

# **Chapter-2**

## **Management of Funds**

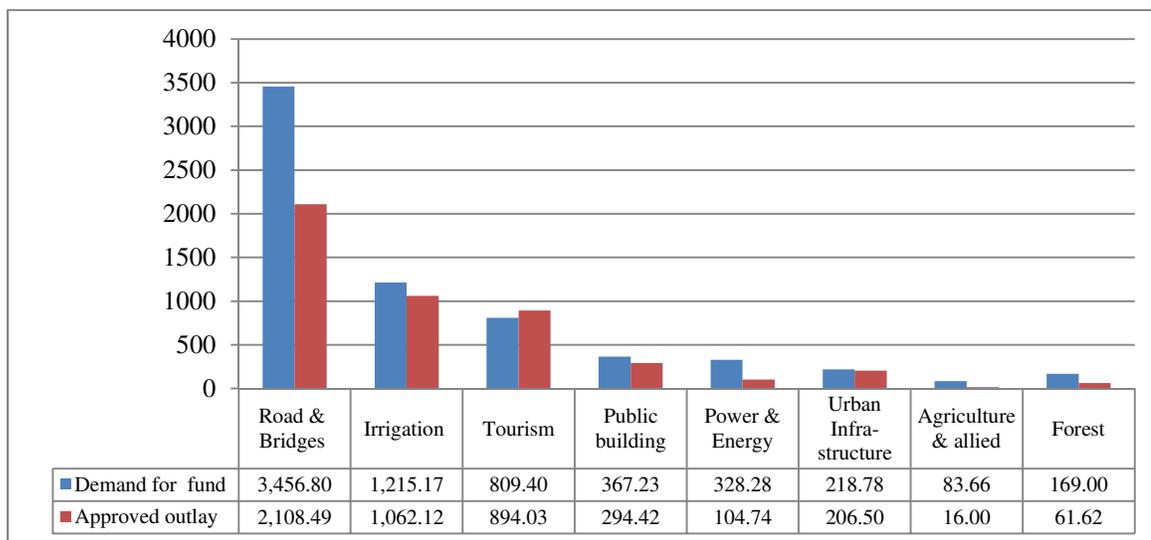
## Chapter-2: Management of Funds

### 2.1 Funding arrangement

The State Government submitted (September 2013) a proposal for reconstruction package of ₹ 9,296.21 crore based on the assessment carried out by a Joint Rapid Damage and Needs Assessment (JRDNA) team formed by World Bank (WB) and Asian Development Bank (ADB) in collaboration with the State Government which was approved (January 2014) by the GoI for ₹ 7,346.89 crore. The package included ₹ 6,259.84 crore for Medium and Long Term Reconstructions (MLTR) to be made available to the State over the period 2013-14 to 2015-16 and rest of the assistance was for immediate relief and rescue operations.

The details of funds demanded by the State Government and approved by the GoI under MLTR for the major sectors that were covered in audit<sup>5</sup> are given in the **Chart-2.1** below:

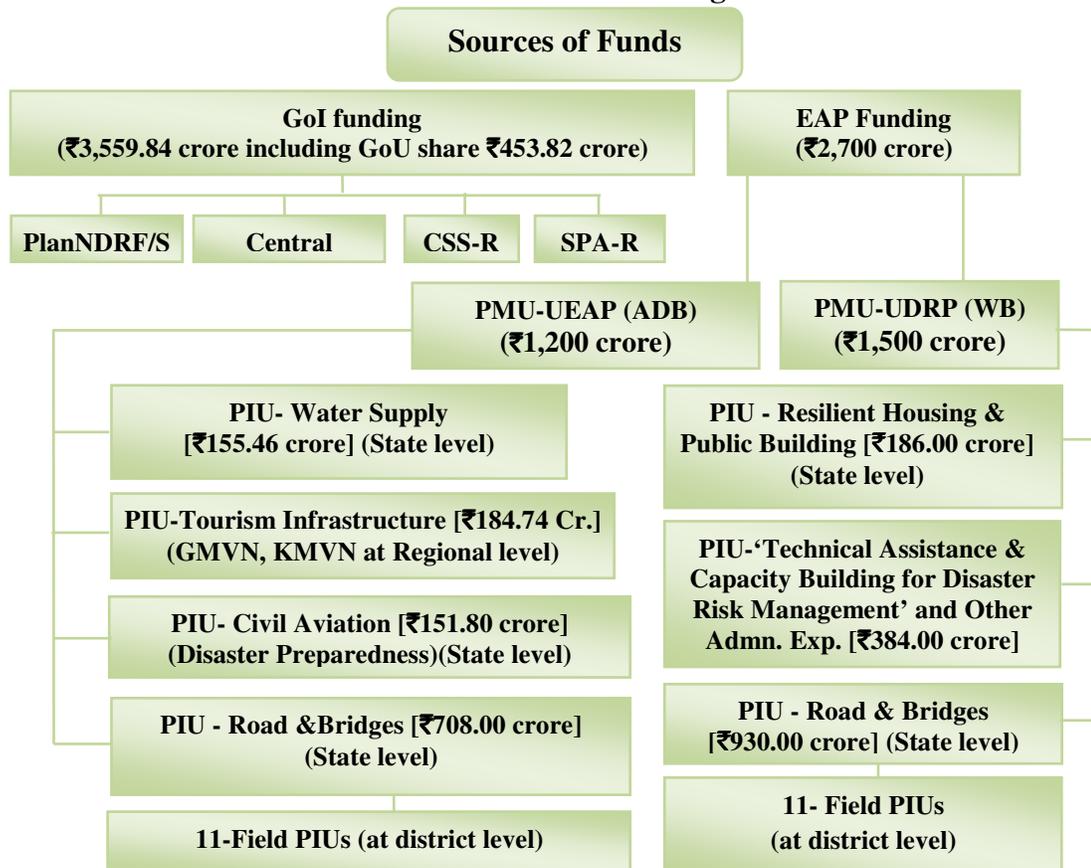
**Chart-2.1: Details of funds demanded and approved for MLTR**



The MLTR package was funded by the GoI, ADB, World Bank, and GoU under five different sources of funding namely- Special Plan Assistance (SPA-Reconstruction), Centrally Sponsored Schemes (CSS-R), Central Plan, Externally Aided Projects (EAPs), and National/State Disaster Response Fund (NDRF/SDRF) as per fund flow arrangement shown in **Chart-2.2** below:

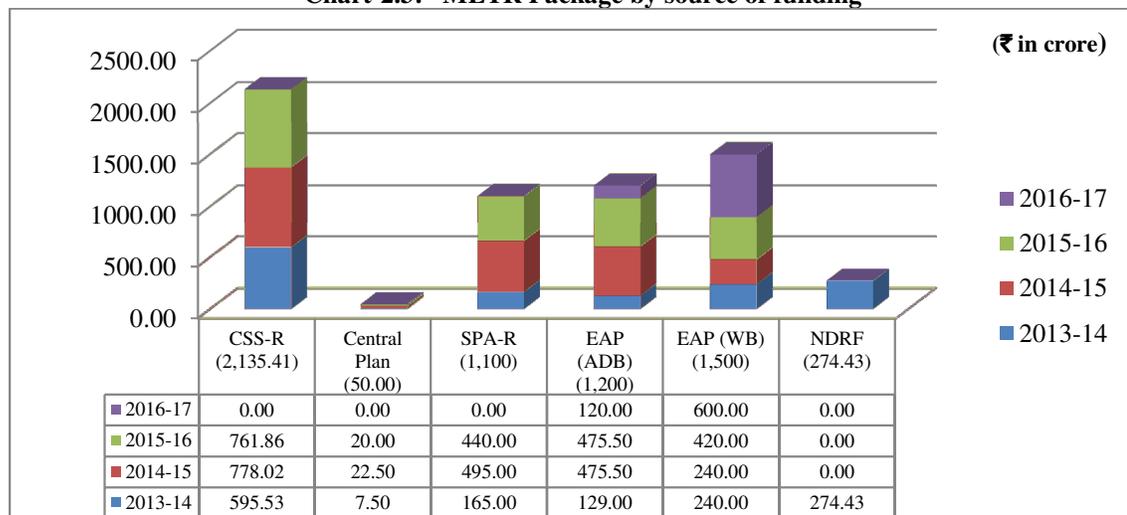
<sup>5</sup> MLTR package covered 17 sectors namely **Roads and Bridges, Tourism, Irrigation and Flood Control, Energy, Agriculture, Housing, Forest, Watershed Management, Water Supply and Urban Infrastructure**, Women Empowerment and Child Development, Urban Development, Rural Development, Home Affairs, Health and Family Welfare, Sports and Youth Welfare, Animal Husbandry. Out of this first 10 sectors were covered in audit as per methodology described in *Chapter-1*.

