

**Excess/overpayment/wasteful/unfruitful/infructuous expenditure****Public Works Department****2.1 Unfruitful expenditure****Failure of the Department to synchronise construction of road and railway over bridge resulted in unfruitful expenditure of ₹83.95 lakh.**

In order to provide access to Talarah village in Kangra district, the State Technical Agency approved (October 2006) construction of 2.570 kilometres (kms) long motorable road from Kutlahar to Talarah for ₹1.48 crore under *Pradhan Mantri Gram Sadak Yojana* (PMGSY). Part of this project involved construction of a railway over bridge (ROB) on Jogindernagar-Pathankot Railway line. The estimate contained provision of ₹38.13 lakh for ROB to be constructed by the Railway authorities. The road work was awarded (February 2007) to a contractor for ₹1.09 crore with a stipulation to complete it in 18 months.

Scrutiny of records (September 2010) of Nurpur division revealed that the contractor took up the work in March 2007 and completed it in August 2009 at a cost of ₹83.95 lakh except 130 metres approaches. For the construction of ROB an estimate of ₹1.08 crore was submitted by the Railway authorities in January 2007. The Department took up the matter (between June and October 2007) with Railways to submit detailed estimate on the plea that the estimate of ₹1.08 crore was on the higher side. Instead of reducing the cost of proposed bridge, the Railways submitted (March 2010) revised detailed estimate for ₹2.24 crore. Neither was the estimate approved by the Engineer-in-Chief, Shimla nor was the amount deposited till March 2011.

The Executive Engineer confirmed (September 2010) the facts and further stated (December 2010) that the ROB will be got constructed from the Railways after getting the estimate approved from the competent authority. The reply does not provide an assurance as to how it can accomplish the task as the Department did not even accept the initial estimate of ROB for ₹1.08 crore submitted by the railway authorities. Hence, with no progress on the construction of ROB, the investment of ₹83.95 lakh on an incomplete road remained unfruitful for over two years as the beneficiaries could not be provided the intended benefits of road connectivity.

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

## 2.2 Unfruitful expenditure on construction of road

### Failure of the Department to synchronise construction of road and two bridges resulted in unfruitful expenditure of ₹78.73 lakh.

In order to provide transport facility to 12 villages of Kangra district, construction of 4.675 kms long Shaheed Joginder Singh road from Hindora Gharat, Hatli Jamwalan, Bhanodu via Pachan was administratively approved (September 2006) under RIDF<sup>1</sup>-XII scheme of NABARD<sup>2</sup> for ₹97.38 lakh. The work was technically sanctioned (November 2006) by the Chief Engineer, North Zone, Dharamsala for ₹93.71 lakh and was stipulated to be completed by December 2007.

Scrutiny of records (September 2010) of Nurpur division revealed that the work was taken up for execution in November 2006 and 4.521 kms of road was constructed upto March 2010 after incurring an expenditure of ₹78.73 lakh. Construction of the remaining 0.154 km long portion of road was held up because two bridges of 90 and 50 metre span at kms 0/903 and 4/160 respectively became essential for construction for utilisation of the road for vehicular traffic. While preparing estimate for road work, the Department had made no provision for the construction of these bridges. However, the State Government separately approved (February 2010) construction of these two bridges on the above road alongwith metalling and tarring of road for ₹4.46 crore. The construction of the bridges has not been taken up as yet (April 2011).

Executive Engineer stated (January 2011) that scope of construction of two bridges alongwith metalling and tarring of road in the entire length has been got approved in the second phase for providing all weather connectivity. It was further intimated that the road constructed had been put to public use with fair weather connectivity and the process for approval and award of bridge and metalling tarring works to the contractor is underway. However, it was noticed in audit that the approval of the Road Fitness Committee<sup>3</sup> which is a pre-requisite for opening of a road for plying of vehicles was not obtained till date (September 2011).

The reply is not acceptable as no specific instructions/orders of the State Government relating to bonafide planning for all weather road and bridge works in a phased manner were made available though called for in audit (September 2010). Besides, opening an incomplete road for public without getting it passed from Road Fitness Committee involved risk of unsafe travelling.

Thus, failure of the Department to synchronise the road construction with the construction of bridges resulted in non-availability of all weather road connectivity to

<sup>1</sup> RIDF: Rural Infrastructure Development Fund.

<sup>2</sup> NABARD: National Bank for Agriculture and Rural Development.

<sup>3</sup> It comprises Sub-Divisional Officer (Civil) of the area, Executive Engineer of PWD, Representatives from Police Department and Regional Manager of Transport.

the 12 villages besides, rendering the expenditure of ₹78.73 lakh incurred on it unfruitful.

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

### **2.3 Unfruitful expenditure on construction of road and undue benefit to a contractor**

**Failure of the Department to initiate timely action and properly plan execution of road resulted in unfruitful expenditure of ₹2.02 crore and extension of undue benefit of ₹34.42 lakh to a contractor.**

In order to provide transport facility to Firnoo and Konthru villages of Shimla district, the State Technical Agency approved (January 2004) construction of five kilometres long link road to village Konthru for ₹1.94 crore under *Pradhan Mantri Gram Sadak Yojana* (PMGSY). The work was awarded (October 2004) to a contractor for ₹2.23 crore with a stipulation to complete it by November 2005.

Scrutiny of records (July 2009) of Kumarsain division and further information collected (March-June 2011) revealed that the contractor commenced the work in November 2004 and till June 2007 had executed work valued at ₹2.05 crore. Thereafter, the contractor stopped the work without assigning any reasons. ₹1.92 crore was paid for the work done upto 9<sup>th</sup> running account bill passed in July 2007. The Department ultimately terminated the contract under clause 52.1 in November 2008. The balance work though awarded (July 2010) to another contractor for ₹23.95 lakh was still incomplete and ₹9.55 lakh had been paid to second contractor upto May 2011.

