

Food, Civil Supplies and Consumer Affairs Department**1.1 Public Distribution System**

Public Distribution System (PDS) was evolved as a system of management of scarcity and distribution of foodgrains at affordable prices. In June 1997 Government of India (GoI) introduced the Targeted Public Distribution System (TPDS) with focus on the poor. Under TPDS, the States are required to formulate and implement foolproof arrangements for identifying the poor for delivery of foodgrains and its distribution in transparent and accountable manner at Fair Price Shop (FPS) level. A performance review of the implementation of PDS revealed that there are many areas of concern and issues requiring urgent attention of the State Government. Foremost amongst these is proper identification of beneficiaries.

Highlights

- *Against 1.07 lakh Antyodaya families requiring coverage under Antyodaya Anna Yojna, 1.96 lakh families were covered on the basis of projected population estimates of GoI determined in March 2000 resulting in excess coverage of 0.89 lakh families.*
(Paragraph 1.1.8.2)
- *Excess distribution of foodgrains by the State Government against scale of issue of foodgrains fixed by the GoI in April 2002, led to additional burden of food subsidy of ₹10.98 crore on GoI.*
(Paragraph 1.1.11.1)
- *The benefit of having foodgrains at prescribed retail price was not extended to BPL families in the State during 2006-11, putting extra burden of ₹35.11 crore on them.*
(Paragraph 1.1.11.2)
- *Due to lack of quality control, 1167.26 MTs of sub-standard foodgrains and 2066.47 MTs of substandard pulses (valued at ₹6.54 crore) were supplied to the consumers during 2006-11 through the FPSs.*
(Paragraphs 1.1.12.2 and 1.1.12.3)

➤ *The State Government had not taken corrective measures to address the problem of Ghost Cards, and to plug the leakage of foodgrains as suggested in evaluation study of TPDS got conducted by the Planning Commission of India in March 2005.*

(Paragraph 1.1.16)

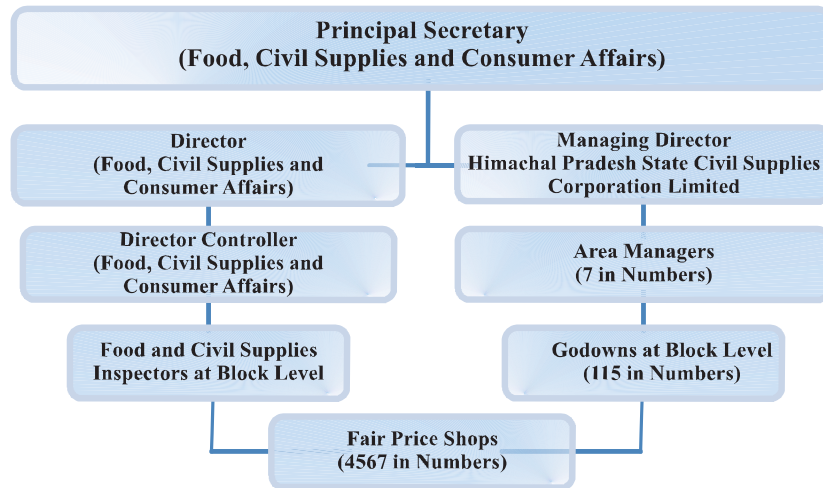
1.1.1 Introduction

Public Distribution System (PDS) is a major instrument of the Government's economic policy to ensure availability of foodgrains to the public at affordable prices as well as for enhancing food security to the poor. Government of India (GoI) launched (June 1997) Targeted PDS (TPDS) with focus on the poor under which 10 kilograms (kg) of foodgrains per month was to be issued at subsidised rates to the families living below the poverty line (BPL). GoI launched (April 2000) 'Annapurna Scheme' for distribution of 10 kg of foodgrains per month free of cost to those senior citizens who were not covered by the National Old Age Pension Scheme. In December 2000, GoI launched one more scheme viz., Antyodaya Anna Yojna (AAY) for the poorest of the poor in the country. The scheme envisaged distribution of 25 kg of foodgrains per month which was increased to 35 kg effective from 1 April 2002 at a highly subsidised rate of ₹ two per kg of wheat and ₹ three per kg of rice. Besides, the State Government has also launched (April 2007) specially subsidised scheme to provide pulses, edible oils and iodised salt at subsidised rate to all ration card holders in the State.

1.1.2 Organisational Set up

At the Government level, Principal Secretary, Food, Civil Supplies and Consumer Affairs (PS, FCS&CA) is responsible for the implementation of the scheme. He is assisted by Director, Food, Civil Supplies and Consumer Affairs (Director, FCS&CA) Department and Managing Director, Himachal Pradesh State Civil Supplies Corporation (HPSCSC) Limited. At the District level, the scheme is implemented by the respective District Controllers, FCS&CA with the assistance of the concerned Area Managers of HPSCSC Limited through a network of 4567 FPSs. The organisational setup for implementation of the scheme in the State is depicted in Chart-1.1.1:

Chart:-1.1.1



1.1.3 Audit Objectives

Main objectives of this performance audit were to assess whether:

- There was an effective system for identification of different categories of beneficiaries;
- Allocation, lifting and distribution of foodgrains by the Government was handled effectively;
- Ration cards were issued properly to all the targeted population;
- There existed convergence with other foodgrains based welfare schemes; and
- Internal control mechanism and monitoring system envisaged in the scheme was adequate and effective.

1.1.4 Audit Criteria

Audit findings were based on the following criteria:

- Guiding principles by the GoI relating to identification of beneficiaries and issue of ration cards;
- Provisions of PDS (Control) Order, 2001;
- Government instructions regarding quality of foodgrains;
- Scale of issue of foodgrains and price prescribed by the GoI; and
- Prescribed monitoring mechanism.

1.1.5 Scope of Audit

The implementation of Food Security, Subsidy and Management of Foodgrains covering PDS in the State was last commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 vide Paragraph 3.3. The review has not been taken up for discussion by the PAC as yet.

A performance review of implementation of PDS in the State during 2006-11 was conducted during May-October 2010 and April-May 2011 respectively. The review included a test-check of records in four¹ out of 12 districts (33 *per cent*), 12² out of 32 blocks (38 *per cent*) in the jurisdiction of districts selected and 96 out of 572 (17 *per cent*) FPSs in the selected blocks, supplemented by a scrutiny of records and information supplied by the Managing Director, HPSCSC Limited and its three³ Area Managers located in the selected districts. Selection of districts, blocks and FPSs falling within the jurisdiction of selected blocks was done by using Simple Random Sampling Without Replacement (SRSWOR) method.

1.1.6 Audit Methodology

Before commencing audit, audit objectives were first discussed (May 2010) with the Director, FCS&CA and thereafter with the Principal Secretary at an entry conference held in October 2010.

Information relating to implementation of the scheme collected from the offices of the Director, Managing Director, HPSCSC Limited, District Controllers and the State Government and replies furnished by them to audit memoranda were analysed to arrive at audit conclusions. Photographic evidence and physical verification were also taken into consideration to substantiate audit observations. Besides, a beneficiaries' survey with the assistance of departmental officers was also conducted by audit to ascertain the beneficiaries' perceptions about the implementation of the PDS. Audit findings were discussed with the Principal Secretary at an exit conference held on 29 July 2011 and views of the Department have been incorporated in the report at appropriate places.

1.1.7 Financial Management

1.1.7.1 Allotment of funds and expenditure

Foodgrains meant for public distribution system are supplied/procured by the GoI and made available to the State Government at Central Issue Price (CIP) fixed separately for APL, BPL and AAY families. The foodgrains meant for AAY families are further subsidised and the subsidy amount and transportation cost is borne by the State Government.

¹ Kangra, Kinnaur, Shimla and Solan.

² Chopal, Dharampur (Solan), Fatehpur, Kalpa, Kandaghat, Kunihar, Narkanda, Nichar, Nurpur, Pooh, Pragpur and Theog.

³ Dharamshala, Shimla and Solan.

Details of funds allotted and the expenditure incurred thereagainst during 2006-11 are given as under:

Table-1.1.1: Year-wise position of budget allotment and expenditure

(₹ in crore)

Major Head	Year	Budget allotment	Expenditure	Excess (+) Savings (-)
2408-Food Storage (Subsidy and transportation)	2006-07	4.78	4.62	(-) 0.16
	2007-08	63.80	63.62	(-) 0.18
	2008-09	141.07	140.74	(-) 0.33
	2009-10	116.48	116.14	(-) 0.34
	2010-11	87.67	81.22	(-)6.45
	Total	413.80	406.34	(-)7.46
2236-Nutrition (Annapurna Scheme)	2006-07	0.40	0.28	(-) 0.12
	2007-08	0.40	0.25	(-) 0.15
	2008-09	0.40	0.22	(-) 0.18
	2009-10	0.80	0.02	(-) 0.78
	2010-11	0.30	0.19	(-)0.11
	Total	2.30	0.96	(-) 1.34
3456-Direction and Administration (Staff cost and other Administrative expenses)	2006-07	6.53	6.63	(+) 0.10
	2007-08	7.00	6.68	(-) 0.32
	2008-09	8.94	6.68	(-) 2.26
	2009-10	9.86	6.99	(-) 2.87
	2010-11	11.74	8.14	(-)3.60
	Total	44.07	35.12	(-) 8.95
4408-Capital outlay on Food Storage	2006-07	0.10	0.08	(-) 0.02
	2007-08	10.45	10.44	(-) 0.01
	2008-09	0.29	0.27	(-) 0.02
	2009-10	0.02	0.02	---
	2010-11	0.02	0.02	---
	Total	10.88	10.83	(-) 0.05
Grand total	471.05	453.25	(-) 17.80	

Source: Figures supplied by the Department

Under the head Nutrition (Annapurna scheme), the Department could not utilise funds amounting to ₹1.34 crore during 2006-11 due to decrease in number of beneficiaries under Annapurna scheme.

In reply, the Government stated (August 2011) that GoI has fixed target of 7620 beneficiaries for the State but the actual number of beneficiaries keeps varying from year to year due to non-fulfillment of other conditions required for eligibility under the scheme. The reply does not explain as to why the GoI was not apprised from time to time of actual number of beneficiaries eligible to be covered under the scheme by the State Government.

While there were no major savings under capital head, there were persistent savings ranging between ₹0.16 crore and ₹ 6.45 crore noticed under the head-Subsidy and transportation. Also, there were huge savings of ₹ 2.26 crore, ₹2.87 crore and ₹3.60 crore during the years 2008-09, 2009-10 and 2010-11 respectively under Direction and Administration head. While admitting the facts, the Government stated

(August 2011) that savings under subsidy occurred due to decrease in commodities supplied to consumers and under direction and administration head, these were mainly due to non-filling of vacant posts.

1.1.8 Implementation of Public Distribution System

1.1.8.1 Identification of beneficiaries

Based on population projection (67.11 lakh persons and 12.57 lakh families) by the Registrar General of India in Himachal Pradesh as on 1 March 2000, the GoI estimated 5.14 lakh (41 *per cent*) BPL families for coverage under PDS in the State. To improve the methodology for identification of BPL households for the 10th Five Year Plan period (2002-07), GoI, Ministry of Rural Development (MoRD) issued (September 2002) revised guidelines to the State Governments for identification of BPL households.

As per these guidelines, for the identification of BPL households, census was to be completed by June 2003. However, due to stay orders (5 May 2003) of the Supreme Court, the same was completed during 2006-07 by the State Government. In the survey on poor families conducted for the above plan period, 2.82 lakh BPL families were identified out of 11.83 lakh families in the State.

