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Audit inspection of accounting records of Uttarakhand Parivahan Nigam, Dehradun for the period April 2019 to March 2020 was carried out in exercise of the power conferred by section 19 of the C&AG's (DPC) Act, 1971 read with section 33(2) of the State Road Transport Corporation Act, 1950. Audit Inspection was conducted by Shri Nishant Choudhary, Auditor and Shri Amit Kumar, AAO under the supervision of Ms. Usha Singh, Sr. Audit Officer during the period from 19 November 2020 to 01 December 2020 and 16 December 2020 to 01 January 2021.

Part-I

1. **Introduction:** - The last audit of this unit was carried out by Shri Khub Chand, AAO, Shri Amit Kumar, AAO under the supervision of Ms. Usha Singh, Sr. Audit Officer in which accounting records for the period from April 2016 to March 2019 were generally examined. In current audit, accounting records of the period from April 2019 to March 2020 were examined.

2. (i) **Functions and geographical jurisdiction of the unit:**

The function of the Uttarakhand Parivahan Nigam, Dehradun is to provide the interstate as well as intrastate transportation to public through its buses.

(ii) **Auditing methodology and scope of audit:**

Uttarakhand Parivahan Nigam, Dehradun was covered in the audit. This inspection report is based on findings of audit and October 2019 was selected for detailed examination and February 2020 was selected for arithmetical accuracy.

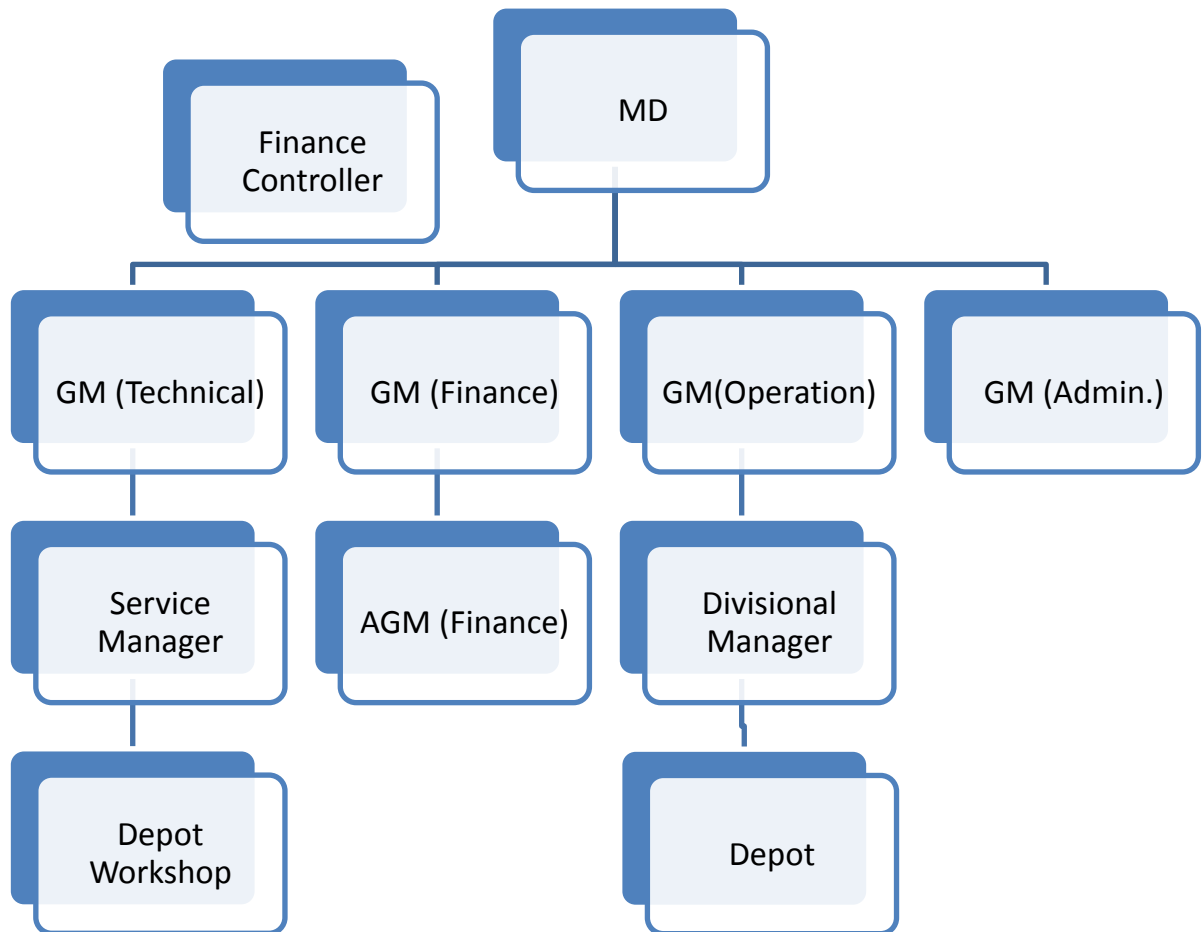
(iii)

(` in crore)

Year	Revenue	Expenditure	Profit
2019-20	592.13	591.72	--

(iv) Organisation structure of the unit and reporting lines.

The Uttarakhand Parivahan Nigam, Dehradun has eighteen depots and three regions Dehradun, Nainital and Tanakpur which report to the HQs of the Uttarakhand Parivahan Nigam, Dehradun. Uttarakhand Parivahan Nigam, Dehradun is headed by the Managing Director.



Part II (A)

Para 1: - Undue favour to the contractors in purchase of 300 buses costing - ₹ 77.59 crore.

