

Overview

OVERVIEW

This Report contains three performance audits *viz.* on (i) Right of Children to Free and Compulsory Education (RTE), Act 2009, (ii) Modernisation of the State Police Force, and (iii) Levy and Collection of Stamp Duty and Registration Fee and 22 compliance audit paragraphs including one follow-up audit with financial implications ₹ 461.81 crore.

The total expenditure of the State increased from ₹ 15,539 crore to ₹ 27,386 crore during 2011-12 to 2015-16. The revenue expenditure of the State Government increased by 78 *per cent* from ₹ 12,975 crore in 2011-12 to ₹ 23,086 crore in 2015-16.

The revenue expenditure constituted 79 to 84 *per cent* of the total expenditure during the years 2011-12 to 2015-16 whereas capital expenditure in the same period was 15 to 20 *per cent*. During this period, revenue expenditure increased at an annual average rate of 15 *per cent* whereas revenue receipts grew at an annual average rate of 13 *per cent* during 2011-12 to 2015-16.

The total revenue receipts of the State Government for the year 2015-16 were ₹ 21,234.43 crore as compared to ₹ 20,246.55 crore during the year 2014-15. Out of this, 50 *per cent* was raised through tax revenue (₹ 9,377.79 crore) and non-tax revenue (₹ 1,219.66 crore). The balance 50 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 5,333.19 crore) and Grants-in-aid (₹ 5,303.79 crore). There was an increase in revenue receipts over the previous year by ₹ 987.88 crore.

As on 31 March 2016, there were 25 State PSUs and statutory corporations (including four non-working PSUs) with an investment (capital and long term loans) of ₹ 8,768.75 crore. This total investment consisted of 63.32 *per cent* towards capital and 36.68 *per cent* in long-term loans. The equity has decreased from ₹ 259.91 crore in 2013-14 to ₹ 57.76 crore in 2015-16. The Government contributed ₹ 119.53 crore towards equity, loans and Grants/Subsidies during 2015-16. Out of 21 working State PSUs (social sector: 05, economic sector: 16) for which accounts for the latest years were received up to September 2016, nine PSUs earned a profit of ₹ 349.25 crore and 12 PSUs incurred a loss of ₹ 248.68 crore.

This Report is organized into three chapters. Chapter I deals with the social, general and economic sector, Chapter II with the Revenue sector and Chapter III deals with the social and economic sectors (Public Sector Undertaking). Some of the major audit findings are summarized below.

CHAPTER-I

PERFORMANCE AUDIT

Right of Children to Free and Compulsory Education, Act 2009

The 'Right of Children to Free and Compulsory Education, Act 2009', popularly known as the Right to Education Act (RTE Act), came into force on 1st April 2010 making elementary education a fundamental right of all children in the age group of 6-14 years. The RTE Act provides that every child in the age of 6 to 14 years shall have a right to free and compulsory education in a neighbourhood school till completion of his/her elementary education. Its provisions are implemented through the Sarva Shiksha Abhiyan (SSA) whose framework has been revised to correspond to the provisions of the RTE Act including the norms for opening new schools, the pupil teacher ratio and the required infrastructure.

A performance review of the implementation of the Act brought out weaknesses in planning and identification of beneficiary children including those belonging to weaker sections/disadvantaged groups and delays in both release of funds and reimbursement to schools that impaired their ability to continue education of children admitted under the RTE Act as well as delay in completion of required infrastructure that further undermined achievement of the objectives of the RTE Act. While there were 11,198 children enrolled in Class-I during 2011-12 in unaided non-minority schools in the State, the retention rate of these students was only 60 *per cent* at the end of fourth year as against 98 *per cent* of students other than those belonging to the RTE quota admitted in the same class of the same schools which was indicative of the reluctance or lack of efforts on the part of the schools to retain children admitted under RTE Act thereby undermining one of its primary objectives. Uneven pupil-teacher ratio and lack of due attention to children with special needs coupled with delay in completion of required infrastructure and lack of basic facilities particularly of boundary wall and playgrounds further undermined achievement of the objectives of the RTE Act. Some of the significant findings are elaborated below:

- The Uttarakhand Free and Compulsory Education Rules stipulate that local authorities shall ascertain the number and details of children belonging to weaker sections¹/disadvantaged groups² through a house-hold survey. Twenty five *per cent* of seats of lowest class of the private schools are to be filled by these identified groups of children. While a *bal ganana* (counting of children) was being carried out by the Department, data with regard to children belonging to weaker sections and of other

¹ Children whose parents' annual income is ₹ 55,000 or less.