Accordingly, for the purpose of implementation of various schemes, the State Government had adopted 2.82 lakh BPL families, but for the implementation of TPDS the State Government adopted 5.14 lakh BPL families as estimated by the GoI in March 2000. Since there were only 2.82 lakh identified BPL families according to the survey conducted by the State Government in 2006-07, coverage of 2.32 lakh BPL families was in excess for coverage under PDS. Since BPL category of beneficiaries are provided foodgrains at highly subsidised rates, discrepancy in actual survey conducted by the State Government in 2006-07 and estimates of BPL determined by the GoI in March 2000 are likely to impact upon the system for deciding the allocations of foodgrains to the State, besides additional financial burden of subsidy to be borne by the GoI. No efforts were taken to delink the old methodology of poverty estimates in view of fresh survey to ensure supply of foodgrains to actual beneficiaries.

The Government admitted the facts and stated (August 2011) that allotment of foodgrains was being made on the basis of actual number of BPL families prior to 2006-07. It was further stated that the work of identification of BPL families was done by Rural Development and Urban Development Departments and FCS&CA Department had no role in identifying the beneficiaries. The fact, however, remains that Government continued to provide foodgrains at highly subsidised rates without any cognisance to incidence of actual poverty prevalent in the State as per survey got conducted by the State Government.

1.1.8.2 Unrealistic estimation of Antyodaya families

Un-realistic estimation of Antyodaya families was reported in paragraph 3.3.7.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh. Even after conducting (2006-07) survey on poor families, this issue has not been addressed and the State Government extended benefit under PDS to AAY families in excess of the prescribed limit as discussed below:

The State Government was required to cover 38 *per cent* of BPL families under AAY from April 2005. As discussed in the preceding paragraph, the identified BPL families in the State was only 2.82 lakh and 38 *per cent* of these worked out to 1.07 lakh for coverage under AAY. The State Government, however, extended benefit to 1.96 lakh families under AAY resulting in excess coverage of 0.89 lakh families. It indicated that there was prevalence of bogus ration cards/inclusion of ineligible beneficiaries, as discussed in the succeeding paragraph 1.1.9.1.

The Director, FCS&CA stated (March 2011) that the Department had taken the number of families on the basis of registration of ration cards with the FPSs. It was further stated that identification of these families was done by Rural and Urban Development Departments through Gram Panchayats, Nagar Panchayats and Nagar Nigam on the basis of targets given to them by Rural/Urban Development Departments. The reply is not acceptable as subsequent to the survey of 2006-07, the issue of excess ration cards to AAY families above the identified number of families should have been taken up with the concerned Department to prevent the prevalence of bogus ration cards/inclusion of ineligible beneficiaries.

In the exit conference, the Department stated (July 2011) that these aspects were being investigated.

1.1.9 Issue of Ration Cards

In paragraph 3.3.7.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh issue of excess ration cards was commented upon. It was noticed that this irregularity was still persisting as discussed below:

Population existing in the departmental record in respect of the State as published by the Economics and Statistics Department of the State during 2006-10 was as under:

Table-1.1.2: Projected population and population for which ration cards issued during 2006-10

(In lakh as on 1 st March)			
Year	Projected population	Population for which ration cards issued	Population shown excess
2006	64.62	68.04	3.42
2007	66.97	70.17	3.20
2008	68.06	71.28	3.22
2009	69.17	72.33	3.16
2010	70.29	73.22	2.93

Source: Director, FCS&CA and Statistical outline of Himachal Pradesh 2008-09

From the above details it would be seen that during 2006-10 ration cards were issued for population in excess of the projected population and it ranged between 2.93 lakh and 3.42 lakh. Thus, possibility of prevalence of ghost/bogus cards issued to ineligible beneficiaries in the system could not be ruled out. Besides, evaluation study of TPDS (March 2005) of Planning Commission had also pointed out inclusion error (inclusion of APL) and prevalence of ghost BPL cards in the State to the extent of 20.39 *per cent* which had serious implications on the performance of PDS and delivery cost of foodgrains. No corrective action based on the aforementioned evaluation study has been taken as yet (May 2011) by the Department to overcome the situation.

While admitting the facts, the Principal Secretary in the exit conference intimated (July 2011) that the Department had already cancelled about 9000 bogus cards. It was further stated that Inspectors of the Department through District Controller had been directed to check the Parivar Registers of Panchayats.

1.1.9.1 Annual Review of Ration Cards

As per provision of PDS (Control) Order, 2001, the State Government was required to conduct periodical checking of ration cards to weed out ineligible and bogus ration cards. This exercise was necessary to be continued to ensure that subsidised foodgrains are not distributed to unauthorised persons. The State Government also issued (February 2009) instructions that every Inspector of the Department should cover at least one Gram Panchayat (GP) every month and conduct 100 *per cent* inspection of FPS to identify the bogus ration cards.

Audit scrutiny revealed that in four selected districts, annual review of ration cards was conducted during 2009-11 in only 246 out of 1399 GPs (17.58 *per cent*) required to be checked. During this review, 643 ration cards were found to be bogus/ineligible and were cancelled by the inspectorate staff as detailed below:

Table-1.1.3: Annual review of ration cards conducted during 2009-11

(In numbers)

District	Total Panchayats	Panchayats to be covered	Panchayats actually covered	Shortfall	Bogus/ ineligible card found	Ration card cancelled
Kangra	760	760	76	684 (90)	408	408
Kinnaur	65	65	16	49 (75)	73	73
Solan	211	211	88	123 (58)	162	162
Shimla	363	363	66	297 (82)	--	--
Total	1399	1399	246		643	643

Source: Departmental figures; Parenthesis indicate percentage

There was also shortfall in inspection of FPSs by the District Controller, District Inspectors and Inspectors ranging between 24 and 66 *per cent* as brought out in succeeding paragraph 1.1.15.4.

Due to inadequate number of inspections, review of BPL and AAY families/ration cards was not carried out in 1153 GPs during 2009-11 in the above four selected districts. Thus, ineligible beneficiaries continued to get benefits over the years. Had the reviews been carried out every year, drawal of food commodities against ineligible/bogus cards from the FPSs could have been avoided.

1.1.10 Allotment, allocation and lifting of Foodgrains

The operational responsibility including allocation and distribution within the State rests with the State Government. The GoI supplies foodgrains to the States for distribution to the consumers at central issue price (CIP). The State Government further fix the issue price of the wholesale seller and FPSs considering the profit margins and handling charges.

It was noticed in audit that no periodical (monthly or quarterly) assessment of requirements had been made by the Department during 2006-11. The GoI, however, made allocation of foodgrains under PDS on the basis of ration card population conveyed by the State Government.

Yearwise position of allocations and lifting of foodgrains in the State during 2006-11 was as given below:

Table-1.1.4: Position of allocation and lifting of foodgrains

(Quantity in lakh MTs)

Year	Allocation by GoI			Lifting by State Government			Shortfall
	Wheat	Rice	Total	Wheat	Rice	Total	
2006-07	1.76	2.66	4.42	1.54	1.99	3.53	0.89
2007-08	2.26	2.51	4.77	2.09	2.40	4.49	0.28
2008-09	2.74	1.89	4.63	2.71	1.88	4.59	0.04
2009-10	2.97	1.78	4.75	2.91	1.73	4.64	0.11
2010-11	3.21	1.91	5.12	3.00	1.89	4.89	0.23
Total	12.94	10.75	23.69	12.25	9.89	22.14	1.55

Source: Data supplied by the Director, Food, Civil Supplies and Consumer Affairs Department

The overall shortfall in lifting of foodgrains during 2006-11 was 1.55 lakh MTs (six per cent). This included a quantity of 0.26 lakh MTs of foodgrains not supplied by the FCI within the prescribed validity period of two weeks.

The Government admitted the facts and stated (August 2011) that due to non-availability of stocks with FCI owing to certain reasons foodgrains allocated could not be lifted.

1.1.11 Distribution of foodgrains

GoI fixed (April 2002) the scale of issue of foodgrains to APL, BPL and AAY families at 35 kg (wheat 15 kg and rice 20 kg) per family per month with a view to enhance the food security and liquidating surplus stocks of foodgrains in the Central Pool. Irregularities noticed in the distribution of foodgrains are discussed in the succeeding paragraphs.

1.1.11.1 Additional subsidy due to excess distribution of foodgrains

Vide paragraph 3.3.7.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, excess distribution of foodgrains to BPL families involving unauthorised food subsidy was also commented upon. However, the State Government again ignored the prescribed scale of issue of foodgrains resulting in additional burden on account of subsidy due to excess distribution of foodgrains as discussed below:

As per PDS (Control) Order, 2001, Central Government shall make available foodgrains to the State Governments for distribution under the PDS to various categories of beneficiaries at such scale and price specified from time to time.

It was, however, noticed that the State Government ignored scale of issue fixed in April 2002 and distributed the foodgrains to the BPL families at the scale of 60 kg (Wheat: 25 kg and Rice: 35 kg) per family per month from April 2005 to June 2006 and thereafter restricted it to 35 kg. Besides above, the State Government on its own also allowed distribution of 16 kg foodgrains (wheat and rice eight kg each) per month per person from July 2008 to June 2009 and at the scale of 8 kg (either wheat or rice) per person per month from July 2009 onwards to the ration card holders of Tribal⁴ and inaccessible⁵ areas. This resulted in excess distribution of 45,775.09 MTs of foodgrains to the BPL families involving additional food subsidy of ₹10.98 crore to be borne by GoI as detailed below:

Table-1.1.5: Details showing excess distribution of foodgrains to the BPL families (Quantity in MTs)

Period	Number of BPL families involved	Foodgrains required at prescribed scale ⁶ of GoI		Foodgrains actually distributed	Quantity of foodgrains in excess	Cost ⁷ of foodgrains per MT (In ₹)			Amount of subsidy involved (₹ in crore)	
		Wheat	Rice			APL	BPL	Difference		
1 st April 2005 to June 2006	1,45,297	Wheat	32608	48720	16112.00	7200	5250	1950	3.14	10.70
	1,43,450 [†]	Rice	43478	72029	28551.00	9650	7000	2650	7.56	
July 2008 to March 2009	8,802 ^{***}	Rice	1716.39	2398.90	682.51	9500	6850	2650	0.18	0.18
	3,068 ^{****}								0.18	0.18
April 2009 to June 2009	10,480 ^{****}	Wheat	736.32	984.60	248.28	7200	5250	1950	0.05	0.10
		Rice	188640	2067.70	181.30	9500	6850	2650	0.05	
Total					45,775.09					10.98

Source: Departmental figures

Note: [†] April-June 2006; ^{**} Bharmaur, Kinnaur and Pangri; ^{***} Bharmaur only; ^{****} Bharmaur, Kinnaur and Lahaul & Spiti area.

⁴ Tribal Areas: Kinnaur and Lahaul Spiti districts, Pangri and Bharmaur sub-divisions of Chamba district.

⁵ Inaccessible Areas: Bara Bhangal area of Kangra district and Dodra Kwar sub-division of Shimla district.

⁶ Family scale per year: Number of BPL x Entitlement of Wheat/Rice x number of months upto June 2006.

⁷ CIP for BPL (per quintal): wheat ₹415 + ₹110 handling charges levied by the State Government and Rice: ₹565 + ₹135 handling charges levied by the State Government and ₹565 + ₹120 handling charges from April 2006.

Issue price for APL (per quintal) wheat ₹610 + ₹110 handling charges and rice ₹830 + ₹135 handling charges.

Since identification error (inclusion of APL and BPL) is high in the State according to the evaluation study (March 2005) of Planning Commission, it was, obvious that there was diversion of PDS benefits to un-intended beneficiaries due to excess distribution of foodgrains raising the subsidy burden of GoI by ₹10.98 crore.

