

CHAPTER-III

PERFORMANCE REVIEWS

Planning Department

3.1 Backward Area Sub Plan

Highlights

The level of achievement of the objective of Backward Area Sub-Plan (BASP) to reduce regional imbalances in the development of backward areas of the State could not be assessed as five year status review of declared backward areas had not been conducted. Cases of irrational budgeting, excess expenditure over the allocated budget and un-authorised reappropriations were noticed. Works were not monitored by the District Planning and Development-cum-Twenty Point Programme Committees (DPDCs)/Deputy Commissioners (DCs). As a result, development works suffered due to time and cost overruns. The DCs had not prepared Annual Action Plans/Shelf of schemes. Besides, people's participation in the planning process was not ensured due to non-holding of regular and timely meetings of the DPDCs, in which Annual Action Plans were to be approved. Some significant findings in the four districts test-checked are given below:

****** *Annual Action Plans for the period 2000-2005 for implementing BASP in 13 designated sectors had not been prepared by Deputy Commissioners. As a result, expenditure of Rs 279 crore was incurred without planning during these years.*

(Paragraph 3.1.11)

****** *In nine Public Works divisions, 114 roads sanctioned between March 1977 and December 2003 remained incomplete for periods ranging from one year to 24 years after incurring an expenditure of Rs 38.25 crore.*

(Paragraph 3.1.13)

****** *In three Public Works divisions, 16 high and middle school buildings and seven health centres/dispensary buildings sanctioned between March 1987 and November 2000 remained incomplete as of March 2005 after incurring an expenditure of Rs 1.70 crore.*

(Paragraph 3.1.14)

****** *Eighty four rural water supply schemes targeted to benefit 51,775 persons and 11 irrigation schemes projected to irrigate 244.57 hectares of culturable command area sanctioned between July 1995 and March 2004 remained incomplete for one to four years after incurring expenditure of Rs 7.66 crore.*

(Paragraph 3.1.15)

****** *Construction of 16 roads, seven bridges, 18 high and middle school buildings, six dispensary and health centre buildings, seven rural water supply schemes and three minor irrigation schemes, for which Rs 2.48 crore were released by the Deputy Commissioners during 2000-2005 had not been taken up due to non-finalisation of sites and inadequate provision of funds.*

(Paragraph 3.1.18)

****** *Out of 31 residential buildings to be constructed (1999-2002) for teachers under Yashwant Gurukul Awas Yojna, to motivate them to serve in tribal and backward areas, 25 buildings had not been constructed due to various reasons thereby defeating the objective of the scheme.*

(Paragraph 3.1.20)

****** *Monitoring of the programme by the District Planning and Development-cum- Twenty Point-Programme Committees and State level Twenty Point Programme Review Committee was deficient as the required number of meetings to review and suggest corrective action was never held.*

(Paragraph 3.1.27)

****** *Fifteen per cent share of Sectoral Decentralised Planning programme amounting to Rs 3.11 crore had not been earmarked for Backward Area Sub Plan during 2000-2005 as required.*

(Paragraph 3.1.7)

****** *Five years status review of declared backward areas to assess the level of achievement had not been conducted as of June 2005.*

(Paragraph 3.1.28)

Introduction

3.1.1 The Backward Area Sub Plan (BASP) was introduced in the State in June 1974. However, its effective implementation started from 1995-96 after framing a comprehensive policy. It aimed at removing regional imbalances in the State in terms of creation of infrastructural facilities such as linking of areas with main motorable roads, providing of drinking/irrigation water facilities, construction of buildings for health, veterinary, education institutions, etc., in the identified backward areas. For this purpose a separate Demand for Grant for backward areas has been introduced to make the outlays non-divertible. Of 3,037 *panchayats* in the State, 489 *panchayats* in ten non-tribal districts were declared as backward on the basis of remoteness/inaccessibility, demographic, infrastructural and agricultural indicators. The number rose to 512 on reorganisation (July 2004) of the existing backward *panchayats*.

Organisational set up

3.1.2 The overall implementation of the Sub-Plan is vested in the Additional Chief Secretary (Planning) who is assisted by Principal Advisor-cum-Secretary Planning (Secretary Planning) at the State level. At district level, Deputy Commissioners (DCs) are Controlling Officers. The District Planning and Development-cum-Twenty Point Programme Committee (DPDC) consisting of Minister/Speaker, Deputy Speaker from the districts as Chairman and other non-official/official members is responsible for formulation and approval of Annual Action Plans (AAPs), their implementation and monitoring. Similarly, State Level Twenty Point Programme Review Committee (SLRC) comprising Minister Incharge, Additional Chief Secretary (Planning), Principal Advisor-cum-Secretary (Planning), Joint Director (Planning), Deputy Director (Planning), Research Officer (Planning) and Assistant Research Officer (Planning) is responsible for monitoring of the sub-plan at State level. The scheme is implemented through line departments of 13¹ sectors/heads of development.

Scope of audit

3.1.3 Implementation of the Sub-Plan for the period 2000-2005 was reviewed (December 2004-April 2005), based on test-check of records of Secretary Planning, four² DCs and line departments of eight³ sectors/heads of development. Of the total 512 backward *panchayats*, 432 (84 *per cent*) fall in the selected districts. Expenditure audited constituted 84 *per cent* of the total expenditure. Results of test-check are incorporated in the succeeding paragraphs.

1 Agriculture, Animal Husbandry, Ayurveda, Forestry, Health, Higher Education, Horticulture, Industries, Minor Irrigation, Primary Education, Roads and Bridges, Rural Water Supply and Soil Conservation.

2 Chamba, Kullu, Mandi and Shimla.

3 Animal Husbandry, Forestry, Health, Higher Education, Minor Irrigation, Primary Education, Roads and Bridges and Rural Water Supply.

Audit objectives

3.1.4 The audit objective was to assess whether the objective of removing regional imbalances in terms of creation of infrastructural facilities in the backward areas has been achieved and to verify whether the guidelines are being followed.

In addition, audit also tried to ascertain whether:

- ▶ outlays were adequate for the implementation of sub-plan;
- ▶ the system of earmarking of funds was rational;
- ▶ the system of preparing annual action plan was being followed;
- ▶ funds were utilised judiciously;
- ▶ the objective of creating infrastructural facilities in the backward areas had been achieved;
- ▶ there was no diversion of funds to non-backward areas; and
- ▶ adequate system existed for the monitoring of the sub-plan.

Audit criteria

- ▶ Guidelines on BASP/instructions issued by the State Government were followed.
- ▶ Preparation of annual action plans and its approval by DPDC and meetings of DPDCs.
- ▶ Provision of funds for completion of works as per approved funding pattern.
- ▶ Status review of notified backward areas to assess the level of development.

Audit methodology

3.1.5 Records relating to annual action plan required to be finalised and approved by the District Planning, Development and Twenty Point Programme Review Committees (DPDCs), were seen. Besides, physical and financial returns submitted by the line departments to the Controlling Officers (COs) as per guidelines of the scheme were seen. Information collected from the aforesaid records and replies furnished by the COs and line departments to the questionnaire and audit memos were analysed to arrive at audit conclusions.

Audit findings

Financial outlay and expenditure

3.1.6 BASP is a State Sub-Plan. Fifteen *per cent* of the sectoral outlays under identified heads of development are earmarked for the BASP and

provided in the budget under Demand No.15 “Planning and Backward Area Sub Plan”. Earmarked funds are allocated by the Secretary Planning to the DCs in proportion to the number of backward *panchayats* in the districts. In addition, 15 per cent of each district’s share for Sectoral Decentralised Planning (SDP) is also required to be provided for the BASP by the DCs.

Position of allocation of funds and expenditure incurred thereagainst in respect of backward *panchayats* of the State and backward *panchayats* of four test-checked districts was as under:

Table: 3.1

(Rupees in crore)

Year	Data relating to ten districts of the State					Data relating to test-checked districts			
	Number of backward Panchayats	Overall sectoral allocation	Final BASP allocation	Expenditure	Variation Excess (+) Saving (-)	Number of backward Panchayats	Budget	Expenditure	Variation Excess (+) Saving (-)
2000-2001	489	842.74	81.27	88.72	(+) 7.45	411	68.33	70.36	(+) 2.03
2001-2002	489	982.86	71.65	65.58	(-) 3.07	411	60.44	64.17	(+) 3.73
2002-2003	489	1099.28	78.39	81.08	(+) 2.69	411	66.21	65.34	(-) 0.87
2003-2004	489	718.62	43.91	44.41	(+) 0.50	411	36.92	40.85	(+) 3.93
2004-2005	512	721.89	41.12	46.49	(+) 5.37	432	39.33	38.03	(-) 1.30
Total:				326.28				278.75	

Note (i): Expenditure figures in respect of test-checked districts are departmental.

Note (ii): 15 per cent funds under each sector of BASP are calculated after deducting the share of Tribal Area Sub-Plan, Special Component Plan and specific earmarkings from the total plan outlay of sector concerned.

The following points were noticed:

- The figures of variations for the period 2000-2005 in respect of four test-checked districts, which constituted 84 *per cent* of the total backward *panchayats*, were not commensurate with over all amounts of variation.
- Reconciliation had not been done as a result of which there was difference in the departmental figures *vis-a-vis* the actual figures of expenditure.

Secretary Planning confirmed (July 2005) that expenditure figures were not reconciled.

- Decision of the State Government to allocate earmarked resources among districts in proportion to the number of declared backward *panchayats* proved irrational in view of the fact that the number of backward *panchayats* which was 489 at the time of introduction of the sub-plan has risen to 512 on reorganisation (July 2004). It was also not rational in view of the varied development needs, topography, population and size of different *panchayats*.

Secretary Planning stated (June 2005) that proportionate allocation of budget was indicative only and that final decision for the utilisation of funds was taken on the approval of the District Planning and Development-cum-Twenty Point Programme Committee. However, the reply of the Secretary Planning does not stand, as Annual Action Plans were neither prepared by the DCs nor were these approved by the DPDCs in the test-checked districts.

Non-provision of 15 *per cent* share of SDP for BASP

3.1.7 Guidelines of BASP provide that in addition to funds provided by the Planning department, 15 *per cent* of each district's share of Sectoral Decentralised Planning (SDP) allocation was also to be earmarked for BASP. Test-check of records in the selected districts revealed that the DCs had not earmarked 15 *per cent* share of Sectoral Decentralised Planning for BASP to the extent of Rs 3.11 crore⁴ during 2000-2005. Failure to follow the guidelines thus affected implementation of the sub-plan as atleast 306 works remained incomplete due to paucity of funds.

The Secretary Planning stated (January 2005) that the matter would be examined in the light of guidelines and suitable action taken in this regard. The reply is not to the point, as the guidelines are already very clear. It showed a disorganised and uncoordinated approach towards implementation of the BASP.

Unauthorised diversions/reappropriations of funds

3.1.8 DPDCs were empowered to make inter departmental/sectoral diversions of approved budget, keeping in view the specific needs of the area for undertaking infrastructural development.

Scrutiny of records revealed (February-April 2005) that departmental/inter-sectoral reappropriation for Rs 33.18 crore as detailed

below were effected by the DCs at the end of the year during 2000-2005 without prior approval of the DPDCs.

Table: 3.2

(Rupees in crore)

Year	Chamba	Kullu	Mandi	Shimla	Total
2000-2001	0.30	0.23	1.64	0.72	2.89
2001-2002	5.27	1.71	1.77	0.68	9.43
2002-2003	5.06	2.14	1.86	0.02	9.08
2003-2004	3.36	1.16	0.56	1.19	6.27
2004-2005	2.50	1.03	0.56	1.42	5.51
Total:	16.49	6.27	6.39	4.03	33.18

The diversions/reappropriations were also not got regularised from the State Legislature through Supplementary Demands for Grant, as required.

Secretary Planning admitted (June 2005) that prior approval of the DPDC should have been obtained by the DCs. Comments of the Secretary Planning for not getting the diversions/reappropriations regularised through Supplementary Demands for Grant, called for in May 2005 were awaited (June 2005).

Irregular retention of funds

3.1.9 Under the BASP, funds were to be utilised during the respective financial year and the unspent funds were to be surrendered for utilisation on other needy sectors of development. It was noticed that during 2000-2005, funds ranging from Rs 5.22 crore to Rs 9.14 crore were drawn by the DCs of test-checked districts and kept in the banks. These funds were released to the executing agencies during the next financial year for utilisation in subsequent years.

The DCs stated (February-April 2005) that funds which were available by way of reappropriation in the month of March each year were drawn to avoid their lapse. This reflects absence of planning on the part of DCs.

Funds ranging between Rs 4.65 crore and Rs 7.90 crore remained unutilised with 19 executing agencies either in Public Works (PW) deposits or in banks

(PW: eight divisions⁵, I&PH: five divisions⁶ and six blocks⁷) at the close of financial years 2000-2005. This resulted in keeping the funds outside the normal budgetary process and outside Government account.

The concerned executing agencies attributed (December 2004- March 2005) non-utilisation of funds to receipt of funds at the end of the year, dispute over sites of works, slow pace of execution of works by the *panchayats* and limited working season. This reflected inadequate monitoring over the implementation of the scheme.

Non-reconciliation of expenditure

3.1.10 According to instructions (July 1997) of the Planning Department, the DCs are responsible for ensuring reconciliation of expenditure under BASP with the figures booked in the office of the Accountant General. The reconciled figures were further required to be furnished to the State Planning department.

Test-check of records of the DCs of selected districts⁸ revealed that during 2000-2005, expenditure of Rs 278.75 crore⁹ under BASP had not been reconciled. The expenditure figures furnished to the State Planning department were thus provisional. The DCs admitted the facts (February-April 2005). The Secretary Planning thus failed to ensure the implementation of his own instructions.

Implementation of the programme

Annual Action Plans not prepared

3.1.11 As per policy guidelines, an Annual Action Plan (AAP) for all sectors based on tentative figures indicated by the State Planning Department was to be prepared and approved by the DPDC in each district before the commencement of the next financial year.

It was, however, noticed that the AAPs were not prepared by the DCs of the test-checked districts. It was also observed that the DPDCs also did not take notice of non-preparation of the AAPs and their approval in the meetings of DPDCs held. Thus, the entire expenditure of Rs 279 crore during 2000-2005 in four test-checked districts was incurred without any action plan.

5 Chamba, Dharampur, Jogindernagar, Nirmand, Rampur, Rohru, Salooni and Sundernagar.

6 Anni, Nerwa, Padhar, Rampur and Sundernagar.

7 Anni, Nirmand (Kullu), Dharampur, Padhar, Seraj at Janjehli (Mandi) and Salooni (Chamba).

8 Chamba, Kullu, Mandi and Shimla.

9 2000-2001: Rs 70.36 crore; 2001-2002: Rs 64.17 crore; 2002-2003: Rs 65.34 crore; 2003-04: Rs 40.85 crore and 2004-2005: Rs 38.03 crore.

Human Development Committee (HDC) of State *Vidhan Sabha* during oral examination (November 2003) of Planning Department also observed that the guidelines regarding allocations were not followed at district level, detailed Action Plan of BASP was generally not approved by the DPDC and regular meetings of DPDCs did not take place. HDC recommended (September 2004) that public representatives be included in DPDCs and no scheme should be implemented without the approval of the DPDCs. It also recommended that no work should be started at DC's level.

Secretary Planning while sending these observations to the DCs directed the latter to follow the guidelines of the sub-plan in letter and spirit so that commitment of the Government towards strengthening of decentralisation of planning process could be implemented. However, it was observed that proper procedure had not been followed by the DCs of the test-checked districts even after these instructions.

This shows the passive attitude of the DCs towards proper implementation of the programme.

Delay in execution of works

3.1.12 The department issued (August 1996) guidelines regarding preparation of projects after adequate survey and investigation as also proper framing of cost estimates before according administrative approval and expenditure sanction so that works did not suffer from time and cost overruns.

The following points were noticed:

Roads and bridges

3.1.13 In nine¹⁰ PW divisions, 114 roads estimated to cost Rs 45.41 crore, sanctioned between March 1977 and December 2003, had not been completed as of March 2005 even after incurring an expenditure of Rs 38.25 crore.

Time overrun in these cases ranged between one year and 24 years. It was also noticed that of 1,263 kilometre length of these roads, only 247 kilometre (20 *per cent*) had been opened for vehicular traffic by March 2005 after incurring expenditure of Rs 38.25 crore which was 84 *per cent* of the estimated cost. These roads included 63 roads estimated to cost Rs 33.44 crore for the effective period of implementation (1995-96 onwards) on which an expenditure of Rs 16.67 crore had been incurred as of March 2005.

Public utility buildings

3.1.14 In three PW divisions¹¹, 23 buildings (high and middle school buildings: 16, dispensary and health centre buildings: seven) for which Rs 3.37 crore were sanctioned between March 1987 and November 2000 had not been completed as of March 2005. Expenditure of Rs 1.70 crore had been incurred on these works. Of these, 21 buildings on which Rs 1.60 crore had been spent upto March 2005 were sanctioned for execution between March 1997 and November 2000. The time overrun ranged between one year and four years.

Rural water supply schemes and minor irrigation works

3.1.15 In six Irrigation and Public Health divisions¹², 84 rural water supply schemes (estimated cost: Rs 14.14 crore) sanctioned between July 1995 and March 2004 and targeted to benefit 51,775 persons were lying incomplete as of March 2005 after incurring an expenditure of Rs 6.46 crore (46 *per cent*). The time overrun ranged between one year and four years from the stipulated date of completion. Thus beneficiaries were deprived of the drinking water facility.

In two I&PH divisions (Anni and Salooni), 11 irrigation schemes (estimated cost: Rs 1.27 crore) sanctioned between March 1998 and March 2003 and projected to irrigate 244.57 hectares of culturable command area had not been completed as of March 2005 even after incurring an expenditure of Rs 1.20 crore (94 *per cent*). The time overrun ranged between one year and four years, while no potential had been created as of March 2005.

Other minor developmental works

3.1.16 In four development blocks¹³ (out of eight declared as backward), 83 minor works, such as construction of class rooms, play grounds, foot bridges, community/health centres, etc., estimated for Rs 1.55 crore sanctioned between November 1997 and February 2004, had not been completed as of March 2005 even after incurring an expenditure of Rs 1.01 crore (65 *per cent*). Time overrun ranged between one and seven years.

The Executive Engineers (EEs) of PW and I&PH divisions and the Block Development Officers (BDOs) attributed (December 2004-April 2005) the delays to time taken in finalisation of sites, dispute over private/forest lands and inadequacy of funds. The replies revealed that due cognizance was not

11 Chamba, Salooni and Sundernagar.

12 Anni, Padhar, Rampur, Rohru, Salooni and Sundernagar.

13 Anni, Nirmand, Salooni and Seraj at Janjehli.

taken by the respective DCs regarding adequate survey, investigation and proper framing of cost estimates before according administrative approval and expenditure sanction for these works. Thus the expenditure on these works had remained largely unfruitful. On this being pointed out (May 2005) Secretary Planning stated (June 2005) that the comments of the DCs would be called for.

Sanction of works without technical approval and estimates

3.1.17 According to the instructions (May 2000) of the department, the DCs were required to obtain technical approval of estimates before according administrative approval and expenditure sanction to works.

It was noticed that in 16 divisions¹⁴, 278 works (construction of roads: 177 works; rural water supply/minor irrigation: 101 works) estimated to cost Rs 74.41 crore were sanctioned by the respective DCs between March 1977 and December 2004 without the approval of the technical authority and expenditure of Rs 49.77 crore (Roads: Rs 41.37 crore and Rural Water Supply/Minor Irrigation: Rs 8.40 crore) had been incurred on these works as of March 2005.

Similarly, in 12 divisions¹⁵ of test-checked districts, 44 works¹⁶ relating to roads, buildings and water supply schemes had been undertaken for execution between June 1999 and November 2004 without preparing the estimates. Against the total funds of Rs 1.68 crore (PW: Rs 1.57 crore and I&PH: Rs 0.11 crore), received from the respective DCs, expenditure of Rs 0.74 crore (PW: Rs 0.68 crore and I&PH: Rs 0.06 crore) had been incurred as of March 2005.

It was further observed that out of the above 322 works, 23 works estimated to cost Rs 11.52 crore on which an expenditure of Rs 4.63 crore had been incurred as of March 2005 were lying incomplete due to non-finalisation of sites. On the other hand 155 works estimated to cost Rs 48.06 crore on which an expenditure of Rs 37.18 crore had been incurred were lying incomplete due to paucity of funds.

