one worker.

The reply is indicative of the fact that though the Welfare Board as well as Welfare Fund was constituted for the welfare of the building and other construction workers, but the Board had not made any serious effort for timely registration of workers and provide the intended benefits. Information Education and Communication (IEC) activities intended to create awareness among the workers about the welfare measures was also not carried out effectively as evident from the fact that 63 *per cent* of the pamphlets and other printed material procured for the advertisement of the scheme was lying undistributed (April 2012) in the stock.

Thus, the delay in registration of the workers and non-advertisement of the scheme resulted not only in the blocking of ₹ 14.68 crore, but the objective of providing welfare measures to building and other construction workers was also defeated.

2.4.8.5 *Irregular Expenditure of ₹ 2.68 lakh on printing*

Uttarakhand Procurement Rules, 2008 provided that:

(i) In all procurement procedures, transparency, competitiveness and fairness must be ensured to secure best value for money;

(ii) All procurements shall be made through tenders, unless exempted under these rules or under specified orders;

(iii) Purchase of goods costing above ₹ fifteen thousand on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee.

During the test-check of the expenditure vouchers of the Board pertaining to the years 2010-11 & 2011-12, it was seen that Board had incurred an expenditure of ₹ 2.68 lakh on the printing of pamphlets, receipt books and advertisement in dailies without getting the competitive or Government approved rates.

On being pointed, the Secretary of the Board stated (June 2012) that Government approved rate/Financial Rules will be followed in future regarding publishing of advertisements in news papers/ magazines.

2.4.8.6 Non/ short recovery of statutory cess of ₹ 3.96 crore

The Government of India notified Cess Act with a view to augment the resources for the welfare of the building and other construction workers. As per the Act, cess is to be levied and collected at one to two *per cent* of cost of construction from the establishments involved in construction activities. Further, delay in remitting the cess payments to cess authorities would attract penal interest at the rate of two *per cent* per month or part thereof as per Section 8 of the Act *ibid.* In view of the above, Government or Public Sector Undertakings were required to deduct labour welfare cess at the rate of one *per cent* of cost of contracts entered into for execution of various civil works and remit the amount of cess to the Board.

It was noticed during the scrutiny of the records that only 489 construction establishments were registered as of August 2012 from the date of constitution of the Board, but the overall database of the construction establishments operating in the State and covered under the Act, which were liable to pay cess, was not maintained by the Board. Thus, Board was unable to ensure hundred *per cent* collection of cess from these establishments covered under the Act. Further information collected (October 2012) from executing agencies[22] revealed that works costing ₹ 428.95 crore[23] were executed during the years from 2009-10 to 2011-12 but they did not deposit Workers' Welfare Cess of ₹ 3.96 crore at the prescribed rate of one *per cent* of the total cost of work executed, to the Board as shown in **Table 2.4.2**:

Table-2.4.2 ***(₹ in lakh)***

Name of Agency	2009-10				2010-11				2011-12			
	Cost of work	Cess due @ 1 *per cent*	Cess deposited	Short recovery	Cost of work	Cess due @ 1 *per cent*	Cess deposited	Short recovery	Cost of work	Cess due @ 1 *per cent*	Cess depos-ited	Short recov-ery
UPRNN	1014.19	10.14	Nil	10.14	707.46	7.07	Nil	7.07	1137.58	11.38	Nil	11.38
NNDDN	464.18	4.64	Nil	4.64	97.80	0.98	Nil	0.98	3774.92	37.75	Nil	37.75
UPSVNN	10280.45	102.80	Nil	102.80	10366.42	103.66	8.20	95.46	8737.09	87.37	25.12	62.25
MDDA	272.15	2.72	Nil	2.72	850.10	8.50	Nil	8.50	5192.19	51.92	Nil	51.92
Total	**12030.97**	**120.30**	**Nil**	**120.30**	**12021.78**	**120.21**	**8.20**	**112.01**	**18841.78**	**188.42**	**25.12**	**163.30**

[22] Uttar Pradesh Rajkiya Nirman Nigam (UPRNN), Medical College Unit, Haldwani, Nagar Nigam, Dehradun (NNDDN), Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (UPSVNN) and MDDA Dehradun.

[23] ₹ 12030.97 lakh (2009-10) + ₹ 12021.78 lakh (2010-11) + ₹ 18841.78 lakh (2011-12) = ₹ 42894.53 lakh. Say ₹ 428.95 crore.

Thus, there was short recovery of ₹ 3.96 crore[24] from the construction establishments. This would also attract penal interest for delay in remitting the cess payments to cess authorities at the rate of two *per cent* per month or part thereof as per Section 8 of the Act *ibid*.

2.4.8.7 Provision of Welfare measures

As per the provision of BOCW Act, welfare schemes like maternity benefits, pension, advances for purchase or construction of house, pension for differently abled workers, loans for tools, payments for funeral assistance, death benefits, medical assistance, financial assistance for education and marriage of children etc. should have been implemented. The scrutiny of the records of the Board revealed that no annual target to register the construction workers was set by the Board. Further, it was observed that no expenditure was incurred on welfare measures except an amount of ₹ 44333 which was provided to 11 workers up to August 2012.

On being asked about the methods adopted by the Board in creating awareness among the workers about the benefits of the scheme and getting themselves registered, the Secretary of the Board stated (April 2012) that construction workers are approached and encouraged to get the benefits of the scheme by organizing camps at the construction sites, publishing the advertisements in newspapers and magazines and distribution of pamphlets.

The reply of the Board was not acceptable as even after lapse of seven years of constitution of the Board, no welfare scheme was implemented except providing benefits to eleven workers.

2.4.8.8 Inspection of work sites

State Government vide its notification dated April 2005 appointed Deputy Labour Commissioners/ Assistant Labour Commissioners/ Labour Enforcement Officers as Inspectors and Labour Commissioner as Chief Inspector. In all, 412 inspections had been carried out and 70 suits were filed against the violators from constitution of Board (October 2005) to April 2012. Annual targets of inspections for these years were not fixed. However, a target of 1,500 inspections was set for 2012-13, against which only 24 inspections were conducted up to June 2012.

2.4.8.9 Human Resource management

Assistant Labour commissioners, US Nagar, Haldwani, Haridwar, Rishikesh and Dehradun were nominated as Registering Officers. The Registering Officers had been assigned the work pertaining to the Board in addition to their departmental

[24] ₹ 120.30 lakh (2009-10) + ₹ 112.01 lakh (2010-11) + ₹ 163.30 lakh (2011-12) =₹ 395.61 lakh. Say ₹ 3.96 crore.

work. During the scrutiny of the records it was noticed that a decision for sanction of staff was taken in the Board Meeting (November 2010) after a gap of five years from constitution of the Board. Accordingly, Government sanctioned 18 Group 'C' employees to be outsourced for registration of workers. As against this, three employees were deputed from Uttarakhand Purva Sainik Kalyan Nigam. There was no regular staff appointed for the Welfare Board.

On being pointed out, the Secretary of the Board accepted (September 2012) that separate staff requirement was not determined for the Board.

2.4.8.10 Monitoring Mechanism and Internal Control

At the State level, Labour Department was responsible for implementation of BOCW Act and State specific Rules. Accordingly, Labour Commissioner was nominated as Chief Inspector for implementation of the BOCW Act and Deputy Labour Commissioners and Assistant Labour Commissioners were appointed as Registering Officers for registration of establishments. Separate Grievance Redressal Cell and mechanism to ensure minimum wages was not established. Appellate Authority for the purpose of grievance redressal was also not appointed. However, grievance redressal was being carried out by the officers of Labour Department. Thus, the monitoring mechanism and internal control was inadequate.

2.4.9 Conclusion

The Government constituted the Board after a delay of almost five years of the formation of the State. The Welfare Fund was established after a delay of almost three years from the formation of Welfare Board. The first Construction Worker was registered after five years from the constitution of the Board and only 11 workers have benefitted since the inception of the Board. Annual accounts were not prepared by the Board. No survey regarding migratory/local Building and Other Construction Workers engaged in the State was conducted. The database of the construction establishments in the State covered under the Act, which were liable to pay cess, was not prepared. Thus the Board was unable to ensure hundred *per cent* collection of cess from the agencies in the State covered under the Act.

The Board could not formulate proper modalities for implementing welfare schemes for construction workers during past seven years, as a result of which, the objectives of carrying out welfare schemes for the construction workers could not be achieved.

The matter was referred (November 2012) to Government, reply was awaited (January 2013).

2.4.10 Recommendations

The Government may consider to:

- conduct survey of local and migratory construction workers engaged in the State and prepare a database accordingly.
- take effective steps to keep proper database with regard to registration of establishments covered under the Act to ensure the hundred *per cent* collection of cess.
- encourage and approach the workers to get the benefits of welfare schemes through wider publicity activities.
- formulate the modalities for implementing the welfare schemes on priority basis.
- strengthen the monitoring mechanism and internal control systems for proper implementation of the Act.

Women Empowerment and Child Development Department

2.5 Integrated Child Development Services

2.5.1 Introduction

The Integrated Child Development Services (ICDS) programme was launched in the year 1978-79 in three selected blocks[25] of Uttarakhand (then part of Uttar Pradesh) to provide a package of services comprising supplementary nutrition, immunisation, health check-up, referral services, non-formal pre-school education and health and nutrition education. The main objectives of the scheme are as under:

(a) to improve the nutritional and health status of children in the age-group zero-six years;

(b) to lay the foundation for proper psychological, physical and social development of the child;

(c) to reduce the incidence of mortality, morbidity, malnutrition and school dropouts;

(d) to achieve effective co-ordination of policy and implementation amongst the various departments to promote child development; and

(e) to enhance the capability of the mother to look after the normal health and nutritional needs of the child through proper nutrition and health education.

Presently, the programme is being implemented in the entire State and specific focus was given in this study to cover this scheme in audit.

2.5.2 Organisational Set-up

The Secretary, Women Empowerment and Child Development Department (WECD) is responsible for the overall administration and control of the Scheme in the State. The Director of WECD is the implementing officer and implements the programme in all 105 ICDS Cells through District Programme Officers (DPOs) at district level and Child Development Project Officers (CDPOs) at block level who are further assisted by Supervisors. The ICDS services are delivered through Anganwadi centres (AWCs) by engaging Anganwadi Workers (AWWs) and Anganwadi Helpers (AWHs) on honorarium basis.

2.5.3 Audit objectives

The main objectives of audit were to examine whether:

- the planning for the implementation of the scheme was adequate for achievement of its objectives;
- funds were adequate and were optimally used for achieving the objectives of the scheme;

[25] Chakrata, Dharchula and Kirtinagar Blocks.

- infrastructural facilities were adequate for effective delivery of the services under the scheme;
- packages of services under the scheme were delivered effectively to the beneficiaries; and
- system of monitoring and evaluation was in place and was effective.

2.5.4 Audit Criteria

- Involvement of system in the implementation of planning of the scheme as per the guidelines/ orders issued by the Government of India (GOI) and directives of Hon'ble Supreme Court for the scheme.
- Standards of output and benchmarks of performance fixed for the scheme as per prescribed norms.
- To which extent infrastructure facilities were provided to the beneficiaries by the State Government for better implementation of the scheme.
- Outcome of the monitoring mechanism and evaluation/ follow up at various levels for implementation of the scheme.

2.5.5 Scope of Audit, Audit Methodology and Sampling

Thematic audit of Women Empowerment and Child Development Department (WECD) was conducted during the period from April 2012 to August 2012 with a specific focus on ICDS, covering the financial years from 2009-10 to 2011-12. During the course of audit, records of the Directorate (ICDS) and five Districts Programme Officers[26] were test checked. In addition, a Joint physical verification of 22 AWCs was also conducted by the members of audit team and representatives/ officials of the Department.

2.5.6 Audit findings

2.5.6.1 Financial Position

Expenditure on the scheme is incurred by the Department from the State Budget according to the norms set by GOI. The expenditure so incurred is reimbursed by GOI on the basis of Statement of Expenditure (SOE)/ Utilisation Certificates (UCs) submitted by the State Government. The year-wise details of funds released by GOI and the State Government and expenditure incurred, other than Supplementary Nutrition Programme (SNP), there against during the period 2009-10 to 2011-12 by the Department is given in **Table 2.5.1** below:

[26] Almora, Nainital, Pithoragarh, Tehri and US Nagar.

Table-2.5.1 *(₹ in crore)*

Year	Opening Balance of Centre	Released amount from Centre	Total available budget of Centre (2+3)	Total Budget including Central/ State share	Expenditure			Closing Balance	
					Centre (90 %)	State (10%)	Total	Centre (4-6)	State
1	2	3	4	5	6	7	8	9	10
2009-10	13.08	35.96	49.04	61.07	46.54	5.17	51.71	2.50	-
2010-11	2.50	37.63	40.13	82.72	50.82	5.64	56.46	(-) 10.69	-
2011-12	(-) 10.69	55.63	44.94	127.25	89.98	8.00	97.98	(-) 45.04	-
Total		129.22	134.11	271.04	187.34	18.81	206.15		

Source: Information collected from Directorate.

It is evident from the above table that an amount of ₹ 45.04 crore is outstanding for reimbursement from the Centre as the Department failed to submit the SOE in time. On this being pointed out, the Department replied (September 2012) that SOEs were not submitted in time due to shortage of staff.

Further, the year-wise details of funds released by GOI and the State Government under SNP and expenditure incurred there against during 2009-10 to 2011-12 by the Department is given in Table 2.5.2 below:

Table-2.5.2 *(₹ in crore)*

Year	Opening Balance of Centre	Released amount from Centre	Total available budget of Centre (2+3)	Total Budget including Central share	Expenditure			Closing Balance	
					Centre (50 %)	State (50%)	Total	Centre (4-6)	State
1	2	3	4	5	6	7	8	9	10
2009-10	6.71	18.92	25.63	65.70	18.96	18.96	37.92	6.67	-
2010-11	6.67	13.04	19.71	39.09	14.80	14.80	29.60	4.91	-
2011-12	4.91	15.35	20.26	50.07	20.51	20.51	41.02	(-) 0.25	-
Total		47.31	65.60	154.86	54.27	54.27	108.54		

Source: Information collected from Directorate.

It is clear from the above table that there was a saving of ₹ 6.67 crore and ₹ 4.91 crore in 2009-10 and 2010-11 respectively. Detailed audit findings regarding SNP are discussed in paragraph 2.5.7.1.

2.5.6.2 *Planning and Programme Management*

As directed by GOI, the Directorate of ICDS was responsible for making Annual Programme Implementation Plan (APIP) at the State level and district/ block level officers (DPOs/ CDPOs) were responsible for preparing their own Annual Action Plan (AAP) for implementation of the programme activities.

Audit scrutiny revealed that APIP was not prepared at the State level by the Directorate except in the year 2011-12 and district/ block level officers had never prepared AAP during the period. On being pointed out, the Department accepted the facts and stated that in the absence of APIP, the schemes were regulated through the guidelines of GOI and the State Government.

2.5.7 Package of Anganwadi Services

The ICDS provides integrated services comprising (i) supplementary nutrition, (ii) immunization, (iii) health check-up, (iv) referral services, (v) non-formal pre-school education and (vi) nutrition and health education. AWWs played a limited role to assist Auxiliary Nurse Midwife (ANMs) (Health Department) in indentifying the target groups for immunisation and health check-ups and the records for the same are maintained by the Health Department. Moreover, the records pertaining to referral services, have not been maintained in AWCs and have been discussed in detail in Paragraph 2.5.9.5. The sub-scheme-wise audit analysis of supplementary nutrition, health check-up and non-formal pre-school education is as under:

2.5.7.1 Supplementary Nutrition Programme

As per directives of the Hon'ble Supreme Court, supplementary nutrition was to be provided for 300 days in a year to the beneficiaries[27]. The objective of the scheme was to universalise the scheme by selecting all beneficiaries and to check malnutrition. The supplementary nutrition was distributed by the Department of ICDS through AWCs in all districts of the State. This was provided through AWCs viz. (i) Take Home Ration (THR) to children of the age group of six months to three years, pregnant and lactating mothers; and (ii) Cooked Food which was to be provided to the children of age group of three to six years.

(i) Take Home Ration

Audit scrutiny of the records of the Directorate ICDS, Dehradun revealed that THR was being distributed by the Department after signing Memorandum of Understanding (MOU) with the World Food Programme (WFP) in order to fulfill the aforesaid objectives. An advance of ₹ 50.33 crore[28] was paid to WFP for the said purpose. The details of number of beneficiaries of THR required and supplied are indicated in **Table 2.5.3** below:

Table-2.5.3

Beneficiaries	2010-11					2011-12				
	No. of beneficiaries according to		THR Required	THR supplied	Short fall in %	No. of beneficiaries according to		THR required	THR supplied	Shortfall of THR supply in %
	Survey	Registration				Survey	Registration			
Children 6 months-3 Years (@140g)	547521	514212	30432 MT[29]	10320 MT	66	572405	555191	32784 MT[30]	14239 MT	57
Pregnant women (@ 175g)	72863	70918				78167	76828			
Lactating (@ 175g)	89704	88811				98981	97773			
Severely malnutrition children (@ 280g)	5349	5349				3562	3562			
Total	**715437**	**679290**				**753115**	**733354**			

Source: Information collected from Directorate.

27 All children below the age of six, all pregnant women and all lactating women.

28 2010-11: ₹ 32.33 crore & 2011-12 : ₹ 18.00 crore.

29 30432 MT = {514212*@140g + (70918+88811)*@175g + 5349*@280g}*300 days.

30 32784 MT = {555191*@140g + (76828+97773)*@175g + 3562*@280g}*300 days.

Audit analysis revealed that THR was not distributed in the year 2009-10 due to non-execution of MOU between the Department and World Food Programme (WFP). There was huge shortage (more than 50 *per cent*) of THR supplied during 2010-11 to 2011-12 as can be seen in the table above (57 *per cent* to 66 *per cent*).

Supplementary nutrition was supplied for 124 days in the year 2011-12 by the Department in the State whereas in the selected districts, the THR distributed ranged between 110 to 183 days (**Appendix-2.11**) as against the prescribed norms of 300 days in a year despite the availability of funds. It was also observed in 38 projects[31] of selected districts that THR was not distributed at all in January 2012 as the THR was not supplied by WFP due to non-execution of MOU by the Directorate in time.

On being pointed out, the Department stated (September 2012) that the Department could not arrange regular distribution of THR due to non- formation of nutrition cell, shortage of staff and delay in taking decision. The reply of the Department showed its inability in making arrangements for distribution of THR as only 58 *per cent* to 82 *per cent* of funds were utilised during the last three years against the amount released for SNP and the Department also failed to provide THR to all the beneficiaries as shown in the **Table 2.5.3** above.

Thus, despite expenditure of ₹ 50.33 crore[32] the objectives of the scheme and directions of the Hon'ble Supreme Court could not be fulfilled because all the eligible beneficiaries as per the survey were not registered as they did not turn up at AWCs to get the benefits, which defeated the intended purpose of universalisation of the scheme. Consequently, 50,523 children (zero-three years), 3,284 pregnant mothers and 2,101 lactating mothers were totally deprived of the benefits of the scheme during the period 2010-12.

(ii) Cooked Food

As per Government order (May 2008), cooked food was to be provided to the children of age group of three to six years through Mata Samiti[33] at AWCs. The Department fixed the norms and menu for the children of age group of three-six years after taking consent from Govind Ballabh Pant University of Agriculture and Technology, Pant Nagar, Uttarakhand.

The details of beneficiaries of cooked food programme for the year 2011-12 in the selected districts are indicated in **Table 2.5.4** below:

[31] Pithoragarh-5, Almora-5, Nainital-9, US Nagar-10 and Tehri-9.

[32] 2010-11: ₹ 32.33 crore and 2011-12 : ₹ 18.00 crore.

[33] A committee headed by president, AWW/AWH as a Secretary and one member of each category of beneficiaries were responsible for ensuring to provide cooked food at the Anganwadi centres.

Table-2.5.4 (₹ in crore)

Name of District	No. of beneficiaries according to survey	Registered in a year	Amount required*	Enrolled	Amount required	Amount released	No. of days
Pithoragarh	**572929**	451000	4.51	120877	1.21	0.60	149
Almora	**728011**	604974	6.05	193204	1.93	0.66	103
Nainital	**501060**	227243	2.27	115074	1.15	0.42	110
U.S. Nagar	**992693**	531975	5.32	186837	1.87	1.98	318
Tehri	**390023**	304365	3.04	168297	1.68	0.56	100
Total	**3184716**	**2119557**	**21.19**	**784289**	**7.84**	**4.22**	

Source: Information collected from selected districts.
****₹ 4 per beneficiary per day for 25 days in a month.***

Audit noticed that only 21,19,557 children (67 *per cent*) were registered as against the survey figure of 31,84,716 children (2011-12) in five selected districts. Out of 21,19,557 children registered, only 7,84,289 children (37 *per cent*) were enrolled in AWCs. Further, allocation of only ₹ 4.22 crore (54 *per cent*) was made by the Department as against the requirement of ₹ 7.84 crore (7,84,289 * @ ₹ 4.00* 25 days), for the enrolled children. It was also noticed that the target of 300 days could not be achieved and was as low as 100 days in a year except in US Nagar, where cooked food was supplied for 318 days against the prescribed norm of 300 days during the year 2011-12.

Further, in an attempt to ascertain the ground reality, the audit team physically verified 22 AWCs in three districts namely Nainital, Tehri and US Nagar and found that (i) the meetings of Mata Samiti were not being organised at AWCs as per norms (one meeting per month); (ii) less amount was released (₹ 44890) against the requirement (₹ 120000) for 100 children enrolled in the eight AWCs of Tehri district. Only 38 children could be fed with the amount (₹ 44890) released in the said eight AWCs; and (iii) due to non-availability of funds, cooked food was provided by AWWs from their personal resources for two to 11 months in four AWCs[34] which was subsequently recouped on availability of funds whereas cooked food was not served at all (one-six months) in five AWCs[35] of Tehri District.

On this being pointed out, the Department replied (September 2012) that due to shortage of staff and delay in decision making, the funds could not be made available to districts.

The DPOs of the districts replied (August 2012) that cooked food was provided according to the available budget. It was also stated by the DPOs at the time of physical verification that due to inflation, it was not possible to make available cooked food @ ₹ 4 per beneficiary as per the aforesaid norms. The reply is not acceptable because budget released for the same purpose was only 33 to 106 *per cent* of the total budget required and no demand/ correspondence were made either at project level or district level with the Directorate so as to make them aware of the factual position. Resultantly, cooked food was not being provided by

[34] Balmiki Basti, Dhalwala-II, Sandana and Sema.
[35] Bakhdiyana, Sandana, Sema, Kunir and Kirgani.

the Department according to the norms defeating the intended purpose of the scheme.

2.5.7.2 Health and education related activities

Health and education related activities include immunization, health check-up, referral services, nutrition and health and pre-school education. Audit scrutiny revealed the following:

(i) Deficiencies in Health Care

Regular visits to the AWC by the Medical Officer (MO) and Auxiliary Nurse Midwife (ANM) for check-up of children and mothers were a part of Health Care mechanism under ICDS. Audit found that the number of visits by the MO to AWCs was very low as out of 22 AWCs physically inspected, the MO visited only nine AWCs (41 *per cent*) in the year 2011-12. The ANM visited the AWC during immunisation only. Only 11,607 (65 *per cent*) out of 17,826 functional AWCs in the State were provided with baby weighing scales. The corresponding figure was 4,178 (60 *per cent*) against a total of 6,928 AWCs in selected districts.

Further, ICDS norms provided that one medicine kit worth ₹ 600 needed to be supplied every year to each AWC. The year-wise budget allocation, functional AWCs and medicine kit supplied is indicated in **Table 2.5.5** below:

Table-2.5.5

Year	Budget allocation (₹ in crore)	Expenditure	Functional AWCs	Medicine kits required	Supplied	Shortage
2009-10	1.56	Nil	10,792	10,792	Nil	10,792
2010-11	3.68	1.32	15,441	15,441	10,840	4,601
2011-12	2.02	1.92	17,826	17,826	12,926	4,900
Total	**7.26**	**3.24**	**44,059**	**44,059**	**23,766**	**20,293 (46%)**

Source: Information collected from Directorate.

Audit scrutiny showed that no procurement was carried out by the Department as against the requirement of 10,792 medicine kits in 2009-10, despite ₹ 1.56 crore being allocated for this purpose. However, the Department procured only 23,766 medicine kits (71 *per cent*) in 2010-11 and 2011-12, as against the requirement of 33,267 medicine kits, despite allocation of ₹ 5.70 crore.

On this being pointed out, the Department replied (January 2013) that the tender process could not be completed and medicine kits were not purchased due to receipt of funds at the end of the financial year 2009-10. The shortage of medicine kits was met in the year 2010-11 and 2011-12 with the help of the Health Department.

(ii) Non-formal Pre-school education

Children between the age group of three to six years were to be imparted non-formal pre-school education in AWCs so as to develop their learning attitudes, values for emotional and mental preparation before primary education is imparted to them in regular schools. For this purpose, school kits were to be provided to all the functional AWCs.

Audit scrutiny revealed that as per norms, the Department had to purchase and supply pre-school kits to all the 44,059 functional AWCs (10792 AWCs in 2009-10, 15,441 AWCs in 2010-11 and 17,826 AWCs in 2011-12) during 2009-10 to 2011-12. Audit found that the Department purchased and supplied only 36,543 pre-school kits (83 *per cent*) and remaining 7,516 pre-school kits (17 *per cent*) costing ₹ 75.16 lakh were not supplied to AWCs. Further, during joint physical verification it was observed that AWCs were plagued with problems like non-availability of trained teachers, shortage of learning materials and non-availability of sufficient playing equipment.

On this being pointed out, the Department replied (January 2013) that tenders were invited on the basis of number of AWCs functional at that time (2009-12). The reply is not acceptable as during this period, 44,059 AWCs were functional whereas kits were provided only to 36,543 AWCs. Thus, due to lack of proper planning at the time of procurement, the Department failed to achieve the target of providing pre-school kits to all functional AWCs.

2.5.8 Anganwadi

All services of ICDS to children below the age of six years, pregnant or lactating women and adolescent girls are implemented through Anganwadi centres. AWCs are made operational for a population of 300 or above.

2.5.8.1 Non-operational Anganwadi Centres

As against the sanction of 23,159 AWCs by GOI, the State Government identified 20,067 AWCs against which 17,826 AWCs were operational as on April 2012. A total number of 2,241 AWCs could not be established for which the Department replied that AWCs could not be made operational due to long process of appointment of AWWs/AWHs/Mini Anganwadi Workers (MAWWs) and shortage of staff.

2.5.9 Capacity Building

Basic infrastructural facilities such as buildings, sufficient manpower and training were required to be provided for proper implementation of various schemes. The following paragraphs explain the inadequacy of such management in the ICDS:

- All the 10 DPOs' offices in the State were well equipped with computers and printers, but only 51 (49 *per cent*) out of the 105 CDPOs' offices at the block level had these facilities.
- Similarly, the need for a vehicle in operational condition can hardly be overemphasized, particularly in the field areas for monitoring purposes. The vehicle facility was available at the Directorate and at six out of the 13 district cells in the State. However, vehicles were available in only 38 out of the sanctioned 105 CDPO offices.

- Many of the operational AWCs do not have their own buildings and even if they have their own buildings or room, it was too small to accommodate both the stock of supplies and children. Out of 17,826 operational AWCs (refer paragraph 2.5.8.1) in the State, only 1,378 AWCs (eight *per cent*) have their own departmental buildings, 6,113 AWCs (34 *per cent*) were rented and 10,337 AWCs (58 *per cent*) were being operated in other Government office buildings. Similarly, out of total 17,826 operational AWCs, toilet facilities were available in 7,732 AWCs (43 *per cent*) and potable water facilities were available in 5,720 AWCs (32 *per cent*) only. On this being pointed out, the Department, while accepting these facts, replied (November 2012) that all facilities i.e. computers, vehicles, buildings etc. would be provided only after receiving funds from the Government. Thus, lack of necessary equipment/ infrastructure hampered the smooth functioning of the scheme.

AWC Balmikibasti, Narendranagar

AWC Bakhriyana, Narendranagar

2.5.9.1 Slow Progress in construction of AWCs

A good building is the basic infrastructure to be provided for effective functioning of the AWC and proper delivery of the six services under the scheme. No construction works were sanctioned in Nainital and US Nagar districts. The Department had sanctioned 81 works against required 508 AWCs in three districts (Pithoragarh-95, Almora-382 and Tehri-31) as on date. The works were to be completed within two months from the date of sanction. The district-wise details of works are indicated in **Table 2.5.6** below:

Table – 2.5.6 ***(₹ in lakh)***

Name of Districts	Sanctioned year	Total No. of AWCs	Construction Agency	Construction cost	Released Amount	Arrear	Position till date of audit
Pithoragarh	2008-09	03	RES	6.00	4.80	1.20	Incomplete (3)
Almora	2005-06	48	Village Panchayat	12.00 (6 AWCs)	9.50 (6 AWCs)	2.50	Incomplete (6)
Tehri	2008-09	04	RES	8.00	8.00	0.00	Incomplete (4)
	2009-10	08	BDO	24.00	12.00	12.00	Incomplete (6)
	2011-12	18	RES	72.00	36.00	36.00	Incomplete (18)
Total		**81**		**122.00**	**70.30**	**51.70**	**37**

Source: Information obtained from DPOs

From the above table, it can be seen that out of 81 works, only 44 works (54 *per cent*) were completed and remaining 37 works (46 *per cent*) could not be completed in time and there was delay of upto seven years. The main reasons for delay in construction of works as explained by the Department were non-availability of land

and non-execution of MOU with executing agency. Thus, in the absence of these structures, AWCs suffered the basic amenities as pointed out in paragraph 2.5.9 above.

2.5.9.2 Shortage of human resource

For efficient implementation of the schemes of the Department, DPOs/ CDPOs/ Supervisor were to monitor/ supervise the AWCs, Statistical Assistants were to compile the data and AWWs/ AWHs/ MAWWs were to do the frontline work. During scrutiny of records, it was noticed that there were huge shortfalls at the Directorate, District and Block (project) levels in terms of men-in-position against sanctioned strength. The staff position of the Department as of April 2012 is indicated in **Table 2.5.7** below:

Table – 2.5.7

Name of the post	Level	Sanctioned strength	Men-in-position	Vacant posts	Shortage %
Statistical Assistant	**District**	**52**	**-**	**52**	**100**
DPO	**do**	**10**	**05**	**05**	**50**
CDPO	Block	105	62	43	41
Supervisor	do	597	366	231	39
DEO	**District/Block**	**07**	**01**	**06**	**86**
Senior Assistant	District	34	26	08	24
Junior Assistant	**do**	**57**	**28**	**29**	**51**
Lower Assistant	**do**	**62**	**24**	**38**	**61**
AWWs	AWC	14947	13444	1503	10
AWHs	do	14947	12453	2494	17
MAWWs	**do**	**5120**	**3823**	**1297**	**25**

Source: Information provided by the Directorate & DPOs.

Evidently, the Department was running without sufficient manpower since November 2000. The vital posts for smooth functioning of the schemes like Statistical Assistants (100 *per cent*), DPOs (50 *per cent*), CDPOs (41 *per cent*), Supervisors (39 *per cent*), DEO (86 *per cent*) and even, MAWWs (25 *per cent*) were vacant. Resultantly, the entire burden of the vacant posts rests with the men-in-position at the bottom cadres. The absence of well structured organizational mechanism reflects system inadequacy impacting upon the operational efficiency of the Department. On this being pointed out, the Department replied (December 2012) that the recruitment of staff is under process.

2.5.9.3 Training

Training is the most crucial element in the ICDS scheme, as the achievement of the programme goals largely depends upon the effectiveness of frontline workers (Supervisors, AWWs, AWHs and MAWWs) in improving service delivery under the programme. There are three types of regular training imparted to frontline workers: (i) Induction Training (on initial engagement/ appointment mainly to AWWs); (ii) Job/ Orientation Training (Once during service period); and (iii) Refresher Training (in- service, once in every two years).

Audit scrutiny revealed that there were seven operational Anganwadi training centres[36] (AWTCs) in the State for front line workers. Middle Level Training centres of Supervisors and Trainers of AWTCs were not established in the State. Trainings were imparted to front line workers during 2009-10 to 2011-12 (as detailed in **Appendix-2.12**), but no training for the middle level officers was conducted since creation of the State. It was also observed that training related records at District/ Block level were not being maintained since posts of Statistical Assistants were lying vacant.

The district-wise details of training conducted during 2011-12 are indicated in **Table 2.5.8** below:

Table – 2.5.8

Name of training centre	Districts covered for training	Total number of trainees as per calendar (target)	Actual no. of trainees (achievement)	Percentage (achievement)
Pithoragarh	Pithoragarh	529	448	85
	Champawat	531	219	41
Almora	Almora	529	548	104
	Nainital	531	383	72
U.S. Nagar	U.S. Nagar	531	870	164
	Nainital	529	336	64

Source: Information obtained from districts.

It is evident from the above table that there was low percentage of achievement i.e. 41 *per cent* and 64 *per cent* achievement of Champawat and Nainital districts respectively.

On this being pointed out, the Districts replied (July 2012) that the targets of training programmes could not be achieved due to participation of less number of trainees. The reply is not acceptable as no sincere efforts were made by the Department to achieve the targets of training.

Further, during physical verification of training centres, audit found that there was lack of the basic facilities like training rooms, proper hostel facilities, training materials and trainers, inappropriate supervision and monitoring of the training centres and trainees, improper follow up and mentoring support to the trainees. Field visits as a part of the AWW trainings were also skipped. Audit analysis and physical verification revealed that the main reason for non-maintenance of training related records was shortage of staff.

2.5.9.4 Internal Control and Monitoring

Internal audit is a part of internal control mechanism. It is an independent function within the organization, which helps an organization to accomplish its objectives by bringing about a systematic and disciplined approach to evaluate the level of compliance with the departmental rules and procedures so as to provide assurance to the management on the adequacy of the internal control framework within the Department.

[36] Rajat Shahri & Gramodyog Sansthan, Haridwar; AWTC, Dudubag, Haridwar; AWTC, Almora; Bhartiya Gramin Mahila Sangh, Dehradun; AWTC, Pithoragarh; AWTC, Gwaldam, Chamoli and IMPART, US Nagar.

Scrutiny of records of the Directorate revealed that internal audit wing was not functional for conducting periodical internal audit of subordinate offices in the Department. Moreover, no auditor was posted against two posts sanctioned for pre-audit checks of the Directorate and the district offices. On this being pointed out, the Department replied (April 2012) that no internal audit was conducted since 2008-09 and it would be possible only after formation of Internal Audit Cell by the Government.

According to guidelines, regular field visits by all officers/ officials[37] to the AWCs was necessary for success of the programme. The State Government was required to draw a District-wise Advance Action Plan (DAAP) for the monitoring/ supervision visits by officials at various levels for every six month.

Scrutiny of records in the selected districts revealed that none of the officers/ officials (DPOs/ CDPOs/ Supervisors) visited the AWCs in accordance with the prescribed norms (**Appendix-2.13**). It was further noticed that the position of supervision by the authorities of Tehri district was very poor i.e. two *per cent* by the Supervisor only. No DAAP was drawn by the Department as on date.

On this being pointed out, the Department stated that vacant posts of Supervisors/ CDPOs/ DPOs and non-availability of vehicle contributed to the low supervision visits to AWCs.

2.5.9.5 Non-maintenance of records

As per the departmental manual, basic records for the implementation of the schemes were to be maintained by DPOs. Test-check of records of selected districts revealed that the basic records like 'Budget Control Register', 'Asset Register', 'Register of Major and Minor Works', 'Advance Register', 'Departmental Disciplinary Register', 'Monitoring and Evaluation Record', 'Establishment Register', 'HBA Register', 'Personal Records of AWWs', 'Medical Reimbursement Register', 'Index Register' etc. were not being maintained by DPOs in the Department.

The joint physical verification of 22 AWCs revealed that the following records were not being maintained at AWCs level:

- Health register of beneficiaries was not being maintained in 16 AWCs.
- Referral cards were not issued for the malnourished children referred for better treatment in 15 AWCs.
- Health check-up includes ante-natal care of expectant mothers, post-natal care of nursing mothers and care of the newborn and children under six years of age. No health cards, ante-natal or post-natal cards were maintained or issued to the mothers by the AWCs in all the 22 AWCs.

[37] Supervisors : A minimum of 50% of functional AWCs every month, CDPOs : 100 functional AWCs once in a quarter, DPOs : 15% of functional AWCs in a year and Director : 200 functional AWCs in a year.

On this being pointed out, the district authorities, while accepting the facts, assured (July 2012) compliance in future.

Non-maintenance of such vital records indicates poor monitoring and internal control by the Department.

2.5.10 Conclusion

The budget released under the schemes was under-utilised by the Department. Annual Action Plans for the implementation of the scheme were not being prepared by the district/ project authorities. Supplementary Nutritional Programme and cooked food provided was much below the prescribed norms of 300 days. Beneficiaries were deprived of the facilities like medicine kits and pre-school kits despite allocation of funds by the GOI for the purpose. Efforts were not made to operationalise the sanctioned number of AWCs in the State. Even the operational AWCs suffered from lack of basic amenities like buildings, toilets, drinking water, weighing scales, sufficient manpower and training. Shortage of staff, lack of training, lack of internal audit and shortage of supervision against norms hampered the smooth functioning of the schemes. Thus, the ICDS scheme implemented in the State needs strengthening, for achieving the objectives of providing basic services in critical areas.

2.5.11 Recommendations

The Government may consider:

- making efforts to complete ongoing construction works and provide basic amenities like building, toilets, drinking water, weighing scales, equipment, and sufficient manpower to ensure healthy environment to the beneficiaries.
- taking action to ensure that records/ registers maintained in Anganwadi Centres contain all the vital information.
- establishing an effective Internal Audit System and monitoring/ inspection of Anganwadi Centres as prescribed on priority basis for effective implementation of the scheme.

AUDIT OF TRANSACTIONS

Social Welfare Department

2.6 Unfruitful expenditure

Advance payment of ₹ 70.00 lakh made by the Department against a contract on 'e-learning' programme (Project Taleem) for Muslim students studying in *Madrasas* proved unfruitful as the contract was entered into without assessment of feasibility of the project.

Under the World Bank assisted "e-class" project being implemented in the State through Information Technology Development Agency-Dehradun (ITDA), the Government introduced (September 2005) a subsidiary 'Project Taleem' for the Muslim students studying in *Madrasas* in classes 9th to 12th to align them with mainstream education. The core concept is to make such a multimedia content available in Urdu language to all the *Madrasas* within the State for Mathematics and Science subjects covering the course content taught in the State of Uttarakhand across different boards. For this purpose, Uttarakhand Muslim Education Mission (under Social Welfare Department of the State Government) proposed the project and entered into a contract (April 2006) with a Delhi based firm[38] for designing and developing the multimedia content and providing its training structure to impart training to teachers of around 100 *Madrasas* of the State. As per the contract, the cost of 'Project Taleem' was ₹ 2.00 crore and the entire assignment was to be carried out by the firm within a period of nine calendar months from the date of signing the contract in April 2006.

Audit scrutiny (June 2011) of records of the Directorate, Social Welfare Department, Haldwani (the Department) and further information gathered (August 2012) from the Uttarakhand Muslim Education Mission (UMEM), Dehradun revealed that the contract of Project Taleem was entered into (April 2006) by the Department without detailed study and assessment of feasibility of the project as there were only two *Madrasas*[39] *in the whole State where Mathematics and Science subjects for classes 9th to 12th were being taught. This fact came to the notice of the Department when a detailed record of the Madrasas* having Mathematics and Science subjects in classes 9th to 12th was obtained (August 2009) from the Education Department. Consequently, the Department itself felt (February 2011) that incurring such a heavy expenditure on the project would not be fruitful considering that only two *Madrasas* having 907 students[40] qualified for the scheme. However, an amount of ₹ 70.00 lakh[41] had already been paid to the firm between April 2006 and September 2006 as per terms and conditions of the contract. Hence, the improper assessment

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38 M/s S. Chand & Company Limited, New Delhi.

39 (i) Guljar Farid Muslim Inter College, Piran Kaliyar, Haridwar & (ii) Baba Garib Shah Sabri Girls Inter College, Piran Kaliyar, Haridwar.

40 Science: 498 students and Maths: 409 students

41 ₹ 50.00 lakh at the time of signing of agreement (April 2006) and ₹ 20.00 lakh was at the time of submission of Inception Report (September 2006).

of feasibility of the project by the Department rendered the expenditure as unfruitful.

On this being pointed out (June 2011), the Department did not give a satisfactory reply and stated that the project was prepared at the level of UMEM and the Government and despite releasing ₹ 70.00 lakh, the benefit of the project prepared by the firm could not reach the beneficiaries as only two *Madrasas* were upto the intermediate level. It was further stated that the possibility of proper use of the balance amount of ₹ 1.30 crore was bleak and hence no request was made to the Government for release of balance fund.

The reply of the Department was not acceptable as the assessment of feasibility of the project could have been done by them before entering into the contract with the firm.

Thus, the execution of agreement and making of payment by the Department to the firm without assessment of feasibility of the 'Project Taleem' resulted in unfruitful expenditure of ₹ 70.00 lakh.

The matter was referred (August 2012) to Government; reply was awaited (January 2013).

Social Welfare Department

2.7 Blockade of fund

Lack of planning of the Department leading to change in design and frequent inclusion of new items of Haj House resulted in non-completion of building and blocking of fund of ₹ 5.95 crore for more than four years.

The Government of Uttarakhand sanctioned (March 2003) ₹ 2.70 crore for construction of a Haj House of 800 piligrims capacity. As per terms and conditions of the sanction, the work of the Haj House was to be executed within the sanctioned amount in accordance with the site conditions and in pursuance of necessary directions issued by the Government. In case of revision of estimates due to delay in execution of work, the extra expenditure was to be borne by the executing agency by utilizing their own resources. The Uttar Pradesh Rajkiya Nirman Nigam (UPRNN) Unit-I, Haridwar was nominated (March 2003) as work executing agency for construction of this house. The work was started in August 2003 with scheduled date of completion being December 2005.

Scrutiny of records (June 2011) of the Director, Social Welfare Department, Haldwani revealed that after one year of starting the work, the work executing agency submitted (September 2004) a revised estimate of ₹ 5.03 crore on the various grounds[42]. Apart from the above, a supplementary estimate for construction of a boundary wall, a tube well, an over-head tank, a lift and a main gate with small

[42] (i) The earlier estimate was prepared on the basis of old schedule of rates (SOR) applicable from May 2001 but the work could be started only from August 2003; (ii) Necessary items such as grit finish, increase of roof height, external electrification, sanitation, fire protection system and site development were not included in the earlier estimate because selection of site was made after receipt of approved estimate; (iii) The drawing of Haj House was tentative; and (iv) The category of the building was to be upgraded from Class "B" to Class "A".

gate and a guard room worth ₹ 66.21 lakh was also submitted (September 2004) by the executing agency. The State Government accorded (November 2005) sanctions of ₹ 4.98 crore (₹ 4.40 crore and ₹ 58.20 lakh) against the above estimates of ₹ 5.03 crore and ₹ 66.21 lakh respectively. Besides, a separate sanction of ₹ 97.07 lakh for execution of some additional electrical works was also accorded (February 2006). The sanctioned amounts of all of above sanctions were released to the work executing agency between March 2003 and February 2006. Further scrutiny of records also revealed that due to revision of schedule of rates from November 2005 and also to meet 12 *per cent* increase in the cost for adopting frame structural system, the executing agency again submitted (April 2008) a revised estimate for ₹ 6.45 crore for sanction. However, the work was stopped (May 2008) for want of funds. Further, the executing agency submitted revised estimates of ₹ 7.72 crore (June 2009) and ₹ 9.14 crore (February 2012) which was not sanctioned by the Government as yet (October 2012) and possibility of further revision cannot be ruled out.

As against the total expenditure of ₹ 5.95 crore, only main building works were completed and remaining works such as paver application, construction of *vazu* point, prayer platform for Imam, finishing works of main building, site development, pump room, guard room and outer painting were to be carried out.

On this being pointed out, the Department replied (June 2011) that the work was delayed due to frequent revision of estimates by the executing agency and non-receipt of sanction from the Government. The reply was not acceptable as the proper design of Haj house was not planned by the Department before start of work and the work was started on tentative design.

Thus, change in design and frequent inclusion of new items of Haj House by Government/ Departmental authorities reflected lack of planning of the Department and resulted in non-completion of Haj House even after a lapse of more than six years. Moreover, expenditure of ₹ 5.95 crore incurred also remained blocked for more than four years.

The matter was referred (June 2012) to Government; reply was awaited (January 2013).

Department of Sports

2.8 Avoidable extra expenditure

Indecisiveness in finalizing the site for construction of the building for Directorate of Sports resulted in an avoidable extra expenditure of ₹ 60.28 lakh.

Government accorded (March 2007) an administrative approval/ financial sanction of ₹ 89.95 lakh for construction of a building for the Directorate of Sports at Dehradun. The work was proposed to be carried out in the Sports College premise at Raipur, Dehradun through Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (construction agency).

Audit scrutiny (November 2011) of records of the District Sports Officer, Dehradun and further information collected (August 2012) from Director of Sports, Dehradun revealed that just after one and half month from the entrustment of work/ releasing of first installment of ₹ 40.00 lakh (March 2007), the Department instructed (May 2007) the construction agency not to start the construction work at the proposed site till further order. Thereafter, during departmental meeting (December 2007), it was decided to an change the site of the building from Sports College Complex, Raipur to Parade Ground, Dehradun. The reason for this change as stated (April 2012) in response to an audit query by the Department was that creation of infrastructural facilities at Sports College, Raipur for organizing the South Asian Winter Games would be inevitable and Parade Ground, Dehradun was kept as an alternative site. Audit noticed that the Department was aware in 2006 that the 1st South Asian Winter Games would be held in Uttarakhand which was subsequently held in January 2011. In the said departmental meeting, the assignment of the work was given to a new construction agency i.e. Uttar Pradesh Rajkiya Nirman Nigam (Dehradun). However, the work at Parade Ground, Dehradun could not be started as the site was under public litigation and the decision was reverted (September 2009) by the Department in favour of the earlier proposed site (i.e. Sports College Complex at Raipur) and the work was given back to the earlier construction agency. Audit noticed that the litigation was filed in December 2006 and decision to change the site was taken in December 2007. Thus, the Department was aware about the litigation before decision was taken to change the site from Raipur Sports College campus to parade ground. The two and half years delay in starting of the work ultimately resulted in revision of cost from ₹ 89.95 lakh to ₹ 150.23 lakh which was sanctioned by the Government in March 2010 and the work was completed (January 2012) accordingly by the Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam. Thus, the Department had to bear an extra expenditure of ₹ 60.28 lakh due to changes made in the decision regarding the site.

On this being pointed out in audit, the Director of Sports stated (November 2011) that the decision to change the site was taken in public interest because the initially selected site was far from the city. The reply was not convincing as the construction was carried out at the same site which was initially selected by the Department.

Thus, indecisiveness at the level of Department/ Government in finalizing the site for construction of the building for Directorate of Sports resulted in an avoidable extra expenditure of ₹ 60.28 lakh.

The matter was referred (April 2012) to Government; reply was awaited (January 2013).

Department of Higher Education

2.9 Avoidable cost escalation

Delay in clearance of site for construction work of the University building led to avoidable cost escalation of ₹ 0.56 crore.

The State Government accorded (December 2006) administrative approval and financial sanction of ₹ 2.10 crore for extension of Home Science College in the premises of Govind Ballabh Pant Agriculture & Technology University (University), Pant Nagar with the condition that the work would be completed within the approved cost and cost escalation, if any, would be borne by the University out of its own resources and no additional funds would be provided by the State Government. For the purpose of executing the said work, a Memorandum of Understanding (MOU) at ₹ 2.10 crore was signed (July 2007) between the University and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam (UPSVENN). As per the MOU, the work was to be started in September 2007 with the scheduled date of completion as March 2009 and entire work was to be completed within the stipulated time subject to availability of site and funds.

Audit scrutiny (February-March 2010) of records of the University revealed that as per MOU, the University could not provide the clear site to UPSVENN as it was having bushes which were to be cleared by the Horticulture wing of the University. The Project Manager of UPSVENN also requested (18 September 2007) the University to make the clear site available for starting the work. The University, however, did not play a proactive role in expediting the matter as a result of which the work was started in January 2008 with a delay of four months. After commencement of work, UPSVENN submitted (September 2008) a revised estimate of ₹ 3.20 crore with the justification that the construction site was not provided in time and by then, the Public Works Department had revised the schedule of rates of plinth area (February 2008). The University recommended the revised estimate (December 2008) to the Government for sanction despite the fact that the revision was to be applicable only to Preliminary Estimates (PE) prepared on or after 25 February 2008. The Government accorded (December 2009) the sanction of ₹ 2.73 crore against the revised estimate in contravention of its own condition of not providing any additional fund in case of cost escalation as envisaged in earlier sanction of December 2006.

On being asked (February-March 2010) about the delay, the Comptroller of the University stated that the work site was having bushes which were to be removed by the Horticulture wing of the University. The reply was not satisfactory as Horticulture wing was also under the administrative control of the University and delay in clearing the site for construction could have been averted.

Further, information collected from the University (August-September 2012), revealed that UPSVENN had completed the building work in February 2012 with a delay of three years from original date of completion (March 2009) and ₹ 2.66 crore were released by the University to UPSVENN as of August 2012 and an amount of ₹ seven lakh was lying with the University. The building was not handed over to the University up to September 2012 even after the lapse of seven months from the date of completion of work due to deficiencies in construction work which were being rectified by UPSVENN (September 2012).

Thus, delay in providing clear site for construction work of the University building led to cost escalation of ₹ 0.56 crore[43] which could have been avoided.

The matter was referred (September 2012) to Government; reply was awaited (January 2013).

Public Works Department

2.10 Undue advantage to contractor

Non recovery of Liquidated Damages resulted in undue advantage of ₹ 1.36 crore to a contractor.

Government accorded (August 2007) administrative approval and financial sanction of ₹ 35.13 crore, out of ₹ 38.08 crore financed by the Asian Development Bank, for improvement and maintenance of 72.90 km long Almora-Bageshwar motor road. The Technical Sanction for the same amount was accorded (September 2007) by the Chief Engineer Level-I. The Project Director, Project Management Unit (PMU), Asian Development Bank (ADB), Public Works Department (PWD), Government of Uttarakhand, Dehradun entered into an agreement[44] with the contractor[45] (September 2007) at a cost of ₹ 36.93 crore with scheduled date of completion as December 2008.

Scrutiny of records (May 2012) of the Executive Engineer, Construction Division-II, PWD, Almora revealed that Liquidated Damages (LD) were to be recovered as per Clause 49.1 of General Conditions of Contract (GCC) which states that if the contractor fails to complete the work within stipulated time, the LD for the whole of the works @1/2000th of the initial contract price, rounded off to the nearest thousand, per day was to be recovered. The maximum amount of LD for whole of the work is 10 *per cent* of the initial contract price. The time extension for the above work was granted up to December 2009 by the division due to delay in giving possession of site to the contractor, rainy season, closure of quarries and variation in different items, whereas, the work was actually completed after incurring an expenditure of ₹ 37.94 crore in August 2010 i.e. 227 days, after expiry of extended period. As such, an amount of ₹ 3.69 crore[46] was to be recovered as LD from the contractor, but the division recovered only ₹ 2.33 crore from the contractor till March 2012 and the remaining amount of ₹ 1.36 crore was still pending for recovery as of November 2012.

On this being pointed out, the division while accepting the facts stated (May 2012) that correspondence has already been made with the Chief Engineer Level-I regarding recovery of the balance amount of LD from ongoing works of the contractor in other divisions.

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[43] ₹ 2.66 crore - ₹ 2.10 crore

[44] CB NO.04/PD/PMU/ADB/2007 dated: 14.09.2007.

[45] M/s NKG Infrastructure, Gaziabad.

[46] ₹ 369278604x227/2000= ₹ 4.19 crore limited to 10 *per cent* of the contracted amount i.e. ₹ 3.69 crore.

Thus, non-recovery of LD resulted in undue advantage to the contractor by ₹ 1.36 crore.

The matter was referred to the Government (November 2012); reply was awaited (January 2013).

Public Works Department

2.11 Irregular expenditure

Irregular expenditure of ₹ 51.15 lakh was incurred against the second sanction while retaining the first sanction for construction of a road.

Based on a proposal (September 2005), Government accorded (March 2006) administrative and financial sanction of ₹ 2.14 crore for construction of 12 km long GIC Sukauli to Dungari Rawal motor road. Partial Technical Sanction (TS) of ₹ 1.02 crore, was accorded (March 2011) by the Superintending Engineer (SE).

Scrutiny of records (August 2012) of the Executive Engineer (EE), Provincial Division (PD), PWD, Pithoragarh revealed that the division entered into seven agreements (six in June and one in July 2011) against the above approval for the works related to Part-I[47] after a period of more than five years of getting the financial sanction, which was against the provision of financial rules[48] as sanction should have been renewed at the end of five years. An expenditure of ₹ 51.15 lakh was incurred (November 2012) on this work.

Moreover, it was further noticed that the division had also obtained (November 2005) administrative and financial sanction of ₹ 1.78 crore, on the basis of proposal submitted (October 2004), for construction of 10 km long (nine km new and one km reconstruction and improvement) GIC Sukauli-Hundkhola motor road falling in the same alignment of the road for which the above sanction of 12 km was accorded. In the meantime, ₹ 15.78 lakh were spent (December 2009) against the first sanction for construction of a small stretch of 0.475 km road from the starting point.

Since an amount of ₹ 1.78 crore had already been sanctioned for the said work, either the subsequent sanction of ₹ 2.14 crore was to be surrendered and a separate proposal for remaining two km should have been prepared or the first proposal should have been withdrawn at the time of sending second proposal. Instead, a detailed estimate of ₹ 2.14 crore for 12 km was prepared against which partial TS of ₹ 1.02 crore was accorded (March 2011) by the SE under which the works related to Part-I were carried out, in violation of the Financial Rule as five years had already elapsed from the date of sanction.

On this being pointed out in audit, the division stated (August 2012) that the revised proposal for 12 km was submitted on the demand of the public

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47 Survey, hill cutting, construction of scuppers and kuchha drain.

48 Para- 380 of Financial Hand Book Vol-VI states that the approval or sanction to an estimate for any public work other than annual repairs will, unless such work has been commenced, cease to operate after a period of five years from the date on which it was accorded.

representatives and by that time the earlier proposal was yet to be sanctioned by the Government.

The reply of the Department was not acceptable as while sending the second proposal, the Department should have withdrawn the first proposal for 10 km as it was not approved by the Government by that time. Moreover, it was clearly against the provisions of Financial Rule as second sanction should have been renewed at the end of the five years.

The matter was referred to the Government (November 2012); reply was awaited (January 2013).

Public Works Department

2.12 Avoidable extra expenditure

The division incurred an avoidable extra expenditure of ₹ 39.41 lakh on the use of first coat painting in place of prime coat.

Government accorded (August 2009) administrative and financial sanction of ₹ 4.39 crore for widening and improvement of Barotiwala-Ambari motor road. Technical Sanction of the same amount was accorded (January 2010) by the Chief Engineer, Garhwal region.

Scrutiny of records (July 2012) of the Executive Engineer (EE), Temporary Division, PWD, Sahiya revealed that the provision for laying prime coat amounting to ₹ 8.90 lakh was made in the detailed estimate. The division entered (February 2010) into an agreement[49] of ₹ 4.16 crore with the schedule date of completion being 17 August 2011 and as per the detailed estimate the provision of prime coat was also made in the agreement. However, it was noticed in audit that while executing the work, first coat painting (P1) amounting to ₹ 48.31 lakh was laid, as an extra item, instead of prime coat, which resulted in an avoidable extra expenditure of ₹ 39.41 lakh.

On this being pointed out in audit, the division stated (July 2012) that as per specification, traffic was required to be stopped for 24 hours after laying prime coat but keeping in view the convenience of the local habitants, it was not possible.

The reply was not acceptable as the road was seven meter wide and the work could have been executed with prime coat as per MORTH Specifications[50] by dividing the width of the road into two parts, while laying prime coat on one part and the traffic being allowed on the other half of the road.

Thus, extra expenditure of ₹ 39.41 lakh could have been avoided by laying prime coat without closing entire width of the road to traffic.

The matter was referred to the Government (November 2012); reply was awaited (January 2013).

[49] CB NO.37/ SE-09/ 2009-10 dated 18/02/2010.

[50] Clause 502.6 arrangement for traffic read with Clause 112.1.

Department of Horticulture

2.13 Chief Controlling Officer Based Audit of Department of Horticulture

Highlights

A Chief Controlling Officer (CCO) based Performance Audit of the Department of Horticulture, against its mandate and goals, revealed lack of planning, financial mismanagement, ineffective programme management, human resource mismanagement and absence of adequate internal control and monitoring mechanisms during the period 2007-12. Some of the major findings are as follows:

- *The Department could spend only ₹ 140.33 crore against Central release of ₹ 189.24 crore during the period 2007-12.*

[Paragraph 2.13.10.1]

- *The Department failed to recover departmental receipts amounting to ₹ 2.70 crore.*

[Paragraph 2.13.10.3]

- *The Department irregularly collected ₹ 1.36 crore from farmers for seeds, which were meant for free distribution.*

[Paragraph 2.13.10.4 (iii)]

- *Inadequate irrigation facility resulted in loss of 9417 hectare of planted area under fruit plantation.*

[Paragraph 2.13.12.1]

- *Failure of the State Government to honour its commitment of funding cost escalation resulted in non-establishment of Super Critical Fluid Extraction Unit despite receiving Central Assistance of ₹ 2.40 crore.*

[Paragraph 2.13.12.4]

- *The Chief Executive Officer, Bheshaj Vikas Ikai paid ₹ 0.95 lakh for fictitious supply of planting material.*

[Paragraph 2.13.14.1]

- *The Department purchased vegetable seeds worth ₹ 77.65 lakh without inviting tenders, in violation of provisions of Uttarakhand Procurement Rules, 2008.*

[Paragraph 2.13.15.1]

2.13.1 Introduction

Horticulture is a combination of two latin words *hortus* (garden) and *cultura* (cultivation). The primary objective of the Department of Horticulture (DoH) is to promote horticulture by expanding the outreach of interventions *viz.* area expansion, irrigation facility and implementation of new technology in respect of quality seeds, plants and fertilizers along with value addition of the products to the farmers. It also envisages affordable and efficacious services involving transfer of technology, storage, marketing and export of the horticulture produce, as outlined in the guidelines of Horticulture Technology Mission for North East and Himalayan

State (HMNEH) in the year 2003-04 and 2010-11. The Department is also engaged in promotion of Sericulture, Tea Plantation, Medicinal and Aromatic Plants (MAPs) by creating infrastructure in the State.

In Uttarakhand, Directorate of Horticulture and Food Processing (DoHFP), Directorate of Sericulture (DoS), Chief Executive Office of Bheshaj[51] Vikas Ikai (BVI), Uttarakhand Tea Development Board (UKTB), Herbal Research and Development Institute (HRDI) and Centre of Aromatic Plants (CAP) were established in the year 1953, 2001, 2006, 2004, 1989 and 2003 respectively under the Department of Horticulture.

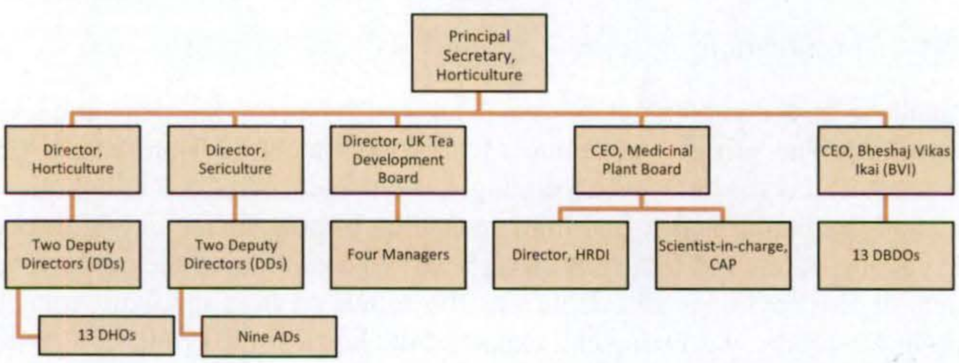
Under DoH, 285 Udhyan Sachal Dal Kendras (Mobile Teams) are functioning and 75 Resham farms are operating under the Sericulture Directorate. Besides, the State has two Research and Development (R&D) Institutes *viz.* HRDI at Chamoli and CAP at Selaqui, Dehradun while UKTB, engaged in promotion of tea cultivation, is based at Almora. It is a Government of Uttarakhand (GoU) undertaking registered under Societies Registration Act, 1860.

The Department delegated its function through 22 DDOs including four under DoS and one under BVI respectively. It functioned with 64 *per cent* of sanctioned strength of 3,655 personnel while existing men-in-position in the Group-A, B, C and D was 70 *per cent*, 50 *per cent*, 59 *per cent* and 68 *per cent* respectively.