In the exit conference, the Director FCS&CA stated (July 2011) that excess distribution of foodgrains was made as per decision of the State Government to liquidate the stock as many consumers in tribal areas could not purchase their monthly quota of foodgrains due to lack of enough money with them. It was further stated that distributed quantity was within the prescribed overall monthly quota to the consumers. The reply is not acceptable as foodgrains were supplied over and above the scale prescribed and permission from the GoI to distribute highly subsidised foodgrains in excess of prescribed scale was also not obtained.

1.1.11.2 Issue of foodgrains to BPL families at higher rates

Vide paragraph 3.3.7.5 of the Report of the Comptroller and Auditor General of India (March 2006), Government of Himachal Pradesh, issue of foodgrains at higher cost to BPL families was also pointed out. The State Government had not taken any action to address this issue and still continued to provide foodgrains at a higher end retail price as mentioned below:

According to the GoI instructions (February 1997) the State Government was required to fix the end retail price at FPS levels at not more than 50 paise per kg over and above the CIP for BPL families. The GoI had fixed issue price of wheat and rice at ₹4.15 and ₹5.65 per kg respectively. Accordingly, end retail price at FPSs for BPL families was to be ensured as ₹4.65 and ₹6.15 per kg for wheat and rice respectively.

Audit scrutiny, however, revealed that the State Government distributed wheat and rice at ₹5.25 and ₹6.85 per kg during 2006-11 through FPSs putting extra burden of ₹35.11 crore on BPL families as detailed below:

Table-1.1.6: Details showing issue of foodgrains to BPL families at higher rates

Year	Type of food grains	Quantity distributed (In MTs)	Issue rate fixed by State Government (Per ₹MT)	Issue rate as per norms of GoI (Per ₹ MT)	Difference per MT (in ₹)	Amount charged in excess (₹ in crore)
2006-07	Wheat	18,915	5,250	4,650	600	1.13
	Rice	29,652	6,850	6,150	700	2.08
2007-08	Wheat	44,578	5,250	4,650	600	2.67
	Rice	69,233	6,850	6,150	700	4.85
2008-09	Wheat	61,061	5,250	4,650	600	3.66
	Rice	57,076	6,850	6,150	700	4.00
2009-10	Wheat	67,642	5,250	4,650	600	4.05
	Rice	53,322	6,850	6,150	700	3.73
2010-11	Wheat	78,810	5,250	4,650	600	4.73
	Rice	60,124	6,850	6,150	700	4.21
Total						35.11

Source: Departmental figures

In the exit conference, the Principal Secretary stated (July 2011) that this was due to higher transportation charges in hilly terrain which was not reimbursable by GoI. The fact, however, remains that the end retail price was more than the level prescribed by the GoI and the State Government did not bring it to the notice of GoI for taking remedial measures. Hence, the consumers were denied the intended benefits of having PDS items at a correct price as prescribed by the GoI.

1.1.12 Quality control of PDS commodities

1.1.12.1 Departmental Laboratory

The PDS (Control) Order, 2001, requires that State Government should ensure that the stocks of foodgrains intended to be issued to the consumers conformed to the quality standard are of fair average quality (FAQ).

To ensure this, samples of wheat/rice are drawn jointly by the godown in-charge of HPSCSC and FCI before taking delivery from the depot of FCI and every principal distribution centre for the purpose of quality control.

Inspectors of FCS&CA also draw samples of wheat, wheat atta, rice, levy sugar, pulses, etc., from the wholesale godown/sub-wholesale godown and FPSs to adjudge the quality of foodgrains. A foodgrains testing laboratory had been set up at the Directorate level where samples of rice and wheat are analysed and the samples of other commodities viz; wheat atta, edible oil and levy sugar are got analysed at Composite Testing Laboratory (CTL) of Health Department located at Kandaghat (Solan district).

Audit scrutiny revealed that there was acute shortage of staff in the Departmental laboratory. Against the sanctioned four posts of technical staff, three were lying vacant as of March 2011. There was no facility available for testing of iodised salt, levy sugar, refined oil and mustard oil in the Laboratory. As such, these samples were sent to the Combined Testing Laboratory (CTL) of Health Department at Kandaghat. Audit noticed that the analysis reports of the samples drawn were received back in the Department from the CTL in 35 to 45 days and in the meantime, foodgrains were issued to the beneficiaries without waiting for the analysis reports. Thus, due to delay in getting the analysis reports from the composite laboratory, the Department had failed in providing foodgrains of FAQ to the targeted beneficiaries as brought out in the succeeding paragraph.

1.1.12.2 Issue of foodgrains below specification

Issue of foodgrains below specification was commented upon in paragraph 3.3.7.9 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, but the Department had not still (August 2011) ensured supply of quality foodgrains as discussed below:

In compliance of PDS (Control) order 2001, the district level functionaries and Inspectors of the Department had drawn samples during 2006-11 in the State.

Table-1.1.7: Position of samples collected by the District Controllers and Inspectors during 2006-11 in the State**(In numbers)**

Year	Samples actually collected							Shortfall in collection of samples			
	DC, FCS&CA		Food Supply Officer		Inspector		Total Ach.	DC, FCS&CA	FSO	Inspector	Total
	Tar.	Ach.	Tar.	Ach.	Tar.	Ach.					
2006-07	144	44	204	25	1140	261	330	100	179	879	1158 (78)
2007-08	144	64	204	57	1140	370	491	80	147	770	997 (67)
2008-09	144	99	204	81	1032	444	624	45	123	588	756 (55)
2009-10	144	90	204	143	1032	233	466	54	61	799	914 (66)
2010-11	144	138	204	149	996	433	720	6	55	563	624 (46)
Total	720	435	1020	455	5340	1741	2631	285	565	3599	4449 (63)

Source: Departmental figures; figures in parenthesis indicate percentage

Note: Tar.-Target; Ach.-Achievement.

Against the target of collection of 7080 samples during 2006-11, only 2631 samples of foodgrains were collected by the field staff in the State. Thus, the shortfall in collection of samples during the above period ranged between 46 and 78 *per cent*.

It was, further, noticed that out of 1993 samples got analysed by the inspectorate staff during 2006-11, 277 samples representing 1368.26 MTs of foodgrains were found below the prescribed specification after analysis in the Laboratory. Of the 1368.26 MT of substandard foodgrains, 201 MTs of foodgrains was replaced by the HPSCSC from the FCI and the balance 1167.26 MTs of foodgrains (including 44.73 MTs of four selected districts) were supplied to the beneficiaries without replacement through the network of PDS in the State as detailed below:

Table-1.1.8: Details showing quantity of substandard foodgrains distributed during 2006-11 through PDS in the State**(In MTs)**

Year	Number of samples analysed	Number of samples found below specification	Quantity of samples found below specification	Quantity of foodgrains replaced by the HPSCSC	Quantity of sub-standard foodgrains distributed
2006-07	330	46	55.53	21.30	34.23
2007-08	398	51	545.10	28.99	516.11
2008-09	356	46	132.64	94.37	38.27
2009-10	405	62	340.35	18.95	321.40
2010-11	504	72	294.64	37.39	257.25
Total	1993	277	1368.26	201.00	1167.26

Source: Departmental figures

In the exit conference, the Principal Secretary admitted (July 2011) the facts. The Department should adopt a mechanism ensuring replacement of entire quantity of foodgrains before its distribution to the consumers under PDS.

1.1.12.3 Implementation of specially subsidised scheme of Pulses and Edible oils

The State Government extended additional benefits under PDS to the consumers in the State from 1st April 2007. Under these measures pulses, edible oils and iodised salt are supplied to all the ration card holders as per scale and at subsidised cost determined by the State Government from time to time. The procurement of pulses, edible oils and salt is being made through the HPSCSC Limited and these commodities are further supplied to FPSs for further distribution to the beneficiaries. Audit scrutiny of contracts for procurement of pulses revealed the following:

➤ Supply of sub-standard pulses

The contracts for supply of pulses provided that the HPSCSC Limited would ensure receipt of supplies as per the approved samples at the delivery destination. As per terms and conditions laid down in the contract, the suppliers were required to replace the quantity of pulses not found according to the approved samples at their own cost within a period of one week. Besides, to compensate this loss, 10 *per cent* penalty on the cost of sub-standard quantity of pulses supplied by the supplier was also leviable.

It was, however, noticed in audit that during 2007-11, 2066.47 MTs pulses valued at ₹6.54 crore were not supplied as per approved samples by the concerned suppliers and the HPSCSC Limited after receipt at their wholesale godowns further supplied to FPSs for distribution amongst the ration card holders without ensuring quality as per approved specification/samples. The HPSCSC Limited only levied a penalty of ₹68.78 lakh on the concerned suppliers and did not get the sub-standard quantity of pulses replaced from the suppliers as per contractual provision. This not only resulted in sub-standard/below specification issue of pulses to the consumers but also indicated failure of both the Department and the HPSCSC Limited to exercise adequate control over procurement and delivery of pulses. Besides, an amount of ₹68.78 lakh recovered as penalty by the HPSCSC Limited was also not deposited into Government account as of May 2011. The Government admitted the facts and stated (August 2011) that the procedure to draw the samples and to get the analysis reports from the laboratory takes 20-30 days and by then the consignment of particular sample is sold out by the godown incharges. The reply is not acceptable as to prevent supply of sub-standard pulses and to ensure timely supply of good quality pulses to the consumers, efforts should have been made to obtain analysis reports from laboratory in a time bound manner.

1.1.13 Convergence with other programme

1.1.13.1 Annapurna Scheme

The State Government also implements the Annapurna scheme launched by the GoI, MoRD from April 2000. Under the scheme, foodgrains at the scale of 10 kg per person per month are provided free of cost through the PDS to the indigent senior

citizens of 65 years age and above who were eligible for pension under National Old Age Pension Scheme but are not receiving it. Originally, the GoI provided funds to the State as advance towards the cost of foodgrains payable to the FCI. The scheme was transferred to the State Plan from 2002-03 onwards and funds were thereafter released as Additional Central Assistance by the Ministry of Finance. The GoI had fixed a limit of 6373 beneficiaries in Himachal Pradesh. An audit appraisal of the implementation of the scheme revealed the following:

The State Government was to identify and display list of eligible persons after giving wide publicity. It was, however, noticed that in the beginning of year 2005-06, there were 5310 identified beneficiaries and the number of beneficiaries gradually decreased to 3447 as of March 2011.

Table-1.1.9: Year-wise position of allocation, lifting and distribution of foodgrains under Annapurna scheme during 2006-11

(Quantity in MTs)

Year	Allocation	Lifting	Distribution
2006-07	585.30	336.96	449.49
2007-08	756.60	398.90	288.61
2008-09	756.60	351.00	448.00
2009-10	748.60	--	278.20
2010-11	836.00	371.00	291.00
Total	3683.10	1457.86	1755.30

Source: Departmental figures

From the above table it would be seen that against allocation of 3683.10 MTs of foodgrains, the lifting was only 1457.86 MTs. The Department, however, showed distribution of 1755.30 MTs of foodgrains during 2006-11 i.e. 297.44 MT in excess of foodgrains actually lifted. Thus, there was mismatch between distribution of foodgrains and foodgrains actually lifted during 2006-11, which remained unreconciled by the Department.

Government stated (August 2011) that the beneficiaries prefer to receive the Old Age Pension, hence the target given under the scheme is not achieved. It was further stated that there was backlog quota of foodgrains during 2006-07. However, no record of availability of backlog quota was furnished to audit and, thus, distribution of foodgrains exceeding the lifting would require reconciliation by the Department.