Hon'ble, High Court Nainital order dated 19 June 2018 ordered Uttarakhand Parivahan Nigam (UPN) not to ply any bus, which has completed its mandatory mileage and directed to replace the same with new buses for providing comfort journey to the passengers in a phased manner.

UPN in its 25th Board Meeting dated 01 August 2018, initiated a proposal to purchase 300 new buses (fully built ordinary buses) stating that 243 buses of the three Divisions namely Kathgodam, Dehradun and Tanakpur operating in both hilly and plain roads had completed their life. Further, 142 buses were to complete their life by March 2019. Thus, total 385 buses would have completed their life by March 2019.

The following is the age/ km wise detail for determining the maximum operation of buses on road:-

Sl. no.	Particulars	Wheel base operating on Hilly roads (in inches)			Wheel base operating on Plain roads (in inches)
		150	166/190/195	205	218/ 210/222
1	Age (in Year)	5	6	6	6
2	Chassis KM (In lakh)	4	5	7	8

With reference to the above, UPN requested (September 2018) Government of Uttarakhand to provide the approval to avail loan for purchase of 300 new buses from financial institution and reimbursement of interest thereon to UPN. A five member¹ technical committee was constituted (20 October 2018) by the Managing Director, UPN to finalize the specification of buses, pollution standards. The committee submitted its recommendations (23 October 2018). On the basis of recommendation of the committee, UPN finalized its technical qualification and floated (09 November 2018) tender enquiry for purchase of 300 buses² of Bharat Stage IV. The pre-bid meeting for the same was held on 14 November 2018. Three companies³ participated in the pre bid meeting. The last date of opening of the technical bid was 27 November 2018 which was further extended to 07 December 2018. The technical bids were opened on 07 December 2018. Two bidders namely M/s Ashok Leyland Ltd., Lucknow, M/s Tata Motors Ltd., Delhi were found technically qualified. The financial bid was opened (07 January 2019) and as per the documents provided to audit, M/s Tata

¹ General Manager (Technical/ Operation), Dy. General Manager (Technical) and Divisional Manager (Technical) Dehradun, Kathgodam and Tanakpur.

² 166" wheel base 75 buses, 203"-205" wheel base 75 buses and 210-218" wheel base 150 buses.

³ M/s Ashok Leyland Ltd., Lucknow, M/s Tata Motors Ltd., Delhi and M/s B.Y. Commercial Vehicles Ltd. Gurgon.

Motors Ltd., Delhi stood L1 with a total cost of ` 78.75⁴ crore. However, UPN divided the tendered quantity and placed a purchase order (8th July 2019) of ` 38.34 crore⁵ to M/s Tata Motors Ltd., Delhi and ` 39.34 crore⁶ for 150 (210”-218” wheel base) buses to M/s Ashok Leyland Ltd., Lucknow (22 June 2019). Accordingly, UPN availed the loan to make the payment of ` 77.62 crore (` 39.37 crore + ` 38.25 crore), UPN also sought guarantee from GoU to pay interest on the loan which was granted by GoU (March 2019) The loan was availed from ICICI bank and HUDCO for a period of five years.

Out of sanction loan of ` 72.75 crore⁷, ICICI bank released ` 6.43 crore after deducting margin money of ` 0.80 crore and HUDCO released ` 50.00 crore. Thus, total ` 56.43 crore was received and against the contract value of ` 38.25 crore, ` 36.97 crore (after deducting ` 0.68 crore on account of Penalty Amount and CIRT Pune expenditure) was paid to M/s Tata Motors Ltd., Delhi. Further, against the contract value of ` 39.34 crore, ` 19.58 crore (after deducting ` 0.03 crore CIRT Pune expenditure) was paid to M/s Ashok Leyland Ltd., Lucknow. The balance of ` 19.14 crore⁸ is yet to be paid to M/s Ashok Leyland Ltd., Lucknow by UPN.

During the scrutiny of the records, audit noticed the following: -

1. As per the tender notice, the point no. 18 of sl. no. 16 Pre-Qualification and Technical Criteria: - Firms other than Tata motors and Ashok Leyland must quote their AMC rate with labour and spare parts for six years. Rates of AMC should be approximately equal to the present in house cost of UPN as per its Balance Sheet. This is restrictive conditions in the tender document which limits the bid participation and blatant favour to the contractors. Further, management could have given a weightage to AMC condition which was not done and the cost of AMC was made a part of the tender evaluation.

This resulted in unfair competition as the pricing mechanism was made to tilt in favour of M/s Ashok Leyland Ltd., Lucknow, M/s Tata Motors Ltd., Delhi. Further, the above practice is not in consonance with the Monopolistic and Restrictive Trade Practices, Act, 1969.

2. As detailed above, the single NIT was floated for procurement of 300 buses, however, on opening the price bids, UPN divided the tendered quantity and put a purchase order (22 June 2019) of ` 38.25 crore⁹ to M/s Tata Motors Ltd., Delhi and ` 39.37 crore¹⁰ for

⁴ ` 25 lakh per bus x 75 buses, ` 26 lakh per bus x 75 buses and ` 27 lakh per bus x 150 buses

⁵ ` 25 lakh per bus x 75 buses, ` 26 lakh per bus x 75 buses

⁶ ` 2622848 lakh per bus x 150 buses

⁷ ` 66.30 crore from HUDCO + ` 06.45 crore from ICICI Bank

⁸ ` 38.72 crore less ` 19.58 crore.

⁹ ` 25 lakh per bus x 75 buses, ` 26 lakh per bus x 75 buses

150 (210"-218" wheel base) buses to M/s Ashok Leyland Ltd., Lucknow (22 June 2019).