This indicated that funds for execution of works were sanctioned by the DCs without ensuring technical and financial viability, which ultimately hampered the progress of the works.

14 PWD: Chamba, Chopal, Dharampur, Jogindernager, Nirmand, Rampur, Rohru, Salooni, Sundernagar and Theog, I&PH: Anni, Nerwa, Padhar (Darang), Rampur, Salooni and Sarkaghat.

15 PW divisions: Chamba, Chopal, Dharampur, Nirmand, Rampur, Rohru, Salooni and Theog, I&PH: Anni, Padhar, Salooni and Sundernagar.

16 PW: 39 works and I&PH: five works.

On this being pointed out, the Secretary Planning stated (January 2005) that the funds were released to the implementing agencies by the DCs after completing all codal formalities. The reply is not correct as all 322 works had been started without technical sanctions/preparation of estimates.

Parking of development funds

3.1.18 Construction of 16 roads, seven bridges, 18 high and middle school buildings, six dispensary/health centre buildings, seven rural water supply schemes and three minor irrigation schemes, for which Rs 2.48 crore were released by the DCs of test-checked districts to 11 EEs¹⁷ during 2000-2005 had not been taken up for execution as of March 2005. The executing agencies stated (December 2004-April 2005) that the works could not be taken up for execution due to non-availability/non-finalisation of sites (42 works: cost Rs 2.02 crore) and inadequate provision of funds (15 works: cost Rs 0.46 crore). This suggests that technical and financial aspects were not considered by the DCs before releasing funds as these funds could have been sanctioned to the incomplete works held up for want of funds.

Sanction of funds for completed flow irrigation schemes

3.1.19 DC, Shimla sanctioned (August 2004) Rs 10.81 lakh to EE, I&PH division, Nerwa for the construction of five flow irrigation schemes (FISs)¹⁸. Scrutiny of records, however, revealed that these schemes had already been executed between March 1991 and April 2004 at a cost of Rs 18.17 lakh out of budget allocations under BASP.

The EE confirmed the facts and stated (December 2004) that no fresh demand of funds for these works was ever made and the funds received were being utilised for repairs of these works. The reply is not tenable as the expenditure on repairs and maintenance was not permissible under the guidelines.

Yashwant Gurukul Awas Yojana

3.1.20 The State Government launched (1999) an innovative scheme namely, “*Yashwant Gurukul Awas Yojana*” (YGAY) to motivate teachers to serve in high and senior secondary schools located in tribal and backward areas. The scheme provided for construction of collective residential accommodation for the teachers to be funded from BASP. The Government approved 31 buildings in the backward areas for construction in four test-checked districts (Chamba: nine; Kullu: five; Mandi: four and Shimla: 13).

17 PW: Chamba, Chopal, Dharampur, Nirmand, Rampur, Rohru, Salooni and Sundernagar, IPH: Anni, Nerwa and Padhar.

18 Flow Irrigation Schemes: Dimmi, Gumma, Kiarnoo, Manu and Shounthal.

Following points were noticed:

- Sanction for construction of 13 buildings (Kullu: one; Mandi: four and Shimla: eight) could not be accorded by the concerned DCs as of April 2005, due to non-availability of funds.

- Rupees 53.29 lakh sanctioned and released by DC, Kullu during 2000-2003 for the construction of three buildings were lying unutilised with EE, PW Nirmand division (March 2005), as sites for the buildings had not been finalised.

- Out of 13 buildings (Chamba: eight; Kullu: one and Shimla: four) sanctioned during 2000-2002, construction of only five buildings (Chamba: four and Shimla: one) had been completed at the cost of Rs 1.07 crore as of September 2004, while construction of eight buildings (Chamba: four; Kullu: one and Shimla: three) stipulated to be completed in two years was in progress even after incurring expenditure of Rs 0.75 crore as of April 2005 due to delay in finalisation of sites.

- In Chamba district, one building for Senior Secondary School, Bhanjraru (under construction) involving expenditure of Rs 14 lakh by the Deputy Project Director (District Primary Education Programme), Chamba collapsed due to settlement of site during heavy rains on 13 July 2001. This was indicative of lack of proper survey and soil investigation before selection of the site. Action for faulty selection of site had not been initiated (March 2005).

The above points indicated that the basic objective of providing residential facility as incentive to the teachers to work in schools in tribal and backward areas remained unachieved as of March 2005. The Human Development Committee of State *Vidhan Sabha* during the oral examination (December 2004) also observed that the DCs did not achieve the target of construction of residential accommodation to the teachers even after a lapse of about five years, thereby defeating the objective of the innovative scheme.

Unauthorised purchase of materials

3.1.21 The State Government constituted (September 1996) a District Level Purchase Committee (DLPC), comprising the DC or his nominee as Chairman, the district level head of department concerned as Member and the Assistant Controller (Finance and Accounts) posted in DC office as Member Secretary. All purchases under BASP were required to be got approved from the designated DLPC.

It was noticed in four test-checked districts that between 2000-2005 material such as medicines, hospital equipment, class room material and uniform for primary school students, etc., as detailed in **Appendix-XIX**, valued at Rs 2.46 crore, was purchased by the district level heads of Health, Animal Husbandry and Primary Education departments without the approval of the DLPC.

The district heads of these departments stated (January-March 2005) that prior approval of the respective departmental purchase committees instead of DLPC was obtained before effecting the purchases. The replies are not tenable as material was to be purchased only with the approval of DLPC which could have taken a more informed view about the prudence of these purchases.

Diversion of material and supply to institutions of non-backward areas

3.1.22 The core idea of creating a separate Demand for Grant for BASP was to check diversion of resources to non-backward areas.

Test-check of records of 15 Block Primary Education Officers (BPEOs) of test-checked districts (except Mandi) revealed that material like desks, black boards, *durri patti/tat patti*, sports items, buckets, charts, uniforms for students, etc., valued at Rs 26.20 lakh was issued to the primary schools of non-backward areas between April 2000 and January 2005, out of the total purchase of Rs 65.79 lakh as detailed in **Appendix-XX**. No material was issued to five schools which fell in backward area of Mehla-II Block (Chamba district). Material valued at Rs 2.54 lakh purchased between April 2003 and March 2004 remained unutilised in five blocks¹⁹.

The Deputy Directors of Primary Education (DDs) while confirming the above facts, attributed (February-March 2005) issue of material to the institutions of non-backward areas to purchase of material in excess of the requirement of institutions of backward areas and non-receipt of guidelines from the concerned authorities. Secretary (Planning) stated (June 2005) that the comments of the DCs would be called for.

Non-maintenance of separate account of receipt and issue of medicines

3.1.23 It was noticed that separate account of receipt and issue of medicines valued at Rs 1.95 crore²⁰ purchased by the Chief Medical Officers (CMOs) and Deputy Director of Animal Husbandry (DDAH), during 2000-2005 under

19 Chowari (Chamba), Chopal, Chhohara, Nerwa, Rampur (Shimla).

20 Chamba: Rs 84.31 lakh; Shimla: Rs 19.31 lakh and DDAH, Chamba: Rs 91.71 lakh.

BASP had not been maintained. The supplies of medicines were mixed with general stock, which complicated procedures meant to ensure proper utilisation of medicines in institutions located in backward areas. The action of the CMOs/DDAH was violative of the guidelines.

The CMOs/DDAH stated (March 2005) that separate account could not be maintained in the absence of necessary instructions.

Internal control and internal audit

3.1.24 Internal control and internal audit are important mechanisms for ensuring smooth working of a department. While effective internal audit helps in exercising a check on various activities of the department, internal control mechanism acts as an effective tool in keeping a check on expenditure. It also ensures that various systems have been put in place and are functioning properly. Audit scrutiny revealed that the Secretary Planning had issued (April 1996) instructions to the DCs to conduct monthly review of the implementation and expenditure of the schemes/works and send the monthly progress report to Planning Department by 15th of the following month. It was noticed that monthly progress reports were not sent to the Planning Department by the DCs of the test-checked districts.

Similarly, the Planning Department had posted Assistant Controller (Finance and Accounts) in each Deputy Commissioner's office to carry out the internal audit. However, it was noticed that no internal audit had been conducted in the test-checked districts. The ACs were performing routine duties of accounting nature.

Instructions were also issued (May 2001) by the Secretary Planning to the DCs to send quarterly progress reports of schemes/works in terms of financial and physical achievements in prescribed proformae before 20th of next quarter so that the progress thereof could be reviewed. It was, however, noticed that no records of physical and financial progress of the schemes/works were maintained by the department for the State. The position of total schemes/works targeted for implementation during 2000-2005 and achievements thereagainst could not be ascertained. Reasons for non-maintenance of the records called for (May 2005) were awaited.

Test-check of records of 16 divisions (PW: nine divisions and I&PH: seven divisions) in four test-checked districts revealed that prescribed financial and physical quarterly progress reports were either not sent to the DCs or incomplete reports were sent. The consolidated financial and physical progress of works executed out of BASP funds was thus not maintained by the DCs of the test-checked districts. The DCs confirmed (February–April 2005) non-maintenance of status of works executed out of BASP allocations during

2000-2005. This is indicative of the lack of internal control on the part of the DCs.

Secretary Planning while confirming the facts, stated (January 2005) that the BASP being decentralised programme, could best be overseen at the district level. The reply is not tenable as the instructions for internal audit and internal control should have been enforced by the State Government so as to ensure efficient and effective implementation of the BASP.

Monitoring

Status of construction of school buildings not known to the Education Department

3.1.25 Monitoring of construction of school buildings/class rooms for 30 schools²¹ for which Rs 74.02 lakh were sanctioned by the DC, Shimla between 1998-2004 to the Deputy Directors of Secondary and Primary Education was not being done by the latter. The construction work was entrusted to the BDOs/local Building Fund Committees by the Deputy Directors. Of the total sanctioned funds, Rs 57.74 lakh had been released to the concerned executing agencies and Rs 16.28 lakh remained unutilised with the Deputy Directors of Secondary Education, Shimla as of April 2005. The Deputy Directors were not aware of the status of the school buildings.

The Deputy Directors concerned admitted (April 2005) the facts.

Utilisation certificates not received from the executing agencies

3.1.26 Guidelines provided for maintenance of data relating to utilisation certificates (UCs) for the expenditure incurred under designated heads of development at district level.

In three test-checked districts²², UCs of Rs 32.87 crore for 1,691 works sanctioned between 1996-97 and 2003-2004, had not been received by DCs as of March 2005 from the executing agencies concerned while information relating to pending UCs was not available with the DC, Chamba. This indicated lack of monitoring on the part of DCs.

Non-convening of regular meetings of DPDC

3.1.27 Role of DPDC is very important to ensure people's participation in the planning process keeping in view the very objective of decentralisation. The

21 Higher Education: 21 rooms and Primary Education: nine rooms.

22 Kullu, Mandi and Shimla.

DPDC, which is responsible for formulation, prior approval of AAP, proposals for inter sectoral/departmental diversions/reappropriations, implementation, monitoring and review of the sub-plan, is required to meet on a quarterly basis. The respective DCs are required to convene meetings of the DPDCs regularly.

Scrutiny of records in four test-checked districts revealed (February-April 2005) that against the required 80 quarterly meetings (20 each in four districts in five years) during 2000-2005, 20 meetings (25 *per cent*) only were held. Year-wise/district-wise position of these meetings is given in **Appendix-XXI**.

The DCs stated (February-April 2005) that the convening of meetings depended on the availability and convenience of the Chief Minister/Minister, who headed the DPDCs. The replies of the DCs are not tenable, as they were required to keep constant liaison with the chairpersons of the DPDCs to convene the meetings on a regular basis and ensure prior approval of AAPs and diversions/reappropriations.

At State level, 20 Point Programme Review Committee (SLRC) was also required to monitor the implementation of the scheme on quarterly basis. Against 20 meetings of SLRC required to be convened during 2000-2005, only one meeting was convened.

Specific schedule for inspection of implementation of BASP had also not been prescribed.

Thus, the programme was not effectively monitored due to non-holding of regular meetings of DPDCs and SLRC. The shortfall of 75 and 95 *per cent* in DPDC and SLRC meetings respectively during 2000-2005 indicated failure of effective monitoring at district and state level.

The details of sanctioned works and their status had not been maintained by the State Planning Department. The Secretary Planning stated (January 2005) that the districts concerned were responsible for maintenance and up keep of records. The reply indicated failure of monitoring the programme at State level.

Evaluation

3.1.28 Guidelines provided for conducting the status review of notified backward areas after five years, preferably corresponding to the Five Year Plan, so as to assess the level of development reached. Based on such a review, the areas were to be de-notified. It was, however, noticed in audit that status review of areas notified as backward, had not been conducted as of

June 2005. Resultantly, the areas which had attained the benchmark of weightage indicator for being termed as developed, could not be identified for denotification till June 2005 and the funds continued to be allocated year after year without ascertaining the status of the backward areas. Evaluation of the programme had also not been conducted as of March 2005 ever since its implementation in 1995-96.

Secretary Planning stated (January 2005) that the notified backward areas still lagged behind in terms of socio-economic development as compared to the non-backward areas. The reply does not address the issue as to why status review of the backward areas had not been conducted by the State Government, as required.

Conclusion

3.1.29 The State Government had not conducted five years status review of declared backward *panchayats*, as a result of which the level of achievement in reducing regional imbalances could not be ascertained.

The District Planning and Development Committees (DPDCs), responsible for formulation, implementation, monitoring and review of the Sub-Plan, had not met regularly. The DCs did not prepare Annual Action Plans for approval by the DPDCs. The people's participation in planning process was not ensured, as prior approval of DPDCs on AAPs and reappropriations was not obtained. DCs also failed to exercise expenditure control as controlling officers.

Recommendations

- ** *Five years status review of declared backward panchayats needs to be conducted.*
- ** *Meetings of Development-cum-Twenty Point Programme Committee and State Level Twenty Point Programme Review Committee should be conducted regularly to ensure people's participation in planning process and timely approval of Annual Action Plans and reappropriations so as to avoid ad hocism in sanction and utilisation of funds.*
- ** *Decision of the State Government to allocate funds in proportion to the number of backward panchayats needs to be reviewed and budget estimation based on actual requirement should be followed to avoid persistent diversions/reappropriations at the end of the year.*
- ** *Additional provision of 15 per cent of allocation out of district's share of Sectoral Decentralised Planning needs to be enforced as required under guidelines.*

These points were referred to the Government in June 2005; final reply had not been received (July 2005).

Irrigation and Public Health Department

3.2 Flood Control Works

Highlights

Despite serious threat of flood damages in the State, flood protection works provided were insignificant. Minimal targets of coverage were fixed year after year due to non-mobilisation of adequate financial resources. Non-preparation of a long term master plan resulted in execution of protection works in an unintegrated and piecemeal manner which failed to provide adequate protection to the areas prone to flood damages. The damaged protection works were not restored and the completed works were not being maintained. Execution of works was not monitored effectively. Some significant audit findings are given below:

****** *Against 2.31 lakh hectares flood prone area required to be protected in the State, only 0.12 lakh hectares was covered as of March 2005. Annual targets of coverage were pitched low due to inadequate provision of funds.*

(Paragraph 3.2.7)

****** *Additional expenditure of Rs 52.42 lakh was incurred on execution of flood protection works in isolated reaches in Bata river basin.*

(Paragraph 3.2.8)

****** *Emergent works intended to protect 1,020 hectares of land and property in Kullu district were not taken up for execution.*

(Paragraph 3.2.9)

****** *The works were taken up for execution in an unplanned and piece-meal manner due to non-preparation of long term master plan. Expenditure of Rs 3.06 crore incurred on five works was thus rendered largely unfruitful as the entire area intended to be covered was not protected.*

(Paragraph 3.2.10)

****** *Wasteful expenditure of Rs 91.03 lakh was incurred on providing protection works to agriculture farm Pekhubela in Una district.*

(Paragraph 3.2.11)

****** *Failure to provide recommended foundation placed at risk flood protection works of Rs 4.39 crore at the Swan River Flood Management Project. Besides, use of material other than that approved, at Indora, Rohru and flood protection Gagret divisions resulted in below specification works costing Rs 65.06 lakh.*

(Paragraph 3.2.14)

**** Protection works completed at a cost of Rs 11.75 crore were not being maintained.**

(Paragraph 3.2.20)

**** There were significant shortfalls in inspection of works. No mechanism for inspection of completed works was evolved.**

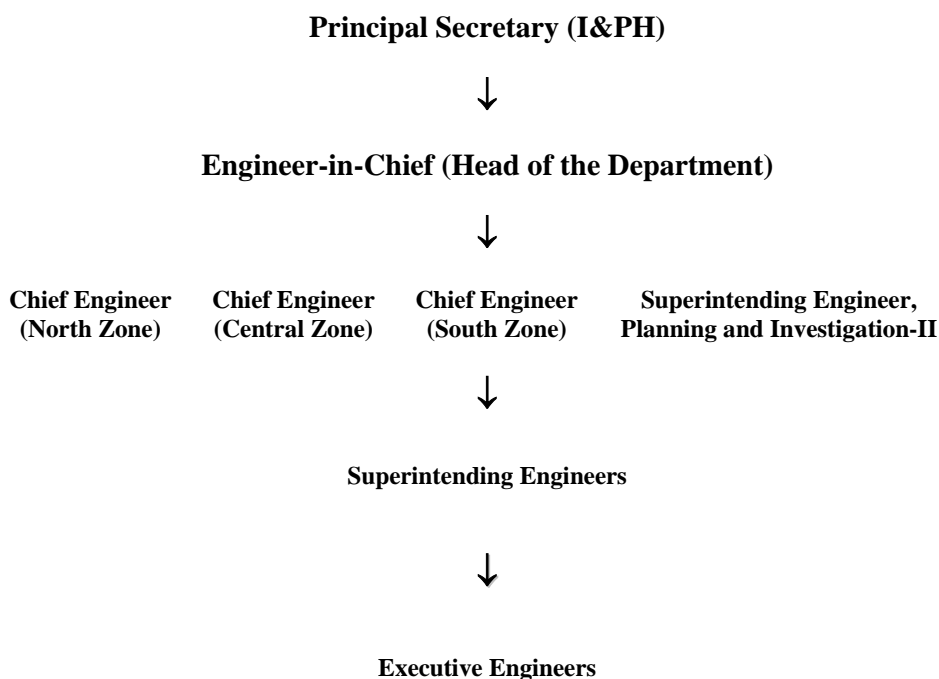
(Paragraph 3.2.21)

Introduction

3.2.1 Himachal Pradesh being predominantly a hilly state forms catchment of five major rivers - Beas, Chenab, Ravi, Sutlej and Yamuna and their tributaries. These rivers and the tributaries flow through steep slopes at high velocity causing erosion of culturable land besides heavy loss of life and property during floods.

Out of 55.67 lakh hectares area of the State, an estimated 2.31 lakh hectares is prone to floods. The Department of Irrigation and Public Health had identified and assessed immediate need for providing flood protection works (FPWs) for habitation and culturable areas situated on the banks of various rivers/*khads* at an approximate cost of Rs 620 crore during the ninth Five Year Plan (1997-2002). FPWs such as embankments, spurs, etc., were being undertaken since 1984-85 to channelise various rivers and *khads* to contain the floods. A total area of 12,169 hectares had been covered by FPWs executed upto March 2005.

Organisational set up of the department is as under:



Scope of audit

3.2.2 Records pertaining to selection and execution of FPWs for the period from 2000-2001 to 2004-2005 were test-checked in ten¹ out of 40 divisions entrusted with the execution of the works covering seven² out of 12 districts of the State. The sample check in terms of divisions was thus 25 *per cent* and 58 *per cent* in terms of districts which covered 74.34 *per cent* of expenditure. This was supplemented by information obtained from Engineer-in-Chief (E-in-C) and Superintending Engineer (SE), Rohru Circle in March-April 2005.

Audit objectives

3.2.3 The audit objective was to critically examine the aspects of efficiency and effectiveness in planning and execution of various flood control works as per time schedule and also the adequacy of the flood works in protecting the land and property from frequent floods.