Chart-2.2: Fund flow arrangement



The approved outlay was to be utilised during 2013-14 to 2016-17 as per year wise break-up given in **Chart-2.3** below:

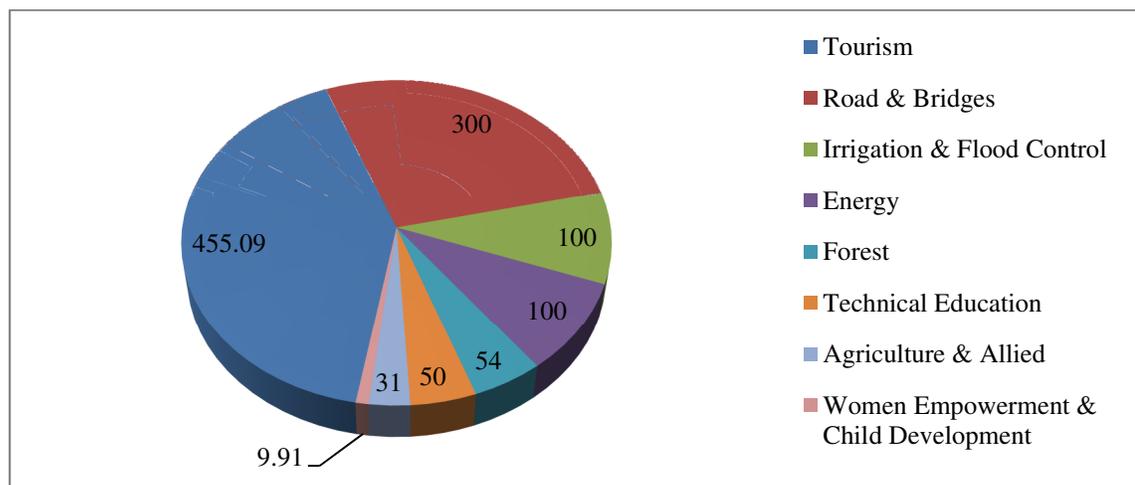
Chart-2.3: MLTR Package by source of funding



### 2.1.1 Special Plan Assistance for State Plan

Special Plan Assistance (SPA-Reconstruction) of ₹ 1,100 crore was approved by the GoI as 100 per cent grant for implementation of projects in the five severely affected districts (Bageshwar, Chamoli, Pithoragarh, Rudraprayag and Uttarkashi). The sectoral allocation is shown in **Chart-2.4** below:

**Chart-2.4: Components of SPA-R (₹ in crore)**



### 2.1.2 Assistance under Centrally Sponsored Schemes (CSSs)

An outlay of ₹ 2,135.41 crore was approved for 22 CSSs to be financed on sharing<sup>6</sup> basis between the GoI (₹ 1,884.92 crore<sup>7</sup>) and GoU (₹ 250.49 crore). The approved funds of GoI share were to be allocated within the overall budgetary allocation of the respective Ministries/Departments of GoI during the year 2013-14 to 2015-16 and transferred to the GoU.

### 2.1.3 Assistance under Central Sector

GoI package stipulated that the Department of Science and Technology (DST) would sanction an amount of ₹ 50 crore under its Central Sector Plan Scheme during 2014-15 and 2015-16 for establishment of an “Environment Research and Training Centre” at Dehradun. The Centre was intended ‘*inter-alia*’ to holistically study the various environmental parameters of the State and advise the State Government on an environmentally sustainable model of development.

### 2.1.4 Externally Aided Projects

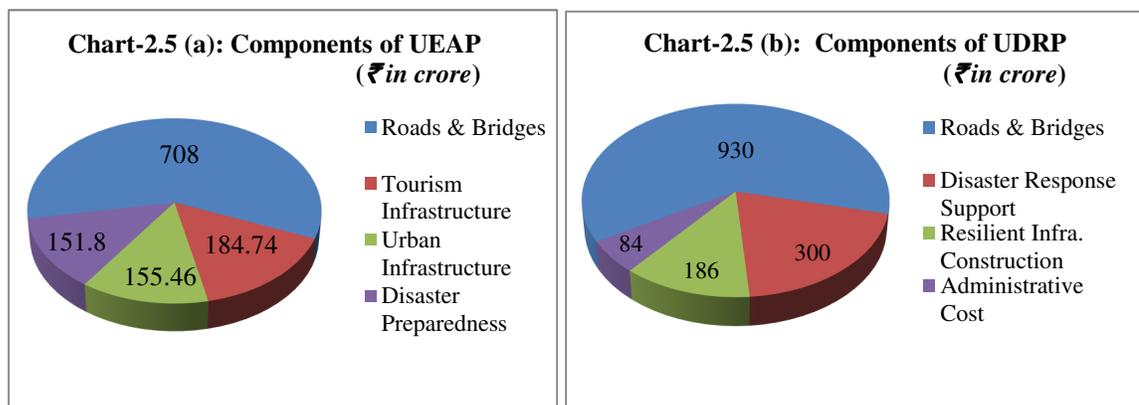
Two externally aided projects (EAPs) were approved under MLTR:

<sup>6</sup> Sharing pattern of 22 CSSs (GoI and GoU): 100 per cent GoI share for seven CSSs (₹ 152.53 crore), 90:10 for another seven CSSs (₹ 1,553.61 crore), 80:20 for one CSS (₹ 326.19 crore), 75:25 for five CSSs (₹ 58.08 crore), 70:30 for one CSS (₹ 7.62 crore), and 65:35 for one CSS (₹ 37.38 crore).

<sup>7</sup> Funding pattern in respect of one CSS (Accelerated Irrigation Benefit Programme/Flood Control) was subsequently (June 2014) changed by the GoI from 90:10 to 70:30 as discussed in Para-2.2.1. Accordingly, the GoI and State Government share for total 22 CSSs had been changed to ₹ 1,709.03 crore and ₹ 426.38 crore respectively.

- (i) Uttarakhand Emergency Assistance Project (UEAP) was financed by the Asian Development Bank (ADB) through its Project No. 47229 and Loan Agreement No. 3055 (February 2014) for an amount of 200 million US\$ (₹ 1,200 crore).
- (ii) Uttarakhand Disaster Recovery Project (UDRP) was financed by the World Bank (WB) through its Project No. 146653 and Credit Agreement No. 5313-IN (January 2014) for an amount of 250 million US\$ (₹ 1,500 crore).

