

# **Chapter-III**

## **Compliance Audit**



**CHAPTER-III  
COMPLIANCE AUDIT**

**Agriculture Department**

**3.1 Idle investment on purchase of mobile soil testing laboratories**

**Lack of planning in procurement of Mobile Soil Testing Laboratories by not ensuring the operational staff for the laboratories resulted in their non-utilisation which rendered the investment of ₹ 2.02 crore as idle.**

With the objective of providing soil testing facility at farmer's doorsteps and issuing them soil health cards, three Mobile Soil Testing Laboratories (MSTLs) were procured by the Department of Agriculture for ₹ 2.02 crore from Electronics Corporation of India Limited, Hyderabad (firm) in March 2016 for three districts Mandi, Shimla and Solan under the Scheme 'National Mission on Sustainable Agriculture'. These units were to be provided with necessary equipment and instruments by the firm and the Department was to implement the scheme with the existing staff.

Scrutiny of records revealed that the firm supplied three MSTLs in March 2016 without equipping them with necessary equipment/ instruments. The fabrication work was completed in August 2016 which delayed utilisation of MSTLs by five months. Action could not be taken against the firm as no penal provision for delay was provided in the supply order. It was further noticed that the three MSTLs were not made fully functional till May 2017 due to non-providing of dedicated driver and technical staff<sup>1</sup> for these MSTLs by the Department. As a result, against the combined targets of 4,500 soil samples fixed for testing during 2016-17, only 66 samples (*one per cent*) were tested in the mobile testing labs by deploying existing staff of the Department. Evidently, the objective of establishment of mobile soil testing laboratories in the State remained basically unachieved and desired benefits of these units to farmers remained largely unfulfilled.

The Department stated (May 2017) that due to rush of work of soil health cards scheme in the departmental soil testing labs, its staff could not be deployed to the MSTLs. It was further stated that there is acute shortage of staff in the cadre of Agriculture Development Officers, Agriculture Extension Officers and drivers in the Department. The reply of the Department is not acceptable as it had the responsibility to implement the scheme with the existing staff and position of staff and drivers was known to Department beforehand and Department should have procured the MSTLs after proper planning.

Thus, lack of planning in procurement of mobile soil testing laboratories by not ensuring the operational staff for these laboratories resulted in their non-utilisation which rendered the investment of ₹ 2.02 crore as idle.

The audit findings were referred to the Government in May 2017. Reply had not been received (November 2017).

<sup>1</sup> Agriculture Development Officer (ADO): one, Agriculture Extension Officer (AEO): one and Lab Assistant (LA): one.

### **3.2 Loss in sale of organic/ orthodox black tea**

**Selection of a firm without competitive bidding and failure of Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishvavidyalaya to incorporate clause of performance bank guarantee in the memorandum of understanding (MOU) or invoke the MOU provision for liability for damages on breach of terms and conditions of the MOU resulted in loss of ₹ 75.62 lakh in supply of organic/ orthodox tea.**

Financial Rules<sup>2</sup> provide that contract should be awarded by following the standard method of obtaining bids and that performance security for an amount between five to 10 per cent of the value of contract shall be obtained from the successful bidder on the award of the contract to safeguard the interest of procuring Department.

In order to standardise the processing technology for manufacture of organic green and orthodox black tea and to transfer the technology to co-operative tea factories and private tea growers, the Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishvavidyalaya (CSKHPKV), Palampur set up a tea processing unit at a cost of ₹ 57.18 lakh in April 2008. The certified organic/ orthodox tea produced and processed by CSKHPKV is marked under the brand name "Dhauladhar Tea" with different grades and shelf life of two to three years.

For selling its organic/ orthodox tea, the Department of Tea Husbandry and Agro Forestry, CSKHPKV signed (April 2011) a Memorandum of Understanding (MOU) with a firm without following the prescribed open competitive bidding process due to lack of response shown by the distributors for purchase of tea sought through advertisements in newspapers. Clause 4 of the MOU provided that the CSKHPKV would supply its entire production to the firm during a period of five years from date of signing the MOU as per rates approved by the CSKHPKV and the CSKHPKV would not sell its product in the open market. MOU (Clause 13) further provided that both the parties shall abide by the terms and conditions of MOU and any breach of the same by either party shall render the other liable for damages.

Scrutiny of records of the Comptroller, CSKHPKV showed that despite requests made by the CSKHPKV from time and again, the firm lifted only 4,565 kgs of organic/ orthodox tea out of 24,855.50 kgs produced upto May 2012 and thereafter stopped lifting the tea. Further, the firm filed a suit in the Civil Court in June 2012 restraining CSKHPKV to make the supply of tea to any other firm or sale in the open market/ other outlet as per terms of MOU for the period of five years but withdrew the case in May 2014 without assigning any reason. Though the Civil Court had allowed (October 2012) the CSKHPKV to sell the product in the open market, no efforts were made by the CSKHPKV to sell the tea in the market till May 2015. In the meantime, due to non-lifting of tea by the firm, the stock relating to 2008-14 got piled up to 30,922 kgs having minimum value of ₹ 86.58 lakh<sup>3</sup>. As the quality of tea got deteriorated, out of 30,922 kgs, 19,920 kgs of tea was sold through open auction

<sup>2</sup> Rule 101 and 107 of the Himachal Pradesh Financial Rules, 2009 and paragraph 17 of the Central Vigilance Commission guidelines.

<sup>3</sup> Calculated at the minimum rate of ₹ 280 per kg fixed by the Vice Chancellor of CSKHPKV in June 2010 for different grades of organic tea.

during 2015-16 at the rate of ₹ 55 per kg for ₹ 10.96 lakh and the remaining stock of 11,002 kgs was lying unsold as of March 2017 and its shelf life had expired.

Audit observed that neither any performance bank guarantee was obtained as required in the Financial Rules nor the MOU provision of liability for damages in the case of breach (of Clause 4) of the terms and conditions of the MOU was invoked against the firm which led to loss of ₹ 75.62 lakh<sup>4</sup> to CSKHPKV in sale of organic/ orthodox tea.

The Comptroller of CSKHPKV stated (April 2017) that the clause of bank guarantee/ security was not incorporated in the MOU because the firm had agreed to make payments in advance. The reply is not acceptable as there was no such clause in the MOU regarding advance receipt of payments and no action for seeking damages was initiated against the firm.

Selection of firm without competitive bidding and failure of the CSKHPKV to incorporate clause of performance bank guarantee in the MOU or invoke the provision regarding liability for damages on breach of the terms and conditions (of clause 4) of the MOU of lifting of tea produced by the CSKHPKV resulted in loss of ₹ 75.62 lakh in supply of organic/ orthodox tea to a firm.

The audit findings were referred to the Government in June 2017. Reply had not been received (November 2017).

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<sup>4</sup>	Total quantity of old stock of organic tea = 30,922 x minimum rate fixed for sale of tea i.e. ₹ 280 / kg	₹ 86,58,160
	Less amount of quantity auctioned = 19,920 x auction rate of tea i.e. ₹ 55 / kg	₹ 10,95,600
	Difference	₹ 75,62,560

## Agriculture and Horticulture Departments

### 3.3 Agriculture Crop Insurance Schemes

Coverage of farmers under the crop insurance schemes in the State was quite low. Under National Agriculture Insurance Scheme, only 1.72 per cent farmers for *Kharif* crops and 1.01 to 1.68 per cent for *Rabi* crops were covered during 2014-16. Under Weather Based Crop Insurance Scheme (WBCIS), only 0.09 to 2.43 per cent farmers for *Kharif* crops and 9.34 to 13.61 per cent farmers for *Rabi* crops were insured during 2014-17. The delay of 14 to 98 days in issue of crops/ areas notifications resulted in less coverage of farmers especially non-loanee farmers. Instead of *gram panchayat* or revenue circle being the smallest insurance unit/ area, Agriculture Department adopted tehsil or block as insurance unit due to which crop losses were not assessed accurately. Submission of cases to insurance companies after cut off dates during 2016-17 resulted in non-coverage of 5,405 farmers.

#### 3.3.1 Introduction

Government of India (GOI) has introduced several crop insurance schemes over the past three decades to insure farming community against various risks like natural calamities, pests and disease that lead to partial or full failure of crops. The following three crop insurance schemes remained in operation in the State during 2014-17.

#### National Agricultural Insurance Scheme

Government of India (GOI) introduced (1999-2000) the 'National Agricultural Insurance Scheme (NAIS)' with a view to mitigate financial losses on account of damage and destruction of agriculture crops by insuring the farming community. The NAIS was adopted by the State from *Rabi*<sup>5</sup> crop season of 1999-2000.

#### Weather Based Crop Insurance Scheme

In order to provide insurance protection to the farmers against adverse weather incidences<sup>6</sup>, 'Weather Based Crop Insurance Scheme (WBCIS)' was introduced by the GOI in 2007-08 and was adopted in the State from *Rabi* season 2008-09.

#### Pradhan Mantri Fasal Bima Yojana

In order to provide better and cheaper insurance service, the GOI introduced (February 2016) 'Pradhan Mantri Fasal Bima Yojana (PMFBY)' replacing the NAIS from *Kharif* season 2016. The PMFBY provides for insurance cover to all stages of the crop cycle, including post-harvest risks in specified instances<sup>7</sup>.

These insurance schemes cover all major crops<sup>8</sup> in the State.

#### 3.3.2 Audit objectives

Audit objectives of agriculture crop insurance schemes were to see whether:

<sup>5</sup> *Rabi* season crops are grown during winter and harvested in April and May and include wheat, barley, mustard, etc.

<sup>6</sup> Deficit and excess rainfall, frost, heat (temperature), relative humidity, storm, hailstorm, etc.

<sup>7</sup> Coverage upto two weeks from harvesting of crops allowed to dry in cut and spread condition in the field against specific perils of cyclone/ cyclonic rains and unseasonal rains.

<sup>8</sup> Wheat and barley crops of *Rabi* season and maize, paddy and potato crops of *Kharif* season under NAIS/ PMFBY and ginger, tomato and peas of *Kharif* seasons and tomato, potato, capsicum and fruit crops (mango, apple, citrus, etc.) of *Rabi* season under WBCIS.

- (i) Funds were provided adequately and in timely manner to ensure effective and economic utilisation,
- (ii) Crop insurance schemes were implemented effectively, and
- (iii) Effective control systems were in place to monitor the schemes.

### 3.3.3 Audit Scope

Audit of agriculture crop insurance schemes<sup>9</sup> in the State covering the period 2014-15 to 2016-17 was conducted during April and May 2017 by test-check of records of Directors of Agriculture and Horticulture, Deputy Directors of Agriculture of Kangra and Shimla districts, Subject Matter Specialists of Dharamshala, Kangra, Jubbalkotkhai and Theog blocks, Agriculture Insurance Company (AIC), Regional Office, Chandigarh and five bank branches<sup>10</sup>.

### 3.3.4 Role of various entities for crop insurance schemes

#### Government of India

Ministry of Agriculture and Farmers' Welfare is the apex authority responsible for overall implementation of the crop insurance schemes and release of GOI share of premium subsidy and financial liability towards insurance claim over and above 100 *per cent* of premium collected by Agriculture Insurance Company.

#### State Government

The State Agriculture and Horticultural Departments are the apex authorities responsible for implementation of the schemes in the State. The Horticulture Department deals with major fruit crops while the Agriculture Department is responsible for other crops. At the beginning of each crop season, the State Government notifies the crops and defined areas to be covered during the season in accordance with the decision of the State Level Coordination Committee on Crop Insurance (SLCCCI), headed by the Additional Chief Secretary (Agriculture). The State Government also provides yield data after carrying out requisite numbers of crop cutting experiments (CCEs)<sup>11</sup> to insurance companies within stipulated dates specified in the notifications.

#### Implementing Agencies

As per the operational guidelines of the schemes, implementing agencies including Agriculture Insurance Company as well as other empanelled private insurance companies are responsible for providing crop insurance to farmers. The implementing agencies deal only with nodal points<sup>12</sup>. The Agriculture Insurance Company is required to receive details of insured farmers from the nodal points/ other private insurance companies and forward the claims for premium subsidy to the GOI and State Government for release of their shares. On receipt of funds from GOI and State Government, AIC releases the premium subsidy to the private insurance companies/ nodal points.

<sup>9</sup> National Agriculture Insurance Scheme for 2014-16, PMFBY for 2016-17 and WBCIS for 2014-17.

<sup>10</sup> State Bank of India: Kotkhai and Theog, Himachal Pradesh State Cooperative Bank: Kotkhai and Theog and United Commercial Bank: Kotkhai.

<sup>11</sup> Experiments to assess the crop yield in notified/ specified areas.

<sup>12</sup> Points fixed by scheduled commercial banks to deal with insurance company on behalf of its branches in the district.

## **Banks/ financial institutions**

Banks and financial institutions<sup>13</sup> provide loans to farmers, collect farmers' share of insurance premium, prepare consolidated statements on various categories of farmers and forward the same to the nodal points (nodal branches at district headquarters designated as nodal points) along with the insurance premium. Disbursing branches maintain the records of proposal forms and other relevant documents for verification by district level monitoring committees or representatives of implementing agencies. The nodal points submit crop-wise/ area-wise monthly crop insurance declaration to implementing agencies in prescribed formats. Banks receive four *per cent* of the premium collected from farmers as service charges.

### **3.3.5 Financial Management**

Under NAIS (applicable upto *Rabi* seasons 2015-16), 50 *per cent* subsidy on premium was admissible to the farmers and the premium subsidy was shared by the GOI and State Government in the ratio of 10:90.

Under PMFBY, the implementing agencies would charge the actuarial premium rates and the farmers would pay insurance charges at fixed rate<sup>14</sup>. Difference between actuarial premium rate and the rate of insurance charges being the rate of normal premium subsidy is to be equally borne by the GOI and State Government.

Under WBCIS, upfront premium subsidy upto 50 *per cent* of the premium to farmers is provided by GOI and State Government in the ratio of 50:50.

#### **3.3.5.1 Allocation of funds and expenditure**

Audit noticed that, Directorates of Agriculture and Horticulture had not maintained the data of GOI share of premium subsidy released directly to the insurance companies during 2014-17. The payments of State share of premium subsidies to the insurance companies were released as per their demands without verification at State level. Resultantly, the correctness of claims could not be ascertained in audit. The details of budget allocation of State share and expenditure incurred thereagainst by the Agriculture and Horticulture Departments under the crop insurance schemes during 2014-17 are depicted below:

**Table-3.3.1: Details of State budget allocation and expenditure incurred thereagainst under crop insurance schemes during 2014-17**

(₹ in crore)

Year	Agriculture Department			Horticulture Department		
	Budget	Expenditure	Savings	Budget	Expenditure	Savings
2014-15	3.50	1.12	2.38 (68)	6.17	6.17	Nil
2015-16	2.50	2.00	0.50 (20)	10.43	9.22	1.21 (12)
2016-17	3.32	3.03	0.29 (09)	15.00	9.14	5.86 (39)
<b>Total</b>	<b>9.32</b>	<b>6.15</b>	<b>3.17</b>	<b>31.60</b>	<b>24.53</b>	<b>7.07</b>

Source: Departmental figures.

- Against budget allocations during 2014-17, there were savings ranging between nine and 68 *per cent* in the Agriculture Department which were surrendered indicating that the budget allocations did not match the demands during above period. Besides, surrender of ₹ 2.38 crore in January 2015 was made without

<sup>13</sup> Scheduled commercial banks, cooperative banks and regional rural banks.

<sup>14</sup> *Kharif* season: two *per cent* of sum insured or actuarial rate, whichever is less, *Rabi* seasons: 1.5 *per cent* of sum insured or actuarial rate, whichever is less and Annual commercial/ annual horticulture crops: five *per cent* of sum insured or actuarial rate, whichever is less.

ascertaining likely demand of State share of premium subsidy during the remaining period of 2014-15. Incidentally, the Agriculture Insurance Company raised demand of State share of premium subsidy of ₹ 1.30 crore in March 2015. To meet this demand, the Department had to seek additional funds against which the State Government made a provision of ₹ 1.06 crore only resulting in short allocation of ₹ 0.24 crore during 2014-15.

- In the Horticulture Department there were savings of 12 and 39 *per cent* during 2015-16 and 2016-17 respectively. However, in spite of availability of funds during above period, there was delay in release of State share of premium subsidy to the Agriculture Insurance Company as indicated in the succeeding paragraph.

The Director, Agriculture stated (May 2017) that amount was surrendered before close of the financial year. The reply should be seen in the light of fact that the surrender was made without ascertaining the demand of State share of premium subsidy for the remaining period of 2014-15. Reply from the Horticulture Department was awaited.

### 3.3.5.2 Delay in payment of State share of premium subsidy

As per WBCIS guidelines, the State Government is required to release its share of premium subsidy to insurance companies in the beginning of every crop season based on fair estimates submitted by them and settle balance of actual premium subsidy for the season as soon as final figures are submitted by the insurance company. For *Rabi* crop season under WBCIS being implemented by the Horticulture Department, the banks were required to send the list of insured farmers to insurance companies within 15 days from the cut-off date (31 December). After verification, the insurance companies were to send the lists to the Government for release of premium subsidy within three months (30 April of the following year) so as to ensure settlement of claims thereof within 45 days from the cessation of risk period (30 June of the following year).

Audit noticed that under the WBCIS, the Department had not released amount of premium subsidy to the insurance companies in the beginning of crop seasons during 2014-17. For crop seasons 2014-15 and 2015-16 the insurance companies had submitted the final bills of premium subsidy of ₹ 18.36 crore to the Department after delay of 04 to 144 days and the Department had taken more than 68 to 204 days in releasing of the premium subsidy to the Agriculture Insurance Company as depicted below:

**Table-3.3.2: Details of release of premium subsidy to insurance companies by Horticulture Department**  
(Amount ₹ in crore and delay in days)

Year	Loanee farmers	Non-loanee farmers	Amount	Submission of bills by insurance companies (Due date 30 April)		Date of release of premium subsidy to AIC	Time taken by Department (from the last date of the bill)
				Date of bill	Delay		
2014-15	96,623	623	9.22	AIC: 17 August 2015 HDFC: 01 September 2015 ICICI: 22 September 2015	108 123 144	01 December 2015 to 01 March 2016	68 to 159 days
2015-16	1,27,926	1,020	9.14	AIC: 27 August 2016 HDFC: 14 July 2016 ICICI: 08 August 2016 Iffco Tokio: 02 August 2016 Reliance: 05 May 2016 Chola MS: 01 August 2016	118 74 99 93 04 92	03 December 2016 to 20 March 2017	97 to 204 days
2016-17	84,461	5,296	14.03	NA		NA	NA
<b>Total</b>	<b>3,09,010</b>	<b>6,939</b>	<b>32.39</b>				

Source: Departmental figures.

The premium subsidy claims for *Rabi* crop season for 2016-17 had not been processed by the insurance companies/ Department as of May 2017. The delay in release of premium subsidy by the Department would result in further delay in payment of claims to the beneficiaries by the insurance companies. Though asked for (May 2017), the Department had not furnished reasons for the same as of June 2017.

### **3.3.6 Implementation of the schemes**

The schemes are compulsory for loanee farmers and voluntary for non-loanee farmers. The components under the schemes were to be implemented on 'Area Approach' basis where yield of notified areas under NAIS/ PMFBY and weather data of notified Reference Automatic Weather Stations under WBCIS are taken as unit for assessment and payment of claims in case of calamities.

#### **3.3.6.1 Adoption of defined area/ insurance units**

The guidelines of NAIS/ PMFBY stipulate that the scheme would operate on unit area approach for each notified crop and the small insurance units would be village/ *gram panchayat* (GP) or any other equivalent unit which would facilitate the assessment of crop loss accurately. Based on area approach, all the farmers in the defined area get indemnified if the actual yield of the defined area shows a shortfall when compared to the threshold yield which is moving average of previous years' crop yield<sup>15</sup>.

Audit noticed that State Government had not adopted GP/ village as defined unit area during 2014-17. For wheat, paddy and other crops, tehsil/ block was adopted as unit of insurance. Since there are wide variations in soil conditions, availability of irrigation facilities, incidence of rainfall and occurrence of natural calamities in various parts of the same tehsil/ block, the yield obtained by farmers may vary considerably. Estimation of crop loss at GP/ village level would project a more realistic picture of the crop condition. Thus, crop losses were not determined accurately and compensation to farmers was not based on proper assessment as also indicated in the succeeding paragraph. Though asked for (May 2017), the Director of Agriculture did not furnish reasons for the same.

#### **3.3.6.2 Delay in issue of notification**

As per schemes guidelines, at the beginning of each crop season (March for *Kharif* and September for *Rabi*) the State Government was to issue notification containing scheme-wise crops and defined areas selected for insurance coverage, maximum sum insured, rate of normal and actuarial premium, etc., as per decision of the State Level Coordination Committee on Crop Insurance (SLCCCI) meetings to be held one month in advance of the commencement of the crop season. As per notification, the banks are to submit declaration forms of the farmers insured within cut-off date *i.e.* 31 July and 31 December every year for *Kharif* and *Rabi* seasons respectively.

Audit noticed that crops and defined area notifications under the crop insurance schemes during 2014-17 were issued by the State Government after a delay<sup>16</sup> ranging

<sup>15</sup> Three years' average crop yield for rice and wheat and five years' average crop yield for other crops.

<sup>16</sup> Agriculture Department for *Kharif*: 08 July 2014 (98 days); 07 May 2015 (36 days) and 28 April 2016 (27 days) and for *Rabi* : 21 October 2014 (20 days); 15 October 2015 (14 days) and 26 October 2016 (25 days) and Horticulture Department for *Rabi* season: 24 November 2014 (54 days); 09 November 2015 (39 days) and 03 November 2016 (33 days).

between 27 and 98 days for *Kharif* season and 14 to 54 days for *Rabi* season. The delay in issue of notifications attributed to delay of 37 to 125 days in convening of meetings<sup>17</sup> of SLCCCI during above period resulted in less coverage of non-loanee farmers under the schemes, as the insurance companies were given little time to market the insurance products amongst the farmers within the cut off dates. The Directors of Agriculture and Horticulture Departments did not furnish reasons for the same.

### 3.3.6.3 Coverage of beneficiaries

The schemes guidelines stipulate that the State Government should ensure maximum coverage of farmers including non-loanee farmers.

The crop season-wise details of farmers covered and benefitted under the crop insurance schemes in the State during 2014-17 are depicted below:

**Table-3.3.3: Details of farmers insured and benefitted insurance schemes during 2014-17**  
(Farmers in numbers, area in hectares and amount ₹ in crore)

Year	Season	Total Farmers covered (per cent <sup>18</sup> )	Non-loanee farmers covered (per cent of 3)	Area Insured	Sum Insured	Claims paid	Farmers benefitted (per cent <sup>19</sup> )
1	2	3	4	5	6	7	8
<b>National Agriculture Insurance Scheme/ Pradhan Mantri Fasal Bima Yojana</b>							
2014-15	<i>Kharif</i>	16,573 (1.72)	2 (0)	12,903	67.18	0.18	272 (1.64)
	<i>Rabi</i>	16,182 (1.68)	0 (0)	15,963	78.92	0.27	130 (0.80)
2015-16	<i>Kharif</i>	16,398 (1.71)	140 (0.85)	11,859	75.59	1.62	2,611 (15.92)
	<i>Rabi</i>	9,727 (1.01)	0 (0)	7,724	44.78	0.97	3,541 (36.40)
2016-17	<i>Kharif</i> *	1,11,534 (11.61)	1,937 (1.74)	35,660	253.33	1.93	4,929 (4.42)
	<i>Rabi</i> *	1,17,627 (12.24)	NA	NA	NA	NA	NA
<b>Weather Based Crop Insurance Scheme</b>							
2014-15	<i>Kharif</i>	856 (0.09)	0 (0)	95.38	0.95	0.11	856 (100)
	<i>Rabi</i>	99,088 (10.31)	686 (0.69)	596.53	328.17	35.33	94,265 (95.13)
2015-16	<i>Kharif</i>	12,346 (1.29)	508 (4.11)	1,742.55	20.22	2.18	9,646 (78.13)
	<i>Rabi</i>	1,30,772 (13.61)	1,067 (0.82)	294.15	434.43	32.40	1,01,224 (77.40)
2016-17	<i>Kharif</i>	23,370 (2.43)	463 (1.98)	4,023.00	44.13	3.92	22,351 (95.64)
	<i>Rabi</i> *	89,757 (9.34)	5,296 (5.90)	NA	NA	NA	NA

Source: Departmental figures. \*Data is tentative. NA: Not available.

