Overview

OVERVIEW

This Report contains two performance audits *viz.* on (i) System of Procurement, Storage, Transportation and Distribution of foodgrains under Public Distribution System, and (ii) Revenue Receipts from Forest Department, and 23 compliance audit paragraphs including one follow-up audit with financial implications of ₹ 2,271.08 crore.

The total expenditure of the State increased from ₹ 20,206 crore to ₹ 35,074 crore during 2013-14 to 2017-18. The revenue expenditure of the State Government increased by 79 *per cent* from ₹ 16,216 crore in 2013-14 to ₹ 29,083 crore in 2017-18. The revenue expenditure constituted 80 to 84 *per cent* of the total expenditure during the year 2013-14 to 2017-18 whereas the capital expenditure in the same period was 15 to 19 *per cent.* During this period, revenue expenditure increased at an annual average rate of 16 *per cent* whereas revenue receipts grew at an annual average rate of 11.57 *per cent* during 2013-14 to 2017-18. The total revenue receipts of the State Government for the year 2017-18 were ₹ 27,105 crore as compared to ₹ 24,889 crore during the year 2016-17. Out of this, 44 *per cent* was raised through tax revenue (₹ 10,164.93 crore) and non-tax revenue (₹ 1,769.53 crore). The balance 56 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 7,084.91 crore) and Grants-in-aid (₹ 8,085.20 crore). There was an increase in revenue receipts over the previous year by ₹ 2,216 crore. The State Government implemented the Goods and Services Tax (GST) Act which became effective from 1st July 2017. Total receipts under GST including non-subsumed/subsumed taxes from April 2017 to March 2018 were ₹ 7,006 crore (including provisional apportionment of IGST and Compensation to State).

As on 31 March 2018, there were 30 Public Sector Undertakings (three Statutory Corporations and 27 Government Companies including eight inactive government companies) in Uttarakhand. The working PSUs registered an annual turnover of ₹ 8,770.99 crore as per their latest finalised accounts as on 30 September 2018.

PSUs in Power Sector

As on 31 March 2018, the total investment (equity and long term loans) in four power sector undertakings was ₹ 6,309.01crore. The investment consisted of 46.72 *per cent* towards equity and 53.28 *per cent* in long-term loans. The budgetary assistance received by these power sector PSUs during the year ranged between ₹ 385.03 crore and ₹ 81.95 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 103.45 crore received during the year 2017-18 included ₹ 53 crore, ₹ 35.49 crore and ₹ 14.96 crore in the form of equity, loan and grants/subsidy respectively. Out of four power sector undertakings, accounts for the year 2017-18 were submitted by three working power sector PSUs by 30 September 2018. According to financial statements for the year 2017-18 of these power sector PSUs, two PSUs earned profit of ₹ 92.62 crore and one PSU incurred loss of ₹ 229.22 crore.

PSUs-Other than Power Sector

As on 31 March 2018, the total investment (equity and long term loans) in 26 PSUs (other than power sector) was ₹ 4,118.59 crore. Of this Government of Uttarakhand had contributed ₹ 1,036.73 crore as equity capital and ₹ 337.29 crore as long term loans. The total investment in these PSUs consisted of 82.91 *per cent* towards equity and 17.09 *per cent* in long-term loans. The annual budgetary assistance to these PSUs ranged between ₹ 378.35 crore and ₹ 712.23 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 712.23 crore given during the year 2017-18 included ₹ 63.02 crore as equity and ₹ 649.21 crore as grants / subsidy. Of the total 26 PSUs, no PSU submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018.

This Report is organised into three chapters. Chapter-I deals with the Social, General and Economic sectors, 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 summarised below.