The sector/component-wise details of these two EAPs are given in **Chart-2.5 (a & b)** below:



These two EAPs were managed by dedicated Project Management Units (PMU) at State level and projects were implemented through Sector-wise dedicated Project Implementation Units (PIUs). The GoU initially provides funds for implementation of these EAPs that are subsequently reimbursed by the ADB/World Bank against actual expenditure incurred.

### 2.1.5 Overall position of finances

The overall financial position of the sanctioned funds and funds actually received under MLTR package by the State was as per details given in **Table-2.1** and **Chart-2.6** below:

**Table-2.1: Overall financial position (as on 31 March, 2018) (₹ in crore)**

Source of funding	Approved outlay			Funds released			Expenditure
	GoI Share	State share	Total	GoI share	State share	Total	
Special Plan Assistance	1,100.00	0	1,100.00	1,099.30	-	1,099.30	688.35
Assistance under CSSs	1,709.03	426.38	2,135.41	215.89	567.19	783.08	718.10
Central Plan Assistance	50.00	0	50.00	0	-	0	0.00
NDRF/SDRF (90:10)	246.99	27.44	274.43	246.99	27.44	274.43	NA
<b>Externally Aided Projects</b>							
ADB funded UEAP (200 million US\$) <sup>8</sup>			1,200.00	-	-	1,141.43 <sup>9</sup>	1,125.38
WB funded UDRP (250 million US\$)			1,500.00	-	-	1,319.03 <sup>10</sup>	1,176.44
<b>Total</b>			<b>6,259.84</b>			<b>4,617.27</b>	<b>3,708.27<sup>11</sup></b>

Source: Information provided by the respective departments of the GoU.

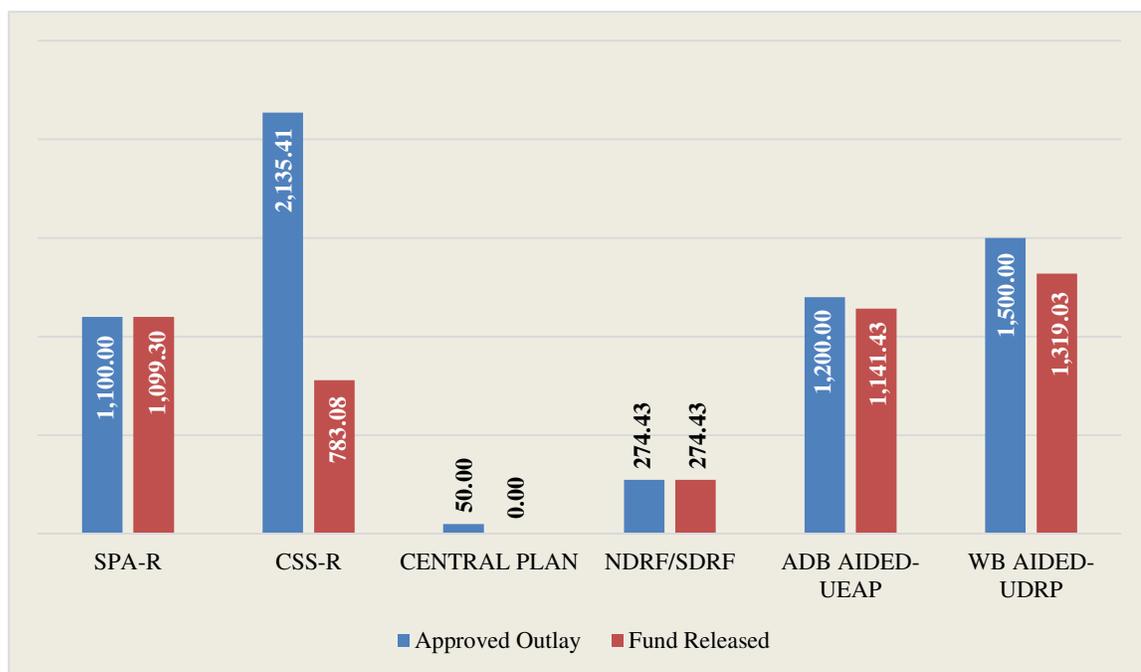
<sup>8</sup> The loan amount was subsequently revised to US\$ 185 million (May 2017).

<sup>9</sup> Position showing the funds released by GoU to PMU-UEAP; however, actual reimbursement by the ADB to GoU up to 31.03.2018 was ₹ 1,013.20 crore.

<sup>10</sup> Position showing the funds released by GoU to PMU-UDRP; however, actual reimbursement by the World Bank to GoU up to 31.03.2018 was ₹ 1,164.54 crore.

<sup>11</sup> Except NDRF/SDRF, against which consolidated information for the State as a whole was not available because the management of these funds was with respective District Magistrates.

Chart-2.6: Details of funds approved and released under different sources



The sector-wise overall position of MLTR funds are given in *Appendix-2.1*.

### 2.1.6 Project implementation period

The funds allocated under SPA-R and CSS-R were targeted to be made available/ utilised by the respective departments/agencies of the GoU by March 2016 but one additional year up to 31 March 2017 had been allowed (October 2016) by the GoI on the request of State Government by considering the tough working conditions in the State. The scheduled completion period of UEAP and UDRP was March 2017 and December 2017 respectively as per loan agreements executed between the GoU and the ADB/World Bank.

## 2.2 Audit findings

Audit examination of fund releases and fund management revealed the following deficiencies:

### 2.2.1 Short allocation/utilisation of CSS-R funds

Information obtained from the various nodal agencies/departments implementing 22 CSSs disclosed that only ₹ 215.89 crore (13 per cent) was received by the State from GoI against agreed outlay of Central share of ₹ 1,709.03 crore. The releases of funds are as detailed below:

- No funds were received in respect of 11 CSSs against approved outlay of ₹ 647.17 crore (*Appendix-2.2*).

- There was short allocation of funds of ₹ 845.97 crore in respect of nine CSSs wherein only ₹ 204.51 crore was received against approved outlay of ₹ 1,050.48 crore (*Appendix-2.3*).
- In only two CSS- ‘Border Area Development Programme’ and ‘Mid-Day Meal’, the committed funds i.e. ₹ 10.86 crore and ₹ 0.52 crore respectively were received in full from the GoI.

Three CSSs from both the categories (CSSs against which no funds were received and CSSs against which there was short allocation of funds), were examined in detail to find out the reasons for no release/short release of funds by GoI. The six selected CSSs comprised 86 *per cent* of the overall short release/non release (₹ 1,493.14 crore) of committed funds by the GoI. The scheme-wise findings are tabulated below:

**Table-2.2: Audit findings on nil/short releases of CSS-R funds**

Name of CSS		Approved outlay Amount (₹in crore)	Audit observation
<b>A- CSSs with no release of sanctioned funds</b>			
1	Jawaharlal Nehru National Urban Renewal Mission- JnNURM (80:20)	260.95	The JnNURM was launched in December 2005 for seven years with transitional phase ending on 31 March 2014.  After receiving approval of the MLTR package by GoI on 23 January 2014, the Directorate of Urban Development, GoU submitted (24 February 2014) proposals for 14 projects costing ₹ 269.49 crore to the GoI. However, the same could not be sanctioned within the Mission period (31 March 2014) due to model code of conduct in vogue because of the General Election.
2	Mahatma Gandhi National Rural Employment Guarantee Scheme- MGNREGA(90:10)	225.00	Under MLTR package, an additional outlay of ₹ 250 crore (90:10) was approved for providing 150 days guaranteed employment to the beneficiaries in Uttarakhand during 2013-14 against existing norm of the scheme for 100 days/ year per beneficiary.  The State could not utilise even the regular funding of MGNREGA for the year 2013-14 (expenditure was ₹ 383.94 crore against approved outlay of ₹ 403.09 crore) due to less demand for employment by the Job Card Holders. As a result, no additional committed share (₹ 225 crore) was required to be released by the GoI to the State.
3	Rajiv Aawas Yojana -RAY (90:10)	65.25	The Directorate of Urban Development, the nodal department for RAY, did not submit any proposal for works to be undertaken under the CSS.

