CHAPTER-II
AUDIT OF TRANSACTIONS

2. AUDIT OF TRANSACTIONS

Excess/overpayment/wasteful/unfruitful/infructuous expenditure

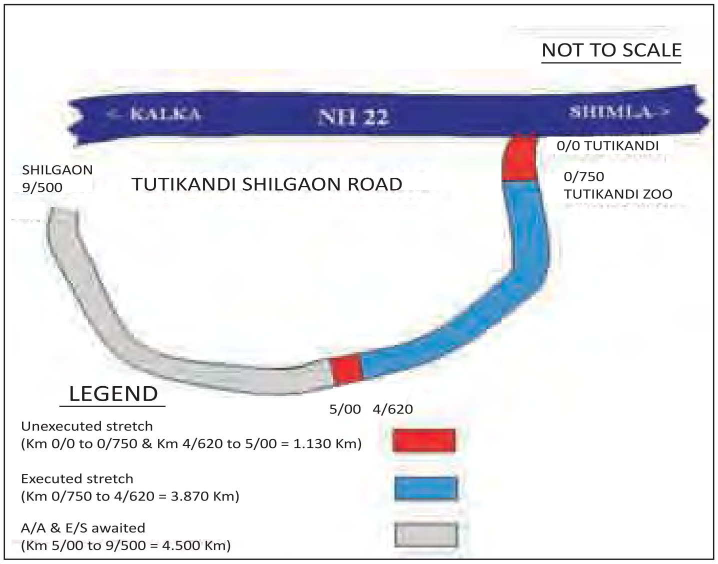
Public Works Department

2.1 Infructuous expenditure on construction of a link road

Lack of planning for construction of a link road resulted in infructuous expenditure of Rs 35.98 lakh

In order to provide transport facilities to inhabitants of six villages[1] of Shimla district, an estimate for Rs 13.05 lakh for construction of 9.500 kilometres long link road from Tutikandi by-pass (National Highway-22) to Shilgaon, was submitted by the Superintending Engineer, 4th Circle Shimla to the Engineer-in-Chief in May 1986. The State Government thereagainst administratively approved (October 1986) construction of five kms (0/0 to 5/0 kms) long motorable road for Rs 12.96 lakh and stipulated that it should be completed in three years.

Map: 2.1.1



Scrutiny of records (December 2007) of Shimla Division No. 1 and further information obtained (November 2008-June 2009) revealed that due to involvement of private land/property in the alignment of road at the initial stretch (km 0/0 to 0/750) the Department took up execution (October 2003) of road beyond km 0/750 from Tutikandi Zoo road after conducting survey and investigation between 1987-88 and 2002-03 at a cost of Rs 0.38 lakh and constructed 3.870 kms road (upto stretch of

[1] Dhar, Lail, Badhi, Nahra, Kiari and Shilgaon.

km 4/620) at a cost of Rs 35.98 lakh. The road work in the next reach was held up (March 2006) due to involvement of forest land.

When the matter was taken up in audit, the Executive Engineer (EE), without responding to the issue of poor planning leading to non-completion of work in stretches from km 0/0 to 0/750 and km 4/620 to 5/0 drew attention to the stretch of km 5/0 to 9/500 for which administrative approval and expenditure sanction(A/A & E/S) is yet to be accorded. The fact remains that the stretches of km 0/0 to 0/750 and km 4/620 to 5/0 have not been taken up for construction and the entire expenditure of Rs 35.98 lakh has proved infructuous. Further, A/A & E/S in the next stretch of road from km 5/0 to 9/500 will only add to the infructuous amount of work without resolving the problem in the present incomplete stretches.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

2.2 Unfruitful expenditure on construction of jeepable bridge

The Department did not plan and construct jeepable approach road to village Suru resulting in unfruitful expenditure of Rs 85.80 lakh on construction of jeepable suspension bridge

In order to provide transport facility to 282 persons of Suru village of Shimla district, construction of 140 metre span jeepable suspension bridge over river Sutlej was administratively approved (September 2001) under RIDF[2] -VI scheme of NABARD[3] for Rs 1.32 crore. The construction work of the bridge was taken up in October 2001 and was completed in September 2006 at a cost of Rs 85.80 lakh.

Scrutiny of records (November 2008) of Rampur division revealed that there was no jeepable road to Suru village and the existing footpath was not suitable for plying of jeeps/light vehicles. At the time of getting sanction for construction of jeepable bridge, the Department did not consider conversion of the footpath to jeepable road standard and as a result, the bridge constructed could not be utilised for plying jeeps/light vehicles as of March 2009.

The Chief Engineer (South) stated (March 2009) that there was a proposal under Bharat Nirman (PMGSY) to connect village Suru either from Ganvi side or from Rupi side, which are also on the right bank of river Sutlej. The reply is admission of the fact that the village Suru is now proposed to be linked by other roads having bridges over river Sutlej.

Thus, absence of planning, first led to the construction of a jeepable bridge without ensuring a jeepable approach road, and now to the virtual abandonment of the bridge, rendering the expenditure of Rs 85.80 lakh on construction of bridge, wasteful. More importantly, the inhabitants of Suru village, who

[2] Rural Infrastructure Development Fund.

[3] National Agriculture Bank for Rural Development.

had been sanctioned a bridge way back in September 2001, continue to be deprived of the jeepable road connectivity even after 8 years.

The audit findings were referred to the Government in April 2009. Reply had not been received (September 2009).

2.3 Avoidable loss due to washing away of bridge

The Department did not maintain the road and bridge over Brauni Nallah resulting in avoidable loss of Rs 1.86 crore to the State Government

The RCC slab culvert over Brauni Nallah and both the approaches to it between kms 284/240 and 285/100 of National Highway-22 (NH), were washed away due to flash floods in August 2003. The restoration work of the culvert and approach roads was completed by NH division, Rampur in May 2006 by incurring an expenditure of Rs 2.14 crore.

Scrutiny of records (December 2008) of the division revealed that after a few months of carrying out restoration/special repairs, the wire crates protecting the wing walls bulged out, and the wire crates provided at downstream and side aprons, were completely washed away. The site near the bridge, had settled down, and sank. To avoid further damages, the Superintending Engineer (SE), NH Circle, Shimla during his inspection (September 2007) directed the division to carry out immediate protection measures and construct a diversion route through the Nallah for the movement of heavy vehicles. It was noticed that neither any protection measures were carried out nor the diversion route as directed by the SE was constructed by the division and the road/bridge continued to be used even by heavy vehicles.

Scrutiny further revealed that in the absence of any maintenance work, the road in a length of 800 metres and the bailey bridge over the Nallah were completely washed away in August-September 2008, thereby sustaining an estimated loss of Rs 1.86 crore as per the damage report. In the meantime, the Engineer-in-Chief informed (September 2008) the State Government that it would not be economical, to restore the road and proposed an alternative alignment. A provision of Rs 2.66 crore for the road on the proposed new alignment at Brauni Nallah was made in the overall estimate of Rs 10.45 crore for restoration of NH-22 between kms 165/0 and 337/140. The approval of the estimate submitted (November 2008) by the Chief Engineer (NH) to the Union Ministry of Shipping, Road Transport and Highways was awaited (December 2008).

The EE while confirming the facts (December 2008) attributed non-taking of protection measures to non-availability of funds. The reply is not acceptable, as funds of Rs 2.87 crore received from various quarters during March 2005-November 2007 for carrying out different restoration works were available in the division under deposits. Moreover, the division had not raised any demand for funds for the purpose.

Thus, the Department did not maintain the road and bridge properly resulting in avoidable loss of Rs 1.86 crore to the State Government.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

2.4 Unfruitful expenditure in construction of Eklavya Model Residential School building

The Department did not get construction of building works completed in time, rendering an expenditure of Rs 91.49 lakh unfruitful

With a view to improving the infrastructure and standard of education in tribal areas, the Union Ministry of Tribal Affairs has been implementing the Eklavya Model Residential School (EMRS) scheme since 1997-98. An EMRS has been functioning at Nichhar (Kinnaur district) in old treasury office building. To mitigate the hardship of the school authorities, students and staff, construction of additional accommodation[4] was administratively approved (March 2007) for Rs 12.17 crore by the Commissioner, State Tribal Development Department. However, the Chief Engineer (South) approved (May 2007) working estimate for construction of school building, administrative block, dining block and two hostel blocks in phase-I for Rs 2.88 crore. The work was awarded (July 2007) to a Yamunanagar based contractor[5] for Rs 6.14 crore with a stipulation to complete by August 2008.

Scrutiny of the records of Karchham division revealed (December 2008) that the contractor started the work in August 2007 and executed only 20 *per cent* work and was paid Rs 67.96 lakh upto 2nd Running Account bill in May 2008. Besides, the Department also spent Rs 23.53 lakh on purchase of material, etc. The work was abandoned in September 2008 and the EE levied a compensation of Rs 61.39 lakh on the contractor (October 2008) for breach of contract. The contractor did not resume the work and the contract was ultimately rescinded (April 2009) under clause-3 of the agreement for getting the remaining work executed at the risk and cost of the contractor.

The EE confirmed (December 2008) the facts and stated that due to limited working season in the area, action to levy compensation was delayed. The reply is not in consonance with the provisions of clause-2 of the agreement as the contractor did not maintain progress of work according to time schedule stipulated for its completion. The fact of limited working season is not an unknown or uncertain factor and cannot be cited as an excuse for non-performance. Moreover, the contractor had not sought any extension of time under clause-5 of the agreement and the EE granted it provisionally

[4] (i) Construction of boys and girls hostel and transit accommodation: Rs 7.07 crore, (ii) Construction of school building (basement), Administrative and Dining Block (Ground and 1st Floor): Rs 2.86 crore and (iii) Principal residence, 12 nos. teacher/warden residences and 15 nos. type-I staff quarters: Rs 2.24 crore.

[5] Sh. Amrit Lal Gupta & Co.

upto 15 December 2008 merely to keep the contract alive. After levy of compensation in October 2008 the Department had not taken any action for its recovery as of April 2009.

The expenditure of Rs 91.49 lakh incurred had, thus, been rendered unfruitful as even after rescission of the work, considerable time and money is likely to be consumed to get the balance work done.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

Irrigation and Public Health Department

2.5 Infructuous expenditure on Lift Water Supply Scheme

The Department did not acquire private land for construction of sump well-cum-storage tank and laying rising main before taking up execution of Lift Water Supply Scheme resulting in infructuous expenditure of Rs 21.15 lakh

To provide drinking water facility to 639 residents of Malehari village and adjoining hamlets in *Gram Panchayat* Mohari (partially covered habitations of Shimla district), construction of a Lift Water Supply Scheme, Malehari was administratively approved (March 2004) for Rs 18.85 lakh. The scheme, stipulated to be completed in four years, was taken up for execution in July 2004 without obtaining technical sanction.

Scrutiny of the records (January 2009) of Division No. I, Shimla revealed that the work could not be completed due to objection from a land owner on construction of sump well-cum-storage tank and laying of rising main. Meanwhile Rs 21.15 lakh was spent upto March 2008 and the work is lying in a suspended state since then.