CHAPTER-I

PERFORMANCE AUDIT

System of Procurement, Storage, Transportation and Distribution of foodgrains under Public Distribution System

The Targeted Public Distribution System (TPDS) was launched in India in 1997 with the objective of providing foodgrain at specially subsidised rate to Below Poverty Line (BPL) families as per the norms prescribed by the Government of India (GoI). The scheme was operational in Uttarakhand since the formation (November 2000) of the State. In order to ensure food availability[1] to the poorest of the poor, *Antyodaya Anna Yojana* (AAY) was launched in December 2000. To ensure transparent recording of transactions at all levels, GoI launched (December 2012) a plan scheme on 'End-to-End Computerisation of TPDS'.

Further, National Food Security Act, 2013 (NFSA) was enacted (September 2013) in India by the Parliament with the objective of providing adequate quantity of quality food at affordable prices to people to live a life with dignity. A performance audit of the System of Procurement, Storage, Transportation and Distribution of foodgrains under Public Distribution System brought out weaknesses in digitisation of ration cards; identification of eligible beneficiaries; procurement, lifting, distribution, transportation and storage of foodgrains. Some of the significant findings were as below:

- Supply chain and Fair Price Shops automation under 'End-to-End Computerisation scheme' were not implemented even after elapse of four to five years from the targeted date.

  [Paragraph 1.2.7]

- Procedure for identification of eligible households to be covered under National Food Security Act was not followed as there were instances of incomplete capture of information relating to eligibility criteria as a result of which there was no assurance that only eligible beneficiaries were covered under the scheme. This led to inclusion of ineligible beneficiaries and exclusion of eligible beneficiaries from the benefits of the Scheme.

  [Paragraph 1.2.8.1 & 1.2.8.2]

- The Department could not ensure payment of Minimum Support Price to the farmers on procurement through the commission agents.

  [Paragraph 1.2.9.1]

- The Department distributed 0.63 lakh MT rice valuing ₹ 140.13 crore and 0.23 lakh MT wheat (to AAY and BPL category) valuing ₹ 9.83 crore in excess of actual requirement across the State.

  [Paragraph 1.2.10.2]

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[1] By providing AAY families 24.600 kg rice and 10.400 kg wheat per month at specially subsidised rate of ₹ three and ₹ two per kg respectively.

- Storage capacity of foodgrains in the State was not adequate. The shortage of storage capacity ranged between 44 *per cent* and 45 *per cent* at Regional level and 32 *per cent* at District level across the State.

[Paragraph 1.2.11.3]

- Storage godowns lacked the basic equipment and facilities required as per Warehouse manual.

[Paragraph 1.2.11.5]

- Cash Credit Limit of ₹ 515.85 crore was obtained from Reserve Bank of India despite availability of sufficient funds with the Department. Consequently, the Department suffered a loss of ₹ 19.35 crore on account of interest paid to Reserve Bank of India against Cash Credit Limit.

[Paragraph 1.2.12.2]

- Irregular payment of ₹ 3.48 crore as Mandi Labour Charge was made to the millers against the quantity of rice procured under levy scheme.

[Paragraph 1.2.12.5]

- Required number of members were not appointed in State Food Commission and only one report after four years of constitution of State Food Commission was prepared. No meeting of Vigilance Committee at State level or at any level in sampled districts was organised during the audit period. There was an overall shortfall of 69.93 *per cent* to 81.38 *per cent* in inspection of Fair Price Shops.

[Paragraphs 1.2.13.1, 1.2.13.2, 1.2.13.3 and 1.2.13.4]

- Rules for conducting periodic Social Audit on functioning of Fair Price Shops were not framed even after elapse of almost five years of commencement of the Act.

[Paragraph 1.2.13.5]

COMPLIANCE AUDIT

Idle expenditure

After incurring expenditure of ₹ 2.59 crore, the Government Degree College, Dakpathar, Dehradun pertaining to the Higher Education Department could not use the constructed hostel for SC/ST girl students due to absence of security and staff and the hostel building remained idle since January 2015.

[Paragraph 1.3]

Loss of revenue

Non-recovery of compounding fee by the Senior Superintendent/Superintendent of Police of six districts pertaining to the Home Department at the prescribed rate led to loss of revenue of ₹ 3.17 crore.