<b>B- CSSs with short release of sanctioned funds</b>				
		<b>Approved outlay</b>	<b>Amount Released</b>	
1	Accelerated Irrigation Benefit Programme/Flood Control (70:30)	615.65	79.52	Although repeated requests were made by the Irrigation Department for releasing the sanctioned fund, yet no reason was communicated by the GoI for not releasing funds under the scheme. However, Audit observed that the Department did not submit audited statement of expenditure to the GoI against funds released in first two instalments (₹ 79.52 crore) which was an essential condition for obtaining the balance funds from the GoI.
2	National Rural Health Mission (90:10)	111.06	2.54	As against approved GoI share of ₹ 111.06 crore, the Medical Health & Family Welfare Department submitted single proposal of four works of ₹ 2.54 crore in 2014-15. No other proposals were received from the district/block level offices in subsequent years. Hence no further proposals could be submitted. This proposed amount was made available in full by the GoI.
3	Product Infrastructure Development for Destinations and Circuits (100:0)	102.40	14.51	The Uttarakhand Tourism Development Board (UTDB) could submit only 11 projects (116 works) costing ₹ 72.55 crore to the GoI. The first instalment of ₹ 14.51 crore (20 per cent) was received in 2014-15 from the GoI. The scheme was delinked by the GoI from 2015-16 pursuant to the recommendation of 14 <sup>th</sup> Finance Commission of higher devolution of 42 per cent of Union taxes and duties to the States. However, there was a provision for one time settlement (OTS) of pending liability of ongoing projects of the Himalayan States like Uttarakhand. GoI asked (13 January 2016) GoU for submitting details of each project indicating the stage of completion and projected completion date and also intimate liabilities of projects where more than 50 per cent work had been completed. Although the requisite information were sent by the UTDB in the same month (January 2016), yet the proposal of OTS is still pending with the GoI and the works have remained held-up since then.

### 2.2.2 Short allocation of funds by the State Government

The GoU proposed five projects for reconstruction/restoration works of Kedarnath Township (₹ 200 crore); development of other Dhams (Yamunotri, Gangotri, Badrinath, Hemkund Sahib and Kailash Mansarovar) (₹ 100 crore); construction of ropeway between Gaurikund and Kedarnath as an alternative mode of transport (₹ 100 crore); restoration of Kedarnath Shrine and other temples in its vicinity like Shankracharya

Samadhi, Bhaironath temple etc. with the technical assistance of Archaeological Survey of India (₹ 50 crore); and construction of Shelter-cum-Godowns at certain strategic locations in remote hilly districts (₹ 75 crore). Against total demand of ₹ 525 crore, the GoI approved an outlay of ₹ 455.09 crore (₹ 380.09 crore for four projects and ₹ 75 crore for Shelter cum Godowns) under SPA-R with the condition that the balance fund of ₹ 69.91 crore would be contributed by the State from its own resources.

The entire sanctioned fund of SPA-R of ₹ 455.09 crore was released by the GoI to the State by 2016-17. However, the GoU did not contribute ₹ 69.91 crore. Out of ₹ 380.09 crore, the State Government issued sanctions for 19 projects costing ₹ 272.17 crore. But no sanction was issued for 'Development of other Dhams', 'Construction of Ropeway between Gaurikund and Kedarnath' and reconstruction works (Phase-II) of Shri Kedarnath township for ₹ 31.37 crore. The balance amount of ₹ 107.92 crore is lying with the GoU (₹ 380.09 crore- ₹ 272.17 crore).

GoU also did not issue any funds for Shelter cum Godowns and instead issued 10 sanctions for ₹ 74.85 crore for other infrastructural works along Shri Kedarnath Yatra Route. This resulted in those specific tourist infrastructure facilities sanctioned by the GoI under MLTR package not being created.

Similarly, no administrative/financial sanction was issued by the GoU for strengthening/construction of 10 Industrial Training Institute (ITI) buildings of ₹ 13.38 crore despite entire allocation of fund (₹ 50 crore) by the GoI under SPA-R (*refer paragraph-3.6.1.1*).

Thus, the short allocation of fund ₹ 121.30 crore by the GoU resulted in non-creation of tourism and other infrastructure in the State.

### **2.2.3 Un-availed approved outlays**

In below mentioned cases, the State machinery failed to avail approved outlay of ₹ 246 crore due to non-submission of viable proposals for sanctioning of works:

- The Department of Science and Technology, GoI, New Delhi did not release the earmarked fund of ₹ 50 crore for the Establishment of Environment Research and Training Centre at Dehradun under Central Sector as no proposal was submitted by the State Government for establishment of the Centre.
- Under Tourism Sector, only nine projects for reconstruction and development of tourism infrastructure valuing ₹ 91.01 crore were sanctioned by the HPC against the approved outlay of ₹ 184.74 crore under UEAP. The line departments could not submit any further proposals for sanction by the GoU.
- ₹ 151.80 crore was earmarked under UEAP for improving the disaster preparedness of State through construction of more Helipads<sup>12</sup>, Heliports<sup>13</sup>, Helidromes<sup>14</sup> and

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<sup>12</sup> A landing and take-off area for helicopters.

<sup>13</sup> An airport or landing place for helicopters including its buildings and facilities.

<sup>14</sup> A small airport for helicopters.

Multi-Purpose Halls cum Shelters<sup>15</sup> at various strategic locations of the State. However, only 32 projects costing ₹ 49.53 crore were submitted and approved. Remaining approved outlay of ₹ 102.27 crore remained unavailed.

#### 2.2.4 Diversion of sanctioned funds

An amount of ₹ 294.64 crore, which stood at 6.38 *per cent* of the MLTR releases (₹ 4,617.27 crore) under various funding sources, were diverted irregularly by the State machinery to unplanned works as detailed below:

- Three departments/PIAs could not utilise SPA-R funds of ₹ 135.85 crore<sup>16</sup> allotted to them as they failed to submit viable projects to the GoU. These savings should have been surrendered to the GoI in accordance with terms and conditions of the GoI sanction, but the State Government diverted it to the below mentioned departments/works:
  - a) An additional amount of ₹ 79.19 crore was sanctioned to the Irrigation Department over approved outlay of ₹ 100 crore, for 12 flood protection works (FPWs) of district Rudraprayag.
  - b) An amount of ₹ 20.74 crore was made available (May 2017) to the Public Works Department (PWD) for construction of a bridge at Govindghat (Chamoli) which was earlier sanctioned (April 2016) under State Sector.
  - c) An amount of ₹ 35.92 crore was provided to the Department of Energy for restoration/reconstruction works of nine Hydro Electric Projects of Uttarakhand Jal Vidyut Nigam Limited (UJVNL) and distribution network of Uttarakhand Power Corporation Ltd. (UPCL) even though an amount of ₹ 100 crore had already been approved for Energy sector under SPA-R.
- SPA-R fund ₹ 74.85 crore, out of ₹ 75 crore sanctioned/provided for construction of Shelter/Godowns (*refer paragraph-3.3.1*) in hilly districts to provide space for shifting and feeding the stranded local populace during natural calamities, were diverted by the GoU to other infrastructure works along Shri Kedarnath Yatra Route.
- SPA-R fund amounting to ₹ 3.37 crore was utilised by the PWD for three National Highways (NH)<sup>17</sup> of Uttarkashi district whereas the fund was meant for reconstruction of the State Highways, Major District Roads, Other District Roads, Village Roads only.
- The PWD, without taking approval of the GoI, utilised saving of ₹ 72.05 crore of SPA-R fund for 123 works (117 roads and 6 bridges) which were not part of original list of works approved for funding under SPA-R (*refer paragraph-3.2.1.1*).

