Presented to Legislative Assembly
on 5-1-2005

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2004

GOVERNMENT OF UTTARANCHAL

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APPENDICES

PREFACE

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

2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2004.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Irrigation Department, audit of autonomous bodies and departmentally run commercial undertakings.

4. The Report also contains the observations arising out of audit of statutory corporations, boards and Government companies and the observations on Revenue Receipts.

5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2003-04 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 2003-04 have also been included, wherever necessary.

OVERVIEW

This Report includes two chapters containing audit observations based on the Finance and Appropriation Accounts of the Government of Uttaranchal for the year ended 31 March, 2004 and five other chapters containing one review as a long para and 23 paragraphs based on the audit of selected programmes and the financial transactions of the State Government. The draft audit paragraphs and the draft audit review are sent to the Secretaries concerned to the State Government by the Accountant General with the request to furnish replies within eight weeks. The Secretaries are also reminded by the Accountant General for replies. However, despite such efforts, no response was received from the Secretaries concerned to the State Government. A synopsis of findings contained in the review and the more important paragraphs is presented in this Overview.

FINANCES OF THE STATE GOVERNMENT

- The revenue deficit of the State was Rs.760 crore during 2003-2004. The revenue deficit accounted for about 54 *per cent* of the fiscal deficit. The fiscal deficit of the State was Rs.1,405 crore during 2003-2004. The deficit during 2003-04 was financed by net proceeds of borrowings (Rs.1,887crore).

- Revenue expenditure accounted for 89 *per cent* of the total expenditure. Out of this, 76 *per cent* was utilized on Non-plan expenditure. The expenditure on General Services, Economic Services and Social Services was 33, 23 and 39 *per cent* of revenue expenditure respectively. 14 *per cent* of the revenue expenditure was utilized for interest payments.

- The Government had invested Rs.17 crore in statutory corporations, rural banks, joint stock companies and co-operatives as on 31 March 2004. However, the return on investments were only Rs.0.04 crore which was less than one *per cent* of the total investment.

[Paragraphs 1.3 to 1.9]

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Broadly, the following results emerge from Appropriation Audit:

- There was an overall saving of Rs.1,316.05 crore as a result of excess of Rs.499.53 crore in grants/appropriations partly offset by savings of Rs.1,815.58 crore.

- Excess expenditure amounting to Rs.443.27 crore in four voted grants and Rs. 56.26 crore in nine appropriations during 2003-04, was required to be regularised under Article 205 of the Constitution of India.

- In 21 out of 28 grants the expenditure fell short by more than Rupees one crore each and also by more than 10 *per cent* of the total provision in each case.

[Paragraphs 2.1 to 2.3]

PERFORMANCE REVIEW/LONG PARAGRAPH

- The Joint Forest Management Programme under the Uttaranchal Forestry Project, funded by World Bank, could not achieve sustainability even after spending Rs. 40.16 crore due to lack of income generation.

[Paragraph 3.1]

- Delay in preparation of microplans and delay in formation of VFCs resulted non-utilisation of funds amounting to Rs. 19.40 crore.

[Paragraph 3.2]

INFRUCTUOUS/WASTEFUL EXPENDITURE AND OVER PAYMENT

- Expenditure of Rs. 78.72 lakh on providing drinking water to the inhabitants of nine villages of Ranikhet Tehsil in Almora district proved unproductive due to non-achievement of the objectives.

[Paragraph 4.1]

- Expenditure of Rs. 36.58 lakh on construction of hostel for SC/ST students at Nainital proved infructuous as the hostel remained unutilized.

[Paragraph 4.2]

AVOIDABLE/EXCESS/UNFRUITFUL EXPENDITURE

- TB Clinic constructed at the cost of Rs. 32.57 lakh was lying unutilized due to wrong selection of site.

[Paragraph 4.3]

- Expenditure of Rs. 52.79 lakh on construction of roads was unfruitful as the roads were lying incomplete due to non-transfer of forest land.

[Paragraph 4.4]

- Non-adherence to the provisions of the Forest Conservation Act, resulted in an avoidable expenditure of Rs. 60.10 lakh.

[Paragraph 4.6]

- A swimming pool constructed at a cost of Rs. 69.89 lakh at Kashipur remained unutilised due to non-appointment of staff.

[Paragraph 4.8]

IDLE INVESTMENT/IDLE ESTABLISHMENT/BLOCKING OF FUNDS

- Rs. 1.64 crore collected for compensatory afforestation were not utilized.

[Paragraph 4.9]

- Inordinate delay in construction of hospital at Bilkeshwar, Hardwar and posting of staff resulted in failure to achieve the intended objective.

[Paragraph 4.10]

- Non-completion of stadium at Udhamsingh Nagar resulted in idle investment of Rs. 62.14 lakh.

[Paragraph 4.11]

REGULATORY ISSUES AND OTHER POINTS

- Lackadaisical approach of the Department resulted in unauthorised possession of 16.163 acres of forest land by the Ministry of Defence as well as non-recovery of forest dues of Rs 10.08 crore.

[Paragraph 4.12]

- Non-recovery of centage charges from UHECL for Maneri-Bhali Hydro Electric Project, Joshiayara, Uttarkashi resulted in a loss of Rs. 5.25 crore.

[Paragraph 4.13]

- Undue benefit of Rs. 2.12 crore was given to a contractor due to non levy of interest on mobilisation advance on account of a lacuna in the supplementary agreement.

[Paragraph 4.14]

- Expenditure of Rs. 5.01 crore was incurred without sanction and ignoring the priorities set by the State Government.

[Paragraph 4.15]

INTERNAL CONTROL SYSTEM IN IRRIGATION DEPARTMENT

- Incorrect entry of the issue rate of galvanised iron wire in the agreement led to the loss of Rs. 39.15 lakh on stock.

[Paragraph 5.3.5]

- The Internal Controls *viz*. budgetary, expenditure, system and operational controls and monitoring mechanism were inadequate and ineffective in the Irrigation Department. Basic budget estimation procedures, maintenance of cash book and other finance and accounting procedures as laid down in the codes and manuals were not adhered to. The department failed to observe system and operational internal control procedures, thereby increasing the risk of misappropriation and fraud taking place and remaining unnoticed.

[Paragraph 5.9]

NON-IMPOSITION/SHORT LEVY/NON-LEVY OF TAX RECEIPTS

- Non-levy of licence fee on foreign liquor licensees by the District Excise Officers, Hardwar and Rudraprayag resulted loss of revenue amounting to Rs. 26.50 lakh.

[Paragraph 6.2]

- Loss of revenue Rs. 27.47 lakh due to incorrect exemption of tax.

[Paragraph 6.3]

- Non-impositions/levy of additional tax resulted in loss of revenue of Rs. 4.15 lakh.

[Paragraph 6.4 & 6.5]

- Non-tapping the channels resulted in non-extraction of 15,391 quintals of resin valuing Rs. 3.64 crore.

[Paragraph 6.6]

MISCELLANEOUS POINTS OF COMMERCIAL ACTIVITIES

Doiwala Sugar Company

- The Company although carrying out the seasonal work of manufacturing sugar obtained connection under higher tariff which resulted in an avoidable extra expenditure of Rs. 25.42 lakh on account of energy charges paid under the category of continuous process instead of non-continuous process industries.

[Paragraph 7.2]

Uttaranchal Power Corporation

- The Electricity Distribution Division, Kashipur of Uttaranchal Power Corporation released electricity connection to a consumer without obtaining complete address and did not take action against the defaulter consumers as per rules applicable. This resulted in non-realisation of dues amounting to Rs. 1.46 crore.

[Paragraph 7.3]

CHAPTER - I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government for the period from 1 April 2003 to 31 March 2004. It is based on an analysis of information contained in the Finance Accounts relating to receipts and expenditure, the quality of expenditure and the financial management of the State Government in the last three years. In addition, the chapter also contains a section on the indicators of financial performance of the Government, using certain ratios and indices developed from information contained in the Finance Accounts and furnished by the State Government. Some of the terms used in this chapter are described in the *Annexures* to this chapter.

1.2 Financial position of the State

While it is not possible to generate a Balance Sheet of the State from its Annual Accounts, the summary of balances capture its aggregate financial liabilities and cumulative Capital Outlays or the assets created out of the expenditure incurred by the Government. This is also indicative of the assets back up for its financial obligations and an outcome of its fiscal operations to date. *Exhibit I* gives an abstract of such liabilities and the assets of the State of the Uttaranchal as on 31 March 2004, compared with the corresponding position as on 31 March 2003. While the liabilities in this statement consist mainly of market borrowings, loans and advances from the Government of India, net accruals from the Public Account and Reserve Funds, the assets comprise mainly capital outlays, loans and advances given by the State Government and the cash balances.

EXHIBIT-I

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF UTTARANCHAL AS ON 31 MARCH 2004

(Rupees in crore)

As on 31 March 2003		Liabilities	As on 31 March 2004	
	3,346.88	**Internal Debt**		6,121.21
1,870.14		Market Loans bearing interest	3,235.96	
0.39		Market Loans not bearing interest	0.39	
1.50		Loans from LIC	1.50	
140.14		Loans from other Institutions	762.81	
1,304.02		Special Securities issued to NSS fund	2,089.86	
30.69		Ways and Means Advances from RBI	30.69	
	1,253.92	**Loans and Advances from Central Government**		366.22
41.80		Pre 1984-85 Loans	34.67	
70.29		Non-plan Loans	58.01	
1,114.06		Loans for State Plan Schemes	243.94	
0.10		Loans for Central Plan Schemes	0.09	
14.79		Loans for Centrally Sponsored Plan Schemes	16.63	
12.88		Ways and Means Advances from Central Government	12.88	
	742.65	**Small Savings, Provident Funds, etc.**		900.19
	459.48	**Deposits**		602.65
		Remittances		
		Suspense and Miscellaneous Balances		
	200.09	**Reserve Funds**		250.09
	14.86	**Contingency Funds**		50.35
	6,017.89	**Total**		8,290.71
		Assets		
	696.38	**Gross Capital Outlay on Fixed Assets**		1,229.69
27.87		Investments in shares of Companies, Corporations etc.	40.21	
668.51		Other Capital Outlays	1,189.48	
	177.19	**Loans and advances**		289.74
9.72		Loans for Special Area Programmes	9.65	
167.47		Other Development Loans	280.09	
		Contingency Fund		
	563.17	**Suspense & Miscellaneous Balances**		1,521.67
	191.32	**Remittance**		205.77
	375.83	**Cash**		215.35
0.01		Cash in Treasuries and Local Remittances	0.01	
(-)47.52		Deposits with Reserve Bank	(-)69.29	
(-)1.24		Departmental Cash Balances	(-)1.16	
(-)0.88		Permanent Advances	(-)0.88	
310.46		Cash Balance Investments	76.67	
115.00		Investment of Earmarked funds	210.00	
	4,014.00	**Deficit on Government Accounts**		4,828.49
458.38		Revenue Deficit of the Current Period	759.49	
3,555.62		Accumulated Deficit	4,014.00	
		Appropriation to Contingency Fund	55.00	
	6,017.89	**Total**		8,290.71

EXHIBIT-II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD FROM 1 APRIL 2003 TO 31 MARCH 2004

(Rupees in crore)

Receipts			Disbursements				
2002-2003		2003-2004	2002-2003		2003-2004		
					Non-plan	Plan	Total
Section-A: Revenue							
3,216.11	**I Revenue Receipts**	**3,600.08**	**3,674.49**	**I Revenue Expenditure**	**3,310.12**	**1,049.45**	**4,359.57**
1,016.90	Tax revenue	1,225.96	*1,186.75*	***General services***	***1,435.66***	***24.76***	***1,460.42***
374.85	Non-tax revenue	370.41	*1,468.24*	***Social Services***	***1,163.70***	***529.18***	***1,692.88***
374.11	State's share of Union taxes	435.03	945.79	Education, Sports, Art and Culture	*909.43*	*124.79*	*1,034.22*
70.75	Non-plan grants	121.62	158.36	Health and Family Welfare	141.46	32.20	173.66
1,296.69	Grants for State Plan Scheme	1,322.40	178.33	Water Supply, Sanitation, Housing and Urban Development	22.65	280.76	303.41
82.81	Grants for Central and Centrally sponsored Plan schemes	124.66	7.13	Information and Broadcasting	8.61	0.61	9.22
			38.05	Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes	29.44	11.16	40.60
			19.43	Labour and Labour Welfare	14.70	6.60	21.30
			116.63	Social Welfare and Nutrition	33.00	72.44	105.44
			4.52	Others	4.41	0.62	5.03
			950.35	***Economic Services***	***508.00***	***495.38***	***1,003.38***
			367.26	Agriculture and Allied Activities	242.69	205.85	448.54
			154.15	Rural Development	67.12	106.49	173.61
			-	Special Area Programmes	-	-	-
			143.36	Irrigation and Flood Control	133.19	7.45	140.64
			29.52	Industry and Minerals	7.88	16.33	24.21
			136.03	Energy	2.16	107.97	110.13
			52.72	Transport	40.45	2.42	42.87
			1.87	Science, Technology and Environment	6.65	0.34	6.99
			65.44	General Economic Services	7.86	48.53	56.39
			69.15	***Grants-in-aid contribution***	***202.76***	***0.13***	***202.89***
458.38	**II Revenue deficit carried over to Section B**	**759.49**		**II Revenue surplus carried over to Section B**			
3,674.49	**Total**	**4,359.57**	**3,674.49**	**Total**	**3,310.12**	**1,049.45**	**4,359.57**
Section-B: Capital							
(-) 6.31	**III Opening Cash balance including permanent advances and cash balance investment**	**375.83**		**III Opening Overdraft from RBI**			
	IV Miscellaneous capital receipts	**-**	**339.40**	**IV Capital Outlay**	**14.84**	**518.47**	**533.31**
			51.35	***General Services***	***26.44***	***31.44***	***57.88***
			65.05	***Social Services***	***2.34***	***121.24***	***123.58***
			223.00	***Economic Services***	***(-) 13.94***	***365.79***	***351.85***
			(-) 1.32	Agriculture and Allied Activities	(-)15.55	11.30	(-)4.25
			10.14	Other Rural Development Programmes	0.24	33.62	33.86
			26.00	Irrigation and Flood Control	0.27	78.03	78.30
			41.40	Industry and Minerals	-	29.59	29.59
			136.03	Transport	1.10	195.70	196.80
			-	Power Project	-	-	-
			10.75	General Economic Services	-	17.55	17.55

2002-2003	Receipts	2003-2004	2002-2003	Disbursements	2003-2004
3.21	**V Recoveries of Loans and Advances**	**22.93**	**95.88**	**V Loans and Advances disbursed**	**135.48**
2.85	From Government Servants	2.34	77.91	For Economic Services	4.99
0.36	From others	20.59	17.97	To others	130.49
	VI Revenue surplus brought down		**458.38**	**VI Revenue deficit**	**759.49**
1,833.65	**VII Public debt receipts**	**3,062.68**	**823.03**	**VII Repayment of public debt**	**1,176.05**
1,583.04	Internal debt other than Ways and Means Advances and Overdrafts	2,777.36	2.74	Internal debt other than Ways and Means Advances and Overdrafts	3.03
	Net transactions under Ways and Means Advances (RBI)		85.10	Net transactions under Ways and Means Advances	
250.61	Loans and Advances from Central Govt. other than Ways and Means Advances	285.32	735.19	Repayments of Loans and Advances to Central Government	1,173.02
	Ways and Means Advances (GOI)			Ways and Means Advances (GOI)	
	VIII Appropriation to Contingency Fund			**VIII Appropriation to Contingency Fund**	**55.00**
	IX Amount transferred to Contingency Fund	**55.00**	**0.75**	**IX Expenditure from Contingency Fund**	**19.52**
6,574.11	**X Public Accounts receipts**	**7,499.14**	**6,311.39**	**X Public Accounts disbursements**	**8,121.38**
301.62	Small Savings and Provident Funds	327.23	172.60	Small Savings and Provident Funds	169.69
50.08	Reserve Funds	50.00		Reserve Funds	
3,772.88	Suspense and Miscellaneous	3,551.11	3,804.28	Suspense and Miscellaneous	4,509.63
1,122.59	Remittances	1,673.34	1,186.40	Remittances	1,687.78
1,326.94	Deposits and Advances	1,897.46	1,148.11	Deposits and Advances	1,754.28
			375.83	**XI Cash Balance at end**	**215.35**
			0.01	Cash in Treasuries and Local Remittances	0.01
			(-)47.52	Deposits with Reserve Bank	(-)69.29
			(-)2.12	Departmental Cash Balances including Permanent Advances	(-)2.04
			310.46	Cash Balance Investments	76.67
			115.00	Investment of Earmarked funds	210.00
8,404.66	**Total**	**11,015.58**	**8,404.66**	**Total**	**11,015.58**

EXHIBIT-III

SOURCES AND APPLICATION OF FUNDS FOR THE PERIOD 1 APRIL 2003 TO 31 MARCH 2004

(Rupees in crore)

2002-2003	Sources	2003-2004
3,216.11	**1 Revenue Receipts**	**3,600.08**
3.21	**2 Recoveries of Loans and Advances**	**22.93**
1,010.60	**3 Increase in Public debt**	**1,886.63**
949.88	- Market Loans bearing interest	1,365.82
	- Market Loans not bearing interest	
	- Loans from LIC	
57.15	- Loans from other institutions	622.67
573.26	- Special Securities issued	785.84
(-)85.10	- Ways and Means advances from RBI	
(-)7.13	- Pre 1984-85 loans	(-) 7.13
(-)630.05	- Non-plan loans	(-) 12.28
151.26	- Loans for State Plan Schemes	(-) 870.12
	- Loans for Central Plan Schemes	(-) 0.01
1.33	- Loans for Centrally Sponsored Plan Schemes	1.84
	- Ways and Means Advances from GOI	
262.74	**4 Net receipts from Public account**	**(-) 622.24**
129.02	- Increase in Small Savings	157.54
178.84	- Increase in Deposits & Advances	143.18
50.08	- Increase in Reserve Funds	50.00
(-)31.40	- Net effect of Suspense and Miscellaneous transactions	(-) 958.52
(-)63.80	- Net effect of Remittance transactions	(-) 14.44
	5-Net effect in closing cash balance	**160.48**
(-)0.75	**6-Net effect of Contingency Transactions**	**35.48**
4,491.91	**Total**	**5,083.36**
	Application	
3,674.49	**1 Revenue expenditure**	**4,359.57**
95.88	**2 Lending for development and other purposes**	**135.48**
339.40	**3 Capital Expenditure**	**533.31**
	4 Appropriation to Contingency Fund	**55.00**
382.14	**5 Net effect in closing cash balance**	
4,491.91	**Total**	**5,083.36**

Explanatory Notes for Exhibits I, II and III :

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Deficits in government accounts do not include items payable or receivable or items like depreciation or variation in stock figures etc., as in commercial accounting.
3. There was a difference of (Dr) Rs. 39.94 crore, between the figure reflected in the account (-) Rs. 69.29 crore and that intimated by RBI Dr. Rs. 29.35 crore. The difference of Rs. 36.12 crore has been reconciled and the remaining difference of Rs. 3.82 crore is under reconciliation (February 2005.)

EXHIBIT-IV

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	2001-2002	2002-2003	2003-2004
Part A. Receipts			
I. Revenue Receipts	**2,608**	**3,216**	**3,600**
(i) Tax Revenue	*971 (37)*	*1,017(32)*	*1,226(34)*
Sales Tax/Trade Tax	486 (50)	549(54)	662(54)
State Excise	232 (24)	246(24)	273(22)
Taxes on vehicles	67 (7)	72(7)	86(7)
Stamps and Registration fees	89 (9)	123(12)	169(14)
Land Revenue	3 (1)	3(1)	13(1)
Other Taxes	94 (9)	24(2)	23(2)
(ii) Non-tax Revenue	*162 (6)*	*375(12)*	*370(10)*
(iii) State's share in union taxes	*151 (6)*	*374(12)*	*435(12)*
(iv) Grants in aid from GOI	*1,324 (51)*	*1,450(45)*	*1,569(44)*
2. Miscellaneous Capital Receipts			
3. Total Revenue and Non Debt Capital Receipts (1+2)	**2,608**	**3,216**	**3,600**
4. Recoveries of Loans and Advances	**4**	**3**	**23**
5. Public Debt Receipts	**775**	**1,834**	**3,063**
Internal Debt (Excluding Ways and Means Advances and Overdrafts)	567 (73)	1,583(86)	2,777(91)
Net Transactions under Ways and Means Advances and Overdraft	85 (11)		
Loans and Advances from Government of India	123 (16)	251(14)	286(9)
6. Total Receipts in the Consolidated Fund (3+4+5)	**3,387**	**5,053**	**6,686**
7. Contingency Fund Receipts	**30**		55
8. Public Account Receipts	**5,131**	**6,574**	**7,499**
9. Total Receipts of the State (6+7+8)	**8,548**	**11,627**	**14,240**
Part B. Expenditure			
10. Revenue Expenditure	**2,938 (93)**	**3,675(92)**	**4,360(89)**
Plan	*485 (17)*	*967(26)*	*1,050(24)*
Non-plan	*2,453 (83)*	*2,708(74)*	*3,310(76)*
General Services (including Interest payments)	1,062 (36)	1,187(32)	1,461(33)
Economic Services	692 (24)	951(26)	1,003(23)
Social Services	1,120 (38)	1,468(40)	1,693(39)
Grants- in- aid and contributions	64 (2)	69(2)	203(5)
11. Capital Expenditure	**208 (7)**	**339(8)**	**533(11)**
Plan	*101 (49)*	*129(38)*	*518(97)*
Non-plan	*107 (51)*	*210(62)*	*15(3)*
General Services	30 (14)	51(15)	58(11)
Economic Services	151 (73)	223(66)	352(66)
Social Services	27(13)	65(19)	123(23)
12. Disbursement of Loans and Advances	**78**	**96**	**135**
13. Total (10+11+12)	**3,224**	**4,110**	**5,028**
14. Repayments of Public Debt	**78**	**823**	**1176**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1 (1)	3(1)	3(1)
Net Transactions under Ways and Means advances and Overdraft		85(10)	
Loans and Advances from Government of India	77(99)	735(89)	1,173(99)
15. Appropriation to Contingency Fund	**30**		**55**
16. Total Disbursement out of Consolidated Fund (13+14+15)	**3,332**	**4,933**	**6,259**
17. Contingency Fund disbursements	**11**	**1**	**20**
18 Public Account disbursements	**5,480**	**6,311**	**8,121**
19. Total Disbursement by the State (16+17+18)	**8,823**	**11,245**	**14,400**

Part C. Deficit			
20. Revenue Deficit (1-10)	**330**	**459**	**760**
21. Fiscal Deficit (3+4-13)	**612**	**891**	**1405**
22. Primary Deficit (21-23)	**105**	**338**	**808**
Part D. Other data			
23. Interest Payments (included in revenue expenditure)	**507**	**553**	**597**
24. Arrears of Revenue (Percentage of tax & Non-tax Revenue Receipt)	NA	185	NA*
25. Financial Assistance to local bodies etc.	64	69	203
26. Ways and Means Advances and Overdrafts (days)	88	150	56
27. Interest on Ways and Means Advances/Overdraft	26	1	1
28. Gross State Domestic Product (GSDP) ♣	13,012	14,118	15,318
29. Outstanding Debt (year end)	4,634	6,003	8,240
30. Outstanding Guarantees (year end)	NA	1,930	2,669
31. Maximum amount Guaranteed (year end)	NIL	1,930	2,669
32. Number of incomplete projects	NA	94	492**
33. Capital blocked in incomplete projects	NA	737	1,517

1.3 Sources and applications of funds

1.3.1 *Exhibit III* gives the position of sources and applications of funds during the current and preceding years. The main sources of funds included revenue receipts of the Government, recoveries of loans and advances, incremental public debt and net receipts in the Public Account. These were applied mainly on meeting Revenue Expenditure (86.70 *per cent*) and Capital Expenditure (10.61 *per cent*). It would be seen that Revenue Receipts (Rs 3,600 crore), which constituted the most significant source of funds for the State Government, went up from 71.60 *per cent* of total receipts in 2002-2003 to 73.66 *per cent* in 2003-2004.

1.3.2 The funds were mainly applied for Revenue Expenditure (Rs.4,360 crore) which was higher than the Revenue Receipts (Rs.3,600 crore). This led to a Revenue Deficit of Rs 760 crore. Revenue Expenditure constituted 86.70 *per cent* of the total expenditure of State Government. There was also an increase of Rs.685.08 crore (19 *per cent*) in Revenue Expenditure over that of 2002-2003. Capital Expenditure went up from 8.26 *per cent* to 10.61 *per cent* and lending for development purposes also increased from 2.33 *per cent* in 2002-2003 to Rs. 2.69 *per cent* in 2003-2004.

* Information is wanting from State Government.

♣ GSDP figures for 2001-2002 differ from those in previous year's due to actual figures intimated by the Director of Economics and Statistics Uttaranchal, Dehradun. Figures for 2002-2003 and 2003-2004 are estimates based on the GSDP for the year 2001-2002 and national growth rate of 8.5 *per cent* as per Central Statistical Organisation.

** Number of incomplete projects also includes 123 works started in the month of January to March 2004 which are in progress.

1.4 Financial operations of the State Government

1.4.1 *Exhibit II* gives the details of the receipts and disbursements for the year 2003-2004. Revenue receipts (Rs.3,600 crore) increased by Rs. 384 crore from those (Rs. 3,216 crore) for 2002-2003. It comprised Tax Revenue (Rs. 1,226 crore), Non-tax Revenue (Rs. 370 crore), State's Share of Union Taxes and Duties (Rs. 435 crore) and Grants-in-aid from the Central Government (Rs.1,569 crore). The main sources of Tax Revenue were Sales Tax (54 *per cent*) and State Excise (22 *per cent*). The Non-tax Revenue came mainly from Economic Services (73 *per cent*).