In addition, audit also tried to ascertain whether:

- ▶ land and property prone to flood damages had been identified and a master plan prepared for their protection.
- ▶ estimates for providing flood protection works had been prepared after detailed survey and investigation.
- ▶ adequate funds had been provided for timely completion of flood protection works.
- ▶ targets for protecting the land and property from floods had been fixed in order of importance and works of emergent nature taken up first.
- ▶ the works had been executed in accordance with the laid down specifications.
- ▶ flood protection works already provided were being maintained properly and adequate funds had been arranged for maintenance.
- ▶ effective internal control mechanism had been evolved to ensure periodical inspection and monitoring of completed and ongoing works.

Audit criteria

- ▶ Identification of land and property prone to frequent flood damages and preparation of master plan for providing flood protection works.
- ▶ Fixation of targets for flood protection works (FPWs).
- ▶ Arrangement of funds for providing and protecting FPWs.
- ▶ Mechanism evolved to inspect and monitor ongoing and completed works.

1 Chamba, Flood Protection Division, Gagret, Indora, Kullu-I, Kullu-II, Nalagarh, Nerwa, Paonta Sahib, Rohru and Thural.

2 Chamba, Kangra, Kullu, Shimla, Sirmour, Solan and Una.

Audit methodology

3.2.4 Records relating to identification of land and property prone to damages because of frequent floods, formulation of estimates, provision of funds and those relating to actual execution and maintenance of various FPWs were scrutinised in audit. Various reports and returns submitted by field formations to the higher authorities and mechanism devised for monitoring the progress and effectiveness of works were also seen. Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memos and questionnaire and obtaining the response of departmental functionaries at various levels.

Audit Findings

Financial Outlay and Expenditure

3.2.5 Expenditure on FPWs during 2000-2005 was met partly out of State funds (42 per cent) and partly from loans obtained from National Bank of Agriculture and Rural Development (NABARD) (58 per cent). In addition, grant of Rs 100 lakh was also received from Government of India during March 2005. Funds demanded, budget allotment and expenditure thereagainst on flood control works during 2000-2005 was as under:

Table: 3.3

(Rupees in crore)

Year	Funds demanded	Funds allotted	Expenditure incurred	Variations Excess (+) Saving (-)
2000-2001	7.57	8.60	8.82	(+) 0.22
2001-2002	6.32	6.71	7.45	(+) 0.74
2002-2003	9.27	13.66	13.53	(-) 0.13
2003-2004	13.05	15.62	15.87	(+) 0.25
2004-2005	15.24	16.48	14.27	(-) 2.21
Total:	51.45	61.07	59.94	(-) 1.13

The Engineer-in-Chief attributed (August 2005) savings of Rs 2.21 crore during 2004-2005 to non-approval of new schemes under NABARD.

Details of schemes financed out of State funds and NABARD loans have been given in **Appendix-XXII**.

3.2.6 Test-check of records in the selected divisions revealed the following points:

- In Paonta Sahib division, Rs 21.92 lakh was spent on execution of FPWs during 2004-2005 by diverting funds meant for water supply and irrigation schemes.
- In Flood Protection Division (FPD), Gagret, Rs 30.58 lakh was spent on execution of three FPWs between April and June 2004 out of NABARD loan funds meant for execution of Swan River Channelisation Project (SRCP).
- In Chamba division, Rs 13.61 lakh was spent on FPWs upto September 2003 against the allotment of Rs six lakh resulting in excess expenditure of Rs 7.61 lakh. It was noticed that the initial allotment of Rs 19 lakh had been reduced by the Tribal Development Department without assigning any reasons.
- In Kullu division No. I, payments of Rs 28.83 lakh for execution of FPWs allotted between 1998-99 and 2002-2003 had not been made to various contractors as of December 2004 due to paucity of funds.

The above instances of diversion of funds and postponement of inevitable liabilities were indicative of lack of control over expenditure and defective financial management.

- The Executive Engineer (EE), FPD, Gagret remitted (October 2000-November 2004) Rs 1.81 crore to various departments³ for carrying out activities related to them on the reclaimed land under SRCP. It was noticed that utilisation certificates for Rs 79.50 lakh⁴ had only been received as of February 2005.

Planning and physical performance

Improper fixation of targets

3.2.7 Detailed survey to identify the land prone to frequent floods had not been carried out by the State Government. However, according to an estimate made during the Seventh Five Year Plan period, about 2.31 lakh hectares of area was prone to floods in the State which required protection. Of this, 0.12 lakh hectares (State funds: 9,913 hectares and NABARD: 2,356 hectares) of land had only been covered by FPWs as of March 2005 (Prior to April 2000: 9,171 hectares; 2000-2005: 2,998 hectares). Master plan for providing FPWs in a time bound manner had also not been prepared. The works were thus being taken up for execution in a selective manner except Swan River Channelisation Project in Una district. Annual targets for coverage of 500-600 hectares were fixed during 2000-2005. E-in-C admitted (April 2005) the facts. Considering the large number of works required to be

3 Agriculture: Rs 6.80 lakh; Fisheries: Rs 12.93 lakh; Forest: Rs 109.52 lakh; Horticulture: Rs 3.23 lakh; *Krishi Vishav Vidyalaya*, Palampur: Rs 2.00 lakh and Medical: Rs 46.20 lakh.

4 Agriculture: Rs 3.30 lakh; Forest: Rs 74.51 lakh and Horticulture: Rs 1.69 lakh.

executed to protect the remaining 2.19 lakh hectares area the targets fixed were not adequate.

The E-in-C attributed low fixation of targets to paucity of funds. Thus, the department failed to evolve suitable strategy and mobilise adequate financial resources for executing the protection works in the affected areas.

Protection works

3.2.8 Survey, investigation and evolution of model for channelisation of Bata river (Sirmour district) was entrusted (May 1988) to Uttar Pradesh Irrigation Research Institute (Institute). According to the model evolved by the Institute in April 1993, Bata river was to be channelised in a length of 12,700 metres (RD 8,300 to 21,000) to save land and property from frequent flood damages. The department had estimated annual damages of about Rs 5.23 crore being caused by floods in the river.

Audit scrutiny of records of Paonta Sahib Division revealed (January 2005) that no action on the Institute's recommendations had been taken by the department till June 1999. An estimate of Rs 30.11 crore sent (August 2001) by the division to the Government had not been approved as of March 2005.

In the meantime, an estimate for Rs 89.29 lakh was approved (August 2001) for providing protection works in 1,200 metres long prioritised reaches for protecting 168 hectares of land in five villages⁵. It was noticed in audit that embankments provided on the left bank of the river between RDs 8,450 to 8,600 and 14,450 to 14,500 diverted the flood water towards right bank of the river thereby causing a threat to 96 hectares of land of Sainwala and Kundion villages. This necessitated construction of additional 790 metres long embankment to protect the land of the aforesaid villages. Thus, against the approved embankment of 1,200 metres, 1,990 metres long embankment was actually provided as of March 2004 at a cost of Rs 1.42 crore. This resulted in additional expenditure of Rs 52.42 lakh which had not been regularised as of January 2005.

Failure of the department to visualise the impact of providing protection works in isolated reaches resulted in additional expenditure of Rs 52.42 lakh. The remaining 10,710 metres long embankment still remained unprotected posing constant threat to the land and property.

The EE admitted (January 2005) the facts and attributed non-execution of balance protection works to paucity of funds. The plea is not tenable because adequate attention for providing protection works to the land and property had not been paid despite recurring losses sustained every year.

3.2.9 The department had identified 52 critical sites in Kullu district which sustained extensive damages because of floods in Beas river during September 1995. A proposal for construction of 44 kilometres long

embankment (estimated cost: Rs 53.47 crore) to protect these sites and 1,020 hectares of land sent to Government in June 1998 was still to be approved as of December 2004.

In view of unprecedented floods caused by Ravi river during the rainy season in 1995, the State Technical Advisory Committee (STAC) decided (November 2000) to consult Central Water and Power Research Station (CWPRS), Pune for designing FPWs to protect Chamba town. Based on this Report (received in July 2002) an estimate for providing FPWs at a cost of Rs 22.10 crore was sponsored (December 2002) by Chamba division. The Government had not approved the proposal as of February 2005.

Unplanned execution of works

3.2.10 In the Ninth Five Year Plan period (1997-2002) need for providing immediate FPWs was felt in eight⁶ river/*khad* basins at an estimated cost of Rs 620 crore. Targets for protection/reclamation of 2,160 hectares of land were fixed under Swan River Channelisation Project out of total targets of 2,500 hectares during the Tenth Plan period (2002-2007) and only 340 hectares of land was proposed to be protected in the remaining river basins during the plan. It was noticed in audit that no integrated approach was adopted to carry out these works in any of the river basins except Swan river channelisation. The works were executed in isolated reaches in other basins. A few instances of unplanned execution of works are discussed below:

- Release of surplus water of Beas river by Bhakra Beas Management Board from Pandoh dam during rainy season was causing extensive damages to the land and property of five villages⁷ of Kangra district located on the right bank of the river between Jaisinghpur and Alampur. A proposal for construction of 840 metres long embankment and 16 spurs was approved (June 1991) by STAC for providing flood protection works to the land and property of these villages. Model study for providing protection works was also entrusted (May 1998) to Central Water and Power Research Station, Pune (CWPRS). On the basis of final report of CWPRS, received in June 1999, the STAC approved (June 2000) revised proposal for construction of 795 metres long embankment and 14 spurs. Against this, 360 metres long embankment and five spurs had only been constructed between January 1998 and March 2004 at an expenditure of Rs 1.37 crore. Thus, due to non-construction of the remaining 435 metres long embankment and nine spurs, as envisaged in the revised proposal, intended protection to the land and property of the aforesaid villages remained to be provided.

- To protect 649 hectares of land of Sudanwala village along Sudanwala *khad* (Sirmour district), construction of 19 spurs was approved (March 1985) for Rs 10.34 lakh. The work, stipulated to be completed in one year was taken up for execution during 1984-85 and 13 spurs were constructed upto the year

6 Balh valley, (Mandi district), Chakki river Project (Kangra district), Integrated Giri and Bata rivers Project (Sirmour district), Pabbar *khad*, (Shimla district), Seer *khad* Project (Hamirpur district), Sirsa Nadi Project (Solan district), Suketi *khad* Project (Mandi district) and Swan *khad* Project (Una district).

7 Chambi, Dalu, Haler, Khalta and Thampal.

1992-1993 at a cost of Rs 12.06 lakh providing protection to an area of 551 hectares. The balance work of six spurs to protect the remaining area of 98 hectares was not executed. Meanwhile, floods caused heavy damages to land and property and balance work was taken up (January 2003) to cover 60 hectares area of the village by construction of four spurs at an expenditure of Rs 30.58 lakh as of December 2004. The remaining 38 hectares of land still remained unprotected.

- Pabbar river and its tributaries flowing through the area of Rohru tehsil of Shimla district caused extensive flood damages to land and property lying along its banks which necessitated provision of urgent protection works. Test-check of records of Rohru division revealed (March 2005) that five works (estimated cost: Rs 94.92 lakh) covering 45 hectares of land and property were taken up for execution between March 2000 and July 2004 and the same were still in progress. 29 hectares of land had been protected as of February 2005 after incurring expenditure of Rs 47.62 lakh. The EE, Rohru division attributed (March 2005) slow pace of work to non-availability of funds.

- To protect 19.75 hectares land of villages Samolipul (6.70 hectares) and Sandhour (13.05 hectares) in Shimla district, an estimate of Rs 48.13 lakh was approved (July 1997) with stipulated period of completion as three months. The work was taken up for execution by Rohru division in March 2000. Expenditure of Rs 31.36 lakh was incurred on part execution of the work covering 6.70 hectares area near Samolipul. The remaining area of 13.05 hectares of village Sandhour was not covered for want of funds.

- To protect 50 hectares of land of Manpura and Kishanpura villages (Nalagarh tehsil) from floods in Manpura *khad* and Sirsa river, Nalagarh division provided an embankment of 550 metres between 1992 and January 2005 at a cost of Rs 47.16 lakh by covering 40 hectares of land against the proposed embankment of 850 metres. The remaining land of 10 hectares remained unprotected even after 13 years from the date of start of work. The Executive Engineer attributed (March 2005) non-completion of work to receipt of insufficient funds.

These instances were indicative of unplanned execution of FPWs as the land and property of the people could not be fully protected despite substantial investment.

Avoidable/wasteful and infructuous expenditure on works

Protection work to Pekhubela farm

3.2.11 Agriculture Farm at Pekhubela (Una district) is located on the left bank of Swan river. Damages were caused to the farm during the floods of 1995. To protect the land and other property of the farm, 500 metres long embankment was provided during 1995-1997 at a cost of Rs 25.54 lakh.

Test-check of records of FPD, Gagret revealed (June 2003 and February 2005) that Project Report of Swan River Flood Management and Integrated Land

Development Project, Phase-I was prepared by the department in June 1997 and was approved (April 2000) by the State Government for Rs 106.03 crore. The project intended to provide permanent FPWs on both sides along the 16.67 kilometres length of the river from Jhalera bridge to Santokhgarh bridge. The agriculture farm fell within the stretch of left side alignment of the proposed embankment between kilometres nine and ten reckoned from Jhalera bridge point. While the project proposal was under consideration of Government of India, an estimate for providing permanent protection work to the farm was approved (August 1997) by the State Government for Rs 92.01 lakh. Accordingly, construction of two wire-crated stone spurs of 75 metre each, was taken up by the division during April 1999 and completed in April 2002 at a cost of Rs 91.03 lakh. Both these spurs were provided at a distance of about one kilometre from the approved alignment of the embankment to be constructed along the left bank of the river. Hence these spurs were not to form part of the protection works of the project which were taken up for execution in April 2000. The embankment had already been constructed on both banks of the river in a continuous stretch of seven kilometres reckoned from Jhalera bridge and the work in subsequent reaches between kilometres eight and ten was in progress as of January 2005. Construction of separate protection work for the farm during 2000-2002 thus proved unnecessary.

The EE stated (February 2005) that the spurs were constructed as an urgent protection work to the farm pending approval of the project. The contention is not tenable as urgent protection works had already been provided during 1995-1997 and no flood damages had occurred to the farm thereafter. The river was also flowing at a safe distance of over one kilometre from the farm.

Failure of the Government to take into consideration the provisions of the aforesaid project and to visualise that the farm would be fully protected after implementation of the project resulted in the unwarranted approval of the estimate of Rs 92.01 lakh in August 1997. The expenditure of Rs 91.03 lakh incurred on protection works to the farm had thus gone waste.

Infructuous expenditure on excavation work

3.2.12 To provide protection to half hectare of land and other property of village Manikaran (Kullu district) lying along the banks of river Parvati, FPWs were approved (November 1999) for Rs 40.48 lakh. The estimate, *inter alia*, provided for construction of 4.5 metres high concrete wall between RDs 120 and 220 on the right bank of the river. It was noticed in audit that excavation upto a depth of 3.5 metres below bed level was done upto March 2002 in a length of 100 metres for preparing the foundation bed between RDs 145 to 245 at a cost of Rs 6.39 lakh. Loose strata consisting of a mix of volcanic ash and sand was encountered during the course of excavation, which was not considered suitable for laying the foundation of the proposed protection works. The excavated portion also got filled up with loose soil. Accordingly, advice of CWPRS, Pune was obtained who suggested (May 2002) to fill up the excavated portion with big boulders and provide stone crate work thereon. It would thus appear that thorough investigation of the site had not been

conducted before taking up the work in hand. Expenditure of Rs 6.39 lakh incurred on excavation was, thus, rendered infructuous.

Held up and abandoned works

3.2.13 Expenditure of Rs 16.78 lakh incurred on the following held up/abandoned works was rendered infructuous:

- In Kullu division No. II, two protection works⁸ intended to protect 18 hectares of land from floods in Beas river and its tributaries were approved (November 1999 and February 2001) for Rs 1.18 crore and were stipulated to be completed within three years. The works were taken up for execution in March and May 2001 and expenditure of Rs 11.30 lakh was incurred on them by diverting the funds from other works as meagre allotment of Rs 1.53 lakh was received for the works during 2001-2004. Further execution of these works was held up since August 2001 and March 2004 after execution to the extent of five and 25 *per cent*.

The EE stated (January 2005) that the works were taken up for execution as they were of urgent nature but their further execution was held up due to non-allotment of funds.

- Similarly, for providing FPWs to Lower Valley, Gagret (Una district) to protect and reclaim 260 hectares of land and other property, estimate of Rs 52.63 lakh was approved in June 1995. The work was taken up for execution in April 1995 by FPD, Gagret and expenditure of Rs 5.48 lakh was incurred upto January 1999 on part execution of the work despite allotment of sizeable budget of Rs 55.30 lakh during 1995-1999.

The EE stated (February 2005) that after part execution, the land owners objected to further execution of the work and no action to acquire the land in question was taken for want of provision in the approved estimate. Thus, taking up the work for execution without ensuring availability of the land had resulted in abandoning the same resulting in wasteful expenditure of Rs 5.48 lakh.

Execution of works below specification

3.2.14 The approved estimate of Swan River Flood Management and Integrated Land Development Project (Phase-I) provided for channelisation of the river by construction of earthen embankment along both the banks in a length of 16.67 kilometres. As the soil over which the embankment and the wire-crated stone apron were to be constructed was sandy, the same was required to be excavated upto a depth of 0.25 metre and filled with compacted earth so as to provide a firm foundation to the protection works. CWPRS, Pune had also recommended (March 2001) founding of the structures below ground level on firm soil.

8 (i) Providing flood protection works to Parla Bhunter on left bank of river Beas in tehsil and district Kullu (ii) Providing flood protection works at Pirdi on right bank of river Beas in tehsil and district Kullu.

Test-check of the records of FPD, Gagret revealed (February 2005) that the excavation work to the extent of 13,257 cum only was executed against the stipulated quantity of 38,576 cum for the protection works constructed between June 2002 and May 2004 in a length of 4,050 metres in six reaches of the alignment of embankment between RDs 14,160 and 18,610. The shortfall in the excavation work in these reaches ranged between 42 and 98 *per cent*. The recommended firm foundation was thus not provided in these cases. The FPWs costing Rs 4.39 crore constructed at the sites were, thus, below specification.

The EE admitted the facts (February 2005).

According to the decision of STAC, GI wire crate, 5mm thick, corresponding to grade SWG-6 of 15cm x 15 cm mesh was to be used in all wire crate works including embankments and apron. Further, welded wire mesh was not to be used for FP works as per instructions issued by E-in-C in January 2005.

Test-check of records of Indora, Rohru and FP Gagret divisions revealed that below specification work costing Rs 65.06 lakh was executed by using materials other than that approved as detailed in **Appendix-XXIII**.

- Estimate for providing FPWs to 19.03 hectares of land and 70 buildings of village Bahang (Kullu district) was approved (September 1996) for Rs 1.35 crore. The estimate provided for construction of 1,485 metres long wire crated, stone-filled embankment in three layers alongwith apron of equal length. Test-check of records of Kullu division No. I revealed (December 2004) that the work was reported as having been completed in 1998-1999 by the division at an expenditure of Rs 92.17 lakh. However, the work was not executed according to the provisions of the estimate in as much as the bottom layer (first) of the embankment was constructed for enhanced length of 1,619.25 metres whereas the second and third layers were laid over lesser length of 1,425 and 391.30 metres only. Besides, the apron was provided in a length of 1453.05 metres, which fell short of the length of the first layer of the embankment.

The EE attributed (December 2004) the deviation to site conditions and paucity of funds. The plea is not tenable because provision in the estimate was based on site requirement as recommended by the expert committee. Besides, STAC in their meeting held in June 2000 had decided to provide apron in the entire length of embankment. The protection work was thus below specifications.

Failure to execute the work according to the provisions of the approved estimate and decision of STAC could thus not ensure protection of land and buildings.

Cost overrun

3.2.15 Delay in completion of works has an inevitable impact on costs. In eight divisions, 15 protection works (estimated cost: Rs 5.94 crore) detailed in

Appendix-XXIV, were taken up for execution between December 1987 and June 2001. The works, stipulated to be completed within periods ranging from six to 36 months, were completed between March 1999 and March 2004 at a cost of Rs 9.10 crore resulting in time overrun ranging between six and 174 months and cost overrun of Rs 3.16 crore. The cost overrun in individual cases ranged between 15 and 445 *per cent*.

The concerned EEs attributed the delay in execution of works to non-allotment of adequate funds and increase in cost of works with the passage of time.

