

# Overview



## OVERVIEW

This Report contains following Chapters:

**Chapter-1:** Introduction

**Chapter-2:** Compliance Audit Observations relating to Departments and Entities of **Non-Public Sector Undertakings**

**Chapter-3:** Compliance Audit Observations relating to **Revenue Departments.**

**Chapter-4:** Compliance Audit Observations relating to **Public Sector Undertakings.**

The total financial impact of the audit findings included in the Report is ₹ 393.88 crore.

### Chapter-1: Introduction

The audit of 55 Departments of Government of Uttarakhand along with 32 Public Sector Undertakings and 53 other entities (Autonomous Bodies/Authorities, *etc.*) thereunder, comes under the audit jurisdiction of the Principal Accountant General (Audit), Uttarakhand. During the year 2019-20 and 2020-21, out of total 48,735 auditable units under the 55 Departments of Government of Uttarakhand, the office of the Principal Accountant General (Audit), Uttarakhand conducted the compliance audit of 958 units under 48 Departments and 725 units under 33 Departments respectively. This Report contains results of five Subject Specific Compliance Audit on 'Implementation of Direct Benefit Transfer in Uttarakhand', 'Effective Use of Remote Sensing/Geographic Information System in Forest Fire Management', 'Mining activities in Dehradun district', 'Processing of Refund Claims under Goods and Services Tax' and 'Transitional Credit under Goods and Services Tax' and 16 Compliance Audit paragraphs pertaining to eight Departments and PSUs/Authorities thereunder.

#### Recoveries at the instance of Audit

During the course of audit, recoveries of ₹ 1,386.71 crore pointed out in 1,301 cases in various Departments/Entities were accepted by the respective Department/Entities. Against this, recoveries of ₹ 4.44 crore (0.32 *per cent*) in 192 cases were affected.

### Chapter-2: Compliance Audit Observations relating to Departments and Entities of Non-PSUs

#### *Subject Specific Compliance Audit on Implementation of Direct Benefit Transfer in Uttarakhand*

The Direct Benefit Transfer cell did not analyze and identify Direct Benefit Transfer applicable schemes and programs being implemented at the State level. Progress of implementation of Direct Benefit Transfer in various schemes remained static during the Audit period. No universal beneficiary database was available in the State to fulfil Direct Benefit Transfer mandate. The Beneficiary Management System was running with

functional inefficiencies like lack of verification/validation of Aadhaar and bank account number, incorrect entries of beneficiaries and no option for calculation of pension arrears. The implementation of Direct Benefit Transfer was done without any structural/process re-engineering. 113 out of 221 Direct Benefit Transfer schemes were notified under Section 4 of 'Uttarakhand Aadhaar Act, 2017' for empowering the State Government to seek Aadhaar as a proof of authentication for delivering benefits. No grievance redressal system was developed by Direct Benefit Transfer Cell.

Inefficiencies of the Beneficiary Management System resulted in instances of multiple pensioners existing both within and between pension schemes. There were instances of delay in payment of pension, excess/short payment of pension and pension to deceased persons *etc.* Ineligible population, which did not meet the eligibility criteria, had been wrongfully included in the pension schemes and this could be attributed to scheme design deficiencies, weak process controls and deficient procedures. Lack of survey to identify beneficiaries and proper verification of application forms were also found absent. This resulted in both husband and wife getting old age pension continuously.