1.1.14 Functioning of Fair Price Shops

As per PDS (Control) Order, 2001 the FPS owners were required to display the stock position, retail issue price of foodgrains, number of beneficiaries, scale of rations admissible to different categories of consumers, and sample of foodgrains on day to day basis.

Inspection of 96 FPSs in four selected districts by Audit in the presence of Departmental officers revealed the following:

- The essential information like, authority for redressal of grievances and Citizen's Charter were not displayed in any of the FPSs for the information of consumers.
- Position of stock received during the month was not found displayed in 53 FPSs.
- Samples of foodgrains supplied by the FCI to FPS through State agencies were not displayed by the dealers so that consumers may check the quality of foodgrains supplied to them.
- In 40 FPSs, other commodities including similar commodities of PDS apart from the rationed articles were also kept for sale in the shop premises which was in contravention of the instructions of Director, FCS&CA issued in June 1996.
- Timing of opening and closing of FPSs were not displayed in four FPSs.

Photograph-1.1.1



FPS in Kinnaur without display of requisite information (20 September 2010)

Thus, dealers of FPSs failed to provide the required information to the consumers of the areas concerned. Moreover, non-exhibition of monthly stock position of foodgrains by 53 out of 96 FPSs test-checked by Audit, indicates that there was possibility of leakage of foodgrains in the open market by showing fictitious sales in the sales register to ration card holders who had not received their ration in the relevant month.

The Government stated (August 2011) that show cause notices for not displaying the stock position have already been issued to the dealers of FPSs impressing upon them to follow the departmental instructions with regard to display of mandatory information by the FPSs in future.

1.1.14.1 Beneficiaries' awareness survey

An awareness survey was also conducted alongwith departmental officers by Audit to ascertain the perception of beneficiaries of the effectiveness and usefulness of the

mechanism put in place for implementation of the PDS. In four selected districts, 1564 beneficiaries of BPL and AAY schemes were surveyed. The survey revealed the following:

- 34 per cent of the interviewed beneficiaries to whom foodgrains were issued under BPL/AAY, were ineligible beneficiaries, i.e. their income was above the prescribed limit of ₹ 2500 per month.
- 13 per cent of the surveyed beneficiaries intimated that quality of foodgrains issued was poor.
- 22 per cent of the surveyed beneficiaries complained of irregular supply of foodgrains and other commodities.
- 38 per cent of the surveyed beneficiaries reported about short-supply of levy sugar by the FPS owners.

The results of survey thus, confirm the fact of inclusion of ineligible beneficiaries/bogus cards as brought out in paragraphs 1.1.8.2 and 1.1.9; non-fulfilment of the objectives of supply of quality foodgrains to the consumers, besides, it also indicated failure of the Department to ensure timely supply of foodgrains and other commodities.

In the exit conference, the Principal Secretary appreciated the audit for carrying out beneficiary survey and assured to look into the matter for taking corrective action.

1.1.15 Monitoring and Supervision

The PDS (Control) Order, 2001 provides clear guidelines to the State Government for establishing and running of an effective monitoring mechanism for functioning of TPDS. This included regular inspection of FPSs by designated authorities, formation of vigilance committees at District, Block and FPS levels. Deficiencies in establishment and functioning of monitoring mechanism are discussed in the succeeding paragraphs.

1.1.15.1 Non-formation of Vigilance Committees

To ensure proper functioning of PDS in the State, the State Government issued notification for constitution of Vigilance Committees (VCs) as late as July 2006. While VCs in all the 12 districts of the State were formed, such committees in 17 out of 77 blocks and in 225 out of 4567 FPSs in the State were not constituted as of March 2011. These included 16 out of 33 blocks and 67 out of 1833 FPSs falling in the four selected districts. Thus, there was absence of effective control mechanism at block and FPS levels to the above extent.

The concerned District Controllers, FCS&CA, however, furnished no explanation for non-formation of VCs. The issue was discussed in the Exit Conference held in July 2011 and the Principal Secretary while agreeing to the audit findings assured that necessary action would be taken.

1.1.15.2 Functioning of Vigilance Committees

As per PDS (Control) Order, 2001, VCs at all levels were required to hold meetings at least once in a quarter to watch effective implementation of PDS. It was noticed in audit that the functioning of VCs wherever formed was ineffective, as required meetings at all the levels were not held to the prescribed extent during 2006-11. The position of meetings of VCs in the State and in the four test-checked districts is given in *Appendices-I and II*. From the details depicted in these appendices it would be seen that there was shortfall in holding of meetings in the State between 58 and 81 per cent at District level, 67 and 99 per cent at block level and 95 and 99 per cent at FPS level. In the test-checked districts shortfall ranged between five and 100 per cent at District level, 93 and 100 per cent at block level (except Kangra) and 94 to 99 per cent at FPS level.

On this being pointed out in audit the concerned District Controllers did not furnish any reasons in this regard.

1.1.15.3 Computerisation of FPSs

As per PDS (Control) Order, 2001, the State Government was also required to ensure monitoring of PDS at FPS level through a computerised network.

It was noticed that the Department had not done computerisation of FPSs.

The Director, FCS&CA stated (August 2011) that at present work of preparation of feedback reports was being got done at District level through NIC, but due to scarcity of staff, data feeding process is slow and they could feed data only upto March 2009. The fact, however, remains that online monitoring of FPSs as required under PDS (Control) Order, 2001 was not done to ensure proper check on the functioning of FPSs.

1.1.15.4 Inspections of FPSs

The PDS (Control) Order, 2001 specifies that State Government should ensure regular inspection of FPSs by the designated authority not less than once in six months. Accordingly, the State Government had prescribed the norms for conducting inspection of FPSs by various authorities viz. District Controller, District Inspector and Inspectors. The details of inspections required to be conducted and actually done thereagainst in the State during 2006-11 are given as under:

Table-1.1.10: Details of inspections required vis-a-vis actually conducted during 2006-11

(In numbers)

Year	Inspections required	Inspections actually conducted	Shortfall
2006-07	10920	6235	4685 (43)
2007-08	13368	5789	7579 (57)
2008-09	13512	5173	8339 (62)
2009-10	13512	4595	8917 (66)
2010-11	13152	9988	3164 (24)

Source: Departmental figures; figures in parenthesis indicate percentage

As could be seen from the table above, the shortfall in inspection by the District Controllers, District Inspectors and Inspectors during the above period ranged between 24 and 66 *per cent*. In three^s out of four selected districts shortfall in conducting inspections during the above period was between 16 and 55 *per cent*.

This indicated poor monitoring and supervision and resultantly, quality of foodgrains supplied to the beneficiaries could not be ensured as discussed in the earlier paragraphs. The Director had not ensured that the inspection schedule fixed, was adhered to by the field staff.

In the exit conference, the Principal Secretary admitted the facts and stated (July 2011) that shortfall in carrying out inspections was mainly due to shortage of staff.

1.1.16 Evaluation of TPDS

The Planning Commission of India in March 2005 had conducted an evaluation study of TPDS in 18 states (including Himachal Pradesh) through Programme Evaluation Organisation (PEO) of GoI to ascertain the functioning of TPDS. The points raised in evaluation study in respect of Himachal Pradesh were as under:

- (I) High identification error in BPL households resulting in inclusion of un-intended beneficiaries, prevalence of ghost BPL Cards to the extent of 20.39 *per cent*, rise in the cost of delivery and burden of budgetary food subsidies.
- (ii) Leakage from the supply chain and diversion through this mode could be due to identification error and imperfect information and improper methodology of BPL census.
- (iii) The estimated leakages and diversion of subsidised foodgrains as pointed out in the above study was 31.03 *per cent* through Ghost cards.

The suggestions and recommendations made in the evaluation study relating to identification of BPL households and leakages were as under:

- To delink BPL identification survey from the official methodology of poverty estimates and to re-design the scheme on the basis of fresh country wide survey to help identify food insecure households.
- To plug the leakages and for an efficient and effective delivery system, major overhaul of the delivery mechanism was necessary. The reform measures suggested were: (i) doorstep delivery to retail outlets to be done in a transparent manner i.e; in the presence of PRIs representative, (ii) quantity delivered and received at FPS level must be authenticated by the PRI; and (iii) consumers to be allowed to draw ration quota in weekly instalments.

^s Kangra, Kinnaur and Solan.

The State Government had not done evaluation of the implementation of the scheme on its own for effective monitoring. Also, no corrective measures were taken to address the problem of leakage of subsidised foodgrains through ghost ration cards in view of evaluation study got conducted by the Planning Commission.

In reply it was intimated (August 2011) that the Department of FCS&CA has no role in identification of BPL families, hence, the issue has been referred to Rural and Urban Development Departments for necessary compliance.

1.1.17 Conclusion

The State is responsible for identification of beneficiaries, issue of ration cards and distribution of foodgrains through the Targeted Public Distribution System. The performance audit revealed that the State Government had covered 2.32 lakh BPL families in excess of the families identified in the survey of poor families conducted in the State during 2006-07 resulting in unnecessary financial burden of food subsidy on GoI. The State Government had not ensured periodical checking and weeding of ineligible and bogus ration cards to prevent leakages of foodgrains to un-intended beneficiaries. On the distribution side, the State Government had also fixed a higher scale of issue than the GoI norms, resulting in excess distribution of foodgrains involving additional subsidy burden of ₹10.98 crore on GoI. There were also deficiencies in quality control system as a result of which 2066.47 MTs of sub-standard pulses and 1368.26 MTs of sub-standard foodgrains were supplied to the consumers. Vigilance committees required to be formed at block and FPS level had not been constituted in many of the blocks/FPSs for effective implementation and monitoring of the PDS. Working of monitoring mechanism of vigilance committees was also ineffective due to non-holding of meetings at required intervals to ensure timely delivery of proper quantity and quality of commodities to the beneficiaries.

1.1.18 Recommendations

- *The benefit of subsidy under the scheme should be extended to the actual number of BPL families identified in 2006-07 to avoid inclusion of ineligible families and leakages in the open market.*
- *The State Government should ensure distribution of foodgrains as per prescribed scale of issue to avoid unnecessary burden of food subsidy.*
- *To ensure availability of good quality foodgrains through FPSs, the Government should take immediate steps to provide adequate technical staff in the testing laboratory to get the analysis report of samples timely.*
- *To ensure effective implementation of PDS, Vigilance Committees should be set up at all blocks and FPSs level and regular inspections by various functionaries should be conducted to prevent substandard supply of PDS commodities to the consumers.*

Irrigation and Public Health and Urban Development Departments

1.2 Functioning of Sewerage Schemes

The State Government was required to provide hygienic sanitation facilities essential for a community's healthy living in 56 towns of the State through Sewerage Schemes. The Government had, however, not formulated any strategic/long term master plan to provide sewerage facilities in all the towns in a phased manner. There were abnormal delays in completion of sewerage schemes. Even though sewerage sector had been transferred to Urban Development Department (UDD) in April 2008, sewerage schemes were not handed over to UDD/Urban Local Bodies and remained with the Irrigation and Public Health Department (I&PH). Sewage treatment plants provided in the schemes were not being utilised fully mainly because of non-providing of connectivity to individual households and the untreated sewage was being discharged in open/adjoining nallahs causing unhygienic conditions and contamination of downstream water sources in the towns. Some significant audit findings are as under:

Highlights

- *Entire funds of ₹12.33 crore (Centre: ₹9.70 crore and State: ₹2.63 crore) provided under centrally sponsored scheme (Jawahar Lal Nehru Urban Renewal Mission) during 2009-10 for rejuvenation of sewerage network of Shimla town remained unutilised with Municipal Corporation, Shimla as of September 2011 due to non-commencement of work.*
(Paragraph 1.2.9.1)
- *Targets set for completion of 16 sewerage schemes during 2006-11 were not achieved and the shortfall was to the extent of 69 per cent.*
(Paragraph 1.2.10.1)
- *Sewage treatment plants of 15 schemes constructed at a cost of ₹209.83 crore were not being utilised to the optimum capacity as average utilisation of these plants was only 32 per cent as of March 2011 due to lack of sewerage connectivity to individual houses.*
(Paragraph 1.2.10.3)
- *In Shimla town, out of 34.41 MLD sewage generated, 3.66 MLD (11 per cent) could only be tapped and treated leaving approximately 30.75 MLD sewage untreated which was contaminating downstream nallahs and water sources.*
(Paragraph 1.2.10.4)

- *Due to improper planning by I&PH Department, sewerage schemes to Kangra and Una towns were lagging behind schedule by three and 12 years respectively despite incurring an expenditure of ₹18.15 crore.*

(Paragraphs 1.2.10.6 (a) and 1.2.10.6 (b))

- *Defective planning of I&PH Department resulted in extra avoidable expenditure of ₹6.22 crore on acquisition of surplus land for construction of sewage treatment plants at Solan.*

(Paragraph 1.2.10.7)

1.2.1 Introduction

Safe water supply and hygienic sanitation facilities are basic essential amenities required for the healthy living of a community. The sewerage programme assumes immense importance in Himachal Pradesh in view of the fact that most of the towns in the State serve as health resorts or pilgrim centres. About 80 per cent of sewage is due to water discharge from the houses, which unless properly collected, conveyed, treated and safely disposed off, may eventually pollute the rivers and other water bodies besides causing environment degradation. Hence, it is imperative for the State Government to set up efficient sewerage systems in all its urban areas.