Irregular expenditure

Expenditure incurred in anticipation of sanctions

3.2.16 In respect of 24 works (completed: 20, ongoing: four) of nine divisions⁹ estimated to cost Rs 6.82 crore, the expenditure incurred had exceeded the provisions of administrative approval and expenditure sanction by Rs 4.41 crore which was awaiting regularisation. The excess in respect of the individual works ranged between 15 and 445 *per cent*.

In eight divisions¹⁰, 33 works (completed: 25, in-progress: eight) administratively approved for Rs 11.64 crore were taken up for execution during 1987-2003 in anticipation of the required technical sanctions which were yet to be obtained. Expenditure of Rs 12.46 crore incurred on these works was, thus, irregular.

Unauthorised splitting of a work

3.2.17 The CE (CZ), Mandi accorded technical sanction to the detailed estimate of the work providing flood protection to village Manikaran (Kullu district) in November 2000 for Rs 36.69 lakh. The work involved providing of plum concrete walls along both banks of *Parvati* river between RDs 45 and 445. Test-check of records of Kullu division No. II revealed (January 2005) that the EE had awarded (January-February 2002) major portion of the work (estimated cost: Rs 32.56 lakh) by splitting in five parts, to four contractors at a cost of Rs 1.45 crore at premia between 270 and 369 *per cent*. Benefit of competitive rates was thus not derived by floating single tender. Approval of the competent authority to split up the work had also not been obtained.

The EE stated (January 2005) that the splitting was done to expedite the execution of the work of an urgent nature. The reply is not factual as there was no urgency as the works were still (January 2005) in progress.

Undue financial aid to contractors

3.2.18 The EE, FPD, Gagret awarded (2002-2004) 11 sub works of Swan River Flood Management and Integrated Land Development

9 Chamba, Flood Protection Division Gagret, Indora, Kullu-I, Kullu-II, Nalagarh, Nerwa, Paonta Sahib and Thural.

10 Chamba, Indora, Kullu-I, Kullu-II, Nalagarh, Nerwa, Paonta Sahib and Rohru.

Project (Una district) for Rs 7.52 crore. The contractors neither completed the respective works within the stipulated period of six months in any of the 11 cases nor did they apply for extension of time. Action under the agreements to levy compensation had also not been taken. This resulted in undue financial aid of Rs 75.19 lakh to the contractors.

While admitting the facts, the EE justified (March 2005) non-levy of compensation to slow pace of execution of the works during rainy season. The contention is not tenable as this fact should have been taken into account while stipulating the completion period for the works.

- In Indora, Nalagarh and Rohru divisions, it was noticed that against 20,097 tonnes of stone utilised by the contractors during 1999-2003 for execution of protection works entrusted to them, certificates ('M' forms) for payment of royalty for 1,227 tonnes only were furnished. For the remaining quantity of 18,870 tonnes of stone, neither the requisite certificates were obtained from the contractors nor royalty of Rs 1.89 lakh recovered from them. This resulted in giving of undue financial aid to the contractors and loss of revenue to the Government. The facts were admitted by the concerned EEs.

Non-restoration of damaged protection works

3.2.19 In five divisions¹¹, structures like embankments, aprons, etc., of 23 FPWs constructed at a cost of Rs 9.06 crore to protect 2,270 hectares of land and other properties had sustained flood damages estimated at Rs 2.09 crore between July 2001 and August 2004. Circumstances under which the same could not withstand the impact of floods had not been investigated. The damages had also not been restored except in one case¹² where temporary restoration was done in March 2003 at a cost of Rs 6.50 lakh.

The EEs contended that the damages were not required to be investigated as occurrence of flood damages was a natural phenomenon. Non-restoration of damages was attributed to non-availability of funds. The replies are not tenable as exact reasons for the damages could not be known without an independent investigation with a view to devising appropriate remedial measures.

Inadequate maintenance of completed works

3.2.20 Maintenance of assets is an important activity. Failure to maintain the assets is tantamount to an act of disinvestment for it implies the sacrifice of past investment.

As per the approved estimates of FPWs, provision for maintenance of the works was required to be made at the rate of four *per cent* of the cost of works. In December 2003, Government approved the norm of engagement of one *beldar* for each four kilometres length of embankment and spurs constructed

11 Flood Protection Division, Gagret, Indora, Kullu-I, Kullu-II and Thural.

12 Flood Protection Work, Manikaran damaged in August 2002 to the extent of Rs 15.50 lakh (Kullu-II division).

for FPWs with a view to safeguarding the existing structures, protection of plantation and reporting regular damages to the structures.

Test-check of the records of eight divisions¹³, however, revealed (December 2004 to March 2005) that in respect of 38 works completed between 1995 and 2004 at a total cost of Rs 11.75 crore, funds amounting to Rs 88.73 lakh were required for their maintenance during 2000-2005. However, budget of Rs 19.70 lakh was demanded for operation and maintenance (O&M) of the works against which funds of Rs 5.83 lakh were actually received. Except Nerwa and Thural Divisions, the remaining six divisions had not even demanded funds for 2002-2005. Kullu division No. I had utilised funds of Rs.2.50 lakh allotted during 2000-2001 on this account on Lift Irrigation Scheme, Neoli Therman. Further, none of the divisions test-checked had engaged labour for properly safeguarding and maintaining the structures despite norms fixed by the Government.

The EEs attributed non-maintenance of the completed protection works to non-allotment of adequate funds and non-damage of works due to non-occurrence of heavy floods in the concerned rivers/*khads*. The replies are not tenable as funds for O&M of the works were not demanded by the concerned divisions and labour was not deployed as per norms for day-to-day maintenance and safeguard of the structures.

For 30 protection works constructed under FPD, Gagret upto March 2004 at a cost of Rs 6.41 crore, funds amounting to Rs 62.96 lakh (at the rate of four *per cent* of the capital cost per annum) were required for O&M for the period 2000-2005. Funds amounting to Rs 1.14 crore were actually allotted for O&M of the schemes against which expenditure of Rs 1.73 crore was incurred. It was noticed in audit that Rs 1.47 crore were spent on minor works of original nature, cost of which was not to be met out of O&M funds. Thus Rs 25.90 lakh were actually spent on O&M. It would thus appear that the works already executed are not being maintained properly.

The EE attributed (February-March 2005) the diversion of O&M funds to urgency of the works to which diverted. The reply is not tenable as the funds were meant for utilisation on O&M of works only which were, thus, neglected.

Internal controls

Inspection of works

3.2.21 To ensure quality and timely completion of the ongoing works, E-in-C issued instructions in June 1994 and April 2000 for inspection of major and targeted schemes at least once a month by the EE concerned and to record inspection notes which were required to be sent, *inter alia*, to the E-in-C and the Secretary of the department. No mechanism for inspection of completed works had, however, been evolved.

Perusal of the inspection notes in the divisions test-checked revealed that in respect of 195 ongoing FPWs, 2,329 inspections of EEs were required to be conducted during 2000-2005 against which only 22 inspections¹⁴ were conducted. The shortfall in inspections ranged between 90 and 100 *per cent* in individual cases. Six divisions¹⁵ did not produce any notes of inspection of the works conducted by the EEs during the period.

The EEs stated (December 2004-March 2005) that the works were inspected from time to time but inspection notes were not recorded due to rush of work and oral instructions were issued at the sites. EE, Kullu division No. I contended that the works were being executed according to prescribed specifications and procedure and there was no need of issuing inspection notes. This was, however, contrary to the instructions of the E-in-C.

Inventory of completed works not maintained

3.2.22 For exercising effective control over the assets created, CE (CZ) had required (November 2003) maintenance of inventory of completed schemes. It was, however, noticed that inventory of assets created by completion of protection works had not been maintained in any of the divisions test-checked. Physical verification of the assets had also not been conducted. Thus, effective control over the completed works was not exercised.

Monitoring and Evaluation

3.2.23 The Planning and Monitoring wing-II of the department had obtained quarterly progress reports from the implementing units for the FPWs under execution against NABARD loan funds which were also reviewed quarterly by a high powered committee of the Government, headed by the Chief Secretary. The works taken up for execution against the State funds had, however, not been monitored resulting in unplanned execution of works as pointed out in various paragraphs.

The E-in-C stated (April 2005) that since most of the protection works were executed against NABARD funding, monitoring of these works only was done. The contention is not tenable as several schemes were under execution against State funds which should also have been monitored to expedite their completion as per the prescribed time schedule.

Although the programme was under implementation since inception of the department in 1984-85, evaluation studies, with a view to identifying the hindrances in the smooth implementation of the programme and to devise suitable remedial measures to remove the same, had not been done.

14 Kullu-II: three; Nalagarh: six; Nerwa: one and Flood Protection Division, Gagret: 12.
15 Chamba, Indora, Kullu-I, Paonta Sahib, Rohru and Thural.

Conclusion

3.2.24 The coverage of 0.12 lakh hectares achieved upto March 2005 against the overall target of 2.31 lakh hectares was minimal. Successive inadequate annual budget allocations made and resultant fixation of low annual targets of coverage were not likely to lead to achievement of the overall objective in the foreseeable future. Non-preparation of a long term master plan and unplanned execution of protection works had resulted in significant time and cost overruns on the one hand and non-achievement of intended coverage by the individual schemes on the other. Besides, the departmental failure to restore the damaged protection structures and to maintain the completed works had made the capability of the same to protect the intended areas from flood havoc doubtful. The contractors were extended undue financial benefit. Inadequate inspection of works, non-maintenance of inventory of structures constructed, no physical verification of the assets and improper monitoring of the ongoing works were indicative of lack of effective internal control of the department. Implementation of the programme was thus slow and ineffective.

Recommendations

- ** *A long term master plan indicating inter se priority of the proposed protection works needs to be prepared and the works executed in an integrated and economical manner.*
- ** *In view of the minimal area protected so far, adequate financial resources need to be mobilised to provide effective flood protection to flood prone areas in a time bound manner.*
- ** *Damages to the flood protection structures need to be investigated to ascertain the reasons for the damages with a view to devising necessary remedial measures. The damaged works also need to be restored promptly.*
- ** *Completed works need to be maintained properly so as to withstand flood havoc.*
- ** *System should be evolved to ensure adequate inspection of completed protection works, to maintain inventory of the assets created and to ensure regular physical verification of the same.*

These points were referred to the Government in June 2005; their reply had not been received (July 2005).

Revenue Department

3.3 Working of Revenue Department

Highlights

The review, inter alia, highlights non-achievement of targets of central and State schemes, diversion of calamity relief funds and defective budgeting, etc. Some significant audit findings are as under:

****** *Consolidation of holdings in 53 per cent of identified area in the State was lying incomplete even after 50 years of launching of the scheme and incurring expenditure of Rs 22.36 crore on running the department during 2000-2005 alone. The percentage shortfall in achievement of targets under “consolidation of holdings” ranged between 60 and 100 during 2000-2005.*

(Paragraph 3.3.13)

****** *The percentage shortfall in achievement of physical targets under “Survey and Settlement Operations” and “Forest Settlement and Demarcation” ranged between six and 31 and two and 55 respectively during 2000-2005.*

(Paragraphs 3.3.10 and 3.3.11)

****** *As of March 2005, only 10 per cent of the jamabandis had been computerised in the State though these were required to be completed within three years from the receipt of first instalment. In Kangra district, only five per cent jamabandis had been completed and consigned to records room as of March 2005 even though the scheme of computerisation was started in the district during 1989-90.*

(Paragraph 3.3.12)

****** *Investment of Rs 4.80 crore on manpower and infrastructure in Revenue Training Institute, Jogindernagar (Mandi district) between 1997-2005 proved largely unfruitful as no training was imparted to the personnel of Revenue Department during 2000-2002. Shortfall of actual number of personnel who were imparted training during 2002-2005 compared to annual intake capacity ranged between 81 and 89 per cent.*

(Paragraph 3.3.16)

****** *Deputy Commissioners, Kinnaur, Mandi and Sirmour spent Rs 4.60 crore of Calamity Relief Fund on works not related to natural calamities during 2000-2005 and a sum of Rs 4.88 crore released by them for execution of 806 works during the same period had not been utilised thereby depriving the victims of the natural calamities of immediate relief.*

(Paragraphs 3.3.19 and 3.3.21)

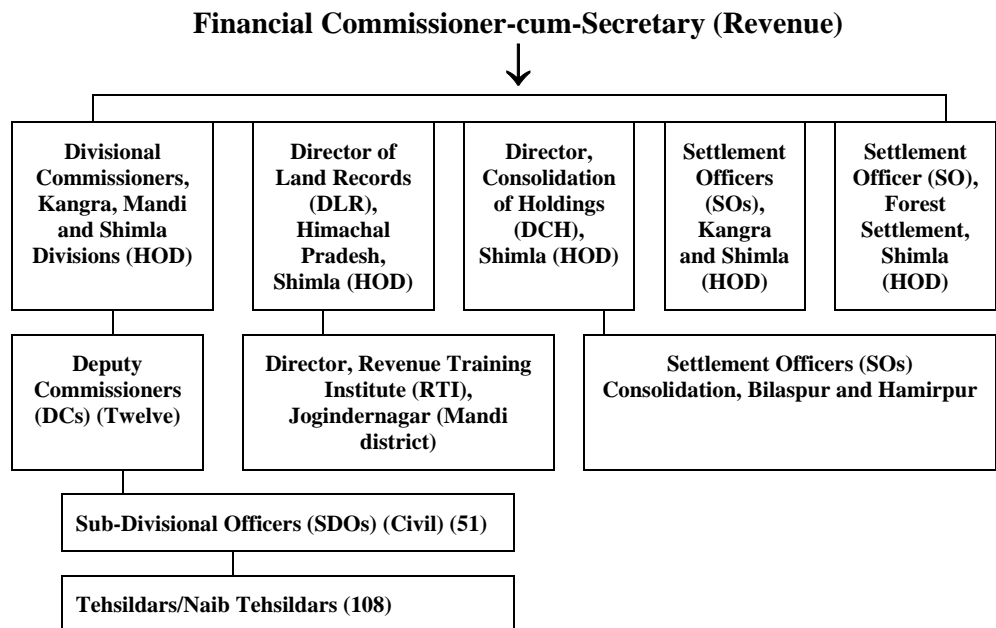
****** *The department incurred excess expenditure of Rs 67.52 crore over the sanctioned budget during 2000-2003 for clearing pending liabilities and payment of arrears of dearness allowance, etc. The heads of department did not take timely action to present supplementary grants or effect reappropriations.*

(Paragraph 3.3.6)

Introduction

3.3.1 The Revenue Department is an important functional department in the administrative set up of the State Government. The main functions of the department are (i) proper upkeep and maintenance of land records, (ii) carrying out of land reforms such as consolidation of holdings, cadastral survey and maintenance of records of rights of land owners through settlement operations and forest settlement to determine the extent of right of Government and private persons in the forest and wasteland under the provisions of Indian Forest Act 1927, and, (iii) to take up relief measures for the sufferers of natural calamities.

The organisational set up of the department is as under:



Scope of Audit

3.3.2 The working of the department for the period 2000-2005 was reviewed (December 2004-April 2005) through test-check of records in the offices of four¹ out of 12 Deputy Commissioners (DCs), 11² out of 51 Sub-Divisional Officers (SDOs) (Civil), two³ out of the three Divisional Commissioners,

1 Kangra, Kinnaur, Mandi and Sirmour.

2 Dehra, Gohar, Jogindernagar, Kalpa, Kangra, Nurpur, Palampur, Paonta, Pooh, Sarkaghat and Sundernagar.

3 Kangra and Mandi.

Director, Revenue Training Institute (RTI), Jogindernagar. This was supplemented by check of records of Director, Land Records (DLR), Director, Consolidation of Holdings, (DCH), Settlement Officers (SOs), Kangra and Shimla, SO (Forest Settlement), Shimla and SOs (Consolidation), Bilaspur and Hamirpur. Besides, records of 20 Executive Engineers (EEs)⁴ of Irrigation and Public Health (I&PH)/Public Works (PW) departments, 16 Block Development Officers (BDOs)⁵ relating to execution of works under natural calamities were also test-checked. Forty *per cent* of expenditure incurred (Rs 306.11 crore of Rs 759.13 crore) by the department during 2000-2005 was test-checked. Results of test-check are incorporated in the succeeding paragraphs.

Audit objectives

3.3.3 The study aims at assessing and critically examining the aspects of efficiency, effectiveness and economy in implementation of the schemes of land reforms, land settlement operation, forest settlement and providing immediate relief to the victims of natural calamities like drought and flash floods, etc. In addition, audit also tried to ascertain whether:

- ▶ the State Government had evolved any guidelines/norms/time frame for the implementation of schemes like Survey and Settlement Operations, Computerisation of land records, Consolidation of holdings, Revenue Housing and Calamity Relief.
- ▶ the State Government had formulated any policy to facilitate maintenance and updating of the changes which occur in the land database due to irrigation facilities, natural calamities, consolidation of land holdings, partition, land acquisition, etc;
- ▶ fresh survey of total cultivated area for consolidation had been done;
- ▶ full utilisation of training infrastructure at the Revenue Training Institute at Jogindernagar had been ensured;
- ▶ proper estimates were in place for implementation of Revenue Housing Scheme;
- ▶ there was diversion of calamity relief funds;
- ▶ adequate system existed for internal control and monitoring mechanism.

Audit criteria

- ▶ Guidelines on the schemes issued by the Government were followed
- ▶ Achievements were commensurate with the targets fixed under various schemes

4 I&PH: Mandi, Nahan, Palampur, Pooh, Reckong Peo, Sarkaghat and Shahpur. PW: Baijnath, Bhawanagar, Dehra, Jogindernagar, Kangra, Kalpa, Mandi-I, Mandi-II, Nurpur, Palampur, Paonta, Sarkaghat, Sundernagar.

5 Baijnath, Dehra, Dharmapur (Mandi), Gohar, Gopalpur, Kangra, Kalpa, Nurpur, Nahan, Paonta, Paragpur, Padhar, Pooh, Rait, Sarahan (Sirmour district) and Sundernagar.

- ▶ Flow of funds was as per funding pattern
- ▶ Physical targets achieved were commensurate with the actual expenditure
- ▶ Internal control mechanism prescribed had been followed.

Audit methodology

3.3.4 Records relating to implementation of various schemes by the department were scrutinised. Information collected from the aforesaid records and replies furnished by the State Government, heads of department and Deputy Commissioners (DCs) to the questionnaire and audit memos were analysed to arrive at audit conclusions.

Audit findings

Financial management

Budgetary procedure and control over expenditure

3.3.5 Funds were provided to the department under two⁶ grants. The department had 97 Drawing and Disbursing Officers (DDOs) and 16 Controlling Officers (COs) as of March 2005. The Financial Commissioner-cum-Secretary (Revenue) being the administrative head is responsible for preparation and submission of budget estimates to the Finance Department.

Budget provision and expenditure

3.3.6 Budget provision and actual expenditure thereagainst during 2000-2005 was as under:

Table: 3.4

(Rupees in crore)

Sr. No.	Year	Budget	Actual expenditure	Variation Excess (+) Savings (-)
1.	2000-2001	119.99	144.94	(+) 24.95
2.	2001-2002	141.46	165.68	(+) 24.22
3.	2002-2003	133.09	151.44	(+) 18.35
4.	2003-2004	146.31	144.81	(-) 1.50
5.	2004-2005	151.27	152.26	(+) 0.99

Source: Departmental figures

The Government attributed (May 2005) excess expenditure of Rs 67.52 crore during 2000-2003 to clearing pending liabilities and payment of arrears of dearness allowance to the staff. The contention is not tenable as the heads of

department should have taken timely action to present supplementary grants or effect reappropriations.

The following points were also noticed:

- Contrary to the provisions of Budget Manual, budget provision of Rs 7.43 crore was made for vacant posts during 2000-2005.
- Excess expenditure of Rs 8.76 crore was incurred under 11 Minor Heads of four Major Heads⁷ whereas savings of Rs 2.85 crore were noticed under five Minor heads of two Major Heads during 2000-2004.
- Expenditure of Rs 6.77 lakh was incurred on five schemes⁸ without any budget provision during 2000-2004.

Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen without waiting till the end of the year. Savings of Rs 4.58 crore under five Minor Heads of two Major Heads⁹ were not surrendered to the Government and lapsed during 2000-2004. This was indicative of the poor financial management of the department.

