



**Report of the
Comptroller and Auditor General of India
on
Social, General and Economic Sectors
(Non-Public Sector Undertakings)
for the year ended 31 March 2018**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Himachal Pradesh
Report No. 4 of the year 2019

**Report of the
Comptroller and Auditor General of India**

on

Social, General and Economic Sectors
(Non-Public Sector Undertakings)

for the year ended 31 March 2018

Government of Himachal Pradesh
Report No. 4 of the year 2019

Table of Contents

Description	Reference to	
	Paragraph	Page No.
Preface		v
Overview		vii
CHAPTER-I: INTRODUCTION		
Budget profile	1.1	1
Application of resources of the State Government	1.2	1
Funds transferred directly to the State implementing agencies	1.3	2
Grants-in-aid from Government of India	1.4	2
Planning and conduct of Audit	1.5	2
Response of Government to Audit Report	1.6	3
Recoveries at the instance of Audit	1.7	3
Lack of responsiveness of Government to Audit	1.8	4
Follow-up on Audit Reports	1.9	4
Year-wise details of performance audits and paragraphs appeared in Audit Reports	1.10	5
CHAPTER-II: PERFORMANCE AUDIT		
Public Works Department		
Construction of Rural Roads Financed by NABARD	2.1	7
Urban Development and Irrigation & Public Health Departments		
Sewage Management in Urban Areas	2.2	33
CHAPTER-III: COMPLIANCE AUDIT		
Animal Husbandry Department		
Unproductive expenditure on milk processing plant	3.1	59
Environment, Science and Technology Department		
Infructuous expenditure on programme for Environment Protection and Carbon Neutrality	3.2	60
Tardy implementation of project for medicinal and aromatic plants for upliftment of rural poor	3.3	63
Fisheries Department		
Unproductive investment on implementation of Fish Cage Culture project	3.4	66
Food, Civil Supplies and Consumer Affairs Department		
Follow-up Audit: Performance Audit of Public Distribution System	3.5	68
Health and Family Welfare Department		
Procurement, Supply and Utilisation of Drugs & Consumables and Machinery & Equipment in Health Institutions under the Directorate of Health Services	3.6	80

Industries Department		
Excess payment of agency charges on deposit works	3.7	94
Loss due to non-renewal of Bank Guarantee	3.8	95
Irrigation and Public Health Department		
Idle investment on irrigation project through rain water harvesting structures	3.9	97
Unfruitful expenditure on augmentation of water supply schemes	3.10	99
Unfruitful expenditure and loss on augmentation of lift water supply scheme	3.11	102
Unproductive expenditure on non-functional lift irrigation scheme	3.12	103
Planning Department		
Misutilisation of Sectoral Decentralised Planning funds	3.13	105
Sanction of funds for inadmissible works under Member of Parliament Local Area Development Scheme and Vidhayak Kshetra Vikas Nidhi Yojana	3.14	106
Public Works Department		
Short realisation of dues for laying of optical fibre cable	3.15	107
Unfruitful expenditure due to non-completion of construction of road	3.16	108
Revenue Department		
Diversion and misutilisation of money from State Disaster Response Fund (SDRF) for inadmissible works	3.17	111
Short-realisation of contribution towards Local Area Development Fund (LADF) and misutilisation of LADF amount	3.18	113
Tourism and Civil Aviation Department		
Avoidable payment of interest	3.19	115
Transport Department		
Avoidable loss on construction of bus stand on unsafe site	3.20	116
Infructuous expenditure due to selection of unsuitable site for bus stand	3.21	117

APPENDICES			
Appendix No.	Particulars	Reference to	
		Paragraph	Page No.
1.1	Year-wise break up of outstanding Inspection Reports/ Paragraphs on 31 March 2018 of selected Drawing and Disbursing Officers	1.8	121
1.2	Statement showing irregularities commented upon in the outstanding Inspection Reports and Paragraphs as on 31 March 2018	1.8	121
2.1	Flow chart showing Sewage Management Process and responsibility framework	2.2.1	122
2.2	Flow chart showing process of sewage treatment and disposal in STP	2.2.9	123
3.1	Shortfalls of deliverables under "Community Led Assessment, Awareness, Advocacy and Action Programme (CLAP)"	3.2	124
3.2	Details regarding short/ non-supply/ excess supply/ supply without demand of medicines to test-checked health institutions during 2016-18	3.6.3.4	125
3.3	Details regarding short/ non-supply of medicines from district stores against the indents by the test-checked field units	3.6.3.4	129
3.4	Details regarding idle machinery and equipment in four test-checked districts	3.6.3.15	130
3.5	Details of short realisation of dues from telecom companies for laying of optical fibre cable	3.15	132
3.6	Details regarding amount of recovery due from 12 HPP developers	3.18	133
3.7	Statement showing avoidable payment of interest paid to land owners	3.19	134

Overview

This Report contains two performance audits on (i) Construction of Rural Roads Financed by NABARD and (ii) Sewage Management in Urban Areas and 21 compliance audit paragraphs including one thematic paragraph and one follow up audit. Some of the major audit findings are mentioned below:

Performance Audit

Construction of Rural Roads Financed by NABARD

Performance Audit on 'Construction of Rural Roads financed by NABARD' covered issues of planning, finance, execution and quality controls/ monitoring. Audit noticed deficiencies in planning, fund management and execution of projects including contract management. Quality controls and monitoring of the projects were also ineffective. Some of the major findings are as under:

- Public Works and Planning Departments had not provided inputs to MLAs for prioritisation of projects under NABARD and selection of projects was made without anticipating bottlenecks, coordinated approach and comprehensive analysis of projects.
(Paragraph 2.1.6.1)
- Out of the 106 projects sanctioned during 2013-18, no project was sanctioned for distressed areas against 65 projects recommended by MLAs although roads were sanctioned for already connected villages.
(Paragraph 2.1.6.1)
- Three test-checked divisions had executed five projects at a cost of ₹ 7.76 crore without provision of black-top as required under NABARD guidelines depriving the public of all-weather road connectivity.
(Paragraph 2.1.6.5)
- Calculation of internal rate of return/ economic rate of return and benefit cost ratio in DPRs was not based on reliable data.
(Paragraph 2.1.6.7)
- In nine test-checked divisions, ₹ 10.71 crore irregularly withdrawn from the Consolidated Fund against NABARD projects were lying unspent in deposit head for 10 to 82 months. Against reimbursement of expenditure as loan for projects sanctioned during 2013-18, there was short claim of ₹ 57.73 crore from NABARD.
(Paragraphs 2.1.7.1 and 2.1.10.1)
- Non-obtaining of performance security, non-levy/ non-recovery of compensation for delay, inadmissible payment of cost-escalation and non-recovery of royalty and useful stones from contractors resulted in extension of undue financial benefit/ favour of ₹ 10.94 crore in 119 contracts.
(Paragraphs 2.1.8.1 to 2.1.8.5)
- Out of 269 projects sanctioned for ₹ 859.26 crore, 132 projects with the sanctioned cost of ₹ 393.79 crore were taken up for execution within one year. Only 65 projects were completed within stipulated period of four years after incurring an expenditure of ₹ 135.07 crore.
(Paragraph 2.1.9.1)
- In 17 test-checked divisions, 123 projects (out of 269) sanctioned for ₹ 414.67 crore were awarded to the contractors after a delay of one to 111 months resulting in further delay in execution of the projects.
(Paragraph 2.1.9.3)
- Thirty three roads constructed by eight test-checked divisions at a cost of ₹ 49.00 crore were not passed for vehicular traffic by road fitness committees rendering expenditure on these roads as largely unfruitful.
(Paragraph 2.1.9.8)

- Quality control mechanism was ineffective as Executive Engineers of test-checked divisions had not taken action for rectification of deficiencies in 28 projects pointed out in 134 inspections carried out by State Quality Control Wing (32) and State Quality Monitors (102) during 2013-18. (Paragraph 2.1.10.3)

Sewage Management in Urban Areas

Performance audit of sewage management in urban areas was conducted to evaluate aspects relating to planning and direction, fund utilisation, collection, treatment, and disposal of sewage through sewerage and septic tank systems and monitoring. Some of major findings are as under:

- Shortcomings in planning and direction included: non-preparation of strategy, non-ensuring of encumbrance-free land for sewerage schemes, lack of proactive action with regard to upgrading of overstressed STPs, design deficiencies in STPs/septic tanks, and lack of control over disposal of sludge. (Paragraph 2.2.5)
- Shortcomings in financial management included: inadequate funding for sewerage schemes, non-release of 30 *per cent* and delayed release of 43 *per cent* funds by ULBs to IPH divisions, non-utilisation of 58 *per cent* funds in 11 out of 16 test-checked divisions, non-utilisation of funds received from the Finance Commission by 15 test-checked ULBs, and shortcomings with regard to collection of user charges. (Paragraph 2.2.6)
- Out of 25 test-checked sewerage schemes only one scheme was completed after delay of 205 months; 13 schemes were incomplete (delay: 18 to 230 months); and 11 schemes had not been started due to lack of planning for acquisition/ transfer of land; non-ensuring of encumbrance free land for laying of sewerage network; delay in preparation of DPRs; and lack of funds. (Paragraph 2.2.7)
- Households/ establishments were not connecting to sewerage network resulting in under-utilisation of STPs. Three STPs were over-stressed adversely impacting the treatment process and resulting in poor effluent quality. (Paragraphs 2.2.8 to 2.2.9.1)
- Non-functioning of STP components and design shortcomings resulted in poor quality of effluent being released into surface water bodies. In a large number of STPs, criteria for quality of treated effluent were not being met. Sludge treatment was inadequate. (Paragraphs 2.2.9.2 to 2.2.9.4)
- Community and domestic level septic tank systems did not have effluent treatment facility and effluent was being discharged into water bodies without proper treatment. There was no mechanism for de-sludging of the tanks at designated periods or for treatment of sludge before disposal. This had resulted in risk of contamination of water bodies and water borne diseases due to disposal of sludge and effluent without proper treatment. (Paragraphs 2.2.10.1 and 2.2.10.2)
- Monitoring mechanisms were weak at the Department, ULB and IPH division levels. (Paragraph 2.2.11)

Compliance Audit

Unproductive expenditure on milk processing plant

Failure of the HP-*Milkfed* (Animal Husbandry Department) in making realistic assessment of available milk and non-formation/ functioning of envisaged Village Dairy Cooperative Societies resulted in underutilisation of milk processing plant

rendering the investment of ₹ 63.35 lakh largely unproductive and leading to operational loss of ₹ 1.40 crore.

(Paragraph 3.1)

Infructuous expenditure on programme for Environment Protection and Carbon Neutrality

Shortcomings in the agreement signed with Programme Management Agency (PMA), failure of the Environment, Science and Technology Department to ensure compliance with the provisions of the agreement by the PMA, and lack of monitoring by the Department resulted in non-achievement of intended programme objectives of mobilising communities for environmental assessment, protection and carbon neutrality, and infructuous expenditure of ₹ 1.96 crore.

(Paragraph 3.2)

Procurement, Supply and Utilisation of Drugs & Consumables and Machinery & Equipment in Health Institutions under the Directorate of Health Services

Assessment of demand for procurement of drugs & consumables and their distribution was neither scientific nor systematic, leading to instances of non-procurement, delay in procurement and non-availability of drugs; and non-issuing, short issuing, excess issuing of drugs to health institutions. Drugs were purchased irregularly and without requirement resulting in their expiry. Ineffective quality control resulted in distribution of substandard drugs to patients. Procurement of machinery & equipment was not systematic in the absence of any inventory management system leading to cases of non-procurement and procurement without requirement, which resulted in items remaining unutilised/ idle and non-functional. Items were also found to be lying unutilised owing to non-posting of technical staff.

(Paragraph 3.6)

Excess payment of agency charges on deposit works

Failure of the Industries Department in restricting the payment of agency charges to the approved rates resulted in excess payment of ₹ 2.13 crore to the Corporation on total value of deposit work of ₹ 89.37 crore executed during 2015-18.

(Paragraph 3.7)

Idle investment on irrigation project through rain water harvesting structures

Failure of the Irrigation and Public Health Department to secure prior forest clearance before award of works to contractors led to non-completion of a project for more than eight years defeating the purpose of providing irrigation facility to the beneficiaries and resulted in idle investment of ₹ 17.48 crore.

(Paragraph 3.9)

Unfruitful expenditure and loss on augmentation of lift water supply scheme

Faulty planning and failure of the Irrigation and Public Health Department to design safer alignment of a lift water supply scheme led to damage of rising main of booster and first stage in flash floods resulting in loss of ₹ 0.60 crore besides rendering the expenditure of ₹ 1.45 crore as unfruitful.

(Paragraph 3.11)

Misutilisation of Sectoral Decentralised Planning funds

Funds amounting to ₹ 2.93 crore out of allocations under Sectoral Decentralised Planning (SDP) meant for addressing development needs were misutilised by Planning Department for construction and repair works in Government residential and office buildings and religious places in violation of scheme guidelines.

(Paragraph 3.13)

Sanction of funds for inadmissible works under Member of Parliament Local Area Development Scheme and Vidhayak Kshetra Vikas Nidhi Yojana (Planning Department)

Despite the violation having been highlighted previously by Audit, funds amounting to ₹ 1.93 crore were released by the Deputy Commissioners of five districts for execution of 170 works within places of religious worship in violation of scheme guidelines.

(Paragraph 3.14)

Short realisation of dues for laying of optical fibre cable

Failure of the Public Works Department to apply correct rates for dues from telecom companies for laying of optical fibre cable along roads resulted in short realisation of ₹ 1.66 crore.

(Paragraph 3.15)

Unfruitful expenditure due to non-completion of construction of road

Due to improper planning and repeated failure of the Public Works Department in preparation of estimates as per topography/ site conditions, the road could not be completed for more than 14 years depriving the beneficiaries of intended road connectivity and the expenditure of ₹ 17.98 crore remained unfruitful.

(Paragraph 3.16)

Diversion and misutilisation of money from State Disaster Response Fund (SDRF) for inadmissible works (Revenue Department)

The State Executive Committee was not discharging its duty of ensuring that money drawn from SDRF was being properly utilised, resulting in diversion and misutilisation of ₹ 2.19 crore from SDRF by Deputy Commissioners for repair and restoration of Government office and residential buildings not damaged by disaster/ calamity, while claims of ₹ 3.19 crore for immediate relief to victims of natural calamities remained pending, defeating the purpose of SDRF.

(Paragraph 3.17)

Short-realisation of contribution towards Local Area Development Fund (LADF) and misutilisation of LADF amount (Revenue Department)

Local Area Development Fund of ₹ 6.14 crore and interest thereupon of ₹ 2.72 crore were short-realised from developers of hydroelectric power projects although a period ranging between four months and ten years had elapsed since the date on which final instalment was due. Funds amounting to ₹ 2.05 crore were misutilised on items not pertaining to local area development.

(Paragraph 3.18)

Avoidable payment of interest

Failure of the Tourism and Civil Aviation Department to release compensation of ₹ 2.02 crore to seven land owners for eight years resulted in avoidable interest payment of ₹ 1.76 crore.

(Paragraph 3.19)

Avoidable loss on construction of bus stand on unsafe site (Transport Department)

Imprudent decision of the Authority to construct a bus stand in flood prone area and failure of the Authority to adopt flood protection measures to reduce/ mitigate the effects of floods resulted in avoidable loss of ₹ 5.25 crore and avoidable expenditure of ₹ 1.01 crore on restoration of damages.