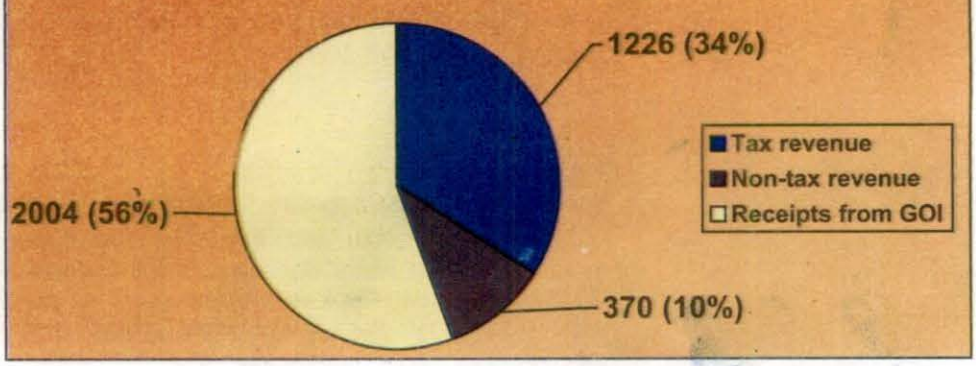
1.4.2 Capital Receipts included Rs. 7,499 crore from Public Account, Rs.3,063 crore from Public Debt and Rs. 23 crore from recoveries of loans as shown in *Exhibit IV*. Against this, expenditures of Rs. 533 crore on Capital Outlay, Rs.135 crore on disbursement of Loans and Advances, Rs.1,176 crore on repayment of Public Debt and Rs. 8,121 crore on the disbursement of Public Accounts were made. The net effect of transactions in the Consolidated Fund, Contingency Fund and Public Account was a decrease in the Cash Balance of the State Government from Rs. 375.83 crore to Rs. 215.35 crore on the last day of the year *(Exhibit I)*.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in *Exhibit II* and data on State Government Finances for the three years period from 2001 -2002 to 2002-2003 and 2003-04 presented in *Exhibit IV*.

1.5 Revenue Receipts

The Revenue Receipts consisted mainly of its own tax and Non-tax Revenue and receipts from the Government of India (GOI). The receipts from Govt. of India were in the forms of assignment of the proceeds from Union taxes and Grants-in aid. Their relative shares during 2003-2004 are shown in Figure 1. Receipts from Government of India accounted for 56 *per cent* of total Revenue Receipts. The rate of growth of Revenue Receipts was 12 *per cent* during 2003-2004 over 2002-2003.

Figure - 1
Rupees in crore



1.5.1 Tax Revenue

Stamps and Registration Fees (Rs. 169 crore), State Excise (Rs. 273 crore) and Sales Tax/Trade Tax (Rs. 662 crore) constituted the major part of Tax Revenue. *Exhibit IV* shows that the relative contribution of Sales Tax had remained the same *i.e.* 54 *per cent* during 2002-2003 and 2003-2004. The share of Excise Duty (22 *per cent*) decreased by two *per cent* whereas Taxes on Vehicles at seven *per cent* remained the same as last year. The percentage share of Stamp and Registration Fees increased to 14 *per cent* in 2003-2004 from 12 *per cent* in 2002-2003.

1.5.2 Non-tax Revenue

Non-tax revenue (Rs. 370 crore) constituted 10 *per cent* of Revenue Receipts during 2003-2004. Receipts on account of Forestry and Wild Life were Rs.132 crore (36 *per cent*) and formed the main source of Non-tax Revenue.

1.5.3 State's share of Union taxes and duties and Grants-in-aid from the Central Government

The State's share of Union Taxes and Duties was Rs. 435 crore (12 *per cent* of total Revenue Receipt) during 2003-2004. Grant-in-aid and contributions from Government of India was Rs. 1,569 crore (44 *per cent*) during 2003-04 as compared to Rs. 1,450 crore (45 *per cent*) during 2002-03.

1.6 Revenue Expenditure

1.6.1 Revenue Expenditure accounted for most (89 *per cent*) of the total expenditure* of the State Government during the period. Non-plan Expenditure (76 *per cent*) formed the major share of Revenue Expenditure. The relative share of Plan Expenditure decreased by two *per cent* from 26 *per cent* in 2002-2003 to 24 *per cent* in 2003-2004.

1.6.2 Sector wise analysis shows that while expenditure on General Services was 33 *per cent* (Rs. 1,461 crore), expenditure on Economic Services, Social Services and Grants-in-aid and Contribution constituted 23 (Rs. 1,003 crore), 39 (Rs. 1,693 crore) and five (Rs. 203 crore) *per cent* of Revenue Expenditure respectively.

1.6.3 Interest Payments

The share of interest payments in Revenue Expenditure was 14 *per cent* (Rs.597 crore). This is further discussed in the section on financial indicators.

1.6.4 Loans and Advances by the State Government

The Government gives loans and advances to government companies, corporations, local bodies, autonomous bodies, cooperatives, non-government

* Represents Revenue and Capital Expenditure.

institutions, etc. for developmental and non-developmental activities. The position for the last three years was as under:

(Rupees in crore)

	2001-2002	2002-2003	2003-2004
Opening balance	9.71	84.52	177.19
Amount advanced during the year	78.32	95.88	135.48
Amount repaid during the year	3.51	3.21	22.93
Closing balance	84.52	177.19	289.74
Net addition	74.81	92.67	112.55
Interest received	-	0.12	15.18

It would be seen from the above that the amounts advanced during the year 2003-04 (Rs.135 crore) were substantially more than the amounts received in repayment (Rs. 23 crore). The closing balance at the end of the period was Rs. 290 crore.

1.7 Capital Expenditure

1.7.1 Capital Expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government *i.e.* Public Sector Undertakings (PSUs), Corporations, etc. Capital Expenditure during 2001-2002, 2002-2003 and 2003-2004 was merely seven *per cent,* eight *per cent and* eleven *per cent* respectively of the total expenditure. Capital Expenditure on Plan which was 38 *per cent* in 2002-2003 increased to 97 *per cent* in 2003-2004. Economic Services (66 *per cent*) formed the major part of Capital Expenditure.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order to regulatory functions and various developmental activities. Government expenditure is broadly classified into Plan and Non-plan, Revenue and Capital. While the Plan and Capital Expenditure are usually associated with asset creation, Non-plan and Revenue Expenditure are identified with expenditure on establishment, maintenance and services. Plan and Capital Expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds and funds blocked on incomplete projects impact negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered as a negative factor while judging the quality of expenditure. Another significant indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services. The following table lists out the trend in these indicators:

	2001-2002	2002-2003	2003-04
1. Plan Expenditure as percentage of			
(i) Revenue Expenditure	17	26	24
(ii) Capital Expenditure	49	38	97
2. Capital Expenditure (as a percentage of total expenditure*)	7	8	11
3. Expenditure on General services as percentage of			
(i) Revenue Expenditure	36	32	33
(ii) Capital Expenditure	14	15	11

It would be seen that the share of Plan Expenditure in Revenue Expenditure was 24 *per cent* during 2003-04, showing a decrease of two percentage points over the previous year. The share of Capital Expenditure in total expenditure was insignificant at eleven *per cent.*

1.9 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to expenditure management in the Government, based on the findings of test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government are also discussed in this section.

Ways and Means Advances and Overdraft

1.9.1 Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs. 0.16 crore. The balance fell short of the agreed minimum on 56 days despite recourse to Ways and Means Advances/Overdrafts, indicating a mismatch between the receipts and expenditure of the Government and reflecting poorly on the financial management in Government.

Government resorted to sizable amounts of Ways and Means Advance (Rs.329.24 crore) and shortfall including overdraft (Rs. 83.02 crore) during the year to maintain its Ways and Means position. The whole amount of Rs. 412.26 crore was repaid to RBI during the year leaving nil balance under the head.

Deficit

1.9.2 Deficits in Government account represent gaps between receipts and expenditure. The nature of the deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers to the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz. Revenue Deficit, Fiscal Deficit and Primary Deficit.

* Total expenditure represents total of Revenue and Capital Expenditure.

1.9.3 The Revenue Deficit is the excess of Revenue Expenditure over Revenue Receipts. Fiscal Deficit may be defined as the excess of Revenue and Capital Expenditure (including loans given) over the Revenue Receipts and non debt Capital Receipts (including Grants-in-aid received). Primary Deficit is Fiscal Deficit less interest payments.

The Deficit in the Government account is exhibited below:

(Rupees in crore)

CONSOLIDATED FUND				
Receipts	**Amount**		**Disbursements**	**Amount**
Revenue	3,600	**Revenue Deficit: 760**	Revenue	4,360
Misc. Capital Receipts			Capital	533
Recovery of Loans and Advances	23		Loan & Advances	135
Sub-Total	3,623	**Gross Fiscal Deficit: 1,405**	Sub-Total	5,028
Public Debt Receipt	3,063		Public Debt repayment	1,176
Total	**6,686**	**Surplus in CF : 482**		**6,204**
CONTINGENCY FUND				
Amount transferred to Contingency Fund			Expenditure from Contingency Fund	20
A-Overall Surplus in Consolidated and Contingency Fund 462				
PUBLIC ACCOUNT				
Small Savings, PF etc.	327		Small Savings, PF etc.	170
Deposits & Advances	1,897		Deposits & Advances	1,754
Reserve Funds	50		Reserve Funds	-
Suspense & Misc.	3,552		Suspense & Misc.	4,510
Remittances	1,673		Remittances	1,687
Total Public Account	**7,499**		**Total**	**8,121**
B- Deficit in Public Account 622				
Decrease in Cash Balance (A+B) : 160				

The table shows that while the Fiscal Deficit was Rs. 1,405 crore, financial liabilities of the state increased by Rs. 2,237 crore (comprising increase in public debt and increase in other obligations). These after meeting the fiscal deficit and resource needs as reflected by it, were used for meeting higher disbursements under suspense and miscellaneous heads.

The Revenue Deficit accounted for about 54 *per cent* of the Fiscal Deficit.

Application of borrowed funds (Fiscal Deficit)

1.9.4 The Fiscal Deficit generally represents the total demand for net borrowings of the Government. In the current year net incremental borrowings significantly exceeded the fiscal deficit because these were used for financing disbursement under suspense head. These borrowings are applied for meeting the Revenue Deficit (RD), for making Capital Expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because borrowings for revenue expenditure would not be sustainable. The following table shows the position for the years 2001-2002, 2002-2003 and 2003-2004 :

Ratio	2001-2002	2002-2003	2003-2004
RD/FD	0.54	0.52	0.54
CE/FD	0.34	0.38	0.38
Net Loans/FD	0.12	0.10	0.08
Total	**1.00**	**1.00**	**1.00**

Incomplete Projects

1.9.5 As on 31 March 2004, 492* projects were incomplete in which Rs. 1,517 crore were blocked. Lack of funds, tardy clearance of projects by competent authority and difficulties in acquisition of land were the main reasons for delay in completion of projects.

Financial results of irrigation projects

1.9.6 The financial results of 4 major irrigation schemes with capital outlay of Rs. 68.43 crore@ at the end of March 2004 showed that revenue realised from these during 2003-04 (Rs. 9.32 crore) was only 13.62 *per cent* of the capital outlay which was not sufficient to cover even the direct working expenses (Rs.19.25 crore). The schemes suffered a net loss of Rs. 9.93 crore.

Investment and returns

1.9.7 Investments are made to promote development, manufacturing, marketing and social sector activities. As on 31 March 2004, Government had invested Rs. 17 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Cooperatives. Government's return on this investment was meagre (less than one *per cent*) as indicated in the following table. Share of the State Government in the investment made in various PSU's, Government Companies etc. prior to the date of creation of the State *i.e.* 9 November 2000 has not been apportioned/decided so far.

(Rupees in crore)

	2001-2002	2002-2003	2003-2004
Investment (Cumulative)	5 (5)	12(17)	Nil (17&)
Returns	0.02	0.04	0.04
Rate of return (*per cent*)	0.4	0.3	0.2

1.10 Public Debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State, within

* Number of incomplete projects also includes 123 works started in the month of January to March 2004 which are in progress.

@ Capital outlay (Rs. 3,700.98 crore) at the end of 8.11.2000 is yet to be apportioned between states of Uttar Pradesh and Uttaranchal.

& Represents investments made by the State Government during 2001-2002 and 2002-2003.

such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government at the end of the years 2001-2002, 2002-2003 and 2003-2004 are given in the following table:

(Rupees in crore)

Year	Internal Debt	Loans and Advances from Central Government	Total Public Debt	Other liabilities	Total liabilities	Ratio of Debt to GSDP
2001-2002	1,851.69	1,738.51	3,590.20	1,044.29	4,634.49	0.36[℘]
2002-2003	3,346.88	1,253.92	4,600.80	1,402.23	6,003.03	0.43[℘]
2003-2004	6,121.21	366.22	6,487.43	1,752.93	8,240.36	0.53

At the end of year 2003-2004 the total liabilities of Government had grown by 37 *per cent* as compared to 2002-2003. This was on account of 83 *per cent* growth in Internal Debt and 25 *per cent* growth in other liabilities. However, loans and advances from Government of India decreased by 71 *per cent* at the year's end. The increase in the ratio of Debts to GSDP in an unhealthy trend.

1.10.2 The amount of funds raised through Public Debt, the amount of repayments and net funds available are given in the following table:

(Rupees in crore)

	2001-2002	2002-2003	2003-2004
Internal Debt			
- Receipt	1,896	2,635	3,190
- Repayments (principal + interest)	1,244	1,140	415
- Net funds available (*per cent*)	662 (34)	1,495(57)	2,775(87)
Loans & Advances from GOI			
- Receipts during the year	123	251	285
- Repayments (principal + interest)	77	735	1,173
- Net funds available	46(37)	(-)484	(-)888
Other liabilities[•]			
- Receipts during the year	1,488	1,679	2,275
- Repayments	1,041	1,321	1,924
- Net funds available (*per cent*)	447(30)	358(21)	351(15)
Total Receipts	3,507	4,565	5,750
Repayment (principal+interest)	2,362	3,196	3,512
Net funds available (*per cent*)	1,145(33)	1,369(30)	2,238(39)

(Figures in parenthesis represent the percentage)

It would be seen that 87 *per cent* of the borrowings under internal debt and 15 *per cent* of those under other liabilities were available for investment and other

[℘] Differs from previous years and figure due to adoption of actual figure of GSDP intimated by Director of Economics & Statistics for 2001-2002 Uttaranchal Dehradun. Figures for 2002-2003 and 2003-2004 changed due to estimation of GSDP based on the GSDP for the year 2001-2002.

[•] Other liabilities include small savings, provident funds, reserve funds and deposits etc.

expenditure after meeting repayment obligations. In respect of the borrowings from Government of India, no amount was available for investment and other expenditure after meeting repayment obligations.

Taking all the components together at the end of 2003-2004, 39 *per cent* of borrowings were available for investment and other expenditure after meeting repayment obligations. The availability of net funds increased by nine *per cent* in 2003-2004 as compared to 2002-2003.

Guarantees given by the State Government

1.10.3 Guarantees given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc. raised by the statutory corporations, government companies and co-operative institutions etc., and payment of interest and dividend by them constitute contingent liability of the state. No law under Article 293(1) of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State.

Amount of guarantees given during 2003-04 was Rs. 739 crore. Total amount guaranteed outstanding at the end of 31 March 2004 was Rs. 2,669 crore and was 74 *per cent* of revenue receipt.

1.11 Indicators of financial performance of the State Government

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing and also, Government's increased vulnerability in the process. State Governments increase the level of their activity principally through Five Year Plans, which are translated into Annual Development Plans and are provided for in the State Budget. Broadly, it can be stated that Non-plan Expenditure represents Government maintaining the existing level of activity, while Plan Expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, the financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) **Sustainability**–Sustainability is the degree to which a Government can maintain its existing programmes and meet existing credit requirements without increasing the debt burden.

(ii) **Flexibility**–Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) **Vulnerability**–Vulnerability is the degree to which a Government becomes dependent on and therefore, vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) **Transparency** – There is also the issue of financial information provided by the Government. This consists mainly of the Annual Financial Statement (Budget) and the Accounts. As regards the Budget, the important parameters are timely presentation, indicating the efficiency of the budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission and completeness of accounts would be the principal criteria.

1.11.2 Information available in the Finance Accounts can be used to work out sustainability, flexibility, and vulnerability that can be expressed in terms of certain indices/ratios. The list of such indices/ratios is given in the Annexure. *Exhibit V* given below indicates the behaviour of these indices/ratios over the period from 2001-2002 to 2003-2004 in respect of the State of Uttaranchal. The implications of these indices/ratios of the state on the financial health of the State Government are discussed in the following paragraphs:

Exhibit – V
Financial Indicators for Government of Uttaranchal

	2001-2002	2002-2003	2003-2004
Sustainability			
BCR (Rs. in crore)	(-)1,067	(-)821	(-)1,107
Primary Deficit (PD) (Rs. in crore)	105	338	808
Interest Ratio	0.08	0.17	0.16
Capital Outlay/Capital Receipts	0.72	0.26	0.17
Total Tax Receipts/GSDP	0.09*	0.10	0.11
State Tax Receipts/GSDP	0.07*	0.07	0.08
Return on Investment Ratio	0.004	0.003	0.002
Flexibility			
BCR (Rs. in crore)	(-)1,067	(-)821	(-)1,107
Capital Repayments / Capital Borrowings	0.11	0.40	0.38
State Tax Receipts/GSDP	0.07	0.07	0.08
Debt/GSDP	0.36	0.43	0.54
Vulnerability			
Revenue Deficit (RD) (Rs. In crore)	330	459	760
PD/FD	0.17	0.38	0.58
RD/FD	0.54	0.52	0.54
Outstanding Guarantees/Revenue Receipts	NA	0.60	0.74

Note: 1. Fiscal deficit has been calculated as: Revenue Expenditure + Capital Expenditure + Loans and Advances – Revenue Receipts – Non debt Capital Receipts.

* Figures changed due to adoption of GSDP figures intimated by the Director of Economics and Statistics.

2. In the ratio Capital Outlays *vs.* Capital Receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from Small Savings, Provident Fund etc., + Repayments received from loans advanced by the State Government – Loans advanced by State Government.

1.11.3 The behaviour of the indices/ratios is discussed below:

(i) Balance from Current Revenues (BCR)

BCR is defined as revenue receipts minus Plan assistance grants minus Non-plan Revenue Expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan Expenditure. *Exhibit V* shows that the State Government had negative BCR during the last three years suggesting that Government had to fully depend on borrowing to meet its Plan Expenditure.

(ii) Interest Ratio

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In Uttaranchal, the interest ratio was 0.16 *per cent* during 2003-2004, which was slightly lower than the ratio of 0.17 during 2002-2003 but twice as high as the ratio of 0.08 during 2001-2002.

(iii) Capital Outlay versus Capital Receipts

This ratio indicates to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipts is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. In case of Uttaranchal this ratio was 0.72 in 2001-2002 which decreased to 0.26 in 2002-2003 and to 0.17 in 2003-2004 indicating that a substantial part of the capital receipt was not available for investment.

(iv) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. High ROI suggests sustainability. *Exhibit. V* presents the returns on Government's investments in Statutory Corporations, Government Companies, joint Stock Companies and Co-operative Institutions. In Uttaranchal ROI[♣] was less than one *per cent* during previous three financial years *i.e.* 2001-2004.

(v) Capital Repayments versus Capital Borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment after repayment of capital. The lower the ratio, the

[♣] On Investment made by the State Government during 2001-02 and 2002-03.

higher would be the availability of capital for investment. In Uttaranchal this ratio was 0.11 during 2001-02 and increased to 0.40 in 2002-2003 but decreased to 0.38 in 2003-04.

(vi) *Revenue Deficit versus Fiscal Deficit*

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, a higher ratio indicates that the debt burden is increasing without adding to the repayment capacity of the State. In Uttaranchal the ratio further increased to 0.54 in 2003-2004 as compared to 0.52 in 2002-2003, indicating increased vulnerability.

(vii) *Primary Deficit versus Fiscal Deficit*

Primary deficit is the fiscal deficit minus interest payments. It represents non-interest borrowings of the Government on account of its current actions and programmes (interest payments are associated with past actions/programmes of the Government). Primary deficit is sustainable only when the economy grows at a rate higher than the rate of interest on borrowing. This not being the case, fiscal prudence would require aiming at zero primary deficit or primary surplus. In 2001-2002 primary deficit was Rs. 105 crore which was 0.17 (17 *per cent*) of the fiscal deficit and increased to Rs. 338 crore which was 0.38 (38 *per cent*) of the fiscal deficit in 2002-2003. The primary deficit further increased to Rs. 808 crore which was 0.58 (58 *per cent*) of the fiscal deficit in 2003-2004 which suggests that sustainability was adversely affected as the burden of interest payment continued to be substantial.

(viii) *Guarantees versus Revenue Receipts*

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should, therefore, be compared with the ability of the Government to pay *viz.*, its revenue receipts. Thus, the ratio of total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In Uttaranchal this ratio had increased to 0.74 in 2003-2004 from 0.60 in 2002-2003, indicating an increase in risk.

(ix) *State Tax Receipts and Debt versus GSDP*

Tax receipts consist of State Taxes and State's Share of Central Taxes and indicate sustainability. The ratio of tax receipts to GSDP has implications for flexibility as well. While a low ratio would imply that the Government tax more, and improve its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. In Uttaranchal the own tax - GSDP and over all tax - GSDP ratios were 0.08 and 0.11 respectively for the period 2003-2004 as compared to 0.07 and 0.10 in 2002-2003.

The GSDP is the total resource base of the State which can be used to service debt. An increasing ratio of debt/ GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore, increased risk for lenders. In Uttaranchal this ratio was 0.54 in 2003-2004 as compared to 0.43 in 2002-2003 and 0.36 in 2001-2002. Thus an increasing trend in this ratio shows a continuous reduction in the Government's ability to meet its debts obligation year by year.

(x) Accounts

There was no significant delay in the submission of accounts by the treasuries/departments during 2003-2004.

1.11.4 Conclusion

Apportionment of assets, cash balances and investments in government companies were yet to be made which constraints a complete analysis of state finances. However, during the year the Government had a negative BCR and a Revenue Deficit of Rs. 760 crore which indicated the need for fiscal consolidation through augmentation of receipts and better targeting of expenditure.

Annexure

Part-A: Government Accounts

I. Structure

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorization from the State Legislature. This part consists of two main divisions, namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part II: Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorization from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorized by the Legislature during the year was Rs. 85 crore.

Part III: Public Account

Receipts and disbursements in respect of Small Savings, Provident Funds, Deposits, Reserve Funds, Suspense, Remittances, etc. which do not form part of the Consolidated Fund, are accounted for in the Public Account and are not subject to vote by the State Legislature.

Form of Annual Accounts

The accounts of the State Government are prepared in two volumes *viz.*, the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government *vis*-a-*vis* the amounts authorized by the State Legislature in the Budget Grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part-B: List of Indices/Ratios and basis for their calculation

(Referred to in paragraph 1.11.2)

Indices/Ratios	Basis for calculation
Sustainability	
- Balance from the Current Revenues (BCR)	Revenue Receipts minus all Plan Grants (under Major Head 1601-02,03,04) and Non-plan Revenue Expenditure (excluding Major Head 2048)
- Primary Deficit	**Primary Deficit:** Fiscal Deficit minus Interest Payment
- Interest Ratio	**Interest Ratio:** $\frac{\text{Interest Payments minus Interest Receipts}}{\text{Revenue Receipts minus Interest Receipts}}$
- Capital Outlay *versus* Capital Receipts	**Capital Outlay:** Capital Expenditure as per Statement No.13 of the Finance Accounts **Capital Receipts :** Miscellaneous Capital Receipts Plus Internal Loans (net of Ways and Means Advances and Overdraft) + Loans and Advances from Government of India (net of Ways and Means Advances) + Net receipts from Small Savings, PF etc. + Repayments received of loans advanced by the State Government - Loans advanced by the State Government
- Total Tax Receipts *versus* Gross State Domestic Product (GSDP)	**Total Tax Receipts:** State Tax Receipts plus State's share of Union Taxes and Duties.
- State Tax Receipts *versus* GSDP	**State Tax Receipts** : Statement-11 of Finance Accounts
Flexibility	
- Balance from Current Revenues	As above.
- Capital Repayments *versus* Capital Borrowings	**Capital Repayments** : Disbursements under Major Head 6003 and 6004 minus repayments on account of Ways and Means Advances/Overdraft under both the Major Heads **Capital Borrowings** : Additions under Major Heads 6003 and 6004 minus addition on account of Ways and Means advances/Overdraft under both the Major Heads
- State Tax Receipts *versus* GSDP	**State Tax Receipts** : As above.
- Total Tax Receipts *versus* GSDP	**Total Tax Receipts** : As above.
- Debt *versus* GSDP	**Debt** : Borrowings and other obligation at the end of the year (Statement No. 4 of the Finance Accounts)
- Incomplete Projects	----

Indices/Ratios		Basis for calculation
Vulnerability		
- Revenue Deficit		Paragraph No. 1.9.3 of the Audit Report
- Fiscal Deficit		Paragraph No. 1.9.4 of the Audit Report
- Primary Deficit *versus* Fiscal Deficit	**Primary Deficit**	As above.
- Total Outstanding Guarantees, including Letters of Comfort *versus*	**Outstanding Guarantees:**	Exhibit IV
- Total Revenue Receipts of the Government	**Revenue Receipts**	Exhibit II
- Assets *versus* Liabilities	**Assets and Liabilities**	Exhibit I

CHAPTER-II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Summary of Appropriation Accounts-2003-2004

Total number of grants/ appropriations: 28

Total provision and expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original	8,090.58		
Supplementary	333.59		
Total Gross Provision	**8,424.17**	**Total Gross Expenditure**	**7,108.12**
Deduct-Estimated recoveries in reduction of expenditure	217.55	Deduct-Actual recoveries in reduction of expenditure	491.42
Total Net Provision	**8,206.62**	**Total Net Expenditure**	**6,616.70**

Voted and Charged provision and expenditure:

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	*Charged*	Voted	*Charged*
Revenue	4,963.33	*865.23*	3,702.53	*659.86*
Capital	1,061.95	*1,533.66*	1,156.08	*1,589.65*
Total Gross	**6,025.28**	***2,398.89***	**4,858.61**	***2,249.51***
Deduct- recoveries in reduction of expenditure	217.55		491.42	
Total Net	**5,807.73**	***2,398.89***	**4,367.19**	***2,249.51***

2.1 Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Act passed by the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Act includes the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government *vis-a-vis* those authorised by the Appropriation Act.