The Engineer-in-Chief stated (April 2009) that the scheme was taken up for execution hoping to complete it without hindrance and dispute but during its execution, a land owner whose land came across the work, stopped the work. He further stated that undertaking in this regard was taken from the *Gram Panchayat* and in case the dispute is not resolved the matter will be taken up with the Land Acquisition Officer for acquiring the land in public interest. The reply confirms the fact that the Department did not ensure clear title/encumbrance free land by obtaining written consent of the land owner before taking up the work. As a result, the expenditure of Rs 21.15 lakh has proved infructuous. Besides, people of the area were deprived of the facility of adequate water supply.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

2.6 Underutilisation of irrigation potential

Irrigation potential of three irrigation schemes constructed and maintained at a cost of Rs 1.06 crore was grossly underutilised

Scrutiny of records (November 2008-February 2009) of three divisions[6] revealed that the irrigation potential of three irrigation schemes[7] commissioned between November 2002 and August 2005 at a cost of Rs 93.68 lakh and designed to irrigate 169.34 hectares of land per crop was grossly underutilised. Two schemes (Lift Irrigation Scheme (LIS), Kheri and Flow Irrigation Scheme (FIS), Lungasu Babeja) were constructed without obtaining technical sanctions and in one case (LIS, Kheri) demand for water was also not assessed. Utilisation of the irrigation potential created in the schemes ranged between 0.26 and 10.32 *per cent* per crop during 2003-2008 as detailed below:

Table: 2.6.1

(In hectares)

Year	Number of schemes	Crop	Potential created	Potential utilised	Percentage of utilisation
2003-04	1	Rabi	60	0.92	1.53
		Kharif	60	1.07	1.78
2004-05	2	Rabi	134	0.35	0.26
		Kharif	134	6.59	4.91
2005-06	3	Rabi	169.34	0.46	0.27
		Kharif	169.34	5.00	2.95
2006-07	3	Rabi	169.34	0.61	0.36
		Kharif	169.34	5.33	3.14
2007-08	3	Rabi	169.34	6.39	3.77
		Kharif	169.34	17.49	10.32

Source: Figures supplied by the Department

The underutilisation was attributed (November 2008-February 2009) by the EEs concerned to poor demand of water for irrigation from the beneficiaries, non-allotment of land by the Revenue Department to the beneficiaries and non-restoration of damages to the scheme.

Thus, taking up the execution of these schemes without ascertaining the actual demand for water by demand survey (LIS Kheri), non-allotment of land to the beneficiaries (FIS Lungasu Babeja) and non-restoration of damages (FIS Karangla) has resulted in underutilisation of these schemes. The poor demand of the water could be assigned to the fact that the Department did not motivate the farmers to switch over to cultivation of irrigation intensive crops/cash crops like off season vegetables, etc. Consequently, the expenditure of Rs 1.06 crore incurred on construction (Rs 93.68 lakh) and maintenance (Rs 12.39 lakh) of these schemes during 2004-09 had largely remained unfruitful.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

[6] Hamirpur, Pooh and Rampur.

[7] Lift Irrigation Scheme: Kheri, Flow Irrigation Schemes: Lungasu Babeja and Karangla.

Rural Development Department

2.7 Infructuous expenditure on implementation of scheme

The DRDA released payment to an implementing agency and a consultant without enforcing the provisions of MOU resulting in infructuous expenditure of Rs 44.53 lakh

Deputy Commissioner (DC) Sirmour released Rs 60.39 lakh (2005-07) to the Project Officer (PO), District Rural Development Agency (DRDA), Nahan for capacity building of 500 Self Help Groups (SHGs) under the Centrally Sponsored Scheme Rashtriya Sam Vikas Yojana (RSVY) with the objective of addressing the problems of low agriculture productivity, unemployment and filling up critical gaps in physical and social infrastructure. Implementation of the scheme was assigned to VIMARSH, a consultancy firm working in the area of socio-economic development and NABCONs, a wholly owned subsidiary of NABARD. A tripartite memorandum of understanding (MOU), valid for two years, was signed between the firm, consultants and DC-cum-Chief Executive Officer, DRDA, Nahan on 24 March 2005.

VIMARSH was to work as actual service provider and was to build capacity of 500 SHGs (115 to be formed new and 385 to be revived) for independently managing group activities, identification of income generation activities, market survey and feasibility study, initiating and managing income generation activities and developing linkages with financial and marketing institutions. According to the MOU, Rs 42.50 lakh were to be paid to VIMARSH in the following manner:

- Twenty five *per cent* of the total value of the project in advance at the time of signing the contract.

- The remaining payment in equal quarterly installments on review of the quarterly assigned targets and on recommendation of District Level Monitoring Committee (DLMC).

NABCONs was to provide regular feedback to DRDA on the status of implementation of the project. The DLMC was to convene regular monthly meetings to monitor the work done by NABCONs and VIMARSH and the progress made by SHGs in taking up micro enterprises for income generation. Rupees 15 lakh was to be paid to NABCONs as consultation fee in the following manner:

- Twenty five *per cent* as first installment within one week of signing of the MOU and 25 *per cent* at the end of first year.

- Third and fourth installments of 25 *per cent* each were to be paid at the commencement and at the end of the second year subject to the condition that consultants have fulfilled their obligations and have submitted concurrent/mid term/final evaluation reports.

Audit scrutiny (March 2009) of records of DRDA, Sirmour revealed the following:

- Regular monthly meetings of DLMC to review and monitor the performance of the firm and consultants were not held as per MOU and only four against the required 24 meetings were held during the project period.

- Payments were released to VIMARSH and NABCONs regularly without co-relating them to physical achievements.

- Even though the firm and the consultants had not completed the task assigned to them within the validity period of MOU, which expired on 23 March 2007, payment of Rs 44.53 lakh (firm: Rs 37.03 lakh and consultants: Rs 7.50 lakh) had been made. This included payment of Rs 6.25 lakh made beyond the expiry of validity period.

- Both VIMARSH and NABCONs abandoned the project without fulfilling their obligations spelt out in the MOU and it was terminated (November 2008) by ADC-cum-Project Director.

- As no penalty clause had been incorporated in the MOU to safeguard Government interest in the event of non-performance by the firm and the consultants, no action was taken against them.

The Project Officer, DRDA stated (March 2009) that the executing agencies were given directions to finish the work as per time schedule but the agencies did not adhere to the prescribed time schedule on one pretext or the other and notice had been issued for termination of MOU and for taking further action as per provisions of MOU. It was also intimated that the DLMC meetings could not be held within the stipulated period due to non-availability of convenient dates suitable to all the three parties and the remaining work would be carried out with the help of BDOs. The reply is not acceptable as the terms and conditions of the MOU were not followed, monitoring of the performance of the firm and consultants was not done and the intended benefits could not be derived.

Action of the DRDA to release periodic payments to the firm and consultants without monitoring their performance in accordance with the provisions of the MOU, thus, resulted in infructuous expenditure of Rs 44.53 lakh.

The audit findings were referred to the Government in July 2009. Reply had not been received (September 2009).

Youth Services and Sports and Public Works Departments

2.8 Unproductive expenditure and avoidable loss on construction of Stadium

Decision of the Youth Services and Sports Department to convert athletics stadium to cricket stadium midway during construction resulted in unproductive expenditure of Rs 53.50 lakh and blocking of Rs 1.30 crore

To provide modern facilities and technical training for better performance of the sportsmen of the area at international level, a 400 metres athletics track stadium at Nurpur (Kangra district) was administratively approved (June 2005) for Rs 1.84 crore. The work, required to be completed within two years, was sanctioned by the Department for execution through Public Works Department (PWD) as deposit work.

Scrutiny (February-March 2009) of the records of the Director, Youth Services and Sports (Director) and Nurpur division of PWD revealed that the PWD had executed the works of levelling of site and other structures[8] valued at Rs 53.35 lakh upto December 2007. In January 2008, on the recommendation of the local MLA, the work was stopped and a fresh proposal for the construction of a cricket stadium at an estimated cost of Rs 3.45 crore was sent (December 2008) by the Director for approval of the Government. The revised proposal for constructing a cricket stadium involved dismantling various components of work on which Rs 18.88 lakh had already been incurred. The work had not been resumed as of April 2009 and the revised proposal, when implemented, would result in infructuous expenditure of Rs 18.88 lakh. Besides, Rs 1.30 crore remained blocked as deposit and expenditure of Rs 53.50 lakh[9] did not yield the intended benefits.

The Director, while admitting the facts stated (February 2009) that the work was stopped as there was a demand for the construction of cricket stadium instead of outdoor stadium. The reply is not acceptable as the proposal should have initially been finalised after taking all these factors into account. The EE, Nurpur division stated (March 2009) that the executed portion had not been dismantled so far, as write off sanction of the competent authority was still awaited.

Government accepted (June 2009) the facts and stated that the proposal to construct cricket stadium instead of synthetic track is a positive proposition which is under its examination.

The fact remains that taking up the work without ascertaining specific requirement of the intended beneficiaries in the first instance has, thus, resulted in unproductive expenditure of Rs 53.50 lakh and blocking of funds of Rs 1.30 crore.

8 Construction of breast wall, retaining wall, sitting tiers on left hand side of pavilion, excavation work and lean concrete of foundation of the sitting tiers on the western side and pavilion building up to plinth level.

9 Including Rs 0.15 lakh incurred by the PWD during January-March 2008.

Undue favour to contractors/avoidable expenditure

Public Works Department

2.9 Undue favour to a contractor

The Department extended undue favour to a contractor by allowing advance payments of Rs 1.87 crore against invalid Bank Guarantees

As per the provisions of the Standard Bidding Document (SBD) for Pradhan Mantri Gram Sadak Yojna (PMGSY), the Employer may consider advance payment to the contractor against provision by the contractor of an unconditional Bank Guarantee (BG) in a form and by a Commercial Bank acceptable to the Employer in amounts equal to (a) Mobilisation advance up to five *per cent* of the contract price and (b) Equipment advance upto 90 *per cent* of the cost of new equipment brought to the site of the work.

(i) The Detailed Project Report of "Construction of Pangna Manjhagan road from km 0/0 to 22/0" under PMGSY was approved (December 2005) for Rs 5.61 crore by the State Technical Agency (STA), Hamirpur. The work was awarded (February 2006) to a Shimla based contractor for Rs 5.17 crore with a stipulation to complete it in one year.

Scrutiny of records (January 2009) of Karsog division revealed that the work was taken up by the contractor in March 2006 and was stopped in December 2007 after executing the work valued at Rs 2.52 crore. The contractor had not resumed the work thereafter though liquidated damages of Rs 51.72 lakh were levied on him during October 2008 which were yet to be recovered.