(Paragraph 3.20)

Infructuous expenditure due to selection of unsuitable site for bus stand (Transport Department)

Lack of planning on part of the Himachal Pradesh City Transport and Bus Stands Management and Development Authority in selecting suitable site coupled with failure to assess the requirement and finalise the design of proposed bus stand rendered the expenditure of ₹ 93.61 lakh on preparatory works infructuous.

(Paragraph 3.21)

PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 has been prepared for submission to the Governor of the State of Himachal Pradesh under Article 151 (2) of the Constitution of India.

The Report contains significant results of performance audit and compliance audit of the departments/ autonomous bodies of the Government of Himachal Pradesh under the Social, General and Economic Sectors (Non-Public Sector Undertakings) conducted in terms of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Services) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit done during the year 2017-18 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2017-18 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued (March 2002) by the Comptroller and Auditor General of India.

Chapter-I

Introduction

CHAPTER-I INTRODUCTION

1.1 Budget profile

There are 53 departments and 67 autonomous bodies in the State. During 2017-18, against overall budget estimate of ₹ 41,244 crore, there was expenditure of ₹ 47,855 crore. The position of budget estimates and expenditure by the State Government during 2013-18 is given in **Table-1.1** below:

Table-1.1: Budget and Expenditure of the State Government during 2013-18

(₹ in crore)

Particulars	2013-14		2014-15		2015-16		2016-17		2017-18	
	Budget Estimates	Expenditure	Budget Estimates	Expenditure						
Revenue Expenditure										
General Services	7,196	7,047	8,344	7,604	9,207	8,788	10,135	9,728	11,230	11,009
Social Services	7,117	6,706	7,913	7,451	9,676	7,980	11,388	9,610	11,884	10,337
Economic Services	4,873	3,590	5,413	4,723	6,407	5,525	7,314	5,996 ¹	7,734	5,697
Grants-in-aid & contributions	3	9	3	9	5	10	5	10	9	10
Total (1)	19,189	17,352	21,673	19,787	25,295	22,303	28,842	25,344	30,857	27,053
Capital Expenditure										
Capital Outlay	2,104	1,856	1,993	2,473	2,991	2,864	3,241	3,499	3,531	3,756
Loans and advances disbursed	342	531	367	474	397	463	428	3,290	448	503
Repayment of Public Debt	1,714	1,704	1,511	8,260	1,503	3,948	2,229	3,943	3,105	3,500
Contingency Fund	--	--	--	--	--	--	--	--	--	--
Public Accounts disbursements	2,828	9,227	2,978	8,844	2,978	10,577	3,103	12,351	3,303	13,043
Closing Cash balance	--	(-) 887	--	(-) 739	--	216	--	316	--	183
Total (2)	6,988	12,431	6,849	19,312	7,869	18,068	9,001	23,399	10,387	20,985
Grand Total (1+2)	26,177	29,783	28,522	39,099	33,164	40,371	37,843	48,743	41,244	48,038

Source: Annual Financial Statements and Finance Accounts of State Government.

1.2 Application of resources of the State Government

The total expenditure² of the State increased from ₹ 19,739 crore to ₹ 31,312 crore during 2013-18 while revenue expenditure increased by 56 per cent from ₹ 17,352 crore in 2013-14 to ₹ 27,053 crore in 2017-18. Non-Plan revenue expenditure increased by 56 per cent from ₹ 14,965 crore to ₹ 23,281 crore and capital expenditure increased by 102 per cent from ₹ 1,856 crore to ₹ 3,756 crore during 2013-18.

The revenue expenditure constituted 79 to 88 per cent of the total expenditure during the years 2013-18 and capital expenditure nine to 12 per cent. During this period, total

¹ It included compensation of ₹ 446.96 crore to Renukaji Bandh displaced people.

² Total expenditure includes revenue expenditure, capital outlay and loans and advances.

expenditure increased at an annual average rate of 11 *per cent* whereas revenue receipts grew at an annual average of 12 *per cent*.

1.3 Funds transferred directly to State implementing agencies

During 2017-18, Government of India (GoI) directly transferred ₹ 901.83 crore to various State implementing agencies in spite of Central Government decision to route these funds through State budget from 2014-15. Consequently, these amounts remained outside the scope of the annual accounts (Finance Accounts and Appropriation Accounts).

1.4 Grants-in-aid from Government of India

The grants-in-aid received from GoI during 2013-18 are depicted in **Table-1.2** below:

Table-1.2: Grants-in-aid from Government of India

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	2,025	1,199	8,524	8,877	--
Grants for State Plan Schemes	3,765	4,333	756	1,188	--
Grants for Central Plan Schemes	17	31	38	44	--
Grants for Centrally Sponsored Schemes	507	1,615	1,978	3,055	3,590
Finance Commission Grant	--	--	--	--	8,889
Other Transfer/ Grants to State/ Union Territories with Legislature	--	--	--	--	615
Total	6,314	7,178	11,296	13,164	13,094
Percentage of increase/ decrease over previous year	(-) 13.66	13.68	57.37	16.54	(-) 0.53
Percentage of Revenue Receipts	40	40	48	50	48

Total grants-in-aid from GoI increased from ₹ 6,314 crore in 2013-14 to ₹ 13,094 crore in 2017-18. Its percentage to revenue receipts ranged between 40 and 50 during 2013-18.

1.5 Planning and conduct of Audit

The audit process commences with a risk assessment of various departments, autonomous bodies, schemes/ projects that includes an assessment of the criticality/ complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Reports containing audit findings are issued to the heads of the offices with request to furnish replies within one month. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India and submitted to the Governor of Himachal Pradesh under Article 151 of the Constitution of India.

During 2017-18, compliance audit of 1,203 drawing and disbursing officers of the State and 67 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Himachal Pradesh. Besides, four performance audits were also conducted.

1.6 Response of Government to Audit Report

In the last few years, Audit reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments which had negative impact on the success of programmes and functioning of the departments. The focus was on auditing specific programmes/ schemes and to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

As per Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audits/ draft paragraphs proposed for inclusion in the Audit Reports within six weeks. Draft reports and paragraphs proposed for inclusion in the Report are also forwarded to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on four performance audits and 26 audit paragraphs were forwarded to the concerned Administrative Secretaries. The matter was also brought to the notice of the State Chief Secretary in December 2018. Replies were received in the case of four performance audits and 22 audit paragraphs.

1.7 Recoveries at the instance of Audit

Audit findings involving recoveries that came to notice in the course of test audit of accounts of the departments of the State Government during audit were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit.

Against recovery of ₹ 172.54 crore pointed out in 5,607 cases, the DDOs concerned had accepted recovery of ₹ 167.29 crore in 5,554 cases, however, recovery of ₹ 5.99 crore in 2,332 cases only was effected during 2017-18 as detailed in **Table-1.3** below:

Table-1.3: Recoveries pointed out by Audit and accepted /effected by Departments during 2017-18

(₹ in crore)

Department	Particulars of recoveries noticed	Recoveries pointed out in audit during 2017-18		Recoveries accepted during 2017-18		Recoveries effected during 2017-18	
		Number of cases	Amount involved	Number of cases	Amount involved	Number of cases	Amount involved
Miscellaneous Departments	Overpayment, outstanding advances, etc.	5,607	172.54	5,554	167.29	2,332	5.99

1.8 Lack of responsiveness of Government to Audit

The heads of offices and next higher authorities are required to report their compliance to the Principal Accountant General (Audit) within four weeks of receipt of inspection Reports (IRs). Based on the results of test audit, 36,647 audit observations contained in 8,745 IRs outstanding as on 31st March 2018 are given in **Table-1.4** below:

Table-1.4: Outstanding Inspection Reports/ Paragraphs

(₹ in crore)

Sl. No.	Name of Sector	Inspection Reports	Paragraphs	Amount involved
1.	Social Sector	6,159	27,142	17,060
2.	General Sector	1,324	5,850	1,841
3.	Economic Sector (Non-PSUs)	1,262	3,655	7,243
	Total	8,745	36,647	26,144

A detailed review of 138 IRs issued to 73 Drawing and Disbursing Officers (DDOs) upto September 2017 pertaining to Social Justice and Empowerment Department showed that 285 paragraphs having financial implications of about ₹ 230.05 crore remained outstanding for settlement at the end of 31 March 2018. Of these, the oldest item pertained to IR issued during the year 1978-79. The year-wise position of these outstanding IRs and paragraphs is detailed in **Appendix-1.1** and types of irregularities in **Appendix-1.2**.

The departmental officers failed to take action on observations contained in IRs within the prescribed time frame resulting in erosion of accountability. It is recommended that the Government may look into the matter to ensure prompt and proper response to audit observations.

1.9 Follow-up on Audit Reports

According to the Rules and Procedure for the Committee on Public Accounts, all administrative departments were to initiate *suo motu* action on all audit paragraphs and performance audits featuring in the Audit Reports of the Comptroller and Auditor General of India regardless of whether these are taken up for examination by the Public Accounts Committee or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature.

The position regarding non-receipt of Action Taken Notes (ATNs) on the paragraphs included in the Audit Reports upto the period ended 31 March 2017 as on 31 August 2018 is given in **Table-1.5** below:

Table-1.5: Position regarding non-receipt of ATNs on the paragraphs included in the Audit Reports

Audit Report	Year	Department(s)	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 st August 2018
Social, General and Economic Sectors (Non-PSUs)	2011-12	Revenue	09/04/2013	08/07/2013	01
	2012-13	Tribal Development	21/02/2014	20/05/2014	01
	2013-14	Health and Family Welfare	10/04/2015	09/07/2015	02
		Tribal Development			01
		Medical Education and Research			01
	2014-15	SC, OBC and Minority Affairs	07/04/2016	06/07/2016	01
		Revenue			01
	2015-16	Public Works	31/03/2017	30/06/2017	02
		Home			02
		IPH			03
		Fisheries			01
		Planning			01
		Revenue			01
	2016-17	Miscellaneous Departments (Except Agriculture, IPH and Industries)	05/04/2018	04/07/2018	--
State Finances	2016-17	Finance and Miscellaneous Departments	05/04/2018	04/07/2018	All Chapters

1.10 Year-wise details of performance audits and paragraphs appeared in Audit Reports

The year-wise details of performance audits and paragraphs that appeared in the Audit Reports for the last three years alongwith their money value is given in **Table-1.6** below:

Table-1.6: Performance audits and Paragraphs that appeared in Audit Reports 2014-17 (₹ in crore)

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value	Number	Money value	Performance Audits	Paragraphs
2014-15	4	1,389.83	28	653.39	--	3
2015-16	5	343.99	13	67.62	--	4
2016-17	4	318.11	26	595.88	--	5

During 2017-18, two performance audits and 21 Audit Paragraphs were issued to the State Government. Replies in respect of two performance audits and 20 draft paragraphs were received from the Government.

Two Performance Audits involving money value of ₹ 341.17 crore and 21 audit paragraphs involving ₹ 114.52 crore have been included in this Report. Replies wherever received have been suitably incorporated in the Report.

Chapter-II
Performance Audit

CHAPTER-II PERFORMANCE AUDIT

Public Works Department

2.1 Construction of Rural Roads Financed by NABARD

Performance Audit on 'Construction of Rural Roads Financed by NABARD' covered issues of planning, finance, execution and quality control/ monitoring. Audit noticed deficiencies in planning, fund management, execution of projects, contract management, quality control and monitoring. Some of the major findings are as under:

Highlights:

- *Public Works and Planning Departments had not provided inputs to MLAs for prioritisation of projects under NABARD and selection of projects was made without anticipating bottlenecks, coordinated approach and comprehensive analysis of projects.*
(Paragraph 2.1.6.1)
- *Out of the 106 projects sanctioned during 2013-18, no project was sanctioned for distressed areas against 65 projects recommended by MLAs although roads were sanctioned for already connected villages.*
(Paragraph 2.1.6.1)
- *Three test-checked divisions had executed five projects at a cost of ₹7.76 crore without provision of black-top as required under NABARD guidelines depriving the public of all-weather road connectivity.*
(Paragraph 2.1.6.5)
- *Calculation of internal rate of return/ economic rate of return and benefit cost ratio in DPRs was not based on reliable data.*
(Paragraph 2.1.6.7)
- *In nine test-checked divisions, ₹10.71 crore irregularly withdrawn from the Consolidated Fund against NABARD projects were lying unspent in deposit head for 10 to 82 months. Against reimbursement of expenditure as loan for projects sanctioned during 2013-18, there was short claim of ₹57.73 crore from NABARD.*
(Paragraphs 2.1.7.1 and 2.1.10.1)
- *Non-obtaining of performance security, non-levy/ non-recovery of compensation for delay, inadmissible payment of cost-escalation and non-recovery of royalty and useful stones from contractors resulted in extension of undue financial benefit/ favour of ₹10.94 crore in 119 contracts.*
(Paragraphs 2.1.8.1 to 2.1.8.5)
- *Out of 269 projects sanctioned for ₹859.26 crore, 132 projects with the sanctioned cost of ₹393.79 crore were taken up for execution within one year. Only 65 projects were completed within stipulated period of four years after incurring an expenditure of ₹135.07 crore.*
(Paragraph 2.1.9.1)
- *In 17 test-checked divisions, 123 projects (out of 269) sanctioned for ₹414.67 crore were awarded to the contractors after a delay of one to 111 months resulting in further delay in execution of the projects.*
(Paragraph 2.1.9.3)
- *Thirty three roads constructed by eight test-checked divisions at a cost of ₹49.00 crore were not passed for vehicular traffic by road fitness committees rendering expenditure on these roads as largely unfruitful.*
(Paragraph 2.1.9.8)

- **Quality control mechanism was ineffective as Executive Engineers of test-checked divisions had not taken action for rectification of deficiencies in 28 projects pointed out in 134 inspections carried out by State Quality Control Wing (32) and State Quality Monitors (102) during 2013-18.**
(Paragraph 2.1.10.3)

2.1.1 Introduction

Rural road connectivity is a key component of rural development, facilitating the delivery of economic and social services leading to increased agricultural productivity, non-agricultural productivity and employment, and in turn expanding rural growth opportunities and incomes.

Government of India (GoI) created Rural Infrastructure Development Fund (RIDF) in the year 1995-96 in collaboration with National Bank for Agriculture and Rural Development (NABARD) for providing loan assistance to State Governments for creation of durable assets in rural areas. Roads and Bridges Sector was included for funding under NABARD from the year 1996-97 for construction and up-gradation of rural roads¹ and bridges to provide improved connectivity to villages from highways and market centres. NABARD provides loan assistance to the State up to 90 per cent of total cost of projects for construction of rural roads and bridges. The projects are sanctioned by NABARD on the basis of detailed project reports (DPRs) submitted by the State Government with reference to annual NABARD borrowing limit² of the State fixed by the Government of India. Funding under NABARD is by way of reimbursement of expenditure incurred on the projects on monthly basis upon submission of statement of expenditure by the State Government. Interest rate payable on loan assistance from April 2012 is linked to the bank rate prevailing at the time of reimbursement minus 1.5 percentage points with the repayment period of seven years and grace period of two years.