Human Resource Management

Sanctioned strength and men in position

3.3.7 Against 8,043 sanctioned posts of 44 categories of staff in the department as of March 2005, 7,196 (89 *per cent*) officials were in position. Category-wise details of the vacant posts (847) which had direct bearing on implementation of land revenue schemes is shown in **Appendix-XXV**. The percentage of shortage in nine essential categories of staff like *patwaris*, process servers, research officers, mappers, forest rangers, etc., ranged between six and 100. Vacancy position of *patwaris* in Consolidation and Settlement Departments ranged between 46 and 68 and 69 and 119 respectively during 2000-2005. Both the sanctioned posts of forest rangers in Forest Settlement Department were vacant since 2001-2002. This had an adverse impact on the delivery of revenue services to the people.

Unauthorised expenditure on Military Land Acquisition Staff

3.3.8 The Defence Land Acquisition branch¹⁰ was established in DC's office Kangra at Dharamsala to deal with the Defence land acquisition cases. Pay and allowances of the staff were initially to be paid by DC, Kangra and were subsequently claimed from the Government of India, Ministry of Defence. Only 95.73 hectares land was acquired by the staff during 2000-2005.

7 2029-Land Revenue, 2053-District Administration, 2030-Stamps and Registration and 2235-Social Securities.

8 2030-Stamps and Registration – State Non-Plan: Rs 2.98 lakh; 2059-Public Works Maintenance expenditure: Rs 0.90 lakh; 2702-Minor Irrigation-01-Expenditure on establishment: Rs 0.32 lakh; 3454-Census Survey and Statistics; Rs 0.78 lakh; 2030-Stamps and Registration-01-Stamps Judicial-102-Expenses on sale of stamps through stamp vendors: Rs 1.79 lakh.

9 2053-District Administration and 2029-Land Revenue.

10 Consisting of one Naib-Tehsildar, one *kanungo*, two *patwaris*, one senior assistant and one peon.

Test-check of records revealed that though sanction for the staff was not on records, except for the period from April 2000 to December 2000, the staff was still (April 2005) being regularly paid. Expenditure of Rs 78.76 lakh was incurred on salary of the staff during 1986-2005 against which only Rs 10.11 lakh (1997-98: Rs 4.14 lakh and 1998-99: Rs 5.97 lakh) had been reimbursed by the Ministry of Defence in April 2002, leaving Rs 68.65 lakh as un-reimbursed. Reasons for continuation of staff without sanction and non-reimbursement of balance amount called for (December 2004) from DC, Kangra were awaited (June 2005).

Drawal of pay and allowances in excess of sanctioned strength

3.3.9 Test-check of records of Settlement Officer, Kangra at Dharamsala revealed that against 79 sanctioned posts of *kanungos*¹¹, salary of 82 *kanungos* was drawn from June 2003 to February 2005. Reasons for excess drawal of salary of Rs 7.81 lakh over and above the sanctioned strength called for (April 2005) had not been intimated (June 2005).

Programme management

Land reforms

Non-achievement of targets under Survey and Settlement

3.3.10 Land reforms is an instrument of change directed at removing institutional and motivational obstacles standing in the way of modernisation of agriculture and creation of a more egalitarian social structure.

The Settlement Officers, Kangra and Shimla divisions are responsible for updating the records of rights of the land owners and making assessment of lands revenue in the State. The position of achievement of physical targets for survey of *khasra*¹² numbers under the scheme 'Survey and Settlement Operations' during 2000-2005 in the aforesaid divisions was as under:

Table: 3.5

Year	Kangra				Shimla			
	Targets	Achievements	Shortfall	Percentage	Targets	Achievements	Shortfall	Percentage
2000-2001	70,000	63,102	6,898	10	83,000	78,168	4,832	6
2001-2002	65,380	65,378	2	--	61,007	44,585	16,422	27
2002-2003	61,500	67,851	--	--	70,000	63,612	6,388	9
2003-2004	72,000	64,615	7,385	10	69,000	55,434	13,566	20
2004-2005	68,500	47,169	21,331	31	68,000	52,513	15,487	23

11 Kanungo is an official supervising work of four or five *Patwaris*.

12 Khasra number is an unit where a particular piece of land is situated.

Percentage shortfall in achievement of physical targets during 2000-2005 ranged between 10 and 31 in Kangra division and six and 27 in Shimla division. Settlement Officers attributed (December 2004) shortfall to vacant posts and geographical conditions of the area. The replies are not tenable as only 59 (11 *per cent*) out of total 526 posts in the department were vacant as on 31 March 2005.

Forest settlement and demarcation

3.3.11 The objective of Forest Settlement is to determine the rights of Government and private persons in forest land and wasteland under the provisions of Indian Forest Act, 1927. It was noticed that there was a shortfall ranging between two and 55 *per cent* in achievement of physical targets in formation of new estates, measurement of area, preparation of *tin parta*¹³ and completion of boundary registers by Settlement Officer (Forest Settlement) Shimla during 2000-2005.

The Settlement Officer (Forest Settlement), Shimla stated (May 2005) that the shortfall was due to vacant posts and bad weather of the area. The contention is not tenable as only 32 (14 *per cent*) out of 234 posts were vacant as on 31 March 2005.

Implementation of Centrally sponsored scheme

Computerisation of land records

3.3.12 The scheme 'Computerisation of Land Records' was launched by Government of India in 1988-89 and implemented in Kangra district in 1989-1990. It was extended to the remaining eleven districts of the State during 1993-1994 to 1996-1997. The scheme, wholly funded by the Government of India, was to be completed within three years from the receipt of first instalment.

The objective of the scheme was to facilitate maintenance and updating of the changes which occur in the land data base due to creation of irrigation facilities, natural calamities, consolidation of land holdings or on account of legal changes like transfer of ownership, partition, land acquisition, lease, etc. It also aimed at computerisation of ownership and plot-wise details for issue of timely and accurate copy of the record of rights to the land owners.

Government of India, released Rs 8.19 crore between 1989-90 and 2004-2005 to the Director of Land Records (DLR) of which Rs 7.64 crore had been utilised on acquisition of computer hardwares and construction of computer

13 *Tin parta*: Three copies of revenue records (i) Musavi to be retained at district level (ii) Maumi to be retained at tehsil level (iii) and Lattha to be retained by *Patwari* at *Patwar* Circle.

rooms as of March 2005. Reasons for non-utilisation of balance amount of Rs 55 lakh called for (May 2005) from DLR were awaited.

Test-check of records revealed the following points:

- Of 20,657 *jamabandis*¹⁴ in all the 12 districts of the State only 2,119 (10 *per cent*) *jamabandis* had been consigned to the record branches. The percentage achievement of *jamabandis* consigned to records branches in seven districts¹⁵ ranged between five and 40.

- In five districts (Chamba, Hamirpur, Kullu, Lahaul and Spiti and Solan) not even a single *jamabandi* had been consigned to the tehsil records though the scheme was started in these districts during 1995-1996 to 1996-1997 and funds of Rs 50 lakh had been utilised by the respective Deputy Commissioners on the scheme.

- Delay in completion of the scheme by the DCs ranged between nine and 16 years as of March 2005.

- Kangra district, where the scheme was first started in 1989-90, accounted for consignment of only eight *per cent* of *jamabandis* consigned by the State as of March 2005.

Director of Land Records while admitting the facts of delay stated (August 2005) that it was due to continuous changes at the software platform and inadequate computer hardware available at district headquarters.

The scheme of computerisation of land records was thus not completed within the time frame fixed by the Government of India. The objective of issue of timely and accurate copy of the record of rights to the land owners remained unfulfilled even after an investment of Rs 8.19 crore on the scheme.

Consolidation of holdings

3.3.13 Consolidation of holdings is an important land reform measure and was started in the State in 1954. The department is headed by Director, Consolidation of Holdings. The objective of the scheme is to consolidate land holdings, prevent their fragmentation and assign or reserve land for common purposes of the villages. The scheme is funded on 90:10 basis by the Central and State Governments.

14 *Jamabandi*: records of rights.

15 Bialspur (27 *per cent*), Kangra (5 *per cent*), Kinnaur (13 *per cent*), Mandi (20 *per cent*), Shimla (15 *per cent*), Sirmour (7 *per cent*) and Una (40 *per cent*).

According to the survey conducted by the department in 10 districts, 49 lakh acres (19,82,961 hectares) of land was identified for carrying out consolidation in the State. No survey was conducted in Kinnaur and Lahaul and Spiti districts. The department had, completed consolidation work in 23.15 lakh acres of land as of March 2005 and the work in remaining identified area of 25.85 lakh acres (53 per cent) remained to be done even after five decades as given below:

Table: 3.6

(In acres)

Sr. No.	Name of district	Total cultivated area	Area consolidated	Shortfall	Percentage
1.	Bilaspur	2,86,482	2,85,658	824	--
2.	Chamba	1,20,534	--	1,20,534	100
3.	Kangra	13,96,711	6,99,773	6,96,938	50
4.	Kullu	31,404	--	31,404	100
5.	Hamirpur	2,75,945	2,48,865	27,080	10
6.	Mandi	9,26,219	3,10,144	6,16,075	67
7.	Shimla	4,77,845	--	4,77,845	100
8.	Sirmour	5,55,362	71,919	4,83,443	87
9.	Solan	4,45,331	3,25,615	1,19,716	27
10.	Una	3,84,167	3,72,961	11,206	3
Total:		49,00,000	23,14,935	25,85,065	

Targets fixed for 'consolidation of holdings' and achievements thereagainst during 2000-2005 for the State were as under:

Table: 3.7

(In acres)

Year	Targets	Achievements	Shortfall	Percentage
2000-01	8380	3366	5014	60
2001-02	8380	2508	5872	70
2002-03	8380	1838	6542	78
2003-04	2635	311	2324	88
2004-05	2635	Nil	2635	100

The following points emerged:

- The percentage of shortfall in consolidation of land holdings in the 10 districts ranged between three and 100 as of March 2005.
- In Chamba, Kullu and Shimla districts having cultivated area of 6,29,783 acres, no consolidation work had been done.
- The percentage of shortfall in achievement of physical targets during 2000-2005 ranged between 60 and 100.

While admitting the facts, the Director, Consolidation of holdings (DCH) stated (May 2005) that the consolidation staff was also responsible for shortfall to some extent because they could not establish rapport with the public and in some of the villages they limited their activities only to partition proceedings. He further stated that after 1998 most of the field staff had been deputed to other departments in general public interest and remaining staff was also busy with case related work. The contention is not tenable as the field staff of the department failed to carry out their functions and residual work was to be completed with the help of nucleus staff and the remaining staff which was to be transferred to Settlement Department continued to draw their salary from the scheme.

The objective of consolidation of holdings and prevention of further fragmentation of agricultural holdings had thus not been achieved even after more than 50 years of the implementation of the scheme after incurring expenditure of Rs 22.36 crore on running the Consolidation Department during 2000-2005 alone.

The Government has not found it necessary to conduct revised survey despite changes in cultivated area due to urbanisation, further fragmentation of holdings, etc.

Unfruitful expenditure on retention of surplus staff

3.3.14 The State Government decided (September 1997) that of 304 villages selected for consolidation purpose, work in 232 villages of seven districts¹⁶ was to be completed by December 2000. The remaining 72 villages were to be denotified and its surplus staff which was under settlement training as of September 1997, was to be placed under SOs, Shimla and Dharamsala. The Government further clarified (December 2000) that the residual consolidation work of 232 villages would be completed by June 2001 and the staff thus rendered surplus was to be transferred to State surplus pool. DCH was to retain a nucleus staff for completion of the residuary work such as execution of warrants, disposal of remand cases, etc. Of 232 villages, consolidation work in 173 villages¹⁷ had been completed as of March 2003. No consolidation work was done during 2003-2004 and 2004-2005. Reasons for non-completion of work in the remaining 59 villages were not furnished.

It was noticed in audit that the department had not taken steps to allocate surplus staff as per decision of the Government and DCH continued to act as HOD and incurred an expenditure of Rs 11.60 crore on pay and allowances of the staff from July 2001 to March 2005. Settlement Officer Consolidation Hamirpur stated (March 2005) that no consolidation work was done from 1997-98 and the staff working in the department was utilised for remand, appeal and warrant purposes. He further stated that the work of consolidation in three tehsils¹⁸ had not yet been finalised fully. The reply is not tenable as the work which was to be completed by June 2001 was still pending and

16 Bilaspur, Hamirpur, Kangra, Mandi, Sirmour, Solan and Una.

17 1998-99: 29; 1999-2000: 81; 2000-2001: 53; 2001-2002: 6 and 2002-2003: 4.

18 Haroli and Amb (Una district) and Hamirpur (Hamirpur district)

surplus staff which was required to be transferred to the surplus pool had not been surrendered as of March 2005. The expenditure of Rs 11.60 crore thus proved largely unfruitful. Comments of DCH called for in June 2005 were awaited (July 2005).

Unauthorised expenditure on pay and allowances

3.3.15 Test-check of records revealed that pay and allowances aggregating Rs 4.56 crore of 125 employees like *kanungos*, *patwaris*, etc, working in other departments¹⁹ had been paid by DCH, Shimla. Settlement Officer Consolidation, Hamirpur stated (March 2005) that the salary of the officials posted in other departments was drawn from his office as per directions of the DCH, Shimla. Reasons for irregular drawal of salary from the budget provisions of Consolidation department called for (April 2005) from the DCH had not been intimated (July 2005).

Strengthening of Revenue Administration and updation of Land Records

3.3.16 Scheme of “Revenue Administration and updation of Land Record” envisaged strengthening of Revenue Agency in the State by adopting modern techniques, updating measuring instruments for surveys and establishment of Revenue Training Institute (RTI), for imparting revenue training at all levels. The funds were to be provided by the Government of India and State Government on 50:50 basis.

The RTI was established (July 1996) at Jogindernagar (Mandi district) with an intake of 90 trainees in the first phase for which infrastructure such as hostel block and administrative block including teaching block, was created at an expenditure of Rs 2.08 crore. Test-check of records revealed that no training was imparted during 2000-2002 though the infrastructure was in place. The expenditure of Rs 40.49 lakh²⁰ incurred on staff, etc., during this period thus proved unproductive. The staff of the RTI remained mostly idle during 2002-2005 as the percentage of shortfall in personnel who actually attended the training against the approved intake capacity during this period ranged between 81 and 89. The institute thus remained largely unutilised.

The Director stated (February 2005) that the DCs expressed their inability to send trainees due to various reasons. The reply is not tenable as the Director, RTI was to make training programme a success in view of huge investment made by the Central Government. Besides, expenditure of Rs 81 lakh on salary of staff etc., during 2002-2005 proved largely unfruitful.

Training was not imparted to the staff as envisaged in the project guidelines. The Institute did not organise courses for the staff to acquaint them with the latest techniques in revenue work. Besides, operational research was not

19 Land Acquisition Officer (LAO) Raja-ka-Talab: 20; DC Mandi: 21; DC Kangra: 28; DC Bilaspur: 18; Nagar Parishad Hamirpur: one and other departments: 37.

20 2000-01: Rs 19.37 lakh; 2001-02: Rs 21.12 lakh.

carried out and interaction/awareness camps for farmers were also not organised. The Director, RTI admitted (February 2005) the facts.

Funds of Rs 1.50 crore were sanctioned for creation of infrastructure for the second phase. Of this, Director, RTI released Rs one crore ((Rs 0.90 crore to the Executive Engineer, PW, Division, Jogindernagar and Rs 0.10 crore to Executive Engineer, Electrical Division, Mandi) between May-July 2004 but the construction works had not been commenced as of February 2005. The remaining amount of Rs 50 lakh remained unutilised with the Director.

The Director, RTI, stated (February 2005) that the tender process was in progress. The reply is not tenable as the process of finalisation of tenders could not take such a long period.

By and large, the scheme has failed inspite of investment of Rs 4.80 crore by the Government during 1997-2005.

Calamity relief fund (CRF) scheme

3.3.17 On the recommendations of the Tenth and Eleventh Finance Commissions (TF/EFCs), the State Government notified (October 2000) procedure for constitution and administration of the Calamity Relief Fund (CRF) scheme in the State. The contribution by the Central and State Governments was to be made in the ratio of 75:25. The funds were to be utilised on relief works required due to natural calamities such as floods, drought, earthquake, fire and hailstorm, etc.

Administration of Calamity relief fund

3.3.18 The CRF is administered by a State Level Committee under the Chairmanship of the Chief Secretary.

Year-wise position of contribution (Central and State) to the CRF, allocations made by the State Government to DCs and other departments and expenditure thereagainst during 2000-2005 was as under:

Table: 3.8

Year	Contribution			Allocation to districts/other departments	Expenditure
	Central share	State share	Total		
2000-2001	32.61	14.20	46.81	46.81	46.81
2001-2002	34.24	11.42	45.66	45.66	45.66
2002-2003	37.50	12.50	50.00	35.92	35.92
2003-2004	37.75	12.25	50.00	54.78	54.78
2004-2005	39.64	13.22	52.86	62.55	62.55
Total:	181.74	63.59	245.33	245.72	245.72

Source: Departmental figures

Against the total contribution of Rs 245.33 crore to CRF during 2000-2005, the State Government released Rs 245.72 crore to the districts/other departments resulting in excess release of Rs 0.39 crore.

It was noticed in test-checked districts that Rs 1.71 crore to Rs 7.55 crore remained unutilised with the DCs in banks and Rs 0.14 crore to Rs 7.06 crore remained unutilised with the executing agencies in banks at the close of each financial year during 2000-2005. The utilisation certificates furnished to Government of India during 2000-2005 were thus not correct.

The contribution to the CRF was not made in the ratio of 75:25. Against the contribution of Rs 181.74 crore by the Central Government, the State Government released Rs 63.59 crore against the required contribution of Rs 60.58 crore during 2000-2005. This resulted in excess release of Rs 3.02 crore which is indicative of poor financial management of a revenue deficit State.

Reasons for release of excess amount had not been intimated (July 2005).

Diversion of Calamity relief fund

3.3.19 Instructions issued by the Government of India in May 1987 provided that calamity relief funds should not be utilised on fresh works and that these funds should be utilised on old works damaged during calamity. The State Government also directed (January 1998) the Controlling Officers that whenever they proposed to spend the funds on fresh works, the approval of the Government was necessary. The State Government further clarified (March 2002) that it was the obligatory duty of the field staff of the Revenue department to make quick spot inspections and assess losses and report the same to the higher authorities in accordance with the provisions of the Relief Manual.

Test-check of the records of DCs, Kinnaur, Mandi and Sirmour revealed that Rs 4.60 crore were diverted out of CRF fund for execution of 776 fresh works such as roads, village paths, renovation of residential/office buildings, community centre, school buildings, etc., during 2000-2005 though these works were not related to natural calamities. Of this, Rs 1.40 crore (30 *per cent*) were spent on repair and renovation of Government residential/office buildings. The DCs stated (February-April 2005) that the works were sanctioned in public interest. The replies are not tenable as damage reports in such cases had not been prepared and kept on record. Moreover, approval of the Government for executing fresh works were not obtained, as required. Thus, Rs 4.60 crore were utilised by the DCs on works not covered by the scheme.

Execution of works without estimates

3.3.20 Detailed estimates were required to be prepared and approved before starting various repair/construction works. It was noticed in three test-checked districts²¹ that 237 works like repair and restoration of *patwarkhana/kanungo bhawan* buildings, link roads, retaining walls, hand pumps, water supply schemes, etc., estimated to cost Rs 1.39 crore were executed between 2000-2001 and 2004-2005 without preparation and approval of estimates. The executing agencies confirmed (January-April 2005) the facts. On this being pointed out in audit, the Government reiterated (March 2005) the instructions.

Retention of sanctioned funds outside Government accounts

3.3.21 As per State Government instructions of June 2002 the funds were to be utilised within the same financial year in which these were sanctioned.

Test-check of records of DCs Kinnaur, Mandi and Sirmour revealed that Rs 4.88 crore were released by the DCs to 17 executing agencies²² during 2000-2005 for executing 806 works under calamity relief. The works had, however, not been taken up for execution as of March 2005. The delay in commencement of works ranged between one year and five years. The executing agencies stated (January 2005) that the works could not be started due to non-availability of sites, non-finalisation of estimates and non-availability of foodgrains, etc. Thus the district administrations failed to provide immediate relief to the victims of natural calamity despite availability of funds.