- (i) Farmers ranging between 1.71 and 1.72 per cent for *Kharif* season and 1.01 and 1.68 per cent for *Rabi* season were covered under NAIS during 2014-16 which indicated that the coverage was very low. However, consequent upon launching of PMFBY from *Kharif* season 2016-17, the coverage of farmers had increased to 11.61 and 12.24 per cent for *Kharif* and *Rabi* seasons respectively. The Director of Agriculture did not furnish reasons for less coverage of the farmers.
- (ii) Percentage of coverage of farmers under WBCIS during 2014-17 for *Kharif* season ranged between 0.09 and 2.43 and that of *Rabi* season it ranged between 9.34 and 13.61. Thus, coverage of farmers covered under WBCIS was also low.
- (iii) Under NAIS/ PMFBY, the percentage of farmers benefitted against the insured farmers ranged between 1.64 and 15.92 for *Kharif* season and that of *Rabi* season it ranged between 0.80 and 36.40.

<sup>17</sup> Delay in meetings for *Kharif* season: 04 July 2014 (125 days), 02 May 2015 (62 days) and 25 April 2016 (55 days) and *Rabi* season: 13 October 2014 (42 days), 08 October 2015 (37 days) and 24 October 2016 (53 days).

<sup>18</sup> Percentage of total 9,60,765 farmers in the State as per Census-2011.

<sup>19</sup> Percentage of total farmers covered.

- (iv) Of the total farmers covered under NAIS, non-loanee farmers were not covered for *Rabi* crop season during 2014-16. For *Kharif* season, only two non-loanee farmers were covered during 2014-15 and 140 (0.85 *per cent*) during 2015-16 whereas only 1.74 *per cent* non-loanee farmers were covered under PMFBY during 2016-17. Under WBCIS, no non-loanee farmer was covered for *Kharif* crops 2014-15 whereas coverage of non-loanee farmers for *Kharif* crops during 2015-17 and *Rabi* crops during 2014-17 ranged between 0.69 and 5.90 *per cent*. Thus, the coverage of non-loanee farmers was very low. The low coverage of non-loanee farmers was mainly due to delay in issue of notifications and non-awareness amongst farmers.

#### **3.3.6.4 Non-coverage of farmers by banks**

Schemes guidelines provide that on receipt of notification of crops and areas from the State Government, the banks were to submit crop-wise and reference unit area (RUA) wise crop insurance declarations in respect of loanee cultivators to the insurance companies in the prescribed format alongwith the premium payable on the acreage shown in the loan application forms within the stipulate time. Audit noticed that:

- As per crop notifications (April 2016 and October 2016), cut-off dates for *Kharif* and *Rabi* 2016 seasons were 31 July 2016 and 31 December 2016 respectively. However, 24 scheduled commercial and cooperative banks had submitted crop insurance declaration forms to the Regional Manager, AIC, Chandigarh after the cut-off dates (**Appendix-3.1**) which resulted in rejection of insurance declaration forms of 5,405 farmers by insurance company and return of premium instruments of ₹ 9.64 lakh to the banks depriving concerned beneficiaries of the intended crop insurance facility.
- Out of 2,772 loanee farmers in two test-checked banks<sup>20</sup>, 348 farmers were not covered under any of the crop insurance schemes by Himachal Pradesh State Cooperative Bank, Theog (247) during 2014-17 and UCO Bank, Kotkhai (101) during 2016-17. Though asked for (May 2017), the banks did not furnish reasons for the lapse.

#### **3.3.6.5 Monitoring, review and impact assessment of schemes**

The crop insurance schemes were not monitored properly as discussed below:

- As required under Operational guidelines of WBCIS (January 2014) and PMFBY, the State Government had not included farmers' representatives in the SLCCCI as of March 2017. In the absence of the farmers' representation, in the issues/ grievances of the affected community at large cannot be addressed properly.
- No database comprising name of farmers, photos, category of farmers, cultivable land area, etc., for coverage of farmers and effective monitoring of progress of the schemes was maintained at any level in the Departments of Agriculture and Horticulture. In the absence of details of beneficiaries with the Departments, the payments of insurance premium subsidies to implementing agencies were released as per their demand without verification at State level.

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<sup>20</sup> Himachal Pradesh State Cooperative Bank, Theog: 1,441 and UCO Bank, Kotkhai: 1,331.

- As per schemes guidelines, the State Government was to set up District Level Monitoring Committee (DLMC) headed by the District Collector to monitor implementation of the schemes by providing fortnightly crop condition reports, periodical reports of seasonal weather conditions, loan disbursed, extent of area cultivated, etc., on random basis to ensure proper coverage under the schemes. DLMC was formed in the State in November 2016 and no progress thereof was received as of May 2017 which indicated the schemes remained un-monitored by DLMC during 2014-17.
- No system was in place in the Departments to deal with and resolve complaints of the aggrieved farmers as the Departments had not maintained records regarding number of complaints received, disposed and pending for disposal.
- As per schemes guidelines, the Departments had not conducted periodical reviews and impact assessment of the crop insurance schemes after completion of each season and send suggestions/ recommendations to the GOI for making further improvements in the schemes.

### 3.3.6.6 Inspection of Automatic Weather Stations

Weather data is critical for weather insurance to generate credible results in terms of payouts. With a view to ensure that Reference Weather Stations (RWSs) meet the basic prescribed standards<sup>21</sup>, the GOI instructions (February 2014) provide for review/ inspection of sites and functioning of all Automatic Weather Stations (AWSs) by the Government officials in consultations with Indian Meteorological Department (IMD) before notification/ commencement of risk period for the *Kharif* 2014 season.

It was, however, noticed that no inspection of AWSs was conducted by Agriculture and Horticulture departments during 2014-17. The departments admitted (May and June 2017) the facts.

### 3.3.7 Conclusion

Crop insurance schemes were not implemented in the State in a proper manner which was evident by

- low coverage of farmers;
- non-maintenance of database of beneficiaries;
- delays in issue of notification of areas and crops to be covered;
- ineffective crop cutting experiments to assess the extent of loss;
- payment of premium to insurance companies without verification;
- delays in finalisation of insurance claims; and
- non-existence of monitoring mechanism.

*The conception and implementation of the scheme needs to be overhauled so that the benefits can reach the farmers.*

Audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

<sup>21</sup> Location: Level place of ground, covered with short grass or natural earth ideally 5x7 metre in dimension; Free from obstruction like tall buildings, tree, etc.; free from any encumbrance and identification and avoidance of potential sensor contaminants (water and dust).

Animal Husbandry Department

3.4 Avoidable expenditure on procurement of medicines/ equipment

**Failure of the Department to adhere to scheme guidelines in procurements out of Rashtriya Krishi Vikas Yojana and National Project for Cattle and Buffalo Breeding funds led to avoidable payment of handling charges of ₹ 60.71 lakh to HP State Cooperative Wool Procurement and Marketing Federation Limited.**

Guidelines of *Rashtriya Krishi Vikas Yojana* (RKVY) permits the States to use upto one *per cent* of funds on administrative expenditure that includes payment to consultants and recurring expenses of various kinds. States are to supplement any administrative expenditure in excess of the one *per cent* from their own resources. Similarly, the centrally sponsored scheme of National Project for Cattle and Buffalo Breeding (NPCBB) prohibits the State Implementing Agency (SIA) to procure goods through other agencies on commission basis.

Scrutiny of records of the Director, Himachal Pradesh Livestock and Poultry Development Board (HPLPDB) showed that HPLPDB was designated as SIA for making purchases of medicines/ equipment from grants received under RKVY/ NPCBB. The SIA purchased medicines/ equipment valuing ₹ 14.52 crore (RKVY: ₹ 11.91 crore and NPCBB: ₹ 2.61 crore) during 2008-16 through Himachal Pradesh State Cooperative Wool Procurement and Marketing Federation Limited (HPSWFL) and paid commission/ handling charges of five *per cent* (for facilitating the finalisation of rate contracts, placing of orders on the approved parties and follow-ups) amounting to ₹ 72.62 lakh (RKVY: ₹ 59.57 lakh and NPCBB: ₹ 13.05 lakh) on purchases made out of RKVY/ NPCBB funds during the above period. The payment of commission/ handling charges of ₹ 13.05 lakh under NPCBB (payment of commission/ handling charges is not allowed under NPCBB) and ₹ 47.66 lakh over and above one *per cent* allowed under RKVY was in violation of *ibid* provisions.

The Deputy Secretary (Animal Husbandry) stated (July 2017) that the HPSWFL has been declared as nodal agency for finalisation of tenders and procurement of medicines/ equipment for the Department on payment of five *per cent* handling charges. The reply should be seen in the light of fact that the State Implementing Agency was not allowed to involve any other agency for the procurement of medicines/ equipment under NPCBB and handling charges in excess of one *per cent* under RKVY should have been met from State budget.

Thus, failure of the Department to adhere to scheme guidelines in procurements out of RKVY/ NPCBB led to avoidable payment of commission/ handling charges of ₹ 60.71 lakh (RKVY: ₹ 47.66 lakh and NPCBB: ₹ 13.05 lakh) to HPSWFL which could have been utilised on procurement of additional medicines/ equipment to cover other needy beneficiaries to that extent.

## Forest Department

3.5 Establishment of *Van Thanas*

**Lack of proper planning in implementation of policy for establishment of *Van Thanas* resulted in non-utilisation of infrastructure worth ₹ 4.04 crore for intended purpose.**

The State Government formulated (November 2008) a policy for establishment of *Van Thanas* for protection and checking the menace of illicit felling, smuggling of timber, encroachment of forest land and other forest offences. As per the policy, four to six forest beats were to be clubbed together to form a *Van Thana* which would function as collective entity, both for developmental and enforcement purposes. The staff of *Van Thanas* was to be equipped with wireless sets, mobile phones, vehicles and arms to control forest offences and nab offenders. The State Government notified (September 2010) the Himachal Pradesh *Van Thana* Rules, 2010 as per Section 76(d) of the Indian Forest Act 1927. The Principal Chief Conservator of Forests accorded (September 2009-March 2011) administrative approval for construction of building of 13 *Van Thanas* for ₹ 3.94 crore. In January 2011, the State Government notified establishment of 17 *Van Thanas*<sup>22</sup> in the State.

Scrutiny of records of Principal Chief Conservator of Forest, Shimla showed that construction work of 11 *Van Thanas* (except *Van Thanas* Sainj and Puruwala) was completed by the Forest Department between March 2010 and March 2014 after incurring an expenditure of ₹ 3.48 crore. Buildings of *Van Thanas* at Sainj and Puruwala could not be completed in spite of expenditure of ₹ 56.42 lakh till March 2017 which was attributed to non-availability of sufficient funds due to increase in wage rate and cost of material. Despite availability of buildings, above 11 *Van Thanas* could not be made fully functional due to failure of the Department to provide requisite staff<sup>23</sup>, communication system such as telephones and wireless network, vehicles, drivers and arms and ammunition. Deployment of existing staff of forest beats to *Van Thanas* in addition to their normal duties hampered the development works as well as detection of forest offences as against 37,705 offences reported in the State during 2011-14, only 407 (one per cent) were detected through *Van Thanas*. As a result, the policy of *Van Thanas* was abolished by the State Government in September 2014. Evidently, the *Van Thanas* established without proper planning and non-providing of staff and equipment did not achieve the intended objective and investment of ₹ 4.04 crore on the van thana buildings was rendered largely unproductive.

The Principal Chief Conservator of Forest (March 2017) and Divisional Forest Officers concerned attributed (July 2016-January 2017) non-utilisation of buildings for intended purpose to decision (September 2014) of the Government to abolish establishment of *Van Thanas* because of shortage of staff. It was further stated that

<sup>22</sup> Balu, Bassi, Bhogarwan, Deokhan, Gagret, Habban, Jibhi, Kalehan, Mohal, Naggar, Nagrota Surian, Nankhari, Puruwala, Ropa, Sainj, Theog and Tikker.

<sup>23</sup> Against the requirement of 99 Deputy Rangers/ Forest Guards/ Forest workers in these van thanas, only 67 (Deputy Rangers: eight; Forest Guards: 30 and Forest workers: 29) were deployed.

seven of the 11 buildings are being utilised for other purposes such as residence, office and transit accommodation. The reply should be seen in the light of fact that, implementation of policy of the Government to establish *Van Thanas* was not proper due to non-deployment of requisite staff and non-providing of necessary equipment and arms and ammunition. As such, investment of ₹ 4.04 crore on construction of building of *Van Thanas* could not be utilised for the intended purpose.

The audit findings were referred to the Government in May 2017. Reply had not been received (November 2017).

### **3.6 Non-deposit of Net Present Value to *Ad hoc* Compensatory Afforestation Fund Management and Planning Authority (CAMPA)**

**In violation to the Supreme Court orders, the Department deposited the Net Present Value of ₹ 59.31 crore received from Koldam Hydro Electric Project Authority in Government account instead of *Ad hoc* CAMPA. Resultantly, the forest conservation activities to mitigate the environmental loss were not undertaken out of the above amount.**

As per the observations of the Supreme Court (October 2002) and under the Forest (Conservation) Act, 1980 (FCA), the Net Present Value (NPV) for diversion of forest land for non-forestry purposes was to be realised at prescribed rates<sup>24</sup> depending upon the quantity and density of the forest land diverted from the user agencies as cost of benefits lost in respect of the forest tracts. As per Apex Court orders of May 2006, the entire amount of NPV so realised was to be transferred to the *Ad hoc* (Central) Compensatory Afforestation Fund Management and Planning Authority (CAMPA). The *Ad hoc* CAMPA was to release annually an amount equal to 10 per cent of the principal amount and interest lying to the credit of the respective State on submission of Annual Plan of Operation by the State CAMPA<sup>25</sup> for utilisation on activities such as natural assisted regeneration, forest management, protection, infrastructure development, wildlife protection and management, etc.

Scrutiny of records of the Conservator of Forests, Bilaspur brought out that 954.69 *hectare* of forest land was diverted (June 1990) for the Koldam Hydro Electric Project Authority for non-forestry purpose. The Project Authority after a delay of 12 years from the apex court orders transferred NPV of ₹ 59.31 crore<sup>26</sup> to the State Forest Department during October-November 2014. However, the Department in contravention to the provisions, *ibid*, deposited (October-November 2014) the entire amount into Government account under receipt head instead of depositing the same into the *Ad hoc* CAMPA account. The State Government did not incur any expenditure on forest management and protection related activities in lieu of NPV so deposited into the Government account during 2014-17. Evidently, the *Ad hoc* CAMPA was deprived of ₹ 59.31 crore and as a result the envisaged activities out of NPV realised from Koldam Hydro Electric Project Authority to mitigate the environmental loss could not be undertaken by the State CAMPA.

<sup>24</sup> Upto March 2008: ₹ 5.80 lakh to ₹ 9.20 lakh per hectare and from April 2008 and onwards: ₹ 6.99 lakh to ₹ 10.43 lakh per hectare.

<sup>25</sup> State CAMPA was constituted in August 2009 and receives funds from Central *Ad hoc* CAMPA for implementing CAMPA related activities in the State.

<sup>26</sup> ₹ 50.00 crore on 13 October 2014 and ₹ 9.31 crore on 05 November 2014.

The Conservator of Forests stated (October 2015-August 2017) that the amount was deposited under the receipt head as per directions of the Principal Chief Conservator of Forests and no amount had been received for the forest management and protection activities from the State Government since 2009-10. The reply is not tenable because the amount of NPV was required to be deposited into *Ad hoc* CAMPA as per Forest (Conservation) Act, 1980 and was to be utilised on forest conservation activities in compliance to the Supreme Court orders.

Audit findings were referred to the Government in May 2017. Reply had not been received (November 2017).

## **Health and Family Welfare Department**

### **3.7 Implementation of Food Safety and Standards Act, 2006**

**The Department neither conducted survey to identify food business establishments nor maintained data-base of such establishments. The large number of vacant posts of Food Safety Officers was a major concern, hindering the process of proper registration and licensing, conduct of surveillance and inspections and lifting of food samples. The food testing laboratory at Kandaghat was not equipped with required infrastructure for testing of food samples. The institutional/ regulatory framework and infrastructure in the State were not adequate and monitoring of adherence to prescribed standards of food quality/ safety was weak.**

#### **3.7.1 Introduction**

With a view to ensure food safety standards in the country and to regulate manufacture, storage and sale of food items, the Government of India (GOI) enacted (August 2006) the Food Safety and Standards (FSS) Act, 2006 (Act) and framed the Food Safety and Standards (FSS) Rules, 2011 (Rules).

The Act and Rules envisage maintenance of food safety standards through a system of registration and licensing of Food Business Operators (FBOs), regular inspections of FBOs and drawing of samples of food items for analysis in testing laboratories and imposition of sanction, fine or imprisonment in case of contravention of prescribed norms/ standards/ rules.

In the State of Himachal Pradesh, the Act came into force in August 2011. The Commissioner, Food Safety (Principal Secretary, Health and Family Welfare) is responsible for overall enforcement of the Act through Joint Commissioner of Food Safety (Director, Health Safety and Regulation) at State level and Designated Officers (DOs) at district level. The DOs are assisted by Food Safety Officers (FSOs), Food Analyst and Adjudicating Officers in discharge of their duties.

#### **3.7.2 Audit Objectives**

Audit objectives were to see whether the:

- (i) Requisite infrastructure and resources were in place and licensing and registration was done as per the provision of the Act;
- (ii) Inspection, sample testing and prosecutions were conducted as envisaged in the Act; and
- (iii) Monitoring mechanism was effective.

#### **3.7.3 Audit Scope**

An audit of the implementation of the Act for the period 2014-15 to 2016-17 was conducted (April-May 2017) by test-check of the records of Director, Health Safety and Regulation (DHSR), Composite Testing Laboratory, Kandaghat, DOs and Adjudicating Officers in two (Kangra and Solan) out of 12 districts. Following are the audit findings:

#### **3.7.4 Administrative/ Institutional Structure**

##### **3.7.4.1 Inactive Steering Committees**

Regulation 2.1.15 of FSS, Licensing & Registration (L&R) Regulations, 2011 prescribe that the State Government may constitute/ designate an advisory committee

at *panchayat*, district and State level to assist, aid or advise on matters relating to food safety. Consequently, the State Government notified (April 2013) that the Steering Committee will be constituted for proper and smooth implementation of the Act.

Audit noticed that although the State had constituted (April 2013) steering committees at the State/ district levels, no committee at Panchayat level had been constituted. It was further noticed that only one meeting of State Steering Committee had been held in August 2017 while no meeting of District Steering Committees was held as of August 2017. Thus, the purpose for which the committees were formed remained unachieved. Reasons for the above were sought (June 2017), reply from the Department was awaited.

#### **3.7.4.2 Vacant posts of Food Safety Officers**

Section 37 (1) of the Act prescribed appointment of Food Safety Officers (FSOs), for undertaking inspections of FBOs and for drawing samples of food articles for analysis. Further, section 37(2) provides that the State Government may authorise any officer of the State Government having the qualifications prescribed under sub-section (1) to perform the functions of a Food Safety Officer within a specified jurisdiction.

Audit noticed that there were persistent vacancies in the posts of FSOs in the State and against 12 sanctioned posts, the number of persons-in-position had declined from nine to one during the period from April 2014 to April 2017<sup>27</sup> because of promotion/retirement of FSOs. The large number of vacant posts hindered effective implementation of the Act, as detailed in subsequent paragraphs 3.7.6.1, 3.7.6.2, 3.7.6.3 and 3.7.6.4. It was further noticed that the State Government had formulated (July 2017) Recruitment and Promotion Rules after lapse of more than six years from the implementation of the Act, as a result of which FSOs could not be recruited.

DHSR stated (June 2017) that, the posts of FSOs could not be filled due to non-formulation of Recruitment and Promotion Rules. The reply is not acceptable as the State Government was empowered under the Act to authorise any officer having the requisite qualification to perform the duties of FSO but this was not done.

#### **3.7.4.3 Non-imparting of training to Designated Officers**

Rule 2.1.2(1) (ii) of FSS Rules, 2011 prescribed that DOs were mandatorily required to undergo training arranged by Food Safety and Standards Authority of India (FSSAI) within six months of their appointment.

Audit noticed that of the 12 DOs in the State, five DOs appointed in March 2015 had not received the prescribed training as of May 2017. This meant that these DOs had not received the induction training which was a mandatory requirement for the post of DO.

In reply, the Director, Health Safety and Regulation (DHSR) stated (June 2017) that, the matter had already been taken up with FSSAI, but no training had been imparted as of date. The reply is not acceptable as the State Government had not made any correspondence with FSSAI in this regard after December 2015, which was indicative of inaction.

<sup>27</sup> April 2014: nine; April 2015: four; April 2016: four and April 2017: one.

### **3.7.5 Licensing and registration**

Regulations prescribe that all Food Business Operators (FBOs) will be registered or licensed in accordance with the prescribed procedure. Every petty FBO (FBOs with annual turnover not exceeding ₹ 12.00 lakh) is required to register himself/ herself with the registering authority viz., the concerned DO/ FSO and also follow the basic hygiene and safety requirements provided in the Regulations. All FBOs, other than petty FBOs, are required to possess a valid license before commencing any food business.

#### **3.7.5.1 Non-conducting of survey to create database of units engaged in manufacture / processing of food**

Section 31 of the Act provides that no person shall commence or carry on any food business, except under a license granted in terms of the Act. Section 30 (2) (b) of the Act provides that the Commissioner of Food Safety shall carry out survey of units engaged in manufacture or processing of food in the State to ascertain compliance by such units to the standards notified by the Food Authority for various articles of food.

Scrutiny of records showed that no survey had been conducted to create a database of units engaged in manufacture or processing of food in the State as of March 2017. Although 8,417 licenses and 87,091 registrations were reported to have been granted upto March 2017, in the absence of any database of the total number of FBO units, the Department had no means to determine if there existed any FBOs which were operating without licenses/ registrations.

#### **3.7.5.2 Issuance of licenses without obtaining requisite documents**

Regulation 2.1.2 and 2.1.3 of FSS, Licensing & Registration (L&R) Regulations provides that an application for the grant of a license shall be made to the concerned Licensing Authority (LA) along with requisite copies of documents mentioned in Schedule-2<sup>28</sup>.

Scrutiny of records in the two selected districts showed that 179 licenses (75 per cent) out of selected 240 cases were issued during 2014-17 without obtaining requisite documents viz. no-objection certificate of pollution control board/ Municipal Corporation/ local bodies, list of food items proposed for sale, layout plan of the processing unit, analysis report of the water to be used and medical certificates of workers. Evidently, licenses were issued without obtaining assurance that the FBOs met the prescribed food safety standards.

The DOs concerned stated (May 2017) that documents were either not obtained inadvertently or might have slipped out of files. The replies indicate lack of seriousness towards the prescribed procedure.

#### **3.7.5.3 Delay in issue of licenses and Registration Certificates**

Regulation 2.1.4 and 2.1.1 of FSS (L&R) Regulations provides for processing of application for license and registration certificates (RCs) within 60 days and seven days of receipt of application respectively.

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<sup>28</sup> Layout plan of processing unit, Proof of possession of premises, List of Directors with full address, no-objection certificate of pollution control board/ Municipal Corporation/ local bodies, list of food items proposed for sale and analysis report of the water to be used and medical certificates of workers.

Scrutiny of records in two selected districts showed that 98 licenses (41 *per cent*) out of selected 240 cases were issued after a delay ranging between two and 538 days with median delay of 69 days. Likewise, there was delay in 52 (87 *per cent*) out of selected 60 cases of issue of RCs. The delay ranged between one and 279 days with median delay of 51 days. The delay in issue of licenses and RCs indicated poor implementation of the provisions of the Act.

The DOs concerned stated (May 2017) that the delay occurred due to slow/ poor internet connectivity and shortage of manpower.

#### **3.7.5.4 Expired licenses/ Registration Certificates**

Regulation 2.1.2 and 2.1.7 of FSS (L&R) Regulations provides that no person shall commence any food business unless he possess a valid license/ RC and that any license/ RC, for which renewal has not been applied within the prescribed period, stands expired and the FBO shall stop all business activities in the premises.