[Paragraph 1.4]

Non-recovery of Special State Capital Investment Subsidy (with interest at the rate of 18 per cent) and Special Interest Subsidy

The Industry department failed to recover ₹ 49.56 lakh from a defaulter industrial unit after lapse of more than three years though the scheme guidelines provide for recovery in case of violation of the conditions of grant of subsidies.

[Paragraph 1.5]

Idle expenditure/Non-achievement of objectives

The Executive Engineer, Irrigation Division, Rudraprayag incurred an idle expenditure of ₹ 2.42 crore on procurement of pipes which were lying unattended in the open leaving it prone to the vagaries of nature, besides incurring an unfruitful expenditure of ₹ 46.31 lakh on other components of the project. Moreover, the intended objectives of the project had not been achieved even after a lapse of four years.

[Paragraph 1.6]

Functioning of blood banks in Uttarakhand

The blood banks under the Medical, Health and Family Welfare Department could not make significant progress in phasing out replacement donors to achieve target of 100 *per cent* voluntary blood donation (VBD) as envisaged in the National Blood Policy. Information, Education and Communication activities carried out by State Blood Transfusion Council (SBTC) for promotion of voluntary blood donation was inadequate. There was significant difference in the percentage of VBD as per Annual Report of SBTC and figures obtained from the selected blood banks. Out of 35 blood banks in the State, 13 were operating with expired licence from five months to twenty years. Only 22 regular inspections could be carried out against 96 inspections required to be conducted during the period 2015-18. None of the blood banks selected by audit were inspected during 2015-18. Out of eight selected blood banks, five were not calibrating equipment in prescribed time. The Donor and the Master Registers were not being maintained in complete form as prescribed in the Act.

[Paragraph 1.7]

Non realisation of compensation of ₹18 crore from absentee doctors

The Medical, Health and Family Welfare Department failed to realise compensation of ₹ 18 crore from doctors for breach of agreement. No legal action was taken against the defaulters which defeated the purpose of strengthening health services in the remote area of the State.

[Paragraph 1.8]

Avoidable expenditure

The Executive Engineer, Provincial Division, Public Works Department, Haridwar paid ₹ 1.69 crore for excess quantity of 192.69 MT of unutilised steel which could have been avoided, had the excess quantity of steel been utilised judiciously.

[Paragraph 1.9]

Non-levying of centage charges

Non-adherence to the financial rules and Government orders by the Executive Engineer, Rural Works Division, Rural Works Department, Dehradun in respect of levying of centage charges led to the loss of ₹ 73.20 lakh to the Government exchequer.

[Paragraph 1.11]

Old Age Pension Scheme

The Social Welfare Department was not able to ensure full compliance with the guidelines/rules laid down for providing pension to the old age persons. The selection process of beneficiaries for old age pension was fraught with several deficiencies. The pension database lacked input and validation controls. As a result, there were cases of excess payment of ₹ 0.17 crore to 614 beneficiaries; disbursement of ₹ 0.10 crore to deceased persons; disbursement of ₹ 4.18 crore to ineligible persons; and double payment of ₹ 0.21 crore to 85 beneficiaries. The State Government had to bear a burden of ₹ 33.29 crore due to less demand of fund from the Government of India. There was an irregular claim of ₹ 7.25 crore against ineligible beneficiaries from Government of India. There were instances of delayed disbursement of quarterly instalment of pension with the delay up to 366 days. Arrears of pension of ₹ 15.25 crore to 34,551 beneficiaries were not paid. District Level Committees for implementation, monitoring and evaluation of scheme were not constituted. The mechanism of grievance redressal and social audit was also not in place.