**(Paragraph 2.1.6; page no. 27)**

***Subject Specific Compliance Audit on Effective Use of Remote Sensing/Geographic Information System in Forest Fire Management***

The State Forest Department conducted fire risk zonation exercise using remote sensing which categorized the forest according to their sensitivity to forest fires. However, this categorization was not used as a basis for resource allocation, resulting in misallocation of funds. Fire prone areas lacked basic safety equipment. Despite the arrangements made by Forest Survey of India for instantaneous submission of feedback on fire alerts generated by it, the Department did not submit feedback to Forest Survey of India. Analysis of feedback data as uploaded by divisions on departmental reporting system *i.e.* Forest Fire Report Management System, revealed serious inaccuracies and put doubt on the fact whether 'ground truthing' of alerts was actually being done by forest staff. Massive under reporting of burnt area and subsequent underestimation of economic loss was observed after comparison with the data from independent expert organizations. Post-fire, the burnt area assessment was being done manually by the Department, despite having a Memorandum of Understanding with National Remote Sensing Centre in 2015, which resulted in underreporting of burnt area.

**(Paragraph 2.2.10; page no. 36)**

**Audit Paragraphs**

***Failure to realise handling fees of ₹2.69 crore***

Uttarakhand Civil Aviation Development Authority failed to recover an amount of ₹ 2.69 crore as handling fees from Heli companies.

**(Paragraph 2.3; page no. 37)**

***Double payment of ₹ 63.62 lakh due to weak internal control***

Uttarakhand Civil Aviation Development Authority had to bear loss of ₹ 63.62 lakh due to weak internal control and negligence of the officers/officials responsible for the act of double payment. While providing helicopter services to dignitaries, Uttarakhand Civil Aviation Development Authority did not maintain basic records/register/sanctions for these services.

**(Paragraph 2.4; page no. 38)**

***Infructuous Expenditure***

Poor financial management by the Culture Department resulted in infructuous expenditure of ₹ 57.61 lakh and created liability of ₹ 31.52 lakh.

**(Paragraph 2.5; page no. 40)**

***Undue benefit to contractor***

Negligence on the part of the Executive Engineer, PMGSY, Irrigation Division, Kotdwar, resulted in undue benefit of ₹ 78.91 lakh to the Contractor.

**(Paragraph 2.6; page no. 41)**

***Loss of revenue***

There was loss of revenue of ₹ 49.81 lakh to the exchequer due to not levying of appropriate stamp duties and registration fee by the Chief Executive Officer, Uttarakhand Tourism Development Board and Executive Engineer, Irrigation Division, Haridwar.

**(Paragraph 2.7; page no. 42)**

**Chapter-3: Compliance Audit Observations relating to Revenue Departments*****Subject Specific Compliance Audit on Mining activities in Dehradun District***

Audit found evidence of illegal mining in three sample mining sites with the help of Remote Sensing and Geographical Information System technology. The fact of illegal mining was confirmed through joint physical verification. There was use of 37.17 lakh MT of “illegally mined material” by Government’s own construction agencies in Dehradun. Audit revealed unreliability of Government’s Transit Passes. There were large number of inactive/un-operative mines increasing risk of illegal mining.

All Government agencies like Geology and Mining Unit, District Collector, Police Department, Forest Department and Project proponent and Garhwal Mandal Vikas Nigam Ltd. collectively failed to prevent and detect illegal mining. Geology and Mining Unit failed to implement Government of India’s initiative called Mining Surveillance System for over five years.

**(Paragraph 3.1.13.; page no. 59)**

## **Audit Paragraphs**

### ***Failure to impose penalty***

Failure to impose penalty on illegal mining/storage by the District Mining Officers of Bageshwar and Chamoli led to revenue loss of ₹ 1.24 crore.

**(Paragraph 3.2; page no.60)**

### ***Non /short levy of penalty on excess storage of minor minerals***

The Department suffered revenue loss of ₹ 2.72 crore due to non/short levy of penalty on excess storage of minor minerals.

