Chapter-III
Compliance Audit

CHAPTER-III
COMPLIANCE AUDIT

Animal Husbandry Department

3.1 Working of Himachal Pradesh Co-operative Milk Producers' Federation (Milkfed) Limited

Of grants of ₹ 16.03 crore received from the Government of India during 2012-15, the Milkfed had incurred expenditure of ₹ 11.54 crore and ₹ 4.49 crore were lying unutilised as of March 2015. Non-settlement of cash credit limit of ₹ 5.00 crore with the Himachal Pradesh State Co-operative Bank Limited since January 2004 resulted in outstanding liability of ₹ 22.72 crore (Principal: ₹ 2.69 crore and interest: ₹ 20.03 crore) as of March 2015. During 2012-15, against the target, there was shortfall in procurement of milk ranging between 09 and 18 *per cent* and shortfall in sale of milk ranging between 10 and 44 *per cent*. The Milkfed had not fixed product wise norms for utilisation of milk for the various milk products. Capacity utilisation of nine milk chilling centres and three milk processing plants ranged between three and 48 *per cent*.

3.1.1 Introduction

The Himachal Pradesh State Co-operative Milk Producers' Federation Limited (Milkfed) was registered as a society in January 1980 under the Co-operative Societies Act, 1968 with the objectives of promoting production, procurement, processing and marketing of milk and milk products for economic development of the farming community and allied activities[1]. Audit of working of the Milkfed covering the period 2012-13 to 2014-15 was conducted during April and May 2015 by test-check of records of the Managing Director (MD) and Senior Managers (Plant) of two (out of three) units (Kangra and Mandi).

3.1.2 Financial Management

The Milkfed receives grants from the GOI for implementation of various projects relating to dairy development viz. Clean Milk Production (CMP), Intensive Dairy Development Programme (IDDP) and Rashtriya Krishi Vikas Yojana (RKVY). The State Government also provides grants to the Milkfed for discharge of establishment liabilities and for infrastructure works, etc. The position of receipts and expenditure incurred by Milkfed during 2012-15 is shown in **Table-3.1.1**.

Table-3.1.1
The position of receipts and expenditure incurred during 2012-15

(₹ in crore)

Particular	2012-13	2013-14	2014-15
1.	2.	3.	4.
Opening balance	**8.94**	**10.88**	**15.74**
I. Receipts			
A. Grants from State Government			
Administration	6.00	0	0
Works	0.50	0.50	0.50
Other	5.50	13.50	13.49
B. Grants from GOI	11.79	3.17	1.07
C. Domestic receipts	63.24	73.09	72.66
Total receipts	**87.03**	**90.26**	**87.72**

[1] For the promotion of dairy industry, improvement and protection of milch animals, etc. and economic betterment of those engaged in milk production.

1.	2.	3.	4.
II. Expenditure incurred			
A. Administration	11.00	11.53	12.07
B. Works	0.16	0.07	0.02
C. From GOI Grants	2.74	4.01	4.79
D. Other expenditure	71.19	69.79	71.57
Total expenditure	**85.09**	**85.40**	**88.45**
Closing Balance	**10.88**	**15.74**	**15.01**

Source: Information supplied by the Milkfed.

It would be seen from **Table-3.1.1** that:

- Out of the State grant of ₹ 1.50 crore received for execution of civil works during 2012-15, the Milkfed had utilised ₹ 0.25 crore only leaving the unspent balance of ₹ 1.25 crore as of May 2015 which indicated that the intended objectives of the grant remained unachieved.
- Out of GOI funds of ₹ 16.03 crore received for implementation of various dairy development projects[2] during 2012-15, the Milkfed had incurred an expenditure of ₹ 11.54 crore and ₹ 4.49 crore[3] were lying unutilised as of May 2015. The non-utilisation of the funds expeditiously had resulted in non-implementation of the projects in time depriving the concerned beneficiaries of the intended benefits as indicated under **Paragraphs 3.1.3.5 and 3.1.3.6**.

The MD stated (May 2015) that the funds were not utilised due to non-completion of codal formalities, shortage of staff, etc. Non-utilisation of available funds is indicative of inadequate planning and implementation by Milkfed.

3.1.2.1 Annual Accounts

The Milkfed had prepared the annual accounts containing profit and loss accounts and balance sheets thereof for the financial years 2012-13 to 2014-15 on commercial lines. The annual accounts for the year 2014-15 had not been audited by the chartered accountants (CA) appointed by the Registrar, Co-operative Societies as of May 2015. Audit noticed that:

- The Milkfed had not prepared and adopted accounting manual for preparation of accounts at head office and at plants' level as of March 2015 as per the general accounting practices followed in India.
- The Milkfed had maintained separate records for the Grant-in-aid (GIA) received from the GOI for setting up and commissioning of plants/ other dairy development projects. However, the GIA had not been included in the annual accounts of the Milkfed for 2012-15. Thus, due to non-inclusion of the GOI grant, the annual accounts do not present a true and fair view of the financial position of the Milkfed.
- The Milkfed had accumulated loss of ₹ 25.38 crore as of March, 2012. During the year 2012-13, the Milkfed incurred a loss of ₹ 3.79 crore and earned profit of ₹ 10.25 crore during 2013-14 (₹ 7.03 crore) and 2014-15 (₹ 3.22 crore) after receipt of revenue grants of ₹ 26.99 crore during 2013-14 (₹ 13.50 crore) and 2014-15 (₹ 13.49 crore) from the State Government. However, the net worth of the Milkfed was also eroded by accumulated losses[4] at the end of each financial year.

---

2 CMP: ₹ 2.90 crore; IDDP-III: ₹ 6.00 crore; IDDP-IV: ₹ 1.44 crore and RKVY: ₹ 5.69 crore.

3 CMP: ₹ 1.32 crore; IDDP-III: ₹ 0.36 crore; IDDP-IV: ₹ 0.62 crore and RKVY: ₹ 2.19 crore.

4 As of March 2013: ₹ 29.17 crore, March 2014: ₹ 22.14 crore and as of March 2015: ₹ 18.92 crore.

- Due to non-settlement of cash credit limit (CCL) of ₹ 5.00 crore with the Himachal Pradesh State Co-operative Bank Limited since January 2004 the outstanding liability of the Milkfed towards the bank had increased to ₹ 22.72 crore[5] as of March 2015 without availing the CCL since January 2004.

The MD stated (April and June 2015) that the accounts of Federation were maintained under pre-audit system being conducted by the CAs and due to hilly terrain of the State and one time collection of the milk a day, the organisation had suffered a loss. Regarding CCL, the State Government directed (June 2009) the Milkfed to deposit ₹ 50.00 lakh with the HPSCB every year for amortisation of the overdue amount. The reply is not acceptable as the Milkfed should have increased its profitability and maintained the accounting manual for proper preparation of annual accounts including the GIA received from the GOI. Besides, the Milkfed deposited ₹ 67.20 lakh[6] only with HPSCB during 2009-14.

3.1.2.2 Utilisation Certificates

As per the terms and conditions of the grants sanctioned by the GOI, necessary utilisation certificates (UCs) were to be sent to the funding agencies by the close of the financial year. Audit noticed that against the grants of ₹ 8.24 crore received (between August 2012 and November 2014) from the GOI for implementation of various projects/ scheme, the Milkfed had utilised ₹ 4.79 crore up to March 2015. In spite of the fact that ₹ 3.45 crore was lying unutilised as of March 2015, the Milkfed had sent (between May 2013 and November 2014) the UCs for the entire grants of ₹ 8.24 crore to the GOI. The MD stated (May 2015) that the UCs were sent to the GOI for release of the next instalments to avoid lapse of the grants. The reply is not acceptable as the UCs should have been submitted on actual utilisation of the funds.

3.1.3 Implementation of programmes

Efficient programme management in an organisation involves proper selection of activities as per criteria of the programmes for their successful completion within stipulated time and cost, so that intended benefits accrue to the public.

3.1.3.1 Procurement of milk

The Milkfed provides assistance to the milk producers living in far flung areas by lifting the surplus milk from their door steps. The procurement rates of milk are fixed by the State Government. The milk was being collected from the milk producers through affiliated village dairy co-operative societies (VDCSs).

Audit noticed that the number of affiliated VDCSs in the State had increased from 400 (22,480 members) in 2011-12 to 434 (24,351 members) during 2014-15. However, of 434 VDCSs 307 (71 *per cent*) with membership of 18,983 (78 *per cent*) were concentrated in Kullu, Mandi, Sirmour and Una districts which indicated that major activities of procurement of milk during 2012-15 remained confined to four (out of 12) districts only. The MD stated (May 2015) that Milkfed was motivating the farmers of other districts to adopt dairy farming on commercial lines. The reply does not explain the reasons for less procurement of milk and steps taken by the Milkfed for motivating the farmers of the other districts.

3.1.3.2 Achievements of targets of procurement and sale of milk

The details of achievements of targets of procurement and sale of milk by the Milkfed during 2012-15 are given in **Table-3.1.2.**

---

5 Principal: ₹ 2.69 crore and interest: ₹ 20.03 crore.

6 2009-10: ₹ 51.80 lakh, 2010-11: ₹ 1.80 lakh, 2012-13: ₹ 3.60 lakh and 2013-14: ₹ 10.00 lakh.

Table-3.1.2
Details of achievements of targets of procurement and sale of milk during 2012-15
(Litres in lakh)

Year	Procurement of milk			Sale of milk to consumers		
	Targets	Achievements	Shortfall	Targets	Achievement	Shortfall
2012-13	285.00	259.53	25.47 (9)	140.00	78.00	62.00 (44)
2013-14	264.79	220.00	44.79 (17)	95.69	67.92	27.77 (29)
2014-15	243.22	199.14	44.08 (18)	76.50	68.94	7.56 (10)
Total	**793.01**	**678.67**	**114.34 (14)**	**312.19**	**214.86**	**97.33 (31)**

Source: Information supplied by the Milkfed.
Note: Figures in parenthesis indicate percentage of shortfall in achievements of targets.

It would be seen from **Table-3.1.2** that:

- There was reduction in fixation of targets for procurement of milk and shortfalls in procurement against targets ranging between nine and 18 *per cent* during 2012-15.
- There was also reduction in fixation of targets of sale of milk to consumers and shortfall in the sale against targets ranging between 10 and 44 *per cent* during above period.

The MD attributed (May 2015) the shortfalls in procurement and sale of milk to hilly terrain of the State (i.e. milk is procured one time in a day instead of two times a day as in the case of neighbouring States *viz*. Vita in Haryana and Verka in Punjab), shortage of staff and stiff market competition as the milk producers were selling milk in the nearby/ local markets comparatively at higher rates and the quality of the milk produced by Milkfed was not matching the quality of other brands. The reply is not acceptable as Milkfed should have taken steps to reduce the shortage of staff, improve the quality of milk at par with other brands.

3.1.3.3 Utilisation of milk

Audit noticed that after sale of the milk to consumers (**Table-3.1.2.**), 237.71 lakh litres milk (2012-13: 102.53 lakh litres, 2013-14: 57.83 lakh litres and 2014-15: 77.35 lakh litres) was consumed for milk products (*ghee*, butter, cream, curd, *khoya*, *paneer,* skimmed milk powder, etc.) and 226.10 lakh litres (2012-13: 79.00 lakh litres, 2013-14: 94.25 lakh litres and 2014-15: 52.85 lakh litres) was sold to other co-operatives/ units. However, the Milkfed had not fixed product-wise norms for utilisation of milk for making milk products during 2012-15. For production of 1342.963 MTs[7] of milk products (*ghee*, butter, cream and skimmed milk powder) during the above period, the Milkfed had utilised 201.50 lakh litres[8] milk and year-wise per MT consumption rate of the milk was 18,000 litres, 10,363 litres and 16,231 litres during 2012-13, 2013-14 and 2014-15 respectively. There was huge variation in utilisation of milk for the same product and taking into account the minimum consumption rate of 10,363 litres per MT, the overall consumption during 2012-15 works out to 139.17 lakh litres[9]. Thus, on an average, there was excess consumption of 62.33 lakh litres milk costing ₹ 11.09 crore[10] during 2012-13 (40.54 lakh litres) and 2014-15 (21.79 lakh litres) for making the above milk products.

The MD admitted the facts and stated (August 2015) that product-wise norms for utilisation of milk would be fixed in future.

[7] 2012-13: 530.846 MTs, 2013-14: 440.862 MTs and 2014-15: 371.255 MTs.
[8] 2012-13: 95.55 lakh litres, 2013-14: 45.69 lakh litres and 2014-15: 60.26 lakh litres.
[9] 2012-13: 55.01 lakh litres, 2013-14: 45.69 lakh litres and 2014-15: 38.47 lakh litres.
[10] At minimum milk procurement rate of ₹ 17.80 per litre.

3.1.3.4 Under-utilised milk chilling centres and milk processing plants

The milk collected from the VDCs is brought to milk chilling centres (MCCs) and after chilling, the same is sent to the milk processing plants (MPPs) for processing. After standardisation, certain quantity of the milk is sold and the rest is used for making other milk products *viz. ghee*, butter, curd and *khoya* in the MPPs.

Audit noticed that out of 21 MCCs in the State, during 2012-15, the capacity utilisation of nine MCCs ranged between 03 and 48 *per cent* and that of three (out of seven) MPPs it ranged between 03 and 35 *per cent* as per the details given **Table-3.1.3**. Thus, the MCCs and the MPPs were not utilised optimally.

Table-3.1.3
Details of utilisation of MCCs and MPPs during 2012-15

(Capacity in litres per day)

Sl. No.	MCCs/ MPPs	Installed capacity	Utilisation		
			2012-13	2013-14	2014-15
MCCs					
1.	Bagthan	5,000	1,300 (26)	1,200 (24)	950 (19)
2.	Bhambla	500	82 (16)	18 (4)	14 (3)
3.	Darkata	500	168 (34)	150 (30)	120 (24)
4.	Geun	2,000	255 (13)	173 (9)	77 (4)
5.	Jalari	500	200 (40)	175 (35)	160 (32)
6.	Maryog	1,000	350 (35)	250 (25)	280 (28)
7.	Milwan	1,000	475 (48)	415 (42)	140 (14)
8.	Rajgarh	4,000	1,850 (46)	1,611 (40)	1,620 (41)
9.	Renuka	1,000	300 (30)	216 (22)	154 (15)
MPPs					
1.	Chamba	5,000	230 (5)	126 (3)	130 (3)
2.	Lalsinghi	5,000	850 (17)	620 (12)	410 (8)
3.	Rohru	5,000	1,772 (35)	1,181 (24)	951 (19)

Source: Information supplied by the Milkfed.
Note: Figures in parenthesis indicates percentage.

The MD stated (May 2015) that the Milkfed was not getting sufficient milk from the farmers of the areas as they were selling milk in the nearby markets where the rates of the milk were higher than that of the Milkfed. The reply is not convincing as information relating to rates of milk sold by the farmers in the nearby local markets during 2012-15, was not available with the Milkfed. Besides, the Milkfed had also not taken any action for strengthening the milk procurement process during the above period.

3.1.3.5 Incomplete intensive dairy development project

With a view to providing an organised and remunerative marketing outlet to milk producers, creating infrastructure for milk procurement/ processing and distribution and to make available quality milk to the consumers, the Government of India approved (February 2012) a project for ₹ 2.95 crore under intensive diary development programme (IDDP) at Bilaspur and simultaneously released ₹ 1.45 crore as first instalment for implementation of Project. The project including 23 components[11] was to be completed by March 2014.

[11] Civil works: ₹ 53.00 lakh, deep freezers: ₹ 3.00 lakh, BMC: ₹ 46.50 lakh, vehicle for monitoring: ₹ 8.00 lakh, MIS: ₹ 14.21 lakh, DCS investment: ₹ 8.10 lakh, vehicle for procurement: ₹ 9.00 lakh, milk cans: ₹ 4.00 lakh, modern labs: ₹ 5.00 lakh, AMCU: ₹ 11.25 lakh, cattle feed store: ₹ 13.50 lakh, managing grants to DCS: ₹ 9.72 lakh, transport subsidy: ₹ 4.00 lakh, milk testing chemicals: ₹ 4.00 lakh, compressed fodder store: ₹ 5.00 lakh, compressed fodder units: ₹ 28.00 lakh, training to DCS/ BOD/ FIP: ₹ 7.86 lakh, cattle feed ingredients: ₹ 8.00 lakh, cattle feed subsidy: ₹ 9.00 lakh, benchmark survey: ₹ 2.00 lakh, evaluation and monitoring: ₹ 2.00 lakh, milk price payments: ₹ 20.00 lakh and cattle induction and transportation: ₹ 20.00 lakh.

Audit noticed that:

- During 2012-15, the Milkfed had incurred an expenditure of ₹ 83.29 lakh only leaving an unspent fund of ₹ 61.47 lakh as of March 2015 and delay in utilisation of the funds, resulted in non-release of balance funds of ₹ 1.50 crore by the GOI.
- Against the approved cost of ₹ 23.22 lakh, two components[12] were completed at a cost of ₹ 41.62 lakh resulting in excess expenditure of ₹ 18.40 lakh under cattle feed store component by diverting the funds from other components of the projects in contravention of the provisions of the GOI instructions. Besides, eight components[13] were partially executed to the extent of six to 62 *per cent* with expenditure of ₹ 41.67 lakh and the remaining 13 components were not taken up as of March 2015. Evidently, the Milkfed had not completed the project as scheduled and deprived the concerned beneficiaries of the intended benefits.

The MD stated (May 2015) that the project could not be completed due to late receipt of funds from the GOI and the matter regarding diversion of funds towards cattle feed store would be placed before the competent authority for approval. The fact, however, remained that the Milkfed had neither utilised the released funds nor expedited the implementation of the project for the last three years.

3.1.3.6 Strengthening of infrastructure for quality and clean milk production

With the objectives of providing remunerative market to the milk producers and good quality milk to the urban consumers at competitive prices, the GOI approved (February 2012) a project for ₹ 3.42 crore for strengthening infrastructure for quality and clean milk production in Mandi, Sirmour and Shimla districts and released ₹ 2.90 crore (February 2012: ₹ 1.91 crore and September 2013: ₹ 0.99 crore) to the Milkfed. The project including 11 components[14] was to be completed by March 2014.

Audit noticed that during 2012-15, the Milkfed had utilised ₹ 1.58 crore leaving unspent funds of ₹ 1.32 crore as of March 2015. It was further noticed that the construction of cattle sheds had not been commenced as of March 2015 and the other components of the projects had been executed partially to the extent of 22 to 93 *per cent*[15]. Non-completion of the project deprived the beneficiaries concerned of the intended benefits in time which resulted in unfruitful expenditure of ₹ 1.58 crore and blocking of funds of ₹ 1.32 crore for 20 to 39 months. Besides, due to delay in utilisation of the funds and execution of the activities, the GOI had also not released the balance grant of ₹ 0.52 crore to the Milkfed as of May 2015.

The MD stated (May 2015) that due to involvement of various activities and non-completion of codal formalities, the project could not be completed in time. Non-completion of projects in time reflects the inadequate project implementing capacity of the Milkfed.

---

12 Cattle feed store: ₹ 31.90 lakh and managing grant to DCS: ₹ 9.72 lakh.

13 Percentages: Civil work (49); deep freezers (six); bulk milk coolers (42); MIS (29); milk cans (62); automatic milk collection unit (29), compressed fodder units (33) and training to DCS/ BOD/ FIP (61).

14 Training to farmers: ₹ 0.18 crore, BMC: ₹ 2.20 crore, detergent anticeptic and muslin cloth: ₹ 0.13 crore, utensils and accessories for CMP: ₹ 0.22 crore, SS Canes: ₹ 0.03 crore, strengthening of labs. : ₹ 0.11 crore, Planning and monitoring: ₹ 0.03 crore, AMCU: ₹ 0.35 crore, deep freezers: ₹ 0.08 crore, visi coolers: ₹ 0.05 crore and cattle sheds: ₹ 0.04 crore.

15 *Percentage*: Training to farmers (75), BMC (44), detergent antiseptic and muslin cloth (22), utensils and accessories for CMP (14), SS canes (52), strengthening of labs (40), planning and monitoring (93), AMCU (77), deep freezers (29) and visicoolers (22).

3.1.3.7 Under-utilisation of Cattle Feed Plant

With the objective of development and expansion of activities conducive for the promotion of dairy industries and improvement and protection of milch animals, the Milkfed had installed (September 2013) a cattle feed plant at a cost of ₹ 1.58 crore (civil works: ₹ 0.63 crore and machinery and equipment: ₹ 0.95 crore) at Bhor in Hamirpur district under Rashtriya Krishi Vikas Yojana. The installed capacity of the plant was production of two metric tons (MT) cattle feed per hour.

Audit noticed that against installed capacity of 7200 MT[16] of cattle feed during 2013-15, the Milkfed could produce 3782 MT[17] cattle feed resulting in shortfall ranging between 46 and 50 *per cent*. The MD stated (April 2015) that due to non-availability of sufficient raw materials with seasonal variations, the cattle feed plant could not be utilised optimally and the Milkfed was exploring all possibilities to tap private market by restructuring the market team. The reply should be seen in the light of fact that the Milkfed should have made efforts for optimal utilisation of the cattle feed plant by ensuring sufficient raw material, etc.

3.1.3.8 Non-completion of civil works

Audit noticed that of nine civil works relating to construction of milk processing plants, mineral mixer plants, etc., sanctioned (February 2013 and November 2013) for ₹ 2.55 crore, five works were completed with the expenditure of ₹ 1.00 crore upto March 2015. The remaining four works[18] having sanctioned cost of ₹ 1.48 crore and stipulated to be completed between April 2013 and January 2014 were lying incomplete as of April 2015 entailing a delay ranging between 15 and 24 months, though expenditure of ₹ 1.04 crore was incurred on these works. The delay in completion of the works deprived the concerned beneficiaries of the intended benefits. While admitting the facts (April 2015), the MD had not furnished reasons for non-completion of the works in time.

3.1.3.9 Idle machinery and equipment

Audit noticed that due to non-availability of sufficient milk, the milk processing plant (MPP) at Kafota and three MCCs (Bangana, Chauntra and Kotkhai) were closed between May 2011 and August 2014. However, the machinery and equipment worth ₹ 90.80 lakh (MPP Kafota: ₹ 42.00 lakh, MCCs Bangana: ₹ 4.00 lakh, Chauntra: ₹ 16.96 lakh and Kotkhai ₹ 27.84 lakh) were lying un-used in the closed MPP/MCCs as of May 2015. The Milkfed had not initiated any action for disposing them off or shifting the same to other needy units for the last nine to 48 months, so as to ensure their proper utilisation.

The MD stated (May 2015) that efforts would be made to transfer the machinery and equipment to other units and leasing out the chilling centers.

3.1.3.10 Non-disposal of unserviceable machinery and equipment

State Financial Rules provide that un-serviceable and obsolete stores should be disposed off with the sanction of the competent authority. Audit noticed that un-serviceable machinery and equipment having book value ₹ 28.20 lakh declared un-serviceable during August 2012 were lying in store as of May 2015. The Milkfed had not initiated any

---

[16] 2013-14: 2400 MT and 2014-15: 4800 MT.

[17] 2013-14: 1194 MT and 2014-15: 2588 MT.

[18] Mineral mixer plant at Bhor (July 2013): SC: ₹ 0.30 crore and Exp.: ₹ 0.14 crore, urea molasis plant at Hamirpur (November 2013): SC: ₹ 0.30 crore and Exp.: ₹ 0.17 crore, milk processing plant at Rekong Peo (November 2013): SC: ₹ 0.48 crore and Exp.: ₹ 0.44 crore) and milk processing plant at Nalagarh (January 2013): SC: ₹ 0.40 crore and Exp. ₹ 0.30 crore.

action for disposal of the unserviceable items. The MD stated (May 2015) that the unserviceable machinery and equipment would be auctioned with the prior approval of competent authority shortly.

3.1.4 Conclusion and recommendations

The financial management of the Milkfed was weak as the State Government/ GOI grants received during 2012-15 were not fully utilised. Due to non-settlement of cash credit limit with the HP State Co-operative Bank Limited since January 2004, the liability of the Milkfed had increased many-fold.

The Government may consider ensuring the optimum utilisation of GOI/ State Government grants by execution of the projects/ works in a timely manner.

The Milkfed had not achieved the targets fixed for procurement/ sale of milk during above period. The Milkfed had not fixed product-wise norms for utilisation of milk for making milk products.

The Government may ensure the profitability of the Milkfed by increasing the procurement of sufficient milk, enhancing the sale of the milk and milk products by competing with the other milk brands in the market.

Nine milk chilling centres and three milk processing plants in the State were not being utilised optimally. Many dairy development projects/ works were lying incomplete and machinery and equipment of closed units was lying idle for many years.

The Government may consider taking steps for optimum capacity utilisation of the milk chilling centres/ milk processing plants by strengthening milk procurement process and streamlining the marketing process.

The audit findings were referred to the Government in July 2015. The reply had not been received (November 2015).

3.2 Non-commissioning of Lift Irrigation Scheme

Lack of foresight in planning on the part of the Animal Husbandry and Irrigation and Public Health Departments led to non-commissioning of Lift Irrigation Scheme and rendered the expenditure of ₹ 66.05 lakh as unproductive.

To provide irrigation facility to 70 acres of land of Cattle Breeding Farm (CBF) Kothipura (Bilaspur district) and drinking water facility to residential colony, working staff and 473 residents of adjoining Noa village, the State Government approved (March 2007) ₹ 41.33 lakh for remodelling of defunct (since 1995) Lift Irrigation Scheme (LIS) under centrally sponsored scheme "National Project for Cattle and Buffaloes Breeding".

Scrutiny of records (October 2014-April 2015) of the Director-cum-Member Secretary (Director), Himachal Pradesh Livestock Development Board (HPLDB) showed that the Director released (March 2007) ₹ 41.33 lakh to Irrigation and Public Health (IPH) Department for execution of work which was stipulated to be completed within six months. Though the remodelling of scheme was completed in January 2010 after a delay of 27 months, the scheme was not put to use due to non-availability of water distribution network which had not been assessed earlier indicating lack of proper planning. In order to commission the scheme, a fresh estimate of ₹ 24.63 lakh was prepared (April 2010) for providing water distribution network to LIS. The amount was released (May 2010) to the IPH Department with stipulation to complete the work within six months. The work was stated as completed by the IPH Department in October 2014 (except the execution of 12 number sluice valve chambers) with expenditure of ₹ 66.05 lakh. However, the scheme could not be commissioned as of April 2015 due to scouring in *khad* bed and lowering of the water level in the *khad*. This indicated that the scheme was taken up for execution without proper planning and resulted in non-achievement of the objective of providing water to the cattle breeding farm and people of the area.

While admitting the facts, the Director, HPLDB stated (August 2015) that the IPH Department had not handed over the completed scheme as of August 2015. The fact, however, remained that the expenditure of ₹ 66.05 lakh incurred on the scheme had not served the intended purpose and remained unproductive.

Thus, due to lack of foresight in planning on the part of the Animal Husbandry and IPH Departments, the LIS was not commissioned and rendered the expenditure of ₹ 66.05 lakh as unproductive besides denial of intended benefits to the beneficiaries.

The audit findings were referred to the Government in May 2015. The reply had not been received (November 2015).

Education Department

3.3 National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme)

Funds of ₹ 42.61 lakh for cooking cost in 1248 cases were released late to schools during 2012-15 with delays ranging between 20 and 175 days. Interest of ₹ 33.31 lakh earned on scheme funds had not been reported to the Centre as per the scheme guidelines. The construction of 507 kitchen sheds-cum-stores sanctioned during 2007-12 for ₹ 3.13 crore was still incomplete as of March 2015 after expending ₹ 2.03 crore and construction of 430 kitchen sheds costing ₹ 3.46 crore had not been started as of April 2015.

3.3.1 Introduction

National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme) is being implemented in Himachal Pradesh from August 1995. Effective from September 2004, hot cooked meal was to be served to the Children to boost the universalisation of primary education by increasing enrolment, retention and attendance in schools. Nutritional support of 450 calories and protein content of 12 grams was to be provided to the children with provision of adequate quantities of micronutrients and de-worming medicines.

