

# Overview



## OVERVIEW

This Report contains 18 compliance audit paragraphs with financial implications of ₹ 305.75 crore.

The total expenditure of the State increased from ₹ 26,254 crore to ₹ 38,564 crore during 2014-15 to 2018-19. The revenue expenditure of the State Government increased by 52 *per cent* from ₹ 21,164 crore in 2014-15 to ₹ 32,196 crore in 2018-19. The revenue expenditure constituted 81 to 84 *per cent* of the total expenditure during the year 2014-15 to 2018-19 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 15 *per cent* whereas revenue receipts grew at an annual average rate of 13 *per cent*. The total revenue receipts of the State Government for the year 2018-19 were ₹ 31,216 crore as compared to ₹ 27,105 crore during the year 2017-18. Out of this, 50 *per cent* was raised through tax revenue (₹ 12,188.09 crore) and non-tax revenue (₹ 3,309.88 crore). The balance 50 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 8,011.59 crore) and Grants-in-aid (₹ 7,706.88 crore).

As on 31 March 2019, 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 ₹ 9,272.04 crore as per their latest finalised accounts as on 30 September 2019.

### **PSUs in Power Sector**

As on 31 March 2019, the total investment (equity and long term loans) in four power sector undertakings was ₹ 6,049.04 crore. The investment consisted of 51.92 *per cent* towards equity and 48.08 *per cent* in long-term loans. The budgetary assistance received by these power sector PSUs ranged between ₹ 81.95 crore and ₹ 385.03 crore during the period 2014-15 to 2018-19. The budgetary assistance of ₹ 260.47 crore received during the year 2018-19 included ₹193.01 crore, ₹ 53.92 crore and ₹ 13.54 crore in the form of equity, loans and grants/subsidy respectively. Out of four power sector undertakings, accounts for the year 2018-19 were submitted by three working power sector PSUs by 30 September 2019. According to financial statements for the year 2018-19 of these power sector PSUs, two PSUs earned profit of ₹ 88.70 crore and one PSU incurred loss of ₹ 553.23 crore.

### **PSUs-Other than Power Sector**

As on 31 March 2019, the total investment (equity and long term loans) in 26 PSUs (other than power sector) was ₹ 1,007.04 crore (₹ 979.80 crore in working PSUs and ₹ 27.24 crore in non-working PSUs). Of this, Government of Uttarakhand had

contributed ₹ 340.98 crore as equity capital and ₹ 318.38 crore as long term loans. The total investment in these PSUs consisted of 36.23 *per cent* towards equity (99.08 *per cent* in working PSUs and 0.92 *per cent* in non-working PSUs) and 63.77 *per cent* in long-term loans (96.28 *per cent* in working PSUs and 3.72 *per cent* in non-working PSUs). The annual budgetary assistance to these PSUs ranged between ₹ 378.35 crore and ₹ 1,208.43 crore during the period 2014-15 to 2018-19. The budgetary assistance of ₹ 1,208.43 crore given during the year 2018-19 included ₹ 1.52 crore as equity, ₹ 1,203.90 crore as grants/subsidy and ₹ 3.01 crore as loan assistance provided by the State Government to these PSUs. Of the total 26 PSUs, no PSU except one submitted its accounts for the year 2018-19 on or before 30 September 2019 for audit by CAG.

This Report is organised into three chapters. Chapter-I deals with the Social, General and Economic Sectors (Non-Public Sector Undertakings); Chapter-II with the Revenue Sector; and Chapter-III deals with the Social and Economic Sectors (Public Sector Undertakings). Some of the major audit findings are summarised below.

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**CHAPTER-I**
**COMPLIANCE AUDIT**
***Indo Nepal Border Road Project, Uttarakhand***

In Uttarakhand, only one road namely Tanakpur-Jauljibi Marg, with length of about 173 km had been proposed against the open border of 263 km. However, after detailed survey it was found that the actual length of the proposed road was only 135.475 km. The DPR of road from km 55.000 to km 101.850 was yet to be approved by Government of India (08.09.2020) as Pancheswar Dam on river Mahakali is affecting km 55.000 to km 135.475 stretch of Tanakpur-Jauljibi road.

The Public Works Department did not comply with the extant rules and failed to provide clear site to the first contractor which resulted in delay of more than four years in completion of stretch 0-12 km besides an extra burden of ₹ 1.92 crore on the State Government. Further, the work on the 12-55 km stretch was either delayed or was held up due to termination of the contract and the matter going to the Court. There were instances of preparation of faulty Detailed Project Report, and adoption of improper tendering process. Besides, the 0 to 12 km stretch of the road was constructed in contravention of provisions of Indian Road Congress Codes resulting in inferior quality of road which was of strategic importance. Also, cases of diversion of funds of ₹ 9.21 crore were noticed. Third party inspection to ensure quality of construction work was also not conducted.

*[Paragraph 1.2]*

***Avoidable expenditure***

The Executive Engineer, Provincial Division, Public Works Department, Rudraprayag incorporated higher rates of hill side cutting in tender documents without having administrative, financial and technical sanctions and without conducting detailed survey of the site, resulting in an avoidable expenditure of ₹ 1.04 crore.

*[Paragraph 1.3]*

***Non-imposition of damages***

The Chief Engineer, National Highway and Bridges (Garhwal Region), Public Works Department, Dehradun failed to recover damages of ₹ 1.39 crore from the contractors which was recoverable as per the terms and conditions of the contracts.

