

OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance and Appropriation Accounts of the State for the year 2004-05 and five other chapters with three performance reviews, one internal control review and 27 other paragraphs dealing with results of audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

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

FINANCES OF THE STATE GOVERNMENT

The problem of revenue deficit and fiscal deficit persist and the State had revenue as well as fiscal deficit for the fourth consecutive year in 2004-2005 indicating continued macro imbalances in the State's finances. The revenue deficit of the State went up from Rs.760 crore in 2003-04 to Rs.950 crore in 2004-05. The fiscal deficit of the State also went up from Rs.1,405 crore in 2003-04 to Rs.2,180 crore in 2004-05.

Overall revenue receipts increased from Rs.2,608 crore in 2001-02 to Rs.4,086 crore in 2004-05. During the current year, the revenue receipt grew by 13.50 *per cent*. The State generated 49 *per cent* of revenue receipt from its own sources and remains dependent on tax and grants-in-aid transfers from the Union Government.

Total expenditure of the State increased from Rs. 3,224 crore in 2001-02 to Rs. 6,353 crore in 2004-05. The rate of growth of expenditure during the year was 26.35 *per cent* compared to 22.34 *per cent* in the previous year.

In 2004-05, the share of Plan and Capital expenditures in the total expenditure increased by 3.81 *per cent* and 7.52 *per cent* respectively, while Development Expenditure decreased slightly by 0.28 *per cent* over the previous year.

Debt burden (fiscal liabilities) of the State at the end of 2004-05 was Rs. 9,910 crore, up by 23 *per cent* over the previous year.

[Paragraphs 1.1 to 1.10]

ALLOCATIVE PRIORITIES AND APPROPRIATIONS

The overall saving of Rs. 559.29 crore was a result of saving of Rs. 1,508.14 crore in 52 cases of grants and appropriations offset by excess of Rs. 952.85

crore in 18 cases of grants. The excess of Rs. 952.85 crore requires regularization under Article 205 of the Constitution.

[Paragraphs 2.3.1 & 2.3.5]

Supplementary provision of Rs. 158.10 crore made in 23 cases during the year proved unnecessary as the savings in these grants/appropriations were more than the supplementary provision in each case.

[Paragraph 2.3.7]

Expenditure was persistently less than the total provision by 10 *per cent* or more in 24 cases during 2002-2005.

[Paragraph 2.3.8]

PERFORMANCE REVIEWS (CIVIL)

Medical, Health and Family Welfare Department

3.1 Indian System of Medicine and Homeopathy

The main objectives of the Indian Systems of Medicine and Homeopathy (ISM&H) to promote good health and expand the outreach of health care through preventive and curative intervention, ensure affordable and efficacious services and drugs and integrate ISM&H in the National Health Care Delivery System could not be achieved. This was due to non-release of Rs. 2.57 crore out of grant of Rs. 7.45 crore received from the Government of India during 2001-2005, low bed occupancy in Ayurvedic hospitals, lack of prescribed teaching staff and basic infrastructure in Gurukul Kangri and Rishikul Ayurvedic Colleges. Research and development for conservation, cultivation and marketing of medicinal and aromatic plants was not done by Herbal Research Development Institute (HRDI) as per the Action Plan. Drugs were being manufactured without licence. Samples of the drugs were not tested.

[Paragraph 3.1]

Rural Development Department

3.2 Pradhan Mantri Gram Sadak Yojna

The objective of the Pradhan Mantri Gram Sadak Yojna for providing good all weather road connectivity to unconnected rural habitations with a population of more than 1000 persons by the end of 2003 could not be achieved. This was due to non utilization of funds, delay in execution of works, and poor control and monitoring system. Records of the scheme also revealed instances of slow progress in execution of works, delay in finalisation of tenders, awarding of ineligible major district roads, unauthorized engagement of a consultant for phase-II works and late clearance for the use of forest land.

[Paragraph 3.2]

AUDIT OF TRANSACTIONS (CIVIL)

INFRUCTUOUS/WASTEFUL EXPENDITURE AND OVER PAYMENT

- Unfruitful expenditure of Rs. 22.50 lakh was incurred by Fisheries Department (Executive Engineer, Rural Engineering Services Division, Nainital) on the renovation of a fish hatchery at Bhimtal.

[Paragraph 4.1]

- Expenditure of Rs. 38.72 lakh by Executive Engineer, Provincial Division, PWD, Lansdowne on construction of a road in Pauri district proved unfruitful due to its non-completion.

[Paragraph 4.3]

- Non-observance of Government Order by Public Works Department resulted in excess payment of Rs. 54.47 lakh to the contractors.