Review of the NIT revealed that this practice/ mode of awarding the work was not mentioned any-where in the NIT. Thus, splitting the contract in two bidders is not in consonance with the tender condition as section 20 (9) of Uttarakhand Procurement Rule, 2017 stating that any condition which is not part of the tender document cannot be consider during the evaluation of the bids. Hence, the above practice is not in consonance with the tender document, Uttarakhand Procurement Rules, 2017 as well as guidelines of Central Vigilance Commission.

3. As per the agreement entered with M/s Tata Mothers Ltd., the schedule date of delivery was 31 August 2019 to 30 November 2019¹¹. However, M/s Tata motors Ltd. did not adhere to the schedule and supplied 125 buses up to 30 October 2019 and remaining 25 buses were to be supplied on 06 January 2020. On account of delay in supply of the buses, UPN deducted ` 0.54 crore on 125 buses and ` 0.13 crore from payment of the buses. Further, during the operation of the buses, UPN detected technical defect i.e. Defective gear liver¹² in the three buses. UPN stopped the operation of the 125 buses received from M/s Tata Motors Ltd. and a third party inspection by CIRT Pune was conducted (14 December 2019) in the presence of representative of M/s Tata Motors Ltd. CIRT, Pune in its inspection report stated the following deficiencies and advised to return above 125 buses to M/s Tata Motors Ltd. for rectification of detected technical fault.
 - A. Design and location of gear shift lever is inconvenient to driver.
 - B. Drivers free movements are restricted during operation in field while changing gears.
 - C. UPN operation being in hill area, driver should be comfortable and driver distraction is possible due to existing design.
 - D. The operation of gear shift lever in different gears causing discomfort to even passenger's seating in RH front row of seat.
 - E. The passenger seating in this row has to keep legs around gear shift lever fitment location.
 - F. It was observed that gear shift lever has weld joint & bend at two places. There is difference in diameter and thickness of the rod and tube.

¹⁰ ` 26.23 lakh per bus x 150 buses

¹¹ 100 buses up to 31 August 2019, 20 Buses up to 30 September 2019 20 buses up to 31 October 2019 and 10 buses up to 30 November 2019

¹² Breaking at joints and coming out of spline.

- G. Welding of gear shift lever is critical and TML to ensure the quality of weld by carrying out the inspection of weld zone by destructive and non-destructive (NDT) method at defined intervals.
- H. It is observed that while removing engine bonnet gear shift lever is a hindering and not possible to remove engine bonnet easily.
- I. The existing design of gear shift lever is failing in field operation (Breaking at joints and coming out of spine) even with driver's optimum force of changing he gears.
- J. The existing design is detrimental to safety and needs to be checked in all aspects from RTC field operation and from passengers safety point of view.
- K. UPN is recommending to provide gear shift lever design close to previous TML supplied buses models with bracket an short lever.
- L. Driver door movement is restricted due to strap shall be increased at least 100 degree for easy access of driver.
- M. Emergency declaration switch shall be provided at driver dashboard.

Thereafter, the 125 buses were returned to M/s Tata Motors Ltd. M/s Tata Motors Ltd. informed (02 January 2020) that all the 150 buses (125+25 buses) had been rectified and were ready to be delivered to UPN. Further, test checked of the rectification made by the M/s Tata Motors was done by UPN on 06 January 2020. UPN operated (during 15 January 2020 to 31 January 2020) 15 buses on trial basis and the rectifications made were found satisfactory. Further, M/s Tata Motors Ltd. informed (13 February 2020) CIRT, Pune that the rectification proposed had been carried out and in response CIRT, Pune asked (18 February 2020) UPN to accept the vehicles. Further, after the approval of the Headquarter committee. UPN approved (04 March 2020) the taking over of the vehicles. The details of taking over the vehicles was not available in the records produced to audit.

In the light of the above facts and as per the records provided to audit, it was noticed that due to inherent defect in the design of lever and defective gear lever, the satisfactory supply of the fully built buses could be done only after the approval of Headquarter committee (04 March 2020). Hence, as per section 5 Penalty sub section (iii) of the agreement, if the firm fails to deliver any or all of the buses or fails to complete the commissioning of the same within the time period(s) specified in the schedule, the corporation shall, prejudice to other remedies under the order, deduct from the order price, as liquidated damages. Hence, in view of the above short coming as reported by CIRT, Pune, the penalty of ₹ 1.36 crore¹³

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No of buses	Schedule date of delivery	Actual date of delivery	Rate of penalty per day per bus	Days	Penalty
125	14-Dec-19	18-Feb-20	1000	66	8250000
25	06-Jan-20	18-Feb-20	1000	43	5375000
Total					13625000

should be levied on M/s Tata Motors Ltd in addition to the already levied penalty of ₹ 0.67 crore (₹ 0.54 crore plus ₹ 0.13 crore) which was not done. Reasons for the same may be intimated to audit.