2.13.2 Organizational Set-up

The Principal Secretary, Department of Horticulture is the administrative head and overall in-charge of the Department. He/ She is assisted by the Director, Horticulture and Food Processing (DH), Director, Sericulture (DS) and Chief Executive Officer (CEO), Bheshaj Vikas Ikai (BVI) who ensure implementation of departmental activities and District Horticulture Officers (DHOs), Assistant Directors, Sericulture and District Bheshaj Development Officers (DBDOs) execute the schemes at district level. Besides, other ancillary offices, Director, UKTB, Almora, Director, HRDI, Gopeshwar, Chamoli and Scientist-in-charge, CAP, Selaqui, Dehradun are also assisting in the horticultural activities in the State. The organizational Set-up of the Department is depicted in **Chart 1** below:

Chart-1



[51] Bheshaj is a sanskrit word which means medicinal plants/pharmaceuticals (Jari-booty).

2.13.3 Audit Mandate, Scope and Methodology

The CCO based Audit of the Department of Horticulture was conducted, as mandated under Section 13 of the Comptroller and Auditor General's (Duties, Powers & Conditions of Service) Act, 1971, during May 2012 to August 2012, through test-check of records' pertaining to the period 2007-08 to 2011-12, of the offices of DH, DS, CEO, Bheshaj, the Director, UKTB, the Director, HRDI, Scientist-in-charge, CAP, and selected district level offices of Horticulture, Sericulture and Bheshaj Department. Five[52] district level offices of Horticulture, Sericulture and Bheshaj, out of 13 districts of the State were selected, using Stratified Probability Proportional to Size With Replacement (SPPSWR) Sampling method. The audit was carried out through issuance of audit memos, filling of questionnaires and collection of data from the sampled units and other line agencies including horticulture mobile teams, food processing units and Resham farms. Audit also conducted beneficiary survey of horticulturists of sampled districts through internally designed questionnaires.

Before commencing of audit, the audit objectives, criteria and scope were discussed (April 2012) with the Additional Secretary, Horticulture and other departmental authorities in an Entry Conference. Audit findings were discussed with the Principal Secretary, Horticulture and other officers of the Department in an Exit Conference (December 2012) and views of the Government/ Department have been incorporated suitably in the Report.

2.13.4 Audit Objectives

The objectives of the CCO based Performance Audit were to assess whether:

- Planning and programme management was economical, efficient and effective;
- Adequate funds were budgeted, allocated and utilized for the intended purpose in the Department;
- Procedures for procurement and inventory controls were in place and effective;
- Human Resource Management was adequate and manpower was deployed and utilized effectively;
- Internal control System was effective; and
- Monitoring and Evaluation was in place and effective to ascertain the impact of the programmes and that the know-how was transferred by Scientific Institutions.

[52] Almora, Chamoli, Dehradun, Haridwar and Tehri.

2.13.5 Audit Criteria

Audit criteria has been derived from the following sources:

- Guidelines for various schemes under Horticulture, Sericulture and Government Orders thereon;
- Departmental Rules, Regulations, Manuals and Bye-laws;
- Provisions of the Financial Handbook and Budget Manual; and
- Uttarakhand Procurement Rules, 2008.

2.13.6 Schemes Being Implemented in the Department

The Department of Horticulture had been consistently implementing various State and Centrally Sponsored Schemes to promote Horticulture, Sericulture, Medicinal and Aromatic Plants (MAPs). The brief of schemes implemented during 2007-12 was as under:-

- **State Sponsored Scheme:-** The Department had been operating fully / partially State Sponsored Schemes for promotion of departmental activities including Bee-keeping, Post Harvest Management, Weather Based Horticulture Insurance, Food Processing, Mulberry Plantation and Tea Cultivation etc.

- **Centrally Sponsored Scheme:-** The Department had been involved mainly in execution and management of Horticulture Mission for North East and Himalayan States (HMNEH), Rashtriya Krishi Vikas Yojna (RKVY) and Catalytic Development Programme (CDP).

These schemes have been discussed in various paragraphs of the Report.

2.13.7 Human Resources Management in the Department

The Directorate of Horticulture and Food Processing including the Directorate of Sericulture and the CEO, Bheshaj had been functioning with manpower of only 2,345 (64 *per cent*) against the sanctioned strength of 3,655 to achieve its multipronged objectives of developing horticulture, sericulture and MAPs plantation in the State. Its undertaking namely Uttarakhand Tea Development Board and Research & Development (R&D) Institutions did not recruit permanent manpower in the category of technical/ scientific officers. It had an adverse impact on R&D activities. The Department does not have any recruitment policy and did not initiate any recruitment process despite the forthcoming retirement of 25 *per cent* of existing personnel in the next five years. Details are given in paragraphs 2.13.13.1.

2.13.8 Internal Control and Monitoring Mechanism in the Department

Internal control is designed to provide reasonable assurance that the Department's general objectives are being achieved. Audit found that internal control and monitoring system in the Department was very weak. The Control environment was not effective enough in ensuring compliance of applicable rules and regulations, maintaining timely delivery of service to beneficiaries, assessing cost-benefit ratio, preventing losses and fixing accountability. Further, absence of norms for field inspections and scant number of internal audits led to non-detection of these system breaches. The details are pointed out in succeeding paragraph 2.13.14.1 to 2.13.14.7 and also other different paragraphs.

2.13.9 Planning

All programmes of the Department were primarily aimed at promotion of Horticulture, Sericulture and Herbal development in the State along with area expansion, creation of water sources and enhancing production of horticulture produce, cocoon and Medicinal and Aromatic Plants (MAPs). For achievement of these objectives, it was pertinent for the Department to develop and formulate a planned approach in order to efficiently and effectively implement various programmes. However, audit observed lack of proper planning in the Department which led to non-achievement of intended outcome under various operational schemes as brought out in succeeding paragraphs.

2.13.9.1 Inadequate Planning

(i) Baseline survey and engagement of experts

As per provisions contained in paragraph no. 2(i) and 5.2.2 (b), paragraph no. 2 (ii, v) and paragraph no. 7.1 of the Operational Guidelines of Horticulture Mission for North East and Himalayan States, 2004 (revised in 2010), the Department is required to conduct baseline survey and feasibility study to identify beneficiaries, prepare project report integrating all aspects of horticulture development by engaging experts and an Annual Action Plan (AAP) incorporating requirements under various missions[53] respectively, for execution after approval from the State Level Steering Committee (SLSC) to develop Horticulture.

The Director, Horticulture, in contravention of the above mentioned provisions did not conduct' baseline survey and feasibility study to identify beneficiaries and prepare the project report integrating all aspects of horticulture development by engaging experts. Instead, the Department prepared AAP on the basis of feedback received from their Mobile Teams incorporating components of only Mission-II and, therefore, other Mini Missions remained unaddressed even at the State level.

On being pointed out, the Nodal Officer, Horticulture Mission stated (August 2012) that the Department did not conduct baseline survey due to non-availability of a suitable Agency. However, the Principal Secretary, Horticulture stated during Exit Conference (December 2012) that a comprehensive base survey was being conducted which would be completed by February 2013. The production data will help in planning and setting up of infrastructure for post harvest management, marketing and processing.

(ii) Constitution of Technical Support Group

As per paragraph no. 5.4.1 of the Operational Guidelines of Horticulture Mission for North East and Himalayan States, 2004 (revised in 2010), the Department should be strengthened by Technical Support Group (TSG) through engaging

[53] Mission I (Research), II (Production and Productivity improvement), III (Post Harvest Management, marketing and export) and IV(Food Processing Unit).

technical persons and experts to advice, formulate, to appraise and to monitor the implementation of programmes.

Audit scrutiny revealed that the Department did not constitute TSG for the implementation of horticulture programmes.

The Department in its reply stated (August 2012) that constitution of TSG was awaiting Government approval. However, the Principal Secretary, Horticulture stated during Exit Conference (December 2012) that the Department had proper expertise. He also stated that the Nodal Officer, HMNEH had been deputed as expert and others would be hired if needed.

2.13.9.2 Non-application of Modern technology

In contravention of provisions contained in Paragraph no. 13.15 of the Operational Guidelines of Mission, 2004, DH did not collaborate with the Department of Meteorology (DoM) and Remote Sensing Agency to assess production forecast and to gather weather data with an objective to prepare a realistic and achievable Action Plan by incorporating production forecast of horticulture crops for assessment and, therefore, could not incorporate data on production forecasts and identification of site in AAP.

The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that data provided by Meteorological Department was of general nature which did not serve the specific purpose of horticulture. However, he also stated that Disease Forecasting Units/ Weather Stations were being setup to forecast the diseases in horticulture crops based on the weather parameters in Govind Ballabh Pant University of Agriculture and Technology (GBPUAT), Pantnagar and Horticulture University Bharsar. He further added that it was not feasible to asses production forecast of perennial horticulture crops with the use of Remote Sensing Data.

2.13.9.3 Non-application of e-Governance

The Government of Uttarakhand (GoU) adopted its IT Policy in August 2006 to harness the full power of Information and Communication Technology (ICT) to create an ideal e-society model through efficient, service oriented, cost effective, eco-conscious information network. Besides, HMNEH which is an important programme for Horticulture being implemented in the State also envisaged in its Guidelines to provide for adoption of Information Technology for making all horticulture related information available on Website by establishing hyper linkages with other departments, ministries & organization and to make available online information of projects, beneficiaries within six months of commencement of the scheme (HMNEH). The scheme further envisaged that linkages should also be established with Community Information Centres set up by the Department of Information and Technology of the State.

Audit scrutiny revealed that the Department had neither adopted IT Policy nor launched its website for dissemination of information to public despite earmarking of funds of ₹ 14.00 lakh under HMNEH during 2010-11.

The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that limited broadband connectivity and non-completion of State data centres were the main hurdles in the matter and assured that mobile based package was under consideration of the State Government.

2.13.9.4 Non-convening of meeting of Governing Body

The Gazette Notification (Extraordinary) of GoU (March 2003) provides that there shall be a Governing Body (GB) under the chairmanship of the Principal Secretary and Commissioner, Forest and Rural Development Branch to take decision on the policy based administrative matters in respect of HRDI. Further, the Chairman stated (May 2004) that the Department should convene meeting of Governing Body at regular intervals of four months.

Audit scrutiny revealed that GB, in contravention of norms of 25 meetings, could conduct only six meetings during the period from January 2004 to March 2012. Moreover, meetings were not held due to shortage of scientific, administrative staff and restructuring of MAP sector in 2009. This affected timely decisions in a number of matters relating to slow progress in institutional activities and budget. The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that GB was dissolved (March 2011) to pave the way for an umbrella structure in the form of the State Medicinal Plant Board (SMPB) and the same had been carried out with due approval from the Cabinet.

Thus, non-convening of GB restricted the growth of the Institution.

2.13.10 Financial Management

Proper financial management entails budgeting of funds on realistic assessment of requirements and effective utilization of available funds and ensures that operational activities do not suffer for want of funds. Audit revealed mismanagement of State and Central funds as brought out in succeeding paragraphs.

The year-wise details of resources and their application under State budget and Centrally Sponsored Scheme by all the Directorates during the period 2007-08 to 2011-12 are given in **Table 2.13.1(A)** and **Table 2.13.1 (B)** below:

Table-2.13.1(A)

Sources of funds

(₹ in crore)

Heads of receipts through Budget	Name of Department	Opening Balance	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Salaries and Wages	Horticulture		31.00	42.42	46.59	61.84	57.73	**239.58**
	Sericulture		3.00	4.18	4.21	4.72	5.48	**21.59**
	Bhesaj		1.71	2.55	1.93	2.28	2.56	**11.03**
Total of Salaries and Wages			**35.71**	**49.15**	**52.73**	**68.84**	**65.77**	**272.20**
Administration	Horticulture		7.04	6.95	5.16	5.07	6.97	**31.19**
	Sericulture		0.81	1.10	0.74	0.60	0.60	**3.85**
	Bhesaj		0.46	0.44	0.36	0.34	0.36	**1.96**
Total of Administration			**8.31**	**8.49**	**6.26**	**6.01**	**7.93**	**37.00**

Heads of receipts through Budget	Name of department	Opening Balance	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Centrally Sponsored Scheme	Horticulture		28.40	20.00	20.76	29.00	39.00	137.16
	Sericulture	0.04	1.53	0.73	5.00	8.08	7.62	23.00
	AB	1.25	2.46	4.38	4.42	12.28	4.29	29.08
Total of Centrally Sponsored Scheme		1.29	32.39	25.11	30.18	49.36	50.91	189.24
State Sponsored Scheme	Horticulture		38.93	33.35	33.48	18.85	22.29	146.90
	Sericulture		4.43	2.88	2.67	2.65	2.66	15.29
	Bheshaj		2.57	2.76	1.07	1.79	0.85	9.04
Total of State Sponsored Scheme			45.93	38.99	37.22	23.29	25.80	171.23
Grand Total		1.29	122.34	121.74	126.39	147.50	150.41	669.67

Source:-Information provided by the Department

Table-2.13.1(B)

Application of funds

(₹ in crore)

Heads of expenditure	Name of Department	2007-08	2008-09	2009-10	2010-11	2011-12	Total	Closing Balance
Salaries and Wages	Horticulture	31.00	42.43	46.59	61.84	57.73	239.59	
	Sericulture	2.66	3.76	4.16	4.71	4.96	20.25	
	Bheshaj	1.26	1.73	1.93	2.24	2.28	9.44	
Total of Salaries and Wages		34.92	47.92	52.68	68.79	64.97	269.28	
Administration	Horticulture	7.04	6.95	5.16	5.06	6.97	31.18	
	Sericulture	0.72	0.97	0.65	0.58	0.54	3.46	
	Bheshaj	0.32	0.40	0.34	0.33	0.36	1.75	
Total of Administration		8.08	8.32	6.15	5.97	7.87	36.39	
Centrally Sponsored Scheme	Horticulture	28.40	20.00	19.83	16.23	16.93	101.39	35.77
	Sericulture	0.54	1.42	3.73	5.87	6.28	17.84	5.16
	AB	2.02	1.43	1.60	6.98	9.07	21.10	7.98
Total of Centrally Sponsored Scheme		30.96	22.85	25.16	29.08	32.28	140.33	48.91
State Sponsored Scheme	Horticulture	38.93	33.35	33.48	18.85	22.29	146.90	
	Sericulture	4.26	2.73	2.66	2.64	2.56	14.85	
	Bheshaj	1.99	2.70	1.05	1.64	0.75	8.13	
Total of State Sponsored Scheme		45.18	38.78	37.19	23.13	25.60	169.88	
Grand Total		119.14	117.87	121.18	126.97	130.72	615.88	48.91

Source: Data provided by the Department

Note: AB (Autonomous Body) involves HRDI, CAP and UKTB under Centrally Sponsored Scheme. The budget of Horticulture Department under State budget also includes status of funds of HRDI, CAP and UKTB.

Analysis of resources and their application revealed the following:

- The expenditure under Non-Plan[54] had been progressively increasing from 49 *per cent* in 2007-08 to 74 *per cent* in 2011-12, while Planned expenditure of the Department had disproportionately been going down from 51 *per cent* to 26 *per cent* during the period.
- It was also observed that the State funding for developmental work continued to fall from 59 *per cent* in 2007-08 to 34 *per cent* in 2011-12 despite growth in Central funding from 41 *per cent* to 66 *per cent* during the same period.

Besides, some other points on financial management are discussed below:

[54] Salaries & wages and administration.

2.13.10.1 Under-utilization of funds to the tune of ₹ 48.91 crore

The Department could spend only ₹ 140.33 crore against the overall Central release of ₹ 189.24 crore (including previous OB) during the period 2007-12, thereby resulting in an increase in opening balance from ₹ 1.29 crore to ₹ 48.91 crore and consequent saving of funds to the tune of 26 *per cent*.

It was also noticed that there was a declining trend[55] in utilization of funds ranging between 95 *per cent* and 32 *per cent* due to slow execution of Annual Action Plan during 2009-12 under DoHFP. Further, 26 *per cent* of available Central assistance under HMNEH could not be utilized leading to spill over in next financial years in implementation of Annual Action Plan (AAP).

The Principal Secretary, Horticulture accepted the facts during Exit Conference and stated (December 2012) that underutilization of Central funds was mainly due to procedural delays in releasing funds on account of following stricter norms laid down in Uttarakhand Procurement Rules, 2008, release of funds by the GOI at the fag end of financial years during 2007-12 and non-availability of quality planting materials in the State. However, he stated that the utilization of funds had greatly improved in the financial year 2012-13.

2.13.10.2 Retention of funds by Uttarakhand Small Farmers' Agri- Business Consortium (USFAC)

The USFAC, DoH, under delegation of financial powers is responsible for releasing funds to DHOs through Nodal Officer without any delay.

Audit scrutiny revealed that USFAC released funds ranging between ₹ one crore and ₹ 15.00 crore with a delay ranging between 11 and 86 days on 13 out of 19 occasions during the period from January 2007 to March 2011, Consequently, USFAC retained funds ranging between ₹ 0.67 crore to ₹ 5.01 crore during the period from March 2007 to March 2012.

The Principal Secretary, Horticulture during Exit Conference (December 2012) accepted the facts and stated that delays in release of funds were mainly due to shortage of staff, frequent strikes by employees and elections in the State. Moreover, he also attributed it to release of funds by GOI at the fag end of financial years, unspent balances at district level and less demand from the districts. However, he assured that the time limit in releasing funds would be adhered to in future.

2.13.10.3 Outstanding recovery of departmental receipts of ₹ 2.70 crore

As per Article 86 of Financial Handbook Vol. V (Part I), dues of the Government should be regularly paid into the treasury and should be properly entered into the departmental accounts.

[55] Please refer to row no. 9 of table 2.12.1(B).

DoHFP was in the practice of selling planting material, produced in its garden/ nurseries, to horticulturists through horticulture mobile unit, functioning in the jurisdiction of DHOs.

Audit scrutiny revealed that the Department sold planting material (fruit saplings, vegetable seeds, potato seeds and decorative plants) costing ₹ 2.70 crore to 18 out of 23 departmental offices, institutions and individuals, but could not collect the cost from them due to laxity on the part of district level offices. Further, it was also noticed that outstanding recovery of ₹ 2.42 crore at the end of 2007-08 increased to ₹ 2.70 crore as of March 2012.

On this being pointed out, the Principal Secretary, Horticulture during Exit Conference (December 2012) termed the issue of non-recovery of receipts as a matter of serious concern and instructed the Director, DoHFP to expedite recovery.

2.13.10.4 Mis-management of Rashtriya Krishi Vikas Yojana Funds

The Rashtriya Krishi Vikas Yojana (RKVY), started by GOI in 2007, is a 100 *per cent* Centrally funded scheme. It aims at achieving four *per cent* annual growth in the agriculture sector by ensuring a holistic development of agriculture and allied sectors.

GOI sanctioned (September 2009) ₹ 3.76 crore under RKVY for 'Seed distribution project as a drought compensatory plan'. The project envisaged benefitting ₹ 2.13 lakh farmers by providing them with free seed minikits during Rabi season (sowing season from October to December), thus compensating the economic losses incurred due to lack of rainfall in Kharif season (sowing season from June to July) of 2009-10.

Audit scrutiny revealed that the Department mismanaged the project funds as discussed in the following paragraphs:

(i) Delayed release of funds of ₹ 3.76 crore by the State Government

Audit found that the State Government took more than four months to release (February 2010) funds of ₹ 3.76 crore to DH after it received (September 2009) the amount from GOI. The delay on the part of GOU defeated the objectives of the project as Rabi season (sowing time from October to December) was already over. The seeds worth ₹ 3.42 crore were procured (2010-11) and supplied to DHOs from April 2010 to March 2011 for further distribution to the farmers. Thus, the seed assistance reached the farmers after a delay of seven months to eighteen months against the targeted time depriving the drought hit farmers of timely help.

On this being pointed out, the Principal Secretary, Horticulture accepted during Exit Conference (December 2012) that delay in release of funds had deprived the drought hit farmers of timely compensatory help and attributed it to shortage of staff.

(ii) Diversion of funds of ₹ 2.20 crore

The project, with total cost of ₹ 3.76 crore, envisaged benefitting ₹ 2.13 lakh farmers by providing them with free seed mini kits of pea, bean and mixed vegetables worth ₹ 3.12 crore. Fertilizers and Pesticides worth ₹ 49.10 lakh[56] were also to be distributed along with vegetable seeds to ensure proper germination, growth and production.

Audit observed that the Department procured (April-June 2010) vegetable seeds worth ₹ 1.22 crore only. The Secretary, Horticulture diverted ₹ 2.20[57] crore towards procurement (January 2011) of turmeric, ginger and garlic out of the above fund in spite of the fact that these items were not included in the project proposal. Out of the remaining amount, ₹ one lakh was expended on administrative items and ₹ 33 lakh was surrendered.

Procurement of spice seeds was funded from this project in spite of the fact that another project for spice crops was in the process of sanction in the form of "Seed assistance to vegetable and spice farmers' under stream-II of RKVY, which was approved by GOI in September 2011. RKVY guidelines clearly state that there should be no duplication or overlapping of activities. The Department also made the entire investment in vegetable seeds vulnerable to failure by not purchasing fertilizers and pesticides.

Government's reply was awaited (January 2013).

(iii) Irregular recovery of ₹ 1.36 crore from farmers

Scrutiny of the records of DH revealed that all the DHOs[58] had recovered 25 *per cent* (from May to October 2010) and 50 *per cent* (from October 2010 onwards) of seeds' cost from farmers who were distributed seeds under the project. A cumulative amount of ₹ 1.36 crore was recovered up to 31st July 2012. The amount was recovered from farmers in spite of the fact that lack of rainfall had adversely affected their economic condition and this project was devised to protect them from grave economic impact caused by it. This was in contravention of the terms and spirit of project plan approved by GOI which stipulated that seeds would be distributed free of cost.

Further scrutiny revealed that the DHOs had deposited the recovered amount in irregularly opened Bank Accounts. They had also spent ₹ 0.54 crore, on procurement of various seeds, out of ₹ 1.36 crore recovered. This parking of funds in banks and subsequent expenditure was in violation of Article 21 of Financial Hand Book, Volume-V, Part-I which stipulated that all moneys received should be paid in full into the treasury and should not be appropriated for departmental expenditure.

The Department failed to safeguard farmers' interest which was sought in the project. Further, it not only violated the aforesaid Rule but also infringed upon

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[56] ₹ 18.55 lakh and ₹ 30.55 lakh respectively.

[57] Turmeric- ₹ 31.31 lakh, Ginger- ₹ 162.84 lakh and Garlic - ₹ 25.93 lakh.

[58] Excluding DHO, Udham Singh Nagar and DHO, Haridwar.

the authority of Legislature by keeping the above irregularly recovered amount out of Government accounts and spending ₹ 54.02 lakh without approval of the Legislature.

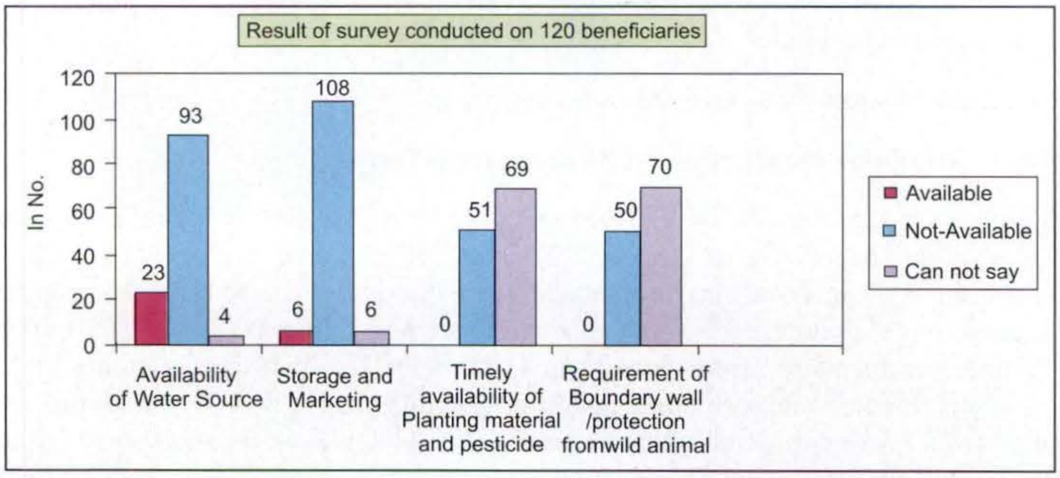
The Principal Secretary, Horticulture accepted the facts during Exit Conference (December 2012) and termed it as a serious matter. He also assured audit of constituting an inquiry into the matter.

2.13.11 Compliance/ Propriety Audit

2.13.11.1 Beneficiary survey

In an attempt to ascertain the actual benefits to the farmers, Audit conducted a beneficiary survey of 120 horticulturists in the area of operations of 12 sampled mobile centers (11 *per cent)* out of 108 mobile centres in four districts through internally devised questionnaires. A departmental representative was always present along with the audit team during the process. Results of survey are given in **Chart 2** below:

Chart-2



- Ninety three horticulturists (77.5 *per cent*) were suffering from lack of irrigation facilities.
- One hundred and eight horticulturists (90 *per cent*) had no access to storage and marketing facilities for horticulture produce.
- Fifty one horticulturists (43 *per cent*) were not satisfied with the quality of inputs provided by the Department and supply of planting material/ seeds after sowing period.
- Fifty horticulturists (42 *per cent*) sought boundary wall to prevent damages caused by wild animals.

Impact of these deficiencies is discussed in the succeeding paragraphs.

The Principal Secretary, Horticulture, during Exit Conference, appreciated the beneficiary survey and stated (December 2012) that it was not feasible to meet every demand of the horticulturists due to limited resources with the Government.

2.13.11.2 Loss of ₹8.45 lakh incurred on Nurseries operated by Bheshaj Sanghs

Bheshaj Sahkari Sanghs are registered by BVI, Dehradun. They get financial support from BVI under district plan for various activities including operation of nurseries for production of planting material required by the BVI for cultivation of various medicinal plants/ herbs.

Details of expenditure on nurseries and income from sale of plants to the BVI during the period (April 2007 to March 2012) in the test checked districts[59] are given in Table No. 2.13.2 below:

Table-2.13.2 *(Amount in ₹)*

Year / District	N	2007-08		2008-09		2009-10		2010-11		2011-12	
		E	I	E	I	E	I	E	I	E	I
Almora	1	0	0	0	0	0	0	22725	0	35600	16212
Chamoli	2	26430	0	180835	6600	43508	10000	21545	0	70590	0
Dehradun	1	22165	10650	41245	0	35191	1040	41548	2100	43745	58943
Tehri	1	170620	0	48714	4500	41000	1800	56000	300	56000	300
Total		**219215**	**10650**	**270794**	**11100**	**119699**	**12840**	**141818**	**2400**	**205935**	**75455**

Source:-Information provided by Department.
Note: N: Number of Nurseries, E: Expenditure on Nurseries, I: Income from Production

As would be seen from the above table, income from the sale of planting material produced ranged between 1.70 *per cent* and 36.64 *per cent* of expenditure incurred on these nurseries during 2007-08 to 2011-12. Bheshaj Sanghs suffered heavy losses ranging between 60.44 *per cent* and 98.14 *per cent* of expended amount during 2007-08 to 2011-12. They incurred cumulative loss of ₹ 8.45 lakh in these five years, which was 88.26 *per cent* of the total expenditure on nurseries.

Audit found that Sanghs incurred expenditure on construction works, lease rent of nursery land and salary of guards etc., but failed to sow seeds every year. Bheshaj Sangh, Chamoli and Tehri sowed seeds only once in the five year period while Bheshaj Sangh, Dehradun did not sow seeds in 2009-10. At the same time, Bheshaj Sangh Tehri provided saplings worth ₹ 15.51 lakh to BVI by procurement from open market between 2007-08 to 2010-11. Bheshaj Sanghs were also reluctant to sell plants produced. Thus, expenditure on non-productive items as described above, non-sowing of seeds and failure to sell plants produced led to non-recovery of costs in all the nurseries resulting in this loss.

BVI never reviewed the performance under the scheme in spite of receiving Monthly Progress Report (MPR) of production and sale each month. Failure on the part of Department resulted in non-recovery of costs to the tune of ₹ 8.45 lakh (2007-08 to 2011-12) leading to loss of public money.

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59 Excluding Haridwar, where DBDO failed to provide required records.

The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that sowing of seeds and sale of plants was based as per demand from market, so it was not necessary to sow seeds and sell plants in a particular year.

The reply was not acceptable in view of the fact that Bheshaj Sangh Chamoli and Tehri did not sow seeds in four out of five year period, but still expended on non-productive activities, leading to this loss. At the same time, BVI procured saplings worth ₹ 1.12 crore during 2007-08 to 2011-12 for distribution to the farmers of the whole State, which contradicts Government's reply that poor market demand might be the reason for non-sowing of seed.

2.13.11.3 Lack of Research and Development

The objective of HRDI is to conduct surveys, to protect, to re-produce and to cultivate threatened herbs of Uttarakhand. The State Government (September 2006) categorized 47 species and 16 species of different herbs under threatened and sustainable collection categories respectively. The Project Report on HRDI prepared (1989) by Ayurveda and Unani Sewa Nidhesalaya, Uttar Pradesh, Lucknow, envisaged to equip the Institute with latest R&D related facilities and equipment to carry out scientific research based on the principle of Herbonomy with the following Laboratory facilities.

- Pharmacognosy Laboratory deals with scientific collection of information on Herbs to enable collector in identification of herbs.
- Pharma Seed Laboratory deals in ensuring scientific conservation of seeds.
- Phyto Chemistry Laboratory deals with chemical analysis of plants.
- Pharmacology Laboratory deals with the study of effect of different parts of plant on human body.
- Micro Biology Laboratory to perform microbiological study of plants.

Audit scrutiny revealed that HRDI, in contravention of the Project Report, could not equip itself with laboratory facilities and conducted 48 nursery based botanical R&D activities. Further, the Institute conducted 13 R&D activities on chemical analysis of plants after installation of Phyto-Chemistry Laboratory in 2010-11. Moreover, it was seen that HRDI could protect, re-produce and promote cultivation of only five[60] out of 63 herbs of extinct and endangered plants, since its establishment (1989) due to limited manpower.

In addition, HRDI restricted itself to carrying out R&D on the basis of survey work, documentation of traditional knowledge, field extension activities and collection of plant samples, which was inconclusive without laboratory testing.

On this being pointed out, the Director, HRDI accepted (June 2012) the facts and stated that its mandate could not be achieved without establishing the remaining four facilities and also due to constraints of manpower against scientific personnel. Further, the Director, HRDI added that it was not in possession of propagation/

[60] Aconitum heterophyllum, Picrorrhiza kurrooa, Saussurea costus, Valeriana jatamansi/ V.officinalis and Rauvolfia serpentine.

cultivation protocols of most of the Himalayan endangered species. However, the Principal Secretary, Horticulture also assured (December 2012) during Exit Conference that steps would be taken to protect all the endangered species of herbs.

2.13.11.4 Functioning of UK Tea Board, Almora

In Uttarakhand, tea production was started after plantation of tea in 1835 AD at Almora. The area under tea cultivation in the State had increased from 4,426 hectare in 1,880 to 8,800 hectare in 1950. The present area under tea cultivation is 752 hectares as of June 2012.

Considering the existence of tea plantation, the then Hill Development Department, Uttar Pradesh Government launched Uttarakhand Tea Development Project in March 1994 and its responsibility was given to Kumaon Mandal Vikas Nigam (KMVN). The Tea Development was placed (May 2001) under the control of DoHFP during reorganization of DoH. A separate body, Uttarakhand Tea Development Board (UKTB) was established for sustainable development of tea cultivation in the year 2004. Scrutiny of records of UKTB revealed the following:

(i) Loss of ₹ 1.17 crore due to non-revision of rates of green leaf

The erstwhile executing agency "KMVN" (First Party) entered into an agreement with M/s Girias Investment Pvt. Ltd. (Second Party) on 7th June 2001 to convert produced Green leaf of Kausani garden into Made Tea. The agreement would be valid for 25 years. The agreement states the following terms and conditions in respect of the supply of green leaf to the Company and marketing of processed tea leaf.

- The second party will form a company under the name and style of "M/s Kausani Tea Company Pvt. Limited or Uttaranchal Tea Company Pvt. Ltd." which ever name is available in joint collaboration with the first party.

- The Company was to buy the green leaf for the first five years depending on the standard of percentage of plucked green leaf in a unit weight. The details for calculation of rates of green leaf are given in **Table No. 2.13.3** below:

Table-2.13.3

Percentage of two leaf and one buds in one Kilogram of plucked leaf	75% and above	70%-74%	65%-69%	below 65%
Rate per kilogram	₹ 13/-	₹ 12/-	₹ 11/-	Rate would reduce by ₹ one per kg for each 2 *per cent* drop in fine percentage

Source: Information provided by the Department

- The price of green leaf was to be amicably settled between both the parties according to the prevailing market price of green leaf in other parts of the country such as Himachal Pradesh, Darjeeling, Dooars and Conoor after completion of five years.

Plucking of tea leaves at Tea Garden, Kausani (June 18, 2012)

- The Company was to make payments for the green leaf purchased from the UKTB on a monthly basis, failing which an interest @ 18% per annum was to be charged.

Audit scrutiny revealed that UKTB, in contravention of agreement to amicably settle rate of green leaf, continued to supply green leaf without revision (due[61] in June 2006) of the old rate. It supplied 10967.53 quintals of green leaf costing ₹ 1.26 crore at an average rate of ₹ 1,100 to ₹ 1,200 per quintal to the Company during the period 2007-12 whereas Tea Research Association (TRA) revised its rate from ₹ 18 - ₹ 20 per kg in 2006 to ₹ 25 - ₹ 28 per kg in 2009 and therefore, suffered an accrued loss of ₹ 1.17 crore calculated on the basis of minimum rate recommended by the TRA during the period 2007-12.

The details of green leaf supplied, amount outstanding to the Company and loss incurred are given in **Table No. 2.13.4** below:

Table- 2.13.4 ***(Weight in quintal and ₹ in lakh)***

Year	Green leaf Supplied	Avg. rate per quintal (in ₹)	Total Cost	Payment made	Outstanding payment	Loss due to non-revision of rate on the basis of minimum recommended rate by TRA		
						Min. rate (in ₹)	Estimated Cost	Accrued Loss
2007-08	2031.56	1140	23.16	12.50	10.66	1800	36.57	13.41
2008-09	2420.72	1158	28.03	26.70	1.33	1800	43.57	15.54
2009-10	1826.20	1061	19.38	20.09	-0.71	2500	45.65	26.27
2010-11	2040.95	1145	23.37	23.38	-0.01	2500	51.02	27.65
2011-12	2648.10	1209	32.02	31.00	1.02	2500	66.20	34.18
Total of 2007-12	**10967.53**		**125.96**	**113.67**	**12.29**		**243.01**	**117.05**
Total of 2003-12	**16802.93**		**191.04**	**175.10**	**15.94**			

Source:- Information provided by Department

In addition, it was also observed that the Company did not follow provision of agreement to make payment in respect of supply of green leaf on monthly basis and this, therefore, resulted in accumulation of outstanding dues amounting to ₹ 15.94 lakh (March 2012) including ₹ 3.65 lakh for the period 2003-07. UKTB stated in response to an audit query in respect of revision of rate of green leaf that it had

[61] As per the condition 6 (j) of the agreement dated 7.6.2001, the price of green leaf would be amicably settled between both the parties according to the prevailing market price of green leaf in the other part of the country after completion of five years of agreement. Therefore, the revision of rate of green leaves was due on 7th June 2006.

been making protracted correspondence and arranged meetings with the Company to revise the rate but the Company did not do so. Thus, UKTB failed to exercise its power under terms and conditions 6(j) of the agreement on revising the rate amicably which resulted in loss of ₹ 1.17 crore along with previous dues of ₹ 15.94 lakh.

(ii) Non-recovery of cost of green leaf ₹ 34.43 lakh

The UKTB in its meeting (January 2006) resolved to establish Tea Factory and accordingly entered into an agreement (21st March 2006) with M/s Tambros Tea Company Limited (TTCL), Delhi to set up Tea Factories each at Nauti and Champavat to convert Organic Green leaf to Made Tea with a view to improve the quality of tea. Some important terms and conditions were as under:

- The UKTB was to sell all the green leaf produced under Nauti and Champawat Tea Estate to M/s TTCL.
- M/s TTCL was to make payment to UKTB on monthly basis failing which interest @ 11 *per cent* per annum was to be charged by UKTB.
- The agreement empowered Government of Uttarakhand to make any amendment in above clauses in future which was to be followed by both the parties.

Audit scrutiny revealed that UKTB supplied 2,01,396.55 kilograms of green leaf at the rate of ₹ 20/- per kg costing ₹ 40.28 lakh during the period 2006-07 to 2011-12 (up to April 2011) and the Company made payment of only ₹ 13.50 lakh against the supply made till 18th February 2010.

The garden-wise details of supply cost of green leaf and amount due from M/s TTCL is given in **Table 2.13.5** below:

Table-2.13.5

Year	Supply of Organic Green Leaf by UKTB (in Kg.)			Cost of Green Leaf supplied to M/s TTCL (₹ *in lakh*)		
	Nauti	Champawat	Total	Admissible	Paid	Outstanding
2006-07	16002.15	7262.50	23264.65	4.65	3.00	1.65
2007-08	25798.10	13222.00	39020.10	7.81	-	7.81
2008-09	28208.30	16563.00	44771.30	8.95	7.00	1.95
2009-10	19063.00	18512.90	37575.90	7.52	3.50	4.02
2010-11	22463.70	28830.20	51293.90	10.26	-	10.26
2011-12	1912.30	3558.40	5470.70	1.09	-	1.09
Total	**113447.55**	**87949.00**	**201396.55**	**40.28**	**13.50**	**26.78**
Amount on account of other expense provided to Company in the beginning by UKTB						**2.09**
Penal Interest at the rate of 11 % per annum to UKTB						**5.56**
Grand total						**34.43**

Source: Information provided by Department

Similarly, UKTB did not compel the Company to make payment on monthly basis, as stated in the agreement, for supply of green leaf which led to outstanding dues of ₹ 28.87 lakh and a penal interest of ₹ 5.56 lakh thereon. Moreover, UKTB also never initiated any action prior to 2009 to enforce payment as per the provisions in the agreement.

When the Company was unable to pay outstanding amount upto March 2010, even after its commitment in Board meetings (October 2009) and repeated reminders, the State Government in consultation with Managing Body (March 2011) exercised its power to make amendment under *proviso (ix)* of the agreement and decided (March 2011) to issue notice (April 2011) to the Company to pay only ₹ 30.53 lakh out of total outstanding amount of ₹ 34.43 lakh by 20th April 2011 failing which, supply of green leaf would be stopped. Accordingly, the supply was stopped with effect from 21st April 2011 due to failure of the Company to clear the dues.

Thus, UKTB failed to enforce the agreement which led to accumulation of dues and thereby, suffered a loss of ₹ 34.43 lakh. Besides, UKTB did not establish any processing unit to process green leaf which might affect health of the plants due to non-plucking of leaf after one year. The Director, UKTB accepted (August 2012) the audit observation. He also stated that the processing plant could not be established as the Hon'ble High Court passed order (July 2010) to maintain status quo in respect of Writ Petition No. 1232 (M/s) of 2010[62] which was dismissed (July 2012). However, UKTB could receive judgment only in December 2012 though the order was passed in July 2012.

On this being pointed out, the Principal Secretary, Horticulture assured during Exit Conference (December 2012) that the matter would be looked into and a detailed reply would be furnished.

2.13.11.5 Non-construction of Ropeways under Post Harvest Facility

The State Government sent proposal (2006-07) to construct 31 Gravity based Ropeways at a cost of ₹ 5.67 crore to GOI for handling of material to ease out marketing of horticulture produce in eight districts of Uttarakhand under HMNEH. The GOI approved (February 2007) the project subject to the condition that GOI and the State Government would share construction cost in the ratio of 1:2 respectively. The GOI sanctioned a Central assistance of ₹ 1.89 crore (33.33 *per cent*) and released (February 2007) first installment of ₹ 94.54 lakh.

Audit observed that the State Government accorded administrative and financial sanction of ₹ 5.59 crore and authorized Garhwal Mandal Vikas Nigam (GMVN) and KMVN for construction of only 30 ropeways. The Department released (December 2007) first installment of ₹ 3.55 crore out of the State share of ₹ 3.73 crore in three phases alongwith Central assistance of ₹ 81.82 lakh (March 2011) out of ₹ 94.54 lakh. The DoHFP never claimed remaining Central funds of ₹ 12.72 lakh from the State Government as the progress of construction had been tardy. The executing agencies could construct only five[63] out of 30 ropeways since 2006-07. The status of construction is detailed in **Table 2.13.6** below:

62 The M/s TTCL had filed Writ Petition for quashing GOU's order dated 30 April 2010 in the Hon'ble High Court which dismissed the petition in July 2012. However, the UKTB received that order in December 2012.

63 KMVN and GMVN completed three and two ropeways respectively.

Table-2.13.6 *(₹ in lakh)*

Sl. No.	Name of District	Ropeway (in No.)	EA	EC	FR	State Share		Central Share		Status of completion	
						A	R	A	R	C	IC
1	Almora	03	KMVN	50.07	33.37	33.38	33.37	16.69	0.00	00	03
2	Nainital	02		30.09	30.31	20.06	20.06	10.03	10.25	01	01
3	Pithoragarh	01		16.51	16.62	11.00	11.00	5.51	5.62	1*	00
4	Rudra Prayag	04	GMVN	66.82	46.00	44.55	41.22	22.27	4.78	1*	03
5	Uttarkashi	12		221.91	177.02	147.95	139.01	73.96	38.01	02	10
6	Pauri	01		18.95	12.63	12.63	12.63	6.32	0.00	00	01
7	Dehradun	04		96.44	87.46	64.30	64.30	32.14	23.16	00	04
8	Chamoli	03		58.51	33.63	39.01	33.63	19.50	0.00	00	03
Total		30		559.30	437.04	372.88	355.22	186.42	81.82	05	25

Source:-Information provided by Department.

Note: EA-Executing Agency, EC-Estimated Cost, FR-Funds Release, A-Admissible, R-Release, C-Complete and IC-Incomplete, *completed but not handed over.

It was further observed that the executing agencies were able to handover only three out of five constructed ropeways. Two constructed ropeways could not be handed over due to some defects and forest clearance respectively. The remaining ropeways were either under faulty construction (eight) or non-availability of forest clearance (five) and their unsuitability of site (12) respectively as of March 2012. It was also noticed that the State Government, while blacklisting GMVN due to non-completion of ropeways in schedule time, allotted (December 2010) the remaining twenty-one works to Irrigation Department (ID). Consequently, GMVN transferred (February 2011) unspent funds of ₹ 1.91 crore to ID but all the ropeways allotted to ID were still under construction.

Audit analysis also revealed that the State Government could not get Central assistance further due to poor pace of construction of works, non-utilization of first installment even after repeated reminders from GOI.

The DH accepted the audit observation and stated (August 2012) that the executing agencies could not expedite construction of ropeways even after repeated reminders. The Department also added that it was not aware of the remaining Central funds. Further, the Principal Secretary, Horticulture, during Exit Conference (December 2012), assured to revise the plan.

Thus, due to mismanagement by the Department, it could not provide necessary infrastructure/ facilities of ropeways for efficient post-harvest management, despite availability of funds and also could not obtain next installment of Central funds.

2.13.12 Implementation

2.13.12.1 Loss in planted area under fruit cultivation due to inadequate irrigation facility of 9,417 hectares

HMNEH Guidelines provides for increase in area of orchards and plantation crops to enhance production and productivity through addition of new area under improved variety/ conditions to meet current market demands and expected future trends with a view of minimizing risks for small and marginal farmers. Further, the guidelines also envisage providing assistance to individuals for creating water source through construction of farm tube wells/ community tanks (TWs/ CTs) at the rate of command area of two hectares per TW/ CT to support horticulture round the year.

As per provisions contained under paragraph 10.2.7 read with 2(1) of Annexure IV of HMNEH Guidelines (2010), it is envisaged to provide assistance spread over a period of three years in ratio of 60:20:20 subject to 75 *per cent* survival in 2nd year and 90 *per cent* of survived plants in 3rd year. Therefore, overall survival of plants should be 67.5 *per cent* in the third year of their plantation.

Audit scrutiny revealed that the Department initiated area expansion plan for fruit cultivation in an area of 20,292 hectares at a cost of ₹ 30.20 crore during the period from 2005-06 to 2009-10, with a maturity period of 2007-08 to 2011-12. However, the Department was able to create water source for the command area of only 3,740 hectares (18 *per cent* of area brought under cultivation) by developing 1,870 TWs/ CTs during the period despite the fact that the State had only 10 *per cent* irrigated land.

Thus, due to this, land brought under fruit cultivation was reduced to 4,279 (21 *per cent*) hectares against 20,292 hectares in their 3rd year of plantation and so the Department paid final assistance (3rd installment) for 4,279 hectares only. It proved that there was a loss in area to the tune of 9,417 hectares[64]. Therefore, the net survived area was much below the prescribed norm of 67.5 *per cent* of area brought under fruit cultivation and expenditure of ₹ 12.82 crore became unfruitful.

The details of overall growth in fruits plantation and water source created in the State during the period 2005-10 are shown in **Table 2.13.7** below:

Table-2.13.7

Period of plantation to maturation		Details of cultivation of fruits in the State (in Ha.)				WSC (in Ha.)	EIP (₹ in lakh) (installment wise)				UE
PY	MY	AC	NA	NAP	LA		1st	2nd	3rd	Total	
1	2	3	4	5	6=5-4	7	8	9	10	11	12
2005-06	2007-08	2495	0	1684	1684	500	324.35	0.00	0.00	324.35	218.92
2006-07	2008-09	6750	3302	4556	1254	1440	759.38	302.93	222.87	1285.18	238.76
2007-08	2009-10	5094	14	3438	3424	464	573.08	91.92	0.25	665.25	447.16
2008-09	2010-11	2338	773	1578	805	838	262.89	1.41	48.42	312.72	107.67
2009-10	2011-12	3615	190	2440	2250	498	387.57	35.21	9.67	432.45	269.15
Total		**20292**	**4279**	**13696**	**9417**	**3740**	**2307.27**	**431.47**	**281.21**	**3019.95**	**1281.66**

Source-Monthly Progress Report

***Note:- AC- Area brought under cultivation; NA-* Net area at the end of 3rd Year; *NAP- Net area as per prescribed norm, LA- Loss in area;* EIP-Expenditure incurred on plantation; *WSC- Water source created for command area; UE-* Unfruitful expenditure; PY-Planting year; and MY- Maturing year.**

Audit analysis revealed that the Department failed to create adequate water sources according to HMNEH guidelines to support horticulture round the year, which adversely affected the survival of plants. The problem of availability of water source was also noticed during beneficiary survey.

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[64] Loss in area = Net survival (in area) as per prescribed norm (67.5 *per cent* of area brought under cultivation) ***minus*** Actual survived area = 67.5 *per cent* of 20,292 ha – 4,279 ha = 13,696 hectare-4,279 hectare = 9,417 hectare

In reply, the Department stated (August 2012) that area expansion under fruit cultivation suffered due to lack of availability of water, drought, other adverse climatic conditions and wild animals. It further added that the Department would ascertain loss in area after verification of plantation under fruit cultivation. Further, the Principal Secretary, Horticulture, during Exit Conference, accepted the facts and attributed (December 2012) it to difficult terrain, climatic conditions of the State and severe drought during 2007-09. However, he stated that efforts are being made to ensure convergence of Area Expansion Programme with Mahatma Gandhi National Rural Employment Guarantee Scheme and Watershed Programme.

The reply of the Department could not be accepted as it did not properly plan for creation of water sources and lacked monitoring mechanism to check loss against fruit plantation.

2.13.12.2 Poor survival of Mulberry plants

The Department of Sericulture started mulberry plantation to ensure availability of mulberry leaf by providing incentive to farmers under Centrally Sponsored "Catalytic Development Programme (CDP)" in the year 2007-08 for promotion of sericulture in the State. Further, the Department developed a norm to provide 300 saplings to each farmer to streamline mulberry plantation and also fixed that the survival rate of sapling should be 80 *per cent* and above.

Audit noticed that the Department had physically verified plantation survival with 1,113 out of 1,194 beneficiaries who had been provided ₹ 3.34 lakh saplings in the test checked clusters[65] of the sampled districts during the period 2008-09 to 2011-12. The details of beneficiaries and saplings planted and their survival during the period are shown in Table 2.13.8 below:

Table-2.13.8 *(in number)*

Year	Beneficiary as per Physical Report of Department	Sapling planted	Survival of plants and beneficiary					
			Below the norms			As per norms		
			0-79			80-100		
			BN	SN	%	BN	SN	%
2008-09	210	63000	127	38100	60	83	24900	40
2009-10	241	72300	175	52500	72	66	19800	28
2010-11	390	117000	202	60600	52	188	56400	48
2011-12	272	81600	096	28800	35	176	52800	65
Total	**1113**	**333900**	**600**	**180000**	**54**	**513**	**153900**	**46**

Source: Information provided by the Department.

Note: BN- No. of beneficiary, SN- No. of saplings

Further, it was observed that only 46 *per cent* of saplings could survive as per prescribed norm.

On this being pointed out, the Department accepted (July 2012) the findings and attributed this fact to plantation done on non-irrigated and unsuitable land. The Principal Secretary, Horticulture also endorsed, during Exit Conference (December 2012), the view of the Department.

[65] 1. Thano, Dehradun; 2. Tiparpur, Dehradun; 3. Bhagwanpur, Haridwar 4. Laksar, Haridwar and 5. Someshwar, Almora.

Thus, selection of unsuitable land for mulberry plantation affected the survival of mulberry plants.

2.13.12.3 Poor achievement in expansion of Protected Cultivation

The GOI provides financial assistance to horticulturists for promotion of Shade Net House, Green House and Anti-hail Nets under protected cultivations.

The Department planned to cover 1424.08 sq.m. land for development of protected farming at a cost of ₹ 13.08 crore during the years 2007-12. The details of target, area brought under protected farming and expenditure incurred during 2007-08 to 2011-12 are as shown in **Table 2.13.9** below:

Table-2.13.9

Year	Brief of target and achievement						
	Physical (area in sq. m.)			Financial (₹ in lakh)			
	Target	Achievement	Shortfall (%)	Approved Cost	Release	Expenditure	
						Amount	Percentage
2007-08	82.40	82.40	0	170.03	170.03	170.03	100
2008-09	70.00	58.30	17	171.95	139.29	139.29	100
2009-10	52.88	27.84	47	117.29	88.33	79.75	090
2010-11	163.00	16.74	90	665.36	585.03	83.40	014
2011-12	1055.80	100.25	91	359.70	325.69	51.94	016
Total	**1424.08**	**285.53**	**80**	**1484.33**	**1308.37**	**524.41**	**040**

Source: Information provided by the Department

It was noticed that there was shortfall in achievement from 47 *per cent* to 91 *per cent* during the aforesaid years due to slow execution of Annual Action Plan and the achievement was also disproportionate to expenditure incurred during the period 2009-12. Moreover, the Department failed to utilize 60 *per cent* of the available funds during the said period.

Scrutiny of records in test checked districts of Almora and Dehradun also indicated an overall shortfall of 70 *per cent* against the targeted protected cultivation during the year 2008-12.

On this being pointed out, the Department stated (August 2012) that the target could not be achieved as the GOI did not release funds as per the approved Action Plan. He further added that the Department lacked technical know-how for fabrication of Hi-tech green houses in the State. Further, the Nodal Officer of Horticulture Mission agreed that the under achievement was also due to non-realistic AAP.

The Principal Secretary, Horticulture, while accepting the facts, during Exit Conference, assured (December 2012) to take steps for protected cultivation.

2.13.12.4 Non-establishment of Super Critical Fluid Extraction Unit despite receiving Central Assistance of ₹ 2.40 crore

The GOI approved (August 2007) a proposal for setting up 'Super Critical Fluid Extraction' (SCFE) unit at CAP, a subsidiary of HRDI at that time, under scheme of 'Assistance to States for Developing Export Infrastructure and Allied Activities' (ASIDE). SCFE unit was to be used as a common processing facility on pilot basis for separation of active compounds from herbs. It was aimed at helping natural products industry to gain its share in rapidly growing international market through high quality and value added products.

The GOI released ₹ 2.40 crore (January & March 2009) for the equipment under Central component against total cost of the project amounting to ₹ 3.05 crore. This amount was placed in current bank account in violation of financial propriety. As per condition laid down in GOI release and accepted by the Government, any cost escalation in equipment was to be borne by HRDI.

Audit scrutiny of records revealed that the Director, HRDI delayed his sanction (from June 2009 to September 2009 and again from May 2010 to September 2010) for tenders and also, the specifications of first tender were revised in April, 2010. M/s Metos Instruments, India Pvt. Ltd., New Delhi was finally selected (February 2011) by the Department for supply of the equipment worth ₹ 3.77 crore. So the cost of the equipment escalated by ₹ 1.37 crore.

After the vendor was selected (February 2011), the Government did not approve (February 2011) proposal of allocating budget for funding cost escalation. A committee was formed (November 2011) by the Government for deciding about establishment of SCFE which proposed (November 2011) seeking further assistance from GOI. GOI asked (June 2012) for utilization of previous sanction before granting further assistance. The decision of utilizing previous grant had since been pending with the Government (May 2012).

Audit observed that GOU failed to honour its previous commitment of funding cost escalation. It also failed to decide on using GOI grant in spite of the fact that GOI was ready (June 2012) to consider extending the assistance under ASIDE, if the Government furnished utilization certificate (UC) of previously sanctioned amount. Both the situations left the future of the project in dark. Besides, keeping funds in current bank account led to interest loss of ₹ 29.00 lakh to the Government, which it would have received had this amount of ₹ 2.40 crore been kept in savings bank account.

Thus, on one hand Government failed to honour its previous commitment, while on the other, it did not take advantage of the offer of GOI to send UCs and raise demand for more assistance, which deprived exporters in the State of intended benefits besides keeping the Central funds idle.

The Principal Secretary, Horticulture, during Exit Conference, accepted the facts (December 2012) and assured audit of expediting the project.

2.13.13 Human Resources Management and Capacity Building

2.13.13.1 Under-staffing

Human Resources Management necessitates that staff requirements are assessed and reviewed at regular intervals by giving due consideration to the departmental activities and appropriate/ transparent policies are framed/ adhered to for recruitment and capacity enhancements to achieve the goals of organization.

The Department of Horticulture had multipronged objectives of developing horticulture, sericulture and MAPs plantation in the State and needed a strong manpower base to accomplish its objectives.

The Department had been functioning with 64 *per cent* of overall sanctioned strength of 3,655 posts. There were shortages of 46 *per cent* in the cadres of Group A and B officers while shortage was 36 *per cent* in Group C and D cadres respectively.

The manpower position as on 31 March 2012 is detailed in **Table 2.13.10** below:

Table-2.13.10

Cadre	Horticulture			Sericulture			Bheshaj			Total		
	SS	MIP	S/E	SS	MIP	S/E	SS	MIP	S/E	SS	MIP	S/E
A	12	08	04	04	03	1	1	1	0	17	12	5
B	57	26	31	10	07	3	4	3	1	71	36	35
C	1157	737	420	149	61	88	123	49	74	1429	847	582
D	1932	1326	606	176	108	68	30	16	14	2138	1450	688
Total	**3158**	**2097**	**1061**	**339**	**179**	**160**	**158**	**69**	**89**	**3655**	**2345**	**1310**
Percentage shortage	**34**			**47**			**56**			**36**		

Source: Information provided by the Department.
Note: SS- Sanctioned Strength, MIP- Men-in-Position, S- Shortfall and E- Excess.

Audit scrutiny revealed that horticulture development programme mainly depends on field personnel, particularly Assistant Development Officers at Mobile Units and Malis under Group C and D cadres and therefore, shortage of manpower in these cadres adversely affected horticulture in the State due to under-staffing. Further, forthcoming retirement of 585 personnel in the next five years would adversely affect departmental activities as Cabinet has stopped recruitment of class IV employees who are backbone of the Department in the form of Malis. It was also noticed that the DoS had not adopted proper human resource management as 15 Malis were posted in Dehradun against the sanctioned strength of three while only two Malis were posted in remaining 12 districts against sanctioned strength of 17.

Besides, the Department also maintained Tea Board and two R&D Institutions but could not recruit permanent Scientific Officers. This resulted in poor delivery of research activities, protection of endangered herbs, scientific cultivation of MAPs and proper growth of tea cultivation as discussed in preceding paragraphs.

Thus, the shortages in the category of planner and executer was adversely affecting the implementation of various schemes run by the Department as pointed out in Paragraph 2.13.9.3, 2.13.11.3 and 2.13.12.2 respectively.

The Principal Secretary, Horticulture, during Exit Conference, accepted the facts and stated (December 2012) that the State Government had stopped recruitment of class IV employees as per recommendation of the Sixth Pay Commission. He further added that scientific staff would be recruited for CAP and HRDI in future.

2.13.13.2 Poor achievement in the field of Capacity building and Transfer of technology

The Operational Guidelines of HMNEH (March 2004) states that Transfer of Technology and Human Resource Development are an integral part of the Mission. It requires imparting appropriate training to acquaint horticulturists with farming techniques to familiarize them with good production practices.

Further, the Department was also required to draw up training schedule for the full year in advance to provide training to beneficiaries selected from horticulturists with special priority to women farmers.

Audit scrutiny revealed that the Department provided training to only 62 *per cent* of targeted trainees (10,335) at an expenditure of ₹ 1.04 crore during the period 2008-11.

It was also noticed that the Department did not organize any capacity building programme themselves in the year 2011-12. However, it could manage to provide training to only 571 farmers at training camps organized by Indian Council of Agricultural Research.

Further, scrutiny of records in three out of five sampled districts[66] revealed that district offices could impart training to only 71 *per cent* of targeted beneficiary but did not give priority to SCs, STs and women in particular. The details of targets and achievements are given in **Table 2.13.11** below:

Table-2.13.11

Year	State				Test checked districts									
	Training to farmer (in No.)				Total Beneficiary who availed assistance for horticulture crop				Total Trainee			Trainee		
	Target	Achievement	Achievement (in *per cent*)	Exp. (₹ in lakh)	Total	SCs	STs	Women	Target	Achievement No.	Achievement (in *per cent*)	SCs	STs	Women
2007-08	2015	2015	100	45.23	9594	**925**	267	**1168**	535	462	86	35	29	57
2008-09	5600	3612	65	69.32	6133	**569**	203	**709**	**1470**	870	59	75	49	85
2009-10	2625	1735	66	30.46	8178	**689**	329	**821**	**780**	**489**	**63**	05	2	00
2010-11	2110	**1030**	**49**	4.69	3024	**296**	161	**316**	290	350	**120**	01	3	0
2011-12	0	0	0	0	**2400**	**323**	235	**446**	0	0	0	00	0	0
Total	**12350**	**8392**	**68**	**149.70**	**29329**	**2802**	**1195**	**3460**	**3075**	**2171**	**71**	**116**	**83**	**142**

Source: Information provided by the Department.

Note:- Exp.-Expenditure

It was also seen that these offices could transfer technology to only seven *per cent* of 29,329 horticulturists who availed assistance for cultivation of horticulture crops under HMNEH. Moreover, the Department, in contravention of norms of providing training to 16 *per cent*, 18 *per cent* and 30 *per cent* of SCs, STs and Women out of total horticulturists proposed to be trained, could transfer technology to only five, four and seven *per cent* of horticulturists from SCs, STs and Women categories respectively. The Department stated that SCs, STs and women do not own much

[66] Almora, Chamoli and Dehradun.

land in Uttarakhand and this restricted identification of beneficiaries in sufficient number by district officials.

Thus, the Department could impart farming technique to only small number of horticulturists and also could not provide training to SC, ST and women beneficiaries despite limited number of beneficiaries in these categories due to lack of realistic planning.

On this being pointed out, the Department stated (August 2012) that sufficient infrastructure facilities were not available at the district level. Moreover, it also added that it was not feasible to train all the beneficiaries under approved fund for capacity building.

However, the Principal Secretary, Horticulture stated during Exit Conference (December 2012) that Horticulturist were regularly trained through extension programme being conducted at Village, Nyaya Panchayat and Block level.

2.13.14 Internal Control and Monitoring System

Existence of proper internal control and monitoring system ensures that objectives of the Department are fulfilled in an orderly, ethical, economical, efficient and effective manner besides safeguarding resources. It also helps in fulfilling accountability obligations and compliance of applicable laws and regulations.

Weak controls in the Department led to system breaches when compared with the above mentioned parameters. Further, poor field inspections and scant number of internal audits led to non-detection of these system breaches. The details are pointed out in paragraph 2.13.14.1 to 2.13.14.7.