The 56 towns⁹ of Himachal Pradesh are classified into six categories on the basis of population. The Irrigation and Public Health (I&PH) Department has been entrusted with the job of providing efficient sewerage system in 40 towns as six towns¹⁰ are under Cantonment Boards and one town (Parwanoo) is under the Housing Board and for the remaining nine towns sewerage schemes had not been approved. Although in April 2008 sewerage development work was transferred to Urban Development Department (UDD), the works are still being carried out by the I&PH Department as deposit work on receipt of funds from the UDD. Out of 40 towns, sewerage schemes in 15 towns¹¹ (including 10 towns covered prior to 2005-06) had been commissioned upto March 2011. In 25 towns sewerage works were still under execution. Of these, 18 works were taken up prior to 2005-06 and execution of seven works commenced during 2006-11. However, as per targets fixed for the completion of these schemes, 16 schemes were to be completed before March 2011.

⁹ Class-I: State Capital-1; Class-II: population between 50 thousand and one lakh-nil; Class-III: population between 20 and 50 thousand-6; Class-IV: population between 10 and 20 thousand-7; Class V: population between 5 and 10 thousand-16 and Class-VI: population less than 5 thousand-26.

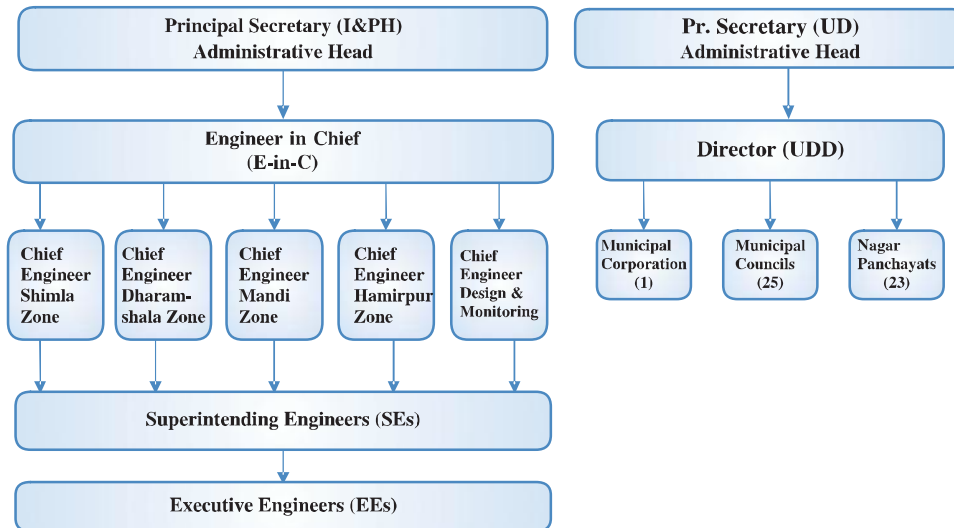
¹⁰ Bakloh, Dagshai, Dalhousie, Kasauli, Subathu and Yol.

¹¹ Arki, Bilaspur, Chamba, Ghumarwin, Jawalamukhi, Jogindernagar, Jubbal, Kullu, Mandi, Manali, Palampur, Rampur, Rohru, Shimla and Shri Naina Deviji.

1.2.2 Organisational Set up

The Organisational set up for implementation of the scheme is given below:

Chart-1.2.1



1.2.3 Scope of Audit

Implementation of sewerage schemes in the State was last commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, Government of Himachal Pradesh. The report has not been taken up for discussion by the Public Accounts Committee as of September 2011.

Twenty eight divisions covering 40 towns under I&PH are engaged in the execution, operation and maintenance of sewerage schemes. The records pertaining to the selection and execution of sewerage schemes in eight¹² divisions covering 12¹³ towns for the period 2006-2011 were test-checked during December 2010-April 2011. Besides, records of two¹⁴ out of five Urban Local Bodies (ULBs) to whom funds were provided for construction of sewer lines were also test-checked in audit. This comprises a sample of 29 *per cent* of divisions and an expenditure of 27 *per cent* (₹177.16 crore). Audit also gathered information from the Engineer-in-Chief (I&PH) and the Director, UDD, Shimla to support its findings.

¹² Bilaspur, Dalhousie, Padhar, Rohru, Shahpur, Shimla-II, Solan and Una-I.

¹³ Bilaspur, Chowari, Dalhousie, Jogindernagar, Kangra, Mehatpur, Rohru, Santokhgarh, Shimla, Shri Naina Deviji, Solan and Una.

¹⁴ MC, Shimla and NP, Jogindernagar.

1.2.4 Audit Objectives

The audit objectives were to assess whether:

- The planning of various sewerage schemes was effective;
- The funds provided were utilised in an economical, efficient and effective manner;
- The sewerage systems laid in respect of commissioned schemes were functioning properly;
- The contract management ensured execution and completion of work according to the prescribed time schedule; and
- There existed effective internal control mechanism and monitoring system.

1.2.5 Audit Criteria

The following audit criteria were adopted for the performance audit:

- Selection criteria for providing sewerage schemes in accordance with the laid down policy of the Government.
- Targets fixed for providing sewerage schemes in classified towns.
- Arrangement of funds for providing, maintenance and operation of sewerage systems.
- Mechanism evolved to inspect and monitor the ongoing and completed schemes.

1.2.6 Audit Methodology

Before commencing audit, audit scope, objectives and criteria were discussed with the Principal Secretary, I&PH (December 2010) and Principal Secretary, UDD (February 2011) during the entry conferences. The selection of divisions for test-check was based on statistical sampling method of Probability Proportionate to Size With Replacement (PPSWR).

Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memos and questionnaire and obtaining response of departmental functionaries at various levels. Photographic evidences and physical verifications were also taken into consideration to substantiate audit observations. The audit findings were discussed with the Principal Secretary (I&PH) and the Additional Director (UDD) in the exit conference held on 5 October 2011. Views of the Government have been incorporated at appropriate places in the Report.

1.2.7 Acknowledgement

The Office of the Accountant General (Audit) Himachal Pradesh, acknowledges the co-operation and assistance extended by I&PH and UD Departments during the course of Audit.

Audit Findings

1.2.8 Planning

For execution of sewerage schemes, I&PH Department had not prepared its own manual. The Department, however, follows the procedure and guidelines for implementation of schemes prescribed in the manual on sewerage and sewage treatment brought out by GoI, Ministry of Urban Development (MoUD) in 1993. As per GoI's manual, planning for sewerage schemes is required at different levels i.e. State, regional and community. The Government/I&PH Department had not done the requisite planning at all levels as envisaged in the above manual. As per the policy adopted by the Department, the first priority for providing sewerage system was to be given to the district headquarters, followed by pilgrim and tourist centres and the remaining towns at the end. In paragraph 3.2.8.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, non-preparation of master plan for providing sewerage schemes in various towns was commented upon. Despite this, Government had not prepared the requisite master plan till date (September 2011). In the absence of proper planning for implementation of sewerage schemes, 11 out of 16 targeted schemes remained incomplete as of March 2011 as brought out in succeeding paragraph 1.2.10.1 depriving the beneficiaries of the intended facility of sewerage system.

In the exit conference, Principal Secretary accepted the facts and stated (October 2011) that Master Plan is to be prepared by the UD Department in consultation with I&PH Department.

1.2.9 Financial Management

1.2.9.1 Financial outlay and expenditure

Expenditure on sewerage schemes during 2006-11 was mainly met out of State funds provided to the I&PH and UD Departments. In addition, under the centrally sponsored scheme viz., Jawahar Lal Nehru National Urban Renewal Mission (JNNURM), ₹12.33 crore (Central share: ₹9.70 crore, State share: ₹2.63 crore) were also released during 2009-10. Table-1 gives the position of budget allotment/funds received and expenditure thereagainst.

Table-1.2.1: Details of budget allotment and expenditure incurred thereagainst during 2006-11 on sewerage schemes

(₹ in crore)

Year	State Sector					Centrally Sponsored Scheme (JNNURM)				
	Funds allotted		Expenditure		Variation Excess (+)/ savings (-)	Funds released				
	I&PH	UDD	I&PH	UDD		Centre	State	Total	Expenditure	Unspent Balance
2006-07	38.38	---	38.18	---	(-) 0.20	---	---	---	---	---
2007-08	20.14	---	20.15	---	(+) 0.01	---	---	---	---	---
2008-09	11.00	22.50	11.00	22.50	---	---	---	---	---	---
2009-10	0	36.00	---	36.00	---	9.70	2.63	12.33	12.33	---
2010-11	0	37.00	---	37.00	---	---	---	---	---	---
Total	69.52	95.50	69.33	95.50	(-) 0.19	9.70	2.63	12.33	12.33	---

Source: Information supplied by I&PH and UD Departments

As seen from table-1.2.1, during 2008-11, UDD had drawn the allocated amount of ₹95.50 crore from the treasury in the respective years and released ₹88.49 crore¹⁵ to the I&PH Department and ₹5.36 crore¹⁶ to five ULBs respectively for execution of sewerage works. The balance ₹1.65 crore remained unutilised in the shape of bank draft with UDD. Besides, ₹12.91 crore also remained unspent with eight test-checked divisions in deposit-head and ₹3.93 crore with five ULBs as of March 2011.

In reply, the E-in-C stated (September 2011) that funds could not be fully utilised due to dispute at sites/court cases, delay in finalization of tenders, non-transfer of forest land, etc.

It was seen in audit that under JNNURM, the whole amount of ₹12.33 crore (Centre: ₹9.70 crore, State ₹2.63 crore) was drawn by the UDD from treasury in March 2010 to avoid lapse of the grant. However, it was released to Municipal Corporation (MC), Shimla in May 2010 only for rejuvenation of sewerage network in Shimla town. This amount also remained unutilised in the shape of FDRs due to non-finalisation of tender as of September 2011 with MC, Shimla. As a result, problem of worn-out sewerage network remained unresolved resulting in spread of unhygienic conditions in the town.