**(Paragraph 3.3; page no.61)**

### ***Subject Specific Compliance Audit on Processing of Refund Claims under Goods and Services Tax***

Despite provisions of the Goods and Services Tax Act and rules made thereunder, the Department could not issue the acknowledgement for refund to the applicants (other than claim for refund from electronic cash ledger) within time, Refund orders were not sanctioned in time resulting in creation of liability of interest payable to the claimants, Provisional refund on account of zero-rated supply were also not sanctioned within time, None of the sampled cases were sent for post audit, Excess refund was given to the claimants who were not entitled for any refund due to not-considering of minimum balance in the electronic credit ledger at the end of tax period, Irregular refund relating to the inverted duty structure was paid to the claimant. The Department had issued provisional refund of 90 *per cent* on account of inverted duty structure which were other than zero-rated supply cases. It also allowed irregular refunds by way of wrongly considering the turnover of zero-rated supply

**(Paragraph 3.4.14; page no.70)**

### ***Subject Specific Compliance Audit on Transitional Credit under Goods and Services Tax***

The transitional credit is a one-time flow of Input Tax Credit from the legacy regime into the Goods and Services Tax regime. 80 *per cent* dealers of the 200 sampled cases availed benefit of transitional credit without complying with applicable conditions enshrined in the extant rules. Verification of 17.5 *per cent* of the sample reveals the inadequacies of the verification mechanism of the Department.

**(Paragraph 3.5.11; page no.88)**

## **Audit Paragraphs**

### ***Tax and Penalty not levied***

The dealer was liable to pay tax of ₹ 6.91 lakh at the differential rate of 12.5 *per cent* on the sale against four duplicate Form-C. In addition, he was also liable to pay penalty of ₹ 22.38 lakh.

**(Paragraph 3.6; page no.88)**

***Loss of revenue due to tax and penalty not realised***

Utilisation of unauthorised declaration of Form-11 for the transactions prior to the effective date of recognition certificate and sale of products which were not covered by the recognition certificate of the dealer resulted in loss of revenue and penalty amounting to ₹ 3.52 crore.

(Paragraph 3.7; page no.89)

***Failure to realise penalty even after three years***

The State Tax Department failed to realise the penalty of ₹ 31.86 lakh from the dealer even after lapse of more than three years.

(Paragraph 3.8; page no.90)

***Penalty not levied on delayed deposit of TDS***

Penalty amounting to ₹ 32.74 lakh was not levied by the State Tax Department on delayed deposit of TDS into Government Treasury.

(Paragraph 3.9; page no.91)

***Short levy of tax***

Erroneous application of tax rate by the State Tax Department resulted in loss of revenue of ₹ 21.92 lakh and interest of ₹ 21.35 lakh.

(Paragraph 3.10; page no.92)

***Irregular tax rebate on use of false 'Form-C'***

False declaration was made by a dealer for inter-State sales of Iron and Steel on concessional rate of tax, which resulted in short levy of tax of ₹ 11.89 lakh and interest of ₹ 11.89 lakh. Besides, penalty amounting to ₹ 1.58 crore was also leviable.

(Paragraph 3.11; page no.93)

**Chapter-4: Compliance Audit Observations relating to Public Sector Undertakings****Audit Paragraphs*****Accumulation of over dues due to sale through a defaulting entity***

Uttarakhand Power Corporation Limited repeatedly renewed its power sale agreements with the firm which had been defaulting in its payments, which resulted in accumulation of over dues of ₹ 52.94 crore.

(Paragraph 4.1; page no.95)

***Avoidable payment of penal interest on Income Tax***

Failure of the UJVN Limited in estimating its income for depositing Advance Tax as per statutory requirements resulted in avoidable payment of interest of ₹ 3.50 crore.

(Paragraph 4.2; page no.97)

***Avoidable liability of Service Tax, penalty and interest***

Uttarakhand Parivahan Nigam delayed the issue of order for levy and collection of Service Tax from passengers of Air-conditioned buses due to which Service Tax amounting to ₹ 54.46 lakh was neither recovered nor deposited with Service Tax Department. This resulted in avoidable liability for Service Tax of ₹ 54.46 lakh and penalty of ₹ 27.23 lakh and interest of ₹ 28.46 lakh thereon.

**(Paragraph 4.3; page no.99)**