The contractor was paid an advance of Rs 77.58 lakh (Mobilisation advance: Rs 25.86 lakh and Machinery advance: Rs 51.72 lakh) during March 2006 against the BGs of Rs 1.05 crore issued by the Branch Manager, UCO Bank Sangrah (District Sirmour). The confirmation of BGs sought (March 2006) from the Bank by the Division was not received. However, the contractor, instead of arranging confirmation from the Bank furnished fresh BGs of Rs 90.40 lakh for advance payment issued by the Branch Manager, UCO Bank, Palampur in February 2007 which indicated that the earlier BGs were false. The fresh BGs were also found fraudulent as Zonal Manager UCO Bank, Dharamshala intimated (November 2007) that no such BGs had been issued by the Palampur branch of the bank. Out of the total advance payments of Rs 77.58 lakh, the recovery of Rs 39.83 lakh (Mobilisation advance: Rs 13.27 lakh and Machinery advance: Rs 26.56 lakh) was still outstanding against the contractor.

The EE confirmed (January 2009) the facts and stated that in case the contractor failed to resume the work, the contract would be terminated and balance amount of advances would be recovered from the machinery brought at site. Government stated (October 2009) that investigation for invalid BGs is being conducted by CBI which had not yet been completed. It was further stated that the matter for withholding payments of concerned contractor had been taken up with all the divisions in the State.

(ii) In a similar case, the Detailed Project Report of "Upgradation of Lawassa Chowki Preet Nagar road from km 0/0 to 42/0" under PMGSY was approved (August 2006) for Rs 7.17 crore by the STA, Hamirpur. The working estimate was approved by the Chief Engineer (South) in January 2007 for Rs 7.58 crore. The work was awarded (May 2007) to the same contractor for Rs 7.50 crore with a stipulation to complete it in one year.

Scrutiny of records (March 2008) of Rajgarh division revealed that the contractor had executed only four *per cent* of the total work as of February 2008 despite issuance of several notices and imposition of liquidated damages of Rs 15 lakh. Advance payments of Rs 1.09 crore (Mobilisation advance: Rs 0.37 crore and Machinery advance: Rs 0.72 crore) had been made to the contractor during May 2007 against the BGs of Rs 1.52 crore issued by the Branch Manager, UCO Bank, Palampur. The BGs were found fraudulent subsequently as Zonal Manager UCO Bank, Dharamshala intimated (November 2007) that no such BGs had been issued by the Palampur branch of the bank. The contractor had neither submitted any documents viz., the registration certificate and insurance papers for the procurement of machinery and equipment nor deployed such machinery at the site of work. Further, the contractor had neither resumed the execution of the work nor the Department could recover the advance payments of Rs 1.09 crore.

The EE confirmed (March 2008) the facts and further intimated (October 2008) that an FIR has been lodged against the contractor in August 2008 and that the matter was under investigation.

Clearly, huge amounts were advanced to the same contractor in these cases without verifying the validity of the furnished BGs. The Department did not observe the relevant provisions of the Standard Bidding Document before making advance payments of Rs 1.87 crore to the contractor, resulting in extending undue favour to him. Besides, Government dues to the extent of Rs 2.16 crore had been put at high risk in the absence of valid BGs.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

2.10 Acceptance of sub-standard work and undue favour to contractor

Due to acceptance of sub-standard work executed at Rs 1.23 crore, the Department did not provide quality road facility and further inaction to recover levied compensation of Rs 50 lakh resulted in extending undue financial benefit to the contractor

The work "Improvement and strengthening of existing road crust from kms 0/0 to 11/0 of Jawalamukhi-Dehra-Nehranpukhar road" (Kangra district) under Central Road Fund Phase-I was awarded (January 2005) to a Nurpur based contractor for Rupees five crore. The work was stipulated to be completed in 18 months. The contractor started the work in January 2005 and executed it to the extent of Rs 3.55 crore upto May 2007. Thereafter, no payment had been made to the contractor.

Scrutiny of records (February 2008) of Dehra division revealed that instead of scarifying the old bituminous surface in an area of 44,100 M^2 as directed by the Engineer-in-Charge, the contractor executed this item in an area of 1771 M^2 only. In the remaining area of the road, the wearing surface was laid and tarred without scarifying the surface. The lapse resulted in allowing rain water to enter the road crust from the sides which could not be drained out and remained trapped. The trapped water ultimately damaged the freshly laid bituminous layer thereby developing potholes and cracks immediately after execution. Non-cutting of existing tarred surface properly was also pointed out by the Chief Engineers (Design) and (North) during their inspections in June 2005 and October 2005 respectively.

It was further noticed that soon after occurrence of damage, the Chief Engineer (North) inspected the site and attributed the damage to non-scrapping the bituminous surface before laying the wearing. He issued (October 2006) instructions to the contractor and the site Engineers to get the damaged surface removed completely and relay the same either by scrapping the old bituminous surface or cutting of escape channels for the exit of rain water. Despite instructions, the contractor did only patch work which was confirmed (February 2009) by the Executive Engineer. Thus, due to acceptance of sub-standard work of wearing and tarring valuing Rs 1.23 crore, the Department did not to provide quality road facility to the public.

Further, as the contractor had failed to maintain the required pace of progress and complete the work within the stipulated time (July 2006), several notices were issued during May 2005-May 2007. Eventually, compensation of Rs 50 lakh was levied (March 2008) on the contractor which had not been recovered as of February 2009.

The EE admitted (February 2008) the facts and stated that the matter was under investigation and action will be taken after receipt of report. He further stated (February 2009) that the work was still in progress and the levied compensation would be recovered from the next running account bill. The reply does not explain why the Department has accepted the sub-standard work and released the payment of Rs 1.23 crore for not executing the work as per terms of agreement. Besides, inaction on the part of the division to recover the levied compensation has resulted in extending undue financial benefit of Rs 50 lakh to the contractor.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

Idle investment/blocking of funds/diversion of funds

Animal Husbandry Department

2.11 Retention of Government receipts outside Government account

In violation of Constitution of India and existing financial principles, the Department retained revenues received from sale of departmental property and refund of Government funds aggregating Rs 3.93 crore outside Government account

Constitution of India lays down that all revenue receipts of the State Government shall be credited to the Consolidated Fund of the State and that no money out of this fund should be appropriated except in accordance with the law and in the manner provided under the Constitution. The State Financial Rules also require that departmental receipts are credited to Government Account.

To promote breeding and development of livestock, especially cattle and buffaloes in the State, Himachal Pradesh Livestock Development Board (Board) was constituted (November 2001) and registered under the Societies Registration Act 1860. The Board was to make the best use of the assets like land, buildings, laboratories, equipment, livestock, machinery and liquid nitrogen plants of the Animal Husbandry Department for carrying out its activities but ownership of these assets rest with the Department.

Scrutiny of records (February 2009) of the Director, Animal Husbandry cum Member Secretary of the Board (Director) revealed the following:

- An amount of Rs 3.60 crore realised by the Animal Husbandry Department on account of sale of Government land at Sainj (Kullu district) to National Hydro Electric Power Corporation (NHPC) was temporarily deposited (January 2002) by the Director in the account of the Board instead of crediting it to the Government account. Subsequently, the State Government allowed (July 2005) conversion of this fund as 'Corpus Fund' of the Board.

- Similarly, Rs 12.40 lakh, realised on account of sale of land at Palampur (Kangra district: Rs 9.95 lakh) and building at Kothipura (Bilaspur district: Rs 2.45 lakh) was also deposited (August 2005 and December 2006 respectively) in the account of the Board.

- Rupees 20.49 lakh received (December 2002) by the Director from the National Dairy Development Board (NDDB) on account of refund of Government Fund drawn through treasury for Liquid Nitrogen plant, was also deposited in the account of the Board instead of crediting it into the Government account.

- Rupees 68.57 lakh received as interest by the Board on the amount transferred to the corpus fund was expended by the Director on the purchase of Liquid Nitrogen Gas during 2005-08.

Government stated (August 2009) that in view of the decision (March 2003) to deposit the income generated by the Department in the Board's account and further approval granted in March 2005 the amount was kept in corpus fund. Thus, the decision of the Government to credit the receipts of Rs 3.93 crore into the account of the Board violated the provisions of the Constitution of India and State Financial Rules and undermined the authority of the Legislature. The State accounts for the period from 2001-02 onwards also did not depict the true picture of receipts of the State Government and revenue deficit/surplus.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

2.12 Blocking of Calamity Relief Fund

The Department did not ensure timely release of transportation subsidy on cattle feed to the farmers resulting in blocking of unutilised amount of Rs 57.20 lakh

The State was affected by drought during 2005-06 and there was a considerable loss to the crops during that year. The Divisional Commissioner, Shimla Division released (February 2007) Rupees one crore from Calamity Relief Fund (CRF) to the Director, Animal Husbandry (DAH) for payment of transportation subsidy on cattle feed under drought relief. The DAH in turn released (March 2007) the funds to Himachal Pradesh Milk Federation Limited (MILKFED) (Rs 48 lakh) and Himachal Pradesh Agro Industries Corporation Limited (HPAIC) (Rs 52 lakh) as these agencies were providing feed to the farmers. Of Rs 48 lakh, the MILKFED further transferred Rs 17 lakh to HPAIC in March 2007.

Scrutiny (March 2009) of records of the DAH revealed that together, MILKFED and HPAIC spent Rs 42.80 lakh[10] for transporting cattle feed under drought relief to the beneficiaries between May 2007 and May 2009. The balance amount of Rs 57.20 lakh remained unutilised[11] (June 2009) with the DAH and the HPAIC as the amount under Calamity Relief was made available to the agencies at such a time when the drought was over and the rainy season was in full swing. The farmers were reluctant to purchase cattle feed due to the availability of sufficient grass in their Ghasnees[12] and fodder crops on the fields. Evidently, the very purpose of grant of relief to the beneficiaries for the drought situation was defeated.

Rupees 57.20 lakh remained unutilised outside Government account for a period of over two years.

The Government stated (August 2009) that in the meeting (March 2009) of the State Level Committee to administer the CRF, the implementing agencies have been asked to refund the unspent amount and that as and when the amount is received back, it will be refunded to DC, Shimla.

[10] HPAIC: Rs 22.74 Lakh and MILKFED: Rs 20.06 lakh.
[11] DAH: Rs 10.94 lakh (Funds refunded by MILKFED in April 2009) and HPAIC: Rs 46.26 lakh.
[12] Non-cultivated pieces of land having grass growing naturally.

Thus, providing calamity relief funds after the drought was over resulted in blocking of Rs 57.20 lakh. Besides, the purpose of providing relief to the farmers in the State facing drought situation was defeated.

Education Department

2.13 Delay in construction of kitchen sheds and blocking of funds

Improper planning and identification of schools for construction of kitchen shed-cum-stores under Mid-day-Meal scheme resulted in delay in providing the facility to 1,077 schools and blocking of funds to the tune of Rs 6.46 crore

Government of India released (February 2007) Rs 20.60 crore for construction of kitchen-shed-cum-stores at the rate of Rs 0.60 lakh per kitchen shed in 3,433 Government and Local Body Schools during 2007-08 under the Mid-day-Meal scheme. The Director, Elementary Education, Shimla passed on (August 2007) the funds to the Project Director, Sarva Shiksha Abhiyan (PD-SSA) who released the amount to all the districts in October 2007. The kitchen shed-cum-stores were required to be completed within three months.