The objective of Appropriation Audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during the period 1 April 2003 to 31 March 2004 against 28 grants/appropriations is given below:

(Rupees in crore)

	Nature of expenditure	Original grants/ Appropriations	Supplementary grants/appropriation	Total Provision	Actual expenditure	Saving(-) Excess(+)
Voted	I-Revenue	4,810.53	152.80	4,963.33	3,702.53	(-)1,260.80
	II-Capital	649.85	86.35	736.20	1,020.60	(+)284.40
	III-Loans and Advances	238.91	86.84	325.75	135.48	(-) 190.27
Total Voted		**5,699.29**	**325.99**	**6,025.28**	**4,858.61**	**(-)1,166.67**
Charged	IV-Revenue	857.63	7.60	865.23	659.86	(-) 205.37
	V-Capital	1.50		1.50	1.33	(-)0.17
	VI-Public Debt	1,532.16		1,532.16	1,588.32	(+)56.16
Total Charged		**2,391.29**	**7.60**	**2,398.89**	**2,249.51**	**(-)149.38**
Grand Total		**8,090.58**	**333.59**	**8,424.17**	**7,108.12**	**(-) 1,316.05**

The total expenditure was understated at least to the extent of the following:

(i) Expenditure of Rs. 77.93 crore was incurred but had remained unaccounted for in the books of Accountant General (Uttaranchal) due to non receipt of vouchers from the treasuries during the period from 1 April 2003 to 31 March 2004 under various Major Heads.

(ii) Rs. 19.52 crore drawn under 12 Major Heads from the State Contingency Fund during 1 April 2003 to 31 March 2004 remained unrecouped at the end of the year.

2.3 Results of Appropriation Audit

The following results emerge broadly from Appropriation Audit:

2.3.1 There was an overall savings of Rs. 1,316.05 crore as a result of excess of Rs. 499.53 crore in grants/appropriations, partly offset by saving of Rs.1,815.58 crore. Substantial excesses/savings reflected upon the failure of the departments to assess their requirement of funds realistically as also the inadequacy of the monitoring system resulting in funds not being surrendered/supplementary provision not being made.

2.3.2 In 21 out of 28 grants the expenditure fell short by more than Rs. one crore and also by more than 10 *per cent* of the provision. Details are indicated in ***Appendix I***. This indicated that inflated demands for funds were placed by

Controlling Officers for inclusion in budget estimates and requirements of funds had not been assessed correctly.

Excess expenditure over provision relating to current and previous years requiring regularisation

2.3.3 As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over grant/appropriation regularized by the State Legislature. However, excess expenditure amounting to Rs. 443.27 crore in four voted Grants and Rs. 56.26 crore in nine appropriations during 2003-04, Rs. 1,843.46 crore during 2002-03 in 13 grants/appropriations, Rs.1,299.64 crore in four grants/appropriations during 2001-02 and Rs. 127.56 crore in 12 grants/appropriations during 2000-01 and was yet to be regularised. Details of excess expenditure during 2003-04 are given in ***Appendix II***.

Anticipated savings not surrendered

2.3.4 As per financial rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2003-2004, out of the savings of Rs. 1,330.54 crore, Rs. 463.69 crore only had been surrendered. Details of the savings of Rs. 866.85 crore which had not been surrendered are given in ***Appendix III***.

The explanation for savings as given above, had not been furnished by most of the departments concerned as of March 2005.

Persistent savings ranging from 10 to 61 *per cent* of the provision were noticed under Revenue Voted and 12 to 89 *per cent* under Capital Voted in the following grants as given below:

Sl.No.	Grant Number	Description of the Grants/Appropriation	Percentage of saving		
			2001-02	2002-03	2003-04
		Revenue Voted			
1	1	Legislative Assembly	69	34	24
2	4	Administration of Justice	26	49	33
3	5	Election	40	52	36
4	6	Revenue & General Administration	40	20	20
5	7	Finance, Taxes, Planning, Secretariat & General Services	77	50	26
6	11	Education Sports, Youth Welfare & Culture	13	10	14
7	12	Medical & Family Welfare	24	28	33
8	13	Water Supply, Housing & Urban Development	27	41	23
9	15	Welfare Schemes	34	44	33
10	16	Labour & Employment	41	39	30
11	18	Co-operation	43	38	14
12	19	Rural Development	50	29	53
13	21	Power	65	40	61
14	22	Public Works	14	20	25
15	23	Industry	39	23	30
16	24	Transport	81	64	19
17	26	Tourism	61	60	17

18	27	Forest	33	27	34
19	28	Animal Husbandry	40	28	10
		Capital Voted			
20	7	Finance, Taxes, Planning, Secretariat & General Services	87	87	71
21	11	Education Sports, Youth Welfare & Culture	34	20	22
22	12	Medical & Family Welfare	48	52	33
23	15	Welfare Schemes	73	70	15
24	18	Co-operation	48	36	12
25	21	Power	24	56	89
26	23	Industry	50	36	55

The Government needed to investigate the matter and initiate remedial action for persistent savings.

Trend of recoveries and credits

2.3.5 Under the system of gross budgeting followed by Government, the demands for grants are placed for gross expenditure and exclude all credits and recoveries, which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates. During the year 2003-04, such recoveries were anticipated at Rs.217.55 crore, while the actual recoveries were Rs. 491.42 crore *(Appendix IV)*.

Some of the important cases where there were wide variations from the estimates are detailed below:

(Rupees in crore)

Sl. No.	Grant number and name	Estimate of recoveries	Actual recoveries	Shortfalls (-) Excess (+)
1.	17-Agricultural Work and Research	7.55	5.52	(-)2.03
2.	20-Irrigation and Food Control	-	29.69	(+)29.69
3.	22-Public Works	-	46.35	(+)46.35
4.	25-Food	210.00	408.65	(+)198.65

Expenditure without provision

2.3.6 Budget Manual provides that for having control over expenditure, a Disbursing Officer, before incurring any expenditure must ensure that the conditions preliminary to the incurring of expenditure are satisfied, namely, the sanction of the competent authority exists and that the funds to cover the charge fully have been placed at his disposal. It was noticed that expenditure of Rs. 205.06 crore was incurred in 11 cases without the provision having been made in the original estimates/supplementary demands and no re-appropriation orders were issued. In case of Major Head of Account 2049 (Grant no.7) this amount was Rs. 147.81 crore which indicates gross violation of financial rules in incurring the expenditure *(Appendix V)*.

Surrenders more than the available savings inspite of overall excess

2.3.7 In the following cases, surrenders were more than the savings during 2003-04. In some cases surrenders were in spite of excess expenditure over grant. The surrender of funds in excess of the anticipated savings and even after excess expenditure indicated poor monitoring and control over expenditure by the controlling officers. The resultant excess would require regularization.

(Rupees in crore)

Number and Name of grants	Savings	Surrenders
Revenue Charged		
1-Legislative Assembly	0.31	0.34
Capital Voted		
4. Administration of Justice	20.20	22.23
10. Police and Jail	21.36	22.29
23. Industry	37.64	39.32
24. Transport	10.10	10.45
Revenue Voted		
4. Administration of Justice	12.36	13.93
5. Election	2.40	2.48
18. Co-operation	1.57	1.74
20. Irrigation and Flood Control	9.96	11.88
21. Power	174.78	178.49
26 Tourism	3.15	3.16

In Grant Nos. 17-Agricultural Work and Research, 20-Irrigation and Flood Control and 22-Public Works Capital Voted surrender of Rs. 1.44, Rs. 14.28 and Rs. 28.09 respectively were made inspite of overall excess expenditure.

Unwarranted drawal of Rs. 5.59 crore from State Contingency Fund

2.3.8 The Contingency Fund of the State of Uttaranchal was created with a corpus of Rs. 30 crore in the year 2003-2004. Advances from the fund were to be made only for meeting expenditure of an unforeseen and emergency character, the postponement of which till authorization by the Legislature would have been undesirable.

A sum of Rs. 5.59 crore had been drawn from the fund under 7 major heads without any immediate necessity or requirement as there were already substantial savings of Rs. 98.55 crore under these major heads as detailed below:

(Rupees in crore)

Major Head	Savings	Drawal from SCF
2013- Council of Ministers	0.60	0.08
2014- Administration of Justice	1.20	0.06
2203- Technical Education	2.40	0.75
2210- Medical and Public Health	75.40	0.65
4210- Capital Outlay on Medical and Public Health	15.92	1.85
4059- Capital Outlay on Public Works	1.33	0.86
4859-Capital Outlay on Telecommunication & Electronic Industries	1.70	1.34
Total	**98.55**	**5.59**

2.3.9 Supplementary provision of Rs. 172.93 crore obtained in 29 cases during 2003-04 proved entirely unnecessary since the savings in these grants/appropriations amounting to Rs. 1,135.43 crore were more than the supplementary provision as detailed in ***Appendix VI***.

CHAPTER - III

PERFORMANCE REVIEW/LONG PARAGRAPH

FOREST DEPARTMENT

Joint Forest Management Programme

The Joint Forest Management Programme under the Uttaranchal Forestry Project, funded by World Bank, could not achieve sustainability even after spending Rs. 40.16 crore due to lack of income generation.

3.1. Introduction

The National Forest Policy, 1988 emphasized involvement of village communities, living close to the forest, in protection and development of forests. A 'Joint Forest Management' (JFM) programme was accordingly formulated in 1997 by the State of Uttar Pradesh for protecting, developing and increasing productivity and sharing of products, responsibilities, control and decision making authority over forest lands between Forest Department (FD) and forest user groups[1], based on a formal agreement so as to support (i) sustainable forest management, and (ii) equitable distribution of forest products. The project was introduced from 1st February, 1998 as a sub-component of Uttar Pradesh/ Uttaranchal Forestry Project funded by the World Bank with stipulated date of completion as 31st July, 2003. JFM aimed at involving the entire village community, represented by a Village Forest Committee (VFC), in the preparation of microplans and their implementation through annual action plans.

Microplans are complete master plans enlisting all the activities needed for overall development of the respective villages. The overall cost of a micro plan was set at Rs. 8000 per ha of which 80 *per cent* was to be provided by the Forest Department and 20 *per cent* by the VFCs/Van Panchayats (VP). Rs. 660 per ha was to be paid by the Forest Department each year towards effective protection from fire, grazing, illicit felling etc. The Divisional Forest Officer (DFO) is responsible for approval of the microplans and also for the release of funds to the VFC or VP on the basis of an approved microplan and detailed annual plans. JFM funded only forestry related activities (components) of the microplans i.e. plantation and protection of forests. VFCs consisted of seven members, six elected by Forest User Group from among themselves including one chairman, two women members and a Forester/Forest guard nominated by forest division.

[1] Forest user Group: A forest user group is a group of villagers who have agreed to jointly work together in the management of forests under a JFM agreement between the user group and the FD based on a microplan develop jointly by the user group. The user group is represented by a Village Forest Committee (VFC) or a Van Panchayat (V.P.).

The project financially supported 1,217 VFCs covering 2,64,952.00 ha (2,06,166.32 ha forests and 58,785.68 ha village land) of forest area comprising reserved, panchayati, protected and other forests for a period of 5 years.

The audit findings are based on test check of records of nine[2] out of 35 forest divisions implementing the project for the period 1998-99 to 2003-04 (July 2003).

3.2. Audit Findings

3.2.1 Non-utilisation of funds amounting to Rs. 19.40 crore

Test check of the progress reports submitted to the Project Director by the nine forest divisions revealed that the total cost of the microplans of 469 VFCs was Rs. 38.20 crore, of which VFCs utilized Rs. 18.80 crore only during the project period (1998-99 to July 2003), leaving Rs. 19.40 crore unutilized as detailed below:

Sl. No.	Name of the Forest Division	No. of VFCs	Total cost of Microplans	Total expenditure	Amount unutilized	Percent shortfall
			Rupees in lakh			%
1.	Nainital	85	674.33	360.30	314.03	46.57
2.	Almora	52	422.66	217.40	205.26	48.56
3.	Bageshwar	52	304.12	170.06	134.06	44.08
4.	Mussoorie	52	609.92	257.81	352.11	57.73
5.	Chakrata	32	181.99	77.21	104.78	57.57
6.	New Tehri	33	263.08	150.48	112.60	42.80
7.	Garhwal	52	497.00	262.91	234.09	47.10
8.	Karna Prayag	51	373.59	191.90	181.69	48.63
9.	Pithoragarh	60	493.51	192.11	301.40	61.07
	Total	**469**	**3820.20**	**1880.18**	**1940.02**	**50.78**

Non-utilization of funds indicated non-completion of activities of the microplans and non-achievement of project objectives i.e. plantation and protection. Non-utilization of funds was stated by the department to be due to delay in preparation of microplans and delay in formation of VFCs as well as time taken in imparting training to the officials and villagers.

3.2.2 Non-submission of Utilization Certificates

The JFM programme having been closed on 31.7.2003, all the VFCs were required to furnish the utilization certificates (UCs) to the divisions in respect of funds provided to them for implementing the microplans. Test check (September 2004) of the records of the Garhwal Forest Division, Pauri and Upper Ganga Forest Division, Karnaprayag revealed that UCs for Rs. 40.29 lakh and Rs. 0.63 lakh respectively were still awaited. Thus the utilization of Rs. 40.92 lakh was not ensured by the divisions with the consequent risk of misutilisation or misappropriation. Divisions replied that the UCs would be

[2] Garhwal Region:- Mussoorie, Chakrata at Kalsi, Tehri forest division at New Tehri, Garhwal forest division at Pauri and Upper Ganga forest division at Karna Prayag.
Kumaun:- Nainital, Almora, Bageshwar and Pithoragarh.

obtained and intimated to audit. Further test check revealed that in seven forest divisions[3], savings of Rs.19.90 lakh were lying in the respective VFC accounts. No action was taken by the Forest Department to refund the unspent balances.

3.2.3 Non-accountal of funds

The Project Completion Report revealed that unspent balances of Rs. 3.67 crore remained with the VFCs after the completion of the project. On the matter regarding recovery of the balance amount and its surrender to the Project account being pointed out, the Department stated that the position was being looked into and information would be collected and furnished.

Test check of the five forest divisions, however, revealed that 20 VFCs stopped working after receiving 1-2 instalments. They did not submit account for Rs. 25.61 lakh received from the FD as detailed below:

Sl. No.	Name of the Forest Division	No. of non-functional VFCs.	Amount Paid (Rs. in lakh)	Reasons
1	2	3	4	5
1	Nainital	1	1.50	Due to controversy among the villagers.
2	Almora	4	7.41	Payment to VFCs stopped due to non-submission of Utilization Certificate.
3	Bageshwar	5	3.91	-Do-
4	Chakrata	8	11.26	Due to non-cooperation of VFCs.
5	Pithoragarh	2	1.53	Due to controversy among the villagers
	Total	**20**	**25.61**	

No action was, however, initiated by the FD to recover the amounts from the defaulting VFCs.

3.2.4 Delay in formation of VFCs

JFM started in the year 1997-98 and 1,217 VFCs had been formed by the end of 2000-2001 as shown in the table below:

Year	No. of VFCs	Cumulative No.
1998-1999	65	65
1999-2000	229	294
2000-2001	923	1217

The table shows that 65 villages only were brought under JFM in 1998-99. Another 229 villages were covered in 1999-2000 and the majority of VFCs and microplans numbering 923 were formed in 2000-2001. All these villages had received funds for 2-3 years only instead of the projected five years mentioned in the microplans. Delay in the formation of VFCs and preparation

[3] Forest Divisions of (i) Bageshwar Rs. 2.38, (ii) Mussoorie Rs.0.18, (iii) Pithoragarh Rs.0.48 (iv) Tehri Rs.0.77, (v) Karanprayag Rs.1.48 (vi) Soil Conservation Ranikhet Rs.11.58 lakh and (vii) DFO, Tarai East Rs.3.13 lakh.

of microplans was a major factor in the non-utilization of funds mentioned in paragraph 3.2.1. Works sanctioned during the years 1999-2001 and envisaged to be completed by 2004-2006 under a phased programme of five years, remained incomplete on the closure of the project in July 2003, resulting in non-achievement of the project objectives and adversely affecting the long term sustainability of the VFCs.

3.2.5 Shortfall in contribution of VFCs share

JFM guidelines stipulate twenty *per cent* of the total cost of a microplan was to be contributed by VFCs. In test check of the records of nine forest divisions VFCs contribution was found to be less than envisaged as detailed below:

Year	Number of Divisions	No. of VFCs	Expenditure incurred	Contribution due	Actual contribution	Shortfall	Percent-age shortfall
			(Rupees in lakh)				
1998-99	9	21	27.66	6.92	4.34	2.58	37.28
1999-2000	9	102	175.99	44.00	16.32	27.68	62.91
2000-01	9	440	541.85	135.46	59.02	76.44	56.43
2001-02	9	460	647.38	161.85	96.53	65.32	40.36
2002-03	9	465	398.09	99.52	70.35	29.17	29.31
2003-04	9	448	87.07	21.77	16.70	5.07	23.29
		-	**1878.04**	**469.52**	**263.26**	**206.26**	**43.93**

Shortfall in VFC's contribution resulted in an extra charge of Rs.2.06 crore to the project cost.

3.2.6 Shortfall in plantation by VFCs

JFM guidelines issued in March 1998 by the Government of U.P. lays down that plantation on fifteen *per cent* of the total land under JFM cover was to be carried out by VFCs. Test check of records of the nine forest divisions revealed that plantation was done only on 7325.75 ha of land against stipulated 12549.601 ha (15% of total 83,664.132 ha) as detailed below:

Sl. No.	Name of the Forest Division	Area under JFM cover	Area to be planted (15%)	Area actually planted	Shortfall in plantation	Percentage of shortfall
		Ha	Ha	Ha	Ha	%
1.	Nainital	15296.77	2294.52	1491.00	803.52	35
2.	Almora	7125.34	1068.80	684.75	384.05	35.9
3.	Bageshwar	9941.81	1491.27	463.00	1028.27	68.95
4.	Pithoragarh	9463.15	1419.47	1084.00	335.47	23.63
5.	Mussoorie	12918.99	1937.85	981.50	956.35	49.35
6.	Chakrata	5015.41	752.31	428.00	324.31	43.11
7.	Tehri	6892.00	1034.00	863.00	171.00	16.54
8.	Garhwal	10108.66	1516.00	573.00	943.00	62.2
9.	Karanprayag	6902.00	1035.38	757.50	277.88	26.84
	Total	**83664.13**	**12549.60**	**7325.75**	**5223.85**	**40.17 (Average)**

The table reveals that there was an average shortfall of 40.17 *per cent* in plantation, which was one of the major components of JFM. This shows that sufficient awareness and motivation for active participation in JFM activities was not generated in the villagers. This also resulted in a shortfall in achieving project objective of increasing forest cover in the state.

3.2.7 Non-realization of Income

Uttaranchal Joint Forest Management Rules 2001 and Project Implementation Plan (PIP) provided for distribution of income accrued from sale of forest produce between the FD and the user group of villagers for generating interest in sustainable forest management. Test check of nine forest divisions revealed that no income was realized by them from JFM works. The objective of JFM to give users a stake in forest benefits and equitable distribution of income was thus defeated. The FD stated that benefits had accrued in the form of increase in production of grass, fodder and biomass supplies and no cash income had accrued.

3.2.8 Sustainability

One of the objectives of the JFM project was to create sustainable forest management through VFCs in JFM villages. Forestry being an activity with a long gestation period, 4 -5 years is not a sufficient period for making any forestry project sustainable. Most of the VFCs are barely 2 -3 years old which is too short a period to ensure sustainability. The funds accumulated in the Village Development Funds (VDFs) are not sufficient[4] to make the VFCs self sustainable particularly when the VDF is largely being used for purposes other than forestry. Since the project was envisaged as the first phase of a long term investment programme, its closure (in July 2003) by the World Bank and non provision of funds by the Forest Department has adversely affected its momentum.

3.2.9 Gender issues

In Uttaranchal, women are the main collectors, users and processors of non-timber forest products. JFM recognized women as a distinct social group in the forest sector and their presence in VFCs has been ensured through reservation of seats. However, the JFM provided for only 28 *per cent* as against 44 *per cent* representation to women in Van Panchayats. Thus, women continued to be under represented in the VFCs, and accordingly, were less involved in decision making.

[4] Positions of VDF amount VFC wise:-

Amount (Rs. in thousand)	No. of VFCs	Percentage %
000	72	5.97
0 to 10,000	171	14.17
10,000 to 20,000	181	15.10
20,000 to 50,000	362	30.00
50,000 to 1,00,000	261	21.62
1,00,000 and above	160	13.25

i.e. 65% of VFCs had VDF below Rs. 50,000.

3.2.10 Conclusion

Delay in the formation of VFCs and ineffective implementation of the Project by the Forest Department by not ensuring adequate and active participation of the village communities especially women, not focusing on income generation and funds for sustaining the JFM activities after the closure of the project, defeated the objective of creating sustainable forest management and equitable distribution of forest products in JFM villages even after spending Rs. 40.16 crore.

CHAPTER-IV

AUDIT OF TRANSACTIONS

Infructuous /wasteful expenditure and overpayment

PEYA JAL NIGAM

4.1 Unproductive expenditure on Todra Water Supply Scheme

Expenditure of Rs. 78.72 lakh on providing drinking water to the inhabitants of nine villages of Ranikhet Tehsil in Almora district proved unproductive due to non-achievement of the objectives.

Government rules stipulate that no water supply work should be taken up without ascertaining the viability of the source of supply. The Government accorded administrative and financial sanction (November 2000) for construction of the Todra Ground Overhead Water Supply Scheme at a cost of Rs. 1.90 crore. The Scheme was proposed to be completed within 36 months to supply drinking water to the inhabitants of 9 villages of Ranikhet Tehsil in Almora district.

Test check of records (March 2004) of the Executive Engineer (EE), Project Division, Uttaranchal Peya Jal Sansadhan Vikas Avam Nirman Nigam, Ranikhet revealed that work was started in December 2000. Due to shortage of water in the main source a dispute occurred with the villagers who were utilising these water sources for irrigation which led to stoppage of work after incurring an expenditure of Rs. 78.72 lakh (including material of Rs. 47.14 lakh remaining unutilised, July 2004).

On the matter being pointed out the EE stated (July 2004) that the work was restarted but the villagers again started an agitation and did not let the work commence.

Thus, the department had failed to assess the viability of the source which led to entire expenditure remaining unproductive as objective of providing drinking water to the inhabitants remained unfulfilled.

The matter was referred to the Government (November 2004); the reply is awaited (April 2005).

SOCIAL WELFARE DEPARTMENT

4.2 Infructuous expenditure on construction of hostel for SC/ST students at Nainital

Expenditure of Rs. 36.58 lakh on construction of hostel for SC/ST students proved infructuous as the hostel remained unutilised.

Government sanctioned (March 1989) the construction of a 50 bed hostel for Scheduled Caste and Scheduled Tribe students at Nainital at an estimated cost of Rs. 11.12 lakh under the special component plan (a Centrally sponsored scheme).

Test-check of records (October 2004), of the Samaj Kalyan Adhikari, Nainital revealed that the work was entrusted to the Samaj Kalyan Nirman Nigam, a construction agency, which started construction in February 1990. Funds were released in instalments between 1988-89 and 1992-93. A 24 bed hostel, instead of a 50 bed hostel, was completed at a cost of Rs. 29.62 lakh after seven years in July 1997, but without an approach road. The hostel building was taken over by the Samaj Kalyan Adhikari in March 1998 but no student was admitted to the hostel which thus remained non-functional.

The Samaj Kalyan Adhikari had incurred an expenditure of Rs. 0.41 lakh on purchase of furniture for the hostel and Rs. 6.55 lakh on salary of the Superintendent and other staff between February 2002 and September 2004.

On this being pointed out in audit it was stated (October 2004) that efforts were being made for operation of hostel. The reply was not tenable as even basic amenities like arrangements for food etc. were not provided despite the posting of cooking staff (May to August 2002). The Department failed to motivate students to utilize the hostel despite it being in the vicinity of the Bhartiya Shaheed Sainik Vidyalaya. As the hostel was not put to use (October 2004), not only did the expenditure of Rs. 36.58 lakh remain unfruitful but the social commitment to provide hostel facilities to Scheduled Caste and Scheduled Tribe students also remained unfulfilled.

The matter was referred to Government (November 2004); reply is awaited (April 2005).

Avoidable/excess/unfruitful expenditure

MEDICAL, HEALTH AND FAMILY WELFARE DEPARTMENT

4.3 Unfruitful expenditure on construction of a TB Clinic

TB Clinic constructed at the cost of Rs. 32.57 lakh was lying unutilized due to wrong selection of site.