4. The date of ceasing the operation of 125 new buses received from M/s Tata Motors Ltd. may be furnished to audit along with the supporting documents.
5. As per the contract, UPN was to conduct inspection during the production of buses. In this reference, the date and committee/ person who inspected the buses during the production and taking over of the buses in UPN, if any, and a copy of report submitted by committee/ person who inspected the buses during the production and taking over of the buses may also be furnished to audit.
6. Further, due to defective supply of the buses, UPN was also deprived of the revenue from the operation that could be earned from the buses which remained under the maintenance on account of defective supply. As per the records produced to audit, UPN had to bear a loss of revenue amounting to ` 3.68 crore¹⁴ on account of non-operation of buses.
7. As per Government of Uttarakhand Order (08 March 2019), the approval of the Board of Directors was required before signing the MoU with the selected firm. However, no such approval of the board was found in the records produced to audit. The copy of the same may be provided to audit at the earliest.
8. As per the letter of Secretary, UPN dated 06 May 2019, some queries were raised by the Secretary, UPN which were to be resolved by UPN. The action taken on the queries of the Secretary, UPN were not found in the records furnished to audit. The copy of the action taken on the queries of the Secretary, UPN may be provided to audit at the earliest.
9. Copy of the approval of board for committee constituted to undertake the tender process for procurement of buses may be provided to audit at the earliest.
10. Month wise details of revenue earned and expenditure incurred by the 125 buses provided by M/s Tata Motors Ltd. operated during the period 31 August 2019 to 14 December 2019 may be provided to audit at the earliest.

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Schedule date of delivery	Actual date of delivery	Income per bus per day	No. of day bus remained under maintenance	Number of buses remained under maintenance	Loss of Revenue
14-Dec-19	18-Feb-20	3945	66	125	32546250
6-Jan-20	18-Feb-20	3945	43	25	4240875
Total					36787125

11. As per the records provided to audit, State Transport Authority (STA) determines the wheel base (166") of buses which are to be operated in the hilly terrain. The said standards were fixed by STA 30 years back. However, roads in the hilly terrain have been widened appropriately in the current scenario. Hence, operation of the 166" wheel base has lost its relevance because of the cost of operation of 166" wheel base buses with seating capacity of 36 passengers remains equivalent to that of 210-218" wheel base having the capacity to carry 48 to 50 passengers. However, UPN has not made any effort to relax/ revise the above norms of 166" wheel base buses in the hilly terrain.

Management has not furnished the reply.

Para 2: Undue favour to the contractor.

The contract for cleaning and washing of buses (Rural/B/Hill depot, Dehradun, Haridwar, Rishikesh, Roorkee, Kotdwar depot), cleaning of the bus depots, in-out of the buses, security of the buses and depots, installation of CCTV system and collection of parking fee from the buses (at Haridwar, Rishikesh, Roorkee, Kotdwar bus stations) arriving from other states was awarded to M/s S.K Enterprises (contractor) on 06 May 2014 for the period from 07 May 2014 to 06 May 2019.

According to the terms and conditions of the contract, the contractor was to deposit the applicable service tax on the parking fee collected from different depots in Service Tax Department by 5th of every month. The contractor was also required to deposit Security Amount of ₹ 25 lakh which shall remain valid till the successful completion of the contract.

In addition to the above, the contractor was also required to deposit ₹ 6.01 lakh with applicable service tax in advance by 7th of every month failing which a penalty of ₹ 20,000/- per day was to be imposed. Also, in case of any unauthorized absence of any of the worker provided by the contractor affects the working of UPN, the contractor shall bear a penalty of ₹ 1000/ per day.

During the audit, the following was observed:

1. Since the beginning of the agreement, the installments were deposited by the contractor with a delay ranging from 01 to 450 days. Thus penalty amounting to ₹ 11.15 crore should have been imposed on the contractor. However, neither penalty was imposed/levied nor reasons for non-imposition of the penalty was provided to Audit. Further, the reasons for not depositing the installments on time were also not available in the records furnished to audit. The same may be furnished.
2. On various occasions, letters have been written by UPN to the contractor regarding inappropriate performance indicating the non-availability of staff, improper/non cleaning of the workshop, depots, buses resulting in revenue loss to the UPN. In this regard, penalty of ₹ 1000 per day was to be imposed on the contractor, the details of which are not available in the records furnished to audit. The same may be furnished.
3. Further, the condition of collecting and depositing the taxes collected on parking fees from the depots was also not followed by the contractor. The same was not deposited by the contractor by 5th of every month. The details in respect of the depot wise taxes collected on parking fee and deposited by the contractor by 5th of every month to the respective department were not available in the records. The same may be furnished to audit.

4. With reference to UPN's letter dated 16 March 2016 addressed to S.K. Enterprises, it was apprised to the contractor that complaints have been received regarding non deposition of EPF and ESI contribution of the employees. In this regard the details of the EPF and ESI contribution collected and paid by the contractor may also be intimated to audit along with the action taken by the UPN on the contractor.

The initial reply to the para is still awaited.

Para 3: Diversion of Fund – ₹ 54.89 crore.

The fare collected from the passengers by Uttarakhand Parivahan Nigam (UPN) for providing the service of transportation consists of various essential components such as base fare, passenger accidental surcharge, passenger welfare surcharge, IT Surcharge *etc.* Passenger Welfare Surcharge is being collected and used by UPN under the Passenger Welfare Surcharge Fund Rules, 2000 (Fund Rules, 2000) of UPSRTC, as adopted by UPN. According to the Fund Rules, 2000, the fund may be utilized for maintenance of bus stations, passengers' amenities such as cleaning of bus stations, washing of buses and other expenses relating to daily passengers' amenities, up-gradation of bus stations as well as expenditure related to construction of bus stations. Further, ten *per cent* of the total collection of the Passenger Welfare Surcharge could be used to pay salary of the employees who are engaged on the bus station.

As per the Fund Rules, 2000, UPN was required to collect the Passenger Welfare Surcharge and deposit it in the separate bank account at depot level and the same would be sent to Head Quarter's collection account on daily basis.