<sup>15</sup> For providing space along the helipads to public to be shifted/evacuated during natural calamities.

<sup>16</sup> Forest: ₹ 19.04 crore, Animal Husbandry: ₹ 9.45 crore and DDMA-Rudraprayag: ₹ 108.06 crore after adjusting short allocation of SPA-R of ₹ 0.70 crore from GoI (*refer Table-2.1: ₹ 1,099.30 crore was released against approved outlay of ₹ 1,100 crore*).

<sup>17</sup> NH-94, 123 and 72B under territorial jurisdiction of the NH Division (PWD), Barkot.

- In six territorial divisions of PWD, implementing SPA-R and SDRF works, audit scrutiny of the payment vouchers of 10 test checked works revealed that an amount of ₹ 1.44 crore was either diverted to other works or utilised for other purposes which were not specified in the sanction orders. Further, no work was found executed against 13 sanctions and entire sanctioned amount of ₹ 2.44 crore was either diverted to other works or the same was lying unspent in the divisions without intimation to the Engineer-in-Chief (En-C) (PWD)/respective district magistrates. The details are as per *Appendix-2.4*.
- In five FPWs of four territorial divisions of Irrigation Department, sanctioned fund (SPA-R & CSS-R) amounting to ₹ 1.35 crore<sup>18</sup> was diverted to other works/ items of work without any intimation to the Head of Department. In reply, the Engineer-in-Chief, Irrigation Department intimated (March 2018) that an inquiry would be conducted into the matter and appropriate action would be initiated against the responsible officers.
- In Forest Department, saving of ₹ 0.32 crore from ₹ 1.99 crore sanctioned under SPA-R (December 2014) for the reconstruction work of 24 km long Ghagharia to Hanuman Chatti trek route was utilised for a parallel trek route by the Nandadevi National Park Division, Joshimath, Chamoli district without the approval of competent authority instead of being surrendered to GoI.
- PIU-Tourism (GMVN) diverted an amount of ₹ 2.67 crore for supply of kitchen equipment, crockery/cutlery and furniture despite the fact that the UEAP assistance was meant for restoration and reconstruction works of damaged Tourist Rest Houses.
- An expenditure of ₹ 30.35 lakh was spent by PIU-Civil Aviation (UEAP) for reconstruction of culvert in a road situated outside the boundary wall of an under construction Helipad at Sahastradhara, Dehradun which belonged to the PWD.

#### **2.2.5 Unauthorised retention of unspent balances of ₹ 30.62 crore**

Provisions of GoI sanctions for SPA-R stipulate that allocated funds shall be utilised for the specified purposes/works for which it is given otherwise the amount shall be returned to the GoI. Similarly, SDRF made available to the District Disaster Management Authorities (DDMA) every year has to be utilised within one year and unutilised funds/saving if any shall be refunded to the State corpus of SDRF or adjusted from subsequent year's releases.

Audit scrutiny in below mentioned cases showed that the saving/unspent balances of sanctioned works amounting to ₹ 30.62 crore remained blocked by the Project Implementing Agencies (PIAs)/DDMAs due to poor financial management of the GoU and nodal agencies:

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<sup>18</sup> Chamoli (two works of ₹ 36.52 lakh), Dharchula (one work of ₹ 15.87 lakh), Tharali (one work of ₹ 15.37 lakh) and Kapkot (one work of ₹ 67.08 lakh).

- There was saving of ₹ 91.73 lakh in the works executed by Uttarakhand Renewable Energy Development Agency (UREDA) due to multi-source funding (*refer paragraph-3.5.1.1*). The UREDA requested the GoU (September 2015) for giving permission to utilise the saving for other works or providing proper budget code for surrendering the saving. However, neither was permission granted by the GoU nor budget code provided for surrendering the saving, as of November 2017.
- An electricity distribution division (Dharchula, Pithoragarh) of Uttarakhand Power Corporation Ltd. (UPCL) was assigned two works of ₹ 6.90 crore pertaining to strengthening/renovation of distribution system of Dharchula and Munsyari Blocks which were completed at a cost of ₹ 6.26 crore. Similarly, another work of 33/11 KV sub-station and its associated line at Tawaghat, Pithoragarh was completed at a cost of ₹ 1.46 crore against sanctioned/released fund of ₹ 2.35 crore. The saving of ₹ 1.53 crore was not returned by the UPCL to the GoU.

UPCL management stated (March 2018) that the division included the 15 per cent supervision charges as per Corporate office direction of January 2002. After adjusting the aforesaid supervision charge, the remaining balances of ₹ 0.16 crore will be surrendered to the GoU. The reply is not acceptable as the GoI assistance was to compensate for the actual loss of assets only and not for supervision charges. The saving of ₹ 1.53 crore, therefore, should have been refunded to the GoI through the GoU.

- In Forest Department, two divisional offices implementing five restoration works of SPA-R relating to paths/forest treks could utilise (July 2017) only ₹ 4.59 crore against approved/released fund of ₹ 8.42 crore and the balance fund of ₹ 3.83 crore<sup>19</sup> remained unutilised with PIAs.

The Department stated that one work could not be started due to local dispute. The division however did not surrender the unutilised fund of ₹ 3.83 crore to the GoU/GoI.

- In Agriculture Department, SPA-R funds of ₹ 28.21 lakh pertaining to soil conservation activities was lying unspent in six<sup>20</sup> field offices which pertains to savings of completed works.
- The GoU provided SPA-R fund of ₹ 217.48 crore to the DDMA-Rudraprayag for execution of restoration works along the *Yatra* route to Shri Kedarnath Dham through three designated PIUs, namely Nehru Institute of Mountaineering, Uttar Pradesh Rajakiya Nirman Nigam and Public Works Department (PWD). Audit observed that the DDMA released funds amounting to ₹ 199.61 crore to the PIUs

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<sup>19</sup> Upper Yamuna Forest Division-Barkot, Uttarkashi (₹ 3.70 crore) and Kedarnath Wild Life Sanctuary-Gopeshwar, Chamoli (₹ 0.13 crore).

<sup>20</sup> Uttarkashi (₹ 8.39 lakh), Karnprayag (₹ 3.28 lakh), Bageshwar (₹ 8.08 lakh), Barkot (₹ 3.50 lakh), Rudraprayag (₹ 4.80 lakh), and Mori (₹ 0.16 lakh).

and the balance amount of ₹ 17.87 crore remained parked in accounts of the DDMA-Rudraprayag.

- SDRF amounting to ₹ 3.27 crore was lying unspent in the bank accounts of three DDMA<sup>21</sup> since 2014-15 whereas the same should have been transferred to the SDRF corpus of the State.
- The DDMA-Uttarkashi withheld an amount of ₹ 12.17 lakh for 23 months and subsequently (February 2016) deposited it into revenue receipt head of the State Government instead of transferring it to SDRF corpus of the State.
- SDRF saving of ₹ 2.64 crore was not surrendered by eight<sup>22</sup> PIAs to the respective DDMA and the same was lying with the PIAs even after lapse of more than three years.
- CSS-R funds of ₹ 9.60 lakh pertaining to repair works of Anganwadi Centres remained unutilised (November 2017) at five District Programme Offices implementing Integrated Child Development Scheme (ICDS) due to non-receipt of proposal from field offices for one Anganwadi Centre (AWC), construction of five AWCs from other source of funding, insufficient amount for repair works for five AWCs and non-availability of suitable land for one AWC. The Department while accepting the facts stated (March 2018) that the balance amount would be surrendered.
- Similarly, ₹ 18 lakh of CSS-R funds pertaining to Sarva Shiksha Abhiyan remained unspent by a School Management Committee (Dungri) of district Chamoli. Department stated that the work could not be started due to land dispute.