After making adjustment of ₹12.48 lakh payable to him for the work done and security deposit of ₹8.15 lakh lying with the Department, the final bill of the first contractor prepared by the Department in September 2009 showed an amount of ₹34.42 lakh recoverable from him on account of machinery advances, mobilisation advance, cost of material, liquidated damages, penalty for left out work and other miscellaneous recoveries. However, it was seen in audit that even after preparation of final bill, the Department had not taken effective steps to ensure recovery of Government dues of ₹34.42 lakh from the defaulting contractor for over one and half year as of June 2011. Besides, the Department also took 19 months time to re-award the work.

In reply, the Executive Engineer stated (June 2011) that recoveries could not be effected due to non-finalisation of the final bill as the contractor has objected to it. It was further stated (September 2011) that the case for pending recovery was sent to Empowered Committee in March 2010 but the final decision was awaited. The fact, however, remains that the E-in-C after termination of the first contract (November 2008) took 16 months to refer the case to the Empowered Committee.

Further, in view of provision of clause 24.4 of Standard Bidding Document of PMGSY, Empowered Committee also failed to resolve the dispute within ninety days.

Thus, despite incurring an expenditure of ₹2.02 crore<sup>4</sup> intended benefit of transport facility to beneficiary villages remained unfulfilled.

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

#### **2.4 Unfruitful expenditure on road works and undue benefit to a contractor**

**Failure of the Department to ensure timely completion of road works lying in a suspended state for the last 21 to 38 months led to unfruitful expenditure of ₹96.20 lakh and extension of undue financial benefit of ₹98.91 lakh to a contractor.**

The Executive Engineer (EE), Rampur division awarded (January 2006 and March 2007) construction of (i) Samej Sarpara road (km 10/0 to 13/450) and (ii) upgradation of Jeori to Ganvi Road (km 0/0 to 11/0) under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) to a Rampur (Shimla district) based contractor at a tendered cost of ₹1.19 crore and ₹2.27 crore with stipulation to complete the works by 17 January 2007 and 4 April 2008 respectively. Accordingly, the contractor took up execution of works in January 2006 and April 2007 respectively.

Scrutiny of records (December 2010) of Rampur division revealed that the contractor did not achieve the pace of works as prescribed in the agreements and failed to complete them by the stipulated dates. After incurring an expenditure of ₹96.20 lakh, the contractor suspended the execution of the two works in August 2009 and March 2008 respectively without giving any reasons. The Department levied 10 per cent (₹34.67 lakh) liquidated damages of the tendered cost of works under clause 44.1 of the Contracts in May 2009 (₹22.76 lakh) and March 2010 (₹11.91 lakh) respectively. The Department, however, granted unilateral time extension in respect of Samej Sarpara road upto 31 March 2010 and Ganvi road works upto June 2009, but due to non-resumption of the works both the contracts were ultimately terminated in April 2010 under clause 52.1 of the contract agreement.

Audit scrutiny further revealed that in accordance with the provisions of Standard Bidding Document for PMGSY, advance payment of ₹45.26 lakh (Mobilisation advance: ₹11.38 lakh and Machinery Advance: ₹33.88 lakh) had been made to the contractor during September 2006 and March 2007 against Bank Guarantees (BGs) of an equal amount issued by the Branch Manager, Himachal Pradesh State Co-operative Bank (HPSCB) Ltd., Taklech which were subsequently withdrawn and not confirmed

<sup>4</sup>

Gross payment to 1 <sup>st</sup> contractor	= ₹1.92 crore
Payment to 2 <sup>nd</sup> contractor	= ₹9.55 lakh or say ₹0.10 crore
<b>Total</b>	<b>= ₹2.02 crore.</b>

(August 2007 and November 2008) by the Deputy General Manager of HPSCB Ltd., Shimla on the ground that the Branch Manager was not authorised to issue such Guarantees. Thereafter, the EE concerned did not take any action to obtain fresh BGs from the defaulting contractor despite the fact that the Chief Engineer (PMGSY) Shimla had reiterated (October 2007) the earlier instructions to ensure the authenticity of BGs from next higher authority of the issuing bank. The EE, therefore failed to secure genuine BGs subsequently to guard against recovery of advances paid to the contractor.

The final contractor's bills, performance security and security deposits lying with Department showed an amount of ₹98.91 lakh recoverable from him. The grant of unilateral time extension in favour of the contractor beyond the stipulated dates of completion of works without any valid reasons also lacked justification because road works undertaken in hilly areas under PMGSY are required to be completed within 18 months.

In reply, the EE stated (March 2011) that complete site was not handed over to the contractor for construction of Samej Sarpara road due to involvement of forest land. It was further stated that both cases are under arbitration. The reply is not acceptable as the Department failed to secure encumbrance free land as per para 6.12 of PMGSY guidelines and did not invoke provision of clause 24 of the agreement to resolve the dispute through Dispute Redressal system.

Thus, Department's inability to ensure timely completion of roads rendered the expenditure of ₹96.20 lakh on incomplete roads unfruitful for the last more than one year to three years. Also, undue financial benefits of ₹98.91 lakh were extended to the contractor by way of non-recovery of Government dues. Had BGs been secured afresh, Government dues to the extent of ₹45.26 lakh could have been set off by encashing the BGs by the Department.