The Passenger Welfare Surcharge is being collected as detailed below:-

Sl. No.	Particulars	Passenger Welfare Surcharge
1	0 to 85 km	₹ 1.50 per passenger
2	86 to 100 km	₹ 2.00 per passenger
3	101 to 200 km	₹ 3.00 per passenger
4	200 and above	₹ 4.00 per passenger

Scrutiny of records revealed that during the year 2015-16 to 2019-20 UPN collected ₹ 66.90 crore as the Passenger Welfare Fund and the amount was spent under the different heads as detailed below:-

(in ₹)

	Particulars	2019-20	2018-19	2017-18	2016-17	2015-16	Total
A	Revenue under Passenger welfare fund	134494519	137250437	135835586	129684164	131505178	668769884
	Total Revenue	134494519	137250437	135835586	129684164	131505178	668769884
B	Expenses						
1	Salary and wages	59210952	63664893	85815237	59836583	68914431	337442096
2	Heating and Lightening	6433112	6542106	967780	2886417	4847653	21677068
3	Stationary consumed	235200	688000	346629	361366	185697	1816892
4	Mis.exp	9478288	12479282	8091855	17158782	8709149	55917356
5	Telephone	148244	196871	199519	248766	174285	967685
6	Rent Rates and Tax	1171550	416182	193205	1003590	291500	3076027
7	Incentive	9773148	15652793	20543215	21174866	26674983	93819005
8	Repair and Maintenance of building	9256725	3893234	9409527	3418495	3674497	29652478
9	Washing charges	3284802	3359564	4120332	3667797	4002909	18435404

10	Electric Charges			6046432	3420717	1084080	10551229
11	Repair and Maintenance from Outside agencies	13221503	10308305	-	16653011	12933171	53115990
12	Advertisement and Publicity			61722	-	87092	148814
13	Staff Car and Van Exp.	16670520	13707530				30378050
14	TyrePuncture	515367					515367
15	Hired Buses	2000000	1825845				3825845
16	Welfare & Medical	3096194	4558682				7654876
	Total Expenditure	134495605	137293287	135795453	129830390	131579447	668994182

It can be seen from the above that out of the ` 66.90 crore, UPN paid ` 27.05¹⁵ crore (50.87 per cent) as salary in addition to 10 per cent (` 6.69 crore) as allowed in the Fund Rules, 2000, ` 9.38 crore (14.03per cent) as Incentive to employees, ` 5.59 crore (8.36 per cent) as Miscellaneous expenses and ` 5.31 crore (7.94 per cent) as Repair and Maintenance from Outside agencies, Staff Car and Van Exp. ` 3.04 crore, Tyre Puncture¹⁶ ` 0.05 crore, Hired Bus Exp. ` 0.38 crore and Welfare & Medical Exp. ` 0.77 crore (total ` 54.89 crore being 82.05 per cent of total collection). The above mentioned expenditures were not allowed from the Passenger Welfare Fund under the Fund Rules, 2000. Further, UPN spent ` 12.01 crore only in the legitimate heads which were classified under the Fund Rules, 2000.

Thus, Passenger Welfare Surcharge collected by UPN to provide better facilities such as cleaning of bus stations, washing of buses and other expenses relating to daily passengers' amenities, up-gradation of bus stations as well as expenditure related to construction of bus stations etc. is being used to pay salary and incentive to staff and other payments which were not covered under the passenger amenities under the Fund Rules, 2000.

Hence, the utilisation of the fund for expenses/payments not covered in the Fund Rules, 2000 depicts that funds amounting to ` 54.89 crore were diverted and main purpose of collecting the same was defeated.

The initial reply to the para is still awaited.

¹⁵ ` 33.74 crore less ` 6.69 crore (being 10 per cent of total collection)

¹⁶ UPN provides separate fund of all its three divisions namely Dehradun, Nainital and Kathgodam Division on the basis of operation of buses i.e seven paisa per kilometer.

Para 4: Non levy and collection of service tax resulted in loss to the Public Exchequer amounting to ` 63.61 lakh.

The service of transportation of passengers by stage carriage was exempted from the Service Tax as the same was included in the Negative List. However, by amendment (1 March 2016) in the Negative List, the Government restricted the exemption to the services of transportation of passengers only by non-air-conditioned buses w.e.f. 1 June 2016. Therefore, the service of transportation of passengers by Air Conditioned (AC) buses was brought into Service Tax Act w.e.f. 1 June 2016. Accordingly, the Uttarakhand Parivhan Nigam (UPN) was required to levy and collect Service Tax from the passengers of such AC buses and deposit the same with the Government. UPN is engaged in the business of transportation of passengers by AC stage carriages (both its own AC buses as well as the hired AC buses) on different designated routes and was required, in light of the above amendments, to levy and collect Service Tax from passengers of such buses.

Audit noticed that the applicability of Service Tax on the transport of passengers by air-conditioned buses was implemented in UPN from 16 July 2016, after a lapse of 45 days. During this period, the service tax was applicable on 40 *percent* of gross amount received by UPN in respect of revenue from AC buses. The aforesaid provisions of taxability are applicable on revenue generated by contract service/ out agencies/ hired buses.

The UPN earned a total revenue of ` 10.60 crore from the operation of AC buses during the period from 1 June 2016 to 15 July 2016. Thus, the non-levy and collection of Service Tax in a timely manner resulted in loss to the Government exchequer amounting to ` 63.61 lakh (15 *per cent* of 40 *per cent* of ` 10.60 crore).

The initial reply to the para is still awaited.

Para 5: Loss on account of penalty on Employee Provident Fund: ` 91.65 lakh.