Scrutiny of records in two selected districts showed that, validity of 37 licenses (issued during 2014-17) out of selected 240 cases expired between March 2015 and April 2017 and was not renewed as of May 2017. Likewise, validity of seven RCs out of selected 60 RCs (issued during 2014-17) expired between July 2016 and May 2017. Although the validity of these licences/ RCs had expired, there was no mechanism to ensure that the FBOs whose licences/ RCs had expired were not continuing to engage in business activity. Further, there was no mechanism to provide information about FBOs whose licenses/ RCs had expired. In the absence of this, there was a risk that several FBOs holding expired licences/ RCs were continuing to engage in the food business without necessarily adhering to prescribed standards.

The DOs concerned stated (May 2017) that, the monitoring of expired licenses and RCs could not be done due to shortage of FSOs and staff.

### **3.7.6 Inspections and lifting of food samples**

#### **3.7.6.1 Issue of licenses/ RCs without conducting inspections**

Regulation 2.1.1(3) and 2.1.4 (4) of FSS (L&R) Regulations provided that licensing authorities (DOs) may direct FSOs or any other person/ agency to inspect premises of FBOs before issue of licenses/ RCs to them.

Information provided by Director, Health Safety and Regulation for the period 2014-17 showed that, licenses and RCs were invariably being issued without conducting any inspections, as detailed below:

<b>(In numbers)</b>		
<b>Particulars</b>	<b>Total issued</b>	<b>Issued without conducting inspection (<i>per cent</i>)</b>
Licenses	3,925	3,814 (97)
RCs	39,696	39,695 (100)

Issue of licenses/ RCs to FBOs without conducting inspections meant that the Department was not ensuring that FBOs were meeting prescribed pre-conditions for adhering to food safety standards.

The DHSR replied (June 2017) that, inspections could not be conducted before issue of licenses/ RCs due to shortage of FSOs.

### **3.7.6.2 Shortfall in conduct of periodic inspections of FBOs**

Regulation 2.1.1 (6) of the FSS (L&R) Regulations prescribed that food safety inspection of the registered/ licensed FBOs was to be carried out at least once a year to ensure that the terms and conditions of the registrations/ licenses were being complied by the FBOs.

Information provided by DHSR for the period 2014-17 showed that there was huge shortfall in the conduct of periodic inspections, as detailed below:

(In numbers)			
Particulars	Inspections to be conducted	Inspections actually conducted	Shortfall (per cent)
Registered FBOs	1.82 lakh	1,933	1.80 lakh (99)
Licensed FBOs	0.17 lakh	632	0.16 lakh (94)
<b>Total</b>	<b>1.99 lakh</b>	<b>2,565</b>	<b>1.96 lakh (98)</b>

It was also observed that, no inspections were conducted in the two test-checked districts during 2014-17.

The huge shortfall in the conduct of periodic inspections meant that the Department was not able to ensure that the term and conditions of the registrations/ licenses were being complied with by the FBOs.

The DHSR and DOs concerned stated (May-June 2017) that, food safety inspections could not be conducted due to shortage of FSOs.

### **3.7.6.3 Inadequate surveillance and periodic inspections of food items and Mid Day Meal scheme**

FSSAI issued directions (August 2013) for creating a surveillance system to ensure safe and wholesome food under Mid Day Meal (MDM) scheme. Further, FSSAI also issued directions (November 2013) to all States and UTs to formulate surveillance plans and conduct periodic inspections and surveillance every three months for major fruit and vegetable markets, soft drinks and ready-to-serve fruit beverages.

Audit noticed that neither surveillance plans were prepared nor periodic inspections were conducted in this regard as of March 2017. Thus, monitoring of adherence to food safety standards in respect of the items referred to above and food served under the MDM scheme in schools was not adequate.

The DHSR stated (June 2017) that the FSSAI directions referred to above had been issued to all district food safety administrators and to the Director, Elementary Education. The action taken by the Department is not adequate as formulation of a system of surveillance and periodic inspections in respect of food served under the MDM scheme was the primary responsibility of the Health and Family Welfare Department and not solely that of the Department of Education. The DHSR further stated that, surveillance plan could not be prepared for fruits and vegetables and samples could not be lifted due to shortage of FSOs and lack of infrastructure.

*Audit is of the view that Department may consider random selection of units/FBOs for periodical inspections after classifying them into high, medium and low risks categories.*

### 3.7.6.4 Shortfall in lifting of food samples

The Director, Health Services and Regulation (DHSR), issued directions (February 2013) that at least 10 food samples should be lifted per FSO per month.

Scrutiny of records in two selected districts showed that, against 720 (Kangra: 360 and Solan: 360) samples required to be lifted, only 250 samples (Kangra: 96 and Solan: 154) were lifted during 2014-17. Thus, there was shortfall of 470 samples<sup>29</sup> (65 per cent) during the aforesaid period. Shortfalls in lifting of the food samples meant that the prescribed number of samples were not being sent for testing in order to ascertain adherence to prescribed quality/ safety standards.

The DOs concerned stated (May 2017) that the shortfall in lifting of food samples was due to shortage of the FSOs.

### 3.7.6.5 Non-availability of infrastructure/ equipment for safe storage or spot analysis of samples

Scrutiny of records in the test-checked districts showed that equipment such as fridge, cold chain boxes, spot analysis kits, equipment for lifting, storage and transportation of samples for testing against microbiological parameters was not available. In the absence of this, no spot analysis of samples could be conducted, deterioration of food samples owing to temperature, etc., remained a risk, and integrity of food samples lifted could not be ensured. Further, items of perishable nature such as fruits and vegetables were not being lifted.

Reasons for non-availability of required infrastructure were sought (June 2017) but reply of the Department was awaited.

## 3.7.7 Testing and analysis of food samples

### 3.7.7.1 Shortage of manpower in Composite Testing Laboratory

Testing and analysis of food samples was being done in the Composite Testing Laboratory (CTL), Kandaghat.

Scrutiny of records of CTL, Kandaghat showed that against 31 sanctioned posts of technical staff, 20 posts<sup>30</sup> were lying vacant as of April 2017. Of the 11 persons-in-position, nine technical staff was conducting analysis of drugs and cosmetics, animal feed, water, liquor, etc. whereas only two persons were engaged in analysis of food samples. The acute shortage of technical staff resulted in delays in analysis of food samples and dispatch of analysis reports to DOs, non-preparation of reports in prescribed format, etc., as detailed in subsequent paragraphs.

### 3.7.7.2 Inadequate testing in Composite Testing Laboratory

The Act prescribed that food samples were to be tested and analysed with reference to FSS (Contaminants, Toxins and Residues) Regulations, 2011 and FSS (Food Product Standards and Food Additives) Regulations, 2011.

Audit noticed that, food samples at CTL, Kandaghat were not being tested for all parameters as required under the rules, as infrastructure to conduct such analysis was not available in the laboratory. In particular, testing was not being done for metal

<sup>29</sup> Kangra: 264 and Solan: 206.

<sup>30</sup> Public Analyst and Chemical Examiner: one; Deputy Government Analyst: one; Senior Scientist: two; Junior Scientist: four; Senior Analyst: three; Junior Analyst: six and Senior Lab Technician: three.

contaminants, crop contaminants, insecticides, antibiotics, microbiological parameters, pharmacologically active substances and phosphates owing to lack of required equipment. Thus, the Department had no means to ensure that, food items were conforming to the standards prescribed in the regulations cited above.

It was further observed that FSSAI had conducted (November 2013) an assessment of the laboratory to identify gaps with reference to standards prescribed by National Accreditation Board for Testing and Calibration Laboratories (NABL) in which CTL Kandaghat scored poorly<sup>31</sup>. The Department, however, had not taken any steps to address the gaps identified, as of May 2017.

The Food Analyst (FA), CTL Kandaghat attributed (May 2017) the inadequate testing of samples to shortage of technical staff and facilities required for conducting the aforesaid tests.

### **3.7.7.3 Delay in dispatch of analysis reports**

According to Section 46(3) of the Act, analysis reports of the food samples were to be dispatched by the Food Analyst (FA) to the DO within 14 days.

Test-check of 108 food samples of Kangra and Solan districts at CTL, Kandaghat showed that, analysis reports for 97 samples (90 *per cent*) were dispatched after a delay ranging between one and 41 days with a median delay of 12 days. These delays would have further led to delays in subsequent stages, such as filing of application for prosecution in cases of failed samples, etc.

The FA attributed (May 2017) the delay to shortage of technical staff, as well as to the fact that the laboratory was also conducting analysis of drugs and cosmetics, animal feed, water, liquor, etc.

### **3.7.7.4 Non-submission of analysis reports in prescribed format**

Rule 2.4.2(5) of the FSS Rules, 2011 provided that, the analysis report, mentioning the method of analysis and other details, should be sent in a prescribed format to the DO, who may forward the report alongwith one part of the sample to a referral laboratory for analysis, if he believes the report to be erroneous.

Test-check of records of CTL, Kandaghat showed that, analysis reports pertaining to passed samples were not being sent in the prescribed format. Details such as sample description, physical appearance, labeling and quality characteristics, method of testing and test results against prescribed standards were not being communicated to DOs for cases of passed samples. In the absence of such details, DOs were neither able to form any opinion on the correctness of the reports nor forward the same to a referral laboratory for analysis.

The FA stated (May 2017) that, reports were not being sent in the prescribed format due to shortage of qualified technical staff.

### **3.7.7.5 Non-communication of analysis results to FBOs**

According to Rule 3.1.1 (1) of FSS Rules, 2011, if a food sample conforms to requirements, the same should be communicated to the FBO immediately.

Scrutiny of records in Kangra and Solan districts showed that 84 of the 116 test-checked samples conformed to requirements but communication to this effect was

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<sup>31</sup> CTL, Kandaghat had scored at 26 *per cent*, 34 *per cent* and 32 *per cent* for organisation and personnel, equipment and safety respectively.

not sent to the FBOs concerned. Thus, FBOs remained unaware about whether their food samples conformed to prescribed standards or not.

The DOs concerned stated (May 2017) that, communication could not be sent to the FBOs as detailed analysis reports were not provided by the FA.

### **3.7.8 Prosecution and Adjudication**

#### **3.7.8.1 Non-filing of applications for failed samples**

Rule 3.1.1(2) of the FSS Rules, 2011 prescribed that in cases of contravention punishable with fine, the FSO would file an application with the Adjudicating Officer (AO) for adjudication and imposition of penalty.

During scrutiny of records of DO, Solan, it was noticed that in two cases of failed food samples, applications for adjudication were not filed with the AO. Thus, no action was initiated against these FBOs who had contravened prescribed standards. Reasons were sought (June 2017) but the reply of the Department was awaited.

### **3.7.9 Reporting**

#### **3.7.9.1 Non- submission of annual returns**

Regulation 2.1.13 of the FSS (L&R) Regulations, 2011 prescribed that every manufacturer and importer who has been issued a licensee should, on or before 31 May of each year, submit a return in respect of each class of food products handled by him during the previous financial year. Delay in filing returns was to attract a penalty of ₹ 100 per day.

Scrutiny of records in test-checked districts showed that, 16 licensees<sup>32</sup> had not filed their annual returns as of May 2017, but against the due penalty amount of ₹ 8.89 lakh<sup>33</sup>, no penalty had been imposed by the Department as of May 2017.

In reply, the DO, Kangra stated (May 2017) that, penalty could not be imposed due to shortage of staff, while the DO, Solan stated (May 2017) that notices had been issued to the FBOs concerned to file their returns.

### **3.7.10 Conclusion**

Effective implementation of the FSS Act, 2006 in the State was constrained by an inadequate institutional/ regulatory structure for enforcement. The Department had not conducted any survey to create a database of food business units. The large number of vacant FSO posts was a major concern, hindering the process of proper registration and licensing, conduct of surveillance and inspections, and lifting of food samples. Manpower and infrastructure constraints in the field and in the food testing laboratory meant that proper testing, analysis and reporting was not being done. Monitoring and control mechanisms were inadequate. Thus, regulation of food business operators and monitoring of adherence to prescribed standards of food quality/ safety by the Department was weak.

The Department may consider addressing the deficiencies highlighted.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

<sup>32</sup> 2014-15: Nine cases (Kangra: three and Solan: six) and 2015-16: seven cases (Kangra: two and Solan: five).

<sup>33</sup> 2014-15: ₹ 6.44 lakh and 2015-16: ₹ 2.45 lakh (calculated up to 15 May 2017).

### **3.8 Non-enforcement of bond against defaulting Medical Officers**

**The State Government did not enforce bond for effecting recovery of bond money amounting to ₹ 2.25 crore from Medical Officers who reneged on their pledge to serve the State Government after completing higher study, while there remained acute shortage of specialists in the State.**

According to State Government policy, Medical Officers (MOs) pursuing higher studies<sup>34</sup> were required to execute a bond pledging to serve the State Government for a minimum period of five years after completing their study, in view of the substantial expenditure incurred by the State Government on their pay and allowances/ stipend during the period of their study. MOs reneging on the bond were liable to pay the bond amount to the State Government within one month.

Scrutiny of records of the Director, Health Services showed that between 1999 and 2014, 19 MOs reneged on the bond they had executed by either not joining duty or proceeding on unauthorised leave without any intimation after completion of higher studies. Audit observed that although the services of these 19 MOs were terminated<sup>35</sup>, the State Government did not enforce the bond against these MOs and recover the bond money amounting to ₹ 2.25 crore<sup>36</sup>. Thus, despite having incurred expenditure of ₹ 1.47 crore on the pay and allowances/ stipend of these defaulting MOs, the State Government did not act in order to protect its interests, depriving itself of the right of mandatory services of five years from these MOs, while there remained acute shortage<sup>37</sup> of specialists to the extent of 93 *per cent* in rural areas and 50.33 *per cent* in urban areas of the state with reference to the norms prescribed by Indian Public Health Standard (IPHS). Further, by not enforcing the bond against defaulters, the State Government incurred the risk of allowing a perception to develop amongst MOs that executing the bond was a mere formality and that it could be reneged on with impunity.

The Director, Health Services stated that any decision regarding recovery of bond money was to be taken by the State Government which was the appointing authority. The reply should be seen in the light of facts that enforcement of bond money against defaulting Medical Officers had not been made.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

<sup>34</sup> Post-graduate degree (PG)/ Diploma/ MD and M.Ch. courses in Government medical/ dental colleges within or outside the State.

<sup>35</sup> Between August 2007 and July 2015, under Central Civil Services (Classification Control and Appeal) Rules, 1965.

<sup>36</sup> Six cases: ₹ 5.00 lakh each; one case: ₹ 10.00 lakh; 11 cases: ₹ 15.00 lakh each and one case: ₹ 20.00 lakh.

<sup>37</sup> 1. Figures for sanctioned strength in respect of specialists were not available with the Department. Shortage is calculated with reference to Indian Public Health Standards (IPHS) norms for staffing at health centres issued by Ministry of Health and Family Welfare, GOI.  
2. Figures of persons-in-position supplied by the Department as of May 2016.

## Home Department

## 3.9 Idle equipment under National Highway Accident Relief Service Scheme

**Non-assessment of requirement and failure of the Department to ensure trained operators resulted in unproductive expenditure of ₹ 91.14 lakh on idle equipment for more than six years.**

Under National Highway Accident Relief Service Scheme (NHARSS), Government of India (GOI), Ministry of Road Transport and Highways provides assistance to State Governments in the shape of 10 ton (heavy) and small/ medium sized cranes for hilly states to remove vehicles involved in road accidents. States are responsible for operation/ control and maintenance of cranes and are required to furnish annual performance report to GOI for five years. As per tender condition, the GOI had made it incumbent upon the supplier to impart training to at least five persons per crane free of cost.

Scrutiny of records of Director General of Police (DGP), Himachal Pradesh revealed (November 2016) that the Department had sent (September 2009) requirement of 10 heavy cranes under NHARSS against which four heavy cranes costing ₹ 91.14 lakh were received during May-August 2010. The Department had allotted (August-September 2010) the cranes to four districts<sup>38</sup>. However, except partial<sup>39</sup> operationalisation of the crane in Mandi district, these cranes remained inoperational due to non-availability of technical staff/ operators in the Department. For operation of the cranes, the Department had also not ensured training to its personnel by the supplier as per the tender condition *ibid*.

Besides, the heavy cranes were not useful for hilly areas and narrow roads in these districts. In spite of the fact that the NHARSS provides for small/ medium cranes for hilly states, requisitioning of heavy cranes from the GOI was not judicious. The Department decided (January 2013) to transfer the cranes to other departments but these could not be transferred as of November 2016. Evidently, the Department had not assessed the demand of heavy cranes for hilly areas properly.

The Department stated (May 2017) that these cranes could not meet the requirement of Himachal Pradesh Police since the drivers/ trained mechanical operators were not available. It was further stated that, the cranes could not remove accidental vehicles and control traffic. Accidental vehicle/ machinery was removed from the place of occurrence with the help of general public/ owner of vehicle/ other towing vehicles as these cranes could lift only 500 kgs weight. The reply should be seen in the light of fact that the Department had neither assessed the technical specification of the cranes before procurement nor ensured the required technical/ trained staff for the same as per tender condition of the GOI.

Thus, non-assessment of requirement and failure of the Department to ensure technical/ trained operators resulted in expenditure of ₹ 91.14 lakh on idle machinery/ equipment as unproductive for more than six years.

The audit findings were referred to the Government in May 2017. Reply had not been received (November 2017).

<sup>38</sup> Kangra, Mandi, Shimla and Solan.

<sup>39</sup> 18 August 2010, 22 October 2011, 17 May 2012 and 02 November 2013.

### **3.10 Irregularities in procurement/ installation of closed circuit television cameras**

**Improper planning, non-finalisation of rates properly and absence of centralised/ continuous monitoring defeated the objective of detection of unwarranted activities through CCTV cameras resulting in irregular expenditure of ₹ 62.74 lakh, blocking of ₹ 44.91 lakh and interest loss of ₹ 10.18 lakh to the State exchequer.**

The Director General of Police (DGP) mooted (May 2013) a proposal for procurement and installation of 282 closed-circuit television (CCTV) cameras and three speed cameras at an estimated expenditure of ₹ 1.05 crore at public places to check unwarranted activities. The State Government accorded sanction (August 2013) of ₹ 1.00 crore for the same with the condition that the expenditure be incurred after obtaining approval of Information and Technology (IT) Department. The IT Department advised (September 2013) the DGP to procure and install the CCTV cameras through Himachal Pradesh State Electronics Development Corporation Limited (HPSEDCL) by floating open tenders.

Scrutiny (November 2016) of records of Home Department revealed that the DGP had sent the proposal in May 2013 to the Government without proper estimates. The HPSEDCL prepared (May 2014) the estimates and technical specifications of the CCTV cameras based on the rates received from the prospective bidders earlier in June 2013 for deciding techno-commercial aspect of the equipment. On receipts of the estimates and technical specifications, the Department placed supply order (July 2014) on HPSEDCL for procurement and installation of 27 cameras at a cost of ₹ 62.74 lakh and the approved firm had installed the cameras between March 2015 and April 2017. The cameras were procured and installed without floating open tenders. Resultantly against 282 CCTV cameras and three speed cameras to be procured and installed for ₹ 1.00 crore, only 27 cameras could be procured at a cost of ₹ 62.74 lakh as of June 2017 which besides irregular procurement reflected improper planning. Further, the Department had purchased the cameras with monitoring at local installation points instead of centralised monitoring through broadband facilities and the cameras were not functioning properly as the visibility was poor at night hours and in low light/foggy weather conditions. Thus, the objective of surveillance/ real time monitoring of unwarranted activities remained unachieved.

Besides, out of ₹ one crore withdrawn (March 2014) from the treasury, ₹ 55.09 lakh was released (June 2015: ₹ 11.75 lakh and August 2015: ₹ 43.34 lakh) to HPSEDCL. The balance ₹ 44.91 lakh was lying unutilised in the shape of banker cheque in the name of HPSEDCL up to November 2016 and in fixed deposit thereafter which also resulted in interest loss of ₹ 10.18 lakh<sup>40</sup> to the State Exchequer.

The Department stated (May 2017) that efforts were made to purchase and install the cameras after proper survey. The cameras were functioning properly and night vision is not clear due to non-availability of light near the cameras. The reply should be seen in the light of the fact that the Department had secured sanction without proper

<sup>40</sup> At average rate of interest on State Borrowings at the rate of 7.91 per cent per annum (2014-15) and 7.95 per cent per annum (2015-16 and 2016-17).

estimates and finalisation of rates properly by following the open tendering process. Moreover, the cameras did not meet the requirement of centralised/ continuous monitoring of the unwarranted activities and the Department had not ensured the viability of functioning of the cameras in all conditions.

Thus, improper planning, non-finalisation of rates properly and absence of centralised/ continuous monitoring defeated the objective of detection of unwarranted activities through the CCTV cameras which resulted in irregular expenditure of ₹ 62.74 lakh<sup>41</sup>, blocking of ₹ 44.91 lakh for more than three years and interest loss of ₹ 10.18 lakh to the State exchequer.

The audit findings were referred to the Government in May 2017. Reply had not been received (November 2017).

### Industries Department

#### 3.11 Unjustified/ infructuous expenditure on drilling for exploration of limestone deposits

**The Department incurred an unjustified expenditure of ₹ 1.88 crore in excess of the amount received for prospecting and estimation of limestone reserves. In addition infructuous expenditure of ₹ 1.79 crore was incurred on deployment of staff without any work.**

The State Government entered into (May 2006) a Memorandum of Understanding (MOU) with a private sector company for setting up of cement manufacturing unit<sup>42</sup> near limestone deposits in Gumma-Rohana area of Chopal (Shimla district). As per the MOU, the company was required to obtain various approvals like mining lease, forest clearance, environment clearance and finalisation of sites at their own cost. The Geological wing of the Department was to undertake detailed prospecting and estimation of limestone reserves on specific request of the company and charge service charges as per rates fixed by the Government which included day to day expenses towards operation and maintenance cost of the rigs and vehicles (POL charges, repair charges, etc.), salary/ wages of the labour deployed for operating the drilling rigs and charges of the departmental officials visiting the sites. Similarly, the Department entered into (January 2008) an agreement with another private sector cement company to undertake prospecting and estimation of limestone reserves in Dhara-Badhu area of Sundernagar (Mandi district).

Scrutiny of the records of the State Geologist, Shimla showed that the Department provided (July 2006 and September 2009) the services to both the companies by deploying requisite staff and machinery for prospecting and estimation of limestone reserves through core drilling work in limestone reserve areas of Chopal and Sundernagar at the rate ₹ 5,500 per metre fixed by the State Government (last revised in December 1999). The Department executed 21 number of bore holes with 1,621.30 metres of core drilling during 2010-14 and received ₹ 0.89 crore from the companies. However, the Department had incurred expenditure of ₹ 2.77 crore on its staff and

<sup>41</sup> Payment released to HPSEDCL: ₹ 55.09 lakh and balance to be paid: ₹ 7.65 lakh.

<sup>42</sup> Capacity of two million tonne clinker per annum to be converted into one million tonne cement.

machinery for core drilling work during the above period. Evidently, the expenditure incurred was not commensurate with the amount received from the companies rendering the expenditure of ₹ 1.88 crore unjustified. The Department had not initiated any action either to reduce the expenditure or enhance productivity of core drilling commensurate with expenditure incurred on deployment of staff for drilling work.

It was further noticed that the drilling work at Dhara-Badhu limestone deposits was stopped in April 2013 due to non-obtaining of forest clearance by the company and involvement of private land and that at Gumma-Rohana limestone deposits in February 2014 due to difficulties in sourcing water for drilling work at the higher elevations and want of forest clearances. However, the Department continued to deploy its staff (driller, rigman, assistants and skilled/ unskilled workers ranging between six and eight at each site) and machinery/ equipment at both the sites and incurred an additional expenditure of ₹ 1.79 crore on payments towards salary (₹ 1.75 crore) and miscellaneous expenditure (₹ 0.04 crore) during 2014-17, though no receipt on account of drilling charges was received as the companies had requested (April 2013 and February 2014) the Department to stop the drilling work. Thus, the expenditure of ₹ 1.79 crore on idle staff incurred by the Department had been rendered infructuous.

The Department stated (January 2016-August 2017) that the drilling works were stopped for want of forest clearance and the staff was not withdrawn with the apprehension that the companies would get necessary permission at the earliest. The reply is not acceptable as requisite clearances were to be obtained by the companies before start of the works. Further, in spite of the work having being stopped the Department continued to engage the drilling crew at site without any drilling work.

The audit findings were referred to the Government in June 2017. Reply had not been received (November 2017).

