

PRESS BRIEF

CAG Audit Report on Social, General and Economic Sectors (Non-Public Sector Undertakings) Government of Himachal Pradesh for the year ended 31st March 2019

The Report No. 2 of the year 2021 on Social, General and Economic Sectors (Non-Public Sector Undertakings) of the Comptroller and Auditor General of India for the year ended 31 March 2019, Government of Himachal Pradesh was presented to the Legislative Assembly on _____ 2021 in accordance with the Article 151 of the Constitution of India.

This Report comprises of three chapters. Chapter I contains the financial profile of the State, planning and conduct of audit and follow-up on Audit Reports. Chapter II comprises of two performance audits on (i) Working of Horticulture Department and (ii) Solid Waste Management in Urban Areas. Chapter III contains 14 compliance audit paragraphs of various departments.

The Audit findings included in this Report have a total money value of ₹ 203.01 crore. Significant audit findings are mentioned below:

Performance Audits

1. Working of Horticulture Department (*Horticulture Department*)

Performance Audit on 'Working of Horticulture Department' included an examination of the elements of planning process, management of finances, execution of horticulture schemes/activities and internal control systems. Audit noticed deficiencies in planning, financial management, uneconomic and ineffective execution of various horticulture development activities, including creation of infrastructure, supply of improved varieties of plants, post-harvest management and ineffective internal control. The financial implication of this audit intervention is ₹ 97.03 crore. The significant audit findings are as under:

- The Department did not formulate State Horticulture Policy/ Strategic Plan with clear milestones for development of horticulture in the State.
- Department was ineffective in controlling overall, as well as per acre, decline in fruit production during 2014-19.
- Twelve *per cent* of the allocated funds (2014-19) were not utilised, while three *per cent* of the amount booked as expenditure was parked in saving Bank accounts of 19 drawing and disbursing officers and not actually expended.
- State Disaster Response Funds of ₹ 21.60 crore was irregularly diverted towards subsidy, on pesticides, provided to horticulturists.
- In ten out of twelve physically verified Plant Cum Demonstration Orchards (PCDOs), 31 *per cent* area was without plantation, four PCDOs did not have nurseries and eight had inadequate irrigation facilities.

- Fruit processing units established utilising subsidy of ₹ 3.21 crore remained non-functional.
- Difference in cost and quantity of pesticides, improper maintenance of data, and non-conducting of internal audit reflected ineffective internal control.

2. Solid Waste Management in Urban Areas (*Urban Development Department*)

Performance Audit on 'Solid Waste Management in Urban Areas' brought out deficiencies in collection, segregation, storage, transport, processing and disposal of solid waste. The financial implication of this audit intervention is ₹19.06 crore. Significant audit findings are as follows:

- Plan documents did not assess resource-gap in institutional and financial capacity, and did not address issues relating to segregation, processing and disposal of solid waste.
- Inadequate funds were made available for projects of capital nature, while available funds were not fully utilised; and there were shortcomings in collection of user charges.
- There were shortcomings in door-to-door waste collection, waste collection through community bins and modern underground bins in all 16 test-checked ULBs, resulting in overflow, littering and open dumping of waste.
- Waste in segregated form was neither being collected from the waste generators nor were there any facilities for segregation at secondary level or at the time of transport.
- Deficiencies in transportation of waste included lack of capacity in vehicles used for transporting waste to handle segregated waste, and 73 per cent of the vehicles were un-covered in the 16 test-checked ULBs.
- Biodegradable and non-biodegradable waste processing plants had been constructed in only 11 ULBs and one ULB respectively; however, none of the facility was fully functional.
- Sanitary landfill facilities for safe disposal of solid waste had not been created in any of the 54 ULBs of the State, and mixed waste was being dumped in open dump sites.
- Entities responsible for monitoring of solid waste management were not discharging their functions, resulting in non-functional monitoring mechanism and non-adherence to rules.