² Children belonging to SC, ST, OBC (excluding creamy layer), orphan, physically handicapped, affected with HIV, children dependent on widow or divorcee mother, whose annual income is less than ₹ 80,000.

disadvantaged groups was not being collected and consequently, targets to cover the children of such groups under RTE was not fixed.

[Paragraph 1.2.6.2]

- There was delay in reimbursement of expenses to schools that impaired their ability to continue education of children admitted under the RTE Act as well as disbursement of ₹ 0.45 crore without verification of attendance and of ₹ 0.19 crore to ineligible educational institutions besides instances of excess reimbursement and remitting funds to schools instead of directly into bank accounts of the beneficiary children. In addition, ₹ 7.07 crore was lying unutilized for two years.

[Paragraph 1.2.7.2]

- Implementation of the RTE Act in the State was affected by poor retention rate, imbalanced pupil teacher ratio and below par learning level.

[Paragraphs 1.2.8.2, 1.2.8.4 & 1.2.8.5]

- There was delay in providing for required infrastructure with work of construction of 77 per cent of new schools, 27 per cent of additional class rooms/headmaster rooms and 26 per cent of re-construction of schools remaining either incomplete or were yet to even commence.

[Paragraph 1.2.8.9(a)]

- Institutional mechanisms for monitoring or grievance redressal like the State Advisory Council, Grievance Redress Committees and child help lines were yet to be either established or made fully operational.

[Paragraph 1.2.9]

Modernisation of the State Police Force

Government of India introduced the scheme for “Modernisation of Police Force” to augment the operational efficiency of State Police forces to enable them to effectively face the emerging challenges to internal security. A performance audit of implementation of the scheme in the State of Uttarakhand brought out weaknesses in planning as well as shortages of weapons, vehicles, equipment and manpower which affected the operational activities of the Department. Long term planning to derive optimal benefits from the scheme by identifying gaps in operational effectiveness and state of preparedness of the State police was lacking due to non-implementation of the Strategic Plan. The pace of investigations could not be quickened as the setting-up of two District Mobile Forensic Units could not be achieved even after lapse of more than five years and only 35 out of 124 staff quarters and four out of eight non-residential buildings could be completed at a cost of ₹ 4.43 crore and ₹ 1.38 crore respectively as on March 2016. There was lack of monitoring and evaluation at both the Department and Government levels.

[Paragraph 1.3]

COMPLIANCE AUDIT

Enforcement of Food Safety and Standards Act, 2006 in Uttarakhand

There was delay in issue of licenses in 42 *per cent* of the cases in the State as a whole. Further, 94 *per cent* of the Food Business Operators (FBO) in the State had not been inspected for quality of food supplied since August 2011. Due to lack of any targets, the number of samples collected since 2011-12 was only six *per cent*, seven *per cent* and six *per cent* of the total number of the FBOs registered/licensed in the State and in Dehradun and Nainital respectively. Due to shortage of man-power, there was a considerable delay in finalising of reports of collected samples as the average time taken in testing and generating reports for samples is currently 125 days (2015-16) compared to 20 days taken in 2011-12.

[Paragraph 1.5]

Avoidable Expenditure due to commencement of works without technical sanction

Award and commencement of work of construction of an office building by the Forest Department without technical scrutiny and sanction as per codal provisions resulted in a deficient estimate that led to avoidable expenditure of ₹ 2.95 crore due to cost escalation.