Government sanctioned the construction of a TB (Tuberculosis) Clinic at Roshanabad, Hardwar under the National Tuberculosis Control Programme

(NTCP), at a cost of Rs. 32.91 lakh (October 1997). The site selection was finalized (July 1998) at the level of Chief Medical Officer (CMO), Hardwar and work was entrusted to UP Samaj Kalyan Nirman Nigam (Nigam), Lucknow in September 1998.

Test check of records (April 2004) of the CMO, Hardwar and further information collected (October 2004) revealed that the Nigam completed the construction in March 1999 and requested the CMO, Hardwar to take over the completed TB clinic. The building was, however, taken over only in December 2003 *i.e.,* more than 4 years after its construction. Meanwhile the CMO, Hardwar informed (March 2003) the Director General, Medical, Health and Family Welfare, Dehradun that as the newly constructed clinic was located 16 kms away from the city in an uninhabited area, the number of patients would be negligible. It was also seen that Rs. four lakh was sanctioned (September 2003) for construction of a new TB clinic at Hardwar.

On this being pointed out (April 2004) CMO, Hardwar could not give any reasons for the faulty site selection and stated that delay in taking over the clinic was due to some shortfalls noticed by the Department during the joint inspection. The reply is not tenable as the Nigam had rectified the shortfalls in June 2000 and informed the Department accordingly.

Thus, due to faulty selection of site, the expenditure of Rs. 32.57 lakh on construction of the TB Clinic remained unfruitful and the intended objective of NTCP to provide medical facility to TB patients remained unachieved.

The matter was reported to Government (December 2004); reply is awaited (April 2005).

PUBLIC WORKS DEPARTMENT

4.4 Unfruitful expenditure on incomplete roads

Expenditure of Rs. 52.79 lakh on construction of roads was unfruitful as the roads were lying incomplete due to non-transfer of forest land.

Financial rules provide that availability of land should be ensured before the start of any construction. The Forest Conservation Act 1980, requires prior approval of the Government of India for the use of forest land for non-forest purposes.

The Government of Uttar Pradesh accorded administrative and financial sanction between March 1995 and March 1997 for the construction of four roads at a total cost of Rs. 1.06 crore to provide transport facilities to the residents of the hill region. Out of the total 15.50 kms length, 6.55 kms were to be constructed on forest land measuring 6.441 hectares.

A scrutiny (February 2004) of records of the Executive Engineer (EE), Construction Division, PWD, Pauri Garhwal revealed that prior approval for the use of forest land was, however, not obtained from the Government of

India as per Forest Conservation Act 1980. An expenditure of Rs. 52.79 lakh (upto March 2002) was incurred on different stretches of roads constructed in non-forest areas without linking one end of the road to another as detailed below:

Sl. No.	Name of the road	Month/ Year of Sanction	Cost (Rs. in lakh)	Sanctioned Length of the road	Month of start of work	Physical Progress of the road	Month of stoppage of work	Balance
1.	Extension of Pabau-Damdeval road (kms 14 to 18)	3/97	39.00	5.00 kms	6/97	2.00 kms	3/01	3.00 kms
2.	Chipalghat-Nautha road (kms 1 to 4)	3/95	21.80	4.00 kms	9/95	2.75 kms	3/02	1.25 kms
3.	Sugarkhal-Naugaonkhal-Gahad (kms 1 to 4)	3/96	27.60	4.00 kms	5/96	3.20 kms	3/02	0.80 kms
4.	Chipalghat-Nautha (Kms 5 to 6.50)	3/96	17.25	2.50 kms	2/97	1.00 kms	3/98	1.50 kms
	Total		**105.65**	**15.50 kms**		**8.95 kms**		**6.55 kms**

On this being pointed out, EE replied that works were executed in anticipation of approval which could not be obtained. The reply is not tenable as no proposal was sent to the Government of India for approval except in one case *i.e.* "Extension of Pabau-Damdeval road (kms 14 to 18)" which was also turned down in July 2004. As a result of non-completion of the roads, the public was deprived of the intended benefit of transport facilities and the expenditure of Rs. 52.79 lakh remained largely unfruitful.

The matter was reported to the Government (October 2004); reply is awaited (April 2005)

4.5 Avoidable Expenditure on roads

Applying a tack coat on a freshly laid bituminous course led to an avoidable expenditure of Rs. 36.54 lakh.

The specifications of the Uttar Pradesh Public Works Department and the Ministry of Highways and Roads, Government of India provide that there is no need to apply a tack coat on a freshly laid bituminous course, if the subsequent bituminous course is laid immediately after the first one without opening it to traffic.

A test check (July 2004) of records of the Executive Engineer (E.E.), Provincial Division, PWD, Hardwar revealed that contrary to the above provisions, the division provided a tack coat for each layer of bituminous macadam (BM) and semi dense bituminous course (SDC). This resulted in an avoidable expenditure of Rs. 36.54 lakh (up to September 2004) as detailed below:

Sl.No.	Name of the road	Length (in Km.)	Tack coat Area (in sqm.)	Rate (Rs. per sqm.)	Avoidable expenditure (Rs. in lakh)	Bill No./ Date
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Strengthening of Purkaji-Laksar Jwalapur road.	32	3,67,694.98	5.20	17.88	21st &last/ 11.6.04
2.	Widening and improvement of Jatwada bridge to Har-Ki-Pauri via Bhupatwala road.	11.505	1,30,605.00	5.00	6.44	11th/9.9.04
3.	Strengthening of Roorkee to Laksar road.	18.4	2,10,125.00	5.90	12.22	10th /30.3.04
				Total	36.54	

On this being pointed out, the EE stated (January 2005) that all the roads were of 1.5 to 2.0 lanes and due to heavy traffic, it was not possible to lay BM/SDC simultaneously to avoid tack coat. Reply was not tenable since the road work was being done by dividing the width of the roads in two parts and while laying the coat in one part, the traffic was being allowed to pass through the other half of the road only. Accordingly the second layer of SDC could have been laid followed by BM layer without laying an additional tack coat. Deviation from the specification, thus, resulted in an avoidable expenditure of Rs. 36.54 lakh.

The matter was reported to Government (November 2004); the reply is awaited (April 2005).

4.6 Avoidable expenditure on penalty payment

Non-adherence to the provisions of the Forest Conservation Act, resulted in an avoidable expenditure of Rs. 60.10 lakh.

Under the Forest (Conservation) Act, 1980, prior approval of the Government of India (GOI) for dereservation of forest land or use of forest land for non forest purposes is essential, failing which the department is liable to pay for penal compensatory afforestation over degraded forest land area four times in extent of the area involved.

The Government accorded a revised administrative and financial sanction of Rs. 6.17 crore for completion of Padampuri-Hedakhan-Kathgodam motor road having length of 66 km. (December 2001). The road was to pass through 42.93 hectares of forest land for which prior approval was necessary under the Act. A sum of Rs. 30.05 lakh was also required to be deposited in favour of the Forest Department for compensatory afforestation.

Test check of records (October 2003) of the Executive Engineer (EE), Provincial Division PWD, Nainital revealed that prior approval for the use of forest land was not obtained before the start of the work (March 2001) nor was the amount for compensatory afforestation deposited by the Division. Consequently, the Forest Department imposed a penalty of Rs. 60.10 lakh (January 2003) for violation of the Act. This amount, alongwith the amount payable for compensatory afforestation, was deposited by the Division with the Forest Department between August 2002 and August 2003.

On this being pointed out, the EE stated (February 2005) that the basic construction of this road was started before implementation of the Forest Conservation Act, 1980. The matter was pursued with Forest Department for transfer of forest land in 1984 but the land was transferred in 2003. The reply is not acceptable, as approval of the GOI was not obtained before restarting the work in March 2001 which led to levy of penalty by the Forest Department.

Thus, due to non-adherence to the provisions of the Forest Conservation Act, the Department had to incur an extra avoidable expenditure of Rs. 60.10 lakh.

The matter was reported to Government (December 2004); reply is awaited (April 2005).

4.7 Unfruitful expenditure on construction of a bridge at Gaurikund

Expenditure of Rs. 27.30 lakh on a work without ascertaining the availability of the land proved unfruitful.

Financial rules envisage that no work should commence unless land for its construction was available.

The Director, Tourism allocated Rs. 85 lakh out of Rs. 2.50 crore sanctioned (March 2001) by the Uttaranchal Government to the Executive Engineer, Construction Division PWD, Ukhimath, Rudraprayag for construction of a pony stand on the left bank of the Mandakini river at Gaurikund and a bridge over the river to link it to the main pilgrimage road on the right bank. This would avoid the congestion and litter created by 4000 to 5000 ponies standing on the main pilgrimage road for the use of pilgrims. Work was started against Rs. 40 lakh released for this purpose (March 2001) on the assumption that the land for the pony stand belonged to the Gram Samaj.

Test check of records of the Division (October 2003) and further information collected (February 2004) revealed that while the bridge was completed in November 2004 at a cost of Rs. 27.30 lakh, construction of the pony stand could not be taken up due to objection raised by the Forest Department to whom the land actually belonged.

The bridge was of no use since it was constructed solely to link the proposed pony stand with the main pilgrimage route. Non-construction of the pony stand defeated the very purpose of constructing the bridge. The expenditure of Rs 27.30 lakh thus proved unfruitful while the balance amount of Rs. 12.70 lakh was still lying with the division.

The matter was reported to Government (August 2004); reply is awaited (April 2005).

SPORTS AND YOUTH WELFARE DEPARTMENT

4.8 Unfruitful expenditure on non-functional swimming pool

A swimming pool constructed at a cost of Rs. 69.89 lakh at Kashipur remained unutilised due to non-appointment of staff.

Government sanctioned (June 1989), the construction of a swimming pool in Kashipur, Udhamsingh Nagar at a cost of Rs. 57.36 lakh for improving swimming skills among local swimmers. The work was awarded to the Construction Division, Public Works Department, Kashipur, Udhamsingh Nagar which completed the work at a cost of Rs. 69.89 lakh and handed-over the swimming pool in September 1993.

Test-check of records (November 2003) of the District Sport Officer (DSO), Udhamsingh Nagar and further information collected (December 2004) revealed that swimming pool remained non-functional due to the requisite staff *i.e.* qualified swimming trainer, life saver and electrician-cum-filter plant operator not being posted even 11 years after its construction.

On this being pointed out, the DSO stated (December 2004) that though diving and swimming facilities in the pool were available, diving was not being carried out for want of a life saver. The Department therefore, decided (April 2003) to repair and raise the level of the swimming pool by 6 feet for swimming only, for which Rs. 11.40 lakh had been provided (December 2004). The reply is not tenable as withdrawal of diving facilities by raising the level of swimming pool instead of appointing a life saver was unwarranted.

Thus, failure to provide the requisite staff by the Department resulted in the expenditure of Rs. 69.89 lakh remaining unfruitful besides the objectives of improving the skills of local swimmers was not achieved.

The matter was reported to the Government (December 2004); reply is awaited (April 2005).

Idle investment/idle establishment/blocking of funds

FOREST DEPARTMENT

4.9 Non-utilization of funds for compensatory afforestation

Rs. 1.64 crore collected for compensatory afforestation were not utilized.

The Forest (Conservation) Act, 1980 aimed at reducing environmental damage and checking deforestation of forest areas. It provided for compensatory afforestation over an equivalent area of non-forest land in lieu of forest land transferred for non forestry use. The cost of such compensatory afforestation was to be borne by the user agency. A special fund was to be created by the

State Government in which the money would be deposited by the individual user agency, and the total fund was to be utilized for compensatory afforestation schemes approved by Government of India.

A test check of the records (July 2004) of Nodal Officer and Conservator of Forest, Land Survey Directorate, Forest Department (FD), Uttaranchal, Dehradun revealed that Rs. 1.64 crore deposited for compensatory afforestation between March 1997 to November 2000 was lying unutilized with different forest divisions in Uttaranchal.

On this being pointed out, the Department stated that the amount of Rs. 1.64 crore belonged to undivided Uttar Pradesh (prior to the formation of Uttaranchal State), drawal of which was not being allowed by the treasuries. The reply was not tenable as, although the entire amount related to forest divisions located in Uttaranchal the Department did not pursue the matter with the treasuries, resulting in blocking of funds besides defeating the purpose provided for in the Act.

The matter was reported to Government (December 2004); reply is awaited (April 2005).

MEDICAL, HEALTH AND FAMILY WELFARE DEPARTMENT

4.10 Non-provision of medical facilities

Inordinate delay in construction of hospital at Bilkeshwar, Hardwar and posting of staff resulted in failure to achieve the intended objective.

Government sanctioned (February 2003) the construction of a 100 bed hospital at Bilkeshwar, Hardwar at a cost of Rs. 3.45 crore to provide medical facilities during the Ardh Kumbh Mela held in Hardwar from 11 January 2004 to 30 April 2004. The work was awarded to the Irrigation Department for completion by November 2003.

Test check of records (June 2004) of the Mela Adhikari (Health), Hardwar and further information collected (October 2004) revealed that the construction of the hospital building at a cost of Rs. 3.40 crore was completed in March 2004 but handed over to the Medical Department only in July 2004. It was also seen that although the Chief Medical Superintendent (CMS) of the hospital submitted a proposal (June 2004) for 97 posts but the medical and paramedical staff required for the hospital were not posted (March 2005). The hospital, thus, remained non-functional.

On this being pointed (June 2004), the CMS replied (October 2004) that outdoor patient departments of Eye, Dental and Ear-Nose-Throat wing were being managed with the assistance of staff of District Hospital. The reply is not tenable as the very purpose of providing medical facilities during the Ardh Kumbh Mela was not achieved and the hospital was not functioning as envisaged.

The matter was reported to the Government (December 2004); reply is awaited (April 2005).

SPORTS AND YOUTH WELFARE DEPARTMENT

4.11 Idle investment on incomplete sports stadium at Udhamsingh Nagar

Non-completion of stadium resulted in idle investment of Rs. 62.14 lakh.

Government sanctioned Rs. 65.13 lakh (October 1999) for the construction of a sports stadium at Udhamsingh Nagar. The work was awarded to Uttar Pradesh Jal Nigam for completion by 31 March 2001. Funds were released in four instalments between October 1999 and September 2000.

Test-check of records (November 2003) of the District Sports Officer (DSO), Udhamsingh Nagar and further information collected (December 2004) revealed that basic items of works *viz.*, leveling of field, construction of approach road, boundary wall etc. were incomplete even after spending Rs. 62.14 lakh of the sanctioned amount (May 2004). The Nigam submitted (March 2003) revised estimate for completion of work at a cost of Rs. 135.50 lakh, sanction to which is still awaited.

On this being pointed out the Additional Secretary (Sports) replied (February 2005) that slow progress of work and diversion of funds for construction of Collectorate building as well as stoppage of work by the Nigam led to non-completion of work.

The stadium, which was to be completed by March 2001, could not be commissioned even three years after the stipulated date. This defeated the purpose of promoting sports activities in the area and the expenditure of Rs. 62.14 lakh remained idle.

Regulatory Issues and Other Points

FOREST DEPARTMENT

4.12 Non protection of forest land

Lackadaisical approach of the Department resulted in unauthorised possession of 16.163 acres of forest land by the Ministry of Defence as well as non-recovery of forest dues of Rs. 10.08 crore.

To minimise environmental deterioration caused by the use of forest land for non-forest purposes, the Indian Forest (Conservation) Act, 1980 prohibits such use without the prior approval of the Central Government. It also provides for compensatory afforestation over an equivalent area of non-forest land, at the cost of the user agency, to make up for the loss of forest cover.

Ministry of Defence was provided (December 1963) forest land measuring 517 acres at Sitoli, Almora subject to the payment of cost of forest growth over the area valuing Rs. 37.10 lakh. Later 194.75 acres of forest land in Kausani Forest Block (Bageshwar) was transferred on lease to the Ministry (April 1967) for a period of five years, subject to the returning of 517 acres of forest land at Sitoli to the Forest Department.

A test-check (July 2004) of records of the Divisional Forest Officer (DFO), Bageshwar revealed that the Ministry occupied 279.163 acres of forest land at Kausani against the allotment of 194.75 acres without handing over the Sitoli forest land. It neither paid the cost of forest growth nor lease rent to the Forest Department. Thus, a total of 796.163 acres of forest land continues to be in the unauthorised possession of the Ministry of Defence on which forest dues of Rs. 10.08 crore (Lease rent and cost of forest produce) had also become due up to March 2004. No action either for vacation of the forest land or for compensatory afforestation was initiated by the Department after the promulgation of the Act.

On this being pointed out (July 2004) the DFO stated that action for vacating the land was not initiated as the matter was related to the Ministry of Defence. However, negotiations were going on with Ministry to settle the issue.

The reply is not tenable because the Indian Forest Act is uniformly applicable to all Ministries and Departments, including the Ministry of Defence. Continued use of 796.163 acres of forest land for non forest purposes without compensatory afforestation over an equivalent area of non-forest land being carried out, violated the provisions of the Act. The inaction on the part of the Forest Department towards vacation of the forest land or carrying out of compensatory afforestation as well as non-recovery of forest dues of Rs. 10.08 crore shows a lackadaisical approach towards protection of forests.

The matter was reported to Government (December 2004); the reply is still awaited (April 2005).

IRRIGATION DEPARTMENT

4.13 Loss due to non-recovery of centage charges.

Non-recovery of centage charges from UHECL for Maneri-Bhali Hydro Electric Project, Joshiyara, Uttarkashi resulted in a loss of Rs. 5.25 crore.

Uttaranchal Government order of May 2003, prescribes that charges at the rate of 12.5 *per cent* on the amount deposited for execution of works by Government agencies, are to be recovered from hydro-electric and other corporations and private institutions.

Scrutiny of records (February 2004) of the office of the Executive Engineer (EE), Test and Control Division, Joshiyara, Uttarkashi revealed that the incomplete Maneri-Bhali Hydro-Electric Project Joshiyara in District Uttarkashi was resumed (2002-03) after the creation of Uttaranchal State (November 2000) for completion by 2005. A sum of Rs. 42.04 crore was spent on the project till January 2004. No centage charges were recovered from the

Uttaranchal Hydro-Electric Corporation Limited (UHECL) resulting in a loss of Rs. 5.25 crore to the Government.

On this being pointed out, the EE stated (February 2004) that the funds deposited by UHECL was meant to be wholly spent on various items of work and there was no provision for recovering centage charges. The EE further stated that the matter regarding centage charges was pending with the State Government. No document in support of the reply was, however, produced by the EE.

The case was reported to Government in July 2004; reply is awaited (April 2005).

4.14 Undue financial benefit to a contractor

Undue benefit of Rs. 2.12 crore was given to a contractor due to non levy of interest on mobilisation advance on account of a lacuna in the supplementary agreement.

Superintending Engineer (SE), Maneri Bhali Stage-II Circle, Joshiyara, Uttarkashi entered into an agreement with a contractor (March 1981) for construction of civil works *viz.*, barrage, intake structure and head race tunnel etc., of the Maneri Bhali Hydroelectric Project Stage-II. The agreement provided for the grant of mobilisation advance at a rate of interest of 14 *per cent* per annum. Test check (June 2004) of the records of the Executive Engineer (EE), Maneri Bhali Construction Division-I, Stage-II, Joshiyara, Uttarkashi revealed that the work which had been stopped in April 1991 due to shortage of funds, was resumed in July 2002. The SE entered into a supplementary agreement (July 2002) with the same contractor for Rs. 137.21 crore wherein levy of interest on mobilisation advance was not provided for. A mobilisation advance of Rs. 13.72 crore was paid (August 2002) to the contractor and recovered in 16 instalments up to March 2004 without any interest being levied. This resulted in undue benefit of Rs. 2.12 crore to the contractor.

On this being pointed out, the EE stated (October 2004) that the supplementary agreement which was vetted by the Government, did not provide for levy of interest on the mobilisation advance. The reply of the EE is not tenable as the provisions of the original agreement cannot be set aside by a lacuna in the supplementary agreement.

The matter was reported to Government (December 2004); the reply is awaited (April 2005).

PANCHAYATI RAJ DEPARTMENT

4.15 Unauthorised expenditure on non-priority works

Expenditure of Rs. 5.01 crore was incurred without sanction and ignoring the priorities set by the State Government.

Government, on the recommendations of the State Finance Commission, sanctioned funds to Gram Panchayats for works of the highest priority as listed below:

(i) strengthening and maintenance of drinking water systems to ensure its availability in all villages of Gram Panchayats;

(ii) expenditure related to girls education like constructing of lavatories in girl primary schools;

(iii) strengthening of primary health care facilities like maintenance of Auxiliary Nursing Mid-wife centres, mother-child welfare centres.

In addition to the above mentioned priorities, Gram Panchayats could construct offices/residences for Gram Panchayat Vikas Adhikaris or take up other works as per their local needs, subject to sanction by the competent authorities. Works above Rs. 25,000 were to be sanctioned by the Chief Development Officer (CDO).

Test-check* revealed that, in contravention of the Government orders, an expenditure of Rs. 5.01 crore (Rs. 178.41 lakh in Hardwar and Rs. 322.16 lakh in Udhamsingh Nagar) was incurred on construction of *khadanja*♠ roads and drainage works♣ by the Gram Panchayats concerned. These works were not sanctioned by the CDO. Rs. 2.55 lakh only were spent on the highest priority works in Udhamsingh Nagar.

On this being pointed out, Zila Panchayat Raj Adhikari (ZPRA), Udhamsingh Nagar stated that due to non-availability of top priority works, other works were executed by Gram Panchayat as per last priority. ZPRA, Hardwar stated that the Gram Panchayats are competent to draw up their works plan which were approved by the ZPRA.

The expenditure of Rs. 5.01 crore was incurred on construction of khadanja roads and drainages without sanction of the CDO and ignoring the highest priorities laid down by the State Finance Commission/Government.

These cases were referred to the Government (December 2004); replies were awaited (April 2005).

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* ZPRA, Hardwar (September 2003) and ZPRA, Udhamsingh Nagar (August 2003).

♠ Roads which are made by laying bricks vertically.

♣ Hardwar 167 works and Udhamsingh Nagar 332 works.

CHAPTER-V

INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

INTERNAL CONTROL SYSTEM IN IRRIGATION DEPARTMENT

5.1 Introduction

Internal control is a process operating continually at all levels in an organization. A properly designed internal control system safeguards against errors and irregularities in operational and financial matters. It secures compliance to rules and procedures and highlights deviations there from. It also assures senior management of the adequacy of risk management as well as financial and operational control in the department. Irrigation Department of the Government of Uttaranchal plays an important role in the management of water resources for irrigation and generation of power etc. Budgetary and financial management aspects of the internal control system of the Irrigation Department have been examined in this review.

5.1.1 Functions and Organisation of the Irrigation Department

The Irrigation Department mainly deals with the: (i) utilization of water resources of the State, (ii) development of water power, (iii) planning, construction and maintenance of all irrigation and multipurpose works, (iv) navigation, (v) flood control, and (vi) assessment of irrigation revenue etc.

Chief Engineer (CE) is the Head of the Irrigation Department with overall charge for planning, implementation, monitoring and evaluation of work. He is assisted by four Chief Engineers Level-III. Uttaranchal is divided into 22 Irrigation Circles, each headed by a Superintending Engineer. They are responsible to the Chief Engineer for their administration and general professional control of public works in charge of officers within their circles. These circles contain 96 divisions for execution of works, each under an Executive Engineer. There are 92 Executive Engineers, some of whom are in charge of more than one division.

5.1.2 Audit Coverage

Records of 12[♥] out of 96 Divisions of the Irrigation Department for the period 2002-2003 & 2003-2004 were test checked by Audit between August and

[♥] Irrigation Division, Hardwar, Investigation and Planning Division, Rishikesh, Jamrani Dam Construction Division, Haldwani, Khara Project Construction Division, Hardwar, Minor irrigation Division, Nainital, Maneri Bhali Construction Division II & III and Tunnel Division, Chiniyalisaur, Power House Construction Division Rishikesh, Tubewell Division, Haldwani, Tehri Dam Division 22, Yamuna Construction Division-I, Dehradun.

December 2004. The review also contains the findings emerging from audit of 33 irrigation divisions (*Appendix-VII*) conducted during the year (2003-04) and the results of the scrutiny of the monthly accounts submitted to the Accountant General's office in 2003-04.

5.1.3 Audit Objectives

The audit objectives were to ascertain the adequacy and effectiveness of the internal controls in the department such as Budgetary, Expenditure, and Operational controls, through examination of records, review of operations and test check of transactions.

5.2 Budgetary Controls

The budget estimates are prepared by Executive Engineer and are submitted to Chief Engineer for inclusion in the budget proposal. The budget provision and expenditure against certain heads of account of the Department for the years 2001-2002, 2002-03 and 2003-04 is shown below:

(Rupees in crore)

Sl. No.	Particulars	2001-02		2002-03		2003-04	
		Revenue	Capital	Revenue	Capital	Revenue	Capital
1.	Original Grant	145.82	35.87	159.00	37.12	151.09	97.33
2.	Supplementary Grant	0.56	-	29.38	10.30	2.16	0.30
3.	Total Grants	146.38	35.87	188.38	47.42	153.25	97.63
4.	Actual Expenditure	121.57	46.65	151.54	43.94	143.29	105.34
5.	Excess (+) or Savings (-) /(Percentage)	(-) 24.81/ (16.95)	(+) 10.77/ (30.03)	(-) 36.84/ (19.56)	(-) 3.48/ (7.34)	(-) 9.96/ (6.50)	(+) 7.71/ (7.90)

It is evident from the above table that provisions in the budget manual were not adhered to. Supplementary grants of Rs. 32.10 crore under Revenue were obtained in the years 2001-02, 2002-03 and 2003-04, which proved unnecessary in view of savings of Rs. 24.81 crore, Rs.36.84 crore and Rs. 9.96 crore respectively. This indicated that the estimates of expenditure under the grants prepared at the Divisional level were unrealistic. Reasons for savings were not intimated. Test check revealed that the original or revised estimates sent to the CE by the divisions were not examined/approved by EE in time which contributed to under estimation or overestimation of budget requirements. The Department needs to scrupulously follow the codal provisions for the preparation of budget estimates and monitor expenditure more effectively to not only ensure expenditures match the budget provision but also to enable timely surrender of anticipated savings.