Uttarakhand Parivhan Nigam (UPN) is covered/ working under the Employees' Provident Fund Scheme, 1952. As per the section 29 of the scheme, Contribution includes:

(1) The contributions payable by the employer under the Scheme shall be at the rate of [ten *per cent*] of the [basic wages, dearness allowance (including the cash value of any food concession) and retaining allowance (if any)] payable to each employee to whom the Scheme applies:

Provided that the above rate of contribution shall be [twelve] *per cent* in respect of any establishment or class of establishments which the Central Government may specify in the Official Gazette from time to time under the first proviso to sub-section (1) of section 6 of the Act.

(2) The contribution payable by the employee under the Scheme, shall be equal to the contribution payable by the employer in respect of such employee:

Provided that in respect of any employee to whom the Scheme applies, the contribution payable by him may, if he so desires, be an amount exceeding [ten *per cent*] or [twelve *per cent*], as the case may be, of his basic wages, dearness allowance and retaining allowance (if any) subject to the condition that the employer shall not be under an obligation to pay any contribution over and above his contribution payable under the Act;

As per section 38 (1), Mode of Payment of Contribution, the payment is to be made within fifteen days of the close of every month pay to the fund.

As per section 32 A, Recovery of damages for default in payment of any contribution, Where an employer makes default in the payment of any contribution to the fund, or in the transfer of accumulations required to be transferred by him under sub-section (2) of section 15 or sub-section (5) of section 17 of the Act or in the payment of any charges payable under any other provisions of the Act or Scheme or under any of the conditions specified under section 17 of the Act, the penalty, damages as per the rates prescribed in the act may be recovered from the employer.

As per the Section 7Q, Interest payable by the employer, of Employees' Provident Fund Act, 1952. —“The employer shall be liable to pay simple interest at the rate of twelve *per cent*. per annum or at such higher rate as may be specified in the Scheme on any amount due from him under this Act from the date on which the amount has become so due till the date of its actual payment.”

With the reference to the above, during the scrutiny of the record for the year 2018-19 and 2019-20, it was noticed that Employee Provident Fund Origination (EPFO) levied interest and damages of ` 91.65¹⁷ lakh during the year 2018-19 and 2019-20 as detailed below:-

Name of the Division	Total EPF Due	EPF Paid along with Interest and Damage				EPF due along with Interest and Damage			
		Amount of EPF	Interest	Damage /Penalty	Total	Amount of EPF	Interest	Damage/ Penalty	Total
		A	B	C	A+B+C	A	B	C	A+B+C
Dehradun Division	146958360	105073457	1183926	790452	107047835	41884903	483879	530040	42898822
Nainital Division	141095078	141095078	0	261918	141356996	0	0	0	0
Tanakpur Division	65595567	65595567	802586	607398	67005551				
Head quarters	191571527	118946609	1138604	711044	193421175	72624918	1283542	1372257	85797644
Grand Total	545220532	430710711	3125116	2370812	508831557	114509821	1767421	1902297	128696466

It can be seen from the above table that during 2018-19 and 2019-20, UPN paid ₹ 5452.20 lakh as EPF to the EPFO out of which UPN paid ₹ 4307.11 lakh with a delay ranging from one to nine months up to August 2019 in Dehradun Division and up to June 2019 in Head Quarters along with the interest and damage of ₹ 54.96 lakh¹⁸. The balance amount of EPF amounting to ₹ 1145.10 lakh for the remaining months is yet to be paid by UPN out of which, the interest and damages of ₹ 36.69 lakh has already been levied by EPFO on ₹ 444.15 lakh¹⁹. On the remaining amount of ₹ 700.95 lakh, the interest and damage is yet to be levied (as per the information provided by UPN).

Further, as per section 32B (c) **Terms and conditions for reduction or waiver of damages of the EPF Scheme, 1952**, The Central Board may reduce or waive the damages levied under section 14B of the Act in relation to an establishment specified in the second proviso to section 14B, subject to the following terms and conditions, namely (c) in other cases, depending on merits, reduction of damages up to 50 per cent may be allowed.

As per the discussion with the officials, UPN did not appeal in EPFO for waiver of the damages levied amounting to ₹ 42.73 lakh and paid ₹ 23.71 lakh out of ₹ 42.73 lakh.

Thus, non-adherence to the timelines given by EPFO for depositing the fund contribution resulted in avoidable expenditure on account of interest and damage of ₹ 91.65 lakh out of

¹⁷ Interest of 48.92 lakh (₹ 32.25 lakh + ₹ 17.67 lakh) plus Damage/ penalty of ₹ 42.73 lakh (₹ 23.71 lakh + ₹ 19.02 lakh)

¹⁸ Interest of ₹ 31.25 lakh and Damage of ₹ 23.71 lakh.

¹⁹ Dehradun Division ₹ 120.91 lakh for the month September and October 2019 and Head Quarters ₹ 323.24 lakh for the month July to October 2019.

which ₹ 54.96 lakh have been paid by UPN and balance of ₹ 36.69 lakh is yet to be paid. Further, the penalty on account of interest and damage will increase with the time if the dues of ₹ 1145.10 lakh are not paid. The initial reply to the para is still awaited.

Para 6: Diversion of Fund: Salary and wages paid out of fund received for Construction of the Bus Station in Bajpur, Udham Singh Nagar:-` 1.70 crore.

Uttarakhand Parivhan Nigam (UPN) in compliance to the decision of Government of Uttarakhand (24 July 2008) decided to construct a bus station in Bajpur, Udham Singh Nagar. The total estimated cost the bus station was `10.00 crore. Land for construction of Bus Stand was demanded by UPN in December 2008.