[Paragraph 1.6]

Prevention of forest fires

Despite the increasing incidence of forest fires in the State, adequate attention was not placed on measures to prevent their occurrence. The Forest Department lacked sufficient funds for preventing and controlling forest fires which translated into shortages of essential fire-fighting equipment, vehicles, communications as well as manpower. Shortages of equipment, accessories and vehicles required for fire-fighting in the fire season ranged from 31 to 100 *per cent* while shortage of manpower ranged from 16 to 55 *per cent* in cadres of foresters and forest guards. Equipment when purchased was received late in the forest divisions. Maintenance of records of occurrence of forest fires and the response times achieved which are essential for both assessing the efficacy of the systems in place as well as to plan future requirements was inadequate and both long term and short term measures required for fire management were not taken.

[Paragraph 1.7]

Setting up of Private Universities

The Higher Education Department did not exercise due diligence to ensure compliance with extant guidelines while issuing Letters of Intent to sponsoring bodies for establishment of private universities. Full compliance with the guidelines was made by only one out of 11 private universities in the State. Evaluation of proposals was not done in the stipulated format and Government decisions relating to reservation for permanent

residents of the State, scholarships for their students and free training for entrance examinations were not incorporated in the Acts establishing the University of Petroleum and Energy Studies and ICFAI University. The notification for establishment of Patanjali University was accorded before establishment of the endowment fund.

[Paragraph 1.8]

Horticulture Mission for North East and Himalayan States

The State Mission Office of the Horticulture Department released ₹ 0.34 crore to a Sansthan without the necessary approval of the State Level Executive Committee while ₹ 3.32 crore was irregularly disbursed for construction of poly houses and planting material without adhering to the stipulated conditions of title to land and norms for grant of assistance. Similarly, assistance of ₹ 0.91 crore was paid to beneficiaries for area expansion of fruits and vegetables without adhering to the guidelines. The District Horticulture Offices also provided irregular assistance of ₹ 0.35 crore for horticulture mechanization and creation of water resources without either ensuring title to land of the beneficiaries or verifying proof of expenditure incurred as required under the guidelines.

[Paragraph 1.9]

Recovery of Loans and Government Dues by District Collectors

The Land Revenue Department failed to maintain any database of recoveries of outstanding loans and other government dues. Lack of a coordinated database at both district and tehsil levels undermined recovery efforts with the pace of recovery averaging only 24 *per cent* during the period 2013-14 to 2015-16. An amount of ₹ 1,095.44 crore which was 76 *per cent* of the recoveries requested by departments/banks during the years 2013-14 to 2015-16 remained unrecovered. No database of Revenue Recovery Certificates (RRCs) and action taken/ required was maintained in the selected districts and no summarized data of recovery cases like year-wise, total pendency and recoveries made, details of RRCs received from various departments and returned and service charges deducted was available.

[Paragraph 1.10]

Excess expenditure in procurement of medicines

Violation of departmental instructions by the Chief Medical Superintendent Dehradun Hospital and the Chief Medical Officer Dehradun in procurement of medicines resulted in excess expenditure of ₹ 1.06 crore in the Medical, Health and Family Welfare Department.

[Paragraph 1.11]

108 Emergency Response Service

In March 2008, the State Government entered into an agreement with a private operator *viz.* GVK Emergency Management and Research Institute (EMRI) to operate an

Emergency Response Service. The private operator was selected without the proposal being submitted to the Expenditure Finance Committee of the State Government as stipulated in the General Financial Rules. The State Government stated that the selection was done on the basis of terms and conditions of agreements executed between the operator and other States. However, a comparison of the terms of service mentioned in the Memorandum of Understanding (MoU) signed with Uttar Pradesh and Uttarakhand brought out that parameters essential for delivery of the requisite quality of service such as staffing norms, performance standards, reporting, monitoring, bank guarantees and penalties were omitted from the MoU signed by the Uttarakhand Government with EMRI. This undermined the ability of the Medical, Health & Family Welfare Department to enforce the conditions of service and levy penalty or any other punitive measures for deficiencies in the quality of service provided. There were, in fact, black outs in service, providing services after prescribed response time and shortage of medical consumables and equipment in ambulances detracted from the quality of emergency health care being provided by the service.

Further, excess release of funds by the Medical, Health and Family Welfare Department led to ₹ 18.85 crore lying unspent with the private operator GVK Emergency Management and Research Institute (EMRI) at the end of March 2016. The Department also did not recover operation cost of ₹ 6.34 crore from the operator.