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

## 2.5 Non-achievement of objectives

**Despite incurring an expenditure of ₹1.18 crore on a link road, the objective of providing all weather road connectivity was not achieved for want of construction of bridge at take off point.**

The primary objective of *Pradhan Mantri Gram Sadak Yojana* (PMGSY) is to provide good and all weather road connectivity in rural areas. To provide road connectivity to seven habitations the State Government approved (March 2004) construction of 18.400 km long link road from village Sitalpur to Nonowal (Solan district) under PMGSY for ₹1.19 crore. The construction of road was completed in September 2008 after incurring an expenditure of ₹1.18 crore.

Scrutiny of records (January 2009) of Executive Engineer (EE) Nalagarh division and further information collected (March-May 2011) revealed that road could not provide all weather connectivity for vehicles as of May 2011 due to non-construction of 135 metre span bridge over Sirsa Nallah at km 1/338. Audit observed that in the detailed project report (DPR) prepared by the Department for obtaining approval from GoI, Ministry of Rural Development (MoRD), the necessity of providing bridge for all weather connectivity was not incorporated.

The EE stated (May 2011) that construction of bridge was not included in the scope of work as, under PMGSY, construction of bridge of span longer than 25 metres requires joint inspection of site by State Technical Agency (STA) and Senior Engineers. It was further stated that fair weather connectivity has been provided to the concerned villages and case for declaration of fitness of road for vehicular traffic by the Road Fitness and Inspection Committee is under correspondence with the Sub-Divisional Magistrate. The reply does not explain as to why construction of bridge alongwith road could not be included in the planning in the first place and why the joint inspection could not be held prior to preparation of estimate. Moreover, this has resulted in submission of incomplete DPR without incorporating requirement of essential bridge on road to GoI, MoRD. Besides, after completion of road, the Department failed to get the same declared fit for plying of vehicles for more than two and half years.

Thus, department's poor planning resulted in unfruitful expenditure of ₹1.18 crore on road without construction of a bridge and the objective of providing all weather connectivity remained to be achieved besides depriving the people of the area of all weather transport facilities for a considerable time.

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

## **Irrigation and Public Health Department**

### **2.6 Unfruitful expenditure**

**Failure of the Department to get prior permission for use of land in Wildlife Sanctuary area from the Supreme Court before taking up execution of augmentation of water supply scheme resulted in unfruitful expenditure of ₹9.81 crore.**

As per instructions of the Engineer-in-Chief (E-in-C) issued in March 1995, execution of irrigation and water supply schemes should follow a proper sequence i.e., firstly the source of water should be developed, dependable discharge ascertained and other works including laying of distribution of lines should be taken up thereafter. Augmentation of water supply scheme (WSS) to drought affected areas of Padhar, Darang, Tandoo, Katindi and Kufri from Panjondi Nallah (district Mandi) source was

administratively approved (May 2006) by the State Government under RIDF<sup>5</sup>-XII scheme of NABARD<sup>6</sup> for ₹13.62 crore. The scheme envisaged interlinking of existing 74 WSSs with the new source. The scheme stipulated to be completed in three years was to benefit the population of the drought affected area of Padhar, Darang, Tandoo, Katindi and Kufri villages. The source of the scheme from which the water was to be tapped was situated in Nargu Wildlife Sanctuary and was to be carried upto Water Treatment Plant through 20.500 kms long underground gravity main of mild steel electrically resistance welded (MSERW) pipe. Of this, initial stretch of 13 kms long gravity main was to be laid in the Sanctuary area. Since the above Sanctuary is protected under the Wildlife (Protection) Act, 1972, prior permission from the Central Empowered Committee (CEC) of the Supreme Court and approval under Forest (Conservation) Act, 1980 was to be obtained before taking up the execution of the scheme by the Department.

Scrutiny of records (May 2009) of Padhar division and further information collected (August 2010-April 2011) revealed that Department took up execution of scheme outside the Sanctuary area in 2006-07 in violation of instructions of E-in-C and incurred an expenditure of ₹9.81 crore on partial laying of gravity main (7.224 kms), construction of storage tanks, procurement of MSERW and GI pipes of various diameters as of March 2011. Since construction of intake weir and 13 kms long gravity main line for flow of water at the starting point of scheme fell within the Wildlife Sanctuary area, the Department should have considered the legal implications for getting the land transferred and sought prior approval of the CEC of the Supreme Court and clearance under the Forest (Conservation) Act, 1980 before making the investment on laying of gravity main line and other components of the work out side the sanctuary area.

The Department, however, took up the matter with the CEC of the Supreme Court only in April 2008 for obtaining the necessary approval. Though the CEC had recommended to the Supreme Court for grant of permission for use of land in the Sanctuary area in June 2009, the requisite permission therefor was still awaited (April 2011).

Thus, failure of the Department, to plan execution of head works i.e., intake weir and gravity main line by first ensuring encumbrance free land, impacted upon the pace of execution of scheme and resulted in time overrun of 23 months as of April 2011. Further, the expenditure of ₹9.81 crore incurred on partial execution of the scheme remained unfruitful as the intended objective of providing adequate potable water supply in the concerned drought affected area still remained to be achieved.

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

<sup>5</sup> RIDF: Rural Infrastructure Development Fund.

<sup>6</sup> NABARD: National Bank for Agriculture and Rural Development.

## 2.7 Infructuous expenditure on Flow Irrigation Scheme

### **Failure of the Department to ensure timely repair of damaged Flow Irrigation Scheme resulted in infructuous expenditure of ₹46.97 lakh.**

To provide irrigation facility to 37 hectares of culturable command area (CCA) in Upmahal Neoldang village (Kinnaur district), construction of 3435 metre long flow irrigation scheme (FIS), Yulla was administratively approved (March 2002) for ₹52.87 lakh and was to be completed in three years. The scheme was taken up for execution in June 2002 without preparing detailed estimate and obtaining technical sanction and completed in November 2007 at a cost of ₹46.97 lakh.