Out of total road length of 35,545 kilometres (kms) in the State, rural roads constitute 28,836 kms, of which NABARD roads constitute 6,627.64 kms (23 per cent). Against the total funds of ₹ 2,282.97 crore sanctioned by the State Government for construction of rural roads during 2013-18, ₹ 1,463.09 crore (64 per cent) were sanctioned through NABARD loans.

The status of the road projects constructed under NABARD from 1996 to 2018 in the State is shown in **Table-2.1.1** below:

Table-2.1.1: Status of the road projects under NABARD during 1996-2018

(₹ in crore)

Sanctioned Projects	Cost	Completed Projects	Expenditure	Dropped Projects	Projects in progress	Expenditure
1,609	3,857.62	1,252	2,260.04	28	329	454.25

2.1.2 Organisational set-up

Additional Chief Secretary (Public Works), as the administrative head of the Public Works Department (PWD) has overall responsibility for implementation of rural road

¹ Road connecting rural areas with urban market centres, highways, rail head, etc. or a link between two rural locations, other district roads and roads connecting villages to growth centers.

² 2013-14: ₹ 350 crore; 2014-15: ₹ 400 crore; 2015-16 to 2017-18: ₹ 500 crore per annum.

projects under NABARD. PWD is responsible for preparation of DPRs, execution, quality control and monitoring of projects. The Engineer-in-Chief (E-in-C) as Head of the Department is assisted by E-in-C (Quality Control and Design), Zonal Chief - Engineers (CEs), Circle Superintending Engineers (SEs) and Executive Engineers (EEs). Planning Department is responsible for inclusion of projects prioritised by MLAs in the Annual Plan, and submission of DPRs to NABARD for sanction. For monitoring progress of projects at State level, the Government has constituted (February 1996) a High Power Committee under the chairmanship of the Chief Secretary. Monitoring at district level is to be done by District Level Monitoring Team constituted (December 1999) under the Chairmanship of Deputy Commissioner. Finance Department is the Nodal Department for financing loans from NABARD and their repayment.

2.1.3 Audit objectives

Audit objectives were to ascertain whether:

- There existed policy framework for planning process covering identification, prioritisation and selection of projects including fund management;
- Tendering process and contract management ensured execution and completion of projects according to the prescribed time schedule;
- Execution of projects was economical, efficient and effective; and
- Quality controls and monitoring mechanisms were adequate and effective and there was overall achievement of benefits targeted.

2.1.4 Audit scope and methodology

The performance audit covered the period from 2013-14 to 2017-18. The audit was conducted from February 2018 to June 2018, and involved the office of the Advisor, Planning; E-in-C, PWD; and EEs of 17 (out of 54) divisions³ stratified for test check on the basis of sanctioned project outlays. Out of total 905 projects (576 completed during 2013-18 and 329 in-progress as on March 2018), 269 projects (30 per cent) were selected for test-check. This included 129 completed projects (22 per cent) and 140 on-going projects (43 per cent). The audit methodology included test-check of records of the aforementioned offices and joint physical inspection of works. The audit objectives, scope, methodology and criteria were discussed in an entry conference held with the Additional Chief Secretary (ACS), Public Works in February 2018. The audit findings were discussed with the ACS in an exit conference held in January 2019. The replies and views of the authorities concerned have been incorporated at appropriate places in the report. The latest status in respect of audit findings was awaited as of September 2019.

2.1.5 Audit criteria

Audit criteria used for assessing implementation of the programme were derived from the following sources:

³ Bilaspur, Dalhousie, Dhama, Dehra, Ghumarwin, Hamirpur, Jaisinghpur, Jubbal, Kullu-II, Mandi-I, Nurpur, Paonta Sahib, Salooni, Sangrah, Theog, Udaipur and Una.

- Annual Plans, Regulations, Orders/ Instructions of Government of India/ State Government;
- NABARD guidelines and norms of implementation of the projects;
- Central Public Works Accounts Code, Works Manuals and State Schedule of Rates 2009;
- Terms and conditions of NABARD loan agreements; and
- Himachal Pradesh Financial Rules, 2009.

Audit findings

2.1.6 Planning

The State Government started the policy of prioritization of schemes by MLAs for NABARD funded projects in 2003-04. Every year, before finalization of State budget, each MLA may propose two schemes of roads/ bridges for funding through NABARD. Prior to recommendation, MLAs should be given input by PWD Engineers about the technical feasibility of projects being recommended after considering anticipated bottlenecks and remedial measures. After the projects are proposed by MLAs, these are discussed in Annual Plan meeting, following which DPRs are prepared by PWD and scrutinized by Planning Department before seeking sanction from NABARD. PWD should ensure project execution and its completion in a time-bound manner.

The shortcomings in providing input to MLAs for recommendation of projects, prioritisation and sanction of projects, preparation of DPRs, etc. are discussed in the succeeding paragraphs. The findings are based on a test-check of projects; the State Government may review all projects to identify and address similar shortcomings.

2.1.6.1 Project prioritisation and sanction

As per State Government instructions (December 2010), before recommending projects for inclusion in the Annual Plan, the MLAs should have prior consultation with the local PWD Executive Engineers (EEs). As per NABARD guidelines, priority should be given to new projects and projects in distressed areas⁴. The Public Works Department is to ensure sanctioning of projects across all constituencies.

(i) Lack of prior consultation –

Audit noticed that for the projects recommended by MLAs during 2013-18, there was no record of prior consultation with EEs in PWD; thus, technical inputs were not obtained before recommending projects. The Planning Department had also not checked for compliance with the requirement of prior consultation by MLAs with local EEs before inclusion of the projects in the Annual Plan. This aspect was also not discussed in the High Power Committee meetings chaired by the Chief Secretary.

(ii) Uneven geographical spread of sanctioned projects –

The details of projects recommended by MLAs and sanctioned by NABARD during 2013-18 are given in **Table-2.1.2** below:

⁴ Backward areas/ regions declared as per indicators of remoteness: accessibility (25 per cent), demography (35 per cent), infrastructure (36 per cent) and agriculture (4 per cent).

Table-2.1.2: Details of projects recommended by MLAs and sanctioned by NABARD during 2013-18

(₹ in crore)

Year	Projects recommended by MLAs	Projects sanctioned by NABARD					
		Out of those recommended during 2013-18		Out of those recommended prior to 2013-14		Total Projects sanctioned	
		No.	Amount	No.	Amount	No.	Amount
2013-14	162	53	225.53	22	19.30	75	244.83
2014-15	165	34	145.17	46	110.83	80	256.00
2015-16	154	18	64.44	89	321.17	107	385.61
2016-17	168	1	4.12	52	246.31	53	250.43
2017-18	175	0	0	84	326.22	84	326.22
Total	824	106	439.26	293	1,023.83	399	1,463.09

Source: Departmental figures.

Of the 293 sanctioned projects recommended prior to 2013-18, 34 projects of ₹ 158.45 crore were sanctioned for 16 constituencies having distressed *panchayats*. However, of the 106 sanctioned projects recommended by MLAs during 2013-18, no project was sanctioned for distressed areas against 65 projects recommended by MLAs for these areas.

(iii) Sanctioning of projects for already connected villages

During joint physical inspection carried out (May and June 2018) by Audit, it was noticed that in three (out of 17) test-checked divisions⁵, three projects were sanctioned (between October 2009 and June 2016) for ₹ 9.78 crore to connect three villages⁶ which had already been connected by roads (under PMGSY). The already-connected status of these roads was not disclosed in the DPRs. Expenditure of ₹ 4.66 crore was incurred on execution (formation cutting, retaining and breast walls, metalling/ tarring, etc.) of these projects.

Thus, funds were spent on the roads to already connected villages which could have been utilized for construction of roads for connecting 7,628 out of total 17,882 unconnected villages in the State.

Regarding the lack of prior consultation, the ACS, in the exit conference, stated that although informal consultations were usually held between MLAs and EEs before recommendation, the matter of devising some system of formal recommendations would be taken up in the MLAs meeting. In respect of uneven geographical spread of sanctioned projects, the Advisor, Planning stated (May 2018) that projects under NABARD were sanctioned on the basis of MLAs' recommendations and sanctions depended on pace of preparation of DPRs by the Public Works Department. Regarding the sanctioning of projects for already connected villages, the ACS stated (December 2018) that the projects were sanctioned as per prioritisation of the MLAs. However, the State Government had not discharged its responsibility of advising MLAs before recommendation of projects and was therefore responsible for the deficiencies in project prioritisation and sanction highlighted above.

⁵ Dalhousie, Dhami and Nurpur.

⁶ Dungru (Dalhousie), Kot (Dhami) and Gheta (Nurpur).

Thus, projects were sanctioned without identifying and addressing bottlenecks, distressed areas were not given due attention, and funds spent on roads to already-connected villages could have been utilised for construction of roads to distressed areas and other high priority roads: 7,628 (out of total 17,882) villages in the State remained unconnected by roads as of January 2019.

Recommendation: *The Government may consider devising a suitable system for prioritisation of projects by MLAs as per documented inputs of Public Works and Planning Departments, accord priority to projects for distressed areas in order to facilitate balanced development.*

2.1.6.2 Preparation of DPRs with wrong certificate of land availability

For preparation of DPRs for projects under NABARD, EEs are required to ensure encumbrance-free land and provide certificates thereof in the DPRs.

Audit noticed that in eight (out of 17) test-checked divisions⁷, the EEs had submitted wrong certificates for availability of private land and forest clearance in DPRs of 13 projects (out of 269 projects of 17 test-checked divisions) sanctioned (between September 2007 and October 2014) by NABARD for ₹ 26.44 crore. As a result, there were issues of land dispute (five projects) and non-availability of forest clearance (eight projects) because of which the projects could not be executed/ completed as of March 2018 as discussed under paragraph 2.1.9.6. Expenditure of ₹ 12.48 crore was incurred on 10 projects while no expenditure was incurred on the remaining three projects.

The ACS stated (December 2018) that in case of private land, the Department was in the process of discontinuing the practice of obtaining affidavit from private land owners and ensuring that clear title of private land in the name of the Department is obtained before proposing projects to NABARD. In case of forest land, it was stated that instructions had been issued (October 2015) directing that forest clearance must be obtained before tendering of works. However, the Department should ensure strict compliance with the requirement of encumbrance-free land to avoid land disputes with private land-owners and Forest Department during the execution stage.

Submission of wrong certificates of availability of land meant that the roads were not constructed/ completed due to subsequent issues of land disputes (five projects) and non-availability of forest clearance (eight projects), depriving the public of the intended benefits. Expenditure of ₹ 12.48 crore incurred on 10 projects remained idle while three projects could not be taken up.

2.1.6.3 Delay in finalisation of DPRs

Instructions (December 2010) required that EEs should review the position of preparation of DPRs every quarter and furnish a project-wise status of DPRs to the MLAs concerned and the E-in-C, PWD.

Audit observed, however, that the instructions *ibid* did not stipulate any timeline for preparation of DPRs for recommended projects. Further, there was no record of any quarterly review of position of preparation of DPRs or reporting of the same by the EEs to the MLAs concerned or E-in-C, PWD. The Department had not maintained any data

⁷ Dalhousie, Dehra, Dharni, Ghumarwin, Hamirpur, Theog, Udaipur and Una.

on status of preparation of DPRs for the 718 unsanctioned projects (824-106) recommended by MLAs during 2013-18. Test-check of DPRs for 128 projects (MLAs priority: 2006-17) showed that the Department had taken between six months and 107 months in finalisation of the DPRs. In addition to the above, it was also observed that the Department had not maintained any project-wise or year-wise data of projects submitted to NABARD for sanction. The ACS accepted the facts and stated that guidelines were being formulated in this regard.

Thus the time taken in finalisation of DPRs of 128 test-checked projects ranged between six months and 107 months which had a cascading effect on project sanction: only 106 (13 per cent) out of 824 projects could be sanctioned during 2013-18. The Advisor, Planning agreed (May 2018) that sanction of projects depended on pace of preparation of DPRs by the Public Works Department.

Recommendation: *The State Government may consider formulating guidelines stipulating timelines for preparation of DPRs in order to facilitate project completion and accrual of targeted benefits in time.*

2.1.6.4 Non-provision of maintenance cost

NABARD guidelines provide for capitalization of funds up to 10 per cent of the project cost for maintenance of roads after their completion and a clause for defect liability period of two to three years was to be incorporated in the contract.

NABARD was vested with the responsibility of vetting the DPRs and to ensure that provision for maintenance cost was made in the DPRs. However, Audit noticed non-provision of maintenance cost in all the 269 DPRs in the 17 test-checked divisions. Since provision for maintenance cost was required as per guidelines, this aspect should have been ensured by NABARD while vetting loan proposals and projects without provision for maintenance cost should not have been sanctioned by NABARD.

NABARD guidelines stipulate that the contractors/firms shall be responsible for defect liability period preferably for three years and in no case less than two years. Contrary to guidelines *ibid*, clause for defect liability period was not incorporated in 357 out of 374 contracts worth ₹ 583.62 crore in respect of 252 out of 269 projects awarded during 2013-18 in 17 test-checked divisions. Failure of the State Government as well as NABARD in ensuring incorporation of defect liability period in contracts for road works resulted in non-ensuring of maintenance of road projects through contractors and instead the maintenance of the same was left to be done through State budget.

In fact in four out of 17 test-checked divisions, expenditure of ₹ 10.53 lakh was incurred by the EEs on repair and maintenance within two to three years of completion of the roads.

The ACS stated (December 2018) that instructions for inclusion of provision for maintenance cost in the DPRs had been issued (September 2018) and provision of five years' defect liability period was being included in the new standard bidding document.

In the absence of defect liability period due to non-provision of maintenance cost, the Department have to bear repair and maintenance cost for the completed projects which should have been borne by the contractors.

2.1.6.5 Non-provision of black-top for construction of roads

As per guidelines for projects under NABARD, construction of all-weather roads and black-top (metalled) roads should be proposed in DPRs.

Audit noticed that in three test-checked divisions⁸, five (out of 129) projects were completed (between September 2014 and December 2016) at a cost of ₹ 7.76 crore without black-top as no provision for the same was made in the DPRs. The constructed roads were neither upgraded to metalled roads even after two to four years from the date of their completion nor was there any plan for the same, thus depriving the public of all-weather road connectivity.

NABARD stated (July 2018) that projects were sanctioned as proposed by the State Government. In the exit conference, the ACS stated (December 2018) that the Department was following the practice of constructing *katcha* road in the first stage and black-topping in the second stage considering the terrain of the area. However, the practice of two-stage construction was permissible for only PMGSY and State-funded roads, and no such provision was permissible under NABARD guidelines which clearly stipulated that roads had to be all-weather and metalled (black-top). Moreover, the Department had not initiated the second stage of metalling in respect of the above five roads even after two to four years from their completion. This would have resulted in damage to the road surface, higher road maintenance costs, poor ride quality and higher vehicle operating costs.

Provision for black-top was neither made in the DPR nor had the Department taken any action for metalling of five test-checked roads even after two to four years from their completion which would adversely affect the road surface ride quality and result in higher road maintenance costs and vehicle operating costs.