5.3 Expenditure controls

5.3.1 Cash management

Financial rules provide that each head of office should check the totals of the cash book or get it checked by a responsible subordinate officer other than the writer of the cash book and record a certificate in the cash book to this effect.

Test check of the divisions[♣] revealed that such certificates had not been recorded in the cash books. Cuttings made in the cash book had also not been attested by the heads of offices, which was contrary to the rules. Adequate control was thus not ensured over cash balances. Further, it was also noticed that surprise verification of cash chest has neither been done by the SE nor the EE in the test checked divisions. The Department should ensure that the system of independent checking of the cash book totals and surprise verification of cash is properly carried out to reduce the risks associated with cash management. The lack of a proper system of internal control in the irrigation department was mentioned in the paragraph 8.10 to 8.13 of the report of the Comptroller and Auditor General of India for the year ended 31 March 2003. Paragraph 8.13 also mentioned that an amount of Rs.8.48 crore was withdrawn as advance on 31 March 1998 but remained unspent till December 2003. The Department had not intimated corrective action taken in the matter (February 2005).

5.3.2 Controls at treasury level

Control activities should be an integral part of operations and should include a system of verification and reconciliation. An important control in the case of Irrigation Division is the system of monthly settlement of accounts with all treasuries in respect of the transactions of the entire division with them. Bank reconciliation of the transactions during the month were carried out by the test checked divisions every month. Differences between the cash book and bank statement were communicated to the treasuries for rectification. Test check revealed the following differences in Part-I and Part-II of Form 51 in the cash book of the divisions.

(In Rupees)

Name of the Divisions	Month	Part I	Part II
Khara Project Constn. Div., Hardwar	March 2004	500.00	13796036.00
Irrigation Division, Hardwar	March 2004	568350.00	1760025.00
Minor irrigation Div., Nainital	March 2004	Not Available	3211726.24
Jamrani Dam Constn. Div., Haldwani	July 2004	3959.50	236986.00
Tube well Div., Haldwani	March 2004	38500.00	20930761.25
Yamuna Constn. Div., Dehradun	July 2004	229000.00	11919000.00
Maneri Bhali Nirman Khand-II, Chiniyalisaur	August 2004	0.00	16928111.00
Maneri Bhali Nirman Khand-III, Chiniyalisaur	July 2004	165.00	2770749.00
Maneri Bhali Tunnel Construction Division, Chiniyalisaur	September 2004	0.00	438430.00

The differences were yet to be reconciled (November 2004). Delay in reconciliation of accounts increases the risk of misappropriations remaining undetected.

It was seen that 31 divisions of the Irrigation department failed to submit Form-51 during the year 2003-04 along with their monthly accounts submitted

[♣] Irrigation Division, Hardwar, Jamrani Dam Construction Dn., Haldwani, Investigation and Planning Division, Rishikesh, Khara Project Construction Dn., Hardwar, Minor irrigation Dn., Nainital, Maneri Bhali Construction Division II & III and Tunnel Division, Chiniyalisaur, Power House Construction Division Rishikesh, Tubewell Division, Haldwani, Tehri Dam Division 22, New Tehri, Yamuna Construction Division-I, Dehradun.

to the Accountant General (*Appendix-VIII*). This reduced the reliability and completeness of the monthly accounts and compromised the integrity of the reporting system.

5.3.3 Delay in submission of monthly account

Timeliness is an important attribute of the information objectives of the internal control process. The Financial Hand Book prescribes that the monthly accounts be submitted by the EE to the Accountant General's Office between the 7th and 10th of the month following the month to which it relates. Accounts for the month of March are required to be submitted by 15th April. It was noticed that 195 monthly accounts of Irrigation divisions and four monthly accounts of Minor Irrigation divisions were submitted late during the year 2003-04 (*Appendix-IX*). It was also noticed that one monthly account of Irrigation Division, Vishnuprayag had to be excluded from the Monthly Civil Accounts of the State Government because of delayed receipt.

5.3.4 Non-reconciliation of accounts by the Divisions

Periodic reconciliation enables the identification of activities and records that need correction. The reconciliation of figures given in the accounts of the divisions with those appearing in the books of the Accountant General is essential in order to obtain a true and fair picture of the expenditure and to exercise effective control over it. For this purpose, the divisions are required to prepare quarterly reconciliation statements and carry out reconciliation with the office of the Accountant General.

A general review revealed that 21 divisions of the Irrigation department had not reconciled their accounts with the books of the Accountant General in the year 2003-2004. As a result, there was a high risk of errors remaining uncorrected. Some such errors are mentioned below:

- An expenditure of Rs. 0.46 lakh in March 2003 was debited twice, first to Deposit Works and later as Net Debit to Suspense by Irrigation Division, Hardwar.

- Amounts of Rs.17.28 lakh and Rs.34.32 lakh were spent by EE, Power House Construction Division, Rishikesh and EE, Yamuna Construction Division, Dehradun as payment of "Decretal amount" against various court cases during the year 2002-2003. The expenditure was incorrectly booked to the major head "4701 Major and Medium Irrigation on Capital Outlay" by preparing estimates although the schemes were closed long back. This should have been booked under "Misc. P.W. Advances" instead.

Such non-reconciliation run the risk of unauthorized and *malafide* expenditure by subordinate spending authorities remaining unnoticed.

5.3.5 Non-closing of stock account

Management information system is a critical component of an internal control system. Management decision making can be adversely affected by unreliable or misleading information or no information. Paragraphs 223 to 229 of FHB-VI, require half yearly closing of stock as well as Tools and Plants to be done in the divisions every year so that profit and loss on stock may be accounted for. Half-yearly closing of stock was, however not carried out by the test-checked divisions. Profit and loss on stocks could not therefore, be ascertained thereby putting the issue rates of stock in an area of risk. Two instances of issue at lower rates are given below:

- The Irrigation Division, Hardwar purchased steel at rates which varied between Rs. 19,200 and Rs. 25,600 per metric tonne (MT) from the open market and issued it to the contractors at the rate of Rs.18,500 per MT *i.e.* at a loss of Rs.700 to Rs.7,100 per MT. The difference between the issue rate and purchase rate amounting to Rs.21.30 lakh was booked to various works to make up the loss on stock.

- An agreement was executed by SE, Irrigation Works Circle, Nainital (CB no. 1/SE/2001-2002) for construction of protection wall of Ballianala, Nainital. The issue rate of galvanised iron (GI) wire to be issued to the contractor was incorrectly entered in the agreement at Rs.2,400 per MT instead of Rs.24,000 per MT. EE, Jamrani Dam Construction Division, Haldwani effected recovery @Rs.2,400 per MT from the running bills of the contractor. Thus the Division suffered a loss of Rs. 21,600 per MT on supply of GI wire. The total loss due to fixation of lower issue rate amounted to Rs.39.15 lakh.

Reserve stock limits have been fixed for each irrigation divisions by the SEs under their control for purchase of stores to be utilized during the year. However, if requirement of stores are more than the reserve stock, the EEs have to obtain sanctions from SEs. It was noticed that reserve stock/stores limit had been exceeded in a number of cases and sanctions for the same had not been obtained from the SEs concerned. Procurement of excess store by EEs may lead to high inventory levels being maintained as well as excess stores becoming un-serviceable and obsolete in due course of time.

5.4 Inspection

Inspections form an important part of the internal control process. Superintending Engineers (SEs) are administrative heads of circles and they are responsible to the CE for their administration within their circles. Similarly, Executive Engineers (EEs) are heads of divisions and are responsible to the SE for execution and management of all works in the division. As per provisions contained in the Manual of Orders(ID) SEs and EEs are to inspect the Divisional and Sub-divisional offices respectively and check the records of EEs/ SDOs to see that orders/rules are followed in respect of cash management, cash book, imprests, deposits, stocks, tools and plants, register of works, measurement books, running account bills, application of schedule rates, issue rates, and replies to Accountant General's audit observations etc. The Divisional Accounts Officer/Divisional Accountant (DAO/DO) is to inspect periodically and at least once in a year a percentage check of initial accounts of the Sub-division as per the provisions of the FHB.

Test check revealed that SEs and EEs had not carried out these inspections for the last two years and no inspection reports were available for control purposes. It was also noticed that no sub-divisional office except the Power House Construction Division, Rishikesh, had ever been inspected by DAOs/DAs. Abandonment of the system of inspection by the SEs, EEs, DAOs and DAs seriously compromised the responsibility, authority and reporting relationship built into the organization structure and increased the risk of delegated responsibilities not being carried out.

5.4.1 Non-checking of tenders

The DAO is also responsible for checking the computed tenders. He should bring to the notice of Divisional Officers all instances in which subordinate officers exceeded the financial limitations of their powers.

During test check of the divisions, it was observed that computed tenders had not been sent to DAOs by EEs and therefore, the correctness of rates of items could not be ascertained. This resulted in loss to Government in the following cases noticed during test check.

- Government had decided that contractors should pay stamp duty @ Rs. 70/- per thousand on 10 percent of the security amount if it was in the form of Fixed Deposit Receipts or National Saving Certificates. On Bank Guarantees the stamp duty was payable at the rate of Rs.125 per thousand, subject to maximum of Rs.10,000.00. EE, Khara Project Construction Division, Hardwar and SE, Irrigation Circle, Dehradun signed memoranda of understanding (MOUs) with the executing agencies valued at Rs.23.59 crore but neither security money nor stamp duty valuing Rs.16.51 lakh and Rs. 95,984.00 respectively were charged from the contractors with consequent loss to the Government.

- A sum of Rs. 50 lakh was given to the contractor as mobilisation advance (1980-81)[*] on payment of 14% interest per annum. Although Rs. 50 lakhs were recovered from the running account bills of the supplementary agreements with the contractor but interest due on Rs.50 lakh, amounting to Rs. 1.44 crore for the period 1981 to 2003 had not been recovered so far (November 2004).

5.4.2 Non-maintenance of objection-book

Para 99 of Financial Hand Book, (FHB) Volume-VI requires that in case of any disagreement with the EE on any financial matter, the DAO should record his objection in the objection book and place it before EE for recording his observations. Scrutiny of records revealed that the objection book was not maintained in any of the divisions test-checked. In Minor Irrigation Division,

[*] EE, Maneri Bhali Construction Division-II, Chiniyalisaur, Uttarkashi.

Nainital and Jamrani Dam Construction Division-I, Haldwani, objection books were opened at the instance of Audit.

5.4.3 Non-certification of agreements

As per orders issued by the office of the Accountant General (A&E)-II, U.P., Allahabad, DAOs/DAs are required to certify that agreements/bonds executed in the divisions had been checked and all financial rules and regulations followed. No contract bonds /agreement in the test checked divisions carried the required certificate. During discussion it was stated by EEs that submission of agreements to the DAO might lead to the delay in finalization of agreements.

Further it was also noticed that the agreements executed by SEs the required certificate was also not obtained from the DAOs on the ground that no DAOs are posted in the circles. No efforts had, however been made to obtain the certificate from the DAOs posted in the divisions under the SE's administrative control. In the absence of such a certification by the DAO/DAs it could not be ascertained whether the agreements executed were financially sound.

5.5 Physical verification of Stores & Stocks

Physical controls include restricting access to tangible assets, physical limitations, dual custody and periodic inventories. Paragraph 230 of FHB Vol. VI requires EEs to physically verify the stores/ stock of their divisions at least once a year and to set right any discrepancy noticed. Physical verification by the EEs had not been carried out in the test checked divisions for the last two years and therefore, the risk of shortages in the stocks remaining undetected was high.

Scrutiny of records of ID, Hardwar, revealed a difference of 9,712 bags of cement (11,871-2,159) valued at Rs.14.08 lakh at the rate of Rs.145 per bag. No efforts were made to reconcile the difference.

5.6 Operational controls

5.6.1 Transgression of financial powers

EEs and AEs are empowered to enter into agreements with contractors or executing agencies up to the value of Rs. 40 lakh and 2 lakh respectively. AEs are also empowered to issue work order upto Rs.20,000 EEs and AEs of the divisions mentioned below executed agreements with the contractors in excess of the financial power delegated to them and thus violated the financial rules.

Sl. No.	Name of the Division	Name of work	Value of work (Rs. in lakh)
1	EE Khara, Project Constn. Division, Hardwar	Development of plots	269.02
2	EE, Irrigation Division, Hardwar	Construction of Sati Ghat	61.40

3	AE, Irrigation Division, Hardwar	Development of Ghats	3.21
4	AE, Irrigation Division, Hardwar	Do	4.84

EE can place orders upto a limit of Rs. 25,000 per item per month according to the orders issued by the CE, Irrigation Department. Scrutiny of records of EE, Irrigation Division, Hardwar revealed that EE had placed orders for supply of cement bags in a month beyond his financial powers as detailed below:

(Rupees in lakh)

Month	Value of supply orders	Excess value of supplies taken
February 2003	0.77	0.52
December 2003	2.77	2.52
January 2004	4.94	2.69
February 2004	7.30	7.05
Total	**15.78**	**12.78**

DAO as an internal auditor failed to point out the transgression of financial powers by EEs and AEs.

5.6.2 Deposits—Expenditure in excess of Deposits

Capital outlay on deposit works is required to be limited to the amounts of deposits received. During the scrutiny of records it was observed that EE, Power House Construction Division, Rishikesh and EE, Yamuna Construction Division-I, Dehradun had incurred expenditures of Rs.9.26 crore and Rs.15.49 crore respectively in excess of the deposits received.

5.6.3 Non-charging of Centage Charges

As per order of Uttaranchal Government of May 2003 a centage charge at the rate of 12.5% should be deducted on the value of any work executed by the Department on behalf of Uttaranchal Jal Vidyut Nigam Ltd. (UJVNL) under Deposit Head. Scrutiny of the records of Maneri Bhali Tunnel Construction Division, Chiniyalisaur (Uttarkashi) revealed that the division had executed work for UJVNL valued at Rs. 9.51 crore. Centage charge of Rs. 1.19 crore had however, not been recovered from the running account bills, resulting in a loss to the department to this extent.

5.7 Internal Audit

Internal Audit, as an independent entity within or outside the department, was to examine and evaluate the level of compliance with the departmental rules and procedures so as to provide independent assurance to senior management on the adequacy of risk management and internal control framework in the department. The manual stipulates that an internal audit system should be adopted in the Department. During test check it was revealed that there was no internal audit wing in the Department. Due to non-existence of the internal audit wing the audit paras pertaining to the period 2003-04 mentioned at Para number 5.8 were not resolved with even replies not being given. The DAOs who function as internal checkers in the divisions were not allowed to exercise their duties by the higher authorities. Absence of internal audit wing /auditors in the department has resulted in failure to check the financial irregularities pointed out in the review. CE in reply had stated that Irrigation Department being a very old department and its working being well defined there was no need to adopt an internal audit system in the department. The reply is contrary to the provisions of Irrigation Manual as well as the basic principles of modern management. As pointed out in the review the irregularities mentioned could have been avoided had there been a system of internal audit in the Department. Therefore, there is an urgent need to establish an Internal Audit Wing.

5.8 Lack of response to Audit

Accountant General conducts periodic inspection of Government transactions and the audit findings are communicated through Inspection Reports to the Heads of Offices/ Departments to comply with the audit observations and rectify the defects and promptly report compliance to the Accountant General. The replies to these Inspection Reports are required to be furnished to the Accountant General within six weeks form the date of issue. It is the duty of DAOs to see that replies to the audit paras of the Inspection Reports are submitted within the prescribed time. Test check revealed that as on April 2005 Inspection Reports of 33 divisions for 2003-04 having 66 paras with audit observations and a money value of Rs.734.71 crore were pending settlement as replies to the audit paras were not received from the EEs (April 2005)as mentioned below:

Sl. No.	No. of Divisions	No. of Paras	Nature of Para	Amount (Rs. in crore)	Nature of failure of internal control mechanism
1.	7	13	Losses due to non recovery of tax, rent, stamp fee, centage charge, damage etc.	12.35	Administrative Control
2.	7	10	Excess expenditure which relate to budget allotment, sanction of estimate etc.	645.08	Budgetary control
3.	1	4	Avoidable expenditure on lining, development of plots, cartage etc.	3.93	Expenditure control
4.	5	9	Unauthorised expenditure without financial sanction, technical sanction, non revision of estimates etc.	35.04	Administrative control
5.	4	9	Unfruitful expenditure	5.72	Execution of schemes
6.	1	3	Blocking of funds	1.80	Administrative control
7.	4	8	Un-adjusted miscellaneous advance	20.57	Financial control
8.	4	10	Other irregularities	10.22	
Total	**33**	**66**		**734.71**	

From the above it would be seen that several serious irregularities with money value have been commented on in the Inspection Reports and not settled as yet. Failure to comply with the issues raised by audit facilitated the continuation of serious financial irregularities and loss/wasteful expenditure to the Government.

5.9 Conclusions

The Internal Controls *viz.* budgetary, expenditure, system and operational controls and monitoring mechanism were inadequate and ineffective in the Irrigation Department. Basic budget estimation procedures, maintenance of cash book and other finance and accounting procedures as laid down in the codes and manuals were not adhered to. The department failed to observe system and operational internal control procedures, thereby increasing the risk of misappropriation and fraud taking place and remaining unnoticed. No Internal Audit Wing was set up as required, thereby depriving the department of an independent assurance on the adequacy of the risk management and internal control framework.

5.10 Recommendations

- Preparation of budget estimates, its scrutiny and approval should be done strictly in accordance with codal provisions, in order to ensure adequate allocation of funds which are optimally utilized.

- Periodical inspections should be carried out by SEs, EEs and DAOs/DAs to guard against the delegated responsibilities being misused.

- The services of DAOs/DAs should be utilized to a greater extent especially to ensure quality of accounts and certification of agreements to ensure their financial soundness.

- The Financial Hand Books and Manuals of Orders should be updated to bring the internal control system up to date and it must also be ensured that financial rules are strictly adhered to in order to avoid financial irregularities.

- The department should revamp the system by proper response to audit observations in the Inspection Reports of the Accountant General, in a time bound manner to guard against continued irregularities and wasteful expenditure.

- The department should put in place, immediately an internal audit system and overall effectiveness of internal control should be monitored on an ongoing basis. Periodic reviews should be carried out in order to ensure that internal control mechanism and effective risk management are strictly followed.

Matter was reported to the Government in (February 2005); reply is awaited (April 2005).

CHAPTER-VI

REVENUE RECEIPTS

General

6.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Uttaranchal during the year 2003-04, State's share of divisible Union taxes and grants-in-aid received from Government of India during the year and corresponding figures for the preceding years are given below:

(Rupees in crore)

	2001-02	2002-03	2003-04
1. Revenue raised by the State Government			
(a) Tax revenue	970.88	1,018.87	1,225.96
(b) Non-tax revenue	162.06	374.85	370.41
Total	1,132.94	1,393.72	1,596.37
II. Receipts from the Government of India			
(a) State's share of divisible Union taxes	151.40	372.14	435.03
(b) Grants-in-aid	1,323.85	1,450.25	1,568.68
Total	1,475.25	1,822.39	2,003.71
III. Total receipts of the State (I+II)	2,608.19	3,216.11	3,600.08
IV. Percentage of I to III	43.44	43.34	44.34

6.1.1 The details of tax revenue for the year 2003-04 along with the figures for the preceding years are given in the following table:

(Rupees in crore)

Revenue Head	2001-02	2002-03	2003-04	Increase (+) or decrease (-) in 2003-04 with reference to 2002-03	Percentage of increase or decrease with reference to 2002-03
1. Trade Tax	486.13	548.84	661.96	(+) 113.12	(+) 20.61
2. State Excise	232.04	245.86	273.37	(+) 27.51	(+) 11.19
3. Stamp Duty and Registration Fees	89.45	123.35	168.94	(+) 45.59	(+) 36.96
4. Taxes on Vehicles, Goods and Passengers	67.41	71.68	86.12	(+) 14.44	(+) 20.14
5. Taxes and Duties on Electricity	7.94	18.10	16.45	(-) 1.65	(-) 9.12
6. Land Revenue	3.28	2.52	12.64	(+) 10.12	(+) 401.59
7. Other Taxes and Duties on Commodities and Services	82.89	6.70	6.04	(-) 0.66	(-) 9.85
8. Other	1.74	1.82	0.45	(-) 1.37	(-) 75.27
Total	**970.88**	**1,018.87**	**1,225.97**	**(+) 207.10**	**(+) 20.33**

For details see statement No. 11- detailed accounts of revenue by Minor Heads in the Finance Accounts of the Government of Uttaranchal for the year 2003-2004. Figures under the Major Heads 0020- Corporation Tax, 0021 Taxes on Income other than Corporation Tax, 0028-other taxes on income and expenditure, 0032-Taxes on Wealth, 0037- Customs, 0038- Union Excise Duties and 0044- Service Tax which entail share of net proceeds assigned to States booked in the Finance Accounts under A- Tax Revenue have been excluded from Revenue raised by the state and included in State's share of divisible Union taxes in this statement.

Reasons for increase/decrease in collection though called for from the Government (Feb. 2005) have not been received (April 2005).

6.1.2 The details of non-tax revenue for the year 2003-04 along with the figures for the preceding years are exhibited in the following table:

(Rupees in crore)

Revenue Head	2001-02	2002-03	2003-04	Increase (+) or decrease (-) in 2003-04 with reference to 2002-03	Percentage of increase/ decrease with reference to 2002-03
1	2	3	4	5	6
1. Interest Receipts	3.15	3.92	30.22	(+) 26.30	(+) 670.92
2. Forestry and Wild Life	80.70	177.69	131.88	(-) 45.81	(-) 25.78
3. Major and Medium Irrigation	6.78	10.38	9.36	(-) 1.02	(-) 9.83
4. Education, Sports, Art and Culture	17.96	22.67	21.28	(-) 1.39	(-) 6.13
5. Other Administrative Services	3.85	9.70	20.65	(+) 10.95	(+) 112.89
6. Non-ferrous Mining and Metallurgical Industries	18.24	23.93	31.82	(+) 7.89	(+) 32.97
7. Police	3.60	3.84	4.01	(+) 0.17	(+) 4.43
8. Crop Husbandry	3.20	49.31	22.11	(-) 27.20	(-) 55.16
9. Social Security and Welfare	0.17	0.38	1.95	(+) 1.57	(+) 413.16
10. Medical and Public Health	3.58	3.37	4.25	(+) 0.88	(+) 26.11
11. Minor Irrigation	0.12	0.22	0.65	(+) 0.43	(+) 195.45
12. Roads and Bridges	1.20	1.08	0.93	(-) 0.15	(-) 13.89
13. Public Works	1.74	2.90	2.19	(-) 0.71	(-) 24.48
14. Co-operation	0.83	1.15	1.17	(+) 0.02	(+) 1.74
15. Others	16.94	64.31	87.94	(+) 23.63	(+) 36.74
Total	**162.06**	**374.85**	**370.41**	**(-) 4.44**	**(-) 1.18**

Reasons for variations, though called for from the Government (Feb. 2005) have not been received (April 2005).

6.1.3 Variations between Budget estimate and Actuals

The variations between Budget estimates and Actuals of tax and non-tax revenues during the year 2003-04 are given in the table below:

A: Tax Revenue

(Rupees in crore)

Revenue Head	Budget estimates	Actuals	Variation Increase (+) decrease (-)	Percentage of variations
1	2	3	4	5
1. Trade Tax	620.83	661.96	(+) 41.13	(+) 6.63
2. State Excise	286.05	273.37	(-) 12.68	(-) 4.43
3. Stamp Duty and Registration Fees	139.68	168.94	(+) 29.26	(+) 20.95
4. Taxes on Vehicles, Goods and Passengers	120.38	86.12	(-) 34.26	(-) 28.46
5. Taxes and Duties on Electricity	19.93	16.45	(-) 3.48	(-) 17.46
6. Land Revenue	3.10	12.64	(+) 9.54	(+) 307.74
7. Other Taxes and Duties on Commodities and Services	6.59	6.04	(-) 0.55	(-) 8.35
8. Other	4.00	0.45	(-) 3.55	(-) 88.75

B: Non-Tax revenue

(Rupees in crore)

Revenue Head	Budget estimates	Actuals	Variation Increase (+) decrease (-)	Percentage of variations
1. Interest Receipts	1.75	30.22	(+) 28.47	(+) 1,626.86
2. Forestry and Wild Life	140.71	131.88	(-) 8.83	(-) 6.28
3. Major and Medium Irrigation	3.10	9.36	(+) 6.26	(+) 201.94
4. Education, Sports, Art and Culture	24.96	21.28	(-) 3.68	(-) 14.74
5. Other Administrative Services	6.11	20.65	(+) 14.54	(+) 237.97
6. Non-ferrous Mining and Metallurgical Industries	30.60	31.82	(+) 1.22	(+) 3.99
7. Police	4.95	4.01	(-) 0.94	(-) 18.99
8. Crop Husbandry	12.23	22.11	(+) 9.88	(+) 80.78
9. Social Security and Welfare	0.41	1.95	(+) 1.54	(+) 375.61
10. Medical and Public Health	3.66	4.25	(+) 0.59	(+) 16.12
11. Minor Irrigation	0.19	0.65	(+) 0.46	(+) 242.11
12. Roads and Bridges	0.01	0.93	(+) 0.92	(+) 9,200.00
13. Public Works	1.72	2.19	(+) 0.47	(+) 27.32
14. Co-operation	1.30	1.17	(-) 0.13	(-) 10.00
15. Others	212.46	87.94	(-) 124.52	(-) 58.61

Reasons for substantial variations between budget estimates and actuals have not been intimated by the Government of Uttaranchal.