Scrutiny of records (July 2010) of Reckong Peo division revealed that a portion of 1050 metre length FIS at various points (stretch between 60 and 3400 metres) was damaged due to snowfall in 2006-07 when the construction of FIS was in progress. The damage assessed by the Department and reported (May 2007) to Deputy Commissioner, Kinnaur was set at ₹25 lakh. However, the scheme was shown as completed in November 2007 without ensuring repair of damaged portion. The Department also made no effort to obtain funds for restoration of damages.

The Executive Engineer confirmed (December 2010-March 2011) the facts and stated that an estimate of ₹16.68 lakh had been got sanctioned (December 2010) from the Superintending Engineer, Reckong Peo for restoration of damaged portion and funds for the same had also been demanded from the Deputy Commissioner, Kinnaur.

Thus, delay on the part of the Department to prepare estimate for repair of scheme and in arranging funds for a period of three years after occurrence of damages resulted in denial of the intended benefits of irrigation facility. Besides, expenditure of ₹46.97 lakh incurred on FIS proved infructuous. In the absence of technical sanction, the quality of work on the FIS executed and completed in November 2007 could also not be ensured.

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

## Education Department

### 2.8 Unfruitful expenditure on boys hostel

#### **Expenditure of ₹86.33 lakh incurred by the Department on construction of hostel at Tabo (Lahaul and Spiti district) proved unfruitful, as the hostel remained unutilised due to lack of basic amenities.**

To create hostel facility to 50 students of Government Senior Secondary School (GSSS), Tabo (Lahaul and Spiti district), Additional Deputy Commissioner (ADC), Spiti at Kaza gave (May 2002) expenditure sanction of ₹64.25 lakh based on a proposal from District Primary (Elementary) Education Officer (DEEO).

Scrutiny of records (January 2011) of the Principal, GSSS revealed that the hostel building was constructed by Himachal Pradesh Public Works Department Division



Kaza as a deposit work during May 2002 to July 2006 and was handed over to the Education Department (ED) in July 2006 after expending ₹86.33 lakh. The building had, however, not been put to use (March 2011) as neither the amenities such as wooden flooring/paneling etc., nor the requisite staff viz; cooks, chowkidar, etc., were provided. Funds for running the hostel were also not provided by the ED. Lack of hostel facility also restricted enrolment of boy students in GSSS which remained between 17 and 31 during 2006-11.

The Principal, GSSS admitted (January 2011) the facts and further stated (May 2011) that the funds for running the hostel were not demanded as the ED had stopped releasing the same for hostels functioning in Spiti valley since the year 2001.

Thus, lack of coordination between the three Government agencies; asset creator (ADC), asset maintainer (ED) and the asset user (Principal) left the building created five years ago incomplete and unused. There is also no prospect of it being put to use in future rendering the entire expenditure of ₹86.33 lakh unfruitful besides depriving students of the intended benefits.

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

## **2.9 Inadmissible payment of Grant-in-Aid to private Schools**

### **Release of Grant-in-Aid (GIA) to private schools in excess of approved norms and in contravention of GIA Rules resulted in inadmissible payment of ₹1.72 crore.**

The Himachal Pradesh (HP) Non-Government Institution GIA Rules, 1997<sup>7</sup> provide that maintenance grant can be released for meeting the deficit in the net approved expenditure on salary of approved staff of privately managed schools. These Rules were framed subsequent to the Supreme Court Judgement (May 1995) in a Civil Appeal of 1993 titled 'State of HP verses HP State recognised and aided Schools Management Committees and others'. GIA Rules, further stipulate that for reimbursement of salary, there shall only be seven lecturers for schools running only Humanities group provided the number of students is not less than 150 in plus 1 and plus 2 classes and additional three lecturers for science group, provided the number of students studying the science subjects is not less than 50 in both the classes.

Scrutiny of records (February 2011) of the Director, Higher Education (DHE) revealed that for the period 2004-09, against the admissible 10 lecturers, 18 lecturers were engaged in DAV Senior Secondary School (SSS), Una. The DHE in contravention of GIA Rules reimbursed (2006-09) salary of ₹70.90 lakh as GIA in respect of eight excess lecturers to DAV SSS, Una. All these lecturers were appointed<sup>8</sup> during September 1995 to July 2002 (i.e. appointed after May 1995- the

<sup>7</sup> Effective from 1<sup>st</sup> January 1997.

<sup>8</sup> DAV SSS Una: eight lecturers (September 1995: two; September 1996: two; November 1996: two; September 2000: one and July 2002: one).

date of Hon'ble Supreme Court's judgement). In Brij Bhushan Memorial (BBM), SSS, Haripur (Kangra district) the enrolment of students in both humanities and science groups remained below the norms of minimum 150 students for humanities and 50 students for science group prescribed in the GIA rules. As such, no grant was admissible to this school and the entire amount of ₹1.01 crore paid as GIA to this school during 2006-09 was inadmissible.

On this being pointed out in audit, DHE stated (February 2011) that the employees working in the privately managed aided institutions were the petitioners in the Civil Appeal No. 1233-34 of 1995 filed before the Supreme Court of India. The Hon'ble Supreme Court had granted relief to all the petitioners working in these schools who were covered under GIA in compliance of the judgement. The contention of the Director is not acceptable as the lecturers appointed after the judgement of the Hon'ble Supreme Court could not be the petitioners in the Civil Appeal as these lecturers were appointed subsequent to the judgement. As such, payment of GIA for reimbursement of salaries of excess/inadmissible staff was irregular.

