

OVERVIEW

This Report includes two chapters containing observations of Audit on the Finance and Appropriation Accounts of the State for the year 2005-06 and five other chapters with five performance reviews, one internal control review and 23 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 two audit paragraphs only. Wherever appropriate, the departmental views and explanations have been incorporated in this Report.

FINANCES OF THE STATE GOVERNMENT

Revenue as well as fiscal deficit persisted for the fifth consecutive year in 2005-2006 indicating continued macro imbalances in the State's finances. The revenue deficit of the State came down from Rs. 950 crore in 2004-05 to Rs.74 crore in 2005-06. The fiscal deficit of the State also came down from Rs.2,180 crore in 2004-05 to Rs.1,878 crore in 2005-06.

The revenue receipts increased from Rs.2,608 crore in 2001-02 to Rs.5,537 crore in 2005-06. During the current year, the revenue receipts grew by 35.51 *per cent*. The State generated 44 *per cent* of revenue receipts from its own sources and continues to be 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.7,451 crore in 2005-06. The rate of growth of expenditure during the year was 17.30 *per cent* compared to 26.35 *per cent* in the previous year.

The expenditure on General Services including interest payments, which is considered as non-developmental, decreased from 32.24 *per cent* in 2004-05 to 29.72 *per cent* in 2005-06. On the other hand, developmental expenditure i.e. expenditure on Social and Economic Services together accounted for 66.90 *per cent* in 2005-06 as against 62.70 *per cent* in 2004-05.

Debt burden (fiscal liabilities) of the State at the end of 2005-06 was Rs.11,714 crore, up by 18.20 *per cent* over the previous year. These liabilities stood at 2.12 times the State's revenue receipts and 4.81 times its own resources.

The State of Uttaranchal comprising of 13 districts of the composite state of Uttar Pradesh came into existence on 9 November 2000. The process of apportionment of pre-November 2000 assets and liabilities of the composite State of Uttar Pradesh and of other financial adjustments, to be done in each case with reference to the provisions of the Uttar Pradesh Reorganization Act, 2000 is not yet complete. A realistic picture of the financial position of the State Government will emerge only after completion of this process. However, the State Government needs to initiate appropriate measures to raise its own

resources and to compress the non plan revenue expenditure during the medium to long run to address the deteriorating fiscal position of the State.

[Paragraph 1.1 to 1.11]

ALLOCATIVE PRIORITIES AND APPROPRIATIONS

The net saving of Rs.984.79 crore was a result of saving of Rs.1,648.28 crore in 55 cases of grants and appropriations, offset by excess of Rs. 663.49 crore in 7 cases of grants. The excess of Rs. 663.49 crore requires regularization under Article 205 of the Constitution.

[Paragraphs 2.3.1 & 2.3.5]

Supplementary provision of Rs. 518.39 crore made in 31 cases during the year proved unnecessary as the savings in these grants/appropriations were more than the supplementary provision in each case.

[Paragraphs 2.3.7]

Expenditure was persistently less than the total provisions by 10 *per cent* or more in 20 cases during 2002-2006.

[Paragraphs 2.3.8]

PERFORMANCE REVIEWS (CIVIL)

Forest Department

3.1 Management of National Parks and Sanctuaries

The objective of Management of National Parks and Sanctuaries was to protect, develop and scientifically manage the wildlife in the protected areas. This was however, not fully achieved due to the Department's inability to tackle the problems of biotic and human interference in the areas, as, also due to encroachment, destruction of trees etc. The State Government failed to issue final notification for an area of 4,779.15 sq. km. as Protected Areas despite expiry of a period of 23 years from the issue of intention notification. Operation of National Parks and Wildlife Sanctuaries was being managed on *ad hoc* basis inspite of the lapse of 6 years. Relocation of 14 villages and 193 families out of Kedar Nath Musk Deer Sanctuary and Rajaji National Park respectively was also not done.

[Paragraph 3.1]

School Education Department

3.2 Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan (SSA) was launched in January 2001 to provide useful and relevant elementary education for all children aged 6 to 14 years by 2010. The programme started late and suffered from shortages and delays in the release of funds, insufficiency of upper primary schools, disproportionate

deployment of teachers, insufficient coverage of out of school children, deficiencies in infrastructural facilities and teachers training. As a consequence the objectives of the programme could not be achieved by 2006. Diversion and non-utilization of funds, blocking of money, delay in distribution of free text books and lack of proper monitoring / evaluation system led to non-achievement of the goals.