Audit of the implementation of the scheme covering the period from 2012-13 to 2014-15 was conducted during March 2015 and April 2015 in the offices of the Director, Elementary Education (DEE), State Project Director (SPD), Sarva Shiksha Abhiyan and two[19] out of 12 Deputy Directors of Elementary Education (DDsEE). Forty out of 2228 Government Primary Schools (GPS) and 20 out of 994 Upper Primary Schools (UPS) were also selected for detailed scrutiny. The following are the audit findings:

3.3.2 Financial Performance

Out of total available funds of ₹ 302.31 crore[20] during 2012-15, the State was able to utilise ₹ 297.05 crore[21] and funds of ₹ 5.26 crore remained unutilised with the

[19] Hamirpur and Mandi.

[20] Opening balance of ₹ 8.43 crore (Centre: ₹ 4.96 crore and State: ₹ 3.47 crore) plus funds received during 2012-15: ₹ 293.88 crore (Centre: ₹ 233.02 crore and State: ₹ 60.86 crore).

[21] Centre: ₹ 232.72 crore and State ₹ 64.33 crore.

Department during the above period. The percentage utilisation of funds against the availability during 2012-15 was between 89 and 95 *per cent*.

3.3.2.1 Delay in release of funds

Funds under the scheme are released by GOI in three instalments[22]. As per instructions issued (April 2012 and July 2014) by the DEE, funds under the scheme were to be released on regular basis keeping in view the enrolment and demand from schools in such a manner that at least one month's requirement of funds is made available to each school in advance.

Scrutiny of the records of DEE showed that there were delays in release of funds at various levels during 2012-15 as shown in **Table-3.3.1**.

Table-3.3.1
Position of delays in release of funds at various levels during 2012-15
(Days in numbers)

Instalment	Amount (₹ in crore)	GOI to State Government	State Government to DEE	DEE to Blocks
First	58.36	0	10 to 43	0 to 61
Second	68.51	24 to 37	59 to 124	61 to 92
Third	90.28	40 to 53	67 to 89	88 to100

Source: Figures supplied by the Department.

As is evident from table, during 2012-15 there were delays in release of second and third instalments at various levels ranging between 24 to 124 days which indicated that adjustment of unspent balances of previous year and reporting of expenditure was not done in a timely manner.

In 41 out of 60 test-checked schools, funds for cooking cost amounting to ₹ 42.61 lakh in 1248 cases were released late to schools during 2012-15 with delays ranging between 20 and 175 days adversely impacting the smooth running of the scheme. Due to late receipt of funds, the incharge of the scheme in respective schools had to purchase items for cooking, etc., from shopkeepers on credit basis and occasionally from their own pockets. It was further noticed that honorarium of cook-cum-helpers was also released late with similar delays resulting in late payment of honorarium to cook-cum helpers in these schools.

The DEE stated (April 2015) that delay in release of funds was due to time taken to complete the required procedures. The reply is not convincing as the procedures should have been completed as per time schedule fixed in this regard.

3.3.2.2 Retention of interest earned

Paragraph 5.1 (9) of the guidelines provides that release of second instalment would be subject to unspent balance available with the State Government of the previous year's release. Further, the unspent balance had to be worked out after considering balances of stock and cash at all levels.

Audit noticed that out of ₹ 48.26 lakh interest earned by the Directorate, test-checked districts and concerned blocks of selected schools on scheme funds upto March 2015, ₹ 9.14 lakh was deposited in the Government account and ₹ 5.81 lakh was utilised under the programme, while an amount of ₹ 33.31 lakh had not been reported to GOI as unspent balance as per the scheme guidelines. This resulted in non-adjustment of interest

---

22 25 *per cent* of budget allocation (*ad hoc* instalment) during April-May, 35 *per cent* of budget allocation upto the end of Ist quarter on receipt of report/ adjustment of unspent balances and remaining 40 *per cent* of the budget allocation upto the month of October on reporting of the expenditure out of allotment of current year's budget.

accrued in the release of next year's instalments and blocking of ₹ 33.31 lakh in the bank accounts of the respective test-checked units as of March 2015.

While admitting the facts, the DEE stated (April 2015) that details about interest accrued in field offices was being collected.

3.3.3 Achievement of objective of enhancing enrolment, retention and attendance

3.3.3.1 Impact of scheme

One of the impact parameters of the scheme was to attain universalisation of primary education by increasing enrolment, retention and attendance in schools. Audit noticed that the enrolment of children in Government Primary and Upper Primary schools had decreased from 6,43,477 to 5,85,644 (nine *per cent*), however, the enrolment of children in the other management schools increased from 3,41,421 to 3,73,087 (nine *per cent*) during the above period.

The DEE stated (April 2015) that decrease in enrolment of children in Government schools was due to the tendency of the parents to enrol their wards in the private or public schools. This shows that the perceived quality of education at Government schools is so low that enrolment in these schools was decreasing despite freebies like mid-day meals.

3.3.3.2 Non-conducting of health check-up/ non-assessment of nutritional level of children

Paragraph 2.5 and 6.2 of scheme guidelines provides for regular health check-up of children and monitoring to assess the improvement in children's nutritional status.

Scrutiny of the records in test-checked schools showed that regular health check-up of 80 children enrolled in two schools[23] was not conducted during 2012-15. It was further noticed that records relating to health check-up of children had not been maintained by any of the 60 test-checked schools during the above period.

The headmasters of the concerned schools stated (September-November 2014) that health check-ups of children had been conducted but register thereof was not maintained in the school. The reply should be seen in light of the fact that in the absence of effective mechanism and records for assessment of nutritional level, achievement of main objective of the scheme could not be ascertained.

3.3.4 Supply of quality foodgrain under the scheme

3.3.4.1 Non-conducting of joint inspections for assurance of Fair Average Quality (FAQ) of food grains

Paragraph 3.7 of scheme guidelines and paragraphs 3.6 to 3.8 of instructions issued (February 2010) by GOI, stipulate that the District Collector (DC)/Chief Executive Officer (CEO) of Zila Panchayat would ensure that food-grains received from Food Corporation of India (FCI) was at least of fair average quality (FAQ). Quarterly joint inspections were to be conducted by a team consisting of FCI official and nominee of DC.

Audit noticed that joint inspections were not carried out at any level and samples of lifted foodgrains were not taken to ensure FAQ of foodgrains supplied by the FCI in the test-checked districts during 2012-15. In the absence of required mechanism to ensure

[23] Government Primary Schools Hurang and Paddal, Mandi.

supply of quality foodgrains, the quality of foodgrains supplied to 3222 schools (Mandi: 2457 and Hamirpur: 765) could not be ensured upto the required standards.

The DEE stated (April 2015) that instructions have been issued from time to time for ensuring FAQ of foodgrains and school management concerned have been entrusted the work to ensure the quality of foodgrains. The DDEE Mandi stated (April 2015) that in future joint inspection committee would be constituted. The DDEE, Hamirpur stated (April 2015) that register was not maintained as the inspections were being carried out by the representatives of State Government and the employees of FCI. The replies are not acceptable as joint inspections and samples of foodgrains were not carried out/ taken at any level to ensure FAQ of foodgrains.

3.3.5 Infrastructure Facilities

3.3.5.1 Non-construction of kitchen shed-cum-stores

Paragraph 4.2 (i) of scheme guidelines stipulates that kitchen shed-cum-store is a vital part and its absence or inadequate facilities would expose children to various health hazards. Grant at the rate of ₹ 0.60 lakh per kitchen shed-cum-store upto 2008-09 and ₹ 1.20 lakh thereafter was admissible to each primary and upper primary school under the scheme. The kitchen shed-cum-store was to be constructed through Sarva Shiksha Abhiyan (SSA) society and required to be completed within three months.

Mention of delay in completion of kitchen shed-cum-stores was also made in the Comptroller and Auditor General's Audit Report (Civil) for the year ended 31 March 2009 in paragraph 2.13 and Audit Report on Social, General and Economic Sectors (Non-PSUs) for the year ended 31 March 2014 in paragraph 3.2. A further scrutiny of records showed that out of 15,337 schools covered under the scheme in the State, kitchen shed-cum-store was sanctioned to 14,959 schools for ₹ 90.84 crore during 2007-12.

However, the construction of 507 kitchen shed-cum-stores sanctioned for ₹ 3.13 crore was still incomplete as of March 2015 after expending ₹ 2.03 crore due to local disputes, want of additional funds, etc. The work of 430 kitchen shed-cum-stores sanctioned between 2007-08 and 2011-12 for ₹ 3.46 crore had not been started as of April 2015 even after a lapse of three to seven years from the date of sanction due to non-availability of suitable sites and non-receipt of demand from field functionaries. Out of ₹ 3.46 crore, funds of ₹ 1.85 crore received for the construction of 164 kitchen-sheds were lying unissued with the State Project Director (SPD), SSA as of April 2015. Thus, planning on the part of the Department was not adequate and had resulted in delay of more than two to seven years beyond the stipulated time for providing facility of kitchen shed-cum-stores to 937 schools.

The SPD stated (April 2015) that construction work could not be started due to non-availability of suitable land and non-furnishing of demand by the field functionaries. The reply is not convincing as construction work of kitchen shed-cum-stores should have been taken on priority basis and its absence or inadequate facilities in schools may expose children to various health hazards.

3.3.5.2 Sub-standard construction of kitchen shed

Paragraph 4.2 (i) and 4.2 (vi) of the scheme guidelines provides that kitchen sheds-cum-store should be separate from class rooms, preferably located at a safe, but accessible distance. It should be well ventilated and always be kept clean. There should be raised platform for cooking, adequate light, proper drainage and waste disposal.

Audit noticed that kitchen-shed-cum-store constructed in GPS Khini under Sadar-II block of Mandi district was substandard and in a dilapidated condition and was not put to use for cooking of meal and alternatively class room of the school was being used as kitchen. Further, kitchen shed was not constructed in GPS Housing Board Colony under BEEO, Hamirpur and meal was being cooked in the classroom. It was further observed that in GPS, Jahukalan and GPS, Kakrot under Bhoranj block, kitchen shed-cum-stores were constructed adjacent to the class room which was contrary to the guidelines.

The headmaster of the GPSs, Khini, Jahukalan and Kakrot stated (September-November 2014) that kitchen shed-cum-stores were constructed by the school management committees (SMCs) whereas headmaster of GPS Housing Board Colony stated (April 2015) that construction could not be taken up due to non-availability of suitable land. The replies are not acceptable as the provision of the guidelines should have been adhered to in letter and spirit.

3.3.6 Monitoring and inspections

3.3.6.1 Non-conducting of steering and monitoring meeting at district level

Paragraph 3.2 of the scheme guidelines provide for constitution of Steering-cum-Monitoring Committee (SMC) at State/ district/ block level to oversee the proper implementation of the scheme. Further, as per instructions (August 2010) of GOI, meetings of SMC were required to be held once in six months at State level and monthly at district and block levels.

Audit noticed that six monthly meetings at State level had been conducted during 2012-15. In these meetings it was *inter alia* emphasised for release of funds to schools in advance, maintenance of nutritional profile of children, implementation of standardised operating procedures for ensuring FAQ, sensitisation of all stakeholders *viz*., parents, children, community/ public, teachers and SMC members with regard to assurance of hygienic and quality of meal and conduct of regular meetings of SMCs.

It was, however, noticed in audit that recommendations of meetings had not been implemented fully during 2012-15 as indicated in **Paragraphs 3.3.2.1, 3.3.3.2** and **3.3.4.1**.

In test-checked districts, out of the required 36 meetings, 12 meetings (33 *per cent*) in Hamirpur district and one meeting (three *per cent*) in Mandi district was held during 2012-15. However, no meeting was held by the SMCs in any of the respective 19 blocks of selected 60 schools during the above period. This indicated inadequate monitoring, evaluation and follow up in implementation of the programme at district and block levels.

The concerned DDsEE stated (March-April 2015) that these issues were discussed in the general meetings convened by the DC and instructions in this regard would be complied with strictly in future. The replies are not acceptable as the regular SMC meetings to discuss the issues relating to implementation of scheme and review of Block level Committee had not been carried out during the above period. Thus, due to non-conducting of meetings as per scheme guidelines and instructions of GOI, the various problems/ issues being faced at implementing stage of the scheme were not communicated to higher authorities during the above period.

3.3.6.2 Inspection

Paragraph 6.2 of guidelines stipulates that at least 25 *per cent* schools in a quarter and all schools at least once in a year should be inspected to ensure the smooth implementation and performance of the scheme. For effective implementation of the programme, the

DEE prescribed (July 2013) monthly targets for inspections to be conducted by DDEE (four) and BEEO (eight).

Audit noticed that there were shortfall in inspections of schools by the DDEE, Mandi ranging between 75 and 83 *per cent* during 2013-15. Shortfall in inspections by 15[24] out of 19 test-checked BEEOs was between six and 100 *per cent*. It was further noticed that no inspection was conducted in 16 out of 60 test-checked schools during the above period. Evidently, the prescribed monitoring system was not done by the departmental officers effectively.

While admitting the facts, DDEE, Mandi stated (March-April 2015) that the targets of inspection would be achieved in future.

3.3.7 Conclusion and recommendations

The audit of Mid-Day-Meal scheme showed that inspite of existence of scheme for almost two decades in the State the actual implementation suffered from various shortcomings and lapses. Audit noticed instances of delay in release of funds to the schools impacting the smooth running of the scheme. The enrolment of children in Government schools covered under the scheme showed a decreasing trend vis-a-vis other management schools.

The Government may consider the release of funds in advance and on regular basis keeping in view the enrolment and demand from schools for effective implementation of the scheme.

The prescribed stipulation of conducting joint inspections by Food Corporation of India (FCI) and nominee of Deputy Commissioner to ensure that foodgrains of at least Fair Average Quality (FAQ) were issued by the FCI was not followed.

The State Government may consider effective system of inspections and taking samples of foodgrains for assurance of good quality or at least FAQ, as prescribed.

There were shortfalls in construction of kitchen shed-cum-stores in schools, absence of which led to cooking being undertaken in classroom of schools.

The State Government may consider completion/ construction of kitchen shed-cum-stores in all schools to provide hygienic cooking space and storage of food items in schools.

The inadequate monitoring and inspections of schools by the district and block level functionaries affected the smooth functioning of the scheme.

The State Government may consider strengthening the mechanism of monitoring and inspections at district and block levels.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

[24] Bhoranj, Bijhari, Chachyot-I, Chachyot-II, Chauntra-I, Dharampur-II, Drang-II, Galore, Karsog, Mandi Sadar-I, Mandi Sadar-II, Nadaun, Seraj-II, Sujanpur and Sundarnagar-I.

Food, Civil Supplies and Consumer Affairs Department

3.4 Preparedness for implementation of National Food Security Act, 2013

The State Government had not identified beneficiaries afresh under the National Food Security Act and there was shortfall in identification of 5.76 lakh beneficiaries in the State due to which the State was receiving 5.08 lakh tons of foodgrains at existing rates. Smart Cards in place of paper ration cards and ration (smart) cards in the name of eldest woman in household had also not been issued. End-to-end computerisation of targeted public distribution system had not been ensured as of April 2015 and unutilised funds of ₹ 6.74 crore were lying in a savings bank account. Vehicle tracking system was not being used by the Department for transportation of foodgrains at different levels and computerisation of fair price shops had not been taken up as of April 2015. Vigilance Committees (VCs) at Block level had not been constituted and there was shortfall between six and 100 *per cent* in constitution of VCs at fair price shop level.

3.4.1 Introduction

The National Food Security Act (NFSA) was enacted by the GOI on 10 September 2013 with the objective to provide food and nutrition security by ensuring access to adequate quantity of quality food at affordable prices to people, to live a life with dignity. Under this Act, five kgs foodgrains per person per month is to be provided to the entitled families/ persons covered under priority households whereas existing Antyodaya Anna Yojana (AAY) households would continue to receive 35 kgs foodgrains per family per month (irrespective of the number of family members). Rice, wheat and coarse grains is to be provided at the rate of ₹ three, two and one per kg respectively for three years from the commencement of the Act. Thereafter, prices would be suitably linked to the Minimum Support Price (MSP) of different foodgrains. The NFSA, 2013 was notified by the State Government in October 2013 and implemented as Rajiv Gandhi Anna Yojana (RGAY) in the State. After implementation of NFSA, all the State and Central schemes operated at minimum support price i.e. AAY, Targeted Public Distribution System (TPDS), etc., were to be implemented as per the provisions of the Act.

The audit to assess the actual preparedness of State for implementation of NFSA covered the period from September 2013 to March 2015. Records of Directorate of Food, Civil Supplies and Consumer Affairs and Managing Director, Himachal Pradesh State Civil Supplies Corporation (HPSCSC) Limited were test-checked. Besides, four[25] out of 12 districts were selected on Probability Proportionate to Size without Replacement (PPSWOR) method of sampling for test-check. Eight blocks[26]/ circles out of 28 in selected districts and 32 FPSs out of 433 in selected blocks were also selected for examination of records by adopting Simple Random Sampling without Replacement (SRSWOR) method of sampling.

3.4.2 Implementation of the Act

3.4.2.1 Identification of beneficiaries

Identification of households/ beneficiaries for entitlement under the Act was to be done by the State Government within 365 days from the date of commencement of the Act. The beneficiaries were to be identified by *Gram Panchayats*/ Municipal Corporation/ Committee/ *Nagar Panchayat* in *Gram Sabha*/ general body meetings.

---

25 Kinnaur, Mandi, Shimla and Solan.

26 Kinnaur district: Kalpa and Nichar; Mandi district: Mandi Sadar and Sundernagar; Shimla district: Mashobra and Theog and Solan district: Dharampur and Kandaghat.

It was, however, noticed that the State Government had not identified beneficiaries afresh under the NFSA and had taken 31.06 lakh existing persons of already running TPDS as identified beneficiaries (Below Poverty Line[27]: 13.66 lakh, Antodaya Anna Yojana: 9.51 lakh and Primary households: 7.89 lakh) as of March 2015.

As per the instructions (July 2013) received from GOI , the State was required to cover 36.82 lakh persons[28] as per estimation of National Sample Survey Organisation (NSSO) survey conducted in 2011-12. However, only 31.06 lakh beneficiaries were covered under the Act as of June 2015 resulting in shortfall of 5.76 lakh (16 *per cent*) beneficiaries as a result of non-identification of beneficiaries afresh. It was further noticed that break-up of rural and urban beneficiaries was also not available with the Department. In the absence of proper identification of beneficiaries the Department was not in a position to effectively implement the scheme.

The Director stated (July 2015) that identification of left out beneficiaries was under process and would be completed shortly. The reply must be seen in the light of fact that the identification of households/ beneficiaries for entitlement under the Act was to be done within 365 days from the date of commencement of the Act.

3.4.2.2 Issue of smart cards in place of paper ration cards

As per draft implementation guidelines for States issued (June 2013) by the GOI, the digitisation of ration cards/ beneficiaries and other database was one of the key activity of the scheme to be implemented in the initial phase. As per paragraph 1 of guidelines, digitised Aadhaar linked ration cards in place of paper ration cards were to be issued to the household to check fake and bogus ration cards.

Audit scrutiny showed that digitised Aadhaar linked ration cards (smart cards) in place of existing conventional ration cards were not issued to the households as of April 2015. It was further noticed that old ration cards were stamped as priority household and re-issued as NFSA-compliant.

The Director, FCSCA attributed (April 2015) the non-issue of digitised ration cards to non-providing the funds by the GOI for the purpose. The reply is not convincing as even the allotted funds were not utilised fully as indicated in **paragraph 3.4.4.3**.

3.4.2.3 Women empowerment

Section 13(1) and (2) of the Act provides that the eldest women who is not less than 18 years of age in every eligible household, shall be head of the household for the purpose of ration cards. Where a household at any time does not have a woman or women of eighteen years of age or above, but had a female member below the age of eighteen years, then, the eldest male member of the household shall be the head of household for the purpose of issue of ration card and the female member, on attaining the age of 18 years, shall become the head of household for ration card in place of male member.

It was, however, noticed that existing old ration cards which did not specially identified the eldest woman as head of household were being used and new ration cards in the name of eldest woman in household had not been issued as of April 2015. Compliance of the provisions of the Act to empower women had thus not been ensured.

---

27 Below Poverty Line beneficiaries' survey was last conducted during 2007-08.

28 The population of the State as per the census of 2011 was 68.57 lakh (Rural: 61.68 lakh and Urban: 6.89 lakh). Accordingly, a total of 36.82 lakh persons (34.68 lakh persons (56.23 *per cent*) of rural and 2.14 lakh (30.99 *per cent*) persons of urban areas) were required to be covered as per the Act.

The Director admitted (April 2015) the facts and stated that new digitised cards would be issued shortly.

3.4.3 Foodgrains allocation, transportation, storage and door step delivery

3.4.3.1 Foodgrains allocation

Section 10 (1) (b) of the Act provides that the State shall continue to receive the allocation of foodgrains from the GOI under the existing TPDS, till the identification of households is complete.

It was noticed that due to non-completion of identification of the beneficiaries, the State was receiving annual allocation of 5.08 lakh tons (wheat: 3.24 lakh tons and rice: 1.84 lakh tons) foodgrains in existing allocation since October 2013 through Food Corporation of India (FCI) and distributed the same amongst all category of the TPDS beneficiaries. In the absence of number of proper identified beneficiaries actual requirement of foodgrains could not be assessed in audit.

The Director stated (April 2015) that the State is meeting the extra demand of priority household by diversion of foodgrains from other than NFSA foodgrains. This shows that State is not getting required quantity of foodgrains due to non-completion of identification of NFSA beneficiaries.

3.4.3.2 Godowns and door step delivery

Section 24(5) (a) of the Act provides that for the efficient operations of the TPDS every State Government shall create and maintain storage facilities in State being sufficient to accommodate foodgrains required under the TPDS and other food based welfare schemes.

Audit scrutiny showed that against the required monthly storage capacity of 59,295 MTs, storage capacity for 54,195 MTs (91 *per cent*) (Government godowns: 22,910 MTs (42 *per cent*) and hired godowns: 31,285 MTs (58 *per cent*)) was available with the State resulting in shortfall of monthly storage capacity for 5100 MTs (nine *per cent*). The preparedness for enhancement of storage capacity as per *ibid* provisions of Act had thus not been ensured by the State as of March 2015.

While admitting the facts, the Director stated (April 2015) that for creation of four additional godowns having storage capacity of 3268 MTs at various locations, ₹ 4.00 crore had now been allocated during financial year 2015-16.

3.4.4 Reforms in TPDS (Computerisation)

3.4.4.1 Utilisation of funds under end-to-end computerisation of TPDS

As per sanction of the GOI (November 2013), expenditure on end-to-end computerisation was to be shared between GOI and State Government on 50:50 basis. Out of total sanctioned funds of ₹ 14.14 crore, GOI share of ₹ 7.07 crore was to be released to the State in three instalments[29]. Out of its share of ₹ 7.07 crore, GOI released (November 2013) ₹ 4.24 crore as first instalment to the State Government. The State Government also released (February 2014) ₹ 4.01 crore out of its share of ₹ 7.07 crore. The amount was to be utilised on activities such as digitisation of ration cards/ beneficiary and other database, computerisation of supply-chain management, setting up of transparency portal and grievance mechanism.

It was, however, noticed that out of total available funds of ₹ 8.25 crore the Department had only spent ₹ 1.51 crore on procurement of computers/ laptops for headquarters and

[29] First instalment: 60 *per cent*; second instalment: 30 *per cent* and third instalment: 10 *per cent*.

block level offices, publicity and awareness, setting up of call centre, etc., and amount of ₹ 6.74 crore was lying unspent in the savings bank account as of March 2015 due to non-utilisation of funds on preparation of smart cards/ procurement of computers/ other equipments for end to end computerisation of FPSs as indicated in **Paragraphs 3.4.2.2, 3.4.4.2 and 3.4.4.3**. Due to non-utilisation of the first instalment, GOI had also not released further instalments and targets for the end-to-end computerisations under NFSA remained un-achieved.

While confirming the facts, the Director stated (July 2015) that the aforementioned project is a long term project and the funds would be utilised accordingly. The reply is indicative of the fact that the funds provided for preparatory activities of the programme had not been scrupulously utilised.

3.4.4.2 Computerisation of Supply Chain Management

As per draft-implementation guidelines issued by the GOI in June 2013 on end-to-end computerisation of TPDS operations, the computerisation of supply-chain-management was one of the key activities of the initial phase of this scheme and was to be completed by October 2013.

It was, however, noticed that requisite software for real time reporting of movement of foodgrains at different levels and stock of foodgrains at the storage facility centres had not been prepared by the Department due to delay in development of modules. It was further noticed that vehicles having tracking system was not being used by the Department for transportation of foodgrains at different levels in the State as of April 2015. Thus, due to plying of vehicles without tracking network system for delivery of foodgrains, the leakage/ pilferage of foodgrains during transit, if any, could not be ascertained and addressed.

The Director stated (April 2015) that the State Government is in process of installation of vehicle tracking system (VTS) on its vehicles through private venders. The reply is not acceptable as the Government had not adhered to the timeline prescribed for the purpose.

3.4.4.3 Inter-operability at FPSs level

As per para 2.1 of the implementation guidelines, the Department was to take necessary measures for ensuring inter-operability, prescribe common standards/ specifications for data/ metadata elements, point of sale (PoS) devices, bio-metrics, etc., for maintaining single unified information system including Management Information System (MIS).

It was noticed that necessary measures for ensuring inter-operability at FPS level such as providing of handheld devices (PoS), bio-metrics, etc., and computerisation of FPSs had not been taken by the Department as of April 2015. Further, MIS had also not been developed by the Department to maintain a centralised database of the information received from the field functionaries as of April 2015.

The Director stated (April 2015) that funding for the hand held devices at FPSs had not been provided by the GOI and the hand held devices could not be provided without funding support as the project is very expensive. He further stated that no provision of end to end computerisation was approved in the DPR and this is being done by the State at its own.

3.4.5 Grievance Redressal Mechanism

3.4.5.1 Constitution of State Food Commission

Section 16 of the Act provides that every State Government shall constitute a State Food Commission (SFC) to monitor, evaluate, inquire into violations of entitlements provided under the Act and advice the State Government on effective implementation of the Act.

The SFC shall consist of a Chairman, five other members and a Member Secretary chosen from amongst persons, belonging to All India/ other services, having eminence[30] in public life and worked towards improvement of food and nutrition rights of the poor.

It was, however, noticed that the SFC had not been constituted in the State as of April 2015. This indicated inadequate planning for preparedness of the State Government for implementation of the Act.

While admitting the facts, the Director stated (April 2015) that the case for constitution of SFC was sent to the State Government and the responsibility of SFC had been delegated (September 2013) to Divisional Commissioners. The reply is not in consonance with the provisions of the Act as the constitution of SFC was mandatory for monitoring of the activities of the programme.

3.4.5.2 Appointment of District Grievance Redressal Officers

As per Section 15(1) of the Act the State Government shall appoint or designate, for each district, the District Grievance Redressal Officers (DGROs) for expeditious and effective redressal of grievances of aggrieved persons in matters relating to distribution of entitled foodgrains. Nominee from each of the Departments in Food and Civil Supplies, Health and Family Welfare, Women and Child Development and Elementary Education was to be appointed as DGRO to enforce the entitlements under the Act.

It was noticed that the State Government had appointed the DGROs in each district for three departments except Department of Elementary Education. Thus, the grievance redressal mechanism at district level with regard to distribution of foodgrains to Mid Day Meal Programme had not been established as of April 2015.

The Director stated (April 2015) that the matter had been taken up with the Director, Elementary Education but the compliance is still awaited.

3.4.5.3 Setting up of Vigilance Committees

As per Section 29(1) of the Act, to ensure transparency and proper functioning of the TPDS and accountability of the functionaries in system, every State was to set up Vigilance Committees (VCs) at State, District, Block and FPS level. The VCs at all levels were required to hold meetings at least once in a quarter to watch effective implementation of the Act.

Audit scrutiny showed that VCs at the State level and in all the 12 districts of the State have been formed. However, such committees in 77 blocks as per the norms of the Act had not been constituted as of June 2015. No meeting of VC was convened at State level between September 2013 and March 2015.

The position of constitution of VCs at FPS level in the four test-checked districts was as given in **Table-3.4.1**.

Table-3.4.1
Position of constitution of VCs at FPS level in the four test-checked district as of May 2015
(In numbers)

Sl. No.	Name of district	Total number of FPS	VCs constituted	Shortfall
1.	Kinnaur	56	14	42 (75)
2.	Mandi	769	720	49 (06)
3.	Shimla	535	535	--
4.	Solan	302	Nil	302 (100)

Source: Information supplied by the Department. Figures in parenthesis denote percentage.