[Paragraph 1.12]

Role of Uttarakhand Environment Protection and Pollution Control Board and Uttarakhand State Transport Department in controlling air pollution in Dehradun

Uttarakhand Environment Protection and Pollution Control Board (UEPPCB) did not make any comprehensive programme for prevention, control or abatement of air pollution. It did not monitor all the 12 air pollutants notified by the Central Pollution Control Board. The UEPPCB did not coordinate with the Department of Industries to obtain information about industries registered with them so as to bring the industrial units under its consent regime. No mechanism was evolved to watch the renewal of consent after its expiry. The Transport Department did not take adequate measures towards implementation of the provision regarding re-registration of 15 years' old vehicles. It also did not have any effective mechanism to ensure that all the vehicles turn up for emission testing after the expiry of 'Pollution under Control' certificate. UEPPCB also failed to discharge its regulatory function to prevent and control the emission of pollutants spread into the atmosphere by the brick kilns and mining units. The monitoring by the UEPPCB was found deficient. It failed to prepare and submit the Annual Report relating to its functioning to the State Legislature.

[Paragraph 1.13]

CHAPTER-II

PERFORMANCE AUDIT

Revenue Receipts from Forest Department

The subject 'Forests' is included in the 'Concurrent List' of the seventh schedule to Article 246 of the Constitution of India. The Indian Forests Act, 1927 and Forest Conservation Act (FC Act) 1980 which are Central Legislations and Uttarakhand Timber & Other Forest produce Transit Rules, 2012 and Minor Mineral Concession Rules, as amended, and the notifications/orders issued there under from time to time govern the management and control of forestry and realisation of revenue by way of royalties, fees and penalties from various forest produce.

The forests are natural unique resources which are capable of sustaining themselves automatically. The Department has the primary duty of managing the forests in a sustainable manner and protect, conserve and augment them with plantation activities. Sustainability of forest resources is also important for providing steady revenues to the Government from silvicultural operations. Forest receipts are non-tax receipts and during the period 2013-14 to 2017-18, it accounted for 17.58 *per cent* to 31.63 *per cent* of the total non-tax receipts of Government of Uttarakhand (GoU). This performance audit on 'Revenue Receipts from Forest Department' was conducted to ascertain whether steps taken by the GoU to optimise revenue from forest resources were adequate and the resources available for exploitation were tapped optimally to augment revenue in the best interest of the State. The performance audit revealed a number of system deficiencies and highlights opportunities for the Government to generate substantial revenue from forest resources. Some of the significant findings are as below:

- The Department suffered from a systemic problem of delays in preparation of working plans as none of the existing 24 working plans could be prepared by the Department in time. It did not set up permanent working plan units as envisaged in the National Working Plan Code 2014 for overcoming the issues of delay in preparation of working plans.

[Paragraph 2.2.7.1 & 2.2.7.2]

- Delay in preparation and approval of working plans led to cessation of felling operations in two divisions resulting in non-realisation of royalty of ₹ 75.37 crore.

[Paragraph 2.2.8.1]

- The Department failed to realise revenue of ₹ 330.12 crore due to non-execution of canopy opening operation in Sal forests. Besides, lack of canopy opening has adverse impact on growth of new Sal trees and the overall quality of Sal forests.

[Paragraph 2.2.8.2]

- Absence of marking operations led to non-felling of trees and non-production of estimated quantity of timber in two divisions resulting in non-realisation of royalty of ₹ 27.90 crore.

[Paragraph 2.2.8.3]

- Non-felling of trees by UFDC resulted in non-production of timber on which loss of royalty works out to ₹ 14.28 crore.

[Paragraph 2.2.8.4]

- Erroneous fixation of royalty of eucalyptus led to loss of ₹ 31.19 crore to the Department during 2013-18.

[Paragraph 2.2.8.5]

- UFDC earned ₹ 13.94 crore by auctioning fuel wood and ₹ 42.17 crore from sale of tree roots during 2013-18. However, the Department did not get any share of these amounts due to absence of mechanism for levy of royalty on tree roots and fuel wood.