### **2.2.6 Deficiencies in contract managements**

During audit at three PIUs, management of contracts was found deficient on various fronts as detailed below:

#### **a) PIU-Road and Bridges**

PIU-UDRP, Roads and Bridges (R&B), Dehradun hired four consultancy firms for preparation of detailed project reports (DPRs) and another firm<sup>23</sup> for supervision of bridge works. The contract executed (July 2014) for preparation of DPR with one firm<sup>24</sup> at a cost of ₹ 4.60 crore was a lump-sum contract (for 57 new bridges and 59 bridges to be repaired), whereas the contract (March 2015) with Bridge Supervision Consultancy (BSC) at ₹ 8.47 crore was for remuneration to the technical staff to be deployed by the BSC firm. Against these two contracts, payment of ₹ 6.03 crore and

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<sup>21</sup> Uttarkashi: ₹ 1.64 crore, Pithoragarh: ₹ 0.02 crore and Rudraprayag: ₹ 1.61 crore.

<sup>22</sup> PWD Divisions: CD-Tharali (₹ 17.24 lakh), CD-Ukhimath (₹ 9.92 lakh), PD-Rudraprayag (₹ 33.80 lakh), CD-Gopeshwar (₹ 29.90 lakh), Civil Division DDMA-Rudraprayag (₹ 142.91 lakh); Irrigation Division- Bageshwar (₹ 18.52 lakh); Jal Sansthan Division-Bageshwar (₹ 9.83 lakh); EDD-Bageshwar (₹ 2.05 lakh).

<sup>23</sup> Yongma Engineering and Sterling Indotech Pvt. Ltd. (JV)-Bridge supervision works.

<sup>24</sup> Yooshin Engineering Corporation & ICT Pvt. Ltd. (JV)-DPR consultancy.

₹ 10.61 crore respectively was made by the PIU to the consultancy firms as on date of audit (August 2017). Audit observed that:

- As per the Request for Proposal, a tentative list of DPRs was handed over to the consultant with the condition that the final list of DPRs may vary as per the necessity and site condition. Audit, however, noticed that the final list of DPRs to be prepared (62 new bridges and 12 bridges required repairing) was handed over to the consultant after 15 months (October 2015) of signing the contract. By then, the consultant had already prepared DPRs for nine bridges on the basis of the tentative list and which were not part of the final list.
- The PIU made an additional payment of ₹ 77.54 lakh to the consultant for redesigning<sup>25</sup> 13 DPRs, since the original design was found unsuitable. As per terms and condition of the agreement, the consultancy firm was required to design bridges keeping in view technical and commercial feasibility, ease of transportation of bridge parts apart from consideration of economy and cost effectiveness. Thus, the payment of ₹ 77.54 lakh for redesigning DPRs was unjustified. Further, another payment of ₹ 27.12 lakh was made to BSC for proof checking of 10 DPR's which were subsequently found unsuitable.

The Department replied (March 2018) that redesigning of DPRs was required for appropriate/economical construction of the bridges and payment for the same was duly approved by HPC. The reply is not acceptable as the firm was required to prepare techno-commercially advantageous DPRs as per terms of contract.

- An additional payment of ₹ 39.33 lakh was also made to the consultant for conducting topography survey for preparation of DPRs despite the fact that the item was included in the scope of work.
- An amount of ₹ 55.06 lakh was paid to BSC for deploying a Resident Engineer (RE) at Munsyari during July 2015 to February 2016 although no bridge work was in progress in that location during this period. The Department replied (March 2018) that services of RE during the said period was utilised for construction of Acrow bridge at Rudraprayag. The reply is not acceptable as the installation work of Acrow bridge at Rudraprayag was being done by another working agency(Civil Unit-DDMA, Rudraprayag) and supervision of UDRP (R&B) works of district Rudraprayag was vested with a separate RE (Guptkashi).
- The contract of BSC was extended (January 2017) up to December 2017 after scheduled completion date of agreement (March 2016) despite the fact that its performance was found (August 2016) unsatisfactory by the PIU as well as by the World Bank Mission. The Quantity Surveyor deployed by the BSC was not found proficient for recording of measurements of works being carried out. As such, the PIU submitted (December 2015) a proposal to the Programme Manager for

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<sup>25</sup> Three steel truss bridge in place of suspension bridge and 10 motor bridge in place of bridle bridge.

deployment of departmental engineers for the job. Decision on the same was pending as of August 2017.

**b) PIU-Civil Aviation**

PIU-Civil Aviation entered (March 2015) into an agreement with a Design and Supervision Consultancy (DSC) firm<sup>26</sup> for providing support in various tasks/components<sup>27</sup> for construction of 41 Helipads and 60 Multi Purpose Halls (MPH)/Shelters at a cost of ₹ 7.46 crore funded by ADB under UEAP. Audit observed that the DSC firm was paid an amount of ₹ 6.18 crore (83 *per cent* of the agreed sum) for the services up to April 2017 though the performance of DSC firm was not satisfactory as discussed below:

- As per agreement, the DSC firm was responsible for carrying out all the investigations, assessments, feasibility studies, apart from design, planning and preparation of DPRs for all the works. Audit scrutiny revealed that work on 25 sites identified by the DSC could not commence or had to be dropped even after award of contracts due to various technical reasons and due to inappropriate site selection.
- As per agreement, the DSC was required to prepare bidding documents of 41 helipads and 60 MPHs and assist the PIU in evaluating/finalising the bids for these works. However, only 23 bidding documents were prepared by the DSC as against 101 required.
- The DSC was required to undertake following activities for all projects of helipad sites and MPHs/shelters to enhance the disaster response and risk preparedness:
  - *Preparation and submission of Standard Operating Procedures and Emergency Response Plan.*
  - *Preparation of the Evacuation & Expedited Disaster Response Plan for fire, accident and natural disaster risks.*
  - *Submission of a Master Plan for each Helipad, Heliport and Helidrome to address crowd management including circulation flow and dispersion during disaster situations.*

Audit noticed that DSC had not undertaken these activities till October 2017.

- The DSC was to supervise the construction works and implement quality control measures for all the sub-projects of helipad sites and MPHs/shelters. Audit observed that the DSC failed to discharge this responsibility and the PIU had to deploy 21 contractual Engineers (Assistant Engineers and Junior Engineers) in 2016-17 for

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<sup>26</sup> M/s IIDC Ltd. in JV with AERO Survey India & EGIS Consulting Engineers Pvt. Ltd. India.

<sup>27</sup> Appraisal of existing outputs, Investigation/assessment and preparation of Sub-project Appraisal Reports, Design/planning and preparation of DPRs, Procurement of works/goods/services, Project Management/Construction Supervision and Quality Control, Safeguards due Diligence (Safety Audit/Regulatory & Compliances), Disaster Response & Risk Preparedness (Operation, Maintenance and Management), and Financial Management.

supervision and to expedite the construction activities being carried out by the contractor. An amount of ₹ 63.82 lakh was paid by the PIU to these technical staff up to October 2017 which should be recovered from the DSC firm.