1.2.9.2 Incorrect depiction of utilisation of funds

(i) Material such as galvanised iron (GI) pipes and ductile iron (DI) pipes costing ₹2.46 crore and ₹2.47 crore respectively was booked by three¹⁷ divisions between June 2006 and March 2010 under five schemes. Of this, material costing ₹1.41 crore (GI pipe: ₹1.15 crore; DI pipe: ₹0.26 crore) was written back to stock subsequently between January 2008 and August 2010 and the balance material costing ₹3.52 crore (GI pipe: ₹1.31 crore; DI pipe: ₹2.21 crore) was lying unutilised with the concerned divisions at sites of works as of March 2011. It was also noticed that cost of GI pipes was debited to schemes without any provision in their estimates.

Thus, it is revealed that debiting the cost of material to these schemes without immediate requirement and provision in the estimates, was merely done to show utilisation of the available funds in contravention of rules besides, falsification of accounts of the schemes.

(ii) In March 2010, EE Shimla division-II, paid an amount of ₹1.02 crore to EE, Water Supply and Sewerage division, New Shimla for payment of energy charges of sewerage scheme, Shimla. But the same was not utilised by the later and was returned in August 2010. Audit observed that this was done merely to avoid surrender of funds during the year 2009-10. The amount was subsequently utilised in the financial year 2010-11 in contravention of rules.

(iii) In Una-I division excess expenditure of ₹45 lakh incurred on sewerage scheme of Mehatpur town during 2006-07 was debited to sewerage scheme of Una town. Thus,

¹⁵ 2008-09 (₹22 crore), 2009-10 (₹31.14 crore) and 2010-11 (₹35.35 crore).

¹⁶ 2008-09 (MC Shimla: ₹0.50 crore); 2009-10 (MC Hamirpur: ₹2.45 crore, Jogindernagar: ₹1.01 crore, MC Kullu: ₹0.60 crore and MC Mandi: ₹0.80 crore).

¹⁷ Rohru, Solan and Una-I.

incorrect utilisation of funds resulted in depiction of inflated expenditure under sewerage scheme of Una town and consequent unauthorised excess expenditure under scheme of Mehatpur town.

In the exit conference, the Principal Secretary (I&PH) admitted (October 2011) the facts. However, Principal Secretary did not propose any remedial action to set right the lapse and to avoid such lapses in future.

1.2.9.3 Urban Development Department's failure to take over sewerage development work

As envisaged in Annual Plan for the year 2008-09, the sewerage development plan was to be administered by the UDD from April 2008. However, neither execution nor operation and maintenance of completed sewerage schemes were taken over by the UDD as of March 2011. On this being pointed out, the Director, UDD stated (May 2011) that due to shortage of funds and non-transfer of staff from I&PH Department, ULBs were not in a position to handle the schemes.

The reply is not acceptable as the issue should have been resolved by taking up the matter with the Government for ensuring timely completion of works as lack of co-ordination between I&PH and UD Departments resulted in 69 *per cent* shortfall in achievement of targets and non-utilisation of funds to the extent as brought out in paragraph 1.2.10.1 and 1.2.9.1 respectively.

The Principal Secretary (I&PH) in exit conference stated (October 2011) that this matter is still to be resolved by the Government.

1.2.9.4 Non-levy of sewerage charges

Under section 5 of the Himachal Pradesh Water Supply Act, 1968 the State Government notified (June 2005) the tariff structure for sewerage disposal effective from 1st June 2005. According to the Act, monthly sewerage charges at the rate of 50 *per cent* of water billing per month were recoverable from domestic and commercial consumers.

In the two test-checked towns¹⁸, sewerage charges were not recovered from the consumers since the effective date as per notification of tariff. In these towns the number of domestic and commercial connections during 2006-11 were between 10341 and 11103. Audit noticed that there was lack of co-ordination between the UD and I&PH Departments in ensuring recovery of sewerage charges. Moreover, the issue of levy and recovery of sewerage charges was not resolved due to non-segregation of data relating to water bills raised in case of consumers having both water and sewerage connections either by the I&PH Department or by the ULBs. Due to non-availability of data on water bills, exact amount of sewerage charges recoverable as of March 2011 could not be ascertained in audit.

¹⁸ Shimla and Solan.

In the exit conference, Principal Secretary admitted (October 2011) that consumers must pay for sewerage facility and stated that appropriate action would be taken by the respective Municipal Committees to recover the sewerage charges.

1.2.10 Implementation of Schemes

1.2.10.1 Targets and Achievements

The Department had 25 (including one scheme for Baddi town being executed out of funds provided by Baddi, Barotiwalla and Nalagarh Development Authority) ongoing schemes in hand as of March 2011 which included 18 schemes taken up for execution between 1991-1992 and 2005-2006. The remaining seven schemes were taken up for execution between 2006-2007 and 2010-2011. During 2006-11, 16 schemes were targeted for completion though their stipulated period was 4 to 5 years as per administrative approvals. The status of these schemes is given as under:

Table-1.2.2: Details of targeted schemes and actual completion during 2006-11

Targeted year of completion	Name of sewerage scheme/town targeted for completion	Year of start of work	Year of completion (percent of physical progress of scheme)	Remarks
2006-07	Rampur	1996-1997	2006-07	---
	Joginder Nagar	1999-2000	2007-08	Completed after delay of one year
	Arki	1998-1999	2006-07	---
	Dharamsala	1995-1996	In progress (98)	Not completed even after delay of over four years
	Hamirpur	1995-1996	In progress (98)	Not completed even after delay of over four years
	Kullu	1994-1995	2009-10	Completed after delay of three years
	Una	1995-1996	In progress (98)	Not completed even after delay of four years
2007-08	Paonta Sahib	1995-1996	In progress (73)	Not completed even after delay of over three years
	Nagrota	2003-2004	In progress (95)	Not completed even after delay of three years
	Jubbal	2004-2005	2009-2010	Completed after delay of two years
2008-09	Narkanda	2005-2006	In progress (53)	Delayed by two years
	Bhunter	1999-2000	In progress (81)	Delayed by two years
2009-10	Sunni	2006-2007	In progress (66)	Delayed by one year
	Kotkhai	2005-2006	In progress (58)	Delayed by one year
2010-11	Sujanpur	2004-2005	In progress (80)	Targeted period for completion already over in March 2011
	Sarkaghat	1995-1996	In progress (31)	-do-

Source: Information supplied by the Engineer-in-Chief, Irrigation and Public Health Department

As seen from table-1.2.2, only five (31 *per cent*) out of 16 schemes fixed for 2006-11 could be completed by the Departments. In the five completed schemes, sewage treatment plants installed remained underutilised due to inadequate provision of mandatory sewerage connections as pointed out in paragraph 1.2.10.3.

In reply, E-in-C attributed (April 2011) non-achievement of targets to topographical conditions of the State, heavy monsoon, acute winter seasons and non-availability of labour.

The reply is untenable because these conditions should have to be factored in the plan for completing the targeted schemes as any delay in completion leads to cost escalation as discussed in the succeeding paragraph.

In the exit conference the Principal Secretary (I&PH) admitted (October 2011) the facts and assured that schemes of Hamirpur and Bhunter towns will be completed in 2011-12 whereas other two schemes (Sarkaghat and Sunni) will also be completed in 2012-13. However, there was no proposal for the completion of remaining ongoing seven schemes from the Principal Secretary.

1.2.10.2 Time and cost overrun

In six¹⁹ out of eight selected divisions, execution of nine²⁰ sewerage schemes for population of 2,14,043 persons was taken up between 1994-1995 and 2003-2004 at an estimated cost of ₹48.42 crore. The schemes were scheduled to be completed within four to five years from the dates of approval. These schemes after incurring an expenditure of ₹65.48 crore with physical progress ranging between 11 and 98 *per cent* were under implementation as of March 2011. There was a cost overrun of ₹27.84 crore in five schemes and time overrun in all cases ranged between three and 12 years. Percentage of cost overrun of five schemes was between 40 and 379 *per cent* as detailed in *Appendix-III*. As ascertained in audit, cost and time overrun were mainly due to land disputes.

The Principal Secretary stated (October 2011) that revised estimates are being prepared for regularisation of excess expenditure. The fact, however, remains that encumbrance free land was not ensured by the Department before approval of schemes.

1.2.10.3 Underutilisation of sewage treatment plants

Underutilisation of sewage treatment plants (STPs) at Shimla was commented upon in Paragraph 3.2.8.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh. The Government had not taken any remedial action in this regard and underutilisation of STPs was still persisting in 15 cases as discussed below.

¹⁹ Dalhousie, Padhar, Rohru, Shahpur, Solan and Una-I.

²⁰ Chowari, Dalhousie, Jogindernagar, Kangra, Mehatpur, Rohru, Santokhgarh, Solan and Una.

The STPs of 10²¹ schemes completed between 1997-98 and 2009-10 and five²² partly commissioned schemes during 2006-10 at a cost of ₹209.83 crore were not being put to use to their optimal capacity. Against capacity of 69.60 MLD, average utilisation of these STPs was 32 *per cent* and in individual cases it was between two and 61 *per cent*. It was noticed in audit that of these, in 14 sewerage schemes against provision of 25,541 sewer connections, only 6,696 connections were released leaving 18,845 households unconnected as of March 2011. In respect of Shimla sewerage scheme the details of connections to be provided were not reflected in the estimate prepared for augmentation of the scheme in February 1999. However, 10,979 connections were released under this scheme upto March 2011. In the absence of data relating to households to be provided sewerage connectivity, the extent of households not covered in Shimla town could not be ascertained in audit.

In reply, E-in-C (I&PH) stated (April 2011) that the sewage treatment plants remained underutilised due to lack of provision of household connectivity in the original Detailed Project Reports (DPRs)/estimates and active community participation, resource constraints to lay sewerage network upto household boundaries and inadequate provision for mandatory sewerage connection. The reply is not tenable because except in Shimla, provision for house connections existed in the estimates. In case of Shimla town, it was revealed in audit that the Department failed to identify the house connectivity while preparing the DPR. Besides, other bottlenecks should have also been resolved prior to construction of the STPs.

On this being pointed out in audit, the Principal Secretary (I&PH) admitted (October 2011) the facts. Thus, the intended objective of providing hygienic and pollution-free environment to the people of these towns still remains to be achieved despite incurring an expenditure of ₹209.83 crore.

1.2.10.4 Unhygienic conditions in Shimla town due to discharge of untreated sewage into Nallahs

Shimla is a class-I city and capital of Himachal Pradesh. As per a study conducted by the Central Pollution Control Board (CPCB) in 2005, the quantum of sewage generated in the city was assessed at 177 litres per capita daily (LPCD). For a population of 1,94,420 in the year 2010, the level of sewage being generated in the town was 34.41 Million Litres Per Day (MLD). In October 2005, six STPs of 35.63 MLD capacity were commissioned at an expenditure of ₹ 74 crore. Besides, I&PH Department had also spent ₹2.93 crore on laying of missing links of sewer lines during 2007-10 and ₹14.12 crore on operation and maintenance of the scheme upto March 2011.

²¹ Arki, Ghumarwin, Jawalamukhi, Jogindernagar, Jubbal, Kullu, Rampur, Rohru, Shimla and Shri Naina Deviji.

²² Bhunter, Dharamshala, Hamirpur, Solan and Sundernagar.

