

## OVERVIEW

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

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

### CIVIL

#### PERFORMANCE REVIEW

##### Department of Disaster Management

##### Performance Audit of Disaster Management

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

The State Government failed to ensure incorporation of disaster prevention into the development process of the State as envisaged in the Act. In the absence of critical infrastructure such as trauma centres, the affected population could not be given immediate medical attention, depriving them of the basic medical facility. Assessment of structural and non-structural safety of school buildings and identification of necessary mitigative action was not included in the school safety programme, leaving 39 *per cent* of school buildings unattended. Reliable communication system was inadequate as it was seen that the delay in sharing of

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disaster information ranged from one to more than 24 hours. Despite incurring an expenditure of ₹ 22.55 crore, construction works were incomplete for want of release of second installment. Also, restoration works taken up under the CRF scheme were delayed by one to two years since the occurrence of disaster. ₹ 41.77 crore was sanctioned from CRF on inadmissible construction works in violation of norms of the scheme. In the absence of Rehabilitation & Resettlement policy, 80 identified villages of selected districts could not be rehabilitated.

*[Paragraph 1.1]*

### **Urban Development Department**

#### **Management of Maha Kumbh Mela -2010, Haridwar**

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

*[Paragraph 1.2]*

### **AUDIT OF TRANSACTIONS**

#### **FRAUDULENT DRAWAL/MISAPPROPRIATION/EMBEZZLEMENT/LOSS**

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

*[Paragraph 2.1]*

#### **INFRACTUOUS/WASTEFUL/UNFRUITFUL/EXCESS EXPENDITURE**

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

*[Paragraph 2.2]*

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

*[Paragraph 2.4]*

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

*[Paragraph 2.5]*

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

*[Paragraph 2.6]*

#### **UNDUE FAVOUR TO CONTRACTORS/AVOIDABLE EXPENDITURE**

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

*[Paragraph 2.7]*

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

*[Paragraph 2.8]*

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

*[Paragraph 2.9]*

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

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

*[Paragraph 2.12]*

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

***[Paragraph 2.13]***

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

***[Paragraph 2.15]***

### **REGULARITY ISSUE**

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

***[Paragraph 2.17]***

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

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

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

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

***[Paragraph 3.1]***

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**REVENUE**

**PERFORMANCE REVIEW**

**Review on 'Transition from Sales Tax to VAT'**

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

*[Paragraph 4.2.6.1]*

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

*[Paragraph 4.2.6.2.2]*

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

*[Paragraph 4.2.6.3]*

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

*[Paragraph 4.2.6.4.2]*

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

*[Paragraph 4.2.6.5.1 & 4.2.6.5.2]*

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

*[Paragraph 4.2.6.6]*

**AUDIT OF TRANSACTIONS**

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

*[Paragraph 4.3]*

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

*[Paragraph 4.4]*

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

*[Paragraph 4.5]*

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

*[Paragraph 4.6]*

**COMMERCIAL**

**Overview of Government Companies and Statutory Corporations**

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

• **Investments in PSUs**

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

• **Performance of PSUs**

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

• **Quality of accounts**

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

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

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

*[Paragraph 5.1]*

## **PERFORMANCE REVIEW RELATING TO A GOVERNMENT COMPANY**

### **Uttarakhand Jal Vidyut Nigam Limited- Power Generating Activities**

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

- **Capacity Addition**

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

- **Project Management**

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

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

- **Contract Management**

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

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

- **Manpower Management**

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

- **Plant Load Factor**

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

- **Outages**

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

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

- **Renovation & Modernization**

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

- **Operation & Maintenance**

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

- **Tariff Fixation**

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

- **Environmental Issues**

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

- **Conclusion and Recommendation**

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



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

*[Paragraph 5.2]*

### **Audit of Transactions**

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

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

*[Paragraph 5.3]*

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

*[Paragraph 5.5]*

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

*[Paragraph 5.7]*