2.13.14.1 Fictitious Supply of Planting Material worth ₹ 94500

The CEO Bheshaj paid (March 2011) ₹ 94500 against bill number 126 dated 18th March 2011 to District Bheshaj Sangh, Haridwar for supply of 45,000 plants of Aloe Vera to DBDO, Haridwar. The bill for supply was not countersigned by DBDO as was the case with other bills.

Audit observed that the plants supplied were not entered in the stock book of DBDO and list of beneficiaries was also not prepared by him. Monthly Progress Report of March 2011 and physical verification report of June 2011 put the plantation of Aloe Vera to 1,47,000 plants only which were purchased vide bill number 117 and 118 dated 22nd September 2010 and 4th October 2010 respectively. It proved that 45,000 plants purchased vide bill number 126 dated 18th March 2011 were never supplied and distributed. The DBDO, Haridwar informed audit that he had neither received any planting material against the above bill nor was any demand made by him in this respect.

The reply of DBDO, Haridwar along with monthly progress report and physical verification report of plantation established that the supply made by District Bheshaj Sangh was fictitious and the CEO, BVI irregularly paid the amount to the Sangh without counter-signature of DBDO Haridwar on the bill. The CEO, BVI accepted the audit observation.

The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that an inquiry would be initiated in the matter.

Audit would await the action taken to fix the responsibility.

2.13.14.2 Forging of Official Documents

The CEO, Bheshaj Development Unit, who was also Director of HRDI, was required to stay in Dehradun for at least 10 days in each month to fulfil his duties related to BVI. The Secretary, Horticulture permitted (April 2010) him to rent a room in Dehradun for his stay in the city for this purpose.

Audit scrutiny of the records related with procedures followed in acquiring the accommodation revealed that rupee sign (₹) was used with amounts mentioned in the file notings dated 13 April 2010, 16 April 2010 and 10 July 2010. The rupee sign (₹) was approved by the Union Cabinet on 15 July 2010 and its font was issued by Foradian Technologies on 16 July 2010. It establishes that the file notings were forged on or after 16 July 2010 to show that required procedures were followed. The CEO, BVI accepted the audit observation.

The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that an inquiry would be initiated in the matter.

Audit would await action taken to fix responsibility on the erring officials.

2.13.14.3 Non-payment of insurance claim to horticulturists

The State Government, after successful execution of pilot project (March 2008) launched by DoH under Weather Based Crop Insurance Scheme (WBCIS) for apple growers, extended the scheme to other crops and started Crops Bima Yojna in collaboration with GOI from 2010-11 (Rabi Season) and authorized M/s Agriculture Insurance Company of India Limited (AICIL) to operate the scheme. The Horticulturist, Department and GOI were to share the premium in the ratio 2:1:1 respectively.

The scheme aimed at mitigating hardships to insured farmers against likelihood of financial loss on account of anticipated crop loss resulting from incidence of adverse conditions of weather parameters. The main features of the scheme were as under:

- The DH was responsible to monitor/ assess effectiveness of the scheme while AICIL was wholly responsible for collection of premium and disbursement of claim to horticulturists.
- The respective Governments were to pay their share in premium in advance.
- The horticulturists were to be paid directly or through their bank account within 45 days of procurement of weather data from the weather centre.

Audit scrutiny revealed that M/s AICIL insured 22,709 horticulturists during 2010-11 (Rabi) to 2011-12 (Rabi). The Insurance Company in its report stated that it did not disburse any claim out of the insured sum of ₹ 70.02 crore of horticulturists mainly due to non-release of State's share towards premium. The details of insured horticulturists and pending claim are shown in **Table 2.13.12** below:

Table-2.13.12 *(₹ in lakh)*

Year	Insured Horticulturist					Details of State share on account of Premium						
	Kharif	Rabi	Insured Sum			Kharif			Rabi			Balance due to AICIL
			Kharif	Rabi	Total	Admissible	Paid	Balance	Admi-ssible	Paid	Balance	
2010-11	0	2121	0.00	1788.21	1788.21	0	0	0	53.64	51.10	2.54	2.54
2011-12	19851	737	4707.43	506.03	5213.46	141.27	0	141.27	63.87	37.12	26.75	168.02
Total	**19851**	**2858**	**4707.43**	**2294.24**	**7001.67**	**141.27**	**0**	**141.27**	**117.51**	**88.22**	**29.29**	**170.56**

Source: information provided by Department.

Further, the Department, in contravention of agreement, neither released its share amounting to ₹ 1.71 crore towards premium in advance due to non-availability of funds. Scrutiny also revealed that DH, being technical controller of the scheme failed to negotiate with the weather centre to provide data within time so that the insurance company could be able to settle claim after 45 days of maturing of insurance period.

Thus, the Insurance Company did not disburse claim to any of the insured horticulturists despite the fact that GOI and horticulturists had already paid their share of premiums in advance.

The Department while accepting the fact stated (August 2012) that the matter had been intimated to the State Government to release the funds and also assured to improve monitoring in future. The Principal Secretary, Horticulture also accepted the facts during Exit Conference (December 2012) and attributed it to non-availability of funds through budget.

2.13.14.4 Under-issuance of Udhyan Cards

The State Government decided (July 2006) to issue Udhyan Card to all horticulturists of the State with the objective of streamlining transparency in execution of horticulture activities by compiling/ maintaining horticulture database related to assistance, area under horticulture and also envisaged providing unique identification number to horticulturists.

Audit scrutiny revealed that DoHFP issued Udhyan Cards to only 97,106 horticulturists, but could not maintain database of horticulturists at the State level. It was also observed in sampled districts that only 25 *per cent* out of the total of 87,256[67] horticulturists got Udhyan Cards during 2007-12. Moreover, they did not

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Name of test checked district	Dehradun	Haridwar	Tehri	Chamoli	Almora	Total
Total beneficiary	12517	9912	14617	24210	26000	**87256**
UC issued	5438	2275	4782	3294	5818	**21607**
Percentage	43	23	33	14	22	**25**

maintain Central Register in their districts, except at Tehri in the absence of which overall monitoring of horticulture development could not be carried out.

On this being pointed out, the Department accepted the facts and stated (August 2012) that the Department would instruct the district offices to issue Udhyan Cards and to maintain Central Register. Further, the Principal Secretary, Horticulture assured to take necessary action in this regard during Exit Conference (December 2012).

2.13.14.5 Lack of quality control of food products

As per Fruit Products Order (FPO) Act, 1955, Food Processing Unit (FPU) is required to obtain FPO license to maintain hygienic and sanitary conditions of its premises and to ensure quality control of raw material and finished products. FPO is also used as a mark of quality assurance on the packing of products. The DoHFP is responsible for promoting preservative measures for horticulture produce by establishing, up-grading and modernizing FPUs and also to maintain quality assurance.

The DoHFP maintained 49 Fruit Preservation Centers to process horticulture produce for value addition.

Audit scrutiny of sampled districts revealed that the Department procured (March 2009 & March 2010) machinery and equipment worth ₹ 4.72 lakh for two sampled FPUs[68], which were lying idle for two years due to non-availability of electricity and technical staff in the food processing units. It was also noticed that only two[69] out of 22 FPUs in the sampled districts obtained mandatory FPO license.

Equipment lying idle at FPU, Gopeswar, Chamoli (June 04, 2012)

On this being pointed out, the Department stated (May-June 2012) that it ascertained the quality of food product only through physical testing (smell, colour and taste) and experience.

The reply is not acceptable as the Department failed to apply scientific procedure to determine quality of processed product and thereby, consumer interest of getting quality product was compromised.

2.13.14.6 Inadequate Field Inspections

For effective implementation of activities/ schemes, the Department was to ensure that the officers at the State and district levels closely monitor all aspects of the schemes through field visits. A schedule of inspections prescribing the number of field visits for each supervisory level functionary was to be drawn up by the Department and strictly adhered to.

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68 FPU, Joshimath and Gopeswar, Chamoli.

69 FPU, Almora and Gopeswar, (Chamoli).

Audit scrutiny revealed that there were no norms laid down by the Department prescribing the number of field visits for supervisory levels. The inspections carried out at district level in test checked districts are shown in **Table 2.13.13** below:

Table-2.13.13

District	No. of MHU and Farms	Details of inspection										Average Inspection	
		2007-08		2008-09		2009-10		2010-11		2011-12			
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tehri	38	39	103	07	18	18	47	28	74	33	87	25	66
Chamoli	43	14	32	05	11	00	0	00	0	02	5	04	09
Almora	47	24	51	11	23	10	21	12	26	0	0	11	23
Dehradun	25	NA	0	NA	0	NA	0	NA	0	NA	0	NA	NA
Haridwar	15	28	187	32	213	35	233	32	213	35	233	32	213
Total	**168**	**105**	**63**	**55**	**33**	**63**	**38**	**72**	**43**	**70**	**42**	**72**	**43**

Source:* *Information provided by the Department.

Note:* *MHU:- Mobile Horticulture Unit FPUs, NA- Information not available with the DHO office.

It was observed that the inspections varied from zero to 103 *per cent* per year with respect to Mobile Horticulture Units and Farms (MHUF) in four districts except Haridwar. It was also noticed that district level functionaries could conduct inspections on an average of 72 visits annually, which were considerably low in comparison to 168 MHUFs in the districts during 2007-12. Further, it was observed that DH inspected only six field offices during the period and there were no visits in the last two years of audited period. However, it was noticed that only Almora district could initiate action in 19 cases pertaining to 57 Inspection Reports.

On this being pointed out, the Department accepted that the Department did not frame any norm for inspection and monitoring. However, it also added that the Department had issued instruction to DHOs to monitor horticulture activities at the district level and to initiate action on the Inspection Reports. Further, the Principal Secretary, Horticulture stated during Exit Conference (December 2012) that the poor number of field inspection was due to shortage of staff and large area of operation of field units.

2.13.14.7 Internal Audit

Scrutiny of departmental records revealed grim situation of internal audit which affected the internal control mechanism and functioning of the Department.

The Department of Horticulture was able to conduct internal audit of only one to four offices out of 13 district level offices per year during the period 1992 to 2009. The facts in this regard are detailed in **Table 2.13.14** below:

Table-2.13.14

Sl. No.	Name of Office	Internal Audit not conducted since
1	DHO, Pauri	1992 (1)
2	Directorate, Horticulture and food processing, Ranikhet, Almora	1993 (1)
3	DHO, Uttarakashi and Horticulture Specialist Office, Kotdwar	1997 (2)
4	DHO, Nainital and Pithoragarh	2000 (2)
5	DHO, Chamoli	2004 (1)
6	Potato officer, Munshyari and DHO,US Nagar	2005 (2)
7	DHO, Champavat, Tehri, Haridwar and Rudraprayag	2006 (4)
8	DHO, Dehradun	2007 (1)
9	DHO, Almora, Bageswar	2009 (2)

Source: Information provided by the Department.
Note: the figure in bracket shows number of offices audited by the internal audit wing.

Further, it was also noticed that no internal audit had been conducted by the Department for the year 2010-12. Also, DoS had not established its Internal Audit wing so far. Adequate number of internal audits could have deterred system breaches pointed out in the above paragraphs.

The Principal Secretary, Horticulture accepted the facts during Exit Conference (December 2012) and stated that poor number of internal audits was due to shortage of staff and assured to improve it.

2.13.15 Store/ Material Management and Control

2.13.15.1 Irregular purchase of vegetable seeds worth ₹ 77.65 lakh

The DH invited (March 2010) tenders for supply of vegetable seeds. Tender was cancelled as two of the three bidders failed to produce minikit samples. The tender committee, instead of recommending re-tendering, suggested that purchase be made from Government agency or original producer companies.

The Department, after a gap of one month, called five original producer companies and finalized (April 2010) rates of seeds in a meeting chaired by the Secretary, Horticulture for supply of seeds worth ₹ 77.65 lakh. The seeds were subsequently procured (April to June 2010).

Records available with the Department did not mention criteria adopted in selection of companies. The process of deciding rates in open meeting with some chosen companies lacked norms of transparency and objectivity. Besides, the purchase violated Article 13 of Uttarakhand Procurement Rules, 2008 which stipulated that purchase of ₹ 25 lakh and above should be through tender only. It also deprived the Department of competitive prices.

Further scrutiny of records related with distribution of these seeds to districts revealed that 4,428 packets worth ₹ 4.30 lakh were distributed to DHOs after passing of sowing season, in spite of the fact that these seeds were going to expire well before onset of the next sowing season. The exact dates of onward distribution of seeds to farmers could not be ascertained by Audit as the distribution registers had no date mentioned on distribution entries.

The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that an inquiry would be initiated into the matter.

2.13.15.2 Irregular Purchase of Training Bags worth ₹ 9.44 lakh

Article 12 (1) and Article 9 of Uttarakhand Procurement Rules, 2008 stipulates that limited tender should be invited for purchase of more than ₹ one lakh. In violation of the aforesaid rules, BVI procured 3,200 training bags on quotation basis (September 2010 to March 2011) worth ₹ 9.44 lakh from two suppliers for organizing training camps in 2010-11.

Further scrutiny revealed that stock entry of bags and issue thereof was also not attested. It was also seen that stock entry at BVI showed that DBDO, Pithoragarh was issued 400 bags but the district unit confirmed to audit receipt of only 300 bags.

The CEO, BVI stated (July 2012) that the BVI had distributed 2,634 bags as in records but he accepted that the distribution was doubtful. He further added that 35 bags were available in store and number of unaccounted bags was 531.

The reply puts value of unaccounted bags to ₹ 1.56 lakh.

The Principal Secretary, Horticulture stated during Exit Conference (December 2012) that an inquiry would be initiated to look into the matter.

2.13.16 Conclusion

The Department was working without efficient planning to fulfil its objectives of overall development of Horticulture in the State. It could not take benefit of all the four mini-missions of Horticulture Mission for North-East and Himalayan States (HMNEH) except mini-mission II which focused on area expansion only. Central funds could not be fully utilized by the Department and it mismanaged Central schemes and projects being implemented in the Department. Scientific institutions, running under the Department, could not undertake research and developmental activities as envisaged.

The Department failed to ensure transparency and objectivity in procurements though State Government has well documented policies and procedures for the same. It lacked human resources to meet its objectives in coming years. Poor internal controls and inadequate monitoring made the Department vulnerable to fraud and other system breaches as noticed in the case of fictitious supply of planting material and forging of official documents in paragraph 2.13.14.1 and 2.13.14.2 respectively.

2.13.17 Recommendations

The Government may consider to:

- incorporate all aspects of horticulture development including post-harvest management in planning;
- strengthen the research and development activities of Herbal Research and Development Institute and Centre of Aromatic Plants and apply the findings of research and development undertaken by them for the benefit of horticulturists;
- buttress the procedures for procurement and inventory controls so as to ensure objectivity and transparency in procurement; and
- strengthen the internal control system to prevent system breaches and pilferage of public money.

CHAPTER-3

Revenue Sector

Chapter-3 : Revenue Sector

3C. General Introduction

3.1.1 Under Sectoral re-organisation, there are five departments (Commercial Tax, State Excise, Stamp and Registration, Transport, Entertainment Tax) of the Government which have been included under the Revenue Sector. These relates to Tax Revenue. The other departments fall under Social Sector, General Sector and Economic Sector which contribute Non-Tax Revenue. The major areas of Tax Receipts are Taxes on sale/trade, Taxes on services administered by the Commissioner Commercial Tax, State Excise administered by the Excise Commissioner, Stamp Duty and Registration Fees, Taxes on Vehicles *etc.* Audit of 106 units of the above five departments out of total 239 was conducted by the Revenue Sector during the year 2011-12. Audit had pointed out cases of underassessment/short levy/loss of revenue aggregating to ₹ 16.18 crore in 272 cases. The concerned departments accepted underassessment and other deficiencies of ₹ 0.15 crore involved in 15 cases.

3.1.2 Audit mandate

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor's General's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.3 Planning and conduct of audit

The unit/offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual Audit Plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration *i.e.* budget speech, White Paper on State Finances, Reports of the Finance commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years *etc.*

During the year 2011-12, the audit universe comprised of 239 auditable units, of which 106 units were planned and audited during the year 2011-12.

3.1.4 Trend of Revenue Receipts

3.1.4.1 The Tax and Non-Tax Revenue raised by the Government of Uttarakhand during the year 2011-12, the State's share of net proceeds of divisible Union Taxes and Duties assigned to State and Grants-in-Aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-3.1.1** below:

Table-3.1.1 *(₹ in crore)*

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	**Revenue raised by the State Government**					
	• Tax Revenue	2738.75	3044.91	3559.04	4405.48	5615.62
	• Non-Tax Revenue	668.38	699.44	631.86	678.06	1136.13
Total		**3407.13**	**3744.35**	**4190.90**	**5083.54**	**6751.75**
2.	**Receipts from the Government of India**					
	• Share of net proceeds of divisible Union Taxes and Duties	1427.70	1506.59	1550.01	2460.07	2866.04
	• Grants-in-Aid	3056.26	3384.03	3745.22	4064.56	4073.45
Total		**4483.96**	**4890.62**	**5295.23**	**6524.63**	**6939.49**
3.	**Total Revenue Receipts of the State Government (1 and 2)**	**7891.09**	**8634.97**	**9486.13**	**11608.17**	**13691.24**
4.	**Percentage of 1 to 3**	43	43	44	44	49

Source: Finance Accounts

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 6751.75 crore) was 49 *per cent* of the total Revenue Receipts and increased by 32.82 *per cent* (₹ 1668 crore) during 2011-12 over the previous year. The balance 51 *per cent* of Revenue Receipts (₹ 6939.49 crore) were from the Government of India as share of net proceeds of divisible Union Taxes and Duties and Grants-in-Aid.

3.1.4.2 Tax Revenue

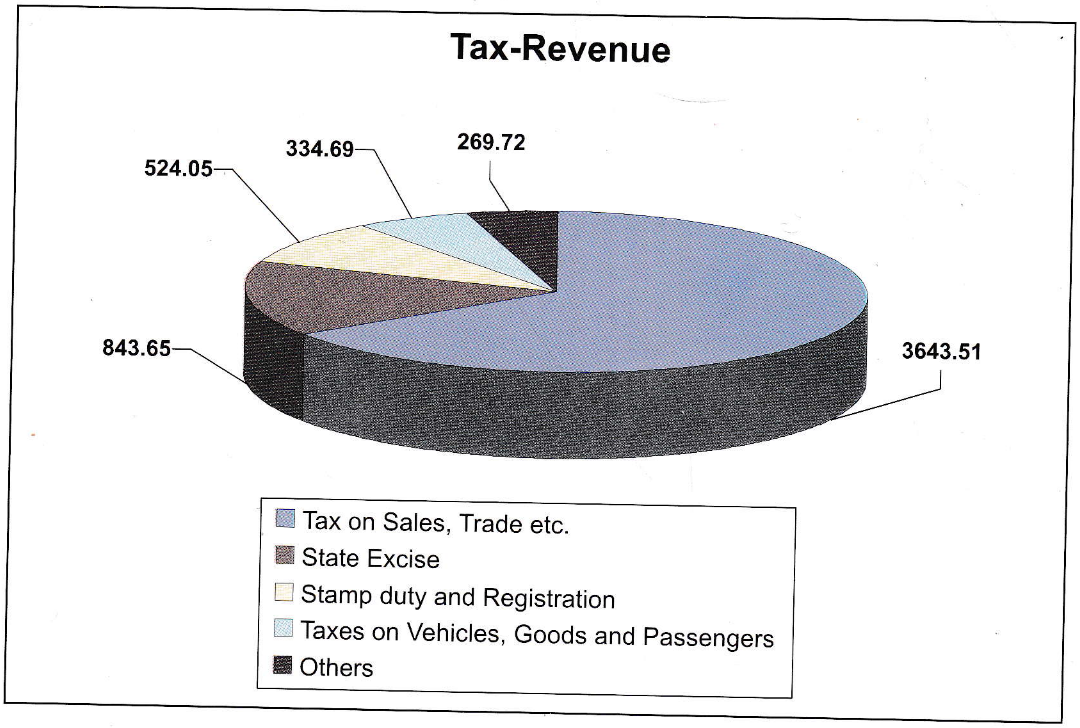
The details of Tax Revenue raised during the period 2007-08 to 2011-12 are given in **Table 3.1.2** and separately for 2011-12 in **Chart 3.1** below:

Table-3.1.2 *(₹ in crore)*

Sl. No	Head of Revenue Receipt	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of Increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	Tax on Sales, Trade *etc.*	1627.41	1910.64	2246.84	2940.48	3643.51	(+)23.91
2.	State Excise	441.56	528.35	704.64	755.92	843.65	(+)11.61
3.	Stamp Duty and Registration Fees	424.27	357.46	398.70	439.50	524.05	(+)19.24
4.	Taxes on Vehicles, Goods and Passengers	155.26	166.98	184.56	227.26	334.69	(+)47.27
5.	Taxes and Duties on Electricity	55.22	51.61	2.11	2.16	229.02	(+)10502.78
6.	Land Revenue	23.40	17.90	8.80	18.31	10.18	(-)44.40
7.	Other taxes and Duties on Commodities and Services	6.45	5.87	6.27	12.15	16.52	(+)35.97
8.	Others	5.18	6.10	7.12	9.70	14.00	(+)44.33
Total		**2738.75**	**3044.91**	**3559.04**	**4405.48**	**5615.62**	**(+)27.47**

Source: Finance Accounts

Chart-3.1



The following trends were observed in collection of Tax Revenue by the State:

- Tax Revenue increased by 27.46 *per cent* (₹ 1210 crore) during the year 2011-12 over previous year.
- Revenue from Taxes on Sales, Trade *etc.* contributed to 65 *per cent* of total tax collections in 2011-12. State Excise, Stamp Duty and Registration Fees and taxes on Vehicles together accounted for 30 *per cent* of the total tax collection in 2011-12. Taxes on Sales, Trade *etc.* after witnessing 34.22 *per cent* increase after introduction of VAT in 2005, slowed down to an increase of 17.60 *per cent* in 2009-10 over the previous year, due to increase in the ITC claims with stabilisation of VAT regime but again gained a hike and increased by 30.87 *per cent* in 2010-11 over the previous year. During 2011-12, it increased by 23.91 *per cent* over previous year which was 6.96 *per cent* less in comparison to previous year's increase.
- The Commercial Tax Department stated (October 2012) that the increase in revenue receipts was due to increase in trade, escalation of prices, establishment of new industrial units, efficient working of staff, sufficient staff and special efforts made by the Department towards Input Tax Credit verification.
- The Stamp Duty and Registration Department's receipts registered an increase of 19 *per cent* (₹ 85 crore) in 2011-12 over previous year.

The Department stated that the increase in receipt over previous year was due to increase in number of registration of Sale Deeds from 1,79,980 (2010-11) to 2,11,379 (2011-12).

- Taxes and Duties on Electricity registered a quantum jump of ₹ 227 crore over previous year which was highest during last five years. As per Electricity Department, the increase was due to depositing previous years' arrear by Uttarakhand Power Corporation Ltd. in Government account.
- Taxes on Vehicles, Goods and Passengers registered an increase of ₹ 107 crore over previous year. As per Transport Department, the increase was due to increase in registration of new vehicles, enhancement in Permit Fees and depositing previous years' dues amounting to ₹ 80.11 crore by Uttarakhand Parivahan Nigam.

3.1.4.3 Non-tax Revenue

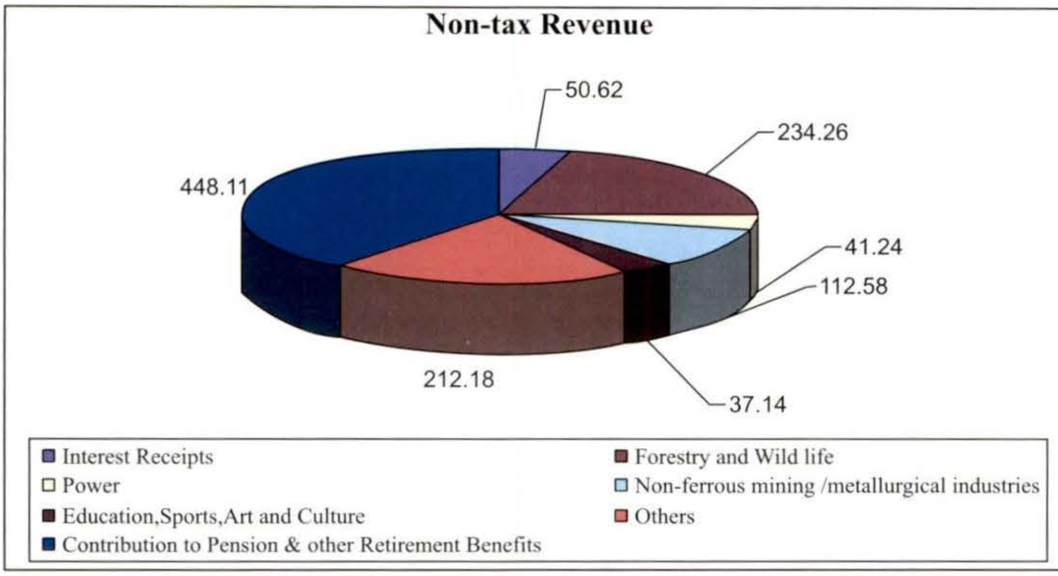
The details of the Non-tax Revenue raised during the period from 2007-08 to 2011-12 are given in **Table 3.1.3** and separately for 2011-12 in **Chart 3.2** below:

Table-3.1.3 *(₹ in crore)*

Sl. No	Head of revenue receipt	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage increase (+)/decrease (-) in 2011-12 over 2010-11
1.	Interest Receipts	41.56	68.49	53.71	53.76	50.62	(-) 5.84
2.	Forestry and Wildlife	209.75	207.16	235.70	229.69	234.26	(+)1.99
3.	Power	144.37	171.37	56.13	13.54	41.24	(+)204.58
4.	Non-Ferrous Mining/ Metallurgical Industries	73.06	63.73	74.08	93.62	112.58	(+)20.25
5.	Education, Sports, Art and Culture	30.69	28.66	34.18	47.47	37.14	(-) 21.76
6.	Public Works	13.96	15.53	19.50	24.83	17.85	(-) 28.11
7.	Major and Medium Irrigation	5.76	5.91	5.18	5.10	8.07	(+)58.24
8.	Police	5.96	7.01	9.62	11.26	11.41	(+)1.33
9.	Other Administrative Services	35.53	28.09	21.18	47.15	70.15	(+)48.78
10.	Medical & Public Health	5.29	6.84	11.73	29.01	23.20	(-) 20.03
11.	Co-operation	5.58	3.19	1.78	1.70	2.93	(+)72.35
12.	Crop Husbandry	3.94	3.62	4.55	3.78	4.54	(+)20.11
13.	Contributions & Recoveries towards Pension & other Retirement Benefits	26.31	27.21	37.43	49.09	448.11	(+)812.83
14.	Others	66.62	62.63	67.09	68.06	74.03	(+)8.77
Total		**668.38**	**699.44**	**631.86**	**678.06**	**1,136.13**	**(+) 67.56**

Source: Finance Accounts

Chart-3.1



The following trends were observed in collection of Non-tax revenue by the State:

- Non-tax revenue has remained more or less stagnant from 2007-08 to 2010-11, but it has increased by ₹ 458 crore (67.55 *per cent*) during the year 2011-12 over the previous year. Non-tax revenue at ₹ 1136.13 crore constituted 8.30 *per cent* of the total receipts.

  The quantum jump in the Non-tax revenue during the year was due to the apportionment of pension liabilities of composite erstwhile State of Uttar Pradesh between Uttar Pradesh and Uttarakhand. Consequently, the State of Uttarakhand received ₹ 400 crore as apportionment from Uttar Pradesh.

- Contributions & Recoveries towards Pension & other Retirement Benefits (39.44 *per cent*), Forest and Wild life (20.62 *per cent*) and Non- Ferrous Mining/Metallurgical Industries[1] (9.91 *per cent*) were the main contributors to Non-tax revenue.

The other departments, having increase/decrease of more than 20 *per cent,* did not intimate the reasons for variations, despite being requested (August 2012).

3.1.5 Variation between the Budget Estimates (BE) and Actuals

The variations between the Budget estimates and Actuals of revenue receipts under the principal heads of Tax and Non-tax Revenue for the year 2011-12 are mentioned in the **Table-3.1.4** below:

[1] Royalty charges levied on Non-Ferrous Mining/Metallurgical Industries.

Table-3.1.4 *(₹ in crore)*

Sl. No.	Head of Revenue Receipt	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage
	Tax Revenue				
1.	Taxes/VAT on Sales Trade etc.	3187.60	3643.51	(+) 455.91	(+) 14.30
2.	State Excise	727.67	843.65	(+) 115.98	(+) 15.94
3.	Stamp Duty and Registration Fees	483.85	524.05	(+) 40.20	(+) 8.31
4.	Taxes on Vehicles	249.53	334.69	(+) 85.16	(+) 34.13
5.	Taxes and Duties on Electricity	75.00	229.02	(+) 154.02	(+) 205.36
	Non-Tax Revenue				
6.	Interest Receipts	52.01	50.62	(-) 1.39	(-) 2.67
7.	Other Administrative Services	12.21	70.15	(+) 57.94	(+) 474.53
8.	Crop Husbandry	2.61	4.54	(+) 1.93	(+) 73.95
9.	Police	9.01	11.41	(+) 2.40	(+) 26.64
10.	Medical and Public Health	17.93	23.20	(+) 5.27	(+) 29.39
11.	Roads and Bridges	1.20	1.70	(+) 0.50	(+) 41.67
12.	Public Works	17.27	17.85	(+) 0.58	(+) 3.36
13.	Forestry and Wildlife	286.83	234.26	(-) 52.57	(-) 18.33
14.	Non-Ferrous Mining and Metallurgical Industries	110.01	112.58	(+) 2.57	(+) 2.34
15.	Education, Sports, Art and Culture	18.87	37.14	(+) 18.27	(+) 96.82
16.	Power	235.00	41.24	(-) 193.76	(-) 82.45
17.	Contributions & Recoveries towards Pension & other Retirement Benefits	831.00	448.11	(-) 382.89	(-) 46.08

Source: Receipt Budget and Finance Account

The reasons for the variations are as follows:

- The Commercial Tax Department stated that the variation between budget estimates and actual receipts was due to increase in trade, escalation of prices and establishment of new industrial units.

- As per Electricity Department, the variation in Taxes and Duties on Electricity was due to depositing previous years' arrear by Uttarakhand Power Corporation Ltd to Government Account.

- As per Transport Department, the variation was due to increase in registration of new vehicles, enhancement in Permit Fees and depositing previous dues amounting to ₹ 80.11 crore by Uttarakhand Parivahan Nigam.

- The Stamp & Registration Department stated that the variation was due to increase in number of registration of Sale Deeds.

The other departments, having variations of more than 20 *per cent,* did not intimate the reasons of variations, despite being requested (August 2012).

3.1.6 Cost of Collection of revenue receipts

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2009-10 to 2011-12 alongwith the all India average percentage of expenditure on collection to gross collections for 2010-11 are mentioned in the **Table-3.1.5** below:

Table-3.1.5 *(₹ in crore)*

Sl. No.	Head of revenue	Year	Gross Collection[2]	Expenditure on collection	Percentage of expenditure on collection to gross collection	All India average percentage for the year 2010-11
1.	Sales/Commercial Tax/ VAT	2009-10	2240.84	25.63	1.14	
		2010-11	2934.95	33.46	1.14	0.75
		2011-12	3635.97	35.30	0.97	
2.	State Excise	2009-10	703.71	7.33	1.04	
		2010-11	755.98	8.57	1.13	3.05
		2011-12	843.57	7.75	0.92	
3.	Taxes on Vehicles	2009-10	182.16	10.64	5.84	
		2010-11	223.26	13.22	5.92	3.71
		2011-12	329.51	13.47	4.09	
4.	Stamp Duty and Registration Fees	2009-10	398.75	5.72	1.43	
		2010-11	439.45	11.37	2.58	1.60
		2011-12	524.02	9.40	1.79	

Source: Concerned State Government Departments.

Thus, the cost of collection in respect of State Excise was lower than the All India Average percentage for the year 2010-11, while in the case of Taxes on Vehicles, Stamp Duty & Registration and Sales/Commercial Tax/VAT were considerably higher.

The Sales/Commercial Tax/VAT Department stated (October 2012) that out of 13 districts in Uttarakhand, nine are in hilly remote region having small traders; hence, cost of collection was higher.

The Transport Department stated (November 2012) that being a hilly state, the operating cost is higher.

The Stamp & Registration Department stated (November 2012) that higher cost of collection was due to enhancement of pay and allowances of the staff and hilly location of the districts.

3.1.7 Analysis of collection of tax revenue

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on Sales, Trade *etc.*, and Entry Tax during the year 2011-12 as

[2] The figure for collection of all four taxes in the year 2009-10 to 2011-12, provided by the State Departments and reflected in the table are at variance with the figures reflected in the Finance Accounts.

furnished by the Commercial Taxes Department is mentioned in the **Table-3.1.6** below:

Table-3.1.6 *(₹ in crore)*

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per Department	Percent of column 3 to 7
1	2	3	4	5	6	7	8
Taxes/ VAT on Sales, Trade	2011-12	3509.26	145.40	1.97	26.45	3630.18	96.66
Entry Tax	2011-12	5.79	-	-	-	5.79	100.00

Source: Concerned State Departments.

Collections made under Commercial Tax at the pre-assessment stage was 96.66 *per cent* whereas 3.34 *per cent* of the net collection was collected after regular assessment.

3.1.8 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of the principal Heads of Revenue as reported by the Departments was ₹ 1490.99 crore (excluding Public works Department) of which ₹ 249.72 crore (16.75 *per cent*) were outstanding for more than five years as mentioned in the **Table-3.1.7** below:

Table-3.1.7 *(₹ in crore)*

Sl. No.	Head of revenue	Amount outstanding		Remarks
		As on 31 March 2012	For more than five years	
1.	Taxes/VAT on Sales, Trades etc.	1073.23	199.51	Recovery of ₹ 73.43 (1,341 cases) crore is *subjudice* and Recovery and Duplicate Recovery Certificates have been issued in the cases wherever required.
2.	Taxes on Vehicles	3.82	2.29	Five cases (₹ 0.58 lakh) were *subjudice* and for rest of the cases demand for recovery had been processed through District Magistrate.
3.	State Excise	0.60	0.60	Two cases amounting to ₹ 24.66 lakh is pending in the court of law. In other cases, action is being taken to recover the amount.
4.	Taxes and Duties on Electricity	269.34	-	Department stated that regular correspondence is being made with Uttarakhand Power Corporation Ltd.
5.	Entertainment Tax	0.67	0.04	The cases amounting to ₹ 45.66 lakh are pending in the court of law. In rest of the cases, Recovery Certificates have been issued.
6.	Stamp Duty and Registration Fees	5.48	0.59	Effective steps are being taken to realize the outstanding amount.
7	Land Revenue	132.02	46.69	Department stated that four cases (₹ 46.69 crore) are *sub-judice*.
8.	Taxes on purchase of Sugarcane	5.83	-	-
Total		**1,490.99**	**249.72**	

Source: Concerned State Departments.

The Government may take immediate steps for recovery of the arrears of revenue, particularly in those cases which are pending for a long time.

3.1.9 Arrears of Assessment

The details of assessment position as on 31 August 2012 in respect of Sales Tax/ VAT returns pertaining to the period 2005-06 to 2010-11 is given in **Table 3.1.8** below:

Table-3.1.8

Year	Total No. of cases for tax assessment			Remarks
	During the year	Assessed so far	Not assessed so far	
2005-06	110620	110620	--	--
2006-07	84403	84403	--	--
2007-08	82172	82172	--	--
2008-09	87857	64890	22967	Will be time barred by November 2012.
2009-10	90989	17392	73597	Will be time barred by March 2013.
2010-11	66568	1852	64716	Will be time barred by March, 2014.

Source: Concerned State Department.

The Department stated (October 2012) that efforts are on to complete the assessments in time.

3.1.10 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Tax Department, cases finalised and demands for additional tax raised in 2011-12, as reported by the Department concerned are mentioned in **Table-3.1.9** below:

Table-3.1.9

Name of tax/ duty	Cases pending as on 31 March 2011	Cases detected during 2011-12	Total	Number of cases in which assessments/ investigation completed and additional demand including penalty *etc.* raised during the year 2011-12		Number of cases pending as on 31 March 2012
				No. of cases	(₹ in lakh)	
Commercial Tax/VAT	1493	4329	5822	4299	1415.05	1523

Source: State Department.

The amount of recovery made against the demand raised was not intimated by the Department (December 2012).

3.1.11 Disposal of Refund cases

Commercial Tax Department settled 78.72 *per cent* of the refund claims in 2011-12 while in the case of Stamp Duty and Registration; all the cases were settled during the year as mentioned in the **Table-3.1.10** below:

Table-3.1.10 *(₹ in lakh)*

Sl. No.	Particulars	Commercial Tax		Stamp Duty and Registration Fee	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	331	1,594.67	Nil	Nil
2.	Claims received during the year	5,281	1,716.33	12	539.61
3.	Refunds made during the year	4,418	2,645.31	12	539.61
4.	Balance outstanding at the end of the year	1,194	665.69	Nil	Nil

Source: Concerned State Departments.

The increase in number of pending refund cases was not encouraging.

3.1.12 Response of the Departments/Government towards audit

The Principal Accountant General (Audit), Uttarakhand (PAG) conducts periodical inspection of the Government Departments concerned to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the Rules. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected along with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

3.1.13 Failure of Head of Department to enforce accountability and protect the interest of the State Government

Inspection Reports issued upto December 2011 disclosed that 1,797 paragraphs involving ₹ 151.30 crore relating to 851 IRs remained outstanding at the end of June 2012 as mentioned in the **Table-3.1.11** below along with the corresponding figures for the preceding two years:

Table-3.1.11

	June 2010	June 2011	June 2012*
Number of IRs pending for settlement	1,159	1,213	851
Number of outstanding audit observations	2,323	2,432	1,797
Amount involved (₹ in crore)	245.26	280.88	151.30

*Outstanding IRs,Paras and amount related to Electricity Duty, Land Revenue ,Departmental Receipt and Court Fees have been transferred to other sectors hence excluded in June 2012.

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2012 and the amounts involved are mentioned in the **Table-3.1.12** below:

Table-3.1.12

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1.	Commercial Tax	Taxes/VAT on Sales, Trade *etc.*	366	959	74.05
2.	Entertainment Tax	Entertainments Tax, Luxury Tax *etc.*	46	62	1.14
3.	Excise	State Excise	69	91	30.49
4.	Transport	Taxes on Motor Vehicles *etc.*	98	270	34.69
5.	Stamps and Registration	Stamp Duty and Registration Fees	272	415	10.93
Total			**851**	**1,797**	**151.30**

The large pendency of the IRs and audit observations indicated that the Heads of Offices and Heads of the Departments did not take prompt action to rectify the defects, omissions and irregularities pointed out by audit. The prolonged delay in settlement of the audit observations is fraught with the risk of their becoming too old for effecting recovery/taking action by the concerned departments.

3.1.14 Departmental Audit Committee Meetings

In order to expedite the settlement of the outstanding audit observations contained in IRs on Revenue Receipts of the Government of Uttarakhand, the Departmental Audit Committees were constituted by the Government. However, no audit committee meeting was held during the year 2011-12.

It is recommended that the Government may:

- advise the concerned Departments to hold audit Committee Meetings frequently and monitor the progress of settlement of paragraphs and ensure that demands/recoveries are timely made; and

- take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/ officers who fail to send replies to the IRs/Paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

3.1.15 Response of the Departments to the draft audit paragraphs

Serious and important audit observations (draft paragraphs) noticed during local inspections are proposed for inclusion in the Report of the Comptroller & Auditor General of India are forwarded to the Secretaries of the Departments concerned, drawing their attention and requesting for their response within six weeks. The fact that in case of non receipt of replies from the Departments/ Government within stipulated time will tantamount to acceptance of facts and figures of draft paras by the Department/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

3.1.16 Follow up on Audit Reports-Summarised position

After creation of the State, the Public Accounts Committee had been notified in May 2001. The Report of the Comptroller & Auditor General of India is laid in the Legislative Assembly and the Departments initiate action on the audit paragraphs. The action taken/ explanatory notes thereon are to be submitted by the Government for the consideration of the Committee. The explanatory notes on audit paragraphs of the Reports were being delayed inordinately by Department/Government. The Reports of the Comptroller & Auditor General of India on Revenue Receipts of the Government of Uttarakhand for the years 2000-01 to 2007-08 were discussed in the Public Accounts Committee during the period 2005-06 to 2011-12 and explanatory notes/action taken in 27 cases were awaited as on 31 March 2012.

3.1.17 Position of Inspection Reports

The summarised position of the Inspection Reports relating to Commercial Tax Department, issued during the last five years, paragraphs included in these Reports and their status as on 31 March 2012 is given in **Table-3.1.13** below:

Table-3.1.13 *(₹ in crore)*

Sl. No.	Year	Opening balance			Addition during the year			Clearance during the year			Closing balance at the end of the year		
		IRs	Paragraphs	Money Value	IRs	Paragraphs	Money Value	IRs	Paragraphs	Money Value	IRs	Paragraphs	Money Value
1.	2007-08	214	521	20.26	22	93	1.55	3	57	2.51	233	557	19.30
2.	2008-09	233	557	19.30	49	206	21.63	8	69	2.32	274	694	38.61
3.	2009-10	274	694	38.61	44	105	12.04	6	48	0.64	312	751	50.01
4.	2010-11	312	751	50.01	54	158	89.37	6	32	0.70	360	877	138.68
5.	2011-12	360	877	136.88	54	192	8.56	12	46	65.94	402	1023	79.50

As is evident from the above table, against 214 IRs with 521 outstanding paragraphs as on 2007-08, the number of outstanding IRs rose to 402 with 1023 paragraphs at the end of 2011-12, whereas only 252 paragraphs were cleared during the period 2007-12.

This is indicative of the fact that adequate efforts were not made by the Department to take action in the interest of revenue of the State, resulting in piling up of the outstanding IRs and paragraphs.

3.1.18 Recovery of revenue of accepted cases

In respect of paragraphs featured in the Audit Reports 2005-06 to 2010-11, the Department/Government accepted audit observations involving ₹ 10.49 crore of which only ₹ two lakh was recovered till 31 March 2012 as mentioned in the Table-3.1.14 below:

Table-3.1.14

(₹ in crore)

Year of Audit Report	Total Money value	Accepted money value	Recovered Amount
2005-06	7.58	3.19	0.01
2006-07	1.03	0.02	0.01
2007-08	60.48	0.05	Nil
2008-09	7.00	0.91	Nil
2009-10	8.47	6.21	Nil
2010-11	1.03	0.11	Nil
Total	**85.59**	**10.49**	**0.02**

The fact that only 0.19 *per cent* of the accepted amount has been recovered, points to the need for the Government to take concerted action in this regard.

3.1.19 Results of audit

Test check of the records of 107 units of Commercial Tax, State Excise, Motor Vehicles and other Departmental offices conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue aggregating to ₹ 16.18 crore in 272 cases, of which the Department accepted ₹ 0.15 crore in 15 cases. However, the Department recovered ₹ 0.49 crore in 41 cases during the year at the instance of audit.

3.1.20 Contents of the Revenue Chapter of this report

The Chapter contains one Performance Audit of Administration of VAT in Uttarakhand and one Departmental Central compliance Audit of State Excise Department, involving revenue implication of ₹ 6.26 crore relating to short levy of tax, irregular allowance of concessions and input tax credit and loss of Revenue due to low recovery of alcohol etc. The Departments concerned have accepted underassessment and other deficiencies of ₹ 0.15 crore.

3D. Audit findings

Highlights

Performance Audit of Administration of VAT in Uttarakhand

- *No provision/module has been mapped for issuance of Form-XVII, which is a certificate for import of goods by parties other than registered dealer and for Originating Certificate (OC), required by the dealers for transit of goods for intra-state trade but passing through other state without being taxed in that state and Tax Audit.*

  (Paragraph 3.2.13.2 & 3.2.16.2)

- *In the absence of interlinking of the field units, Checkposts and Commissionerate, the intended objective of computerisation such as online transmission of data, cross verification of various details etc. could not be achieved in full.*

  (Paragraph 3.2.13.5)

- *There was short/ non-levy of tax of ₹ 2.61 crore and interest of ₹ 1.97 crore due to imposition of tax at lower rates, escaped taxable turnover and suppression of sale/ turnover.*

  (Paragraph 3.2.14.1 & 3.2.14.2)

- *Allowance of Input Tax Credit (ITC) amounting to ₹ 44.12 lakh was irregular. Similarly, irregular allowance of concession/ exemption resulted in short levy of tax of ₹ 39.88 lakh and interest of ₹ 25.69 lakh.*

  (Paragraph 3.2.14.4 & 3.2.14.5)

- *Even though the VAT has been in place for six years, the VAT manual is yet to be prepared.*

  (Paragraph 3.2.16.3)

- *In appeal, 762 out of 3,213 cases involving revenue of ₹ 10.37 crore were pending for disposal for more than five years.*

  (Paragraph 3.2.16.4)

Department Centric Compliance audit of State Excise Department

- *Two District Excise Officers had booked 23 offences under Section 64, pertaining to sale of liquor exceeding MRP by nine licensees. These cases were settled on payment of nominal compounding fees. Out of these 23 cases, two and three licensees committed the violation four and three times respectively.*

  (Paragraph 3.3.8.4)

- *Low recovery of Alcohol from molasses resulted in escaping of revenue of ₹ 20.66 lakh.*

  (Paragraph 3.3.8.6)

Commercial Tax Department

3.2 Performance Audit of Administration of VAT in Uttarakhand

The Performance Audit on Administration of VAT in Uttarakhand was undertaken to verify whether proper systems are in place to ensure that the provisions of the VAT Act, Rules and Circulars issued by the Department are enforced effectively to safeguard the revenue of the State. The Performance Audit for the period 2008-09 to 2011-12 brought out deficiencies like non-mapping of different features in the computerized modules, short levy of tax, irregular allowance of concessions & Input Tax Credit, shortage of manpower, pendency of large number of appeal cases, lack of Tax Audit etc.

Highlights

- ***No provision/module has been mapped for issuance of Form-XVII, which is a certificate for import of goods by parties other than registered dealer and for Originating Certificate (OC), required by the dealers for transit of goods for intra-state trade but passing through other state without being taxed in that state and Tax Audit.***

  (Paragraph 3.2.13.2 & 3.2.16.2)

- ***In the absence of interlinking of the field units, Checkposts and Commissionerate, the intended objective of computerisation such as online transmission of data, cross verification of various details etc. could not be achieved in full.***

  (Paragraph 3.2.13.5)

- ***There was short/ non-levy of tax of ₹ 2.61 crore and interest of ₹ 1.97 crore due to imposition of tax at lower rates, escaped taxable turnover and suppression of sale/ turnover.***

  (Paragraph 3.2.14.1 & 3.2.14.2)

- ***Allowance of Input Tax Credit (ITC) amounting to ₹ 44.12 lakh was irregular. Similarly, irregular allowance of concession/ exemption resulted in short levy of tax of ₹ 39.88 lakh and interest of ₹ 25.69 lakh.***

  (Paragraph 3.2.14.4 & 3.2.14.5)

- ***Even though the VAT has been in place for six years, the VAT manual is yet to be prepared.***

  (Paragraph 3.2.16.3)

- ***In appeal, 762 out of 3,213 cases involving revenue of ₹ 10.37 crore were pending for disposal for more than five years.***

  (Paragraph 3.2.16.4)

3.2.1 Introduction

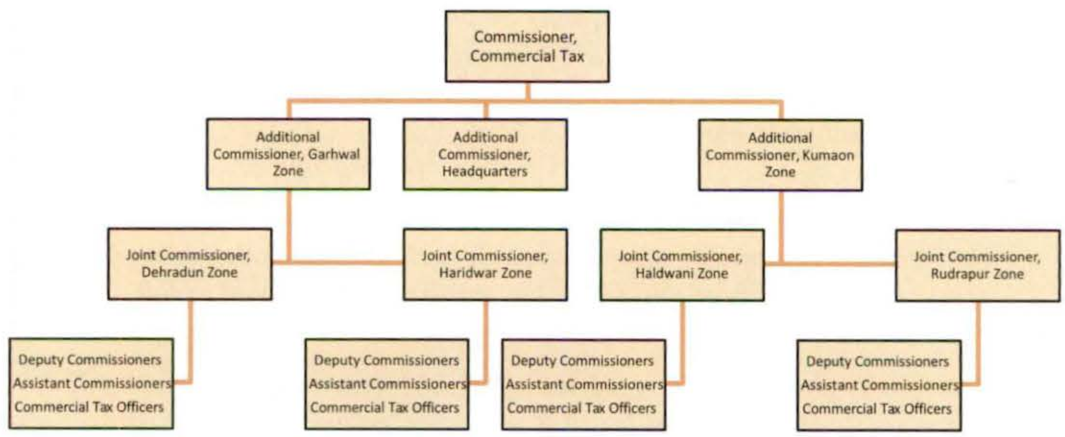
Value Added Tax (VAT) is a multipoint taxation system where the goods are subject to tax at each point of sale in the production and distribution chain till it reaches the consumer. The VAT system came into force in the State of Uttarakhand from 1st day of October 2005, by repealing Uttarakhand (The Uttar Pradesh Trade Tax

Act, 1948) Adaptation and Modification Order, 2002 and enacting an Act called 'The Uttarakhand Value Added Tax (UVAT) Act, 2005" to bring more efficiency in the tax administration and fairness in the taxation system. The Act comprises of XI Chapters relating to registration of the dealers, filing of returns, recovery and refund of tax, rates of tax, appeal and revision, penalties etc. The salient features of the Act are illustrated in **Appendix-3.1**.

Commercial Tax Department is responsible for assessment, levy and collection of VAT and ensures compliance of various provisions of the Act, Rules and Circulars issued in this regard.

3.2.2 Organisational Set-up

The organizational set-up of the Department is depicted in the chart below:



3.2.3 Audit Objectives

The Performance Audit was conducted with a view to ascertain:

- if the system of receipt, issue and use of forms was adequate;
- whether the system of registration of dealers and filing of returns by them was effective;
- the efficiency and effectiveness of computerization and to ascertain whether Information Technology Controls in place were adequate;
- that the levy and collection of taxes, allowance of Input Tax Credit (ITC), exemptions and concessions and payment of refunds are in conformity with the provisions of the prevailing Act and Rules;
- the human resources are managed in an efficient and effective manner; and
- whether the internal controls in the Department are adequate and effective.

3.2.4 Audit criteria

Audit criteria has been derived from the following sources:

- The Uttarakhand Value Added Tax Act,2005;
- The Uttarakhand Value Added Tax Rules, 2005;
- The Uttarakhand Entry Tax Act, 2008;
- The Uttarakhand Entry Tax Rules, 2009; and
- Departmental Circulars and Notifications.

3.2.5 Scope and methodology of audit

The Performance audit was conducted during the period from May 2012 to September 2012 through test-check of the records and computerised data of Headquarter office of the Department, six[3] out of 23 Deputy Commissioners (Assessments) {DCs (A)} 14[4] out of 47 Assistant Commissioners (Assessments) {AC (A)} including Commercial Tax Officer (CTO), one Check Post[5] and one Mobile Squad[6] out of 22 Check Posts and eight Mobile Squads respectively for the period from 2008-09 to 2011-12. The sampling of the units was done by "Probability Proportional to Size without Replacement (PPSWOR) method". An Entry Conference was held on 23 July 2012 with the Secretary (Finance), Government of Uttarakhand, wherein the audit objectives, scope and methodology of audit were discussed. The draft report was sent to the Government/ Department on 14 November 2012 for their response.

The findings of the Performance Audit were discussed (17 December 2012) with the Secretary, (Finance), Government of Uttarakhand, in an Exit Conference. The replies of the Government have been incorporated in the report at appropriate places.

3.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Tax Department in providing necessary information and records for audit.

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3 DC-I, Haridwar, DC-II, Roorkee, DC-I & V, Dehradun, DC-II, Kashipur and DC-II, Haldwani.

4 AC-II, III, & V, Dehradun, AC-II, Rishikesh, AC, Kotdwara, AC-I & II, Roorkee, AC- II, Haridwar, AC, Kichha, AC-III, Rudrapur, AC-II, Haldwani, AC-I, Almora, AC, Nainital and AC, Ramnagar.

5 Check Post, Narsen.

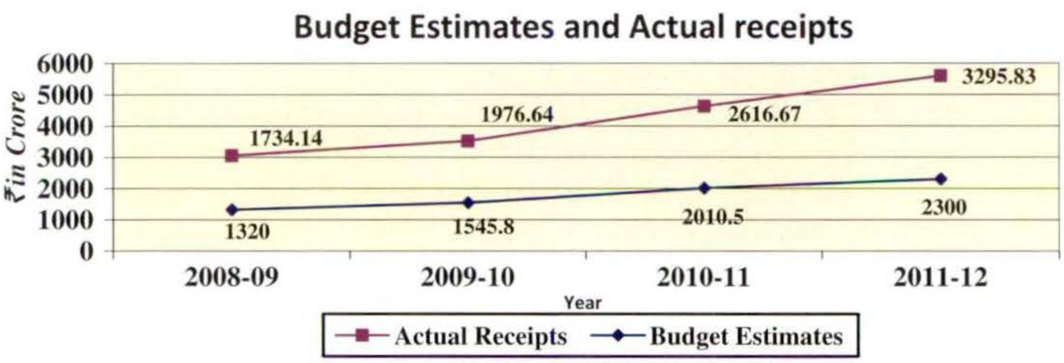
6 AC Mobile squad, Haldwani.

3.2.7 Trend of Revenue

The tax collection on account of VAT for the period from 2008-09 to 2011-12 as per the Finance Accounts prepared by the Accountant General (A&E), Uttarakhand along with the budget estimates during the above period and the growth rate in percentage over the previous years is given in **Table –3.2.1** below:

Table-3.2.1 *(₹ in crore)*

Year	Budget Estimates	Collection of VAT	Variation (*Per cent*)	Total receipt of the State	*Per cent* of VAT in total receipt	Growth Rate(%) of VAT over previous year
2008-09	1320.00	1734.14	(+) 31	8634.98	20	16.52
2009-10	1545.80	1976.64	(+) 28	9486.13	21	13.98
2010-11	2010.50	2616.67	(+) 30	11608.16	23	32.37
2011-12	2300.00	3295.83	(+) 43	13691.24	24	25.95



It is evident from above that there is an increasing trend in collection of VAT as well as the share of VAT in total revenue receipt of the State. The collection of VAT has also exceeded the Budget estimates in all the years under coverage. Further, it was noticed that the budget estimates were unrealistic for the year 2008-09, 2009-10 and 2011-12 as these were less than the collection of VAT for the previous year. The growth rate over the previous year touched a high of 32.37 *per cent* in the year 2010-11.

3.2.8 Registered dealers

The total number of registered dealers in the State had shown an increase during the period from 2008-09 to 2011-12 as depicted in **Table-3.2.2** below:

Table-3.2.2

Year	Total number of registered dealers
2008-09	66607
2009-10	79316
2010-11	84759
2011-12	84323

As can be seen from the above table, there was an increase in the number of registered dealers from 66,607 to 84,323 during the period 2008-12 which contributed to increase in VAT collection as discussed in the paragraph 3.2.7 above.

3.2.9 Cost of collection of VAT

The gross collection of revenue receipts under the Major Head, Taxes on sales, trade etc. (0040), expenditure incurred on collection and percentage of expenditure to gross collection during the year 2008-09 to 2011-12 along with the All India percentage of expenditure on collection to gross collection are given in **Table-3.2.3** below:

Table-3.2.3 ***(₹ in crore)***

Year	Gross Collection[7]	Expenditure on collection	*Per cent* of expenditure to collection	All India average percentage
2008-09	1902.38	22.69	1.19	0.91
2009-10	2240.84	25.63	1.14	0.88
2010-11	2934.95	33.46	1.14	0.96
2011-12	3635.97	35.30	0.97	0.75

It is evident from the above table that the Department was able to achieve reduction in cost of collection, but the same is higher than the All India Average. While audit appreciates the same, more efforts are needed to bring the cost of collection at par or below the All India Average.

3.2.10 Recovery of arrears of revenue under the repealed Act

(a) Arrears of ₹ 36.50 crore were pending under the repealed Act as on 30 September 2005. Out of this, the total amount which remained unrealised as on 31 March, 2012 was not provided by the Commercial Tax Department. In the absence of details, pending recovery under repealed Act could not be arrived at by Audit.

(b) A test-check of R3 register maintained by the field offices for monitoring of demand and recovery indicated that ₹ 12.99 lakh were pending for recovery for more than twenty years as illustrated in **Appendix-3.2.** Though Recovery Certificate (RC) had been issued by the Department in all the cases, yet no further action was initiated to settle these long pending demands either by way of recovery or by write off, if recovery is not possible.

During exit conference, the Secretary (Finance), Government of Uttarakhand, directed (December 2012) Commissioner, Tax to issue letters to the District

[7] Includes collection on VAT, Entertainment Tax, Tax on Motor Spirits and Central Sales Tax.

Magistrates for issuing Recovery Certificates again and to depute the authorised officers of the Department to contact the District Magistrates personally for taking necessary action. In case of old arrears which are not recoverable, the Secretary Finance directed that the concerned assessing authorities of the Department with the authorised officers of the Revenue Department should initiate action under rules for write off within three months.

3.2.11 System of Receipt, Issue and Use of forms

The Department invites tenders for printing of the concessional forms and to safeguard any misuse while printing, various conditions are imposed in the tenders as well as supply orders. After printing, these forms are received by the stores of the headquarters office of the Department. From the stores, the forms are issued to the Joint Commissioners as per their requirement. The Joint Commissioners further issue these forms to the assessing authorities i.e. DCs and ACs based on indents. These forms are obtainable by registered dealers from the assessing authorities on payment of a fee fixed by the Department from time to time.

The Department has developed a form module for issuance of forms through computer. On receipt of the forms from concerned Joint Commissioner, their series/ serial numbers are fed in the form module as "Master Entry". These are being issued to the dealers as per the serial number generated by the module.

System of receipt, issue and use of forms in the sampled units through the module was analyzed for four forms *viz.*, Form C, F, XI and XVI. The audit analysis revealed the following discrepancies:

- In the 12 sampled units of Garhwal division, only Forms C, F and XVI were being issued through the module.

- In seven out of eight sampled units in Kumaon division, only Form-XVI was being issued through the module.

Further, where forms were being issued through the module, it was observed that important data like details of lost/cancelled forms, fee deposited, challan number and date were not fed in the relevant fields provided in the module. In case of some dealers, even the Permanent Account Number was not fed in the database.

During Exit Conference, the Secretary (Finance), Government of Uttarakhand, stated that the functional Form Module was based on local server and the web based Form Module was being prepared. This module will be launched only after correcting the deficiencies pointed out by audit. After the module is launched, there would be uniformity in issuance of forms also. Further, it was stated that a circular had been issued by Commissioner, Tax on 14 May 2012 for feeding of backlog in the system. The Secretary, Finance directed for its strict compliance.

3.2.12 Dealer Administration

Section 3 (7) read with Section 15 of the Act provides that a dealer shall be liable to tax if the aggregate of his turnover of sale of all goods is ₹ five lakh and such dealer shall get himself registered within such time and in such manner as prescribed. Further, Section 15 (4) (d) of the Act provides that every dealer in liquor including beer shall be liable for registration irrespective of his turnover at the commencement of the business in the State.

(a) It was observed that only two[8] out of 14 test checked ACs (A), conducted surveys to detect unregistered dealers liable for registration and got registered all the detected 40 dealers during the period under audit.

(b) Audit had forwarded (16 August 2012) a list of 342 dealers, who had been issued licenses by the Mining Department for mining of Rodi, Bajri, Sand and Grit in Dehradun region for the period from 2008-09 to 2011-12, to the Commissioner, Commercial Tax Department Dehradun, to verify whether the dealers who were liable for registration, had been registered.The Department did not provide the said information till October 2012.

During Exit Conference, the Secretary (Finance), Government of Uttarakhand, stated that necessary action was in progress in this regard.

(c) The department was asked to provide the details of total number of dealers who were identified as 'liable for registration' by the Special Investigation Branch (SIB) of the Department and number of dealers registered thereagainst. This information was not provided by the Department till October 2012.

(d) No norms/targets were prescribed either by the VAT Act or by issue of any notification/instruction regarding conducting periodical surveys to unearth unregistered dealers liable for registration.

During Exit Conference, the Secretary (Finance), Government of Uttarakhand, directed the Commissioner, Tax to take necessary action for the observations pointed out by audit.

(e) The stock accounts in case of three dealers show total amount of goods in the opening and closing stock without bifurcation under four *per cent* and 12.5 *per cent* category, leaving a chance for misappropriation.

[8] AC Kichha and AC Almora.

(f) In a number of cases, the purchase list enclosed with the returns does not bear the name of the commodity in the absence of which, correct rate of tax/ ITC cannot be ensured.

During Exit Conference, The Secretary (Finance), Government of Uttarakhand, directed for issuance of a circular regarding bifurcation of opening, closing stock and name of the commodity in the purchase list.