Scrutiny (January-February 2009) of records of the PD-SSA revealed that the construction of 1,047 kitchen sheds costing Rs 6.28 crore was still in progress and the work on 30 kitchen sheds (costing Rs 0.18 crore) in two districts (Kinnaur: 19 and Shimla: 11) had not even been started as of April 2009 due to site disputes, non-availability of land, etc.

The PD-SSA stated (February 2009) that efforts were made to complete the kitchen sheds within the stipulated time and only those works were in progress or not started where suitable sites were not available or kitchen sheds had already been provided through other schemes and the districts had been asked to construct kitchen sheds at the alternative schools. The reply is not acceptable as the feasibility of construction of the kitchen sheds should have been ensured before releasing the funds and a proper check exercised on construction of kitchen sheds.

Improper planning and poor identification of schools on the part of the Department had, thus, resulted in delay of 18 months beyond the stipulated time for providing facility of kitchen shed-cum-stores to 1,077 schools and blocking of Rs 6.46 crore.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

Health and Family Welfare Department

2.14 Idle investment on Auxiliary Nurse-cum-Midwife Training Centre and injudicious expenditure on idle staff

Expenditure of Rs 51.90 lakh incurred on construction of Auxiliary Nurse-cum-Midwife training centre and salary of staff deployed did not serve the intended purpose and proved largely unfruitful

Administrative approval and expenditure sanction was accorded (January 1982) by the State Government for construction of an Auxiliary Nurse-cum-Midwife (ANM) Training Centre at Chamba for Rs 6.67 lakh in place of the training centre housed in the building of Regional Hospital in Chamba which was dismantled for construction of OPD Block. The construction of the training centre building was completed by the State Public Works Department in October 2005, i.e., after over 13 years of sanctioning the work at a cost of Rs 24.66 lakh and the building was handed over (November 2005) to the Chief Medical Officer (CMO), Chamba.

Training for ANM courses was to be provided in this school for the candidates sponsored by the State Government. The Department posted three sister tutors (November 2005) for the purpose.

Scrutiny (January 2009) of the records of CMO, Chamba revealed that State Government had not sponsored the candidates for ANM courses. Only six workshops (October 2008 to January 2009) of shorter duration for 126 participants were conducted at the training centre. Neither any training nor any workshops were held during November 2005 to September 2008. The services of staff (three sister tutors) were, thus, not gainfully utilised and expenditure of Rs 27.24 lakh incurred between November 2005 and May 2009 on the salary of staff of the nursing school was not fully justified.

The CMO while admitting the facts stated (June 2009) that the matter was taken up with the Government for posting of sister tutors in other training institutions where the training is going on and in response the Government directed (January 2006) to utilise the services of the staff in the health institutions against the supervisory posts. The reply is not convincing as the services of the sister tutors could not be gainfully utilised for the intended purposes and instead two out of three sister tutors performed the duties in the statistical, record and diet sections. The construction of ANM training centre building also could not serve the envisaged/desired purposes and was lying idle.

Thus, expenditure of Rs 51.90 lakh incurred on construction of ANM training centre and salary of teaching staff did not serve the intended purpose and resulted in idle investment which proved largely unfruitful.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

2.15 Locking up of funds meant for public health infrastructure

The Department did not arrange suitable sites for construction of public health infrastructure resulting in locking up of funds amounting to Rupees two crore with the executing agencies

State Financial Rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement and it is not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take considerable time. The Rule also prohibits drawal of funds just to avoid lapse of budget grant.

The Chief Medical Officer (CMO), Shimla drew Rs 1.75 crore during 2001-08 for execution of seven works[13] relating to construction of Primary Health Centres (PHCs): (five); Sub-centre and staff quarters (in one PHC) in Shimla district and deposited the amount with the Public Works Department (PWD). Deputy Commissioner also sanctioned (June 2005) Rs 25.31 lakh for construction of three[14] Sub-centres and transferred the funds to PWD through CMO.

Audit scrutiny revealed that the construction of these works had not so far (April 2009) been started due to non-availability of land (five cases), disputed sites (two cases), awaited administrative approval (one case) and non commencement of work by PWD (two cases). Thus, the funds were released to PWD without ensuring encumbrance free land and other items essential for starting the works and the funds were lying locked up with the PWD for periods ranging between 20 and 99 months. Besides, expenditure of Rs 8.68 lakh incurred on two works (PHC, Gumma and HSC, Motibagh) remained unfruitful as the work on these sites was stopped (PHC, Gumma June 2005 and HSC, Motibag: March 2000) due to dispute over sites.

The CMO while confirming the facts stated (November 2008) that fund was provided by the Government and it was deposited with the EEs concerned for execution of works. He further stated that the estimates might have been prepared on tentative basis. The reply confirms that the funds were transferred to the PWD to show utilisation of available funds without ascertaining the availability of sites and fulfilling other requirements which is contrary to the provisions of the financial rules.

Laxity on the part of the Department has, thus, resulted in irregular drawal of Rupees two crore from the treasury and locking it up with the executing agency. Besides, Rs 8.68 lakh remained unfruitful and the intended benefit could not reach the public of that area.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

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[13] Primary Health Centres, Mandal: Rs 57.00 lakh (March 2006); Garaoug: Rs 15.00 lakh (March 2007); Taklech: Rs 20.50 lakh (August 2007); Gumma: Rs 44.00 lakh (September 2005); Sarain: Rs 17.00 lakh (June 2007); Health Sub-Centre, Motibag: Rs 6.50 lakh (February 2001) and Staff quarters at PHC Saraswati Nagar: Rs 15.00 lakh (July 2007).

[14] Health Sub-Centres, Jakha: Rs 10.48 lakh (June 2005); Pandhar: Rs 9.83 lakh (June 2005) and Pujarli: Rs 5.00 lakh (June 2005).

Irrigation and Public Health Department

2.16 Idle investment on construction of Lift Irrigation Scheme

Incorrect assessment of load requirement for supply of power to Lift Irrigation Scheme Panarsa resulted in idle investment of Rs 4.67 crore

To provide irrigation facility to a cultivable command area (CCA) of 332.44 hectares in seven villages[15] (Mandi district), a lift irrigation scheme was administratively approved (February 2004) for Rs 3.20 crore. The work was taken up for execution during March 2004 and all the components of the scheme except field channels were completed by May 2007 at a cost of Rs 4.67 crore.

Scrutiny of records (February 2008) of Mandi division revealed that the scheme completed in May 2007 could not be made functional even after the lapse of 13 months for want of supply of power (SOP) by the Himachal Pradesh State Electricity Board (HPSEB). It was further noticed that the Department had initially submitted (February 2005) the load requirement of 1161 KW to the HPSEB authorities which was subsequently found inadequate. The revised load requirement of 1176 KW submitted in October 2006 was, however, rejected by the HPSEB on the ground that the load of 1161 KW had already been sanctioned by the Chief Engineer (Operation Electrical) Central Zone, Mandi in May 2006.

The EE confirmed (February 2008) the facts and stated (June 2008) that the matter had been taken up with HPSEB several times at various level and now the HPSEB authorities had suggested to install three Transformers of 630 KVA for load requirement of 1176 KW. The reply does not explain why the load requirement for running the pump machinery was not assessed properly at the initial stage in consultation with the HPSEB.

Thus, the Department did not plan adequately and ascertain the accurate load requirement initially for commissioning of the scheme resulting in idle investment of Rs 4.67 crore, besides denying timely irrigation facilities to the beneficiaries, for over two years.

The audit findings were referred to the Government in April 2009. Reply had not been received (September 2009).

2.17 Idle investment on Flow Irrigation Scheme

The Department did not carry out adequate investigations initially and arrange encumbrance free land for the Flow Irrigation Scheme, Oddigad to Neri resulting in idle investment of Rs 66.79 lakh

To provide irrigation facility to a CCA of 121.14 hectares in 14 villages[16] (Shimla district), administrative approval and expenditure sanction for the construction of a flow irrigation scheme, Oddigad to Neri was accorded (March 2003) by the Chief Engineer (South) for Rs 48.92 lakh. The scheme, stipulated to

[15] Bamsoi, Kotadhar, Nagwain, Pali, Panarsa, Ranidhar and Takoli.

[16] Badrali, Bashali, Bhamrala, Dev Nagar, Dogra, Garshola, Khanewali, Kharal, Kanchetu, Kotlu, Neri, Sobri, Thanti and Thari.

be completed by March 2006, was taken up for construction in August 2003 in anticipation of technical sanction. Water for irrigation was to be tapped from Oddigad Nallah by constructing main channel in 9,700 metres and field channels in 12,780 metres.

Scrutiny of records of Rampur division revealed (December 2008) that to cover all the villages, a main channel of 12,090 metres was required to be constructed. However, provision for only 9,700 metres was made due to inadequate investigation. Further, only 9,270 metres long (77 *per cent*) main channel and field channels of 2,162 metres (17 *per cent*) were constructed till March 2007. For part construction/maintenance of the scheme, an expenditure of Rs 66.79 lakh[17] was incurred and CCA of 81 hectares (67 *per cent*) was created. The remaining CCA of 40.14 hectares could not be created for want of sanction of increased length of the channel, additional funds and dispute over construction of field channels. The revised estimate for Rs 94.03 lakh submitted (March 2006) to the Superintending Engineer was received back (August 2007) with certain observations which had not been attended to as of December 2008. It was further noticed that despite commissioning the scheme in March 2007 for CCA of 81 hectares, it could provide irrigation to only 14 *per cent* of the CCA in Rabi 2008 for want of field channels which were not constructed due to unresolved dispute amongst beneficiaries over site. In the meantime due to heavy rains in September 2008, the scheme was badly damaged causing an estimated loss of Rs 29.84 lakh. Government stated (October 2009) that the damages had been restored. The fact of restoration, however, remains to be verified in audit.

The EE while confirming (December 2008) the facts stated that actual survey could not be conducted initially due to inaccessible reach at the tail end causing change in length and attributed non-construction of field channels to dispute amongst beneficiaries. He further stated that the estimate for restoration of the scheme was under preparation. The reply confirms that the Department did not ensure encumbrance free land and detailed/adequate investigations before taking up construction resulting in delay in preparation/approval of the estimate on realistic basis and completion of the scheme in time. This had resulted in an idle investment of Rs 66.79 lakh. The objective of providing irrigation facility to 14 villages has also not been achieved.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

Public Works Department

2.18 Idle expenditure on construction of road and bridge

Poor planning by the Department resulted in idle expenditure of Rs 1.87 crore on construction of road and bridge over Spiti river and non-achievement of the objective of providing transport facility to Sumra village

The existing jeepable road to village Sumra (Kinnaur district) constructed in March 2002 could not be used for vehicular traffic due to formation deficiencies and lack of connectivity across

[17] Construction: Rs 61.15 lakh and maintenance: Rs 5.64 lakh.