However, it was noticed that the utilisation of STPs during 2010-11 was only 3.66 MLD and about 30.75 MLD of sewage went untreated. As per survey conducted by the Department in 2006, the reasons for non-tapping of sewage generated and its short receipt at STPs were identified as missing/broken or untraceable lateral and sub-lateral laid in old sewer network at many places. The untreated sewage which remained untapped was discharged/flowing into adjoining Nallahs. During the course of audit, inspection of some of these spots alongwith departmental officials was conducted by the audit team. It was found that due to non-tapping of huge quantity of sewage, unhygienic conditions prevailed in many areas as can be seen from the following photographs.

Photograph-1.2.1



Missing link of sewer line between Vikasnagar-Panthaghati area (8 February 2011)

Photograph-1.2.2



Broken sewer line below IGMC & Hospital (8 February 2011)

Photograph-1.2.3



Missing link of sewer line adjoining IGMC & Hospital (8 February 2011)

Thus, the objective of providing pollution-free environment and the checking of contamination of water sources downstream of disposal points remained un-achieved despite incurring an expenditure of ₹91.05 crore.

The EE, Shimla-II division stated (February 2011) that the work of missing links, damaged/choking sewer lines has been completed and DPR for further rejuvenation of sewerage network in missing lines and left out areas/worn out sewerage network in various Zones of Shimla has been prepared (December 2010) by the MC, Shimla under JNNURM. The reply is not tenable as despite the completion of work of missing links/damaged sewer lines during 2006-11 at a cost of ₹2.93 crore, the problem of less receipt of sewage at STPs was not resolved.

In the exit conference, the Principal Secretary agreed with the audit findings and stated that under JNNURM, the problem will now be resolved by the MC, Shimla.

1.2.10.5 Improper functioning of sewerage scheme in New Bilaspur Town

The existing sewerage scheme of New Bilaspur Town (NBT) laid in 1960 for a population of 4000 was not sufficient to serve the present population of 16877 persons. The augmentation of the scheme was, therefore administratively approved (July 1994) for ₹27.80 lakh. The scheme based on septic tanks system was designed to last until 2025. The work taken up for execution in 1994-95 was completed in March 2000 after incurring an expenditure of ₹1.43 crore. An amount of ₹34.84 lakh was also spent on operation and maintenance of the scheme during 2006-11.

Scrutiny of the records of Bilaspur division revealed that septic tanks were constructed without the provision of soak pits. As a result, they could not withstand the flow of sewage and resulted in overflowing of sewage as can be seen from the following photographs:

Photograph-1.2.4



Photograph-1.2.5



Overflowing of sewage from Septic Tanks without soak pits in Bilaspur town (6 December 2011)

This not only necessitated frequent cleaning but also resulted in the spread of sewage thereby polluting the water bodies as the samples of effluent tests taken by Himachal Pradesh State Pollution Control Board (HPSPCB) in October 2010 were not found to

be of prescribed standard and indicated contamination of water. Environment Implementation Committee constituted by HPSPCB for effective monitoring of pollution control legislation in its meeting of May 2008 took serious note of pollution in the town and directed the concerned departments to check entry of raw sewage/over flow of septic tanks into Govindsagar lake and asked the departments to work out the solution within a month. A DPR amounting to ₹21.29 crore for setting up of STPs prepared by EE, Bilaspur was submitted to SE, Bilaspur in December 2010. However, approval thereof was not received as yet (June 2011) and the problem continued to persist for more than three years.

Thus, failure of the I&PH and UD Departments to ensure augmentation of the sewerage system keeping in view the necessity for STP and consequently not taking any action to prevent leakage of untreated sewage in the open as well as into water bodies of the town had not only resulted in unhygienic environment but also expenditure of ₹1.78 crore on its augmentation (₹1.43 crore) and maintenance (₹0.35 crore) proved unfruitful as the objective of providing proper sanitation facility still remained to be achieved.

The EE while confirming the facts stated (December 2010) that STP was essential for Bilaspur town.

Further, the Principal Secretary (I&PH) stated (October 2011) that estimate for construction of STP is under finalisation. The reply is indicative of the fact that planning for augmentation of the scheme without provision of soak pits/STP was defective.

1.2.10.6 Avoidable delay in completion of sewerage schemes and unfruitful expenditure

(a) Sewerage system for Kangra town was administratively approved (August 2003) for ₹9.28 crore and was stipulated to be completed by August 2008. The town was divided into three zones. An expenditure of ₹7.57 crore had been incurred on the execution of various components of the scheme upto March 2011 but the scheme has not been commissioned till date (September 2011).

Scrutiny of records of Shahpur division revealed that three jobs of laying jointing (LJ) and testing of Ductile Iron (DI) pipes, etc. for Zone I and II were awarded to a contractor between April-December 2005 for ₹1.21 crore with the stipulation to complete the work within six months. The contractor executed the jobs for value of ₹98.70 lakh and suspended (April 2008) further execution. For this default, compensation of ₹12.07 lakh was levied on the contractor in June 2009. The contractor did not resume the work even after levy of compensation and the contract was rescinded (September 2009) by forfeiting security of ₹4.07 lakh. The balance works had not been awarded to another contractor and remained suspended for a period of more than three years as of September 2011. Besides, the Department had

failed to recover the compensation levied and amount of forfeited security deposit was also not credited into Government account.

Scrutiny of records further revealed that 81 *per cent* work of laying and jointing of DI pipes of Zone-III also stood completed as of March 2011 but the work of construction of STP for Zone-III was not taken up due to non-finalisation of tenders.

Thus, due to lack of proper planning for execution of sewerage system, the scheme was lagging behind for about three years of the stipulated date of completion. As a result, the objective of providing sewerage facility to the targeted population of 36613 persons of the town and pollution-free environment remained to be achieved despite incurring an expenditure of ₹7.57 crore upto March 2011.

On this being pointed out, the EE admitted the facts and stated (September 2011) that the tender for STP called for in June 2009 and opened in July 2009 remained under process in the offices of SE and CE, Dharamsala and ultimately returned (June 2011) with direction to cancel and call fresh tenders as one of the participating contractor expired in May 2011. As per notice inviting tenders (NIT), validity for acceptance of a tender was 120 days from the date of opening. Therefore, failure on the part of SE and CE to finalise the tender within the validity period i.e. by November 2009 and its recall is likely to result in cost escalation, besides, non-completion of the schemes as per prescribed timeframe.

The Principal Secretary accepted (October 2011) the audit findings and stated that fresh tenders are being called for to ensure early completion of schemes.

(b) Sewerage scheme for Una town was administratively approved (June 1995) for ₹4.93 crore. The scheme has been designed for a period of 34 years (upto the year 2029) including four years for execution and completion. The town was divided into four zones viz. A, B, C and D. In Zones A, B and D construction of STPs was envisaged whereas in Zone C, only septic tank was to be constructed. The scheme stipulated to be completed by June 1999 was taken up for execution during the year 1994-95 without obtaining technical sanction. The work of Zone C was completed in August 1999 and the system was made functional in that zone. ₹10.58 crore had been spent on execution of works in Zones A, B and D upto March 2011.

Scrutiny of the records of division No-I, Una revealed that while work of Zone 'D' (except construction of inspection chambers and finishing of plant) was also completed before 2000, its commissioning was held up (December 2003) due to Court case filed by the land owners. The case of the land owners for restraining the Department from installation and commissioning of the STP during the pendency of the appeal was rejected (August 2009) by the Court but the balance work of construction of inspection chambers was yet (September 2011) to be completed.

Similarly, construction of 2.53 MLD STP for Zone 'A' and 'B' awarded to the contractor (October 2006) with the stipulation for completion by April 2007 was still (September 2011) incomplete.

Thus, improper planning and laxity on the part of I&PH and UD Departments had delayed the completion of the scheme for a period of over 12 years. This not only resulted in non-availability of intended sewerage facilities in Zones A, B and D of the town but also rendered investment of ₹10.58 crore idle.

The EE confirmed the facts and stated (January 2011) that due to Court case/delay by the contractors, STPs could not be completed. The reply is not acceptable as stay was vacated by the Court in August 2009 and the work of Zones A and B was also not completed by the contractors according to the time stipulated in the contract agreement.

1.2.10.7 Extra avoidable expenditure on acquisition of surplus land for STPs

Sewerage scheme, Solan was administratively approved (November 1995) for ₹4.55 crore. The stipulated period for the completion of the scheme was four years. Between 1996-97 and 2006-07, the I&PH Department had acquired 47,986.50 square metres (sqm) land for the construction of STPs in two zones, namely Zone 'A' (8962.50 sqm) and 'B' (39024 sqm) from private land owners after making payment of compensation for ₹13.43 crore. The possession of the land was, however, taken in November 1997 for Zone 'B' and in May 2001 for Zone 'A'. While the work of STP for Zone 'A' is yet to be taken up (September 2011) the work of STP for Zone 'B' was completed in March 2001.

Scrutiny of records of Solan division revealed (March 2011) that the Principal Secretary (I&PH) directed (July 2005) the E-in-C that the Department should acquire the land only upto the requirement keeping in view the proposal to replace drying beds with filter press and the land which has been acquired in excess of requirement may be returned to the owners by de-notifying the same. While the Department had preferred various appeals in the High Court against the payment of enhancement of land compensation, an additional appeal requesting to allow the Department to return 22,221 sqm surplus land (Zone A : 4437 sqm; Zone B: 17,784 sqm) to the land owners was also filed in the above Court in August 2005. However, the appeals filed against the enhancement of land compensation as well as return of the surplus land were dismissed (April-May 2010) by the High Court.

The EE while confirming the facts stated (September 2011) that surplus land was not being used for any purpose. Thus, land for STPs was acquired in excess of the requirements and entailed additional financial burden of ₹6.22 crore²³ (Proportionate

²³ $\frac{13.43 \text{ crore} \times 22,221}{47,986.50} = ₹6.22 \text{ crore.}$

value of surplus land) on the State exchequer. Had the Department assessed the requirement of land properly, the expenditure to above extent could have been avoided.

In the exit conference, the Principal Secretary (I&PH) stated that de-notification of land is not possible at this stage and presently the Department has no alternative plan to utilise the surplus land. Thus, acquisition of surplus land had resulted in avoidable expenditure of ₹6.22 crore to the State Government.

1.2.10.8 Non-commencement of construction of Sewage Treatment Plant at Solan

Scrutiny of records of Solan division revealed that I&PH Department after acquisition of 8962.50 sqm land for the construction of STP at Zone 'A' at a cost of ₹2.05 crore between 1996-97 and 2006-07 had not taken up the construction of STP as yet (March 2011).

The EE stated (March 2011) that the execution of work could not be taken up as the funds had been exhausted due to making payment towards land compensation. It was further stated that work will be undertaken after completion of work of Zone 'B' and availability of funds.

The reply is not acceptable as funds of ₹6.40 crore were made available during 2008-2011 by the UDD for the scheme against which only ₹1.72 crore was spent leaving ₹4.68 crore unspent as of March 2011. Evidently, due to improper planning resources were not utilised fully by taking up construction of STP for Zone 'A'.

1.2.10.9 Functioning of STPs not ensured as per pollution control norms

The HPSPCB through notification issued in February 2007 directed all the Regional Officers to conduct quarterly inspection of sewage treatment plants installed in the State. As per information supplied by the HPSPCB, during 2008-11, 289 inspections of STPs (2008-09: 101; 2009-10: 85 and 2010-11: 103) at different locations were conducted. Of these, 83 samples of sewage/trade effluent were not found to be of the prescribed standard. The Board served notices to I&PH Department between September 2008 and July 2010 to take remedial measures, but no action had been taken to prevent the pollution and to ensure functioning of STPs as per standards prescribed by the Board. Thus, running of STPs in such cases would be causing health hazard to the people of these areas as sewerage system did not provide proper sanitation and pollution free environment.

The Principal Secretary admitted (October 2011) the facts and assured to take corrective measures.