6.1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred in their collection and percentage of such expenditure to the gross collection during the years 2001-02 to 2003-04 along with the relevant All India Average percentage of expenditure on collection to gross collection 2002-03 are given below:

(Rupees in crore)

Revenue Head	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average for the year 2002-03
1. Trade Tax	2001-02	486.13	6.82	1.40	
	2002-03	548.84	9.50	1.73	1.18
	2003-04	661.96	15.09	2.28	
2. Taxes on Vehicles, Goods and Passengers	2001-02	58.57	2.21	3.77	
	2002-03	66.28	3.08	4.65	2.86
	2003-04	75.35	3.72	4.94	
3. State Excise	2001-02	232.04	1.96	0.84	
	2002-03	245.86	2.62	1.07	2.92
	2003-04	273.37	2.86	1.05	
4. Stamp duty and Registration Fees	2001-02	89.45	1.71	1.91	
	2002-03	123.35	1.31	1.06	3.46
	2003-04	168.94	4.91	2.91	

The expenditure incurred on collection and percentage of such expenditure to the gross collection under the heads "Trade Tax" and "Taxes on Vehicles, Goods and Passengers" had been higher than the All India average percentage of cost of collection.

6.1.5 Result of Audit

Test check of records of Trade Tax, State Excise, Taxes on Motor Vehicles and Stamp Duty and Registration Fee offices, conducted in audit during for the year 2003-04 disclosed short realization or loss of revenue amounting to Rs. 14.86 crore in 123 cases. During the course of the year 2003-2004 the concerned departments accepted short realization or loss of revenue aggregating Rs. 1.24 crore in 68 cases, of which 60 cases involving Rs. 1.19 crore were pointed out in audit in earlier years.

This chapter contains six paragraphs involving financial effect of Rs. 4.57 crore. The departments have accepted audit observations involving Rs. 0.04 crore out of which Rs. 0.02 crore has been recovered. No reply to audit observations with a total revenue effect of Rs. 0.89 crore has been received from the Department (April 2005).

STATE EXCISE DEPARTMENT

6.2 Non-levy of licence fees on foreign liquor licensees amounting to Rs. 26.50 lakh.

Uttaranchal Excise (Settlement of Licences for Retail Sale of Foreign Liquor and Beer) Niyamawali 2001, provides for the imposition/levy on advance of an annual licence fee per shop on every dealer of foreign liquor. The licence fee is leviable on various slabs of the "Annual Minimum Guaranteed Quantity" (AMGQ) of bottles of Indian Made Foreign Liquor (IMFL) of 750 ML as categorized below:

Category	AMGQ (Range in terms of IMFL of 750 ml bottle)	Licence fee per shop (in rupees)
1	Upto 6,000 bottles	50,000
2	6,001 to12,000 bottles	1,00,000
3	12,001 to 25,000 bottles	2,00,000
4	25,001 to 50,000 bottles	4,00,000
5	50,001 to 75,000 bottles	6,00,000
6	75,001 to 1,00,000 bottles	8,00,000
7	1,00,000 and above bottles	10,00,000

During test-check of records of the District Excise Officers, Hardwar and Rudraprayag, it was noticed (in February 2003 and May 2002) that 78,900 bottles were lifted in excess of AMGQ by 18 licensees in the year 2001-2002. Licence fee was however, levied not on the actual quantities lifted by the licensees but on the AMGQ. This resulted in loss of revenue of Rs. 26.50 lakh.

After this was pointed out, the Department replied (March 2005) that the audit observations have been referred to the Government.

The reply of the Government is awaited (April 2005).

TRADE TAX DEPARTMENT

6.3 Exemption from tax due to irregular notification

Section 8 (5) of the CST Act empowers the State Government to issue notifications for grant of exemption or reduction in rate of tax during the course of interstate sale of goods covered under section 8(1) or (2) of the Act. Interstate sale of atta, maida, suji manufactured from wheat, on which tax has been paid under the State Act, is taxable at the rate of 2.5 *percent* under section 8 (2-A) of Act and as such State Government is not empowered to issue notification under section 8(5) on its sale.

During test check of records of the Deputy Commissioner (Assessment)-II Trade Tax, Dehradun in October 2002 and Deputy Commissioner (A) Trade Tax, Kashipur in August 2003, it was noticed that Assessing Authority while finalizing the assessments of four dealers for the year 1999-2000 to 2000-01 allowed incorrect exemption of tax on interstate sale of atta, maida and suji valued at Rs. 10.99 crore on which rate of tax applicable ranged between 2 to 2.5 per cent during these years. The exemption from tax was allowed by the Assessing Authorities in view of the notification dated 31 March 1993 issued by the State Government under Section 8(5) of Act, which was beyond delegated powers of Government. This resulted in irregular exemption from tax amounting to Rs. 27.47 lakh.

The matter was reported to the Government between March 2003 and June 2004; their replies are awaited (April 2005).

TRANSPORT DEPARTMENT

6.4 Loss of revenue due to delay in circulation of Government notification

The Government of India *vide* Gazette notification dated 28 March 2001, amended the Motor Vehicles Rules, enhancing the rates of licence fees, registration fee and fitness fees with effect from 28 March 2001.

During test-check of the records (January 2002) of Regional Transport Office, Dehradun, it was noticed that the Department failed to realize license fees, registration fees and fitness fees at enhanced rates in 4,396 cases during the period 28 March 2001 to 24 April 2001, which resulted in loss of revenue amounting to Rs. 2.09 lakh.

After this was pointed out, the Department replied (February 2005) that a sum of Rs. 0.92 lakh has been recovered in 3,039 cases and notices have been issued for recovery of the remaining amount.

The matter was reported to the Government (May 2002); reply is awaited (April 2005).

6.5 Non-imposition of Additional Tax on Maxi Cab vehicles

Under the UP Motor Vehicle Taxation Act, 1997, (as adopted by the Government of Uttaranchal) effective from 9 November 1998, additional tax leviable under the fourth schedule of section 6 on public transport vehicles was enhanced by 10 *per cent* from 10 March 2000. Accordingly, additional tax on Maxi Cabs became leviable at the rate of Rs. 4,950 instead of Rs. 4,500 per quarter per vehicle.

Scrutiny of the records of Regional Transport Officers, Dehradun and Pauri (May 2003) revealed that 17 Maxi Cab vehicles which were issued permits by the respective offices were plying on roads but the additional tax amounting to Rs. 2.06 lakh was not levied by the Department during the period May 2001 to March 2003. This resulted in non-realisation of revenue amounting to Rs. 2.06 lakh.

After this was pointed out (February 2005), the Department realised Rs. 1.35 lakh in 12 cases and stated that notices/recovery certificates were issued in the remaining cases.

The matter was reported to the Government and the Department (July 2003). Reply of the Government and further progress of recovery is awaited (April 2005).

OTHER DEPARTMENT RECEIPTS

FOREST DEPARTMENT

6.6 Loss of revenue due to channels remaining untapped

A deep marking called a channel is made on the trunks of Pine trees after removing the bark to extract resin (lisa), which is a forest produce. The extraction of resin is done as per the working plan of the divisions. The working plan clearly indicates the number of channels to be tapped by the Department. Any deviation from the working plan needs the approval of the Conservator of Forest.

Test check (April 2003) of the records of the Divisional Forest Officer (DFO), Nainital Forest Division revealed that during the year 2002-03, 6.73 lakh channels were available of for resin tapping as per the working plan of the division. Of these, the Division tapped only 2.68 lakh channels (40 *per cent*) and 4.05 lakh channels were left untapped. Non-tapping the channels as per the working plan of division resulted in non-extraction of 15,391 quintals of resin valuing Rs. 3.64 crore, thereby causing loss of revenue to the Government.

On this being pointed out, the DFO replied (February 2005) that actual number of channels could not be counted due to paucity of funds and extraction of resin was done as per the previous working plan (*i.e.* 1988-89 to

1997-98). Further it was stated that tapping was made on the actual number of trees found fit for tapping. Reply was not tenable as the number of channels for tapping was clearly indicated in the working plan after survey of the trees in the area. No deviation from the working plan had been approved by the Conservator of Forest.

The matter was reported to the Government in (October 2004); reply is awaited (April 2005).

6.7 Illicit felling of trees

Failure of the department to initiate timely and proper action resulted in illicit cutting of trees and a loss of Rs. 34.75 lakh.

The Forest Manual stipulates that Forest Guards and other subordinate forest officials will report to the officer-in-charge of the range, any offence under the Forest Act, including illicit felling of trees, within 24 hours of detection of such offence. The latter will report it, along with action taken thereon, to the Divisional Forest Officer within three days.

Scrutiny of records of the Director, Rajaji National Park, Dehradun (February 2004) and further information collected (July 2004) revealed that exploitation of any forest produce from the Rajaji National Park has been banned by the Government since October 1986. The park had a well established security system for which an expenditure of Rs. 88.48 lakh have been incurred during 2001-02 to July 2004. Despite this, 884 trees of different species valued at Rs. 41.37 lakh had been illicitly cut during the years 2001-02 to 2003-04. Timber valuing Rs. 6.62 lakh only was, however, seized and the rest transported out of the Park area, thereby causing loss of Rs. 34.75 lakh (Rs. 41.37-Rs. 6.62) to the Government. Timely action to check the illicit felling and transportation of timber or to report the matter to the departmental authorities was, however, not taken as required under the Forest Manual. In reply, the department stated (July 2004) that action is taken as per rules against officials responsible for illicit felling from time to time. It was noticed that no action had, however, been initiated against the officials responsible for these lapses or for recovering the loss thus caused to the Government.

The matter was reported to the Government (July 2004); the reply was awaited (April 2005).

CHAPTER-VII

COMMERCIAL ACTIVITIES

7.1 Overview of Government companies

Introduction

As on 31 March 2004, there were 20 Government companies (14 working and six non-working companies*) and three Statutory corporations as against the same number of companies and no Statutory corporation as on 31 March 2003 under the control of the State Government. Three** new Statutory corporations were formed as a result of division from respective U.P. State corporations. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of Corporation	Authority for audit by CAG	Audit arrangement
1	Uttaranchal State Road Transport Corporation	Section 33(2) of the Road Transport Act, 1950	Sole audit by CAG
2	Uttaranchal Forest Development Corporation	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Action for enactment is awaited. Audit is being done by Examiner, Local Fund Account.
3	Uttaranchal Peya Jal Sansadhan Vikas Evam Nirman Nigam	Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit by CAG

The State Government had formed Uttaranchal Electricity Regulatory Commission and its audit is entrusted to CAG under Section 104(2) of the Electricity Act, 2003***.

* Non-working companies are those that are in the process of liquidation/closure/merger, etc.

** Uttaranchal State Road Transport Corporation, Uttaranchal Forest Development Corporation and Uttaranchal Peya Jal Sansadhan Vikas Evam Nirman Nigam.

*** Erstwhile Section 34(4) of the Electricity Regulatory Commission Act, 1998 repealed by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

7.1.1 As on 31 March 2004, the total investment in 17 working PSUs (14 Government companies and three Statutory corporations) was Rs.1029.18* crore (equity: Rs.96.43 crore, share application money: Rs.8.91 crore and long term loans**: Rs.923.84 crore) as against 14 working PSUs (all Government companies) with a total investment of Rs.674.47*** crore (equity: Rs.85.58 crore, long term loans: Rs.588.89 crore) as on 31 March 2003. Increase in total investment was due to increase in equity and loans mainly in finance, sugar and power sectors. The analysis of investment in working PSUs is given in the following paragraphs:

Sector-wise investment in working Government companies and Statutory corporations.

7.1.2 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 31 March 2004 are given in the pie charts as follows:

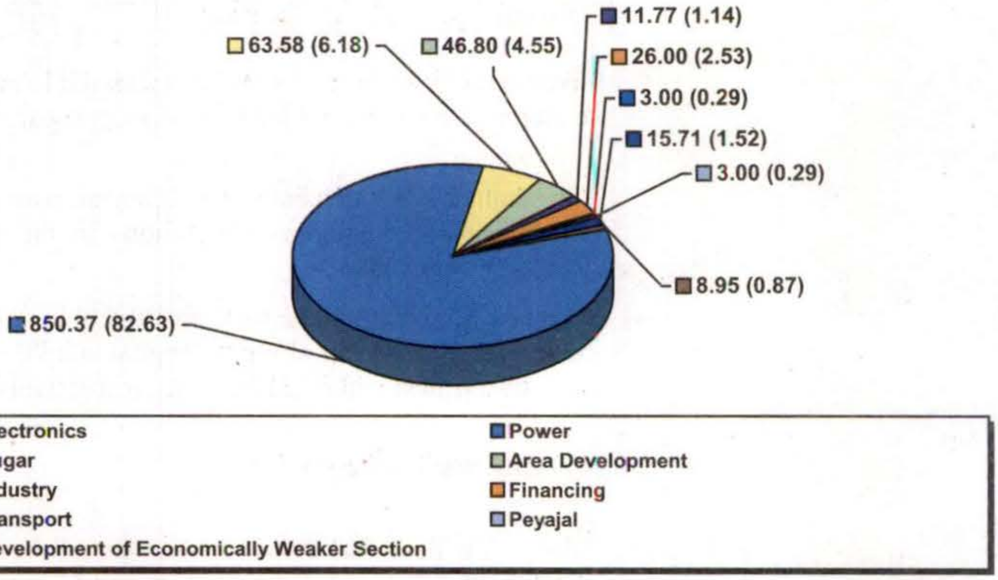
* Figure as per Finance Accounts 2003-04 is Rs. 200.03 crore, the difference is under reconciliation. As per Finance Accounts 2003-04 complete details have not been furnished by State Government and the position as on 31 March 2001 is to be added after allocation of balances to the State of Uttaranchal.

** Long term loans mentioned in paragraph 7.1.1, 7.1.2, 7.1.3, 7.1.4 and 7.1.12 are excluding interest accrued and due on such loans.

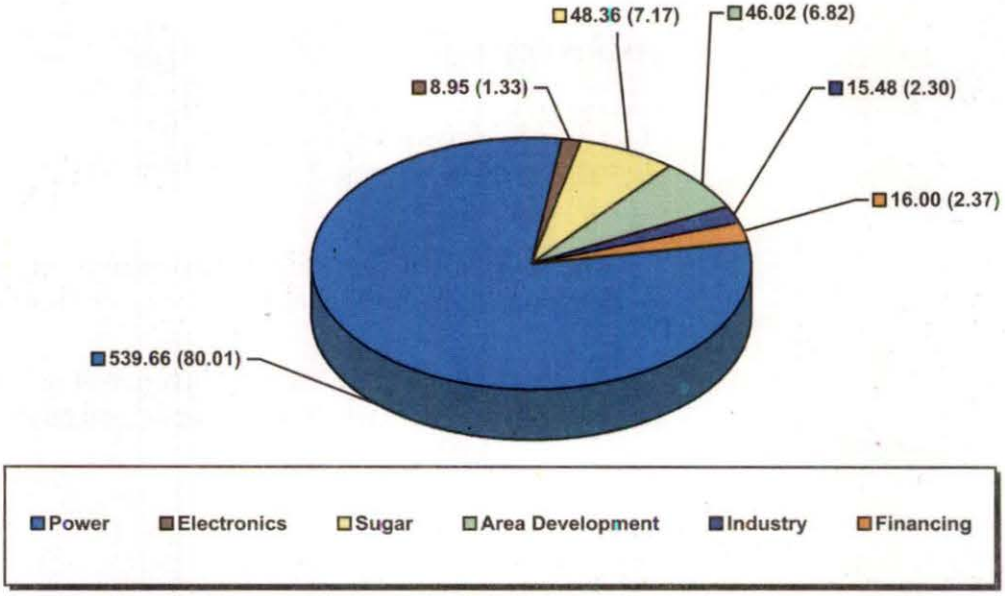
*** Previous year's figure (provisional) has under gone a change from Rs. 444.14 crore to Rs. 674.47 crore because of the revised figure (in respect of other loans) provided by a company (Uttaranchal Power Corporation Ltd).

Sector-wise investment in working Government companies and Statutory corporations

As on 31 March 2004
Amount: Rupees in crore
(Figures in bracket indicate percentage of investment)
Total investment - Rs.1029.18 crore



As on 31 March 2003
Amount: Rupees in crore
(Figures in bracket indicate percentage of investment)
Total investment - Rs.674.47 crore



Working Government companies

7.1.3 The total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2002-03	14	85.58	-	588.89	674.47
2003-04	14	93.43	8.91	920.84	1029.18

Investment in the current year has increased over the previous year mainly due to increase in equity and loans in finance, sugar and power sectors.

The summarised statement of Government investment in working Government companies and Statutory corporations in the form of equity and loans is detailed in ***Appendix-X.***

As on 31 March 2004, the total investment in working Government companies comprised 10 *per cent* of equity capital and 90 *per cent* of loans as compared to 12.69 *per cent* and 87.31 *per cent*, respectively, as on 31 March 2003.

Working Statutory corporations

7.1.4 The three Statutory corporations (all working) were formed as a result of bifurcation between Uttar Pradesh and Uttaranchal between the period May 2001 and October 2003. The first accounts in any of these corporations were not finalised upto September 2004. As per the available information, the total investment in three Statutory corporations at the end of March 2004* was as follows:

(Rupees in crore)

Name of corporation	2003-04	
	Capital	Loan
Uttaranchal State Road Transport Corporation	3	Nil
Uttaranchal Forest Development Corporation	Nil	Nil
Uttaranchal Peya Jal Sansadhan Vikas Evam Nirman Nigam	Nil	3
Total	**3**	**3**

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in ***Appendix-X.***

As on 31 March 2004, the total investment in working Statutory corporations comprised 50 *per cent* of equity capital and 50 *per cent* of loans.

* Figures as on 31March 2004 are provisional.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

7.1.5 The details regarding budgetary outgo, guarantees/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in *Appendix X and XII.*

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2003-04 are given below:

(Rupees in crore)

Particulars	2001-02				2002-03				2003-04			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
A (i) Equity Capital outgo from budget	4	11.29	-	-	3	17.05	-	-	3	18.91	1	3.00
(ii) Loans given from budget	4	40.26	-	-	5	113.98	-	-	4	26.62	1	3.00
Total A (i) + (ii)		**51.55**	-	-		**131.03**	-	-	**6**	**45.53**	**2**	**6.00**
B (i) Grant towards Projects/ Programmes /Schemes	1	3.55	-	-	2	36.72	-	-	4	142.67	2	126.62
(ii) Subsidy	-	-	-	-	-	-	-	-	-		-	-
Total B (i) + (ii)	**1**	**3.55**	-	-	**2**	**36.72**	-	-	**4**	**142.67**		**126.62**
Total outgo A+B	**5***	**55.10**	-	-	**7***	**167.75**	-	-	**6***	**188.20**	**2***	**132.62**

During the year 2003-04, the Government had guaranteed the loans aggregating Rs. 417.36 crore obtained by three working companies. At the end of the year, guarantees amounting to Rs. 847.96 crore against three working Government companies were outstanding. The Government granted moratorium on the repayment of loan to one company (Kichha Sugar Company Limited). No guarantee commission is being charged by the State Government.

Finalisation of accounts by working PSUs

7.1.6 The accounts for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations,

* Indicates actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidies from the Government in respective years.

their account are finalised, audited and presented to the Legislature as per the provisions of the respective Acts.

It could be noticed from ***Appendix XI*** that out of 14 working Government companies and three Statutory corporations, none had finalised its accounts for the year 2003-04 within the stipulated period. During the period from October 2003 to September 2004, four working Government companies finalised four accounts for previous years.

The accounts of all working Government companies and three Statutory corporations were in arrear for periods ranging from one to 17 years as on 30 September 2004 as detailed below:

Sl. No.	Number of working		Year from which accounts are in arrears	Number of years for which accounts are in arrear	Reference to serial number of *Appendix XI*	
	Government companies	Statutory Corporations			Government companies	Statutory Corporations
1	1		1987-88 to 2003-04	17	A-8	
2	1		1990-91 to 2003-04	14	A-7	
3	1		1994-95 to 2003-04	10	A-4	
4	3		1997-98 to 2003-04	7	A-2,3,6	
5	1		1999-2000 to 2003-04	5	A-5	
6	1		2000-01 to 2003-04	4	A-1	
7	3	1	2001-02 to 2003-04	3	A-9,11,12	B-2
8	2	1	2002-03 to 2003-04	2	A-13,14	B-3
9	1	1	2003-04	1	A-10	B-1

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government, and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs*

7.1.7 The summarised financial results of working PSUs as per their latest finalised accounts are given in ***Appendix XI.***

According to the latest finalised accounts of ten** companies, nine companies had incurred an aggregate loss of Rs. 19.44 crore.

* Under this para information in respect of Government companies only has been given, as first accounts in any of the corporations have not been finalised.

** In case of four companies (A-9, A-11, A-12 and A-14 of ***Appendix X***) first accounts have not been received.

Working Government companies

Profit earning working Government companies and dividend

7.1.8 Out of four working Government companies, which finalised their accounts for previous years by September 2004, none of the companies earned profit (***Appendix XI***).

Loss incurring working Government companies

7.1.9 Five companies, (Sl. No. A-1, 2, 6, 7 and 10 of ***Appendix XI***) out of nine loss incurring working Government companies, had accumulated losses aggregating Rs. 41.07 crore, which exceeded their paid-up capital of Rs. 25.59 crore (***Appendix XI***).

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to two (Sl. No. A-2 and 10 of ***Appendix XI***) companies amounting to Rs. 16.01 crore by way of loan during 2003-04 *(**Appendix X**)*

Return on Capital Employed

7.1.10 As per the latest finalised accounts, the capital employed* worked out to Rs. 862.54 crore in 14 working companies, and total return** thereon amounted Rs. (-) 7.09 crore as compared to total return of Rs. 2.17 crore in the previous year.

The details of capital employed and total return on capital employed in case of working Government companies are given in ***Appendix XI***.

Reform in power sector

State Electricity Regulatory Commission

7.1.11 Uttaranchal Electricity Regulatory Commission (Commission) was formed on 5 September 2002 under Section 17 of Electricity Regulatory Commission Act, 1998*** with the main objectives of rationalising generation, transmission, distribution and supply of electricity in the State, regulating the electricity industry in the State including the purchase, distribution, supply and utilisation of electricity, the quality of service, tariff and other charges keeping in view the interest of the consumers and utilities and creating an environment which will attract participation of private sector entrepreneurs in the electricity industry in State. The Commission is a single member Commission and is

* Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

** For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

*** Since replaced with Section 82(1) of the Electricity Act, 2003.

headed by a Chairman, who is appointed by State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. Commission had issued one tariff order up to September 2003.

Non-working Public Sector Undertaking (PSUs)

Investment in non-working PSUs

7.1.12 As on 31 March 2004, the total investment in six non-working PSUs (all Government companies) was Rs. 4.84* crore (equity only) as against the total investment of Rs. 4.90 crore (equity: Rs. 4.73 crore, loan: Rs. 0.17 crore) in six non-working PSUs (all Government companies) as on 31 March 2003.

The classification of non-working Government companies at the end of March 2004 was as under:

(Rupees in crore)

Sl. No.	Status of non-working Government companies	Number of companies	Investment	
			Equity	Long term loans
(i)	Under liquidation**	3	4.62	-
(ii)	Others***	3	0.22	-
	Total	**6**	**4.84**	-

Of the above non-working Government companies, three Government companies were under liquidation/closure under section 560 of the Companies Act, 1956 for eight to13 years and substantial investment of Rs. 4.62 crore was involved in these companies ***(Appendix X)***. Effective steps need to be taken for their expeditious liquidation or revival.

Sector wise investment in non-working Government companies

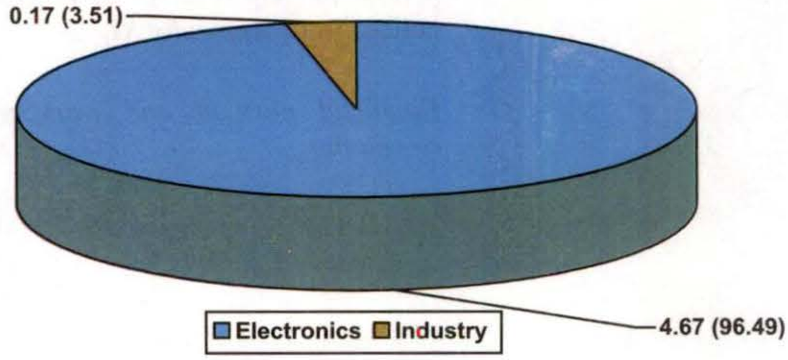
7.1.13 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 2003 are indicated below in the following pie charts:

* Figures as per finance accounts is Rs.0.15 crore, the difference is under reconciliation.

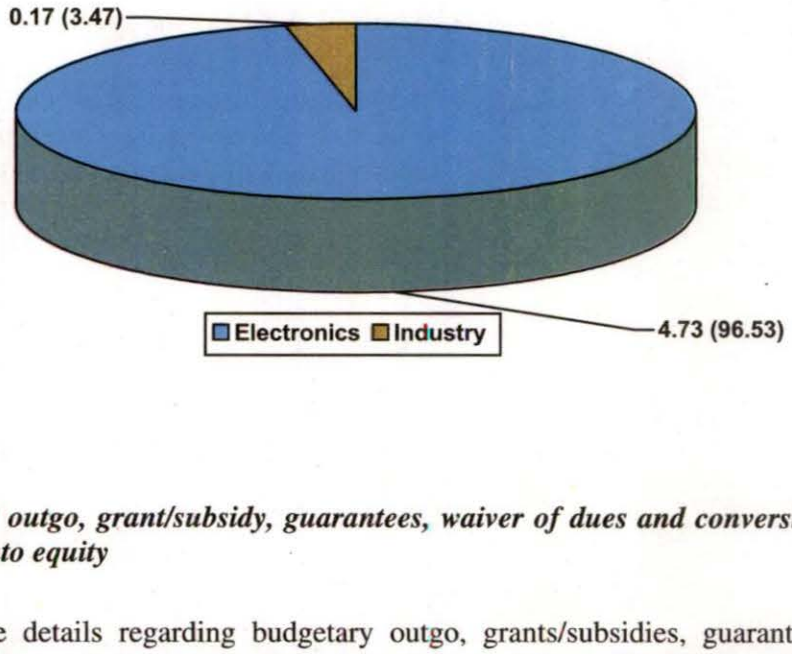
** Sl. No. C-1, C-5 and C-6 of ***Appendix X***.