Spiti river at km 0/120 and Sumra Nallah at km 0/735. To provide this connectivity, the Deputy Commissioner Kinnaur accorded administrative approval in March 2004 for widening the road to motorable standard and construction of a 33 metres span steel bridge over Sumra Nallah at km 0/735 for Rs 71.23 lakh. The stipulated time for completion of the road and bridge work was two years. However, for construction of the second bridge of 65 metres span over river Spiti at km 0/120 of road, administrative approval and expenditure sanction (A/A & E/S) was accorded in September 2006 for Rs 1.13 crore with a stipulation for completion in two years. The bridge work at km 0/120 taken up for execution during October 2006 was completed in August 2007 after incurring an expenditure of Rs 1.74 crore.

Scrutiny of records (November 2008) of the Kalpa division revealed that widening of the road taken up for execution in March 2004 was completed in March 2007 after expending Rs 12.95 lakh but the other component viz., motorable bridge over Sumra Nallah at km 0/735 had not been started as of October 2009.

The EE admitted (November 2008) that it was only after launching the bridge across river Spiti in August 2007, that the soil investigation for construction of the bridge over Sumra Nallah was taken up. The report of soil investigation was received in August 2008 and design/drawings were awaited on the basis of hydraulic data submitted (August 2008) to the Superintending Engineer, Rampur Circle.

Thus, due to poor planning by the Department the expenditure of Rs 1.87 crore remained idle besides non-achievement of the objective of providing transport facility to Sumra village for over five years.

The audit findings were referred to the Government in April 2009. Reply had not been received (September 2009).

2.19 Idle investment on incomplete road works

The Department did not ensure availability of land before taking up construction of six roads resulting in idle investment of Rs 2.63 crore

As per the *Pradhan Mantri Gram Sadak Yojna* (PMGSY) guidelines, it is the responsibility of the State Government/District Panchayat to ensure that land is available for taking up the proposed road works. A certificate that land is available must accompany the proposal for each road and the details of land should be reflected in the local land records to avoid disputes. Also, the Forest Conservation Act, 1980 amended from time to time prohibits use of forest land for non-forestry purposes without prior approval of Government of India.

Scrutiny of records (October 2008-February 2009) of six divisions[18] revealed that six road works taken up under PMGSY for construction between January 2006 and March 2007 were subsequently held up

[18] Division No. II Bilaspur, Dehra, Kangra, Karsog, Division No. I Kullu and Sundernagar.

between October 2006 and August 2008 after incurring an expenditure of Rs 2.63 crore. The details of these works are given as under:

Table: 2.19.1

(Rupees in lakh)

Name of Division	Name of work	Approved cost	Date/month of start of work	Stipulated date/month of completion	Physical progress	Expenditure incurred
Bilaspur- II	C/o link road to village Kacholi (KM 0/0 to 5/0)	202.23	1/2006	1/2007	Road has been completed upto Km 4/060.	109.00
Dehra	C/o road from Balghar Chatwal Landiara (KM 0/0 to 4/250)	79.99	3/2007	3/2008	F/C work done upto Km 2/500.	30.04
Kangra	C/o link road from Ujjain to Sevkaran (KM 0/0 to 1/900)	58.31	2/2006	11/2006	Road work stands completed between Km 0/0 to 0/750.	11.95
Karsog	C/o Badhan to Kathechi road (KM 0/0 to 5/500)	109.22	2/2006	2/2008	F/C works and cross drainage works completed in Km 0/0 to 3/240 and soling work completed in Km 0/0 to Km 3/210.	52.69
Kullu –I	C/o road from Hawai Gharat to Manjhali (KM 0/0 to 2/300)	74.89	10/2006	10/2007	F/C work completed from Km 0/0 to Km 0/050 and from 0/100 to Km 1/300.	18.09
Sunder Nagar	C/o Samon to Tihari road (KM 0/0 to 8/700)	157.84	10/2006	10/2007	Road work completed upto Km 0/0 to Km 3/850.	41.11
	Total	**682.48**				**262.88**

Source: Figures supplied by the Department

The construction in case of four road works was held up due to dispute with the land owners and in two cases due to involvement of forest land falling in the alignment of the proposed roads. It was also noticed that the EEs at the time of sending proposal had furnished the certificates of availability of land without actually ensuring the availability of land free from all encumbrances and entries in the local land records.

The EEs concerned confirmed the facts (October 2008-Februrary 2009).

Thus, the Department did not comply with the pre-requisite formalities before taking up the execution of works resulted in idle investment of Rs 2.63 crore, besides depriving the public of the intended road connectivity.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

2.20 Blocking of funds

Placing of funds under "Public Works Deposits" for execution of works without completion of requisite formalities led to non-utilisation and blocking of Rs 15.54 crore

Funds received by the EEs from various Departments/agencies for the execution of works on their behalf are temporarily kept under the transitory head "Public Works Deposits". Such funds should not be allowed to remain un-utilised for an indefinite period as their prolonged retention results in keeping the money outside the normal budgetary process and in blocking of Government funds.

Scrutiny of records of eight divisions[19] revealed (May 2008-March 2009) that Rs 15.54 crore received from various Departments/agencies between February 2001 and September 2007 for execution of 16 deposit works[20] remained unutilised due to non-commencement of works for reasons like hindrances/site disputes (four cases), non-finalisation of appropriate sites as well as architectural drawings (three cases), non-handing over of sites (three cases) and non-availability of sites (six cases).

The concerned EEs admitted (May 2008-March 2009) the facts. Evidently, funds under deposit head were received by the respective divisions from different Departments/agencies without ensuring the pre-requisite formalities and availability of land for the execution of works of the sanctioned infrastructure.

Thus, the deposits amounting to Rs 15.54 crore remained unutilised for periods ranging between 18 and 97 months thereby defeating the purpose for which these were sanctioned.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

Medical Education Department

2.21 Drawal of funds in advance of requirement

Drawal of funds in anticipation of requirements and their retention in the form of bank drafts and fixed deposit receipts during March 2005 to March 2008 led to falsification of accounts, undue benefit to banks and loss of interest to Government.

Financial Rules stipulate that money should not be drawn from treasury unless it is required for immediate disbursement. The rules also prohibit drawal of funds from treasuries for making payments in advance for supplies which may not be received for months.

[19] Barsar: Rs 4.48 crore; Bilaspur No. I: Rs 63 lakh; Chopal: Rs 75 lakh; Kullu No. I: Rs 30 lakh; Mandi No. I: Rs 28.32 lakh; Nahan: Rs 4.29 crore; Rohroo: Rs 81.42 lakh and Salooni: Rs four crore.

[20] Construction of Schools/Science Laboratory in School/Degree Colleges/Girls' Hostel: seven; construction of Health Sub-Centre/ Trauma Centre/Veterinary Hospital: three; construction of Office buildings/Type-III quarters/Forum building: six.

Instead of drawing funds from the treasury on actual receipt of supplies or the work done, the Department drew the amount in anticipation of requirements as given below:

(a) Scrutiny (December 2006) of records of the Principal, Dr Rajendra Prasad Medical College and Hospital (DRPMCH), Tanda, (Kangra district) revealed that the Principal drew (2005-2007) Rs 30.19 crore[21] from the treasury for making payments on account of construction of hospital building (Rs 4.52 crore) and procurement of machinery, equipment and furniture, etc. (Rs 25.67 crore). The amount was booked as final expenditure against the work and supplies and kept in the chest as bank drafts in favour of the firms executing the work and making supplies. Of this, Rs 26.40 crore, were paid/disbursed to the firms after a period ranging between three and 46 months based on the progress of work done or supplies made. Balance amount of Rs 3.79 crore remained as bank drafts as of May 2009.

(b) Scrutiny (April-May 2009) of the records of the Principal, Indira Gandhi Medical College (IGMC), Shimla revealed that the Principal drew (March 2008) Rs 14.75 crore from the treasury for the purchase of machinery and equipment for various Departments of IGMC and deposited (July 2008) the amount with the Rogi Kalyan Samiti (RKS) of IGMC in the form of fixed deposit receipts. Against this, equipment valued at Rs 0.84 crore were purchased (between November 2008 and March 2009) after a delay ranging between seven and 11 months and the supply orders for Rs 3.35 crore were placed with various firms between August 2008 and May 2009. The amount of Rs 13.91 crore remained un-utilised with the RKS as of May 2009.

While confirming the facts, the Principal, DRPMCH stated (May 2009) that the amount was kept in the form of bank drafts as security, as supply of materials was awaited. The Principal, IGMC stated (April 2009) that the tenders could not be finalised before 31 March 2008 and the amount was drawn in advance and kept in the account of the RKS as per the directions of the Government (May 2008). The reply is not in consonance with the provisions of the financial rules as the funds were drawn from the treasury in anticipation of receipt of materials, etc.

Thus, unauthorised drawal of funds to show utilisation of available budget resulted in:

- Falsification of accounts by showing the amount as final expenditure.
- Undue benefit to the banks by keeping the money in the form of bank drafts.
- Loss of interest of Rs 5.37 lakh to the Government by keeping the money outside Government account.
- The objective of providing better health care services to the public had, thus, remained largely unachieved.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

[21] March 2005: Rs 0.56 crore, March 2006: Rs 15.29 crore and March 2007: Rs 14.34 crore.

Revenue Department

2.22 Diversion of Calamity Relief Fund

Rupees 24.36 crore were diverted from calamity relief fund by the State Government and three Deputy Commissioners for works not admissible under CRF guidelines

Government of India instructions provide (May 1987) that Calamity Relief Fund (CRF) should be utilised on works damaged during natural calamities and not on fresh works. The State Government impressed upon (January 1998) all the Divisional Commissioners/Deputy Commissioners (DCs) that CRF may not be diverted without the prior approval of the State Government. The GOI further reiterated (September 2000-June 2007) that assistance under CRF should only be provided on the basis of the assessment of loss made by State Level Committee (SLC). The State Government had also clarified (March 2002) that it was obligatory for the field staff of the Revenue Department to make quick spot inspections to assess loss and report it to the higher authorities in accordance with the provisions of the Relief Manual.

Scrutiny (June 2008-March 2009) of the records of the DCs of Kangra, Kinnaur and Mandi revealed that Rs 24.36 crore meant for restoration/relief works under CRF were diverted for execution of 198 works[22] during 2005-09 which were not permissible under CRF guidelines as discussed in the succeeding paragraphs:

- DCs Kangra and Mandi spent Rs 63.83 lakh on 120 fresh works[23] which were not permissible like construction of Mahila Mandal Bhawans, Samudayik Bhawans, village paths, link road, etc., during 2006-09.
- DC Kinnaur spent Rs 28.71 lakh on 22 works showing repair of Mahila Mandal Bhawans, Samudayik Bhawans, Religious buildings, village paths, bowaris, kuhls, etc., during 2007-09 even though the buildings did not exist at the site of natural calamities. This is supported by the fact that the Panchayats had proposed for construction of the works and not repairs as sanctioned by the DC.
- Rupees 24.67 lakh (DCs Kangra: Rs 16.52 lakh, Kinnaur: Rs 4.35 lakh and Mandi: Rs 3.80 lakh) were spent on 33 works[24] relating to repair of residential buildings of officers/officials of the Revenue and Police Departments in their respective districts.
- Rupees 18.95 lakh (DCs Kinnaur: Rs 13 lakh and Mandi: Rs 5.95 lakh) were spent on 23 works[25] relating to construction/repair of Government non-residential buildings including SDM Campus

[22] Kangra: 127; Kinnaur: 30 and Mandi: 41.
[23] Kangra: 102 works for Rs 49.32 lakh and Mandi: 18 works for Rs 14.51 lakh.
[24] Kangra: 25; Kinnaur: three and Mandi: five.
[25] Kinnaur: five and Mandi: 18

at Mandi and Padhar, Patwarkhanas in Mandi district, repair of sheep shed in Sheep Breeding Farm and schools in Kinnaur district which in the absence of damage reports from the Revenue Department, were not covered under relief works.