2.1.6.6 Lack of planning and coordination in construction of bridge

To reduce the distance between village Dhandhole and Lad Bharol in Jaisinghpur division, a project for construction of 60 metres span pre-stressed box cantilever bridge over Binwa *khad* on Balh Bajouri (Dhandole) to Jamthala Lad Bhadol road was sanctioned (August 2009) under NABARD (RIDF-XV) for ₹ 3.80 crore. There was, however, lack of planning and coordination in execution of the work of the bridge and the following deficiencies were noticed:

(i) Instead of 60 metres span pre-stressed box cantilever bridge mentioned in the sanction, the Division released (June-August 2011) ₹ 1.05 crore to Mechanical Division, Kullu for fabrication of 68 metres span steel truss bridge without any justification or approval for change of the span and design of the bridge. The Mechanical Division, Kullu had completed 80 *per cent* work of the bridge with expenditure of ₹ 1.05 crore upto March 2019. Notwithstanding the ongoing construction of steel truss bridge, the Division again revised the design and span of the bridge and awarded (June 2016) the work of construction of 71 meters span pre-stressed box cantilever bridge to contractor-C for ₹ 6.25 crore. The contractor had executed the work of value of ₹ 2.83 crore and balance work was in progress.

⁸ Dalhousie, Dhama and Theog.

(ii) The work construction of approaches on both sides of the bridge, awarded (September 2011) for ₹ 0.68 crore to Contractor-A and stipulated to be completed by July 2012, was stopped (October 2012) and the Division closed (April 2015) the contract after paying ₹ 0.62 crore to the contractor.

(iii) The work construction of sub-structure of the bridge, awarded (May 2013) to Contractor-B for ₹ 0.89 crore, was shelved due to non-achievement of ledge⁹ distance of 4.5 metre during construction of abutment as it was realised that the planned length of the bridge was required to be increased. This indicated that the Division had not accurately assessed the technical requirements for the bridge and its sub-structure. The Department closed (September 2015) the contract after paying ₹ 0.08 crore to the contractor including payment of arbitration award of ₹ 0.04 crore.

Thus, the division had repeatedly changed the design and span of the bridge and awarded its works in parts rather than for the entire bridge. This reflected poor planning and lack of coordination in execution of the work. As a result, construction of the bridge had not been completed even after expenditure of ₹ 4.58 crore (NABARD: ₹ 3.80 crore and State funds: ₹ 0.78 crore) and lapse of nine years since the project was sanctioned. The expenditure of ₹ 1.05 crore on construction of the steel truss bridge by Mechanical Division, Kullu was also bound to be wasteful.

The ACS stated (December 2018) that the work was delayed due to change of span of the bridge from time to time and revised administrative approval and expenditure sanction of ₹ 7.22 crore had been accorded (April 2018). However, lack of coordination and repeated failure of the Department to finalise the design and drawings resulted in non-completion the bridge for more than nine years, wasteful expenditure of ₹ 1.05 crore, and likely cost overrun of ₹ 3.42 crore (90 per cent) which would not be reimbursed by NABARD.

Repeated change in design and span of the bridge reflected poor planning and lack of coordination due to which the bridge could not be completed resulting not only in idle expenditure of ₹ 3.53 crore and wasteful expenditure of ₹ 1.05 crore but also in depriving the beneficiaries of road connectivity.

2.1.6.7 Calculation of Internal Rate of Return/ Economic Rate of Return and Benefit Cost Ratio

NABARD sanctions loan for construction of rural roads on the basis of internal rate of return¹⁰ (IRR)/ economic rate of return (ERR) and benefit cost ratio (BCR) as per economic details/ parameters¹¹ provided by the EEs in the DPRs.

Audit noticed that calculation of IRR/ ERR and BCR in DPRs of 269 projects in 17 test-checked divisions was not based on reliable data¹². Rather than obtaining reliable/ official data from the departments concerned, the public works divisions were using approximated/ self-assessed figures which had no reliable basis. As verified from

⁹ A projecting ridge/ portion of the slab of bridge which remains on the abutment of the bridge.

¹⁰ Internal Rate of Return is a measure of an investment rate of return.

¹¹ Number of villages connected, population of directly/ indirectly connected villages, crop cultivation, per hectare agriculture net income, incremental non-farm income, distance reduction and saving in transportation cost, etc.

¹² Data from Revenue Department, Agriculture Department, and Gram Panchayats.

the economic details in the DPRs, in 39 (out of 269) DPRs in five (out of 17) test-checked divisions¹³, the economic details provided in the DPRs were unrealistic¹⁴. In 32 (out of 269) projects of five test-checked divisions¹⁵ the calculation of details was wrong¹⁶. Records of *Gram Panchayats* concerned in respect of three roads showed that actual population of the villages did not match with the population shown in the DPRs¹⁷.

Incorrect depiction of IRR in the DPRs indicated that the IRR calculation had been made merely to meet the requirement of NABARD for obtaining sanction and the benefits derived after completion of the road would not be assessed. Besides, the Department/ NABARD had not carried out any post completion evaluation study to assess the benefits derived from the NABARD projects during 2013-18.

In the exit conference, the ACS accepted the facts and stated that the matter would be examined. However, wrong/ unrealistic data furnished by the divisions was overlooked at E-in-C level while finalisation of DPRs for onward submission to NABARD.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

2.1.7 Financial Management

Budget provision is made by the State Government for execution of rural road projects approved by NABARD under tranches of RIDF. EEs incur expenditure as per the budget provision for the projects approved by NABARD. The expenditure upto 90 per cent of the approved project cost is reimbursed by NABARD on the basis of monthly expenditure statement submitted by the EEs.

Against budget allocation of ₹ 1,330.22 crore during 2013-18, the Department had booked expenditure of ₹ 1,321.27 crore. The audit findings are detailed in the following paragraphs. The findings are based on a test-check of projects; the State Government may review all projects to identify and address similar shortcomings.

2.1.7.1 Unspent funds under deposit head

In nine (out of 17) test-checked divisions, the EEs had withdrawn ₹ 18.38 crore¹⁸ from the Consolidated Fund during 2011-18 and showed it as final expenditure while keeping the amount under deposit head against works actually not executed on the

¹³ Dalhousie: six, Dhami: 17, Hamirpur: two, Theog: 12 and Nurpur: two.

¹⁴ Total cultivated area was more than the total influence (affected) area, Columns regarding total villages to be connected, farm activities, non-farm activities, non-recurring employment generation, etc. were left blank, annual incremental non-farm income per village and total annual incremental non-farm income for total villages to be covered was shown same, etc.

¹⁵ Dalhousie: four, Dhami: 11, Nurpur: seven, Salooni: three and Theog: seven.

¹⁶ Wrong totalling of columns in the check-list for DPRs, and Calculation of per hectare annual average net income with reference to per hectare annual average gross income and per hectare annual average cultivation cost was wrong.

¹⁷ Galog Nehra Okhru Keru road project: 987 as per *Panchayat* records and 3,660 as per DPR; Ghanhatti Bhajol Bhaghar road project: 1,033 as per *Panchayat* records and 658 as per DPR; and Dhami Bainsh road project: 968 as per *Panchayat* records and 465 as per DPR.

¹⁸ Dalhousie: ₹ 0.81 crore, Ghumarwin: ₹ 5.14 crore, Salooni: ₹ 1.11 crore, Theog: ₹ 2.15 crore, Kullu-II: ₹ 0.69 crore, Udaipur: ₹ 1.95 crore, Bilaspur-I: ₹ 0.40 crore, Dehra: ₹ 3.13 crore and Jaisinghpur: ₹ 3.00 crore.

ground. Of this amount, expenditure of ₹ 7.67 crore was incurred in the subsequent years for execution of the works and balance of ₹ 10.71 crore¹⁹ was lying unspent under deposit heads for more than 10 to 82 months.

Withdrawal of funds without physical achievement in order to avoid lapse of budget was irregular and reflected lack of financial control. Besides, keeping the borrowed funds unutilised under deposit head (outside budgetary process) for prolonged periods resulted in their unnecessary blocking as the same could have been utilised on other needy works, and in denial of timely benefits to the public.

In the exit conference, the ACS accepted the facts and stated that it was a routine practice to keep funds under deposit heads and the same are utilised on the scheme subsequently. However, the funds were lying unspent under deposit heads since March 2012.

2.1.7.2 Irregular booking of material

State Financial Rules read with provisions of Central Public Works Account (CPWA) Code strictly prohibit fictitious book adjustments such as debiting to a work, cost of material not required or purchased in excess of actual requirement to avoid lapse of budget. Audit noticed that:

(i) In 11 (out of 17) test-checked divisions²⁰, the EEs had booked material (tor steel, bitumen, inter link chain and cement) worth ₹ 10.94 crore by charging expenditure to NABARD works at the end of financial years 2013-18 without actual utilisation on the works. Of this, material of ₹ 9.12 crore was written back to stock in the subsequent financial years and balance ₹ 1.82 crore was lying unutilised in material at site account of the divisions. The EEs concerned stated (March to July 2018) that material was debited to works to avoid lapse of budget.

(ii) In six test-checked divisions, the EEs withdrew (between March 2015 and May 2017) ₹ 2.45 crore²¹ from treasury for booking of material for other works by charging the expenditure to NABARD works resulting in irregular diversion of funds and unauthorised reimbursement of NABARD loan. The EEs concerned stated (May to July 2018) that the expenditure was incurred on other roads in view of exigency of the works.

The material booked by the EEs without actual consumption on works and the stock adjustments carried out (to avoid lapse of budget) constituted temporary misrepresentation of quantity of material utilised against works. Besides, reimbursement claim submitted to NABARD without actual utilisation of material on the works was also irregular.

¹⁹ March 2012: ₹ 1.12 crore, March 2015: ₹ 3.28 crore, March 2016: ₹ 0.84 crore, August 2016: ₹ 0.35 crore, March 2017: ₹ 2.12 crore and March 2018: ₹ 3.00 crore.

²⁰ Bilaspur-1, Dalhousie, Dhama, Dehra, Ghumarwin, Hamirpur, Jaisinghpur, Nurpur, Salooni, Sangrah and Una.

²¹ Dhama: ₹ 0.50 crore, Ghumarwin: ₹ 0.29 crore, Kullu-II: ₹ 0.15 crore, Nurpur: ₹ 0.22 crore, Paonta Sahib: ₹ 0.14 crore and Udaipur: ₹ 1.15 crore.

Recommendation: *The Government may consider ensuring strict monitoring of utilisation of funds optimally and effectively to avoid their blocking for prolonged periods.*

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

2.1.8 Contract Management

Contract is a voluntary, deliberate and legally binding agreement which provides framework to discipline and guard interest of the contracting parties. If certain clauses are not provided/ complied with, there would be undue favour to the contractor. The deficiencies observed in contract management are discussed below.

2.1.8.1 Non-provision of performance security in contracts

With a view to safeguard the interest of procuring departments, Himachal Pradesh Financial Rules (HPFRs), 2009 provide for obtaining performance security for an amount between five and 10 per cent of the contract value from the successful contractor upon the award of contract. Audit noticed that:

- Out of 57 contracts in four (out of 17) test-checked divisions²², performance security of ₹ 2.70 crore was not obtained from the contractors in 35 contracts worth ₹ 53.91 crore resulting in extension of undue favour to the contractors besides putting public money at risk against losses. It was found that in the absence of performance security, in two contracts for ₹ 2.02 crore (Dhami and Dalhousie divisions), the contractors had left the works without completion but the divisions could not take any action in the absence of performance security.
- On the request of contractors, the ACS waived (March 2016) the condition of obtaining performance security in violation of the above rules, which constituted undue favour to the contractors besides jeopardising public interest. Due to this decision, an amount of ₹ 0.63 crore on account of performance security was not obtained in 11 contracts for ₹ 12.62 crore executed by four test-checked divisions²³ during 2016-18.

The ACS stated (December 2018) that the clause for performance security was deleted in order to enhance the bid capacity of contractors for successful completion of works. However, absence of clause for performance security meant that public interest was not safeguarded against damages/ losses.

The Department would not have the option of forfeiting performance security of defaulting contractors for breach of agreement as no clause for performance security was included in the contract agreement. The decision of the ACS to waive the condition of obtaining performance security on the request of contractors constituted undue favour to the contractors besides jeopardising public interest.

Recommendation: *The State Government may consider providing clauses for performance security and defect liability period uniformly in all contracts to secure public interest against losses.*

²² Dalhousie, Dhami, Hamirpur and Theog.

²³ Dalhousie, Dhami, Hamirpur and Salooni.

2.1.8.2 Non-levy of compensation for delay

In terms of clause-2 of the contract, a work should be completed by a contractor within stipulated time, and where the time is the essence of the contract, contractor is required to adhere to the prescribed time schedule. For breach of the contract, the contractor is liable to pay compensation up to maximum of 10 *per cent* of the contract value.

Audit noticed that in eight divisions²⁴, 30 (out of 84) contracts awarded (2013-18) for ₹ 62.10 crore to 25 contractors were not completed within stipulated period of six to 24 months. However, the Department had not taken any action to levy compensation of ₹ 6.21 crore under clause-2 of the contract for delay ranging between one and 31 months. Non-levy of compensation for breach of contractual provisions constituted extension of undue favour to the contractors. In the exit conference, the ACS accepted the facts and stated that necessary directions would be issued to all the divisions.

2.1.8.3 Inadmissible payment of cost escalation

As per E-in-C instructions (October 2012), price escalation under Clause-10(CC) of the contract is to be paid to a contractor if the completion gets delayed due to un-avoidable circumstances (beyond the control of the contractor) and the requisite extension is applied for by the contractor within 30 days of the date of occurrence of hindrance.

In two test-checked divisions²⁵, price escalation cost of ₹ 48.42 lakh was paid (between July 2013 and September 2017) under Clause-10(CC) *ibid* in four contracts to contractors without receiving request for time extension within the stipulated period of 30 days for the hindrances occurred. The contractors had submitted extension applications after 14 to 40 months from the stipulated dates of completion. The divisions had not maintained record of occurrence of hindrances despite which extension was granted on the basis of hindrances mentioned in the applications. In the absence of records, the actual occurrence of hindrances could not be verified. Non-adherence to the contractual provision resulted in irregular expenditure of ₹ 48.42 lakh for price escalation and constituted extension of undue favour to the contractors.

In the exit conference, the ACS accepted the facts and stated that recoveries would be made from the contractors.

2.1.8.4 Non-recovery of royalty

As per terms and conditions of contract, royalty charges²⁶ for material (stone, sand, stone aggregate) should be deducted from each running bill of the contractors as per rates approved by the Mining Department. M-form issued by the Mining Department to the crusher owner/ quarry owner, is the proof of royalty paid on the material to be used on the work by the contractor. Audit noticed that:

- In five (out of 17) test-checked divisions, the EEs had neither obtained M-form from the contractors as a proof of payment of royalty nor deducted (between April 2013 and March 2018) royalty of ₹ 47.49 lakh²⁷ from the running account bills of contractors in nine (out of 129 projects) completed projects (₹ 27.59 lakh) and six (out of 102) ongoing works (₹ 19.90 lakh).

²⁴ Dalhousie, Dhama, Ghumarwin, Hamirpur, Nurpur, Salooni, Sangrah and Theog.

²⁵ Hamirpur: ₹ 18.56 lakh and Theog: ₹ 29.86 lakh.

²⁶ Rate of Royalty Charges per metric tonne: @ ₹ 40 upto March 2015 and ₹ 60 thereafter.

²⁷ Dehra: ₹ 14.32 lakh, Ghumarwin: ₹ 1.71 lakh, Jaisinghpur: ₹ 2.17 lakh, Jubbal: ₹ 14.67 lakh, and Mandi-I: ₹ 14.62 lakh.