*** Sl . No. C-2, C-3 and C-4 of ***Appendix X***.

As on 31 March 2004
Amount: Rupees in crore
(Figures in brackets indicate percentage of investment)
Total investment - Rs.4.84 crore



As on 31 March 2003
Amount: Rupees in crore
(Figures in brackets indicate percentage of investment)
Total investment - Rs.4.90 crore



Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

7.1.14 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working Government companies are given in ***Appendix X and XII.***

During the year 2003-04, there was no budgetary outgo in the form of equity/loans/subsidy/grants.

Finalisation of accounts by non-working Government PSUs

7.1.15 Three companies out of six non-working companies were under liquidation. The accounts of three non-working companies were in arrear for periods ranging from 14 to 17 years as on 30 September 2004 as could be noticed from *Appendix XI*.

Financial position and working results of non-working Government companies

7.1.16 The summarised financial results of non-working Government companies as per their latest accounts are given in ***Appendix XI***.

The summarised details of paid-up capital, net worth, cash loss/profits and accumulated loss/ profit of non-working Government companies as per latest accounts are given below:

(Rupees in crore)

Particular	Paid-up capital	Net worth[1]	Cash loss(-) / profit[2] (+)	Accumulated loss (-) profit (+)
Non-working companies	4.70	(-)4.07	(-) 1.75	(-)8.76

Results of audit by Comptroller and Auditor General of India

7.1.17 During the period from October 2003 to September 2004, the audit of accounts of three working Government companies were selected for review. The net impact of the important audit observations as a result of review of the Government companies was as follows:

Details	No. of accounts	Rs. in lakh
(i) Increase in loss	2	329.81
(ii) Non disclosure of material facts	2	88.05

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above Government companies are mentioned below:

7.1.18 ***Errors and omissions noticed in case of Government companies***

KICHHA SUGAR COMPANY LIMITED (2002-03)

The stock of sugar was understated by Rs. 3.93 crore due to non- provision of excise duty on the closing stock of sugar stored in factory godown and bonded

[1] Net worth represents paid-up capital *plus* free reserves *less* accumulated loss.

[2] Cash loss/profit represents loss/profit *plus* depreciation for the year.

warehouses which is contrary to the Guidance Note issued by the Institute of Chartered Accountants of India. As a result current liabilities were also understated to the same extent.

GARHWAL MANDAL VIKAS NIGAM LTD. (1996-97)

Sundry Debtors included an amount of Rs. 73 lakh being the debtors considered as bad and doubtful. No provision for bad and doubtful debts has been made. This has resulted in overstatement of sundry debtors and understatement of loss by Rs. 73 lakh each. Mere disclosure in the note about non-provision does not show a true and fair view of the Company's affairs.

Internal audit/Internal control

7.1.19 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. The Statutory Auditors, in the case of two companies (Kumaon Mandal Vikas Nigam Ltd. and Garhwal Mandal Vikas Nigam Ltd.) commented that the Internal Audit System was not commensurate with the size and nature of the business. The scope of Internal Audit System needs to be enlarged to make it effective.

Recommendation for closure of PSUs

7.1.20 Even after completion of five years of their existence, the turnover (sales and other income) of five working Government companies (***Appendix XIII***) has been less than Rs.five crore in each of the preceding five years of latest finanlised accounts. Similarly, three working Government companies (***Appendix XIV***) had been incurring losses for five consecutive years (as per latest accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above Government companies or consider their closure.

Response to Inspection Reports, Draft paragraphs and Reviews

7.1.21 Audit observations noticed during audit and not settled on the spot are communicated to the Heads of PSUs and concerned Departments of State Government through Inspection Reports. The Heads of PSUs, are required to furnish replies to the Inspection Reports through respective Heads of Departments concerned within a period of six weeks. Inspection Reports issued up to March 2004 pertaining to 12 PSUs disclosed that 1291 paragraphs relating to 430 Inspection Reports remained outstanding at the end of September 2004. Of these, seven Inspection Reports containing 18 paragraphs had not been replied to for more than five years. Department wise break-up of

Inspection Reports and Audit Observations outstanding as on 30 September 2004 is given in *Appendix XV*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary, Finance and the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that two draft paragraphs forwarded to the various departments during September/ October 2004, as detailed in *Appendix XVI*, had not been replied to so far.

It is recommended that the Government should ensure that (a) a procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayment in a time bound schedule and (c) system of responding to the audit observations is revamped.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings

7.1.22 On creation of Uttaranchal State from 9 November 2000, the reviews and paragraphs pertaining to Uttaranchal have been transferred by the Committee on Public Undertakings (COPU) of Uttar Pradesh to the COPU of Uttaranchal for discussion.

The status of Audit Reports (Commercial) and paragraphs pending for discussion in the COPU of Uttaranchal State is as follows:

Period	Reviews and paragraphs appeared in the Audit Report		Reviews and paragraphs pending for discussion	
1999-2000[1]	3	4	3	3
2000-2001[2]	1	8	1	8
2001-2002[2]	1	2	1	2
2002-2003[2]	-	3	-	3

Departmentally managed Government commercial/quasi-commercial undertakings

General

7.1.23 Consequent upon formation of Uttaranchal State with effect from 9 November 2000 under the Uttar Pradesh Reorganisation Act, 2000, the assets

[1] Paragraphs/reviews pertaining to Uttaranchal State but included in the combined Audit report of Uttaranchal and Uttar Pradesh.

[2] Paragraph/reviews included in the Audit Reports of Uttaranchal.

and liabilities of the undertakings already situated in the Uttaranchal State were to be passed on to the newly formed State.

Accordingly, the assets and liabilities of the following undertakings located within the State stood transferred to the newly created State from the aforesaid date.

Sl. No.	Department	Name of the undertakings
1.	Food and Civil Supplies	Grain Supply Scheme: Regional Food Controller, Dehradun Regional Food Controller, Haldwani
2.	Irrigation	Irrigation Workshop Division, Roorkee
3.	Animal Husbandry	State Livestock and Agricultural Farms, Kalsi, Dehradun State Livestock and Agricultural Farms, Manjhara, Dehradun
4.	Health	Rishikul Ayurvedic Pharmacy, Hardwar State Vaccine Institute, Patwadangar, Nainital

Lack of accountability for the use of public fund in departmentally managed commercial and quasi-commercial undertakings

7.1.24 Activities of quasi-commercial nature are performed by the departmental undertakings of Government departments. These undertakings are to prepare pro-forma accounts annually in the prescribed format showing the results of financial operation so that Government can assess the results of their working. The Heads of Departments in Government are to ensure that the undertakings, which are funded by the budgetary release, prepare the accounts and submit the same to the Accountant General for audit by 30 June every year. It was observed that only Irrigation Workshop Division (IWD), Roorkee had finalised its accounts for the year 2000-01, while others have not finalised their accounts for the period 9 November 2000- March 2001, 2001-02, 2002-03 and 2003-04. Thus the accounts in these cases, except IWD, Roorkee, were in the arrear for a period of four years, and in case of IWD, Roorkee three years.

619-B Companies

7.1.25 There was one working company under Section 619-B of the Companies Act, 1956. ***Appendix XVII*** indicates the details of paid up capital, investment by way of equity, loans and grants and summarised working results of the Company based on the latest available accounts.

MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES

DOIWALA SUGAR COMPANY LIMITED

7.2 Avoidable extra expenditure on energy charges

An avoidable extra expenditure of Rs. 25.42 lakh on account of energy charges paid under the category of continuous process instead of non-continuous process industries.

Rate schedule HV-2, applicable to large and heavy power consumers of the erstwhile Uttar Pradesh Power Corporation Limited now Uttaranchal Power Corporation Ltd. between January 1997 to August 2000, provided for lower demand/energy charges (Rs.125 per KVA per month/Paise 370 per KWH) for non-continuous process industries and higher charges (Rs.150 per KVA per month/Paise 390 per KWH) for continuous process industries as listed in clause-14 of the above rate schedule. The rate schedule was revised with effect from 9 August 2000 and 1 January 2002 respectively adopting different rates for demand and energy charges and payments were made as per the rates prescribed therein.

Audit of the Doiwala Sugar Company Limited (Company), revealed (September 2003) that though the sugar industry is not listed as a continuous process industry in the rate schedule, *ibid,* the Company had been drawing energy under the category of continuous process industries and paid demand/energy charges of higher tariff between the period January 1997 to August 2003 resulting in avoidable extra expenditure of Rs.25.42 lakh. There after the rate schedule was again revised with effect from 20 September 2003 and procedure of billing of energy charges on continuous and non-continuous process was scrapped.

On this being pointed out (September 2003), the Executive Director of the Company intimated that the recovery of excess payment on account of higher tariff would be made from the Power Department. Reply is not tenable in view of the fact that the Company, although carrying out the seasonal work of manufacturing sugar had obtained connection under the higher tariff meant for continuous process industries.

Thus, the Company incurred an avoidable extra expenditure of Rs.25.42 lakh on account of energy charges payable under the category of connection which was not applicable to the Company.

The matter was reported to the Company and the Government (October 2004); reply is awaited (April 2005).

UTTARANCHAL POWER CORPORATION LIMITED

7.3 Negligence resulted in non-realisation of dues

Non–adherence to provisions of rules relating to safeguard of electricity dues resulted in a loss of Rs. 1.46 crore.

Uttar Pradesh State Electricity Board entered into an agreement (May 1992) for supply of 1500 KVA power with Arpit Steel & Alloys Private Limited, Udhamsingh Nagar. The load was released on 25 June 1992.

During the audit of Electricity Distribution Division (Division), Kashipur, it was noticed (March 2004) that the consumer defaulted in payment of dues from December 2000. The dues, including surcharge, amounted to Rs.1.46 crore till the date of temporary disconnection (T.D) *i.e.* 11 November 2002. Recovery Certificate (RC) was issued on 10 January 2003 under Section 5 of Uttar Pradesh Government Electricity Undertaking (Dues Recovery) Act, 1958. The RC was returned (31 March 2003) with the remarks that the father's name of the consumer was not mentioned. Another RC was also issued (12 June 2003) but not acted upon on the grounds that all the assets of the firm were mortgaged with a local bank and therefore the recovery could not be made. The line was permanently disconnected (PD) on 22 October 2003 nearly after one year of TD as against six months provided for in the rules. Additional security (Rs.42.15 lakh) as applicable from time to time had also not been realised from the consumer. This could, if realized, been adjusted against the dues.

On this being pointed out (March 2004), the Executive Engineer stated that the recovery could not be made since the case being sub-judice. Reply is not tenable as in the said court the demand of Minimum Consumption Guarantee (MCG) had only been stayed (13 August 1993) by the Hon'ble Court directing the consumer to pay the charges for actual consumption. Responsibility was not fixed by the Division / Company for the lapses of (i) not disconnecting the line temporarily immediately after first default (December 2000) and permanently within six months of TD (i.e. June 2001), (ii) non-realisation of additional security, and (iii) accepting an incomplete address from the consumer which hindered the issue of RC. Thus, the negligence of the

Division resulted in non-realisation of dues amounting to Rs. 1.46 crore (July 2004).

The matter was reported to the Company and Government (October 2004); reply is awaited (April 2005).

Prabhat Chandra

Dehradun **(PRABHAT CHANDRA)**
The 14 JUN 2005 **Accountant General, Uttaranchal.**

Countersigned

New Delhi **(VIJAYENDRA N. KAUL)**
The 17 JUN 2005 **Comptroller and Auditor General of India.**

APPENDICES

Appendix-I

(Reference: Paragraph 2.3.2; Page 24)

Details of expenditure which fell short by more than Rs. 1 crore each and also by more than 10 per cent of total provision

(Rupees in crore)

Sl.No.	Grant Number	Name of Grant	Saving (percentage of total provision)
		Revenue -Voted	
1	1	LEGISLATIVE ASSEMBLY	1.58 (24)
2	4	ADMINISTRATION OF JUSTICE	12.36 (33)
3	5	ELECTION	2.40 (36)
4	6	REVENUE & GENERAL ADMINISTRATION	29.15 (20)
5	7	FINANCE,TAXES,PLANNING,SECRETARIAT & GENERAL SERVICES	207.64(26)
6	8	EXCISE	1.07 (27)
7	10	POLICE AND JAIL	47.70 (17)
8	11	EDUCATION, SPORTS, YOUTH WELFARE & CULTURE	173.35 (14)
9	12	MEDICAL & FAMILY WELFARE	84.83 (33)
10	13	WATER SUPPLY, HOUSING & URBAN DEVELOPMENT	89.55 (23)
11	15	WELFARE SCHEMES	57.53 (33)
12	16	LABOUR & EMPLOYMENT	9.28 (30)
13	18	CO-OPERATION	1.57 (14)
14	19	RURAL DEVELOPMENT	194.19 (53)
15	21	POWER	174.78 (61)
16	22	PUBLIC WORKS	45.01 (25)
17	23	INDUSTRY	15.67 (30)
18	24	TRANSPORT	1.24 (19)
19	26	TOURISM	3.15 (17)
20	27	FOREST	82.10 (34)
21	28	ANIMAL HUSBANDRY	4.29 (10)

Sl.No.	Grant Number	Name of Grant	Saving (percentage of total provision)
		Capital-Voted	
22	4	ADMINISTRATION OF JUSTICE	20.20 (67)
23	7	FINANCE,TAXES,PLANNING,SECRETARIAT & GENERAL SERVICES	27.48 (71)
24	10	POLICE & JAIL	21.36 (46)
25	11	EDUCATION, SPORTS, YOUTH WELFARE & CULTURE	17.15 (22)
26	12	MEDICAL & FAMILY WELFARE	17.40 (33)
27	15	WELFARE SCHEMES	4.49 (15)
28	18	CO-OPERATION	1.46 (12)
29	21	POWER	176.30 (89)
30	23	INDUSTRY	37.64 (55)
31	24	TRANSPORT	10.10(30)
32	26	TOURISM	10.57 (38)
		Revenue Charged	
33	4	ADMINISTRATION OF JUSTICE-	*7.44 (73)*
34	7	FINANCE,TAXES,PLANNING,SECRETARIAT & GENERAL SERVICES	*194.89 (23)*
35	22	PUBLIC WORKS	*1.01 (78)*

Appendix-II

(Reference: Paragraph 2.3.3; Page 25)

Excess Expenditure over Grants/Appropriations

(In Thousands of Rupees)

Sl.No.	Grant No.	Name of Grant/ Appropriation	Total Grant/ Appropriation	Actual Expenditure	Excess Expenditure
		Capital Charged			
1	7	FINANCE,TAXES, PLANNING, SECRETARIAT & GENERAL SERVICES	*1,53,21,634*	*1,58,83,152*	5,61,518
		Total	***1,53,21,634***	***1,58,83,152***	***5,61,518***
		Revenue Charged			
2	10	POLICE AND JAIL	*00*	*52*	52
3	12	MEDICAL & FAMILY WELFARE	*00*	*58*	58
4	14	INFORMATION AND BROADCASTING	*00*	*222*	222
5	15	WELFARE SCHEMES	*00*	*400*	400
6	16	LABOUR & EMPLOYMENT	*00*	*10*	10
7	19	RURAL DEVELOPMENT	*00*	*9*	9
8	24	TRANSPORT	*00*	*06*	06
9	26	TOURISM	*00*	*277*	277
		Total	***00***	***1034***	***1034***
		Capital-Voted			
10	17	AGRICULTURAL WORK & RESEARCH	9,95,763	10,28,208	32,445
11	20	IRRIGATION AND FLOOD CONTROL	9,76,305	10,53,431	77,126
12	22	POWER	17,59,604	22,15,652	4,56,048
13	25	FOOD	103	38,67,245	38,67,142
		Total	***37,31,775***	***81,64,536***	***44,32,761***
		Grand Total	***1,90,53,409***	***2,40,48,722***	***49,95,313***

Appendix-III

(Reference: Paragraph 2.3.4; Page 25)

Details of savings not surrendered

(Rupees in crore)

Sl.No	Grant Number	Description of grant	Saving	Surrendered	Saving which remained to be surrendered
		Revenue-Voted			
1	3	COUNCIL OF MINISTERS	0.60	00	0.60
2	6	REVENUE & GENERAL ADMINISTRATION	29.15	24.90	4.25
3	7	FINANCE,TAXES,PLANNING, SECRETARIAT & GENERAL SERVICES	207.64	46.38	161.26
4	8	EXCISE	1.07	1.06	0.01
5	10	POLICE & JAIL	47.70	40.20	7.50
6	11	EDUCATION, SPORTS, YOUTH WELFARE & CULTURE	173.35	58.07	115.28
7	12	MEDICAL & FAMILY WELFARE	84.83	5.23	79.60
8	13	WATER SUPPLY,HOUSING & URBAN DEVELOPMENT	89.55	54.13	35.42
9	14	INFORMATION & BROADCASTING	0.59	0.53	0.06
10	15	WELFARE SCHEMES	57.53	1.84	55.69
11	16	LABOUR & EMPLOYMENT	9.28	4.75	4.53
12	17	AGRICULTURAL WORK & RESEARCH	10.37	4.59	5.78
13	19	RURAL DEVELOPMENT	194.19	192.59	1.60
14	22	PUBLIC WORKS	45.01	00	45.01
15	23	INDUSTRY	15.67	0.12	15.55
16	24	TRANSPORT	1.24	0.79	0.45
17	25	FOOD	0.85	0.78	0.07
18	27	FOREST	82.10	10.16	71.94
19	28	ANIMAL HUSBANDRY	4.29	1.26	3.03
		Total Revenue-Voted	**1,055.01**	**447.38**	**607.63**
		Revenue Charged			
20	2	GOVERNOR	*0.42*	*0.31*	*0.11*
21	4	ADMINISTRATION OF JUSTICE	*7..44*	*4.67*	*2.77*
22	6	REVENUE & GENERAL ADMINISTRATION	*0.31*	*0.13*	*0.18*
23	7	FINANCE,TAXES,PLANNING,SECRETARIAT & GENERAL SERVICES	*194.89*	*0*	*194.89*
24	17	AGRICULTURAL WORK & RESEARCH	*0.22*	*0.06*	*0.16*
25	22	PUBLIC WORKS	*1.01*	*0*	*1.01*
26	27	FOREST	*0.13*	*0*	*0.13*
		Total Revenue Charged	***204.42***	***5.17***	***199.25***

Sl.No	Grant Number	Description of grant	Saving	Surrendered	Saving which remained to be surrendered
		Capital-Voted			
27	6	REVENUE & GENERAL ADMINISTRATION	0.32	0.03	0.29
28	7	FINANCE,TAXES,PLANNING,SECRETARIAT & GENERAL SERVICES	27.48	00	27.48
29	11	EDUCATION, SPORTS,YOUTH WELFARE & GENERAL SERVICES	17.15	9.40	7.75
30	12	MEDICAL AND FAMILY WELFARE	17.40	1.48	15.92
31	13	WATER SUPPLY,HOUSING & URBAN DEVELOPMENT	0.50	00	0.50
32	15	WELFARE SCHEME	4.49	00	4.49
33	16	LABOUR & EMPLOYMENT	0.21	00	0.21
34	19	RURAL DEVELOPMENT	2.24	00	2.24
35	27	FOREST	0.53	0.16	0.37
36	28	ANIMAL HUSBANDRY	0.62	0.07	0.55
		Total Capital-Voted	**70.94**	**11.14**	**59.80**
		Capital Charged			
37	9	PUBLIC SERVICE COMMISSSION	*0.17*	*00*	*0.17*
		Total Capital Charged	***0.17***	***00***	***0.17***
		Grand Total	**1,330.54**	**463.69**	**866.85**

Appendix-IV

(Reference: Paragraph 2.3.5; Page 26)

Grant wise details of estimates and actuals in respect of recoveries adjusted in the accounts in reduction of expenditure

(Rupees in crore)

Sl.No.	Grant No.	Description	Estimated Recoveries		Recoveries made		Total
			Revenue	Capital	Revenue	Capital	
1	7	FINANCE, TAXES PLANNING, SECRETARIAT & GENERAL SERVICES				0.67	0.67
2	17	AGRICULTURAL WORK & RESEARCH		7.55		5.52	5.52
3	18	CO-OPERATION				0.53	0.53
4	20	IRRIGATION & FLOOD CONTROL			2.65	27.04	29.69
5	22	PUBLIC WORKS			0.16	46.19	46.35
6	25	FOOD		210.00		408.65	408.65
7	00	MAJOR HEAD--4551 Capital Outlay on Hill Areas*				0.01	0.01
		Total		217.55	2.81	488.61	491.42

* The Major Head 4551-- Capital outlay on Hill Areas is neither existing in the State Budget nor falling under any grant. As informed by Treasury Officer, Kotdwar, *vide* his letter dated 28-07-04, District Cooperative Bank Kotdwar deposited this amount of Rs. 80,000 on 04-03-04, under this Major Head. The matter has been taken up with the Finance Department.

Appendix-V

(Reference: Paragraph 2.3.6 Page 26)

Expenditure without provision

(Rupees in crore)

Sl. No.	Grant No.	Name of Grant	Major Head/Minor Head	Amount
1	1	LEGISLATIVE ASSEMBLY	2011-103	0.01
2	4	ADMINISTRATION OF JUSTICE	2014-114, 800	0.29
3	6	REVENUE & GENERAL ADMINISTRATION	2029-103	0.03
			2053-093	0.13
			2070-104	0.13
4	7	FINANCE, TAXES, PLANNING, SECRETARIAT & GENERAL SERVICES	2049-123	147.81
			2052-800	0.02
			6004-800	7.13
5	10	POLICE AND JAIL	2055-109, 800	0.01
6	12	MEDICAL AND FAMILY WELFARE	2211-001, 003, 101, 104, 105	0.01
7	14	INFORMATION AND BORADCASTING	2220-101, 800	0.02
8	15	WELFARE SCHEMES	2225-277	0.03
			2235-102-103-200	0.04
9	17	AGRICULTURAL WORK AND RESEARCH	2401-102	0.01
10	22	PUBLIC WORKS	2059-052, 102	0.50
			2216-700	0.14
			5054-800, 799	48.72
11	26	TOURISM	3452-800	0.03
			Total	**205.06**

Appendix–VI

(Reference: Paragraph 2.3.9; Page 28)

Grants where supplementary provision obtained proved entirely unnecessary

(Rupees in crore)

Sl.No.	Grant No.	Name of Grant	Savings	Supplementary Provision obtained
		Revenue-Voted		
1	1	LEGISLATIVE ASSEMBLY	1.58	0.71
2	4	ADMINISTRATION OF JUSTICE	12.36	11.94
3	5	ELECTION	2.40	0.58
4	6	REVENUE & GENERAL ADMINISTRATION	29.15	21.36
5	7	FINANCE,TAXES,PLANNING,SECRETARIAT & GENERAL SERVICES	207.64	22.83
6	10	POLICE AND JAIL	47.70	4.08
7	11	EDUCATION, SPORTS, YOUTH WELFARE AND CULTURE	173.35	54.25
8	12	MEDICAL & FAMILY WELFARE	84.83	1.67
9	13	WATER SUPPLY,HOUSING AND URBAN DEVELOPMENT	89.55	2.06
10	14	INFORMATION & BROADCASTING	0.59	0.31
11	15	WELFARE SCHEMES	57.54	7.10
12	16	LABOUR & EMPLOYMENT	9.28	0.66
13	18	CO-OPERATION	1.57	0.28
14	19	RURAL DEVELOPMENT	194.19	3.22
15	20	IRRIGATION & FLOOD CONTROL	9.96	2.16
16	23	INDUSTRY	15.67	0.13
17	24	TRANSPORT	1.24	0.51
18	25	FOOD	0.85	0.24
19	26	TOURISM	3.15	1.50
20	27	FOREST	82.10	1.82
21	28	ANIMAL HUSBANDRY	4.29	1.70
		Capital-Voted		
22	10	POLICE AND JAIL	21.36	2.06
23	11	EDUCATION, SPORTS, YOUTH WELFARE AND CULTURE	17.15	9.48
24	12	MEDICAL & FAMILY WELFARE	17.40	0.10
25	15	WELFARE SCHEMES	4.49	1.61
26	23	INDUSTRY	37.64	12.98
		Revenue Charged		
27	4	ADMINISTRATION OF JUSTICE	7.44	6.95
28	9	PUBLIC SERVICE COMMISSION	0.74	0.52
29	17	AGRICULTURAL WORK & RESEARCH	0.22	0.12
		Total	**1,135.43**	**172.93**

Appendix–VII
(Reference: Paragraph 5.1.2: page 48)