- Financial Commissioner-cum-Secretary (Revenue) to the Government of Himachal Pradesh diverted Rs 23 crore in favour of Public Works Department (Rs 15 crore) and Irrigation and Public Health (Rs 8 crore) for the purchase of bitumen and installation of Hand pumps and repair of damaged schemes although there was no such report from SLC. Moreover, funds out of CRF could not be taken as substitute for normal budget.

The Deputy Commissioners of Kangra, Kinnaur and Mandi gave almost similar replies in July 2008, January 2009 and March 2009 respectively stating that the funds were sanctioned for repair and restoration of buildings damaged due to natural calamity, construction of community assets like construction of Mahila Mandal Bhawans, community centres, village paths, etc., and to provide employment to the people under SGRY which is permissible as per CRF guidelines. The contention is not acceptable as the funds were not utilised keeping in view the aforesaid instructions of GOI/State Government.

Moreover, the works were carried out without obtaining damage assessment reports from the Revenue authorities as required under the Himachal Pradesh Emergency Relief Manual.

Thus, the Financial Commissioner (Revenue) and DCs Kangra, Kinnaur and Mandi used the funds amounting to Rs 24.36 crore, meant for restoration of relief works on works not admissible under CRF guidelines.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

Rural Development Department

2.23 Unauthorised operation of Personal Ledger Account

Unauthorised transfer of scheme funds of Rs 1.07 crore by the Deputy Commissioner to Personal Ledger Account of Panchayat Samiti led to violation of financial rules, besides loss of interest of Rs 20.58 lakh

As per Rural Development Department (RDD) Manual, all the funds received both from Central and State Governments are required to be kept in the savings bank accounts only. The State Financial rules further provide that permission to open Personal Ledger Account (PLA) may be granted by the Finance Department with the prior consultation of Accountant General (A&E).

Scrutiny (December 2008) of the records of the Block Development Officer (BDO) Lahaul and Spiti at Keylong revealed that the BDO with the approval of Deputy Commissioner (DC), Lahaul and Spiti transferred (March 2004) Rs 1.07 crore pertaining to various development schemes[26] to the PLA of the Panchayat Samiti. Permission from the Finance Department as also the approval of the Accountant General, as required, was not obtained by the BDO. On this being pointed out (December 2008) in audit, the BDO with the approval of the DC transferred (March 2009) Rs 38.83 lakh out of the unspent balance of Rs 50.12 lakh to the State Bank of India, Keylong, leaving Rs 11.29 lakh in the PLA. By keeping the funds in PLA instead of in a savings bank account, the Government lost an interest of Rs 20.58 lakh[27] (March 2009).

The BDO while admitting the facts stated (December 2008) that the DC had ordered the transfer of developmental funds from Bank to PLA.

Keeping the funds in PLA at the treasury had, thus, resulted in violation of financial rules and loss of interest amounting to Rs 20.58 lakh.

The audit findings were referred to the Government in May 2009. Reply had not been received (September 2009).

Urban Development Department

2.24 Diversion of funds

Grants of Rs 1.77 crore meant for slum improvement and upgradation were diverted for other purposes in violation of State Financial Rules

The Twelfth schedule incorporated through the 74th Amendment to the Constitution of India added slum improvement and their upgradation as legitimate functions of the municipal authorities.

State Financial rules provide that the grant should be utilised for the purpose for which it was sanctioned and in no case should the amount be diverted for any other purpose.

Scrutiny (May-June 2009) of the records of the Director, Urban Development Department (UDD), Shimla revealed the following:

A budget provision of Rs 6.36 crore was made to the Urban Development Department during 2007-08 for Environmental Improvement of Urban Slums (EIUSs). In disregard of the EIUS scheme guidelines and financial rules the State Government sanctioned Rs 1.11 crore and Rs 0.66 crore out of the budget available for EIUSs during 2007-08 for the works 'shifting of water connection from existing line to newly laid network and other remaining works' under the scheme 'Reorganisation and augmentation

[26] Swarnjayanti Grameen Rojgar Yojana: Rs 15.30 lakh; Calamity Relief: Rs 8.05 lakh; Zila Parishad: Rs 5.05 lakh; Art and Culture: Rs 2.49 lakh; 2515 and ORDP: Rs 6.71 lakh; Panchayat Samiti: Rs 4.97 lakh; VMJS: Rs 27.77 lakh; Office Building: Rs 21.18 lakh and Nucleus: Rs 15.75 lakh.

[27] Average monthly balance for 60 months (April 2004 to March 2009): Rs 1,02,88,207 x 4 x 60/1200 = Rs 20,57,641 or say Rs 20.58 lakh.

of existing WSS, Shimla' and 'providing and laying of DI pipes 150 mm dia sewer lines of broken and defunct sewerage lines of SDA, New Shimla Zone' respectively. As the sanctioned works had no direct relation with slum improvement and upgradation in identified slum areas, the sanction of Rs 1.77 crore was injudicious. The Director, UDD stated (June 2009) that the proposal was made directly by the Commissioner, Municipal Corporation, Shimla to the Government for release of funds and the Government released the funds through the Department. The reply is not acceptable as the action was in violation of the State Financial Rules.

The audit findings were referred to the Government in July 2009. Reply had not been received (September 2009).

2.25 Blocking of funds

Funds of Rs 3.49 crore were sanctioned for installation of Solid Waste Management projects without ensuring availability of suitable sites and without obtaining technical sanction

The Twelfth Finance Commission (TFC) had recommended the release of Rs 8 crore to the State for Urban local bodies (ULBs) during 2005-10. As against allocation of Rs 6.40 crore for 2005-09, the State Government provided the Urban Development Department (UDD) Rs 6.34 crore to eight[28] ULBs for setting up Solid Waste Management (SWM) projects.

Scrutiny (May-June 2009) of records of Urban Development Department revealed the following:

- Rupees 2.46 crore were released[29] (December 2006-February 2009) to Municipal Councils (MCs) Palampur and Solan for installation of SWM projects. Of these, Rs 0.03 crore only had been spent by MC Palampur and none by MC Solan. The remaining amount of Rs 2.43 crore was lying unutilised as of June 2009 with the MCs due to non-availability of suitable land.

- The State Government sanctioned (June 2008) Rs 50 lakh by diverting the same from sewerage scheme in favour of MC, Shimla for relocating a conversion plant for SWM as per directions of the Hon'ble High Court. Due to non-availability of suitable site, the funds remained unutilised.

- A Detailed Project Report (DPR) for setting up SWM project at Nalagarh was got prepared in 2006 for Rs 71 lakh. On the basis of DPR, funds of Rs 53.33 lakh were released (January 2007) by Director (UDD). The entire amount was lying unutilised for want of technical sanction for execution of work (September 2008).

The Director, UDD stated (June 2009) that the State Government had released the funds based on the proposal submitted in August 2005. It was further stated that MCs were not having land within their

[28] Municipal Councils: Chamba, Mehatpur, Nalagarh, Palampur, Paonta Sahib, Parwanoo, Solan and Sundernagar.

[29] MC Palampur: December 2006: Rs 0.27 crore, January 2007: Rs 0.27 crore and February 2009: Rs 0.32 crore and MC Solan: November 2007: Rs 1.60 crore.

limits for such projects and the land had to be identified outside their limits, which involved completion of certain formalities. He further stated that although the funds were released after the transfer of the land in some cases, these could not be utilised due to public resentment at the site.

Thus, release of funds by the Department without identifying suitable site and encumbrance free land for installation of SWM projects resulted in blocking of Rs 2.96 crore with three ULBs and Rs 0.53 crore remaining unutilised with Executive Officer MC Nalagarh due to not obtaining technical sanction.

The audit findings were referred to the Government in July 2009. Reply had not been received (September 2009).

Regularity issues and other points

Education Department

2.26 Implementation of scholarship schemes

Non-compliance with the financial rules and scheme guidelines by the Department deprived the students of the benefit of scholarship apart from blocking of Rs 9.16 crore

To improve the standard of education of poor and meritorious students, financial assistance is provided by the Central and State Governments through 13 scholarship schemes[30]. As per guidelines of these schemes, the beneficiary students are required to submit their applications complete in all respects to the Principals/Head Masters (HMs) by 15 September each year who would send the requirement of funds to the Deputy Directors (DDs) concerned. The DDs should send the requirements of the district to the Director, Higher Education (DHE) by the 15 November every year. Funds are sent by the DHE to the DDs/Principals/HMs who are required to disburse the scholarship to the eligible students within 15 days of the receipt of funds and send the actual payee's receipts (APRs) to DHE within 30 days.

Scrutiny (April-May 2009) of the records of the DHE and six[31] Government Colleges (GCs) revealed the following:

- No record was maintained by DHE to show the basis on which the number of beneficiary students or the amount of scholarship demanded from the Government was decided and the demand was made on lump sum basis. There was no linkage between the eligible beneficiaries and allocation made/amount released due to non-availability of exact number of beneficiaries. The DHE made assessment of requirement of funds under scholarship schemes without ascertaining actual requirement from the field institutions.

- The DHE drew Rs 14.33 crore from the treasury during 2006-09 under different scholarship schemes. Of this, the DHE released Rs 5.72 crore[32] during 2007-09 for disbursement to the

[30] Central: two and State: 11
[31] Dharamshala, Hamirpur, Kullu, Mandi, Palampur and Rampur.
[32] 2007-08: Rs 1.38 crore and 2008-09: Rs 4.34 crore.

eligible students. Balance amount of Rs 8.61 crore remained unspent in savings bank account as of March 2009. Out of the released amount of Rs 5.72 crore, Rs 0.21 crore were received back by DHE and Rs 0.34 crore was lying undisbursed with six Principals of GCs as the beneficiary students had left after completion of their studies.

- The actual payee's receipts for Rs 5.17 crore released during 2007-09 were awaited in the office of the DHE as of May 2009 which was indicative of laxity of control over the disbursing authorities. The DHE, thus, did not ensure actual disbursement of scholarship to the eligible beneficiaries.

- The scholarships for Rs 0.07 crore under Indira Gandhi Utkrishta Chhatravriti Yojana (IGUCY) for the year 2005-06, were released during 2007-08. Similarly, Rs 0.38 crore under two[33] schemes for the year 2006-07 were released during 2008-09, thereby causing a delay of two years in releasing of funds.