- In four (out of 17) test-checked divisions, against royalty of ₹ 53.06 lakh due from the contractors in 16 projects, royalty of ₹ 26.26 lakh was recovered (between April 2013 and March 2018) from the contractors resulting in short recovery of ₹ 26.80 lakh²⁸.

The ACS stated (December 2018) that recovery would be effected after verification.

2.1.8.5 Short recovery of useful stones

As per schedule of quantity of the contract, recovery of useful stones²⁹ @ ₹ 170 and ₹ 300 per cubic metre (on the basis of strata) for excavation in hilly areas should be made from contractors as per rates prescribed in the contract.

Audit noticed that against recovery of useful stones of ₹ 59.85 lakh due from the contractors in eight projects (2009-17) in four test-checked divisions, ₹ 42.18 lakh were deducted from their running account bills resulting in short recovery of ₹ 17.67 lakh³⁰ (two completed projects: ₹ 3.50 lakh and six ongoing projects: ₹ 14.17 lakh). Non-recovery of useful stones resulted in loss of revenue to the government and extension of undue benefit to the contractors. The EEs concerned stated (March to June 2018) that recovery of useful stones would be effected from the contractors.

The Department had granted undue benefit to contractors and caused financial loss to the State exchequer due to non-providing of performance security in the contract, non-levy of compensation for delay, providing cost escalation without receiving the request for time extension within the stipulated period, non-recovery of royalty and short recovery of useful stones.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

2.1.9 Execution issues

EEs were responsible for ensuring the desired pace of work and completion of projects within the stipulated time and cost. Deficiencies in execution of work/projects such as delay in start of projects, projects lying held up for want of encumbrance-free land, non-passing of roads for vehicular traffic, cost overruns due to delay in completion of projects, etc. are discussed below. The findings are based on a test-check of projects; the State Government may review all projects to identify and address similar shortcomings.

2.1.9.1 Status of project execution

NABARD projects are required to be started within one year and completed within four years from the date of sanction.

A total of 1,609 road and bridge sector projects were sanctioned in the State by NABARD for ₹ 3,857.62 crore during 1996-2018. Of these, 399 projects were sanctioned for ₹ 1,463.09 crore during 2013-18. Total 1,252 projects were completed with expenditure of ₹ 2,260.04 crore during 1996-97 to 2017-18 which included

²⁸ Dharni: ₹ 9.64 lakh, Nurpur: ₹ 13.64 lakh, Theog: ₹ 1.06 lakh and Udaipur: ₹ 2.46 lakh.

²⁹ The stones which are extracted from the road alignment during excavation and can be used for construction work.

³⁰ Ghumarwin: ₹ 1.50 lakh, Jubbal: ₹ 7.44 lakh, Nurpur: ₹ 3.58 lakh and Sangrah: ₹ 5.15 lakh.

576 projects completed during 2013-18. Twenty eight projects were dropped and 329 projects sanctioned for ₹ 1,347 crore were in progress on which expenditure of ₹ 454.25 crore had been incurred up to March 2018.

Status of execution of NABARD projects in 17 test-checked divisions during 2013-18 is shown in **Table-2.1.3** below:

Table-2.1.3: Status of execution of NABARD projects in test-checked divisions during 2013-18

(₹ in crore)

Period	Sanctioned		Completed		Held up		Not started		Incomplete as of March 2018	
	No.	SC	No.	Exp.	No.	Exp.	No.	SC	No.	Exp.
Prior to April 2013	117	380.05	87	213.27	5	8.50	4	11.55	21	62.15
2013-18	152	479.21	42	84.24	4	2.91	25	95.11	81	120.41
Total	269	859.26	129	297.51	9	11.41	29	106.66	102	182.56

Note: SC: Sanctioned cost and Exp.: Expenditure.

The updated position of the projects executed by the test-checked divisions as of January 2019 shows further progress in their execution. The status is shown in **Table-2.1.4** below:

Table-2.1.4: Details of NABARD projects sanctioned, started within one year and completed in four years in test-checked divisions up to January 2019

(₹ in crore)

Period	Sanctioned		Started within one year		Completed within four years	
	No.	SC	No.	SC	No.	Exp.
Prior to April 2013	117	380.05	44	116.55	26	53.57
2013-14	16	66.68	14	39.11	06	10.79
2014-15	53	132.45	24	63.57	19	41.30
2015-16	38	119.24	24	86.63	09	21.13
2016-17	15	50.15	19	71.24	04	7.48
2017-18	30	110.69	07	16.69	01	0.80
Total	269	859.26	132	393.79	65	135.07

Source: Information supplied by Department. Note: SC: Sanctioned cost and Exp.: Expenditure.

It would be seen from the above **Table-2.1.4** that:

- (i) Out of 269 projects sanctioned for ₹ 859.26 crore, only 132 projects with the sanctioned cost of ₹ 393.79 crore were taken up for execution within one year.
- (ii) Only 65 projects were completed within stipulated period of four years after incurring an expenditure of ₹ 135.07 crore.

Non-starting and non-completion of projects within the stipulated period was attributed to non-availability of forest clearance, land disputes, time taken in completion of codal formalities and tendering process.

In the exit conference, the ACS stated that necessary steps would be taken to speed up the progress of the works.

Recommendation: The Government may ensure completion of codal formalities by departmental authorities on availability of land/ forest clearance before approval of projects.

2.1.9.2 Delay in according technical sanctions

NABARD guidelines provide that technical sanction should be accorded within three months from the date of sanction by NABARD. Audit noticed following deficiencies:

- In 82 projects in 13 test-checked divisions³¹, sanctioned for ₹ 305.26 crore during September 2008 to October 2017, there was delay of one to 60 months (more than one year in seven projects) in according technical sanction by the competent authority.
- In 29 projects in nine test-checked divisions³², sanctioned between August 2008 and March 2017, the works were executed without obtaining technical sanction.

Delay in technical sanctions from the competent authority resulted in delay of two to 56 months in completion of 31 projects. The delay was attributed to time taken in preparation of component-wise technical estimates. Execution of projects without obtaining technical sanction indicated that the Department had not followed proper procedure before their execution. Besides, in the absence of technical sanction there was possibility of non-adherence to required specifications and changes in scope of work.

2.1.9.3 Delay in award of works

As per NABARD guidelines, tendering process including award of works of projects should be completed within nine months from the date of sanction.

Audit noticed that in 123 out of 269 projects sanctioned for ₹ 414.67 crore in 17 test-checked divisions, there was delay³³ of one to 111 months in award of works. Of these projects, 23 projects were awarded after delay of one to four years, and five projects were awarded after delay of more than five years. Delay in award of works resulted in further delay in execution and completion of the works depriving the public of the intended benefits in time. Delay in commencement of the projects resulted in delay of 21 to 52 months in completion of 24 projects. The ACS stated (December 2018) that the tendering process was delayed on account of land disputes (paragraphs 2.1.6.2 and 2.1.9.6), court cases and non-availability of contractors qualifying the bid criteria. In the exit conference, the ACS stated that the monitoring would be done at circle and zone levels.

2.1.9.4 Lapsed projects

As per NABARD guidelines, projects should be considered as lapsed if the State Government fails to start the project within two years from the date of sanction.

Audit noticed that 25 projects sanctioned for ₹ 67.02 crore in 11 (out of 17) test checked divisions³⁴ were not started within two years from the date of sanction, and should have been considered lapsed. Though 24 (out of 25) of these projects were taken

³¹ Bilaspur, Dalhousie, Dehra, Ghumarwin, Hamirpur, Jaisinghpur, Jubbal, Kullu-II, Mandi-1, Nurpur, Paonta Sahib, Sangrah and Una.

³² Dalhousie, Dhami, Ghumarwin, Hamirpur, Jubbal, Nurpur, Paonta Sahib, Theog and Una.

³³ Calculated after nine months from the date of sanction.

³⁴ Bilaspur-1, Dalhousie, Dhami, Dehra, Ghumarwin, Hamirpur, Jaisinghpur, Mandi-1, Salooni, Sangrah and Udaipur.

up for execution afterwards, the Department had not obtained revalidation sanction for the same from NABARD. Against expenditure of ₹ 46.82 crore incurred on these projects up to March 2018, the reimbursement of NABARD loan to that extent was irregular. The remaining one project sanctioned for ₹ 2.19 crore during August 2015 was not taken up for execution due to non-obtaining of forest clearance.

The ACS stated (December 2018) that the work could not be started due to non-availability of encumbrance free land, local disputes, non-availability of eligible contractors, limited working season, tough geographical conditions. However, all these aspects should have been taken into account while preparing DPRs of the projects. Moreover, in one case which was not started, land availability certificate had been falsely provided in the DPR.

2.1.9.5 Cost overrun in projects

As per NABARD guidelines, State Government is required to meet cost escalation out of their own resources. Further, Central Public Works Manual (CPWM) provides for obtaining of revised administrative approval in case the expenditure is in excess of 10 per cent of the original approval.

Audit noticed that in 11 (out of 17) test-checked divisions³⁵, 25 (out of 269) projects approved (between December 2006 and October 2014) for ₹ 54.15 crore were completed with expenditure of ₹ 63.32 crore resulting in excess expenditure of ₹ 9.17 crore (17 per cent).

The cost escalation due to delay in execution of the projects resulted in extra burden on the State exchequer which would not be reimbursed by NABARD. Besides, expenditure incurred without revised administrative approval from the competent authority was irregular.

The ACS stated (December 2018) that the cost overruns due to delay in execution, change of scope, cost escalation, etc., would be regularised soon.

2.1.9.6 Non-execution/ completion of projects for want of forest clearance/ land dispute

The Forest Conservation Act prohibits use of forest land for non-forestry purposes without prior approval of GoI. In the case of private land, the Department was also required to ensure encumbrance free land before taking up the works for execution. Audit noticed that the projects detailed in **Table-2.1.5** were not completed for want of forest clearance/ land dispute though the concerned divisions had furnished wrong information of availability of forest clearance/ encumbrance free land in the DPRs as indicated in paragraph 2.1.6.2.

Table-2.1.5: Details of incomplete projects for want of forest clearance/ land dispute

Sl. No.	Particulars of project sanctioned	Audit findings
1.	Construction of 72.00 metres span (Deck Type) bridge over river Chandra at Yangley" in Udaipur division (Month of	The work of Deck Type bridge was awarded (October 2010) to a contractor for ₹ 2.82 crore. The work was lying held up since December 2013 after incurring an expenditure of ₹ 0.32 crore for want of forest clearance as noticed during physical inspection of the project carried out (May 2018) by Audit team (photographs).

³⁵ Bilaspur-1, Dhama, Dehra, Ghumarwin, Hamirpur, Jubbal, Kullu-II, Mandi-I, Theog, Udaipur and Una.

	<p>sanction: January 2010 and sanctioned cost: ₹ 3.19 crore).</p>	 <p>Partially constructed abutment at one side of bridge</p> <p>As replacement of the Deck Type bridge, the division released (March 2018) ₹ 1.80 crore to Mechanical Division, Shamshi for fabrication of 103.7 metres span suspension Bailey bridge downstream (new site), but the work thereof was not awarded as of December 2018.</p>
<p>2.</p>	<p>Construction of link road from Darkata Tripal road to Sandlor via Billpar (kms 0.0 to 1.600) in Dehra Division (Month of sanction: October 2014 and sanctioned cost: ₹ 1.24 crore).</p>	<p>The work awarded (August 2015) for ₹ 0.78 crore was lying in suspended state since October 2016 for want of forest clearance though expenditure of ₹ 0.11 crore was incurred on its execution.</p> <p>During physical inspection conducted (13 June 2018) by Audit, it was observed that the partially constructed cross drainage at Km. 1.090 was lying incomplete since October 2016 and the road was temporarily diverted for movement of vehicles. Similarly, the cross drainage at Km. 1.280 was filled with sand and muck by the local residents for crossing the vehicles (photographs).</p>  <p>Partially constructed road and cross drainage at Km. 1.090 Cross drainage filled with sand/muck at Km. 1.280</p>
<p>3.</p>	<p>Construction of link road from Bard to Duhak via Morthal in Ghumarwin division (Month of sanction: October 2009 and sanctioned cost: ₹ 2.11 crore).</p>	<p>Case for forest clearance was moved by the division in June 2011 and in-principle approval was granted by GoI in March 2015 but the final approval was awaited as of December 2018.</p> <p>In the meantime the work was awarded (August 2016) for ₹ 1.42 crore but the same was lying held up since June 2017 due to non-removal of trees from the road alignment. Expenditure of ₹ 0.27 crore was incurred on the work. The Division took up (between June 2016 and November 2017) the matter with the Forest Department for the removal of trees but the same had not been removed as of December 2018.</p>
<p>4.</p>	<p>Construction of link road (kms 0.0 to 7.185) from Banal to Chamiana in Hamirpur division (Month of sanction: June 2013 and sanctioned cost: ₹ 1.80 crore).</p>	<p>The work awarded (March 2014) for ₹ 1.52 crore was lying held up since March 2016 due to land dispute at kms 0.0 to 1.0 and non-availability of approach from other side where a bridge was required at kms 4.405 which was not provided for in the DPR. An expenditure of ₹ 1.19 crore was incurred on the work up to March 2016.</p>

Thus, failure of the Department to obtain prior forest clearance and assess feasibility of site led to non-completion of roads and bridges and deprived the beneficiaries concerned of the intended road connectivity, besides infructuous/ unfruitful expenditure of ₹ 1.89 crore.

The ACS accepted the facts (December 2018).

2.1.9.7 Execution of substandard works

Audit observed substandard execution of three (out of 24) projects during physical inspection and test check of records as detailed in **Table-2.1.6** below:

Table-2.1.6: Details of substandard execution of work

Sl. No.	Particulars of project sanctioned	Audit findings
1.	Bridge damaged due to use of sub-standard material	<p>Construction of 40 metres span Pre Stressed Concrete/ Reinforce Cement Concrete box Girder Bridge over Luni <i>khad</i> in Mandi-I division was sanctioned under NABARD (RIDF-X) in August 2005.</p> <p>The work awarded (September 2008) for ₹ 53.51 lakh was abandoned by the contractor in March 2011 without assigning any reasons. The contractor was paid ₹ 26.08 lakh upto June 2011 including secured advance of ₹ 8.34 lakh for Pre Stressing Cable. The contract was re-awarded in September 2015 to another contractor for ₹ 48.43 lakh with the condition that the Pre Stressing Cable purchased by previous contractor would be used on the bridge. The contractor intimated (February 2016) that the Pre Stressing Cable was badly rusted due to lying in the open since June 2011 but no action was taken by the department which insisted for execution of work. The same Pre Stressing Cable was used for construction of the bridge without any testing. Due to use of the rusted Pre Stressing Cable, the deck slab of the bridge got deflected in June 2016 by 10 to 15 centimetres, as stated (August and September 2016) by the contractor. The contractor was paid ₹ 47.84 lakh and the work was lying incomplete as of January 2019. Records showed that the E-in-C had directed (August 2016) for restoration and testing of the bridge to ensure its safety before opening for vehicular traffic but no action had been taken by the Department. The Department had incurred expenditure of ₹ 76.10 lakh on the bridge which remained unfruitful.</p> <p>The ACS stated (December 2018) that the material used in the construction of damaged bridge was not substandard. However this contention does not appear correct in light of fact that the bridge got deflected during execution stage due to the use of rusted cable as repeatedly pointed out (August and September 2016) by the contractor.</p>
2.	Bridge collapsed due to execution of sub-standard work	<p>To provide road connectivity to Mooling, Bergul and Shifting villages in Udaipur division, 68.00 metres span steel truss bridge across river Chandra was completed in October 2014 at a cost of ₹ 2.97 crore.</p> <p>Records of inspection of the bridge carried out (June and July 2014) by the EE (Quality Assurance) Mandi showed that the quality of the work was assessed as very poor and the work was graded as "Unsatisfactory". However, the division did not take any action to rectify the deficiencies pointed out³⁶. The bridge collapsed in March 2015. A new bridge at the same site was awarded (April 2016) to another contractor for ₹ 2.83 crore (approved under State head) with stipulation to complete it in 12 months. The contractor had executed work of value of ₹ 2.17 crore and the work was in progress as of December 2018.</p> <p>Execution of sub-standard work and failure of the division to take corrective action resulted in collapse of the bridge causing loss of ₹ 2.97 crore to State exchequer and likely burden of ₹ 2.83 crore for construction of new bridge while also depriving the beneficiaries of intended benefits.</p> <p>The ACS stated (December 2018) that report of the committee constituted under the chairmanship of the Chief Engineer, Mandi Zone to ascertain the reasons for collapse was awaited. However, the constructed bridge was of poor quality and the Department had failed to take action for execution of sub-standard work.</p>

³⁶

Quality control tests were not conducted; laying of concrete was carried out without approval of the mix design by the Engineer-in-charge; curing of concreting was not done causing reduction in strength and test results of sand concrete and aggregate were not as per recommended values.