For construction of the bus station, Forest Land of 5.995 hectare was selected. Out of 5.995-hectare land, the Forest Department was requested to allot 0.396-hectare land (July 2010). However, the request of UPN was rejected by the Forest Department (September 2010). The proposal of the land was again sent to the Forest Department (November 2010) which was again rejected (December 2010) by the Forest Department.

However, in spite of non-availability of the land, the financial proposal of the construction of the said bus station was approved and ` 1.70 crore including ` 1.69 crore for payment of NPV were received by UPN (January 2011).

As per the records produced to audit, UPN received/ kept ` 1.79 crore including ` 1.70 crore received from GOU (January 2011) in a separate account²⁰.

During the course of Audit, it was noticed that the ` 1.79 crore which was received for construction of Bus Station was spent by UPN on payment of salary with the direction of higher officials. However, no approval in this regard and period for which the amount was spent on the salary was found in the records. Further, the land for the construction of the bus station is not yet finalised/ obtained by UPN.

As per the Budget Manual, the amount must be incurred on the intended purpose or failing to this, the same should be returned to Government along with the interest, if earned.

UPN neither incurred the amount on the intended purpose nor returned the same to GoU which is a clear violation of the budget manual. Also the purpose for which the amount was released could not be achieved.

Further, in the light of the above, the following information may be provided to audit on urgent basis: -

1. Date wise details of the expenditure made out of ` 1.79 crore.
2. Approval of the competent authority for such diversion of the fund.
3. Reasons for not surrendering the amount to GoU.
4. Amount of interest earned on the same, if any.
5. Copy of GO. No 94 Dated 14.12.2010 relating to financial approval of ` 1.79 crore.

The initial reply to the para is still awaited.

²⁰155600210010588 in Punjab National Bank

Para 7: Non-payment of service tax resulted in penalty amounting to ` 1.82 crore.

Uttarakhand Parivahan Nigam (UPN) was served (18April 2019) a demand-cum-shown notice by the Directorate General of Goods & Service Tax Intelligence. The notice indicated that the UPN was receiving consideration from certain Dhaba owners/restaurant owners for the stoppage of buses at Dhaba/Restaurants on long routes to help enhance the business of the Dhaba/Restaurant owners and was thus engaged in providing services to the said owners which was taxable under the Service Tax law. The UPN was neither registered under such category of service nor were paying service tax there upon. Other services were also identified which attracted service tax.

The details in respect of above Show-Cause Notice are stated below: -

Sl. No.	Name of the Service	Service Tax Short paid (in lakh)	
		UPN Kathgodam	UPN Dehradun
1.	Transport of passengers with or without accompanies belonging in respect of Air-conditioned buses	8.84	25.27
	Postal Mail Service	--	6.62
2.	Advertisement Service	6.97	3.80
3.	Parking Services under the head renting of Immovable Property Service	67.99	59.53
4.	Income from Food Stall/Dhaba	60.80	86.86
	Total	144.60	182.08

The UPN was required to reply to the above Show-Cause Notice within 30 days failing which it was to be construed that the UPN did not have anything to state in their defense and case shall be decided *ex parte* based on the facts and evidence available on record, without any further notice/intimation.

In respect of the above Show-Cause notice issued to M/s Uttarakhand Parivahan Nigam, Dehradun, the Service Tax Department confirmed (August2020) the demand of ₹182.09 lakh. The amount of ₹ 3.20 lakh already deposited by UPN was liable to be adjusted against the total demand. The Service Tax Department further imposed a penalty ₹ 182.09 lakh upon M/s UPN DDN.

In response, to the above demand, UPN deposited ₹ 27.32 lakh as interim deposit of 7.5 per cent of the total demand prior to going in for appeal.

In respect of the above, it may be intimated to audit whether the UPN has appealed against the above order of Service Tax Department. Further, it may also be intimated whether any demand in respect of UPN, Kathgodam has been received from the Service Tax Department.

Thus, due to short payment of Service Tax by the UPN it attracted a service tax demand of ₹ 182.09 lakh and an equivalent penalty of ₹ 182.09 lakh. Had the service tax paid in a timely and accurate manner, UPN could have avoided the burden of penalty imposed the short deposit of the service tax.

The initial reply to the para is still awaited.

Part II B

Para 1: - Loss on account of delayed decision in declaring the buses as scrap: - ` 29.24 Lakh

As per the current policy of the Uttarakhand Parivhan Nigam (UPN), the buses are to be auctioned after completing the following milestones:

Sl. no.	Particulars	Wheel base operating on Hilly roads (in inches)			Wheel base operating on Plain roads (in inches)
		150	166/190/195	205	218/ 210/222
1	Age (in Year)	6	7	7	8
2	Chassis KM (In lakh)	4	5	7	8

As per the practice adopted by the UPN, after completing the above mile stones of Buses, divisional committee prepare a proposal and send to the UPN Head Quarters for approval of the same. On the recommendation of the above committee, UPN Hqrs. declares the vehicle/ buses as scrap. Thereafter, the concerned depot surrenders the vehicle to O/o Assistant Regional Transport Officer (ARTO) where after clearing/ depositing all the dues such as passenger tax etc. by UPN, the ARTO accepts the surrender of the vehicle. Hence, the passenger tax is payable by UPN to ARTO up to the date of surrender of vehicle irrespective of the fact that vehicle is currently in operation or not. The above fact was also confirmed by the official of UPN, during discussion.