[30] Persons with knowledge and experience in the field of agriculture, law, human rights, social service, management, nutrition, health, food policy and public administration.

It would be seen from the above **Table-3.4.1** that there was shortfall of 75 *per cent*, six *per cent* and 100 *per cent* in constitution of VCs in Kinnaur, Mandi and Solan district respectively whereas there was no shortfall in constitution of VCs in Shimla district. Non-constitution of VCs and inadequate meetings of VCs where formed is bound to have an effect on transparency and proper functioning of the TPDS.

The Director stated (July 2015) that requisite meetings could not be held during above period due to prior engagements of members and hectic schedule. The contention is not convincing as conducting of meetings regularly by the respective VCs is essential to monitor the preparedness and achievement of goals of the Act.

3.4.6 Non-framing of rules under the Act by the State Government

As per Section 40 (3) of the Act, the State Government was required to make rules to carry out the provisions of the Act with regard to identification of priority households, internal grievance redressal mechanism, qualification of district grievance redressal officer, method of appointment and the terms and conditions of appointment of chairperson, other members and member Secretary of the State Food Commission, composition of VCs, etc. The Rules framed thereto and notifications/ guidelines brought out under the Act have to be laid before the State Legislature.

It was noticed that, as required under the Act, the rules *ibid* had not been made and various notifications/ guidelines brought out by the State Government have not been laid before the State Legislature as of May 2015.

3.4.7 Conclusion and recommendations

Smart Cards were not issued to the households in place of paper ration cards and the ration cards in use have not been issued in the name of eldest woman in the household as required under the Act.

The State Government may consider providing aadhar linked smart cards in place of conventional ration cards to all the beneficiaries in a time bound manner.

Transport vehicles with tracking system are not being used by the Department to check diversions in foodgrains delivery.

The State Government may consider hiring of transport vehicles fitted with tracking system to check the diversion/ leakage of foodgrains.

Due to non-utilisation of ₹ 6.74 crore out of first instalment for end to end computerisation the GOI had not released further instalments and targets also remained un-achieved.

The State Government may consider expediting the process of end-to-end computerisation of the TPDS by utilising the funds provided by the GOI.

State Food Commission and District Grievance Redressal Officer for Elementary Education Department had not been constituted/ nominated. Vigilance Committees at Block level in entire State had not been constituted and there was shortfall in constitution of VCs at FPS level between six and 100 *per cent*.

The State Government may consider constituting State Food Commission and setting up Vigilance committees at all blocks and FPSs level.

The audit findings were referred to the Government in July 2015. Reply had not been received (November 2015).

Health and Family Welfare Department

3.5 Non-construction of public health infrastructure

Drawal of funds without completion of pre-requisite formalities resulted in blocking of funds of ₹ 8.92 crore for two to 12 years besides denial of health infrastructure facilities to the public.

Rule 2.10 (b) 5 of the Himachal Pradesh Financial Rules (HPFR) stipulates that money should not be drawn from the treasury unless it is required for immediate disbursement. Likewise it is not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take considerable time.

The State Government accorded administrative approval and expenditure sanction for construction of 24 buildings[31] of Community Health Centres (CHCs), Primary Health Centres (PHCs), Health Sub Centres (HSCs), residential accommodations, etc., for ₹ 12.94 crore between 2002-03 and 2012-13. The works were stipulated to be completed between one and three years from the date of sanction.

Scrutiny of records (December 2012 to January 2015) of the Chief Medical Officers (CMOs) Chamba, Kinnaur at Reckong Peo, Mandi, Solan and Una showed that the CMOs drew ₹ 8.92 crore[32] between 2002-03 and 2013-14 for construction of four CHCs, five HSCs, six PHCs, two mortuaries and seven residential accommodations and deposited the amount with executing agencies (Himachal Pradesh Public Works Department: ₹ 8.58 crore and Bharat Sanchar Nigam Limited: ₹ 0.34 crore) selected on nomination basis. The execution of the works had not been started as of March 2015 due to failure of the Department to ensure finalisation of codal formalities[33] (six cases), finalisation/ availability of suitable encumbrance free sites (nine cases), forest clearance (five cases), non-start of works by HPPWD without assigning any reason (three cases) and without requirement of the building (one case). Evidently, the funds were drawn from the treasury in advance of actual requirement in contravention of the provisions of the HPFR *ibid* which reflected improper planning on the part of the Department.

While confirming the facts, the concerned CMOs stated (September 2014 to January 2015) that funds were lying with the executing agencies due to awaited approvals, non-availability suitable sites, forest cases, etc., and the matter would be taken up with the authorities. The replies do not explain as to why the funds were drawn in advance of requirement without ensuring encumbrance free land and completion of codal formalities.

Thus, drawal of funds without completion of prerequisite formalities resulted in blocking of funds of ₹ 8.92 crore for two to 12 years besides denial of health infrastructure facilities to the public.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

[31] Chamba: two, Kinnaur: four, Mandi: 13, Solan: four and Una: one.

[32] Chamba: ₹ 1.13 crore, Kinnaur: ₹ 0.35 crore, Mandi: ₹ 4.08 crore, Solan: ₹ 2.44 crore and Una: ₹ 0.92 crore.

[33] Non-finalisation of estimates and drawings, tender under process, etc.

3.6 Undue benefit to temple trust

Decision of the Department to exchange building of Community Health Centre Jawalamukhi with a building of Shree Jawalamukhi temple trust led to undue benefit of ₹ 6.27 crore to the trust.

As per Indian Public Health (IPH) standards the proximity to the residential area should be considered for locating a hospital and in case of already existing structures, it should be examined whether they fit into the design of the recommended structure. Further, each hospital had to develop a comprehensive plan for management including segregation, collection, treatment, transportation and disposal of hospital waste.

Scrutiny of records (February 2014-March 2015) of the Chief Medical Officer (CMO) and Deputy Commissioner (DC), Kangra at Dharamshala showed that construction of new Community Health Centre (CHC) building (near old building) at Jawalamukhi was sanctioned (March 2009) for ₹ 2.49 crore and funds amounting to ₹ 2.35 crore were deposited (March 2009-October 2012) with Himachal Pradesh Public Works Department (HPPWD) for execution of work. In the meantime, the CHC alongwith office of the Block Medical Officer, Jawalamukhi was temporarily shifted (June 2013) to *Yatri Niwas Bhawan* (constructed in July 1997) of Shree Jawalamukhi temple trust on recommendations of the committee constituted (February 2013) for the purpose which observed that there was disturbance to the patients due to ongoing construction activity of new building of CHC, improper water supply, location of CHC in the crowded *bazaar* and noise pollution from a nearby bus stand. The committee had, however, not recommended for shifting of CHC to *Yatri Niwas* permanently.

After completion of 70 *per cent* of work valuing ₹ 1.47 crore, further execution of new building of CHC was stopped (August 2013) by the Department as it was decided (at Government level) to permanently house the CHC in the *Yatri Niwas Bhawan*. The land and building of CHC comprising covered area of 3620.33 square metres valuing ₹ 6.06 crore was exchanged (December 2013) with land and building of temple trust having covered area of 1920 square metres valuing ₹ 1.26 crore. However, no agreement was executed specifying terms and conditions in respect of expenditure incurred on the partially completed building, balance funds with HPPWD and liability to complete the balance work of the new building. Moreover, the *Yatri Niwas* complex did not comply with the provisions of IPH standards *ibid* as minimum basic facilities such as operation theatre, proper disposal of medical waste, ramp and lift were not available. Thus, decision of the Department to exchange building of CHC Jawalamukhi with a building of Shree Jawalamukhi temple trust led to undue benefit of ₹ 6.27 crore[34] to the temple trust and also denial of benefits of the desired health infrastructure from the erstwhile under construction building of CHC.

On this being pointed out in audit, the CMO and DC, Kangra stated (January-March 2015) that decision to shift the CHC Jawalamukhi to *Yatri Niwas Bhawan* was taken by the Government on the recommendations of the committee in order to provide clean and spacious environment to the patients for their speedy recovery. The reply is not convincing as minimum basic facilities were not available in the *Yatri Niwas Bhawan* and factors like location of CHC amidst crowded *bazaar* and adjoining bus stand should have been considered before taking up the work of construction of new building of CHC.

The audit findings were referred to the Government in July 2015. The reply had not been received (November 2015).

[34] Value of land and old building of CHC: ₹ 6.06 crore plus expenditure incurred on construction of new building: ₹ 1.47 crore minus value of land and building of Yatri Niwas: ₹ 1.26 crore.

Irrigation and Public Health Department

3.7 Functioning of Flow Irrigation Schemes

In six test-checked divisions, ₹ 18.27 crore were withdrawn from treasury at the end of financial year during 2010-15 and shown as final expenditure/ booking of material against flow irrigation schemes (FISs) without their actual utilisation. In nine divisions, 46 FISs (of 91) on which ₹ 42.25 crore had been spent were lying incomplete as of March 2015. In five test-checked divisions, the irrigation potential created under 21 FISs at a cost of ₹ 20.02 crore was not utilised optimally during 2012-15. Departmental officers had not monitored the execution of the FISs during 2012-15 and the prescribed inspections of the FISs were also not conducted.

3.7.1 Introduction

Creation of irrigation potential and its optimal utilisation continues to receive a high priority in the State Planning. Flow Irrigation Schemes (FISs) provide irrigation through canals or channels from reservoir/ *nallah* or other spring source carted to the fields through gravitational force of the required discharge of the proposed cultivable command area (CCA). The main components of FIS are head weir, main channels, distribution channels, outlets, delivery tanks, etc. The Irrigation and Public Health Department is responsible for execution, running and maintenance of the FISs.

Audit of functioning of the FISs covering the period 2012-13 to 2014-15 was conducted during April and May 2015 by test-check of records of the Engineer-in-Chief (E-in-C) and nine (out of 47) divisions[35] in the State. The following are the audit findings:

3.7.2 Financial outlay and expenditure

Allotment of funds for execution of FISs is made by the E-in-C. The year-wise position of funds provided and expenditure incurred by the Department on FISs during 2012-15 is given in **Table-3.7.1.**

Table-3.7.1
Details of funds allocated and expenditure incurred on FISs during 2012-15

(₹ in crore)

Year	Budget allotment	Expenditure	Variation Excess (+) Saving (-)
2012-13	45.73	50.04	(+) 4.31
2013-14	36.53	38.58	(+) 2.05
2014-15	40.92	39.20	(-) 1.72
Total	**123.18**	**127.82**	

Source: Information supplied by the Department.

Against the budget allocation during 2012-15, there was excess expenditure of ₹ 6.36 crore during 2012-13 (₹ 4.31 crore) and 2013-14 (₹ 2.05 crore) and savings of ₹ 1.72 crore during 2014-15. Reasons called for (April 2015) from the E-in-C were awaited (November 2015).

In all the test-checked divisions, the details of funds released and expenditure incurred during 2012-15 on FISs are given in **Table-3.7.2**.

35 Anni, Chamba, Dalhousie, Dharamshala, Padhar, Palampur, Sarkaghat, Shahpur and Shimla-I.

Table-3.7.2
Details of funds released and expenditure incurred on FISs in test-checked divisions during 2012-15

(₹ in crore)

Year	Budget allotment	Expenditure	Variation Excess (+) Saving (-)
2012-13	26.87	26.86	(-) 0.01
2013-14	13.38	13.40	(+) 0.02
2014-15	21.54	21.56	(+) 0.02
Total	**61.79**	**61.82**	

Source: Information supplied by the Department.

There were no major savings or excesses in the test-checked divisions during 2012-15. However, the above figures of budget and actual expenditure have to be seen in the light of the fact that the booked expenditure merely reflected the amount withdrawn from treasury and not the amount actually spent on the works executed on the ground and huge amount remained unutilised as indicated in the succeeding paragraphs.

3.7.2.1 Irregular drawal and utilisation of funds

Rule 5.71 of Himachal Pradesh Treasury Rules, 2007 (HPTRs) stipulates that no money should be drawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw advances from treasury in respect of works the completion of which is likely to take considerable time.

Audit noticed that the Executive Engineers (EEs) of six test-checked divisions[36] on the basis of Letters of Credit (LOC) received from the concerned Superintending Engineers (SEs) during 2010-15, drew ₹ 15.58 crore from treasury in the last week of each financial year[37] and showed it as final expenditure on 43 FISs in the accounts. Of this, an expenditure of ₹ 9.15 crore was incurred during the subsequent years and ₹ 6.43 crore[38] were lying unspent as of May 2015. Parking of funds in deposit head to avoid lapse of budget and merely booking of expenditure to the works without their actual execution had also resulted in incorrect depiction of the expenditure in the accounts.

While admitting the facts (April and May 2015), the EEs concerned had not furnished reasons for the lapse.

3.7.2.2 Irregular booking of material

Audit noticed that contrary to rules[39], in eight test-checked divisions[40] material costing ₹ 2.69 crore was booked (between March 2011 to March 2015) against 24 schemes/ works without its actual utilisation. Subsequently, the material valuing ₹ 0.57 crore was written back to stock in the following financial years between September 2013 and February 2015 and the material valuing ₹ 2.12 crore[41] was lying unadjusted as of May 2015. Thus, contrary to the provisions of the HPTRs *ibid*, the booking of material was irregularly carried out merely to avoid lapse of budget. While confirming the facts, the EEs concerned had not furnished reasons for the lapse.

---

36 Anni, Chamba, Padhar, Palampur, Sarkaghat and Shahpur.

37 2010-11: ₹ 4.25 crore (two); 2011-12: ₹ 0.58 crore (11); 2012-13: ₹ 4.96 crore (12); 2013-14: ₹ 0.45 crore (two) and 2014-15: ₹ 5.34 crore (16).

38 2010-11: ₹ 1.05 crore; 2013-14: ₹ 0.45 crore and 2014-15: ₹ 4.93 crore.

39 Rules 5.71 of HPTRs and 91 (2) (a) of Himachal Pradesh Financial Rules, 2009.

40 Anni, Chamba, Dalhousie, Dharamshala, Padhar, Palampur, Sarkaghat and Shimla-I.

41 2010-11: ₹ 0.42 crore; 2011-12: ₹ 0.22 crore; 2013-14: ₹ 0.41 crore and 2014-15: ₹ 1.07 crore.

3.7.2.3 Excess expenditure over budget allocations

Audit noticed that contrary to Rules 14 and 43 of Himachal Pradesh Financial Rules, 2009 (HPFRs), against the budget allocations of ₹ 6.82 lakh for seven FISs during 2013-15 in two test-checked divisions[42], the EEs had incurred expenditure of ₹ 44.26 lakh resulting in excess expenditure of ₹ 37.44 lakh which was irregular. The EEs concerned stated (May 2015) that the excess expenditure would be regularised on receipt of budget during 2015-16. The reply is not convincing as the EEs should have obtained additional funds under the schemes before incurring the excess expenditure and the expenditure had not been regularised as of May 2015.

3.7.2.4 Diversion of funds

Rule 14 (b) of HPFRs provides that the expenditure should be incurred for the purpose for which the funds have been provided.

Audit noticed that contrary to above provisions, in two test-checked divisions[43], the EEs had irregularly diverted ₹ 1.93 crore[44] from FISs during 2012-13 and 2014-15 towards lift irrigation schemes (₹ 0.93 crore), water supply schemes (₹ 0.52 crore), construction of buildings (₹ 0.14 crore) and stock (₹ 0.34 crore) without obtaining approval from the competent authority. The EEs stated (May 2015) that the diversion would be rectified. The reply is not acceptable as the funds should have been utilised on other FISs which could not be completed due to non-availability of sufficient funds **(Paragraph 3.7.3)**.

3.7.3 Execution of schemes

The scheme-wise consolidated records of the FISs taken up for execution, completed and those remaining incomplete during 2012-15 had not been maintained/ updated at the E-in-C level. However, the details of execution of the FISs in all test-checked divisions are given in **Table-3.7.3.**

Table-3.7.3
Details of execution of the flow irrigation schemes in test-checked divisions during 2012-15
(₹ in crore)

Year	Schemes sanctioned/taken up for execution		Schemes to be completed by March 2015		Schemes completed upto March 2015		Schemes incomplete as of March 2015	
	No.	EC	No.	EC	No.	Exp.	No.	Exp.
Prior to March 2012	82	71.87	80	69.38	41	28.04	39	41.88
2012-13	10	10.97	2	0.84	0	0	2	0.25
2013-14	19	13.54	9	1.48	4	0.15	5	0.12
2014-15	7	10.24	0	0	0	0	0	0
Total	**118**	**106.62**	**91**	**71.70**	**45**	**28.19**	**46**	**42.25**

Source: Information supplied by the Department.
Note: EC: Estimated Cost and Exp.: Expenditure.

It would be seen from **Table-3.7.3** that:

- Of 91 schemes (EC: ₹ 71.70 crore) stipulated to be completed during 2012-15, only 45 schemes were completed with expenditure of ₹ 28.19 crore and 46 schemes on which ₹ 42.25 crore had been spent were lying incomplete as of March 2015. The delay in completion of the schemes ranging between eight and 62 months deprived the public of the intended benefits.

42 Anni and Shimla-I.
43 Anni and Shimla-I.
44 2012-13: ₹ 0.69 crore and 2014-15: ₹ 1.24 crore.

- Of 45 completed schemes, 19 schemes sanctioned (between September 2008 and August 2012) for ₹ 10.34 crore in three test-checked divisions[45] were completed after a delay of two to 25 months at a cost of ₹ 14.55 crore resulting in cost overrun of ₹ 4.21crore (41 *per cent).*
- Of 46 incomplete schemes, construction of eight schemes sanctioned (between June 2011 and March 2012) for ₹ 12.75 crore in Palampur division and scheduled to be completed in two years, were lying incomplete as of March 2015. Though expenditure of ₹ 16.51 crore had been incurred, the schemes were lagging behind their schedule period of completion by 13 to 23 months resulting in cost overrun of ₹ 3.76 crore (29 *per cent*).

While confirming the facts, the EEs concerned stated (April-May 2015) that the schemes were lying incomplete due to tough site conditions, non-availability of funds, land disputes, etc. The cost overrun was the result of hike in cost of labour and material. The replies are not acceptable as all such issues should have been resolved expeditiously for ensuring timely completion of schemes.

3.7.3.1 Idle investment on flow irrigation schemes

Scrutiny of records of Chamba divisions showed that two FISs sanctioned (between March 2007 and March 2010) for ₹ 2.36 crore[46] had not been completed as of March 2015 due to the following deficiencies:

- The technical approval of the FIS Kugti[47] was accorded (September 2009) by the SE, Chamba for ₹ 91.71 lakh and stipulated to be completed within one year. All components of the scheme had been completed upto March 2015 with expenditure of ₹ 94.57 lakh except the construction of Weir (one), RCC delivery tanks (26) and distribution system. Thus, non-completion of the FIS resulted in idle investment of ₹ 94.57 lakh.
- The FIS Fanar-Lahal[48] was technically sanctioned (March 2011) for ₹ 1.29 crore and stipulated to be completed in one year. The work of laying, jointing and testing of galvanised iron (GI) pipes upto 8825 rmt[49] had been completed with an expenditure of ₹ 86.35 lakh upto March 2015. However, the work of laying, jointing and testing of GI pipes of 125 mm dia (2,080 rmt) awarded to a contractor in August 2011 and stipulated to be completed by March 2012 had not been started as of April 2015. The construction of the weir and RCC storage tank had also not been taken up for execution as of April 2015. Non-completion of the FIS in time resulted in idle investment of ₹ 86.35 lakh.

While admitting the fact, the EE of the division stated (May 2015) that notices had been served (between September 2011 and June 2012) on the contractors for completion of the awarded works and the works of storage tanks, etc. could not be awarded due to non-completion of the main-line. The reply is not acceptable as the Department had neither taken timely action against the contractor nor ensured execution of the FISs expeditiously.

---

45 Dalhousie, Palampur and Dharamshala.

46 FIS Kugti: ₹ 0.91 crore (March 2007) and FIS Fanar-Lahal: ₹ 1.45 crore (March 2010).

47 Weir (two); providing, laying and jointing of pipes (6,395 rmt), RCC delivery tanks (34) and BP tanks (five).

48 Intake and weir (one), RCC storage tank 73000 ltrs (one), laying, jointing and testing of GI pipes 10900 rmt (125mm dia: 5500 rmt, 100 mm dia: 5000 rmt and 80 mm dia: 400 rmt).

49 125 mm dia: 3425 rmt (July 2012), 100 mm dia: 5000 rmt (March 2015) and 80 mm dia: 400 rmt (September 2014).

3.7.3.2 Excess expenditure on incomplete schemes reported as complete

Audit noticed that in Palampur division, 14 FISs for creation of CCA of 3144.79 hectares were approved (between February 2009 and March 2012) by the GOI for ₹ 18.93 crore under Accelerated Irrigation Benefits Programme (AIBP). The FISs commenced between March 2010 and September 2012 were shown as complete between January 2013 and September 2013 at cost of ₹ 15.74 crore with the created CCA of 3144.79 hectares whereas all the schemes were lying incomplete as of April 2015 and an expenditure of ₹ 4.98 crore had been incurred on these schemes after September 2013 **(Appendix-3.1).** Besides, the total expenditure of ₹ 20.72 crore upto March 2015 had exceeded the sanctioned cost by ₹ 1.79 crore which had also not been regularised. The EEs concerned admitted the facts (April 2015).

3.7.3.3 Levy and collection of users' charges

As per Section 28(1) of the Himachal Pradesh Minor Canals Act, 1976, the Department levies user charges called '*Abiana'* from the beneficiaries.

Audit noticed that in eight test-checked divisions[50], the *abiana* of ₹ 64.20 lakh was outstanding for recovery from the users of the FISs as of March 2012 and the *abiana* levied and collected during 2012-15 was ₹ 6.85 lakh and ₹ 0.93 lakh respectively. Thus, *abiana* of ₹ 70.12 lakh[51] was outstanding as of March 2015. However, no efforts were made by the divisions to realise the outstanding dues by invoking the provisions of Himachal Pradesh Minor Canals Act, 1976.

While admitting the facts, the EEs concerned stated (April-May 2015) that the *abiana* could not be assessed/ collected from the beneficiaries due to non-deployment of revenue staff for the purpose.

3.7.3.4 Unauthorised execution of private *kuhls*

The AIBP and National Bank for Agriculture and Rural Development (NABARD) loan do not provide for renovation and remodelling of private *kuhls*[52].

Audit noticed that contrary to above provisions, in three test-checked divisions[53] ₹ 43.14 crore was sanctioned (between February 2009 and February 2014) for renovation and remodelling of 42 existing private *kuhls* under AIBP (26 schemes: ₹ 23.57 crore) and NABARD (16 schemes: ₹ 19.57 crore) being operated by local people. Of these schemes, 24 schemes were completed (between May 2012 and December 2014) at a cost of ₹ 18.23 crore under AIBP (16 schemes: ₹ 12.33 crore) and NABARD (8 schemes: ₹ 5.90 crore). The remaining 18 schemes were in progress on which expenditure of ₹ 23.14 crore had been incurred upto March 2015. However, due to private *kuhls* the Department had not ascertained the actual CCA utilised under these schemes. Resultantly, the Department failed to realise the *abiana* (users' charges) from the concerned beneficiaries. Thus, the expenditure of ₹ 41.37 crore was irregular.

While admitting the facts, the EEs concerned stated (May 2015) that the existing private *kuhls* were renovated by the Department under AIBP and NABARD on the recommendations of the local Members of Legislative Assembly. The reply is contrary to

[50] Anni, Chamba, Dalhousie, Dharamshala, Padhar, Palampur, Sarkaghat and Shimla.

[51] Anni (₹ 0.11 lakh), Chamba (₹ 0.99 lakh), Dalhousie (₹ 19.55 lakh), Dharamshala (₹ 0.16 lakh), Padhar (₹ 10.33 lakh), Palampur (₹ 34.41 lakh), Sarkaghat (₹ 4.54 lakh) and Shimla-I (₹ 0.03 lakh).

[52] Small irrigation channels in hilly areas.

[53] Dharamshala, Palampur and Shahpur.

the provisions of the AIBP and NABARD loan as the execution of the private *kuhls* was not to be covered under these programme.

3.7.3.5 Utilisation of created irrigation potential

In five test-checked divisions[54] 20 FISs having irrigation potential of 5005.22 hectares were completed between 2005-06 and 2013-14 at a cost of ₹ 20.02 crore. Audit noticed that there has been under utilisation of cultivable command area (CCA) created. The shortfall in utilisation of the CCA ranged between 53 and 75 *per cent* for *Rabi* and 52 and 64 *per cent* for *Kharif* crops as per details given in **Table-3.7.4**.

Table-3.7.4
Details of potential created vis-a-vis per crop area irrigated during 2012-15

Year	Number of completed schemes	Potential created (CCA in hectares)	Potential utilised (CCA in hectares)		Shortfall (percentage)	
			Rabi	Kharif	Rabi	Kharif
2012-13	19	4430.21	2077.18 (47)	2109.55 (48)	53	52
2013-14	20	5005.22	1882.43 (38)	2138.18 (43)	62	57
2014-15	20	5005.22	1241.20 (25)	1785.40 (36)	75	64

Source: Information supplied by the Department. Note: Figures in parenthesis indicate percentage.

While admitting the facts (May 2015) the EE Chamba had not furnished reasons for less utilisation of the CCA. The other EEs attributed the under-utilisation of the CCA to less demands by the farmers. The fact, however, remained that the Department had not persuaded and encouraged the beneficiaries for maximum utilisation of the created irrigation potential, which remained grossly under-utilised and the expenditure of ₹ 20.02 crore incurred on the construction of these schemes did not largely achieve the intended objective.

3.7.3.6 Unfruitful expenditure on damaged scheme

Audit noticed that in Anni division, for creation of additional CCA of 97.42 hectare, flow irrigation scheme (FIS) Bagipul Norelanj[55] was extended (length: 12120 rmt.) in October 2005 at a cost of ₹ one crore. Expenditure of ₹ 7.71 lakh was also incurred on its maintenance upto March 2015. Against the created CCA of 123.83 hectares, the CCA actually utilised ranged between 13.75 hectares and 25.15 hectares during 2006-15. Under-utilisation of the irrigation potential was attributed to damages to the FIS at various reaches[56] and the Department had not taken any action for restoration of the damaged FIS. Evidently, the expenditure of ₹ 1.08 crore for extension of the FIS remained unfruitful.

While admitting the facts, the EE of the division stated (May 2015) that damaged scheme could not be restored due to non-availability of funds and estimate for ₹ 60.19 lakh for improvement of the scheme had been framed (September 2013). The reply is not convincing as the FIs had not been utilised optimally since 2005 and the Department had not made efforts to restore the damaged FIS in time.

3.7.3.7 Unauthorised split up of estimates

In four test-checked divisions[57], the Chief Engineers/ SEs had accorded technical sanction (between August 2011 and November 2013) for execution of eight FISs[58] at a cost of ₹ 13.52 crore.

[54] Anni, Chamba, Dalhousie, Padhar and Palampur.
[55] Completed in 1992 (CCA: 26.41 hectare and length: 5500 rmt).
[56] Rmt 2860 to 3100, rmt 4980 to 5100 and rmt 9500 to 9950.
[57] Anni, Padhar, Palampur and Shahpur.
[58] Anni (two), Padhar (one), Palampur (three) and Shahpur (two).

Audit noticed that the works of these schemes were split up into 195 agreements and awarded (between April 2012 and March 2015) to 97 contractors for ₹ 12.83 crore without obtaining split up sanction from the competent authority. The works were awarded two to 36 *per cent* below *(*three cases*)* and four to 457 *per cent* (192 cases) above the amount put to tender. The abnormal gap between the lowest and highest offers of the contractors was indicative of the improper award of works by the EEs. Benefit of competitive rates was, thus, not derived by floating a single tender for each work.

The EE of Shahpur division had not furnished reasons for splitting up the schemes. The other EEs stated (April-May 2015) that the works were split up for early completion of the schemes. The replies are not convincing as most of the schemes were lying incomplete as of May 2015.

3.7.4 Monitoring and supervision

With a view to improve monitoring by the Departmental officers, the State Government issued (June 2006) instructions for inspection and monitoring the progress of works under their jurisdiction and conduct of reviews.