Test-check of relief works not done

3.3.22 The guidelines provided for carrying out the inspection and test-check of works by different technical and revenue officers.

Test-check of records revealed that 192 relief works costing Rs 1.04 crore were executed by the executing agencies in three²³ selected districts but no check of works was done by technical officers as prescribed. The executing agencies stated (January-April 2005) that the Assistant Engineer (Development)/EEs did not visit the works.

The DCs stated (March-April 2005) that the inspection of works was carried out by officers of Revenue Department. However, no such records were produced for audit verification.

21 Kangra, Kinnaur and Mandi.

22 BDOs: Nine; Executive Engineers (B&R): three and Executive Engineers (I&PH): five.

23 Kangra, Mandi and Sirmour.

Loss of interest

3.3.23 The Eleventh Finance Commission recommended that the CRF may be kept in the Public Account of the State, on which interest should be payable by the State Government at a rate which should not be less than the market rate of interest as indicated by the Reserve Bank of India. There is however, no provision for payment of loans out of calamity relief fund.

It was noticed in audit that the State Government paid Rs 50 lakh to the Himachal Pradesh Agro-Industries Corporation Limited in April 2001 as a bridging loan. The allocation was approved by the State Level Committee of CRF in its meeting held in April 2001. The loan amount was to be repaid to the State Government by December 2001. Neither had the loan amount been repaid nor any interest thereon recovered as of April 2005. The Government sustained approximately a loss of interest of Rs 22.12 lakh²⁴ till March 2005. Reasons for grant of loan out of CRF and non-refund of loan amount alongwith interest thereon called for (May 2005) from the State Government had not been intimated (June 2005).

Implementation of State Schemes

Revenue housing scheme

Incomplete *patwarkhana* and *kanungo Bhawans*

3.3.24 Revenue housing scheme initiated on the directions of Government of India was in operation since 1979. The main objective of the scheme was to construct *patwarkhanas* and *kanungo bhawans* in the State to ensure safe custody of updated land records by *patwaris* and *kanungos*. There were 2,288 *patwar* and 235 field *kanungo* circles in the State for which buildings were required to be constructed as on 31 March 2004.

It was, however, noticed that only 2,401 buildings (*patwarkhanas*: 2,181 and *kanungo bhawans*: 220) had been completed. Construction of remaining 122 buildings (*patwarkhana*: 107 and *kanungo bhawans*: 15) had not been completed as of March 2004.

Test-check of records further revealed that out of 27 *patwarkhana/kanungo bhawans* sanctioned for Mandi district during 1999-2003, only five buildings were completed and the construction of remaining 22 buildings on which entire amount of Rs 25.35 lakh had been spent were not completed as of March 2005 inspite of additional provision of Rs 13.43 lakh during 2001-2005. Due to delay in completion of these buildings, Rs 4.21 lakh had to be paid as house rent to the *patwaris/kanungos* and an expenditure of Rs 0.64 lakh was incurred on rent for housing these offices between October 2000 and December 2004. The District Revenue Officer (DRO),

Mandi stated (March 2005) that the buildings could not be completed due to non-availability of funds. The reply is not correct as additional funds aggregating Rs 13.43 lakh were also provided for completion of these buildings.

Construction of two *patwarkhana* buildings at Pipli and Gawailla (Mandi district) on which expenditure of Rs 1.75 lakh had been incurred during June 1998 to February 2002 was abandoned in March 2002. The DRO, Mandi stated (January 2005) that an enquiry against the then Naib-Tehsildar and *Patwari* was in progress.

Non-utilisation of funds for construction of record rooms

3.3.25 The Director of Land Records (DLR) provided Rs 6.40 lakh²⁵ to DC, Kinnaur for construction of revenue record rooms at Pooh (Rs 3.15 lakh) and Nichar (Rs 3.25 lakh). The DC, Kinnaur paid Rs 3.15 lakh (November 1995: Rs 2.48 lakh and May 1997: Rs 0.67 lakh) to Additional district Magistrate, Pooh and Rs 3.25 lakh (June 2004) to SDO (Civil), Nichar. The entire amount was lying unutilised as of March 2005 due to non-availability of sites. The period of delay ranged between nine months to nine years. The DC, while admitting the facts stated (March 2005) that the amount would be utilised as soon as the sites are finalised. The reply shows that the DC failed to ensure availability of sites before releasing the funds. Besides, the purpose of keeping revenue records in safe custody was also defeated.

Kisan Passbooks

Implementation of *Kisan Pass Book Act*

3.3.26 The Himachal Pradesh *Kisan Pass Book Act*, 1996 and rules made (July 2000) thereunder provided that every *kisan* would be issued a Pass Book having a complete record of the land holdings which should be valid for getting various facilities and assistance from the State Government in accordance with the rules and procedure laid down by the State Government. The pass books were to be supplied to the *kisans* at Rs 50, Rs 100 and Rs 150 per *kisan* for holdings upto one acre, three acres and exceeding three acres respectively. Of the above cost, the *patwaris* were entitled to retain Rs 30, Rs 40 and Rs 50 respectively per case as *Mehntana* and remaining amount was required to be deposited by them in government account within a week.

The following points were noticed in audit:

The Director Land Records (DLR) got 12,98,805 passbooks printed at a cost of Rs 1.51 crore during 2000-2001 for 12,97,567 *kisans* in the State and issued to all the DCs in the State. The distribution of Pass Books was stipulated to be

completed by 31 December 2001. It was noticed in audit that only 8,23,395 pass books had been supplied to the *kisans* in the State as of January 2005 and the remaining 4,75,410 pass books costing Rs 55.29 lakh were lying undistributed with the respective tehsildars and *patwaris* on which revenue of Rs 95 lakh²⁶ remained unrecovered. The DLR attributed (May 2005) non-distribution of pass books to non-providing of passport size photos and deposit of cost of pass books by the *kisans*. The contention is not tenable as the *kisans* should have been motivated by the village level functionaries of the department to adopt the scheme. Thus the objective had not been fully achieved and Government deprived of revenue of Rs 95 lakh.

In 13 tehsils of Kangra (12) and Sirmour (one) districts, Rs 0.48 lakh²⁷ realised by 53 *patwaris* as Government share for sale of 1,507 *kisan* pass books during March 2003 to January 2004 had not been deposited by them into Government account as of April 2005. This resulted in misappropriation of Government money.

Test-check further revealed that delay in deposit of sale proceeds aggregating Rs 3.28 lakh ranged between 10 to 269 and five to 863 days in Kinnaur and Mandi districts respectively. Retention of Government money beyond prescribed period of one week amounted to temporary misappropriation of Government money.

Internal Control Mechanism

Non-conducting of Inspections

3.3.27 According to provisions of the Himachal Pradesh Land Records Manual (Manual), the SDO (Civil) should inspect at least 25 *per cent* of the mutation work done by Tehsildars/Naib-Tehsildars under his control after every quarter and note down defects in the inspection note. A copy of the inspection note should be sent to the Collector of the district and the Director Land Records (DLR).

It was noticed in audit that the required quarterly inspection of the mutation work was not done by the SDOs (Civil) in Mandi and Kinnaur districts. The DCs admitted (March-April 2005) the facts. It was also noticed that the DCs and the Director, Land Records (DLR) also did not call for the copies of the inspection note which is indicative of the poor internal control by these officers.

In addition, the District Revenue Officers (DROs) were also to inspect the work of at least six *patwaris* and two *kanungos* every month in the district.

26 4,75,410 pass books x Rs 50 per pass books=Rs 2,37,70,500 (least value) less share of *patwari* at the rate of Rs 30 per pass book (least value) =Rs 14262300=Rs 95,08,200.

27 Kangra: 0.41 lakh; Sirmour: 0.07 lakh.

In the test-checked districts, the shortfall of inspections by the DROs ranged between 67 and 100 *per cent* during 2000-2005. The DROs admitted the facts.

The DROs should inspect the work of Tehsil/Sub-Tehsil office on behalf of DCs twice a year. Test-check revealed that the inspections were not conducted regularly. The shortfall in conducting of inspections ranged between 74 and 100 *per cent* during 2000-2005 in Kangra, Kinnaur and Mandi districts.

The Manual also provided that the DCs and the SDOs (Civil) should inspect every tehsil/sub-tehsil office under their jurisdiction once in a year. The DCs should also inspect at least half of the Sub-Divisional Offices/courts in a year.

Test-check of the records showed that inspections were not conducted regularly in Kangra, Kinnaur and Mandi districts and the shortfall ranged between 20 and 100 *per cent* during 2000-2005.

The DCs stated (March-April 2005) that the prescribed duties could not be performed due to multifarious duties. The replies are not tenable as inspection of schemes like computerisation of land records, strengthening of Revenue Administration and updation of land records, Revenue Housing, etc., were necessary to ensure effective governance.

According to the Manual, the norm for inspection by the Divisional Commissioner was as under:

Table: 3.9

Sr. No.	Name of office/court	Period
1.	DCs office/court	Once after two years subject to the condition that all offices/courts are inspected during the period of three years.
2.	SDOs (Civil) office/court	Once after two years subject to the condition that all offices/courts are inspected during the period of three years.
3.	Tehsils/Sub-treasury	Once in three years.

Test-check revealed that no such inspections were conducted by the Divisional Commissioners in Mandi and Sirmour districts. Inspection of DC, Kinnaur was done only once in 2003-04. Reasons for not conducting prescribed inspections called for (May 2005) from the Divisional Commissioners had not been intimated.

Internal Audit Arrangements

3.3.28 The Internal audit and internal control are important mechanisms for ensuring smooth working of a department. Internal audit system had not been introduced in the Revenue department as of April 2005. As the district level, only one Assistant Controller (Finance and Accounts) had been posted without assigning function of internal audit of the accounts of DCs/subordinate offices.

The DCs of test-checked districts confirmed (March-April 2005) the fact of non-existence of internal audit system.

Monitoring

3.3.29 The Government of India instructions of March 2003 required monitoring of CRF to ensure that quarterly statement of expenditure in respect of CRF in the prescribed proforma were sent to the Ministry of Home Affairs within 15 days at the end of every quarter indicating the expenditure figures on cumulative basis.

Test-check of records revealed that such reports were neither prepared nor sent by the DCs to the State Government for submission to the Government of India.

The DCs showed (March-April 2005) ignorance of prescription of such reports by the State Government.

Evaluation

3.3.30 Evaluation was essential to ascertain proper functioning and execution of schemes by the department. No evaluation of the policies/programmes executed/implemented by the department had been carried out by State Government to know the level of effectiveness of the department in delivery of services to the people as well as implementation of various programmes.

Conclusion

3.3.31 The progress of expenditure against the approved budget had not been monitored by the Administrative Department for timely action to avoid savings/excesses. The shortfall under "Survey and Settlement Operations"

ranged between six and 30 *per cent* during 2000-2005. Of 49 lakh acres cultivated land adopted for consolidation in the State in 1954, only 23.15 lakh acres was consolidated after five decades. Calamity relief funds of Rs 4.60 crore were utilised by Deputy Commissioners Kinnaur, Mandi and Sirmour on works which were not related to natural calamity during 2000-2005. The schemes like Survey and Settlement, Consolidation of Holdings, Computerisation of Land records, Revenue Housing, Calamity Relief Fund, etc., had not been monitored by the department during 2000-2005. The requisite administrative inspections as laid down in Himachal Pradesh Land Records Manual had not been conducted which adversely affected functioning of the department.

Recommendations

- ** *The State Government should review the entire working of the department of Consolidation vis-a-vis its decision of September 1997 where further consolidation work was stopped and the staff so rendered surplus was to be adjusted in Settlement Department. It is all the more necessary as consolidation work in 53 per cent of identified area in the State was lying incomplete even after 50 years of launching of the scheme and further fragmentation in the areas already consolidated cannot be ruled out.***

- ** *The State Government should undertake fresh survey of agricultural land for consolidation of holdings as the previous survey was done as back as 1954 and the ground position has considerably changed due to urbanisation, further fragmentation of holdings, etc.***

- ** *Remedial steps need to be taken by the State Government to avoid shortfall in achievement of physical targets under “Survey and Settlement”.***

- ** *Completion of computerisation of land records should be ensured so that accurate copy of the record of rights is available to the land owners on line.***

- ** *Fresh instructions should be issued to the Deputy Commissioners to utilise calamity relief funds only on repair and restoration works damaged due to natural calamities and not on fresh works.***

These points were referred to the Government in June 2005; their reply had not been received (July 2005).

3.4 Implementation of the Act and Rules relating to Consumer Protection

Highlights

The Consumer Protection Act, 1986 was enacted by Government of India to provide simple, speedy and inexpensive redressal to the consumer's grievances. The Central Legislative mandate for protection of interests of consumers had largely not been achieved in the State. Whole time District Fora were established only in four out of 12 districts of the State. No uniform system for processing of complaints had been evolved by the State Commission. As laid down in the Act, activities relating to consumer awareness and empowerment were not carried out effectively as NGOs were not provided adequate financial assistance due to non-setting up of Consumer Welfare Fund by the State Government. The performance of the State Consumer Protection Council formed to promote and protect the rights of consumers was not up to the required level. Some significant findings were as under:

****** *Whole time district fora had been established in only four out of 12 districts of the State.*

(Paragraph 3.4.7)

****** *No documented Government policy/specific schemes existed in the State for achievement of welfare activities relating to consumer protection and empowerment of consumers.*

(Paragraph 3.4.9)

****** *No uniform procedure for processing of complaints from the date of receipt till the final decision had been laid down by the State Commission.*

(Paragraph 3.4.11)

****** *Out of one time central assistance of Rs 1.70 crore received during 1995-97 for creation of infrastructure for the State Commission and 12 district Fora, Rs 1.55 crore had been utilised for the construction of State commission and four district fora buildings. The balance of Rs 15 lakh remained unutilised with the Public Works Department since March 1998.*

(Paragraph 3.4.12)

****** *The State had large pendency of cases in the State Commission (813) and the District Fora (2827) as of March 2005; 500 cases in the District Fora were more than three years old.*

(Paragraph 3.4.16)

****** *Only one meeting of the State Consumer Protection Council had been convened during 2001-2005 against the required 10 meetings. District Consumer Protection Councils had not been established in any of the 12 districts of the State.*

(Paragraph 3.4.22)

****** *In 1,465 cases, awards of Rs 3.34 crore were announced by the State Commission and District Fora between April 2000 and March 2005 against 52 financial companies/firms for making payment to the affected consumers which remained un-executed. Compensation of Rs 10.07 lakh awarded in 31 cases in favour of aggrieved consumers during 2000-2005 remained unpaid as of July 2005.*

(Paragraphs 3.4.17)

****** *Central assistance of Rs 26.58 lakh meant for utilisation during 2000-2001 and 2003-2004 for strengthening of Composite Testing Laboratory (CTL) at Kandaghat remained unutilised and later on lapsed.*

(Paragraph 3.4.19)

****** *Database of wholesalers and retailers in the State during 2000-2005 had not been maintained for exercising effective check against use of substandard weights and measures.*

(Paragraph 3.4.21)

Introduction

3.4.1 To provide better protection and safeguard the interest of consumers in relation to goods purchased and service availed, the “Consumer Protection Act, 1986” (Act) was enacted by the Government of India (GOI). The Act came into force from 1st July 1987. The State Government framed rules in May 1988 under the provisions of the Act. The Act was amended in 2002 to facilitate quicker disposal of the complaints. The State Government had not amended the rules to give effect to the amended provisions of the Act. The Act and rules made thereunder provide for establishment of a separate three tier quasi-judicial consumer disputes redressal machinery at the National, State and District level.

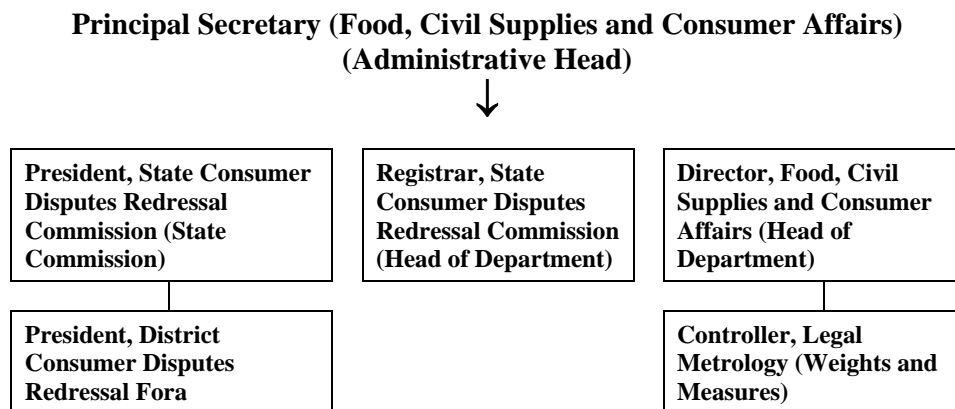
The Act enshrines the following rights of the consumers:

- ▶ right to be protected against marketing of goods which are hazardous to life and property;
- ▶ right to be informed about the quality, quantity, potency, purity, standard and price of goods to protect the consumer against unfair trade practices;
- ▶ right to be assured, wherever possible, access to an authority of goods at competitive price;
- ▶ right to be heard and to be assured that consumer's interests will receive due consideration at appropriate forums;
- ▶ right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers; and
- ▶ right to consumer education.

These objects are sought to be promoted and protected by the Consumer Protection Council to be established at the Central and State level.

The department of Food, Civil Supplies and Consumer Affairs, being the nodal department is responsible for promoting consumer awareness and empowerment and consumer organisation.

The organisational set up for implementation of the Act and Rules relating to Consumer Protection in the State is as under:



Scope of audit

3.4.2 Implementation of the Act and Rules made thereunder relating to Consumer Protection for the period 2000-2005 was reviewed (June-August 2005) in the State Consumer Disputes Redressal Commission and three Districts Consumer Disputes Redressal Fora¹ covering five districts². This was supplemented by test-check of records and information supplied by the Director, Food, Civil Supplies and Consumer Affairs and the Controller, Legal Metrology (Weights and Measures). Besides, records relating to

¹ Kangra, Mandi and Shimla.

² Kangra, Kullu, Mandi, Shimla and Solan.

implementation of Prevention of Food Adulteration Act (PFA), 1954 were also test-checked in the office of the Director of Health and Family Welfare and Composite Testing Laboratory at Kandaghat (Solan district).

To ascertain the ground realities relating to implementation of the Consumer Protection Act, the Comptroller and Auditor General of India commissioned the services of ORG Centre for Social Research (a division of AC Nielsen ORG-MARG, Pvt. Ltd). The ORG-MARG carried out survey in three districts (Kangra, Kullu and Shimla) of the State from 2nd week of July to 4th week of August 2005 over a sample determined on the basis of rural and urban areas which included 1,995 consumers and 200 complainants. The fact of engagement of ORG-MARG for this survey was also intimated to the State Government in July 2005. The Executive Summary of their findings is contained in **Appendix-XXVI**.

Audit objectives

3.4.3 To critically examine the aspects of efficiency and effectiveness in implementation of the Act and Rules relating to consumer protection. In addition, Audit also tried to see and assess whether:

- ▶ the adjudication mechanism prescribed in the Act had been created.
- ▶ rules had been formulated and notified governing issues of implementation of the Act particularly with respect to staffing, governance by the State Commission and District Forum as also setting out of uniform procedures.
- ▶ the infrastructure created for the disposal of the complaints met the expectation of the consumers and fulfilled the purpose of the enactment of the Act.
- ▶ adequate mechanism exists for administering various Acts for consumer protection such as Prevention of Food Adulteration (PFA) Act 1954, Standards of Weights and Measures, Enforcement Act, 1985 and Standard of Weights and Measures (Packaged Commodities) Rules, 1977.
- ▶ consumer protection councils had been notified and are functioning at State and district level.
- ▶ uniform plan for staffing had been prescribed and was being adhered to in staffing and manning of district forum and State commission.
- ▶ adequate funds for recurring nature of expenditure was being provided in a timely manner.
- ▶ the State Government had succeeded in creating awareness amongst the populace with regard to knowledge about consumer redressal machinery.
- ▶ an adequate system of monitoring consumers' grievances existed.

Audit criteria

- ▶ Actual creation of District Forum and State Commission.