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

#### **3.12 Non-accountal of pipes valuing ₹ 88 lakh**

**Improper accountal of inter division sale/ issue of surplus pipes resulted in ₹ 2.93 crore escaping budgetary process and non-accountal of pipes valuing ₹ 88 lakh.**

As per CPWA Manual, the unspent budget allocations, deposits made by third parties for execution of deposit works and amounts realised on inter division transactions are initially placed under the Public Works Deposit to be drawn subsequently against LOC. Drawal of funds placed under 'Public Works Deposits' from treasuries of the State, by the divisional officers are regulated by letter of credit (LOC) issued by the Superintending Engineers (SEs)/ Chief Engineers concerned. Under the Centralised system for purchase of pipes, the purchase of pipes is carried out through Himachal Pradesh Civil Supplies Corporation (HPSCSC) as per the requirements finalised by the IPH Department. The payments against the supply orders are released by the Nodal Division to the suppliers through HPSCSC out of the funds made available by way of deduction from the LOCs of the concerned Divisions. The divisions in turn issue

non-effecting LOC cheques to the nodal division for reconciliation of the receipt of pipes/ accounts of HPSCSC on the basis of Goods Receipt (GR) Notes generated after receipt of pipes.

Scrutiny of the records of the SE, Nahan Circle and six divisions revealed that Paonta Sahib division received (March and April 2012) ₹ 2.05 crore from five divisions for sale/ issue of surplus galvanized iron pipes and placed the sale proceeds under 'Public Works Deposits'. Against this, the Paonta Division supplied pipes valuing ₹ 1.17 crore to five divisions and refunded (January 2015) the balance amount of ₹ 88 lakh to Nohradhar division. The following deficiencies were noticed:

- (i) The amount realised on sale/ issue of pipes by Paonta Sahib division should have been either transmitted to the Nodal Division on its receipt or retained under the 'Public Works Deposits' Head. Audit observed that ₹ 2.05 crore received towards sale/ issue of pipes by Paonta Sahib division was neither remitted to the nodal division nor retained under the 'Public Works Deposits' head as the Deposit Statement of SE, Nahan Circle depicted 'Nil' balance.
- (ii) Audit further observed that Nohradhar division had deposited of ₹ 1.19 crore for sale/ issue of pipes with the Paonta Sahib Division in March 2012. However, the Nohradhar division actually received pipes for ₹ 31.15 lakh from the Paonta Sahib division. Further, Paonta Sahib division failed to provide the details of receipt of pipes by Nohradhar division even though the similar detail in respect of supply of pipes to other four divisions was found on records.
- (iii) On being asked in audit about the status of balance ₹ 88 lakh, Paonta Sahib division intimated that the same has been refunded back to Nohradhar division vide Cheque No. A 106981 dated 17 January 2015. However, the remittance of ₹ 88 lakh was towards supply/ sale of pipes valuing ₹ 88 lakh (January 2015: ₹ 59 lakh and February 2015: ₹ 29 lakh) by the Nohradhar division.
- (iv) This indicated non refund of ₹ 88 lakh received from Nohradhar division in March 2012 till date (October 2017) whose details were not found on records. Thus, mismatch in the pipe transactions valuing ₹ 88 lakh raised suspicion over the genuineness of the receipt and accountal of pipes.

On being asked about non-depiction of sale proceeds of ₹ 2.05 crore under the 'Public Works Deposit', the Paonta Sahib division denied (January and August 2017) about 'Nil' balance on account of amount of sale of pipes as the same was lying under 'Public Works Deposits' head for which the LOC was being obtained. The division's reply is not acceptable as depiction of ₹ 1.19 crore pertaining to Nohradhar division in the Deposit Statement was contradictory, as the Paonta Sahib division had reported refund of ₹ 88 lakh in January 2015 itself leaving balance ₹ 31.15 lakh towards actual sale of pipes to Nohradhar division as stated above.

Thus, ₹ 2.93 crore realised towards sale/ issue of surplus pipes by Paonta Sahib and Nohradhar divisions, being savings in budget allocations was not remitted to the nodal division by Paonta Sahib and Nohradhar division resulting in diversion of funds and retention of Government funds out of the budgetary process of State. Further, improper

accountal and mismatch in the interdivision transfer of pipes resulted in non accountal of pipes costing ₹ 88 lakh.

The Audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

### **3.13 Unfruitful expenditure on sewerage scheme**

**Failure of the Department in execution of sewerage scheme for Sarkaghat town in a timely manner, in spite of availability of sufficient funds, resulted in unfruitful expenditure of ₹ 4.14 crore and irregular expenditure of ₹ 0.99 crore besides blocking of ₹ 6.36 crore for more than three years.**

The State Government accorded administrative approval (December 1995: ₹ 5.62 crore and revised in October 2011: ₹ 16.36 crore) for providing permanent sewerage system for Sarkaghat town in Mandi district. For topographic convenience, the town was divided into three zones<sup>43</sup> (A, B and C). The scheme was stipulated to be completed in two years.

Scrutiny of records of Sarkaghat division showed that:

- (i) Against funds of ₹ 16.99 crore<sup>44</sup> available for execution of the scheme upto 2013-14, the division had incurred an expenditure of ₹ 10.63 crore<sup>45</sup> upto March 2017 and ₹ 6.36 crore were lying unutilised under 'Public Works Deposits' for more than three years.
- (ii) The work of Zone-A was completed in 2000 at an expenditure of ₹ 0.16 crore. Later on, due to construction of new houses in the zone and increase in the length of the house sewerage connections from 146 rmt<sup>46</sup> to 308 rmt, the expenditure of this zone had increased to ₹ 0.18 crore upto October 2011. However, the Department had shown (June 2017) expenditure of ₹ 1.17 crore on this zone upto March 2017 without assigning any reasons. Excess expenditure of ₹ 0.99 crore on Zone- A already completed (October 2011) without obtaining revised sanction of the competent authority was irregular.
- (iii) Sewerage treatment plant of Zone-B was commissioned in June 2015 after a delay of 21 months and expenditure of ₹ 5.31 crore was incurred on this Zone upto March 2017. However, against the provision of 394 household connections, only 94 (24 *per cent*) connections had been released as of March 2017 due to non-completion of some works<sup>47</sup> for want of clearance of land which indicated that the sewerage treatment plant of Zone-B was not being utilised optimally.
- (iv) The division had incurred an expenditure of ₹ 4.14 crore on works related to Zone-C upto March 2017. In spite of availability of sufficient funds, the works had not been completed/ commissioned as of June 2017. The scheme was lagging

<sup>43</sup> Zone A: ₹ 0.18 crore, Zone B: ₹ 5.95 crore and Zone C: ₹ 9.76 crore and three *per cent* provision for contingencies: ₹ 0.47 crore.

<sup>44</sup> IPH Department: ₹ 2.31 crore (1995-96 to 2008-09) and deposit from Urban Development Department: ₹14.68 crore (2008-09 to 2016-17).

<sup>45</sup> From budget: ₹ 2.31 crore and from deposit of Urban Development Department: ₹ 8.32 crore.

<sup>46</sup> Running metre.

<sup>47</sup> Providing and laying of DI pipes dia 150 mm: 4,159 rmt. and 200 mm: 226 rmt.; construction of furnishing tanks of 500 litres: 41, 1,000 litres: 19 and 1,500 litres: 4 and construction of manhole chambers of various capacities: 289.

behind the scheduled date of completion by 39 months due to the following reasons:

- Private land was involved for laying 2.5 kms long main sewer line and the case for acquisition of the land was pending in the office of the Land Acquisition Officer (LAO), Mandi. The division had not ensured land acquisition since its conceptualisation (December 1995) which reflected non-seriousness of the Department in providing the intended sewerage facility in the town.
- Construction of 1.67 MLD capacity sewerage treatment plant (STP) for the Zone was awarded (May 2000) to a contractor for ₹ 61.00 lakh and stipulated to be completed within 18 months. The construction of the STP except providing and installation of electrical and mechanical equipment was completed by the contractor in June 2006. Penalty of ₹ 6.10 lakh had been imposed (March 2016) on the contractor for non-completion of work in time which also had not been recovered. Testing of the executed work of the plant had not been conducted by the division due non-providing of supply of power by the division. Thus, the sewerage system in Zone-C was not commissioned owing to laxity on the part of the Department as of March 2017.

The Executive Engineer of the division stated (May 2017) that the scheme was delayed due to non-completion of the work of the STP by the contractor and land acquisition cases for the sewer line pending with the LAO, Mandi. Reply is not acceptable as IPH Department failed to provide power connection to commission Zone-C. Besides, the reply does not explain reasons for excess expenditure on Zone-A and non-acquisition of the land for the sewer line for Zone-C in a time bound manner.

Thus, failure of the Department in execution of the sewerage scheme in a timely manner, in spite of availability of sufficient funds, resulted in unfruitful expenditure of ₹ 4.14 crore and irregular expenditure of ₹ 0.99 crore besides blocking of ₹ 6.36 crore for more than three years defeating the purpose of improvement of hygienic condition of the town.

The audit findings were referred to the Government in June 2017. Reply had not been received (November 2017).

## **Labour and Employment Department**

### **3.14 Skill Development Allowance Scheme**

**Skill Development Allowance (SDA) of ₹ 85.74 lakh was paid to 3795 trainees enrolled in institutes which were not of acceptable standards. Payment of SDA of ₹ 1.02 lakh was made to 102 trainees of non-empanelled information technology institutes. Failure of the Department to verify authenticity of claims led to payment of SDA of ₹ 0.49 lakh to 49 persons on false documents. SDA of ₹ 25.00 lakh was paid to 625 trainees during 2013-17 who did not complete training and dropped-out midway. Non-maintenance of employment records of beneficiaries after skill development training meant that the scheme remained limited to providing direct transfer of benefits without any mechanism for measuring the achievement of envisaged outcomes.**

#### **3.14.1 Introduction**

The State Government started a scheme named "Himachal Pradesh Payment of Skill Development Allowance to Educated Unemployed Persons Scheme, 2013" also known as "*Kaushal Vikas Bhatta Yojana*" in May 2013. The objective of the scheme is to provide financial assistance to educated unemployed Himachali youth for their Skill upgradation at the training institute of their choice with a view to providing them employment or self-employment opportunities. The Government provided financial assistance of ₹ 136.34 crore<sup>48</sup> for skill development trainings to 1.66 lakh persons during 2013-17.

#### **3.14.2 Audit Objectives**

Audit objectives were to see whether:

- (i) Planning for implementation of scheme was done adequately;
- (ii) The scheme was implemented efficiently and effectively; and
- (iii) Internal control and monitoring mechanisms were adequate and effective.

#### **3.14.3 Audit Scope**

An audit of the implementation of the scheme for the period May 2013 to 2016-17 was conducted (April-June 2017) by test-check of the records of the Director of Labour and Employment and two (Kangra and Sirmour) out of 12 Regional/ District Employment Officers (R/ DEOs). Records of 10 non-Information Technology (IT) institutes (Government: three and private: seven) and 20 private IT institutes in above districts were also test-checked. Followings are audit findings.

#### **3.14.4 Eligibility for Skill Development Allowance**

Skill Development Allowance (SDA) is available to eligible persons in accordance with the procedures laid down by the State Government. Applications (alongwith admission certificate of enrolment in institute) for sanction of SDA are submitted to the DEO by the candidates enrolled in skill development training in recognised institutes. After verifying the details *viz.* category, income and enrolment in employment exchange, the payment of the SDA is made in the bank accounts of the

<sup>48</sup> 2013-14: ₹ 13.96 crore (42,077 persons), 2014-15: ₹ 28.69 crore (31,689 persons), 2015-16: ₹ 40.01 crore (40,532 persons) and 2016-17: ₹ 53.68 crore (51,877 persons).

beneficiaries. SDA at a rate of ₹ 1,500 per month for physically challenged and ₹ 1,000 per month for other categories was payable to the eligible beneficiaries in the age-group of 16 to 36 years for a maximum period of two years.

#### 3.14.4.1 Setting up of minimum criteria or quality standards for selection/ empanelment of institutes for skill development

In order to be eligible for the SDA, applicants are required to be enrolled in a skill development course in any training institute, including private training institutes.

It was, however, observed that minimum criteria or quality standards for private training institutes were not prescribed at the time of commencement of the scheme (May 2013). These were notified only in December 2013 (for non-IT training institutes) and February 2014 (for IT training institutes), on the basis of which empanelment of private training institutes was to be done by District Level Committees (DLCs) after conducting inspections. It was decided (January 2014) that applicants enrolled only in empanelled private training institutes would be eligible to receive SDA.

In the two districts (Kangra and Sirmour) the DLCs conducted inspections of private training institutes during December 2013 to March 2014 with reference to the prescribed criteria<sup>49</sup> and empanelment of institutes was done as depicted below:

**Table-3.14.1: Details of inspections conducted of private training institutes in test-checked districts during December 2013 to March 2014**

District	Total number of private training institutes	Empanelled training institutes			Non-empanelled training institutes		
		No.	Enrolment	SDA paid (₹ in lakh)	No.	Enrolment	SDA paid (₹ in lakh)
Kangra	106	1	20	1.40	105	329	7.12
Sirmour	265	80	3,731	128.16	185	3,466	78.62
<b>Total</b>	<b>371</b>	<b>81</b>	<b>3,751</b>	<b>129.56</b>	<b>290</b>	<b>3,795</b>	<b>85.74</b>

Source: Departmental figures.

As can be seen from the above details, 290 private training institutes in test-checked districts were not empanelled as they did not meet the minimum prescribed criteria (availability of proper infrastructure, accreditation of institutes by State/ Central Government agency, affiliation from reputed IT institute, etc.). Audit observed that 3,795 persons were enrolled in these non-empanelled institutes, and paid (between May and December 2013) SDA of ₹ 85.74 lakh. Thus, lack of mechanism to ensure quality of training imparted by private training institutes in time, resulted in SDA of ₹ 85.74 lakh being paid to trainees enrolled in institutes which did not meet the acceptable standards. Details regarding completion of training or employment status of these 3,795 beneficiaries were neither available with the Department nor with the DEOs.

<sup>49</sup> (i) Criteria for empanelment for non-IT institutes were infrastructure capacity, accreditation by State or Central Government agency, experience of the organisation in imparting training in Government/ PSUs/ Private Organisation and quality of training offered. (ii) In addition to above, criteria for IT-institute were that it should be reputed private institute offering various computer trainings. Franchisees of the above mentioned private institutes were also eligible provided that the evaluation and certification was done by the above mentioned private institutes (parent organisation).

The Director of Employment stated (June 2017) that the guidelines were evolved in December 2013 and February 2014 as per the prevailing situations of the time and feedback/ suggestions received from the stake holders. The reply is not acceptable as the norms/ standards for empanelment of the institutes should have been formulated before or at the time of launching the scheme.

#### **3.14.4.2 Functioning of training institutes after empanelment**

A total of 261 non-IT private training institutes were empanelled in the State based on minimum quality standards/ criteria notified by the State Government in December 2013. Audit observed that there was no prescribed system of periodical monitoring or inspections to ensure that, these institutions continued to operate and maintain quality standards for training.

Test-check of records of DEO, Sirmour showed that 48 empanelled private training institutes (out of 99) had been closed as of March 2017. The DEO, however, had obtained this information on the basis of *suo motto* random inspections (in March-April 2017). No record/ information regarding date of closure of these institutes, the details of trainees enrolled and SDA paid was available with the Department. As a result, audit was unable to ascertain whether training was imparted and quality standards were maintained and how SDA was paid to the trainees of non-functional empanelled institutes.

The DEO, Sirmour replied (May 2017) that these institutes had not sent intimation about their closure, in the absence of which payment of SDA could not be stopped to the trainees enrolled in these institutes. The reply is not acceptable as responsibility of ascertaining whether institutes are continuing to function and are fulfilling quality standards prescribed must rest with the Department and a suitable mechanism for the same needs to be formulated and enforced.

#### **3.14.4.3 Payment to trainees enrolled in non-empanelled institutes**

The State Government issued directions (January 2014) to all DEOs to stop payment of SDA to beneficiaries receiving training in any institute other than empanelled institutes.

Scrutiny of records of the REO, Kangra showed that payment of SDA of ₹ 1.02 lakh was made (March 2014) to 102 trainees of non-empanelled IT institute, for the month of February 2014, in disregard of the directions referred to above, as the institute was neither empanelled by the State Government nor accredited to any quality certification body. The REO, Kangra replied that it would take time to check each case.

#### **3.14.4.4 Claim of SDA on false documents**

In Kangra district a private training institute not empanelled by Regional Employment Officer, Dharmshala submitted admission certificates for 49 candidates in the name of an empanelled training institute enabling them to obtain the benefit of SDA of ₹ 0.49 lakh for the month of September 2014. Evidently, the Department failed to verify the authenticity of documents and this amounted to fraud of SDA to above extent. The REO, Kangra stated that an FIR had been lodged against the institute and an amount of ₹ 0.08 lakh had been recovered from eight beneficiaries.

### 3.14.4.5 Lack of mechanism to check double payments

Scrutiny of records in two test-checked districts showed that double payments of SDA amounting to ₹ 1.51 lakh were made to 27 beneficiaries during 2015-17. The double payments had been made to 25 beneficiaries (₹ 1.46 lakh) for overlapping periods due to incorrect compiling of data by the Department and that in two cases (₹ 0.05 lakh), the candidates had applied twice for SDA showing enrolment in two different institutes. Audit further observed that there was no mechanism to share information in case a beneficiary moved/ transferred from one institute to another, as a result of which, there was a risk of double payment of SDA to the same beneficiary.

The REO/ DEO, Kangra and Sirmour stated that double payment had been made inadvertently owing to rush of work and shortage of staff, and that there was no mechanism to check double application/ payment in the manual / offline mode.

### 3.14.5 Mechanism for regular attendance and completion of training

Para 11(b) of the scheme guidelines prescribed that SDA was payable from the month of application until March of the respective financial year, and thereafter for another year upon production of fresh affidavit/ self-declaration regarding continuation of enrolment in the skill development training. Thus, the beneficiary was required only to enroll in skill development training and thereafter merely to intimate the DEO at the beginning of the following financial year regarding continuation of such enrolment.

Scrutiny of records in Kangra and Sirmour districts showed that there was no mechanism to check regular attendance of the beneficiary and completion of the skill development training for which he was receiving SDA. Apart from obtaining fresh affidavit/ self-declaration of continuation of training for another year from the beneficiary at the beginning of the following financial year, attendance records and training completion information were not obtained by the DEOs/ Department from the training institutes. Audit found that:

- 513 candidates<sup>50</sup> did not complete training and dropped-out midway during 2013-17. These candidates were paid SDA of ₹ 22.53 lakh.
- 112 candidates enrolled in 28 institutes<sup>51</sup> had dropped out from trainings; however, SDA of ₹ 2.47 lakh was paid to these trainees for a period ranging between one and 17 months by the DEOs concerned between September 2015 and March 2017, even after receipt of intimation of these candidates having dropped out from the institutes concerned.

Thus, the Department had not ensured that the beneficiaries to whom SDA was being paid were actually attending and completing the training, and the payment of SDA of ₹ 25 lakh (₹ 22.53 lakh + ₹ 2.47 lakh) was irregular.

The DEO, Sirmour stated that, there is no safeguard to prevent the payment of SDA to trainees not regularly pursuing the trainings. It was further stated that overpayment was inadvertent owing to rush of work and shortage of staff. The REO, Kangra stated

<sup>50</sup> Kangra: 339 (₹ 14.91 lakh) and Sirmour: 174 (₹ 7.62 lakh).

<sup>51</sup> Kangra: 96 candidates (23 institutes) ₹ 1.63 lakh (1-3 months) and Sirmour: 16 candidates (five institutes) ₹ 0.84 lakh (1-17 months).

that such data had not been maintained by the Department and all cases would be checked individually.

#### **3.14.6 Non-maintenance of records relating to employment of beneficiaries after receiving skill development training**

The objective of the Skill Development Allowance scheme was to provide an allowance to youth in order to enable them to upgrade their skill and obtain employment or self-employment.

Scrutiny of records showed that although SDA of ₹ 136.34 crore had been paid to 1.66 lakh beneficiaries between May 2013 and March 2017, no record pertaining to employment of these beneficiaries was maintained at any level. Thus, the State Government did not have any mechanism to ascertain the extent to which payment of SDA and enrolment in skill development training had improved employability and whether the objective of the scheme was being achieved.

The Director stated that no provisions of SDA scheme had been violated. The REO, Kangra and DEO, Sirmour stated that employment record of beneficiaries was not maintained as there was no provision in the guidelines of the SDA scheme and owing to shortage of staff. The fact, however, remains that in the absence of any provision for maintenance of employment/ placements data of SDA beneficiaries, the State Government had no mechanism to ascertain whether envisaged outcomes of the scheme were being achieved or not.

#### **3.14.7 Inadequate controls and shortcomings in the online system for implementation of SDA scheme**

The State Government launched (September 2016) a website/ online system for implementation of the SDA scheme. Test-check of the application and data pertaining to the test-checked districts showed that the online system lacked several important controls and features, as highlighted below:

- **Lack of controls to check double SDA applications**

Data previously maintained in offline mode (manual records) had not been migrated to the online system; thus, there was no check against a beneficiary already receiving SDA applying afresh through the online mode. Further, if a candidate simultaneously applied to two different employment exchanges for SDA through the online system, the system was unable to detect double applications. Thus, the online system/ application lacked controls to address the risk of double payment.

- **Lack of functionality to obtain institute-wise beneficiary information**

There was no functionality in the system to generate institute-wise beneficiary information/ reports. As a result, there was no mechanism through which the Department could fetch institute-wise beneficiary details and stop payment of SDA to all trainees enrolled in closed/ non-empanelled institute(s). SDA could only be stopped individually for each beneficiary after obtaining his/ her training institute details from manual records.

In the two test-checked districts, 50 institutes<sup>52</sup> were closed between 2013 and 2017; however, the Department was neither able to remove these institutes from the empanelled list of training institutes nor could fetch any details of trainees/beneficiaries enrolled in these institutes so that payment of SDA to them could be stopped at one go. In the absence of such functionality, this was being done manually by scrutinising each beneficiary's application from manual records. Thus, there was a risk of payment of SDA to beneficiaries of closed/ non-empanelled training institutes.

- **Lack of functionality to restrict admissions to the approved intake**

Training institutes were required to restrict admissions to an approved intake as prescribed by the respective affiliating organisation, but the online system did not have any built-in functionality to restrict admissions to the approved intake.

In the two test-checked districts, three<sup>53</sup> institutes made 251 admissions in IT/ Diploma in Computer Programming Application courses during 2016-17 which was in excess (by 106 admissions) of the approved intake of 145. As a result, not only were there doubts over the quality of training imparted by these institutes to trainees admitted in excess of the approved intake, but also over the usefulness of SDA paid to these trainees as the training completion certificates issued to them were not authorised by the affiliating organisation.

### 3.14.8 Conclusion

The scheme had certain shortcomings in terms of both design and implementation. The scheme was rolled-out without specifying minimum quality standards for private training institutes. Further, even after quality standards were prescribed and empanelment of private training institutes was done, there was no mechanism to ensure continuance and quality of training imparted by these private training institutes. Inadequate internal controls resulted in payments to beneficiaries enrolled in non-empanelled training institute. There was no mechanism to ensure regular attendance and completion of training by scheme beneficiaries which hindered the achievement of scheme objectives. The online system for implementation of the scheme had several gaps. Further, non-maintenance of any employment records of beneficiaries after skill development training meant that the scheme remained limited to providing direct transfer of benefits without any emphasis on measuring the achievement of envisaged outcomes.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

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<sup>52</sup> Kangra: two and Sirmour: 48.

<sup>53</sup> AISECT Computer Centre, Baijnath; Global Sai Education, Dharamsala and IGET Institute, Shillai.