- The GOI guidelines provided that the value of scholarship under Post-Matric Scholarship Scheme (PMSS) include maintenance allowance and reimbursement of non refundable fees like enrollment/admission fees, registration, tuition, games, union, library, magazine, medical examination and such other fees compulsorily payable by the students. The Principals of test-checked GCs did not reimburse the compulsory non-refundable fees of Rs 0.06 crore to 2,888 beneficiaries for the period 2006-08 thereby depriving them of the intended benefits.

- The heads of institutions and teachers-in-charge of scholarships of three[34] test-checked GCs did not attest the disbursement of scholarships for Rs 0.26 crore made to 1,603 students in token of the amount having actually been disbursed in their presence as required in the instructions of the DHE.

While admitting the facts, the DHE stated (May 2009) that the funds were drawn in lump sum as the demands from field units were received very late and as such, the scholarships could not be released during the relevant year. It was also stated that the awaited actual payee's receipts received in certain cases were being arranged. The Principals of test-checked GCs stated (May 2009) that the students who left the institutions on completion of studies did not turn up to receive the scholarships and compulsory non-refundable fees was not reimbursed to the students alongwith maintenance allowance as necessary guidelines thereof were not available. For non-attestation of payments to students in the scholarship registers, the Principals stated (May 2009) that it was due to oversight. The replies are not acceptable as the time schedule laid down by the Department for receipt of applications of beneficiary students and release of funds were not followed properly.

Thus, due to non-adherence to the prescribed time schedule for receipt of applications for grant of scholarship, their processing and release of funds by the Department, the eligible students were denied of the benefits or given the benefits after delay. Further, seeking funds without assessment of actual requirement led to blocking of Rs 9.16 crore.

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33 Post-Matric Scholarship Scheme for Scheduled Tribes: Rs 0.11 crore and Other Backward Classes Scholarship Scheme: Rs 0.27 crore.

34 Dharamshala, Palampur and Rampur.

Similar observations were made in Paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007 regarding implementation of the scholarship schemes for educational development of SC and ST students which was yet to be discussed by the PAC.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

2.27 Unauthorised investment in SBI Mutual Fund

Action of the Vice Chancellor to invest Rs 3.32 crore in Mutual Fund without authorisation from the Executive Council has subjected the investment to market risks

Statute 11 (vi) of the First Statute to the Himachal Pradesh University (University) Act 1970 authorises the Executive Council (EC) of the University to invest any money belonging to the University, including any unapplied income, in such stocks, funds, shares, or securities, as it may, from time to time, think fit, or in the purchase of immoveable property in India. The EC further authorised (May 1986) the Vice Chancellor (VC) to invest any amount out of the Current Account of the Unversity in short term deposits/ saving account and accumulations of CPF in more beneficial long term deposits in Post Office Five Year Schemes up to the required level[35] and the remaining amount in Nationalised Banks. Regarding GPF, the matter was directed to be taken up with the State Government for examining the feasibility of depositing the accumulation with the State Government and, thus, entitling the subscribers to the same benefits as under Government.

Scrutiny (December 2008-January 2009) of the records revealed that the University with the prior approval of VC, invested (March 2008) Rs 3.32 crore (33,16,600 units of Rs 10 each) pertaining to its Corpus Fund Account (Rs 3.23 crore) and Contributory Pension Fund Account (Rs 9.02 lakh) in State Bank of India Tax Advantage Fund, Series-1 (Mutual Fund) for a period of ten years (upto 2018) with minimum lock in period of three years. The Mutual fund in which the investment has been made is not an investment in a nationalised bank and is subject to market risks. While comparing the investment with the Statement of Account dated 16 December 2008 of the Mutual Fund, issued by the State Bank of India, it was noticed that the Net Asset Value of a unit of Rs 10 was reduced to Rs 5.92 on that date, causing a sharp decrease in the invested amount to the extent of Rs 1.35 crore. The public money was thus put to avoidable market risk.

Finance Officer of the University stated (June 2009) that the VC was authorised by the EC to make any type of investment in long term deposits in Post Office/Nationalised Bank and further stated that the matter was under consideration of the EC and its decision was awaited. The reply is not acceptable as the VC should have invested the public money only in the authorised mode of investment or obtained prior approval of EC before putting the public money to market risk.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

[35] Invested amount on which University could get maximum rate of interest in the Post Office.

Health and Family Welfare Department

2.28 Underutilisation of machinery and equipment

Poor asset utilisation attributed to non availability of trained staff resulted in an expenditure of Rs 28.82 lakh remaining largely unproductive

Scrutiny (January-July 2009) of records of the Chief Medical Officers (CMOs), Bilaspur, Kinnaur and Kullu and Block Medical Officer (BMO), Ghumarwin revealed that machinery and equipment purchased by the Department between March 2006 and June 2007 at a cost of Rs 28.82 lakh were not gainfully utilised as trained personnel had not been posted to operate them as tabulated below:

Table: 2.28.1

(Rupees in lakh)

Name of Office	Particulars of equipment	Year of purchase	Cost	Idle since	Reasons for non-utilisation
CMO Bilaspur	TMT-Stress System	April-2006	3.39	April 2006	The CMO, Bilaspur stated (May 2009) that the machine was put to use with effect from November 2007 and two TMTs were done but due to lack of proper training and shortage of Medical Specialist/ECG Technician, etc., frequent use of the machine could not be ensured.
	Calpo-Scope	March 2006	4.20	March 2006	The CMO, Bilaspur stated (May 2009) that the machine was required to be used by the Gynaecologist who has expressed his inability for its use without proper training.
CMO Kinnaur	Ultrasound machine at CH, Chango	June 2007	4.79	June 2007	The CMO, Kinnaur stated (March 2009) that the machine had been lying idle due to non-posting of Radiologist.
CMO Kullu	Ultrasound machine at Civil Hospital, Banjar	April 2007	10.26	July 2007	The CMO Kullu stated (January 2009) that the machine had been lying idle due to non-posting of Radiologist.
BMO Ghumarwin	Operation Theatre machinery and equipments	April 2006 to March 2007	6.18	May 2007	Due to non-availability of specialised trained staff.
		Total	**28.82**		

Source: Information supplied by the CMOs, Bilaspur, Kinnaur, Kullu and BMO Ghumarwin

Thus, inadequate attention to procurement planning involving proper training, posting of trained staff, etc., resulted in non-utilisation of high value machinery and equipment procured at a cost of Rs 28.82 lakh and more importantly, deprived the public of the benefits for which the equipment was purchased.

The audit findings were referred to the Government in May/September 2009. Reply had not been received (September 2009).

Rural Development Department

2.29 Raising of Jatropha Nurseries

Expenditure of Rs 75 lakh incurred on raising, distribution and plantation of Jatropha plants by the implementing agencies lacked justification due to non-maintenance of proper records and non-identification of cluster lands before getting money from GOI

Government of India released (March 2006) a one time grant of Rs 1.50 crore to six[36] District Rural Development Agencies (DRDAs) for raising Jatropha nurseries in the State during 2005-06. The DRDAs further released the funds to 11 Forest Divisions[37] between April 2006 and February 2007 for raising Jatropha seedlings in the nurseries under their control. The grant, provided at the rate of Rupees three per sapling, included all recurring and non-recurring costs involved in raising the saplings. The saplings so raised were to be provided to various implementing agencies free of charge during monsoon season (June-July 2006).

Scrutiny (April 2009) of the records of four Forest Divisions (Bilaspur, Dehra, Nurpur and Una) to which Rs 75 lakh[38] were released during 2006-07 revealed the following:

- According to the terms and conditions of the grant, DRDAs were to release the funds to the implementing agencies for utilisation during 2005-06 within 15 days from the issue of sanction letter (14 March 2006). The DRDAs released the funds late to the test checked Divisions involving delays ranging between 26 and 232 days. The funds were, thus, actually utilised during 2006-07 and 2007-08 thereby delaying the actual implementation of the programme.

- As per the information supplied by the four test-checked Divisions, 31.65 lakh saplings[39] were stated to have been raised during 2006-07 (15.00 lakh) and 2007-08 (16.65 lakh) at a cost of Rs 75 lakh. Of these, 28.42 lakh saplings were stated to have been distributed (2006-08) to various agencies for plantation. Records showing the number of saplings raised and distributed had, however, not been maintained by the concerned divisions as a result of which, authenticity of the information supplied could not be verified in audit. The remaining 3.23 lakh saplings valued at Rs 9.69 lakh were either damaged (1.11 lakh saplings valued at Rs 3.33 lakh) by heavy floods/ raining/fog or were lying in nurseries (2.12 lakh saplings valued at Rs 6.36 lakh) because no agency was interested in lifting them. Efforts made to sell these saplings to private parties at the

[36] Bilaspur, Hamirpur, Kangra at Dharamshala, Sirmour, Solan and Una.
[37] Bilaspur, Dehra, Dharamshala, Hamirpur, Kunihar, Nalagarh, Nurpur, Palampur, Renuka, Solan and Una.
[38] Bilaspur: Rs 24.00 lakh; Dehra Rs 15.00 lakh ; Nurpur: Rs 18.00 lakh and Una Rs 18.00 lakh.
[39] Bilaspur: 9.93 lakh; Dehra: 5.00 lakh; Nurpur: 6.06 lakh and Una: 10.66 lakh.

rate of Rs 3.50 per sapling, as envisaged in the guidelines were not on record. The expenditure of Rs 9.69 lakh had, thus, become infructuous.

- As per guidelines, plants distributed free of cost to the agencies were to be planted on cluster basis on waste and common lands with extension support, plantation cost, etc., met out of funds available under other existing schemes. Progress reports and information supplied by the Divisions and Block Development Officers (BDOs) revealed that contrary to the provisions, 8.51 lakh saplings were planted, during 2006-07 (5.40 lakh) and 2007-08 (3.11 lakh) by three[40] Divisions and 4.69 lakh by three[41] BDOs during 2006-07 (1.25 lakh) and 2007-08 (3.44 lakh) around the existing plantation/fencing areas without indicating the location of the areas where plantation was done. Identification of the areas where plantation was done was, thus, not possible.

- Survival norms of plantation and monitoring mechanisms have not been prescribed either in the guidelines or by the Department. It was, however, seen that there were wide variations in survival percentage in each agency as shown below:

Table: 2.29.1

(In percentage)

Name of agency	Percentage of survival			
	2006-07		2007-08	
	Minimum	Maximum	Minimum	Maximum
Bilaspur Division	80	90	80	90
Nurpur Division	75	80	75	80
Una Division	70	75	70	75
BDO Bilaspur	60	65	60	65
BDO Nurpur	50	Not available	52	Not available
BDO Una	30	Not available	30	Not available

Source: Figures supplied by the concerned DFOs and BDOs

The Divisional Forest Officers and the BDOs stated (April-May 2009) that plantations were not done in clusters due to non-availability of compact land and survival rate was low due to draught. It was also assured that records would be maintained in future.