3.	Substandard work of up-gradation of Dalyanoo-Pullilani-Nainidhar road (Sirmour)	<p>Project³⁷ for up-gradation of the Dalyanoo-Pullilani-Nainidhar road (kms 0.0 to 12.0) in Sangrah division was completed (June 2018) at a cost of ₹ 4.08 crore.</p> <p>However, during joint inspection of the road conducted by Audit with the technical staff of the division, it was noticed that the metalling in kms 6.0 to 8.0 (2.00 kms) carried out during November 2017 was damaged at various places. Though, provision of 3.66 metre high retaining wall was made in the DPR, against which actual execution was 3.16 metre due to which the level of the retaining wall was below the road surface. The retaining wall was left open on both sides and not connected to the edge of the road due to which there was risk of accidents.</p> <div style="display: flex; justify-content: space-around;">   </div> <p style="text-align: center;"> Damaged metalling of Dalyanoo-pullilani-Nainidhar road Retaining wall of Dalyanoo-Pullilani-Nainidhar road left open </p> <p>Besides, inspection and monitoring of the work had not been carried out by the NABARD authority/ State Quality Monitor/ State Quality Control wing of the Department. The EE of the Division stated (October 2019) that the contract has been closed and the security deposit of the contractor retained with the Division will be used for rectification. The rectification has not been done as of October 2019.</p>
----	---	--

Thus, the bridge over Luni *khad* in Mandi-I division was damaged due to use of substandard material resulting in unfruitful expenditure of ₹ 76.10 lakh, while the bridge across river Chandra collapsed due to substandard execution and lack of corrective action by the division resulting in loss of ₹ 2.97 crore. The metalling of Dalyanoo-Pullilani-Nainidhar road in Sangrah division was damaged at various kms before its completion and the retaining wall was left open increasing the risk of accidents, while quality checks had not been undertaken on the project. The execution of substandard works reflected deficiencies in quality control and inspection.

2.1.9.8 Roads completed but benefits not derived

During scrutiny of records along with physical inspections of 24 projects, conducted by Audit, it was observed that there were instances of roads having been completed but benefits not derived due to various reasons, as detailed in **Table-2.1.7** below:

Table-2.1.7: Details of roads completed but benefits not derived

Sl. No.	Particulars of project sanctioned	Audit findings
1.	Non-passing of completed	As per directions (June 2008) of the E-in-C, action to get completed roads passed by Road Fitness Committees ³⁸ was to be taken by all EEs within one month of their completion.

³⁷ Improvement of geometrics and gradients in kms 0.0 to 12.0, cross drainage, sub-base course Grade-I in kms 6.0 to 12.0, sub-base course Grade-II and III, metalling and tarring in kms 4.0 to 12.0 and essential side drains and parapets in kms 0.0 to 12.0 including construction of dumping structures.

³⁸ Committee consisting of Sub-Divisional Magistrate (Chairman) and three members, i.e. Executive Engineer HPPWD, Deputy Superintendent of Police and Regional Manager of HP Road Transport Corporation.

	roads for traffic	<p>Audit noticed that 33 (23 per cent) out of 129 roads (length: 153.94 kms) completed (2013-18) at a cost of ₹ 49.00 crore in eight (out of 17) test-checked divisions³⁹ were not passed for plying of vehicular traffic due to non-availability of required width (five metres) at various kms (two cases) and land disputes after completion (one case) In 30 road projects, no action was initiated by the divisions to get the roads passed for vehicular traffic from the Road Fitness Committee.</p> <p>Photograph of a road short of the required width of five metres noticed during physical verification conducted (February to June 2018) by Audit with the staff of the concerned division is shown below:</p>  <p>Link road from Una Takka road to Kotla Khurd Mohalla Basian with less than five metres width</p> <p>The ACS stated (December 2018) that necessary directions had been issued to the EEs for passing the roads for vehicular traffic immediately after completion. However, the Department had neither constructed the roads with the required width nor obtained prior written consent of the land owners.</p>
2.	Non-use of road due to non-construction of bridge	<p>Project for construction of link road from Khiah to Bhatara via Bharnot and Thalakna (kms 0.0 to 4.855) including bridge over Pung khad at kms 1.555 in Hamirpur division was recommended (January 2011) by MLA. However, DPR of the project was prepared by the division for ₹ 2.86 crore without any provision for the bridge, and the project was sanctioned (December 2011) for ₹ 2.78 crore. The road work⁴⁰ awarded (August 2012) to a contractor for ₹ 2.32 crore and stipulated to be completed by August 2013 was completed (June 2017) by the contractor after expenditure of ₹ 2.66 crore. However, the bridge required over Pung khad at kms 1.555 not included in the DPR was not constructed and the Department had not taken any action for construction of the bridge as of June 2018.</p> <p>Due to non-construction of the bridge, both portions of the constructed road could not be connected which rendered the expenditure largely unfruitful as also noticed during physical inspection of the road conducted (May 2018) by Audit with technical staff of the Division (photographs).</p>  <p>Completed road from Khiah to Bhatara via Bharnot and Thalakna (kms 0.0 to 4.855)</p> <p>Khiah to Bhatara via Bharnot and Thalakna road without bridge over Pung khad at kms 1.555</p> <p>The EE of the Division stated (June 2018) that the bridge would be constructed through another DPR. The reply is not acceptable as construction of the bridge should have been synchronised with the construction of road so as to ensure all-weather connectivity.</p>
3.	Non-use of road due to closure by land owners	<p>Road from Tahakoli to Dungru via Khera Mandrala kms 0.0 to 4.280 in Dalhousie division sanctioned (October 2009) for ₹ 2.06 crore was completed (November 2016) after expenditure of ₹ 1.45 crore. However, the road could not be opened for traffic as it was closed by a land owner by stacking building material at kms 2.020 to 2.130 and erecting barricades and dumping muck on the road at km 4.190 to 4.280 as also noticed during site visit (May 2018) by Audit with the staff of the division (photographs).</p>

³⁹ Bilaspur-1, Dalhousie, Dhami, Dehra, Hamirpur, Jaisinghpur, Kullu-II and Una.

⁴⁰ Formation cutting, cross drainage, soling, wearing and tarring, parapets and v-shape drain in kms 0.0 to 4.855.

		 <p style="text-align: center;">Closed road from Tahakoli to Dungru via Khera Mandrala in Dalhousie division</p> <p>The Department had neither ensured clear title of land before construction of the road not taken any action to resolve the issue with the land owner though false certificate of land availability was provided in the DPR as indicated paragraph 2.1.6.2. Non-utilisation of the completed road deprived the public of the intended benefits and rendered the expenditure of ₹ 1.45 crore unfruitful.</p> <p>The ACS stated (December 2018) that the road had not been closed by any land owners. The reply was contradictory to the position observed during physical verification by Audit with staff of the Department during which it was clear that had been closed by one of the land owners.</p>
--	--	--

Non-passing of roads (33 cases), non-construction of bridge (one case) and land dispute (one road) rendered the expenditure of ₹ 53.11 crore incurred on these roads and bridge largely unfruitful as the envisaged benefits could not be realised.

The cases pointed out are based on the test check conducted by Audit. The Department/ Government may initiate action to examine similar cases and take necessary corrective action.

2.1.10 Internal controls

Internal control system is a management tool that detects violation of laid down rules and procedures, assesses reasons for the same with implications, and suggests corrective course of action. Through it, the organisation gains reasonable assurance for efficient and effective operations, reliability of financial reporting, compliance with applicable rules, regulations and statutory obligations. Deficiencies in internal controls have been discussed in the succeeding paragraphs. The findings are based on a test-check; the State Government may review all projects to identify and address similar shortcomings.

2.1.10.1 Financial Controls- Reimbursement of loan by NABARD

NABARD funding is by way of reimbursement of expenditure incurred on the projects on a monthly basis upon submission of statement of expenditure (SOE) by the State Government. The EEs are to submit the details of expenditure incurred on the roads to the Engineer-in-Chief on a monthly basis and claims are further submitted to NABARD through Finance Department for reimbursement.

The position of projects sanctioned, expenditure incurred, reimbursement due and reimbursement actually made by NABARD during 2013-18 (Period of performance audit) is depicted in the **Table-2.1.8** below:

Table-2.1.8: Position of projects sanctioned, expenditure incurred, reimbursement due and reimbursement actually made by NABARD under during 2013-18

(₹ in crore)

RIDF/ Year	Project sanctioned		Exp.	Reimbursement claims				
	No.	Amount		Due	Claimed	Short claim	Received	Short receipt (6-8)
1	2	3	4	5	6	7	8	9
2013-14	75	244.83	181.46	163.31	155.47	7.84	154.72	0.75
2014-15	80	256.00	152.25	137.03	122.28	14.75	119.64	2.64
2015-16	107	385.61	165.54	148.99	126.88	22.11	118.71	8.17
2016-17	53	250.43	38.32	34.49	22.74	11.75	18.55	4.19
2017-18	84	326.22	3.09	2.78	1.50	1.28	1.41	0.09
Total	399	1,463.09	540.66	486.60	428.87	57.73	413.03	15.84

Source: Information supplied by Department.

Against reimbursement of ₹ 486.60 crore (90 per cent of expenditure incurred) due under RIDF-XIX to XXIII from NABARD during 2013-18, the Department had claimed reimbursement of loan of ₹ 428.87 crore resulting in short claim of ₹ 57.73 crore. Even against reimbursement of ₹ 428.87 crore claimed by the Department during the above period, ₹ 15.84 crore had not been received as of March 2018. The ACS stated (December 2018) that submission of reimbursement claims was a continuous process and claims were submitted to NABARD on the basis of actual expenditure incurred on the projects. However, the Department had neither claimed reimbursement keeping in view the actual expenditure incurred nor received the reimbursement actually claimed.

2.1.10.2 Administrative Controls

(i) Splitting up of works

Paragraph 6.44 of PWD Manual of orders, read with instructions issued (April 2012) provides that split up of work/ project should not be carried out to avoid e-tendering or publication through the Press to avoid approval of the higher authority.

Audit noticed that in nine (out of 17) test-checked divisions⁴¹, 23 road projects sanctioned (December 2008 to October 2014) under NABARD for ₹ 104.74 crore were awarded (October 2009 to September 2017) to 124 contractors for ₹ 89.36 crore by splitting each of them into two to 44 works. The projects were split up to avoid wide publicity and sanction of the higher authority facilitating finalisation of tenders at lower level. Evidently, splitting up of the projects vitiated the tendering process of ensuring maximum competition, transparency and fairness besides extension of undue favour to the contractors. A few instances are given in **Table-2.1.9** below:

Table-2.1.9: Details of instances of splitting up of works

(₹ in crore)

Name of the division	No. of projects	Year of sanction	Sanctioned Amount	No. of contracts awarded	Award amount	Delay in completion of work (in months)
Mandi-I	1	2008	3.48	44	5.45	41
Sangrah	1	2013	16.84	5	15.96	14
Una	5	2009 to 2011	16.25	2 to 4	11.48	18 to 22
Udaipur	1	2012	0.11	11	0.20	No delay

⁴¹ Dalhousie, Ghumarwin, Jubbal, Mandi-I, Nurpur, Sangrah, Theog, Udaipur and Una.

The ACS stated (December 2018) that the works were split up by the divisions to speed up the tendering process where contractors with required capacity were not available and due to tough site conditions. However, there was delay of 14 to 41 months in completion of seven out of the eight road projects depicted in Table-2.1.9 in spite of splitting up and the objective of obtaining competitive rates also remained unachieved.

(ii) Expenditure incurred in excess of awarded amount

Audit noticed that in test-checked divisions (except Dalhousie) 82 works were awarded at a cost of ₹ 147.23 crore against which payment of ₹ 173.47 crore was made to contractors for execution of these works resulting in deviation payments of ₹ 26.24 crore (18 per cent). The payment of deviations was, however, made without approval of the competent authority. A few major deviations are shown in Table-2.1.10 below:

Table-2.1.10: Details of instances of major deviations

(₹ in crore)

Name of the division	Name of projects	Award Amount	Expenditure	Excess expenditure
Theog	C/o Kwanti bridge	3.02	5.76	2.74
Hamirpur	C/o link road from NH 17 Kaloor to Kohla Nadaun Amtar	3.75	4.58	0.83
Una	i) C/o link road from Ispur Gagret road to Lower Panjawar via Patwar Khana	2.90	3.70	0.80
	ii) C/o & metalling/ tarring of road from Gagret Oel Ispur road to Mohlla Tiperin upto Swan River	2.25	3.10	0.85

The ACS stated (December 2018) that the expenditure was incurred due to unforeseen circumstances and execution of extra work as per site conditions. However, the division had not obtained prior approval of competent authority for deviation.

2.1.10.3 Quality controls and monitoring

(i) Quality control

Quality control is essential for ensuring execution of projects to the desired quality/ standards. Quality of execution of projects/ works was to be checked by the Department through State Quality Control Wing and State Quality Monitors (SQMs).

• Quality checks by Quality Control Wing and State Quality Monitors

As per instructions (September 2011) of the CE (Quality Control and Design), inspection of all works above ₹ 0.30 crore was to be carried out at regular intervals by the EEs (Quality Control) as well as by SQMs. However, the periodicity of inspection was not prescribed. During 2013-18, the SQMs had conducted 102 inspections of 43 projects in the 14 test checked divisions while no inspection was conducted in the remaining three divisions⁴². Out of 43 projects, 59 defects⁴³ were pointed out in 28 projects but action taken reports for rectification of defects pointed out by the SQMs had not been submitted by the divisions. Besides, 32 inspections were conducted in 29 projects by the EEs (Quality Control) but no specific deficiencies were pointed out and only advisory for improvement was issued. Some instances of sub-standard works noticed during physical inspection by audit have been mentioned in paragraph 2.1.9.7.

⁴² Bilaspur, Ghumrwin and Jaisinghpur.