Thus, sanctioning of GIA to private schools in excess of approved norms and in contravention of GIA Rules resulted in an additional burden of ₹1.72 crore to the State exchequer (DAV SSS, Una: ₹70.90 lakh and BBM SSS, Haripur: ₹1.01 crore) during 2006-09.

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

### **Undue favour to contractors/avoidable expenditure**

#### **Public Works Department**

##### **2.10 Undue favour to a contractor**

#### **Failure to ensure genuineness of Bank Guarantees by the Executive Engineer, Shillai Division led to extension of undue financial benefit of ₹1.94 crore to a contractor.**

As per clause 45.1 of Standard Bidding Document of PMGSY, mobilisation advance upto five *per cent* of the contract price (excluding price for routine maintenance) can be paid to the contractor against an unconditional Bank Guarantee (BG). Non-recovery of Mobilisation and Machinery Advances to a contractor against fraudulent BGs in road works under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) was reported in Paragraph 2.9 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2009 (Civil), Government of Himachal Pradesh. This para is yet to be discussed by the Public Accounts Committee.

In a similar case, upgradation of Renuka-Sataun road (Sirmaur district) from kms 13/450 to 29/060 under PMGSY was approved (September 2006) for ₹4.66 crore by the State Technical Agency (STA), Hamirpur. The work was awarded (May 2007) to a contractor for ₹4.44 crore with a stipulation to complete it in one year.

Scrutiny of records (August 2009) of Shillai division and further information collected (January 2011) revealed that the contractor took up the work on 20 June 2007 but stopped it in July 2007 after executing eight *per cent* of the total work (value ₹37.23 lakh). Of this, ₹22.84 lakh had been paid to the contractor. The contractor did not resume the work thereafter, though liquidated damages of ₹44.41 lakh were levied on him during March 2008. The contract was ultimately rescinded in January 2009.

The contractor was paid an advance payment of ₹66.60 lakh (Machinery Advance : ₹44.40 lakh; Mobilisation Advance: ₹22.20 lakh) on 20 June 2007 against the BGs of ₹90.09 lakh issued by the Branch Manager, UCO Bank, Palampur. These BGs were subsequently found to be fake as the Zonal Manager of UCO Bank, Dharamshala intimated (June 2008) that no such BGs had been issued by Palampur Branch of the Bank.

The Chief Engineer (PMGSY) had reiterated (October 2007) departmental instructions regarding genuineness of BG to be confirmed from the next higher authority of the issuing branch of the Bank before accepting the same. In the instant case, the confirmation was got done after one year of the date of furnishing the BGs. Thus, the Executive Engineer concerned failed to ensure timely verification of authenticity of BGs resulting in an undue favour to the contractor. As per records of the division, an amount of ₹1.94 crore<sup>9</sup> was recoverable (January 2011) from the contractor after adjusting an amount of ₹14.39 lakh due to him for the work done. Thus, Government dues to the extent of ₹1.94 crore had been put at high risk in the absence of valid BGs.

The Executive Engineer confirmed (January 2011) the facts and stated that FIR against the contractor has been lodged and the matter is under investigation by the CBI. The Department has also filed case before the Arbitrator for recovery of dues.

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

<sup>9</sup> Outstanding Advance payment	=	₹60.45 lakh
Liquidated damages	=	₹44.41 lakh
Compensation @ 20 <i>per cent</i> on balance work	=	₹81.38 lakh
Performance security	=	₹22.21 lakh
Security (₹1.25 lakh- ₹1.22 lakh)	=	₹0.03 lakh
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<b>Total</b>	=	<b>₹208.48 lakh</b>
Less value of work done by contractor yet to be paid	=	₹14.39 lakh
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<b>Amount recoverable</b>	=	<b>₹194.09 lakh</b> <b>or say ₹1.94 crore.</b>

## **Idle investment/blocking of funds/diversion of funds**

### **Irrigation and Public Health Department**

#### **2.11 Idle investment on augmentation of Water Supply Scheme**

##### **Failure of the Executive Engineer to ensure construction of Water Supply Scheme according to the prescribed procedure led to non-completion of work for about three years and idle investment of ₹28.87 lakh on the scheme.**

As per instructions of the Engineer-in-Chief (E-in-C) issued in March 1995, execution of irrigation and water supply schemes should follow a proper sequence i.e., firstly the source of water should be developed, dependable discharge ascertained and other civil works including laying of distribution lines should be taken up thereafter.

To provide adequate supply of drinking water to inhabitants of Dhankar and Sichling villages, the Additional Deputy Commissioner (ADC), Kaza (Lahaul and Spiti district) administratively approved (October 2005) augmentation of existing Water Supply Scheme (WSS), Dhankar for ₹27.80 lakh. The scheme was also technically sanctioned (October 2005) for the same amount by the Executive Engineer (EE), Kaza division. The scope of work included construction of one intake tank at source of water, two storage tanks, one Back Pressure tank, laying of 14,300 metres High Density Polyethylene (HDPE) pipes and one public stand post.

Scrutiny of records (October 2010) of Kaza division revealed that the work was taken up for execution in September 2006 and all components of the scheme except intake water tank at source were completed during 2007-08 by incurring an expenditure of ₹28.87 lakh (including liability of ₹4.70 lakh discharged in 2009-11). To make the WSS functional, the site development work for intake tank and construction remained suspended since June 2008 due to involvement of dispute over distribution of water from source. The dispute had not been resolved as of May 2011.