- The DSC was also required to undertake the following activities to arrive at a desirable operation, maintenance and management framework for facilities created under disaster preparedness (helipads and MPH/shelters):
  - *Preparation of Operation, Maintenance and Management Plan for each sub-project location.*
  - *Preparation of a Comprehensive Operational Manual separately for Helipads, Heliports and Helidromes in accordance with the Director General of Civil Aviation (DGCA) and Airport Authority of India guidelines.*

However, no such activities were carried out by the DSC as of October 2017.

- In seven DPRs prepared by the DSC for helipads, no provision for approach road was included, due to which, the works were being executed through extra items amounting to ₹ 3.74 crore. This lapse of DSC was acknowledged by the High Powered Committee (HPC) (March 2017).

During exit conference, the Secretary, Disaster Management Department (DMD) and Programme Director-EAPs acknowledged the poor performance of the DSC firm and stated that several warning letters had been issued to the firm.

### c) UJVNL

Two FPWs<sup>28</sup> costing ₹ 125.52 crore, sanctioned under CSS-R were being executed by the UJVNL on behalf of Irrigation Department, wherein following deficiencies were noticed in audit:

- The contracts for both the works were awarded (January and February 2014) by the UJVNL prior to issue of administrative/financial sanction (May 2014) by the GoU. On approval, out of 44 items of works to be executed, four items of work were deleted (with the remarks that *'the provisions for the same are included in the schedule of rates of respective items of the work'*) and rates for other five items of work were revised by the Technical Advisory Committee of Irrigation Department. However, the scope of work and rates were not revised by the Nigam accordingly, which resulted in extra payment of ₹ 2.12 crore and ₹ 2.55 crore respectively to the contractors and loss to the exchequer.

In reply, UJVNL stated (February 2018) that payment made to the contractors for centring and shuttering (₹ 2.72 crore) had been recovered from their subsequent bills and payment for other items of works were made as per agreements. Thus due to award of work before the issue of administrative/financial sanction by the GoU the rates could not be revised. Had the contracts been awarded by the Nigam after approval of the rates by

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<sup>28</sup> For Maneri-Bhali Stage-II Hydro Electric Project at Joshiyada, Uttarkashi.

the competent authority, the entire extra payment of ₹ 4.67 crore could have been avoided.

- Consultancy of these two works was awarded on lump-sum basis to a firm for ₹ 1.72 crore and ₹ 1.63 crore, against which, payment made was ₹ 1.94 crore and ₹ 1.77 crore respectively. An excess payment of ₹ 36 lakh was, therefore, made to the firm by the Nigam. In reply, UJVNL stated (February 2018) that the excess payments were made to the firm due to increased scope of works. However, reply is not acceptable as the contract with the consultancy firm was on lump sum basis.
- An expenditure of ₹ 1.37 crore was incurred for restoration work of a road which was not part of the scope of work. In reply, UJVNL stated (February 2018) that the work was taken up as per direction issued by the local MLA and District Magistrate as the road was washed away in Disaster 2013. However, this work was executed without permission of the State Government and no ex-post facto approval has been obtained.

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

In following cases, undue benefit was given by the PIUs to the contractors through overpayments, payment of advances for purchase of equipment without obtaining requisite invoices, non-levy of liquidated damages as per terms/conditions of the agreements, and non-deduction of labour cess from the bills:

- Audit scrutiny of contractors' bills/vouchers at PIUs showed that there was an overpayment of ₹ 31.11 lakh to the contractors in 12 cases (**Appendix-2.5**) due to wrong application of rates and bill of quantities while totalling.

During exit conference (February 2018), it was intimated by the respective departments that in some cases, the recovery had been affected and in other cases, the recovery would be made. However, the details of recovery made are still (March 2018) awaited from the PIUs concerned.

- Clause-36.1 of UEAP contracts stipulates that if the final quantity for a particular item of work exceeds by more than 25 *per cent* of the quantity included in the agreement (provided that such change exceeds by one *per cent* of the initial contract price) then the Engineer shall pay revised rates to the contractor as per prevailing market rates.

Audit scrutiny of three contracts of two PIUs of UEAP (R&B) and one contract of the PIU-Civil Aviation showed that the above term and condition (T&C) of the contracts was applied in those items of works which were profitable to the contractors and not on those items of work wherein the existing rates of contracts remained higher than the prevailing market rates [Schedule of Rates (SoR) applicable at that time] because the existing rates of contracts were higher than the prevailing market rates. Audit analysis revealed that proper application of prevailing market rates based on applicable SoR would have resulted in saving of EAP fund of

₹ 1.24 crore, as per details given in the **Appendix-2.6**. Thus, non-regulation of variance payments by the PIUs as per T&C of the contracts, therefore, resulted in possible undue favor of ₹ 1.24 crore to the contractors and needs to be investigated by the department.

- Provision of the contracts signed for road and bridge works under UEAP and UDRP stipulated<sup>29</sup> that the contractor was entitled to receive interest free mobilization advance (MA) up to 10 *per cent* of the initial contract price against submission of unconditional bank guarantee and on supply of copies of purchase invoices. The contractor was required to use the MA only to pay for equipment, plant and mobilisation expenses for execution of the works.

It was observed during audit of the State level PIUs of UEAP and UDRP (R&B) that MA amounting to ₹ 54.24 crore in 64 cases of UEAP contracts and ₹ 36.28 crore in 56 cases of UDRP contracts were given to the contractors against bank guarantees but without obtaining copies of purchase invoices.

During exit conference (February 2018), the Department stated that the contract data was silent on this issue and, therefore, the advances were given against bank guarantees only. The reply should be seen in the light of the fact that as per standard bidding documents prepared by ADB and WB, MA against bank guarantee should be given to the contractor after production of purchase invoices. It was therefore imprudent not to include this condition in the terms and conditions of the contract. Thus, granting of these advances amounting to ₹ 90.52 crore to the contractors without production of purchase invoices was not only against rule provisions but also amounted to extending an undue advantage to the contractors.

- In below mentioned cases, liquidated damages (LD) for delay in completion of works by the contractor was not imposed/recovered as per specified rate in contracts by the respective PIUs/divisions which resulted in undue benefit of ₹ 4.25 crore (**Appendix-2.7**) to the contractors:
  - General Condition of Contracts (GCC) of UEAP (clause-46.1) and UDRP (clause-44.1) stipulate that the contractor was liable for payment of LD at the rate of 0.5 *per cent* per day of delay subject to a maximum of 10 *per cent* of the initial contract price. However, LD amounting to ₹ 1.74 crore was not imposed in 10 works of UDRP (R&B) and UEAP (R&B) which were completed with delay or were in progress with delays.
  - No LD was imposed in three cases whereas LD in one case was imposed at lower rates, for delay in completion of works ranging between 211 and 544 days by two divisions of the Irrigation Department implementing FPWs (CSS-R). The contractors were liable for a maximum LD of ₹ 2.47 crore (10 *per cent* of the initial contract price) as per terms and conditions of the agreements (clause-2

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<sup>29</sup> Clause-48 of UEAP contracts and Clause-45 of UDRP contracts.

of ID Form-111), against which, only ₹ two lakh was imposed/recovered. Thus, there was short recovery of LD of ₹ 2.45 crore.

- An Electricity Distribution Division (Bageshwar of UPCL), imposed LD in one SPA-R work for ₹ 15.80 lakh for delay in completion of work by more than two years whereas maximum LD of ₹ 21.54 lakh was required to be charged as per T&C of agreement. Thus, there was short recovery of LD of ₹ 5.74 lakh.

During exit conference, the Departments/PIUs while accepting the audit findings stated that in some cases, the recovery had been effected and recovery in the remaining cases would be made in due course. The details of recovery made were awaited (March 2018).