⁴³ Non-construction of *pucca*/ blocked drains, improvement in berms, non-conducting of quality tests, and removal of debris/ slips.

In the exit conference, the ACS accepted the facts and stated that new SQMs had been appointed and inspection of each road would be done regularly.

- **Quality checks of projects near completion**

As per directions issued (June 2011) by the CE (Quality Control and Design) Shimla, the final bill of a completed project was to be admitted by the EE on recommendation of the SE based on his final inspection of the project.

Audit noticed that 129 projects were completed with expenditure of ₹ 297.51 crore during 2013-18 in the test-checked divisions, but final inspection of the projects was not carried out by the SEs as required. Out of 129 completed projects, final bills of 101 projects (total expenditure: ₹ 239.13 crore) were passed by the divisions without final inspection by the SEs and final bills of the remaining 28 projects had not been passed as of March 2018. The ACS stated (December 2018) that necessary directions had been issued to all field agencies to finalise the bills of completed projects on the basis of final inspection report of the SEs concerned.

- (ii) **Monitoring and inspection**

Monitoring and periodic inspection of projects by concerned authorities is key to effective execution of the projects. The shortfalls are discussed below:

- **Monitoring by High Powered Committee**

Against the required 20 meetings of High Powered Committee⁴⁴ during 2013-18, 15 meetings⁴⁵ were held resulting in shortfall of five meetings. The discussion focused mainly on financial arrangements, submission of DPRs/ PCRs and new proposals for funding under NABARD. The ACS stated (December 2018) that High Powered Committee meetings were conducted to discuss the issues of loan sanction, reimbursements gap position, slow moving projects, etc. However, there was only general discussion on the above issues in the meetings and specific cases of technical deficiencies and benefits derived as mentioned in paragraphs 2.1.6.6, 2.1.6.7, 2.1.9.7 and 2.1.9.8 were not discussed.

- **Monitoring by district level monitoring team**

State Government had constituted (December 1999) district level monitoring team in each district under the chairmanship of the Deputy Commissioner, with two members (Superintending Engineer and District Manager, NABARD) and District Planning Officer as Member Secretary. The committee was to meet on a monthly basis to review the physical/ financial aspects of the programme and carry out random inspections. The Member Secretary was required to submit report of the review in a consolidated manner to the Planning Department within a week of the meeting.

Audit noticed that during 2013-18, the district level monitoring team did not hold any meeting to monitor the projects financed by NABARD. Action for completion of the roads, utilisation of funds and reimbursement of NABARD loan in a timely manner was also not taken. Further, the team had also not carried out any sample inspections due to which the progress of the works was not physically checked. The EEs concerned admitted the facts.

⁴⁴ Constituted (February 1996) by the State Government with the State Chief Secretary as Chairman, six members and Advisor (Planning) as its Member Secretary for review and monitoring the progress of NABARD projects on quarterly basis.

⁴⁵ 2013-14: four, 2014-15: three, 2015-16: two, 2016-17: three and 2017-18: three.

- **Inspections of projects by NABARD and departmental authorities**

NABARD guidelines provide for monitoring of projects by NABARD and departmental authorities through periodic field visits. However, periodicity of field visits was neither specified in the NABARD guidelines nor prescribed by the departmental authorities separately. In respect of 240 projects (out of 269) executed in the test-checked divisions during 2013-18, inspection notes/ site order books in support of the inspections carried out by departmental authorities (EEs, SEs and CEs) were not prepared. This indicated that inspections, if carried out, were not documented. Besides, NABARD had also not carried out any inspection during the above period.

NABARD authority stated (July 2018) that responsibility for inspection lies with the State Government. The ACS stated (December 2018) that regular inspections were being carried out by the departmental authorities. However, there were no inspection notes/ site order books in the 17 test-checked divisions from which the authenticity of such inspections carried out, if any, could be ascertained.

The cases pointed out are based on the test check conducted by Audit. The Department/Government may initiate action to examine similar cases and take necessary corrective action.

Recommendation: *The Government may consider ensuring strict compliance with regard to quality checks to be exercised at various stages by different authorities, promptly rectifying the defects pointed out and monitoring the execution of projects regularly for ensuring timely completion.*

Conclusion

In view of the fact that these projects were being financed through loans from NABARD, it was imperative that project selection was judicious, and execution was time-bound and within the sanctioned cost as cost overruns would not be financed by NABARD. In this context, the shortcomings detailed in the preceding paragraphs assume greater significance. The geographical distribution of sanctioned projects was uneven indicating faulty prioritisation: distressed areas had not been given due attention, while at the same time, there were cases of roads having been sanctioned for already connected villages. Project-level planning was deficient as preparation of DPRs took considerable time, projects were sanctioned without ensuring availability of encumbrance-free land and there were cases of incorrect/ unsuitable site selection and design. Scheme execution was marked by delays and cost overruns. In respect of quality of construction, the practice of constructing non-metalled roads meant that there would be faster wear and tear/ damage to the road surface. The lack of attention towards quality was also evident from the fact that observations arising out of quality control inspections were not attended to. In conclusion, the shortcomings in planning and execution meant that the envisaged benefits did not accrue in time and at the sanctioned cost, and that the quality of construction remained a matter of concern. The cost overruns on account of project delays and additional cost necessitated on account of faulty designs and substandard/ poor quality work would have to be borne by the State Government through budgetary outlays in the future.

2.2 Sewage Management in Urban Areas

Performance audit of sewage management in urban areas evaluated aspects relating to planning and direction, financial management, execution of sewerage schemes, treatment and disposal of sewage through sewerage and septic tank systems, and monitoring. Some of the major findings are as under:

Highlights:

- *Shortcomings in planning and direction included: non-preparation of strategy, non-ensuring of encumbrance-free land for sewerage schemes, lack of proactive action with regard to upgrading of overstressed STPs, design deficiencies in STPs/ septic tanks, and lack of control over disposal of sludge.*
(Paragraph 2.2.5)
- *Shortcomings in financial management included: inadequate funding for sewerage schemes, non-release of 30 per cent and delayed release of 43 per cent funds by ULBs to IPH divisions, non-utilisation of 58 per cent funds in 11 out of 16 test-checked divisions, non-utilisation of funds received from the Finance Commission by 15 test-checked ULBs, and shortcomings with regard to collection of user charges.*
(Paragraph 2.2.6)
- *Out of 25 test-checked sewerage schemes only one scheme was completed after delay of 205 months; 13 schemes were incomplete (delay: 18 to 230 months); and 11 schemes had not been started due to lack of planning for acquisition/ transfer of land; non-ensuring of encumbrance free land for laying of sewerage network; delay in preparation of DPRs; and lack of funds.*
(Paragraph 2.2.7)
- *Households/establishments were not connecting to sewerage network resulting in under-utilisation of STPs. Three STPs were over-stressed adversely impacting the treatment process and resulting in poor effluent quality.*
(Paragraphs 2.2.8 to 2.2.9.1)
- *Non-functioning of STP components and design shortcomings resulted in poor quality of effluent being released into surface water bodies. In a large number of STPs, criteria for quality of treated effluent were not being met. Sludge treatment was inadequate.*
(Paragraphs 2.2.9.2 to 2.2.9.4)
- *Community and domestic level septic tank systems did not have effluent treatment facility and effluent was being discharged into water bodies without proper treatment. There was no mechanism for de-sludging of the tanks at designated periods or for treatment of sludge before disposal. This had resulted in risk of contamination of water bodies and water borne diseases due to disposal of sludge and effluent without proper treatment.*
(Paragraphs 2.2.10.1 and 2.2.10.2)
- *Monitoring mechanisms were weak at the Department, ULB and IPH division levels.*
(Paragraph 2.2.11)

2.2.1 Introduction

Sewage refers to wastewater which is generated by residential, institutional, commercial and industrial establishments. It can be categorised into two components: black water (water containing human waste discharged from toilets) and grey water (water discharged from kitchens and bathrooms). The objective of a sewage

management system is to ensure that sewage generated and discharged from various establishments is properly collected, transported, treated and disposed of or reused without causing any health or environmental problems⁴⁶. Improper management of sewage can create insanitary conditions leading to environmental pollution through water and soil contamination/ toxicity and cause outbreaks of vector-borne disease.

Sewage management process

There are two systems for treatment and disposal of sewage: sewerage system and septic tank system. Sewage management process is depicted in **Appendix-2.1**.

In sewerage system, sewage is collected from its source of generation and transported through a network of sewer pipes (sewerage) to a sewage treatment plant (STP). An STP includes facilities for primary treatment to remove solid material, secondary treatment to digest dissolved and suspended organic material, tertiary treatment and disinfection for advanced cleaning of wastewater (effluent) to remove nutrients (such as phosphorus and nitrogen) and pathogens, and sludge treatment for dewatering and processing of the semi-solid waste (sludge). The treated effluent and sludge can be reused.

In septic tank system, sewage is collected, stored and treated at or near the source of generation by means of a septic tank and soak pit. Physical, chemical and biological processes remove contaminants, and the treated effluent seeps into the ground through soak pits. Additional treatment of the effluent is required for septic tanks serving large communities. The sludge has to be periodically removed (de-sludging) and treated in an STP or a special sludge treatment facility before being suitable for reuse or disposal. The septic tank system is recommended for individual houses (domestic-level) and small communities (community-level) whose contributory population does not exceed 300.

Responsibility framework

The Urban Development Department (UDD) was responsible for formulation of strategy and planning for sewage management at the State level, providing finance for schemes for sewage management, and monitoring the execution of such schemes. The Department was releasing funds to Urban Local Bodies (ULBs) for capital works; and to the Engineer-in-Chief (E-in-C), Irrigation & Public Health (IPH) for operation and maintenance. The ULBs were responsible for local level planning, supervision over domestic-level septic tank systems, fund management and monitoring. The IPH Department was planning and executing new schemes and undertaking operation and maintenance of existing schemes⁴⁷. The Himachal Pradesh State Pollution Control Board (HSPSCB) was responsible for monitoring compliance with standards, granting authorisations for sewage treatment plants, and reporting. The responsibility framework chart is depicted in **Appendix-2.1**.

⁴⁶ Chapter 2 (Planning) of Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual on Sewerage and Sewage Treatment (Engineering).

⁴⁷ Sewerage systems and community-level septic tank systems.

There are 54 ULBs in the State – two Municipal Corporations (MC), 30 Municipal Councils (MCs), and 22 Nagar *Panchayats* (NPs). As of March 2018, sewerage systems were functional in 20 ULBs⁴⁸ and partially commissioned in four ULBs⁴⁹, while work was in progress in 21 ULBs⁵⁰. Nine ULBs⁵¹ did not have any sewerage system. There were 41 functional STPs in the 24 ULBs having sewerage systems. Data for the community-level septic tank systems in the State was not available with the Department. Domestic-level septic tank systems existed in all ULBs.

2.2.2 Audit objectives

The objectives of the performance audit were to evaluate the performance in respect of the following aspects:

- Planning for sewage management;
- Adequate funding and efficient utilisation of funds;
- Execution of sewerage schemes;
- Treatment and disposal of sewage through sewerage and septic tank systems; and
- Effectiveness of monitoring mechanisms.

2.2.3 Audit criteria

The following sources were referred to for deriving audit criteria:

- CPHEEO Manual on Sewerage and Sewage Treatment (Engineering), 2012;
- CPHEEO Manual on Sewerage and Sewage Treatment (Maintenance and Operation), 2012;
- CPHEEO Manual on Sewerage and Sewage Treatment (Management), 2013;
- Circulars/ orders issued by the authorities concerned; and
- Contracts signed with various agencies.

2.2.4 Audit scope and methodology

The performance audit covered the period 2013-18. The audit scope included UDD, IPH Department and HPSPCB. Further, 16⁵² out of 54 ULBs in the State along with 15 associated divisions⁵³ of IPH Department and MC division, Shimla were selected (on the basis of highest population in descending order) for detailed examination of the sewage management processes. Out of total funds of ₹ 319.16 crore⁵⁴ available

⁴⁸ Arki, Bhuntar, Chamba, Dharmashala, Ghumarwin, Hamirpur, Jawalamukhi, Joginder Nagar, Jubbal, Kullu, Manali, Mandi, Naina Devi Ji, Palampur, Rampur, Rohru, Shimla, Sujanpur, Sundernagar and Una.

⁴⁹ Kangra, Nagrota Bagwan, Paonta Sahib and Solan.

⁵⁰ Baddi, Banjar, Bhota, Chowari, Dalhousie, Dehra, Gagret, Karsog, Kotkhai, Mehatpur, Nadaun, Nalagarh, Narkanda, Nurpur, Rewalsar, Santhokhgarh, Sarkaghat, Sujanpur, Sunni, Talai and Theog.

⁵¹ Baijnath Paprola, Bilaspur, Chopal, Daulatpur, Jawali, Nahan, Nerchowk, Rajgarh and Taliwal.

⁵² Both Municipal Corporations, viz. Shimla and Dharamshala; 12 (Baddi, Bilaspur, Chamba, Hamirpur, Kullu, Mandi, Nahan, Nerchowk, Paonta Sahib, Solan, Sundernagar and Una) out of 30 MCs; two (Baijnath Paprola and Jawali) out of 22 NPs.

⁵³ Baggi, Bilaspur, Chamba, Dharamshala, Hamirpur, Jawali, Kullu, Nahan, Nalagarh, Mandi, Palampur, Paonta Sahib, Solan, Sundernagar and Una-1.

⁵⁴ State budget: ₹ 172.87 crore (Capital works: ₹ 125.42 crore and Operation & maintenance: ₹ 47.45 crore), 13th Finance Commission: ₹ 4.41 crore, JNNURM/ UIDSSMT: ₹ 35.21 crore, AMRUT: ₹ 103.16 crore and Smart city: ₹ 3.51 crore.

for sewage management in the State, expenditure of ₹ 108.37 crore⁵⁵ (34 per cent) was incurred in these test-checked units. The audit methodology consisted of scrutiny of records and joint physical inspection.

Out of the 16 test-checked ULBs, eight⁵⁶ ULBs had fully functional sewerage systems; two ULBs (Paonta Sahib and Solan) had partially-commissioned sewerage systems; work on sewerage scheme was in progress in one ULB (Baddi); and sewerage scheme had been sanctioned in one ULB (Bilaspur) but work had not been started. In the remaining four⁵⁷ ULBs, no sewerage scheme had been sanctioned. Schemes were also sanctioned in the ULBs already having sewerage system for rejuvenation of existing schemes, schemes for left out areas in the towns and schemes for household connectivity. 25 sewerage schemes which were either ongoing or sanctioned during 2013-18 were test-checked, (complete: one, incomplete: 13, and not-started: 11) as discussed in paragraph 2.2.7.

There were 24 functional STPs⁵⁸ in the 10 test-checked ULBs having sewerage systems. Out of the 16 test-checked ULBs, 29 community-level septic tank systems existed in five⁵⁹ ULBs, while domestic-level septic tank systems existed in all ULBs.

An entry conference was held on March 23, 2018 with the Additional Chief Secretary (ACS), UDD to discuss the audit objectives, criteria, scope and methodology. The audit was conducted between March and July 2018. Audit findings were discussed in an exit conference with the Secretary, IPH on January 31, 2019. The replies and views of the authorities concerned have been incorporated at appropriate places in the report. The latest status in respect of audit findings was awaited as of September 2019.