Despite a well designed sequence available to EE, the prescribed sequence was not followed for completion of the scheme which led to suspension of work midway and resulted in idle investment of ₹28.87 lakh for three years due to non-development of source and construction of intake tank essential for running the water supply scheme. Besides, objective of providing adequate drinking water supply also remained to be achieved. However, as per instructions of E-in-C, the work of intake tank which was essential for WSS should have been taken up at first stage itself, in which case the difficulties would not have arisen as the consent of villagers had been taken in the initial stage as stated by the EE.

The EE while confirming the facts (October 2010-May 2011) stated that at the initial stage no objection certificate was taken from the people of the area for tapping the water from source but at a later stage villagers of adjoining area claimed their right on the source and stopped the work at site. The fact, however, remains that had the intake work (development of source) which was essential for running of WSS been

taken up at the first stage itself in view of E-in-C instructions (March 1995), the blocking of funds to the extent of ₹28.87 lakh would have been avoided.

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

### Education Department

#### 2.12 Drawal of funds in advance of requirement

#### **Drawal of ₹25.07 crore without immediate requirement resulted in non-creation of infrastructure facilities in seven Government Colleges.**

The Himachal Pradesh Financial Rules<sup>10</sup> stipulate that no money can be withdrawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw advances from the treasury if the execution of works is likely to take considerable time.

During 2004-10, the Director of Higher Education (DHE) withdrew ₹25.07 crore for execution of works in seven<sup>11</sup> Government colleges and deposited the amount with the Public Works Department (PWD). These works were stipulated to be completed within a period of two to three years from the date of sanction.

Scrutiny of records (September 2010) in the office of DHE, Shimla revealed that the works had not even been started as of March 2011 due to non-availability of land (three cases), non finalisation of drawings (two cases), permission awaited from Town and Country Planning Department (one case) and non-finalisation of tender process (one case).

On this being pointed out in audit, the DHE admitted the facts and stated (September 2010-March 2011) that the works had not been started due to non-availability of sites and other unavoidable reasons.

Thus, improper planning and monitoring by the Director left the intended beneficiary communities without the creation of long-awaited assets in seven Government Colleges besides, blocking of ₹25.07 crore for over six years with the PWD.

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

<sup>10</sup> Rule 2.10 (b) (5).

<sup>11</sup> (i) Construction of Arts Block, Rajkiya Kanya Mahavidyalaya, Shimla: ₹3.94 crore (2004-05: ₹1.00 crore; 2007-08: ₹1.00 crore and 2008-09: ₹1.94 crore); (ii) Construction of Building of GC Nahan: ₹4.65 crore (2006-07: ₹2.00 crore; 2007-08: ₹2.00 crore and 2008-09: ₹0.65 crore); (iii) Construction of Administrative Block and Auditorium at GC Kullu: ₹1.42 crore (2008-09); (iv) Construction of Indoor Stadium, GC Hamirpur: ₹3.35 crore (2008-09: ₹1.85 crore and 2009-10: ₹1.50 crore); (v) Construction of Building at GC Jaisinghpur: ₹1.01 crore (2007-08: ₹1.00 crore and 2008-09: ₹0.01 crore); (vi) Construction of Building at GC Tissa: ₹5.00 crore (2006-07: ₹2.00 crore; 2007-08: ₹2.00 crore and 2008-09: ₹1.00 crore) and (vii) Construction of Building at GC Salooni: ₹5.70 crore (2006-07: ₹2.00 crore; 2007-08: ₹2.00 crore; 2008-09: ₹0.70 crore and 2009-10: ₹1.00 crore).

**Planning Department**

**2.13 Blocking of Member of Parliament Local Area Development Scheme funds**

**Release of ₹2.50 crore for construction of an old age home without ensuring encumbrance free site resulted in non-creation of the asset, depriving the intended benefits to the beneficiaries.**

In December 1993, GoI introduced Member of Parliament Local Area Development Scheme (MPLADS) to enable Members of Parliament (MPs) to identify small works of capital nature to meet local needs in their constituencies. The annual allotment per MP was set at ₹one crore initially, which was enhanced to ₹ two crore from 1998-99. The GoI releases funds in two equal instalments directly to District Commissioner (DC) under intimation to the State Nodal Department and to the MP concerned. The DC and the implementing agencies then deposit these funds in a nationalised bank with separate accounts opened for each MP. Funds released to the DC are non-lapsable and can be carried forward for utilisation in the subsequent years. The MPLADS, *inter-alia*, provides that in identifying and selecting works and giving administrative sanction, the advice of the MP should prevail unless it be for technical reasons such as land selected for work not being suitable for execution, etc. The guidelines further provide that release of funds will be made with reference to the actual progress achieved in expenditure and execution of works and that no excessive money should remain outside the Government treasury than is reasonably expected to be spent within a year.

Scrutiny of records of DC Shimla revealed that the DC sanctioned<sup>12</sup> ₹2.50 crore for construction of an old age home on the recommendation of a Rajya Sabha MP. Although the DC was required to ensure encumbrance free site for construction of the building, the money was released to Central Public Works Department (CPWD) without ensuring the conditions prescribed in the scheme guidelines. Coordination with other regulatory authorities such as Municipal Corporation (MC) for building plan clearance, Forest Department for forest clearance, etc., was also not in place. As a result, the funds stood released without the commencement of the work.

The DC's reply to audit that the funds were released on the recommendation of MP and the work could not start for want of approval of plan by MC and Forest Department clearance, was not acceptable as it contravenes the scheme guidelines.

Thus, despite instructions that the release of funds should commensurate with the physical and financial progress of the work, the DC released second and third instalments without linking physical and financial progress of work that too when he was fully aware that the encumbrance-free land was not available.