(g) Under the Act, every dealer in liquor including beer is liable for registration irrespective of his turnover. The matter was also pointed out in Audit Report for the year ending March 2010, wherein the Department had stated that the matter shall be looked into and action will be taken. During the course of audit, it was noticed that neither the dealers got themselves registered nor did the Department initiate any action to register them.

During Exit Conference, the Secretary (Finance), Government of Uttarakhand, directed to issue a letter to Secretary and Commissioner, Excise for making a provision for the dealers to obtain TIN from the Commercial Tax Department before operating the liquor/beer shop. The Secretary further directed that necessary action should be taken to register the dealers, presently engaged in such trade.

3.2.13 Computerisation

National Informatics Centre (NIC) developed a web based VAT application software for the Commercial Tax Department. The software has the modules namely Dealers Administration, Return Module, Form Management, TINXSYS and Payment Module.

3.2.13.1 Good practices

(a) The Department had effectively implemented the system to register the dealers through registration module. The dealer applies for registration online and TIN is allotted by the Department within a period of 30 days from the date of application.

(b) The Return module monitors the filing of returns by the dealers. A list of defaulters who do not file their return in time was being generated and notices served to the defaulting dealers. The registrations of the dealers, who do not file their returns even after the notice, were suspended.

3.2.13.2 Deficiencies in system design

It was observed that certain key features were not there in the application software as detailed below:

- There was no provision in the software for cancellation of State and Central registrations independently. It was noticed during audit of AC (A) Kotdwar, that three dealers had applied for cancellation of their central registration, but the assessing authority could not cancel the registration as the state registration also gets cancelled simultaneously.

- During scrutiny of the Form module, it was noticed that the module had a provision to feed the total number of lost/cancelled forms, but there was no provision for feeding of the serial number of these forms. Further scrutiny of the module revealed that there is a field for amount of fee deposited for forms, but there is no check over the fee deposited and number of forms issued. In the absence of such validation check, the forms were issued to the dealers even if there was no balance at the credit of the dealer.

- There was no provision in the Form module for issuance of Originating Certificates (OC)[9]. This was being issued manually.

- It was observed that there was no provision in the Form Module for issuance of Form-XVII[10]. However, the software developed for the check-posts had a provision for feeding the details of Form-XVII and these details were fed into Panji 1 and Panji 2[11] in the test checked check-post at Narsen. In the absence of a provision for issuance of Form-XVII through the module by the field offices, the data of the check posts could not be utilized for cross verification by the field offices.

- There was no provision in the software to capture data pertaining to Mobile squads.

- There was no provision in the software for detection of late payment of tax and calculation of interest thereon.

- There was no provision in the software to capture data relating to refunds.

- There was no provision in the software to generate various Management Information System (MIS) Reports which are presently being prepared manually.

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[9] Which is required by the dealers for transit of goods for intra-State trade but passing through other state without being taxed in that state.

[10] Which is a certificate for import of goods by parties other than registered dealers.

[11] Panji 1 : Register maintained at the check post wherein the details of the purchasing/ selling dealer and the transporter are recorded.
Panji 2 : Register maintained at the check posts wherein the details of the goods *viz.* name, quantity and amount and the details of forms used are recorded.

- E-filing of the returns was compulsory for the dealers having a turnover of more than ₹ 50 lakh. It was observed that there was no provision in the software to capture 'Purchase List' and 'Sale List' which are the most important enclosures of a return. The same enclosures were, however, found attached with the hard copy of the returns. Non-availability of the details of purchase/ sale hampered the cross verification of returns through computer as discussed in Paragraphs-**3.2.14.2 & 3.2.14.4.**

- Tax Information Exchange System (TINXSYS) is a centralized exchange of all inter-state dealers spread across various states and Union territories of India. TINXSYS helps to actively monitor the inter-state trade and verification of statutory forms issued under CST Act by other states submitted by the dealers for claiming concessions/exemptions. It was observed that the details of 'C' and 'F' Forms issued were not uploaded on TINXSYS.

3.2.13.3 Lack of General IT Controls

Information Technology controls in a computerised system are all the manual of programme methods, policies and procedures that ensure the protection of entity's assets, accuracy and reliability of its records and operational adherence to management standards. The following deficiencies were noticed in General IT Controls:

- No licensed version of Anti-virus software was found installed in the computers used for office work.

- There is no documented user guide to help the users understand the software for effective discharge of their functions.

- No documented disaster recovery system was operational in case of any failure of the system.

The Secretary (Finance), Government of Uttarakhand, stated during Exit Conference, that the functional form module is based on local server and the web based form module is being prepared. This module shall be launched only after correcting the deficiencies pointed out by audit. After the module is launched, there would be uniformity in issuance of forms also. The Department also stated that the observations pointed out by audit had been noted and IT section, Headquarter office, Commercial Tax has been instructed to take corrective measures. Regarding Form XVII, MIS and computerisation of Mobile Squads, the Commissioner Tax stated that the same shall be looked into after reorganisation due to closure of the check posts. As such it is not feasible to comment at this stage. The Secretary

(Finance), Government of Uttarakhand, also instructed the officers concerned of the Commercial Tax Department to take necessary action wherever needed.

3.2.13.4 Reliability of the data

'Date of Registration' of a dealer is a key field as the assessment of VAT of a particular dealer depends upon it. It was observed that in case of 209 dealers out of 2,269 dealers, data in this key field as available in the software was different from that in the manual records.

On this being pointed out, the units stated that the discrepancy was due to clerical mistake and would be set right. As database of dealers is the foundation on which the effectiveness of entire software package depends, presence of inaccurate data in key fields seriously undermined the reliability of the digitized data.

During exit conference, Secretary (Finance), Government of Uttarakhand, directed Commissioner Tax to instruct the concerned Joint Commissioners to look into the matter and take remedial action.

3.2.13.5 Computerisation of Check Posts

Check post is an important tool for cross verification of the credit claims and ensure authenticity of correct payment of tax by the dealers involved in inter-State trade. Therefore, their computerisation and online connectivity with field offices assumes importance.

Audit of the sampled check post at Narsen, revealed the following deficiencies:

- There was no online connectivity of this check post with the field offices and headquarters.

- Five Panjis namely Panji 1, 2, 3, 4 and 5 are maintained at each check post. Panji 1, 2, 3 and 4 are maintained to track movement of goods while Panji 5 contains the details of seizures and security deposits. Hiltron has developed a software package for check posts namely "Check Post Automation System". Audit scrutiny of check post at Narsen revealed that the software was partially operational as only Panji 1, 2 and 3 were fed in the computer and Panji 4 and 5 were prepared manually although there was a provision in the software. As Panji 3 and Panji 4 are interrelated to each other, the data fed in Panji 3 can be usefully utilized only when data in Panji 4 is fed.

- A stand-by server provided in the check post was not in working condition. Thus, there was no arrangement to resume the work in case of server failure due to fault or crash.

The unit stated in reply that necessary action shall be taken to set right the server.

During Exit Conference, Commissioner stated that 38 V-SAT had been purchased and the online connectivity would be available after their installation. The IT section, Headquarter office, Commercial Tax, had been instructed for speedy compliance.

3.2.14 Implementation of UVAT Act

Audit of test checked units revealed various deficiencies in effective enforcement of the Act and Rules as brought out in succeeding paragraphs.

3.2.14.1 Short/ Non-levy of tax

According to Section 4 of UVAT Act, the tax payable by a dealer shall be levied on his taxable turnover at such rates as may be prescribed in the Schedules of the Act.

- Test-check of the records of four DCs (A)[12] and 12 ACs (A)[13] (including CTO) revealed that, in case of 23 dealers, tax was levied at lower rate on a total sale of ₹ 3.11 crore, which resulted in short levy of tax of ₹ 26.69 lakh and interest of ₹ 18.34 lakh as detailed in **Appendix-3.3**.

- During scrutiny of the records of three DCs (A)[14] and five ACs (A)[15] (including CTO), it was noticed that tax was not levied at all on 11 dealers for sales transaction of ₹ 12.93 crore, treating the commodities as exempt resulting in non-levy of tax of ₹ 1.60 crore. Besides, interest of ₹ 1.25 crore was also leviable as detailed in **Appendix-3.4**.

Section 4 (5) (b) read with Rule 14 (2) stipulates that every dealer shall pay tax on the net turnover in respect of transfer of property in goods involved in the execution of works contract at such rates as are provided. The net turnover shall be arrived at after deducting the total value of goods on the sale or purchase where tax has been levied or is leviable and the amount representing the labour charges for the execution of the works contract from the total amount received or receivable by the contractor.

- Test-check of records of the AC (A), Nainital revealed that a contractor namely M/s Project Manager, UP State Construction Corporation Limited, Almora received gross payment of ₹ 5.20 crore and ₹ 7.21 crore for the year 2006-07 and 2007-08 respectively for construction of Government buildings. The assessing authority exempted the contractor during assessment for both

[12] DC(A)- I Dehradun, DC(A)-II Roorkee, DC(A)-II Kashipur and DC(A)-II Haldwani.

[13] AC(A) –II & V Dehradun, AC(A) I & II Roorkee, AC (A) III (CTO), Dehradun, AC(A)-II Haldwani, AC(A) Nainital, AC(A)-II Haridwar, AC(A)-I Almora, AC(A) Kotdwara, AC(A) Kichha and AC(A) II(CTO) Rishikesh.

[14] DC(A)-II & V Dehradun and DC(A) –II Haldwani.

[15] AC(A)-V Dehradun, AC(A) Nainital, AC(A)-I Almora, AC(A)-II Rishikesh and AC(A) Kichha.

the years on the plea that no sale/ transfer of material had been made by the contractor. The plea of assessing authority was not in accordance with the above provisions wherein tax was leviable on the net turnover for the year 2006-07 and 2007-08 respectively. In absence of details of quantum of materials purchased by the contractor, the amount of tax leviable could not be arrived at by the audit since there are two different sets of 12.5 and four *per cent* depending upon the type of material.

Escaped taxable turnover

- During scrutiny of the records of two ACs (A)[16], it was noticed that in case of a contractor for the years 2008-09 and 2009-10, the assessing authority deducted 30 *per cent* of the amount received by the contractor (₹ 2.45 crore), instead of actual labour charges of ₹ 11.52 lakh incurred to arrive at net taxable turnover. Further, in case of one contractor, purchase of ₹ 9.56 lakh instead of ₹ 8.92 lakh was deducted from total amount of ₹ 20 lakh received by the contractor to arrive at net taxable turnover. This resulted in escaped taxable turnover of ₹ 62.63 lakh led to non-levy of tax of ₹ 6.25 lakh and interest of ₹ 2.76 lakh thereupon as detailed in **Appendix-3.5**.

The reply on the above issues from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

Section 3 (1) of the Act read with Section 58 (1) (XXV) (h) stipulates that tax shall be levied and charged in accordance with the provisions of this Act on every sale made within the State by a dealer. Further, if a dealer has issued sale invoice and failed to account for it correctly in his books of accounts, a penalty of ₹ one hundred or double the amount of tax involved, whichever is higher, is leviable.

- Test-check of the DC (A) V, Dehradun revealed that a dealer namely M/s Rudra Wood Pack, Manglore, Roorkee had declared a sale of ₹ 4.72 crore for the year 2007-08 to M/s Asahi India Glass Limited, Roorkee, out of which, sale of ₹ 4.03 crore and ₹ 68.84 lakh was declared taxable at four *per cent* and 12.5 *per cent* respectively. Cross verification of assessment records of the seller and purchaser by Audit revealed that the entire sale of ₹ 4.72 crore was made at 12.5 *per cent*. Further verification indicated that the purchasing dealer had claimed and was allowed ITC @ 12.5 *per cent* amounting to ₹ 58.96 lakh on this purchase. The assessing authority failed to bifurcate and detect the actual taxable rate for the amount of sale by the dealer to M/s Asahi India Glass Limited, Roorkee. This resulted in short levy of tax on taxable turnover of sales of ₹ 4.03 crore amounting to ₹34.30

[16] AC(A)-V Dehradun, AC(A)-II Haldwani.

lakh. In addition, interest of ₹ 23.15 lakh and penalty of ₹ 68.60 lakh was also leviable.

- A test-check of the records of DC(A)-V Dehradun, revealed that the assessing authority in case of a dealer[17] levied tax on a total sale of ₹ 22.83 crore for the year 2007-08. Scrutiny of the sale list for the relevant period, furnished by the dealer, revealed that the dealer had sales turnover of ₹ 23.38 crore for that year. This resulted into escapement of tax of ₹ 2.19 lakh and interest of ₹ 1.48 lakh on escaped sale amount of ₹ 54.81 lakh and penalty was also leviable.

The reply on the above issues from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

3.2.14.2 Evasion of tax due to suppression of sale

Section 4 of the Act stipulates that the tax payable by a dealer shall be levied on his taxable turnover at such rates as may be prescribed in the Schedules of the Act.

During scrutiny of the assessment order from the confidential file of a dealer namely M/s Rudra Wood Pack, Roorkee, it was noticed that the dealer declared sale of ₹ 1.59 crore in his periodical returns for the month of January and February, 2007 and thereafter filed a revised return declaring sale as "Nil" for the year 2006-07 on the plea that the goods were received back due to substandard quality. The assessing authority in the assessment order (placed in confidential file) had mentioned that an affidavit in support was submitted by the selling and purchasing dealers. Thus, the assessing authority had not levied any tax for the said year due to "Nil" sale. The corresponding assessment file of the concerned dealer was not produced to Audit due to which Audit could not verify the authenticity of documents mentioned in the assessment order.

Cross verification by audit revealed that the dealer had actually sold goods worth ₹ 4.12 crore in the same year to M/s Asahi India Glass Limited, Roorkee registered in DC (A)-II, Roorkee. Further scrutiny revealed that the dealer had issued the invoices for the total turnover sale of ₹ 4.12 crore to M/s Asahi India Glass Limited, Roorkee and the purchasing dealer claimed and was allowed ITC of ₹ 51.26 lakh (@12.5 *per cent*). Thus, the dealer suppressed taxable sale of ₹ 2.53 crore. The assessing authority failed to detect the suppression resulting in non-levy of tax of ₹ 31.59 lakh and interest of ₹ 26.07 lakh. Besides, penalty was also leviable.

[17] M/s Rudra Wood Pack, Roorkee.

The reply on the above issue from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

3.2.14.3 Short/ non-deposit of interest

Sub section (4) of Section 34 of the Act and departmental circular provides that, if a dealer fails to make payment of tax due by due date, the dealer shall be liable to pay interest @ 15 *per cent* per annum from the date of such default till the payment of said tax.

Scrutiny of the records of four DCs (A)[18] and 11 ACs (A)[19] revealed that 24 dealers deposited less interest and 40 dealers had not deposited interest at all on demands raised by the assessing authority. Further, it was noticed that the demands were removed/cancelled from R3 register also, even when the dealers had not deposited the amount of interest. No action for recovery of short/ non-deposit of interest was initiated by the assessing authority. This resulted in short/non-deposit of interest of ₹ 18.53 lakh as detailed in **Appendix-3.6.**

The reply on the above issues from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

3.2.14.4 Irregular allowance of Input Tax Credit

Section 6 (3) & (8) of the Act provides that Input Tax Credit (ITC) shall be allowed to a registered dealer for the goods purchased within the State from a registered dealer except for the goods, the sale of which is exempted under this act, loss and discount, job work, consumables (up to 31 March 2008) and special category goods as specified in Schedule III of the Act. Further, Section 58 (1) (XI) and (XXXV) (f) stipulates that if any dealer wrongly claims ITC, a penalty of a sum of ₹ five thousand or three times of the amount claimed, whichever is higher, shall be leviable.

- The benefit of ITC was allowed to the dealers on the basis of purchase list furnished with the returns. During audit, it was noticed that the process of cross verification before allowing ITC was miniscule. There was no institutional mechanism to confirm the genuineness of ITC claims through cross verification before allowing it. Lack of mechanism of cross verification resulted in irregular allowance of ITC as under:

- During audit of the records of DC (A)-II, Roorkee, it was noticed that a dealer M/s Asahi India Glass Limited, Roorkee claimed and was allowed ITC of ₹ 51.26 lakh (@ 12.5 *per cent*) on purchase of goods worth ₹ 4.12 crore for

[18] DC(A)-I & V Dehradun, DC(A)-II Haldwani and DC(A)-II Roorkee.

[19] AC(A)-III & V Dehradun, AC(A) Ramnagar, AC(A)-I &II Roorkee, AC(A)-III Rudrapur, AC(A) Kotdwar, AC(A)-II Rishikesh, AC(A)-II Haldwani, AC(A)-II Haridwar and AC(A)-I Almora.

the year 2006-07 from M/s Rudra Wood Pack, Roorkee registered in DC (A)-V, Dehradun (as discussed in paragraph 3.2.14.2). Cross verification revealed that goods worth ₹ 1.59 crore were returned back by the dealer due to substandard quality. Further, the selling dealer had submitted an affidavit from the purchasing dealer in support of goods returned. As such, ITC on the goods returned was to be disallowed. In absence of cross verification, the fact of returning of goods and producing an affidavit in support was not reflected during assessment, which resulted in irregular allowance of ITC amounting to ₹ 19.91 lakh. Besides, penalty of ₹ 59.74 lakh was also leviable.

- During test-check of records of two DCs (A)[20] and seven ACs (A)[21] (including CTO), it was noticed that irregular ITC on account of exempted goods, consumables etc. amounting to ₹ 24.21 lakh was allowed in case of 14 dealers as detailed in **Appendix-3.7**.

On this being pointed out, the auditable entities stated that the matter would be looked into and action will be taken accordingly.

The reply on the above issues from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

3.2.14.5 Irregular allowance of Concession/Exemption

Section 4 (7) (a) & (e) of the Act read with Rule 23(1) of UVAT Rules, 2005 provides that if any goods liable to tax under this Act are sold by a dealer to another dealer and such another dealer furnishes to the selling dealer a declaration in Form XI, to the effect that he holds a recognition certificate, the selling dealer shall be liable, in respect of these goods, to tax at concessional rates.

Further, Section 63 of the Act and explanation below provides that a person who issues a certificate or declaration where he discloses his intention to use goods purchased by him for such purpose as will make the tax leviable or not leviable at concessional rate but uses the same for the other purpose other than such purpose, the declaration or certificate shall be deemed to be wrong and he shall be liable to pay on such transaction an amount which would have been payable as tax on such transactions had such certificate or declaration not been issued. Section 58(1) (XXIX) & (g) provide for imposition of penalty of a sum not exceeding 40 *per cent* of the value of goods involved or three times of tax leviable on such goods under any provisions of this Act, whichever is higher.

[20] DC(A) I & V Dehradun.

[21] AC(A)-V Dehradun, AC(A) Nainital, AC(A)-II Haridwar, AC(A)-I(CTO) Almora, AC(A)-III (CTO) Rudrapur, AC(A)-Kichha and AC(A)-II (CTO), Rishikesh.

(i) During scrutiny of the records of two DCs (A)[22] and one AC (A)[23], it was noticed that two dealers issued Form-XI against the purchase of goods amounting to ₹ 14.62 lakh, but the goods were not covered under the recognition certificate whereas one dealer issued Form-XI for the purchases amounting to ₹ 1.23 lakh, which were made prior to date of his recognition certificate. Thus, unauthorized issuance of concessional forms by the dealer to the seller resulted in short levy of tax of ₹ 1.31 lakh. Besides, interest of ₹ 0.93 lakh and penalty of ₹ 6.34 lakh is also leviable as detailed in **Appendix-3.8.**

On this being pointed out, the audited entities replied that the matter would be looked into and action would be taken accordingly.

(ii) Under Rule 23 (1), (3) & (4) of UVAT Rules, 2005 where a dealer holding a recognition certificate purchases any goods for the purpose of manufacture of any goods, he shall, if he wishes to avail of concession referred to therein, furnish to selling dealer a declaration in Form XI. The Form issued in a financial year shall be valid for the transactions of purchase or sale made during that financial year as also made during two financial years immediately preceding the financial year. No single form shall cover the transaction of purchase or sale, of more than one assessment year.

During the test-check of records of four DCs (A)[24] and five AC (A)[25], it was noticed that 13 dealers filed 67 declaration forms (Form-XI) against sale amount of ₹ 4.88 crore. The assessing authority allowed the concessional rate of tax on this sale even though the forms in support pertained to the transactions made beyond the prescribed time limit. This resulted in short levy of tax of ₹ 38.57 lakh. Besides, interest of ₹ 24.76 lakh was also leviable as detailed in **Appendix-3.9.**

On this being pointed out, DC-II, Roorkee stated that the observation pointed out by audit had been noted for future. However, DC-II, Kashipur replied that the forms have been received against sales at concessional rates. On the basis of natural justice, tax cannot be levied at full rates. The reply is not acceptable as the Rule does not provide for issuance of forms for the transactions beyond prescribed time limit. Other units stated that the matter shall be looked into and action will be taken accordingly.

[22] DC(A)-I, Haridwar and DC(A)-II, Kashipur.

[23] AC(A), Kichha.

[24] DC(A)-I, Haridwar, DC(A)-II, Roorkee, DC(A)-II, Kashipur, DC(A)-II, Haldwani.

[25] AC(A)/ CTO, Ramnagar, AC(A) II (CTO), Haldwani, AC(A)-III (CTO), Rudrapur, AC(A) Kichha, AC(A) II Rishikesh,

(iii) As per the Act, declaration Form XI was substituted in place of Form 3B which was declared as invalid as per departmental Circular no 3897 dated 22 December 2006 w. e. f. 1 April 2007.

Test-check of the records of AC (A), Nainital revealed that Form 3B were issued (July 2007) by the assessing authority after the date from which these were declared as invalid. A dealer availed concession beyond 1 April 2007 on taxable turnover of ₹ 17.09 lakh for the year 2007-08 on the basis of these four Form 3B. Thus, the issuance of forms and allowance of concession was in contravention of the circular.

The reply on the above issues from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

3.2.14.6 Non-cancellation of recognition certificate

Section 4 (7) (a) & (b) of the Act provides where any goods liable to tax are sold by a dealer to another dealer and such other dealer furnishes to the selling dealer in prescribed form and manner a certificate to the effect that he/she holds a Recognition Certificate, the selling dealer shall be liable in respect of those goods to tax at concessional rates. Further, the ACT (as amended) provides that the Recognition Certificate shall be granted to a dealer manufacturing taxable goods.

As per the Act, manufacture means any activity that results in transformation into a new and different article. Further, the Hon'ble Supreme Court in the case of Commissioner of Sales Tax, UP vs M/s Lal Kunwa Stone Crusher Lal Kunwa, Haldwani dated 14 March 2000 had held that the crushing of stone into boulder, sand and grit does not transform and produce any new article and thus, cannot be treated as manufacturing.

During scrutiny of the records of one DC (A)[26] and two ACs (A)[27], it was noticed that the Recognition Certificate in case of two dealers[28] manufacturing atta, maida and suji was not cancelled as atta, maida and suji was declared exempt from August, 2009. The Recognition Certificates of these dealers was required to be cancelled as the dealers were not manufacturing taxable goods. Further, the Recognition Certificate in case of two dealers[29] involved in the crushing of stone was not cancelled by the assessing authorities as these dealers did not fall under the category of manufacturers. Non-cancellation of Recognition Certificates may allow the manufacturers of exempted goods to purchase raw materials, plant & machinery, packing materials etc. at concessional rate of tax leading to evasion of tax.

[26] DC(A)-II Roorkee.

[27] AC(A)/CTO Kichha, AC(A)Ramnagar.

[28] M/s Uttaranchal Roller Flour Mills Roorkee, M/s Jagdish Flour Mills, Ramnagar.

[29] M/s Tarai Stone Crusher Kichha, Dev Pushp Mining Industries Kichha.

The reply on the above issues from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

3.2.14.7 Non/late deposit of TDS

Section 35 (4), (8) & (9) of the Act provides that every person responsible for making payment in pursuance of a work contract shall at the time of making such payment deduct the amount of tax deduction at source (TDS) and deposit the same in the Government treasury before the expiry of the month following that in which deduction is made. Any deviation attracts a penalty of a sum not exceeding twice the amount deductable but not deducted or deducted but not deposited besides payment of simple interest at the rate of 15 *per cent.*

During audit of the records of AC (A), Nainital, it was noticed that a dealer[30] deducted an amount of ₹ 79934 in July, 2007 as TDS on payment of ₹ 34.86 lakh to a contractor in the year 2007-08, which was to be deposited in Government treasury by 31 August 2007, but the same was deposited on 14 September 2007. The assessing authority neither imposed the penalty nor levied the interest on delayed deposit.

Further, a contractor[31] received a payment of ₹ 5.20 crore and ₹ 7.21 crore for the year 2006-07 and 2007-08 respectively from contractee departments, but no TDS was deducted for the payments made. During assessment, the assessing authority failed to detect and inform the contractees for non-deduction of TDS.

On this being pointed out by the Audit, the audited entity stated that the matter would be looked into and action taken will be intimated to audit.

The reply on the above issues from Secretary (Finance), Government of Uttarakhand was awaited (January 2013).

3.2.14.8 Functioning of the Check post

- When a goods vehicle going to another state passes through the state, an entry is made in panji 3 and a "behti" in triplicate given at the entry point check post which shall be cancelled in panji 4 on or before the date specified in panji 3, at the exit point check post. The responsibility of cancellation of behti lies with the vehicle owner/ driver. During scrutiny of the records, it was noticed that a penalty of ₹ one hundred per day was imposed on the vehicles, who got cancelled the 'behti' after the specified date. The vehicle owners who did not cancel the behti at all at the exit point were issued

[30] Executive Engineer Rural Engineering Services Department Circle Nainital.
[31] M/s Project Manager UP State Construction Corporation, Almora.

notices. Further, these notices and 'behtis' had been cancelled on production of an affadivit by the transporter/ owner to the effect that the goods were not sold in the State.

Test-check of the records revealed that no penalty was imposed in 21 cases where the 'behti' was cancelled after issuing of notice and the period of delay for cancellation ranged from 36 to 46 months. Thus, there was non-uniformity in imposition of penalty for late cancellation of behti. Further, Audit noticed that there was no guidance available for imposition of penalty in such cases.

During exit conference, Secretary (Finance), Government of Uttarakhand, directed the departmental officials to examine this issue.

- Audit noticed that tax @ ₹ 125 per ton (under composition scheme) was levied on coal imported from other States without Form-XVI by Iron and Steel manufactures and Coal traders. There is no provision in the VAT Act/Rules for composition scheme either for Iron and Steel manufactures or for coal dealers. The rates levied were not specified in the VAT Act and Rules.

On this being pointed out, the audited entity stated that the rate was levied on the basis of old provision. The copy of the old provision in support was not made available to audit.

During exit conference Commissioner Tax stated that certain circulars/orders issued under the UP Trade Tax Act (as adopted in Uttarakhand) were still in force. Further, Secretary Finance directed the Commissioner, Tax to take necessary action after taking cognizance of the provisions in this regard.

3.2.15 Human Resource Management

3.215.1 Shortage of Manpower

Availability of manpower is a key factor for smooth and efficient working of a department. It was noticed that although there was an increase in the number of assessments from 66,607 to 84,323 during the coverage period, there was severe shortage of manpower, particularly in B & C cadres who are responsible for majority of the assessments and cross verification, general upkeep of records, assisting the assessing authority respectively. The manpower position of the Department as on 31 March 2012 is depicted in the **Table 3.2.4** given below:

Table-3.24

Cadre	Sanctioned Strength	Men in Position	Shortage	Shortage in *per cent*
Group A	57	52	05	9
Group B	294	189	105	36
Group C	989	418	571	58
Total	**1340**	**659**	**681**	**51**

From the above table, it is evident that there is an overall shortage of 51 *per cent* and it was 36 *per cent* in Group 'B' and 58 *per cent* in Group 'C' cadres. Further, it was observed that in one DC(A)[32] and seven ACs (A)[33] out of sampled six DCs(A) and 14 ACs (A), no steno was posted for the period under audit. Thus, due to shortage in the posts of different cadres, as stated in the table above, adverse impact on the functioning of the tax administration cannot be ruled out.

Further, as per Commissioner Tax, Uttarakhand letter[34] dated 06 May 2006, the record of the outgoing vehicles transporting Rodi, Bajri, Stone and sand was to be maintained at six check posts including Narsen in the specified proforma. For this, additional posts of CTO Grade II were to be sanctioned. Moreover, the Additional Commissioner of the zone was to ensure posting of Group C and D employees for this purpose. During audit of check post at Narsen, it was noticed that neither the staff was posted nor such records maintained.

During exit conference the department stated that necessary action in respect of shortage of staff was in progress at Commissioner/ Government level.

3.2.15.2 Uneven distribution of man power

The ledger keepers and stenos play an important role in upkeep and maintenance of dealer's records and in assisting the assessing authority for assessment of tax. During audit of the sampled units, it was noticed that the assessment/confidential files of the dealers were not properly maintained/stacked. Necessary documents like registration certificates, survey reports, returns and assessment orders were not filed properly in the relevant file of the dealer for further reference. No standard regarding total number of dealers per ledger keeper was fixed for maintenance of record. Analysis of the information collected from the sampled units indicated that total number of dealers per ledger keeper varied from 280 to 2,591.

3.2.15.3 Training

Training is an important tool of capacity building in a Department. The skill and the capability of the staff can be upgraded through imparting periodical trainings. Audit of sampled units and information collected from Commissionerate revealed that no annual training plan was being prepared by the Department. Further, no refresher course/ training was provided either to assessing authorities or to the staff for better implementation of VAT for the period from 2008-09 to 2011-12. Basic departmental training as well as training in field offices was provided to newly appointed CTOs and ACs of 2008 and 2009 batch. Further, the Department did not

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32 DC(A) I Haridwar.

33 AC(A)-II,III &V Dehradun, AC(A)-II Roorkee, AC(A) Kotdwara, AC(A)-II Haridwar, AC(A) Nainital.

34 No: 312/Commissioner Tax Uttarakhand/Vanijya Kar/CP.

provide any computer training for handling of modules except three days training (one day each for Kashipur, Dehradun and Haridwar region) in 2010-11 and in 2011-12 one day training for Kashipur and Haldwani region was provided to the staff. One day training in a year may not be sufficient to train/upgrade the skill of the staff.

During exit conference the department stated that action to impart trainings to the officers as well as staff was in process.

3.2.16 Monitoring and Internal Controls

3.2.16.1 Internal audit

Internal audit aids, advises and guides the administration for better results. It also independently appraises whether the activities of the organization are being conducted efficiently and effectively.

It was observed that the Department has not created any Internal Audit Wing.

3.2.16.2 Tax Audit

As per Section 25 (8) of the Act, tax audit of records, stock in trade and related documents of the dealers may be conducted by officers posted in the Tax Audit Wing or by other officer of the Department including assessing officer so authorized by the Commissioner or by an officer of the tax audit wing not below the rank of Additional Commissioner for the purpose to ensure the correctness, admissibility of claims/ ITC and compliance by the dealer with the requirements of the Act.

The Tax Audit Wing plays an important role in bringing out deficiencies and irregularities besides advising and suggesting remedial measures. Information collected from the Tax Audit Wing of the Department revealed that:

- The wing was created in 2008 and a proposal for sanctioned strength for the wing was sent to the Government as late as in August 2012, which was still under consideration. However, one Group A, two Group B and four Group C employees were working in the Wing as of March 2012 as an internal arrangement.

- No annual plan was prepared at the beginning of each year.

- Total number of DC(A) and AC(A) along with total number of dealers selected for tax audit for the period from 2008-12 is shown in the **Table 3.2.5** below:

Table- 3.2.5

Period	Selected for tax Audit			
	Total DC(A)	Total Dealers	Total AC(A)	Total Dealers
2008-09	17	57	05	10
2009-10	13	31	03	07
2010-11	19	119	47	344
2011-12	21	144	-	-

It is seen from the above table that there was considerable increase in the selection of field offices as well as dealers for tax audit for the year 2010-11. However, no AC(A) was selected for tax audit for the year 2011-12.

- There was no manual for tax audit which would be a reference point for effective audit.

- The records of the Wing were not computerised, as no application software was developed for tax audit.

3.2.16.3 Creation of manuals

A manual maps the processes and provides a reference point to navigate the VAT as well as for organising training on the Act. It also lays down a framework of internal controls for effective monitoring. Audit observed that no manual was prepared for VAT. While finalizing the Audit Report for the year ended March 2010, the Department had informed in Exit Conference that a committee had been constituted and the old manuals were being updated for the VAT regime which was expected to be completed by October 2010. Although, VAT has been in place for more than six years, the Department could not finalise its manual as of December 2012.

3.2.16.4 Acceptance and disposal of appeal cases

The total number of pending appeal cases as on 31 March 2012 is tabulated in **Table 3.2.6** below:

Table-3.2.6

Period	Opening Balance	Total number of cases during the year		Closing Balance
		Admitted	Disposed	
2008-09	1981	1224	639	2566
2009-10	2566	1767	1899	2434
2010-11	2434	3289	2674	3049
2011-12	3049	2834	2670	3213

It is evident from the above table that, out of 3,213 cases pending in tribunal and appellate courts, 1,420 cases involving an amount of ₹ 37.19 crore for the period between 1-2 years, 1,031 cases involving amount of ₹ 19.30 crore for the period between 2-5 years and 762 cases involving an amount of ₹ 10.37 crore above five years were pending for disposal. Audit further noticed that no time limit has been prescribed for disposal of an admitted appeal.

3.2.16.5 Lack of monitoring of DAK Register

Scrutiny of R 29 register (register of received DAK) indicated that a number of receipts were left blank and were not cancelled by the concerned assessing authorities which may lead to misuse of such receipts. Further, it was also noticed that handmade receipts instead of printed ones were issued in some field units due to non-availability of printed R 29 register. It was also noticed that the handmade receipts were not issued serially as the receipt numbers were found repeated.

During exit conference the department stated that a module has been developed by IT section, Headquarter office, Commercial Tax wherein all the dak receipts would be through computer. Further, The Secretary (Finance), Government of Uttarakhand, directed to implement the module at the earliest to upgrade the process of receipt of dak.

3.2.17 Conclusion

VAT collections form a major chunk of tax-receipts of the State. While it is appreciable that there was increasing trend in collection of VAT as well as the share of VAT in total revenue receipt of the State, Performance Audit revealed that mechanisms in the Department to unearth dealers who are liable for registration were inadequate. Though the process of computerisation had been initiated in the Department, all the modules of the software were yet to be made fully operational. Provisions for capturing data pertaining to critical areas like Tax Audit, Originating Certificate ticket, Form-XVII and mobile squads were absent in the existing software. Check posts were not interlinked with the Commissionerate/ field units. There were cases of non/ short levy of tax, interest & penalty and irregular allowance of concessions & ITC and lack of cross verification of various claims. The Department was functioning with more than 50 *per cent* of manpower shortage. Internal control mechanism was weak as the department did not have any internal audit wing. Tax audit being a vital part of the tax administration was neglected as no posts were sanctioned for the same. Even after six years of implementation of VAT in the State, the VAT manual has not been prepared.

3.2.18 Recommendations

The Government may like to consider the following recommendations:

- Rationalising the manpower for improving the tax administration and for rendering better service to the dealers.
- Developing modules for areas that are yet to be computerized and ensuring full operationalisation of the existing modules of the software.

- Conducting Refresher courses/ training for VAT administration as well as for computerization, periodically for departmental officials.
- Developing an effective system for cross verification of ITC claims.
- To cancel the recognition certificates in case of the dealers engaged in the manufacture of exempt goods to safeguard against any misuse.
- Strengthening internal controls and the internal audit wing for effective operationalisation of VAT administration.
- Preparing VAT manual for effective administration of VAT Act and the Rules made thereunder.

STATE EXCISE DEPARTMENT

3.3 DEPARTMENT CENTRIC COMPLIANCE AUDIT OF STATE EXCISE DEPARTMENT

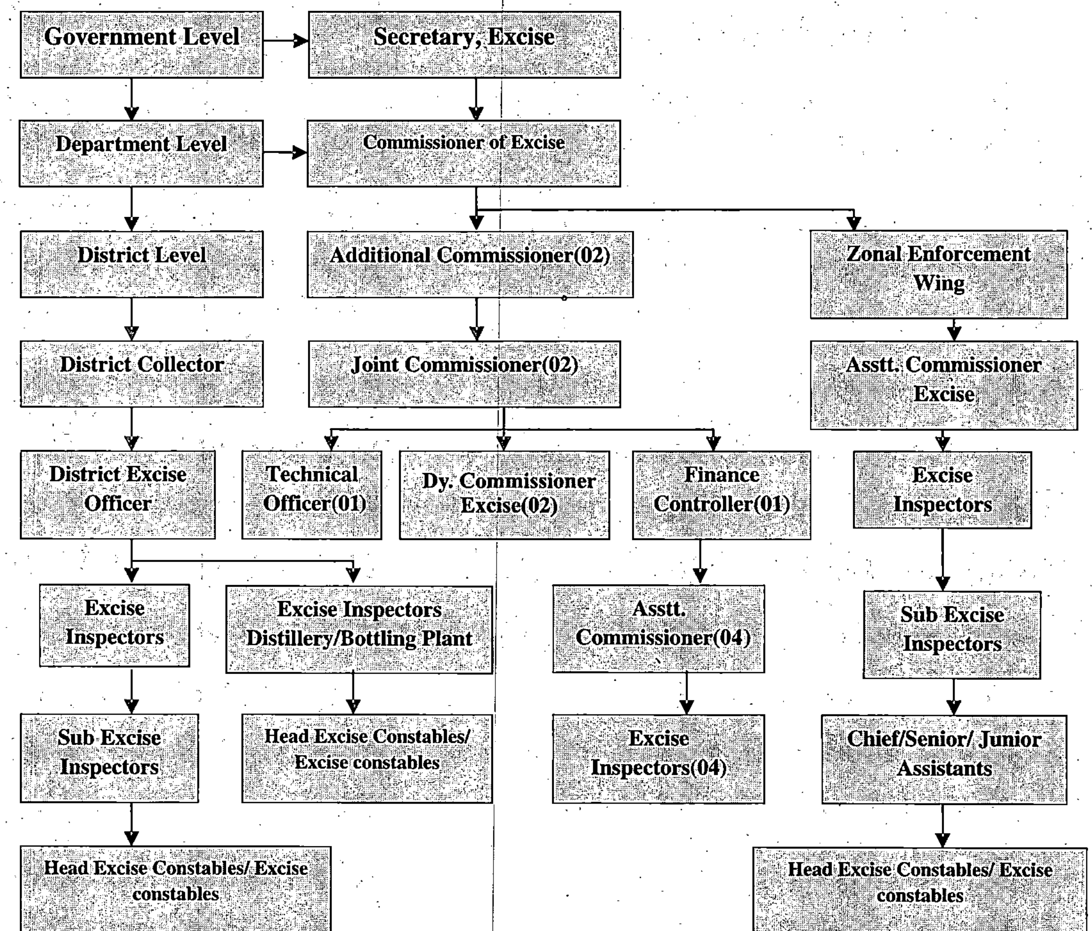
3.3.1 Introduction

The Department deals with regulation, production, manufacture, selling, buying and transport of excisable liquor. Excise revenue is the second largest source of tax revenue for State. The Department plays a dual role of enforcement activities and earning revenue through regulation of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL). The Department is responsible for control over excise related offences through detection, prevention, investigation and prosecution of offenders under the Act.

State excise duty is levied by the State Government under entry 51 of the list –II (State list) of the VIIth Schedule of Constitution. In Uttarakhand, the excise duty is levied and governed by United Province Excise Act 1910 (UPEA). This UPEA, 1910 was adopted by the State of Uttarakhand. The UPEA, 1910 and rules made thereunder govern the law relating to the production, manufacture, purchase and sale of liquor and levy of duties of excise thereon. The major part of excise revenue is received from alcohol, which is produced in distilleries mainly from molasses obtained as a byproduct during manufacturing of sugar. Various kinds of liquor, such as CL and IMFL like whisky, brandy, rum and gin are manufactured from alcohol. Apart from excise duty, license fee also forms part of excise revenue. The District Collector (DC) with the assistance of the District Excise Officer (DEO)/ Assistant Excise Commissioner (AEC) is responsible for establishment of liquor shops in the district.

3.3.2 Organisational Setup

At the State level, the Department is headed by a Commissioner functioning under the Secretary, Excise. The Commissioner is assisted by two Additional Commissioners, two Joint Commissioner and two Deputy Commissioners in the Commissionerate. At the district level, District Excise Officer is assisted by Excise Inspectors, Sub-Inspectors Excise and Excise constables. The organisational structure of the Excise Department is given in the organogram below:



3.3.3 Audit Objectives

The objectives of the audit were to obtain assurance as to whether:

- the Department had collected revenue through regulation of liquor efficiently and effectively ;
- the provisions and the system of regulating, levy and collection of excise duty and other applicable taxes and fees in manufacture of liquor and allotment of licenses for sale of liquor were adequate and they were complied with; and
- an adequate monitoring and control mechanism was in place for preventing and detecting revenue leakage and associated offences.

3.3.4 Audit methodology and scope of audit

The Department Centric Compliance Audit covered the test check of the records of 8[35]out of 13 DEOs, four[36] distilleries/bottling plants along with State Excise Commissioner, Dehradun during the period 23rdJuly 2012 to 5th September 2012 for the financial year 2009-12. The DEOs were selected on the basis of quantum of revenue receipt and along with these units, four distilleries/bottling plant were also selected.

The Secretary was conveyed about the commencement of Department Centric Compliance Audit (20th July 2012) and the exit conference was held with Additional Secretary/Commissioner, Excise Department on 15th December, 2012. The replies of the Government have been incorporated at appropriate places in the Report.

3.3.5 Audit Criteria

The audit criteria have been derived from the following sources:

- UP Excise Act, 1910;
- Uttrakhand Excise Manual;
- State Excise Policy for the year 2011-12;
- Government Orders, Rules and Regulations; and
- Provisions of the Financial Rules and other budget manuals.

3.3.6 Trend of Revenue

Budget estimates *vis-à-vis* actual receipts of the State Excise Department and its share in total state's tax receipts for the years 2009-10 to 2011-12 are exhibited in **Table-3.3.1** below:

Table-3.3.1 *(₹ in crore)*

Year	Budget estimates	Actual receipts	Variations excess (+)/ shortfall (-)	*Percentage* of variation	Total tax receipts of the state	*Percentage* of actual state excise receipts vis-à-vis total tax receipts
2009-10	598.22	704.64	+106.42	+17.79	3559.04	19.80
2010-11	686.93	755.92	+68.99	+10.04	4405.48	17.16
2011-12	727.67	843.65	+115.98	+15.94	5615.62	15.03

Source : Finance Account & Budget

From the above it is seen that the Department's revenue had increased by ₹ 139.01 crore from ₹ 704.64 crore in 2009 to ₹ 843.65 crore in 2012. However, its share

[35] DEO Almora DEO Dehradun, DEO Haridwar, DEO Nainital, DEO Pithoragarh, DEO Tehri Garhwal, DEO U.S. Nagar (Rudrapur) and DEO Uttarkashi.

[36] Distilleries: 1. Bazpur distillery, Bazpur, U.S. Nagar; 2. Doon distillery, Dehradun 3. IGL distilley, Kashipur, U.S. Nagar and 4.Bottling plant: Radico khaitan, Bazpur, U.S. Nagar.

in total tax receipt had decreased from 19.80 *per cent* (2009-10) to 15.03 *per cent* (2011-12).

3.3.7 Cost of collection of excise duty

The gross collection of the state excise revenue receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during the period 2009-12 *vis-à-vis* previous year's all India average percentage of cost of collection to gross collection are as given in **Table- 3.3.2** below:

Table- 3.3.2 ***(₹ in crore)***

Year	Gross collection	Cost of collection	*Percentage* of cost of collection to gross collection	All India average *percentage* of cost of collection of previous year
2009-10	704.64	7.33	1.04	3.66
2010-11	755.92	8.57	1.13	3.64
2011-12	843.65	7.75	0.92	3.05

Source: Finance Accounts & Departmental Figures

The above table indicates that cost of collection for the State Excise Department, Uttarakhand was well below the All India Average during the period 2009-12.

3.3.8.1 Arrears of Revenue

The position of arrears of revenue of the State Excise Department as on 31 March 2012 is given in **Table 3.3.3** below. From the table below, it is seen that ₹ 55.38 lakh were outstanding for more than five years.

Table-3.3.3

Period	Outstanding balance as on 31 March 2007		Outstanding balance as on 31 March 2012		Recovery during 2011-12 (₹ in lakh)	Percentage of recovery
	No. of cases	Amount (₹ in lakh)	No. of cases	Amount (₹ in lakh)		
More than 10 years	02	22.21	02	17.39	4.82	22
More than 5 years and upto 10 years	03	37.99	03	37.99	-	-
Total	05	60.20	05	55.38	4.82	8

Source: Information provided by the Department.

Audit observed that out of total dues of ₹ 55.38 lakh, three cases regarding recovery amounting to ₹ 37.99 lakh were pending in Hon'ble High Court (July, 2012) whereas recovery to the tune of ₹ 22.21 lakh could not be realized from two other defaulters pertaining to Haridwar, as these licensees were not having any assets. The two District Excise Officers (DEOs) of district Haridwar were held responsible after departmental enquiry as they failed to ascertain the assets of the licensees before granting licence by the DC. Hence, the Government of Uttarakhand has imposed the penalty of ₹ 6.30 lakh against them. Out of these, one DEO has deposited the entire amount of ₹ 4.82 lakh to Government account while the other is depositing @ ₹ 4700 per month w.e.f. June 2012 against the penalty of ₹ 1.48 lakh. Thus, the non-verification of the assets of the defaulter resulted into loss of revenue amounting to ₹ 15.91 lakh i.e. difference of amount to be recovered (₹ 22.21 lakh) and amount realizable from two DEOs (₹ 6.30 lakh).

Commissioner, Excise replied (15th December, 2012) that recovery of actual loss of ₹ 6.30 lakh (upto 3rd August, 2001) is being made from the two District Excise Officers while Department had not given any response towards loss of ₹ 15.91 lakh.

3.3.8.2 Non-revision of overtime fees

As per the order (21 September, 2004) of Commissioner Excise, in case the excise staff stationed at a distillery/ bottling plant is required to attend the distillery/ bottling plant on any of the holidays, the distilleries shall be required to pay the Government an overtime fee at prescribed rates[37].

Audit scrutiny of the records of District Excise Officers U.S. Nagar, Rudrapur (IGL distillery Kashipur, Bajpur distillery, Bajpur, and Radico Khaitan bottling plant, Bajpur) and Dehradun (Doon distillery) revealed that overtime fee to the tune of ₹ 10.01 lakh was received during 2009-12 from these three distilleries and one bottling plant at the prescribed rates. Since these rates were seven years old and after the implementation of Sixth Pay Commission Report, the pay of staff has been enhanced considerably, even then no provision has been made by the Government in the rules to revise the rate of overtime fees with reference to the increase in the Pay & Dearness Allowances of concerned excise staff from time to time.

Commissioner, Excise replied (15th December 2012) that the proposal for revision of overtime fee of the staff deployed at distillery/bottling plant will be submitted to the Government for approval.

3.3.8.3 Enforcement activities

Section 48 and 49 of the UPEA 1910 empowers the excise officer not below the rank of a Sub-Inspector of Excise to exercise powers conferred on an officer-in-charge of a police station by the provision of the Code of Criminal Procedure 1973 with regard to offences under the Act. These powers include power to enter and inspect places of manufacture and sale at any time, by day or night, to check the accounts and registers, measure or weigh any materials, utensils, implements, apparatus or intoxicant found in such places.

[37] Excise Inspectors: ₹ 60 per hour, Excise Clerk/Sub Inspector: ₹ 36 per hour and Excise Constable: ₹ 32 per hour.

The details of information based on raids conducted by enforcement wing pertaining to four DEOs[38] during 2009-12 are as given in Table-3.3.4 below:

Table-3.3.4

Sl. No.	Year	No. of raids conducted	No. of cases booked/ registered	Percentage of cases booked / registered to no. of raids.
1	2009-10	1226	392	32
2	2010-11	1254	401	32
3	2011-12	1643	456	28

The above table indicates that cases booked/registered against the offenders were only between 28 and 32 *per cent* of total raids conducted during 2009-12.

On this being pointed out (July-August, 2012), the concerned DEOs stated (July-August, 2012), that the names/identifications of offenders were not known in majority of raids. Further, DEO Nainital further stated (August, 2012) that there is a lack of training and infrastructure facility in the Department for adequate enforcement task. Seeing the low percentage of booked/registered cases, there is a need for imparting periodical training to the staff engaged in enforcement activity and to provide proper infrastructural facilities for analyzing of evidence against the offences.

3.3.8.4 Sale of liquor exceeding Maximum Retail Price (MRP)

Section 34 (b) of the UPEA, 1910 stipulates that the authority granting any license, permit or pass under this Act may cancel or suspend it in the event of any breach, by the holder thereof or by his servant or by any one acting on his behalf with his express or implied permission, of any of the terms and conditions thereof. The sale of liquor exceeding the MRP is also one of the conditions which violates terms and conditions of license.

Audit observed that two DEOs (Tehri and Uttarkashi) had booked 23 offences[39] under Section 64, pertaining to sale of liquor exceeding MRP by nine licensees. These cases were settled on payment of compounding fees. Out of these 23 cases, two and three licensees committed the violation four and three times respectively.

Commissioner, Excise replied (15th December, 2012) that action for suspension/ cancellation of license of retail outlet had not been initiated keeping in view of probable loss of excise revenue in re-allotment of concerned outlets and smuggling of liquor and the action of compounding was taken as per provision of Section 74 of the UPEA, 1910.

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[38] Almora, Nainital, Tehri and Uttarkashi.

[39] **Tehri** (i) Sh. Mangal Singh, Chamba-3, (ii) Sh. Ratan Mani Lekhawar, Chham-3, (iii) Sh. Avval Singh Ghansali-4, (iv) Sh. Shurbir Singh, Dhanolty-2;
Uttarkashi (i) Smt. Samudro Devi, Uttarkashi-4, (ii) Sh. Chandra Dev, Chinyalisaur-2, (iii) Sh. Purna Chandra Ramola, Badkot-2, (iv) Sh. Jeet Singh, Dunda-3.

The reply was not acceptable as it was responsibility of the Department to take stringent steps (suspension/cancellation of license) in cases of repeated violation of terms and conditions of license by retail outlets to prevent sale of liquor exceeding MRP.

3.3.8.5 Issuance of Receipts by Sales Outlets

As per Consumer Protections Act 1986, every consumer has a right to get a receipt for the purchases made.

Further Excise Policy, 2010-11 envisaged that retail shops of foreign liquor having highest licenses fee pertaining to Dehradun, Haridwar, Nainital and U.S. Nagar Districts are required to issue receipt on sale of liquor to the consumers. However, in order to minimize the possibility of over charging the customer (refer to paragraph 3.3.8.4), the issuance of receipt by every retail sales outlet of liquor could have been made mandatory in Excise Policy.

Commissioner, Excise replied (15th December, 2012) that proposal for issuance of sale receipt of liquor by each outlet will be submitted to Government for approval to include in Excise Policy, 2013-14. All DEOs had already been instructed (23rd November, 2012) to ensure issuance of receipt by each outlets to the consumers.

3.3.8.6 Low Recovery of Alcohol from Molasses.

Rule 15 (B) of Rules Regulating Distilleries provides that every quintal of fermentable sugar content present in molasses shall yield minimum 52.5 Alcoholic Litre (AL) of Alcohol. For this purpose, composite samples of molasses are required to be drawn by the officer-in-charge of the distillery and sent for examination to the alcohol technologist. Failure to maintain the minimum yield of alcohol from molasses entails, in addition to imposition of penalty, cancellation of license of the distillery and forfeiture of security deposit.

Scrutiny of the records of the officer-in-charge excise Bajpur Sahkari Aswani, Bajpur, Udham Singh Nagar and Doon Valley Aswani, Kuanwala, Dehradun revealed that in three cases (detailed in **Table 3.3.5** below) of the composite sample drawn (April 11 & January 12), only 366912.80 AL was extracted from 7594.14 quintal of fermentable sugar against a minimum of 398692.35 AL as per norm. Thus, the production of the alcohol was low by 31779.55 AL which resulted in escaping of revenue of ₹20.66 lakh (@ ₹65 per AL) of the Government.

Table – 3.3.5

Sl. No.	Name of distillery	No of cases	Quantity of molasses (in Qtls)	Fermentable Sugar (in Qtls)	Required production (in AL)	Actual production (in AL)	Loss (in AL)	Amount (in ₹) @ 65 per AL
1	2	3	4	5	6	7	8	9
1	Bajpur Sahkari Aswani	2	18635	6705.65	352046.79	320381.40	31665.39	2058251
2	Doon Valley Aswani	1	2121	888.49	46645.56	46531.40	114.16	7420
	Total	3	20756	7594.14	398692.35	366912.80	31779.55	2065671

However, the Department simply imposed and recovered a penalty of ₹ 0.50 lakh in one case of Bajpur Distillery, but no action was initiated for forfeiture of security deposit and cancellation of license (September, 2012).

Commissioner, Excise during exit conference replied (15th December, 2012) that ₹ 0.50 lakh was forfeited from security deposit in one case of Bajpur Distillery under rule 15 (B) of Rules Regulating Distilleries. The reply was not acceptable as Rules stipulated that in addition of penalty, the Department had to cancel the licence of the Distillery alongwith forfeiture of security deposit.

3.3.8.7 Manpower Management

The status of field staff in the State as on 31 March 2012 is as given below in **Table -3.3.6**:

Table -3.3.6

Designation	Sanctioned strength	Men in position	Shortage	Shortage in *per cent*
Excise Inspector	73	35	38	52
Dy. Excise Inspector	42	27	15	36
Head Excise Constable	61	55	06	10
Excise constable	190	42	148	79

Source: State Excise Digdarshika 2011-12

The above table indicates that there was a shortage of field staff ranging between 10 to 79 *per cent,* which had direct impact on enforcement activities. While reviewing the deployment of the field staff it was observed that five out of 27 DEI[40] were deployed in those areas for which no post was sanctioned by the department as on March 2012. Similarly, 17 out of 55 (31 *per cent*) Head Excise Constables were posted in excess of sanctioned strength in seven districts[41], without any proper justification. To check excise offences at 13 check posts of the state, the post of one Excise Inspector, one Sub Inspector Excise and two Excise Constable were

[40] Haridwar : Area-3 Laksar, Chamoli : Area -1 Chamol, Uttarkashi : Area-2 Parola, Almora : Bhikia Sand & Champavat : Area : 2 Tanakpur Total Five Sub Excise Inspector.

[41] (i) Dehradun - 7 (ii) Haridwar- 4 (iii) Pauri -2 (iv) Almora - 1 (v) Champawat - 1 (vi) Nainital -1 & Pithoragarh-1 Total- 17 Head Excise Constable.

sanctioned by the department for each check post while only one Excise Inspector at Kauria check-post in Pauri and 12 ex-service men (as Excise Constable) at other check post were deployed to check the transportation of intoxicants, round the clock.

Thus, the Department could not utilize the available manpower properly which has direct impact on the prevention and detection of excise offences and effective control over liquor licensees for adherence of license conditions to sale IMFL/CL.

Commissioner, Excise replied (15^{th} December, 2012) that appropriate action is being taken to recruit field staff. The action on excess deployment of staff over sanctioned strength will be taken in the next transfer session.

3.3.8.8 Training of Staff

Considering the nature of duties, upgradation of skills and upgrading existing levels of knowledge is very important for the enforcement wing of the staff, for which training is essential. Beside physical training, staff must be exposed to the issue of communication and analysis of evidence in present era of communication revolution. Audit observed that no training was imparted to the staff by the Department.

Commissioner, Excise replied (15^{th} December, 2012) that Action Plan for imparting training to newly recruited staff is being prepared and after availability of all arms and ammunitions, training will be imparted by the Police Department.

3.3.8.9 Inspection of Subordinate Offices

Periodical inspection of subordinate offices is an important component of the internal control function.

It was observed in audit that no system was in existence in the Department to get an assurance on the working of sub-ordinate offices as there were no formal arrangement/norms for inspection of subordinate offices by the senior functionaries for this purpose.

Commissioner, Excise replied (15^{th} December, 2012) that inspection of subordinate offices will be ensured in future.

3.3.9 Conclusion

The Department Centric Compliance Audit on State Excise revealed a number of shortcomings. The overtime fees of excise staff posted at distillery/bottling plant were not revised since 2004, despite increase in pay and allowances of the staff as per the 6^{th} Pay Commission. In cases of repeated offence, the stringent provisions (suspension/cancellation of licence) were not initiated as per UPEA, 1910. There were cases of low yield of alcohol from molasses in the distilleries. Shortage of field staff hampered the enforcement activities. In view of the above and in the absence of any formal plan for inspection of subordinate offices by higher functionaries, the internal control mechanism was found inadequate.

3.3.10 Recommendations

For improvement in the system and compliances, the Government may like to consider the following recommendations:

- providing infrastructure support to the enforcement wing for communication and analysis of evidence;
- issuance of receipts by the sales outlets on the sale of liquor in order to prevent overcharging, and
- taking stringent measures in repeated offences as per provisions of the Act/ Rules.

CHAPTER-4

Economic Sector (PSUs)

Chapter-4 : Economic Sector (PSUs)

4E. General introduction

4.1.1 Under Sectoral re-organisation, all the Public Sector Undertakings (PSUs) of Social, General, Revenue and Economic Sectors have been clubbed together under Economic Sector (PSUs), which comprised of 20 departments. Some of the major departments in this Sector are Industries, Power, Transport, Tourism, Animal Husbandry and Fisheries, Agriculture, Information Technology, Village and Small Industries etc. The total number of the Companies and Statutory Corporations of the State are 22 and two respectively. The working State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Uttarakhand, the State PSUs occupied a moderate place in the State economy. The working State PSUs registered a turnover of ₹ 3258.60 crore for 2011-12 **(Appendix 4.1)** as per their accounts finalised as of September 2012. Their turnover was equal to 5.35 *per cent* of State Gross Domestic Product (GDP) of ₹ 60898 crore for 2011-12. Major activities of State PSUs are concentrated in power sector. The working PSUs incurred a loss of ₹ 562.75 crore in 2011-12 **(Appendix 4.1)**. They had employed 18,329[1] employees as of 31 March 2012.

As on 31 March 2012, there were 24 PSUs as detailed in the **Table 4.1.1** below:

Table 4.1.1

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	18	04[4]	22
Statutory Corporations	02	-	02
Total	**20**	**04**	**24**

None of these companies were listed on the stock exchange.

4.1.2 Audit Mandate

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 the 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 the Government(s), Government Companies and Corporations controlled by

[1] As per the details provided by 16 PSUs.
[2] Non-working PSUs are those which have ceased to carry on their operations.
[3] includes 619-B companies.
[4] Kumtron Limited, Uttar Pradesh Hill Phones Limited, Uttar Pradesh Hill Quartz Limited and UPAI Limited (under liquidation since 31 March 1991).

Government(s) is treated as if it were a Government Company (Deemed Government Company) as per Section 619-B of the Companies Act.

The accounts of the Government Companies are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (the CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619(3)(b) of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective Legislations. Out of two Statutory Corporations, the CAG is the sole auditor for Uttarakhand Parivahan Nigam. In respect of Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam, the audit was entrusted to the CAG with effect from 2003-04 to 2008-09 and then extended upto 2013-14 under Section 20(1) of the Comptroller and Auditor General's (Duties, powers and Conditions of Service) Act, 1971.