[Paragraph 4.4]

- Improper survey and planning by the Rural Development Department resulted in wasteful expenditure of Rs. 36.55 lakh on the construction of a poultry farm.

[Paragraph 4.5]

- Lackadaisical approach of the Rural Development Department resulted in non-achievement of the intended objective of providing hostel facilities to working women at Pauri even after spending Rs. 30.92 lakh.

[Paragraph 4.6]

AVOIDABLE/EXCESS/UNFRUITFUL EXPENDITURE

- Excess procurement of food grains at higher rates by the Food and Civil Supplies Department resulted in avoidable loss of Rs.1.73 crore.

[Paragraph 4.9]

- Injudicious use of costlier materials by Executive Engineer, Construction Division, PWD, Khatima resulted in avoidable expenditure of Rs. 2.71 crore.

[Paragraph 4.11]

- Undue aid of Rs. 1.40 crore was given by Superintending Engineer, Maneri Bhali Stage-II Circle, Joshiyara, Uttarkashi to contractors by deletion of provisions for payment of insurance and bank charges by contractors in supplementary agreements.

[Paragraph 4.12]

IDLE INVESTMENT/IDLE ESTABLISHMENT/BLOCKING OF FUNDS

- Lackadaisical approach of the Chief Medical Officer, Pithoragarh resulted in an idle investment of Rs. 38.94 lakh on an incomplete dispensary building at Pithoragarh.

[Paragraph 4.14]

- Non completion of Tourist Cottages and Sulabh Shauchalayas by Director, Tourism resulted in idle investment of Rs. 1.66 crore.

[Paragraph 4.15]

- Rs. 4.92 crore was unauthorisedly diverted by Uttaranchal Peyjal Nigam from ongoing schemes for the maintenance of completed Peyjal schemes.

[Paragraph 4.18]

REGULATORY ISSUES AND OTHER POINTS

- Construction of Chamgad Dam has not been approved by the Government yet expenditure of Rs. 2.67 crore was incurred on the work during the last 19 years without realizing any benefits so far.

[Paragraph 4.19]

INTERNAL CONTROL SYSTEM IN PUBLIC WORKS DEPARTMENT

- The Internal Control System viz. budgeting, administrative and expenditure control was inadequate in the PWD. The savings were not anticipated and surrendered as required and were used for unauthorized purposes. No Internal Audit Wing was set up as required, thereby depriving the department of an independent assurance on the adequacy of the risk management and internal control frame work.

[Paragraph 5.13]

PERFORMANCE REVIEWS (REVENUE)

Review on Working of Enforcement Wing in Transport Department

- 267 vehicles registered in other state were plying in the State without payment of tax. These were detected but released without charging any penalty. This resulted in non-imposition of penalty of Rs. 56 lakh.
- Underassessment of additional tax on three wheelers resulted in loss of Rs. 96 lakh.

[Paragraph 6.5]

AUDIT OF TRANSACTION (REVENUE)

- Failure to maintain the minimum yield of alcohol from molasses resulted in a loss of duty of Rs.65.78 lakh.

[Paragraph 6.6]

- Inadmissible exemption allowed by assessing authority from tax resulted in non levy of tax amounting Rs. 1.41 crore.

[Paragraph 6.9]

COMMERCIAL

General view of Government companies and Statutory corporations

- As on 31 March 2005, there were 22 Government companies (sixteen working and six non-working) and three Statutory corporations (all working) in the State.
- The total investment in working companies and corporations was Rs. 1,546.25 crore.

[Paragraphs 7.1 & 7.1.1]

- No company/corporation had finalised its accounts for the year 2004-05 within the stipulated period. During the period from October 2004 to September 2005, four working Government companies had finalised five accounts for the previous years. The accounts of all the working Government companies and three Statutory corporations were in arrears for periods ranging from one to 18 years. According to the latest finalised accounts, 11 companies had incurred an aggregate loss of Rs. 39.28 crore and one company had earned a profit of Rs. 0.81 crore.

[Paragraphs 7.1.6 & 7.1.7]

TRANSACTION AUDIT OBSERVATIONS

UTTARANCHAL POWER CORPORATION LIMITED

- The Company did not charge additional 25 *per cent* amounting to Rs. 42.51 crore on electricity charges as applicable on construction work.

[Paragraph 7.2]

- The Company incurred avoidable extra expenditure of Rs.1.01 crore due to vitiation of the tender process.

[Paragraph 7.3]

KUMAON MANDAL VIKAS NIGAM LIMITED

- The Nigam spent Rs. 3.66 crore on a project contrary to Government sanction.

[Paragraph 7.5]