## **Medical Education and Research Department**

### **3.15 Pradhan Mantri Swasthya Suraksha Yojana**

**Construction of new All India Institute of Medical Sciences at Bilaspur and super-speciality block for Indira Gandhi Medical College, Shimla was not started due to delay in land acquisition and lack of planning in selection of site respectively. In Dr. Rajendra Prasad Government Medical College Tanda, severe manpower shortages and lack of required equipment resulted in denial of facilities and services to patients. Indecision in selection of executing agency led to non-completion of construction of 1<sup>st</sup> year MBBS students' hostel and non-execution of work of Post Graduate students' hostel in spite of release of ₹ 15.09 crore to the executing agencies.**

#### **3.15.1 Introduction**

Government of India (GOI) launched the Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) in March 2006 with the objective of correcting imbalances in availability of affordable and reliable tertiary healthcare. The scheme envisaged setting up of new All India Institute of Medical Sciences (AIIMS) and Upgradation of Government Medical Colleges (GMCs) across the country. In Himachal Pradesh (HP), two GMCs were to be upgraded – Dr. Rajendra Prasad Government Medical College (RPGMC), Tanda (Kangra) and Indira Gandhi Medical College (IGMC), Shimla while a new AIIMS was also proposed to be established in the State under the scheme.

#### **3.15.2 Audit Objectives**

Audit objectives were to see whether:

- (i) The scheme was properly planned and covered all requirements of tertiary healthcare services;
- (ii) Adequate funds were available and utilised optimally;
- (iii) Availability of physical and human infrastructure was adequate; and
- (iv) Effective mechanism was in place for monitoring of the scheme.

#### **3.15.3 Audit Scope**

An audit of the implementation of the PMSSY for the period 2014-15 to 2016-17 was conducted during April-June 2017 by test-check of records in the office of Director, Medical Education and Research (DMER), records pertaining to establishment of new AIIMS; records and work done in RPGMC, Tanda and IGMC, Shimla. Followings are audit findings:

#### **3.15.4 Slow progress in establishment of new AIIMS at Bilaspur**

In December 2014 the State Government selected a site in Bilaspur district for establishment of a new AIIMS and sent a proposal (March 2015) to GOI.

The site measuring 99.42 hectares, was owned by three departments (Animal Husbandry Department: 51.20 hectares; Forest Department: 35.27 hectares and Revenue Department: 12.95 hectares) and only 55.09 hectares of land (55 per cent) had been acquired and transferred in the name of the Department as of August 2017. The remaining 44.33 hectares of land had not been transferred owing to non-receipt of clearance from Forest Department (35.27 hectares of land) and no-objection certificate

from the Animal Husbandry Department (9.06 hectares of land). GOI had stipulated that the project should be completed within 48 months whereas the Department had not been able to complete the process of acquisition and transfer of land even after 27 months thereby adversely impacting timely project delivery. The DMER stated (June-August 2017) that transfer of land to the Department was in progress. The reply is not acceptable as the forest clearance case had not been sent to GOI due to non-preparation of site development plan by the Health and Family Welfare Department, while records showed that the Animal Husbandry Department had refused to transfer the remaining part of the land.

### **3.15.5 Delayed upgrading of Indira Gandhi Medical College (IGMC), Shimla**

GOI approved (January 2014) the upgrading of IGMC, Shimla at a project cost of ₹ 150.00 crore (Central share: ₹ 120.00 crore and State share: ₹ 30.00 crore). The project involved upgrading of existing departments, procurement of medical equipment and services, construction of trauma centre and super-speciality block. M/s Hospital Services Consultancy Corporation (HSCC) Limited was appointed by GOI as consultant for the project.

Following site visits (March 2014) and preparation (March 2014) of concept plan, M/s HSCC (consultant) sent the project report for construction of super-speciality block to GOI in May 2015 and was paid ₹ 20 lakh in July 2015 for above purpose. GOI accorded approval for the same in November 2015 and directed the consultant to start preparatory project activities immediately.

Audit noticed that the site selected was not encumbrance free, and the project involved dismantling of existing buildings, shifting of electricity sub-station, high tension line, underground water and sewerage lines, and cutting of 66 trees. These aspects, however, should have been anticipated before selection of the site. The State Government decided (October 2016) to shift the proposed site of super speciality block to another site at Chamlyana (Shimla district). The work had not been started as of June 2017 as preparation of concept plan and project report needed to be done afresh. Thus, lack of foresight in planning had delayed implementation of the project.

The Assistant Controller (Finance & Accounts), IGMC, Shimla stated (August 2017) that the site had to be shifted due to lack of proper space and forest issues, and the State Government decided to construct the super speciality block at Chamlyana.

### **3.15.6 Upgrading of Dr. Rajendra Prasad Government Medical College (RPGMC), Tanda**

GOI approved (February 2009) the upgradation of RPGMC, Tanda at a project cost of ₹ 150 crore (Central share: ₹ 125 crore; State share: ₹ 25 crore).

The project involved construction of super-speciality block; procurement of equipment and furniture; installation of gas pipeline system and manifold facility rooms; civil works such as construction of hostels, examination halls, lecture theatres and library and campus computerisation.

### 3.15.6.1 Shortage of manpower in super specialist departments

Audit observed that although a super-speciality block having capacity of 209 beds and seven<sup>54</sup> super-speciality departments had been set up (March 2014), there was acute shortage of medical and other staff in the super speciality block which was severely impacting service delivery (as highlighted in para 3.15.4.2). The position is depicted in Table 3.15.1:

**Table-3.15.1: Position of manpower in super specialist departments**

(In numbers)

Category of Staff	Requirement	Persons-in-Position	Shortage	Shortage (in per cent)
Professors	6	1	5	83
Associate Professors	6	2	4	67
Assistant Professors	9	7	2	22
Senior Residents	44	3	41	93
<i>Total (Medical Staff)</i>	<i>65</i>	<i>13</i>	<i>52</i>	<i>80</i>
Paramedical/ Nursing/ Support Staff	219	20	199	91
<b>Total</b>	<b>284</b>	<b>33</b>	<b>251</b>	<b>88</b>

Source: Departmental figures.

It was further found that although posts of Professors, Associate Professors, and Assistant Professors had been sanctioned, the Department had not sanctioned posts of Senior Residents and other paramedical/ nursing/ support staff despite requirement (excluding requirement for staff nurses) having already been sent by RPGMC, Tanda to DMER in March 2013.

The Principal stated (May-June 2017) that posts of doctors could not be filled due to non-availability of eligible doctors/super-specialists in the State, and that the matter of filling of posts had already been taken up (March 2013) with the State Government.

### 3.15.6.2 Non-functional departments/ services in super-specialty block

Audit observed that out of seven super-specialty departments, two departments, i.e. Cardio-Thoracic and Vascular Surgery (CTVS) and Nephrology were non-functional after having been made functional for five and two months respectively<sup>55</sup>. It was found that these two departments were non-functional owing to absence of staff as both Assistant Professors posted in these departments had been deputed to IGMC, Shimla. As a result, patients could not avail of these services, and the equipment valuing ₹ 0.78 crore installed in the CTVS department were lying idle.

Audit also observed that the Indoor Patient Department (IPD) in the super speciality block remained non-functional due to non-availability of staff. Against 12 posts of Professor and Associate Professor, only three posts (one Professor and two Associate Professors) were filled as of May 2017. Further, there were only three Senior Resident doctors as against the requirement of 44. As a result, only day-care services

<sup>54</sup> Cardiology, Nephrology, Cardio-Thoracic and Vascular Surgery (CTVS), Neurology, Neurosurgery, Gastroenterology; and Oncology-Radiotherapy.

<sup>55</sup> Department of Cardio-Thoracic and Vascular Surgery was functional only from 19 October 2015 to 05 March 2016 and Department of Nephrology remained functional only from 17 December 2016 to 09 February 2017.

(from 10 am to 4 pm) were being provided and patients in need of indoor care had to make their own arrangements outside the hospital beyond 4 pm.

The Principal, RPGMC, Tanda stated (June 2017) that the Government had already been requested to post the required staff in March 2013 and February 2017.

### 3.15.6.3 Non-functional operation theatres in super-speciality block

Audit found that construction/ installation of four modular operation theatres (OTs) having estimated cost of ₹ 3.90 crore and three normal OTs with estimated cost of ₹ 0.90 crore in the super speciality block required to be completed within four months from the start (December 2014) of work had not been completed and made functional as of May 2017. It was found that this was because of non-availability of uninterrupted power supply in the block, owing to supply of only one diesel generator (DG) set and a diesel tank with capacity of only 1,000 litre against the requirement of two DG sets (each having 750 KW capacity) and a 10,000 litre diesel tank as had been stipulated in the scope of work/ bill of quantities. Further, the institute had not taken up the matter with M/s HSCC Limited (executing agency) until March 2017. Thus, patients remained deprived of OT facilities in the super speciality block.

The Principal, RPGMC, Tanda stated (June 2017) that the matter of installation of DG sets and construction of a 10,000 litre diesel tank had been taken up with M/s HSCC Limited.

### 3.15.6.4 Non-receipt/ non-procurement of medical equipment

GOI allocated funds of ₹ 33.00 crore for procurement of 20 items of medical equipment required in the super speciality block and released (November 2011) ₹ 17.50 crore to the State Government. As per the directions of GOI, the State Government further released the amount to M/s HLL Lifecare Limited in March 2013 for procurement and installation of the equipment.

It was, however, noticed that neither was any timeframe specified for supply of equipment nor was there any penalty provision in case of delay. M/s HLL Lifecare Limited placed supply orders (between March 2015 and March 2017) for procurement of 18 items after delay of one to three years from the date of start (March 2014) of the super speciality block, while supply order for the remaining two items (Table-3.15.2) had not been placed due to non-completion of price evaluation process. While 14 out of 18 items had been supplied and installed (between August 2015 and February 2017), four items worth ₹ 21.28 crore had not been received as of August 2017.

**Table-3.15.2: Details of non-receipt/ non-procurement of medical equipment**

(₹ in crore)

Item of equipment yet to be received	Rate	Qty.	Amount involved
C Arm ERCP (Gastroenterology Department)	0.35	1	0.35
Argon Plasma Coagulation (Gastroenterology Department)	0.16	1	0.16
Linear Accelerator (Radiotherapy Department)	16.15	1	16.15
CT Simulator (Radiotherapy Department)	4.62	1	4.62
Neuro couches (Neurology Department)	Order yet to be placed		
Temporary Pulse Generator (Cardiology Department)	Order yet to be placed		
<b>Total</b>			<b>21.28</b>

Source: Departmental figures.

In addition to the above, audit observed that procurement of five items of equipment costing ₹ 1.00 crore for the Neurosurgery department was deferred until posting of a Neurosurgeon in the Department. Scrutiny, however, revealed that although the Neurosurgeon had joined (January 2016), the required equipment had not been procured as of June 2017. In the interim period (February 2016 to May 2017), 2,762 patients<sup>56</sup> were attended to by the Neurosurgery department, but in 165 cases where the required equipment was needed for basic and advanced neurosurgical procedures, the patients were referred elsewhere.

The Principal RPGMC, Tanda stated (June 2017) that procurement of the aforesaid equipment was under process. Further, the matter of procurement of equipment for Neurosurgery Department had been brought (March 2017) to the notice of the Government.

### **3.15.6.5 Unutilised computers, tablets and other peripherals**

Campus computerisation project in RPGMC, Tanda envisaged creation of infrastructure including a data centre, institute-wide wireless connectivity, automation applications, etc. The State Government approved the project for automation work in September 2013 at an estimated cost of ₹ 39.85 crore.

Audit observed that the stipulated period of completion of the project was 18 months from the date of placing supply orders (June 2015), but the project had not been made fully operational as of March 2017 after incurring expenditure of ₹ 13.76 crore. Of this, ₹ 3.94 crore had been spent on procurement of 985 items (desktop computers, tablets, and other peripherals) received in August-September 2015, but 821<sup>57</sup> of these items remained undistributed as of June 2017.

The Principal, RPGMC, Tanda stated (June 2017) that the items could not be distributed for want of power back-up, activation of Wi-Fi and software (Hospital Management Information System). He further stated that the same would be distributed shortly as tenders for procurement of DG set and UPS had been floated and the software was being procured. The reply needs to be considered in view of the fact that lack of required infrastructure and software had resulted not only in the equipment remaining idle but also in non-completion of the campus computerisation project. Further, the warranty period of the computers, tablets and other peripherals had already expired, and liability for any defects/ maintenance needs would have to borne by the institution.

### **3.15.6.6 Non-completion/ non-execution of work of hostel construction**

The State Government accorded (March 2013) administrative approval (AA) of ₹ 12.16 crore and ₹ 14.57 crore for construction of 1<sup>st</sup> year MBBS students' hostel and Post Graduate (PG) students' hostel respectively, on the basis of preliminary drawings and estimates from Himachal Pradesh Public Works Department (HPPWD) (November-December 2012), for completion within a period of 24 months. Funds

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<sup>56</sup> OPD: 2,135 and IPD: 627 (including 128 surgery and 165 referral cases).

<sup>57</sup> Desktop computers: 133; Workstations: 08; Network Printer: 44; Laserjet Printers: 122; HP Tablets: 231; Voice over Internet Protocol Smart Video set: 113 and Voice over Internet Protocol Audio set: 170.

amounting to ₹ 10.00 crore were released (August 2013) to Principal, RPGMC, Tanda for execution of above works.

Scrutiny revealed that funds of ₹ 2.30 crore were drawn and deposited (March 2014) with HPPWD for the aforesaid works but work was not started. The State Government, therefore, decided (June 2014) to award the work on the same approved estimates to M/s Hospital Services Consultancy Corporation (HSCC) Limited without any written assurance from the company that it would execute the work on these estimates, and released (March 2015) ₹ 8.86 crore to the company. In turn, M/s HSCC Limited submitted (July 2015) fresh estimates of ₹ 23.22 crore for the construction of only 1<sup>st</sup> year MBBS students' hostel. The State Government went back on its decision and again awarded (January 2016) this work to HPPWD. The work was started in June 2016 and an expenditure of ₹ 3.30 crore was incurred against total release of ₹ 6.23 crore as of June 2017.

The construction of PG students' hostel was awarded (May 2017) by the State Government to HSCC with the direction that ₹ 8.86 crore already deposited (March 2015) with the company would be used for this work. The company, however, had not started the work as of August 2017. Thus, indecision in selection of executing agency led to non-completion of construction of 1<sup>st</sup> year MBBS students' hostel and non-execution of work of PG students' hostel, denying students of the intended hostel facilities.

The Principal, RPGMC, Tanda stated (June 2017) that construction of 1<sup>st</sup> year MBBS students' hostel would be completed by December 2017.

#### **3.15.6.7 Non-recovery of amount pertaining to rejected items**

RPGMC, Tanda placed (December 2013) supply order for six items of equipment costing ₹ 30.21 lakh on Managing Director, Himachal Pradesh General Industries Corporation (HPGIC) Limited. Advance payment of ₹ 15.11 lakh was made to HPGIC Limited in December 2013. Audit, however, found that two of the six items costing ₹ 4.52 lakh<sup>58</sup> were rejected (February 2014) upon receipt as they did not meet the required specifications. Despite this, the office released (March 2015) the balance amount to HPGIC Limited without deducting the amount for rejected items. No action had been initiated for recovery of the amount or replacement of the items as of June 2017. The Principal RPGMC, Tanda stated (June 2017) that payment for rejected items was made due to oversight and action for recovery would be initiated shortly.

#### **3.15.6.8 Irregular procurement of computers**

As per Rule 102 of Himachal Pradesh Financial Rules, 2009, procurement of goods valuing ₹ 10.00 lakh and above shall be made by adopting advertised tender system. Further, decision-1<sup>59</sup> under appendix 10 of HPFR, Vol-II stipulates that procurement should be done through a competitive system and Himachal Pradesh State Electronics Development Corporation Limited (HPSEDCL) should be directed to participate in the tendering process.

<sup>58</sup> Wheel chairs (24): ₹ 1.24 lakh and Examination tables (64): ₹ 3.28 lakh.

<sup>59</sup> Letter No. Fin-E-1-A(A) 8/99, dated 03 March 2000.

Scrutiny of records, however, revealed that contrary to the provisions cited above, computers costing ₹ 16.70 lakh for different departments were procured (March 2013) through HPSEDCL on rate contract basis on the orders of Special Secretary (Health) without adopting any tendering process, thus depriving the institute from the benefit of competitive rates.

The Principal, RPGMC, Tanda stated (August 2017) that the items were purchased keeping in view the directions issued by the Government. The reply is not acceptable as the aforementioned orders of Special Secretary (Health) were in contravention of the financial rules cited above.

### **3.15.6.9 Non-submission of utilisation certificates**

Scrutiny of records revealed that funds amounting to ₹ 42.50 crore were received (between November 2011 and January 2015) by RPGMC, Tanda from GOI under PMSSY. These funds were further released<sup>60</sup> to the executing agencies between March 2013 and April 2015.

It was, however, noticed that utilisation certificates (UCs)/ completion certificates (CCs) were not obtained by the institute as of May 2017 and thus proper utilisation of funds released to the executing agencies could not be ascertained. Moreover, non-submission of UCs resulted in further non-release of ₹ 10.00 crore by GOI which were meant for civil works. The Principal stated (May 2017) that efforts were being made to obtain UCs/ CCs from the executing agencies.

### **3.15.6.10 Drawing of funds in advance of requirement**

As per Rule 2.10(b)(5) of HPFR Vol-I, 1971, no money should be drawn from the treasury unless it is required for immediate disbursement and that it is not permissible to draw advances from the treasury for execution of works, the completion of which is likely to take considerable time.

Audit noticed that funds amounting to ₹ 9.58 crore were drawn from the treasury at the end of the financial year 2010-11 (March 28, 2011) for procurement of medical equipment. The equipment, however, were purchased<sup>61</sup> between 2011-12 and 2015-16.

The Principal, RPGMC, Tanda stated (June 2017) that the funds were drawn as a special case for the purchase of equipment for various departments under PMSSY. The reply is not acceptable as the equipment were purchased over a period of more than five years from the date of funds being drawn, indicating that the requirement was not immediate.

### **3.15.6.11 Monitoring/ Internal control mechanism**

Audit noticed that funds amounting to ₹ 10.00 crore had been transferred (August 2013) by GOI to RPGMC, Tanda for execution of civil works, but the institution was unaware of the money having been deposited until January 2015 as

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<sup>60</sup> March 2013: ₹ 17.50 crore to M/s HLL Lifecare Limited for procurement of equipment; March 2015: ₹ 10.00 crore to M/s HSCC Limited and HPPWD for civil works and April 2015: ₹ 15.00 crore to M/s HSCC Limited for Medical Gas Pipeline System and Modular/ Normal OTs.

<sup>61</sup> 2011-12: ₹ 3.42 crore; 2012-13: ₹ 2.75 crore; 2013-14: ₹ 2.52 crore; 2014-15: ₹ 0.57 crore; 2015-16: ₹ 0.29 crore and ₹ 0.03 crore was lying unspent as of June 2017.

reconciliation with the bank was not being done. In the meantime, RPGMC, Tanda had been sending requests for funds while the money was already lying in its savings bank account. The Principal RPGMC, Tanda stated (June 2017) that no letter regarding transfer of funds was received from GOI. The reply is not acceptable as GOI had already conveyed the sanction to RPGMC, Tanda in July 2013, and regular reconciliation with the bank would have avoided any confusion.

### **3.15.7 Conclusion**

Neither the construction of new AIIMS in Bilaspur nor the works envisaged under upgradation of IGMC, Shimla had been started. In RPGMC, Tanda, severe manpower shortages and lack of required equipment resulted in denial of facilities and services to patients who had to be referred to other health institutions. Certain items of equipment had not been received/ procured and construction of hostels was delayed. As a result, the primary objective of the scheme - correcting imbalances in availability of affordable/ reliable tertiary healthcare services - remained unachieved in the State. The State Government may consider addressing the issues highlighted in order to achieve intended outcomes.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

### **3.16 Non-creation of infrastructure in General Nursing and Midwifery schools and diversion of funds**

**Non-release of State share of ₹ 1.78 crore and diversion of ₹ 3.00 crore to General Nursing and Midwifery schools not approved by Government of India led to non-creation of intended infrastructure even after lapse of more than four years.**

Government of India (GOI) started a Centrally Sponsored Scheme “Upgrading/ Strengthening of Nursing Services” (Scheme) during 2012-13 which envisaged establishment of Auxiliary Nurse and Midwives (ANM) schools and General Nursing and Midwifery (GNM) schools in States including Himachal Pradesh.

A Memorandum of Understanding (MoU) was signed (November 2012) between the Ministry of Health and Family Welfare, GOI and the State Government for establishment of one GNM school at Chamba and strengthening of two existing GNM schools at Nahan and Mandi. The MoU stipulated that the scheme was applicable to only three identified districts and that the cost was to be shared between GOI and the State Government in the ratio of 85:15. The Director, Medical Education and Research (DMER) received (April 2013) ₹ 10.14 crore from GOI for establishment/ strengthening of these three schools.

Audit scrutiny showed that as of March 2017, the State Government had not released its share of 15 *per cent* amounting to ₹ 1.78 crore.

Further, it was found that the State Government, in violation of the terms of the MoU, decided (November-December 2013) to distribute the funds received from GOI amongst six GNM schools in the State rather than only to the three GNM schools approved by GOI. Accordingly, DMER released (December 2013) ₹ 10.00 crore<sup>62</sup> to six GNM schools<sup>63</sup>, of which ₹ 3.00 crore were released to three unapproved GNM schools. The funds released to the three unapproved GNM schools remained unutilised for more than two years, after which a decision to recover these funds was taken by DMER (September 2015) upon demand of utilisation certificates by GOI. ₹ 2.95 crore<sup>64</sup> (including interest of ₹ 25.57 lakh) had been recovered (January 2016-July 2016) which were lying unutilised with DMER as of March 2017 while recovery of ₹ 30.00 lakh released to one unapproved GNM school<sup>65</sup> remained pending.

As a result of non-release of State share and diversion of funds to unapproved GNM schools, funds made available to approved GNM schools became insufficient in two cases (GNM schools at Chamba and Mandi), as depicted in Table 3.16.1:

<sup>62</sup> Remaining funds of ₹ 14.00 lakh and interest earned thereon were lying with the DMER.

<sup>63</sup> Approved GNM schools at Chamba: ₹ 3.00 crore; Nahan: ₹ 2.00 crore; Mandi: ₹ 2.00 crore. Unapproved GNM schools at Bilaspur: ₹ 1.00 crore; Rampur (Shimla): ₹ 1.00 crore; RPGMC Tanda: ₹ 1.00 crore.

<sup>64</sup> CMO Shimla: ₹ 1.05 crore; CMO Bilaspur: ₹ 1.09 crore; Principal, RPGMC, Tanda: ₹ 80.97 lakh including interest.

<sup>65</sup> GNM school at RPGMC, Tanda.

Table-3.16.1: Physical and financial status of approved GNM schools

(₹ in crore)

GNM school	Civil works			Other components <sup>66</sup>		Remarks
	Approved estimates	Funds available/ released	Funds utilised	Funds available	Funds utilised	
Chamba	6.78	2.80 <sup>67</sup>	2.80	1.50	--	The work remained suspended since January 2016 after execution of 30 per cent work for want of additional funds. Funds for other components were lying unutilised due to non-completion of civil works.
Mandi	5.05	1.00	--	1.00	0.37	Work had not been started. ₹ 1.00 crore for civil works and ₹ 63 lakh for other components were lying unutilised.
Nahan	0.88	1.00 <sup>68</sup>	0.88	1.00	0.33	Work was administratively approved in November 2015. ₹ 67 lakh under other components were lying unutilised.

As can be seen from the above table, in the case of GNM schools at Chamba and Mandi, the approved estimates were far greater than the amounts released resulting in the works having been suspended/ not having been started for want of additional funds.

Thus, non-release of State share of ₹ 1.78 crore and diversion of ₹ 3.00 crore to unapproved GNM schools led to non-availability of sufficient funds in the case of two approved GNM schools at Chamba and Mandi resulting in non-creation of intended infrastructure in these GNM schools even after lapse of more than four years.

The DMER stated (January 2017) that ₹ 3.00 crore were recovered as per decision (September 2015) in a meeting held with team from GOI and the matter of allocation of these funds would be taken up with the Government. It was also stated (March 2017) that the State Government was being requested for release of State share. The replies are not acceptable as the funds recovered had been lying unutilised since July 2016 while there remained shortage of funds in the case of GNM schools at Chamba and Mandi. Further, the State share should have been released alongwith the GOI share.

The audit findings were referred to the Government in June 2017. Reply had not been received (November 2017).