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

<sup>12</sup> January 2009: ₹0.50 crore; September 2009: ₹one crore and November 2009: ₹one crore.

**2.14 Locking of funds due to non-construction of labour hostel**

**Lack of planning and inaction by the Department and Himachal Pradesh Wakf Board for the construction of Hostel for labourers had resulted in locking up of Sectoral Decentralised Planning funds of ₹20 lakh for over 13 years.**

Under the scheme of Sectoral Decentralised Planning (SDP), five per cent funds are taken out of the approved plan outlays and placed at the disposal of districts as “Untied Funds” for redressal of public grievances involving small financial implications. The Deputy Commissioner (DC) of the district is to accord Administrative Approval and Expenditure Sanction and monitor the works which are required to be completed within the same financial year or within one year from the date of sanction.

Scrutiny of records (April 2011) of DC Shimla revealed that the DC released (March 1998) ₹20.00 lakh to the Municipal Corporation (MC) Shimla for the construction of a hostel for labourers under SDP scheme at Sanjauli on the land owned by Himachal Pradesh Wakf Board (HPWB). Due to non-issuance of no objection certificate and refusal by HPWB for execution of work through MC, the work could not be started and MC had to return (January 2007) the funds to DC Shimla. Also, the Wakf board authorities did not verify that the land owned by them at Sanjauli for the proposed construction had been encroached upon by a certain community.

The DC again released (February 2007) ₹20.00 lakh to Sub-Divisional Officer (Civil) (SDO), Shimla (Urban) for execution of work through HPWB. The SDO released (March 2007) ₹ five lakh as first installment with the condition that the remaining amount would be released on receipt of utilisation certificate. However, HPWB had not commenced the hostel construction work as of July 2011 as the identified site was under encroachment. Thus, ₹ five lakh remained blocked with HPWB and ₹15 lakh with SDO Shimla (Urban). The DC failed to get the work executed and thus, deprived the beneficiaries of the intended benefits.

The District Planning Officer, Shimla stated (April 2011) that the special sanction was granted by the State Government in the larger public interest, but the work could not be started by HPWB due to non-availability of land. The Additional Deputy Commissioner further stated (August 2011) that the matter of land is sub-judice in the Court as the land has been encroached by a certain community. Further, HPWB have directed their Estate Officer to search some other Wakf land in Shimla for the same. The reply is evasive of the issue of the primary requirement of ensuring encumbrance free land before drawal of money from the treasury. Moreover, there was no coordination between DC, MC and HPWB for resolving the issue due to which construction of the proposed building has not even been commenced.

Thus, lack of coordination coupled with inaction on the part of HPWB not only resulted in non-execution of the work of the hostel for labourers but also in locking up of public funds of ₹20 lakh since March 1998 besides deprivation of the intended benefits to the concerned beneficiaries.

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

## 2.15 Blocking of funds under Backward Area Sub Plan

### Improper planning and identification of works under Backward Area Sub Plan (BASP) resulted in blocking of ₹60.71 lakh with the executing agencies for periods ranging between two and ten years.

With the objective of reducing regional disparities and for the development of Backward Areas, the Planning Department sanctioned ₹60.76 lakh during 2001-09 for execution of seven works relating to construction of school buildings, foot bridge, roads and health institutions under BASP and deposited<sup>13</sup> the amount with the Kullu and Nirmand divisions of Public Works Department (PWD). The works were stipulated to be completed within three to six months from the date of sanction.

Scrutiny of records (December 2010-March 2011) revealed that even though State Financial Rules prohibit drawal of funds for execution of works likely to take considerable time, the Deputy Commissioner (DC), Kullu drew ₹60.76 lakh during 2001-09 and deposited the funds with PWD divisions without ensuring encumbrance free sites (three works)<sup>14</sup>, non-finalisation of tenders (one work)<sup>15</sup>, and execution of works under the scheme Pradhan Mantri Gram Sadak Yojana instead of BASP (two works)<sup>16</sup>. Although the work relating to the construction of Veterinary Hospital, Dalash was started by Nirmand division of PWD in August 2010, yet only ₹0.05 lakh could be spent as of March 2011. Thus, the funds were released to PWD without ensuring encumbrance free land and proper planning. This resulted in blocking of funds with the PWD for periods ranging between two and ten years.

The DC stated (December 2010) that the executing agencies (EAs) had been instructed either to complete the works or return the amount. While Executive Engineer (EE) Kullu Division stated (March 2011) that the amount in respect of the works which had not been executed would be returned, EE Nirmand Division stated (March 2011) that the works had not been executed due to non-availability of land and non-finalisation of tenders. These replies confirm that the funds were transferred to the PWD to show utilisation of available funds without ascertaining the availability of sites and fulfilling other requirements, contrary to the provisions of the financial rules.

Thus, drawal of funds in advance without immediate requirement, non-execution of works under BASP despite availability of funds and unnecessary retention of funds not only contravened the provisions of State Financial Rules but also resulted in

<sup>13</sup> **Kullu:** Construction of (i) Government Middle School Building, Malana (2001-02: ₹11.61 lakh); (ii) Foot Bridge at Pathar Tilla 25 Mtrs. span (2002-03: ₹three lakh); (iii) Link road from Jungru Thana to Pilga (2003-04: ₹five lakh) and (iv) Jeepable road from main road to Thatibir to Badagran (2005-06: ₹three lakh).

**Nirmand:** Construction of (i) Veterinary Hospital, Dalash (2007-08: ₹11.45 lakh); (ii) Road from ladhogdal to Tikridal Namhog (2006-07: ₹0.78 lakh) and (iii) Primary Health Centre Building at Digerh (2008-09: ₹25.92 lakh).