- As per the notification issued (May 2012) by the Government of Uttarakhand, labour cess at the rate of one *per cent* was required to be levied and deducted<sup>30</sup> at source (from each contractors' bill) for each work having estimated cost of more than ₹ 10 lakh.

It was observed in 31 cases of two PIUs (Garhwal Mandal Vikas Nigam and UJVNL) that labour cess amounting to ₹ 16.46 lakh was not deducted from the bills of the contractors. This resulted in undue benefit to the contractors.

In sum, undue benefit of ₹ 5.96 crore<sup>31</sup> was extended by these PIUs to the contractors.

### **2.2.8 Creation of interest liabilities**

Provision<sup>32</sup> of the agreement signed (on 05 February 2014) with Asian Development Bank (ADB) for borrowing of US \$ 200 million (later revised to US \$ 185 million in May, 2017) for UEAP stipulate that the loan was to be availed by March 2017 and the GoU would be liable to pay commitment charges at the rate 0.15 *per cent* per annum on un-withdrawn amount of the loan. Commitment charges were payable on less amount withdrawn from time to time, commencing after 60 days grace period from the stipulated dates of withdrawal as per loan agreement.

Audit observed that the GoU utilised amount of US\$ 122.75 million (₹ 736.50 crore) only up to March 2017 and could not utilise an amount of US\$ 62.25 million (₹ 373.50 crore) due to slow progress of works and non-submission of viable project proposals. Resultantly, GoU is liable to pay commitment charges of at least US\$ 0.040 million (₹ 24.04 lakh) to the ADB for the period from April 2017 to 26 February 2018 (last date of claim).

The Secretary, DMD and Project Director-EAPs while accepting the facts stated (March 2018) that the loan amount could not be utilised as per schedule due to delay in execution of works/dropped cases and adverse working conditions of the State while

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<sup>30</sup> Cess deducted at source was required to be remitted to the Labour Commissioner of the State.

<sup>31</sup> Except cases of mobilisation advances paid to the contractors.

<sup>32</sup> Section 1.01 of Article I and Section 2.03 of the Article II of the loan agreement.

frequent change in the rate of exchange was another cause for non-utilisation of certain loan amount.

Further, provision of GoI sanctions for SPA-R provides that the funds provided to the GoU shall be released to the PIAs without any delay and utilised by March 2017, failing which, the amount was to be returned to the GoI with interest for period of default.

Audit scrutiny showed that SPA-R amounting to ₹ 274.29 crore remained unutilised with State Government at the end of March 2017 due to non-issue of financial sanctions and slow progress of work by the PIAs. Thus, the GoU created an interest liability of ₹ 19.64 crore from April 2017 to March 2018 at the rate of 7.16 *per cent*<sup>33</sup> per annum due to its failure to return the unutilised amount to the GoI. This unutilised amount of ₹ 274.29 crore is in addition to funds that have remained unspent/unutilised with PIAs and not surrendered (as detailed in *paragraph-2.2.5*).

### **2.2.9 Incorrect treatment of interest receipts**

In below mentioned instances, the treatment of interest receipts on MLTR funds was not as per prescribed norms/rules:

- Government Accounting Rules-31(e) stipulates that any receipt earned during the process of construction of a capital project should be utilised in reduction of the capital expenditure and it should not be credited to the revenue account of Government or undertaking. However, it was observed during audit of 11 PIUs that interest earned on Bank Accounts of UEAP/UDRP amounting to ₹ 6.47 crore<sup>34</sup> was deposited into Treasury Head-0049 of State Government despite the fact that the works were capital in nature and were being executed from externally aided project fund. It was replied by the State Government (March 2018) that interest accruing on the EAP funds belonged to the State Government as primarily the expenditure for the works was incurred by the State from its own resources which was subsequently reimbursed by the ADB/WB. The reply is not acceptable as the treatment of the interest receipts was not in accordance with the prescribed accounting rules.
- It was noticed during audit of the State Project Management Unit (ICDS) that interest earned on bank account of SPA-R works amounting to ₹ 28.95 lakh was deposited into Treasury Head-0049 of State Government despite 100 *per cent* financing by the GoI.
- Interest amount of ₹ 2.52 crore (₹ 161.04 lakh and ₹ 90.98 lakh respectively) earned by the UJVNL on Mobilization Advances given to the contractors was neither made available to the State Government nor adjusted against subsequent releases of

<sup>33</sup> Weighted average yield of dated securities of Central Government during the year 2016-17 as per Annual Report of Reserve Bank of India.

<sup>34</sup> UEAP-PIUs: Civil Aviation (₹ 19.59 lakh), Road & Bridges (₹ 114.08 lakh), Tourism-GMVN (₹ 32.08 lakh) and KMVN (₹ 19.94 lakh), Water Supply-UJS (₹ 59.52 lakh), and PMU (₹ 199.22 lakh);UDRP-PIUs: Road & Bridges (₹ 1.07 lakh), TA&CBDRM (₹ 40.49 lakh), Public Building (₹ 26.11 lakh), Resilient Housing (₹ 49.59 lakh), and PMU (₹ 85.32 lakh).

sanctioned fund. The UJVNL while accepting the facts stated (February 2018) that the Nigam also invested their funds for the projects to maintain the progress of works because sanctioned funds were not provided by the GoU timely. The reply is not acceptable as the entire funding for the works was not met by UJVNL from its own source; hence, interest amount of Government funding should have been utilised for reduction of capital cost of the projects.

### **2.2.10 Submission of inflated utilisation certificates**

The PIAs/office were required to submit Utilisation Certificates (UCs) on completion of work/after spending funds. It was found in audit that the PIAs submitted inflated UCs in the following cases:

- The DDMA-Rudraprayag released ₹ 23.59 crore of SPA-R fund to the Civil Unit (PWD), Guptkashi up to March 2017 for implementation of the sanctioned projects. Audit observed that the actual expenditure of the works up to March 2017 was only ₹ 14.62 crore but the agency issued (November 2016) UCs for ₹ 20.66 crore to the DDMA-Rudraprayag for onward transmission to the GoU/GoI.
- Nehru Institute of Mountaineering working for the DDMA, Rudraprayag submitted (November 2016) UC of ₹ 24.50 crore in a work of Reconstruction of buildings for Tirth Purohiths at Kedarnath whereas the actual expenditure up to September 2017 was ₹ 12.86 crore.
- Uttarakhand Renewable Energy Development Agency (UREDA) submitted (May 2016) UC of ₹ 11.94 crore to the GoU whereas actual expenditure up to October 2017 was only ₹ 5.66 crore.
- In Agriculture Department, two field offices (Bageshwar and Mori) issued UCs amounting to ₹ 1.31 crore whereas actual expenditure up to March 2017 was only ₹ 0.80 crore.
- Four field offices of Uttarakhand Power Corporation Ltd. (UPCL) submitted UCs of ₹ 3.23 crore<sup>35</sup> (October 2016) to UPCL for onward submission to GoU without execution of sanctioned works. Out of four divisions, three divisions stated that SPA-R amount of ₹ 3.03 crore will be refunded to the Government. However, one division namely Dharchula division stated that it had carried out disaster work of ₹ 63.98 lakh from its internal resources immediately without waiting for any assistance from the Government and hence after adjusting the aforesaid amount, the remaining amount of ₹ 19.67 lakh would be surrendered after getting approval from the Corporate office.

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<sup>35</sup> EDD-Dharchula (₹ 19.67 lakh), EDD-Naryan Bagar (₹ 50 lakh), EDD-Gopeshwar (₹ 70 lakh), and EDD-Rudraprayag (₹ 183.46 lakh).