[Paragraph 2.2.8.6]

- Short-production of resin due to failure of Badrinath and Tehri forest divisions in following the timelines for resin extraction resulted in loss of ₹ 2.39 crore.

[Paragraph 2.2.9.1]

- The Department faced a recurring loss of ₹ 2.47 crore per annum due to non-inclusion of eligible pine trees in the working plan for resin production.

[Paragraph 2.2.9.2]

- Conservator of Forests, Western Circle caused loss of revenue to the Department by cancelling public demand of ₹ 1.96 crore and reducing demand of ₹ 6.34 crore to ₹ 0.29 crore without any basis against the UFDC for illegal mining from river beds.

[Paragraph 2.2.10.2]

- Recovery of transit fee on minor minerals at erroneous rates resulted in loss of ₹ 72.27 lakh.

[Paragraph 2.2.10.3]

- Premium and lease rent of ₹ 417.95 crore due for recovery from the lessees in eight cases were not recovered by the Department.

[Paragraph 2.2.10.4]

COMPLIANCE AUDIT

Short levy of tax

Incorrect application of tax rates by the Commercial Tax Department resulted in short-levy of tax of ₹ 51.71 lakh.

[Paragraph 2.3]

Non-imposition of penalty

Penalty and interest amounting to ₹ 0.59 crore was not levied by the Commercial Tax Department on delayed deposit of TDS into Government Account.

[Paragraph 2.4]

Non-levy of tax

Assessing authority of Commercial Tax Department treated sale of rice flour as tax free sale instead of levying tax at the rate of 13.50 *per cent* resulting in non-levy of tax of ₹ 8.59 lakh.

[Paragraph 2.5]

Sale of liquor above Maximum Retail Price

The Excise Department suffered loss of revenue amounting to ₹ 19.50 lakh due to short-levy of compounding fee on the licencees for selling liquor/beer above Maximum Retail Price.

[Paragraph 2.6]

Non-levy of fee for storage of minerals

The Mining Department suffered a revenue loss of ₹ 3.17 crore due to non-levy and non-realisation of prescribed fee for storage of minerals by three stockholders.

[Paragraph 2.7]

Non-realisation of mining receipt

Non-realisation of regularisation fee of ₹ 1.21 crore and annual renewal fee of ₹ 0.65 crore from the owners of the stone crushers by the Mining Department resulted in loss of revenue of ₹ 1.86 crore to the Government.

[Paragraph 2.8]

Incorrect computation of royalty

Application of incorrect rates of royalty by the Mining Department resulted in short-levy of royalty amounting to ₹ 32.74 lakh.

[Paragraph 2.9]

Non-levy of fees

Non-levy of River Training, Development fee and Compensation fee by the Mining Department on lease deeds led to short deposit of ₹ 59.68 lakh in the District Mineral Foundation which was meant to be utilised for the benefit of people/areas affected by mining related operations.

[Paragraph 2.10]

CHAPTER-III

COMPLIANCE AUDIT

Loss of income

Garhwal Mandal Vikas Nigam Limited had to forego lease rent of ₹ 1.08 crore due to leasing out the space at a rate lower than the prevailing rate.

[Paragraph 3.4]

Loss of revenue

Uttarakhand Bahuudeshia Vitta Evam Vikas Nigam Limited could not recover ₹ 12.94 crore extended as loan from beneficiaries. Besides, the company refunded ₹ 8.29 crore to National level Corporations from its own resources to avoid additional interest.

[Paragraph 3.5]

Loss of interest

Uttarakhand Forest Development Corporation lost opportunity of earning an extra interest of ₹ 1.14 crore due to imprudent management of its fund.

[Paragraph 3.6]

Undue favour to consumer

Uttarakhand Power Corporation Limited gave undue favour to consumer by rescheduling the instalments repeatedly despite regular default in payments resulting in accumulation of arrears and non-realisation of revenue amounting to ₹ 3.34 crore.

[Paragraph 3.7]