[Paragraph 3.2]

Rural Development Department

3.3 Sampoorna Gramin Rojzar Yojana (SGRY)

The objective of the scheme was to provide additional wage employment, food security to rural poor and creation of durable community and economic assets. The objective was not fully achieved as funds and food grains available for the scheme were not fully utilized. Income generating assets like watershed development etc. were given low priority as only 16.87 per cent against prescribed 50 per cent expenditure was incurred on above work. Due to lackadaisical approach of executing agencies, funds and food grains as part of wages was not paid weekly to labourers which defeated the objective of providing food security to rural poor. The special safeguards envisaged for SCs/STs and woman community were not ensured as the fund meant for beneficiaries scheme for SCs/STs were diverted to general work and the stipulated 30 per cent employment opportunity to women was not adhered to.

[Paragraph 3.3]

Food and Civil Supplies Department

3.4 Food Security, Subsidy and management of foodgrains

The main objective of the Government's food management strategy to make available food grains for supply through the PDS/welfare schemes could not be achieved as a large quantity of food grains was siphoned off from the distribution chain. Review of the scheme revealed that the Government suffered delays and losses on account of subsidy claims amounting to Rs.44.09 crore and Rs. 5.40 crore respectively due to non-submission of final accounts to the Government of India. Monitoring of the scheme also suffered due to non-computerization of the department and its linking with NIC network.

[Paragraph 3.4]

AUDIT OF TRANSACTIONS (CIVIL)

INFRACTUOUS/WASTEFUL EXPENDITURE AND OVER PAYMENT

- Department's failure to get clear title of site and appoint an agency for operation/maintenance of incinerator plant resulted in unfruitful expenditure of Rs. 25 lakh.

[Paragraph 4.1]

- Non observance of the required procedure by the Executive Engineer, Construction Division, Public Works Department, Ukhimath resulted in unfruitful expenditure of Rs. 2.27 crore.

[Paragraph 4.2]

UNDUE FAVOUR TO CONTRACTORS/AVOIDABLE EXCESS EXPENDITURE

- Execution of Bituminous Macadam in excess of requirement by the Executive Engineer, Construction Division, Public Works Department, Ramnagar resulted in avoidable excess expenditure of Rs. 2.92 crore on account of construction of road.

[Paragraph 4.3]

IDLE INVESTMENT / IDLE ESTABLISHMENT / BLOCKING OF FUNDS / DELAY IN COMMISSIONING EQUIPMENTS/ DIVERSION / MISUTILISATION

- Utilisation of vehicles by the District Development Officer, Pithoragarh for purposes other than for which purchased, resulted in unfruitful expenditure of Rs. 28.14 lakh.

[Paragraph 4.4]

- Non execution of sale deed by the Director, Tourism Department, Dehradun resulted in blocking of funds of Rs. 5 crore besides unfruitful expenditure of Rs. 21.95 lakh.

[Paragraph 4.5]

- Lackadaisical approach of the Director, Tourism, Dehradun resulted in non-realisation of lease rent of Rs. 1.23 crore.

[Paragraph 4.6]

- Lackadaisical approach of the State Government and lack of planning resulted in blocking up of Rs. 1.10 crore depriving the people of Dehradun of a modern sports complex.

[Paragraph 4.7]

- Unjustified expenditure of Rs. 24 lakh was incurred by the Irrigation Department due to non-completion of construction of PHC.

[Paragraph 4.8]

- Failure to adequately strengthen a blood bank by Chief Medical Superintendent, Narendra Nagar, Tehri resulted in expenditure of Rs.21.57 lakh remaining unfruitful.

[Paragraph 4.9]

REGULATORY ISSUES AND OTHER POINTS

- Casual approach of the Education Department (Director of Education, Dehradun) in distribution of text books to the students resulted in non achievement of objectives even after spending Rs. 3.49 crore.

[Paragraph 4.10]

- Interest of Rs. 17.69 lakh on bank deposits was not remitted into the treasury and Rs. 13.54 lakh was unauthorizedly spent by District Development Officer, Pithoragarh.

[Paragraph 4.11]

- Deviation from specifications of the Indian Road Congress by Executive Engineer, Construction Division, Public Works Department, Chamba, Tehri Garhwal resulted in substandard work of Rs. 26.57 lakh.

[Paragraph 4.12]

- Short recovery of lease of Rs. 4.49 crore and delay in compensatory afforestation and soil conservation by Divisional Forest Officer, Haridwar led to avoidable risk of ecological damage.