4.1.3 Investment in State Public Sector Undertakings (PSUs)

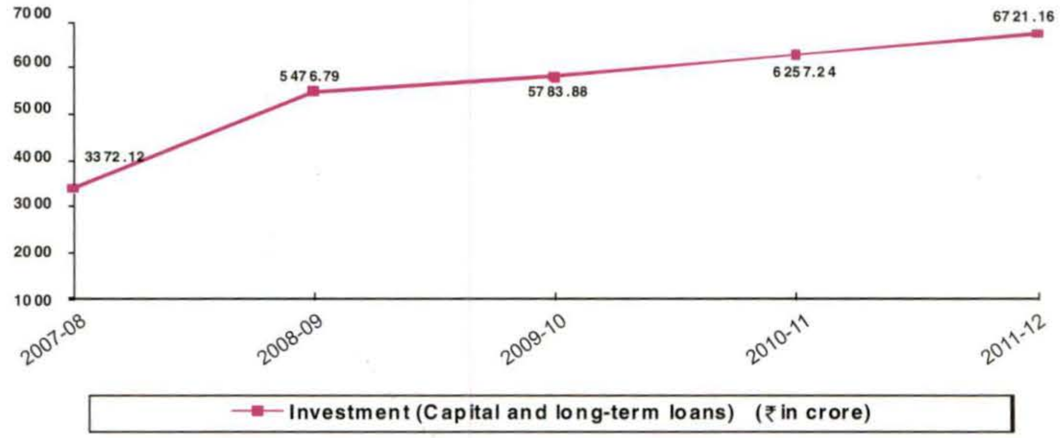
As on 31 March 2012, the Investment (Capital and Long Term Loans) in 24 PSUs (including 619-B Companies) was ₹ 6721.16 crore as per details given in **Table 4.1.2** below:

Table 4.1.2 *(₹ in crore)*

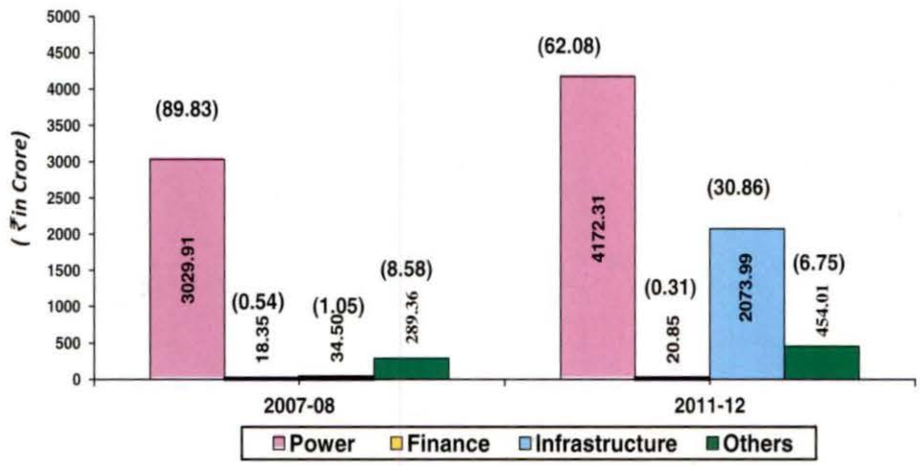
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1726.07	2755.96	4482.03	2,111.59	127.16	2,238.75	6720.78
Non-working PSUs	0.38	-	0.38	-	-	-	0.38
Total	**1726.45**	**2755.96**	**4482.41**	**2111.59**	**127.16**	**2238.75**	**6721.16**

A summarised position of Government Investment in State PSUs is detailed in **Appendix 4.2.**

As on 31 March 2012, 99.99 *per cent* of the total Investment in State PSUs was in working PSUs and the remaining 0.01 *per cent* in non-working PSUs. This total Investment in working PSUs consisted of 57.10 *per cent* towards Capital and 42.90 *per cent* in Long Term Loans. The total Investment increased by 99.32 *per cent* from ₹ 3372.12 crore in 2007-08 to ₹ 6721.16 crore in 2011-12 as shown in the graph below:



The Investment in various important sectors of the Economy and percentage thereof at the end of 31 March 2008 and 31 March 2012 are indicated below in the bar chart. Though the major investment was in power sector (62.08 *per cent*), the thrust of investment in the State was shifting towards infrastructure sector, the percentage of which rose from 1.05 *per cent* in 2007-08 to 30.86 *per cent* in 2011-12.



(Figures in brackets show the percentage of sector investment to total investment)

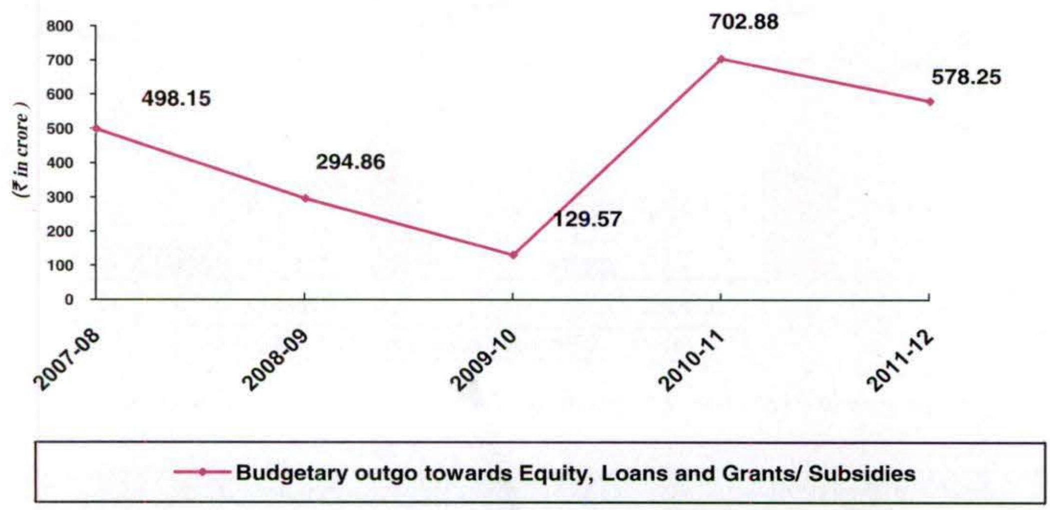
4.1.4 Budgetary outgo, grants/subsidies, guarantees and loans

The details regarding budgetary outgo towards equity, loans, grants/ subsidies and guarantees issued in respect of State PSUs are given in **Appendix 4.3.** The summarised details for the last three years ended 31 March 2012 are given in **Table 4.1.3** below:

Table 4.1.3 *(₹ in crore)*

Sl No	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	104.01	3	603.71	4	44.00
2.	Loans outgo from budget	2	24.32	3	65.70	5	458.02
3.	Grants/Subsidy outgo	6	1.24	3	33.47	5	76.23
4.	Total outgo (1+2+3)		129.57	5	702.88		578.25
5.	Guarantees issued	2	277.54	2	279.98	1	1.35
6.	Guarantee Commitment	3	1428.81	3	289.75	5	1110.90

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in a graph below:



The budgetary outgo in State PSUs in the form of equity, loans and grants/subsidies provided by the State Government ranged between ₹ 498.15 crore and ₹ 578.25 crore during 2007-08 to 2011-12.

The amount of Guarantee commitment as on 31 March 2010 was ₹ 1428.81 crore (three PSUs) which decreased to ₹ 289.75 crore (three PSUs) as on 31 March 2011 and increased to ₹ 1110.90 crore (five PSUs) as on 31 March 2012 as detailed in

Appendix 4.3. The State Government charged Guarantee fee at the rate of one *per cent* in case of all PSUs and two *per cent* in case of defaulting PSUs. Guarantee fee of ₹ 11.03 crore was paid to State Government by two PSUs (Uttarakhand Jal Vidyut Nigam Limited and Uttarakhand Power Corporation Limited) during 2011-12.

4.1.5 Reconciliation with Finance Accounts of the Government

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should match with that of the figures appearing in the Finance Accounts of the Government. In case the figures do not match, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2012 is given in **Table 4.1.4** below:

Table 4.1.4 *(₹ in crore)*

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1760.02	3837.66	2077.64
Loans	674.89	2883.11	2208.22
Guarantees	1187.45	1110.90	76.55

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.

4.1.6 Performance of Public Sector Undertakings (PSUs)

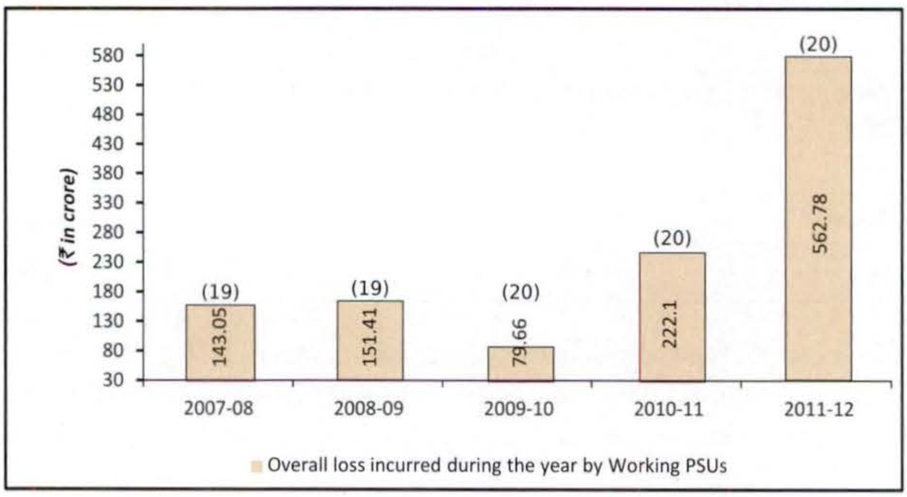
The financial position and working results of PSUs are detailed in **Appendix 4.1**. A ratio of PSUs turnover to State Gross Domestic Product (GDP) shows the extent of PSU's activities in the State economy. The details of working PSUs turnover and State GDP for the period from 2007-08 to 2011-12 are given in **Table 4.1.5** below:

Table 4.1.5 (₹ *in crore)*

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[5]	1481.94	1527.06	1722.95	2539.52	3258.60
State GDP	34549.00	40159.00	46872.00	52143.00	60898.00
Percentage of Turnover to State GDP	4.29	3.80	3.68	4.87	5.35

The percentage of turnover to the State GDP had declined from 4.29 *per cent* in 2007-08 to 3.68 *per cent* in 2009-10 and increased to 4.87 *per cent* and 5.35 *per cent* in the year 2010-11 to 2011-12 respectively.

Losses incurred by State working PSUs during 2007-08 to 2011-12 are given below in the bar chart.



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

It can be seen from the bar chart that overall losses increased from ₹ 143.05 crore in 2007-08 to ₹ 562.78 crore in 2011-12. During the year 2011-12 out of 20 working PSUs, eight PSUs earned Profit of ₹ 60.72 crore and 12 PSUs incurred Loss of ₹ 623.47 crore. The main profit earning PSUs were State Industrial Development Corporation of Uttarakhand Limited (₹ 33.38 crore) and Uttarakhand Jal Vidyut Nigam Limited (₹ 17.23 crore). The main loss making PSUs were Uttarakhand Power Corporation Limited (₹ 527.48 crore), Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam (₹ 37.58 crore),

[5] Turnover as per the latest finalised accounts as of 30 September 2011.

Doiwala Sugar Company Limited (₹ 16.22 crore) and Power Transmission Corporation of Uttarakhand Limited (₹ 9.50 crore).

The reasons for the losses incurred by the PSUs were mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of the CAG shows that the State PSUs incurred losses to the tune of ₹ 2319.60 crore and infructuous investment of ₹ 7.12 crore which were controllable with better management. The year-wise details from Audit Reports are given in **Table 4.1.6** below:

Table 4.1.6 *(₹ in crore)*

Particulars	2009-10	2010-11	2011-12	Total
Net Profit (Loss)	(-) 79.66	(-) 221.62	(-) 562.77	(-)864.05
Controllable Losses as per CAG's Audit Report	1283.32	711.76	324.52	2319.60
Infructuous Investment	-	6.29	0.83	7.12

The above losses pointed out in Audit Reports of the CAG were based on test check of records of PSUs. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

Some other key financial parameters such as, return on capital employed, debt, turnover, etc. pertaining to State PSUs are given in **Table 4.1.7** below:

Table 4.1.7 *(₹ in crore)*

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed *(per cent)*	-	-	0.96	0.98	-
Debt	2356.08	2387.65	2588.39	2465.29	2883.12
Turnover[6]	1481.91	1527.06	1722.95	2539.52	3258.60
Debt/ Turnover Ratio	1.59:1	1.56:1	1.50:1	0.97:1	0.88:1
Interest Payments	158.78	156.53	124.82	271.63	288.64
Accumulated Losses (-)	(-)291.71	(-) 283.60	(-) 420.39	(-) 807.79	(-) 1905.97

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

It can be seen that debt figure increased from ₹ 2356.08 crore in 2007-08 to ₹ 2588.39 crore in 2009-10, but slightly decreased in 2010-11 and further

[6] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.

increased to ₹ 2883.12 crore in 2011-12. The debt-turnover ratio had decreased from 1.59:1 in 2007-08 to 0.88:1 in 2011-12, as the rate of increase in turnover outstripped the rate of increase in debt. The accumulated losses increased from ₹ 291.71 crore in 2007-08 to ₹ 1905.97 crore in 2011-12.

The State Government did not formulate any norm for dividend under which all PSUs were required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, eight PSUs earned an aggregate profit of ₹ 60.72 crore but no dividend had been declared by them.

4.1.7 Arrears in finalisation of accounts

Under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, 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. 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 details of progress made by the working PSUs in finalisation of accounts by September 2012 are given in Table 4.1.8 below:

Table 4.1.8

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of working PSUs	19	20	20	20	20
2.	Number of accounts finalised during the year	10	13	12	28	15
3.	Number of accounts in arrears	128	135	143	135	140
4.	Average arrears per PSU (3/1)	6.74	6.75	7.15	6.75	7
5.	Number of working PSUs with arrears in accounts	19	20	20	19	20
6.	Extent of arrears	1 to 21 years	1 to 22 years	1 to 23 years	1 to 24 years	1 to 25 years

The arrears in finalisation of accounts ranged from 128 to 143 during the period 2007-08 to 2011-12. The State PSUs failed to clear on an average at least one account each year during any of preceding five years from 2007-08 to 2011-12 causing accumulation of the arrears. As stated by the PSUs, lack of trained staff was the main reason for delay in finalization of accounts. The State PSUs need to take effective measures for early clearance of backlog in finalization of accounts and bring the position up-to-date.

In addition to above, there were arrears in finalisation of accounts by non-working PSUs also. Out of four non-working Companies, one Company, i.e., UPAI Limited was under liquidation process since 31 March 1991 and remaining three non-working PSUs[7] had arrears of accounts for 21 to 25 years.

The State Government had invested ₹ 1168.42 crore (Equity: ₹ 624.54 crore, loans: ₹ 522.33 crore and Grants/ Subsidy: ₹ 21.55 crore) in five PSUs during the years 2004-05 to 2011-12 for which accounts had not been finalised as detailed in **Appendix 4.4.** The delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The Administrative departments have the responsibility to oversee the activities of these entities and ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. It may be noticed from **Table 4.1.8** above, that the quantum of arrears in finalization of accounts of working PSUs increased from 128 in 2007-08 to 140 in 2011-12. The Principal Accountant General (Audit) had brought this matter (29 June 2011) to the notice of the Heads of Departments through the Chairman, Committee on Public Undertakings (COPU), Uttarakhand to expedite the liquidation of arrears in accounts.

4.1.8 Winding up of non-working PSUs

There were four non-working PSUs as on 31 March 2012. Of these, one PSU has commenced liquidation process. The stages of closure in respect of non-working PSUs are given in **Table 4.1.9** below:

Table 4.1.9

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	04[8]	-	04
2.	Of (1) above, the No. under	-	-	-
(a)	liquidation by Court (liquidator appointed)	01[9]	-	01
(b)	Voluntary winding up (liquidator appointed)	-	-	-
(c)	Closure, i.e., closing orders/ instructions issued but liquidation process not yet started.	03	-	03

During the year 2011-12, no Company was finally wound up. The only Company, i.e., UPAI Limited, which had taken the route of winding up by Court order, was under liquidation for more than 20 years. The process of voluntary winding up under

7 Kumtron Limited, Uttar Pradesh Hill Phones Limited and Uttar Pradesh Hill Quartz Limited.
8 Kumtron Limited, Uttar Pradesh Hill Phones Limited, Uttar Pradesh Hill Quartz Limited and UPAI Limited.
9 The Company, i.e., UPAI Limited was under liquidation since 31 March 1991.

the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may consider expediting the process of closing down its non-working Companies.

4.1.9 Accounts Comments and Internal Audit

Seven working Companies forwarded 14 audited accounts to PAG during the year 2011-12. As on 30 September 2012, 12 accounts were selected for Supplementary Audit and non-review certificates were issued in respect of two companies. The audit reports of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of the Statutory Auditors and the CAG are given in **Table 4.1.10** below:

Table 4.1.10 *(₹ in crore)*

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	168.70	7	174.57	3	26.04
2.	Increase in loss	7	16.19	7	247.12	6	234.81
3.	Non-disclosure of material facts	3	169.52	6	1,251.59	2	11.41

During the year, the Statutory Auditors had given qualified certificates for all the 13 accounts except in respect of account of one Company, i.e., Uttarakhand State Infrastructure Development Corporation Limited (USIDC) for the year 2009-10.

Some of the important comments on the accounts of the Government Companies are stated below:

Uttarakhand Jal Vidyut Nigam Limited (2009-10)

- Non-provision of penal interest due to default in repayment of principal and interest on loan amount of LIC resulted in understatement of Unsecured Loan, Interest payable to LIC and overstatement of Profit by ₹ 3.68 crore.
- Non provision of expenditure of ₹ 1.63 crore incurred on Sobla – II Project which came under submergence area of NHPC Project resulted in overstatement of Capital Work-in-Progress as well as Profit by ₹ 1.63 crore.
- Non provisioning of Electricity charges of ₹ 10.21 crore billed against UP Irrigation Department during 2001 to March 2011, being doubtful of recovery, resulted in overstatement of Sundry Debtors as well as Profit by ₹ 10.21 crore.

Uttarakhand Power Corporation Limited (2009-10)

- Non provision of penal guarantee fee payable to the Government resulted in understatement of Loss as well as Current Liabilities by ₹ 10.40 crore.

- Non provision of interest liability for the year 2006-07 and 2009-10 on account of Tax free 'Power Bonds' issued to Central Public Sector Undertakings by Uttarakhand Government resulted in understatement of Sundry Creditors as well as Loss by ₹ 66.52 crore.

U.P. Hill Electronic Limited (1997-98)

- Non provision of bad and doubtful debts on sundry debtors which were more than 18 years old resulted in overstatement of Sundry Debtors and understatement of Loss by ₹ 1.16 crore.

Power Transmission Corporation of Uttarakhand Limited (2010-11)

- Non provision of penal guarantee fee payable to Uttarakhand Government resulted in understatement of Current Liabilities and overstatement of Profit by ₹ 3.30 crore.

- Non provision of miscellaneous advance given to contractor for more than seven year for which recovery of the advance was doubtful. This has resulted in overstatement of Loan and Advance and understatement of Loss by ₹ 3.10 crore.

Audit in respect of Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam was entrusted to the CAG under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and had finalized its annual accounts for one year (2010-11) during 2011-12. The details of aggregate money value of comments of the CAG for the last three years ended 31 March 2012 are given in **Table 4.1.11** below:

Table 4.1.11 ***(₹ in crore)***

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	-	-	5	40.84	-	-
2.	Increase in Loss	1	2.11	5	5.25	1	24.11
3.	Non-disclosure of material facts	-	-	3	23.73	-	-
4.	Errors of classification	1	370.30	-	-	1	0.47

Important comments in respect of account of a Statutory Corporation, i.e. Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam for the year 2010-11 are stated below:

- Non-provision of interest of ₹ 15.76 crore on loan of ₹ 21.02 crore taken from Uttarakhand Government during 2002-03 to 2008-09 resulted in understatement of Liabilities as well as Deficit by ₹ 15.76 crore.
- Non-provision of interest of ₹ 0.90 crore (upto 2006-07) payable to Uttar Pradesh Jal Nigam resulted in understatement of Liabilities as well as Deficit by ₹ 0.90 crore.
- The Nigam showed interest accrued on General Provident Fund amounting to ₹ 6.69 crore as its income in contravention of its accounting rules/practice. The interest income should have been shown separately.

4.1.10 Internal Audit/Internal Control System

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of fourteen Companies for the year 2011-12 are given in **Table 4.1.12** below:

Table 4.1.12

Sl. No.	Nature of comments made by the Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2
1.	Non-fixation of minimum/ maximum limits of store and spares	3	A2, A 10, A14
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	6	A5, A10, A13, A14 , A 2 & A17
3.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	6	A5, A2, A10, A13, A14 & A12

4.1.11 Status of placement of Separate Audit Reports (SARs)

The audit of Uttarakhand Parivahan Nigam is conducted under Section 33(2) of the State Road Transport Corporation Act, 1950, whereas audit of Uttarkhand Pey Jal Sansadhan Vikas Evam Nirman Nigam is entrusted to the CAG under Section 52(3) of the Uttar Pradesh Water Supply and Sewerage Act, 1975. The status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature by the Government, is given in Table 4.1.13 below:

Table 4.1.13

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Uttarakhand Parivahan Nigam	2004-05	2005-06 to 2008-09	NA	NA
2.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2009-10	2010-11	NA	NA

The delay in placement of SARs weakens the legislative control over Statutory Corporations and dilutes the latter's financial accountability.

4.1.12 Disinvestment, Privatisation and Restructuring of PSUs

The State Government had not formulated any plan of disinvestment, privatisation or restructuring of any of the PSUs.

4.1.13 Reforms in Power Sector

The State constituted Uttarakhand Electricity Regulatory Commission (UERC) in September 2002 under Section 17 of the Electricity Regulatory Commission Act, 1998 with the objectives of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During the year 2011-12, two orders were issued by UERC on Annual Revenue Requirements and 17 orders on other matters.

4F. Audit findings

Highlights

Performance Audit of "Power Transmission Corporation of Uttarakhand Limited"

- ***The transmission network of the Company at the beginning of 2007-08 consisted of 30 Extra High Tension (EHT) Sub-stations (SSs) with a transmission capacity of 4390.50 Mega Volt Ampere (MVA) and 1894 Circuit Kilometre (Ckm) of EHT transmission lines, which was increased to 35 EHT SSs with a transmission capacity of 4990.50 MVA and 2319.20 Ckm of EHT transmission lines.***

(Paragraph 4.2.8.1)

- ***There was a delay of 15 to 17 months and cost overrun of ₹ 10.08 crore in the construction of Sub-stations. The time overrun of eight to 40 months and a cost overrun of ₹ 71.11 crore was observed in the construction of the lines.***

(Paragraph 4.2.9.1)

- ***In the construction of Srinagar-Satpuli line (51.70 Ckm) and Srinagar II-Satpuli line (64 Ckm), there was a delay of six year and seven year from its scheduled completion date, despite incurring expenditure to the tune of 391.30 per cent and 123.64 per cent respectively.***

(Paragraph 4.2.9.2)

- ***The existing transmission capacity excluding 30 per cent towards redundancy worked out to an excess in the range of 1489.59 MVA to 1774.77 MVA during 2007-08 to 2011-12. The prevalence of overload and high voltage at certain places reflected unscientific planning in creation of transmission network.***

(Paragraph 4.2.10)

- ***The Company violated (April 2010) the grid discipline on nine occasions resulting in payment of penalty of ₹ nine lakh to Central Electricity Regulatory Commission (CERC).***

(Paragraph 4.2.14.4)

- ***As a part of Disaster Management (DM) programme, mock drill operations should have been carried out by the Company once in a year. However, no mock drill operation was carried out by the Company in any of the Sub-stations during 2007-08 to 2011-12.***

(Paragraph 4.2.15.1)

- ***The loss of the Company has decreased substantially by 85.19 per cent from ₹ 13.98 crore in 2007-08 to ₹ 2.07 crore in 2011-12. Further, the debt-equity ratio of the Company has decreased from 6.02:1 to 3.12:1 during the 2007-08 to 2011-12. The main reason for decrease in debt-equity ratio is conversion of Government loan into equity from 2009-10 and onwards.***

(Paragraph 4.2.17.1)

- ***The system availability of the Company was satisfactory with 99.24, 99.14 and 99.50 per cent during the years 2009-10, 2010-11 and 2011-12 respectively. For this meritorious performance, the Company was awarded (March 2012) with a Gold Shield for system availability by the Ministry of Power (MoP), Government of India (GoI).***

(Paragraph 4.2.19)

- ***Though the Company's closing stock holding was equal to 22 months consumption in 2007-08, which has increased to 29 months consumption in 2011-12, yet it has neither fixed any minimum/ maximum level for inventory holding nor done any A/B/C level analysis, or fixed any reorder level for the requirement of material.***

(Paragraph 4.2.20.2)

- ***The year-wise cumulative performance records of the Sub-stations and lines were neither being maintained nor consolidated for evaluation of annual performance of the Sub-stations and lines. The steps taken for improvement in the performance of lines and Sub-stations of the transmission system were not being appraised to the Board of Directors (BOD) of the Company either annually/quarterly/ monthly, reflecting the minimal importance being given to the Management Information System (MIS) reports.***

(Paragraph 4.2.21.1)

- ***The internal audit work of the Company was outsourced to the Chartered Accountants firms. However, it was observed that the standard of internal audit by the outsourced agency was not up to the mark as the internal auditors firm neither reported on system deficiencies nor pointed out significant observations and restricted their report only to the extent of arithmetical accounting errors and overlooked propriety side of expenditure.***

(Paragraph 4.2.21.4)

- ***In a span of five years ended 31 March 2012, the Audit Committee met only on seven occasions instead of minimum number of 10 times. Further, as per Section 292A (5) of the Companies Act 1956, the internal auditors should have also attended all the meetings, but the same was not complied with, in any of the meetings.***

(Paragraph 4.2.21.4)

Audit of Transactions

- ***The delay in transferring/remittance of balances by the bank in contravention of Memorandum of Understanding and weakened internal control system of the Company (Uttarakhand Power Corporation Limited) resulted in loss of interest of ₹ 80.99 lakh.***

(Paragraph 4.3)

- ***The failure of the Company (State Infrastructure and Industrial Development Corporation of Uttarakhand Limited) to cancel the plot as per terms and conditions of allotment resulted in non-allotment of plot to other buyer, which led to consequent loss of ₹ 3.14 crore to the Company as per rate fixed in October 2009.***

(Paragraph 4.4)

PERFORMANCE AUDIT

4.2 Power Transmission Corporation of Uttarakhand Limited

Transmission of electricity and Grid operations in Uttarakhand is managed and controlled by Power Transmission Corporation of Uttarakhand Limited (the Company). The Company was incorporated on 27th May 2004 under the Companies Act, 1956 and the Company was having transmission network of 2319.20 Circuit kilometre (Ckm) of Extra High Transmission (EHT) lines and 35 Sub-Stations (SSs) with installed capacity of 4990.50 Mega Volt Ampere (MVA) as on 31 March, 2012. The turnover of the Company was ₹ 132.93 crore in 2011-12. As on 31 March 2012, 867 employees were employed on the rolls of the Company.

Highlights

Planning and Development: The transmission network of the Company at the beginning of 2007-08 consisted of 30 EHT Sub-stations with a transmission capacity of 4390.50 MVA and 1894 Ckm of EHT transmission lines, which was increased to 35 EHT Sub-stations with a transmission capacity of 4990.50 MVA and 2319.20 Ckm of EHT transmission lines.

(Paragraph 4.2.8.1)

Project Management: There was a delay of 15 to 17 months and cost overrun of ₹ 10.08 crore in the construction of Sub-stations. The time overrun of eight to 40 months and a cost overrun of ₹ 71.11 crore was observed in the construction of the lines.

(Paragraph 4.2.9.1)

Delay in completion of ongoing project: In the construction of Srinagar- Satpuli line (51.70 Ckm) and Srinagar II- Satpuli line (64 Ckm), there was a delay of six year and seven year from its scheduled completion date, despite incurring expenditure to the tune of 391.30 per cent and 123.64 per cent respectively.

(Paragraph 4.2.9.2)

Performance of transmission system: The existing transmission capacity excluding 30 per cent towards redundancy worked out to an excess in the range of 1489.59 MVA to 1774.77 MVA during 2007-08 to 2011-12. The prevalence of overload and high voltage at certain places reflected unscientific planning in creation of transmission network.

(Paragraph 4.2.10)

Grid Management: The Company violated (April 2010) the grid discipline on nine occasions resulting in payment of penalty of ₹ nine lakh to Central Electricity Regulatory Commission (CERC).

(Paragraph 4.2.14.4)

Disaster Management: As a part of Disaster Management (DM) programme, mock drill operations should have been carried out by the Company once in a year. However, no mock drill operation was carried out by the Company in any of the Sub-Stations during 2007-08 to 2011-12.

(Paragraph 4.2.15.1)

Financial Management: The loss of the Company has decreased substantially by 85.19 per cent from ₹ 13.98 crore in 2007-08 to ₹ 2.07 crore in 2011-12. Further, the debt-equity ratio of the Company has decreased from 6.02:1 to 3.12:1 during the 2007-08 to 2011-12. The main reason for decrease in debt-equity ratio is conversion of Government loan into equity from 2009-10 and onwards.

(Paragraph 4.2.17.1)

Systems availability: The system availability of the Company was satisfactory with 99.24, 99.14 and 99.50 per cent during the years 2009-10, 2010-11 and 2011-12 respectively. For this meritorious performance, the Company was awarded (March 2012) with a Gold Shield for system availability by the Ministry of Power (MoP), Government of India (GoI).

(Paragraph 4.2.19)

Material Management: Though the Company's closing stock holding was equal to 22 months consumption in 2007-08, which has increased to 29 months consumption in 2011-12, yet it has neither fixed any minimum/ maximum level for inventory holding nor done any A/B/C level analysis, or fixed any reorder level for the requirement of material.

(Paragraph 4.2.20.2)

Monitoring and Control by Top Management: The year-wise cumulative performance records of the Sub-stations and lines were neither being maintained nor consolidated for evaluation of annual performance of the Sub-stations and lines. The steps taken for improvement in the performance of lines and Sub-stations of the transmission system were not being appraised to the Board of Directors (BOD) of the Company either annually/quarterly/ monthly, reflecting the minimal importance being given to the Management Information System (MIS) reports.

(Paragraph 4.2.21.1)

***Internal Controls and Internal Audit:** The internal audit work of the Company was outsourced to the Chartered Accountants firms. However, it was observed that the standard of internal audit by the outsourced agency was not up to the mark as the internal auditors firm neither reported on system deficiencies nor pointed out significant observations and restricted their report only to the extent of arithmetical accounting errors and overlooked propriety side of expenditure.*

(Paragraph 4.2.21.4)

***Audit Committee:** In a span of five years ended 31 March 2012, the Audit Committee met only on seven occasions instead of minimum number of 10 times. Further, as per Section 292A (5) of the Companies Act 1956, the internal auditors should have also attended all the meetings, but the same was not complied with, in any of the meetings.*

(Paragraph 4.2.21.4)

4.2.1 Introduction

With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also inter-alia recognized the need for development of National and State Grid with the coordination of Central/ State Transmission Utilities. Transmission of electricity and Grid operations in Uttarakhand is managed and controlled by Power Transmission Corporation of Uttarakhand Limited (the Company) which is mandated to provide an efficient, adequate and properly coordinated Grid management and transmission of energy. After unbundling from Uttarakhand Power Corporation Limited, the Company was incorporated on 27 May 2004 under the Companies Act, 1956 and reports to the Department of Power, Government of Uttarakhand.

The Management of the Company is vested with Board of Directors, comprising of four members, appointed by the State Government. The day-to-day operations are carried out by Managing Director, who is the Chief Executive of the Company and is assisted by Director (Projects), Director (Finance), Director (O&M), Director (Human Resources) and Company Secretary. During 2007-08, 7,300.37 Million Units (MUs) of energy was transmitted by the Company which increased to 12,069.84 MUs in 2011-12, registering an average increase of 65.33 *per cent* during 2007-12. As on 31 March 2012, the Company was having transmission network of 2,319.20 Circuit Kilometre (Ckm) and 35 Sub-stations (SSs) with installed capacity of 4,990.50 Mega Volt Ampere (MVA), capable of transmitting annually 39345.10[10] Million Units (MU) at 400 Kilo Volt (KV), 220 KV and 132 KV.

The turnover of the Company was ₹ 78.02 crore in 2007-08, which increased to ₹ 132.93 crore in 2011-12 and was equal to 0.21 and 0.22 *per cent* of State Gross Domestic Product in 2007-08 and 2011-12 respectively. As on 31 March 2012, 867 employees were on the rolls of the Company.

This is the first performance audit of the Company, hence none of the Performance Audits on the activities of the Company was earlier included in the Audit Report of the Comptroller and Auditor General of India.

4.2.2 Scope and Methodology of Audit

The present Performance audit conducted during May 2012 to October 2012 covers performance of the Company for the last five years period from 2007-08 to 2011-12. Audit examination involved scrutiny of records of different wings at the Head Office, State Load Dispatch Centre (SLDC), two Zones, each headed by Chief Engineer and six divisions out of 22 divisions, headed by Executive Engineers. The division offices carry out the work of capital/revenue nature and are also the accounting units. Out of 22 divisions, six divisions were selected through Simple Random Sampling without Replacement method.

During the period covered in Performance audit, the Company constructed five SSs (capacity: 600 MVA) and ten transmission lines/ 11 bays (length: 425.20 Ckm). Out of this, record for construction of three SSs (capacity: 320 MVA), and five transmission lines (length: 213.53 Ckm) were examined.

The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the top management during entry conference, scrutiny of records at Head Office as well as selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management during exit conference and issue of draft Performance Audit report to the Management/ Government for their comments.

[10] 4990.50x0.90PFx24x365/1000= 39345.10 MUs.

4.2.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- Perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/ Plan and Uttarakhand Electricity Regulatory Commission and assessment of impact of failure to plan, if any;
- The operation and maintenance of transmission system was carried out in an economical, efficient and effective manner;
- The transmission system was developed and commissioned in an economical, efficient and effective manner;
- A Disaster Management System was set up to safeguard its operations against unforeseen disruptions;
- An effective and efficient Financial Management system with emphasis on timely raising and collection of bills and filing of Aggregate Revenue Requirement (ARR) for tariff revision in time was in place;
- There was an efficient and effective system of Procurement of material and inventory control mechanism;
- Efficient and effective energy conservation measures were undertaken in line with the NEP and establishment of Energy Audit System; and
- There is a monitoring system in place to review existing/ ongoing projects, take corrective measures to overcome deficiencies identified, respond promptly and adequately to Audit/ Internal Audit observations.

4.2.4 Audit Criteria

The audit criteria for assessing the achievement of the audit objectives were derived from the following sources:

- Provisions of National Electricity Policy / Plan and National Tariff Policy;
- Perspective Plan and Project Reports of the Company;
- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- Annual Revenue Requirements (ARRs) filed with Uttarakhand Electricity Regulatory Commission for tariff fixation, Circulars, Manuals and Management Information System (MIS) reports;
- Manual of Transmission Planning Criteria (MTPC);

- Code of Technical Interface (CTI)/ Grid Code consisting of planning, operation, connection codes;
- Norms/Guidelines issued by Uttarakhand Electricity Regulatory Commission (UERC)/Central Electricity Authority (CEA);
- Report of the Committee constituted by the Ministry of Power (MoP) recommending the "Best Practices in Transmission";
- Report of the Task Force constituted by the Ministry of Power (MoP) to analyse critical elements in transmission project implementation; and
- Reports of Regional Power Committee (RPC)/ Regional Load Dispatch Centre (RLDC).

4.2.5 Audit Methodology

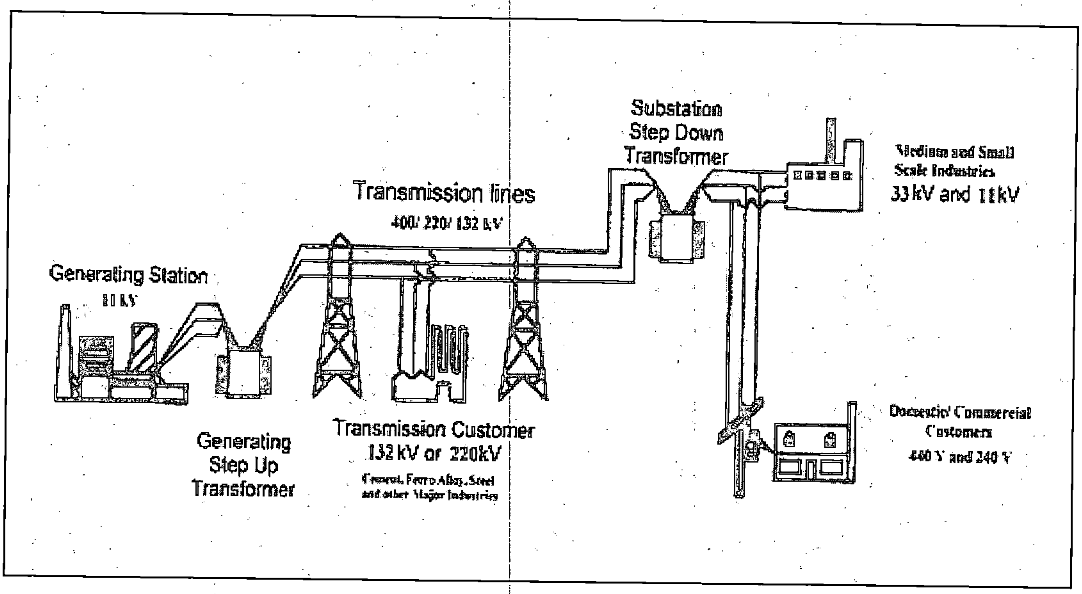
Audit followed the following methodologies:

- Review of Agenda notes and minutes of Company, annual reports, accounts and regional energy accounts (REA);
- Scrutiny of loan files, physical and financial progress reports;
- Analysis of data from annual budgets and physical as well as financial progress with completion reports;
- Tariff fixed by UERC;
- Scrutiny of records relating to project execution, procurement receipt of funds and expenditure;
- Interaction with the Management during entry and exit conference; and
- Issue of draft Performance Audit report to the Management/ Government for their comments.

4.2.6 Brief description of transmission process

Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 Kilo Volt (KV) and above. Electric power generated at relatively low voltages in power plants, is stepped up to high voltage power before it is transmitted to reduce loss in transmission and to increase efficiency in the Grid. Sub-Stations (SSs) are facilities within the high voltage electric system used for stepping-up/stepping down voltages from one level to another, connecting electric systems and switching equipments which are within as well as out of the system. The step up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances.

Electrical energy cannot be stored, hence generation must be matched with the need. Therefore, every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with the demand. A pictorial presentation of the transmission process is given below:



4.2.7 Audit Findings

Audit objectives, criteria and methodology of this Performance audit were explained to the management of the Company during an 'Entry Conference' held on 25 May 2012. Audit findings were referred to the Company and the State Government on 31 October 2012 and were also discussed in an 'Exit Conference' held on 20 December 2012. The Exit Conference was attended by the Managing Director, Director (Project), Director (Finance), Director (HR) and Chief Engineers of different wings of the Company. The Company replied to audit findings in December 2012. The State Government had not furnished the replies to the audit findings separately. However, the replies and views expressed by them in exit conference had been considered while finalizing this Performance Audit report. The audit findings are discussed in subsequent paragraphs.

4.2.8 Planning and Development

4.2.8.1 National Electricity Policy/Plan (NEP)

The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the National Electricity Plan (NEP) in coordination with all concerned agencies like Transmission Utility, State Regulatory Commission, Central Electricity Authority (CEA) and Central Electricity Regulatory Commission (CERC). At the end of 10^{th} Plan (March 2007), the transmission system in the country at 765/ HVDC/400/230/220/KV stood at 1.98 lakh Circuit Kilometre (Ckm) of transmission lines which was planned to be increased to 2.93 lakh Ckm by the end of 11^{th} Plan i.e. March 2012. The National Electricity Plan assessed the total inter-regional transmission capacity at the end of 2006-07 as 14,100 Mega Watt (MW) and further planned to add 23,600 MW in 11^{th} plan bringing the total inter-regional capacity to 37,700 MW.

The Company's transmission network at the beginning of 2007-08 consisted of 30 Extra High Tension Sub-stations with a transmission capacity of 4,390.50 Mega Volt Ampere and 1,894 Ckm of Extra High Tension transmission lines. The transmission network as on 31 March 2012 increased to 35 Extra High Tension Sub-stations with a transmission capacity of 4,990.50 Mega Volt Ampere and 2,319.20 Ckm of Extra High Tension transmission lines.

The Company is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning the capacity addition. The Company had not prepared the State Electricity Plan for Uttarakhand Electricity Regulatory Commission (UERC) though required under Grid Code issued by UERC on 9 April 2007. However, the Company submitted investment plan to UERC every year, incorporating the details of works to be taken up for transmission works on the basis of requirement submitted by the field offices and keeping in view the load position. However, this was not linked up with the load forecasting as the Company had data for current load position, but no trend analysis was done to enumerate the projected load growth.

The Management stated (December 2012) that the Company had submitted planning and development plan with complete transmission network including demand of distribution company (UPCL) and Power evacuation schemes to Uttarakhand Electricity Regulatory Commission (UERC) in August 2012. However, the fact remained that the Company delayed submission of its state electricity plan even after a gap of five years ending 31 March 2012.

4.2.8.2 Transmission network and its growth

The Company prepared five year plan (2007-12) with the target of establishing of 580 Mega Volt Ampere (MVA) transmission capacity and 558.51 Circuit Kilometre (Ckm) transmission lines. Against the above, Company achieved 600 MVA transmission capacity with five Sub-stations and 425.20 Ckm (76.13 *per cent*) transmission line, leaving a shortfall of 133.31[11] Ckm transmission lines during 2007-08 to 2011-12. The main reasons for shortfall were delay in processing the case for forest clearance and in getting clear right of way. The transmission capacity of the Company at Extra High Tension (EHT) level during 2007-08 to 2011-12 is detailed in **Appendix 4.5.**

During 2008-09, the Company failed to construct any transmission line or augmentation of transmission capacity. The five year plan of the Company was not in accordance with the guidelines of National Electricity Plan (NEP) and Grid Code issued by Uttarakhand Electricity Regulatory Commission (UERC) in April 2007, as it does not adequately incorporate the details regarding interstate and intra-state transmission system. It also does not segregate the needs for additional equipment such as transformers capacitors and reactors etc., which the Company may require in near future.

The particulars of voltage-wise capacity additions planned, actual additions, shortfall in capacity etc. during the period 2007-12 are given in **Appendix 4.6.** The Company did not obtain the forest clearance and clear Right of Way (ROW) in advance hence, the target of construction of 558.51 Ckm transmission line could not be achieved.

4.2.9 Project management of transmission system

A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase, and (ii) Project execution phase. For reduction in project implementation period, the Ministry of Power (MoP), Government of India (GoI) constituted a Task Force on transmission projects (February 2005) with a view to:

- analyze the critical elements in transmission project implementation;
- implementation of the best practices of CTU and STUs; and
- suggest a model transmission project schedule of 24 months duration.

The task force suggested and recommended (July 2005) the following remedial actions to accelerate the completion of Transmission systems.

- Undertake various preparatory activities such as surveys, design & testing, processing for forest & other statutory clearances, tendering activities etc., in

[11] Target of new 132 KV line was 273.90Ckm- achievement 173.20Ckm =short fall 100.70 Ckm and Target of new 220 Kv line was 284.61 Ckm- achievement 252Ckm =short fall 32.61Ckm.

advance/ parallel to project appraisal and approval phase and go ahead with construction activities, once Transmission Line Project sanction/ approval is received;

- Standardise designs of tower fabrication so that 6-12 months can be saved in project execution.

4.2.9.1 The Company did not follow the elaborate guidelines given by the Task Force Committee for timely completion of the projects. Consequently, there was delay in execution of work of some Sub-stations during 2007-12, as detailed in **Table 4.2.1** below:

Table 4.2.1

Execution of Sub-Stations ***(₹ in crore)***

Capa-city in KV	Name of SSs	Scheduled date of completion	Actual date of completion (time overrun)	Awarded cost	Actual cost (cost overrun)	Reason for time and cost overrun
220	Mahuakhera-ganj Kashipur	June 2010 extended upto September 2011	November 2011 (17 months)	74.99	74.99	Extra time taken for quality assurance of its control and relay panels by the Company.
132	Satpuli	August 2009	January 2011 (15 months)	4.43	9.58 (5.15)	Delay in providing land to the contractor by the Company.
132	Simli	January 2008	July 2009 (17 months)	6.40	11.33 (4.93)	Delay in providing land to the contractor by the Company.

The management of the Company did not furnish any reply in the above cases.

Audit further noticed that the Company could not complete the work in respect of Transmission lines, namely Maneri Bhali II- Rishikesh, DC Ghuttu-Ghansali, Ghansali-Chamba and Satpuli-Kotdwar due to delay in obtaining clearances, such as right of way, forest clearance, etc. resulted in time overrun ranging eight months to 40 months and cost overrun of ₹ 71.11 crore, as detailed in **Appendix 4.7.**

The replies of the management were as follows:

- **220 KV Maneri Bhali II Rishikesh line:** The Management stated (December 2012) that it was due to delay in obtaining of forest clearance (May 2008). The reply of the management was not convincing as the Company started the preparation of forest case after award of contract and the original case, which was submitted in August 2005, and was returned by Forest Department in September 2005 with their queries. After resubmission of forest case the in-principle approval was obtained in December 2007 and final approval in May 2008. The Company had to bear the cost overrun due to violation of above mentioned recommendation of the task force of MoP, GoI on the transmission projects.

- **220 KV DC Ghuttu-Ghansali :** The Management stated (December 2012) that the time overrun was due to delay in clearance of forest gallery. The tree cutting was completed in October 2011.The reply of the management was not convincing as the forest approval of the project was obtained in April 2009 and the tower for this line designed by the Company failed during first testing, its design was modified and re-testing was carried out, which resulted in the delay of work.

- **132 KV Satpuli-Kotdwar line:** The Management stated (December 2012) that the main reason for the delay and cost overrun was due to change in Bill of Quantity (BOQ) by the Company to suit the hilly terrain. Also, the forest clearance of the line was obtained in April 2008 and forest gallery was cleared in January 2010. The reply of the management was not convincing as the Company received in-principle approval from the forest department in March 2006. The main reason for delay was extra time taken by the Company to fulfill the procedural requirement of the Forest Department.

The Company incurred ₹ 140.91 crore on above lines, out of which only ₹ 54.03 crore was allowed by Uttarakhand Electricity Regulatory Commission (UERC) upto March 2012 and the Company had to bear the remaining amount from its own resources.

4.2.9.2 Delay in completion of ongoing projects

The Company entered into two agreements with a private firm[12] for construction of 132 Kilo Volt (KV) DC transmission line Srinagar –Satpuli (51.70 Circuit Kilometer - Ckm) and 132 KV Srinagar II – Simli (64 Ckm) vide agreements dated August 2004 and October 2005, amounting to ₹ 10.92 crore and ₹ 38.96 crore respectively. The scheduled dates of completion of above projects were August 2006 and six months from forest clearance respectively.

Audit noticed (August 2012) that in case of Srinagar –Satpuli line (51.70 Ckm), the construction of referred transmission line could not be completed even after a delay of six years from the scheduled completion date of August 2006 as the Company failed to provide clear ROW to the contractor till July 2012, due to which, the Company incurred ₹ 53.65 crore (391.30 *per cent* above) including incidental expenditure till July 2012, without any fruitful result.

[12] M/s Ranjit Singh & Company.

The Management stated (December, 2012) that the cost of the project increased because of change in tower design and delay in obtaining the land of Nagar Palika, Pauri, where one tower was to be erected and the work was completed in September 2012. However, the fact remained that the Company should have identified the clear route of Right of Way (ROW) at the time of detailed survey and the required statutory clearances from the different authorities should be obtained in advance.

In respect of Srinagar II –Simli line (64 Ckm), the contractor completed the construction work on non-forest area of 22.38 Ckm (34.97 *per cent*) of transmission line. The Company incurred ₹ 48.17 crore (23.64 *per cent* above) on transmission line including incidental charges till July 2012. Despite incurring expenditure to the tune of 123.64 *per cent* of the awarded cost, the Company could construct only 34.97 *per cent* of the said line in the area other than forest land. Even after passage of seven years of award of contract as the contract was awarded in October 2005 and the scheduled completion date was six month from forest clearance as per agreement, the forest clearance for the remaining area was yet to be obtained.

The Management stated (December, 2012) that the in-principle approval of forest clearance was obtained in April 2010 and final approval would be provided after transfer of land, which was under process. The reply of the Company was not convincing since as per guidelines of Ministry of Environment and Forest (MoEF), the contract should have been awarded only after getting the forest clearance. In this case, the contract was awarded in October 2005 and the case for forest clearance was submitted to Nodal office, Dehradun as late as in April 2009, after which the case remained shuttling between the Company and the Nodal officer for fulfilling conditions till December 2012. The major remaining bottleneck was inability of the Company and the Government to provide compensatory aforestation land. Had the Company followed the MoEF guidelines, the cost and time overrun could have been minimized.

4.2.9.3 Generation capacity and Transmission facilities

National Electricity Policy (NEP) envisaged augmenting transmission capacity taking into account the planning of new generation capacities, to avoid mismatch between generation capacity and transmission facilities. The transmission facilities to be provided by the Company were required to match with the generating company's generation plans.

Audit noticed (June 2012) that during the review period, only two generation stations namely Maneri Bhali-II (304 Mega Watt) and at Bhilagna (24 Mega Watt) were commissioned. The first work was completed by a generation utility of the State in February 2008 and the second by a private generator[13] in November 2011. The Company was successful in transmitting power from the generation stations.

4.2.9.4 Sluggishness in implementation of Uttarakhand Integrated Transmission Project (UITP) scheme

The Company proposed (September 2006) to the Central Electricity Authority (CEA) to take up Integrated Transmission system for development of comprehensive power evacuation system in Uttarakhand and integrated network for quality power supply in the State. The proposed project envisaged power evacuation system for 5406.50 Mega Watt of proposed power generation in Yamuna, Bhagirathi, Alaknanda and Sharda Basins at an estimated cost of ₹ 2446.74 crore, based on the 4th quarter price of year 2004.

The scheme was approved by CEA in January, 2007 and by the Ministry of Power, Government of India in May 2007. The project was funded by Power Finance Corporation (PFC) and Asian Development Bank (ADB) through Government of India (GoI) and Government of Uttarakhand (GoU). The proposed projects were scheduled to be completed by March, 2012. Under Uttarakhand Integrated Transmission Project (UITP) scheme, the Company proposed construction of 1,887 Ckm of line and 2,190 Mega Volt Ampere Sub-stations during 2007-08 to 2011-12. The details of estimated cost and target date of completion of the proposed UITP scheme are given in **Appendix 4.8**.

During implementation of UITP scheme audit noticed the following:

4.2.9.5 Award of Contracts

Audit noticed (August 2012) that the Company prepared 20 DPRs with the estimated cost of ₹ 2,080.25 crore for different projects against which only 10 agreements amounting to ₹ 603.43 crore were finalized and awarded. Out of this, only three projects[14] were completed and out of the three, one namely 220 Kilo Volt Double Circuit line from 400 KV Sub-Station Roorkee to 220 KV Sub-station Roorkee was

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13 M/s Bhilagna Hydro Power Limited.

14 220 KV DC Line from 400 KV SS Roorkee to 220 KV SS Roorkee (Schedule completion date: 31.12.2010 and actual completion date 24.11.2010), 220 KV DC line from Bhilangana-III to Ghansali line (Schedule completion date:17.01.2010 and actual completion date 04.11.2011) and 220 Ghansali - Chamba line (Schedule completion date:25.04.2008 and actual completion date 30.09.2009).

completed on time (November 2010) and the remaining two were completed with a delay of 17 to 22 months.

Audit further noticed that the Company also took up the projects in isolation instead of taking them up as a package. The Company awarded the contract for construction of 400 Kilo Volt Ampere Srinagar Sub-station, but did not initiate to take up the work of connected main associated line i.e. Srinagar-Kashipur line. Similarly, the Company awarded the contract for construction of 400 KV DC Vishnugad-Kuwaripass line, but the contract for the construction of connected 400 KV Gas Insulated Substation (GIS) at Kuwaripass has not yet been awarded (December 2012).

The Management stated (December, 2012) that the 400 KV SS to Srinagar power house line had been awarded to a contractor[15] on 06th May 2011. In addition to this, 220 KV Barambari-Srinagar line had been awarded to another contractor[16] on 23.04.2011. Srinagar-Kashipur line will be required when all the generation of Alakhananda basin will take place. Kuwaripass Sub-station will be awarded as per the requirement of the generators. The reply of the management was not convincing as the case for approval of 400 KV DC Srinagar – Kashipur line was under submission to Central Electricity Regulatory Commission (CERC) and the approval for the 400 KV DC Srinagar- Kashipur line should have been obtained during the approval of 400 KV Sub-station Srinagar as it is the main associated line of the Sub-station. The work of Sub-stations and its associated line should have been started simultaneously, so as to serve the intended purpose of load sharing of Kashipur Sub-station and strengthening of network in the Kumaon region, which led to delay in completion of the scheme.

4.2.9.6 Non-recovery of Interest

Audit noticed (August 2012) that the Company awarded (February 2009) the contract for construction of 400 Kilo Volt Double Circuit Loharinagpala–Koteshwar line to a private company[17] for ₹ 185.68 crore. As per the terms and conditions of the contract, the Company paid (March 2009) mobilization advance of ₹ 18.57 crore to the contractor with interest payable at a rate of 9.07 *per cent* per annum.

Consequent upon the decision (January 2011) of Government of Uttarakhand to scrap the Hydro Projects, the Company terminated the contract as the construction

15 M/s Tata Projects.

16 M/s Hytro Power corporation Limited.

17 M/s L & T Limited.

of line was not required and requested (August 2011) the contractor to return the mobilization advance along with interest. The contractor did not respond to the Company's request, hence, the Company encashed (December 2011) the Bank Guarantee of the contractor for ₹ 18.57 crore.

The Management accepted the facts and stated (December 2012) that the amount of interest on mobilization advance will be recovered from the contractor's bills of ₹ 44.04 crore or performance guarantee of ₹ 18.59 crore, which had been retained by the Company and which was valid till May 2013.

However, the fact remained that after passing of 21 months from the date of termination the contract, the recovery of interest of ₹ 4.49 crore[18] on mobilization advance was pending (December 2012) while the same was required to be recovered as per terms and conditions of the contract.

4.2.9.7 Non-charging of interest on mobilization advance

The Company entered (April 2011) into three agreements with a private company[19] amounting to ₹ 64.38 crore, ₹ 24.63 crore and ₹ 60.59 crore for execution of work relating to construction of 400 Kilo Volt Double Circuit Tapovan-Pipalkoti-Srinagar & LILO of 400 KV DC Vishnuprayag-Muzaffarnagar transmission line at Pipalkoti, 220 KV DC Lata Tapovan-Joshimath transmission line and 220 KV DC Joshimath-Pipalkoti transmission line respectively. As per the terms and conditions of the agreement, the Company released ₹ 14.95 crore (10 *per cent* of the contract value) to the contractor as mobilization advance during September 2011 to November 2011. The bid document was silent on the fact, whether the mobilization advance was interest bearing or interest free.

Audit noticed (August 2012) that the condition of providing interest free mobilization advance to the contractor was not approved by the Board of Directors as required. It was further noticed that the clause of mobilization advance was amended (September 2011) by the Company and it was decided to charge the interest on mobilization advance at the rate of 9.07 *per cent*. The contractor did not accept the amended clause regarding interest on mobilization advance with the remarks that there was no mention of interest in the bidding documents as well as the signed contract. Finally, the Company decided (October 2011) that the clause of interest bearing mobilization advance shall not be applicable, although the Company was paying interest at the rate of 11 *per cent* to REC and PFC on the credits availed from them.

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18 ₹ 18.57 x 32 x 9.07/12 x 100= ₹ 4.49 crore.

19 M/s Tata project Limited, Secunderabad.

Thus, non-inclusion of interest clause in the bid document and agreement led non-charging of interest of ₹ 1.47 crore[20] on mobilization advance upto December 2012.

The Management stated (December 2012) that the project was funded by ADB and as per guidelines of ADB, there is no provision for charging of interest on mobilization advance and the management would ensure that such matter will be taken care of in the future.

4.2.9.8 Unresolved cost recovery mechanism of Uttarakhand Integrated Transmission Project (UITP) scheme

Under the Uttarakhand Integrated Transmission Project (UITP) scheme, Asian Development Bank (ADB) had to provide funds to the tune of US $ 250 million and Power Finance corporation (PFC) had to provide ₹ 800 crore. In respect of ADB funds, 70 *per cent* of the fund was to be routed through Government of India (GoI) and Government of Uttarakhand (GoU), out of which 90 *per cent* was to be in the form of grant and 10 *per cent* in form of loan. The remaining 30 *per cent* was to be provided by GoU in the form of equity. In respect of PFC, 70 *per cent* of the funds were to be provided in the form of loan at applicable rate of interest and 30 *per cent* was to be provided by GoU as equity.

Audit noticed (August 2012) that the Company had already incurred an expenditure ₹ 41.97 crore on the above scheme up to June 2012 and had entered into 10 contracts valuing ₹ 603.43 crore up to March 2012. Six contracts with the estimated cost of ₹ 1218.80 crore were in the process of finalization. However, the probability of realization of above investment through tariff seems to be remote because of the following:

The Uttarakhand Electricity Regulatory Commission (UERC) had not agreed (December 2011) to allow above investment for realization through tariff, as more than 50 *per cent* power evacuated from the network will be utilized for export to the national grid and the investment was deemed Inter-State Transmission facility. Hence, the permission should be obtained from the Central Electricity Regulatory Commission (CERC). The UERC further stated (December 2011) that the Company shall be responsible for recovery of overall annual cost of the scheme and for the purpose, the licensee (the Company) should put in all efforts to enter into adequate number of Transmission Service agreements with the beneficiaries in commensuration with the overall capacity of SS/lines proposed to be developed under the UITP scheme.

[20] ₹ 14.95 crore X 9.07 X 13/12X100= ₹ 1.47 crore.

The Company, however, failed to develop cost recovery mechanism for the investment in the scheme till date (December 2012). As a result, it would be difficult for the Company to repay the loan and interest besides, maintenance of the Sub-stations and lines to be created under this scheme.

The Management stated (December, 2012) that the integrated power transmission scheme was introduced for the first time by any of the transmission utilities in the country and the Company developed this scheme taking into account that all the hydro generators in different valleys will be connected in the network. The saving of forest by constructing multi-circuit tower with bundle conductors at extra high voltage will facilitate intra state and the interstate power exchanges by strengthening Uttarakhand Grid and effectively connect it with northern grid of India. The matter in respect of unresolved cost recovery mechanism had been put before the CERC by the Company. However, the fact remained that the matter was pending with CERC and the Company had no mechanism for recovery of the investment made in the scheme till date (December 2012).

4.2.9.9 Non-realization of ₹ 6.29 crore on account of shifting of line

Audit noticed (June 2012) that the existing Rishikesh- Dharasu and Chamba -Dharasu transmission lines were required to be shifted as the lines came under the submergence area of Tehri Dam reservoir. However, the work of shifting of line was incomplete upto December 2012. The Company claimed (January 2010) ₹ 7.79 crore from Tehri Hydro Development Corporation Limited (THDC) in connection with shifting of 15 towers of above referred lines. The THDC paid ₹ 1.50 crore in July 2010. The amount of ₹ 6.29 crore could not be recovered from THDC by the Company.

The Management accepted the audit observation and stated (December 2012) that efforts were being made to recover the amount from THDC.

4.2.9.10 Non-achieving the target of construction of line

For the purpose of connectivity of Sub-stations, the Company entered into an agreement (March 2010) for construction of 132 Kilo Volt (KV) DC transmission line from 220 KV Sub-station (SS) Pithoragarh (PGCIL) to 132 KV Sub-station Pithoragarh with a private firm[21] for ₹ 5.46 crore with the scheduled date of completion (11-03-2011). Audit noticed (June 2012) that the Company paid ₹ 0.54 crore as mobilization advance to the contractor in January 2011. The construction work of above line could not be started till June 2012.

[21] M/s Kashimiri Lal Constructions.

The Management stated (June 2012) that after notification of route survey, public raised objections in reference to notification dated 07 April 2010. After changing the proposed route and persuasion, no objection was received from public and forest case for 4.68 hectare land for the new route was submitted to forest department in February 2011. The in-principle approval was received (April 2011) from Ministry of Environment and Forests for use of forest land with the condition to transfer the double compensatory land in favour of Forest Department. The matter of transfer of land and signing of lease deed was in process and the said work could not be started due to above reasons.

The reply of the management was not convincing as clear Right of Way (ROW) and forest clearance were basic pre-requisites before commencement of construction work of transmission line. The Company overlooked these statutory clearances and awarded the contract, resulting in delay in the start of work. Further, time and cost overrun of the project could not be ruled out.

4.2.9.11 Critical condition of installed towers

Sixteen towers of 132 Kilo Volt (KV) Bindal-Rishikesh–Majra Double circuit line pass through the river bed of Bindal river in Dehradun city, out of which 14 towers were in a critical condition as these face a threat of erosion of its foundation and damage of revetment wall in every rainy season due to flood in the river as evident from the photographs shown below:

File photo of position of tower with foundation at Bindal River, Dehradun

File photo of position of tower with damaged foundation at Bindal River, Dehradun

Audit noticed (July 2012) that the Company faced difficulty in maintaining the power supply in the area in every rainy season due to increased flow of water in the river. During 2007-08, tower 18-A collapsed in August 2007 due to heavy flood. This resulted in complete blackout of the area for more than 48 hours and partially affected the power supply for more than one month.

Audit further noticed that during 2007-08 to 2011-12, the Company incurred an expenditure of ₹ 1.10 crore on the protection of foundations of these towers to avoid damage to towers. However, the protection work was temporary in nature and the Company was forced to undertake the same work again and again in every rainy season.

The Management stated (July 2012) that the Company was considering a probable feasible solution to strengthen the foundation of towers. The reply of the Company was not convincing as the Company failed to adopt permanent mechanism for the safety of these towers.