Result of other Irrigation Divisions on account of Audit

Sl. No.	AIR No.	NAME OF DIVISIONS
1.	48/04-05	Irrigation Division, Kashipur
2.	41/04-05	Design Division, Irrigation Design Institute, Roorkee
3.	67/04-05	Power House Construction Division, Rishikesh
4.	69/04-05	Khara Project Construction Division-I, Hardwar
5.	92/04-05	Executive Engineer, Irrigation Division-I, New Tehri
6.	3/04-05	Executive Engineer, Test and Control Division, Uttarkashi
7.	40/04-05	Executive Engineer, Irrigation Research, Roorkee
8.	51/04-05	Executive Engineer, Tube Well Division, Roorkee
9.	55/04-05	Executive Engineer, Irrigation Construction Division, Kalsi, Dehradun
10.	36/04-05	Minor Irrigation Division, Dehradun
11.	29/04-05	Tube Well Division, Dehradun
12.	50/04-05	Tarai Sinchai Khand, Nainital
13.	46/04-05	Kosi Construction Division-II, Ramnagar, Nainital
14.	95/04-05	Executive Engineer, Lakhwar Dam Construction Division-IV, Dehradun
15.	39/04-05	Executive Engineer, Dak Pathar Colony and Communication Division, Dak Pathar, Dehradun
16.	20/04-05	Executive Engineer, Irrigation Division, Dehradun
17.	38/04-05	Executive Engineer, Jam Rani Dam Construction Division-III, Haldwani
18.	58/04-05	Executive Engineer, Garhwal Irrigation Division, Lansdown
19.	70/04-05	Yamuna Construction Division-II, Dehradun
20.	64/04-05	Irrigation Construction Division, Srinagar(Garhwal)
21.	80/04-05	Executive Engineer, Minor Lift Canal Division, Almora
22.	15/04-05	Executive Engineer, Minor Irrigation Division, Pauri
23.	72/04-05	Minor Irrigation Division, Nainital
24.	32/04-05	Tunnel & Power House Division-II, Dehradun
25.	92/04-05	Executive Engineer, Irrigation Division-I, New Tehri
26.	2/04-05	Executive Engineer, Irrigation Division, Uttarkashi
27.	81/04-05	Executive Engineer, Investigation and Planning Division, Joshiyara (Uttarkashi)
28.	21/04-05	Executive Engineer, Irrigation Division, Bageshwar
29.	43/04-05	Mechanical and Equipment Division-I, Irrigation Bhawan, Dehradun
30.	53/04-05	Executive Engineer, Kumaon Irrigation, Almora
31.	54/04-05	Irrigation Division-II, Narendra Nagar, Tehri Garhwal
32.	62/04-05	Erection Division, Roorkee
33.	34/04-05	Investigation and Planning Division (Barkot),Dehradun

Appendix –VIII

(Reference: Paragraph 5.3.2: page 50)

List of Divisions, which failed to submit Form-51 during the year 2003-04

Sl.No.	Name of Division	Wanting Form-51 (pertaining to month)
1.	Minor Irrigation Division, Dehradun	1/2004 to 3/2004
2.	Irrigation Construction Division, Ranikhet	10/2003, 3/2004
3.	Irrigation Division, Chamoli	4/2003
4.	Irrigation Division, Dehradun	12/2003 to 3/2004
5.	Lakhwar Tunnel Construction Division, Dak Pathar	1/2004, 2/2004
6.	Lakhwar Dam Construction Division-III, Dak Pathar	12/2003 to 3/2004
7.	Lakhwar Dam Construction Division-IV, Dak Pathar	10/2003
8.	Civil Construction Division, Dhalipur	4/2003 to 3/2004
9.	Civil Construction Division-II, Dhalipur	1/2004
10.	Yamuna Construction Division, Dehradun	1/2004
11.	Colony & Communication Division, Dak Pathar	4/2003,5/2003,7/2003,11/2003
12.	Mechanical Equipment & Store-I, Dak Pathar	9/2003
13.	Shakti Nahar Nirman Khand-II, Dak Pathar	11/2003,1/2004
14.	Power House Construction Division -III, Dhalipur	12/2003 to 3/2004
15.	Tunnel & Power House-I, Dak Pathar	3/2004
16.	Kishau Dam Construction Division-I, Dak Pathar	4/2003, 7/2003
17.	Tunnel & Power House-II, Dak Pathar	4/2004
18.	Koti Colony & Communication Division, Dehradun	6/2003,12/2003,1/2004,3/2004
19.	Power House Construction Division, Hardwar	4/2003,8/2003
20.	Investigation & Planning Division, Joshiyara	4/2003, 3/2004
21.	Irrigation Research Institute, Roorkee	5/2003
22.	Irrigation Construction Division, Pithoragarh	1/2004 to 2/2004
23.	Investigation & Planning II, Pithoragarh	4/2003,6/2003,10/2003,1/2004 to 3/2004
24.	Irrigation Division-II, Narendra Nagar	4/2003
25.	Irrigation Division, Kashipur	6/2003 to 12/2003, 3/2004, 2/2004
26.	Irrigation Division, Rudrapur	4/2003 to 7/2003, 9/2003 to 12/2003, 3/2004
27.	Irrigation Construction Division-III, Srinagar	4/2003, 7/2003
28.	Maneri Bhali Construction Division-I, Kutti Devi, Uttarkashi	4/2003 to 6/2003
29.	Maneri Bhali Construction-II, Chinyalisaur, Uttarkashi	2/2004
30.	Maneri Bhali Upnivesh Division, Uttarkashi	4/2003, 5/2003
31.	Test & Control Division, Joshiyara, Uttarkashi	5/2003,7/2003,9/2003 to 2/2004

Appendix–IX

(Reference: Paragraph 5.3.3: page 50)

Month wise position of the monthly accounts received late during the year 2003-04

Month	Irrigation Department	Minor Irrigation
4/2003	12	-
5/2003	15	-
6/2003	14	-
7/2003	36	-
8/2003	12	01
9/2003	28	-
10/2003	15	-
11/2003	03	-
12/2003	24	01
1/2004	13	01
2/2004	19	01
3/2004	04	-
Total	**195**	**04**

Appendix–X

(Reference: Paragraphs 7.1.3, 7.1.4, 7.1.5, 7.1.9, 7.1.12 and 7.1.14; Page No. 68, 69, 71, 72 and 73)

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2004 in respect of Government companies and Statutory corporations

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector & name of the company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year[1]	Loans[2] outstanding at the close of 2003-2004			Debt equity ratio for 2003-04 (Previous year) 4 (f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A.	**Working Government Companies**												
	Industry												
1.	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	-	-	162.80	0.44	163.24	-	-	-	-	250.00	250.00	1.53:1 (1.68:1)
2.	Uttar Pradesh Digitals Limited (Subsidiary of Kuamon Mandal Vikas Nigam Limited)	-	-	35.20	-	35.20	-	78.58	-	280.00	448.16	728.16	20.68:1 (20.68:1)
3.	Uttaranchal Chay Vikas Nigam Limited Formerly Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)		-	0.07	-	0.07	-	-	-	-	-	-	- (-)
	Sector wise total	-		**198.07**	**0.44**	**198.51**	-	**78.58**	-	**280.00**	**698.16**	**978.16**	**4.93:1 (5.05:1)**
	Electronics												
4.	Uttar Pradesh Hill Electronics Corporation Limited	894.53	-	-	-	894.53	-	-	-	-	-	-	- (-)
	Sector wise total	**894.53**	-	-	-	**894.53**							- (-)
	Area Development												
5.	Kumaon Mandal Vikas Nigam limited	1466.88	-	-	-	1466.88	-	-	-	1278.31	-	1278.31	0.87:1 (0.82:1)

[1] Includes bonds, debentures, inter-corporate deposits etc.

[2] Loans outstanding at the close of 2003-04 represents long terms loans only.

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
6.	Garhwal Mandal Vikas Nigam Limited	679.50	-	-	-	679.50	-	-	-	1256.22	-	1256.22	1.85:1 (1.85:1)
	Sector wise total	**2146.38**	-	-	-	**2146.38**				**2534.53**		**2534.53**	**1.18:1 (1.14:1)**
	Development of Economically Weaker Section												
7.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	20.00	-	30.00		50.00	-	-	-	127.31	-	127.31	2.54:1 (0.55:1)
8.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	22.00	-	28.00	-	50.00	-	-	-	-	-	-	- (-)
9.	Uttaranchal Bahuudeshia Vitta Evam Vikas Nigam Limited	5.00 (330.00)	- (61.40)	-	-	5.00 (391.40)	391.40	-	976.93	-	946.90	946.90	2.39:1 (-)
	Sector wise total	**47.00 (330.00)**	**(61.40)**	**58.00**		**105.00 (391.40)**	**391.40**	-	**976.93**	**127.31**	**946.90**	**1074.21**	**2.16:1 (0.08:1)**
	Sugar												
10.	Kichha Sugar Company Limited	1753.58	-	-	45.06	1798.64	-	1522.00	-	1622.00	200.00	1822.00	1.01:1 (0.17:1)
11.	Doiwala Sugar Company Limited	600.00	-	-	-	600.00	-	-	400.00	1000.00	1137.31	2137.31	3.56:1 (3.56:1)
	Sector wise total	**2353.58**	-	-	**45.06**	**2398.64**	-	**1522.00**	**400.00**	**2622.00**	**1337.31**	**3959.31**	**1.65:1 (1.02:1)**
	Power												
12.	Uttaranchal Power Corporation Limited	500.00 (500.00)	-	-	-	500.00 (500.00)	500.00	795.00	5896.00	18334.42	26931.03	45265.45	90.53:1 (22.98:1)
13.	Uttaranchal Jal Vidyut Nigam Limited	500.00	-	-	-	500.00	-	266.70	22782.80	807.50	37464.39	38271.89	76.54:1 (36.88:1)
	Sector wise total	**1000.00 (500.00)**	-	-	-	**1000.00 (500.00)**	**500.00**	**1061.70**	**28678.80**	**19141.92**	**64395.42**	**83537.34**	**55.69:1 (29.93:1)**
	Financing												
14.	State Industrial Development Corporation of Uttaranchal Limited	2600.00	-	-	-	2600.00	1000.00	-	-	-	-	-	-
	Sector wise total	**2600.00**	-	-	-	**2600.00**	**1000.00**	-	-	-	-	-	
	Total – A (All sector wise Working Government companies)	**9041.49 (830.00)**	- **(61.40)**	**256.07**	**45.50**	**9343.06 (891.40)**	**1891.40**	**2662.28**	**30055.73**	**24705.76**	**67377.79**	**92083.55**	**9:1 (4.19:1)**
B.	**Working Statutory Corporation**												
	Transport												
1.	Uttaranchal State Road Transport Corporation	300.00	-	-	-	300.00	300.00		-	-	-	-	-
	Forest												
2.	Uttaranchal Forest Development Corporation												
	Peya Jal												

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
3.	Uttaranchal Peya Jal Sansadhan Vikas Evam Nirman Nigam	-	-	-	-	-	-	300.00	-	300.00	-	300.00	
	Total –B (Working Statutory Corporation)	300.00	-	-	-	300.00	300.00	300.00	-	300.00	-	300.00	-
	Grand Total – (A+ B)	9341.49 (830.00)	- (61.40)	256.07	45.50	9643.06 (891.40)	2191.40	2962.28	30055.73	25005.76	67377.79	92383.55	8.77:1 (4.19:1)
C.	**Non Working Companies**												
	Industry												
1.	UPAI Limited	15.00	-	-	2.01	17.01	-	-	-	-	-	-	- (-)
	Sector wise total	15.00	-	-	2.01	17.01	-	-	-	-	-	-	- (-)
	Electronics												
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	-	-	9.34	8.97	18.31	-	-	-	-	-	-	- (0.90:1)
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	-	-	1.67	1.60	3.27	-	-	-	-	-	-	- (-)
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	-	-	0.79	-	0.79	-	-	-	-	-	-	- (-)
5.	Teletronix Limited (Subsidiary of Kumaon Mandal Viaks Nigam Limited)	-	-	280.00	64.71	344.71	-	-	-	-	-	-	- (-)
6.	Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	-	-	52.00	47.75	99.75	-	-	-	-	-	-	- (-)
	Sector wise total	-	-	343.80	123.03	466.83	-	-	-	-	-	-	-
	Total–C (Non Working Companies)	15.00	-	343.80	125.04	483.84	-	-	-	-	-	-	-
	Grand Total (A+B+C)	9356.49 (830.00)	- (61.40)	599.87	170.54	10126.90* (891.40)*	2191.40	2962.28	30055.73	25005.76*	67377.79*	92383.55*	8.39:1 (-)

* State Government's investment was Rs. 351.92 crore (others: Rs 682.10 crore). Figure as per Finance Accounts 2003-04 have not been intimated by the State Government. The difference is under reconciliation.

Note: No company/corporation has finalised its accounts for 2003-2004. Figures are provisional and as given by the companies/corporations.

Appendix-XI

(Reference: Paragraphs 7.1.6, 7.1.7, 7.1.8, 7.1.9, 7.1.10, 7.1.15 and 7.1.16; Page No. 69, 70, 71 and 74)

Summarised financial results of Government companies and statutory corporations for the latest year for which accounts were finalised

(Figures in column 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of company/ corporation	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit/ loss(-)	Net impact of comment	Paid-up capital	Accumulated profit/ loss(-)	Capital employed (A)	Total Return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover	Manpower (Numbers of employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A. Working Government Companies															
	Industry														
1.	Trans Cables Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	29.11.1973	1999-2000	2002-03	(-)84.27	-	163.24	(-)579.65	289.65	(-)38.32	-	4	279.52	48
2.	Uttar Pradesh Digitals Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	08.03.1978	1996-97	1997-98	(-)118.69	-	35.20	(-)694.54	35.26	(-)57.60	-	7	28.55	78
3.	Uttaranchal Chay Vikas Nigam Limited Formerly Northern Electrical Equipment Industries Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Development	29.01.1974	1996-97	2003-04	-	-	0.07	-	(-)0.85	-	-	7	-	
	Sector wise total					**(-)202.96**	**-**	**198.51**	**(-)1274.19**	**324.06**	**(-)95.92**	**-**	**-**	**308.07**	
	Electronics														
4.	Uttar Pradesh Hill Electronics Corporation Limited	Hill Development	26.06.1985	1993-94	1997-98	(-)21.41	-	794.03	(-)68.10	447.27	(-)21.41		10	175.01	122

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Sector wise total					**(-)21.41**	-	**794.03**	**(-)68.10**	**447.27**	**(-)21.41**			**175.01**	
	Area Development														
5.	Kumaon Mandal Vikas Nigam Limited	Hill Develop-ment	30.03.1971	1998-99	2004-05	(-)55.94	(-)57.43	1341.87	(-)173.41	1703.36	13.63	0.80	5	3546.43	651
6.	Garhwal Mandal Vikas Nigam Limited	Hill Develop-ment	01.03.1976	1996-97	2004-05	(-)58.35	(-)272.38	511.50	(-)617.41	1795.54	105.00	5.85	7	3660.17	837
	Sector wise total					**(-)114.29**		**1853.37**	**(-)790.82**	**3498.90**	**118.63**	**3.39**		**7206.60**	
	Development of Economically Weaker Section														
7.	Garhwal Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Garhwal Mandal Vikas Nigam Limited)	Hill Develop-ment	30.06.1975	1989-90	2001-02	(-)13.24	4.26	50.00	(-)58.81	32.53	(-)13.24	-	14	27.74	29
8.	Kumaon Anusuchit Janjati Vikas Nigam Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Develop-ment	30.06.1975	1986-87	2002-03	(-)1.64	-	49.00	(-)4.48	45.93	(-)1.64	-	17	9.95	32
9.	Uttaranchal Bahuudeshia Vitta Evam Vikas Nigam Limited*	Social Welfare	25.10.2001										3		37
	Sector wise total					**(-)14.88**		**99.00**	**(-)63.29**	**78.46**	**(-)14.88**			**37.69**	
	Sugar														
10.	Kichha Sugar Company Limited	Sugar and Cane Develop-ment	17.02.1972	2002-03	2004-05	(-)1225.12	17.23	1798.64	(-)2156.84	4748.91	(-)631.26	-	1	6119.21	885
11.	Doiwala Sugar Company Limited*	Sugar and Cane Develop-ment	19.12.2001										3		NA
	Sector wise total					**(-)1225.12**		**1798.64**	**(-)2156.84**	**4748.91**	**(-)631.26**			**6119.21**	

* First Accounts not received.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Power														
12.	Uttaranchal Power Corporation Limited*	Urja	12.02.2001										3		
13.	Uttaranchal Jal Vidyut Nigam Limited	Urja	12.02.2001	2001-02	2004-05	(-)364.86	-	500.00	(-)364.86	77156.22	(-)64.17	-	2	5547.26	3000
	Sector wise total					**(-)364.86**		**500.00**	**(-)364.86**	**77156.22**	**(-)64.17**	-		**5547.26**	
	Financing														
14.	State Industrial Development Corporation of Uttaranchal Limited*		18.07.2002										2		8
	Sector wise total														
	Total –A(Working Government companies)					**(-)1943.52**		**5243.55**	**(-)4718.10**	**86253.82**	**(-)709.01**			**19393.84**	
B. Working Statutory Corporation															
1.	Uttaranchal State Road Transport Corporation*	Transport	27.10.2003										1		
2.	Uttaranchal Forest Development Corporation*	Forest	17.05.2001										3		
3.	Uttaranchal Peya Jal Sansthan Vikas Evam Nirman Nigam*	Peya Jal	07.11.2002										2		
	Sector wise total			-	-	-	-	-	-	-	-	-	-	-	-
	Total (A+B)					**(-)1943.52**	-	**5243.55**	**(-)4718.10**	**86253.82**	**(-)709.01**	-	-	**19393.84**	-
C. Non Working companies															
	Industry														
1.	UPAI Limited	Agriculture	20.04.1977	1988-89	1999-00	(-)0.48	-	17.01	(-) 5.25	10.30	(-)0.48	-	**	Nil	NA
	Sector wise total					**(-) 0.48**		**17.01**	**(-) 5.25**	**10.30**	**(-) 0.48**	-			
	Electronics														
2.	Kumtron Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)	Hill Development	27.04.1987	1989-90	1990-91	(-)1.61	-	18.31	(-)1.61	12.35	(-)1.61	-	14	0.07	14

** The companies at Sl. No. C 1, 5 and 6 are under liquidation since 31-03-1991, 30-11-1996 and 30-11-1996 respectively.

* First accounts not received.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
3.	Uttar Pradesh Hill Phones Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)**	Hill Develop-ment	10.08.1987										17		NA
4.	Uttar Pradesh Hill Quartz Limited (Subsidiary of Uttar Pradesh Hill Electronics Corporation Limited)**	Hill Develop-ment	18.07.1989										15		NA
5.	Teletronix Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Develop-ment	27.01.1973	1995-96	2002-03	(-)143.60	-	334.71	(-)558.66	(-)33.61	(-)141.64	-	*	42.29	NA
6.	Kumaon Television Limited (Subsidiary of Kumaon Mandal Vikas Nigam Limited)	Hill Develop-ment	24.08.1977	April 1996 to 29 November 1996	2000-01	(-)33.95	-	99.75	(-)310.86	(-)76.34	(-)33.94	-	*	0.002***	NA
	Sector wise total					**(-) 179.16**		**452.77**	**(-)871.13**	**(-) 97.60**	**(-) 177.19**			**42.36**	**14**
	Grand total C					**(-) 179.64**		**469.78**	**(-)876.38**	**(-) 87.30**	**(-) 177.67**			**42.36**	**14**
	Grand total (A+B+C)					**(-) 2123.16**	**-**	**5713.33**	**(-) 5594.48**	**86166.52**	**(-) 886.68**			**19436.20**	

Note: Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

** The companies at Sl. No. C 1, 5 and 6 are under liquidation since 31-03-1991, 30-11-1996 and 30-11-1996 respectively.

* First accounts not received.

*** Rs. 292 only.

Appendix –XII

(Reference: Paragraphs 7.1.5 and 7.1.14; Page No. 69 and 73)

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2004

(Figures in columns 3(a) to 7 are in Rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Subsidy received during the year[1]				Guarantees received during the year and outstanding at the end of the year[2]					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contractor	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A. Working Government Companies																
1	Uttaranchal Bahuudeshia Vitta Evam Vikas Nigam Limited	174.57	-	-	174.57	-	976.63 (1500.00)	-	-	976.63 (1500.00)	-	-	-	-	-	-
2.	Kichha Sugar Company Limited		105.90[3]	-	105.90	-	-	-	-		-	-	-		200.00	-
3.	Doiwala Sugar Company Limited	-	-	-	-	3295.61 (3295.61)	-	-	-	3295.61 (3295.61)	-	-	-	-	-	-
4.	Uttaranchal Power Corporation Ltd.	-	7435.00[3]		7435.00											
5.	Uttaranchal Jal Vidyut Nigam Limited	-	2694.25[3]	-	2694.25	-	37464.00 (80000.00)	-	-	37464.00 (80000.00)	-	-	-	-	-	-
6.	State Industrial Development Corporation of Uttaranchal Ltd.	-	4031.38[3]		4031.38											
	Total	**174.57**	**14266.53**	-	**14441.10**	**3295.61 (3295.61)**	**38440.63 (81500.00)**	-	-	**41736.24 (84795.61)**	-	-	-	-	**200.00**	-

[1] Subsidy includes subsidy receivable at the end of year which is shown in brackets.

[2] Figures in bracket indicate guarantees outstanding at the end of the year.

[3] Grant.

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
B.	**Working Statutory Corporation**															
1.	Uttaranchal State Road Transport Corporation Ltd.		1000.00[1]		1000.00											
2.	Uttaranchal Peya Jal Sansadhan Vikas Evam Nirman Nigam		11662.23[1]		11662.23											
	Total		**12662.23**		**12662.23**											
	Grant Total (A+B)	**174.57**	**26928.76**	**-**	**27103.33**	**3295.61 (3295.61)**	**38440.63 (81500.00)**			**41736.24 (84795.61)**					**200.00**	

[1] Grant.

Appendix –XIII

(Reference: Paragraph 7.1.20; Page No. 75)

Statement showing the companies whose turnover has been less than Rupees five crore during the last five years for which accounts have been certified

Sl. No.	Name of the company	Latest finalised account (Year)	Turnover (Rupees in lakh)				
			Latest year	Second Year	Third Year	Fourth Year	Fifth Year
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Trans Cables Limited	1999-2000	279.52	260.76	130.11	40.93	4.79
2.	U. P. Hill Electronics Corporation Limited	1993-94	175.01	124.40	63.60	30.20	10.66
3.	Garhwal Anusuchit Janjati Vikas Nigam Limited	1989-90	27.74	19.09	28.63	60.66	52.68
4.	Kumaon Anusuchit Janjati Vikas Nigam Limited	1986-87	9.85	11.74	7.05	6.16	2.77
5.	Uttar Pradesh Digitals Limited	1996-97	28.55	19.78	19.87	19.69	35.58

Appendix–XIV

(Reference: Paragraph 7.1.20; Page No.75)

Statement showing companies incurring losses for five consecutive years leading to negative net worth

(Rupees in lakh)

Sl. No.	Name of PSUs	Date of Incorporation	Losses for five consecutive years leading to negative net worth					
1.	Trans Cables Limited	29.11.1973	**Year**	**1999-2000**	**1998-99**	**1997-98**	**1996-97**	**1995-96**
			Net worth	(-) 418.21	(-) 358.94	(-) 367.45	(-) 319.79	(-) 251.32
			Loss for year	(-) 84.27	(-) 66.48	(-) 47.68	(-) 58.46	(-) 56.29
2.	Garhwal Anusuchit Janjati Vikas Nigam Limited	30.06.1975	**Year**	**1989-90**	**1988-89**	**1987-88**	**1986-87**	**1985-86**
			Net worth	(-) 0.85	(+) 16.34	(+) 19.96	(+) 13.48	(+) 27.19
			Loss for year	(-) 13.24	(-) 3.62	(-) 9.20	(-) 13.17	(-) 4.48
3.	Uttar Pradesh Digitals Limited	08.03.1978	**Year**	**1996-97**	**1995-96**	**1994-95**	**1993-94**	**1992-93**
			Net worth	(-) 659.34	(-) 540.67	(-) 433.27	(-) 324.61	(-) 223.67
			Loss for year	(-) 118.66	(-) 107.40	(-) 107.43	(-) 91.03	(-) 66.34

Appendix –XV

(Reference: Paragraph 7.1.21; Page No. 75)

Statement showing the department wise outstanding Inspection Reports (IRs)

Sl.No.	Name of Department	No. of PSUs	No. of outstanding I Rs.	No. of outstanding paragraphs	Year from which paragraphs outstanding
1.	Sugar & Cane Development	2	13	32	1992-93
2.	Industries & Industrial Development	2	9	18	1991-92
3.	Electronics	1	5	26	1998-99
4.	Development of Economically Weaker Section	2	13	37	1985-86
5.	Area Development	2	16	71	1984-85
6.	Forest	1	34	91	1997-98
7.	Power	2	340	1016	1987-88
	Total	**12**	**430**	**1291**	

Appendix –XVI

(Reference: Paragraph 7.1.21; Page No. 75)

Statement showing department wise draft paragraphs/reviews replies to which are awaited

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue
1.	Energy	1	-	October-2004
2.	Sugar	1	-	October-2004
	Total	**2**	-	-

Appendix–XVII

(Reference: Paragraph 7.1.25; Page No. 77)

Statement showing paid- up capital, investment and summarised working results of 619-B Company as per their latest finalised accounts

(Rs. in lakh)

Sl. No.	Name of Company	Status (working/ Non working)	Year of account	Paid-up capital	Equity by				Loans by			Grants by			Total investment by way of equity, loans and grants			Profit (+)/ Loss (-)	Accumulated profit (+)/accumulated loss (-)
					State Government	State Government companies	Central Government and their companies	Others	State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies	State Government	State Government companies	Central Government and their companies		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
1.	Uttaranchal Seeds & Tarai Development Corporation Limited	Working	2002-03	317.66	96.00 (30.22)	42.50 (13.38)	84.00 (26.44)	95.16 (29.96)		-	-	-	-	7.47	96.00	42.50	91.47	(+) 84.40	(+) 634.31

Note: (Figure in bracket indicates percentage to paid up capital.)

PSP (Re.) 3 Vitt/227—4-06-2005—560+40 Books (Coumputer/Offset).