[40] Bilaspur: 3.46 lakh; Nurpur: 3.10 lakh and Una: 1.95 lakh.
[41] Bilaspur: 1.53 lakh; Nurpur: 0.68 lakh and Una: 2.48 lakh.

Plantation of Jatropha plants was made in a scattered manner instead of on cluster basis as can be seen from the photographs given below:

Photograph: 2.29.1

Jatropha plantation done along road side by BDO Una

Photograph: 2.29.2

Plantation carried out by Forest Division at Jamthal as fence to private land

The plantation was not done within the stipulated period and due to non maintenance of records of raising and distribution of saplings, the progress reports thereof were not based on facts. The expenditure of Rs 75 lakh, thus, lacked justification.

The audit findings were referred to the Government in July 2009. Reply had not been received (September 2009).

Irrigation and Public Health Department

2.30 Irregular drawal of funds to avoid lapse of budget

Drawal of Rs 19.74 crore irregularly without execution of works resulted in depiction of incorrect expenditure on works

State Financial Rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw advances from the treasury for execution of works, the completion of which is likely to take considerable time.

Scrutiny of records (December 2008-February 2009) of five divisions[42] revealed that Rs 19.74 crore were released through letters of credit by the concerned Superintending Engineers at the fag end of the financial year 2007-08 for the execution of 121 works. The EEs drew the entire amount of Rs 19.74 crore in March 2008 and showed it as final expenditure in accounts. Out of this, Rs 12.57 crore

[42] Bilaspur, Chamba, Nalagarh, Paonta Sahib and Sunni.

was paid (March 2008) to Shimla Division No. 1 (Rs 9.25 crore) and Himachal Pradesh State Civil Supplies Corporation Limited (HPSCSC) (Rs 3.32 crore) for procurement of materials such as cement, Ductile Iron pipes and Galvanised Iron pipes. Of this, material valuing only Rs 7.57 crore was received between April 2008 and November 2008 from Shimla Division No. 1 (Rs 5.81 crore) and HPSCSC (Rs 1.76 crore) as of September 2009. The remaining amount of Rs 7.17 crore out of Rs 19.74 crore was transferred (March 2008) by two[43] divisions to the sub-divisions under their control and was kept under deposit head. Thus, depiction of expenditure of Rs 19.74 crore to the final head of account of works in the financial year 2007-08 and its utilisation in the subsequent financial year was in contravention of rules.

The action of the divisions not only violated the prescribed financial system but also resulted in keeping the money outside the normal budgetary process.

The concerned EEs confirmed the facts (December 2008-February 2009).

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

Public Works Department

2.31 Incorrect booking of materials

Material costing Rs 4.60 crore was incorrectly booked against 54 works by nine divisions to show utilisation of budget in contravention of rules

Financial rules prohibit the following stock adjustments:

- debiting to a work the cost of material not required or in excess of actual requirements,
- debiting to a particular work for which funds are available, the value of materials intended to be utilised on another work, for which no allotment has been sanctioned, or
- writing back the value of materials used on a work to avoid excess expenditure over allocation.

Contrary to these rules, material costing Rs 4.60 crore were booked between March 2007 and March 2008 by nine[44] divisions against 54 works to which these did not pertain. The entire quantity of the materials was subsequently written back to stock in the succeeding financial years between April 2007 and November 2008.

[43] Nalagarh (Rs 0.53 crore) and Paonta Sahib (Rs 6.64 crore).

[44] Baijnath, Barsar, Dehra, Dharamshala, Hamirpur, Kangra, Nalagarh, Nahan and Sarkaghat.

Further, in two[45] divisions, 47 bitumen drums costing Rs 1.98 lakh and steel costing Rs 16.28 lakh were booked to two[46] works in March 2007 and March 2008 respectively, even though the same were not required for consumption on these works as ascertained from the estimates of these works.

The EEs concerned confirmed the facts (September 2008-March 2009).

The booking of material thus, carried out with the objective of utilising the available funds was irregular and resulted in overstatement of actual expenditure of works during the year in which the material was booked.

The audit findings were referred to the Government in June 2009. Reply had not been received (September 2009).

General

Miscellaneous Departments

2.32 Erosion of accountability

Inadequate response to Audit findings and observations resulted in erosion of accountability

Principal Accountant General (Audit) arranges to conduct periodical inspection of Government Departments to test-check the transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

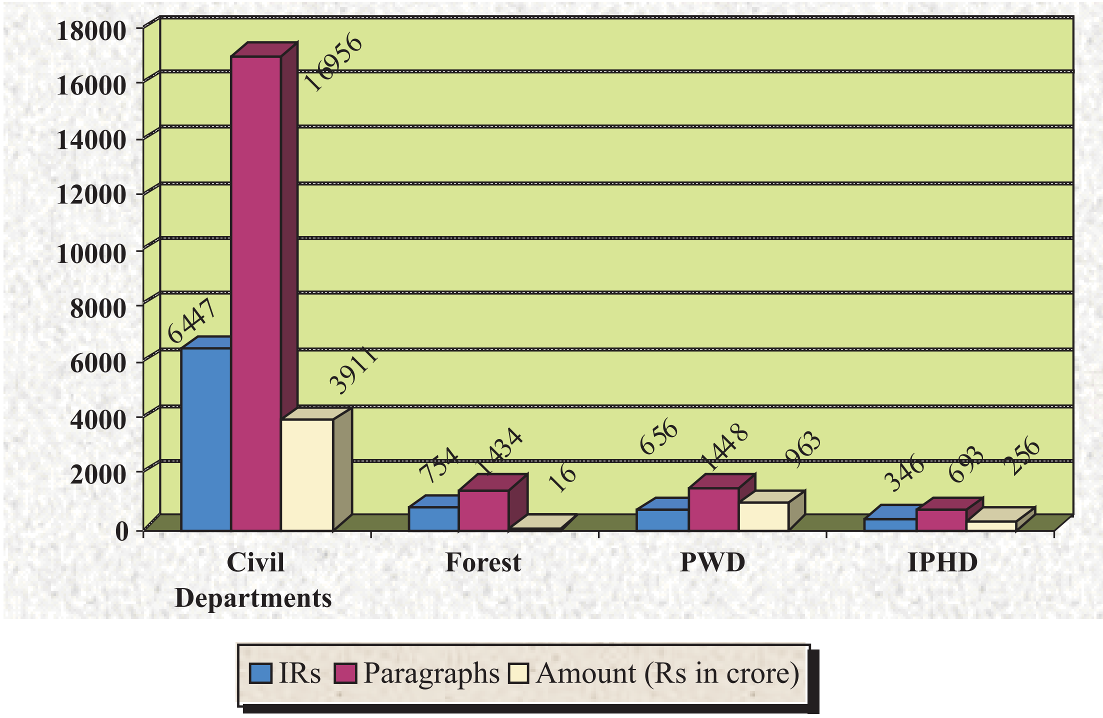
The heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions within four weeks and report their compliance to the Principal Accountant General. Serious irregularities are also brought to the notice of the heads of Departments by the office of the Principal Accountant General through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

Based on the result of test audit, 20,531 audit observations, involving financial irregularities amounting to Rs 5,146 crore, contained in 8,203 IRs outstanding as on 31st March 2009 are indicated in chart 2.32.1.

[45] Kangra and Nahan.

[46] Construction of Superintending Engineer residential accommodation at Shahpur and annual surfacing to BBRC road.

Chart: 2.32.1



IPHD: Irrigation and Public Health Department

During 2008-09, 44 Adhoc Committee (Audit Committee) meetings were held in which 149 IRs and 1205 paragraphs were settled.

It is recommended that the Government look into the matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action to recover losses/outstanding advances/overpayments is taken in a time bound manner and (c) the system is streamlined to ensure proper response to audit observations.

2.32.2 Follow up on Audit Reports

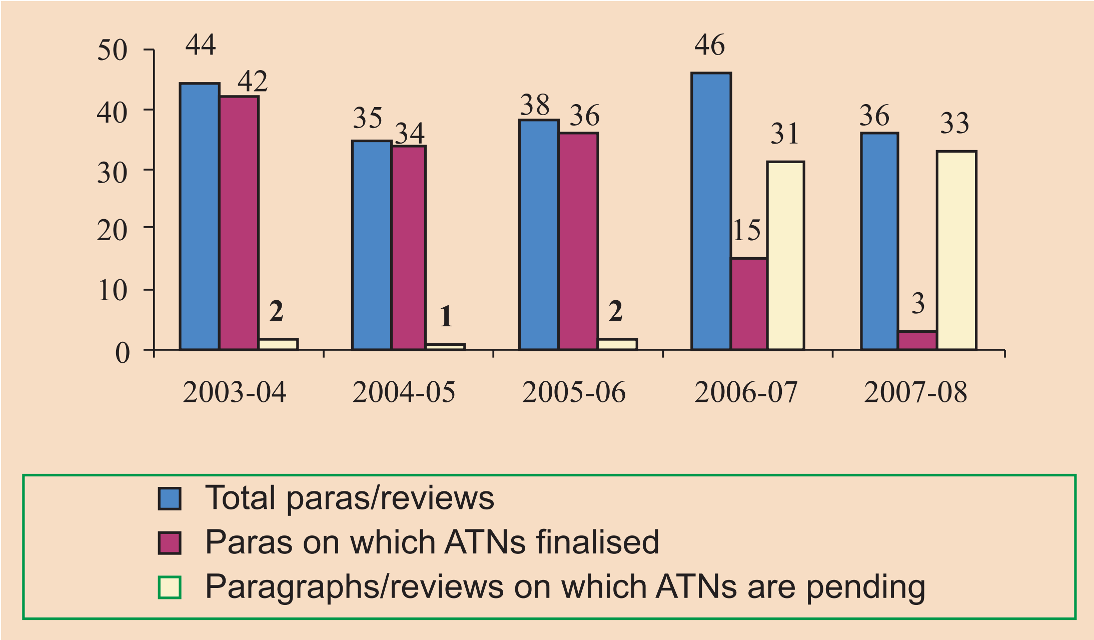
To ensure accountability of the executive on all issues dealt within the Report of the Comptroller and Auditor General of India and to comply with the recommendations of the Shakdhar Committee, the PAC decided that the concerned Departments of the State Government should furnish corrective/remedial Action Taken Notes (ATNs) on all paragraphs and reviews contained therein within three months of presentation of the Audit Reports to the Legislature with a copy to the Principal Accountant General (Audit) without waiting for any notice.

Taking a serious view of the inordinate delays and persistent failure in furnishing ATNs within the prescribed time limit, PAC had desired (May 2009) in the introductory meeting with the Chief Secretary and Principal Secretary (Finance) that henceforth corrective/remedial ATNs, duly vetted by Audit, on all paragraphs and reviews included in the Reports be furnished within the prescribed time limit.

The position of ATNs on the paragraphs and reviews as on 30 June 2009 is given below:

Chart: 2.32.2

Position of pending ATNs



As can be seen from the above chart, ATNs in respect of 69 paragraphs/reviews relating to the Reports for the years 2003-04 to 2007-08 have not been furnished (June 2009).