- ▶ Need for establishment of Circuit Benches of State Commission sought for operation and actually notified by State Government.
- ▶ Fulfilment of objectives of the policy as detailed in the Act/scheme.
- ▶ Fixation of priorities by the Government for infrastructure development and adjudication mechanism and utilisation of Central assistance provided for creation of infrastructure.
- ▶ Engagement/involvement of NGOs and local administration in consumer awareness.
- ▶ Notification of Rules and extent to which they are being adhered to.
- ▶ Uniformity in the procedure for processing of complaints.
- ▶ Shortage of manpower and resources in the District Fora and State Commission.
- ▶ Existence of Consumer Protection Councils at district and State levels.
- ▶ Monitoring mechanism devised for disposal of complaints at various stages, status of pendency of complaint cases, computer networking of consumer Fora and status of existence of monitoring cell at Government level.

Audit Methodology

3.4.4 Records relating to registration of complaint cases, pendency of cases and non-execution of awards were checked in the State Commission and District Fora. Besides, records relating to implementation of Food Adulteration Act, 1954 and Standard of Weights and Measures (Enforcement Act), 1976 were also seen in the Directorates of Health and Family Welfare and Food, Civil Supplies and Consumers Affairs respectively. Information collected from the aforesaid records and replies furnished by the State Commission, District Fora and the Directors of Health Services and Food, Civil Supplies and Consumer Affairs to audit memoranda and questionnaire were analysed to arrive at audit conclusions. Survey results of ORG-MARG have also been analysed to corroborate the audit findings.

Audit findings

Budget provision and expenditure

3.4.5 Budget provision and actual expenditure incurred thereagainst in the State Commission and four District Fora during 2000-2005 was as under:

Table: 3.10

(Rupees in lakh)

Year	Budget provision	Actual expenditure	Excess (+) Saving (-)
2000-2001	90.94	93.26	(+) 2.32
2001-2002	110.81	111.02	(+) 0.21
2002-2003	110.00	110.49	(+) 0.49
2003-2004	137.49	138.30	(+) 0.81
2004-2005	140.19	132.74	(-) 7.45
Total:	589.43	585.81	(-) 3.62

Source: Departmental figures.

Implementation of Consumer Protection Act, 1986

3.4.6 The State Consumer Disputes Redressal Commission started functioning from November 1989. Thus, there was delay of about three years in setting up the State Commission. District Fora in all the 12 districts of the State were notified between November 1989 and November 1997 but only four District Fora at Kangra, Mandi, Shimla and Una were functioning as of July 2005. While the District Consumer Disputes Redressal Forum, Shimla came into existence in November 1989 the other three³ District Fora started functioning from July 1995 and May 1998. There was, thus, delay in setting up of District Fora ranging from three to eleven years. The Registrar stated (July 2005) that District Fora in the above districts were opened on the directions of the Supreme Court of India.

Creation of adjudication mechanism-Non-establishment of District Fora

3.4.7 Section 9 of the Consumer Protection Act provides for establishment of a consumer disputes redressal forum in each district of the State. It was, however, noticed that whole time District Fora had been established only in four⁴ out of 12 districts of the State as of July 2005. The work relating to disposal of cases of remaining eight districts is managed by holding periodical Circuit Courts by the whole time four District Fora. The Registrar stated (July 2005) that proposals for creation of separate whole time District Fora in the remaining districts and establishment of additional District Forum for Shimla district, submitted to Government in September 1999 and May 2003 respectively were under consideration. The provisions of the Act had thus not been fully complied with.

Operation of circuit benches

3.4.8 The Act (amended in June 2002 and effective from March 2003) provided for constitution of Circuit Benches of the State Commission to perform its functions at places other than the State Capital. Test-check of records revealed (June-August 2005) that notification for creation of Circuit Benches had not been made. The Registrar stated (July 2005) that though no Circuit Benches had been established/notified by the State Government, the State Commission was holding Circuit courts at Kangra, Mandi and Una from time to time. The provisions of the Act with regard to constitution of Circuit Benches had thus not been complied with.

Results of ORG-MARG survey also indicated that the State Government had not done enough to safeguard the interest of consumers as 76 per cent consumers were not aware of any efforts made in safeguarding their rights.

Non-formulation of documented policy

3.4.9 No documented policy/specific scheme existed in the State which could outline various programme objectives intended to be achieved through specific schemes for the purpose of creation and strengthening of

3 Kangra, Mandi and Una.

4 Kangra, Mandi, Shimla and Una.

infrastructure, adjudication mechanism, greater involvement of State administration/NGOs and for empowerment of consumers. The Director, Food, Civil Supplies and Consumer Affairs stated (July 2005) that though no documented policy has been formulated, consumer rights are being protected as per provisions of the Act.

Involvement of Non-Government Organisations (NGOs) and local administration

3.4.10 Nine NGOs were involved in empowerment and promotional activities of the consumers but only one NGO located at Shimla was paid Rs 0.10 lakh during 2001. Test-check of records further revealed (July 2005) that activity reports relating to consumer awareness and empowerment were neither obtained by the Director nor supplied by such NGOs. Effective implementation of awareness and empowerment activities could thus not be ensured.

For involvement of local administration, the Government of India had issued (October 2003) guidelines for implementation of promotional activities relating to consumer protection and for nomination of a District Consumer Protection Officer in each district for this purpose. The Director, FCS and CA stated (July 2005) that Additional Deputy Commissioner/Additional District Magistrate had been declared as District Consumer Protection Officers in their respective districts. No periodical reports in support of promotional activities relating to consumer protection undertaken by the district administration was, however, furnished to audit.

Non-adoption of uniform procedure for processing of complaints

3.4.11 A definite time frame has been prescribed in the Act for processing of complaints by the State Commission and district Fora. The National Commission also stressed (October 1999) the need for drawing up a uniform procedure for processing of complaints from the dates of their receipt till final decision. It was noticed that no such procedure had been drawn up. The Registrar stated (July 2005) that procedure adopted by the Civil Courts was being followed in the State Commission and District Fora. The reply is not to the point and is indicative of non-compliance of the provisions of the Act.

The Act does not provide for filing a complaint with the District Forum on stamp papers and through advocates. It was noticed that in most of the cases consumers filed complaints on stamp papers through advocates. The Registrar stated (September 2005) that complaints were being accepted on plain/judicial papers as preferred by the complainants. This is indicative of lack of awareness amongst the consumers and put unnecessary financial burden on them.

According to the ORG-MARG survey about 48 *per cent* of the complainants reportedly filed the complaints on stamp paper. About 81 *per cent* of the respondents who filed the complaints on stamp paper reported that they were told to do so by the agent or the lawyers. On an average, the complainant had

to spend Rs 2,482 to resolve a case which included average amount of Rs 2,056 on account of advocate fees. This indicates that the agents/lawyers dealing with these cases often misled the complainants and that advice resulted in incurring of unnecessary expenses.

Adequacy of infrastructure

Inadequate infrastructure and unspent Central assistance

3.4.12 Mention was made in paragraph 3.9 of the Report of the Comptroller and Auditor General of India for the year ended 31st March 1999 (Civil), Government of Himachal Pradesh regarding utilisation of one time Central assistance of Rs 1.70 crore released by Government of India between July 1995 and March 1997 for strengthening of State Commission (Rs 50 lakh) and 12 District Fora buildings (at the rate of Rs 10 lakh per fora).

Further scrutiny of records revealed that Rs 1.55 crore were utilised for construction of buildings for the State Commission and four district fora at Shimla, Kangra, Mandi and Una between December 1995 and July 2001. The balance funds of Rs 15 lakh were released to the Public Works Department between May 1996 and March 1998 for construction of fora buildings at Kullu and Solan. The buildings had, however, not been constructed as of July 2005 and the funds remained unutilised with the executing agency. Thus, infrastructure in the remaining eight districts⁵ was not created as of July 2005.

The Registrar stated (July 2005) that construction of buildings in the remaining districts could not be taken up due to paucity of funds. He further stated (May 2003) that reference had been made to the State Government for providing additional funds. The contention is not tenable as Government of India had made it clear (August 2003) that requirement of additional funds for creation of additional infrastructure should be met from State Plan by getting adequate allocations from Planning Commission.

Non-submission of utilisation certificates

3.4.13 Against utilisation of Rs 1.55 crore out of Central assistance of Rs 1.70 crore, utilisation certificate for Rs 83 lakh only had been sent in November 1997. The Registrar stated (July 2005) that the requisite certificate was not submitted as Rs 15 lakh remained unspent with the Public Works Department for the construction of District Fora buildings at Kullu and Solan. The contention is not tenable as UCs for Rs 72 lakh were required to be furnished.

Enforcement (Redressal) Mechanism

Functioning of Consumer Courts

3.4.14 Year-wise position of registration, disposal and pendency of consumer cases in the State Commission and all the District Fora of the State

was as under:

Table: 3.11

(Number of cases)

Year	Opening balance	Cases registered	Total	Cases disposed off	Pendency
State Commission					
2000-2001	765	946	1711	315	1396 (82)
2001-2002	1396	1253	2649	1029	1620 (61)
2002-2003	1620	1118	2738	2118	620 (23)
2003-2004	620	1421	2041	1406	635 (31)
2004-2005	635	1379	2014	1201	813 (40)
District Fora					
2000-2001	3829	5017	8846	4046	4800 (54)
2001-2002	4800	6954	11754	6787	4967 (42)
2002-2003	4967	4647	9614	4966	4648 (48)
2003-2004	4648	2954	7602	4357	3245 (43)
2004-2005	3245	2211	5456	2629	2827 (52)

Note: Figures in parenthesis indicate percentage.

Delay in disposal of cases

3.4.15 The one time Central Assistance scheme provided for standard norm of disposal of at least ten cases in a day in each District Forum and each State commission. Average number of cases actually disposed of per day ranged between two and eight during 2000-2005 as given below:

Table: 3.12

(Number of cases)

Year	Number of sittings	Cases required to be disposed of	Cases actually disposed of	Average disposal per sitting
State Commission				
2000-2001	179	1790	315	2
2001-2002	213	2130	1029	5
2003-2004	202	2020	1406	7
2004-2005	222	2220	1201	5
District Forums				
2003-2004	539	5390	4357	8
2004-2005	511	5110	2629	5

The Registrar stated (July 2005) that the State Commission decided (April 1999) to fix the norms for disposal of at least five cases per day in view of existing manpower. Thus, the norms fixed for the disposal of cases by Government of India were not followed.

Age-wise position of pending cases

3.4.16 Section 13 (3) (A) of the Consumer Protection Act, 1986 provides for disposal of cases within three months where the complaints do not require analysis or testing of commodities and within five months where analysis/testing is required. Similarly, under Section 19-A an appeal filed before the State Commission shall be finally disposed of within three months. The State had a large pendency of cases in the State Commission (813) and the

District Fora (2827) as of March 2005; 500 cases in the District Fora were more than three years old. Age and stage-wise position of pending cases as on March 2005 was as under:

Table: 3.13

Age-wise position of pending cases

Particular of Forum	More than 90 days and up to one year	More than one year and up to two years	More than two years and up to three years	More than three years	Total
State Commission	430	177	175	31	813
District Forums	811	1017	499	500	2827
Total:	1241	1194	674	531	3640

Stage-wise position of pending cases

Particular of forum	Service stage	Reply/rejoinder stage	Evidence stage	Argument stage	Others	Total
State Commission	178	7	10	369	249	813
District Forums	455	783	501	773	315	2827
Total:	633	790	511	1142	564	3640

It was noticed in audit that no laboratory testing was required except in one case of the State Commission. Speedy disposal of cases was thus not ensured within the prescribed time limit. The Registrar attributed (August 2005) pendency of cases to increase in institution of cases and adjournments sought by the parties or their counsels.

As per survey results of ORG-MARG, on an average 10.3 months time was taken to resolve a case.

Non-execution of Awards

3.4.17 One of the objectives of the Act was to provide speedy redressal to the consumers by awarding appropriate compensation. Provision of penalties for non-compliance of order has also been prescribed in the Act.

Test-check of records of District Forum, Mandi revealed that in 31 cases (Mandi: 25 and Kullu: 6) decision to award compensation of Rs 10.07 lakh was announced in favour of aggrieved consumers between October 1995 to April 2005 but had not been enforced as of July 2005.

The President, District Forum, Mandi stated (July 2005) that the notices to the judgement debtors had been issued and dates for hearing fixed. In five cases, warrants of recovery had also been issued to the Collector. Thus, the purpose of providing quick relief to the aggrieved consumers was not fulfilled.

Further, in 1,465 cases, awards of Rs 3.34 crore against 52 financial companies such as *Kuber*, Mutual Benefits, Him advances, Golden Forest and

Him Gramin Sanchayaka were announced by the State Commission and three⁶ District Fora between April 2000 and March 2005 remained unexecuted as of July 2005. The State Commission and the Presidents of the above District Fora attributed (July 2005) non-execution of awards of compensation to non-availability of whereabouts of companies (559 cases), stay granted by higher courts (725 cases) and liquidation (181 cases). Thus, the objective of ensuring speedy relief to the consumers was not achieved.

According to ORG-MARG survey in 50 cases where the decree was passed, compensation was yet to be received. On an average the compensation was due for 18 months.

Administering of Prevention of Food Adulteration (PFA) Act, 1954

Shortage of Manpower

3.4.18 For implementation of PFA Act 1954, 12 posts of Food Inspectors had been sanctioned for the Health and Family Welfare Department. Vacancy position against these sanctioned posts during 2000-2005 was as under:

Table: 3.14

Year	Sanctioned	Men in position	Vacant posts of Food Inspectors	Remarks
2000-2001	12	6	6	The work of Kinnaur was assigned to the Food Inspector of Shimla district and the work of Lahual and Spiti to the Food Inspector of Kullu district in addition to their own duties
2001-2002	12	6	6	
2002-2003	12	10	2	
2003-2004	12	10	2	
2004-2005	12	10	2	

Shortage of staff affected enforcement of provisions of PFA Act. The Director of Health Services admitted the facts (July 2005).

Arrangements for testing of products

3.4.19 The State Composite Testing Laboratory (CTL), Kandaghat (Solan district) had been accredited by the State Government for testing of quality of products.

It was noticed in audit that out of 75 sanctioned posts of different categories for the aforesaid laboratory, 35 posts of technical staff, which had direct bearing on implementation of PFA Act, remained vacant since April 1984 (20 posts), September 1989 (one post), April 1997 (three posts), February 2004 (four posts) and January 2005 (seven posts). Analysis for pesticide residue and some bacteriological and toxicological tests were not done during 2000-2005 due to shortage of technically qualified staff.

The Director stated (July 2005) that the above posts could not be filled due to imposition of ban by the State Government.

For strengthening of CTL, Kandaghat, Government of India sanctioned grant of Rs 41.19 lakh⁷ between 1992-93 and 2000-2001 for acquisition of various equipment. It was noticed in audit that only Rs 14.61 lakh were utilised and balance funds of Rs 26.58 lakh lapsed due to non-completion of codal formalities for purchase of equipment. Failure of the department to fully utilise the grant deprived the laboratory of the equipment and benefits accruing therefrom.

The Public Analyst, Composite Testing Laboratory admitted (July 2005) the facts.

Food sampling by Food Inspectors

3.4.20 According to the instructions issued (May 1988) by the State Food (Health) Authority-cum-Director of Health Services, each Food Inspector was to take eight to 10 samples of food articles every month. The position of samples required to be taken and actually drawn during 2000-2005 was as under:

Table: 3.15

Year	Number of Food Inspectors in position	Number of samples required to be taken	Number of samples actually taken	Shortfall	Reasons for shortfall
2000	6	720	473	247 (34)	The Food Inspectors remained busy in various courts of law for processing PFA cases and non-posting of Local Health Authority in district Sirmour since October 2004.
2001	6	720	257	463 (64)	
2002	10	960	311	649 (68)	
2003	10	1,200	815	385 (32)	
2004	10	1,200	924	276 (23)	
Total:	42	4,800	2,780	2,020	

Note: Figures in brackets indicate percentage.

It would be seen that shortfall in collection of samples ranged between 23 and 68 per cent. The Director stated (July 2005) that shortfall in collection of samples was due to shortage of manpower. The contention is not tenable as the number of samples required to be taken with the existing manpower were not ensured. This was indicative of ineffective implementation of PFA Act.

Year-wise and district-wise number of food manufacturers, wholesalers and retailers in the State during 2000 and 2001 was not available in the Directorate of Health Services. The number of manufacturers, wholesalers and retailers and licenses issued during 2002, 2003 and 2004 was as under:

Table: 3.16

Year	Total number	Number of Licenses issued	Number of cases in which licenses were not issued
Manufacturers			
2002	3,570	3,552	18
2003	3,600	3,503	97
2004	3,262	3,041	221
Wholesalers			
2002	992	963	29
2003	890	823	67
2004	2,268	2,240	28
Retailers			
2002	31,715	30,219	1,496
2003	32,268	30,030	2,238
2004	30,881	29,525	1,356

Possibility of food trade going on without valid licenses in these cases could not be ruled out.

As per PFA Act/Rules, prosecution in cases of adulteration or misbranding of food articles is to be initiated in the designated courts. Test-check of records of the Directorate of Health Services revealed that 611 samples were found adulterated/misbranded during 2000-2005. Prosecution proceedings were initiated in 449 cases during the same period and conviction was ordered in 121 cases. The remaining cases were either acquitted or discharged by the courts. Director, Health Services stated (September 2005) that it is not necessary to initiate prosecution proceedings in each case because sanction for prosecution has to be accorded by the Chief Medical Officers after applying their mind in each case.

Administering of Standards of Weights and Measures Act 1976 and Packaged Commodities Rules 1977 and the Standard of Weights and Measures (Enforcement) Act 1985

3.4.21 Under the provisions of Standards of Weights and Measures Act, 1976 and Packaged Commodities Rules 1977, the enforcement staff of Weights and Measures Organisation is required to exercise check on the packaged commodities with regard to mandatory declarations under Rule 6(1) of the Act *ibid* to ensure that traders charge correct prices and deliver correct quantity of commodities to the consumers. The Act further provides that the organisation verify and ensure accuracy of weighing and measuring instruments after every 12 months.

There were 22 circles in the State for ensuring enforcement and compliance of the provisions of the above Acts and Rules. For manning the above centres and to coordinate their work at State Headquarters, 23 posts of Inspectors had been sanctioned. It was noticed that one post to five⁸ posts of Inspectors

remained vacant during 2000-2005. The Controller, Legal Metrology (W and M) stated (July 2005) that the enforcement work could not be carried out effectively due to shortage of staff.

The Controller, Legal Metrology (W and M) had not maintained year-wise and the district-wise database indicating the number of wholesale and retail dealers in the State during 2000-2005 to keep check on Weights and Measures being used by them. The Controller, Legal Metrology (W and M) stated (August 2005) that there were about 70,000 shops which kept increasing and decreasing every year as some traders left the shops and some new ones started business. The reply is not tenable as in the absence of the basic database, effective check and enforcement of the provisions of the Acts *ibid* could not be ensured.

The Weights and Measures organisation is required to ensure that the consumer gets correct quantity in Weights and Measures in return for the money tendered by him to the traders. In order to fulfill this responsibility, the organisation should be well equipped with the latest technology. It was noticed that the working standard balances kept at circle level and used for checking of weights were manual and very old. Due to fast technological development in the trade, these balances had become outdated. The Government of India had also reiterated (October 2001) that the provisions of the Weights and Measures Laws be enforced seriously in view of adoption of latest electronic weighing and measuring instruments/equipments by the traders.

It was noticed that the suggestion/advice of Government of India had not been followed and old equipments continued to be used for testing purpose. The Controller, Legal Metrology (Weights and Measures) stated (July 2005) that the working standard balances were purchased during 1958. The matter of replacement of these equipments was under consideration of the State Government as of July 2005.

The Weights and Measures Organisation had only one secondary standard laboratory maintained at W and M Headquarter for verification of working standard kept/maintained in various circle units. It was noticed that the secondary standard laboratory had also not been equipped with electronic testing facility. The Controller confirmed (September 2005) the facts.

It was noticed in audit that the number of pending cases in Weight and Measures Organisation increased from 597 in March 2000 to 681 in March 2005 showing an increase of 14 *per cent*. No reasons for this increase had been given.