Similarly, two double poles of 66 KV Roorkee-Pathri transmission line pass through the river bed of Solani river, Roorkee which were in a critical position. This line was of significant value as this evacuated the power from Pathri Power house to 132 KV Sub-station Roorkee.

During 2010-11, two poles namely 9 and 11 collapsed in August 2011 due to heavy flood and the power generated by the Pathri Power House could not be evacuated. This resulted in generation loss of 20.40 Mega Watt (MW) per day up to 6 days as the power evacuation could be completely restored by 22 August 2011 only.

The Management accepted the audit observation and stated (December 2012) that adequate precautions were being taken and a new 132 KV tower with enhanced span had now been erected for the safety of transmission line. The management also accepted the generation loss.

4.2.9.12 Loss of ₹ 20.48 crore on construction of transmission line

For erection, testing and commissioning of 220 Kilo Volt (KV) Double circuit (DC) single Zebra Ghuttu-Ghansali transmission line and supply of material, two agreements were entered (May 2009) with a private firm[22] for ₹ 8.12 crore and ₹ 10.65 crore respectively.

Audit noticed (June 2012) that the sole purpose of construction of above transmission line was to evacuate the power generated (24 MW) by a private generator (M/s BHPL). The expenditure amounting to ₹ 20.48 crore should have been recovered from the said generator, by way of deposit work, as the construction of above line was dedicated to evacuate the power generated by a private generator, but was not recovered. The expenditure incurred on the construction of above line was also disallowed by the Uttarakhand Electricity Regulatory Commission (UERC).

[22] M/s Ranjit Singh.

The Management stated (December, 2012) that UERC had introduced Regulation 2010 describing the terms and conditions of Intra-State Open Access in 2010 itself. A petition had been filed (June 2012) by the Company in this regard and the matter for determination of transmission charges was under consideration before UERC. However, the fact remained that the Company had violated the procedure for processing applications for grant of connectivity in Intra-State Transmission System (ISTS) issued (December, 2009) by Central Electricity Regulatory Commission (CERC), which provides that any hydro generator of 250 Mega Watt (MW) or above shall not be required to construct a dedicated line at its own cost, as the same shall be constructed by the transmission utilities. In this case the private generator was generating only 24 MW power, so the cost of the construction of line should be borne by it.

Thus, due to violation of CERC guideline on ISTS, the Company suffered a loss of ₹ 20.48 crore as this amount was neither considered by UERC till date (December 2012) nor the Generator paid any amount in this regard to the Company.

4.2.9.13 Under utilization of the installed capacity of Sub-station

The 132 Kilo Volt (KV) Sub-station at Bhopatwala, Haridwar was commissioned during 2004-05 with the transmission capacity of 80 Mega Volt Ampere (MVA). Audit noticed (August 2012) that the transmission capacity of this Sub-station was utilized in the range of 22.14 MVA to 32.40 MVA only since its commissioning, against the installed capacity of 80 MVA and at 56 MVA after allowing 30 *per cent* margin. This indicated improper assessment of the load by the Company, resulting in non-deriving of full financial gains from the Sub-station.

The Management stated (December 2012) that the distribution company (UPCL) had been requested to redistribute the load through 33 KV ring system. Extra capacity is important as Haridwar is a religious center and having fluctuating load requirement. However, the fact remained that the Kumbh Mela is organized once in twelve years and Aardh Kumbh, once in six years. Thus, the surplus capacity could be utilized for load sharing of nearby Jawalapur Sub-station, which was overloaded. The redistribution of load of the Sub-station was yet not in operation (December 2012).

4.2.10 Performance of transmission system

The performance of the Company mainly depends on efficient maintenance of its Extra High Tension (EHT) transmission network for supply of quality power with minimum interruptions. In the course of operation of Sub-stations and lines, the supply-demand profile within the constituent sub-systems is identified and system improvement schemes are undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the Company with regard to operation and maintenance (O&M) of the system is discussed in the succeeding paragraphs.

The Company, in order to evacuate the power from the Generating stations and to meet the load growth in different areas of the State, constructed transmission lines and Sub-stations at different EHT voltages. A Transformer converts Alternating Current (AC) voltage and current to a different voltage and current at a very high efficiency. The voltage levels can be stepped-up or stepped-down to obtain an increase or decrease of AC voltage with minimum loss in the process. The evacuation is normally done at 220 Kilo Volt (KV) Sub-stations. The details of transmission capacity (220 KV) created *vis-à-vis* the transmitted capacity (peak demand met) at the end of each year by the Company during the last five years ending March 2012 are given in **Table 4.2.2** below:

Table 4.2.2

Transmission capacity (in MVA)				
Year	**Installed capacity**	**After leaving 30 per cent towards margin**	**Peak demand including non-coincident demand**	**Excess (3-4)**
1	**2**	**3**	**4**	**5**
2007-08	4550.50	3185.35	1410.58	1774.77
2008-09	4550.50	3185.35	1471.76	1713.59
2009-10	4590.50	3213.35	1575.29	1638.06
2010-11	4630.50	3241.35	1751.76	1489.59
2011-12	4990.50	3493.35	1974.11	1519.24

(Source: Information compiled from the data available with the Company)

From the above table, it could be observed that the overall transmission capacity was in excess of the requirement for every year. The existing transmission capacity excluding 30 *per cent* towards redundancy worked out to an excess in the range of 1489.59 MVA to 1774.77 MVA during 2007-08 to 2011-12. The prevalence of overload, high voltage in certain places[23] reflects unscientific

[23] Kashipur, Pantnagar, Bazpur, Kotdwar, Jawalapur, Manglour, Bhagwanpur and Roorkee

planning in creation of transmission network as discussed in paragraphs 4.2.9.13 and 4.2.11.2.

The Management accepted the audit observation and stated (December 2012) that the Company has excess transmission capacity at present, but the same is due to comprehensive planning taking into account the future load growth and the same may be utilized in near future.

4.2.11 Performance of Transmission Sub-stations

4.2.11.1 Adequacy of Sub-stations

Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity for different Sub-stations, i.e., 320 Mega Volt Ampere (MVA) for 220 Kilo Volt (KV) and 150 MVA for 132 KV Sub-stations. Scrutiny of the maximum capacity levels of Sub-stations revealed (August 2012) that none of the 220 KV and 132 KV SSs exceeded the permitted levels. It was also observed that every Sub-station of capacity 132 KV and above should have at least two transformers. Further, the Transmission Planning and Security Standards (TPSS) issued by the Uttarakhand Electricity Regulatory Commission (UERC) indicated that the size and number of transformers in the Sub-station shall be planned in such a way that in the event of outage of any single transformer the remaining transformer(s) could still supply 80 *per cent* of the load.

Audit noticed (August 2012) during test-check of 16 Sub-stations of different capacities of Operation and Maintenance (O&M) division at Kashipur, Pantnagar, Roorkee, Haridwar and Dehradun that none of the Sub-station had additional transformer of any capacity to meet out the N-1 contingent situation (additional transformer of any capacity required for meeting out contingent situation at every sub-station), though required as per the Company's instruction (June 2011) for N-1 contingency. It was also observed that in case of outage of a transformer, the existing transformers were not in a position to bear 80 *per cent* of the load.

The Management accepted the audit observation and stated (December 2012) that the increase in capacity was proposed and also new sub-stations were being established to keep the load at each sub-station within permissible limit. However, the Company remained silent on N-1 contingent situation.

4.2.11.2 Over loading against the installed capacity of sub-station

Audit noticed (August 2012) that the 220 Kilo Volt (KV) Sub-station at SIDCUL, Haridwar, with the transmission capacity of 200 Mega Volt Ampere (MVA), commissioned in 2005-06 for supply of power to the industrial area of SIDCUL, Haridwar, was subjected to over utilization of its transmission capacity in the range of 168 MVA to 205 MVA, against 140 MVA, after leaving a safety margin of 30 *per cent*, from 2009-10 to 2011-12. The Company had, however, not taken any action to enhance the installed capacity. This may cause heavy damage to the equipments of the Sub-station.

The Management stated (October 2012) that the enhancement of the capacity of the Sub-station was under consideration.

Similarly, 132 KV Sub-station at Jwalapur and Kotdwar with the transmission capacity of 80 MVA were utilized in the range of 73.67 MVA to 81.53 MVA and 65 MVA to 70 MVA respectively, against 56 MVA, after leaving a safety margin of 30 *per cent*, during 2007-08 to 2011-12. The Company did not take any corrective measures to enhance the installed capacity or to divert the extra load to other sub-stations, so as to avoid the damage to the equipments, as mentioned above.

Audit also observed that in 132 KV Sub-station at Bindal and Majra of Dehradun division and 132 KV Sub-station at Roorkee and Bhagwanpur of Roorkee division were also over loaded to the extent of 14 to 42 MVA from 2009-10 onwards after leaving a safety margin of 30 *per cent*. Thus, the Company failed on two fronts, i.e., to meet N-1 contingency needed in case of failure of transformers and above referred existing Sub-stations were running over loaded for more than two years.

The Management accepted the audit observation and stated (December 2012) that the Sub-stations are running overloaded only in contingent condition and preventive action was being taken. However, the fact remained that the above Sub-stations were still running overloaded (December 2012).

4.2.11.3 Voltage management

The licensees using intra-state transmission system should make all possible efforts to ensure that grid voltage always remains within limits. As per Indian Electricity Grid Code, State Transmission Utilities (STUs) should maintain voltage ranging between 380-420 KV, 198-245 KV and 119-145 KV in 400 KV, 220 KV and 132 KV lines respectively. A test-check (August 2012) in audit in respect of 220/132 KV bus voltage in five Operation and Maintenance divisions (400 KV and132 KV at Kashipur and 220 KV at Pantnagar) of Kumoan Zone and two divisions (132 KV at Dehradun and 220 KV at Roorkee) of Garhwal Zone for the period January to May of 2007-12 revealed that in eight[24] Sub-stations of 132

[24] 132 KV Kashipur, 132 KV Pantnagar, 132 KV Bazpur, 132 KV Kotdwar, 132 KV Jawalapur, 132 KV Manglour, 132 KV Bhagwanpur and 132 KV Roorkee.

KV the voltages recorded in the range of 100 KV and 150 KV, which were not maintained within the maximum of 145 KV and minimum of 119 KV voltage limits as per prescribed norm.

The Management stated (December 2012) that the efforts are being made to solve the issue.

4.2.12 Management of Lines

4.2.12.1 Extra High Tension (EHT) lines

As stipulated in the Manual of Transmission Planning Criteria (MTPC), permissible line loading should not normally be more than the Thermal Loading Limit (TLL). The TLL limits the temperature attained by the energized conductors and restricts sag and loss of tensile strength of the lines. The TLL limits the maximum power flow of the lines. As per MTPC, the TLL of 132 KV line with Aluminium Conductor Steel Reinforced (ACSR) Panther 210 sq. mm conductor was 366 ampere (amp).

The Company was having 58 numbers of 132 KV feeders in Garhwal and Kumoan Zones up to March 2012. Audit scrutiny of the line loadings revealed (August 2012) that, ten[25] out of 26 feeders test checked in Kashipur, Haridwar, Pantnagar and Roorkee Divisions were loaded in the range of 380 to 480 amps which were above prescribed norms of 366 amps. Loading of the lines beyond capacity resulted in voltage fluctuations, higher transmission losses and frequent interruptions/ breakdowns.

The Management accepted the audit observation and stated (December 2012) that the diversion from prescribed limit happens only in contingent conditions and efforts are being made to maintain the norms.

4.2.12.2 Bus Bar Protection Panel

Bus bar is used as an application for inter-connection of the incoming and outgoing transmission lines and transformers at an electrical Sub-station. Bus Bar Protection Panel (BBPP) limits the impacts of the bus bar faults on the entire power networks which prevents unnecessary tripping and ensures selective tripping in only those breakers necessary to clear the bus bar fault. As per Grid norms and Best Practices in Transmission System, BBPP is to be kept in service

[25] 132 KV Kashipur-1, 132 KV Jaspur, 132 KV Bazpur, 132 KV Kotdwar, 132 KV Jawalapur, 132 KV Rudrapur-Pantnagar, 132 KV Kichha-Rudrapur, 132 KV Kichha-Sitarganj, 132 KV Manglour-Roorkee and 132 KV Roorkee-Bhagwanpur.

for all 220 KV Sub-stations to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 KV buses.

Audit observed (August 2012) that the Company had seven 220 KV Sub-stations, where BBPP is required to be installed. Though the Company provided the panel at all seven Sub-stations, only five panels were in service and remaining two were not in working condition.

The Management accepted the audit observation and stated (December 2012) that the all BBPP had been installed in September 2012 after being pointed out by audit.

Audit further observed that the Company purchased two bus coupler bays for installation at 132 KV Sub-station at Kashipur and Ramnagar during 2010-11 for ₹ 0.73 crore. Above bus couplers were installed in June/July 2011 at Ramnagar and Kashipur Sub-stations respectively. Even after passage of one year from the installation, above bus couplers could not be utilized as they were not connected to the panel and the purpose of purchasing the bus couplers stands defeated.

Un-connected Panel of the bus coupler at 132KV SS, Kashipur

The Management accepted the audit observation and stated (December 2012) that the above bus couplers had been commissioned in September 2012 after being pointed out by audit.

4.2.13 Maintenance

4.2.13.1 Performance of Current Transformers

Current transformer (CT) is one of the most important and cost-intensive component of electrical energy supply network, as it is of special interest to prolong their life duration while reducing their maintenance expenditure. In order to gather detailed information about the operational conditions of CTs, oil analysis like the standard oil Dissolved Gas Analysis (DGA) test is generally conducted. For CT insulation, a combination of an insulating liquid and a solid insulation impregnated therewith are used. For an evaluation of the actual condition of this insulating system, usually a DGA is used, as failures inside the CT lead to degradation of the liquid insulation in such a way that the compound of gases enables an identification of the causes of failure. The incidence of failure of transformers during the years 2007-08 to 2011-12 is indicated in **Table 4.2.3** below:

Table 4.2.3

Year	No. of transformers at the beginning of the year	No. of transformers failed	No. of transformers failed within guarantee period	No. of transformers failed within normal working life[26]	Expenditure on repair and maintenance (₹ In crore)
2007-08	1645	02	Nil	02	0.16
2008-09	1648	09	NIL	09	0.99
2009-10	1648	13	NIL	13	0.41
2010-11	1679	14	Nil	14	0.17
2011-12	1690	30	Nil	30	0.17

(Source: Information compiled from the data available with the Company)

From the above table, it could be observed that the Company added 45 CTs in its network during the review period. The number of failed CTs also increased from two in 2007-08 to 30 in 2011-12. The main reason for damage to CTs was overloading of SSs.

The Management accepted the audit observation and stated (December 2012) that the Company had been successful in curtailing the expenditure on repair and maintenance of CTs.

4.2.13.2 Working of hot lines division

The regular and periodic maintenance of transmission system is of utmost importance for its un-interrupted operation. The Report of the Committee for updating the Best Practices of Transmission in the country, apart from scheduled patrolling of lines, has prescribed various techniques for maintenance of lines which include hot line maintenance, hot line washing, hot line puncture detection of insulators, preventive

[26] Normal life of transformer is 25 year.

maintenance by using portable earthing hot line tools, vibration measurement of the line, thermo-scanning, and pollution measurement of the equipment.

The hot line technique (HLT) envisages attending to maintenance works like hot spots, tightening of nuts and bolts, checking damages to the conductors, replacement of insulators etc., of Sub-stations and lines without switching off. This includes thermo scanning of all the lines and Sub-stations towards preventive maintenance. HLT was introduced in India in 1958. As of April 2007, the Company did not have any hotline division/ sub division and the position continued to be the same till December 2012.

Audit observed (April 2012) that in the absence of Hotline division and Thermo vision cameras, the Company was not in a position to scan the towers situated at top of hills, downstream and in dense forests. It was further observed that no written manual/ guidelines relating to the above were prepared. In the absence of hotline divisions, the Company did not have any mechanism for preventive maintenance and identifying the risky areas in advance.

The Management accepted the audit observation and stated (December 2012) that the creation and maintenance of hotline divisions is very expensive, the Company will consider about the same in the near future.

4.2.13.3 Transmission losses

While energy is carried from the generating station to the consumers through the Transmission and Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and energy sent to distribution companies. As per Uttarakhand Electricity Regulatory Commission (UERC) and Central Electricity Authority (CEA), the permissible transmission loss limit was two and five *per cent* respectively.

Audit noticed that the transmission losses remained under check during the review period and were ranging around 1.35 *per cent* to 1.88 *per cent* (**Appendix 4.9**) and remained within the permissible limit of two and five *per cent* fixed by the CEA and UERC.

During last five years the transmission losses of the Company remained within the norms fixed by CEA and UERC which was appreciable.

4.2.14 Grid Management

4.2.14.1 Maintenance of Grid and performance of State Load Dispatch Centre

Transmission and Grid management are essential functions for smooth evacuation of power from generating stations to the distribution companies/consumers. Grid management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/ directions given in the Grid Code issued by Central Electricity Authority (CEA). National Grid consists of five regions viz., Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Dispatch Centre (RLDC), an apex body to ensure integrated operation of the power system in the concerned region. The Uttarakhand State Load Dispatch Centre (SLDC), a constituent of Northern Regional Load Dispatch Centre (RLDC), New Delhi ensures integrated operation of power system in the State. The SLDC is assisted by two Area Load Dispatch Centers (ALDCs) for data acquisition and transfer to SLDC and supervisory control of 132 KV and 33 KV equipments. The SLDC levies and collects such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as specified by the Uttarakhand Electricity Regulatory Commission (UERC).

Audit noticed that the SLDC of the State was not operating independently, but was a constituent of the transmission utility. Despite UERC directions, the Company had not separated the work of SLDC and the segregation of accounts of SLDC had also not yet been done.

The Management accepted the audit observation and stated (December 2012) that the segregation of accounts of SLDC was prerogative of the Government. As per the ongoing practice, the accounts of SLDC were being initially prepared separately, but thereafter merged with that of the Company. However, the fact remained that as per UERC directions the accounts of SLDC should have been prepared separately but the same had not yet been followed (December 2012).

4.2.14.2 Infrastructure for load monitoring

Remote Terminal Units/Sub-station Management Systems (RTUs/SMSs) are essential for monitoring the efficiency of the transmission system and loads during emergency, in load dispatch centers, as per the Grid norms for all Sub-stations.

Audit noticed (April 2012) that there were a total of seven 220 KV Sub-stations and 26 Sub-stations of 132 KV and 13 generators, out of which, seven

(53.85 *per cent*) generators[27] and three (9.09 *per cent*) Sub-stations[28] were provided with RTUs for recording real time data for efficient Energy Management System. Further, the State Load Dispatch Centre (SLDC) was not integrated with the above system and the SLDC did not have data storing or back up facilities, thus reducing itself to an observation centre rather than monitoring centre for efficiency of the transmission as per Grid norms.

The Management accepted the audit observation and stated (December 2012) that the Sub-stations (approximately 80 *per cent*) had now been installed with RTUs after being pointed out by audit and the rest would be installed in the near future.

4.2.14.3 Grid discipline by frequency management

As per Grid Code, the transmission utilities are required to maintain Grid discipline for efficient functioning of the Grid. All the constituent members of the Grid were expected to maintain a system frequency between 49 and 50.5 Hertz (Hz) during April, 2006 to March, 2009, 49.2 and 50.3 Hz during April, 2009 to April, 2010 and 49.5 and 50.2 Hz with effect from May, 2010 for various reasons such as shortages in generating capacities, high demand, Grid indiscipline in maintaining load generation balance, inadequate load monitoring and management and Grid frequency going below or above the permitted frequency levels. To enforce the Grid discipline, the State Load Dispatch Centre (SLDC) issues three types of violation messages (A, B, C). Message A is issued when the frequency is less than 49.2 Hz and over-drawal is more than 50 Mega Watt (MW) or 10 *per cent* of schedule, whichever is less. Violation B message is issued when frequency is less than 49.2 Hz and over-drawl is between 50 and 200 MWs for more than ten minutes or more than 200 MW for more than five minutes. Message C (serious nature) is issued 15 minutes after issue of message B, when frequency continues to be less than 49.2 Hz and over drawl is more than 100 MW or ten *per cent* of the schedule, whichever is less.

It was observed (April 2012) in audit that the office of Superintendent Engineer, SLDC, Rishikesh did not maintain records for issuing of messages. In this regard, it was stated (May 2012) by SLDC that there was only one transmission utility and one distribution company functioning in Uttarakhand, therefore, for maintaining Grid discipline, SLDC issues instruction to Primary Grid Sub-stations (Company's representative) and the Company's representative forwards the instructions to Secondary SSs (Distribution's representative) for load shedding.

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27 Chibro, Khodri, Chilla & MB-I are connected with 220 Kv SSs and Dhalipur, Dhakrani & Kulhal are connected with 132 Kv SSs.

28 220 Kv SSs: Rishikesh & Chamba and 132 Kv SSs: Majra, Dehradun.

Due to non-recording of A, B and C message system, the urgency of message could not be effectively relayed, causing a threat to the stability of grid and also violating the prescribed Grid Code.

The Management accepted the audit observation and stated (December 2012) that the significant efforts were started in respect of recording of A, B and C messages, after being pointed out by audit.

4.2.14.4 Grid discipline

For maintenance of Grid discipline, the Central Electricity Regulatory Commission (CERC) takes up suo-motu petition on over drawl of power from the Grid at a lower frequency thus putting the Grid to risk. Audit noticed (April 2012) that the Company violated (April 2010) the grid discipline on nine occasions, resulting in the Company paying penalty of ₹ nine lakh to CERC.

The Management stated (December 2012) that the violation of grid disciplines was mainly due to gap between the schedule and demand being managed by distribution company (UPCL). No penalty had been imposed on the Company after April 2010 and the maintenance of grid frequency was being done as per norms. However, the fact remained that it was the responsibility of the Company to maintain the Grid discipline.

4.2.14.5 Backing Down Instructions (BDI)

When the frequency exceeds the ideal limits, i.e., a situation where generation is more and drawl is less (at a frequency above 50 Hz), State Load Dispatch Centre (SLDC) takes action by issuing Backing Down Instructions (BDI) to the Generators to reduce the generation for ensuring safe integrated Grid operations and for achieving maximum economy and efficiency in the operation of power system in the State. Failure of the generators to follow the SLDC instructions would constitute violation of the Grid code and would invite penalties. Audit noticed that the Company issued BDI for 8.78 MUs for compliance on 23 occasions against which generators complied in full during the period from 2007-08 to 2011-12. It was appreciable that the BDI instructions were 100 *per cent* complied by the generators.

4.2.14.6 Planning for power procurement

The Company draws long term supply plan taking into account the contracted generation capacity, allocation from central sector and future committed projects and evaluates net additional requirement of power in consultation with the distribution Company (UPCL) of the State. It also draws a plan a day prior for assessing its day to day power requirement. The details of total requirement of the State, total power supplied and shortage of power for the five years 2007-08 to 2011-12 are given in **Table 4.2.4** below:

Table 4.2.4

(Figures in MUs)

S. No	Details	2007-08	2008-09	2009-10	2010-11	2011-12
1	Total power requirement	7,052.18	7,848.19	8,936.15	9,853.88	10,577.93
2	Total power supplied[29]	6,847.61	7,769.73	8,355.74	9,293.81	10,277.98
3	Power short supplied	204.57	78.46	580.41	560.07	299.95
4	Percentage of shortage	2.90	0.99	6.50	5.68	2.83

(Source: Information compiled from the data available with the Company)

It could be seen from the above that the percentage of shortage of power is on the declining trend, i.e., from 6.50 in 2009-10 to 2.83 *per cent* by 2011-12.

The gap in demand-supply position also leads to variation between actual generation or actual drawal and scheduled generation or scheduled drawl which is accounted through Unscheduled Interchange (UI) charges, worked out by SLDC for each 15 minutes time block. UI charges are levied for the supply and consumption of energy in variation from the pre-committed daily schedule. This charge varies inversely with the system frequency prevailing at the time of supply/consumption. Hence, it reflects the marginal value of energy at the time of supply. The levying of UI charges acts as a commercial deterrent to curb over-drawals from Central Generating Stations (CGS) during low frequency conditions.

Audit noticed (April 2012) that the distribution Company of the State did UI over-drawl of 2,502.15 Million Units (MUs) during 2007-08 to 2011-12 costing ₹ 1,126.27 crore at a rate in the range of ₹ 3.72 to ₹ 5.66 per unit. The percentage of shortage of power was on a declining trend as the distribution company (UPCL) did over-drawal of power to meet the demand but resultantly, the burden of expensive power was borne by the consumer.

[29] Including generation, short and long term purchases and drawl from Central Generating Stations.

4.2.15 Disaster Management

4.2.15.1 Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the best practices, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It is carried out by deploying Emergency Restoration System, Diesel Generator sets, vehicles, fire fighting equipments, skilled and specialized manpower.

Disaster Management Centre, National Load Dispatch Centre, New Delhi will act as a Central Control Room in case of a disaster. As a part of DM programme, mock drill for starting up generating stations during black start[30] operations should have been carried out by the Company once in a year. However, no mock drill operation was carried out by the Company in any of the Sub-staitions during 2007-08 to 2011-12.

4.2.15.2 Inadequate facilities for Disaster management

Availability of Diesel generating (DG) sets and synchroscopes[31] which form part of DM facilities at Extra High Tension (EHT) Sub-stations, connecting major generating stations, should be ensured.

Audit noticed (August 2012) that at total number of 35 Sub-stations of 400 KV, 220 KV and 132 KV, DG sets and synchroscopes were not available. In addition, pump sets are also required to evacuate the accumulated rain water or flood water. In the absence of DG sets and pump sets, following instances were noticed in audit:

- The area covered by 132 KV Sub-station at Bhopatwala, Haridwar was in the state of complete black out as all the panels were badly affected from 19 September 2010 to 22 September 2010 due to accumulation of flood water resulting from heavy rains, as evident from the photographs shown below:

30 The procedure necessary to recover from partial or total black out.

31 In an AC electrical power system, it is a device that indicates the degree to which two systems generators or power networks are synchronised with each other.

File photo of Switch yard of 132KV SS Bhopatwala Haridwar during flood

File photo of 132KV SS Bhopatwala Haridwar during flood

- Similarly, 132 KV Sub-stations at Kashipur was flooded on 17 August 2011 due to heavy rains and complete system was forced to be shut down and could be recouped only after 24 to 36 hours, as all the panels were badly affected by flood water. Power supply of the entire city was badly affected during this period.

File photo of Feeder of 132 KV SS at Kashipur during flood

File photo of 132 KV SS building at Kashipur during flood

Management accepted the audit observation and stated (June 2012) that there was a need of DG set at Sub-stations as there was no alternative source of power in case of breakdown, natural calamity and blackout etc.

Audit further noticed that the 132 KV Sub-station, Laksar was also afflicted by flood on 16.08.2011 due to heavy rains and complete system was forced to be shut down and could be recouped only after 12 hours, as more than three feet water at Sub-station and more than one foot at control room had accumulated and all the panels were affected. Power supply to the entire city was also affected during this period, as evident from the photographs shown below:

File photo of Switch yard of 132 KV SS at Laksar during flood

File photo of Control Room of 132 KV SS Laksar during flood

Had the Company installed DG sets/pump sets in advance to deal with the above situation, the prolonged interruption of power supply could have been avoided. In spite of above incidents, the Company did not procure and install the DG sets/ pump sets at the Sub Stations so far.

Further, the Company did not identify vulnerable Sub Stations for installation/ provision of metal detectors and handing over the security of the sites to the security forces to deal with the crisis arising in case of terrorist attacks, sabotage or bomb threat.

Audit further observed that the Company was not fully prepared for facing any disaster. The Company had no documented disaster recovery plan or business continuity plan which could be followed during emergencies.

The Management accepted the audit observation and stated (December 2012) that the DG sets had been installed at new Sub Stations and planned to install at the important Sub Stations in the next financial year. The Company was, however, silent on the issues of absence of documented disaster recovery plan or business continuity plan.

4.2.16 Energy Accounting and Audit

Energy accounting and audit is necessary to assess and reduce transmission losses. Transmission losses are calculated from the Meter Reading Instrument (MRI), readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) Boundary metering points. There were 85 interface Boundary metering points between TD (68) and GT (17) as of 31 March 2012. All the GT & TD points were provided with Electronic 0.5 Accuracy class meters.

An analysis of data during test audit of five divisions[32] with 21 feeders, for three months period from March to May of each year (2007-08 to 2011-12) indicated that the transmission losses of the feeders were within the norms fixed by the Uttarakhand Electricity Regulatory Commission (UERC) and Central Electricity Authority (CEA).

4.2.17 Financial Management

4.2.17.1 One of the major objectives of the National Electricity Policy, 2005 was ensuring the financial turnaround and commercial viability of Power Sector. The financial position of the Company for the five years ending 2011-12 is given in **Table 4.2.5** below:

Table 4.2.5 (*₹ in crore*)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12[33]
A. Liabilities					
Paid up Capital	102.58	122.28	172.09	187.09	227.41
Reserves & Surplus(including Capital Grants)	(-) 0.65	(-) 21.02	(-) 48.03	(-) 57.58	(-) 37.36
Borrowings (Loan Funds)	617.37	607.68	644.48	692.00	710.19
Current Liabilities & Provisions (CL)	139.16	168.27	164.91	203.04	186.28
Total	**858.46**	**877.21**	**933.45**	**1024.68**	**1086.52**
B. Assets					
Gross Block	524.78	557.76	612.81	690.94	793.74
Less: Depreciation	197.46	231.73	254.09	273.66	295.48
Capital Works-in-Progress (CWIP)	321.56	373.97	263.17	299.83	267.01
Current Assets, Loans and Advances (CA)	209.58	177.22	311.55	307.56	321.25
Total	**858.46**	**877.21**	**933.45**	**1024.68**	**1086.52**
Profit/loss after tax as per Profit & Loss Account	(-) 13.98	(-) 19.05	(-) 26.97	(-) 9.50	(-) 2.07
Debt equity ratio	6.02:1	4.97:1	3.74:1	3.70:1	3.12:1
Interest (net of IDC[34] capitalised)	16.08	22.25	27.83	30.57	36.87
Total return	80.72	87.22	78.68	102.83	135.25
Capital Employed[35]	651.96	637.47	578.62	599.59	643.51
% Return on Capital Employed	12.38	13.68	13.59	17.15	21.02

32. 400 KV O&M Kashipur, 132 KV O&M Kashipur, 220 KV O&M Pantnagar, 220 KV O & M Dehradun and 220 KV O&M Roorkee.
33. The details in respect of 2011-12 are provisional.
34. Interest during construction.
35. Capital employed = Net fixed assets (including WIP) + Working capital excluding loans and advances.

It may be seen from the above that the loss of the Company had decreased substantially by 85.19 *per cent* from ₹ 13.98 crore in 2007-08 to ₹ 2.07 crore in 2011-12. Further, the debt-equity ratio of the Company had decreased from 6.02:1 to 3.12:1 during the 2007-08 to 2011-12. The main reason for decrease in debt-equity ratio is conversion of Government loan into equity from 2009-10 onwards.

The percentage of Return on capital increased from 12.38 *per cent* in 2007-08 to 21.02 *per cent* in 2011-12 due to decrease in Capital Work-in-Progress from ₹ 321.56 crore in 2007-08 to ₹ 267.01 crore in 2011-12 and decrease in working capital from net current assets of ₹ 3.08 crore in 2007-08 to net current liability of ₹ 121.82 crore in 2011-12.

It was also observed that the Company's borrowings had increased from ₹ 617.37 crore in 2007-08 to ₹ 710.19 crore in 2011-12.

4.2.17.2 The details of working results i.e., revenue realisation, net surplus/ loss and earnings and cost *per* unit of transmission during the period 2007-08 to 2011-12 are given in **Table 4.2.6** below:

Table 4.2.6 (*₹ in crore*)

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12[36]
1	**Income**					
	Revenue	78.02	86.71	75.81	101.74	132.93
	Other income including interest/subsidy	2.70	0.51	2.87	1.09	2.32
	Total Income	**80.72**	**87.22**	**78.68**	**102.83**	**135.25**
2	**Transmission**					
(a)	Installed capacity (Mva)	4550.50	4550.50	4590.50	4630.50	4990.50
(b)	Power received from generation units (MUs)[37]	7400.60	10033.37	11449.90	11449.90	12298.99
	Total	**7400.60**	**10033.37**	**11449.90**	**11449.90**	**12298.99**
(c)	Loss in transmission (MUs)	100.23	186.84	194.78	214.75	229.15
	Net power transmitted (b)+(c)-(d) in MUs	**7300.37**	**9846.53**	**11255.12**	**11235.15**	**12069.84**

[36] The details in respect of 2011-12 are provisional.
[37] Including private generation

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12[36]
3	**Expenditure**					
(a)	Fixed cost					
(i)	Employees cost	30.12	31.09	33.97	37.69	45.94
(ii)	Administrative and General Expenses	10.07	8.76	9.24	12.76	14.66
(iii)	Depreciation	30.62	34.27	22.36	19.57	21.82
(iv)	Interest and Finance charges (net after capitalisation)	16.08	22.25	27.83	30.57	36.87
	Total fixed cost	**86.89**	**96.37**	**93.40**	**100.59**	**119.29**
(b)	**Variable cost** - Repairs & Maintenance	7.81	9.91	12.25	11.75	18.03
(c)	Total cost 3 (a) + (b)	94.70	106.28	105.65	112.34	137.32
4	Realisation (₹ per unit)	0.11	0.09	0.07	0.09	0.11
5	Fixed cost (₹ per unit)	0.12	0.10	0.08	0.09	0.10
6	Variable cost (₹ per unit)	0.01	0.01	0.01	0.01	0.01
7	Total cost (₹ per unit) (5+6)	0.13	0.11	0.09	0.10	0.11
8	Contribution (₹ per unit) (4-6)	0.10	0.08	0.06	0.08	0.10
9	**Profit (+)/Loss(-) (4-7) (₹ per unit)**	**-0.02**	**-0.02**	**-0.02**	**-0.01**	-

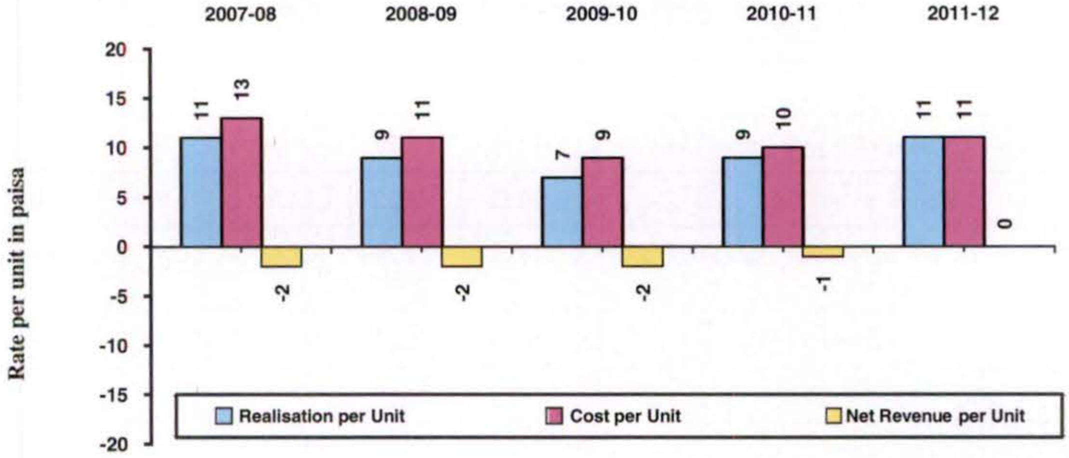
(Source: Information compiled from the data available with the Company)

It may be seen from the above that the realization per unit had fluctuating trends and the cost per unit decreased from ₹ 0.13 to ₹ 0.11 (15.38 *per cent*) during 2007-08 to 2011-12. Further, the total realization of the Company increased by ₹ 54.53 crore during the period from 2007-08 to 2011-12, and contribution per unit also fluctuated ranging between ₹ 0.06 to ₹ 0.10 per unit during the period 2007-12.

It is also evident from the above table that Employees cost, Interest & Finance charges and Depreciation constituted the major elements of cost in 2011-12 which represented 33.45, 26.85 and 15.89 *per cent* respectively of the total cost in that year.

4.2.17.3 Recovery of cost of operations

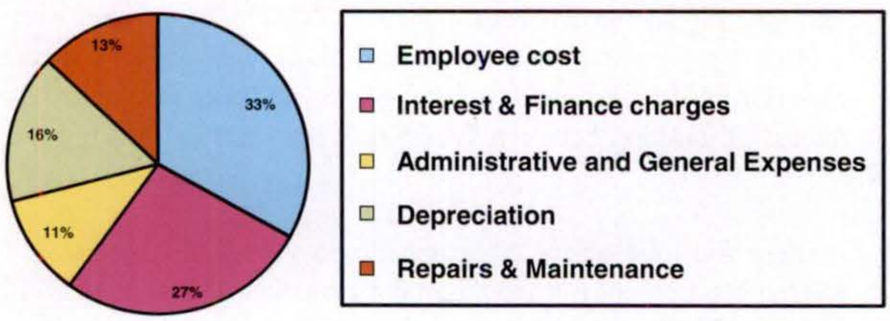
The Company had received tariff from distribution utility (UPCL) of the State on fixed basis from 2007-08 to 2011-12 as allowed by the Uttarakhand Electricity Regulatory Commission (UERC). However, during the last five years ending 2011-12, the realization, cost and net revenue per unit may be indicated as per graph given below:



From the above, it is seen that the total revenue earned by the Company was insufficient to cover the total cost. The Company was fully dependent on borrowed funds for augmentation of its transmission capacity, construction of new Sub-stations and transmission lines. The main reasons of losses are soaring employee cost, interest and financial charges, which were borne by the Company during 2007-12.

4.2.17.4 Elements of Cost

The percentage break-up of major elements of costs for 2011-12 is given below in the pie chart:

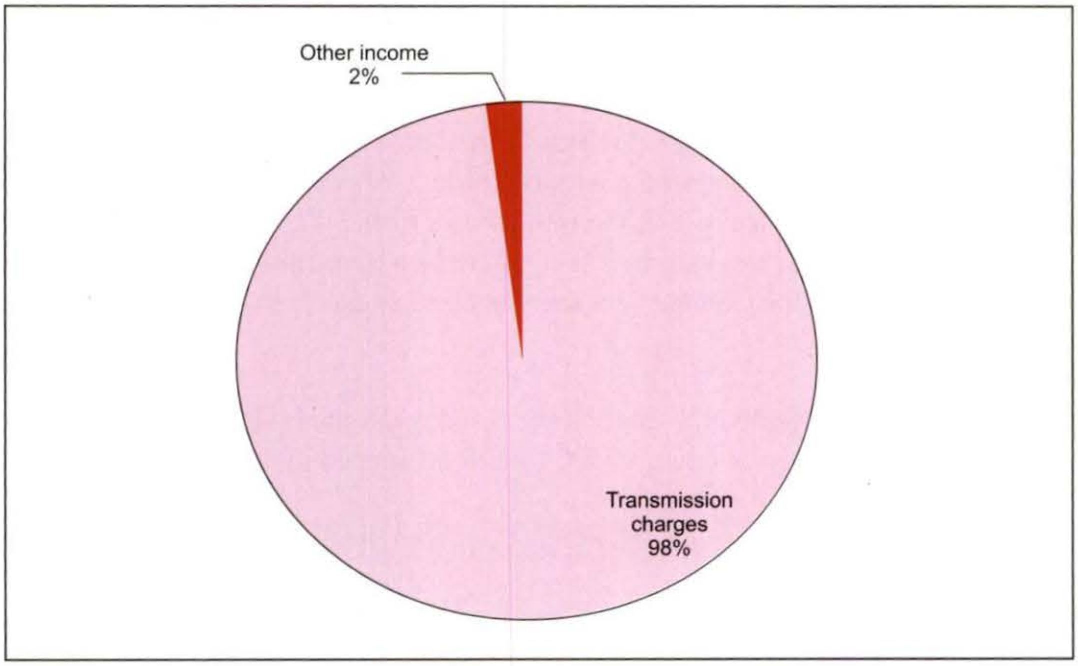


During 2011-12, employee cost (33 *per cent*), interest and finance charges (27 *per cent*) and depreciation (16 *per cent*) constituted the major elements of the cost and total expenditure of the Company. Considering that the above three

(76 *per cent*) are part of the fixed cost, it may be difficult for the Company to reduce the expenditure on the above elements in the near future.

4.2.17.5 Elements of revenue

Transmission charges constitute the major element of revenue. The percentage break-up of revenue for 2011-12 is given below in the pie chart.



It is evident from the above that the transmission charges of the Company constituted 98 *per cent* of the total element of revenue.

4.2.17.6 Collection of State Load Dispatch Centre (SLDC) charges

The State Load Dispatch Centre (SLDC) charges were introduced from 2010-11 onwards and the Company levied these charges amounting to ₹ 0.03 crore on one private generator[38]/Open Access (OA) user upto March 2012.

Audit noticed (May 2012) that the SLDC of the State was not maintaining its account separately and working as a part of the Company. Consequently, SLDC did not file its Annual Revenue Requirement (ARR) separately before Uttarakhand Electricity Regulatory Commission (UERC) and hence, it did not recover any charges from the distribution company (UPCL) of the State in the shape of SLDC charges upto March 2012.

[38] M/s BHPL.

The Management accepted the audit observation and stated (December 2012) that the action will be taken very soon after obtaining the approval of the State Government.

4.2.17.7 Collection of surcharge from Distribution Company (Uttarakhand Power Corporation Limited)

The Company raises monthly transmission bills against Uttarakhand Power Corporation Limited (UPCL) on the allocated capacity at the rates specified in the Tariff Orders. The bills are to be paid within a week from the date of issue of bill.

It was observed in audit (May 2012) that neither any letter of credit (LC) was opened by UPCL till date nor the provision for levy of penalty was included in the agreement. In the absence of LC, the remittances from UPCL were delayed in the range of 15 to 45 days, resulting in loss of interest on transmission bills. No penalty could be charged by the Company, as there is no such clause in the agreement with UPCL.

The Management accepted the audit observation and stated (December 2012) that the LC with distribution company (UPCL) will be opened in due course.

4.2.18 Tariff Fixation

The financial viability of a Company depends upon generation of surplus (including fair returns) from operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the Company. Issues relating to tariff are discussed here under:

The tariff structure of the Company was subject to approval by the Uttarakhand Electricity Regulatory Commission (UERC). It was further subject to objections, if any, raised against Annual Revenue Requirement (ARR) petition filed by the Company within the stipulated date. The Company was required to file the ARR for each year by 30 November of the previous year. The UERC accepts the application filed by the Company with such modifications/conditions, as may be deemed appropriate and after considering all suggestions and objections from public and other stakeholders. The details of due date of filing ARR, actual date of filing, date of approval of tariff petition and the effective date of the revised tariff, are given in **Table 4.2.7** below:

Table 4.2.7

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2007-08	30-11-2006	02-03-2007	89	18-03-2008	01-04-2007
2008-09	30-11-2007	Suo motu proceeding	-	18-03-2008	01-04-2008
2009-10	30-11-2008	31-12-2008	31	21-10-2009	01-04-2009
2010-11	30-11-2009	30-11-2009	-	06-04-2010	01-04-2010
2011-12	30-11-2010	29-11-2010	-	10-05-2011	01-04-2011

(Source: Information compiled from the data available with the Company)

From the above, it may be seen that the Company could not file ARR petition for the year 2008-09 and petitions for the year 2007-08 and 2009-10 were filed belatedly. Because of non-filing of the ARR petition for 2008-09 by the Company in time, the tariff was revised *suo-motu* by the UERC. In accordance with the Regulation 56(4) of 2004 and the terms and conditions for determination of tariff for transmission activity, the Company files an ARR with the UERC, for the revenue required to meet the cost pertaining to the transmission business for each financial year, which is permitted to be recovered by the UERC, through tariffs and charges, which is the main source of revenue of the Company.

The ARR proposals, as submitted by the Company and approved by the Commission are given in **Table 4.2.8** below:

Table 4.2.8

Transmission Tariff						
Year	COMPANY			UERC		
	Total capacity for transmission (MW)	Revenue Requirement (₹ in crore)	Tariff, ₹/KW/ Month	Total capacity for transmission (MW)	Revenue Requirement (₹ in crore)	Tariff, ₹/KW/ Month
2007-08	1792.00	155.93	72.51	1792.00	91.19	42.40
2008-09	UERC Suo-moto approved the ARR of the Company, as the Company failed to submit the ARR.				86.71	-
2009-10	1809.27	144.84	92.22	1809.27	102.53	65.28
2010-11	1891.59	172.68	91.29	1891.59	101.74	53.79
2011-12	1989.68	247.10	103.51	1989.68	131.82	55.22

(Source: Information compiled from the data available with the Company)

As per the Regulation, the Company shall file the details of expenditure, in respect of the controllable items (Operation and maintenance, Return on capital employed, Depreciation and non-tariff income) before the UERC, which in turn would review and make appropriate adjustments wherever required.

Audit noticed (September 2012) that the Company proposed its revenue requirement of ₹ 720.55 crore during 2007-08 to 2011-12 except 2008-09 against which only ₹ 427.28 crore was allowed by UERC. The UERC *suo motu* allowed a tariff of ₹ 86.71 crore to the Company for the year 2008-09. It was further observed in audit that the Company's final truing up for the period from 2004-05 to 2010-11 was still pending for want of audited accounts and reconciliation of assets capitalization. Due to this, the Company had to bear the disallowed expenditure/cost from its own resources.

The Company had been incurring loss during the period 2007-08 to 2011-12 and the accumulated loss of the Company stood at ₹ 103.87 crore as on March 2012. The accumulated loss of the Company could have been minimised if the Company had submitted its truing up of ARR with UERC.

The Management accepted the audit observation and stated (December 2012) that the multi-year tariff petition will be filed before UERC within a month.

4.2.19 System Availability

As per Uttarakhand Electricity Regulatory Commission (UERC) Regulation 2004, the Company is entitled for full recovery of annual transmission charges only if it achieves target availability of 98 *per cent* for its alternating current system and in case of availability of less than 98 *per cent,* the recovery of Annual Transmission Charges (ATC) is reduced to that extent on pro-rata basis. The system availability of the Company was 99.24, 99.14 and 99.50 *per cent* during 2009-10, 2010-11 and 2011-12 respectively.

For this meritorious performance, the Company was awarded (March 2012) Gold Shield for system availability by the Ministry of Power, Government of India, which was commendable.

4.2.20 Material Management

4.2.20.1 The key functions of material management have been prescribed in the inventory control policy, describing the system of procurement of materials and disposal of obsolete inventory. Although the Company had a documented procurement and contract manual, yet in the absence of proper working by the central store, the instructions were not being followed and there was a lack of inventory control mechanism for economical procurement and efficient control over inventory. Further scrutiny of records of the Company revealed the following:

4.2.20.2 Non-fixation of norms for inventory

The details of opening stock, purchases, issues and closing stocks for the period from 2007-08 to 2011-12 are given in **Table 4.2.9** below:

Table 4.2.9 (*₹ in crore*)

Year	Consumption (per annum)	Consumption (per month)	Net Closing stock (as per Balance Sheet)	Closing stock in terms of months of consumption
2007-08	15.52	1.29	28.26	21.91
2008-09	18.12	1.51	23.43	15.52
2009-10	13.48	1.12	22.03	19.67
2010-11	19.02	1.58	26.61	16.84
2011-12	12.48	1.04	30.39	29.22

(Source: Information compiled from the data available with the Company)

Though the Company's closing stock was equal to 21.90 month in 2007-08 which had increased to 29.22 months consumption in 2011-12, yet the Company had neither fixed any minimum/ maximum level for inventory holding nor done any ABC analysis, or fixed any reorder level for the requirement of material.

The Management stated (December, 2012) that at the time of formation of the Company, stock amounting to ₹ 21.53 crore was transferred from distribution company (UPCL) and it still stands in Company's stock. After deducting the same from total stock, the closing stock in terms of consumption remains only for 5.21 months, which is necessary for business. The reply of the management was not convincing as the Company was silent on the maximum and minimum limit of inventory, ABC analysis and economic order quantity for procurement of inventory was not adopted. Moreover, the stock (₹ 21.53 crore) transferred by distribution company (UPCL) is also a part of Company's stock.

4.2.20.3 Non-conducting of physical verification of stock

As per General Financial Rules 116(1), annual physical verification of store is to be made at least once every year. The Company is having two central stores at Rishikesh in Garhwal Zone and Haldwani in Kumoan Zone. These stores were established in 2009-10. However, they were not functioning properly as these stores did not maintain their store accounts and ledger. Physical verification of the stores was not being conducted since inception. Resultantly, the Company did not have any mechanism to control the inventory.

The value of obsolete and scrap material, as compiled by the Company, based on information furnished by the field units, during last five years is given in **Table 4.2.10** below:

Table 4.2.10 (₹ *in crore*)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Surplus/obsolete/ unserviceable/ scrap	21.54	21.54	21.55	23.89	23.89

(Source: Information compiled from the data available with the Company)

From the above, it could be seen that the value of scrap and obsolete material had marginally increased during the review period. The reconciliation of the above stock had not been done. The Company had not taken any action for disposal of the scrap/obsolete material. Store items lying idle were also not transferred to other units for consumption.

The Management stated (December, 2012) that steps were being taken to auction scrap/surplus/unserviceable/non-moving inventory.

4.2.20.4 Idle lying of conductor (amounting to ₹ 83.00 lakh)

Audit noticed (June 2012) that during the construction of 400 KV line at Kashipur, the division (400 KV Operation and Maintenance, Kashipur) procured Aluminium Conductors Steel Reinforced (ACSR) Moose conductor valuing ₹ 83.00 lakh during 2005-06 in excess of the requirement and it was lying un-utilised in open space of the division since September 2006.

ACSR conductor lying in open place at 400 KV SS, Kashipur

ACSR conductor lying in open place at 400 KV SS, Kashipur

The Management stated (December 2012) that the conductor lying with Kashipur division does not deteriorate due to storage in open place and the same will be utilized very soon. However, the fact remained that the conductor could not be put to use even after a passage of six years and is lying in open space.

4.2.21 Monitoring and control by top management

4.2.21.1 The Company plays an important role in the State economy. For such a giant organisation to succeed in operating economically, efficiently and effectively, there should be documented management systems of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on the 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.

The performance of Sub-stations and lines of 400/220/132 KV on various parameters like maximum and minimum voltage levels, breakdowns, voltage profiles should be recorded /maintained as per the Grid Code standards.

Audit noticed (September 2012) that the year-wise cumulative performance of the Sub-stations and lines were neither being maintained nor consolidated for evaluation of annual performance of the Sub-stations and lines. However, the field divisions compile the monthly MIS reports indicating the performance of the units as well as equipments installed. Though these booklets were being forwarded to the Corporate Office, but the same were not kept month-wise and year-wise for verification.

Further, verification of MIS reports revealed that details regarding programmed overhauling of equipments like Circuit Breakers (CBs), due dates of next oil change, On Load Tap Changer (OLTC) operations, dates of maintenance works, performance of Sub-station batteries, performance of relays, cause-wise analysis of feeder breakdowns, etc. were not being maintained. The Board of Directors (BOD) of the Company was not being apprised of the performance of lines and Sub-stations, and steps taken for further improvement of the system either annually/ quarterly/monthly, reflecting the minimal importance being given to the MIS reports.

In this regard, the following points may be considered for better MIS management:

- The Company should set the annual target on milestone basis for augmentation of transmission capacity, construction of new Sub-stations and transmission lines.

- The Company should devise a proper MIS to compile data in respect of overloading of Sub-stations, frequent voltage variation and load sharing of Sub-stations for effective management.

- The BOD should discuss the operational and financial performance of the Company as a whole.

- The Company should generate reports to identify the recurring maintenance problem in respect of SubStations, lines and equipments.

- The Company should develop a mechanism of information sharing in respect of better utilization of inventory.

4.2.21.2 Review of the envisaged benefits of Transmission & Distribution schemes

The Company executed and commissioned five Extra High Tension (EHT) Sub-stations and erected a total length of 425.20 Circuit Kilometer (Ckm) of EHT lines during the period under review. While approving the Transmission and Distribution (T&D) schemes, the Company envisaged benefits in terms of reduction in line losses, improvement in voltage levels and load growth to be achieved by the new schemes.

Audit observed that the Company did not evolve any mechanism/system to assess the benefits actually derived consequent upon implementation of the T&D schemes. Moreover, feedback from the concerned field offices was not received, though required, in respect of new projects after commissioning.

The Management stated (December, 2012) that with the construction of new Sub-stations and lines had benefited the system, as there was additional load flow in the system and availability of the system was more than 99.5 *per cent*. The reply of the management was not convincing as the Company could not quantify as to how the new Sub-stations had benefited the system. The Company had also not undertaken any study to quantify the benefits derived from new Sub-stations and lines.

4.2.21.3 Internal Controls and Internal Audit

Internal control is a process designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds.

Audit noticed (August 2012) that before separation of the Company from the Distribution company (UPCL) it had a separate internal audit wing headed by

Deputy General Manager (Finance). After unbundling in June 2004, there was no such arrangement in the Company. However, the internal audit wing of UPCL continued the work of internal audit of the Company up to 2006-07. The Company decided to outsource the internal audit function in the 24th Board meeting of the Company held on 30 November 2009. The internal audit work of the Company was outsourced to a firm[39] for an amount of ₹ 6.50 lakh annually. However, it was observed that the standard of internal audit by the outsourced agency was not up to the mark as the firm neither reported on system deficiencies nor pointed out significant observations and restricted their report only to the extent of arithmetical accounting errors and overlooked the propriety side of expenditure.

The Company needs to develop its own internal audit wing.

The Management accepted the audit observation and stated (December 2012) that the proposal of establishment of internal audit wing was submitted to the Board of Directors and the same will be established very soon.

4.2.21.4 Audit Committee

As per provision of Section 292A of the Companies Act, 1956 each company should constitute an Audit Committee (AC) which shall discuss periodically with the auditors about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.

The Company had constituted an Audit Committee as required under Section 292A of the Companies Act, 1956. As per Companies Act, Audit Committee should review half yearly and annual financial statement which meant that at least two meetings of AC should be held in a year.

Audit noticed (August 2012) that in a span of five years, the Audit Committee met only on seven occasions instead of minimum of 10 times as per Companies Act. The Audit Committee met only on two occasions during 2007-08 to 2008-09. Further, as per Section 292A (5), the internal auditors should have also attended all the meetings, but the same was not complied with, in any of the meetings.

The Management accepted the audit observation and stated (September 2012) that the same had been noted for future.

[39] M/s L.B. Jha & Company

4.2.22 Environment Management

4.2.22.1 Improper disposal of hazardous waste

The equipment namely, SF 6 CBs, which uses sulfur hexafluoride is used in transmission Sub-stations for switching purposes and protection of transformers and lines. During operation, SF 6 CBs produce white or off white solid ash by-products. Any contact to this produce may cause irritation or possible painful fluoride burn. Thus, the ash produced in the process is extremely harmful for human body as well as the environment.

During the process of maintenance/overhauling of SF 6 CBs, the items such as solid ash, disposable protective clothing, cleaning rags, filters from respirations, molecular sieve from breaker and gas car, and vacuum filter equipments, are needed to be disposed of in a proper manner.

All materials used in the cleanup operation/process of maintenance/overhauling of SF 6 CBs should be placed in a 55 gal drum and disposed of as hazardous waste.

During the course of audit, 110 SF 6 CBs installed in 20 Sub-stations of six Operation and Maintenance divisions[40], were test checked. These SF 6 CBs were subject to maintenance /complete overhauling on 6 to12 occasions during 2007-08 to 2011-12. However, it was noticed that the Company did not have a mechanism for effective disposal of the hazardous waste.

The Management accepted the audit observation and stated (December 2012) that the maintenance of SF 6 CBs was done without opening SF 6 gas chamber, however, as suggested by audit, the mechanism will be developed for disposal of hazardous waste at every Sub-station.

4.2.22.2 Non-adherence to safety measures

The Right of Way (ROW) in which transmission lines are constructed in the forest area should range between the widths of 18 meters to 52 meters for 132 Kilo Volt (KV) to 400 KV lines. Under this ROW, the height of trees should not be more than four meters to avoid loss of forest through fire threats and transmission losses.

The Company has 2319.20 Circuit Kilometre (Ckm) lines, out of which 785.86 Ckm lines (about 33.87 *per cent*) fall under dense forest area and the maintenance

[40] 400 Kv O&M Kashipur, 132 Kv O&M Kashipur, 220 Kv O&M Pantnagar, 220 KvO&M Dehradun, 220 Kv O&M Roorkee and 220 Kv O&M, SIDCUL Haridwar.

of these lines was being carried out by seven Operation and Maintenance (O&M) divisions[41] of the Company.

Forest fire caused due to arcing between a high voltage wire and a tree branch are a frequent phenomenon.

Audit noticed (September 2012) that the O&M divisions of the Company carried out patrolling in an unscheduled manner. Moreover, it was also observed that the Company had no other mechanism except patrolling to ascertain the safety of lines/ environment and to avoid loss of forest and flora and fauna due to fire. In the absence of regular patrolling, the growth of vegetations/trees, which falls under ROW could not be verified and due to lack of identification of length of trees and risky areas in time, the threat of forest fire and loss to environment cannot be ruled out.

Thus, the Company should have prepared a documented action plan for patrolling of lines in forest area in order to take preventive measures.

The Management stated (December 2012) that the patrolling of lines was being carried out as per its O&M manual. However, as suggested by audit, the Company assured to develop a documented action plan for patrolling of lines in forest area to take preventive measures.

4.2.23 Conclusion

The Company failed to implement the Uttarakhand Integrated Transmission Project scheme in an economical, efficient and effective manner. The revenue mechanism of the scheme was also still unresolved. The Company failed to complete the projects, as planned, during the five years period. There were abnormal delays in execution of major projects because of deficient planning and project management, with time overrun ranging between seven to forty months. Sub-stations were constructed without proper load flow studies which resulted in under-utilization of Sub-stations. There were cases of abnormal overloading of transformers and transmission lines than prescribed. Only seven out of 35 of 132 Kilo Volt (KV), 220KV and 400 KV Sub-stations of the Company were connected to State Load Dispatch Centre (SLDC) through Remote Terminal Unit (RTU), for safety and security of Grid. Safety measures and infrastructure for Disaster management were inadequate. There was delay in filing the truing up tariff petition for the period from 2004-05 to 2010-11. The Company had neither laid down any norms for the management

[41] 132 KV O&M Almora, 132 KV O&M Haldwani, 400 KV O&M Kashipur, 132 KVO&M Srinagar, 400 KV O&M Rishikesh, 220 KV O&M Dehradun and 220 KV O&M Rishikesh.

of inventory system nor fixed minimum/maximum level of stock. However, the Company was awarded Gold Shield for maintaining the system availability by the Ministry of Power, Government of India. All the Backing Down Instructions (BDI) issued by the Company were also complied in full. The transmission losses of the Company remained within the norms during the review period.

4.2.24 Recommendations

The Government/Company may consider to:

- introduce an effective monitoring system to ensure that there are no delays in completion of projects by ensuring that all the required approvals/statutory clearances are obtained before awarding any contract;
- review physical and financial progress of incomplete schemes periodically before taking up the new schemes, to avoid time and cost overrun;
- ensure that Sub-stations are constructed only after proper load analysis;
- maintain State Load Dispatch Centre (SLDC) as per Grid Code and ensure that all generators and Sub-stations are connected to SLDC through Remote Terminal Units (RTUs) on real time basis, for safety and security of Grid;
- lay down norms for the management of inventory system indicating minimum, maximum and re-ordering level of various inventories;
- develop a disaster management system for quick restoration of its network in case of emergency;
- establish hotlines/divisions for preventive maintenance and for identifying the risky areas in advance; and
- develop a documented action plan for patrolling of lines in forest area to take preventive measures.

AUDIT OF TRANSACTIONS

Uttarakhand Power Corporation Limited

4.3 Loss of interest

Delay in transferring/remittance of balances in contravention of MoU and weakened internal control system of the Company resulted in loss of interest of ₹ 80.99 lakh.