Audit noticed that no evidence relating to review of works, if any, conducted by the Departmental officers at the prescribed intervals was available with the concerned divisions. Evidently, the prescribed monitoring system was not followed by the Departmental officers in accordance with State Government's instructions, resulting in delay in all the major schemes as detailed above.

The EEs concerned stated (April-May 2015) that the inspections were carried out but inspections notes were not issued due to rush of work, etc. The replies are not acceptable as necessary review of works should have been carried out by the Departmental officers as per State Government's instructions.

3.7.5 Conclusion and recommendations

There was lack of proper expenditure control which showed drawal of huge funds from treasury at the end of each financial year during 2010-15 by charging the expenditure to works without their actual utilisation merely to avoid lapse of budget.

The Government may consider drawal of money from the treasury when all the sanctions have been obtained and project is ready for implementation.

The flow irrigation schemes were not executed efficiently and suffered from delays in completion of the works, execution of the works without suitable sites, unfruitful expenditure/ idle investment and time and cost overruns.

The Government may consider proper planning, monitoring and supervision of the work of the approved schemes to avoid time and cost overruns and having the desired check on the quality of work.

Optimum utilisation of created irrigation potential under the flow irrigation schemes was not made. The Department had also not monitored the regular collection of *abiana* charges.

The Government may consider devising a system for optimum utilisation of created irrigation potential and collection of abiana charges regularly.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

3.8 Unfruitful expenditure on construction of lift irrigation scheme

Improper planning for execution of a lift irrigation scheme resulted in an unfruitful expenditure of ₹ 1.29 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 lines taken thereafter.

To provide irrigation facility to a cultivable command area (CCA) of 137.86 hectares for Kiratpur Bhagwanpur village (Sirmaur district), the State Government administratively approved (October, 2007) construction of Lift Irrigation Scheme (LIS) under NABARD[59] (RIDF[60]-XII) at an estimated cost of ₹ 1.22 crore. Working estimates were got sanctioned in parts, instead of getting technical sanction for the scheme as a whole. The water for irrigation was to be lifted in two phases from river Bata. The scheme was stipulated to be completed by October 2010.

Scrutiny of records (January 2015 and June 2015) of Poanta Sahib division showed that execution of the scheme was taken up during 2009-10. However, instead of developing the water source first, the Department had executed the laying of rising main (225 rmts[61]), distribution system (5,435 rmts), construction of pump house, etc. and an expenditure of ₹ 1.29 crore was incurred on it upto March 2013 including amount paid for supply of power. The work of developing source and ascertaining the discharge of water, construction of sump well, sedimentation tank, and pumping machinery was not taken up as of June 2015 due to non-availability of the water source and the field channel (1060 rmts) could not be executed due to local dispute. Thus, in violation of the instructions *ibid,* the Department had not followed proper sequence and the work was lying in suspended state since March 2013.

The Engineer-in-Chief attributed (June 2015) the delay in completion of the scheme to change of water course of the river during rainy season. The Department had decided the alternate source of the scheme for taking the water through percolation wells and the work thereof would be taken up shortly. The reply does not explain the reasons for non-development of the water source first as all these aspects should have been taken care of while conceptualisation of the scheme.

Thus, due to improper planning on the part of the Department, the LIS was not made functional which deprived the beneficiaries of the intended irrigation facility and the expenditure of ₹ 1.29 crore incurred on it remained unfruitful since March 2013.

The audit findings were referred to the Government in April 2015. Reply had not been received (November 2015).

3.9 Unfruitful expenditure on lift water supply scheme

Inability of the Department to ensure completion of the lift water supply scheme in time, deprived the public of the area of the intended benefits and rendered the expenditure of ₹ 3.66 crore unfruitful.

In order to provide adequate and safe drinking water facility to 10312 persons of 106 habitations in Mandi district, the State Government had accorded administrative approval

---

59 National Bank for Agriculture and Rural Development.

60 Rural Infrastructure Development Fund.

61 rmts: Running metres.

and expenditure sanction (September 2009) for the construction of Gwalpur, Sarahan and Teban lift water supply scheme for ₹ 3.26 crore under Accelerated Rural Water Supply Scheme. The scheme was stipulated to be completed in four years. Technical sanction of the scheme was accorded for ₹ 3.72 crore (March 2010: ₹ 1.08 crore and September 2011: ₹ 2.64 crore). The scope of the work included site development, construction of intake chamber, sedimentation tank, filter bed, RCC[62] clear water tanks (three) and RCC storage tanks (15), supply and erection of pumping machinery, supply of power, providing and laying of rising main and distribution system, etc.

Scrutiny of records (November 2014) of Karsog division and further information collected (June 2015) showed that the Department had taken up the scheme for execution in May 2011 and all the components had been completed upto October 2014 with expenditure of ₹ 3.66 crore except the construction of RCC clear water tanks/ storage tanks, erection of pumping machinery and supply of power. Resultantly, the scheme could not be made functional as of June 2015. The above components could not be completed due to the following reasons:

- The work for the construction of the water treatment plant[63] was awarded (October 2012) to a firm[64] at a tendered amount of ₹ 93.07 lakh stipulated to be completed by October 2013. Due to delay in clearance (July 2013) of forest land, the firm commenced the work in April 2014. After executing the works valuing ₹ 26.53 lakh (29 *per cent*), it abandoned (July 2014) the work with the plea that the work could not be executed at the old rates.
- The construction of 15 number of RCC storage tanks was awarded (February 2012) to a contractor at a tendered amount of ₹ 25.08 lakh stipulated to be completed by August 2012. However, the contractor had not achieved the pace of the work and executed the work valuing ₹ 15.63 lakh (62 *per cent*) upto October 2014.
- The pumping machinery procured (February 2011) at a cost of ₹ 26.69 lakh, the warranty period of which had already expired was not installed due to non-supply of power. Besides, The Department had paid (Between April to December 2011) an advance of ₹ 63.42 lakh to Himachal Pradesh State Electricity Board Limited (HPSEBL) for supply of power but the Department had failed to get the supply of the power from HPSEB as of June 2015.

While confirming the facts, the Executive Engineer of the division stated (November 2014 and June 2015) that the scheme was initially delayed due to involvement of forest land. Reply is not acceptable as all the aspects should have been taken into account before conceptualisation of the scheme. Besides, the delay of more than 21 months beyond the scheduled date of completion had already inflated the cost of the scheme by ₹ 0.40 core.

Thus, inability of the Department to ensure completion of the scheme in time, deprived the public of the area of the intended benefits and rendered the expenditure of ₹ 3.66 crore unfruitful.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

---

62 Reinforced Cement Concrete.

63 Construction of intake chamber, other allied treatment structure, clear water tanks, mechanical and electrical equipment, etc.

64 M/s Civil Engineers and Consultants, Panchkula.

3.10 Idle investment on augmentation of water supply schemes and loss of interest

Lack of planning and failure of the Department to initiate timely action for execution of the water supply schemes resulted in idle investment of ₹ 53.57 crore and loss of interest of ₹ 3.31 crore.

In order to provide adequate and safe drinking water to 97641 persons of Bilaspur district, the State Government had accorded administrative approval (September 2008) for ₹ 64.66 crore[65] for source level augmentation of various water supply schemes in the district. The scheme was to be completed by September 2012. The water for the purpose was to be tapped from Kol Dam reservoir. The Engineer-in-Chief had accorded (July 2009) the technical sanction for ₹ 47.08 crore. The scope of the work included civil work (intake chamber, water treatment plant, reinforced cement concrete sump wells: two, main storage tanks: two, sub storage tanks: 30 and pump houses: three), rising main (4,185 rmt of 450 mm dia and 3,270 rmt of 250 mm dia), gravity main of different dimensions (1.71 lakh rmt), distribution system (2.07 lakh rmt) and supply of power.

Scrutiny of records (March 2015) of Bilaspur division showed that against ₹ 66.01 crore withdrawn from treasury during 2008-14, the Department had incurred expenditure of ₹ 53.57 crore (NABARD loan: ₹ 26.14 crore and other heads: ₹ 27.43 crore) on execution of the scheme and ₹ 12.44 crore were lying under deposit head for two to three years[66]. The prolonged retention of money in deposits resulted in keeping the money outside the normal budgetary process and blocking of Government funds. The scheme had not been completed within the stipulated time due to the following reasons depriving the public of the intended benefits:

- The work[67] awarded (June 2010) to a firm[68] at tendered amount of ₹ 49.62 crore stipulated to be completed by July 2012 was taken up for execution in August 2010. The firm, however, did not achieve the pace of the work within the stipulated period and executed the work of the value of ₹ 38.99 crore upto December 2014 which also included pumping machinery costing ₹ 2.89 crore procured during November 2011. The pumping machinery also had not been installed due to non-erection of electricity transformer as of June 2015 for want of forest land clearance.
- The Department had paid (March 2009) ₹ 8.49 crore to the Himachal Pradesh State Electricity Board Limited (HPSEBL) for construction/ installation of 33/11 KV sub-station. The HPSEBL, however, did not execute the work as of April 2015 due to involvement of forest land. The Department had initiated the action for diversion of the forest land in November 2013, approval of which was awaited (June 2015) from GOI. Evidently, the amount was released to the HPSEBL without ensuring encumbrance free site which apart from extending undue financial benefit to the HPSEBL, resulted in interest loss of ₹ 3.31 crore[69].

While confirming the facts, the Executive Engineer of the division stated (June 2015) that the work could not be completed due to land disputes at various sites of the schemes

---

65 NABARD (RIDF-XVI) loan approved (November 2010): ₹ 53.10 crore at interest rate of 6.5 *per cent* and other heads: ₹ 11.56 crore.

66 2011-12: ₹ 3.44 crore and 2012-13: ₹ 9.00 crore.

67 Civil work: Intake chamber, water treatment plant, RCC sump wells (two), main storage tanks (two), sub storage tanks(30) and pump houses (three); Rising main: 4,185 rmt (450 mm dia) and: 3,270 rmt (250 mm dia); Gravity main of different dimensions: 1.71 lakh rmt, Distribution system: 2.07 lakh rmt, etc.

68 M/s SMC-SBM-Universal (JV), Thane.

69 Calculated at NABARD interest rate of 6.5 *per cent* for March 2009 to March 2015.

and the HPSEBL had not ensured the supply of power (SOP) in time due to non-diversion of forest land for non-forestry purpose. The fact, however, remained that the Department did not ensure encumbrance free land before taking up the scheme for execution.

Thus, lack of planning and failure of the Department to initiate action for execution of the water supply schemes in a timely manner, resulted in idle investment of ₹ 53.57 crore and loss of interest of ₹ 3.31 crore.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

3.11 Unfruitful expenditure on execution of sewerage scheme

Lack of planning and inefficiency of the Department to expedite the execution of the sewerage scheme within stipulated time resulted in unfruitful expenditure of ₹ 6.80 crore.

In order to provide hygienic sanitation facilities in Dehra town in Kangra district, the State Government had accorded (January 2007) administrative approval for ₹ 11.17 crore for construction of a sewerage scheme stipulated to be completed within four years. The scope of the work included providing, laying and testing of ductile iron (DI) pipes of different dimensions, construction of sewerage treatment plant (STP), construction of flushing tanks, staff quarters, manhole (MH) chambers, etc. An expenditure of ₹ 6.80 crore had been incurred on the construction of various components of the scheme up to June 2015, but the same had not been completed/ commissioned as of July 2015.

Scrutiny of records (December 2014) of Dehra division and additional information collected (July 2015) showed that the Department had split up the scheme and awarded the works to different contractors and the following deficiencies were noticed:

- Job-I[70] had not been taken up for execution as of June 2015 due to non-finalisation of tenders.
- Job-II[71] was awarded (July 2012) to a contractor at a tendered cost of ₹ 2.62 crore with the stipulation to complete it by July 2013. The contractor could execute only the work of DI pipes (150 mm dia: 7,000 Rmt) and construction of MH chambers (370) as of June 2015 due to non-providing of layout plan for laying of pipeline from high level bridge Dehra to STP by the Department despite requests (April 2013 and August 2014) from the contractor.
- Job-III[72] was awarded (September 2010) to a contractor at a tendered cost of ₹ 1.35 crore with the stipulation to complete it by September 2011. Due to site disputes, the contractor executed the work of DI pipes (200 mm dia: 540 Rmt, 150 mm dia: 4,200 Rmt) and construction of MH chambers (285) as of June 2015 after a delay of nearly four years beyond the stipulated date of completion.
- Jobs[73] IV was awarded (January 2011) to a contractor at a tendered cost of ₹ 2.40 crore with the stipulation to complete it by February 2012. Due to site

[70] Providing, laying and testing of DI pipes (200 mm dia: 484 Rmt and 150 mm dia: 8,518 Rmt), construction of MH chambers (384), etc.

[71] Providing, laying and testing of DI pipes (200 mm dia: 565 Rmt and 150 mm dia: 7,363 Rmt) and construction of MH chambers (285), etc.

[72] Providing, laying and testing of DI pipes (200 mm dia: 540 Rmt and 150 mm dia: 4,205 Rmt) and construction of MH chambers (178), etc.

[73] Providing, laying and testing of DI pipes (200 mm dia: 385 Rmt and 150 mm dia: 7,521 Rmt) and MH chambers (285), etc.

disputes, the contractor executed the work of DI pipes (150 mm dia: 6,150 Rmt) and construction of MH chambers (245) only as of June 2015.

- The work relating to construction of STP was awarded (March 2012) to a contractor at a tendered cost of ₹ 1.63 crore and stipulated to be completed by April 2013. During execution of the site development for STP, Wildlife Department raised (April 2013) objections on certain portion of the land. Resultantly, the Department had revised the plan and approved (June 2014) ₹ 0.42 crore for construction of additional wet well, inlet chamber, etc. However, the tenders thereof were yet to be finalised as of July 2015.
- Tenders for the works relating to the construction of flushing tanks (1000 liters capacity: six and 500 liters capacity: 71), staff quarters (Type-III: two, Type II: three) and complaint office had not been called for as of July 2015.

Thus, due to lack of proper planning and inefficiency of the Department to expedite the execution of the works within the stipulated time, the scheme was lagging behind for more than four years of the stipulated date of completion depriving the targeted population of the town of the sanitation facility and pollution-free environment which rendered the expenditure of ₹ 6.80 crore as unfruitful.

While admitting the facts, the Executive Engineer of the division stated (January and July 2015) that the tendering process, land acquisition, etc. involved a lot of time which delayed the execution of the scheme. The fact, however, remained that the Department had neither ensured the tendering process of certain works in a timely manner nor ensured hindrance free site before taking up the scheme for execution.

The audit findings were referred to the Government in July 2015. The reply had not been received (November 2015).

Medical Education and Research Department

3.12 Mismanagement of funds

Absence of proper planning for utilisation of grant received for strengthening the nursing services in the State had resulted in mismanagement of available funds amounting to ₹ 1.40 crore.

The GOI, Ministry of Health and Family Welfare sanctioned (March 2009) grant-in-aid of ₹ 1.00 crore to the Himachal Pradesh Nurses Registration Council (Council) under centrally sponsored scheme of Upgradation/ Strengthening of State Nursing services. The funds were to be utilised on creation of infrastructure/ procurement of equipment (non-recurring funds: ₹ 77.00 lakh) and staff/ contingencies (recurring funds: ₹ 23.00 lakh) subject to limit prescribed in the sanction order. The main purpose of the grant was to strengthen the Council so as to provide mandated functions[74] under the Himachal Pradesh Nurses Registration Act, 1977 to the nursing personnel of the State.

Scrutiny of records (February 2015) of the Registrar of the Council functioning from a rented accommodation since its inception in 1978 showed that the grant of ₹ 1.00 crore received (June 2009) from the GOI was deposited (July 2009) in bank as fixed deposits receipts (FDRs) by the Council and an interest of ₹ 48.00 lakh had been earned as of

---

74 Registration of nurses, midwives, health visitors and multipurpose workers; preparation of live registers for each category of nursing personnel, renewal of registration of nursing personnel once in five years; Inspections of nursing schools/ colleges of State; conduct of various examination for nursing personnel; initiate disciplinary action against erring nursing schools/ colleges of the State; implementation of quality nursing education and to conduct refresher courses, in-service workshops, etc.

February 2015. The grant was not utilised for the intended purpose by the Council as of February 2015 except for utilisation of ₹ 7.86 lakh on purchase of computer systems, stock articles and salary of two data entry operators. The balance amount that was required to be utilised on creation of infrastructure and other contingencies remained unutilised due to absence of proper planning by the Council for fulfilling the pre-requisite condition of having own building with adequate space for seating, storage and establishment of office, training rooms, etc. It was further observed that the income tax authorities treated ₹ 1.40 crore (including interest earned) kept in shape of FDRs in bank as the income of the Council and deducted ₹ 62.39 lakh[75] (including penalty of ₹ 4.83 lakh) towards income tax (IT) due to failure of the Council to obtain exemption from deduction of income tax by applying for yearly registration of the Council with the income tax authorities. The amount had not been refunded as appeal filed (August 2013) by the Council was dismissed by the IT authorities. However, the Council had filed (July 2014) an appeal with the Appellate Tribunal, outcome of which was awaited as of May 2015. Thus, non-utilisation of grant in time by the Council had led to mismanagement of funds and this also denied the beneficiaries of the intended facilities.

While admitting the facts, the Registrar of the Council stated (March 2015) that grant could not be utilised due to non-receipt of administrative approval of GOI, Ministry of Health and Family Welfare (sought in December 2014) for purpose of office accommodation. The reply should be seen in the light of fact that the Council did not utilise the funds for a period of more than five years and has not applied for exemption under Income Tax Act.

The audit findings were referred to the Government in July 2015. Reply had not been received (November 2015).

Multipurpose Projects and Power Department

3.13 Implementation of Renewable Energy Programmes

Against the target of generation of 2,473 MW hydro power through small hydro power (SHP) projects, the achievement was only 476 MW (19 *per cent*) through 97 SHP projects commissioned upto March 2015. Upfront premium for capacity addition of ₹ 7.80 crore from four independent power producers and local area development fund of ₹ 7.12 crore for environment management plan, etc., from six small hydro power projects had not been recovered. Free power royalty payment of ₹ 27.17 crore from independent power producers for the year 2014-15 had not been remitted by the Himachal Pradesh State Electricity Board Limited to the State Government. Against estimated solar power potential of 33,000 MW, only 3.29 MW had been installed in the State as of March 2015.

3.13.1 Introduction

Renewable energy (RE) has been an important component of India's energy planning process for quite some time. The RE programme of Government of India (GOI), Ministry of New and Renewable Energy (MNRE) includes development of various energy systems[76]. Of 486.72 MW installed capacity for generating RE in the State, Small Hydro Power (SHP) projects upto 25 MW are the largest source (476.22 MW), followed by Biomass Power (7.20 MW), Solar (3.29 MW) and Wind Power (0.01 MW).

[75] September 2013: ₹ 25.00 lakh and March 2014: ₹ 37.39 lakh.

[76] Biomass power, small hydro power upto 25 MW capacity, solar power and wind power.

Himachal Pradesh Energy Development Agency (*Himurja)* registered under the Societies Registration Act, 1860 as State Nodal Agency is responsible for promoting RE technology in the State. However, installation of SHP projects beyond 5 MW and Biogas plants is carried out by the Departments of Energy and Agriculture respectively. Audit of implementation of RE programme covering the period 2012-13 to 2014-15 was conducted during February-May 2015 by test-check of records of the Director of Energy, Chief Executive Officer (CEO), *Himurja*, Director of Agriculture, five[77] (Out of 12) Senior Project Officers (*Himurja*) and four[78] (Out of 12) Deputy Directors of Agriculture (DDAs) in the State. The following are the audit findings:

3.13.2 Small Hydro Power

The MNRE has been vested with the responsibility of development of SHP projects upto 25 MW station capacities. The SHP programme is mainly private investment driven and the MNRE provides financial support towards survey and investigation, preparation of detailed project reports (DPRs), project monitoring, etc. The SHP projects under RE programme in the State are covered under the State Hydro Power Policy, 2006.

3.13.2.1 Hydro power potential harnessed

The State had an estimated hydro power potential of 2500 MW capacity through SHP projects. Against the target of generation of 2,473 MW power through 577 SHP projects allotted during 1991-92 to 2014-15, the achievement was only 476 MW (19 *per cent*) through 97 SHP projects commissioned upto March 2015. The shortfall was attributed to inadequate pre-feasibility studies/ surveys, non-finalisation of DPRs, etc. The Project Director, *Himurja* stated (August 2015) that some of the sites were identified on the basis of reconnaissance survey only which were not found suitable at later stage.

3.13.2.2 Non-execution of the projects

The MNRE responsible for developing SHP projects, give financial support towards survey and investigation, preparation of DPRs, project monitoring, etc. Fifty *per cent* of the eligible incentive is released as advance with the sanctions and remaining 50 *per cent* is released on receipt of the approved DPRs, submission of utilisation certificates (UCs) for the released funds and statement of expenditure (SOE) thereof.

Audit noticed that the State Government had allotted (January 2009) 19 SHP projects having aggregate capacity of 76.10 MW for execution by *Himurja*. The *Himurja* prepared DPRs for 15 SHP projects (aggregate installed capacity: 61.55 MW) during 2010-12 with expenditure of ₹ 88.71 lakh. For this purpose, MNRE had released central financial assistance (CFA) of ₹ 71.47 lakh[79].

However, the *Himurja* had awarded (December 2014) only three SHP projects (14.5 MW) on built, operate and transfer basis to M/s Sai Engineering Foundation, Shimla which were not taken up for execution as of May 2015 due to non-finalisation of their finance, drawing, design, etc. The remaining 12 SHP projects were not taken up for execution due to non-availability of sufficient finance. Though the State Government had decided (October 2013) to get these project executed through independent power producers (IPPs), the same had not been allotted as of May 2015.

The Senior Executive Engineer, *Himurja* stated (May and August 2015) that three projects awarded to the firm were not taken up for execution for want of financial

[77] Bilaspur, Mandi, Nahan, Shimla and Solan.
[78] Bilaspur, Mandi, Nahan and Solan.
[79] March 2011: ₹ 9.62 lakh; July 2011: ₹ 26.38 lakh and November 2014: ₹ 35.47 lakh.

arrangements, drawings and designs, etc. and the remaining projects were not taken up by *Himurja* due to non-availability of sufficient finance.

3.13.2.3 Non-harnessing of installed capacity of 45.60 MW

State Hydro Power policy stipulates that if the capacity of the SHP projects below 5 MW was enhanced beyond 5 MW, the IPPs would have to pay additional upfront premium/ capacity addition charges at the rate of ₹ 20.00 lakh per MW on the capacity increase beyond the allotted capacity. Fifty *per cent* of the capacity addition charges were to be recovered at the time of signings of revised implementation agreements (IAs) and the balance amount was to be recovered within one year from the date of signing of the revised IAs.

Audit noticed that against the allotted (January 2005 to June 2007) aggregate capacity of 6.60 MW[80] in respect four SHP projects, the Department of Energy had enhanced (between December 2009 and February 2012) the capacity to 45.60 MW. However, the Department had not effected the recovery of capacity addition charges/ additional upfront premium of ₹ 7.80 crore[81] from the IPPs as of May 2015. Besides, the revised IAs had not been entered into with the IPPs as per Hydro Power Policy. The Department also failed to harness the projected power of 45.60 MW and thus, was deprived of royalty in the shape of free power. The reply from the Director of Energy was awaited (November 2015).

3.13.2.4 Local area development fund

The State's Hydro Power Policy provides for contribution towards local area development fund (LADF) for environment management plan/ catchment area treatment plan, compensatory afforestation, etc. at the rate of 1.5 *per cent* of the final cost of the projects above 5 MW and at the rate of one *per cent* of the final cost of the projects upto 5 MW from the IPPs. The recovery of the LADF was to be made prior to the commissioning of the projects.

Audit noticed that the Department of Energy had not made recovery of LADF for ₹ 7.12 crore[82] as of April 2015 due from the IPPs of six SHP projects commissioned between January 2008 and May 2014 depriving the concerned beneficiaries of the intended benefits. The reply from the Director of Energy was awaited (November 2015).

3.13.2.5 Non- recovery of free power royalty

As per the State Hydro Power Policy, the IPPs were to establish, own, operate and maintain the projects for 40 years from the date of IAs (projects upto 5 MW) or the scheduled date of commercial operation (projects above 5 MW) and thereafter the projects shall revert back to the State Government. Further, the IPPs were required to provide royalty in the shape of free power to the State Government at varied rates[83] of deliverable energy through Himachal Pradesh State Electricity Board Limited (HPSEBL)

---

80 Parbati: 1.10 MW; Sharni: 2.50MW; Hurla-I: 1.0 MW and Kurpan-III: 2.0 MW.

81 Parbati 12 MW: ₹ 2.18 crore; Sharni 9.60 MW: ₹1.42 crore; Hurla-I 9.40 MW: ₹ 1.68 crore and Kurpan-III 14.60 MW: ₹ 2.52 crore.

82 M/s Kapil Mohan & Associates Pvt. Ltd., Beas Kund (9 MW): ₹ 1.14 crore; M/s Om Power Corpn. Ltd., Neogal (15 MW): ₹ 0.77 crore; Rangaraju Bearing Housing Pvt. Ltd., Sumej (14 MW): ₹ 1.08 crore; Patikari Hydro Electric Project Ltd., Patikari (16 MW): ₹ 1.88 crore; M/s Gangdhari Hydro Pvt. Ltd., Jogini (16 MW): ₹ 1.12 crore and Surya Kantha Hydro Engineers Pvt. Ltd., Nanti (14 MW): ₹ 1.13 crore.

83 At the rate of 6 *per cent* for the first 12 years, 14 *per cent* for next 18 years and 24 *per cent* for the balance period of 10 years for the projects upto 5 MW and at the rate of 15 *per cent* for the first 12 years, 21 *per cent* for next 18 years and 33 *per cent* for balance period of 10 years for the projects above 5 MW.

as State Transmission Utility. A surcharge at the rate of 15 *per cent* per annum was applicable on all outstanding payments for delay beyond 30 days.

Audit noticed that the Department of Energy had not raised separate claim for free power royalty from the SHP projects for the years 2012-13 and 2013-14 to the HPSEBL. Thus, the actual amount outstanding for the above period could not be ascertained in audit. Scrutiny of claim for the year 2014-15, however, showed that the Department of Energy had not ensured the recovery of ₹ 27.17 crore (Royalty: ₹ 25.51 crore and Surcharge: ₹ 1.66 crore) from the HPSEBL on account of free power royalty from the SHP projects as of April 2015.

While admitting the facts (May 2015), the Director of Energy had not furnished the reasons for the lapse.

3.13.2.6 Loss due to inadequate evacuation of power

As per the provision of the State Hydro Power Policy, the State Government was to prepare a transmission plan for evacuation of power generated by the SHP projects upto 25 MW capacity. The power generated in the SHP projects was to be evacuated upto the nearest points of full absorption of the total injected power.

Audit noticed that 28.5 million units (MU) electricity generated during 2012-15 in four SHP projects[84] remained blocked due to inadequate evacuation infrastructure with a resultant loss of ₹ 7.55 crore to HPSEBL (₹ 6.65 crore) and State Government (₹ 0.90 crore). The Chief Engineer, HPSEBL attributed (April 2015) the loss to the Himachal Pradesh Power Transmission Corporation Limited. The fact, however, remains that the Department had not ensured the full evacuation of electricity generated in the SHP projects.

3.13.3 Solar Power

India is endowed with vast solar energy potential. Solar also provides the ability to generate power on a distributed basis and enable rapid capacity addition with short lead times. From an energy security perspective, solar power is the most secure of all sources, since it is abundantly available. All the solar power programmes prior to July 2010 like solar thermal programmes, all solar photo voltaic (SPV) programmes including solar home systems, street lighting systems, stand alone solar power plants, solar lanterns, etc. have been merged in *Jawahar Lal Nehru* National Solar Mission (JNNSM) scheme of MNRE launched in January 2010.

3.13.3.1 Solar Power policy and surveys

The State Government had framed (March 2014) Himachal Pradesh Solar Power Policy under JNNSM. The *Himurja* with the help of MNRE had installed (June 2014) Solar Observatories at Solan and Palampur for measurement of solar potential but the solar power potential in the State had not been assessed by them as of August 2015. However, the National Institute of Solar Energy had assessed the solar power potential of 33,000 MW for the State.