Compliance Audit

1. Embezzlement of Government money (*Animal Husbandry Department*)

In Animal Husbandry Department, Government receipts and beneficiary share had neither been accounted for in the cash book nor deposited in the Government account resulting in embezzlement of ₹ 99.71 lakh.

2. Embezzlement of funds in Himachal Pradesh University (Education Department)

Failure of authorities of Himachal Pradesh University to carry out periodic reconciliations and exercise necessary checks for comparing receipts in the registers/ records with those appearing in Bank statements, resulted in embezzlement of ₹ 1.13 crore.

3. Irregular expenditure on testing of school uniform cloth (Education Department)

Testing of school uniform cloth was awarded directly to a laboratory, in violation of Financial Rules and principles of financial propriety and economy in public procurement, which resulted in irregular and uneconomical expenditure of ₹ 1.62 crore and extension of undue favour to the laboratory.

4. Unfruitful expenditure on construction of building (Education Department)

Contravention of approved building plan by executing agency and lack of monitoring by the Education Department led to denial of civic amenities to staff quarters which remained non-functional for more than 49 months, resulting in unfruitful expenditure of ₹ 2.27 crore.

5. Undue favour and avoidable/wasteful expenditure on hiring of transport helicopter (General Administrative Department)

Undue favour was extended to M/s Pawan Hans Limited (PHL) by inserting and modifying conditions that excluded other bidders, allowing PHL to qualify technical evaluation ignoring the serious issue of its poor safety record, and allowing extension of contract despite unsatisfactory service delivery. Further, unjustified and arbitrary award of 10 *per cent* annual increase in rates resulted in avoidable expenditure of ₹ 18.39 crore, while adjustment of excess/deficit flying hours on yearly basis, instead of over the term of contract, led to wasteful expenditure of ₹ 6.97 crore on unutilized flying hours.

6. Mis-utilisation of Grant-in-Aid (Industries Department)

Lack of monitoring and inaction on the part of the Department had resulted in non-recovery of financial assistance and penalty of ₹ 1.29 crore under National/ State Mission on Food Processing Scheme.

7. Non-utilisation of funds and unfruitful expenditure on infrastructure (Labour and Employment Department)

Himachal Pradesh Building and Other Construction Workers Welfare Board did not formulate action plan for utilisation of fund with systematic assessment of requirements. Consequently, 86 *per cent* of funds collected, and assets created at an expenditure of ₹ 24.15 crore for skill development institute and labour accommodation remained unutilised.

8. Undue favour to contractor on suspended work of road (*Public Works Department*)

Extension of undue favour to the contractor amounting to ₹ 2.88 crore on account of non-obtaining of performance guarantee, payment for unauthorised execution of excavation work at significantly high rates, non-recovery of useful stones, non-recovery of compensation, and less deduction of security deposit in respect of suspended work of road.

9. Mis-utilisation of State Disaster Response Fund (SDRF) for inadmissible works (*Revenue Department*)

The State Executive Committee was not ensuring proper utilisation of money drawn from SDRF, resulting in mis-utilisation of ₹ 14.63 crore by Deputy Commissioners on inadmissible works of repair and restoration without any damage by disaster/ calamity.

10. Infructuous expenditure and blocking of funds due to non-construction of building of Polytechnic (*Technical Education Department*)

Failure of the Department to check feasibility of site before diversion of land for construction of Polytechnic and delay in identification of land at alternative site, resulted in infructuous expenditure of ₹ 99.91 lakh, and blocking of ₹ seven crore and non-construction of Polytechnic for more than nine years.

11. Planning and Regulation of Construction (*Town and Country Planning and Urban Development Departments*)

The objective of planned and sustainable development of land in the State could not be achieved as the regulatory framework governing construction were made applicable to only 11 *per cent* of the available area. Development Plans were either not prepared in advance or not implemented, as envisaged. This, coupled with poor application of Rules and Regulations by the authorities concerned, proved ineffective in preventing as well as taking actions with respect to unauthorised constructions. Keeping in view the fragile and seismically sensitive eco-system, such unauthorised constructions could be a source of disaster, in the event of a natural calamity in the State.