A Memorandum of Understanding (MoU) was signed between Uttarakhand Power Corporation Limited (Company) and State Bank of India (SBI)/Punjab National Bank (PNB) in July / May 2003 for undertaking banking business of the Company in different Districts of Uttarakhand with Main Bank Account at Dehradun. The MoU inter-alia provides that:-

(i) Main Receipt Account is to be a Receipt Fund Account to which all Receipts of the Company and transfer of funds from the receipt accounts at the Bank's Branches were to be credited and transferred daily to the Main Expenditure Account. (Clause 3.1)

(ii) All receipts of the concerned divisions etc. engaged in collection of revenue were to be credited to the Branch Receipts account. (Clause 5.2)

(iii) Entire balance to the credit of Branch Receipt Accounts of Division shall be transferred/remitted to the Main Receipt Account at Rajpur Road, Windlass Complex Branch (SBI) and Paltan Bazar (PNB) (Astley Hall), Dehradun by concerned Branches of the Bank at the close of business hours on every Tuesday, Thursday and Saturday or immediately the following working day in case of a Bank holiday. (Clause 5.3)

(iv) The remittance receiving Branches shall be liable to pay penal interest calculated at the rate of applicable on Bank's Prime Lending Rate plus two *per cent* per annum for number of days for delay in crediting the funds to the UPCL's receiving Account, computed as per Clause 5.6 of the MoU. (Clause 5.7)

Test check (January 2012) of Gopeshwar division of the Company revealed that there were delays ranging from one to 30 days in transferring/remittance of balances from Branch Receipt Accounts to Main Receipt Account of the Company. There were also delays in transfer of balances from Branch Receipt Account in case of Haridwar Division (Urban) and Haridwar Division (Rural) as per information collected, which showed that delays were happening from April 2009 and despite the pursuance by divisions the bank did not show any inclination to reimburse the interest. It was further noticed that the divisions failed to reconcile the Bank statements regularly. Consequently the Head Quarter of the Company could not take up the matter with the bank on time, which showed the lack of internal control system of the Company.

The Company accepted the audit observation and stated (December 2012) that the action to recover the interest amount due from the banks had been taken up and in addition, instructions have also been issued to its distribution units to ensure regular remittance of the fund as per MoU and provide interest figures for the last three years, if any, to Head Quarter for further necessary action. However, Haridwar Division of the company had initially claimed (August 2011) which was subsequently revised (December 2012), the interest from bank, but failed to get any response. The fact remained that the divisions/Company failed to enforce the clause 5.6 and 5.7 of MoU which resulted in loss of interest of ₹ 80.99 lakh[42].

The matter was referred (September 2012) to the Government; the reply was awaited (January 2013).

[42] Gopeshwar Division- ₹ 14.03 lakh, Haridwar (Urban)- ₹ 27.02 lakh & Haridwar (Rural)- ₹ 39.94 lakh.

State Infrastructure and Industrial Development Corporation of Uttarakhand Limited

4.4 Avoidable loss of ₹ 3.14 crore

The failure of the Company to cancel the plot as per terms and conditions of allotment resulted in non-allotment of plot to other buyer, which led to consequent loss of ₹ 3.14 crore to the Company as per rate fixed in October 2009.

The main objective of the State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (the Company) for which it was established was to promote Industrial Development of the state of Uttarakhand and through this, to generate additional employment opportunities and to bring about a significant increase in the State Domestic Product and Eventual widening of resource base of the State.

The terms and conditions of the allotment of the plot as per policy formulated by the Company stipulated that the allottee will have to complete the construction of factory building and also install machinery and plant and to start commercial production within the time period subject to maximum two years failing which allotment of the plot will be cancelled with forfeiture of deposits. The Company allotted (May 2005) a plot having area of 8,092 Sq. Metre at the cost of ₹ 7,6.47 lakh in Pharma City, Selaqui, Dehradun to a private company[43] (the Allottee) for manufacturing of Pharmaceuticals Products. As per Condition 8 of the allotment letter for the plot, the possession of the plot shall be handed over only after making upto date payment of the plot and execution of lease deed. The allottee also had to give an undertaking that possession of the plot would be taken within 60 days of allotment after executing the lease deed and fulfilling the other requirements.

Audit scrutiny (January 2012) revealed that the Company violating the condition of the allotment letter and ignoring the undertaking given by the allottee, gave

[43] M/s Sangfroid Industries Pvt. Ltd.

possession of the plot to them in September 2005 (19.09.2005) without execution of lease deed. While the lease deed had not been executed so far (November 2012), it was also seen that more than six years have elapsed from the date of allotment of the plot, yet even the Company neither realised the balance premium of ₹ 28.66 lakh from the allottee nor was factory building constructed till November 2012. As per inspection report of the Company (September 2011), RRC column and first floor slab of the factory building were only constructed. Physical inspection at the site (November 2012) by Audit also revealed that no progress had been made since the last inspection report (September 2011) of the Company.

As per terms and conditions of the allotment letter, the construction of factory building should have been completed within 2 years i.e. by May 2007 and commercial production should also have been started thereafter. But, due to the factory building not being constructed in the stipulated period, the Company returned the deposited amount of ₹ 37.15 lakh to the allottee in November 2007 without issuing cancellation letter of the plot. In the absence of cancellation letter of the plot, the allottee returned that amount in November 2007 itself to the Company. Thereafter, the Company issued (May 2010) a final notice for cancellation of plot to the allottee. Since then another notice was issued (October 2011) to the allottee for cancellation of plot but the plot has not been cancelled till November 2012. Though as per terms and condition and policy of the Company the allotment of the plot should have been cancelled in May 2007 and the same was to be auctioned through bidding after forfeiting all the deposits.

Thus, due to non cancellation of plot, the Company suffered a loss of ₹ 3.14 crore[44] being cost of the plot as of October 2009 besides, other dues aggregating to ₹ 62.92 lakh (including balance premium ₹ 28.66 lakh + interest ₹ 23.80 lakh, balance lease rent plus service tax ₹ 3.48 lakh and maintenance charges ₹ 6.98 lakh) were due from the allottee (November 2012). Moreover, the objective of the Company to industrialise the state and through this to generate additional employment opportunities was also defeated.

[44] Area of plot = 8092 mtrs. X ₹ 3875 per mtr. (During October 2009 allotment rates were fixed by the Company) = ₹ 3.14 crore.

On this being pointed out (January 2012), the Company admitted the audit observation and stated (April 2012) that plot of the allottee was not cancelled because allottee had incurred ₹ 50.75 lakh in construction of factory. Now case of cancellation of plot is in progress and on re-allotment of plot, there is likelihood of receiving ₹ 3.14 crore as per rates of plots fixed in October 2009.

The reply of the Company was not acceptable as no evidence for cancellation or re-allotment of the plot was produced to Audit. Further, the Company did not realise the balance premium of ₹ 28.66 lakh and interest of ₹ 23.80 lakh from the allottee as of November 2012.

The matter was referred to the Government (November 2012); reply was awaited (January 2013).

Dehradun
The 18 March 2013

(ASHWINI ATTRI)
Principal Accountant General (Audit), Uttarakhand

Countersigned

New Delhi
The 20 March 2013

(VINOD RAI)
Comptroller and Auditor General of India

APPENDICES

Appendix-2.1

(Reference: paragraph 2.1; page 3)

Relevant provisions of CAG's (DPC) Act, 1971

Section 13 of CAG's (DPC) Act, 1971 provides for audit of all transactions from the consolidated fund of the State, (ii) all transactions relating to the contingency fund and public accounts and (iii) all trading manufacturing profit and loss accounts, balance sheets and other subsidiary accounts.

Section 14 of CAG's (DPC) Act, 1971 provides for audit of all receipts and expenditure of a Body/ Authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any Body or Authority where the grants or loans to such Body or Authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore.

Section 16 of CAG's (DPC) Act, 1971 provides for audit of all receipts which are payable into the Consolidated Fund of India and of each State to satisfy that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

Section 19(2) of CAG's (DPC) Act, 1971 provides for audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations.

Section 20(1) of CAG's (DPC) Act, 1971 provides for audit of accounts of any Body or Authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government.

Appendix 2.2

(Reference: Paragraph 2.1.3 (c); Page 6)

Details of Departmental Notes Pending as of 31 March 2012 (Excluding General and Statistical Paragraphs)

Sl.No	Department	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	Total
1	Agriculture	1											1
2	Jail	1											1
3	Revenue	2	7	4	4	2	5	1	2				27
4	Irrigation	3				1		1					5
5	PWD	2	2		4	3	2		10				23
6	Medical Health & Family Welfare			1	2	1	1						5
7	Rural Development					2	3						5
8	Education		1				1		2				4
9	Sports & Youth Welfare			1	1								2
10	Peyjal Nigam				1	2		3					6
11	Social Welfare				1				1				2
12	Forest				2								2
13	Fisheries					1							1
14	Tourism					3	2						5
15	Finance							1					1
16	Police								1				1
17	NRHM Review (Stand Alone)								1				1
18	Special land acquisition officer	1											1
													93

Appendix-2.3

(Reference: paragraph 2.2.6; page 16)

Functions and Responsibilities of official functionaries engaged in implementation of the scheme

Designation	Functions and Responsibilities as per State Gazette
Principal Secretary	Administrative Head at State Government level and acts as the State Coordinator to implement the scheme. To assist the State Coordinator in discharging its duties, a cell was to be constituted at the State level in which various officials were to be posted, which also included constitution of State Employment Guarantee Council (SEGC) and State Employment Guarantee Fund (SEGF). The functions of the State Coordinator are as follows: a) Release of State share in time, planning and implementation of the scheme in the State, b) Providing of unemployment allowance in case employment is not provided on demand, c) Local awareness through local dialect, d) Development of training module, e) Development of MIS, and f) Physical as well as financial audit of the Scheme etc.
District Magistrate designated as District Programme Co-ordinator (DPC)	District Programme Coordinator is responsible for overall planning and coordination amongst the various State agencies for better implementation of the scheme.
Chief Development Officer designated as Additional District Programme Co-ordinator	To assist the District Programme Co-ordinator
District Development Officer designated as Deputy District Programme Co-ordinator	To assist the Chief Development Officer
Block Development Officer designated as Programme Officer	a) Conduct periodic inspection of the works in progress. b) Redress the grievances of the applicants. c) To ensure the conduct of regular social audits of all works within the jurisdiction of the Gram Panchayat.
Deputy Programme Officer (DPO)	To assist the Programme Officer
Gram Panchayat Vikas Adhikari (VDO)	Overall coordination at GP level
Junior Engineer (JE)	Junior Engineers were assigned the duty of preparing technical estimates, measurement of works, etc.
Gram Rojgar Sahayak (GRS)	Duty of GRS was to maintain all MGNREGS related documents at the Gram Panchayat level, including prescribed accounts, and ensuring that these documents are conveniently available for public scrutiny; overseeing the process of registration, distribution of job cards, provision of dated receipts against job applications; overseeing job applications, allocation of work, payment of wages, payment of unemployment allowance and ensuring that the requisite Gram Sabha meetings held and social audits are conducted.

Source: Information provided by the department and State Gazette

Appendix-2.4

(Reference: paragraph 2.2.7.3; page 21)

Details of Labour budget of test checked DPCs

Name of the DPC	Consolidated by the DPC originally			Revised by DPC and sent to State		
	No. of proposed works in AWP	Estimated cost of works (₹ in lakh)	Estimated man days (in lakh)	Number of proposed works in AWP as sent to State	Estimated cost of the works (₹ in lakh)	Estimated Man days (in lakh)
2008-09						
DPC Almora	14663	31002	254.81	10228	7765	63.82
DPC Dehradun	5421	12624	125.87	4824	10000	82.19
DPC Pithoragarh	9612	17352	53.29	2476	1633	13.42
DPC Pauri	6480	7788	80.56	6480	7788	80.56
Total	**36176**	**68766**	**514.53**	**24008**	**27186**	**239.99**
2009-10						
DPC Almora	7142	7266	43.49	5149	2848	17.09
DPC Dehradun	3165	12130	61.41	1612	1973	11.84
DPC Pithoragarh	8815	14085	62.26	2887	1857	11.14
DPC Pauri	9821	15016	90.11	11946	3511	21.07
Total	**28943**	**48497**	**257.27**	**21594**	**10189**	**61.14**
2010-11						
DPC Almora	5921	8069	48.41	5921	2551	14.44
DPC Dehradun	3588	11548	78.92	881	2428	14.56
DPC Pithoragarh	9097	13879	76.68	4657	3352	18.98
DPC Pauri	10986	16250	97.50	6113	4872	27.58
Total	**29592**	**49746**	**301.51**	**17572**	**13203**	**75.56**
2011-12						
DPC Almora	7282	5895	29.47	3466	2806	14.03
DPC Dehradun	6109	11184	63.08	3530	3218	16.09
DPC Pithoragarh	11374	20316	84.30	7169	5006	25.03
DPC Pauri	11396	20543	103.32	4157	4256	21.39
Total	**36161**	**57938**	**280.17**	**18322**	**15286**	**76.54**

Source: Information provided by the department

Appendix-2.5

(Reference: paragraph 2.2.8.2; page 24)

Financial position of test checked DPCs

District: Almora ***(₹ in crore)***

Year	Opening Balance	Fund released				Total Fund Available	Expenditure	Unspent Fund
		Central Share	State Share	Total	Misc. Receipt			
2008-09	3.24	3.34	0.42	3.76	0.24	7.24	6.31	0.93
2009-10	0.93	15.83	1.76	17.59	0.94	19.46	17.07	2.39
2010-11	2.39	18.87	2.10	20.97	0.08	23.44	21.07	2.37
2011-12	2.37	16.41	1.82	18.23	0.26	20.86	20.17	0.69

District: Pithoragarh ***(₹ in crore)***

Year	Opening Balance	Fund released				Total Fund Available	Expenditure	Unspent Fund
		Central Share	State Share	Total	Misc. Receipt			
2008-09	0.56	11.16	1.29	12.45	0.02	13.03	7.86	5.17
2009-10	5.17	28.45	3.16	31.61	0.27	37.05	23.44	13.61
2010-11	13.61	23.51	2.61	26.12	0.13	39.86	37.83	2.03
2011-12	2.03	46.06	5.12	51.18	0.12	53.33	50.03	3.30

District: Pauri ***(₹ in crore)***

Year	Opening Balance	Fund released				Total Fund Available	Expenditure	Unspent Fund
		Central Share	State Share	Total	Misc. receipts			
2008-09	0.94	11.48	1.32	12.80	1.18	14.92	8.81	6.11
2009-10	6.11	29.46	2.94	32.40	-	38.51	32.76	5.75
2010-11	5.75	26.39	3.26	29.65	0.20	35.60	34.58	1.02
2011-12	1.02	41.22	4.58	45.80	0.90	47.72	45.40	2.32

District: Dehradun ***(₹ in crore)***

Year	Opening Balance	Fund released				Total Fund Available	Expenditure	Unspent Fund
		Central Share	State Share	Total	Misc. Receipts			
2008-09	3.92	10.61	1.26	11.87	-	15.79	11.09	4.70
2009-10	4.70	25.20	0.58	25.78	0.07	30.55	12.86	17.69
2010-11	17.69	2.26	2.46	4.72	0.64	23.05	22.19	0.86
2011-12	0.86	15.87	1.66	17.53	0.17	18.56	17.93	0.63

Source: Information provided by the Department.

Appendix-2.6 (A)

(Reference: paragraph 2.2.9.1; page 26)

Details of Employment Generation in the State, test checked DPCs and test checked POs

Year	Employment Generated in Person Days (In Lakh)			Total No. of HHS Demanded Employment			Average No. of Days Employment Provided to per Household		
	State	Test-Checked Districts	Test-Checked Blocks	State	Test-Checked Districts	Test-Checked Blocks	State	Test-Checked Districts	Test-Checked Blocks
2007-08	80.34	0	0	189263	0000	0	42	0	0
2008-09	104.33	26.43	7.09	298741	88584	22768	35	30	31
2009-10	182.39	58.95	15.24	522304	221994	45531	35	27	33
2010-11	230.21	71.25	19.78	542391	221213	51883	42	32	38
2011-12	215.82	70.86	17.94	515919	190333	47175	42	37	38
					Average		39	32	35

Source: Information provided by the department.

Appendix-2.6 (B)

(Reference: paragraph 2.2.9.1; page 26)

Details of Employment Generation in the State, test-checked DPCs and test-checked POs

Year	Total No. of Households Registered			Employment Generated in Person Days (in Lakh)			Total No. of HHS to which 100 Days Employment was Provided		
	State	Test-Checked Districts	Test-Checked Blocks	State	Test-Checked Districts	Test-Checked Blocks	State	Test-Checked Districts	Test-Checked Blocks
2007-08	358734	0	0	80.34	0	0	15658 (04%)	0	0
2008-09	817753	274717	67618	104.33	26.43	7.09	12633 (02%)	4587 (02%)	1349 (02%)
2009-10	893496	317176	83127	182.39	58.95	15.24	20664 (02%)	6793 (02%)	1542 (02%)
2010-11	974529	354014	90392	230.21	71.25	19.78	25412 (03%)	5416 (02%)	1526 (02%)
2011-12	1010169	366817	91545	215.82	70.86	17.94	26118 (03%)	5080 (01%)	974 (01%)
			Average				(03%)	(02%)	(02%)

Source: Information provided by the department.

Appendix-2.7

(Reference: paragraph 2.2.12; page 32)

Details of data as mentioned in MIS and MPR

District		Pithoragarh			Almora			Pauri			Dehradun		
Contents		**2009-10**	**2010-11**	**2011-12**	**2009-10**	**2010-11**	**2011-12**	**2009-10**	**2010-11**	**2011-12**	**2009-10**	**2010-11**	**2011-12**
No. of HHs issued JCs	MPR	62264	76684	84298	94660	96976	99078	103766	108376	109621	56486	71978	73820
	MIS	76172	83149	84197	98737	100564	101055	106908	108838	109964	56842	61446	62644
	Diff.	**13908**	**6465**	**101**	**4077**	**3588**	**1977**	**3142**	**462**	**343**	**356**	**10532**	**11176**
	(in %)	***22***	***8***	***0.12***	***4***	***4***	***2***	***3***	***0.43***	***0.31***	***1***	***15***	***15***
Cumulative no. of HHs demanded employment	MPR	46670	71845	53992	70242	50655	42332	85150	74194	78987	19932	24519	15022
	MIS	32786	48667	50940	37512	45395	40056	40733	67706	57844	7357	22695	15594
	Diff.	**13884**	**23178**	**3052**	**32730**	**5260**	**2276**	**44417**	**6488**	**21143**	**12575**	**1824**	**572**
	(in %)	**30**	***32***	***6***	***47***	***10***	***5***	***52***	***9***	***27***	***63***	***7***	***4***
Cumulative no. of HHs provided employment	MPR	46670	71845	53992	70242	50655	42332	85150	74194	78987	19932	24519	15022
	MIS	32554	48366	50797	36186	45071	39845	40197	67600	57690	6948	22614	15318
	Diff.	**14116**	**23479**	**3195**	**34056**	**5584**	**2487**	**44953**	**6594**	**21297**	**12984**	**1905**	**296**
	(in %)	***30***	***33***	***6***	***48***	***11***	***6***	***53***	***9***	***27***	***65***	***8***	***2***
Cumulative person days generated	MPR	1597200	2375000	2637400	1215200	1304800	1072900	2321000	2139000	2443500	762000	1306000	932500
	MIS	965928	2146183	2499483	825014	1222967	1080441	837622	2185578	2021475	219675	1195983	728558
	Diff.	**631272**	**228817**	**137917**	**390186**	**81833**	**7541**	**1483378**	**46578**	**422025**	**542325**	**110017**	**203942**
	(in %)	***40***	***10***	***5***	***32***	***6***	***1***	***64***	***2***	***17***	***71***	***8***	***22***
Total availability of funds (₹ in lakh)	**MPR**	3705.15	3985.65	5332.96	1945.44	2344.36	2086.74	3851.4	3560.47	4772.05	3054.59	2305.56	1856.22
	MIS	3386.67	4257.13	5254.45	1531.95	2353.66	2096.09	3011	3563.99	4779.02	3060.04	3012.59	1776.34
	Diff.	**318.47**	**271.48**	**78.51**	**413.49**	**9.3**	**9.3**	**840.40**	**3.52**	**6.97**	**5.45**	**707**	**79.88**
	(in %)	***09***	***07***	***01***	***21***	***0.4***	***0.45***	***22***	***0.10***	***0.15***	***0.18***	***31***	***04***
Total expenditure (₹ In lakh)	**MPR**	2344.36	3783.03	5003.23	1706.70	2106.89	2017.18	3276.66	3458.03	4540.19	1285.64	2219.29	1793.40
	MIS	1528.29	3787.09	4924.86	991.00	2111.59	1992.88	957.76	3472.73	4513.71	209.06	1963.99	1789.99
	Diff.	**816.07**	**4.06**	**78.36**	**715.70**	**4.70**	**24.30**	**2318.90**	**14.70**	**26.47**	**1076.58**	**255.30**	**3.41**
	(in %)	***35***	***0.11***	***1.57***	***42***	***0.22***	***1.2***	***71***	***0.43***	***0.58***	***84***	***12***	***0.19***

Source: Information provided by the department.

Appendix-2.8

(Reference: paragraph 2.2.13.1; page 34)

Men-in-position

AT STATE LEVEL

Designation	Sanctioned Strength	Men-in-Position	Shortfall (in *per cent*)
District Engineer	13	02	11(85)
Computer Programmer	13	01	12(92)
Computer Assistant (for districts)	13	00	13(100)
Computer Assistant (for blocks)	95	77	18(19)
Junior Engineer	614	221	393(64)
Gram Rozgar Sahayak	1811	648	1163(64)

Source: Information provided by the department

AT TEST CHECKED DISTRICT LEVEL

Designation	Sanctioned Strength	Men-in-Position	Shortfall (in *per cent*)
District Engineer	04	02	02(50)
Dy. Programme Officer	40	14	26(65)
Junior Engineer	290	84	206(71)
Gram Rozgar Sahayak	839	246	593(71)
Gram Panchayat Vikas Adhikari	728	417	311(43)

Source: Information provided by the department

AT TEST CHECKED BLOCK LEVEL

Name of the Block	Dy. Programme Officer			Number of Junior engineers			Number of Gram Panchayat/Vikas Adhikaris			Number of Gram Rozgar Sahayak		
	SS	MIP	Shortfall	SS	MIP	Shortfall	SS	MIP	Shortfall	SS	MIP	Shortfall
Didihat	**01**	**00**	01(100)	06	02	04(67)	NA	NA	NA	67	08	59 (88)
Munsyari	**01**	**00**	01(100)	09	02	07(78)	19	08	11(58)	31	16	15 (48)
Bhikiyasen	**01**	**00**	01(100)	10	01	09 (90)	20	09	11(55)	98	03	95 (97)
Dwarahat	**01**	**00**	01(100)	11	01	10 (91)	21	11	10 (48)	29	05	24 (83)
Dhauladevi	**01**	**00**	01(100)	08	01	07 (88)	18	05	13 (72)	26	04	22 (85)
Vikas Nagar	**01**	**00**	01(100)	05	02	03 (60)	15	14	01 (07)	17	00	17 (100)
Chakrata	**01**	**00**	01(100)	09	02	07(78)	16	16	00 (00)	25	00	25 (100)
Pauri	**01**	**00**	01(100)	06	02	04 (67)	16	07	09 (56)	16	07	09 (56)
Khirsu	**01**	**01**	00(00)	03	02	01(33)	13	08	05 (38)	11	02	09 (82)
Ekeshwar	**01**	**00**	01(100)	04	04	00 (00)	20	09	11(55)	10	06	04 (40)
Total	**10**	**01**	**09(90)**	**71**	**19**	**52(73)**	**158**	**87**	**71(45)**	**330**	**51**	**279(85)**

Figures in paranthesis indicate percentage.

Source: Information provided by the department.

Appendix-2.9

(Reference: paragraph 2.3.7.1; page 41)

Details of excess expenditure during Lok Sabha Election-2009

(₹ in lakh)

Name of district	No. of Assembly constitue-ncies	Bills submitted by the contractors/ suppliers	Bills recommended for payment after verification by the authority	Payment made	Permissible expenditure as per prescribed limit*	Excess expenditure over prescribed limit (col.5-6) (In *per cent*)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Almora	06	34.80	28.92	28.92	04.80	24.12	502
Bageshwar	02	14.51	07.18	07.18	01.60	05.58	349
Chamoli	03	07.66	07.66	07.66	02.40	05.26	219
Champawat	02	05.03	05.03	05.03	01.60	03.43	214
Dehradun	10	16.61	13.12	13.12	08.00	05.12	64
Nainital	06	23.22	19.43	19.43	04.80	14.63	305
Pithoragarh	04	05.27	05.27	05.27	03.20	02.07	65
Rudraprayag	02	02.22	02.22	02.22	01.60	0.62	39
Tehri	06	33.44	16.00	16.00	04.80	11.20	233
U.S.Nagar	09	25.62	25.62	25.62	07.20	18.42	256
Uttarkashi	03	07.46	07.08	07.08	02.40	04.68	195
Total	**53**	**175.84**	**137.53**	**137.53**	**42.40**	**95.13**	

**Prescribed limit of expenditure is ₹ 0.80 lakh per constituency.*

Appendix-2.10

(Reference: paragraph 2.3.7.1; page 41)

Details of excess expenditure during Vidhan Sabha Election-2012

(₹ in lakh)

Name of district	No. of Assembly constitue ncies	Bills/ claims as sub-mitted by the contrac-tors/ firms	Bills recom-mended/ passed for pay-ment after verification of details by the depart-mental authorities	Payment made as of August 2012	Amount of pend-ing for payment to con-tractors/ firms	Permis-sible expendi-ture as per pre-scribed limit*	Excess expen-diture over prescribed limit (col.4-7)	
							Amount	*Per cent*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Chamoli	03	10.87	10.87	10.87	*Nil*	04.80	06.07	*126*
Rudraprayag	02	07.67	07.67	03.20	04.47	03.20	04.47	*140*
Bageshwar	02	09.99	09.48	04.25	05.23	03.20	06.28	*196*
Nainital	06	23.47	23.21	*Nil*	23.21	09.60	13.61	*142*
Haridwar	11	53.68	34.63	09.79	24.84	17.60	17.03	*97*
Tehri	06	45.67	25.42	14.98	10.44	09.60	15.82	*165*
Almora	06	34.80	28.92	28.92	Nil	09.60	19.32	*201*
U.S.Nagar	09	63.41	63.41	19.89	43.52	14.40	49.01	*340*
Champawat	02	08.30	08.30	*Nil*	08.30	03.20	05.10	*159*
Uttarkashi	03	13.77	10.11	00.43	09.68	04.80	05.31	*111*
	50	**271.63**	**222.02**	**92.33**	**129.69**	**80.00**	**142.02**	

**Prescribed limit of expenditure is ₹ 1.60 lakh per constituency.*

Appendix-2.11

(Reference: paragraph 2.5.7.1; page 61)

ICDS Services (2011-12)

Name of Districts	Distribution of SNP against 300 days		Health Check-up in Percentage	No. of Cases of Malnutrition	No. of Cases of Severe Malnutrition	No. of Referral Cases
	THR	Cooked Food				
Pithoragarh	110	149	58	839	48	147
Almora	122	103	10	104874	475	0
Nainital	141	110	73	158634	1693	106
U.S. Nagar	183	318	08	356915	17503	11913
Tehri	170	100	11	12859	393	343
Total	**726**	**780**	**160**	**634121**	**20112**	**12509**

Source: Calculation made on the basis of information collected from Districts. The days of THR and cooked food was calculated on the basis of actual beneficiaries of whom the Department benefited under the scheme.

Appendix-2.12

(Reference: paragraph 2.5.9.3; page 67)

Training

Name of training	Year 2009-10					
	AWWs		AWHs		Supervisors	
	Target	Achievement	Target	Achievement	Target	Achievement
Induction	420	131	0	0	0	0
Job	1960	859	1050	437	75	0
Refresher	1400	939	1400	1455	75	0
Total	**3780**	**1929**	**2450**	**1892**	**150**	**0**
	Year 2010-11					
Induction	0	0	0	0	0	0
Job	1225	1041	2100	862	0	0
Refresher	1960	2016	700	2487	250	0
Total	**3185**	**3057**	**2800**	**3349**	**250**	**0**
	Year 2011-12					
Induction	4760	4560	0	0	0	0
Job	980	993	1050	1032	125	0
Refresher	280	256	350	291	275	0
Total	**6020**	**5809**	**1400**	**1323**	**400**	**0**

Appendix-2.13

(Reference: paragraph 2.5.9.4; page 68)

Details of Supervision (2011-12)

Name of Districts	Total operational AWCs	Supervisory officers			Standard of Average supervision	No. of supervision done	Shortfall (%)
		Designation	Sanctioned	Posted			
Pithoragrah	1054	Supervisor	17	16	372#	166	55
		CDPO	05	05	400	99	75
		DPO*	01	01	158$	81	49
		Director	01	01	200	00	100
Almora	1860	Supervisor	17	15	656	116	82
		CDPO	05	05	400	123	69
		DPO*	01	01	279	70	75
		Director	01	01	200	00	100
Nainital	1329	Supervisor	43	38	185	98	47
		CDPO	09	07	400	62	85
		DPO*	01	01	199	49	75
		Director	01	01	200	00	100
U.S. Nagar	2112	Supervisor	85	46	149	70	53
		CDPO	10	07	400	87	78
		DPO*	01	01	317	14	96
		Director	01	01	200	00	100
Tehri	1690	Supervisor	48	28	211	04	98
		CDPO	09	03	400	00	100
		DPO*	01	01	254	00	100
		Director	01	01	200	00	100

*CDPO of the project (related district) was working as DPO.
Supervisor (50% of total AWCs every month*12/No. of Supervisors sanctioned post).
CDPOs : 100 functional AWCs once in a quarter.
$ DPO (15% of the total AWCs).
Director : 200 functional AWCs in a year.

Appendix 3.1

(Reference: paragraph 3.2.1; page 127)

Salient features of the Act

The Salient features of the Act are as follows:

- Any dealer or a person, carrying on business and liable to pay tax under this Act shall get himself registered within thirty days from the date from which he is first liable to pay such tax.
- The registered dealer under UVAT Act is granted a unique eleven digit registration number known as "Tax Payers Identification Number" or TIN which comprises of three components. The first two characters represent the State code (State code of Uttarakhand is 05), seven digital serial number indicate the serial number which is consecutive for all dealers in the State according to the entry in the Register of Registered dealers and Check digits in two characters as may be worked out by the Commissioner.
- The system basically relies on the dealers to pay tax willfully and submit returns periodically and honestly.
- It provides for granting credit known as Input Tax Credit (ITC) for the tax paid on the purchases against the tax payable on sales. As a result, the overall tax burden is rationalised.
- If the ITC for a tax period exceeds the tax liability for that period, the same shall be adjusted against tax liability, if any, under the Central Sales Tax (CST) Act, 1956 for the same tax period and then against any outstanding tax, penalty or interest and excess amount carried forward to succeeding tax periods and deemed to be an ITC for that period.
- ***Rates of taxes***:

Schedule I	Exempted Goods
Schedule II	Part A- Tax shall be payable on the goods specified in this Schedule at every point of sale at the rate of one *per cent.*
	Part B- Tax shall be payable on the goods specified in this Schedule at every point of sale at the rate of four *per cent.*
	Part C - Tax shall be payable on the goods specified in this Schedule at every point of sale at the rate specified against each.
Schedule III	Tax shall be payable on special Category Goods specified in this Schedule at the point of sale (M or I) at the rate specified against each.
Schedule IV	Sale of any goods to or by the dealers or persons specified in this Schedule shall be wholly or partly exempt from tax subject to the conditions, If any, specified therein.
Schedule V	Any person or International Organisation specified in this Schedule shall be entitled to refund of tax paid by it on the purchase of taxable goods, subject to conditions, if any, specified therein.

- ***Incentives***:

A simple and hassle free composition scheme has been provided for small dealers, having turnover up to ₹ 50 lakh. The scheme is optional, and the dealers opting of the scheme are required to pay tax @ one *per cent* on entire turnover and are not allowed ITC but are exempt from maintaining detailed records and accounts.

- ***Penal Provisions:***

The Act provides for penal provisions for the offences committed by the dealers. The payment by way of penalty shall be in addition to the tax, if any, payable.

- **Forms used for concession/exemption**

Form-C	Form of declaration for availing concession in Inter State Trade
Form-E1,E2	Form of declaration for exemption Sale in Transit
Form-F	Form of declaration for availing exemption on Stock Transfer
Form-H	Certificate of export for examption
Form-I	Form of declaration for exemption of sale to unit in special economic zone
Form-XI	Form of declaration by a dealer holding a Recognition Certificate for claiming concession for goods specified in the Certificate
Form-XVI	Form of declaration for Import of goods by registered dealer
Form-XVII	Form of declaration for Import of goods by parties other than registered dealer

Appendix-3.2

(Reference: paragraph 3.2.10; page 131)

List of arrears pending recovery (As per R-3 Register)

Sl. No.	Name of Unit	Name of Dealer	Assessment Year/ Date	R.C. No and Dated of issue	Amount (₹)
1.	D.C.(A)-II, C.T. Roorkee	M/s Om Prakash Ramesh Chandra, Manglore	88-89/26.03.92	13/22.08.93	33,210
2.	A.C.(A) Sector-I C.T. Roorkee (Including C.T.O.)	M/s Ram Kishan S/o Chaman Lal, Roorkee	76-77/31.03.81	13/07.10.82	1,650
		M/s Sohan Lal, Roorkee	77-78/31.03.82	46/08.05.83	1,720
		M/s Sohan Lal, Roorkee	78-79/31.03.82	46/08.05.83	1,760
		-do-	79-80/31.03.82	46/08.05.83	1,160
		M/s National Elect., Chemical & Sanitary Store, Roorkee	88-89	-	7,042
		M/s Rama General & Electrical Store, Roorkee	90-91	16/22.09.99	28,285
		M/s Surendra Kumar S/o Arjun Singh, Roorkee	91-92	189/18.09.99	85,500
3.	A.C.(A) C.T. Ramnagar (Including C.T.O.)	M/s Hindustan Pharmaceutical, Ramnagar	77-78/28.11.80	72/16.02.81	6,000
		-do-	77-78/28.11.80	73/16.02.81	10,000
		M/s Kamlesh Kumar Mukesh Kumar, Ramnagar	79-80/13.01.84	6/05.08.84	15,573
		-do-	80-81/28.12.84	7/07.11.85	7,094
		-do-	81-82/10.01.86	13/16.06.86	28,888
		-do-	82-83/17.10.86	1/20.03.87	24,872
		M/s Bhardwaj Timber Agency, Ramnagar	84-85/29.12.88	43/24.04.89	70,506
4.	A.C.(A) Sector-V C.T. Dehradun	M/s Dilip Singh & Sons, Paltan Bazar, Dehradun	77-78/30.08.80	822/07.11.80	2,240
		M/s Dua Ind., Raipur Road, Dehradun	76-77/31.03.81	258/05.11.97	1,680
		M/s Shubh Sanvida Sahkari Samiti, Sahasradhara Road	76-77/31.03.82	269/15.01.90	2,000
		M/s District Cooperative Federation Ltd. Dehradun	82-83/28.11.87	-	1,72,000
		M/s Dosa & Snacks, Rajpur Road, Dehradun	83-84/30.01.88	216/27.08.88	6,720
		M/s Delta Engg., Rajpur Road, Dehradun	82-83/30.03.88	318/05.09.2000	84,000
		-do-	82-83/30.03.88	250/22.08.88	51,000
		-do-	83-84/30.03.88	322/05.09.2000	1,67,000
		-do-	83-84/30.03.88	321/05.09.2000	60,000

5.	A.C.(A) Sector-III C.T. Dehradun	M/s Sant Singh Suri & Sons, Ram Market, Dehradun	75-76/26.04.80	481/02.02.88	4,329
		-do-	80-81/07.08.80	483/02.02.86	4,800
		-do-	79-80/30.10.80	487/02.02.80	15,235
		M/s Star Light Club, Litton Road, Dehradun	78-79/24.07.82	317/27.04.90	2,595
		M/s Sant Singh Suri & Sons, Rama Market, Dehradun	80-81/03.12.84	309/20.10.86	19,665
		M/s International Engineer, Haridwar Road, Dehradun	81-82/12.03.86	210/03.08.88	4,800
		M/s Shashi Kanta Siraz Bhag, Nehru Colony, Dehradun	81-82/19.07.86	448/22.03.86	9,000
		-do-	80-81/01.12.86	447/22.03.86	18,200
		M/s Sohan Lal Sagar Singh, Rama Market, Ludhiana	87-88/30.09.91	1/10.04.92	39,600
		M/s Sawan Singh Gyan Singh, Jammu	87-88/31.03.92	17/24.09.92	52,800
6.	A.C. (A) Sector-II, Haldwani	M/s Shiv Shankar Shiv Narain Dhoopwale, Haldwani	75-76/20.10.81	10/31.10.81	1,472
		M/s Shiv Traders, Bholanath Garden, Haldwani	82-83/26.02.86	339/12.12.90	3,830
		M/s Shalimar Traders, Ka. Road, Haldwani	83-84	28/13.10.88	10,526
		M/s Prem Shankar Awasthi, Haldwani	88-89/23.02.92	1/05.06.93	12,539
7.	A.C. (A) Sector-I C.T. Almora	M/s Sahkari Sangh Talla Salam Lamgada, Almora	78-79/ 25.06.81	156/04.04.82	1,081
		M/s Subhash Chandra Jain & Sons, Almora	78-79/30.08.82	71/21.08.83	28,760
		M/s Radha Trading Company, Almora	79-80/26.08.83	25/13.12.83	4,350
8.	A.C. (A) Sector-II C.T. Haridwar	M/s Arvind Udyog, Kankhal	77-78/27.02.82	17/14.09.96	3,767
		M/s Ganga Sales Corporation, Laksar, Haridwar	78-79/09.03.83	178/28.09.99	3,800
		M/s Ram Prakash & Sons, Haridwar	80-81/26.03.81	9/03.11.03	13,824
		M/s Colonel Bhatia Farm Haridwar	81-82/12.02.86	-	14,372
		M/s Padam Singh Thekedar, Haridwar	87-88/29.02.92	105/03.07.2000	19,800
		M/s Dayal Thekedar, Chidiyapur, Haridwar	88-89	236/25.02.96	13,200

9.	A.C. (A) Sector-III C.T. Rudrapur	M/s Sri Plastic Store, Rudrapur	78-79/12.11.82	54/02.09.83	5,215
		M/s Jyoti Sweets Ind. R. R. Quarter, Rudrapur	81-82	98/20.06.86	5,000
10.	A.C. (A) Sector-II C.T. Rishikesh	M/s Surendra Kumar Ashwani Kumar, Rishikesh	80-81/10.03.84	20/27.11.2001	1,371
		M/s Sudhir Kumar Company, Rishikesh	82-83/20.01.87	14/27.01.2001	18,518
		-do-	83-84/10.02.88	69/27.01.2010	21,237
11.	A.C.(A) C.T. Kotdwar	M/s Yunus & Dinesh Bodymaker, Kotdwar	87-88/25.03.89	-/15.07.89	33,000
		M/s Nirbal Singh Bodymaker, Kotdwar	87-88/28.06.90	-/08.10.90	8,800
		M/s Agrawal Timber Traders, Kotdwar	87-88/23.03.92	-/27.05.92	30,854
		M/s Brij Mohan Singh Khal Vikreta, Kotdwar	82-83/21.01.88	-/30.03.88	3,114
	Total				**12,99,354**

Appendix-3.3

(Reference: paragraph 3.2.14.1; page 138)

Short Levy of Tax

Sl No.	Name of Unit	Name of Dealer	Assessment Year	Name of Goods	Value of Goods (₹)	Difference Tax Rate	Differential Tax Amount (₹)	Interest (upto31.03.12) (₹)	Remark
1.	D.C.(A)-I CT Dehradun	M/s Voltas Ltd., RGM Plaza, Chakrata Road, Dehradun	2007-08	A.C., Water Cooler Parts (Copper tube, Copper pipe)	59,89,840	8.5% (12.5-4)	5,09,136	3,43,667	
		M/s PCL Intertech, Dehradun	2008-09	Contractor	-	-	8,073	-	Dealer deposited ₹8,12,773 instead of ₹8,20,846 as per R-3 Register
2.	A.C.(A) Sector II CT Dehradun	M/s Gupta Colour Company, Dehradun	2008-09	Colour	8,13,925	8.5% (12.5-4)	69,184	36,322	
3.	D.C.(A) II C.T. Roorkee	M/s Om Enterprises Roorkee	2007-08	Toffee	6,91,977	8.5% (12.5-4)	58,818	39,702	
4.	A.C.(A) Sector-V CT Dehradun	M/s Payma Industries, DAV College Road, Dehradun	2006-07	Soft Drinks	8,23,370	8.5% (12.5-4)	69,986	57,738	
		M/s Pratap Music House, Dehradun	2006-07	Musical Instruments	4,78,404	8.5% (12.5-4)	40,664	33,548	
		M/s Kishor & Company, Paltan Bazar, Dehradun	2006-07	Electronic Goods	17,06,367	8.5% (12.5-4)	1,45,041	1,19,659	
		M/s Kishor & Company, Paltan Bazar, Dehradun	2007-08	Electronic Goods	7,44,010	8.5% (12.5-4)	63,241	42,688	
5.	A.C.(A) Sector-I CT Roorkee	M/s Jagdamba Plastic Works, Chav Mandi, Roorkee	2007-08	Plastic Sheets	48,89,878	8.5% (12.5-4)	4,15,640	2,80,557	
6.	A.C.(A) Sector-II CT Roorkee	M/s Kishore Candys, Salempur, Roorkee	2007-08	Candy/ Confectionary	21,65,689	8.5% (12.5-4)	1,84,084	1,24,257	
	C.T.O. (A) Sector-II C.T. Roorkee	M/s Yansh Enterprises Roorkee	2007-08	Machinery Spare Parts	6,70,870	8.5% (12.5-4)	57,024	38,491	
7.	D.C.(A) II C.T. Kashipr	M/s IGL Ltd. Bajpur Road, Kashipur	2008-09	Aluminium Scrap	20,36,584	8.5% (12.5-4)	1,73,110	90,883	

Sl No.	Name of Unit	Name of Dealer	Assessment Year	Name of Goods	Value of Goods (`)	Difference Tax Rate	Differential Tax Amount (`)	Interest (upto31.03.12) (`)	Remark
8.	C.T.O. (A) Sector-III C.T. Dehradun	M/s Samrat Traders, Azad Nagar, Raipur Road, Dehradun	2007-08	Aluminium Scrap	2,12,885	8.5% (12.5-4)	18,095	12,214	
		M/s Jai Enterprises, 4, Inder Road, Dehradun	2007-08	Motor Spring Leaf (*Kamani*)	13,67,979	8.5% (12.5-4)	1,16,278	78,488	
			2006-07	Motor Spring Leaf (*Kamani*)	10,57,839	8.5% (12.5-4)	89,916	74,181	
			2005-06 (01.10.05 to 31.03.06)	Motor Spring Leaf (*Kamani*)	3,09,240	8.5% (12.5-4)	26,285	24,642	
9.	D.C.(A)-II C.T. Haldwani	M/s Mahalaxmi Trading Co. Haldwani	2007-08	Ayurvedic Oil	7,12,213	8.5% (12.5-4)	60,538	40,863	
10.	A.C.(A) Sector-II C.T. Haldwani	M/s Rathore Traders Haldwani	2008-09	Sanitary Goods	2,21,152	8.5% (12.5-4)	18,798	9,869	
11.	A.C.(A) C.T. Nainital	M/s H. K. Brothers, Mallital, Nainital	2007-08	Bisleri, Hair Oil	4,04,084	8.5% (12.5-4)	34,347	23,184	
		M/s Priya Photo Max, Mallital, Nainital	2007-08	Photostat Machine	9,16,713	8.5% (12.5-4)	77,921	52,597	
12.	A.C.(A) Sector-II C.T. Haridwar	M/s M. H. Industrial Engineers, Haridwar	2007-08	Lubricant (Industrial Oil)	2,02,757	16% (20-4)	32,441	21,898	
		M/s Jagrati Plastic Ltd. Haridwar	2007-08	Adhesive & Chemical	10,80,895	8.5% (12.5-4)	91,876	62,016	
13.	A.C.(A) Sector-I C.T. Almora	M/s Shri Laxmi Agency, Almora	2007-08	Bulb	15,81,936	8.5% (12.5-4)	1,34,465	90,764	
14.	A.C.(A) C.T. Kotdwar	M/s Agarwal Distributors, Kotdwar	2007-08	Biscuit, Kurkure	1,24,630	8.5% (12.5-4)	10,594	7,151	
15.	A.C.(A) C.T. Kichha	M/s Sheel Chandra Agro Pvt. Ltd., Lalpur, Kichha	2006-07 2007-08	Plastic Scrap (*Old Bardana*)	14,74,050 3,76,085	8.5% (12.5-4)	1,25,294 31,967	1,03,368 21,578	
16.	C.T.O. Sector-II C.T. Rishikesh	R. P. Enterprises Rishikesh	2007-08	Electric Goods	70,500	8.5% (12.5-4)	5,992	4,045	
Total					**3,11,23,872**		**26,68,808**	**18,34,370**	

Appendix-3.4

(Reference: paragraph 3.2.14.1; page 138)

Non-Levy of Tax

Sl. No.	Name of Unit	Name of Dealer	Assessment Year	Name of goods	Value of goods (₹)	Rate of Tax	Tax Amount (₹)	Interest (upto31.03.12) (₹)	Remarks
1.	A.C. (A) Sector-V CT, Dehradun	M/s P. C. Developers, Sahasdhara Road, Dehradun	2007-08	TMT	19,54,182	4%	78,167	52,763	
2.	D.C (A)-V CT, Dehradun	Eureka Forbes	2007-08	Aqua guard, Vacuum cleaner, Air purifier	1,14,08,793	12.5%	14,26,099	9,62,617	As per Supreme Court Order, warranty claim is to be treated as sale.
			2008-09	-do-	57,08,806	12.5%	7,13,601	3,74,641	-do-
		Venkies India Ltd. (Feed Division)	2006-07 (01.04.06 to 18.12.06)	Balanced Poultry Feed	7,18,72,878	12.5%	89,84,110	74,11,891	
3.	D.C (A)-II CT, Haldwani	M/s MRF Ltd. Haldwani	2005-06 (II Part) 2006-07 2007-08	Tyre, Tube, Flap	10,07,461 26,78,278 58,17,943	12.5%	1,25,933 3,34,785 7,27,243	1,18,062 2,76,198 4,90,889	As per Supreme Court Order, Claimed loss due to warranty claim/free replacement is to be treated as sale.
		M/s Apollo Tyres Haldwani	2005-06 (II Part) 2006-07 2007-08	Tyre, Tube, Flap	40,94,609 60,14,590 80,01,190	12.5%	5,11,826 7,51,824 10,00,149	4,79,837 6,20,255 6,75,101	As per Supreme Court Order, Claimed loss due to warranty claim/free replacement is to be treated as sale.
		M/s Sri Mahalaxmi Trading Co., Haldwani	2007-08	Herbal Mehandi	89,525	12.5%	11,191	7,554	
4.	A.C. (A) Sector II C.T. Haldwani	M/s Pooja Bhandar, Haldwani	2007-08	Perfume	79,033	12.5%	9,879	6,668	Suppression of sale.
5.	A.C. (A) CT Nainital	M/s Ice Land, Mallital, Nainital	2007-08	Hajmola, Ayurvedic Product	1,99,031	12.5%	24,879	16,793	
6.	A.C. (A) Sector-I C.T. Almora	M/s Mahalaxmi Traders, Almora	2007-08	General Goods	1,36,351	4%	5,454	3,681	
7.	A.C. (A) Sector-II Rishikesh	M/s Mohan Motors, Rishikesh	2007-08	Motor Parts	15,31,291	12.5%	1,91,411	1,29,202	As per Supreme Court Order, warranty claim is to be treated as sale.
			2008-09	-do-	21,89,235	12.5%	2,73,654	1,43,668	-do-
8.	A.C. (A) C.T. Kichha	M/s N.L.D.K. Enterprises, Kichha	2006-07	Pesticide	3,19,077	4%	12,763	10,529	
9.	D.C (A)-II CT, Dehradun	M/s Oberoi Motors Ltd., Dehradun	2004-05 2006-07	Motor Parts	42,14,534 19,54,763	12.5%	5,26,817 2,44,345	5,26,817 2,01,585	As per Supreme Court Order, warranty claim is to be treated as sale.
Total					129271570		15954130	12508751	

Appendix-3.5

(Reference: paragraph 3.2.14.1; page 138)

Escaped Taxable Turnover

Sl. No.	Name of Unit	Name of Dealer	Assessment Year	Grass Payments (₹)	Labour Charges deducted (₹)	Actual Labour Charges to be deducted (₹)	Taxable Turn Assessed (₹)	Actual Taxable Turnover (₹)	Escaped Taxable Turnover (₹)	Tax Rate	Tax on Escaped Turnover (₹)	Interest (upto 31.03.12) (₹)	REMARKS
1.	A.C.(A) Sector-V CT Dehradun	M/s Mannu Lal & Sons Dehradun	2008-09	85,67,858	25,70,357	47,710	40,44,351	65,66,997	17,65,852 7,56,794	12.5% 4%	2,20,731 30,272	1,15,884 15,893	RATIO OF 70% AND 30% TAKEN ON THE BASIS OF BIFURCATION SHEET ENCLOSED BY ASSESSEE.
		M/s Mannu Lal & Sons Dehradun	2009-10	1,59,35,944	47,80,783	11,04,456	70,98,669	1,07,74,997	25,73,430 11,02,898	12.5% 4%	3,21,679 44,116	1,20,630 16,543	-DO-
2.	A.C.(A) Sector-II CT Haldwani	M/s R. K. Engineer & Contractor, Haldwani	2005-06 (II Part)	20,00,000	6,00,000	6,00,000	4,44,000	5,07,836	63,836	12.5%	7,979	7,480	EXCESS REFUND ₹ 7,929 (₹ 24,500-₹ 16,521)
Total				**2,65,03,802**	**79,51,140**	**17,52,166**	**1,15,87,020**	**1,78,49,830**	**62,62,810**		**6,24,777**	**2,76,430**	

Appendix-3.6

(Reference: paragraph 3.2.14.3; page 141)

Short Deposit of Interest

Sl. No.	Name of Unit	Name of Dealer	Assessment Year	Tax Amount (₹)	Period	Interest Due (₹)	Interest Deposited (₹)	Difference (₹)	Remarks
1.	D.C.(A) I C.T. Dehradun	M/s PCL Intertech, Dehradun	2008-09	8,20,846	41 Months & 09 days (01.10.2008 to 09.02.2012)	4,23,762	14,073	4,09,689	A.A. did not order to deposit the interest on delayed payment of tax.
2.	A.C.(A) Sector-V CT Dehradun	M/s City Centre, Paltan Bazar, Dehradun	2007-08	1,17,221	43 Months & 10 days (01.10.2007 to 10.05.2011)	63,494	58,610	4,884	A.A. ordered to deposit the interest from 01.05.2008.
		M/s Decore India, E.C. Road, Dehradun	2006-07	1,01,863	59 Months 01 days (01.10.2006 to 01.09.2011)	75,166	21,658	53,508	A.A. did not order to deposit the interest on delayed payment of tax.
3.	A.C.(A) CT Ramnagar	M/s The Corbett Hideway, Dhikuli, Ramnagar	2006-07	17,061	46 Months 07 days (01.10.2006 to 07.08.10)	9,860	12	9,848	A.A. order to deposit the interest on delayed payment of tax.
4.	A.C. (A) Sector-I C.T. Roorkee	M/s Roorkee Equipment and Models, Ambar Talab, Roorkee	2007-08	44,784	52 Months 20 days (01.10.2007 to 20.02.2012)	29,483	3,360	26,123	A.A. did not order to deposit the interest on delayed payment of tax.
5.	A.C. (A) Sector-II C.T. Roorkee	M/s S. S. Wire Product Industries, Roorkee	2007-08	5,097	49 Months 10 days (01.10.2007 to 10.11.11)	3,143	63	3,080	-do-
6.	D.C. (A)-V Dehradun	Cement Traders, Vikas Nagar, Dehradun	2007-08	26,576	43 Months 03 days (01.10.07 to 03.05.11)	14,318	3,424	10,894	A.A. order to deposit the interest on delayed payment of tax.
		Tirupati LPG Industries Ltd., Selaqui, Dehradun	2007-08	2,54,220	45 Months 28 days (01.10.07 to 28.07.11)	1,45,965	1,39,821	6,144	-do-
		Pandit Sewak Ram Raja Ram, Vikas Nagar, Dehradun	2007-08	2,387	42 Months 12 days (01.10.07 to 12.04.11)	1,265	613	652	-do-
7.	C.T.O. (A) Sector-III, C.T. Dehradun	M/s Sneha Traders, 108/12-3, Dharma Pur, Dehradun	2007-08	4,656	48 Months 23 days (01.10.07 to 24.10.11)	2,838	344	2,494	A.A. ordered to deposit the interest from 01.11.2007.
		M/s Shivam Motors, A-158, Nehru Colony, Dehradun	2007-08	6,479	46 Months 24 days (01.10.2007 to 24.08.11)	3,790	281	3,509	A.A. ordered to deposit the interest on delayed payment of tax.
8.	D.C. (A)-II C.T. Haldwanai	M/s Tooder India Ltd. Haldwanai	2007-08	3,97,230	42 Months 20 days (01.10.07 to 20.04.11)	2,11,856	2,01,050	10,806	-do-
9.	C.T.O. (A) Sector-III C.T. Rudrapur	M/s Sai Enterprises, Rudrapur	2007-08	8,844	47 Months 5 days (01.10.07 to 05.09.11)	5,214	4,425	789	A.A. ordered to deposit the interest from 01.05.2008.

Sl. No.	Name of Unit	Name of Dealer	Assessment Year	Tax Amount ( )	Period	Interest Due ( )	Interest Deposited ( )	Difference ( )	Remarks
10.	A.C.(A)/C.T.O. (A) C.T. Kotdwar	M/s Baba Fariddin Gramodyog Sansthan, Kotdwar	2006-07	53,569	55 Months 19 days (01.10.06 to 19.05.11)	37,253	1,000	36,253	A.A. ordered to deposit the interest on delayed payment of tax.
		M/s Raj Brothers, Kotdwar	2007-08	6,024	43 Months 29 days (01.10.07 to 29.05.11)	3,311	800	2,511	-do-
		M/s Rawat Agency, Kotdwar	2007-08	7,879	42 Months 29 days (01.10.07 to 29.04.11)	4,231	1,169	3,062	-do-
		M/s Mahalaxmi Enterprises, Kotdwar	2007-08	7,172	42 Months 14 days (01.10.2007 to 14.04.11)	3,807	1,776	2,031	-do-
		M/s Rajasthan Marble Store, Kotdwar	2007-08	5,552	47 Months 6 days (01.10.2007 to 06.09.11)	3,276	1,048	2,228	-do-
		M/s R. K. Sales Corporation, Kotdwar	2007-08	21,955	43 Months 18 days (01.10.07 to 18.05.11)	11,965	11,700	265	-do-
		M/s Brahma Dev Amit Kumar, Kotdwar	2007-08	13,217	44 Months 8 days (01.10.07 to 08.06.11)	7,313	4,822	2,491	-do-
		M/s Ambika Gramodyog Sons, Sitabpur, Kotdwar	2007-08	22,122	42 Months 8 days (01.10.2007 to 08.04.2011)	11,688	6,704	4,984	A.A. ordered to deposit the interest on delayed payment of tax.
		M/s P. K. Traders, Kotdwar	2007-08	4,810	43 Months 1 days (01.10.07 to 01.05.11)	2,587	2,540	47	-do-
		M/s Garhwal Stationary, Kotdwar	2007-08	6,073	47 Months 6 days (01.10.07 to 06.09.11)	3,583	200	3,383	-do-
11.	A.C.(A) Sector-II C.T. Rishikesh	M/s Hotel Vasundra Palace Rishikesh	2007-08	17,120	40 Months 7 days (01.10.07 to 07.02.2011)	8,610	428	8,182	A.A. ordered to deposit the interest from 01.10.2007.
Total				19,72,757		10,87,778	4,79,921	6,07,857	

Non-Deposit of Interest

Sl. No.	Name of Unit	Name of Dealer	Assessment Year	Amount of Tax (₹)	Period	Date of Deposit of Tax	Interest Due (₹)	Remarks
1.	D.C.(A) II C.T. Roorkee	M/s Hindustan Petroleum Corporation Ltd., Roorkee	2007-08	3,04,525	53 Months & 04 days (01.10.07 to 04.03.12)	05.03.2012	2,02,255	A.A. ordered to deposit the interest on delayed payment of tax.
2.	A.C.(A) Sector-V CT Dehradun	M/s New Cam Enterprises, Subhas Road, Dehradun	2006-07	6,840	62 Months & 28 days (01.10.06 to 28.12.11)	29.12.2011	5,381	A.A. did not order to deposit the interest on delayed payment of tax.
		M/s Punjab Restaurant, Rajpur Road, Dehradun	2007-08	23,837	48 Months & 21 days (01.10.07 to 21.10.11)	22.10.2011	14,511	-do-
		M/s Gurjas Collection, Rajpur Road, Dehradun	2009-10	11,037	26 Months & 23 days (01.10.09 to 23.12.11)	24.12.2011	3,693	A.A. ordered to deposit the interest on delayed payment of tax.

		M/s Executive Engineer, C.P.W.D., Central Sector-I, Dehradun	2007-08	12,19,479	47 Months & 08 days (01.10.07 to 08.09.11)	09.09.2011	7,20,509	-do-
		M/s Silverline Automobile, Rajpur Road, Dehradun	2007-08	20,186	46 Months & 17 days (01.10.07 to 17.08.11)	18.08.2001	11,750	A.A. ordered to deposit the interest from 01.05.2008.
		M/s Sunrise Bakers, Ghosi Gali, Dehradun	2006-07	27,317	45 Months & 13 days (01.10.06 to 13.07.10)	14.07.2010	15,514	A.A. ordered to deposit the interest on delayed payment of tax.
		M/s Sunrise Bakers, Ghosi Gali, Dehradun	2007-08	61,734	55 Months & 04 days (01.10.07 to 04.05.12)	05.05.2012	42,545	-do-
	C.T.O.(A) Sector-V CT Dehradun	M/s Pratham Creation, Rajpur Road, Dehradun	2006-07	17,451	47 Months & 12 days (01.10.06 to 12.09.10)	13.09.2010	10,339	A.A. did not order to deposit the interest on delayed payment of tax.
		M/s Priyanka Electronics, Dispensary Road, Dehradun	2006-07	3,413	46 Months & 17 days (01.10.06 to 17.08.10)	18.08.2010	1,986	-do-
3.	A.C.(A) C.T. Ramnagar	M/s Day Light Furniture & Timber, Ramnagar	2008-09	19,272	44 Months 29 days (01.10.08 to 29.06.12)	30.06.2012	10,832	-do-
		M/s M. R. Health Care P. Ltd., Ramnagar	2009-10	17,779	25 Months 23 days (01.10.09 to 23.11.11)	24.11.2011	5,726	-do-
		M/s Bhagwati Metals, Ramnagar	2008-09	2,227	43 Months 14 days (01.10.08 to 14.05.12)	15.05.2012	1,210	-do-
4.	C.T.O. (A) Sector-I C.T. Roorkee	M/s Kwality Engineering Corp., Purani Tehsil, Roorkee	2007-08	4,167	52 Months 01 days (01.10.07 to 01.02.12)	02.02.2012	2,710	A.A. did not order to deposit the interest on delayed payment of tax.
5.	A.C. (A) Sector II C.T. Roorkee	M/s R. C. Chemicals, Dehradun Road, Roorkee	2007-08	678	49 Months 03 days (01.10.07 to 03.11.11)	04.11.11	416	A.A. ordered to deposit the interest on delayed payment of tax.
		M/s R. C. Chemicals, Dehradun Road, Roorkee	2007-08	5586	49 Months 03 days (01.10.07 to 03.11.11)	04.11.11	3,428	-do-
6.	D.C.(A)-V C.T. Dehradun	M/s Sudhir General Store, Paltan Bazar, Dehradun	2007-08	20,748	44Months 07 days (01.10.07 to 07.06.11)	08.06.11	11,472	A.A. ordered to deposit the interest on delayed payment of tax.
7.	C.T.O. Sector-II C.T. Haldwani	M/s Digital Solution, Haldwani	2007-08	4,381	49 Months 23 days (01.10.07 to 23.11.11)	24.11.11	2,725	A.A. ordered to deposit the interest on delayed payment of tax.
	A.C.(A) Sector-II C.T. Haldwani	M/s Passion Incorporation, Haldwani	2007-08	14,885	47 Months 07 days (01.01.07 to 07.09.11)	08.09.11	8,788	A.A. did not order to deposit the interest on delayed payment of tax.
8.	A.C.(A) Sector-II C.T. Haridwar	M/s Vishal Construction Company	2007-08	7,203	45 Months 28 days (01.10.07 to 28.07.11)	29.07.11	4,136	A.A. ordered to deposit the interest on delayed payment of tax.
9.	C.T.O.(A) Sector-I Almora	M/s Mahesh Agencies, Almora	2007-08	32,458	11 Months	31.07.12	2,678	A.A. did not order to deposit the interest on delayed payment of tax.
10.	C.T.O.(A) Sector-III Rudrapur	M/s Rudra Enterprises	2007-08	11,330	46 Months 28 days (01.10.07 to 28.08.11)	29.08.11	6,647	A. A. did not order to deposit the interest on delayed payment of tax.