### Multipurpose Projects and Power Department

#### 3.17 Non-implementation of Jangi Thopan and Thopan Powari hydroelectric power projects

**Decision of the State Government to refund upfront premium of ₹ 260.13 crore instead of forfeiture as per terms of pre-implementation agreement with developer of hydroelectric projects would result in loss of revenue to State Government and undue favour to the developer to the above extent.**

The State Government allotted (December 2006) two (Jangi-Thopan and Thopan-Powari) hydro-electric projects of 480 MW each to the developer who had quoted the

<sup>66</sup> Purchase of lab equipment, audio visual aids/ books and other recurring expenditure.

<sup>67</sup> ₹ 1.50 crore from GOI funds and ₹ 1.30 crore from State budget.

<sup>68</sup> Including ₹ 0.12 crore for purchase of bus (transport facility).

highest upfront premium of ₹ 36.13 lakh per MW each in the international competitive bidding process. As per the pre-bid conditions, the developer was required to deposit 50 *per cent* of the upfront premium immediately after the issue of Letter of Award, 25 *per cent* at the time of signing of implementation agreement and the balance immediately after the financial closure. The Letter of Award was issued in December 2006.

The State Government subsequently signed a Pre-Implementation Agreement (PIA) with the developer in April 2009, which *inter alia* stipulated that the developer would retain its equity participation of 100 *per cent* till three years after commissioning of the project and any change in the equity participation without prior approval of Government would automatically result in termination of the PIA. The upfront premium deposited at the time of allotment was liable to be forfeited in case of breach of any provision/ clause and any misrepresentation of information furnished during the bidding/ selection process and violation of issues concerning policy parameters may result in cancellation of the PIA and imposition of monetary penalty including cancellation of the project.

Scrutiny of records of the Director of Energy revealed that the developer did not deposit the upfront premium of ₹ 173.42 crore<sup>69</sup> immediately after issue of the Letter of Award in December 2006 as required under the pre-bid conditions. The State Government issued (January 2008) a show cause notice to the developer to deposit the amount. The developer thereafter deposited ₹ 280.69 crore<sup>70</sup> (upfront premium: ₹ 260.13 crore and penal interest: ₹ 20.56 crore) between January 2008 and April 2009 by raising a loan from a financier by unilaterally converting the financier into an equity partner with 49 *per cent* equity.

The second highest bidder thereafter filed (November 2008) a petition in the Hon'ble High Court of Himachal Pradesh challenging the award of the projects to the developer. The Hon'ble Court set aside (October 2009) the award of the projects to the developer observing that the developer had misrepresented facts and also changed the equity participation without prior permission of the State Government. The Hon'ble High Court left it to the State Government to decide whether it wanted to re-advertise the projects or act on the basis of the old tender.

The State Government decided (October 2009) that fresh bids be invited as a single project of 960 MW after plugging all loopholes in the bid documents and evaluation procedure. The affected parties including the developer filed (January 2010) Special Leave Petitions (SLPs) in the Supreme Court against the judgement of the High Court. In August 2013, the Law Department confirmed cancellation of project and forfeiture of upfront premium paid by the developer in an opinion sought by the Department.

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<sup>69</sup> Fifty *per cent* x 960 MW x 36.13 lakh per MW.

<sup>70</sup> Fifty *per cent* 1<sup>st</sup> instalment: ₹ 173.42 crore; penal interest on delayed payment: ₹ 20.56 crore and 2<sup>nd</sup> instalment: ₹ 86.71 crore.

During the proceedings before the apex Court, the State Government issued (March 2014) a show cause notice to the developer for breach of contract wherein it called upon the company to explain the delay in commissioning of the project due to "inaction, misdeeds, commissions, omissions and misrepresentation of material facts" and thereby causing a "loss to the tune of ₹ 2,713.73 crore<sup>71</sup>" to the State exchequer and to show cause why this amount should not be recovered from the company apart from forfeiture of the upfront premium deposited by it with the State Government.

The developer did not furnish reply to the show cause notice but subsequently withdrew (October 2014) from the SLP (January 2010) filed before the Supreme Court. The Supreme Court directed (October 2014) the State Government to process fresh bids. Bids were called by the Department in February 2015. However, a single bid received was rejected (July 2015) as it did not qualify. Thereafter, the State Government decided (August 2015) to offer the two projects to the second bidder of the first bidding process on payment of premium of ₹ 346.85 crore. The second bidder did not accept the offer and withdrew the SLP filed (January 2010) before apex Court in July 2016.

In September 2015, the State Government decided to refund the upfront premium of ₹ 260.13 crore to the financier of the developer on the ground that State Government cannot retain upfront premium of two different parties<sup>72</sup> for the same project and to waive off the potential revenue loss of ₹ 2,713.73 crore for non-implementation of project.

Evidently, the developer had misrepresented facts and also changed the equity participation without prior permission of the State Government and as such the amount was required to be forfeited. The decision of the State Government to refund the upfront premium of ₹ 260.13 crore instead of its forfeiture for breach of provision of the agreement was injudicious and would result in loss of revenue to State Government and undue favour to the power developer. Besides, non-implementation of the projects deprived the State Government of revenue on account of free power share owing to delay of more than nine years in commissioning of the projects.

The Department stated (July 2017) that the decision to refund the amount was taken due to the fact that upfront premium of two different parties for the same project cannot be retained and the amount was to be refunded as of July 2017. The fact, however, remains that for breach of the provisions of the agreement, the upfront premium was liable to be forfeited, as also opined (August 2013) by the State Law Department. Moreover, the subsequent agreement should have no bearing with the earlier agreement.

The matter was referred to the Government in June 2017. Its reply had not been received (November 2017).

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<sup>71</sup> ₹ 2,713.73 crore as the net present value of quantum of revenue loss on account of loss of free power share due to non-commissioning of the project.

<sup>72</sup> One who left the project unexecuted and the other to whom the project would be allotted in future.

**Panchayati Raj Department**

**3.18 Irregular sanction of works from Backward Regions Grant Fund (BRGF)**

**Funds amounting to ₹ 60.70 lakh were sanctioned and released for execution of works not permissible under BRGF.**

Backward Regions Grant Fund (BRGF) was conceptualised by the Government of India (GOI) to bridge critical gaps in development infrastructure and strengthen *panchayat* and municipal level governance in identified districts by supplementing existing developmental inflows. BRGF guidelines stipulate that the funds are not to be used for construction of structures within premises of religious institutions. Further, a High Powered Committee for BRGF constituted by the State Government issued (April 2010) a list of permissible works from BRGF which did not include construction/ repair/ maintenance of Government residential buildings.

Scrutiny of records of the District Panchayat Officer (DPO), Chamba showed that funds amounting to ₹ 60.70 lakh were sanctioned and released from BRGF during 2012-15 for works<sup>73</sup> pertaining to construction within premises of a religious institution, and construction of Government residential buildings which was not permissible under BRGF.

The DPO, Chamba replied (July 2017) that funds were released from BRGF as per proposal/ shelves of schemes received from *Gram Panchayat, Panchayat Samiti* and *Zila Parishad* in the interest of the local public. He further added that due to shortage of funds, funds from BRGF were sanctioned for the aforesaid works. The Government stated (October 2017) that the schemes were duly approved by the District Planning Committee and benefits of these works are being availed of by the public. The fact, however, remains that the works were sanctioned in violation of guidelines and instructions *ibid*.

<sup>73</sup> Repair work of kitchen, Babi Mata Mandir, Village Nanni, GP Tundah (₹ 0.70 lakh); C/o Residential quarters for DPO staff (₹ 25.00 lakh); C/o Staff quarters, Municipal Council Dalhousie (₹ 15.00 lakh) and C/o Residence for DPO, Chamba and Staff (₹ 20.00 lakh).

## Public Works Department

### 3.19 Procurement, consumption and accountal of bitumen

**Against payments of ₹ 427.14 crore outstanding for adjustment under centralised allocations, the paying divisions had not adjusted ₹ 141.57 crore (33 per cent) from the executing divisions in support of receipt of bitumen of which ₹ 35.13 crore were outstanding for more than eight to 11 years. In test-checked divisions, there was short receipt of 663.221 MT bitumen valuing ₹ 2.51 crore against allocations/ supply orders. Under divisional level purchase, the test-checked divisions had procured 7,292.733 MT bitumen of ₹ 31.48 crore without sanction of competent authority. Details/ records of actual utilisation of 3,859.874 MT bitumen were not available with the test-checked divisions which was fraught with the risk of misutilisation/ pilferages. The database of receipt, issue and consumption was not maintained at apex level and monitoring mechanism for bitumen was almost non-existent.**

#### 3.19.1 Introduction

Bitumen is procured in the Public Works Department for road construction from Indian Oil Corporation (IOC) and Hindustan Petroleum Corporation Limited (HPCL) through their Carriage and Forwarding Agents (CFAs) Depots<sup>74</sup> at Bilaspur, Jawalamukhi, Mehatpur, Parwanoo and Sundernagar. Bitumen emulsion is procured from GOI approved sources<sup>75</sup>. The PWD procures bitumen centrally against the works relating to annual maintenance plan (AMP) where allocation of bitumen against AMP works is made by the Engineer-in-Chief (E-in-C). In respect of NABARD<sup>76</sup> and other State Plan works the bitumen is purchased by the Department at division/ circle/ zone levels as per delegation of powers.

#### 3.19.2 Audit objectives

The audit objectives were to see whether the:

- (i) Procurement of the bitumen was economical, efficient and as per requirement assessed,
- (ii) Bitumen was consumed effectively and
- (iii) System for accountal of the bitumen existing in the Department was working efficiently.

#### 3.19.3 Audit Scope

Audit of procurement, consumption and accountal of bitumen by the Department covering the period 2013-17 was conducted by test-check of records of the E-in-C and Executing Engineers (EEs) of 10 divisions<sup>77</sup> (out of 57) in the State.

<sup>74</sup> Himachal Pradesh State Industrial Development Corporation Limited: IOC Depots at Parwanoo and Mehatpur, Himachal Pradesh Agro Industries Corporation Limited: IOC Depots at Jawalamuki and Bilaspur and HPCL Depot at Sundernagar.

<sup>75</sup> IOC, Total Oil Private Limited and HINCOL.

<sup>76</sup> National Bank for Agriculture and Rural Development.

<sup>77</sup> Barsar, Bharwain, Dharampur, Dharamshala, Gohar, Karsog, Palampur, Shimla-III (Nodal division), Sundernagar and Una.

**Audit Findings**

**3.19.4 Centralised purchase of bitumen**

Every year, after finalisation of annual maintenance plan (AMP) for carrying out periodical maintenance of roads based on requirement from field offices, the E-in-C makes division-wise allocation of bitumen specifying quantity of bitumen and cost involved thereof. The funds for allocated bitumen are allotted to the paying division<sup>78</sup> for making payment in advance to the IOC/ HPCL. The executing divisions receive the bitumen against allocation from the suppliers directly. While releasing payments to the IOC/ HPCL for the allocated quantity of bitumen, the amount is kept under ‘Miscellaneous Public Works Advances’ (MPWA) head of the respective suppliers by the paying division pending adjustment from the executing divisions in support of receipt of bitumen.

**3.19.4.1 Allocations, payments and adjustment of bitumen**

Details of bitumen allocated, Letter of Credit (LOC) issued, payments made by paying division (Shimla division No. III) to the suppliers and amount adjusted/ recovered from the executing divisions during 2013-17 are depicted below:

**Table-3.19.1: Details of bitumen allocated, payments made by paying division to suppliers and amount recovered/ adjusted from the executing divisions during 2013-17**

Year	Allocation (in MT)	Payments made to the suppliers			Recoveries/ adjustments	Balance to be adjusted
		Opening balance	LOC issued/ Paid during the year	Total		
2013-14	11,014.020	82.68	83.17	165.85	39.75 (24)	126.10
2014-15	14,768.463	126.10	79.08	205.18	34.25 (17)	170.93
2015-16	17,511.154	170.93	82.09	253.02	48.19 (19)	204.83
2016-17	22,437.674	204.83	64.18	269.01	162.57 (60)	106.44
<b>Total</b>	<b>65,731.311</b>		<b>308.52</b>		<b>284.76</b>	

Source: Departmental figures.

Against ₹ 391.20 crore<sup>79</sup> recoverable/ adjustable from the executing divisions, the paying division had received ₹ 284.76 crore during 2013-17 in support of the bitumen actually lifted leaving balance of ₹ 106.44 crore recoverable/ adjustable as of March 2017. Except 2016-17, the percentage of adjustment during 2013-16 ranged between 19 and 24, which indicated that the pace of adjustment during the previous years was quite slow.

In addition to above, an amount of ₹ 35.94 crore (pertaining to 2005-06 to 2008-09) was outstanding for adjustment as on 01 April 2013 in Shimla division No. II against which ₹ 0.81 crore only could be adjusted during 2016-17 leaving balance of ₹ 35.13 crore unadjusted for more than eight to 11 years.

In spite of the fact that the payment had been released to the suppliers in advance, the paying divisions as well as the executing divisions had not taken any action for recovery/ adjustment of the amount expeditiously. Non-adjustment of the amount

<sup>78</sup> Shimla division No. II (now Shimla Rural division at Dhami) up to 2008-09 and Shimla division No. III from 2009-10 and onwards.

<sup>79</sup> Opening balance as on 01 April 2013: ₹ 82.68 crore and payments during 2013-17: ₹ 308.52 crore.

against the executing divisions in support of the bitumen actually received was apprehensive of receipt of short supply from the suppliers as indicated in the succeeding paragraph.

#### **3.19.4.2 Short/ excess receipt of bitumen and non-reconciliation with the paying division**

The records/ database of actual receipt of bitumen by executing divisions had not been maintained at E-in-C/ paying division level. The paying division as well as executing divisions had also not carried out reconciliation of bitumen received against allocations from the suppliers during 2013-17. There was variation in receipt of bitumen against allocations in the test-checked divisions as indicated below:

- (i) In five test-checked divisions<sup>80</sup>, against allocated quantity of 4,562.823 MT bitumen valuing ₹ 18.18 crore, 4,379.528 MT bitumen valuing ₹ 17.52 crore had been received during 2013-17 resulting in short receipt of 183.295 MT bitumen valuing ₹ 0.66 crore.
- (ii) In Gohar division, against the allocation of 990.138 MT bitumen during 2013-17, the EE had received 1,363.97 MT bitumen resulting in excess receipt of 373.832 MT bitumen. However, the division had not remitted payment of ₹ 4.54 crore<sup>81</sup> to the paying division as of January 2017.
- (iii) In Dharampur division, against the allocation of 916.024 MT the division had received 1,169.515 MT bitumen during 2013-17 resulting in excess receipt of 253.491 MT bitumen. However, against ₹ 5.06 crore, the division had remitted ₹ 1.63 crore to the paying division during the above period and ₹ 3.43 crore was outstanding as of January 2017. Conversely, the paying division had depicted allocation of 1,056.430 MT bitumen for 2013-17 and outstanding amount of ₹ 4.60 crore as of March 2017.
- (iv) Una Division had not remitted ₹ 1.56 crore to the then paying division (Shimla-II) as of February 2017 on account of payment of 499.756 MT of bitumen allocated during January 2007 to October 2008. Records pertaining to the procurement thereof were lying with the Vigilance Department.

As the payment to the suppliers was released in advance, there are chances of non/ short receipt of bitumen by the executing division and non-reconciliation thereof was fraught with the risk of mis-utilisation/ pilferages. Though asked for (January 2017), the EEs concerned had not furnished reasons for short/ excess receipt of bitumen and non-remittance of payments thereof to the paying divisions.

#### **3.19.4.3 Assessment of requirement of bitumen**

Every year, the AMP for carrying out periodical maintenance of roads based on requirement received from field offices is finalised at E-in-C office on the basis of which the allocation of bitumen is made. Audit noticed that:

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<sup>80</sup> Barsar, Bharwain, Dharamshala, Palampur and Una.

<sup>81</sup> Opening balance as on 01 April 2013: ₹ 0.05 crore and amount due during 2013-17: ₹ 4.49 crore.

- (i) Assessment of bitumen for AMP/ patch work was not comprehensive which resulted in unplanned proposals for purchase of bitumen in less/ excess assessment/ allocation by E-in-C office every year as indicated in the succeeding sub-paragraphs.
- (ii) The following deficiencies were noticed in four divisions<sup>82</sup> of Mandi district:
- Against the required 4,284 drums (668.304 MT) of bitumen for 71.400 kms roads approved under AMP of 2013-14, the E-in-C had allocated 3,252 drums (507.312 MT). The Superintending Engineer (SE), Mandi sought (April 2013 and August 2013) additional allocation of 3,032 drums<sup>83</sup> (472.992 MT) from E-in-C. This indicated that the assessment of requirement of bitumen was not realistic.
  - The SE, Mandi allowed purchase of 2,294.16 MTs bitumen out of the funds for the year 2013-14 without mentioning the year of AMP and nature of works involved. Thus, 2,294.16 MTs bitumen valuing ₹ 13.06 crore was purchased without any reference to the nature and period of works involved.
  - Against 673 MTs bitumen required for AMP works of 67.300 kms long roads approved under AMP of 2014-15, the E-in-C had allocated 440.453 MTs bitumen. However, SE, Mandi sought (February 2014) an additional quantity of 630 MTs bitumen. Besides, the divisions had not maintained any records of the patch works undertaken by them. Resultantly, authenticity of purchase and accountal of the bitumen for patch-work over and above the AMP could not be verified in audit.
- (iii) In Barsar division (Hamirpur district), the EE had sought (August 2013) permission for purchase of 980 drums of bitumen against periodical repair works of roads (14 kms) sanctioned for the year 2013-14 indicating approval of AMP works in bits and piece meal approach instead of comprehensive approval as per prescribed norms. The Department had not furnished reasons for the shortcomings.

### **3.19.5 Purchase at division level**

#### **3.19.5.1 Sanction and receipt of bitumen**

As regards all other works/ schemes undertaken by the Department where bitumen is not allocated at central level, requirement of bitumen is processed at division/ circle/ zonal level and the procurement is carried out as per the delegation of powers<sup>84</sup>. As per instructions (May 2009) of E-in-C, the procurement of bitumen was to be sanctioned by the respective Chief Engineers from approved sources subject to completion of all codal formalities and supply orders for bitumen was to be placed only by the SEs.

Audit noticed that the database of bitumen procured for the departmental works, payments made to the suppliers, etc., for the State as a whole was not maintained at circle/ zonal/ E-in-C level during 2013-17. The details of bitumen received against supply orders and sanction of the competent authority in test-checked divisions during 2013-17 are depicted below:

<sup>82</sup> Gohar, Karsog, Mandi-II and Sundernagar.

<sup>83</sup> Balance quantity for road length (71.400 kms): 1,032 drums and additional requirement for repair/ maintenance/ patch works: 2,000 drums.

<sup>84</sup> Engineer-in-Chief and Zonal Chief Engineers.

**Table-3.19.2: Details of bitumen sanctioned by the competent authority and received against supply orders in the test-checked divisions during 2013-17**

(Quantity in MT and ₹ in crore)

Year	Supply orders placed		Material received		Short receipt		Sanction obtained		Without sanction	
	Quantity	Cost	Quantity	Cost	Quantity	Cost	Quantity	Cost	Quantity	Cost
2013-14	2,095.562	11.42	2,075.709	11.31	19.853	0.11	271.752	1.52	1,823.810	9.90
2014-15	1,545.871	7.86	1,534.972	7.80	10.899	0.06	283.160	1.51	1,262.711	6.35
2015-16	2,037.890	7.42	1,924.502	7.00	113.388	0.42	869.008	3.37	1,168.882	4.05
2016-17	3,543.878	13.35	3,208.092	12.09	335.786	1.26	506.548	2.17	3,037.330	11.18
<b>Total</b>	<b>9,223.201</b>	<b>40.05</b>	<b>8,743.275</b>	<b>38.20</b>	<b>479.926</b>	<b>1.85</b>	<b>1,930.468</b>	<b>8.57</b>	<b>7,292.733</b>	<b>31.48</b>

Source: Departmental figures.

- Against supply orders for which the payments are released in advance to the suppliers, there was short receipt of 479.926 MT bitumen valuing ₹ 1.85 crore and the concerned EEs had not taken action for recovery/ reconciliation of short receipt of bitumen from the suppliers.
- Contrary to the Government instructions (July 1996), supply orders for 9,223.201 MT bitumen costing ₹ 40.05 crore in nine test-checked divisions were placed on the suppliers without obtaining sanction of the competent authority. Of this, the divisions had obtained ex-post facto sanction of the competent authority for 1,930.468 MT bitumen costing ₹ 8.57 crore. Thus, the procurement of bitumen in an arbitrary manner and against the ethics of financial propriety enunciated in State Financial Rules was irregular. Besides, as the data of procurement of bitumen was not being consolidated at higher levels and accounting of bitumen at division level was not effective (Paragraphs 3.19.6.1, 3.19.6.2 and 3.19.7.2 to 3.19.7.4), the chances of fictitious purchase or misutilisation of bitumen could not be ruled out.

Regarding short receipt/ non-reconciliation of bitumen, the EE did not furnish reasons while in the case of irregular purchase of bitumen, the EEs stated (December 2016 to April 2017) that ex-post-facto sanction of the competent authority would be obtained.

### 3.19.5.2 Excess authorisation for lifting of bitumen by contractor

Audit noticed that in Solan division, periodical maintenance work<sup>85</sup> of Chhaila-Sainj Yashwant Nagar-Oachghat-Sultanpur-Kumarhati road was awarded (May 2013) to a contractor and as per contractor certificate (March 2013), the work involved use of 490 MT bitumen of VG-10 costing ₹ 2.20 crore and 65 MT bitumen emulsion costing ₹ 0.26 crore in connection with availing custom/ excise duty waivers. However, the EE had authorised (December 2013) the contractor to purchase 790 MT bitumen of VG-10 from IOC during May 2013 to December 2013 resulting in excess authorisation of 300 MT bitumen. Reasons for excess authorisation were not on records. The Department did not furnished reasons for the lapse.

## 3.19.6 Issue and consumption of bitumen

### 3.19.6.1 Utilisation of bitumen

The bitumen is issued from stock for consumption in execution of various works. Audit noticed that, data of bitumen utilised for execution of various types of repair/

<sup>85</sup> Providing and laying 50 mm thick dense bitumen macadam, 20 mm thick open graded premix surfacing, profile correction course, repair to CD works, etc., in kms 6.0 to 86.465.

maintenance and other works during 2013-17 had not been maintained at E-in-C level. The test-checked divisions had also not consolidated/ updated the data of issue/ consumption of bitumen for both quantity and value. Separate records of utilisation of bitumen allocated by the E-in-C and procured at division level was also not maintained by the divisions during above period, due to which issue/ consumption of bitumen separately in respect of different type of works could not be ascertained in audit.

However, as per bin cards (quantity records) maintained in the test-checked divisions against availability of 14,717.371 MT<sup>86</sup> during 2013-16, the divisions had issued 13,385.783 MT<sup>87</sup> leaving balance of 1,331.588 MT as of 31 March 2016. Whereas as per consumption of 9,525.909 MT<sup>88</sup> bitumen worked out with reference to the AMP/ NABARD works executed during above period, the balance works out to 5,191.462 MT. For the difference/ remaining 3,859.874 MT bitumen, the divisions had not maintained proper records and had not furnished details of works. In the absence of details, chances of misutilisation/ pilferages of bitumen could not be ruled out.

The EEs concerned had not furnished reasons for non-maintenance of proper data/ records of the issue and consumption of bitumen in the divisions.

### **3.19.6.2 Fictitious booking of bitumen**

State Financial Rules read with provisions of the Central Public Works Account (CPWA) Code strictly prohibit fictitious stocks adjustment such as debiting to a work, the cost of material not required or purchased in excess of actual requirements to avoid lapse of budget.

Audit noticed that during 2013-17, the EEs of nine test- checked divisions<sup>89</sup> had booked 4,258.636 MT bitumen costing ₹ 19.99 crore against 139 works without actual utilisation/ requirement which in contravention of above provision, was irregular. Of this, 3,719.648 MT bitumen of ₹ 17.47 crore in respect of 109 works was written back to stock in the following financial years and 538.988 MT bitumen in respect of 30 works had not been adjusted as of April 2017. Evidently, material was not required for actual consumption on these works and the fictitious stock adjustments carried out merely to avoid lapse of budget amounts to temporary mis-utilisation and misrepresentation of utilisation of stocks.

The EEs concerned stated (December 2016 to April 2017) that the booked material written back to stock had been issued to priority AMP works.