*[Paragraph 1.4]*

***Unauthorised payment of ₹ 41.16 lakh***

The Executive Engineer, Construction Division (Asian Development Bank), Public Works Department, Rudrapur (Udham Singh Nagar) released royalty against e-forms 'J' and 'MM-11' submitted by the contractor pertaining to other districts which resulted in unauthorised payment of ₹ 41.16 lakh. Besides, the contractor was also liable for payment of penalty of ₹ 14.08 crore.

*[Paragraph 1.5]*

***Irregular expenditure***

The District Social Welfare Officers, Nainital and Dehradun paid ₹ 57.20 lakh as one time assistance under National Family Benefit Scheme to 286 ineligible Non-Below Poverty Line beneficiaries in contravention of the Scheme Guidelines.

*[Paragraph 1.6]*

**CHAPTER-II**

**COMPLIANCE AUDIT**

***Non-levy of penalty of ₹237.10 crore***

Non-realisation of five times royalty from the contractors in the absence of Form MM-11 by the Mining Department resulted in short collection of ₹ 237.10 crore.

*[Paragraph 2.2]*

***Loss of revenue of ₹22.90 lakh***

The Stamp and Registration Department suffered loss of revenue of ₹ 22.90 lakh due to inadmissible exemption of 50 per cent allowed by the Department on stamp duty.

*[Paragraph 2.3]*

***Non-levy of Penalty***

The State Tax Department did not impose penalty amounting to ₹ 76.43 lakh for delay in deposit of taxes by the dealers.

*[Paragraph 2.4]*

***Short levy of tax***

Incorrect application of tax rates by the State Tax Department, resulted in loss of revenue of ₹ 29.62 lakh.

*[Paragraph 2.5]*

***Loss of revenue and non-levy of penalty***

The State Tax Department did not reverse the inadmissible input tax credit of ₹ 14.70 lakh claimed by the assessee, which resulted in loss of revenue of ₹ 14.70 lakh along with penalty of ₹ 44.10 lakh thereon.

*[Paragraph 2.6]*

***Irregular tax rebate on false declaration in Form-‘C’***

False declaration in two Form-‘C’ was made by a dealer for inter-State sales of brass ingots on concessional rate of tax, which resulted in short levy of tax of ₹ 0.65 lakh and interest of ₹ 0.56 lakh by the State Tax Department. Besides, penalty amounting to ₹ 6.55 lakh was also leviable.

*[Paragraph 2.7]*

### ***Non-levy of penalty due to delay in deposit of TDS***

The State Tax Department did not impose penalty, the maximum of which amounted to ₹ 1.23 crore under section 35 (8) of the Uttarakhand Value Added Tax (UVAT), Act as the assesses did not deposit the amount of tax deducted at source in the Government Treasury within the prescribed time as given in section 35 (4) of the UVAT, Act.

[Paragraph 2.8]

### ***Non-imposition of penalty***

The State Tax Department did not impose penalty up to ₹ 18.18 lakh under Section 10-A of the Central Sales Tax Act as the firm had purchased such goods, for which it was not registered, on concessional form.

[Paragraph 2.9]

## **CHAPTER-III**

### **COMPLIANCE AUDIT**

#### ***Compliance to Uttarakhand Right to Service Act 2011, Citizen Charter and Standard of Performance by Uttarakhand Power Corporation Limited***

Uttarakhand Power Corporation Limited (UPCL) did not provide enlisted services in Uttarakhand Right to Service (URTS), Act 2011, Standard of Performance (SoP) and Citizen Charter (CC) within the prescribed timeline to its consumers. Uttarakhand Electricity Regulatory Commission (UERC) imposed penalty of ₹ 18.82 crore on UPCL due to delay in providing of new service connections. UPCL could not ensure replacement of burnt/defective meters within prescribed time resulting in penalty of ₹ 6.89 crore and delay in testing of meters attracted penalty of ₹ 66.34 lakh. Further, non-compliance to the norms in respect of disconnection/reconnection by UPCL attracted penalty amounting to ₹ 3.19 crore during 2016-17 to 2018-19.

[Paragraph 3.4]

#### ***Loss due to non-installation of Lightning Arrestors***

Uttarakhand Power Corporation Limited failed to install lightning arrestors on the distribution transformers resulting in their damage and it had to spend ₹ 1.21 crore for their replacement.

[Paragraph 3.5]

#### ***Undue benefit to contractors***

Power Transmission Corporation of Uttarakhand Limited failed to deduct one *per cent* of construction cost as Labour Cess from 16 contractors in 23 works amounting to ₹ 17.95 lakh.

[Paragraph 3.6]

***Idle Expenditure***

Lack of planning in Construction of bays at sub-station of Power Transmission Corporation of Uttarakhand Limited resulted in an idle expenditure of ₹ 3.07 crore as six out of 30 bays could not be put to use since commissioning of the sub-station

***[Paragraph 3.7]***

***Avoidable liability of Commitment Charges***

Asian Development Bank (ADB) withdrew/terminated its loan as the Power Transmission Corporation of Uttarakhand Limited failed to utilise the loan in time which resulted in a burden of ₹ 2.28 crore in the form of commitment charges payable to ADB.

***[Paragraph 3.8]***