Functioning of Consumer Protection Council

3.4.22 To promote and protect the right of the consumers, Section 7 of the Consumer Protection Act envisages that the State Government should establish a Consumer Protection Council. The Council shall meet as and when necessary but not less than two meetings shall be held in a year. It was noticed in audit that the State Consumer Protection Council was constituted

twice in September 2001 and November 2003 respectively but against the required number of ten meetings only one meeting was held in September 2004. The shortfall in holding of meetings was 90 *per cent*. Reasons for not convening the meetings of the State Council called for (July 2005) were not intimated by the Director of FCS and CA.

Section 8-A of the Consumer Protection Act envisages establishment of District Consumer Protection Councils to promote and protect the rights of the consumers.

It was noticed in audit that Consumer Protection Councils at district level had not been formed as of July 2005. The Director stated (June 2005) that the matter regarding constitution of District Protection Council taken up with the State Government in July 2004 was still (July 2005) under consideration.

Adequacy of staffing for Consumer Redressal agencies

3.4.23 No uniform pattern for staffing has been prescribed. However, the Government of India recommended (May 2000) 166 posts of different categories for the State Commission (58 posts) and four District Fora (108 posts). Against this, the State Government had sanctioned only 64 posts for the State Commission (24 posts) and four District Fora (40 posts) as of July 2005. The shortage of staff of different categories having direct bearing on the processing of judicial matters resulted in delay of disposal of consumer cases.

The Registrar stated (July 2005) that proposal for staffing pattern as recommended by the Government of India had been submitted (May 2003) to the State Government. Non-providing of adequate staff to the Consumer Disputes Redressal machinery resulted in accumulation of cases and delay in submission of reports and returns to the National Commission and the Government of India.

Recruitment and promotion rules in respect of various categories had not been framed/notified as of September 2005. The Registrar stated (September 2005) that the matter was under consideration of the Government.

There was delay in appointment of Presidents ranging between 42 to 57 days and in case of members between 177 to 1,035 days during 2000-2005. The Registrar stated (September 2005) that the posts remained vacant for administrative reasons.

For effective working members require training, but this was not imparted to 11 out of 26 members. The Registrar stated (September 2005) that the names of the remaining members had been sponsored for training.

Awareness and Empowerment of Consumers

Non-creation of State Consumer Welfare Fund

3.4.24 To create awareness and strengthen the consumer movement, particularly in rural areas, Government of India established a Consumer Welfare Fund (CWF) in 1992. Under the CWF rules 1992, financial

assistance in the shape of seed money was admissible to the States and Union Territories (UTs) to the extent of Rs 15 lakh for setting up of their own Consumer Welfare Fund subject to the condition that contribution of an equivalent amount was provided by State Government. The Standing Committee constituted under the CWF rules, 1992 had also issued directives to the States and Union Territories pursuant to the decision taken in its meeting held in April 1999, to set up their own Consumer Welfare Fund to assist voluntary consumer organisations in undertaking publicity measures and other activities relating to consumer protection.

It was noticed in audit that the State Government had not created such fund for the Welfare of Consumers as of July 2005. The assistance of Rs 15 lakh available from Government of India could, thus, not be availed of. The Director FCS and CA stated (July 2005) that proposal for creation of the above fund sent to State Government in March 2005 was under consideration.

3.4.25 Government of India launched (June 2001) *Jagruti Shivir Yojana* for promotion of research in Universities/Colleges with respect to consumer protection and provided Rs 1.50 lakh to the State Government. It was noticed that only Rs 0.75 lakh were utilised. The balance amount remained unutilised with the department as of July 2005. The Director, Food, Civil Supplies and Consumer Affairs stated (July 2005) that the balance amount is being utilised by the District Food and Supplies Controllers (Kangra and Shimla).

The State Government also allotted Rs 10.50 lakh during 2000-2005 for awareness and empowerment of consumers through consumer awareness camps. Of this, Rs 9.87 lakh were spent. Year-wise details of consumer awareness camps organised were not shown to audit in support of the above expenditure. The Director stated (July 2005) that 722 camps were organised during 2004-2005 but no details of camps were furnished to Audit.

The office of the Director Food, Civil Supplies and Consumer Affairs entrusted with implementation of Consumer Protection Act had no separate staff to deal with the consumers affairs. The Director stated that no separate post has been created for the consumer awareness programme; however, work is being done by the staff available in the department in addition to their own duties.

According to ORG-MARG survey about 20 *per cent* of respondents in both rural and urban areas were aware of any redressal agency. Awareness of redressal agencies forum was higher in urban areas than in rural areas. Among the respondents who were aware of redressal agencies only seven percent were aware of the financial limits of redressal agencies.

Non-setting up of district consumer information centres

3.4.26 During the year 2000-2001, the Government of India approved a scheme for setting up of District Consumer Information Centres (DCIC) in each district of the country within a period of five years. Accordingly, these centres should have been established in all the 12 districts of the State by March 2005. It was noticed in audit that proposal for setting up DCICs was

sent by the State Government in August 2004. During the same month Government of India advised the State Government not to send such proposals as the scheme was under evaluation. Consequently, consumers awareness movement could not be strengthened because of not setting up DCICs as of March 2005.

Results of ORG-MARG survey indicated that the respondents came to know about the Consumer Protection Act through electronic media (82 per cent) and print media (47 per cent). None of the consumers came to know about the Consumer Protection Act from the NGOs. Nearly 49 per cent of the aware consumers at large have come to know about the Act in the last four years whereas the Act has been in existence for the past 19 years. Of 69 per cent of complainants residing in urban areas 98 per cent were educated and each earned a monthly household income of Rs 12,901. This implied that facilities provided by the redressal agencies were availed mostly by residents of urban areas and that too by the middle/upper strata of the community. The manufacturers and service providers were well aware of the Consumer Protection Act. Overall the stakeholders and the complainants perceive the redressal as simple but not very speedy and economical.

According to ORG-MARG survey overall 76 per cent of the consumers gave importance to knowing the Consumer Protection Act but 78 per cent were not aware of consumers' rights and 80 per cent were still unaware of the Consumer Protection Act. Further, as per survey the percentage of awareness of consumers' rights and Consumer Protection Act was as under:

On the basis of background characteristics

Table: 3.17

Category	Urban	Rural	Male	Female	Illiterate	Literate
Consumer Rights	40	20	29	17	02	28
Consumer Protection Act	38	18	26	15	0.4	25

On the basis of occupational profile

Table: 3.18

	Govt. Servants	Retired Persons	Self-employed	Skilled labour	Unskilled labour	Unemployed	Students
Consumer Rights	51	36	19	23	11	26	32
Consumer Protection Act	47	34	18	21	07	25	30

Non-implementation of free legal aid scheme

3.4.27 The State Government had not introduced scheme of free legal aid to consumers. Consumers were thus deprived of the benefit of this scheme.

Delay in submission of periodical reports by state Commission

3.4.28 The State Commission was required to submit monthly/quarterly progress reports of receipt, disposal and pendency of consumers complaints to the National Consumer and Redressal Commission by the 15th of the succeeding month. It was, however, noticed that delay in submission of these returns to the National Commission during the period 2000-2005 ranged between eight and 99 days. The Registrar stated (July 2005) that the returns were delayed due to shortage of staff.

Computer networking of consumer forum

3.4.29 The Government of India, Department of Consumer Affairs and Public Distribution System suggested (August 2003) the State and Union Territories to consider initiation of necessary steps for computer networking/complete interlinking of computer networking of consumer courts namely from National to District levels for its monitoring and accessing various kinds of data and for their effective and transparent functioning in the interest of consumers. Further, as a result of amendments made in the Act in 2002, the cases were required to be disposed of within a period of three and five months and to achieve this objective, computer networking was essential. The Parliamentary Standing Committee had also repeatedly recommended for strengthening the infrastructure of the consumer fora including its computerisation and networking. Despite the recommendations of the Committee, interlinking of computers had not been done as of July 2005. The Registrar stated (July 2005) that steps were being taken to achieve interlinking.

Non-creation of a separate monitoring cell

3.4.30 Separate monitoring cell for disposal of complaints of consumers other than Fora had not been operated at State/District level. The Director Health and Family Welfare, Himachal Pradesh and Controller (W and M) confirmed the facts.

Evaluation

3.4.31 The Act had been implemented in the State since November 1989 but no evaluation to ascertain the impact of its working through some independent agency had been done.

Recommendations

Priority should be given for disposal of old cases.

Cases should be settled by resorting to Lok Adalats once in a month.

Collectors should be made responsible for executing the attachment orders.

Whole time District Fora may be opened in the remaining districts of the State.

The matter was referred to the Government in September 2005; their reply had not been received (September 2005).

Animal Husbandry Department

3.5 Working of Himachal Pradesh State Co-operative Milk Producers Federation Limited (*Milkfed*)

Introduction

3.5.1 The Himachal Pradesh State Co-operative Milk Producers Federation Limited (*Milkfed*) was registered as a Co-operative Society in January 1980 under the Co-operative Societies Act, 1968 with the objectives of promoting production, procurement, processing and marketing of milk and milk products for economic development of the farming community and allied activities for the promotion of dairy industry, improvement and protection of milch animals and economic betterment of those engaged in milk production.

The area of operation of *Milkfed* extends to whole of the State and is divided into three units at Kangra, Mandi and Shimla. The Board of Directors controls the financial and administrative activities of *Milkfed* through the Managing Director (MD). The MD is assisted by the General Manager (GM), Managers, Accounts and Establishment at Headquarters at Shimla and Senior Manager (Plant) in each unit.

Records of *Milkfed* for the period 2000-2005 were test-checked during February-April 2005. Points noticed during audit are discussed in the succeeding paragraphs.

Financial Management

Accumulated losses

3.5.2 Mention was made in paragraph 6.2.5 of the Report of the Comptroller and Auditor General of India (Civil) for the year ending 31 March 1998 regarding accumulated losses. In reply to the recommendations of the PAC, it was stated that the *Milkfed* was making every possible effort to reduce the losses by bringing down the overheads, increasing the sale of milk and milk products, trading in cattle feed, *Verka* milk and bread.

Audit scrutiny, however, revealed that the *Milkfed* had been incurring losses year after year. The accumulated losses stood at Rs 13.46 crore as of March 2004 as against Rs 9.45 crore in March 2000. The losses had fully eroded the paid up capital of Rs 6.38 crore. This is indicative of the fact that effective steps were not taken by the *Milkfed* to reduce the losses.

Programme Implementation

Procurement and collection of milk

3.5.3 Milk was being collected by *Milkfed* from milk producers through Village Dairy Co-operative Societies (VDCs) organised by it.

As of March 2005, 63¹ *per cent* of the total 379 VDCs and 74² *per cent* of the total membership of 21,455 were concentrated in Mandi, Shimla and Sirmour districts which indicated that major activities were confined to these three districts. MD stated that *Milkfed* was motivating the farmers of other districts to adopt dairy farming on commercial lines. The reply is not tenable as no record supporting this statement was produced to audit.

Operation of uneconomic chilling plants

3.5.4 Milk collected from the VDCs is brought to chilling plants. After chilling, the milk is transferred to dairy plants for processing. As on March 2005, *Milkfed* had 21 chilling plants³. The capacity of chilling plants ranged between 500 litres per day (LPD) and 6000 LPD.

Mention was made in paragraph 6.2.6.6 of the Report of the Comptroller and Auditor General of India (Civil) for the year ending March 1998 regarding non-closure of the uneconomical plants. In reply to the recommendations of the PAC, it was stated that the machinery of such chilling plants would be relocated to places where sufficient surplus milk was found after survey. It was also stated that *Milkfed* was endeavouring to form new VDCs in the existing operational area.

Test-check of the records for 2000-2005 revealed that of 21 chilling plants, the capacity utilisation of seven chilling plants⁴ ranged between 0 and 18 *per cent*. Of these, the capacity utilisation of three chilling plants⁵ ranged between 0 and 10 *per cent*. Even then no chilling plant has been relocated.

MD stated (April 2005) that the chilling plants at Raja-ka-Talab, Bangana, Bhambla, Kataula, Parel and Darkata could not be closed/relocated due to political and administrative reasons.

1 VDCs Mandi: 129; Shimla: 55 and Sirmour: 55.

2 Membership Mandi: 9,004; Shimla: 2,516 and Sirmour: 4,337.

3 Bilaspur: Bilaspur; Chamba: Parel; Hamirpur: Jalari; Kangra: Darkata, Milwan, Raja ka Talab; Kullu: Mohal, Mandi; Bhambla, Kataula, Kotli, Kunnu, Sidhyani; Shimla: Kepu; Sirmour: Bagthan, Nahan, Rajgarh, Renuka, Sarahan; Solan: Maryog and Una: Bangana and Jhalera.

4 Bangana, Bhambla, Darkata, Kataula, Mohal, Parel and Raja-ka-Talab.

5 Bhambla, Mohal and Raja-ka-Talab.

Procurement of milk from outside the State at higher rates

3.5.5 It was noticed in audit that instead of increasing the procurement of milk from within the State, *Milkfed* purchased 89.86 lakh litres of packed milk from Punjab *Milkfed* at higher rates during 2000-2004. The rates of milk purchased from Punjab ranged between Rs 13.80 and Rs 14.05 per litre whereas the rates of milk procured from the producers within the State ranged between Rs 7.98 and Rs 8.80 per litre during the aforesaid period. As such, purchase of packed milk at higher rates had not only resulted into extra expenditure of Rs 5.26 crore during 2000-2004 as compared to cost of milk to be procured within the State but also underutilisation of existing infrastructure with the *Milkfed*.

The MD stated (April 2005) that *Milkfed* opted for packed milk of Punjab *Milkfed* because of its freshness and rich creamy flavour. The reply is not tenable as efforts should have been made to improve the quality of the milk rather than indulging in trading of the milk of Punjab *Milkfed*.

Processing of milk

3.5.6 Of 483.78 lakh litres of milk procured during 2000-2005, only 269.21 lakh litres (55.64 *per cent*) was processed and the remaining 214.57 lakh litres (44.36 *per cent*) was sold outside the State to other milk plants. MD stated (April 2005) that total milk procured from the farmers was not processed due to limited sale of processed packed milk and other milk products. The reply is not tenable as efforts should have been made to strengthen the marketing of processed milk and other milk products.

Underutilisation of the capacity of milk plants

3.5.7 The installed capacity of Kangra and Mandi milk plants was 10,000 LPD and that of Shimla plant was 20,000 LPD.

The capacity utilisation of Kangra milk plant ranged between 26 and 34 *per cent* and of Shimla milk plant it ranged between 43 and 62 *per cent* during 2000-2005. The MD stated (April 2005) that the milk producers of Kangra unit bordering Punjab were selling their surplus milk to Punjab *Milkfed* which was giving them higher rates. He further stated that the installed capacity of Shimla plant was doubled to 20,000 LPD in 1995 with the presumption that the milk procurement under Shimla unit would increase with the implementation of Integrated Dairy Development Project in Himachal Pradesh.

Production and sale of milk products

3.5.8 As stated in para-3, in reply to the recommendations of the PAC, it was stated that the *Milkfed* was making every effort to reduce the losses by increasing the sale of milk and milk products, etc.

Position of the targets, achievements and shortfall for the production and sale of milk products during 2000-2005 was as under:

Table: 3.19

Year	Ice cream (cups)			SFM (Bottles)			Ghee (Kgs)			Butter (Kgs)		
	Target	Achievement	Shortfall	Target	Achievement	Shortfall	Target	Achievement	Shortfall	Target	Achievement	Shortfall
2000-2001	100000	9681	90,319 (90)	350000	55912	294088 (84)	54300	40547	13753 (25)	10,100	4013	6087 (60)
2001-2002	150000	1486	148514 (99)	190000	40194	149806 (79)	55000	48049	6951 (13)	10000	4973	5027 (50)
2002-2003	120000	9553	110447 (92)	275000	42238	232762 (85)	66000	65009	991 (02)	10500	4998	5502 (52)
2003-2004	120000	16313	103687 (86)	325000	18547	306453 (94)	100000	48474	51526 (52)	11000	5143	5857 (53)
2004-2005	30000	9376	20624 (69)	45000	17395	27605 (61)	62000	48547	13453 (22)	8042	6379	1663 (21)

Note: Figures in brackets represent percentage of shortfall in achievements of targets.

From the above table it would be seen that the shortfall in achievement of targets fixed ranged for production and sale of (i) ice cream between 69 and 99 per cent (ii) sweetened flavoured milk (SFM) between 61 and 94 per cent (iii) ghee between two and 52 per cent and (iv) butter between 21 and 60 per cent during the period 2000-2005. MD stated (April 2005) that low production and sale of ice cream and SFM was due to less demand for ice cream and consumers' preferred disposable bottles to recycled bottles of SFM.

As regards *ghee* and butter, the shortfall was attributed to stiff competition in the market. The reply is not tenable as efforts should have been made to strengthen the marketing of these products.

Excess use of skimmed milk powder

3.5.9 As per Prevention of Food Adulteration Act, (PFA) the minimum requirement of solid not fat (SNF) is 8.5 *per cent* in standardised and toned milk and 9 *per cent* in double toned milk. As per information supplied by *Milkfed* 100 Kg of skimmed milk powder (SMP) was required to increase 90 Kg of SNF. Milk processed by Kangra, Mandi and Shimla units during 2000-2005 contained SNF ranging between 6.51 and 8.06 *per cent*. In order to raise the SNF to the required level 1,51,266 Kgs SMP was required against which 3,96,168 Kgs of SMP was utilised. This resulted in excess use of 2,44,902 Kgs SMP valued at Rs 2.04 crore at different rates of SMP ranging between Rs 62 and Rs 98 per kg.

The MD stated (April 2005) that the matter would be investigated.

Distribution of milk

3.5.10 Targets for distribution of milk were fully achieved in 2004-2005 (Kangra), 2000-2001 (Mandi) and 2000-2002 (Shimla). Shortfall in achievement of target in other years ranged between 17 and 29 *per cent* in Kangra, four and 38 *per cent* in Mandi and three and 15 *per cent* in Shimla units respectively.

The MD stated (April 2005) that shortfall in achievement of targets was due to the fact that mostly cow milk was distributed by *Milkfed* whereas consumers prefer buffalo milk and other brand of milk available in the market from the neighbouring States. The reply is not tenable because *Milkfed* should have competed with other brands by improving the quality of its milk and exploring new markets.

Sale of sub standard milk

3.5.11 According to the Prevention of Food Adulteration Act, 1955, buffalo and cow raw milk should contain 9 and 8.5 *per cent* SNF respectively. *Milkfed* sold 81.21 lakh litres of unprocessed chilled milk to the consumers containing SNF between 7.64 and 8.45 *per cent* during 2000-2005 which was below the prescribed standards. The MD stated (April 2005) that consumers were aware of the quality of milk supplied to them. Reply is not tenable as it was not known as to how the consumers knew about availability of less SNF in milk.

Allied activities not promoted by *Milkfed*

3.5.12 One of the objectives of *Milkfed* was the development and expansion of allied activities conducive for the promotion of dairy industry, improvement and protection of milch animals and economic betterment of those engaged in milk production. No scheme for achievement of this objective was framed and operated by the *Milkfed*. MD stated (April 2005) that allied activities were being undertaken by the Animal Husbandry Department. The reply is not tenable as allied activities should have been undertaken by *Milkfed* itself.

Outstanding advances

3.5.13 Rupees 3.06 crore were advanced to National Dairy Development Board (NDDB) between November 2000 and April 2003 for construction of Administrative Block of *Milkfed* at Shimla and purchase of machinery and equipment for use in three milk plants⁶. Of this, amount of Rs 1.18 crore had not been adjusted by the NDDB as of April 2005. The MD stated (April 2005) that NDDB would be asked to adjust the advances.

Internal control system

3.5.14 Internal control is an important mechanism for ensuring smooth working of an organisation. It also ensures that various systems have been put in place and are functioning properly. *Milkfed* had fixed the schedule for inspection of Village Dairy Cooperative Societies, chilling plants and production units and the inspections were also carried out. It had also fixed the schedule for submission of periodical reports which were also received. However, the system had not worked effectively as *Milkfed* had been incurring losses year after year, uneconomical chilling plants were still working, the milk plants were underutilised and there was no increase in production and sale of milk products. It was also noticed that rules had not been framed for proper conduct of the business of the *Milkfed* as required by its bye-laws. The MD admitted (September 2005) the above facts.

These points were referred to the Government in June 2005; their reply had not been received (July 2005).