Further, as per the notification of Government of Uttarakhand (02 January 2019), the passenger tax was payable at the rate of ₹ 90/ seat/ month. With reference to the above, during the scrutiny of the records, audit noticed that there was a delay in sending the proposal of nine buses to Head Quarter by the division as detailed below:-

Bus No.		Name of Depot	Off road	Date of proposal	Delay in Months	Additional Tax Paid ²¹
UK07 PA	883	B	Oct-17	Jan-19	15	67500
UK07 PA	851	B	Oct-17	Jan-19	15	67500
UK07 PA	1529	Gramin	Apr-18	Jun-18	2	9000
UK08 PA	198	Haridwar	Mar-17	May-17	2	9000
UK08 PA	216	Haridwar	Mar-18	Sep-18	6	27000
UK08 PA	240	Haridwar	Apr-18	Sep-18	5	22500
UK08 PA	224	Haridwar	Mar-18	Sep-18	6	27000
UK08 PA	182	Haridwar	Mar-18	Sep-18	6	27000
UK08 PA	217	Haridwar	May-18	Sep-18	4	18000
Grand Total						274500

²¹ Calculated by taking 50 seats in a bus.

From the above table, it can be seen that there was a delay in sending the proposal for declaring the buses as scrap to the UPN Headquarters ranging from two to 15 months. Also, two buses (UK07PA 883 and UK07 PA 851) were approved by the UPN Headquarters (September 2019) with a delay of eight months resulting in avoidable passenger tax of ₹ 72,000/-. Further, review of the records relating to 321 buses declared obsolete and surrendered to ARTO during the year 2019-20 revealed that the approval of these buses got delayed by Headquarters for period ranging between one to 17 months which resulted in avoidable payment of ₹ 26.51 lakh.

Thus, due to the delay in decision making regarding the declaration of buses as scrap, UPN suffered avoidable expenditure of ₹ 29.24 lakh (₹ 26.51 lakh + ₹ 2.74 lakh).

The initial reply to the para is still awaited.

Para 2: Non production of records

The Compliance Audit of Uttarakhand Parivhan Nigam for the period April 2019 to March 2020 was taken up from 08.06.2019. During the audit, information/records were called for vide audit memo no. Audit memo no 959/74 to 959/77 (four Audit Memo) dated 19-11-2020, Audit Memo 959/78 (one Audit Memo) dated 21-11-2020, Audit Memo 959/79 to 959/80 (two Audit Memo) dated 23-11-2020, Audit Memo 959/81 to 959/83 (three Audit Memo) dated 25-11-2020, Audit Memo 959/84 (one Audit Memo) dated 26-11-2020, Audit Memo 959/96 (one Audit Memo) dated 17-12-2020 and Audit Memo 0153/15 (one Audit Memo) dated 30-12-2020.

From the above requisitions, the information/records called for vide the following memos were not furnished to audit: -

1. Point no. 8, 11, 12,15,18, 20 and 21 of Audit Memo 959/74
2. Point no. 2,3,4,5,6 and 7 of Audit Memo 959/75
3. Audit Memo 959/76
4. Audit Memo 959/79 to 959/80
5. Point no.3 and 4 of Audit Memo 959/81
6. Audit Memo 959/84
7. Audit Memo 959/96 (one Audit Memo) dated 17-12-2020, except point no. 04
8. Audit Memo 1053/15 (one Audit Memo) dated 30-12-2020

Despite of the personal pursuance and the reminders dated 01.12.2020, 26.12.2020 and 30.12.2020 the above information/records were not furnished to audit till date.

The initial reply to the para is still awaited.

Part III

Detail of unsettled paras of previous inspection reports:-

Sl. No.	Office	Inspection Report Period	Part- II (A)	Part-II (B)
1	Head Office	Since inspection to March 2007	1,2,3,4	1,2,3,4,5,6,7
		April 2007 to March 2008	1,2	1,2
		April 2009 to Sept. 2011	1,2,3,4	1,2
2	DM Tanakpur	April 2002 to June 2003	1,2	1,2,3
		April 2009 to Sept. 2011	Nil	1,2
3	DM Nainital	April 2009 to Sept. 2011	Nil	1,2
4	Head Office	October 2011 to Sept. 2013	1,2,3	Nil
5	DM Tanakpur	October 2011 to Sept. 2013	1,2,3	Nil
6	DM Nainital	October 2011 to Sept. 2013	Nil	1,2
7	DM Dehradun	October 2011 to Sept. 2013	Nil	1,2,
8	Head Office	October 2013 to March 2016	1,2,3,4	1,2
9	Head Office	April 2016 to March 2019	1,2,3,4,5,6 & 7	1,2

For obtaining the replies of old AIR, the audit memo number 76 (book number 959) was issued to the management of the division. Initial reply is still awaited.

Compliance report of unsettled paras of previous inspection report-

Inspection report period and number	Para No. Audit observation	Compliance report	Comments of Audit Party	Remarks
-	-	-	-	-

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

- Office of the Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards MD Office, Uttarakhand Parivahan Nigam, Dehradun and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.
- Though following documents were not produced during audit:**
Documents/records as stated in Para 2 of Part II B of this Audit Inspection Report.

3. Persistent irregularities.

NIL

4. The following officers held the charge of head of the office during the audit period:

Sr. no.	Name	Post
(i)	Shri. R. Rajesh Kumar	Managing Director
(ii)	ShriRanveer Singh Chauhan	Managing Director
(iii)	Shri Pankaj Tiwari	Finance Controller
(iv)	Shri. JeevanCharndra Joshi	Finance Controller
(v)	Shri Vikram Singh Jantwal	Finance Controller

The compliance report on the AIR may be sent to Sr. DAG/DAG/AMG-II Office of the Principal Accountant General (Audit) Uttarakhand, Mahalekhakar Bhawan, Kaulagarh, Dehradun within one month of receipt of the letter.

Sr. Audit Officer/AMG-II (PSUs)