Audit noticed that the *Himurja* had not fixed any targets for solar power during 2012-15 and solar power of 3.29 MW capacity only had been installed in the State upto March 2015. The Project Director, *Himurja* stated (August 2015) that the projects sanctioned by the MNRE were treated as targets. The reply is not convincing as specific targets were not fixed and the solar power potential in the State had not been harnessed substantially.

---

[84] Beas Kund, Iqu-1, Neogal and Kurtha.

3.13.3.2 Financial support and expenditure

The Solar power programme is being implemented in the State by the *Himurja* with the help of Central and State financial assistance. The MNRE provides central financial assistance to the *Himurja* for deployment of solar water heating systems and SPV systems. The State Government had also provided financial assistance for solar street lighting to *Himurja* under Scheduled Caste Sub Plan (SCSP) during 2012-15. The details of funds received and expenditure by *Himurja* during 2012-15 are given in **Table-3.13.1**.

Table-3.13.1
Details of funds received and expenditure by Himurja during 2012-15

(₹ in crore)

Sr. No.	Name of system	Sanctioned cost	Availability of funds					Exp.	Balance Reimburs-able from MNRE
			MNRE (CFA)	State Govt.	Beneficiary share	Interest receipts	Total		
1.	Solar street lights	45.10	20.37	0	4.47	0.03	24.87	45.10	20.23
2.	Solar street lights (SCP)	5.54*	0	5.54	0	0	5.54	5.54	0
3.	Solar Lanterns	3.58	1.75	0	0.11	0.04	1.90	3.58	1.68
4.	Solar water heaters	2.50	2.00	0	0	0	2.00	2.50	0.50
5.	Dish/box type cookers	0.87	0	0	0.41	0	0.41	0.87	0.46
Total		**57.59**	**24.12**	**5.54**	**4.99**	**0.07**	**34.72**	**57.59**	**22.87**

Source: Information supplied by *Himurja.*
Note: Exp.: Expenditure and CFA: Central Financial Assistance.
* Amount sanctioned by the State Government only.

It would be seen from **Table-3.13.1** that as sanctioned, the *Himurja* had incurred expenditure of ₹ 57.59 crore during 2012-15 against available funds of ₹ 34.72 crore and the excess expenditure of ₹ 22.87 crore had not been reimbursed by the MNRE as of April 2015 due to non-submission/ late submission of UCs and statement of expenditure (SOE) for the funds already released. The Director, *Himurja* stated (May 2015) that the CFA of ₹ 20.23 crore for solar street lights[85] had been released by the MNRE during May 2015 and the balance CFA under other solar systems was awaited. The fact however, remains that due to delay in completion/ submission of the UCs the *Himurja* could not get the balance funds released from the MNRE in time.

3.13.3.3 Non-functional light emitting diode solar street lights

Audit noticed that the *Himurja* had installed and commissioned 956 number of light emitting diode (LED) type SPV street lighting systems at a cost of ₹ 1.59 crore (at the rate of ₹ 16600 per system) under SCSP during 2009-10 through a firm[86] in 10 districts of the State with warranty period of two years. Further scrutiny showed that 426 (out of 956) number of LED lighting systems were not functioning since November 2014. The *Himurja* had not taken any action for making the systems functional as of May 2015 in spite of the fact that a comprehensive maintenance contract (CMC) had been entered into (October 2009) with the said firm for one time replacement of battery (at the rate of ₹ 3064 per system) and maintenance cost (at the rate of ₹ 2500 per system) for five years after the warranty period of two years. Evidently, despite the CMC, the LED lighting systems costing ₹ 0.71 crore remained idle and the concerned beneficiaries were deprived of the intended benefits.

85 Sanctioned during January 2013.
86 M/s Ritika Systems Pvt. Ltd.

While admitting the facts (August 2015), the Project Director, *Himurja* had not furnished reasons for non-maintenance of the LED lighting systems.

3.13.3.4 Double distribution of solar lantern

The *Himurja* had distributed (October 2011) 417 number of solar lanterns in Chango, Shelkhar and Sumra villages of Kinnaur district to 417 families. Audit noticed that 596 number of solar lanterns were again distributed (June 2014) to 417 number of families of the same villages. Joint physical inspection in conjunction with the representative of *Himurja* and *Pradhan, Gram Panchayat*, Chango village further showed that 393 number of solar lanterns costing ₹ 10.32 lakh distributed to the villagers were not put to use as they were using the lanterns already provided to them during October 2011. Evidently, the solar lanterns were re-distributed to the villagers without ascertaining the actual requirement.

The Project Director, *Himurja* stated (August 2015) that the solar lanterns were distributed to the beneficiaries affected by flash floods occurred during August 2013 by the district administration. The fact, however, remains that the solar lanterns were distributed to the people without ascertaining the actual requirements.

3.13.3.5 Reduction of central financial assistance for solar power plant

The MNRE had sanctioned (September 2008) a project for ₹ 5.40 crore for installation of SPV plant of 200 KW at Baru Sahib in Sirmour district and released simultaneously the first instalment of the CFA for ₹ 2.70 crore to *Himurja*. The Project was to be fully financed by the MNRE and scheduled to be completed by September 2009. The *Himurja* had taken up the execution of the project in March 2010 due to delay in finalisation of the tenders and accordingly, placed work/supply order for ₹ 3.38 crore (equipment cost: ₹ 2.85 crore and one time replacement of battery cost: ₹ 0.53 crore) to a firm[87] for installation and commissioning of the plant. The project was completed in May 2011 after a delay of 20 months with the expenditure of ₹ 3.38 crore. The *Himurja* had claimed (November 2011) the balance CFA of ₹ 0.68 crore from the MNRE by submission of completion report, UCs and SOE. However, the MNRE had released (May 2012) ₹ 0.07 crore only considering the project cost as ₹ 3.38 crore. The central financial assistance of ₹ 0.61 crore was not released by the MNRE due to reduction of the grant of ₹ 0.34 crore (10 *per cent* of the project cost) and assumed interest of ₹ 0.27 crore for delay in execution of the project.

The Project Director, *Himurja* stated (May and August 2015) that there was provision of ₹ 0.53 crore in the supply order for replacement of battery bank once in 10 years, but the MNRE had not released the amount. The reply is not convincing as the MNRE had reduced the CFA by 10 *per cent* of the actual cost and charged interest due to delay in execution of the project.

3.13.3.6 Excess recovery of beneficiary share for solar street lights

The MNRE had sanctioned (October 2013) a project for ₹ 45.10 crore for installation of 24552 number of SPV lighting systems at 351 locations in the State at cost sharing basis[88] between MNRE and beneficiaries in the ratio of 90:10. While installing the solar lights for the beneficiaries during 2013-15, the *Himurja* had recovered the beneficiaries share at the rate of ₹ 2731 per system instead of the prescribed rate of ₹ 1,821 per system

87 M/s Moser baer Photo Voltaic Ltd. NOIDA.

88 MNRE-CFA: ₹ 40.63 crore (lighting system: ₹ 40.23 crore at the rate of ₹ 16,386 per system and service charges: ₹ 0.40 crore) and beneficiaries share: ₹ 4.47 crore (at the rate of ₹ 1,821 per system).

which resulted in excess recovery of beneficiaries share of ₹ 2.23 crore. Besides, the amount was not taken into account in the SOE/UCs submitted by the *Himurja* to the MNRE during September 2014. Thus, the beneficiaries had to bear the extra burden for the solar lighting systems.

The Director, *Himurja* stated (February 2015) that, departmental charges were levied in view of its depleting resources. The reply is not acceptable as the CFA of ₹ 40.63 crore already included the service charges of ₹ 0.40 crore payable to *Himurja* and levying of departmental charges from the beneficiaries was not provided in the CFA sanctioned.

3.13.4 Biomass power

Biomass materials used for power generation include bagasse, rice husk, straw, cotton stalk, coconut shells, soya husk, de-oiled, coffee waste, jute waste, groundnut shells, saw dust, etc.

Audit noticed that no comprehensive biomass policy existed in the State as of February 2015. The *Himurja* had not conducted comprehensive survey for assessing the Biomass power potential in the State during 2012-15. Besides, the *Himurja* had also not fixed any targets for biomass power during above period. Except biomass power plant[89] of 7.20 MW capacity commissioned (March 2009) at Kala Amb in Sirmour district at a cost of ₹ 34.76 crore (CFA: ₹ 1.20 crore and beneficiary share: ₹ 33.56 crore) which was generating 43-52 MUs electricity for captive use annually, the State had not made any breakthrough in this field as of August 2015. On this being pointed out in audit, the Project Director, *Himurja* stated (August 2015) that draft policy for harnessing power from biomass resources had been sent to the Government and Himurja was promoting the biomass power in the industrial units only where huge quantum of waste material after production was available.

3.13.5 Wind Power

Wind power is extracted from air flow using turbines and as an alternative to fossil fuels, is plentiful, renewable, widely distributed and uses little land. No comprehensive wind power policy existed in the State as of February 2015. The *Himurja* had not conducted comprehensive survey for assessing wind power potential during 2012-15. *Himurja* had also not fixed any targets for wind power for 2012-15. Wind plant of 0.01 MW capacity has been installed in the State at Pooh in Kinnaur in March 2008 which was not functioning since January 2010 as indicated in the succeeding paragraph. The Project Director, *Himurja* stated (August 2015) that the hydro power in the State was much cheaper that the wind power.

3.13.5.1 Unfruitful expenditure on installation of wind-solar hybrid-system

The Garrison Engineers 56 APO had got installed (March 2008) 12 KW capacity wind-solar hybrid system at Pooh in Kinnaur district from M/s Machnocraft, Pune at a cost of ₹ 41.30 lakh for which the central financial assistance of ₹ 20.00 lakh was sanctioned by the MNRE in November 2008 and the remaining cost was to be borne by the user agency. The MNRE had also released (March 2009) the first instalment of ₹ 14.92 lakh through *Himurja,* of which it released ₹ 13.42 lakh to the aforesaid firm in the same month and kept ₹ 1.50 lakh as performance security. However, the system could generate only 1315 unit power upto January 2010 and thereafter the system had stopped functioning. Neither the *Himurja* nor the Garrison Engineers had taken any action for proper functioning of the system. Non-functioning of the system rendered the expenditure of ₹ 41.30 lakh as unfruitful. Besides, the MNRE had also not released the

---

[89] M/s Ruchira Papers Limited, Kala Amb, Sirmaur.

balance central financial assistance of ₹ 5.08 lakh as of August 2015. The Project Director, *Himurja* stated (August 2015) that the maintenance part of the system was to be looked after by M/s Garrison Engineers.

3.13.6 Biogas Energy

Centrally Sponsored Scheme- National Biogas and Manure Management Programme mainly caters to setting up of family type Bio-gas plants. The scheme has been under implementation since 1982-83. The programme provides for central subsidy in fixed amounts, turn-key job linked with five years' free maintenance warranty; financial support for repair of old non-functional plants; training of users, masons, entrepreneurs, etc. CFA to the extent of 50 *per cent* of the allocated targets was to be released by the MNRE in advance and the balance 50 *per cent* was to be released after the receipt of the UCs of the previous release and receipt of audit report and statement of accounts.

3.13.6.1 Targets and achievements

Against the targets of 792 beneficiaries to be covered with financial support of ₹ 79.20 lakh for the period 2012-15, the Department had covered 795 beneficiaries of all 12 districts of the State with an expenditure of ₹ 88.59 lakh. The MNRE had released CFA of ₹ 64.25 lakh[90] to the Department of Agriculture during above period and the balance CFA of ₹ 24.34 lakh had not been received from the MNRE as of April 2015 due to non-submission of the UCs for 2013-14. The Director of Agriculture had not furnished reasons for non-submission of the UCs for 2013-14.

3.13.6.2 Non functional Bio-gas plant

Audit noticed that of 22821 number of Bio-gas plants installed/ commissioned with CFA of ₹ 9.84 crore during 1982-83 to 2013-14, only 4718 were functioning and 18103 involving CFA of ₹ 7.75 crore were not functioning in three districts[91] as of March 2015 due to their non-maintenance, non-rearing of cattle and switching over to liquified petroleum gas (LPG) by the beneficiaries, etc.

The DDAs of the test-checked districts stated (May 2015) that bio-gas plants had become non-functional due to non-rearing of cattle and adopting of LPG by the beneficiaries.

3.13.7 Conclusion and recommendations

Against the target of generation of 2,473 MW hydro power (estimated power potential of 2500 MW capacity) through small hydro power (SHP) projects, the achievement was only 476 MW (19 *per cent*) through 97 SHP projects commissioned upto March 2015.

The Government may consider taking effective steps for harnessing the estimated hydro power potential through SHP projects optimally.

Upfront premium for capacity addition from four individual power producers and local area development funds for environment management plan, etc., from six hydro power projects had not been recovered. Besides, free power royalty payment from individual power producers for the year 2014-15 had not been remitted by the HPSEBL to the State Government.

The Government may consider devising a system for recovery of all dues including upfront premium for capacity addition, free power royalty, extension fees, local area development funds, etc., from the individual power producers in a timely manner.

[90] 2012-13: ₹ 30 lakh; 2013-14: ₹ 15 lakh and 2014-15: ₹ 19.25 lakh.

[91] Bilaspur: ₹ 2.74 crore, Mandi: ₹ 3.80 crore and Solan: ₹ 1.21 crore.

Against estimated solar power potential of 33,000 MW, only 3.29 MW had been installed in the State as of March 2015. Power potential of other resources of renewable energy such as biomass power, wind power, etc., in the State was not assessed by the *Himurja* as of August 2015.

The Government may consider formulating comprehensive renewable energy policy in the State and making efforts to assess and harness the power potential of other sources of renewable energy including solar, wind, biomass, etc., available in the State.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

3.14 Non-recovery of capacity addition charges and undue favour to power developer

Failure of the Department to detect capacity addition of hydropower project in time and non-levy of ₹ 209.28 crore on account of capacity addition charges, additional free power royalty and local area development fund led to extension of undue favour to the power developer.

As per State Hydro Power Policy, 2006 and the instructions issued (July 2012) by the State Government, the project developer was to obtain prior approval of the State Government for hydro power projects above 5 MW capacity for capacity enhancement and enter into a supplementary agreement within two months of conveyance of the approval. Accordingly, capacity addition charges[92] and additional free power[93] as agreed in the Memorandum of Understanding (MOU) were also to be paid to the State Government. The State Hydro Power Policy further provides for contribution towards local area development fund (LADF) for environment management plan/ catchment area treatment plan, compensatory afforestation, etc., at the rate of 1.5 *per cent* of the final cost of the projects above 5 MW capacity. The recovery of the LADF was to be made prior to the commissioning of the projects.

Scrutiny of records (December 2013-June 2015) of the Director of Energy showed that the State Government had allotted Karcham-Wangtoo Hydro Electric Project (HEP) to M/s Jaiprakash Industries Limited (developer) for an installed capacity of 900 MW and entered into a MOU with the developer in August 1993. The State Government signed implementation agreement with the developer in November 1999 and the GOI, Central Electricity Authority (CEA) had accorded (March 2003) techno-economic clearance of the project for an installed capacity of 1000 MW (four generating units of 250 MW each). The project was commissioned for commercial operation in May 2011 at a cost of ₹ 6903 crore and 148983.67 lakh units energy was generated upto March 2015.

In the meantime, the CEA had brought (March 2011) to the notice of the State Government that the turbine of each generating unit procured by the developer had been designed for 300 MW normal continuous output thereby making total capacity of the project as 1200 MW which was 20 *per cent* more than the rated output of the machine for which the TEC was accorded earlier. Based on the observations of the CEA, the State Government constituted (June 2012) a Technical Committee (TC) to investigate the specific deviations in the HEP and the TC confirmed the deviations in June 2013.

[92] At the rate of 20 lakh per MW on the capacity increase beyond the allotted capacity.

[93] At the rate of three *per cent* over and above the normal free royalty and one *per cent* additional free energy contribution to local area development fund.

Evidently, the Department had initially failed to detect the capacity enhancement made by the developer. Even after detection by the CEA and confirmation by the TC, the developer had not sought approval for the same from the State Government. The supplementary agreement, as per the requirements of the State Government instructions *ibid*, was not entered into as of June 2015. The Department had also not levied the capacity addition charges of ₹ 60.00 crore[94] and additional free power royalty of ₹ 77.73 crore[95] for the period of 2011-15 due from the developer. Besides, against LADF of ₹ 103.55 crore[96], required to be realised from the developer, ₹ 32.00 crore only had been recovered and ₹ 71.55 crore was outstanding as of June 2015 which indicated that the developer had not contributed the mandatory funds towards environment management plan, etc.

While admitting the facts, the Chief Engineer of the Department stated (January 2015) that CEA had not approved the TEC for 1200 MW. The reply should be seen in the light of fact that the Department had failed to detect the capacity enhancement at the initial stage and even after detection huge amount for capacity addition, etc., remained to be recovered from the developer.

Thus, failure of the Department to detect capacity addition of the hydro power project in time and non-levy of ₹ 209.28 crore on account of capacity addition charges, additional free power royalty and LADF led to extension of undue favour to the power developer.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

Multipurpose projects and Power and Scheduled Castes, Other Backward Classes and Minority Affairs Departments

3.15 Excess contribution towards Employees' Provident Fund

Failure to limit employer's contribution toward Employees' Provident Fund as prescribed in the Employees' Provident Funds Scheme, 1952 resulted in excess contribution of ₹ 2.66 crore.

Para 29 (1) of the Employee's Provident Fund (EPF) Scheme, 1952 (Scheme) provides that the contribution payable by an employer under the scheme shall be 12 *per cent* of the basic wages, dearness allowance and retaining allowance (if any) payable to each employee to whom the Scheme applies. Para 26 A (2) of the Scheme further provides that where the monthly pay of an employee exceeds ₹ 6500, the contribution payable by the employer shall be limited to the amount payable on a monthly pay of ₹ 6500 (i.e. ₹ 6500 x 12/100). Para 29 (2) of the scheme also provides that the contribution payable by an employee to whom the scheme applies, if he/she so desires, could be an amount exceeding the above limit subject to the condition that employer shall not be under an obligation to pay any contribution over and above his contribution payable under the scheme.

Scrutiny of records (October 2014-February 2015) of Director, Himachal Pradesh Energy Development Agency (*Himurja*) and Managing Director (MD), Himachal Pradesh Scheduled Castes and Scheduled Tribes Development Corporation (HPSCSTDC) showed that *Himurja* and HPSCSTDC contributed the employer's share at the rate of

94 At the rate of ₹ 20 lakh per MW for 300 MW capacity increase from the allotted capacity of 900 MW.

95 Additional free power of 1117.38 lakh units: ₹ 33.31 crore and additional free energy of 1489.84 lakh units for LADF: ₹ 44.42 crore

96 At the rate of 1.5 *per cent* of the final project cost of ₹ 6903.00 crore.

12 *per cent* of the pay without applying the prescribed limit of ₹ 6500 in contravention of provisions of the Scheme *ibid*. This resulted in excess contribution of ₹ 2.66 crore (**Appendix-3.2**) as Employers' contribution towards EPF during the period 2009-10 to 2013-14 and undue financial burden on Agency/ Corporation to that extent.

While admitting the facts, the Director, *Himurja* stated (February 2015) that *Himurja* was contributing to employers' share at the rate of 12 *per cent* of basic pay, grade pay and dearness allowance. He further stated that some of the employees are on secondment basis whose employer's share was being remitted by employees at their own. However, the *Himurja* did not supply the details of employees on secondment basis whose employer's share was being remitted at their own. The General Manager, HPSCSTDC stated (October 2014) that matter of excess payment of contribution towards EPF would be taken up with the higher authorities.

Thus, failure to limit employer's contribution towards Employees' Provident Fund as prescribed in the Employees' Provident Funds Scheme, 1952 by the *Himurja* and HPSCSTDC resulted in excess contribution of ₹ 2.66 crore.

The audit findings were referred to the Government in April 2015. Reply had not been received (November 2015).

Panchayati Raj Department

3.16 Backward Regions Grant Fund

Department had not conducted baseline survey to identify missing infrastructure gaps in backward districts. Out of total available funds of ₹ 40.75 crore during 2012-15, the Zila Parishad, Sirmour utilised ₹ 38.94 crore and funds of ₹ 1.81 crore remained unutilised as of March 2015. Utilisation Certificates of ₹ 20.91 crore for execution of 2281 works were submitted to GOI without ensuring their actual utilisation by the implementing agencies. Works were not taken up as per the priority list and ₹ 22.72 crore (61 *per cent*) out of total expenditure of ₹ 37.41 crore incurred in the Sirmour district during 2012-15 was on low priority works. The State Government had not instituted Quality Monitoring System for ensuring the quality of execution of the works as of May 2015.

3.16.1 Introduction

Backward Regions Grant Fund (BRGF) programme was launched (February 2006) by GOI to redress regional imbalances in development by providing financial resources for supplementing and converging existing development inflows in identified districts. The programme was being implemented in two[97] backward districts of Himachal Pradesh from 2007-08 with the objectives to bridge critical gaps in local infrastructure, strengthen the *Panchayats* and municipality level governance, provide professional support for planning and improving the performance and delivery of critical functions of the above bodies.

Audit of the implementation of the programme covering the period 2012-15 was conducted during March-April 2015 in the offices of the Director, Panchayati Raj (PR), District Panchayat Officer-cum-Secretary (DPO), Zila Parishad, Sirmour, two Panchayat Samitis[98] (PS) out of six PSs in the district and four Gram Panchayats (GPs) out of 59 GPs from two selected PSs. Besides, records of Municipal Council (MC), Nahan, Urban

[97] Chamba and Sirmour.
[98] Rajgarh and Shillai.

Local Body (ULB) Rajgarh and four[99] line departments to whom funds were allocated from BRGF were also test-checked.

3.16.2 Planning

Each GP within the backward district was to finalise its Plan based on priorities emerging from the Gram Sabha. Plans prepared by each GP, Intermediate Panchayat (IP), District Panchayat (DP) and Municipality were to be consolidated into District Plan (DP) by District Planning Committee (DPC). The planning exercise was to be done in accordance with the BRGF guidelines. Backwardness criteria and inclusion of disadvantage group was also to be ensured during consolidation of DP.

3.16.2.1 Non-conducting of baseline survey and absence of policy framework in inter-se allocation of funds

Paragraph 1.3 of guidelines required each district to undertake a diagnostic study of its backwardness by ensuring professional planning support and conducting a baseline survey. The survey was to identify missing infrastructure gaps and ways to address them over a period of time. Further, paras 1.8 and 1.9 of guidelines required each State to devise a normative formula that was to be used for the allocation of BRGFs to each *Panchayat* and Urban Local Body (ULB) based on backwardness and area-wise priorities.

Audit noticed that baseline survey was not conducted in the test-checked Sirmour district. In the absence of baseline survey, Annual Action Plan (AAPs) were prepared and works executed without ascertaining the sector-wise actual requirement of projects. It was further observed that inter-se allocation of funds to Panchayati Raj Institutions (PRIs) was not undertaken considering the backwardness index or level of development and addressing the specific area-wise priorities as required in the guidelines. In the absence of this, funds were allocated on the basis of population of the area and proposals received from the PRIs, thus, defeating the basic aim of the programme to uplift the standard of the people of backward region.

While admitting the facts, the Secretary, ZP stated (March 2015) that general index had not been prepared and funds were not separately earmarked based on specific criteria as the whole district is identified as backward district. The reply is not acceptable as allocation of funds was not made as per provisions of guidelines *ibid*.

3.16.2.2 Non-preparation of District Vision Plan (DVP) and Perspective Plan (PP)

(i) Paragraph 3.4.1 of BRGF guidelines provides for preparation of district vision plan through participative process in the early part of 2006-07 for development over the next 10 to 15 years. Audit noticed that the State Government did not prepare the district vision plan as of March 2015. Resultantly, ₹ 22.72 crore (61 *per cent*) against release of ₹ 37.41 crore during 2012-15 were sanctioned for building and maintenance of community assets, roads, etc., and less importance was given to sectors like public health, animal husbandry and minor irrigation (**Paragraph 3.16.4.2**). The Secretary, ZP admitted (March 2015) the facts.

(ii) Paragraph 1.3 of the guidelines required preparation of a well conceived participatory District Development Perspective Plan to address the backwardness issue. The work relating to preparation of five year district plan (2012-17) and Annual Action Plans (AAPs) for each of the year was assigned to the Centre for Rural Research and

[99] Chief Medical Officer: Nahan, Deputy Directors of Education (Elementary and Higher) and Executive Engineer, Irrigation and Public Health Department.

Integrated Development (CRRID), Chandigarh so as to define the priority areas, facilitate advance planning and provide a development perspective for the district.

Audit noticed that though AAPs for the year 2012-13 to 2014-15 were prepared by CRRID, Perspective Plan with clear milestone and timeline for five year period of 2012-17 was not prepared. Due to non-preparation of perspective plan, there were delays in preparation of APs as discussed in the succeeding paragraph. The State Government stated that the annual action plans for 2012-13 to 2014-15 and perspective plan for 2012-17 had been prepared and sent to the District Planning Committee and GOI. The fact, however, remains that the perspective plan with clear milestone and timelines as required under BRGF guidelines was not prepared.

3.16.2.3 Delayed preparation of Annual Action Plans

To ensure timely flow of funds from GOI, AAP was required to be prepared, approved by the concerned DPC and submitted to the State Government/ GOI before commencement of the financial year. It was, however, noticed that there was delay of 84 and 65 days in preparation of AAPs and submission of District Plans for the year 2013-14 and 2014-15 respectively to GOI. Due to delay in submission and approval of AAPs, there was delay in release of funds from GOI. As a result, the administrative sanctions for the concerned years were also delayed.

The Secretary, ZP attributed (March 2015) the delay in preparation/ approval of AAPs to late submission of shelves by the GPs/ IPs. The reply is not acceptable as the timelines for submission of AAPs should have been adhered to in letter and spirit.

3.16.2.4 Non-inclusion of disadvantage groups in the Plans

Guidelines of BRGF provided that the programmes benefiting SCs/ STs should be allocated funds in proportion to the population of these communities in the area. The guidelines issued (January 2006) by the Planning Commission further provided that the villages with 50 *per cent* and above SC/ ST population may be selected first and work related to development activity taken up. No separate sub-plan was, however, prepared during 2012-15 and the funds were allocated to PRIs and ULBs adopting the same criteria as that for normal grant. Thus, objective of improving the living standards of intended beneficiaries was not achieved.

While admitting the facts, the Secretary of ZP stated (March 2015) that the funds were allocated as per shelves received from the GPs. The reply is not acceptable as the norms prescribed by the Planning Commission were not adhered to.

3.16.2.5 Non-making of provision of funds for priority programmes under SC/ ST Plan

As per BRGF guidelines, priority was to be given to the schemes like providing one time support upto ₹ 20 lakh to reputed Non-Governmental Organisations (NGOs) who have land for setting up of Secondary Schools/ Colleges for girls, providing of tractor trolleys and agriculture equipment to self help groups comprising of 20 small/ marginal SC/ ST farmers, training to educated youth in areas such as computers, repairs of mobile phones, driving, etc.

Audit noticed that contrary to the provisions of guidelines *ibid*, funds were not provided for the above priority schemes during 2012-15 and this resulted in denial of intended benefits to the identified beneficiaries. The Secretary, ZP while admitting (March 2015) the facts stated (August 2015) that funds were allocated as per the priority of PRIs. The reply is not acceptable as the criteria of sanctioning priority schemes for SC/ ST population was not adhered to.

3.16.3 Financial Management

The year-wise position of funds released by GOI under BRGF and further released by the State Government to Secretary, ZP Sirmour district and expenditure incurred thereagainst for implementation of the scheme was as given in **Table-3.16.1**.

Table-3.16.1
Year-wise position of receipt of funds and expenditure thereagainst during 2012-15

(₹ in crore)

Year	Annual allocation	Opening Balance	Funds received		Total available funds	Funds utilised	Balance unspent
			GOI/ State Government	Misc. receipts			
2012-13	16.66	0.95	13.57	0.50	15.02	13.63	1.39 (09)
2013-14	15.05	1.39	12.28	0.16	13.83	13.42	0.41 (03)
2014-15	15.05	0.41	11.92	1.37	13.70	11.89	1.81 (13)
	46.76		**37.77**	**2.03**		**38.94**	

Source: Departmental figures.