11.	A.C.(A)/C.T.O. (A) C.T. Kotdwar	M/s Rita Pencil Udyog, Kotdwar	2007-08	8,234	42 Months 3 days (01.10.07 to 03.04.11)	04.04.11	4,333	A.A. ordered to deposit the interest on delayed payment of tax.
		M/s Rohit Enterprises, Kotdwar	2007-08	8,689	42 Months 26 days (01.10.07 to 26.04.11)	27.04.11	4,656	-do-
		M/s Ram Kumar Sawal Ram, Kalagarh	2007-08	15,752	46 Months (01.10.07 to 31.07.11)	01.08.11	9,057	-do-
		M/s Kukreti Medical Traders, Kotdwar	2007-08	12,405	43 Months 19 days (01.10.07 to 19.05.11)	20.05.11	6,766	-do-
		M/s Kukreti Medical Co., Kotdwar	2005-06	11,404	67 Months 19 days (01.10.05 to 19.05.11)	20.05.11	9,641	-do-
		M/s Intra Iron & Building Material, Kotdwar	2007-08	7,373	47 Months 15 days (01.10.07 to 15.09.11)	16.09.11	4,378	-do-
		M/s Narda Trading Co., Kotdwar	2007-08	6,115	42 Months 7 days (01.10.07 to 07.04.11)	08.04.11	3,228	-do-
		M/s Vishal Traders, Baijaro, Kotdwar	2007-08	5,459	42 Months 5 days (01.10.07 to 05.04.11)	06.04.11	2,877	-do-
		M/s Jai Durge Atta Udyog, Kotdwar	2007-08	3,683	49 Months 25 days (01.10.07 to 25.11.11)	26.11.11	2,294	-do-
		M/s Negi A-One Card Box Maker, Satpuli	2007-08	2,760	43 Months 3 days (01.10.07 to 03.05.11)	04.05.11	1,487	-do-
		M/s Jahid & Sons, Kotdwar	2007-08	10,276	44 Months 1 day (01.10.07 to 01.06.11)	02.06.11	5,656	-do-
		M/s Chauhan Jewellers, Kotdwar	2007-08	14,430	52 Months 1 day (01.10.07 to 01.02.12	02.02.11	9,386	-do-
		M/s Anjani Enterprises, Kotdwar	2006-07	50,000 25,000	55Months 11 days (01.10.06 to 11.05.11) 61 Months 13 days (01.10.06 to 13.11.11)	12.05.11 14.11.11	53,802	-do-
		M/s Devbhumi Flour Mill, Kotdwar	2007-08	13,989	46 Months 9 days (01.10.07 to 09.08.11)	10.08.11	8,096	-do-
		M/s Siddha Bali Udyog, Balbhadrapur	2007-08	7,202	49 Months 16 days (01.10.07 to 16.11.11)	17.11.11	4,459	-do-
		M/s Tourist Sweet Shop, Kotdwar	2007-08	7,530	43 Months 17 days (01.10.07 to 17.05.11)	18.05.11	4,100	-do-
		M/s Shiv Narain Mal Ram Avtar, Kotdwar	2007-08	11,363	43 Months 17 days (01.10.07 to 17.05.11)	18.05.11	6,188	-do-
		M/s Gayatri Medical, Kotdwar	2007-08	7,646	43 Months 8 days (01.10.07 to 08.05.11)	09.05.11	4,135	-do-
		M/s Sri Ram Marble Traders, Kotdwar	2007-08	14,706	45 Months 21 days (01.10.07 to 21.07.11)	22.07.11	8,401	-do-
		M/s Shiv Samriddhi Traders, Kotdwar	2007-08	4,202	49 Months 1 day (01.10.07 to 01.11.11)	02.11.11	2,575	-do-
12.	C.T.O.(A) Sector-II C.T. Rishikesh	M/s Rishi General Store, Rishikesh	2008-09	2,002	45 Months 13 days (01.10.08 to 13.07.12)	14.07.12	1,137	A.A. ordered to deposit the interest on delayed payment of tax.
Total				**20,86,753**		**12,45,903**		

Appendix-3.7

(Reference: paragraph 3.2.14.4; page 141)

Irregular Allowance of I.T.C.

Sl. No.	Name of Unit	Name of dealer	Assessment Year/Month	Description of goods	Value of goods (₹)	Rate of Tax	ITC Claimed/ Allowed (₹)	ITC Admissible (₹)	Difference (₹)	Remarks
1.	D.C.(A)-I CT Dehradun	M/s Food Corporation of India Dehradun	2005-06 (01.10.05 to 31.03.06)	Rice	38,44,235	4%	1,53,769	Nil	1,53,769	Being Transit & Storage loss, ITC not allowable.
2.	A.C.(A) Sector-V CT Dehradun	M/s Grand Bakery, Paltan Bazar Dehradun	2007-08	Raw Material, Packing Material &	9,43,858	4%	33,232	26,274	6,958	49.79% of total sales was of exempt goods.
				Yeast	1,16,596	12.5%				
		M/s Grand Bakery, Paltan Bazar Dehradun	2008-09	Raw Material,	5,33,902	4%	26,430	24,492	1,939	53.25% of total sales was of exempt goods.
				Packing Material &	3,85,337	1%				
				Yeast	90,338	12.5%				
				Fuel	1,51,409	10.5% (12.5-2)				
		M/s Grand Bakery, Paltan Bazar Dehradun	2009-10	Raw Material	3,90,326	4%	17,951	14,036	3,915	50.05% of total sales was of exempt goods.
				Packing Material	1,24,953	1%				
				Yeast	89,906	12.5%				
		M/s Sunrise Bakers, Ghosi Gali, Dehradun	2006-07	Raw Material, Packing Material &	19,41,106	4%	1,43,486	1,08,690	34,796	33.58% of total sales was of exempt goods.
				Yeast	6,87,974	12.5%				
		M/s Sunrise Bakers, Ghosi Gali, Dehradun	2007-08	Raw Material, Packing Material &	15,63,207	4%	1,09,700	76,735	32,965	33.45% of total sales was of exempt goods.
				Yeast	4,22,210	12.5%				

Sl. No.	Name of Unit	Name of dealer	Assessment Year/Month	Description of goods	Value of goods (₹)	Rate of Tax	ITC Claimed/ Allowed (₹)	ITC Admissible (₹)	Difference (₹)	Remarks
3.	D.C.(A)-V CT Dehradun	Behal Agency, Rajpur Road, Dehradun	2008-09	Refrigerator Washing Machine	4,03,52,593 13,900	12.5% 4%	50,82,980	50,57,560	25,420	
		Alegant Auto Accessories, Selaqui, Dehradun	2007-08	Consumable Goods	5,67,114	4%	22,685	Nil	22,685	ITC was not admissible for comsumable goods upto 31.03.2008.
4.	A.C.(A) C.T. Nainital	M/s Prakash Narayan Narendra Kumar, Mallital, Nainital	2007-08 (04/2007 to 05/2007)	Cigarette	55,21,224	Exempt	6,90,153	Nil	6,90,153	Being exempt goods, ITC not allowed.
		M/s Rama Enterprises, Mallital, Nainital	2007-08 (04/2007 to 05/2007)	-do-	73,07,997	Exempt	9,13,500	Nil	9,13,500	Being exempt goods, ITC not allowed.
5.	A.C.(A) Sector-II C.T. Haridwar	M/s Om Traders, Haridwar	2007-08	Cement	27,142	12.5%	3,393	Nil	3,393	ITC was allowed on Loss.
6.	A.C.(A) Sector-I C.T. Almora	M/s Chandra Dutt Nand Kishore Joshi, Almora	2007-08 (04/2007 to 05/2007)	Bidi	33,69,339	Exempt	4,21,167	Nil	4,21,167	ITC was allowed @12.5% though being exempt.
	C.T.O.(A) Sector-I C.T. Almora	M/s Prakash Colour Lab, Almora	2005-06 (II Part) 2006-07 2007-08	Chemical	72,971 2,96,886 99,902	12.5%	9,121 37,111 12,488	Nil	58,720	ITC was allowed on goods consumed in job work.
7.	C.T.O.(A) Sector-III C.T. Rudrapur	M/s Ambica Automobiles, Rudrapur	2007-08	Lubricants	24,025	20%	4,805	Nil	4,805	ITC is not allowed on Lubricant as it is taxable at M or I
8.	A.C. (A) C.T. Kichha	M/s Chawla Traders, Kichha	2007-08 (04/2007 to 05/2007)	Cigarette	2,94,014	Exempt	36,752	Nil	36,752	Being exempt goods, ITC not admissible.
9.	C.T.O.(A) Sector-II C.T. Rishikesh	M/s Laxmi Trading Co. Rishikesh	2007-08	Cigarette	45,435	Exempt	5,679	Nil	5,679	Being exempt goods, ITC not admissible.
	A.C.(A) Sector-II C.T. Rishikesh	M/s Poonam Store, Rishikesh	2007-08	Cigarette	34,190	Exempt	4,274	Nil	4,274	Being exempt goods, ITC not admissible.
Total					**6,93,12,089**		**77,28,677**	**53,07,787**	**24,20,891**	

Appendix-3.8

(Reference: paragraph 3.2.14.5; page 142)

Unauthorized Issuance of Form-XI

Sl. No.	Name of Unit	Name of Dealer	Assessment Year	Date of issue of Recognition Certificate	Description of goods	Value of goods (₹)	Rate of Tax	Differential Rate of Tax	Difference Tax Amount (₹)	Interest (upto 31.03.12) (₹)	Penalty (₹)	Remarks
1.	D.C.(A)-I CT Haridwar	M/s Revin Life Science Pvt.Ltd. Sidcul Haridwar	2007-08	24.01.07	Chair, Book Shelf, Electrical Item, Electric Goods	13,00,943	12.5%	8.5% (12.5-4)	1,10,580	74,642	5,20,377	The goods for which the form issued were not covered under the Recognition Certificate
2.	D.C.(A)-II CT Kashipur	M/s Jindal Frozen Foods Pvt. Ltd., Kashipur	2008-09	18.08.04	Machinary Parts	1,23,316	8%	5.5% (8-2.5)	6,782	6,782	49,326	The form was issued for 2004-05 (prior to date of recognition)
3.	A.C.(A) C.T. Kichha	M/s Sheel Chandra Industries, Lalpur, Kichha	2006-07		Machinery Parts & Chemical	1,60,837	12.5%	8.5% (12.5-4)	13,671	11,279	64,335	The goods were not covered under recognition certificate
Total						15,85,096	-	-	1,31,033	92,703	6,34,038	

Appendix-3.9

(Reference: paragraph 3.2.14.5; page 142)

Irregular Concession on Form-XI

Sl. No.	Name of Unit	Name of dealer	Assessment Year (Period for which issued)	Form-XI No.	Year & Date of issue from Depart-ment	Description of goods	Value of goods (with Tax) (₹)	Value of goods (without Tax) (₹)	Difference Tax Rate	Differential Tax Amount (₹)	Interest (Upto 31.03.12) (₹)	Remarks
1.	D.C.(A)-I CT Haridwar	M/s Arihant Elestoplast (P) Ltd. Sidcul Haridwar	2007-08	010720	2010-11 (30-11-10)	Luggage Component	1,82,17,066	1,75,16,410	8.5% (12.5-4)	14,88,895	10,05,004	Form issued beyond time limit.
		M/s Herbal Concepts Health Care (P) Ltd. Haridwar	2007-08	075411	2010-11 (06-09-10)	Hair Oil/ Cosmetic	3,12,173	3,00,166	8.5% (12.5-4)	25,514	17,222	Form issued beyond time limit.
				075410	2010-11 (06-09-10)	Hair Oil/ Cosmetic	8,75,208	8,41,546	8.5% (12.5-4)	71,531	48,283	Form issued beyond time limit and above ₹ 5 lakh.
				075409	2010-11 (06-09-10)	Hair Oil/ Cosmetic	15,08,966	14,50,928	8.5% (12.5-4)	1,23,329	83,247	Form issued beyond time limit and above ₹ 5 lakh.
				075408	2010-11 (06-09-10)	Hair Oil/ Cosmetic	15,68,075	15,07,764	8.5% (12.5-4)	1,28,160	86,508	Form issued beyond time limit and above ₹ 5 lakh.
				075406	2010-11 (06-09-10)	Hair Oil/ Cosmetic	18,00,530	17,31,279	8.5% (12.5-4)	1,47,159	99,332	Form issued beyond time limit and above ₹ 5 lakh.
				075405	2010-11 (06-09-10)	Hair Oil/ Cosmetic	22,97,597	22,09,228	8.5% (12.5-4)	1,87,784	1,26,754	Form issued beyond time limit and above ₹ 5 lakh.
				075407	2010-11 (06-09-10)	Hair Oil/ Cosmetic	4,73,099	4,54,903	8.5% (12.5-4)	38,667	26,100	Form issued beyond time limit.
2.	D.C.(A) II C.T. Roorkee	Bil Care Ltd. Roorkee	2008-09	048613	2011-12 (13-12-11)	Aluminum Foils	97,774	95,857	2% (4-2)	1,917	1,006	Form issued beyond time limit.
				048614	2011-12 (13-12-11)	Aluminum Foils	3,51,888	3,44,988	2% (4-2)	6,900	3,622	Form issued beyond time limit.
				048615	2011-12 (13-12-11)	Aluminum Foils	2,62,348	2,57,204	2% (4-2)	5,144	2,701	Form issued beyond time limit.

Sl. No.	Name of Unit	Name of dealer	Assessment Year (Period for which issued)	Form-XI No.	Year & Date of issue from Depart-ment	Description of goods	Value of goods (with Tax) (₹)	Value of goods (without Tax) (₹)	Difference Tax Rate	Differential Tax Amount (₹)	Interest (Upto 31.03.12) (₹)	Remarks
3.	A.C. CT Ramnagar	M/s Indian Herbs Extruction Ramnagar	2008-09	018850	2007-08 (19-03-08)	Berberime Hydrochloride	5,00,000	4,90,196	2% (4-2)	9,804	5,147	Form issued beyond time limit.
				018851	2007-08 (19-03-08)	Berberime Hydrochloride	5,00,000	4,90,196	2% (4-2)	9,804	5,147	Form issued beyond time limit.
				018852	2007-08 (19-03-08)	Berberime Hydrochloride	5,00,000	4,90,196	2% (4-2)	9,804	5,147	Form issued beyond time limit.
				018853	2007-08 (19-03-08)	Berberime Hydrochloride	1,93,200	1,89,412	2% (4-2)	3,788	1,989	Form issued beyond time limit.
				018854	2007-08 (19-03-08)	Berberime Hydrochloride	5,00,000	4,90,196	2% (4-2)	9,804	5,147	Form issued beyond time limit.
	C.T.O. C.T., Ramnagar	M/s Ekram Scrap Dealer	2008-09	249390	2011-12 (18-08-11)	M.S. Scrap	-	91,800	2% (4-2)	1,836	964	Form issued beyond time limit.
			2008-09	249391	2011-12 (18-08-11)	M.S. Scrap	-	76,500	2% (4-2)	1,530	803	Form issued beyond time limit.
			2008-09	249392	2011-12 (18-08-11)	M.S. Scrap	-	57,600	2% (4-2)	1,152	605	Form issued beyond time limit.
		M/s Hazi Rais & Sons, Manglore Road, Bhawaniganj, Ramnagar	2008-09	249403	2011-12 (18-08-11)	M.S. Scrap	-	66,000	2% (4-2)	1,320	693	Form issued beyond time limit.
		M/s K.G.N. Scrap Dealer, Ramnagar	2008-09	255513	2011-12 (01-10-11)	M.S. Scrap	67,830	66,500	2% (4-2)	1,330	698	Form issued beyond time limit.
			2008-09	255514	2011-12 (01-10-11)	M.S. Scrap	66,785	65,475	2% (4-2)	1310	688	Form issued beyond time limit.
4.	D.C. (A)-II C.T. Kashipur	I.G.L. Kashipur	2008-09	095100	2011-12 (27-08-11)	Chemical	4,36,800 *(05/08)* 3,25,500 *(06/08 to 03/09)*	4,24,078 3,19,118	9.5% (12.5-3) 10.5% (12.5-2)	40,287 33,507	21,151 17,591	Form issued beyond time limit.
			2008-09	095103	2011-12 (27-08-11)	Chemical	9,79,200	9,60,000	10.5% (12.5-2)	1,00,800	52,920	Form issued beyond time limit.
			2008-09	095101	2011-12 (27-08-11)	Chemical	7,65,000	7,50,000	10.5% (12.5-2)	78,750	41,344	Form issued beyond time limit.

Sl. No.	Name of Unit	Name of dealer	Assessment Year (Period for which issued)	Form-XI No.	Year & Date of issue from Depart-ment	Description of goods	Value of goods (with Tax) (₹)	Value of goods (without Tax) (₹)	Difference Tax Rate	Differential Tax Amount (₹)	Interest (Upto 31.03.12) (₹)	Remarks
5.	D.C. (A)-II C.T. Haldwani	M/s N. B. Mineral Corporation, Haldwani	2008-09	084810	2011-12 (11-08-11)	Raw Magnesite	2,57,555	2,52,505	10.5% (12.5-2)	26,513	13,919	Form issued beyond time limit.
			2008-09	084811	2011-12 (11-08-11)	-do-	3,54,871	3,47,913	10.5% (12.5-2)	36,531	19,179	-do-
			2008-09	094649	2011-12 (25-08-11)	-do-	5,00,555	4,85,976	9.5% (12.5-3)	46,168	24,238	-do-
			2008-09	094650	2011-12 (25-08-11)	-do-	5,71,411	5,54,768	9.5% (12.5-3)	52,703	27,669	-do-
			2008-09	094651	2011-12 (25-08-11)	-do-	3,97,891	3,90,089	10.5% (12.5-2)	40,959	21,503	-do-
			2008-09	094652	2011-12 (25-08-11)	-do-	4,92,669	4,83,009	10.5% (12.5-2)	50,716	26,626	-do-
			2008-09	094653	2011-12 (25-08-11)	-do-	4,52,528	4,43,655	10.5% (12.5-2)	46,584	24,457	-do-
			2008-09	094654	2011-12 (25-08-11)	-do-	7,54,303	7,39,513	10.5% (12.5-2)	77,649	40,766	-do-
			2008-09	094655	2011-12 (25-08-11)	-do-	4,35,253	4,26,719	10.5% (12.5-2)	44,805	23,523	-do-
			2008-09	094790	2011-12 (15-09-11)	-do-	-	2,47,584	10.5% (12.5-2)	25,996	13,648	-do-
			2008-09	094791	2011-12 (15-09-11)	-do-	-	2,84,853	10.5% (12.5-2)	29,910	15,703	-do-
			2008-09	094792	2011-12 (15-09-11)	-do-	-	4,91,564	10.5% (12.5-2)	51,614	27,097	-do-
			2008-09	094793	2011-12 (15-09-11)	-do-	-	4,12,941	10.5% (12.5-2)	43,359	22,763	-do-
			2008-09	094794	2011-12 (15-09-11)	-do-	-	3,73,931	10.5% (12.5-2)	39,263	20,613	-do-
			2008-09	094795	2011-12 (15-09-11)	-do-	-	4,58,703	10.5% (12.5-2)	48,164	25,286	-do-
6.	C.T.O. Sector-II C.T. Haldwani	M/s Camsinth Lab, Haldwani	2007-08	019917	2010-11 (22.07.10)	Chemical	67,080	64,500	8.5% (12.5-4)	5,482	3,700	-do-
				025455	2010-11 (09.02.11)	Chemical	1,136	1,092	8.5% (12.5-4)	93	63	-do-

Sl. No.	Name of Unit	Name of dealer	Assessment Year (Period for which issued)	Form-XI No.	Year & Date of issue from Depart-ment	Description of goods	Value of goods (with Tax) (₹)	Value of goods (without Tax) (₹)	Difference Tax Rate	Differential Tax Amount (₹)	Interest (Upto 31.03.12) (₹)	Remarks
7.	C.T.O. Sector-III C.T. Rudrapur	M/s Sai Enterprises	2007-08	019334	2010-11 (07.04.10)	Spray	-	9,984	8.5% (12.5-4)	849	66,062	Form issued beyond time limit.
				019507	2010-11 (06.05.10)	Lubricant	-	2,57,797	16% (20-4)	41,248		
				019508	2010-11 (06.05.10)	Lubricant	-	3,48,584	16% (20-4)	55,773		
8.	A.C.(A) C.T. Kichha	M/s Nidhi Gramodyog Kichha	2006-07	070708	2009-10 (09.03.10)	Core	-	4,38,070	8.5% (12.5-4)	37,236	30,720	-do-
				070709	2009-10 (09.03.10)	Core	-	4,77,743	8.5% (12.5-4)	40,608	33,502	-do-
				070710	2009-10 (09.03.10)	Core	-	4,78,252	8.5% (12.5-4)	40,651	33,537	-do-
				070711	2009-10 (09.03.10)	Core	-	4,65,591	8.5% (12.5-4)	39,575	32,649	-do-
				070712	2009-10 (09.03.10)	Core	-	4,92,116	8.5% (12.5-4)	41,830	34,510	-do-
				070598	2009-10 (06.02.10)	Core Veneer	-	1,01,774	8.5% (12.5-4)	8,651	7,137	-do-
			2007-08	069104	2010-11 (21.09.10)	Core	-	4,81,716	8.5% (12.5-4)	40,946	27,639	-do-
				069105	2010-11 (21.09.10)	Core	-	4,48,516	8.5% (12.5-4)	38,124	25,734	-do-
				069106	2010-11 (21.09.10)	Core	-	4,58,272	8.5% (12.5-4)	38,953	26,293	-do-
				069107	2010-11 (21.09.10)	Core	-	4,55,833	8.5% (12.5-4)	38,746	26,154	Form issued beyond time limit.
				069108	2010-11 (21.09.10)	Core	-	4,99,771	8.5% (12.5-4)	42,481	28,675	-do-
				069109	2010-11 (21.09.10)	Core	-	4,71,528	8.5% (12.5-4)	40,080	27,054	-do-
				069110	2010-11 (21.09.10)	Core	-	4,14,742	8.5% (12.5-4)	35,253	23,796	-do-

Sl. No.	Name of Unit	Name of dealer	Assessment Year (Period for which issued)	Form-XI No.	Year & Date of issue from Depart-ment	Description of goods	Value of goods (with Tax) (₹)	Value of goods (without Tax) (₹)	Difference Tax Rate	Differential Tax Amount (₹)	Interest (Upto 31.03.12) (₹)	Remarks
9.	A.C.(A) Sector-II Rishikesh	M/s Ganga Packaging, Haridwar Road, Rishikesh	2008-09	004229	2007-08 (22.11.07)	Corrugated Box	-	4,91,017	1% (4-3)	4,910	2,578	-do-
				004230	2007-08 (22.11.07)	Corrugated Box	-	89,743	1% (4-3)	897	471	-do-
					2007-08 (22.11.07)	Corrugated Box	-	3,87,579	2% (4-2)	7,752	4,070	-do-
				004231	2007-08 (22.11.07)	Corrugated Box	-	4,98,236	2% (4-2)	9,965	5,232	-do-
				004232	2007-08 (22.11.07)	Corrugated Box	-	4,80,580	2% (4-2)	9,612	5,046	-do-
				004233	2007-08 (22.11.07)	Corrugated Box	-	4,82,134	2% (4-2)	9,642	5,062	-do-
				004234	2007-08 (22.11.07)	Corrugated Box	-	4,56,143	2% (4-2)	9,123	4,790	-do-
				004235	2007-08 (22.11.07)	Corrugated Box	-	4,95,784	2% (4-2)	9,916	5,206	-do-
				004239	2007-08 (22.11.07)	Corrugated Box	-	4,30,091	2% (4-2)	8,602	4,516	-do-
				004240	2007-08 (22.11.07)	Corrugated Box	-	4,51,962	2% (4-2)	9,039	4,745	-do-
Total								4,87,60,413		38,56,798	24,75,744	

Appendix 4.1

(Reference: paragraph 4.1.1 and 4.1.6, page 163 and 167)

Updated summarised financial results of Government Companies and Statutory Corporations for which accounts were finalised

(Figures in column 5 (a) to (6) and (8) to (10) are *₹ in crore*)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turn-over	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit /Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies													(5b+5d)	11/10
AGRICULTURE & ALLIED														
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	2010-11	2011-12	4.28	1.08	0.70	2.50	105.76	Non Review	4.08	8.43	50.50	3.58	7.09%
Sector Wise total				4.28	1.08	0.70	2.50	105.76		4.08	8.43	50.50	3.58	**7.09%**
FINANCE														
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited)	1993-94	2012-13	0.10	0.03	-	0.07	0.54	(-)0.39	0.50	(-) 0.63	1.09	0.10	9.17%
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)	1986-87	2002-03	(-) 0.02	-	-	(-) 0.02	0.10	-	0.50	(-) 0.04	0.46	(-) 0.02	-
4.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	2003-04	2011-12	0.19	0.34	0.04	(-) 0.19	-		3.91	(-) 0.04	27.10	0.15	0.55%
Sector Wise total				**0.27**	**0.37**	**0.04**	**(-) 0.14**	**0.64**	**(-)0.39**	**4.91**	**(-) 0.71**	**28.65**	**0.23**	**0.80%**
INFRASTRUCTURE														
5.	State Industrial Development Corporation of Uttarakhand Limited	2009-10	2011-12	34.06	0.48	0.20	33.38	8.13	(-) 0.92	28.50	205.15	242.15	33.86	13.98
6.	Uttarakhand State Infrastructure Development Corporation Limited[4]	2009-10	2012-13	(-) 1.65	-	0.04	(-) 1.69	1.17	(-) 0.01	3.00	(-) 2.36	0.61	(-) 1.69	-
Sector Wise total				**32.41**	**0.48**	**0.24**	**31.69**	**9.30**	**(-) 0.93**	**31.50**	**202.79**	**242.76**	**32.17**	**13.25%**

[1] 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.

[2] 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).

[3] Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

[4] The Company was incorporated in March 2008 and had not submitted its first accounts.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit /Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING														
7.	Trans cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam limited)	1999-2000	2002-03	(-) 0.84	-	-	(-) 0.84	2.80	-	1.63	(-) 5.80	2.90	(-) 0.84	-
8.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	1996-97	1997-98	(-) 1.19	-	-	(-) 1.19	0.29	-	0.35	(-) 6.95	0.35	(-) 1.19	-
9.	Uttarakhand Chay Vikas Nigam Limited Formerly Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	2000-01	2008-09	0.01	-	-	0.01	0.05	0.72	3.25	(-) 0.14	8.25	0.01	0.12%
10.	Uttar Pradesh Hill Electronics Corporation Limited	1997-98	2011-12	(-) 0.29	-	0.02	(-) 0.31	1.61	(-)4.42	8.95	(-) 1.17	4.99	(-) 0.31	-
11.	Kichha Sugar Company Limited	2010-11	2011-12	(-) 4.30	9.17	0.32	(-) 13.79	49.25	Non-review	17.99	(-) 59.18	77.69	(-) 4.62	
12.	Doiwala Sugar Company Limited	2010-11	2011-12	(-) 4.22	11.72	0.27	(-) 16.21	48.40	Non-review	6.00	(-) 94.89	40.03	(-) 4.49	
Sector Wise total				**(-) 10.83**	**20.89**	**0.61**	**(-) 32.33**	**102.40**	**(-)3.70**	**38.17**	**(-) 168.13**	**134.21**	**(-)11.44**	
POWER														
13.	Uttarakhand Power Corporation Limited	2009-10	2011-12	(-) 357.46	76.60	93.42	(-) 527.48	1935.75	(-) 77.95	5.00	(-) 1743.76	1758.40	(-) 450.88	-
14.	Uttarakhand Jal Vidhyut Nigam Limited	2010-11	2012-13	237.83	150.33	70.27	17.23	531.68	(-) 15.96	624.18	169.51	2995.34	167.56	5.59%
15.	Power Transmission Corporation of Uttarakhand Limited	2010-11	2012-13	40.64	30.57	19.57	(-) 9.50	101.74	(-) 6.40	177.09	(-) 96.86	821.63	21.07	2.56%
Sector Wise total				**(-) 78.99**	**257.50**	**183.26**	**(-) 519.75**	**2569.17**	**(-)100.31**	**806.27**	**(-) 1671.11**	**5575.37**	**(-)262.25**	
SERVICES														
16.	Kumaon Mandal Vikas Nigam Limited	2002-03	2010-11	2.31	1.05	0.30	0.96	105.67	(-) 0.04	13.42	0.07	29.50	2.01	6.81%
17.	Garhwal Mandal Vikas Nigam Limited	2000-01	2010-11	4.22	1.71	1.51	1.00	61.64	(-) 0.04	5.76	(-) 7.75	(-)30.13	2.71	-
	Sector Wise total			6.53	2.76	1.81	1.96	167.31	(-) 0.08	19.18	(-)7.68	(-) 0.63	4.72	

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MISCELLANEOUS														
18.	Uttarakhand Purv Sainik Kalyan Udham Limited	2009-10	2011-12	5.66	-	0.09	5.57	77.20	Non Review	0.05	19.08	19.97	5.57	27.89%
Sector Wise total				**5.66**		**0.09**	**5.57**	**77.20**		**0.05**	**19.08**	**19.97**	**5.57**	**27.89%**
Total A (All sector wise-working Government companies)		-		**(-)40.67**	**283.08**	**186.75**	**(-) 510.50**	**3031.78**	**(-) 105.41**	**904.16**	**(-) 1617.33**	**6050.83**	**(-) 227.42**	
B. Working Statutory corporations														
INFRASTRUCTURE														
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2010-11	2012-13	(-)31.19	5.56	0.83	(-) 37.58	38.01	(-) 24.11	2253.82	(-) 51.35	1675.74	(-) 32.03	-
Sector Wise total				**(-)31.19**	**5.56**	**0.83**	**(-) 37.58**	**38.01**	**(-) 24.11**	**2253.82**	**(-) 51.35**	**1675.74**	(-) 32.03	-
SERVICE														
2.	Uttarakhand Parivahan Nigam	2008-09	2010-11	0.10	-	14.77	(-) 14.67	188.81	(-) 0.56	79.74	(-) 237.22	(-) 35.14	(-) 14.67	-
Sector Wise total				**0.10**	-	**14.77**	**(-) 14.67**	**188.81**	**(-) 0.56**	**79.74**	**(-) 237.22**	**(-) 35.14**	**(-) 14.67**	-
Total B (All sector wise- working Statutory corporations)				**(-)31.09**	**5.56**	**15.60**	**(-) 52.25**	**226.82**	**(-) 24.67**	**2333.56**	**(-) 288.57**	**1640.60**	**(-) 46.70**	-
Grand Total (A+B)				**(-)71.76**	**288.64**	**202.35**	**(-)562.75**	**3258.60**	**(-)130.08**	**3237.72**	**(-)1905.90**	**7691.43**	**(-) 274.12**	

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
C. Non working Government companies														
AGRICULTURE & ALLIED														
1.	UPAI Limited[5]	1988-89	1999-2000	(-) 0.01	-	-	(-) 0.01	-	-	0.17	(-) 0.05	0.10	(-) 0.01	-
	Sector Wise total			**(-) 0.01**	-	-	**(-) 0.01**	-	-	**0.17**	**(-) 0.05**	**0.10**	**(-) 0.01**	-
MANUFACTURE														
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	1989-90	1990-91	(-) 0.02	-	-	(-) 0.02	-	-	0.18	(-) 0.02	0.12	(-) 0.02	-
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Prades h Hill Electronics Corporation Limited)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector Wise total				**(-) 0.02**			**(-) 0.02**			**0.18**	**(-) 0.02**	**0.12**	**(-) 0.02**	
Total C (All sector wise-working Government companies)				**(-) 0.03**			**(-) 0.03**			**0.35**	**(-) 0.07**	**0.22**	**(-) 0.03**	
Grant Total (A+B+C)				**(-)71.79**	**288.64**	**202.35**	**(-)562.78**	**3258.60**	**(-)130.08**	**3238.07**	**(-) 1905.97**	**7691.65**	**(-) 274.15**	

[5] Company under liquidation since 31.03.1991

Appendix 4.2

(Reference: paragraph 4.1.3, page 164)

Statement showing particulars of update paid-up-capital, loans outstanding and manpower as on 31 March 2012 in respect of Government Companies and Statutory Corporations

(Figures in column 5 (a) to 6 (d) are ₹ *in crore*)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid –up Capital[6]				Loans[7] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.[8]	Agriculture	February 1969	1.70	0.84	3.77	6.31	7.00	-	-	7.00	1.11:1 (1.35:1)	536
Sector Wise total				**1.70**	**0.84**	**3.77**	**6.31**	**7.00**	-	-	**7.00**	**1.11:1**	**536**
FINANCE													
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidary of Garhwal Mandal Vikas Nigam Limited)	Hill development	June 1974	0.20	-	0.30	0.50	1.17	0.04	1.64	2.85	5.7:1 (5.3:1)	21
3.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidaryof Kumaon Mandal Vikas Nigam Limited)	Hill Development	June 1975	0.22	-	0.28	0.50	-	-	-	-	-	NIL
4.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	Social Welfare	October 2001	13.12	3.88	-	17.00	-	-	-	-	- (0.12:1)	83
Sector Wise total				**13.54**	**3.88**	**0.58**	**18.00**	**1.17**	**0.04**	**1.64**	**2.85**	**0.16:1**	**104**
INFRASTRUCTURE													
5.	State Industrial Development Corporation of Uttarakhand Limited	Finance	July 2002	26.00	-	2.50	28.50	6.00	-	-	6.00	0.21:1 (0.21:1)	18
6.	Uttarakhand State Infrastructure Development Corporation Limited	Finance	March 2008	4.00	-	-	4.00	2.00	-	-	2.00	0.50:1 (0.67:1)	51
Sector Wise total				**30.00**	-	**2.50**	**32.50**	**8.00**	-	-	**8.00**	**0.25:1**	**69**

[6] Paid – up capital includes share application money

[7] Loans outstanding at the close of 2010-11 represent long term loans only.

[8] Above includes Section 619-B companies at Sr. No. 01

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital				Loans outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (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)	Hill Development	November 1973	-	-	1.63	1.63	2.75			2.75	1.69:1 (1.69:1)	-
8.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	Hill Development	March 1978	-	-	0.35	0.35	-	-	-	-	- (20.80:1)	78
9.	Uttarakhand Chay Vikas Nigam Limited Formerly Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	January 1974	-	-	3.25	3.25	-	-	-	-	-	-
10.	Uttar Pradesh Hill Electronics Corporation Limited	Hill Development	June 1985	8.95	-	-	8.95	-	-	-	-	-	105
11.	Kichha Sugar Company Limited	Sugar & Cane Development	February 1972	17.54	-	0.45	17.99	33.77	-	-	33.77	1.88:1 (2.06:1)	569
12.	Doiwala Sugar Company Limited	Sugar & Cane Development	December 2001	6.00	-	-	6.00	52.42	-	3.15	55.57	9.26:1 (8.54:1)	638
Sector Wise total				**32.49**	-	**5.68**	**38.17**	**88.94**	-	**3.15**	**92.09**	**2.41:1**	**1390**
POWER													
13.	Uttarakhand Power Corporation Limited	Urja	February 2001	577.00	-	-	577.00	509.72	311.28	127.10	948.10	1.64:1 (1.11:1)	4087
14.	Uttarakhand Jal Vidhyut Nigam Limited	Urja	February 2001	805.46	-	-	805.46	188.99	2.80	909.89	1101.68	1.37:1 (1.48:1)	2365
15.	Power Transmission Corporation of Uttarakhand Limited	Urja	May 2004	227.41	-	-	227.41	109.16		403.50	512.66	2.25:1 (2.62:1)	973
Sector Wise total				**1609.87**	-	- -	**1609.87**	**807.87**	**314.08**	**1440.49**	**2562.44**	**1.59:1**	**7425**
SERVICES													
16.	Kumaon Mandal Vikas Nigam Limited	Hill Development	March 1971	13.42	-	-	13.42	41.39	-	-	41.39	3.08:1	1027

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incor-poration	Paid –up Capital$				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of em-ployees)
				State Gov-ern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6©	6(d)	(7)	(8)
17.	Garhwal Mandal Vikas Nigam Limited	Hill Devel-opment	March 1976	6.80	-	-	6.80	42.19	-	-	42.19	6.20:1 (0.63:1)	720
Sector Wise total				**20.22**	**-**	**-**	**20.22**	**83.58**	**-**	**-**	**83.58**	**4.13:1**	**1747**
MISCELLANEOUS													
18.	Uttarakhand Purv Sainik Kalyan Udham Limited	Sainik Kalyan	March 2004	1.00	-	-	1.00	-	-	-	-	-	-
Sector Wise total				**1.00**	**-**	**-**	**1.00**	**-**	**-**	**-**	**-**	**-**	**-**
Total A (All sector wise- working Government companies)				**1708.82**	**4.72**	**12.53**	**1726.07**	**996.56**	**314.12**	**1445.28**	**2755.96**	**1.60:1**	**11271**
B. Working Statutory corporations													
INFRASTRUCTURE													
1.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	Peya Jal	November 2002	2031.85	-	-	2031.85	-	-	1.64	1.64	0.001:1	2878
Sector Wise total				**2031.85**	**-**	**-**	**2031.85**	**-**	**-**	**1.64**	**1.64**		**2878**
SERVICE													
2.	Uttarakhand Parivahan Nigam	Transport	October 2003	70.50	9.24	-	79.74	125.52	-	-	125.52	1.57:1 (1.57:1)	4180
Sector Wise total				**70.50**	**9.24**	**-**	**79.74**	**125.52**	**-**	**-**	**125.52**	**1.57:1**	**4180**
Total B (All sector wise- working Statutory corporations)				**2102.35**	**9.24**	**-**	**2111.59**	**125.52**	**-**	**1.64**	**127.16**	**0.06:1**	**7058**
Grand Total (A+B)				**3811.17**	**13.96**	**12.53**	**3837.66**	**1122.08**	**314.12**	**1446.92**	**2883.12**	**0.75:1**	**18329**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	UPAI Limited	Agriculture	April 1977	0.15	-	0.02	0.17	-	-	-	-	-	-
Sector Wise total				**0.15**	**-**	**0.02**	**0.17**	**-**	**-**	**-**	**-**	**-**	**-**

MANUFACTURING													
Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of in-corporation	Paid -up Capital				Loans outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of em-ployees)
				State Gov-ern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Hill Division	April 1987	-	-	0.18	0.18	-	-	-	-	-	
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Hill Division	July 1987	-	-	0.03	0.03	-	-	-	-	-	-
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation limited)	Hill Division	July 1989	-	-	-	-	-	-	-	-	-	-
Sector Wise total				-	-	**0.21**	**0.21**	-	-	-	-	-	-
Total C (all sector wise non working Government Companies				**0.15**	-	**0.23**	**0.38**	-	-	-	-	-	-
Grand Total (A +B+C)				**3811.32**	**13.96**	**12.76**	**3838.04**	**1122.08**	**314.12**	**1446.92**	**2883.12**	**0.75:1**	**18329**

Appendix 4.3

(Reference: paragraph 4.1.4, page 165)

Statement showing equity, loans received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(Figures in column 3 (a) to 6(d) are ₹ *in crore*)

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[9]		Waiver of dues the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A. Working Government Companies													
1.	Uttarakhand Seed & Tarai Development Corporation Ltd.	-	-	-	2.54	8.81	11.35	-	-	-	-	-	-
2.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	1.22	1.35	-	4.84	-	4.84	1.35	12.49	-	-	-	-
3.	State Industrial Development Corporation of Uttarakhand Limited	-	-	59.62	-	-	59.62	-	-	-	-	-	-
4.	Uttarakhand Power Corporation Limited	-	299.16	-	0.14	-	0.14		250.00	-	-	-	-
5.	Uttarakhand Jal Vidhyut Nigam Limited	3.67	53.08	-	-	-	-		846.91	-	-	-	-
6.	Power Transmission Corporation of Uttarakhand Limited	38.11	-	-	-	-	-		0.95	-	-	-	-
7.	Uttarakhand State Infrastructure Development Corporation Limited[10]	1	-	-	-	-	-		-	-	-	-	-
8.	Doiwala Sugar Company Limited	-	4.32	-	0.28	-	0.28						
9.	Kichha Sugar Mills	-	-	-	-	-	-		0.55	-	-	-	-
Total (working government companies)		**44.00**	**357.91**	**59.62**	**7.80**	**8.81**	**76.23**	**1.35**	**1110.90**				
B. Working of Statutory Corporation													
1.	Uttarakhand Transport Corporation	-	**100.11**	-	-	-	-	-	-	-	-	-	-
Total (A+B)		**44.00**	**458.02**	**59.62**	**7.80**	**8.81**	**76.23**	**1.35**	**1110.90**	-	-	-	-

9 Figures indicate total guarantees outstanding at the end of the year

10 LThe Company was incorporated in March 2008 and had not submitted its first accounts.

Appendix 4.4

(Reference: paragraph 4.1.7, page 171)

Statement showing the investment made by the State Government in Companies whose accounts are not finalised upto 30 September 2012

(Figures in column 4 and 6 to 8 are ₹ *in crore*)

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of Accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrear			
					Equity	Loan	Grant	Others to be specified (Subsidy)
1	2	3	4	5	6	7	8	
A. Working Government Companies								
1.	Uttarakhand Seeds & Tarai Development Corporation Limited	2010-11	4.08	2011-12	-	-	-	11.35
2.	Uttarakhand Bahudeshia Vitta Evam Vikas Nigam Limited	2003-04	3.91	2004-05	2.29	-	-	
				2005-06	0.76	-	-	
				2006-07	4.22	-	-	
				2007-08	1.22	-	-	
				2008-09	-	-	0.09	
				2009-10	0.05	-	0.29	
				2010-11	-	-	7.45	
				2011-12	1.22	1.35	3.36	1.48
3.	State Industrial Development Corporation of Uttarakhand Limited	2009-10	28.50	2010-11	-	-	10.22	-
				2011-12	-	-	-	59.62
4.	Uttarakhand State Infrastructure Development Corporation Limited	2009-10	3.00	2010-11	-	2.00	-	
				2011-12	1.00	-		
5.	Doiwala Sugar Company Limited	2010-11	6.00	2011-12	-	4.32	-	0.28
6.	Uttarakhand Power Corporation Limited	2009-10	5.00	2010-11	572.00	162.42	-	-
				2011-12	-	299.16	0.14	-
7.	Uttarakhand Jal Vidhyut Nigam Limited	2010-11	624.17	2011-12	3.67	53.08	-	-
8	Power Transmission Corporation of Uttarakhand Limited	2010-11	177.09	2011-12	38.11	-	-	-
Total – A (Working Government companies)			**851.67**		**624.54**	**522.33**	**21.55**	**72.73**

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of Accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrear			
					Equity	Loan	Grant	Others to be specified (Subsidy)
1	2	3	4	5	6	7	8	
B. Working Statutory Corporation				**Loan used during 2011-12**				
Uttarakhand Transport Corporation		**2008-09**	**79.74**	**2009-10**	-	-	-	-
				2010-11	-	-	-	-
				2011-12	-	**100.11**	-	-

Appendix 4.5

(Reference: paragraph: 4.2.8.2; page 186)

Statement showing Transmission Capacity at EHT level during 2007-08 to 2011-12

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of SSs							
1	At the beginning of the year	30	32	32	33	34	30
2	Additions planned for the year	-	-	-	-	-	-
3	Added during the year	2	-	1	1	1	5
4	Total SSs at the end of the year (1+3)	32	32	33	34	35	35
B. Transformers capacity (MVA)							
1	Capacity at the beginning of the year	4390.50	4550.50	4550.50	4590.50	4630.50	4390.50
2	Additions/ augmentation planned for the year	-	-	-	-	-	-
3	Capacity added during the year	160	-	40	40	360	600.00
4	Capacity at the end of the year (1+3)	4550.50	4550.50	4590.50	4630.50	4990.50	4990.50
C.Transmission lines (Ckm)							
1	At the beginning of the year	1894	1992.8	1992.8	2168.5	2268.5	1894
2	Additions planned for the year	-	-	-	-	-	-
3	Added during the year	98.80	-	175.70	100	50.70	425.20
4	Total lines at the end of the year (1+3)	1992.8	1992.8	2168.5	2268.5	2319.2	2319.20

(Source: Information compiled from the data available with the Company)

Appendix 4.6

(Reference: paragraph: 4.2.8.2; page 186)

Statement showing voltage-wise capacity additions planned, actual additions and shortfall during five years up to 2011-12

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)
400 Kv SSs (Numbers)						
1	At the beginning of the year	2	2	2	2	2
2	Additions Planned for the year	-	-	-	-	-
3	Actual Additions during the year	-	-	-	-	-
4	At the end of the year (1+3)	2	2	2	2	2
5	Shortfall in Additions (2-3)					
400 Kv Transformers Capacity (MVA)						
1	At the beginning of the year	1110	1110	1110	1110	1110
2	Additions/ augmentation Planned for the year	-	-	-	-	-
3	Actual Additions during the year	-	-	-	-	-
4	Capacity at the end of the year (1+3)	1110	1110	1110	1110	1110
5	Shortfall in Additions/ Augmentation (2-3)	-	-	-	-	-
400 Kv Lines (Ckm)						
1	At the beginning of the year	172	172	172	172	172
2	Additions Planned for the year	-	-	-	-	-
3	Actual Additions during the year	-	-	-	-	-
4	At the end of the year (1+3)	172	172	172	172	172
5	Shortfall in Additions (2-3)	-	-	-	-	-
220 Kv SSs (Numbers)						
1	At the beginning of the year	6	6	6	6	6
2	Additions Planned for the year	-	-	-	-	-
3	Actual Additions during the year	-	-	-	-	1
4	At the end of the year (1+3)	6	6	6	6	7
5	Shortfall in Additions (2-3)					
220 Kv Transformers Capacity (MVA)						
1	At the beginning of the year	1730	1730	1730	1730	1730
2	Additions/ augmentation Planned for the year	-	-	-	-	-
3	Actual Additions during the year	-	-	-	-	200
4	Capacity at the end of the year (1+3)	1730	1730	1730	1730	1930
5	Shortfall in Additions/ Augmentation (2-3)	-	-	-	-	-
220 Kv Lines (Ckm)						
1	At the beginning of the year	545	545	545	659	759
2	Additions Planned for the year	-	-	-	-	-
3	Actual Additions during the year	-	-	114	100	38
4	At the end of the year (1+3)	545	545	659	759	797
5	Shortfall in Additions (2-3)					

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)
132 Kv SSs (Numbers)						
1	At the beginning of the year	**22**	**24**	**24**	**25**	**26**
2	Additions Planned for the year	-	-	-	-	-
3	Actual Additions during the year	**2**	-	**1**	**1**	-
4	At the end of the year (1+3)	**24**	**24**	**25**	**26**	**26**
5	Shortfall in Additions (2-3)					
132 Kv Transformers Capacity (MVA)						
1	At the beginning of the year	**1550.50**	**1710.50**	**1710.50**	**1750.50**	**1790.50**
2	Additions/ augmentation Planned for the year	-	-	-	-	-
3	Actual Additions during the year	**160**	-	**40**	**40**	**160**
4	Capacity at the end of the year (1+3)	**1710.50**	**1710.50**	**1750.50**	**1790.50**	**1950.50**
5	Shortfall in Additions/ Augmentation (2-3)					
132 Kv Lines (Ckm)						
1	At the beginning of the year	**1177**	**1275.8**	**1275.8**	**1337.5**	**1350.2**
2	Additions Planned for the year	-	-	-	-	-
3	Actual Additions during the year	**98.80**	-	**61.70**	**12.70**	-
4	At the end of the year (1+3)	**1275.80**	**1275.80**	**1337.50**	**1350.20**	**1350.20**
5	Shortfall in Additions (2-3)					

Appendix 4.7

(Reference: paragraph: 4.2.9.1; page 188)

Statement showing details of delay in execution of transmission lines during 2007-12

(₹ in crore)

Capacity in KV	Name of Lines	Scheduled date of completion	Actual date of completion (Time overrun)	Awarded cost	Actual cost (Cost overrun)	Reason for time and cost overrun
220	Maneri Bhali II Rishikesh (80.40 Ckm)	November 2005	April 2009 (40 months)	17.12	52.65 (35.53)	The Company started the process of forest case late and took long time in meeting the prescribed requirement for getting the forest clearance.
220	DC Ghuttu-Ghansali (2x19.38 Ckm)	January 2010	October 2011 (20 months)	18.77	20.48 (1.71)	The tower for this line was designed by the Company and required type test, due to unavailability of testing bed, type test were delayed. During first testing, tower failed and its design was modified and re-testing was carried out. Right of Way (ROW) problems and non-cutting of trees in the gallery of line route resulted in hampering the process and work got delayed.
220	Ghansali-Chamba (35 Ckm)	August 2008	September 2009 (11 months)	20.73	17.87	Extra time taken by the Company to fulfill the procedure required for obtaining forest clearance and providing clear ROW to the contractor.
132	Satpuli-Kotdwar (46.70 Ckm)	May 2009	January 2010 (eight months)	16.04	49.91 (33.87)	Extra time taken by the Company to fulfill the procedure required for obtaining forest clearance and felling of trees in the forest gallery.

Appendix 4.8

(Reference: paragraph: 4.2.9.4; page 191)

Statement showing the Uttarakhand Integrated Transmission Project (UITP) scheme of the Company

Generation Scheme	Transmission Work	Ckm/ Capacity	Estimated Cost as per 4th Qtr. 2004		Estimated Cost as per 2nd Qtr. 2009	Target
			In M US $	₹ In Cr.		
(I) YAMUNA BASIN						
Arakot (72 MW) Tuni Plasu (42 MW) Hanol Tuni (45 MW) Mori Hanol (63 MW) Jakhol Sankri (33 MW) Natwar Mori (33 MW) Vyasi (120 MW) Lakhwar (300 MW)	220 kv D.C Mori-Nogaon- Khodri Line	2x100	18.60	80.00	175.00	2010-11
	220 kv D.C Arakot Tuni-Mori Line	2x40	7.45	32.00	50.00	2010-11
	LILO of 220 Kv Arakot Tuni – Mori Line at Tuni - Plasu	2x2	0.37	1.60	2.50	2010-11
	LILO of 220 Kv Arakot Tuni – Mori Line at Hanol - Tuni	2x3	0.56	2.40	3.75	2010-11
	LILO of 220 Kv Arakot Tuni – Mori Line at Mori - Hanol	2x2	0.37	1.60	2.50	2010-11
	220 Kv DC Jakhol Sankri-Mori (220 Kv) Line	2x30	5.58	24.00	37.50	2010-11
	LILO of 220 Kv Jakhol Sankri-Mori (220 Kv at Naitwar-Mori	2x8	1.47	6.40	10.00	2010-11
	LILO of 220 Kv Lakhwar-khodri line at Vyasi.	2x5	0.93	4.00	6.25	2010-11
	LILO of 220 Kv Mori-Khodri line at Nogaon	2x5	0.93	4.00	6.25	2010-11
	220 Kv Mori SS	2x50 Mva	13.95	60.00	150.00	2009-10
	220 Kv Substaion Nogaon	2x50 Mva	13.95	60.00	150.00	2011-12
Total (708 MW)		**200 Mva**	**64.16**	**276.00**	**593.75**	
(II) BHAGIRATHI BASIN						
Loharinagpala (600 MW) Pala Maneri (480 MW) Kotibehl I-A (195 MW) Kotibehl I-B (320 MW) Kotibehl St-II (530 MW) Bhilangana I (22.5 MW) Bhailangana II (49 MW) Bhilangana III (24 MW)	400 Kv DC lahorinagpala-Koteshwar line & LILO of Loharinagpala – Koteshwar line at Pala-Maneri	2x92	40.00	184	464.25	2010-11
	220 Kv DC line from 400 Kv SS Roorkee (PGCIL)-220 Kv SS, Roorkee	2x15	2.79	12.00	18.75	2011-12
	220 Kv DC kotlibhel St. II-Roorkee line	2x90	25.12	108.00	247.50	2011-12
	220 Kv DC Kotlibhel 1B-Kotlibhel II line & LILO of this line at Kotlibhel II	2x34.5	6.51	28.00	60.38	2011-12
	220 Kv DC Bhilangana III-Ghansali line	2x15	2.79	12.00	18.75	2007-08
	LILO of 220 Kv DC Bhilangana III Ghansali Line at Bhilangana II	2x1	0.17	0.74	1.25	2007-08
	220 Kv Ghansali-Chamba line	2x50	9.30	40.00	40.00	2007-08
	220 Kv Ghansali SS	2x50 Mva	0.23	50.00	6.25	2008-09
	220 Kv Bay at Chamba	1	11.63	1.00	87.50	2008-09
Total (2220.5 MW)			**98.54**	**435.74**	**944.63**	

(III) ALAKNANDA BASIN						
Lata tapovan (171 MW)	400 Kv DC Vishnugad-Kuwari Pass (Pipalkoti) Line	20	9.30	40.00	75.00	2010-11
	LILO of400 Kv DC Vishnugad-Kuwari Pass (Pipalkoti) Line at Vishnugad Pipalkoti	3	1.40	6.00	11.25	2011-12
Badrinath (140 MW)	LILO of 400 Kv Vishnuprayag-Muzzaffarnagar Line at Kuwari Pass	5	2.33	10.00	23.75	2011-12
Vishnugad (520 MW)	400 Kv DC Kuwari Pass (Pipalkoti)-Karanprayag line	45	20.93	90.00	213.75	2010-11
	400 Kv DC Srinagar 400 Kv SS Srinagar Power House(HEP)	6	2.79	12.00	22.50	2010-11
Pipalkoti (444 MW)	220 Kv DC Tapovan-Joshimath line	21	4.19	16.80	26.25	2010-11
Bhawala	LILO of220 Kv Tapovan-Joshimath line at Badrinath	62	11.63	50.00	77.50	2010-11
Nandprayg (132MW)	220 Kv DC Joshimath-Kuwaripass (Pipalkoti) line	30	8.37	36.00	82.50	2010-11
	220 Kv DC Devsari-karanprayag Line	26	4.56	20.80	32.50	2010-11
Nandprayag	LILO of 220 Kv Nandprayag-karaprayag line	20	3.72	16.00	25.00	2010-11
Langrasu (141 MW)	LILO of 220 Kv Nandprayag-karaprayag line at Langrasu	8	1.51	6.40	10.00	2010-11
Devsari	400 Kv DC karanprayag-Srinagar Line	70	32.56	140.00	332.50	2011-12
(300 MW)	220 Kv DC Baramwari-Srinagar Line	70	13.02	56.00	87.50	2010-11
	400 Kv DC Srinagar-Kashipur line	140	40.93	200.00	525.00	2011-12
Singoli Bhatwari (60 MW)	LILO of 400 Kv (I Ckt.) kuwari pass (pipalkoti)-Srinagar line at karanprayag	10	4.65	20.00	37.50	2011-12
Gaurikund (19 MW)	LILO of 400 Kv (II Ckt.) kuwari pass (pipalkoti)-Srinagar line at karanprayag	16	7.44	32.00	60.00	2011-12
Phatabyung	LILO of 220 Kv Baramwari-Srinagar line at Singoli Bhatwari	10	1.86	8.00	12.50	2010-11
(11 MW)	132 Kv DC Gaurikund-Baramwari line	30	4.65	20.00	37.50	2010-11
	LILO of 132 Kv Gaurikund-Baramwari line at Phatabyung	5	0.70	3.00	6.25	2010-11
	400 Kv SS Karanprayag	2x240 Mva	34.65	125.00	350.00	2011-12
	400 Kv SS, Kuwaripass(Pipalkoti)	2x240 Mva	29.07	125.00	312.50	2010-11
	400 Kv SS Srinagar	2x240 Mva	18.60	80.00	250.00	2010-11
	400 Kv Srinagar Bay at 400 Kv SS kashipur	1	0.93	4.00	12.50	2010-11
	220 Kv SS Baramwari	2x50 Mva	13.95	60.00	150.00	2009-10
	220 Kv bays at Srinagar	2	0.47	2.00	12.50	2010-11
Total (1938 MW)			**274.21**	**1179.00**	**2786.25**	
(IV) SHARDA BASIN						
Khasiabara	220 Kv Madkot-khasiabara line	12	2.33	10.00	15.00	2010-11
(260 MW)	400 Kv DC Urthing Sobla-Pithoragarh	105	34.42	148.00	393.75	2011-12
Urthingsobla	LILO (220 Kv) of 400 Kv Urthing Sobla – Pithoragarh line at Dharichulla	10	4.65	20.00	37.50	2011-12
(280 MW)	400 Kv Khasiabara-pithoragarh line	95	40.93	164.00	356.25	2010-11
	220 Kv DC pithoragarh (PGCIL)-Almora	80	14.88	64.00	100.00	2010-11
	220 Kv Madkot SS	2x25 Mva	11.63	50.00	125.00	2010-11
	220 Kv SS, Dharchulla	2x50 Mva	11.63	50.00	150.00	2010-11
	220 Kv SS , Almora	2x100 Mva	11.63	50.00	87.50	2010-11
Total (540 MW)			**132.10**	**556.00**	**1265.00**	
Grand Total			**569.01**	**2446.74**	**5589.63**	

Appendix 4.9

(Reference: paragraph 4.2.13.3; page 205)

Statement showing Transmission losses during the period 2007-08 to 2011-12

Particulars	Unit	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
Power received for transmission	MUs	7400.60	10033.37	11449.90	11449.90	12299.00
Net power transmitted	MUs	7300.37	9846.52	11235.15	11235.15	12069.84
Actual Transmission loss	MUs	100.23	186.84	214.75	214.75	229.15
	percentage	1.35	1.86	1.82	1.88	1.86
Target Transmission loss as per the CEA norm	percentage	5	5	5	5	5
Target Transmission loss as per UERC norms	percentage	2	2	2	2	2
Transmission loss in excess of UERC norm (Valued at realization per unit as at para 1.9 row 4).	MUs	-	-	-	-	-
	Rate per unit in ₹	-	-	-	-	-
	₹ in crore	-	-	-	-	-

(Source: Information compiled from the data available with the Company)

Glossary of Abbreviations

Sl. No.	Abbreviation	Expanded Form
1.	AC	Audit Committee
2.	ADB	Asian Development Bank
3.	ALDCs	Area Load Dispatch Centers
4.	ARR	Aggregate Revenue Requirement/Annual Revenue Requirement
5.	BBPP	Bus Bar Protection Panel
6.	BDI	Backing Down Instructions
7.	BOD	Board of Directors
8.	BHEL	Bharat Heavy Electrical Limited
9.	CB	Circuit Breaker
10.	CEA	Central Electricity Authority
11.	CERC	Central Electricity Regulatory Commission
12.	CKM	Circuit Kilo Meter
13.	CT	Current transformers
14.	CTI	Code of Technical Interface
15.	CTU	Central Transmission Utility
16.	CVC	Central Vigilance Commission
17.	DC	Double Circuit
18.	DG Set	Diesel Generating Set
19.	DGA	Dissolved Gas Analysis
20.	DM	Disaster Management
21.	DPRs	Detail Project Reports
22.	EHT	Extra High Tension
23.	GIS	Gas Insulated Substation
24.	GoI	Government of India
25.	GoU	Government of Uttarakhand
26.	GT	Generation to Transmission
27.	HLT	Hot line technique
28.	HT	High Tension
29.	Hz	Hertz (Frequency)
30.	Kv	Kilo volt
31.	LC	letter of credit
32.	LILO	Loop in Loop out
33.	MA	Mobilization Advance
34.	MD	Managing Director
35.	MIS	Management Information System
36.	MoP	Ministry of Power
37.	MOU	Memorandum of Understanding

38.	MRI	Meter Reading Instrument
39.	MTPC	Manual of Transmission Planning Criteria
40.	MU	Million Unit
41.	Mva	Mega Volt Am pier
42.	MW	Mega Watt
43.	NEP	National Electricity Policy
44.	NTPC	National Thermal Power Corporation
45.	O &M	Operation & Maintenance
46.	OLTC	On Load Tap Changer
47.	PFC	Power Finance Corporation
48.	PFR	Project Financial Reports
49.	PGCIL	Power Grid Corporation of India Ltd.
50.	PTCUL	Power Transmission Corporation of Uttarakhand Limited (Company)
51.	QA/QC	Quality Assurance/Quality Control
52.	REA	Regional Energy Accounts
53.	RLDC	Regional Load Dispatch Centre
54.	ROW	Right of way
55.	RPC	Regional Power Committee
56.	RTUs	Remote Terminal Units
57.	SC	Single Circuit
58.	SEP	State Electricity Plan
59.	SLDC	State Load Dispatch Centre
60.	SMSs	Sub-station Management Systems
61.	SSs	sub-stations
62.	STU	State Transmission Utility
63.	T&D	Transmission & Distribution
64.	TD	Transmission to Distribution
65.	THDC	Tehri Hydro Development Corporation Limited
66.	TLL	Thermal Loading Limit
67.	UERC	Uttarakhand Electricity Regulatory Commission
68.	UITP	Uttarakhand Integrated Transmission Project
69.	UPCL	Uttarakhand Power Corporation Limited.

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Printed at Shiva Offset Press, Dehradun Ph. 0135-2715748