[Paragraph 4.13]

INTERNAL CONTROL SYSTEM IN MEDICAL DEPARTMENT

The Internal Control System relating to budget, expenditure, operational controls and manpower management in the Medical Department was inadequate. Savings were not anticipated and surrendered as required. There was idle investment on incomplete buildings of Primary Health Centres and State Allopathic Dispensary. On account of 45 *per cent* vacancies of Senior Medical Officers/Medical Officers in the State, the people were deprived of their rightful medical health and family welfare facilities. Internal Audit Wing was not set up as required, thereby, depriving the Department of an independent internal assessment mechanism.

[Paragraph 5.1 to 5.15]

REVENUE RECEIPTS

- Delay in fixing rates for industrial land resulted in loss of Rs.2.52 crore on account of non-levy of stamp duty.

[Paragraph 6.2.2.1]

- Under valuation of industrial land resulted in short levy of stamp duty and registration fee of Rs.1.39 crore.

[Paragraph 6.2.2.2]

- Under valuation of commercial property resulted in loss of stamp duty of Rs. 85.86 lakh.

[Paragraph 6.2.3]

- Inadmissible exemption from trade tax on moss grass resulted in loss of revenue of Rs. 3.01 lakh including interest.

[Paragraph 6.3]

- Misclassification of commodities resulted in short levy of tax of Rs. 6.12 lakh.

[Paragraph 6.4]

- Allowance of inadmissible exemption to a dealer resulted in non-levy of tax of Rs. 2.20 crore under CST Act.

[Paragraph 6.5]

- Irregular grant of exemption resulted in short levy of tax of Rs.2.60 lakh including interest.

[Paragraph 6.6]

- Non tapping of channels by the Divisional Forest Officer, Chakrata Forest Division resulted in loss of revenue of Rs. 72.98 lakh.

[Paragraph 6.7]

- Non-realisation of royalty on actual out-turn of timber by Deputy Conservator of Forests, Haldwani Forest Division, Haldwani resulted in loss of Rs. 1.45 crore.

[Paragraph 6.8]

COMMERCIAL

General view of Government Companies and Statutory Corporations

- As on 31 March 2006, there were 20 Government Companies (16 working and four non-working) and three Statutory Corporations (all working) in the State.

[Paragraph 7.1]

- The total investment in working companies and corporations was Rs. 2205.98 crore as on 31 March 2006.

[Paragraph 7.1.1]

- Accounts of all the working Government Companies and three Statutory Corporations were in arrears for periods ranging from one to 19 years. According to the latest finalised accounts, eight companies had incurred an aggregate loss of Rs. 73.82 crore and six companies had made a profit of Rs. 8.49 crore.

[Paragraph 7.1.6 and 7.1.7]

PERFORMANCE REVIEW

Garhwal Mandal Vikas Nigam Limited

Review on Tourism and Industry related activities of the Garhwal Mandal Vikas Nigam Limited

The Nigam failed to achieve a sound financial position in the tourism sector in the State. The management of assets, including land, buildings and manpower was poor. Tourist Rest Houses (TRHs) were taken over without assessing their financial viability. The occupancy in TRHs, particularly those located at non-prominent places, was low. The Board of Directors and Audit Committee were virtually non-functional. Efforts were lacking at the corporate level to make the industrial units viable. Internal controls were lacking. Some of the important observations are as follows:

- Rs. 3.38 crore were blocked in land purchased at Noida, Mussoorie and Dehradun.
- The Nigam paid Rs. 1.36 crore upto February 2006 on salary and wages of its employees, deployed in various departments of the State Government, without any reimbursement from the Government.
- Flush Door Factory at Kotdwar suffered a loss of Rs. 5.53 crore since its inception (1983-84) due to the absence of marketing strategy.
- Internal control was lacking, Accounts, Administrative and Internal Audit manuals were not prepared. Audit committee though constituted in 2001, did not meet even once.

[Chapter 7.2]

TRANSACTION AUDIT OBSERVATIONS

Uttaranchal Power Corporation Limited

- Negligence in not detecting the defect in time in a meter caused a loss of Rs. 19.46 lakh to Uttaranchal Power Corporation Limited.

[Paragraph 7.3]

- The Company failed to realise revenue of Rs. 3.41 crore due to incorrect raising of energy bills to BHEL.

[Paragraph 7.4]

Kumaon Mandal Vikas Nigam Limited

- An amount of Rs. 75.57 lakh was blocked in the purchase of land at Noida by Kumaon Mandal Vikas Nigam Limited as it was not put to any use.

[Paragraph 7.5]