[Paragraph 1.12]

Extra expenditure in work of road improvement

Calculation of cement concrete pavement work on square meter basis instead of cubic meter as per extant guidelines in the work of improvement/strengthening of three roads and excessive use of bituminous macadam for widening and strengthening of New Tehri-Ghansali-Tilwara Motor road resulted in extra expenditure of ₹ 2.81 crore in the Public Works Department.

[Paragraphs 1.13 and 1.14]

Disregard of Government instructions for conduct of survey before preparation of estimates

Disregard of Government instructions by the Public Works Department to undertake a survey before preparation of estimates relating to improvement of roads to enable plying of Volvo buses on Dehradun-Mussoorie road resulted in non-completion of the project despite an expenditure of ₹ 14.57 crore.

[Paragraph 1.15]

Post Matric Scholarship to the students belonging to SC and OBC

The Social Welfare Department was not able to ensure compliance with provisions of the guidelines laid down for providing scholarships to the Scheduled Caste and Other

Backward Class students leading to instances of inadmissible payments and excess payments totaling ₹ 3.18 crore. In addition, ₹ 5.21 crore was parked in bank accounts instead of disbursing to eligible beneficiaries or being refunded to the treasury. System of bar coding was not installed during 2014-15 in the on-line software developed by the National Informatics Centre (NIC) Uttarakhand to filter out fake applications. Online mapping of recognised courses and fee structure was not done by the recognised institutions.

[Paragraph 1.16]

Infrastructure Development for Tourist Destinations and Circuits

Uttarakhand Tourism Development Board made an excess payment of centage charges of ₹ 0.41 crore to executing agencies and also diverted funds amounting to ₹ 3.20 crore without obtaining permission of the Government of India and incurred a wasteful expenditure of ₹ 0.60 crore on construction of tourist cottages. In addition, assets created at a cost of ₹ 5.45 crore remained unutilized due to poor planning or inadequate management. The Board neither finalized a formal agreement with the Garhwal Mandal Vikas Nigam (GMVN) nor demanded its share of ₹ 0.33 crore of revenue of ₹ 1.10 crore generated by GMVN from the operation of assets during December 2013 to May 2016.

[Paragraph 1.17]

Setting up of Sewage Treatment Plants under Jawaharlal Nehru National Urban Renewal Mission

Out of 21 Sewage Treatment Plant projects undertaken under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) of the Urban Development Department, only six were completed in the selected cities/town of the State depriving the beneficiaries of the intended benefits of the scheme. In the absence of sewer connections to households, laying of sewer lines could not serve the intended purpose of treating sewage and expenditure of ₹ 85.17 crore on laying of sewer lines remained idle. Interest amounting to ₹ 0.77 crore had not been recovered on account of mobilization advance paid to contactors against four agreements executed.

[Paragraph 1.18]

Implementation of the Nirbhaya Scheme

The State Government utilized only ₹ 0.23 crore out of total allocated fund of ₹ 1.02 crore in 2014-15 and 2015-16 resulting in poor operationalization of scheme. Required infrastructure could not be put in place even after a lapse of more than two years since the launch of the scheme by the Women Empowerment and Child Development Department. Nirbhaya cells were properly functioning in the districts of Nainital, Pauri and Udham Singh Nagar where these cells had registered and provided legal and counselling related assistance in 99 cases till date. However in Uttarkashi, the cell was functioning without the services of a woman advocate while in Tehri and

Champawat districts, the cells were functioning with only a computer operator and an *anusevak*.

[Paragraph 1.19]

Implementation of Beti Bachao Beti Padhao Scheme

The Women Empowerment and Child Development Department released only ₹ 0.20 crore to selected districts for implementation of the scheme out of received central assistance of ₹ 0.77 crore of which, only ₹ 8.90 lakh (12 per cent) was utilized which defeated the objective of checking the decline in child sex ratio (CSR) through mass campaign, focused intervention and multi-sectoral action in the State. Convergence and engagement activities could not be undertaken by the Department. Village Health, Sanitation and Nutrition Committee-a sub-committee of the Gram Panchayat, which was to be engaged for ground level implementation and monitoring of the scheme, had been entrusted with no role in Pithoragarh. The committee was not even in existence in Champawat.