## **3.19.7 Quality Control and monitoring mechanism**

### **3.19.7.1 Quality tests of bitumen**

As per departmental specifications, the material used for the construction of roads is required to be tested to ensure the quality standards. Apart from 13 departmental

<sup>86</sup> Opening balance: 734.448 MT, 2013-14: 4,028.704 MT, 2014-15: 4,544.103 MT and 2015-16: 5,410.116 MT.

<sup>87</sup> 2013-14: 4,189.300 MT, 2014-15: 4,563.759 MT and 2015-16: 4,632.724 MT.

<sup>88</sup> 2013-14: 3,046.354 MT (407.306 kms), 2014-15: 3,518.331 MT (473.865 kms) and 2015-16: 2,961.224 MT (400.241 kms).

<sup>89</sup> Barsar, Bharwain, Dharampur, Dharamshala, Gohar, Karsog, Palampur, Sundernagar and Una.

laboratories<sup>90</sup> existing in the State, the Department had also empanelled (between February 2014 to December 2015) nine private laboratories to conduct quality control tests of materials used for construction of roads up to March 2018. In all, seven type of bitumen tests<sup>91</sup> were to be conducted.

Audit noticed that mechanism to monitor the quality tests of bitumen in the laboratories had not been put in place in the Department as of March 2017 at any level. At State level, the E-in-C (Quality Control and Design) had not maintained the database of bitumen quality tests conducted by the departmental/ private laboratories during 2013-17. Besides, necessary details/ records of the quality test of bitumen conducted by the laboratories was also not available in the test-checked divisions. In the absence of the test reports, the utilisation of proper quality bitumen could not be verified in audit. The Department did not furnish reasons for the lapse.

### 3.19.7.2 Non-maintenance of Priced Store Ledger

As per paragraph 7.2.31 of CPWA Code, stock account is to be maintained in the division in the form of Priced Store Ledger having different sections or sets of pages for different articles of stock with columns for receipts, issues and balances for both quantities and values. Audit noticed that none of the test-checked divisions had maintained the Priced Store Ledgers for accounting of the receipts and issues of bitumen during 2013-17. Due to non-maintenance of the ledgers, the divisions had not ensured reconciliation of receipts, issues and balances with the stock accounts and correctness of balances was also not authenticated. In the absence of correct balances of bitumen at a given point of time, the authenticity of physical verification conducted by the divisions periodically during above period could not be verified in audit. Besides, improper account of receipts and issues of bitumen was fraught with risk of misappropriation/ pilferages.

### 3.19.7.3 Improper maintenance of records

As per paragraph 7.2.5 of CPWA Code, the records of detailed count or measurement and weightment of material received is to be kept in Goods Received (GR) sheets. Further, as per instructions (May 2009) of E-in-C, in case of bitumen, minimum of two Junior Engineers (JEs) and Assistant Engineer-in-charge were to sign the GR sheets and certificate to the effect that material has been physically received in the store should be recorded on the GR sheets. Audit noticed that:

- In eight test-checked-divisions<sup>92</sup>, out of 602 GR sheets, 31 GR sheets had not been signed by JE, 524 GR sheets were signed only by single JE and 372 GR sheets had not been signed by Assistant Engineer. Thus, in contravention of the instructions *ibid*, the test-checked divisions had not done accounting of bitumen in the GR sheets effectively.
- Bharwain division did not produce GR sheets in support of 11,176 drums (1,743.456 MT) of bitumen recorded in the bin cards during April 2013 to October 2016. Resultantly, proper account of the bitumen could not be verified

<sup>90</sup> Zonal level: 03 (Kangra, Mandi and Shimla) and circle level: 10.

<sup>91</sup> Penetration test, ductility test, softening point, viscosity test, fire and flash point, Marshalls stability test and stripping value of aggregate.

<sup>92</sup> Barsar, Bharwain, Dharampur, Dharamshala, Karsog, Palampur, Sundernagar and Una.

in audit and chances of misutilisation/ pilferage of the bitumen could not be ruled out. The EE stated (March 2017) that GR Sheets were not traceable.

#### **3.19.7.4 Monitoring mechanism**

The Department had not maintained complete database for procurement and utilisation of bitumen by the divisions at E-in-C level. The Department had also not devised mechanism for monitoring of receipts, issue and consumption of bitumen at all levels as no periodical returns for the same were prescribed. The effective system of periodical reconciliation of bitumen by the divisions with the suppliers as well as paying division had also not been established which resulted in short/ excess receipt of material against allocation/ purchase orders from the suppliers and non-adjustment of payments with the paying division.

#### **3.19.8 Conclusion**

The assessment of requirement of bitumen was not comprehensive as there were unplanned proposals resulting in short/ excess allocation at apex level. Since payments to the suppliers were made in advance, there were instances of short/ excess receipt of bitumen and non-adjustment/ reconciliation of receipt of bitumen. The procurement of bitumen at division level was made without following the principles of financial propriety and delegation of powers. Absence of details/ records of the unutilised stock in the divisions was fraught with the risk of misutilisation/ pilferages. The database of receipt, issue and consumption was not maintained at apex level and monitoring mechanism was almost non-existent.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

### 3.20 Short realisation of dues for laying of optical fibre cable

**Application of incorrect rates of dues from telecom companies for laying of optical fibre cables along roads resulted in short realisation of ₹ 1.59 crore and non-compliance of instructions for restoration of the damaged roads led to irregular diversion of ₹ 0.42 crore for purchase of vehicles.**

As per procedure, refilling of trenches after laying of optical fibre cables (OFC) along roads in the State is done by the telecom companies. As per departmental instructions (January 2001), damages caused to the road are restored by Department out of deposit money received from telecom companies against estimates prepared by Executive Engineer (EE) of the concerned division as per rates fixed by the Department from time to time.

Scrutiny of records of Hamirpur division revealed that the division had received (between February and December 2015) ₹ 4.36 crore from two telecom companies for restoration of damages caused by digging of different roads<sup>93</sup> under Hamirpur division for laying OFC and deposited the amount in treasury under 'Public Works Deposits'. However, out of total road length of kms 49.075, against the rates<sup>94</sup> fixed by the Department for laying OFC, the division had framed (February 2015 and December 2015) estimates for kms 35.700 road (*katcha* road: kms 14.100, metalled road: kms 9.400 and metalled road with bitumen: kms 12.200) by applying incorrect rates (*Katcha* road: ₹ 1.35 lakh per km, metalled road: ₹ 7.00 lakh per km and metalled road with bitumen: ₹ 9.81 lakh per km) which resulted in short recovery of ₹ 1.59 crore (M/s Reliance Jio Infocom Limited: ₹ 0.95 crore and Idea Cellular Limited: ₹ 0.64 crore).

Besides, out of above telecom deposits, the EE of the division had remitted (August 2016) ₹ 0.42 crore to the EE, Mechanical Division, Dhalli for purchase of three inspection vehicles<sup>95</sup> and two vehicles for carriage of explosive material (one each for 8<sup>th</sup> circle Hamirpur and 10<sup>th</sup> circle Bilaspur). Thus, instead of spending the telecom deposits on restoration of the damaged roads as per departmental instructions (January 2001) *ibid*, diversion of the amount towards purchase of vehicles was irregular.

The EE of the division stated (August 2017) that revised estimate had been prepared and sent (August 2017) to M/s Reliance Jio, Infocomm Limited to deposit the balance amount. The EE, however, did not furnish reasons for applying incorrect rate (₹ 9.81 lakh per km instead of ₹ 14.70 lakh per km) in the case of M/s Idea Cellular Limited and irregular diversion of telecom deposits for purchase of vehicles.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

<sup>93</sup> Reliance Jio, Infocomm Limited for Hamirpur-Sujanpur road (kms 23.500): ₹ 0.95 crore in February 2015 and Idea Cellular Limited for various road in Hamirpur division (kms 13.375): ₹ 2.12 crore in November 2015 and for Chabutra-Amroh road, Jhaniari Amroh Pastal road and link road to village Jateri (kms 12.200): ₹ 1.29 crore in December 2015.

<sup>94</sup> *Katcha* road: ₹ 6.95 lakh per km, metalled road: ₹ 9.81 lakh per km and metalled road with bitumen macadam (BM): ₹ 14.70 lakh per km for 2014-15 and eight *per cent* increase for subsequent year.

<sup>95</sup> One each for 15<sup>th</sup> Circle, Una, Electrical Circle, Dharamshala and Engineer-in-Chief (Quality Control and Design), Shimla.

### **3.21 Unfruitful expenditure due to non-completion of road and bridges**

**Improper planning and failure of the Department to complete construction of road and bridges for the last 12 to 15 years deprived the public of the area of intended motorable road facility and resulted in unfruitful expenditure of ₹ 27.88 crore and blocking of ₹ 1.38 crore.**

In order to provide motorable road facility to 12 villages of Kinnaur (three) and Lahaul and Spiti (nine) districts, the Additional Deputy Commissioner Spiti at Kaza accorded administrative approval and expenditure sanction of ₹ 23.61 crore<sup>96</sup> for construction of a road and two bridges by the Executive Engineer of Kaza division. Scrutiny of records of Kaza division revealed the following deficiencies:

(a) The construction of Malling Leo bye pass road and bridge was to be completed by December 2009 however, the division could execute only formation cuttings of the road in 9.200 kms and constructed six meters span culvert over Gulling *Nallah* at 6.720 kms upto August 2013. No work was executed after August 2013 due to paucity of funds and the work was lying incomplete as of August 2017. The division had got completed (February 2012) the fabrication of 75 meters span steel truss bridge from Mechanical division Dhalli with expenditure of ₹ one crore. However, the fabricated bridge could not be erected at the site due to non-construction of abutments.

Though the balance work<sup>97</sup> was sanctioned (December 2015) through funding of ₹ 10.43 crore under NABARD<sup>98</sup>, the division could not resume the work due to involvement of forest land. The forest clearance under Forest Conservation Act, 1980 sought in January 2016 was granted by the Forest Department only in April 2017. In the meantime, the division had incurred an expenditure of ₹ 22.60 crore on the above work upto March 2017. Evidently, the Department had not ensured sufficient funds and prior forest clearance which reflected improper planning and lackadaisical approach in execution of the work. The State Government stated (September 2017) that the balance work awarded (June 2017) to a contractor would be completed within two years. The fact, however, remains that the balance work had not been resumed as of August 2017.

(b) In another case under the same division the work related to construction of sub-structure of 97.60 meters span motorable bridge over Pin river on Tangti-Yogma-Khar road was awarded (May 2007) to a contractor for ₹ 2.72 crore and stipulated to be completed by June 2009. The contractor started the work in June 2007, however the excavation work (valuing ₹ 0.36 crore) got washed away in flood in the river (August 2007). The Department decided to change the construction site of the bridge in May 2008 towards right bank and allowed extension of time upto November 2014 to

<sup>96</sup> Malling Leo bye pass road (length: 11.735 kms) to Spiti (via Chango) alongwith 75 meters span steel truss bridge over Spiti River at Chango (November 2005 to December 2008: ₹ 19.58 crore) and 97.60 meters span motorable bridge over Pin river on Tangti-Yogma-Khar road at kms 0/397 (October 2002: ₹ 1.44 crore revised to ₹ 4.03 crore in June 2007).

<sup>97</sup> Formation cutting: kms 0.930 to 1.975, kms 2.975 to 3.585 and kms 5.060 to 5.870; cross drainage; sub-structure of the bridge and essential *kharanja* soling in kms 0.0 to 11.500.

<sup>98</sup> National Bank for Agriculture and Rural Development.

the contractor without the approval of the Superintending Engineer. The contractor completed construction of the sub-structure in November 2014 after incurring expenditure of ₹ 3.23 crore. Construction of retaining walls of the approaches awarded to five contractors had been completed upto 65 per cent after incurring expenditure of ₹ 1.05 crore and payment to the contractors.

The balance work including super-structure of the bridge was approved (March 2015) by the State Government under NABARD for ₹ 5.77 crore. The EE, Kaza division had remitted (December 2013 to March 2015) ₹ 1.38 crore to Mechanical division, Dhalli for construction of the superstructure which had not been started as of June 2017 due to non-finalisation of tender. In the meantime, an expenditure of ₹ 4.28 crore had been incurred on the work and ₹ 1.38 crore were lying unspent with the EE, Mechanical division, Dhalli. The EE stated (June 2017) that delay in construction of the bridge was due to limited working season and the work would be completed by October 2018. Reply should be seen in the light of fact that the Department had not expedited the execution of the work and the project conceived in October 2002 had not been completed as of June 2017.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

### Revenue Department

#### 3.22 Irregular allocation and misutilisation of State Disaster Response Fund (SDRF)

**Irregular allocation of ₹ 26.12 crore from SDRF and misutilisation of ₹ 6.44 crore for repair and restoration of Government office/ residential buildings not damaged by calamity while there was denial of relief of ₹ 8.24 crore to victims of natural calamities owing to non-availability of funds.**

State Disaster Response Fund (SDRF) was created in 2010 under the Disaster Management Act, 2005, by contribution from Government of India (GOI) and State Government in the ratio 90:10 (for special category states). Expenditure from SDRF is to be incurred by making suitable budget provision in the State budget. GOI guidelines on administration of SDRF (September 2010) state that SDRF shall be used only for meeting expenditure on providing immediate relief to victims of calamities. GOI instructions on items of expenditure and norms of assistance from SDRF stipulate that assistance for repair of Government buildings, viz., department/ office buildings, residential quarters, etc., is not covered under SDRF.

Scrutiny of records pertaining to SDRF showed that the State Government reappropriated ₹ 26.12 crore during 2013-16 for incurring expenditure from SDRF on repair and restoration of damaged Government office/ residential buildings, in violation of the aforementioned guidelines/ instructions. Comparison<sup>99</sup> with other

<sup>99</sup> Comparison done with reference to Finance Accounts of Special Category States for the financial years 2013-14 to 2015-16.

special category states revealed that except Himachal Pradesh, no other state was making such appropriations.

In addition to this, scrutiny of works pertaining to repair and restoration of Government office and residential buildings sanctioned from SDRF in eight districts showed that ₹ 6.44 crore<sup>100</sup> were sanctioned and released (between February 2014 and December 2016) by the respective Deputy Commissioners (DCs) for 295 works in which damages were not due to any calamity. **Test check of eight sub-divisions<sup>101</sup> of these districts revealed that the aforementioned expenditure of ₹ 6.44 crore had been incurred while 320 cases of gratuitous relief/ ex-gratia payment to victims of calamities involving assistance of ₹ 8.24 crore were lying pending during 2015-16 and 2016-17 due to non-availability of funds.**

The district level authorities<sup>102</sup> concerned stated (September 2016-February 2017) that works were sanctioned in emergent cases to prevent further loss to public/ Government property, as no separate funds were made available by the Government for repair of these buildings. Further, works were sanctioned from SDRF funds as per allocation of the State Government. The replies are not acceptable as funds for repair of Government office/ residential buildings are made available under the major head "2216-Housing" from which expenditure should have been incurred.

The State Government replied (July 2017) that audit had applied norms for SDRF for the 14<sup>th</sup> Finance Commission (2015-20) (FC) and there was no bar on release of funds for repair and maintenance of Government office/ residential buildings under norms for SDRF for the 13<sup>th</sup> FC (2010-15). It was, further, added that from 2016-17 onwards, no funds from SDRF are being released for repair and restoration of Government office/ residential buildings.

The 13<sup>th</sup> Finance Commission SDRF norms state that under infrastructure, SDRF is to be used only for immediate repair/ restoration of specific<sup>103</sup> types of damaged infrastructure in which Government office/ residential buildings had not been included. Use of SDRF for repair of Government office/ residential buildings has also been disallowed by the 14<sup>th</sup> FC SDRF norms.

**Thus, the State Government had not only reappropriated ₹ 26.12 crore from SDRF for repair and restoration of Government office and residential buildings which was not allowed, but ₹ 6.44 crore had also been misused for works not**

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<sup>100</sup> Chamba: ₹ 237.82 lakh (73 works), Kangra: ₹ 79.52 lakh (45 works), Kullu: ₹ 32.00 lakh (six works), Lahaul & Spiti: ₹ 30.45 lakh (20 works), Shimla: ₹ 82.15 lakh (55 works), Sirmour: ₹ 38.67 lakh (20 works), Solan: ₹ 46.64 lakh (13 works) and Una: ₹ 97.20 lakh (63 works).

<sup>101</sup> 1. Amb (Una district): 15 cases (2015-16) for ₹ 60.00 lakh and 31 cases (2016-17) for ₹ 124.00 lakh 2. Una (Una district): 50 cases (2016-17) for ₹ 162.28 lakh 3. Dharamshala (Kangra district): 54 cases (2016-17) for ₹ 14.57 lakh 4. Chamba (Chamba district): 32 cases (2015-16) for ₹ 88.15 lakh and 61 cases (2016-17) for ₹ 160.44 lakh 5. Solan (Solan district): 19 cases (2016-17) for ₹ 57.55 lakh 6. Shimla Rural (Shimla district): 25 cases (2016-17) for ₹ 70.58 lakh 7. Nahan (Sirmour district): 31 cases (2016-17) for ₹ 78.08 lakh and 8. Keylong (Lahaul & Spiti district): 02 cases (2016-17) for ₹ 8.00 lakh.

<sup>102</sup> District Revenue Officers: Chamba, Kullu, Lahaul & Spiti and Una; Additional District Magistrates: Kangra and Shimla; District Planning Officer: Sirmour and DC: Solan.

<sup>103</sup> Roads and bridges, drinking water supply works, irrigation, restoration of power, schools, primary health centres and community assets owned by *panchayats*.

damaged by any calamity, while relief/ assistance ₹ 8.24 crore to victims of calamities (the purpose for which SDRF had been created) was denied owing to non-availability of funds.

### 3.23 Short-realisation of due amount and excess/ improper allocation from Local Area Development Fund (LADF)

**Short-realisation of ₹ 2.215 crore from developer of hydroelectric power project, excess allocation of ₹ 17.73 lakh and improper allocation of ₹ 21.44 lakh from LADF for district level schemes led to development objectives for project affected area not being fully achieved as 57 proposed schemes for local area development remained pending for want of funds.**

The State Hydro Power Policy (December 2006) states that in order to address the impact of hydroelectric power projects (HPP) on existing infrastructure, resources, and environment; restoration and local area development activities in the project affected area, and activities relating to rural development, health, education, public works, etc., are required to be undertaken by a district-level Local Area Development Committee (LADC). These activities are to be financed through creation of a Local Area Development Fund (LADF), to which the project developer is required to contribute an amount equal to 1.5 per cent<sup>104</sup> of the final project cost, payable in equal annual instalments during the construction period prior to commissioning of the project. The Deputy Commissioner (DC), chairman of the LADC, is required to take up the matter with the respective developer for release of contribution in accordance with the prescribed schedule. Further, norms<sup>105</sup> for allocation of LADF funds in respect of HPPs with 5-100 MW capacity prescribe that 60 per cent of the LADF amount shall be allocated for schemes in the project affected area, 20 per cent for project affected *panchayats*, 10 per cent for project affected blocks, and 10 per cent for schemes at the level of the project affected district.

According to the implementation agreement (IA) signed (June 2009) between the State Government and developer for the Chanju-I (36 MW) HPP, the developer was required to contribute an amount of ₹ 4.43 crore (1.5 per cent of the project cost of ₹ 295.09 crore) in four equal instalments<sup>106</sup> towards LADF created in respect of the project.

Audit scrutiny of records maintained by DC, Chamba showed that:

- Against the stipulated amount of ₹ 4.43 crore, the developer had deposited only ₹ 2.215 crore<sup>107</sup>. This amount had been fully utilised (between November 2011 and March 2017) and the balance amount of ₹ 2.215 crore had not been received as of May 2017 although the HPP had already been commissioned (February 2017) and a period of over two years had elapsed since the due date of final instalment.

<sup>104</sup> 1.5 per cent of the project cost for hydroelectric power projects above 5 MW.

<sup>105</sup> Revised guidelines for Management of LADF in respect of Hydroelectric Power Projects dated 05 October 2011 issued by Department of Multipurpose projects and Power.

<sup>106</sup> 25 per cent each on March 31<sup>st</sup> of 2012, 2013, 2014 and 2015.

<sup>107</sup> May 2011: ₹ 1.10 crore; March 2013: ₹ 1.00 crore and July 2015: ₹ 11.50 lakh.

- Of the allocations made from the LADF, a total of ₹ 39.88 lakh had been sanctioned for district-level schemes which was in excess of the prescribed district-level allocation (₹ 22.15 lakh, i.e. 10 *per cent*) by 17.73 lakh.
- **Of the funds sanctioned for district-level schemes, an amount of ₹ 21.44 lakh was sanctioned for nine department-related schemes which did not pertain to local area development, rural development, health, education, or public works, as envisaged in the policy/ guidelines. These schemes included purchase of furniture for sub-division offices, purchase of LEDs for circuit house, addition/ alteration to inspection hut of Irrigation and Public Health Department, construction of computer training centre for Home Guards, purchase of musical instruments for Home Guards, purchase of mattresses and blankets for use of police station, etc.**

As a result of short-realisation of LADF contribution from the developer, sanctioning of funds for district level schemes in excess of the prescribed allocation, and for schemes not relevant to the purpose of LADF, the development objectives for the project affected area could not be fully achieved as 57 local area development schemes meant for the project affected area having an estimated cost of ₹ 2.93 crore remained pending for want of funds.

The Additional District Magistrate, Chamba and Member Secretary, LADC, stated (February 2017) that the developer had been directed to deposit the balance amount several times since December 2013 in LADC meetings, but the balance amount had not been deposited. The Deputy Chief Engineer, Directorate of Energy, replied that the matter of realisation of due amount is being dealt with by the LADC.

The audit findings were referred to the Government in June 2017. Reply had not been received (November 2017).

### **3.24 Short release of State share and irregular utilisation of National Land Records Modernisation Programme (NLRMP) funds**

**Short release of State share of ₹ 2.54 crore and irregular expenditure of ₹ 1.18 crore on inadmissible items led to activities under NLRMP remaining incomplete while funds received were completely exhausted.**

The National Land Records Modernisation Programme (NLRMP), a centrally-sponsored scheme, was approved for Kangra district by Government of India (GOI) in March 2012, with computerisation of land records (100 *per cent* Central share), computerisation of registrations (25 *per cent* Central share) and establishment of modern record rooms/ land records management centres (50 *per cent* Central share) being the major components. The State Government was required to release its own share alongwith the Central share within 15 days of its receipt. Programme guidelines prescribed execution of specific activities<sup>108</sup> pertaining to the various components and stipulated that purchase of furniture, transport, miscellaneous items such as photocopiers, fax machines, etc., was not covered under the scheme.

<sup>108</sup> Computerisation of Land Records: Data entry/ re-entry/ data conversion, inter-connectivity among revenue offices, State-level data centres; Computerisation of registrations: computerisation of Sub-Registrar Offices (SROs), data entry of valuation details and legacy details, scanning of old documents, network connectivity to SROs and establishment of Modern Record Rooms at tehsil level.

Scrutiny of records of the Deputy Commissioner (DC), Kangra showed that the Director of Land Records (DoLR) released (July 2013) the Central share of ₹ 3.70 crore received from GOI (March-May 2012) after a delay of more than one year. Further, against the State share of ₹ 3.74 crore, only ₹ 1.20 crore was released (December 2013) after a delay of 18 months. The remaining State share of ₹ 2.54 crore had not been released even after lapse of five years.

Audit scrutiny of the expenditure incurred from these funds showed that the funds had been fully utilised (between September 2013 and November 2015) by the district however, an amount of ₹ 1.18 crore (24 per cent of total funds) had been spent on items<sup>109</sup> which had been specifically deemed inadmissible under the scheme guidelines and had no relation with the activities prescribed under the scheme components.

The District Revenue Officer, Kangra at Dharamshala stated (May 2017) that funds available under NLRMP were utilised for meeting immediate requirements after obtaining sanction from the DC, as funds were not available under other heads of accounts. He added that the expenditure on items not covered under the scheme did not hamper implementation of the scheme as, components like data entry, computerisation of Sub-Registrar Offices (SROs), scanning, etc., had already been completed prior to implementation of NLRMP. The reply is not acceptable as audit scrutiny/ test check<sup>110</sup> conducted to verify the above assertions revealed that activities such as scanning of old deed documents<sup>111</sup> and establishment of modern record rooms in four<sup>112</sup> tehsils/ sub-divisions of Kangra district, data entry of 2,440 mutations in Dehra tehsil, and connectivity of Dehra SRO with State Data Centre had not been completed as of June 2017. Otherwise also if all work as envisaged under NLRMP was completed, the unspent funds under NLRMP were required to be refunded to GOI.