1.2.11 Operation and Maintenance

Operation and maintenance of sewerage schemes is handled by the I&PH Department and has not been handed over to the UDD/ULBs after transfer of sewerage sector to the UDD as brought out in paragraph 1.2.9.3.

The position of funds in six²⁴ out of eight selected divisions for operation and maintenance of schemes provided to them and expenditure incurred thereagainst during 2006-11 was as under:

Table-1.2.3: Details of budget allotment vis-a-vis expenditure incurred on operation and maintenance of schemes during 2006-11 by the six divisions

(₹ in crore)			
Year	Budget allotment	Expenditure	Variation Excess (+)/ Saving (-)
2006-07	2.15	2.40	(+) 0.25
2007-08	1.40	3.12	(+) 1.72
2008-09	0.40	2.83	(+) 2.43
2009-10	0.25	2.74	(+) 2.49
2010-11	0.25	3.68	(+) 3.43
Total	4.45	14.77	(+) 10.32

Source: Figures supplied by the respective divisions

From the above details it would be seen that funds provided for operation and maintenance of schemes were not sufficient to meet the operation costs as there were persistent excesses during 2006-11. The I&PH Department spent ₹10.32 crore (232 *per cent*) in excess of the budget provision by diverting the funds out of allocation of Rural/Urban Water Supply schemes and amount deposited by the UDD for construction of sewerage schemes.

The E-in-C stated (August 2010) that the sewerage sector stood transferred to UDD and funds are not being provided by that Department for repair and maintenance of the schemes. The reply is not acceptable as the I&PH Department continued to incur expenditure by diverting funds from the water supply schemes and partly from construction of sewerage schemes as no funds are being provided by the Government for remedial action despite such demands made by I&PH Department repeatedly.

In the exit conference, the Principal Secretary assured to take necessary action.

1.2.12 Contract management

Contract management includes negotiating the terms and conditions of contracts and ensuring compliance therewith as well as documenting and agreeing to any changes that may arise during its implementation. The cases of poor contract management by the I&PH Department are discussed below:

²⁴ Bilaspur, Padhar, Rohru, Shimla-II, Solan and Una-I.

1.2.12.1 Undue financial favours to contractors

(i) The construction of STP of 1.735 MLD capacity for sewerage scheme for population of 23705 in Jogindernagar town was awarded (December 2000) to a contractor for a lump sum tendered cost of ₹58.60 lakh. The work was stipulated to be completed by June 2002.

Scrutiny of records of Padhar division revealed (April 2011) that the contractor started the work in February 2001. As the contractor failed to complete the work within the stipulated period and executed work for value of ₹38.85 lakh, compensation of ₹5.86 lakh under clause 2 of the agreement was incorrectly levied (November 2005) on him for delay in completion of the work as it should have been levied under clause 64 of the contract agreement. Despite levy of compensation, contractor failed to complete the work even after extended period i.e. by March 2006 and the contract was rescinded (October 2006) under clause 3 of the contract agreement instead of appropriate clause viz., 68.3(2) of the contract agreement.

Scrutiny of records in this regard further revealed that the EE consequently withdrew (November 2006) action ordered under clauses 2 and 3 and invoked provision of only clause 68.3(2) of the contract to get the balance work completed at the risk and cost of the contractor and did not invoke provision of clause 64 to levy penalty of compensation. The balance work was awarded to another contractor (February 2007) and got completed in December 2008 at a cost of ₹28.16 lakh.

Thus, failure on the part of EE to initiate action against the defaulting contractor under appropriate clauses of the agreement led to non recovery of compensation of ₹5.86 lakh from the contractor and incurring of extra cost of ₹8.41 lakh to get the balance work done.

On this being pointed out, the EE stated (April 2011) that action was being taken to effect recoveries. The reply is not acceptable as action against the contractor at the first instance was not initiated under appropriate clauses and no efforts were made to recover the amount for more than two years. Thus, improper action by the Department resulted in extension of undue financial favour to the contractor and non-recovery of Government dues of ₹14.27 lakh from the contractor.

(ii) In another cases as per the contractual provisions, the time allowed for carrying out the work was required to be strictly observed by the contractors. In case of delay in completion of work, compensation of amount equal to one *per cent* per day subject to maximum not exceeding 10 *per cent* of the tendered cost was leviable.

In six²⁵ test-checked divisions, 25 works awarded to 17 contractors between September 2001 and January 2010 at a tendered cost of ₹10.32 crore were stipulated

²⁵ Padhar, Rohru, Shahpur, Shimla-II, Solan and Una-I.

to be completed between one and 12 months. These works were lying incomplete as of March 2011. As the contractor failed to complete the work within the stipulated time, compensations of ₹91.42 lakh were leviable on them. Against this, only one division (Rohru) had levied compensation of ₹6.23 lakh in one case during June 2004 which had also not been recovered as of September 2011 and in the remaining cases compensation of ₹85.19 lakh was not levied for breach of contracts by the Department.

The EE Rohru stated (February 2011) that the compensation levied on the contractor will be recovered from the final bill of the contractor. As regards non-levy of compensation, the EEs concerned stated (January-April 2011) that the works could not be completed due to site dispute and department was not in a position to initiate action under Clause 2 of the agreement. The replies are not acceptable as specific locations where site dispute existed were not intimated to audit. Evidently, the contractors were allowed to execute the work in contravention of contractual provisions which resulted in non-recovery of Government dues of ₹91.42 lakh.

(iii) As per provisions contained in lump sum contract, the contractor for due performance of the contract is required to furnish Bank Guarantee equal to five *per cent* of tendered cost. It was noticed in audit that in two divisions (Padhar and Shahpur) construction of sewerage systems was entrusted to two contractors between 2006-07 and 2008-09 for tendered cost of ₹2.31 crore. However, performance guarantee of ₹11.54 lakh was not obtained to secure the interest of Government against breach of any contractual provision and led to extension of undue benefit to the contractors.

In the exit conference, the Principal Secretary assured that necessary action in this regard will be taken.

1.2.12.2 Payment to contractors without approval

In paragraph 3.2.9.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, irregular payments to contractors on account of deviated/substituted items were commented upon. Despite this, it was noticed that irregularities of similar nature still persisted in the Department as mentioned below.

In three²⁶ divisions, 17 works relating to laying and jointing of cast iron (CI)/Ductile Iron (DI) pipes and maintenance of STPs were completed between October 2005 and April 2008. It was noticed that gross payment of ₹22.21 crore was made to the contractors against tendered cost of ₹17.02 crore. This included ₹5.19 crore on account of deviated/substituted items. Approval of the competent authority for

²⁶ Padhar, Shimla-II and Solan.

deviated/substituted items had not been obtained as of March 2011 as required under the rules.

On this being pointed out in audit, the EEs stated (February-April 2011) that deviations where not approved would be got approved from the competent authority. The replies are not acceptable as payment of deviated quantities should not have been made before obtaining approvals.

1.2.13 Material management

1.2.13.1 Non-rendition of accounts of procurement of pipes

As per system adopted in the I&PH Department tenders for the finalisation of procurement rates of GI and CI pipes are invited from the manufacturing firms by the E-in-C after obtaining requirement from the field units. The tenders are invited through the EE, division-I, Shimla and the rates are finalised in the office of the E-in-C after holding negotiations with the firms. According to the State Government policy, the pipes are procured through the Himachal Pradesh State Civil Supplies Corporation (HPSCSC) Ltd., Shimla.

As per information supplied by the EE, division-I, Shimla, ₹584.05 crore was advanced to HPSCSC Limited during 2006-11 including ₹73.52 crore advanced prior to 2006-07. Out of this, account of receipt and supply of pipe material valued at ₹121.88 crore was not rendered by the HPSCSC Ltd. as of May 2011. In the office of the E-in-C, no mechanism existed to watch timely receipt of supplies and in the absence of any check over procurement of pipes and consignee divisions confirmation with reference to supplies actually made against the advance payments, chances of malpractices in obtaining supplies cannot be ruled out.

1.2.14 Lack of internal control

1.2.14.1 Inadequate inspection of works

To ensure quality of works and their timely completion, E-in-C issued instructions in April 2000 for inspection of major and targeted schemes at least once in a month by the EE concerned, once in two months by the SE and once in three months by the CE. Issue regarding inadequate inspection was commented in paragraph 3.2.10.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh. Despite this, no corrective measures to ensure effective supervision of works were taken and this irregularity was still persisting as discussed below:

A perusal of the records of eight test-checked divisions revealed that in respect of completed/ongoing sewerage schemes, 220, 330 and 660 inspections were required to be conducted during 2006-11 by the CE, SE and EEs respectively against which only 66, 155 and 446 inspections respectively were conducted. None of the test-checked

divisions produced any inspection notes on the works inspected by the officers during the above period.

In the exit conference, the Principal Secretary (I&PH) assured that corrective measures will be taken where there were any failures. Thus, absence of any inspection note and non-conduct of inspections to the prescribed extent shows that works were not inspected adequately and led to non-completion of targeted works as per laid down time frame as discussed in paragraph 1.2.10.1.

1.2.14.2 Monitoring and evaluation

The execution/completion of works was required to be monitored effectively by the E-in-C to ensure that for each work, targets relating to time, cost, services, etc., were achieved. It was, however, noticed that in the monitoring cell, periodical progress reports (physical and financial) received from the field offices were neither scrutinised properly nor was effective follow up action taken. The reports did not indicate specific time frame for completion of schemes and efforts taken to resolve the held up works due to land disputes, etc. As a result, 11 sewerage schemes taken up for execution between 1995-96 and 2006-07 were not completed by targeted year of completion as brought out in paragraph 1.2.10.1. This shows that monitoring of work was not done vigorously resulting in unplanned execution of works as pointed out in various paragraphs.

Although implementation of the scheme was started in the State during 1985, no evaluation studies had been conducted as of (March 2011) to assess the level of achievement of its objectives.

1.2.15 Conclusion

The State Government had not prepared/evolved any strategic plan to provide sewerage facilities in a time bound manner. Out of 40 towns, sewerage works in 25 towns (63 *per cent*) were still in progress. The Department had fixed target for completion of 16 schemes during 2006-11 so as to ensure coverage of 26 towns (including ten towns earlier covered) by March 2011. Against this, the Department could provide sewerage facilities only in 15 towns (38 *per cent*) resulting in non-providing of timely sewerage facilities to the concerned beneficiaries. In the case of completed schemes, house connectivity remained quite low and resulted in underutilisation of STPs to the extent of 61 *per cent*. There were cost and time overruns in several schemes mainly due to land disputes. Norms prescribed by the HPSPCB for ensuring prevention of environment pollution were not adhered to in some cases. Audit also noticed instances of undue financial benefits extended to the contractors.

1.2.16 Recommendations

- *Government should have a long-term master plan for providing sewerage schemes to various towns within a specified time frame.*
- *Government should ensure that sewerage facilities provided through huge investments should not remain unutilised and the STPs are utilised to their optimal capacity. Urban Development Department in co-ordination with Municipal Committees should identify individual households and ensure their connection with the sewerage system.*
- *Government should ensure that sewage discharged from the final outlet of the STPs is treated in accordance with the quality norms prescribed by the HP State Pollution Control Board before disposal to provide pollution-free environment and to prevent contamination of water bodies.*
- *To ensure proper utilisation of surplus land at Solan, I&PH and UD Departments need to evolve some alternative plan.*
- *Since monitoring and evaluation of the sewerage schemes was not done as per norms, a system needs to be evolved to ensure adequate inspection and monitoring of completed/ongoing schemes by the Department.*

The audit findings were referred to the Government in July 2011. Reply had not been received (September 2011).