It would be seen from the above table that out of total available funds of ₹ 40.75 crore[100] during 2012-15, the ZP was able to utilise ₹ 38.94 crore and funds of ₹ 1.81 crore remained unutilised as of March 2015. There were unspent balances ranging between three and 13 *per cent* of the total available funds which were carried over to the next financial year. The GOI also imposed a cut of ₹ 8.99 crore against annual allocation during 2012-15 due to non-submission of required utilisation, non-embezzlement/ non-diversion certificates alongwith submission of programme-wise physical and financial reports, etc., within the stipulated period prescribed by the GOI. The Director, Panchayati Raj admitted (May 2015) the facts.

3.16.3.1 Belated transfer of funds

As per paragraphs 4.6 and 4.7 of BRGF guidelines, funds received from the State Government were required to be transferred to the *panchayats* and municipalities within 15 days of the release of funds.

Audit noticed that the funds of ₹ 15.94 crore were released to the implementing agencies by the ZP, Sirmour with the delay ranging between four and 63 days during 2012-15 which resulted in late completion/ non-completion of the developmental works in stipulated period as mentioned in **Paragraph 3.16.4.4**.

The Secretary, ZP stated (March 2015) that delay was due to late receipt of shelves of works from PRIs/ ULBs. The reply is not acceptable as PRIs and ULBs should have been insisted for timely approval and submission of shelves of works.

3.16.3.2 Irregular parking of programme funds

Paragraph 4.8 of the guidelines stipulated that BRGF should be kept in a separate savings bank account of a Nationalised Bank or Post Office. Contrary to the provisions of BRGF guidelines, the Block Development Officer (BDO), Shillai drew (March 2015) ₹ 1.34 crore from treasury and parked the funds in the non-interest bearing accounts of Personal Ledger Account (PLA). Likewise, MC, Nahan kept funds of ₹ 61.21 lakh out of ₹ 1.16 crore received during 2008-10 from the ZP, Nahan for execution of 18 works in the shape of Fixed Deposit Receipts (FDRs) in violation of the programme guidelines.

The BDO stated (April 2015) that the funds were deposited in the PLA as per directions issued by the State Government. The Executive Officer, MC Nahan stated that the funds were kept in the shape of FDRs due to non-fulfillment of codal formalities. The replies

[100] Opening balance: ₹ 0.95 crore, Funds received from GOI/ State Government: ₹ 37.77 crore and Misc. receipts: ₹ 2.03 crore.

are not in conformity with the provision of the guidelines *ibid* and resulted in blocking of development funds to the above extent as of April 2015.

3.16.3.3 Incorrect submission of Utilisation Certificates

As per paragraph 4.5 of guidelines, utilisation certificates (UCs) were required to be submitted to GOI within one year of release of funds.

Audit noticed that ZP, Sirmour received ₹ 37.77 crore from Director, Panchayati Raj for execution of 2967 works during 2012-15. Of this, UCs of ₹ 20.91 crore released for execution of 2281 works were awaited from IAs as of March 2015. The Department, however, issued UCs for the entire amount to the GOI. This indicated that UCs were sent to GOI without ensuring the actual utilisation of funds by the implementing agencies.

The Director, Panchayati Raj stated (May 2015) that UCs submitted to the GOI were duly verified by the concerned field offices and were also audited by the concerned Chartered Accountant. The reply is not correct as UCs had been issued merely on release of funds to the field functionaries and the Department had failed to exercise control over expenditure and monitor the utilisation of funds.

3.16.3.4 Diversion of funds

As per paragraph 3.22 of BRGF guidelines, drawal of salary of regular staff of the Department is not permissible. It was, however, noticed that a sum of ₹ 14.26 lakh was irregularly utilised on pay and allowances of regular staff of Directorate during 2012-14 in contravention of the scheme guidelines. This resulted in diversion of funds to the above extent required to be utilised for development of backward region.

The Special Secretary, Panchayati Raj stated (August 2015) that BRGF was utilised on salary of senior regular official for redressing of day-to-day queries related to the scheme. The reply is not acceptable as the action of the Department had contravened the scheme guidelines.

3.16.4 Implementation of programme

3.16.4.1 Irregular inclusion of the schemes in the District Plan

The District Planning Committee, Sirmour included 587 schemes/ works costing ₹ 7.36 crore in the district plan during 2012-15 on recommendations of members of Zila Parishad in contravention of paragraph 2.1 of BRGF guidelines which provided that priorities of works to be executed were to be decided by the *Gram Sabhas*.

The Secretary, ZP stated (March 2015) that schemes were passed in the house of ZP, however, the works were executed through GPs in their area. The reply is not acceptable as inclusion of schemes at ZP level was contrary to the provisions of the guidelines *ibid*. This also resulted in non-execution/ completion of works as indicated in succeeding paragraphs.

3.16.4.2 Irregular allocation of funds

As per instructions issued (May 2010) by the High Power Committee (HPC), sectors like Public Health, Animal Husbandry, Drinking Water, Minor Irrigation, Land Improvement, etc., were to be given priority. Contrary to these instructions, DPC proposals included creation and maintenance of community assets like community centres and anganwadi centres, roads, rural housing, public amenities and cultural activities for which ₹ 22.72 crore (61 *per cent*) were allocated out of total release of ₹ 37.41 crore during 2012-15. Thus, objective of the programme to bridge critical gaps in local infrastructure and other development requirements where the existing fund flows were not adequate was not achieved fully.

The Secretary, ZP stated (March 2015) that funds were released to PRIs as per approved shelves received from them. The reply is not acceptable as instructions of HPC were not followed in letter and spirit.

3.16.4.3 Non-contribution of funds from other source

Paragraph 3.22 (c) of BRGF guidelines provided that development grants could be utilised on creating physical infrastructure for the conduct of *panchayat* affairs including office infrastructure/ building, etc., with contribution of 30 *per cent* of the cost from the other sources[101].

Audit noticed that DPC, Sirmour released ₹ 2.96 crore to various executing agencies during 2012-15 for creation of physical infrastructure like construction of *panchayat ghars*, meeting hall of panchayats, community bhawan, etc., without ensuring contribution of ₹ 0.89 crore (30 *per cent* of the total cost) from the other sources which was violation of scheme guidelines.

The Secretary, ZP Sirmour stated (March 2015) that funds were released as per approved shelves of PRIs. The reply is not acceptable as 30 *per cent* contribution from other sources was not ensured as envisaged in the guidelines.

3.16.4.4 Status of works

As per the scheme guidelines, the works sanctioned by the Zila Parishad should be completed within the same financial year or within one year from the date of sanction.

Audit noticed that 2006 works costing ₹ 25.74 crore were sanctioned in Sirmour under BRGF during 2012-14. Of these, 1399 works costing ₹ 17.55 crore had been completed and 410 works like construction of paths, mahila mandal bhawans, yuvak mandal bhawans, etc., sanctioned for ₹ 5.28 crore by the Secretary of ZP were lying incomplete due to involvement of private/ forest land, local disputes, etc., and an expenditure of ₹ 3.23 crore was incurred on these works as of March 2015. Further, 197 works sanctioned during 2012-14 for ₹ 2.91 crore had not been started as of March 2015 due to non-availability of land, public litigation, want of forest clearance, etc., and the entire amount was lying unspent in banks for the past one to three years. Non-commencement/ non-completion of the works resulted in blocking of funds of ₹ 4.96 crore besides depriving the public of the backward region of the intended benefits. The Secretary, ZP admitted (March 2015) the facts.

3.16.4.5 Expenditure on inadmissible works

As per paragraph 4.31 of BRGF guidelines, development funds were to be utilised for filling critical gaps vital for development. Construction of structures within the premises of religious institutions, welcome arches, etc., was not permissible under the scheme. Further, HPC had also issued (May 2010) a list of non-permissible works such as paths and mule roads, shopping complexes, community centre, yuvak mandal bhawan, mahila mandal bhawan, civil works in schools, dispensaries and hospitals, cultural activities, construction of shops, etc., under the programme.

Audit noticed that contrary to the provisions of guidelines and instructions *ibid*, ₹ 58.48 lakh was sanctioned by the ZP, Sirmour for execution of 31 inadmissible works in and around religious premises, community centres, Mahila Mandal bhawans, etc., during 2012-15. The action of ZP in authorising funds for construction of works not permissible under BRGF was, thus, irregular.

---

101 Regular budget of the Panchayati Raj Department and funds approved under various schemes implemented by the Deputy Commissioner, DRDAs, etc.

The Secretary, ZP stated (March 2015) that every care had been taken to sanction the admissible works but some works had been executed as per priorities of PRIs and ULBs. The reply is not acceptable as works were sanctioned in violation of guidelines and instructions *ibid*.

3.16.5 Monitoring and evaluation

3.16.5.1 Inspection of works and quality check

The Programme guidelines provided for preparing a schedule for inspection of BRGF works and instituting a Quality Monitoring System (QMS) for maintaining the quality of works. The working of QMS was to be regularly reviewed by the HPC. It was noticed in audit that no such QMS system had been introduced in the State. The Director, Panchayati Raj stated (May 2015) that the work of quality monitoring was transferred to the District Planning Committee (DPC) and information related to QMS was not provided by the DPC to the Department. The fact, however remained that QMS had not been instituted by the Department.

3.16.5.2 Peer Review of Panchayats

Paragraph 4.13 of the programme guidelines provided for conducting peer reviews of progress by GPs and such peer review reports were to be reviewed at the district level by Review Committees. It was noticed in audit that neither such reviews were conducted in the test-checked *Gram Panchayats* nor Review Committee was constituted by DPC in the test-checked district.

The Secretary, ZP stated (March 2015) that no separate review committee had been constituted, however, monitoring of the works were reviewed by the Deputy Commissioner in various meetings at district level. The reply is not acceptable as peer reviews at *Panchayat* level were not conducted and separate review committee as envisaged in guidelines was also not constituted.

3.16.5.3 Social Audit and vigilance at grass-root level

As per paragraph 4.15 of the programme guidelines, the State Government was required to issue guidelines on Social Audit of works by *Gram* or Ward *Sabha* in rural areas and Area *Sabha* and Ward Committees in urban areas. It was noticed in audit that Social Audit of BRGF works was not undertaken in the test-checked units of Sirmour district as of March 2015.

The Secretary, ZP stated (March 2015) that social audit was being conducted at *Panchayat* level and reports of some *Panchayats* were being received. The reply is not acceptable as no record in this regard was available/ produced to audit in test-checked units viz. GPs and MCs and NP.

3.16.5.4 Evaluation of the Scheme

BRGF scheme was to be implemented with a view to mitigate regional imbalances, contribute towards poverty alleviation besides focused development of backward areas by bridging gaps in critical infrastructure and other developments. Therefore, it was important to evaluate the effect of the scheme in all sectors. It was, however, noticed that no such evaluation study was conducted in the State as well as test-check district during 2012-15. In the absence of such evaluation, the sector wise development under the scheme could not be ascertained. The Director, Panchayati Raj admitted (May 2015) the facts.

3.16.6 Conclusion and recommendations

Baseline survey to identify the reason of backwardness and development infrastructure needs was not conducted. The guidelines for inter-se allocation of funds within the PRIs and ULBs considering district specific backwardness indicators had not been prepared.

The Government may consider to bridge critical gaps in local infrastructure and strengthening the PRIs and ULBs by way of survey at grassroot level for ascertaining the priority work areas and preparation of District Perspective Plan and Annual Action Plan accordingly.

There were delays in transferring of funds to the implementing agencies and diversion and parking of BRGF funds in PLA and fixed deposits.

The Government may consider transferring funds released by the GOI directly into the bank accounts of PRIs and ULBs concerned to avoid delay in transfer of funds and timely completion of works.

Implementation of the programme suffered due to lack of institutional arrangements and delay in preparation of AAP and inclusion of inadmissible works in the AAP.

The Government may consider providing institutional arrangements on priority within definite timeframe.

Implementation of the programme also suffered due to absence of quality checks. Monitoring was not adequate as social audit, peer review and evaluation study of the scheme in all sectors had not been conducted.

The Government may consider encouraging PRIs and ULBs to conduct social audit and peer reviews as per guidelines and proper monitoring and evaluation at various levels for effective implementation of the programme.

Planning Department

3.17 Implementation and Administration of Members of Parliament Local Area Development Scheme

Against release of ₹ 57.12 crore by the DCs of Nodal districts to the implementing agencies during 2012-15, the details of expenditure actually incurred were not available. ₹ 54.00 lakh were spent on construction of 24 works which were beyond the scope of the scheme. Against ₹ 12.39 crore required to be spent for infrastructural development of areas inhabited by the SC and ST population, only ₹ 5.44 crore (44 *per cent*) was released by the DCs of Nodal districts during 2012-15. Out of 3710 works sanctioned during 2012-14, execution of 3359 works (approved for ₹ 52.21 crore) was under progress resulting in blocking of Government funds besides, non-accrual of timely benefits to the beneficiaries.

3.17.1 Introduction

The Members of Parliament Local Area Development Scheme (MPLADS), a fully-funded Central scheme, was introduced by the Government of India (GOI) on 23 December 1993. The objective of the scheme is to enable Members of Parliament (MPs) to recommend works of development nature with emphasis on creation of durable community assets based on locally felt needs, to be taken up in their constituencies through Deputy Commissioners (DCs). Elected members of the Rajya Sabha can also recommend works for implementation within State of their election and outside the State. Himachal Pradesh has four Lok Sabha constituencies and three Rajya Sabha Members.

An audit of implementation of MPLADS covering the period 2012-15 was conducted (April-May 2015) through test-check of records of Advisor Planning, Himachal Pradesh, Shimla, two[102] out of four[103] Nodal Districts and four[104] Block Development Officers (BDOs) out of 23 BDOs falling under the above two nodal districts selected by adopting Simple Random Sampling Without Replacement (SRSWOR) method. The following are the audit findings:

3.17.2 Fund Management

The State Planning Department was designated as Nodal Department for implementation of MPLADS and was to issue general instructions to all planning and implementing agencies at district level to cooperate with, assist in and implement the works referred to them by the DCs. The State Government also constituted (March 2008) a State Level Monitoring Committee (SLMC) under the chairmanship of Chief Secretary to review the implementation of the scheme. Allotment of funds during 2012-15 under the scheme was ₹ 5.00 crore per annum for each MP. The funds are released in two equal instalments of ₹ 2.50 crore each by GOI directly to the DCs of nodal districts.

3.17.2.1 Availability of funds and releases thereof to the executing agencies

The details of total availability of funds and releases to the implementing/ executing agencies during 2012-15 by test-checked DCs and Block Development Officers (BDOs) are given in **Table-3.17.1**.

Table-3.17.1
Year-wise availability of funds and releases thereof to executing agencies during 2012-15

(₹ in crore)

Name of Unit	Year	Opening balance	Funds received	Interest receipts and refund of unspent balance	Total funds available	Total funds released	Unspent Balance
Test-checked Nodal Districts	2012-13	2.75	22.50	0.91	26.16	19.97	6.19
	2013-14	6.19	22.50	1.48	30.17	27.55	2.62
	2014-15	2.62	17.50	1.22	21.34	9.60	11.74
	Total		**62.50**	**3.61**		**57.12**	
Test-checked BDOs	2012-13	1.00	2.32	0.05	3.37	2.90	0.47
	2013-14	0.47	1.85	0.03	2.35	1.65	0.70
	2014-15	0.70	0.46	0.03	1.19	0.36	0.83
	Total		**4.63**	**0.11**		**4.91**	

Source: Departmental figures.

It would be seen from **Table-3.17.1** above that against the total availability of ₹ 68.86 crore[105], the test-checked Nodal Districts released ₹ 57.12 crore to the BDOs/line departments during 2012-15 and funds ranging between ₹ 2.62 crore and ₹ 11.74 crore remained unutilised in savings bank accounts of nodal DCs during the above period which showed that funds could not be utilised expeditiously due to non-completion/ non-start of large number of works as indicated in **Paragraph 3.17.3.2**. The details of expenditure actually incurred by the executing agencies against the releases of ₹ 57.12 crore was not available with the test-checked DCs. Further, against the total

[102] DCs: Kangra at Dharamsala and Shimla (DC Solan was designated as nodal officer for the year 2014-15 by the concerned MP).

[103] DCs: Hamirpur, Mandi, Kangra at Dharamsala and Shimla.

[104] Fatehpur, Nagrota Bagwan, Narkanda and Rohru.

[105] Opening balance: ₹ 2.75 crore + Funds received: ₹ 62.50 crore + Interest and other receipts: ₹ 3.61 crore.

available funds of ₹ 5.74 crore[106] during 2012-15, the test-checked BDOs released ₹ 4.91 crore to the executing agencies and funds ranging between ₹ 0.47 crore and ₹ 0.83 crore remained unutilised in savings bank accounts of BDOs.

3.17.3 Implementation of Scheme

3.17.3.1 Execution of inadmissible works

As per the scheme guidelines, works such as construction of office and residential buildings, works of individual benefits, renovation and repair, maintenance works and works within places of religious worship are prohibited. Further, the MPs were to recommend at least 15 *per cent* of MPLADS funds for areas inhabited with SC population and 7.5 *per cent* for areas[107] inhabited with ST population respectively. Audit noticed that:

- Contrary to above provisions of guidelines, 22 works costing ₹ 54.00 lakh such as construction of office buildings, repair, maintenance works and work within places of religious worship were sanctioned during 2012-15 by the DCs of the selected constituencies on the recommendations of the concerned MPs. The action of the DCs in authorising funds for construction of works, not permissible under MPLADS, was irregular and resulted in diversion of MPLADS funds to the extent of ₹ 54.00 lakh.
- Against ₹ 12.85 crore[108] (out of ₹ 57.12 crore[109] available during 2012-15 for implementation of scheme in Kangra and Shimla constituencies) required to be spent for infrastructural development of areas inhabited by the SC and ST population in both the constituencies, only an amount of ₹ 5.44 crore[110] (42 *per cent*) was released for execution of development works in SCs/ STs inhabited areas due to failure of DCs to aptly implement the provision of guidelines and the balance amount of ₹ 7.41 crore was utilised in other areas. Resultantly, outreach of available benefits in the areas inhabited by the above beneficiaries was not fully ensured as envisaged in the scheme guidelines.

While admitting the facts, the concerned DCs/ District Planning Officers stated (April-May 2015) that the funds were sanctioned on the recommendations of MPs on the demand of general public of the areas. The replies are not acceptable as sanctioning of these works was beyond the scope of the scheme and in such cases the DCs concerned were required to intimate the facts to the MPs concerned.

3.17.3.2 Status of works

As per the scheme guidelines, the works sanctioned by the DCs should be completed within one year from the date of the sanction.

(i) The year-wise status of works in the two test-checked nodal districts is given in **Table-3.17.2**.

106 Opening balance: ₹ 1.00 crore + Funds received: ₹ 4.63 crore + Interest and other receipts: ₹ 0.11 crore.

107 If a constituency was not having ST inhabited area, such funds were to be utilised in SC inhabited areas and vice versa.

108 SC areas: ₹ 8.57 crore and ST areas: ₹ 4.28 crore.

109 DCs Kangra: ₹ 27.08 crore, Shimla: ₹ 28.00 crore and Solan: ₹ 2.04 crore.

110 Kangra: ₹ 1.02 crore and Shimla: ₹ 4.42 crore.

Table-3.17.2
Year-wise status of works in the two test-checked nodal districts

(₹ in crore)

Year	Works Sanctioned		Works completed		Work in progress	
	Number of works	Amount	Number of works	Expenditure	Number of works	Sanctioned amount
2012-13	1153	19.92	229	2.91	924	17.01
2013-14	1937	27.40	122	1.80	1815	25.60
2014-15	620	9.60	--	--	620	9.60
Total	**3710**	**56.92**	**351**	**4.71**	**3359**	**52.21**

Source: Figures supplied by the test-checked DCs.

It would be seen that out of 3710 works[111] sanctioned for ₹ 56.92 crore by the test-checked DCs during 2012-15, 351 works were completed after incurring an expenditure of ₹ 4.71 crore and out of the remaining 3359 works[112], 2739 works involving ₹ 42.61 crore sanctioned upto March 2014 due for completion upto March 2015 had not been completed as of May 2015 and the delay involved in these cases ranged from one to two years, depriving the public of the timely accrual of intended benefits. Besides, the DCs had not maintained/ updated the data about number of actual execution of the works and all the works had been shown as works-in-progress.

The DPOs concerned stated (April-May 2015) that information regarding status of incomplete/non-started works was being sought from the executing agencies. The replies of the DPOs were indicative of the fact that scheme was not monitored effectively.

(ii) Similarly out of 284 works sanctioned for ₹ 3.21 crore for execution by the four test-checked executing agencies during 2012-14, 136 (48 *per cent*) works were completed with an expenditure of ₹ 1.49 crore and 99 works involving sanctioned cost of ₹ 1.21 crore were lying incomplete, whereas 37 works sanctioned for ₹ 0.36 crore had not been started as of May 2015. Further, funds of ₹ 0.13 crore were refunded to nodal DCs during 2012-15 due to cancellation of remaining 12 works by the concerned MPs.

The delay in commencement/ completion of works by the executing agencies resulted in blocking of funds and indicated lack of planning for ensuring completion of developmental works as per scheme guidelines.

The concerned BDOs stated (April-May 2015) that the delay in commencement/ completion of the works was due to non-availability of land, non-completion of codal formalities, etc. The replies confirmed the fact that there was absence of proper planning for execution of works and funds were released without fulfilling the codal formalities.

3.17.3.3 Non-closure of works/ accounts

As per the scheme guidelines, the works recommended by MPs are required to be completed within 18 months of dissolution of the Lok Sabha or date of demitting office in case of Rajya Sabha MPs and accounts thereof settled in another three months time. In case of non-completion/ closure of work within the stipulated period, the expenditure on balance work was to be met from the State funds and the district authority was to be held responsible for any lapse in this regard.

[111] Kangra at Dharamsala: 1714 works costing ₹ 27.09 crore; Shimla: 1843 works costing ₹ 27.79 crore and Solan: 153 works costing ₹ 2.04 crore.

[112] Kangra at Dharamsala: 1363 works costing ₹ 22.37 crore; Shimla: 1843 works costing ₹ 22.79 crore and Solan: 153 works costing ₹ 2.04 crore.

Audit noticed that 2133 developmental works[113], recommended by 14 former MPs during the period 1995-2012, having an estimated cost of ₹ 34.42 crore and due for completion between September 1996 and September 2013 have not been closed and accounts remained unsettled as of May 2015. The action of DCs not to close the works was a violation of scheme guidelines.

While confirming the facts, the concerned DPOs stated (May 2015) that due to land disputes and non-completion of codal formalities, the aforesaid works remained incomplete/non-started. This was indicative of lack of proper planning to take projects which can be completed within the specified time period and their close supervision.

3.17.3.4 Creation of infrastructure for Societies/ Trusts

Community infrastructure and public utility building works are also permissible for registered Societies/ Trusts, provided that the Society/ Trust is engaged in social/ welfare activities and has been in existence for the preceding three years. The beneficiary Society/ Trusts had to be a well established, public spirited and non-profit making entity enjoying good reputation in the area. The asset created with MPLADs funds was to be the property of the State Government.

Scrutiny of records showed that during 2012-15, DC of Kangra district sanctioned and released ₹ 1.15 crore to 33 Societies/Trusts on the recommendations of MPs for creation of infrastructure within a period of one year. It was noticed that before sanctioning of funds documentary proof in support of activities carried out by them for the preceding three years was not obtained and kept on record. Neither completion reports of works and utilisation certificates of funds were obtained nor was inspection of works executed by the Societies/ Trust done by the DC concerned as of May 2015.

The DCs concerned while admitting the facts stated (April-May 2015) that the observations made by the audit would be kept in view in future.

3.17.3.5 Funds transferred to other States for works

Works under the scheme could also be sanctioned in areas affected by the calamities like floods, cyclone, tsunami, earthquake and drought, etc., by MPs from non-affected areas of the State upto a maximum of ₹ 10 lakh per annum. The funds are to be released by the DC of nodal district of MP concerned to the District Authority of the affected district. The District Authority of the affected district will furnish the works completion report, utilization certificates and audit certificate in respect of such works to the respective District Authority from whom the funds were received.

It was noticed that the test-checked DCs released ₹ 43.00 lakh[114] between June 2013 and January 2015 on the recommendations of Lok Sabha MPs for rehabilitation works in areas affected by calamities to the DCs/ Chief Secretaries of those districts/ States. The completion report, utilisation certificates and audit certificates were, however, not submitted by the recipient districts/ States as of May 2015. As a result, it was not possible to verify whether the funds were utilised for the intended purpose or not. It was further noticed that ₹ 25.00 lakh released (January 2015) for rehabilitation works in Jammu and Kashmir by the DC Kangra on the recommendation of MP concerned was above the permissible limit of ₹ 10 lakh, admissible for recommendation, under the scheme.

---

[113] DC, Kangra: 1471 works involving ₹ 20.14 crore and DC, Shimla: 662 works involving ₹ 14.28 crore.

[114] DC, Gautam Budh Nagar (Uttar Pradesh): ₹ 4.00 lakh; DC, Tehri Garhwal (Uttrakhand): ₹ 4.00 lakh, Government of Uttrakhand: ₹ 10.00 lakh and Government of Jammu and Kashmir: ₹ 25.00 lakh.

3.17.3.6 Non-release/ short release of contingency funds

As per the scheme guidelines, the nodal district was to provide additional funds to the extent of one *per cent* of the recommended amount to defray administrative expenses on works by the implementing/ executing agencies.

Funds of ₹ 57.12 crore were released by the nodal districts to the implementing agencies during 2012-15. Accordingly, one *per cent* contingency funds of ₹ 0.57 crore were to be released to the implementing agencies to meet out the administrative expenses. It was, however, noticed that DC Shimla released only ₹ 0.04 crore whereas DCs Kangra and Solan released no funds towards contingency expenses during 2012-15. Resultantly, the implementing agencies were deprived of the contingency funds to the extent of ₹ 0.53 crore during 2012-15. Evidently, the executing agency had to meet the administrative expenses from the funds provided for execution of works.

While confirming the facts, the concerned DPOs stated (May 2015) that implementing agencies had not asked for the contingency funds. The reply of Department indicated lack of understanding of the guidelines as contingency funds were to be released while communicating recommendations to the implementing agencies.

3.17.3.7 Non-maintenance of assets registers

According to the scheme guidelines, the DCs are required to maintain a register of all the assets created with the scheme funds and subsequently transferred to user agencies. It was noticed that the requisite registers were not maintained by any of the test-checked DCs. DCs Kangra and Solan stated that the assets created under the scheme were being recorded in the computer while DC Shimla stated that such details are being kept by the concerned executing agencies. The contentions of the DCs are not acceptable as in the absence of assets registers, the assets created and transferred to the user agencies could not be verified in audit.

3.17.3.8 Submission of monthly progress reports (MPRs)

As per guidelines, the implementing agencies were to furnish physical and financial progress of each work to the respective DCs every month and the DCs in turn were required to submit MPRs in the prescribed format to the GOI and MPs concerned on or before 10th of the succeeding month. It was, however, noticed that during 2012-15 against the required 84 MPRs to be sent to GOI and MPs concerned, only 17 MPRs (20 *per cent*) were submitted without any feedback from the implementing agencies. Reasons for non-submission of regular MPRs called for (May 2015) from the Department are awaited.

3.17.3.9 Incorrect reporting to GOI

The DC Shimla submitted (November 2013) MPRs to the GOI indicating only 42 pending works, recommended by concerned MP, during 2007-09. It was, however, noticed that 81 works valuing ₹ 68.56 lakh, recommended by the MP concerned during 2007-09, were pending as of May 2015. Similarly, DC Kangra while submitting (June 2014) MPRs to GOI showed all works recommended by MP during 2008-09 as complete. However, seven works valuing ₹ 32.23 lakh were lying incomplete as of May 2015. Submission of incorrect MPRs was indicative of the fact that Ministry and MPs were not apprised of the actual status of works.

The DC Kangra stated (May 2015) that the progress of works is monitored regularly and as and when the works are completed their progress reports are sent to the GOI. The reply is not acceptable as the actual status of completed/ incomplete works had not been incorporated in MPRs submitted to the GOI. The DC Shimla stated that actual status was inadvertently not shown in the MPR. The reply is not convincing as no corrective action was taken to rectify the reporting made earlier to the GOI as no record in this regard was produced to audit.