Thus, short release of State share of ₹ 2.54 crore and irregular expenditure of ₹ 1.18 crore on inadmissible items led to activities for which the funds had actually been received remaining incomplete while the funds received were completely exhausted.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

## Rural Development Department

### 3.25 Non-completion of road under *Vikas Mein Jan Sahyog* scheme

**Non-assessment of work and violation of sanction orders/ agreement resulted in irregular release of ₹ 56.00 lakh to a Samiti and lack of technical supervision of work led to deficiencies in partially constructed link road.**

*Vikas Mein Jan Sahyog* (VMJS) scheme envisaged people's participation to supplement Government efforts in infrastructure development. The scheme guidelines

<sup>109</sup> Purchase of fire extinguishers, furniture, steel almirahs, photocopiers, fax machines, telephone set and heat pillars; repair of office buildings; installation of inverter and intercom for DC residence; purchase of computers, printers, etc., meant for use of Personnel Assistant to DC and Reader to Additional District Magistrate and payment of telephone bill.

<sup>110</sup> Scrutiny of physical progress report of implementation of NLRMP in Kangra district and test-check of records of Dehra tehsil.

<sup>111</sup> Pertaining to the period 1968-1987.

<sup>112</sup> Sub-divisions: Jwalamukhi and Nagrota Bagwan and Tehsils: Jwalamukhi and Baroh.

prescribe execution of work through Government agencies or registered societies comprising local people. Works sanctioned under the scheme are to be completed within one year and revision of the sanctioned amount is not permitted.

The Deputy Commissioner (DC), Sirmour at Nahan sanctioned (September 2012) construction of link road<sup>113</sup> under VMJS at an estimated cost of ₹ 80.36 lakh. Execution of work was entrusted to *Gramin Vikas Avam Nirman Samiti* (Samiti), a registered society of local people, under technical supervision of the Department. Funds of ₹ 67.10 lakh were released (September 2012) by the DC, Sirmour to the Block Development Officer (BDO), Shillai in addition to beneficiary share of ₹ 13.26 lakh collected (June 2012) for the work. The agreement executed (September 2012) by the Samiti and the sanction order stipulated that the first instalment equal to 20 *per cent* of the sanctioned cost was to be released within one month of signing the agreement, while the second and subsequent instalments were to be released on the basis of actual assessment/ measurement of work duly entered in measurement books.

Scrutiny of records of the BDO, Shillai and the DC, Sirmour showed the followings:

- Payments of ₹ 45.00 lakh<sup>114</sup> was released by the BDO to the Samiti in five installments (between October 2012 and June 2013) without undertaking any measurement/ assessment of the work done as no entries were recorded till July 2013 in the measurement book. As such, release of ₹ 29.00 lakh over and above the first installment (₹ 16.00 lakh) without undertaking any assessment was in violation of the terms of sanction order and agreement.
- The DC, Sirmour, taking cognizance of certain irregularities reported (November 2013) by the Assistant Commissioner-cum-BDO, Shillai in execution of the work done from kms 0.690 to 3.915 ordered (December 2013) an enquiry<sup>115</sup> into the matter and instructed the BDO, Shillai to stop the work and withhold the next installment to the Samiti. The inquiry committee reported (January 2014) that payments had been released without undertaking any measurement and recommended reassessment of the work done at the site. Accordingly, re-assessment was conducted (February 2014) by the Executive Engineer (EE) who reported (March 2014) that the work done between kms 0.690 and 3.915 was worth ₹ 45.94 lakh. However, it was observed that in disregard of the assessment done by the EE and in violation of the orders of the DC, Sirmour for withholding next installment, the BDO, Shillai released (between July 2014 and September 2014) additional funds of ₹ 27.00 lakh to the Samiti, even though the work had been lying suspended since December 2013.
- Further, the EE, in his assessment report, stated that the constructed portion of road needed improvements to make it traffic worthy, and recommended (March 2014) revision of technically sanctioned estimates to address the deficiencies and to execute balance work within the sanctioned amount. Revised technical sanction of ₹ 35.24 lakh was accorded in June 2014 for 'balance work of the road', and the total sanctioned amount was revised to ₹ 81.18 lakh in

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<sup>113</sup> Link road to village Jabiyalidhar, *Gram Panchayat* Panog between kms 0.690 to 5.240.

<sup>114</sup> October 2012: ₹ 10.00 lakh, December 2012: ₹ 21.00 lakh, February 2013: ₹ 3.00 lakh; April 2013: ₹ 6.00 lakh and June 2013: ₹ 5.00 lakh.

<sup>115</sup> To be conducted by a committee of four members under the Chairmanship of the Executive Engineer, Directorate of Rural Development.

contravention of scheme guidelines which prohibited such revision. Further, audit scrutiny of the drawings/ estimates revealed that the revised technical sanction pertained only to improvements in the constructed portion of road up to kms 3.915. Therefore, the total sanctioned amount of ₹ 81.18 lakh would be entirely used up for completing only the road portion upto kms 3.915 only, while no funds would be available for constructing the remaining road portion from kms 3.915 to 5.240 as revision of the sanctioned amount was not permitted under the scheme.

Thus, release of ₹ 29.00 lakh to the Samiti without undertaking any assessment, and ₹ 27.00 lakh in violation of orders and in excess of the assessed amount was irregular and unjustified. Further, lack of technical supervision led to deficiencies in the constructed road portion, rectification of which would require utilisation of entire sanctioned amount. As a result, the link road, which had not been completed despite lapse of four years and seven months, would remain only partly constructed and would not be able to connect the targeted habitation as envisaged.

The Assistant Commissioner, Sirmour replied (March 2017) that the inquiry report was pending with Advisor (Planning), Government of Himachal Pradesh. Reasons for the inquiry report remaining pending with the Adviser (Planning) were not received.

The audit findings were referred to the Government in June 2017. Reply had not been received (November 2017).

## Rural Development and Urban Development Departments

### 3.26 Construction of Toilets under Swachh Bharat Mission (SBM)

Target population identified in rural areas was based on the base-line survey of 2012 which was not updated since 2012-13. The Urban Development Department had not identified the target population and need for sanitation facilities in urban areas properly due to non-conduct of house to house survey and non-preparation of city sanitation plan. Shortfall in construction of toilet ranged between 94 to 100 per cent during 2015-17 under SBM (Urban) while construction of community complexes under SBM (Gramin) was delayed. Weak monitoring by Block Development Officers of Baijnath and Dehra resulted in payment of incentive amounting to ₹ 7.90 crore to 6,587 beneficiaries without uploading the photographs of Individual Household Latrines on the Management Information System.

#### 3.26.1 Introduction

Swachh Bharat Mission (SBM), having two sub-missions – SBM Gramin (G) and SBM Urban (U), was launched in October 2014 with the objective of achieving an open-defecation-free India by 2019. Construction of toilets and sanitary complexes was the primary focus area under the mission. While SBM (G) envisaged construction of Individual Household Latrines and Community Sanitary Complexes; SBM (U) envisaged construction of Household Toilets, Community Toilets and Public Toilets.

In Himachal Pradesh, SBM (G) was being implemented by the Department of Rural Development (RD) through District Rural Development Agencies (DRDAs), Block Development Officers (BDOs) and *Gram Panchayats* (GPs); while SBM (U) was being implemented by Department of Urban Development (UD) through Urban Local Bodies (ULBs).

#### 3.26.2 Audit Objectives

Audit objectives were to see whether:

- (i) Planning for construction of toilets in the State was done and adequate funds were provided and utilised optimally;
- (ii) Implementation of the scheme was economic and efficient; and
- (iii) Internal control and monitoring mechanisms were adequate and effective.

#### 3.26.3 Audit Scope

Audit of 'Construction of Toilets under SBM' covering the period 2014-17 was conducted during April-June 2017. The audit involved scrutiny of records in the offices of the Director, Rural Development (RD) and Director, Urban Development (UD). For SBM (G), 24 *gram panchayats* in six blocks<sup>116</sup> in three districts<sup>117</sup> were

<sup>116</sup> Baijnath (Kangra), Dehra (Kangra), Karsog (Mandi), Seraj (Mandi), Poanta Sahib (Sirmour) and Shillai (Sirmour) – selected on the basis of funds released to these blocks.

<sup>117</sup> Kangra, Mandi and Sirmour - selected using Probability Proportional to Size without Replacement (PPSWOR) method of sampling with funds released to districts as the sampling criteria.

selected for detailed test check. For SBM (U), eight ULBs<sup>118</sup> were selected for detailed test check. Following are Audit findings:

### **3.26.4 Planning**

#### **3.26.4.1 Non-conducting of survey/ non-updating of survey data**

SBM (G) guidelines prescribed a baseline survey to assess the sanitation status in *Gram Panchayats* (GPs) with annual updation to take account of any incremental changes. Similarly, SBM (U) guidelines prescribed a house-to-house survey by ULBs, taking into consideration Census-2011 or any recent survey data, to identify households practicing open defecation.

Under SBM (G), the RD Department had identified the target population on the basis of a baseline survey in 2012, which had not been updated since (except in Kangra district) 2012-13. In the absence of this, Individual Household Latrines were being sanctioned only for this identified target population and any additional eligible households after 2012 were not being covered.

Under SBM (U), audit noticed that the UD Department had used only Census 2011 data to identify the target population and had not conducted any house-to-house survey. In the absence of this, the Department did not have updated data on number of households not having sanitary toilet facilities.

While Deputy Secretary (RD) furnished no reasons for non-updation of baseline data, the DRDAs Mandi and Sirmour stated that no instructions were received from the Department for updating baseline survey data. The Commissioners of Municipal Corporations (MCs) and Executive Officers (EOs) of Municipal Councils (Councils) stated (April-June 2017) that survey could not be conducted due to non-availability of manpower and lack of funds.

#### **3.26.4.2 Non-preparation of City Sanitation Plans under SBM (U)**

SBM (U) guidelines prescribed that States should prepare City Sanitation Plans without which comprehensive planning could not be done. In this regard, the State Government issued directions (December 2014) that every Municipal Corporation and Council should prepare City Sanitation Plan covering aspects like open defecation, community toilets, public toilets, behaviour change strategy, etc.

In this context, audit noticed that seven (except Municipal Corporation Shimla) of the eight test-checked ULBs had not prepared City Sanitation Plan. In the absence of this, the extent of open defecation and need for community toilets/ public toilets in these areas could not be ascertained and comprehensive city-level planning could not be done.

The Commissioners of MCs and EOs of Councils stated (April-May 2017) that the plan could not be prepared due to non-availability of technical manpower and guidelines in this regard.

<sup>118</sup> The sample included both Municipal Corporations (Dharamshala and Shimla) and six Municipal Councils selected using Simple Random Sampling without Replacement (SRSWOR) - Baddi, Kullu, Mandi, Nahan, Solan and Sunder Nagar.

### **3.26.5 Fund Management**

#### **3.26.5.1 Receipt and utilisation of funds under SBM (G)**

During the period 2014-17, the DRDAs in the State received ₹ 289.10 crore (GOI share: ₹ 249.84 crore and State share: ₹ 39.26 crore). Of this, an amount of ₹ 141.85 crore was received by the DRDAs of three test-checked districts (Kangra, Mandi and Sirmour).

Audit noticed that the fund utilisation by DRDAs of the test checked districts during 2014-17 ranged between 74 and 98 *per cent*. In the six test-checked blocks, the utilisation of funds during 2014-17 ranged between 46 and 98 *per cent* due to receipt of funds at the fag-end of the financial year and non-fulfilment of codal formalities by *gram panchayats*. Utilisation of funds was particularly low in Paonta Sahib and Shillai blocks at 51 and 46 *per cent* respectively.

#### **3.26.5.2 Non-release of incentive to individual household latrines beneficiaries under SBM (G)**

SBM (G) guidelines prescribed that incentive amount to beneficiary households shall be upto ₹ 12,000 for construction of one unit of Individual Household Latrine (IHHL).

Funds were being released to beneficiaries after physical verification by officials. It was however, observed that timely physical verification was not being undertaken, resulting in non-disbursement of incentive to the beneficiaries. In four of the six test-checked blocks, funds amounting to ₹ 5.87 crore received by the BDOs between October 2014 and March 2017 in respect of 5,548 IHHL beneficiaries<sup>119</sup> had not been disbursed as of June 2017, depriving the beneficiaries of the timely incentive.

The BDO, Baijnath stated that verification of IHHLs could not be done due to area being snow bound. BDOs, Paonta Sahib and Shillai stated that the process of geo-tagging of photographs was in progress. BDO, Seraj stated that verification of IHHLs was pending due to tough topography. The fact, however, remains that funds remained undisbursed with the BDOs for more than 02 to 31 months.

#### **3.26.5.3 Delay in release of SBM (U) funds to ULBs**

SBM (U) guidelines prescribed that the State Government shall release funds (including 10 *per cent* State share) to ULBs within 30 days of release of the Central share (90 *per cent*).

Audit observed that funds amounting to ₹ 2.51 crore were received from GOI in March 2015 and the Director, UD released (November 2015 and July 2016) ₹ 2.79 crore (including State share of ₹ 0.28 crore) to 51 ULBs after a delay ranging between six and 14 months. Delay in release of funds contributed to slow implementation of the scheme in ULBs (as detailed in para 3.26.5.1). It was noticed in the eight test-checked ULBs that ₹ 83.51 lakh (71 *per cent*) out of ₹ 1.17 crore

<sup>119</sup> Baijnath (five beneficiaries): ₹ 0.60 lakh; Paonta Sahib (3,506 beneficiaries): ₹ 350.09 lakh; Seraj (337 beneficiaries): ₹ 40.44 lakh and Shillai (1,700 beneficiaries): ₹ 196.25 lakh.

released to these ULBs was lying unspent as of June 2017. The Director, UD stated (June 2017) that funds were released to ULBs as and when required.

### 3.26.6 Coverage of target population

#### 3.26.6.1 Households without individual household latrines in rural areas

Physical inspection and scrutiny of records in 17 test-checked *gram panchayats*<sup>120</sup> revealed that approximately 50 homeless people, rag pickers and construction labourers residing in *jhuggies* and 165 households<sup>121</sup> did not have IHHLs or access to Community Sanitary Complexes and were resorting to open defecation. It was not clear whether these persons/ households had been covered under the baseline survey conducted by the RD Department (in 2012).

The BDOs and Panchayat Secretaries concerned stated (May 2017) that households have been instructed to construct toilets or to use neighbours' toilets.

#### 3.26.6.2 Special focus groups and households without sanitary facilities in urban areas

SBM (U) guidelines prescribed that State Governments should pursue construction of household or community toilets for temporary migrants, construction workers, homeless people, etc., in urban areas.

Scrutiny of records in test-checked ULBs revealed that approximately 5,460 persons<sup>122</sup> residing in 1,331 *jhuggies* and 277 households<sup>123</sup> did not have access to toilet facilities and were resorting to open defecation. The UD Department had not initiated any action to provide sanitation facilities to these persons/ households.

Commissioners of the MCs and EOs of the Councils concerned stated (April-May 2017) that locations would be identified for community/ public toilets in these areas.

### 3.26.7 Construction, quality and utilisation of toilets/ sanitary complexes

#### 3.26.7.1 Progress in implementation of SBM

Under SBM (G), GOI had approved coverage of 2.06 lakh beneficiaries identified in rural areas as per baseline survey of 2012 by 02 October 2019. Records showed that the target had been achieved<sup>124</sup> in March 2017 and that all districts in the State had declared their rural areas as open-defecation-free.

Audit, however, found that in the test-checked GPs, 165 households and 50 people residing in *jhuggies* did not have individual household latrines/ any type of toilet facility as on date of audit (as indicated in paragraph 3.26.6.1), whereas these areas had been declared open-defecation-free by the district authorities. The BDO, Paonta Sahib

<sup>120</sup> Bhagela:14; Bhattu Panjala:13; Chandni: 04; Dravil: 02; Ghorepeeth: 08; Kand: 01; Kandi Sapnot: 25; Muglawalan Kartarpur:18; Naya: 02; Patlion: 03; Rast: 03; Seri: 26; Shawga: 01; Shillai: 05; Shilli Bagi:13; Thachi:15 and Thana:12.

<sup>121</sup> 47 cases identified during physical verification and 118 cases identified from scrutiny of records.

<sup>122</sup> Baddi (967 *jhuggies*): 4,000; Kullu (92 *jhuggies*): 450; Mandi (60 *jhuggies*): 200; Shimla (130 *jhuggies*): 400 and Sunder Nagar (82 *Jhuggies*): 410.

<sup>123</sup> Dharamshala: 257 households and Solan: 20 households.

<sup>124</sup> As per records maintained at Directorate, Rural Development.

admitted audit contention and stated that as Paonta Sahib was an industrial hub, there was constant migration of people who restore to open-defecation.

Under SBM (U), a target for construction of 12,560 Household Toilets (HTs), 348 Community Toilets (CTs), and 528 Public Toilets (PTs) in urban areas had been approved by GOI for achievement by 02 October 2019 and funds were released to the Urban Development Department in March 2015. The State Government, however, targeted to make the urban areas open-defecation-free by March 2017.

Audit, however, observed, that the Department had not devised any strategy for achievement of these targets, and implementation was being done only on the basis of applications received from interested households/ communities/ parties. As a result, progress was very slow, as depicted below:

**Table-3.26.1: Position of construction of Toilets under SBM (U) as of June 2017**

(In numbers)					
Item of construction	Target	Applications received	Applications approved	Toilets constructed/ completed	Shortfall against target (per cent)
Household Toilets	12,560	5,031	1,867	708	11,852 (94)
Community Toilets	348	--	--	--	348 (100)
Public Toilets	528	--	--	--	528 (100)

Source: Departmental figures.

The Director, UD stated (June 2017) that targets for construction/ conversion of latrines were to be achieved by ULBs and necessary directions were being issued to them. The reply is not satisfactory because it was the responsibility of the Directorate of Urban Development to plan, release adequate funds and monitor implementation of the scheme by ULBs in order to achieve targets.

### **3.26.7.2 Release of payment to beneficiaries for non-constructed/ poorly constructed individual household latrines**

SBM (G) guidelines prescribed that an individual household latrine should consist of a toilet unit having a sanitary substructure for safe confinement of waste, a superstructure, water facility and hand washing unit.

Scrutiny of records, photographs uploaded on Management Information System (MIS), and random physical verification of IHHLs constructed in test-checked BDOs and GPs revealed serious deficiencies in 501 (17 per cent) of the 2,995 cases examined. The deficiencies observed included: IHHL was incomplete; IHHL had no doors; water connection and hand washing unit was not available and toilet unit was fixed in open yard without any superstructure. Audit noticed that:

- In one case in GP Khanni (Mandi district), photograph of completed IHHL had been uploaded on MIS but physical verification by audit revealed that the IHHL had not been constructed at all.

- In seven test-checked GPs, 11 beneficiaries were paid ₹ 1.32 lakh (at the rate of ₹ 0.12 lakh) for construction of IHHLs but physical verification by audit showed that IHHLs were not utilised as these were either incomplete or used for storage purpose by the beneficiaries.

Incentive amounting to ₹ 60.12 lakh<sup>125</sup> had been paid in all the above cases of non-constructed/ poorly constructed/ unused IHHLs. This raised doubts over the reliability of verification of IHHLs done by officials/ verification teams, on the basis of which payment was released.

The BDOs of Baijnath, Paonta Sahib, and Shillai stated (April-June 2017) that these IHHL units had been verified and photos uploaded on the MIS by the Panchayat Secretaries/ Pradhans of the GPs concerned or by verification teams. BDOs of Karsog and Seraj furnished no specific reasons. The GP/ block officials concerned stated that payments were released to beneficiaries in view of the economic condition and IHHLs had been constructed as per their economic condition and living standards. Panchayat Secretary, Gram Panchayat Khanni stated that the photograph had been uploaded by an NGO<sup>126</sup>.

### 3.26.7.3 Incomplete Community Sanitary Complexes under SBM (G)

Scrutiny of records in three test-checked districts revealed that construction of 74 Community Sanitary Complexes<sup>127</sup> (CSCs) costing ₹ 1.48 crore was sanctioned under SBM (G) during 2014-17. These CSCs were to be completed within three to six months from date of sanction/ release of funds.

Scrutiny of records revealed that construction of all these CSCs was incomplete owing to delay in completion of codal formalities<sup>128</sup> by the concerned BDOs/ GPs, depriving the intended beneficiaries' access to sanitation facilities.

The Project Officer, DRDA, Mandi stated that time was required for completion of paper formalities. Project Officers of DRDAs of Kangra and Sirmaur stated that BDOs/ GPs concerned had been directed to complete construction of the CSCs.

## 3.26.8 Monitoring and Internal Controls

### 3.26.8.1 Uploading of photographs under SBM (G)

SBM (G) guidelines prescribed that Gram Panchayat-wise physical and financial progress is to be uploaded every month in the Management Information System (MIS) alongwith photographs of the toilets constructed.

- BDOs of Baijnath and Dehra had paid (2015-17) incentive of ₹ 7.90 crore to 6,587 beneficiaries<sup>129</sup> for construction of individual household latrines (IHHLs) but photographs of these IHHLs had not been uploaded on MIS as of May 2017.

<sup>125</sup> 501 cases at a rate of ₹ 0.12 lakh per IHHL.

<sup>126</sup> Mandi Saksharta Avam Jan Vikas Samiti.

<sup>127</sup> Kangra: 05; Mandi: 22 and Sirmaur: 47.

<sup>128</sup> Non-availability of suitable site, non-preparation of estimates, etc.

<sup>129</sup> Baijnath: ₹ 8.04 lakh to 67 beneficiaries and Dehra: ₹ 782.40 lakh to 6,520 beneficiaries.

This indicated that the prescribed monitoring mechanism in these blocks was not being followed.

- Photographs uploaded on MIS pertaining to test-checked BDOs revealed certain deficiencies in 83 cases (out of 2,995 cases examined), such as: there was no photograph of the beneficiary alongwith the toilet; toilet unit was not visible and photograph of IHHL showed only a closed door. However, incentive of ₹ 9.96 lakh had been paid (2015-17) in these cases. In view of these shortcomings, it was not clear whether the toilets had been properly constructed/ constructed at all by the correct beneficiaries.
- Comparison of photographs of 47 IHHLs pertaining to GPs Thana and Thachi uploaded on the MIS with physical inspection (June 2017) of these IHHLs revealed that in seven cases, the photographs uploaded on MIS were different from the IHHLs actually constructed. Incentive of ₹ 0.84 lakh had been paid to these seven beneficiaries. This raised doubts over the reliability of verification of these IHHLs done by officials/ verification teams. Photographs of two such cases (GP Thachi, Mandi district) are shown below:



- Online MIS data revealed that in Seraj block, photograph of the same IHHL had been uploaded for two different beneficiaries. Incentive of ₹ 0.48 lakh had been paid to these beneficiaries. This raised doubts over the reliability of verification of IHHLs done by officials/ verification teams.

BDO, Baijnath stated that no instruction had been issued by the Government to make payment to beneficiaries after uploading photographs of IHHLs in MIS. The reply is not acceptable as uploading of photographs in the MIS was required as per *ibid* guidelines in order to monitor physical and financial progress of the implementation of the programme. BDO, Dehra stated that photographs could not be uploaded in the MIS due to the area being remote and slow internet speeds. The reply is not acceptable as no such problem had been reported by the BDO to higher levels.

### **3.26.9 Conclusion**

Implementation of SBM was hampered by serious shortcomings. Under SBM (G), reliance on the baseline survey of 2012 meant that the target population identified in

rural areas was not updated. Under SBM (U), non-conducting of any house-to-house survey and non-preparation of city sanitation plans meant that the Department was not able to correctly identify the target population and assess the need for sanitation facilities in urban areas. Progress under SBM (U) for construction of all types of toilets was very slow, while under SBM (G) construction of community sanitary complexes was found to be delayed. Several households and categories of persons both in rural and urban areas were found to be lacking access to any type of sanitation facility and were resorting to open-defecation, whereas rural areas of the State had been declared open-defecation-free by the district authorities. Further, construction of poor quality IHHLs without basic facilities raised doubts about these toilets being in use. The State Government may consider addressing the issues highlighted.

The audit findings were referred to the Government in July 2017. Reply had not been received (November 2017).

Shimla  
The 26 February 2018



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New Delhi  
The 09 March 2018