<sup>14</sup> Construction of (i) Government Middle School Building, Malana (ii) Jeepable road from main road to Thatibir to Badagran and (iii) Road from Ladhogdal to Tikridal Namhog.

<sup>15</sup> Construction of Primary Health Centre Building at Digerh.

<sup>16</sup> Construction of (i) Foot Bridge at Pathar Tilla 25 Mtrs. span and (ii) Link Road from Jungru Thana to Pilga.



blocking of funds of ₹60.71 lakh for the last two to ten years besides depriving the public of the intended benefits.

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

#### **2.16 Diversion of Vidhayak Kshetriya Vikas Nidhi Yojana funds**

##### **Sanction of inadmissible works amounting to ₹44.28 lakh under Vidhayak Kshetriya Vikas Nidhi Yojana by two DCs.**

The Vidhayak Kshetriya Vikas Nidhi Yojana (VKVNY) authorises Members of Legislative Assembly (MLAs) to recommend developmental works by way of creation of permanent assets to the rural as well as urban community. The scheme also lays down a list of inadmissible<sup>17</sup> works for which sanction and release of funds is strictly prohibited.

Test-check of records of Deputy Commissioners (DCs) Kullu and Solan revealed that the two DCs did not verify the admissibility of works recommended by the respective local MLAs and proceeded with sanction of inadmissible works totaling ₹44.28 lakh. These include 22 works benefiting religious institutions, two works for private clubs, 24 works on repairs and 14 works on construction of dining hall, etc., in DC's office.

In reply to the audit observation, the concerned DCs stated (February 2008/December 2010) that these inadmissible works were recommended by the MLAs and sanctioned by DCs in the larger public interest.

The reply is violative of the objectives of the Yojana as the list of inadmissible works was clearly laid down in the State Government policy. Thus, these exceptions/violations made by the concerned DCs were far from serving any larger public interest as the works carried out were not covered under the scheme.

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

#### **Tourism and Civil Aviation Department**

##### **2.17 Blocking of funds meant for Integrated Development of Tourist Circuits**

##### **Lack of proper planning by the Department for execution of works/facilities for Integrated Development of Tourist Circuits in the State resulted in blocking of Central Financial Assistance of ₹14.57 crore.**

With the objective of boosting tourism in the State, the Government of India (GoI), Ministry of Tourism, sanctioned (December 2004-August 2008) a Central Financial

<sup>17</sup> Inadmissible works: Unmattled paths; schemes/projects which would benefit private institutions; schemes relating to maintenance of existing assets and aid to any religious body.

Assistance (CFA) of ₹20.09 crore for creation of 97<sup>18</sup> facilities like provision of public conveniences, construction of cement benches, landscaping, construction of tourist reception centres, etc; in different tourist circuits (TCs) under the scheme of 'Integrated Development of Tourist Circuits' (IDTCs). GoI released the first instalment of ₹14.57 crore to the State Tourism Department (STD) and the balance amount of ₹5.52 crore was to be released on receipt of utilisation certificates. Out of 97 works, 48 were required to be completed within 30 months and the remaining 49 were to be completed within six months from the date of sanction.

Scrutiny of records (February-March 2011) of the Commissioner, Tourism and Civil Aviation revealed that out of ₹14.57 crore released by GoI, STD released (July 2005-July 2010) ₹10.53 crore to various executing agencies (EAs) for execution of the works as detailed in the *Appendix-IV*. However, none of the works could start due to non-availability of suitable sites, non-finalisation of tenders/preliminaries, etc., and the entire amount of ₹14.57 crore had been lying unutilised (STD: ₹4.04 crore and EAs: ₹10.53 crore). The delay in utilisation of the funds ranged between three to six years. Due to non-utilisation of the fund, GoI had also not released the second and final instalment of ₹5.52 crore to the State Government as of June 2011. The Department also failed to plan the works properly and thus, despite the availability of sufficient funds, the requisite tourist facilities could not be created (September 2011).

The Director, Tourism stated (February-March 2011) that the Department was making efforts to implement/complete the various projects/schemes. However, works could not be started due to non-availability of suitable sites, transfer of land process/obtaining of no objection certificates (NOCs), climatic conditions in tribal and hill track areas. The reply is not tenable as these issues should have been built in the project proposals and incorporated in the planning stage itself.

Thus, lack of proper planning for execution of works/facilities by the Department had not only resulted in blocking of CFA of ₹14.57 crore, but also led to non-creation of tourist facilities in the State depriving the public of the intended benefits. Besides, the State was also deprived of balance amount of CFA of ₹5.52 crore for creation of infrastructure for TCs.

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

<sup>18</sup> TC: Shimla (December 2004: one: ₹0.10 crore); Kangra (December 2004: one: ₹0.20 crore); Chamba (December 2005: one: ₹0.25 crore); Mandi-Bilaspur (December 2005: one: ₹1.50 crore); Rohru and Chanshal (November 2006: 11: ₹1.33 crore); Sarahan-Shrikhand (December 2006: 16: ₹2.19 crore); Pilgrim Circuits Shimla, Una, Sirmaur, Hamirpur and Kangra (December 2006: 14: ₹2.10 crore); Tribal Circuit (September 2007: three: ₹0.50 crore); Hamirpur (July 2008: seven: ₹3.75 crore); Jogindernagar-Bir-Billing (September 2008: 18: ₹2.22 crore); Una-Hamirpur-Bilaspur (September 2008: eight: ₹3.00 crore); Chail (September 2008: 10: ₹1.45 crore) and Naldehra (August 2008: six: ₹1.50 crore).