3.17.4 Internal Audit

3.17.4.1 Non-conducting of Internal Audit

As per guidelines, the district authorities were required to submit audited accounts, reports and certificates to the State Government and GOI at Ministry of Statistics and Programme Implementation every year.

Audit noticed that audit of accounts was not got conducted by DCs Kangra and Shimla during 2013-15 and 2014-15 respectively and as such audited accounts and reports were not submitted to the State Government and GOI during the aforesaid period. The DPO Kangra assured (May 2015) that audit for the year 2013-15 would be got conducted shortly while DPO Shimla stated that the audit for the year 2014-15 was being conducted. The replies are not acceptable as non-conducting of audit of accounts was contrary to the guidelines *ibid*.

3.17.5 Monitoring and Evaluation

3.17.5.1 Review meetings at State/ district level

(i) To oversee the implementation of the scheme a State Level Monitoring Committee (SLMC) was formed in March 2008. The SLMC was to monitor the flow of the funds at various channels including allocations, releases, utilisation and unspent balances. It was, however, noticed that records pertaining to allocation/ release of funds and financial and physical reports submitted to the GOI in respect of State as a whole were not being maintained at the State level by the Department. Also no meeting of SLMC was held during 2012-15 to monitor the implementation of the scheme.

The Advisor, Planning stated (April 2015) that monitoring of the scheme was done by the nodal districts in the meeting of review committee of other schemes viz. SDP, etc. The reply is not convincing as monitoring of works had not been carried out effectively through SLMC during 2012-15.

(ii) As per the scheme guidelines, the district authorities were required to review the implementation of scheme through monthly meetings with the implementing agencies. It was, however, noticed that against the requisite 72 review meetings required to be held by the test-checked districts during 2012-15, only three meetings (by DC Kangra) were held indicating inadequate monitoring of scheme by the district authorities.

While admitting the facts, the DC Kangra assured to conduct more meetings in future whereas the DC Shimla stated that MPLADS works were reviewed with other works during 2012-15. No record was available with the department in this regard. The DC Solan stated that review meetings were not convened due to shortage of staff. Thus, non-conducting of review meetings with the implementing agencies was indicative of the fact that the scheme was not monitored effectively.

3.17.5.2 Inspections of works

As per the scheme guidelines, the inspections of works being executed under MPLAD are required to be carried out to the extent of 10 *per cent* by the district authorities and 100 *per cent* at implementing agencies level.

Audit noticed that the concerned authorities had not carried out any inspection of the works executed under the scheme during 2012-15 in the test-checked districts and blocks as there were no inspection reports available in those offices.

The concerned DCs stated that inspections were being carried out regularly but no record thereof was maintained during the above period. The test-checked BDOs stated (April-May 2015) that records of inspections could not be maintained due to shortage of staff. The reply is not acceptable as non-maintenance of records is indicative of lack of proper monitoring.

3.17.6 Conclusion and recommendations

The details of expenditure actually incurred by the implementing/ executing agencies were not kept by the DCs of the Nodal districts. The DCs sanctioned inadmissible works without bringing the facts to the notice of the MPs concerned.

The Government may consider issuing instructions that only admissible works are sanctioned.

No transparency was maintained in utilisation of funds to the prescribed extent for execution of developmental works in SC/ST areas. Asset registers were not maintained.

The Government may consider ensuring utilisation of scheme funds for the areas inhabited by SCs/ STs population to the prescribed level and asset register of works at district level are maintained by the Deputy Commissioners.

Contingency funds were not released to the executing agencies and incorrect MPRs were submitted to the GOI. The State Level Monitoring Committee had not conducted any meeting during 2012-15. Review meetings at district level were also not conducted to the required extent. Inspection of works was either not conducted or there was no record of inspections, if any, conducted.

The Government may ensure that implementing agencies and DCs submit monthly progress reports on prescribed intervals and State Level Monitoring Committee constituted to oversee the implementation of the scheme meets regularly to ensure effective implementation of the scheme and monitor the flow of funds under the scheme at various levels.

The audit findings were referred to the Government in June 2015. Reply had not been received (November 2015).

Public Works Department

3.18 Unfruitful expenditure on construction of road and undue benefit to a contractor

Failure of the Department to take timely action under various clauses of the contract agreement resulted in unfruitful expenditure of ₹ 2.20 crore on a road and extension of undue financial benefit of ₹ 48 lakh to a contractor.

To provide all-weather road connectivity in the interior areas of the Sirmaur district, the State Government had administratively approved (January 2010) construction of 13.355 kilometres (kms) long Rajpura Nagheta Shiva Bharli Banour road[115] under NABARD[116] (RIDF[117]-XV) for ₹ 5.81 crore. The Chief Engineer (South) Himachal Pradesh Public Works Department (HPPWD), Shimla had accorded (February 2010) technical sanction

[115] Removal of formation deficiencies (retaining walls/breast walls), cross drainage, soling, wearing and tarring, road side drains and parapets in kms 0 to 13.355 alongwith 19.75 mtrs. Span RCC T-beam bridge at kms 6.885.

[116] National Bank for Agriculture and Rural Development.

[117] Rural Infrastructure Development Fund.

of the work for ₹ 4.82 crore. The work was awarded (July 2010) to a Paonta Sahib based contractor at a cost of ₹ 4.78 crore with the stipulation to complete it by January 2012.

Scrutiny of records (November 2014) of Shillai division and further information collected (July 2015) showed that the contractor commenced the work in July 2010. However, the contractor did not achieve the pace of the work as per stipulation in the contract agreement. After execution of the work[118] valuing ₹ 1.91 crore upto November 2013, the contractor stopped it on unsubstantial grounds[119] which were negated by the Department. The Department had not taken timely action against the contractor under various clauses of the contract agreement except levy of penalty for ₹ 47.76 lakh (at the rate of 10 *per cent* of the tendered amount) in July 2014 for delay in execution of the work. The contract was not terminated and even the levied penalty of ₹ 47.76 lakh had not been recovered as of July 2015. The work was lying in a suspended state for more than one year. In the meantime, an expenditure of ₹ 2.20 crore had been incurred on it.

While confirming the facts, the Executive Engineer of the division stated (November 2014 and July 2015) that the case for termination of the contract had been initiated. The reply is not convincing as the Department had neither ensured the execution of the work expeditiously nor enforced the contractual provisions against the contractor in a timely manner.

Thus, failure of the Department to take timely action under various clauses of the contract agreement not only resulted in unfruitful expenditure of ₹ 2.20 crore but also extended undue financial benefit of ₹ 48 lakh to the contractor.

The audit findings were referred to the Government in April 2015. The reply had not been received (November 2015).

3.19 Unfruitful expenditure on construction of road

Failure of the Department to secure necessary permission for the construction of railway over bridge, the expenditure of ₹ 2.83 crore on construction of road remained largely unfruitful.

In order to provide road facility to the residents of Una town and Kuthar Kalan and Rakkar Jalgran villages construction of 5.750 kms long road was administratively approved (February 2010) under RIDF[120]-XV scheme of NABARD[121] for ₹ 3.85 crore. The Chief Engineer, Hamirpur Zone accorded (June 2010) technical sanction of the work for ₹ 3.66 crore stipulated to be completed within one year.

Scrutiny of records (February 2015) of Una division showed that the work was taken up for execution in November 2010 and completed in June 2013 after incurring an expenditure of ₹ 2.83 crore. However, the road could not be opened for vehicular traffic due to non-construction of bridge over railway line at RD 3/210. Further scrutiny showed that the work was taken up for execution without making any provision for the railway over bridge (ROB) in the detailed project report (DPR) and the Department had not secured necessary permission for construction of the ROB from the railways authorities. Rather, a wrong certificate regarding non-requirement of the permission from railways authorities was furnished by the Department to the NABARD authorities in the DPR. Besides, the Department had not initiated any action for the construction of ROB as of February 2015.

118 Removal of formation deficiencies (retaining walls/breast walls): kms 0 to 13.355 cross drainage and soling: kms 0 to 9.000, wearing (quote-I: kms 0 to 8.000 and tarring: kms 0 to 5.910.
119 Illegal mining on working site area, shortage of skilled labour and materials, etc.
120 Rural Infrastructure Development Fund.
121 National Bank for Agriculture and Rural Development.

While confirming the facts, the Executive Engineer of the division stated (February 2015) that provision for the ROB was not made in the DPR as the land belongs to railways authorities and funds had not been received for construction of the bridge from the Government. The reply is not convincing as the railways authorities had already stated (April 2010) that the location fell at deep cutting area where level crossing was not feasible and there would be no visibility for train drivers and the road users. Evidently, in spite of the fact known to the Department, prior permission of railways authorities was not secured.

Thus, failure of the Department to secure necessary permission for the construction of ROB from the railways authorities, the expenditure of ₹ 2.83 crore on construction of road remained largely unfruitful and the objective of providing road facility to the beneficiaries remained unachieved.

The audit findings were referred to the Government in May 2015. The reply had not been received (November 2015).

3.20 Idle investment due to non-utilisation of completed bridge for want of road connectivity

Failure of the Department to synchronise the construction of the bridge with road resulted in idle investment of ₹ 7.11 crore for more than 18 months.

In order to provide all weather road connectivity to seven villages[122] of Shimla district, construction of 2.525 kms long byepass road including a bridge (105 meters double lane at kms 0/175 to 0/280) over Pabbar river at Mehandli (Rohru) was administratively approved (August 2007) for ₹ 11.25 crore under State (Plan) scheme. The construction of the bridge was subsequently sanctioned (December 2007) under RIDF[123]-XIII scheme of NABARD[124] for ₹ 6.71 crore to be completed in two years.

Scrutiny of records (November 2014) of Rohru division and further information collected (May 2015) showed that the bridge work was taken up for execution in December 2008 without obtaining technical sanction and completed in December 2013 at a cost of ₹ 7.11 crore. However, after completion, it could not be opened for vehicular traffic due to non-construction of the byepass road approved (August 2007) under the State (Plan) scheme *ibid*. Further scrutiny showed that due to involvement of private land in entire stretch of the proposed byepass road, the Department had not finalised its detailed project report (DPR). Resultantly, its construction had not been started as of May 2015.

While admitting the facts, the Executive Engineer of the division stated (November 2014 and May 2015) that the construction of the road could not be commenced due to non-availability of encumbrance free land. Process for acquisition of land had been initiated and DPR of the road work had been sent to the higher authorities for approval. The reply is not acceptable as the construction of the bridge should have been synchronised with the construction of the road by ensuring encumbrance free site. Besides, the Department had not finalised the DPR of the road since December 2013 onwards.

Thus, failure of the Department to synchronise the construction of the bridge with the construction of road resulted in idle investment of ₹ 7.11 crore for more than 18 months. Besides, intended road connectivity had not been provided to the concerned villages.

The audit findings were referred to the Government in May 2015. The reply had not been received (November 2015).

[122] Astani, Bakhirna, Lowerkoti, Mehandli, Parasa, Samoli and Shekhal.
[123] Rural Infrastructure Development Fund.
[124] National Bank for Agriculture and Rural Development.

3.21 Undue financial benefit to a contractor

Failure of the Department to ensure timely realisation of Government dues led to extension of undue financial benefit of ₹ 55.53 lakh to a contractor.

To provide all weather connectivity to four villages[125] of Mandi district, construction of 90 metres span suspension foot bridge over Alshed Khad was administratively approved (September 2007) under NABARD (RIDF-XVI) for ₹ 84.24 lakh. The work[126] was awarded (December 2008) to a Shimla based contractor at a tendered cost of ₹ 62.15 lakh with the stipulation to complete it by December 2009. Accordingly, the contractor commenced the work in December 2008.

Scrutiny of records (February 2015) of Sundernagar division showed that the contractor did not achieve the pace of the work as prescribed in the contract agreement and failed to complete it within the stipulated period. After executing the work (partial sub-structure only) of value of ₹ 18.49 lakh, the contractor stopped (August 2011) the work without intimating any reasons. The Department had levied compensation of ₹ 12.43 lakh for delay under clause 2 of the contract agreement in January 2012. The contractor did not turn up to resume the work and the Department ultimately rescinded the contract in April 2012 by invoking Clause-3 of the contract agreement which provides for forfeiting of the security deposits and executing the work from another contractor at the risk and cost of the original contractor.

The balance work of sub-structure, super structure and both side approaches was awarded (January 2015) to another contractor at a tendered amount of ₹ 1.04 crore which had not been started as of February 2015. Evidently, the work was re-awarded at an extra cost of ₹ 41.41 lakh[127] recoverable from the original contractor. However, the Department had not taken steps for the recovery of the Government dues of ₹ 55.53 lakh[128] as of February 2015. In the meantime, the Department had incurred an expenditure of ₹ 82.92 lakh[129] on the work upto March 2014. However, the material booked against the work had not been utilised as of September 2015.

While confirming the facts, the Executive Engineer of the division stated (February 2015) that action was being taken for recovery of the amount due from the contractor. The fact, however, remained that the Department had not taken timely action against the contractor.

Thus, Department's laxity resulted in non-recovery of Government dues ₹ 55.53 lakh from the contractor for more than three years. Besides, the expenditure of ₹ 82.92 lakh remained idle for 12 to 44 months.

The audit findings were referred to the Government in June 2015. The reply had not been received (November 2015).

---

125 Alsoo, Dehar, Kango and Kharota.

126 Sub-structure, superstructure and both side approaches.

127 Tendered amount of the original contractor= ₹ 62.15 lakh
Tendered amount of the other contractor= ₹ 103.56 lakh
Extra cost involved= ₹ 41.41 lakh.

128 Compensation for delay: ₹ 12.43 lakh; extra cost of the work: ₹ 41.41 lakh; forfeited security deposits not credited to revenue: ₹ 1.69 lakh .

129 Expenditure on work: ₹ 20.72 lakh and booking of material: 2012-13 (₹ 28.16 lakh) and 2013-14 (₹ 34.04 lakh).

3.22 Idle investment on construction of road and bridge

Failure of the Department to ensure availability of encumbrance free land for construction of the road and delay in completion of the bridge resulted in idle investment of ₹ 3.45 crore and extension of undue benefits of ₹ 22.10 lakh to the contractors.

Forest Conservation Act, 1980 (FCA), prohibits use of forest land for non-forestry purpose without prior approval of the Government of India (GOI). It was further clarified (March 1982) that diversion of forest land for non-forestry activities in anticipation of the approval was not permissible and the request for ex-post-facto approval would not be entertained. To provide transport facilities to the inhabitants of 16 villages of Chamba district, the State Government had approved (March 1984) the construction of 15 kms (kms 0/0 to 15/0) long Sinhuta-Jolna-Kotla road for ₹ 10.85 lakh.

Scrutiny of records (December 2014) of Dalhousie division showed that the Department had incurred an expenditure of ₹ 1.50 crore[130] on the execution of the road up to 2014-15. The execution of five kms long road (kms 0/0 to 5/0) was completed and the construction of the remaining stretches (kms 5/0 to 15/0) was not completed due to involvement of forest land. It was noticed that the Department had not obtained the necessary approval of the GOI for diversion of the forest land for the purpose and even the constructed road had been reported for violation of the instructions *ibid*.

In the meantime, the construction of 82.50 metres span PSC[131] box girder bridge over Dehar *khad* in the alignment of the road at 12.570 kms was approved (December 2009) under NABARD[132] (RIDF[133]-XV) for ₹ 3.35 crore and stipulated to be completed within three years. The Department had incurred an expenditure of ₹ 1.95 crore on the construction of the bridge during 2011-14. However, the construction thereof had not been completed as of July 2015 due to the following reasons:

- The work for construction of sub-structure and super-structure of the bridge was awarded (May 2010) to contractor at a tendered amount of ₹ 1.59 crore and stipulated to be completed by December 2011. The work was taken up for execution during June 2010. The contractor however, did not achieve the pace of the work and executed the work of value of ₹ 1.39 crore only up to December 2014. The Department had not levied the penalty of ₹ 15.90 lakh (10 *per cent* of the tendered amount) on the contractor for the delay. Contrary to this, penalty of ₹ 1.59 lakh only was imposed (December 2011) which also had not been recovered as of July 2015. Besides, in order to keep the contract alive the Department had granted unilateral extension to the contractor.

- The work relating to construction of both side approaches was awarded (March 2012) to the same contractor at a tendered amount of ₹ 27.51 lakh and stipulated to be completed by October 2012. The contractor, after executing the work of value of ₹ 19.10 lakh stopped (December 2012) it without assigning any reasons. The Department had awarded (February 2014) the balance work to another contractor for ₹ 34.48 lakh and stipulated to be completed by May 2014. However, the work had not been completed as of July 2015. The Department had not taken any action against both the contractors for levy of penalty of ₹ 6.20 lakh (10 *per cent* of the tendered amounts) for delay.

---

130 Prior to 2001-02: (Other State head: ₹ 35.78 lakh), 2001-02 to 2014-15: (NABARD: ₹ 77.72 lakh and other State head: ₹ 36.46 lakh).

131 Pre stressed concrete.

132 National Bank for Agriculture and Rural Development.

133 Rural Infrastructure Development Fund.

While admitting the facts, the Executive Engineer of the division stated (January and July 2015) that the works could not be completed due to limited working seasons, involvement of forest land and contractors fault. The reply is not acceptable as the Department had neither ensured encumbrance free land for the road nor expedited the execution of the bridge works from the contractors within the stipulated time.

Thus, due to non-obtaining of prior permission of the GOI for diversion of forest land for the construction of the road and inefficiency of the Department to ensure the completion of the bridge work within the stipulated time, the public of the area was deprived of the intended transport facility. This resulted in idle investment of ₹ 3.45 crore and extension of undue benefit of ₹ 22.10 lakh to the contractors.

The audit findings were referred to the Government in July 2015. The reply had not been received (November 2015).

3.23 Unfruitful expenditure on construction of road and bridge

Failure of the Department to ensure the completion of the road and bridge in time resulted in unfruitful expenditure of ₹ 0.94 crore and loss of ₹ 16.45 lakh besides extension of undue financial benefits of ₹ 18.68 lakh to the contractors.

In order to provide transport facility to four villages[134] of Bilaspur district, construction of 3.730 kms long (kms 3.420 to 7.150) Jarora Ket Naswal Matoli Kasrar road including a bridge at kms 6.195 was administratively approved (February 2011) under NABARD[135] (RIDF[136]-XVI) for ₹ 2.03 crore. Technical sanction of the work was not accorded. However, working estimate for the road work was approved (October 2011) for ₹ 1.05 crore and that of the bridge work was approved (December 2011) for ₹ 0.63 crore.

Scrutiny of records (January 2015) of Ghumarwin division and further information collected (June 2015) showed that the road work[137] was awarded (September 2012) to a Hamirpur based contractor for ₹ one crore and stipulated to be completed by September 2013. The contractor commencing the work in September 2012 did not achieve the pace of the work within the stipulated period due to land dispute (kms 6.230 to 7.150) and executed the work of removal of formation deficiencies (2775 mtrs), cross drainage work (10 numbers) and retaining wall (1250 cubic mtrs) only after incurring an expenditure of ₹ 55.01 lakh. This indicated that the Department had taken up the work without ensuring encumbrance free site which resulted in non-completion of the road as of July 2015.

Further, the construction of 33.40 meter span PSC[138] Box Grider bridge with abutment at kms 6.195 was awarded (September 2012) to a Bilaspur based contractor for ₹ 0.64 crore stipulated to be completed by September 2014. The work was not completed within the stipulated period. It was noticed that in spite of the instructions (July 2014) of the Department not to lay the concrete slab of the bridge in the rainy season (July and August 2014), the contractor continued the work. Resultantly, due to heavy flood (August 2014) the partly constructed super structure of the bridge collapsed resulting in loss of ₹ 16.45 lakh. The contractor had stopped the work in August 2014 and not resumed the same as of July 2015. Thus, the contractor had committed fundamental breach of the

134 Gahar, Padhyan, Bah Jarora and Kassaru.
135 National Bank for Agriculture and Rural Development.
136 Rural Infrastructure Development Fund.
137 Removal of formation deficiencies: 3730 mtrs, CD work 22 numbers, soling: 2150 mtrs, wearing: 2850 mtrs, tarring: 3730 mtrs, parapets: 731 numbers, Drain: 5720 mtrs. and retaining wall: 2387.42 cubic mtrs.
138 Pre-stressed concrete.

contract by non-resumption of the balance work. However, the Department had not taken any action against the contractor for levy of liquidated damages of ₹ 6.44 lakh, termination of the contract, getting the damaged work reconstructed from the contractor or imposing penalty, etc., as of July 2015. In the meantime, an expenditure of ₹ 51.25 lakh[139] had been incurred on the work.

While confirming the facts, the Executive Engineer of the division stated (January and June 2015) that due to non-completion of the bridge work and land dispute at kms 6/230 to 7/150, the road could not be completed. The reply is not acceptable as the Department had taken up the work without ensuring encumbrance free land and technical sanction for the entire works. Besides, the Department had also not taken any action against the contractor for non-compliance of the provisions of the contracts.

Thus, failure of the Department to ensure the completion of the road and bridge in time resulted in unfruitful expenditure of ₹ 0.94 crore[140] and loss of ₹ 16.45 lakh besides extension of undue financial benefits of ₹ 18.68 lakh[141] to the contractors.

The audit findings were referred to the Government in July 2015. The reply had not been received (November 2015).

3.24 Unfruitful expenditure on construction of road and avoidable cost escalation payment to a contractor

Failure of the Department to ensure prior forest land clearance and initiate timely action against the contractor resulted in unfruitful expenditure of ₹ 2.15 crore and undue benefit of ₹ 36.40 lakh and avoidable cost escalation of ₹ 46.29 lakh to the contractor.

In order to provide road connectivity to four villages[142] of Shimla district construction of 9.500 kms (0/0 to 9/500) long Lalsa-Shandal-Chiksa-Majhali road was administratively approved (June 2008) for ₹ 3.42 crore under RIDF[143]-XIII scheme of NABARD[144]. The work[145] was awarded (September 2008) to a contractor at a tendered amount of ₹ 3.64 crore and stipulated to be completed by October 2010.

Scrutiny of records (January 2015) of Rampur division and further information collected (September 2015) showed that the contractor had taken up the work for execution in October 2008. After executing the work of the value of ₹ 24.08 lakh, the contractor stopped (March 2009) the execution due to involvement of forest land in the alignment of the road. The forest clearance for the road was made available in June 2012. The work was resumed (December 2012) by a sub-contractor on behalf of the original contractor, on the basis of special power of attorney (November 2012). However, the work[146] of the value of ₹ 1.41 crore (39 *per cent*) only had been completed as of January 2015.

The Department levied (April 2015) liquidated damages of ₹ 18.19 lakh (five *per cent* of tendered amount) instead of ₹ 36.40 lakh (10 *per cent* of tendered amount) for delay under clause-2 of the agreement which was yet to be recovered. Contrarily, in order to

---

139 Expenditure on bridge work: ₹ 39.01 lakh and materials issue to the work and recoverable from the contractor: ₹ 12.24 lakh.

140 Expenditure on road work: ₹ 55.01 lakh and bridge work: ₹ 39.01 lakh.

141 Materials recoverable from the contractor: ₹ 12.24 lakh and liquidated damages: ₹ 6.44 lakh.

142 Shandal, Chiksa, Majhali and Lalsa.

143 Rural Infrastructure Development Fund.

144 National Bank for Agriculture and Rural Development.

145 Formation cutting: kms 9.500, cross drainage: kms 9.500 (Hume pipe: 31 and Slab culvert: three) and soling: kms 1.180.

146 Formation cutting: kms 6.170, Cross drainage: kms 1.690 (Hume pipe: three and Slab culvert: three) and soling: kms 1.270.

keep the contract alive, unilateral time extension was granted (September 2015) up to December 2015 without prejudice to the right of the Government to recover liquidated damages as per the agreement. Besides, the Department had also allowed cost escalation of ₹ 46.29 lakh to the contractor beyond the stipulated period of completion which otherwise could have been avoided.

In the meantime, an expenditure of ₹ 3.47 crore had been incurred on the work up to January 2015 which included ₹ 1.32 crore on booking of material during 2013-14, without actual utilisation on the work. The material temporarily transferred to other works had also not been recovered/ adjusted as of September 2015. The expenditure on booking of material against the work without actual requirement, in contravention of the provisions of the State Financial Rules was irregular.

While admitting the facts, the Executive Engineer of the division stated (January 2015) that the work could not be completed due to local hindrances and contractor's mismanagement and the material was booked against the work to avoid lapse of budget. The reply is not convincing as the Department had neither ensured encumbrance free land before commencement of the work nor initiated action against the contractor for breach of the contractual obligations.

Thus, inefficiency of the Department to ensure prior forest land clearance for the construction of the road and initiate timely action against the contractor resulted in unfruitful expenditure of ₹ 2.15 crore, irregular booking of material worth ₹ 1.32 crore, extension of undue financial benefit of ₹ 36.40 lakh and avoidable payment for cost escalation of ₹ 46.29 lakh to the contractor. Besides, the public of the area was also deprived of the intended road facility.

The audit findings were referred to the Government in July 2015. The reply had not been received (November 2015).

3.25 Undue financial benefit to a firm and suspected misappropriation of funds

Failure of the Department to initiate timely action against a firm for breach of contractual obligations resulted in extension of undue financial benefit of ₹ 2.64 crore to the firm and suspected misappropriation of ₹ 35.97 lakh besides unfruitful expenditure of ₹ 2.39 crore and cost overrun of ₹ 2.58 crore.

Government of India (GOI), Ministry of Road Transport and Highways (MORTH) had approved (March 2008) the construction of 98 meters double lane high level bridge alongwith approaches, at 10 meters upstream of existing outlived bridge over Dehri *khad* on NH[147]-20 at kms 45.370 for ₹ 8.54 crore. The work was awarded (April 2008) to a Hyderabad based firm for ₹ 7.48 crore with the stipulation to complete it by May 2010.

Scrutiny of records (May 2015) of NH division Joginder-Nagar showed that the firm did not achieve the pace of work within the stipulated time and after executing about 28 *per cent* work of the value of ₹ 1.64 crore, the firm stopped (March 2012) it without assigning any reasons. The Department had not initiated timely action against the firm for breach of the contractual obligations as follows:

- The Department had imposed (December 2012) liquidated damages of ₹ 74.85 lakh for delay after 30 months from the stipulated month of completion and the contract was rescinded (April 2013) under clause-59 of the agreement with risk and cost of ₹ 1.17 crore[148] However, the recoveries had not been effected as of May 2015.

[147] National Highway -20: Pathankot – Mandi.

[148] Compensation at the rate of 20 *per cent* of the balance work.

- The Department had paid (March 2010) secured advance of ₹ 61.92 lakh for procurement of 226.07 MT[149] steel to the firm, of which, ₹ 44.37 lakh had not been recovered as of May 2015. It was further noticed that the secured advance was paid without verifying the material actually brought to site as shortage of 98.48 MT steel costing ₹ 35.97 lakh was reported (August 2010). Thus, Government money was put to risk which amounts to misappropriation. Besides, the Department had not charged interest of ₹ 27.69 lakh[150] from the firm on the secured advance as per clause 51 of the contract agreement.

In the meantime, an expenditure of ₹ 2.39 crore had been incurred on the work up to March 2012. Due to non-completion of the work in time, its cost had increased considerably and the MORTH accorded (August 2014) revised approval of the work for ₹ 11.12 crore. The balance work was awarded (October 2014) to another contractor at a tendered amount of ₹ 7.48 crore stipulated to be completed within 18 months. However, only eight *per cent* of the work had been executed as of May 2015.

Executive Engineer of the division confirmed the facts and stated (May 2015) that the matter regarding shortage of steel came to the notice of the division after the work was rescinded and recoveries had been made in the measurement book and the matter was under arbitral tribunal. The reply is not acceptable as the Department had not taken action against the firm and expedited completion of the work in time.

Thus, failure of the Department to initiate timely action against the firm for breach of contractual obligations resulted in extension of undue financial benefit of ₹ 2.64 crore[151] to the firm and suspected misappropriation of ₹ 35.97 lakh. Besides cost overrun of ₹ 2.58 crore[152], the expenditure of ₹ 2.39 crore remained unfruitful since March 2012.

The audit findings were referred to the Government in July 2015. The reply had not been received (November 2015).