[Paragraph 1.20]

CHAPTER-II

PERFORMANCE AUDIT

Performance Audit on "Levy and Collection of Stamp Duty and Registration Fee"

Levy of stamp duty, other than duties or fees collected by means of judicial stamps, is included in the Concurrent List of the Seventh Schedule of the Constitution of India. Stamp duty is a tax which is paid by the executor of an instrument either by using impressed stamp paper or by affixing stamps of proper denominations as per the rates specified in The Indian Stamp Act, 1899 (IS Act) and rules framed there under as applicable in the State. Registration Fee is also to be paid in respect of those instruments which are registered with the Registering Authority under The Indian Registration Act, 1908.

A performance audit of the Levy and Collection of Stamp Duty and Registration Fee for the period 2011-16 brought out that the existing mechanism and procedure for levy and collection of stamp duty and registration fee suffered from both systemic as well as implementation deficiencies that resulted in non-levy or loss of revenue aggregating to ₹128.35 crore. Some of the significant findings are as follows.

- Stamp and Registration department initiated Core Registration System project in 2003 for registration of documents electronically. However, 13 out of 49 Sub-Registrar (SR) offices still remained to be computerized even after lapse of 13 years.

[Paragraph 2.2.8(a)]

- Non/short levy of stamp duty and registration fees due to non-registration of instruments which were compulsorily registerable resulted in non-levy of stamp duty and registration fee of ₹ 108.25 crore.

[Paragraph 2.2.9]

- Under-valuation of properties while registering these documents resulted in short levy of stamp duty of ₹ 17.20 crore.

[Paragraph 2.2.10]

- Misclassification of documents resulted in non/short levy of stamp duty and registration fee amounting to ₹ 0.48 crore.

[Paragraph 2.2.11]

- Irregular adjustment of stamp duty paid at the time of agreement and incorrect allowance of 50 *per cent* rebate on stamp duty on properties which were purchased on auction resulted in short levy of stamp duty of ₹ 0.89 crore.

[Paragraph 2.2.12]

- Non/short stamping of documents on various counts such as acceptance of bank guarantees by government offices, execution of lease deeds for period less than one year, auctioning of properties mortgaged to banks without registration and reduction of stamp duty in the case of non-eligible family members resulted in loss of revenue of ₹ 1.16 crore.

[Paragraph 2.2.13]

COMPLIANCE AUDIT

False Form-C were used by a dealer for inter-State sales on concessional rate of tax which resulted in short levy of tax ₹ 0.26 crore. In addition, penalty of ₹ 0.92 crore and interest of ₹ 0.20 crore was also leviable by the Commercial Tax Department.

[Paragraph 2.3]

Irregular use of declaration Form XI for concessional rate of tax resulted in loss of revenue of ₹ 5.18 lakh and penalty amounting to ₹ 0.18 crore to the Commercial Tax Department.

[Paragraph 2.4]

Incorrect calculation of tax by the Assessing Authority resulted in short levy of tax of ₹ 0.13 crore by the Commercial Tax Department. In addition, interest of ₹ 9.77 lakh was also leviable.

[Paragraph 2.5]

CHAPTER-III

COMPLIANCE AUDIT

Loss due to improper and prolonged storage of perishable fruits

Unscientific and improper storage of apples procured under Market Intervention Programme for extended periods resulted in the Garhwal Mandal Vikas Nigam Limited having to sell them at base prices resulting in loss of ₹ 5.34 crore.

[Paragraph 3.2]

Audit of revenue earning activities

Production of timber and fire wood which was the main activity of the Uttarakhand Forest Development Corporation (Corporation) was below the prescribed norms by 77.30 *per cent* and 41.11 *per cent* respectively resulting in loss of revenue of ₹ 29.31 crore. The Corporation could not ensure felling of allotted trees within the prescribed time resulting in non-recovery of royalty amounting to ₹ 0.48 crore. Further, extraction of river bed material beyond the permissible area by the Corporation attracted a penalty of ₹ 2.85 crore while short deposit of composition money in lieu of value added tax by the Corporation due to revision of rates resulted in avoidable payment of interest of ₹ 0.21 crore.

[Paragraph 3.3]