Revenue Department

3.26 Diversion of State Disaster Response Fund

An amount of ₹ 4.40 crore was irregularly diverted from State Disaster Response Fund by five Deputy Commissioners for works not related to natural calamity.

Government of India (GOI) constituted (September 2010) National Disaster Response Fund (NDRF) at National level and State Disaster Response Fund (SDRF) at State level. Guidelines on SDRF and instructions issued (September 2012) by GOI provided that disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF/ NDRF and such works and regular maintenance and repairs should be carried out through State budget. Repair works of immediate nature pertaining to roads and bridges, drinking water supply, irrigation, power supply, schools, primary health centers and community assets should only be considered out of SDRF. Himachal Pradesh Disaster Management and Relief Manual, 2012 also provides that, it is obligatory for the field staff of the Revenue Department to make quick spot inspections to assess loss and report it to the concerned authorities.

149 Metric ton.
150 At the rate of 10 *per cent* on advance of ₹ 44.37 lakh for March 2010 to March 2015.
151 Liquidated damages: ₹ 0.75 crore, risk and costs: ₹ 1.17 crore, advance: ₹ 0.44 crore and interest: ₹ 0.28 crore.
152 Revised approved cost: ₹ 11.12 crore minus original approved cost: ₹ 8.54 crore.

Scrutiny of records (September 2013 to March 2015) of five Deputy Commissioners[153] (DCs) showed that funds amounting to ₹ 4.40 crore meant for restoration of damaged works/ relief measures were diverted (between February 2011 and December 2014) for execution of works not qualified as natural calamities as no reports on damages from Revenue authorities required under Relief Manual were found on record. Of these, funds amounting to ₹ 3.96 crore[154] were spent on 178 works of repairs of residential buildings, Government office buildings, etc., and ₹ 43.15 lakh[155] were expended on 20 fresh works like construction of retaining/ protection walls, stairs, bathrooms, etc., which was irregular as expenditure on such repair/ restoration works was not permissible under SDRF and was required to be incurred out of State's normal budget.

On this being pointed out, the DCs Chamba and Kullu admitted (January and February 2015) the facts and stated that the funds were sanctioned in public interest and would be released as per guidelines in future. The DC Hamirpur stated (February 2015) that works sanctioned required immediate repairs and no damage reports were proposed. The DC Kinnaur stated (October 2013) that works were sanctioned as per estimates received and DC Sirmour stated (September 2013) that the works were sanctioned to protect old structures from further deterioration. Replies are not acceptable as funds were diverted in violation of the guidelines and instructions of SDRF.

The audit findings were referred to the Government in July 2015. Reply had not been received (November 2015).

Scheduled Castes, Other Backward Classes and Minority Affairs Department

3.27 Implementation of Social Security Pension Schemes

Time schedule had not been fixed for finalisation of pension cases due to which there was delay in finalisation of pension cases ranging between 12 and more than 60 months during 2012-15. Mechanism for reporting death, persons becoming ineligible for pension and sanction of pension from other schemes was not in existence. There were instances of delay in disbursement of pension, non-obtaining of requisite certificates, sanction and disbursement of pension to ineligible persons and non-verification of pension disbursed in the test-checked districts. Social security pension was not granted for newly created category of individuals of more than 80 years of age. Pension disbursement through biometric system in Una district was not working properly. In Mandi district e-kalyan system for implementation of pension was not web-based.

3.27.1 Introduction

To provide social security and financial assistance to old age persons/ widows, single and destitute women, handicap and lepers with inadequate source of livelihood, the State Government implemented (1971) the Social Security Pension Scheme. The criteria/ rate for grant of pension[156] to various categories of pensioners in the State is given in (**Appendix-3.3**).

153 Chamba, Hamirpur, Kinnaur, Kullu and Sirmour.

154 Chamba: ₹ 60.99 lakh (37 works), Hamirpur: ₹ 47.82 lakh (24 works), Kinnaur: ₹ 14.22 lakh (five works), Kullu: ₹ 177.36 lakh (58 works) and Sirmaur: ₹ 96.07 lakh (54 works).

155 Chamba: ₹ 27.01 lakh (15 works) and Sirmour: ₹ 16.14 lakh (five works).

156 Old Age Pension (since 1971), Widow Pension (since 1979), National Old Age Pension (since 1995), Handicapped allowance (since 1989) and Rehabilitation allowance for lepers (since 1988).

An audit of implementation of Social Security Pension Schemes covering the period 2012-15 was conducted (March-May 2015) through test-check of records of Directorate of Schedule Castes, Other Backward Classes and Minority Affairs, Shimla, two[157] out of 12 District Welfare Officers (DWOs), four Tehsil Welfare Officers (TWOs)[158] out of 12 TWOs from each selected DWO and two *Gram Panchayats* (GPs) from each selected TWOs, selected by adopting Simple Random Sampling Without Replacement (SRSWOR) method.

3.27.2 Identification of beneficiaries

The beneficiaries are identified by GPs in Gram Sabha meetings. The applications received from the GPs after verification are forwarded by the TWOs to the DWOs. The DWOs enter data of applications in respect of each eligible person in the "e-kalyan" software. The software is programmed to fix the priority of the applicants automatically. The Social Security Pension is sanctioned by the Deputy Commissioner (DC) on the recommendation of concerned DWOs. The pension is disbursed through money orders or direct remittance to bank accounts of individual beneficiaries in all districts except Una where the pension is disbursed through Information Technology Enabled Services (ITES) i.e. biometric system. The Social Security Pension Schemes comprised of old age pension (since 1971), widow pension (since 1979), national old age pension (since 1995), handicapped allowance (since 1989) and rehabilitation allowance for lepers (since 1988).

3.27.3 Financial Management

The budget allocation and expenditure thereagainst during 2012-15 for various categories of pension was as given in **Table-3.27.1**.

Table-3.27.1
Position of budget allocation and expenditure thereagainst during 2012-15

(₹ in crore)

Year	Number of Pensioners	Budget	Expenditure	Variation Excess(+)/ Savings (-)
2012-13	282552	158.39	156.90	(-) 1.49
2013-14	292921	201.94	201.15	(-) 0.79
2014-15	304921	234.13	233.27	(-) 0.86
Total		**594.46**	**591.32**	**(-) 3.14**

Source: Departmental figures.

From the above details it would be seen that there were savings in each year during 2012-15 and the Department had not utilised ₹ 3.14 crore allotted for the benefit of senior citizens, widows, persons with disabilities and lepers during the above period. The Director attributed (June 2015) savings to temporary vacant accounts of beneficiaries due to death or ineligibility of the pensioners.

3.27.4 Implementation of scheme

3.27.4.1 Pendency of cases

Time schedule had not been fixed for finalisation of Social Security Pension cases. The year-wise details of pending cases in the State for grant of Social Security Pension/ allowance to eligible persons placed in waiting list during the period 2012-15 was as given in **Table-3.27.2**.

157 DWOs: Mandi and Una.
158 TWOs: Amb, Jogindernagar, Sandhol at Sarkaghat and Una.

Table-3.27.2
Year-wise position of pending cases of pension in the State during 2012-15

(In numbers)

Year	Old Age Pension	Widow	Disability	Leper	Total
2012-13	6342	2165	1862	0	10369
2013-14	7674	3171	2452	0	13297
2014-15	31298	6187	4949	0	42434

Source: Departmental figures.

It would be seen from the above table that number of pending eligible applicants had increased from 10,369 in 2012-13 to 42,434 in 2014-15 with an overall increase of 309 *per cent* during the three year's period indicating that a large number of beneficiaries remained deprived of the pension schemes. The sizeable increase in eligible applicants was due to revision (April 2014) of income criteria for eligibility of pension schemes from ₹ 15,000 to ₹ 35,000 per year and also introduction (April 2014) of a new Social Security pension scheme to persons above 80 years of age as commented in **Paragraph 3.27.4.8**. Further, in the test-checked Mandi and Una districts, out of 15,609 pension cases finalised during 2012-15, the time taken for finalisation[159] of pension cases ranged between 12 to 60 months and above.

While admitting the facts, the Director stated (June 2015) that new pension cases were sanctioned by way of substitution against death of pensioners/ ineligible pensioners. He further stated that substitution process needs approval from the State Government to enhance the targets as well as budget accordingly. The reply is not satisfactory as the Department should have demanded the budget according to pendency for grant of pension.

3.27.4.2 Non-collection of data from Gram Panchayats

As per Social Security Pension (SSP) Rules, 2010, the GPs were required to send information regarding death of pensioner or beneficiaries becoming ineligible to TWOs promptly so that pension to such persons could be stopped and substitution of new pension cases effected.

Scrutiny of records of the DWO, Mandi showed that above provision of the rules was neither adhered to by the GPs nor insisted upon by the TWOs. As a result, money orders totalling ₹ 1.89 crore sent to 9038 pensioners during 2012-15 were received back with remarks that either the individuals had died or rendered ineligible otherwise. This had also resulted in avoidable expenditure on money orders (MOs) charges amounting to ₹ 9.47 lakh.

While admitting the facts, the DWO Mandi stated (May 2015) that directions would be issued to TWOs to collect the requisite data from the GPs on regular basis.

3.27.4.3 Non-obtaining of certificate of non-remarriage from the widow pensioners

As per SSP Rules, 2010, the widow pensioners were required to submit every year a certificate to the concerned TWO to the effect that she had not remarried.

Scrutiny of records of the DWO, Mandi and Una showed that pension amounting to ₹ 29.67 crore had been paid to 49,232 widow pensioners during the period 2012-15 without obtaining requisite non-remarriage certificates. In the absence of above, it could not be verified in audit whether the widow pension had been paid only to the eligible persons.

The DWO Una stated (April 2015) that due to inadequate staff requisite certificates of non-remarriage could not be obtained from the widow pensioners and the DWO Mandi

159 In 14154 cases delay ranged between 12 to 36 months, in 1175 cases 37 and 60 months and in 298 cases delay was more than of 60 months.

stated (May 2015) that as per past practice, non-remarriage certificates were not obtained. The replies are not acceptable as the provision of rules should have been followed to ensure disbursement of pension only to eligible individuals.

3.27.4.4 Sanction and disbursement of pension to ineligible persons

Records of the DWOs, Mandi and Una showed that during 2012-15, pension amounting to ₹ 14.05 lakh was sanctioned and disbursed to 397 beneficiaries (old age pension for both husband and wife: 124 cases; pension without obtaining income certificate: eight cases; widow pension without obtaining death certificate of husband: 19 cases; without verification of cases by TWOs: 11 cases, age not recorded: 03 cases and without resolution of GPs: 232 cases) without verifying their actual eligibility.

The DWOs concerned stated (April-May 2015) that the shortcomings would be rectified/ investigated and action taken accordingly.

3.27.4.5 Delay in remittance of pension

As per SSP Rules 2010, the pension was required to be remitted to the pensioners either by money orders or direct transfer to bank accounts of pensioners at the beginning of each quarter in advance.

Audit noticed that the funds were drawn by the DWO and remitted to the TWOs for disbursement to the pensioners. It was, however, observed that undisbursed pension ranging between ₹ 32.58 lakh and ₹ 7.66 crore was lying with the DWO, Mandi pertaining to respective quarters during 2012-15 except second quarter of the financial year 2014-15. The above amount of pension was remitted to TWOs during the subsequent quarters with delay of more than three months resulting in delayed remittance of pension to the pensioners.

The DWO, Mandi stated (May 2015) that as per past practice funds were invariably drawn at the fag end of the quarter for which pension had to be paid and it takes lot of time to remit the amounts to TWOs for further payment of pension to beneficiaries by way of MOs or direct transfer to bank accounts. The reply is not acceptable as the provision of pension rules *ibid* had not been adhered to.

3.27.4.6 Non-verification of pension disbursement receipts and other irregularities

As per SSP Rules 2010, after booking the MOs the details[160] thereof were to be entered in the personal ledger accounts of the beneficiaries by the DWOs. Receipts of MOs were to be maintained category/ period-wise in separate folders and matched with the amount of MOs booked. A certificate of disbursement was to be obtained from postal authorities for the amount of MOs for which receipt had not been received. The amount of pension deposited in savings bank accounts and withdrawn by the beneficiaries therefrom was also to be reconciled.

It was, however, noticed that the details of MOs had not been entered in the Personal Ledgers Accounts of the beneficiaries and the MOs receipts maintained by TWOs were not kept in separate folders category/ period wise in the Mandi district. It was further noticed that MOs receipts received were not tallied with the amount of MOs booked and certificate of disbursement was also not obtained from the postal authorities in respect of the amounts for which no receipts were received. In the absence of this it could not be verified during audit that all the amounts of MOs had been delivered.

The DWO, Mandi attributed (May 2015) non-adherence of the above provisions of the rules to shortage of staff. The reply is not acceptable as the above procedure should have been followed by the Department to ensure proper disbursement of the pension.

[160] Date of dispatch, date of receipt and receipt numbers, etc.

3.27.4.7 Irregular sanction of pension

As per SSP Rules 2010, the TWOs/ DWOs were required to certify that the applicant was not in receipt of any other pension, while recommending the pension.

Scrutiny of records of DWO Mandi showed that during 2012-15 pension amounting to ₹ 6.97 lakh remitted to 381 beneficiaries through Money Orders (MOs) was received back undisbursed with the remarks that the beneficiaries were already in receipt of pension. This showed that pension was sanctioned irregularly to 381 pensioners whereas eligible persons remained deprived of pension and continued to remain on the waiting list as indicated in **Paragraph 3.27.4.1**.

The DWO, Mandi stated (May 2015) that pension had been sanctioned as application could not be checked thoroughly due to shortage of staff. He further stated that the e-kalyan software is not programmed to detect sanction of pension twice at the application stage. The reply is not acceptable, as the applications had not been scrutinised carefully before sanction of pension.

3.27.4.8 Non-grant of social security pension to individuals above 80 years of age

State Government amended (April 2014) the rule 7 of the Social Security Pension Rules, 2010 and a new category under old age pension was created wherein pension at a rate of 1000 per month was payable to all individuals above 80 years of age irrespective of income criteria provided the individuals are not in receipt of any other pension from the Government.

Scrutiny of records of Director showed that 11,904 eligible individuals under the aforesaid category have been placed in the waiting list upto March 2015 awaiting grant of pension resulting in denial of intended benefit of scheme to senior most persons of the society as of June 2015.

The Director stated (June 2015) that the process of sanctioning pensions to the aforesaid individuals falling in the waiting list was being initiated at the district level.

3.27.5 Functioning of Business Correspondent (BC) Model for disbursement of Pension in Una District

The State Government had launched (January 2009) a pilot project in Una district for disbursement of pension using biometric identification devices. The State Bank of India (SBI) was to open savings accounts in respect of each beneficiary and disburse pension through customer service provider (CSP). Audit noticed the following:

3.27.5.1 Delay in payment of pension

As per Memorandum of Understanding (MOU), the DWO was required to provide funds to the concerned SBI (for the entire quarter in advance) by the 25th day of the previous month. The payment was to be credited by the bank to the beneficiaries' accounts and disbursed by the CSPs between the first and fifth day of the month (first month of the quarter) at the designated service delivery point (SDP).

Audit, however, noticed that social security pension amounting to ₹ 29.28 crore was paid to 15,075 beneficiaries after a delay ranging between 12 and 91 days during 2012-15 due to delay in release of funds at various levels depriving the beneficiaries of the timely intended benefits.

The DWO, Una stated (April 2015) that after disbursement of pension of a quarter the report regarding disbursement and death cases, etc., was received from the bank after closing of the quarter, then the process of initialisations of next quarter is started, the personnel ledger accounts (PLAs) are marked for payments/ suppression and permanent removal from the e-kalyan software which takes long time. The reply is not acceptable as the pension was not paid to the beneficiaries in time.

Similarly, social security pension/ allowance amounting to ₹ 53.81 lakh was paid to 1483 fresh beneficiaries after a delay ranging between eight and 15 months due to delay in intimation of opening of bank accounts by the SBI, Una to the Department.

3.27.5.2 Non-furnishing of status of operation of beneficiary's bank accounts

As per MOU, the SBI was to submit quarterly report on operative status of individual beneficiaries' bank accounts to DWO for verifying whether the accounts have been operated by the beneficiaries.

It was noticed that ₹ 29.48 crore was drawn by the DWO, Una and transferred to the SBI for disbursement of pension to the beneficiaries during 2012-15. The position regarding the amount of pension disbursed from the beneficiaries' bank accounts and undisbursed funds lying therein with details of individual beneficiaries and period to which the undisbursed amounts pertain was not available with the DWOs. In the absence of above, the amount credited into beneficiaries' bank accounts and actually drawn by them was not ascertained in audit. Besides, the undisbursed balance lying in the beneficiaries' bank accounts could not be verified by audit.

The DWO, Una stated (April 2015) that the information regarding the amount actually disbursed from the beneficiaries' bank accounts and balance undisbursed had not been furnished by the bank. The reply is not convincing as the provision of MOU was not adhered to by the SBI and the Department.

3.27.5.3 Excess payment of commission

As per MOU, the Department was to pay commission at a rate of three *per cent* of the pension disbursed by the bank.

The DWO, Una had paid ₹ 83.46 lakh as commission charges to the SBI between January 2009 and September 2013 for transfer of ₹ 27.82 crore to the beneficiaries' accounts instead of ₹ 26.55 crore, the amount of pension actually disbursed. It was further observed that the bank refunded ₹ 1.27 crore[161] lying undisbured in the accounts of the beneficiaries during 2014-15. However, commission fee totalling ₹ 3.81 lakh had not been refunded to Department as of April 2015 resulting in undue favour to bank to the above extent.

The DWO, Una stated (April 2015) that the matter regarding excess payment of commission would be taken up with the bank.

3.27.5.4 Non-obtaining life certificates

As per MOU, the bank was to obtain life certificate from the beneficiaries and pass these on to the DWO on six monthly basis.

Scrutiny of records of DWO, Una showed that an amount of ₹ 27.82 crore was transferred to beneficiaries' bank accounts by the bank during 2012-15 without obtaining the requisite life certificates from the beneficiaries. In the absence of the same, the amount of pension actually disbursed to the beneficiaries and lying undisbursed in the bank accounts of the beneficiaries' who have died or become ineligible could not be ascertained in audit.

The DWO, Una stated (April 2015) that the matter had been taken up with the bank to obtain the life certificates from the beneficiaries. The reply is not acceptable as the Department had failed to take timely action against the bank for failure to comply with terms and conditions of the MOU.

---

[161] June 2014: ₹ 52.00 lakh and March 2015: ₹ 74.91 lakh.

3.27.5.5 Disbursement of pension through Business Correspondent (BC) model without extension of MOU

Scrutiny of records of DWO, Una showed that the MOU for disbursement of pension through BC model had expired in February 2015 which was still to be extended as of June 2015.

The Director stated (June 2015) that the matter regarding extension of MOU was sent to Government for consideration. The reply is not acceptable as pension is being disbursed through BC model without extension of MOU.

3.27.5.6 Other points

Implementation of business correspondent model for disbursement of social security pension in Una district was reviewed (November 2014) by a committee consisting of Additional Chief Secretary (SJ&E), Deputy Commissioner (DC), Director (SCs, OBCs and Minority Affairs), Chief Manager, SBI, etc., under the chairmanship of Ministry of Social Justice and Empowerment. It was noticed that disbursement of the pension through biometric system had been found unsatisfactory by the DC in terms of timely distribution of pension, distribution of pension at the door steps, non-responsive behaviours of the CSPs and large number of payments with one CSP (seven to eight GPs per CSP). It was recommended that distribution of pension through Money Order system may be re-introduced as was implemented in other 11 districts. Thus, disbursement of the social security pension through biometric system had not achieved the desired results despite payment of ₹ 83.46 lakh on account of commission to the SBI.

While admitting the facts, the Director stated (June 2015) that recommendations of the DC had been submitted to the Government for consideration and further necessary action. The reply must be seen in the light of fact that disbursement of pension through BC model by SBI in the Una district had failed to achieve the desired objective.

3.27.6 Functioning of e-kalyan software

SSP Rules, 2010 provides that the implementation of the Social Security Pension Schemes i.e. receipt of application, sanction of pension/ allowance, disbursement of pension, fixing of priority for grant of pension, etc., was being done through e-kalyan, a software developed (October 2008) for the purpose by the State National Informatics Centre (NIC). It was noticed in audit that:

- Data base had not been taken from the e-kalyan computer software at the district or State level as of June 2015. In the absence of database the Department was unable to effectively implement the Social Security Pension Scheme.
- e-kalyan software had not been linked with the Directorate for effective implementation of the Social Security Pension Schemes in the State as of June 2015. As a result, the Directorate could not exercise any monitoring through this software.
- Actual control of the software was with the NIC at district level. Assistant concerned at the district level only feeds data related to eligible applicants and all the controls are exercised by the NIC as per suggestions of DWOs. As a result, the officials of the Department are dependent on the NIC to carry out necessary functions related to implementation of the schemes.
- e-kalyan software is not capable of detecting sanction of pension twice to the same beneficiary at the application level. In the absence of the same, cases of irregular sanction of pension to the same beneficiary could not be vouchsafed in audit through e-kalyan software as also commented in **Paragraph 3.27.4.7**.

The Director stated (May 2015) that the e-kalyan software was not presently web based application and only implemented at district level. The reply is not acceptable as the

Department had failed to upgrade the software to the requisite level to make it capable to meet the requirement for the efficient/ effective implementation of the pension schemes even after seven years since the software was used for the implementation of social security pension.

3.27.7 Monitoring

3.27.7.1 Shortfall in conducting of inspections

As per SSP Rules, 2010 the DWOs and TWOs concerned were required to inspect periodically the beneficiaries of Social Security Pension/ allowance during their field visits with regard to their eligibility. The DWOs and TWOs were to inspect 10 *per cent* and 25 *per cent* of the beneficiaries of the district/ tehsil respectively.

In Una district against 4,979 beneficiaries required to be inspected only 1,753 beneficiaries were inspected by DWO resulting in shortfall of 3,226 beneficiaries during 2012-15. Similarly in Mandi district against 17,350 beneficiaries no beneficiary was inspected during the aforesaid period. As regards four test-checked TWOs against the 80,798 beneficiaries no beneficiaries was inspected except in Amb Tehsil where against 1626 beneficiaries only 651 beneficiaries were inspected during 2014-15 resulting in shortfall of 975 beneficiaries. It was further noticed that no inspection notes were prepared for the inspections conducted, in the absence of same the outcome of the inspections so conducted could not be verified in audit.

The DWOs[162] and TWOs[163] concerned attributed the failure to inspect the beneficiaries to huge work load and acute shortage of staff.

3.27.7.2 Non-maintenance of Register for recording details of identified eligible individuals

As per SSP Rules, 2010 a register in Form-2 was required to be maintained by the TWOs to record the details[164] of identified eligible applicants.

Audit noticed that the aforesaid register had not been maintained by the TWOs during 2012-15. In the absence of the above register it could not be verified during audit as to when the applications were received by the TWOs and to whom the pension was finally sanctioned and whether the intimation of sanction was sent to GP concerned or not.

The TWOs stated (April-May 2015) that the above register could not be maintained due to shortage of staff. The reply is not acceptable as the register in Form-2 contains vital information about the beneficiaries and as such it should have been maintained as required under the rules.

3.27.8 Conclusion and recommendations

The Department had not evolved an effective mechanism for ensuring sanctioning of pension to eligible persons in a timely manner. There were numerous deficiencies in the manual and biometric system for pension payments. Mechanism for reporting the death, person becoming ineligible for pension and sanction of pension from other scheme was not in existence which resulted in blocking of funds, funds lying undisbursed and disbursement of pension to ineligible persons.

The Government may consider fixing time frame for finalisation of pension/ allowance and devise adequate mechanism for reporting of vital information in respect of disbursement of pension, death/ pensioners becoming ineligible, etc. and to avoid sanctioning and disbursement of pension to ineligible persons.

---

162 Mandi and Una.

163 Amb, Una, Joginder Nagar and Sarkaghat.

164 Date of receipt of applications, name and date of birth of the applicant, BPL number, name of GP, date of resolution of the Gram Sabha of GP, date of submission of application to TWO, date of sanction and date of intimation to GP of the sanction, etc.

There was delay in disbursement of pension and verification of pension disbursed. Social Security Pension was not granted for newly created category of individuals of more than 80 years of age with no limit of income.

The Government may consider undertaking beneficiary identification and updation of records on a continuous basis.

Pension disbursement through biometric system in Una district was not working properly and MOU with SBI for this system expired in February 2015 which had not been extended as of June 2015. In Mandi district e-kalyan system for implementation of pension was not web-based and effective.

The Government may consider upgrading e-kalyan software used for implementation of Social Security Pension.

There was shortfall in inspections of disbursement of pension.

The Government may consider devising mechanism for adequate inspections and monitoring of disbursement of pension/allowance.

The audit findings were referred to the Government in July 2015. Reply had not been received (November 2015).

Technical Education, Vocational and Industrial Training Department

3.28 Unfruitful expenditure on construction of building for Industrial Training Institute (ITI)

Failure of the Department to ensure investigation and survey of soil strata before taking up construction of ITI resulted in unfruitful expenditure of ₹ 1.45 crore and blocking of ₹ 32 lakh for more than six years.

The State Government accorded (March 2001) administrative approval (A/A) of ₹ 73.31 lakh for construction of building of ITI at Rajgarh (Sirmaur district) which was revised to ₹ 1.60 crore in April 2006. The site for construction of building was, however, finalised by the Department in April 2005 after a delay of more than four years from the first A/A of the work. The Department released ₹ 1.77 crore between March 2005 and March 2009 to the Himachal Pradesh State Industrial Development Corporation (HPSIDC) for execution of work within a period of one year.

Scrutiny of records (August 2014) of the Principal, ITI, Rajgarh running in a rented accommodation since August 2002 showed that HPSIDC commenced (September 2006) execution of the building involving construction of administrative and workshops blocks without ensuring investigation and survey of soil strata as required in public works construction manual. As a result, after expending ₹ 42.55 lakh on construction of administrative block, the scope of work had to be altered due to heavy landslides (August 2007) in the construction area. However, the work was continued by providing protection wall to already constructed administrative block and re-revising estimates (July 2008) to ₹ 2.23 crore. As the further construction work was underway with total expenditure of ₹ 1.45 crore, the framed structure of the upper terrace of the workshop block collapsed (September 2008) due to steep slope[165] (>40-50^{o}) of the site coupled with unscientific cutting and insufficient toe support. Thereafter the construction work of workshop block was lying in a suspended state and administrative block of ITI handed over to the Department in February 2010 was also not put to use as of July 2015. The matter was taken up (March 2014) with the Geological Survey of India (GSI) after lapse of more than five years from the incidence. The GSI reported (July 2014) that landslides

[165] Allowed slope of site as per regulations of State Town and Country Planning is upto 30^{o}.

were due to construction activities undertaken at a stabilised slide zone with steep slopes which became destabilised due to unscientific construction activities. Evidently, execution of building of the ITI without proper investigation and survey of site had rendered the expenditure of ₹ 1.45 crore incurred on construction and protection work as unfruitful besides blocking of balance funds of ₹ 32 lakh with HPSIDC for more than six years and denial of desired benefits of the building to the intended beneficiaries.

While confirming the facts, the Director Technical Education, Vocational and Industrial Training stated (December 2014) that the testing and survey of site was not felt necessary as the site was already inhabited. The State Government stated (July 2015) that the building would be put into use after meeting out all the precautionary measures as proposed by the GSI. The reply is not acceptable as pre-requisite investigation and survey of soil strata should have been carried out prior to taking up construction work of building of ITI. Moreover, the GSI had also recommended (July 2014) for not carrying out any construction activity in the affected area rendering the expenditure of ₹ 1.45 crore made so far on the building as unfruitful.

Thus, failure of the Department to ensure investigation and survey of soil strata before taking up the construction of ITI building resulted in unfruitful expenditure of ₹ 1.45 crore and blocking of ₹ 32 lakh for more than six years. Besides, keeping ₹ 32 lakh outside Government account from October 2008 to March 2015 resulted in interest loss[166] of ₹ 20.57 lakh to the State exchequer.

(Ram Mohan Johri)
Principal Accountant General (Audit)
Himachal Pradesh

Shimla
The 24 February 2016

Countersigned

(Shashi Kant Sharma)
Comptroller and Auditor General of India

New Delhi
The 25 February 2016

166 Calculated at average rate of interest on State Government borrowings.