Audit findings

The audit findings have been arranged in seven sections: planning and direction, financial management, execution of sewerage schemes, sewerage network connectivity, sewage treatment and disposal– sewage treatment plant, septic tank systems, and monitoring.

2.2.5 Planning and direction

2.2.5.1 Deficiencies in State-level and ULB-level planning

According to the CPHEEO Manual on Sewerage and Sewage Treatment (Engineering), planning for sewage management and sewerage schemes is required at the State, region and community levels. It was expected that the agencies involved in the State, *i.e.* UDD and IPH Department would have formulated a Strategy document and Action Plan outlining the vision and approach to be adopted with regard to sewage management along with identified strategies and action points. HPSPCB had directed (June 2015) the ULBs to submit an action plan for setting up of sewerage systems for collection, treatment and disposal of sewage. The following were observed:

⁵⁵ Expenditure incurred by divisions: ₹ 50.41 crore, ULBs: ₹ 4.56 crore, AMRUT: ₹ 17.95 crore and O&M: ₹ 35.45 crore.

⁵⁶ Chamba, Dharamshala, Hamirpur, Kullu, Mandi, Shimla, Sundarnagar and Una.

⁵⁷ Baijnath Paprola, Jawali, Nahan and Nerchowk.

⁵⁸ Chamba: 3, Dharamshala: 1, Hamirpur: 3, Kullu: 3, Mandi: 2, Paonta Sahib: 2, Shimla: 6, Solan: 1, Sundarnagar: 1 and Una: 2.

⁵⁹ Bilaspur (12), Chamba (1), Dharamshala (2), Mandi (13) and Una (1).

- (i) There was no macro-level plan or strategy document for establishment of sewerage systems in urban areas over a defined time-period. In the absence of macro-level planning, schemes were being sanctioned as and when ULBs would send requests for schemes. Schemes would be approved/ sanctioned by UDD based on availability of funds and prioritization policy⁶⁰.
- (ii) This practice of ad-hoc approval of schemes without any strategy or plan resulted in nine ULBs (including district headquarters⁶¹: Bilaspur and Nahan) not having any sewerage systems in the State.
- (iii) Even though some of the sewerage networks and STPs in test-checked ULBs had become overstressed, neither the ULBs nor the IPH divisions concerned had initiated timely action to increase the capacity of these networks/ STPs (paragraph 2.2.9.1). Further, STPs in the test-checked ULBs had non-functional components and design deficiencies (paragraphs 2.2.9.2 and 2.2.9.3) which resulted in poor quality of effluent being released into surface water bodies.
- (iv) There were long delays in completion of sanctioned schemes due to land disputes, most of which were due to lack of mechanism to secure encumbrance-free land before sanctioning of schemes or starting of works (paragraph 2.2.7).
- (v) The 16 test-checked ULBs and the respective IPH divisions had not prepared any plan for ensuring treatment and disposal of sewage through septic tanks as per norms: community-level septic tanks constructed by IPH divisions had design deficiencies and treatment of effluent and disposal of sludge had not been ensured as per norms (paragraph 2.2.10.1); ULBs were not exercising supervision over construction of domestic-level septic tanks and soak pits resulting in unscientific disposal of sludge (paragraph 2.2.10.2).

In the exit conference the Secretary, IPH accepted the facts.

Recommendation: *The State Government may ensure holistic planning through formulation of strategy for sewerage systems, initiate timely action for addressing sewerage network and STP capacity issues, devise mechanisms for securing encumbrance-free land before sanction/ execution of schemes, and ensure strict control over disposal of sludge from septic tank systems.*

2.2.6 Financial management

2.2.6.1 Inadequate funding

The activities relating to sewage management in urban areas were being financed through budgeted funds of UDD, grants received from Central Finance Commission (CFC) and Centrally Sponsored Schemes (JNNURM/ UIDSSMT⁶² and AMRUT⁶³).

⁶⁰ First priority to district headquarters, followed by pilgrim and tourist centres, followed by the remaining towns.

⁶¹ Population of Bilaspur: 13,654 (census 2011) and projected population: 64,176 (up to 2040). Population of Nahan: 28,899 (census 2011) and projected population: 58,000 (up to 2052).

⁶² Jawaharlal Nehru National Urban Renewal Mission, and Urban Infrastructure Development Scheme for Small and Medium Towns (a component of JNNURM).

⁶³ Atal Mission for Rejuvenation and Urban Transformation.

Details regarding funds received during 2013-18 in the State for sewage management are shown in the **Table-2.2.1** below:

Table-2.2.1: Details of funds received for sewage management in the State (2013-18)
(₹ in crore)

Year	State Budget	Finance Commission Grant ⁶⁴	Centrally Sponsored Schemes			Total funds ⁶⁵
			JNNURM/UIDSSMT	AMRUT	Smart City	
2013-14	23.00	4.41	22.37	0	0	49.78
2014-15	23.00	NA	0	0	0	23.00
2015-16	24.00	NA	0	24.30	0	48.30
2016-17	32.50	NA	12.84	24.02	0	69.36
2017-18	22.92	NA	0	54.84	3.51	81.27
Total	125.42	4.41	35.21	103.16	3.51	271.71

Source: Figures supplied by Director, UDD.

A total of ₹ 271.71 crore was approved for schemes relating to sewage management during 2013-18. In three out of 16 test-checked ULBs (Baddi, Chamba and Sundernagar) three sewerage schemes could not be completed/ delayed due to shortage of funds as discussed in paragraph 2.2.7.

In the exit conference the Secretary, IPH stated that funding was a major constraint in execution of sewerage schemes and efforts were being made to arrange funds from GoI. However, while funding was indeed a matter of concern, it was also seen that ULBs and IPH divisions were not able to utilise a large percentage of available funds (paragraphs 2.2.6.2 to 2.2.6.4).

2.2.6.2 Non-release/ delayed release of funds by ULBs

UDD was releasing funds to ULBs for capital works for further immediate release to IPH Department for execution.

During 2013-18, 16 test-checked ULBs received ₹ 62.89 crore (including opening balance of ₹ 1.21 crore as of April 2013) from UDD. However, only ₹ 12.49 crore (20 per cent) was released immediately, ₹ 26.83 crore (43 per cent) was released after a delay of three to 43 months, ₹ 4.56 crore (seven per cent) were utilised on sewage management related works by the ULBs themselves, and ₹ 19.01 crore (30 per cent) was still lying blocked with 13 ULBs⁶⁶ for a period ranging between two and 62 months as of March-May 2018.

Non-release and delayed release of funds by ULBs was one reason for lack of progress in scheme execution in Baddi and Chamba. In three ULBs (Baddi, Chamba and Sundernagar), the respective IPH divisions had to spend funds of ₹ 2.79 crore during 2015-18 from other heads of account in order to keep the work of these schemes progressing (paragraph 2.2.7).

In the exit conference the Secretary, IPH stated that UDD had been asked to route funds for capital works directly to IPH Department rather than through ULBs.

⁶⁴ The figures for 2013-14 reflect the amount received under 13th FC for sewage management. For the period 2014-18, funds were received under 14th FC in lump-sum for various activities including, *inter alia*, sewage management; hence, disaggregated figures for sewage management cannot be worked out.

⁶⁵ In addition to these funds, ₹ 47.45 crore were released by UDD to IPH Department for operation and maintenance.

⁶⁶ Baijnath Paprola, Bilaspur, Chamba, Dharamshala, Hamirpur, Jawali, Kullu, Mandi, Nerchowk, Paonta Sahib, Shimla, Solan and Sundernagar.

2.2.6.3 Non-utilisation of funds by divisions

In 11⁶⁷ out of 16 test-checked divisions, ₹ 30.23 crore (58 *per cent*) out of ₹ 52.55 crore received during 2013-18 had been lying unutilised for a period ranging between two and 62 months. In the exit conference the Secretary, IPH stated that matter would be examined.

2.2.6.4 Non-utilisation of funds received for sewage management component under Finance Commission grants

During 2013-18, the 16 test-checked ULBs received ₹ 82.99 crore under CFC grants which were to be spent on providing basic services including sewage management. However, except one⁶⁸ out of the 16 test-checked ULBs, the other 15 ULBs had not incurred any expenditure on sewage management from the funds received.

Non-utilisation of funds received under CFC grants on activities relating to sewage management resulted in deficiencies in collection and disposal of sewage, particularly in the case of domestic-level septic tank systems which was the exclusive responsibility of ULBs.

2.2.6.5 Violation of financial rules/ instructions

(i) Expenditure in excess of estimates

As per PWD code, revised estimate must be submitted when the sanctioned estimate is likely to be exceeded by more than five *per cent*.

In four test-checked divisions⁶⁹, expenditure of ₹ 44.57 crore was incurred in excess of sanctioned estimates for four schemes but revised estimates of these works were not prepared as of January 2019. The excess expenditure was over 100 *per cent* in case of two schemes: Solan (467 *per cent*) and Sundernagar (167 *per cent*).

The Principal Secretary, IPH stated (March 2019) that expenditure had exceeded the estimated cost due to increase in cost of labour and material. No explanation for non-obtaining of revised estimates was furnished.

(ii) Unauthorised splitting of works

In three test-checked divisions (Dharamshala, Hamirpur and Sundernagar), the Executive Engineers (EEs) floated 170 smaller-value tenders for four works⁷⁰ (estimated cost: ₹ 3.65 crore) keeping estimated cost of these tenders within their power, in violation of the condition that the works should not be split without prior approval of competent authority. Thus, competitive prices could not be derived resulting in award of these components at a cost (₹ 4.55 crore) higher than the estimated cost by ₹ 0.90 crore.

The Principal Secretary, IPH stated (March 2019) that splitting was done for timely execution of the works. However, it was seen that all these works remained incomplete as of January 2019: only 37,113 rmt. (64 *per cent*) out of 57,940 rmt.

⁶⁷ Baggi, Bilaspur, Dharamshala, Hamirpur, Jawali, Kullu, Nahan, Palampur, Paonta Sahib, Shimla and Solan.

⁶⁸ Chamba which spent ₹ 0.16 crore (five *per cent*) of the funds received (₹ 3.37 crore).

⁶⁹ Chamba, Paonta Sahib, Solan, and Sundernagar.

⁷⁰ House to house connectivity under sewerage scheme to Dharamshala town, house to house connectivity in Zone-I and Zone-II & III under sewerage scheme to Hamirpur and house to house connectivity under sewerage scheme to Sundernagar.

sewer lines had been laid due to which only 5,934 (46 *per cent*) connections out of total 13,037 planned connections had been released.

2.2.6.6 Collection of user charges

Under section 5 of the Himachal Pradesh Water Supply Act, 1968, the State Government notified (June 2005) that user charges at the rate of 50 *per cent* of monthly water bill were recoverable from domestic and commercial consumers having sewerage connection. The audit observations in respect of the 11 test-checked ULBs⁷¹ having sewerage systems are as follows:

- In eight ULBs⁷², all households/ establishments using sewerage systems were not being charged for the services: households residing in multi-storied buildings had separate water connections but sewerage charges were being levied only on one or a few water connections registered for sewerage connection by the IPH divisions, instead of being levied on all the water connections in the buildings.
Audit conducted a joint physical inspection and survey (October 2018) of 211 households in these eight test-checked divisions and observed that out of the 484 water connections in these households sewerage charges had not been levied on 246 (51 per cent) water connections.
- In two ULBs (Bilaspur and Shimla), the actual amount of user charges collected and outstanding could not be ascertained as accounting was not transparent. MC Shimla was maintaining accounts of only the total user charges collected while no record of user charges recoverable and outstanding at the end of a particular financial year was maintained. In IPH division Bilaspur, sewerage charges were being credited into the water charges head and no separate accounting was being done for sewerage charges.
- In one ULB (Solan), user charges had not been levied since commissioning of the scheme (December 2009), thus depriving the ULB/ IPH division of an important source of revenue. The Executive Officer, MC Solan stated that user charges had not been levied in order to encourage people to connect to the sewerage system. However, records showed that only 415 connections (17 *per cent*) had been released against capacity of 2,500 connections and utilization of STP in Solan was only 17 *per cent*, indicating that the policy of not levying user charges had not served the stated purpose. Further, resolution on non-levying of user charges had not been passed by the House of MC Solan.

Thus, a significant source of revenue in the form of user charges was not being adequately tapped by the ULBs/ IPH divisions.

The Principal Secretary, IPH accepted the facts and stated (March 2019) that the matter was being reviewed and necessary action would be initiated as per rules.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

⁷¹ This includes Bilaspur where an old community-level septic tank system existed for which user charges were being levied and collected by the IPH division, Bilaspur.

⁷² Chamba, Dharamshala, Hamirpur, Kullu, Mandi, Paonta Sahib, Sundernagar and Una.

Recommendation: The State Government may consider simplifying the fund release mechanism, ensuring timely release of funds to executing agencies, and devising a system to ensure that sewerage charges are levied and collected from every household/ establishment availing sewerage facilities.

Sewerage systems

This section deals with audit observations relating to execution of sewerage schemes, sewerage network utilization and connectivity, and functioning of STPs.

2.2.7 Execution of sewerage schemes

Sewerage schemes include: schemes for providing sewerage systems (laying of sewerage network and construction of STPs) in towns, schemes for providing sewerage systems in left-out areas of towns, rejuvenation schemes (replacement of worn-out sewer lines, connecting missing links, and augmentation of STP capacity), and schemes for household connectivity (laying of sewer lines up to six metres of houses). Schemes are proposed by ULBs and approved by UDD on the basis of detailed project reports (DPRs) prepared/ finalised by the IPH Department. Funds are released by UDD to ULBs for immediate onward release to IPH Department for execution of the schemes.

The detailed analysis (as of January 2019) of 25 sewerage schemes within the scope of the audit (*i.e.* period 2013-18 in the 16 test-checked ULBs) is shown in **Table-2.2.2** below:

Table-2.2.2: Details of sewerage schemes within the audit scope in 16 test-checked ULBs
(₹ in crore)

Sl. No.	ULB	Sanction date/ Completion period	Amount sanctioned/ released/ expenditure	Status of scheme	Major issues
Schemes for providing sewerage systems in towns					
1.	Bajnath			<i>Not started</i> – DPR for ₹ 58.48 crore prepared by IPH division in November 2016 but yet to be approved.	Non-approval of DPR even after 26 months from DPR preparation.
2.	Jawali			<i>Not started</i> – proposal sent in August 2017 but DPR not yet prepared.	Non-preparation of DPR even after 17 months from proposal.
3.	Nahan			<i>Not started</i> – proposal sent in 2007-08, in-principle approval of IPH Department for ₹ 100.22 crore in February 2018 but DPR yet to be approved.	Delay (10 years) in DPR preparation; non-approval of DPR even after 11 months from DPR preparation.
4.	Ner Chowk			<i>Not started</i> – proposal sent in November 2015 but DPR not yet prepared.	Non-preparation of DPR even after 38 months from proposal.
5.	Sundernagar	03/1992 5 years	5.67 / 15.15 / 15.15	<i>Completed</i> – May 2014 (delay of 205 months).	Land disputes in laying of sewerage network.
6.	Baddi	07/2014 2 years	33.34 / 20.58 / 20.33	<i>Incomplete</i> (running delay: 30 months) – laying of sewerage network completed (₹ 19.17 crore); work of STP not started.	Delay in signing of agreement with executing agency for STP work; lack of funds: short-release of State share, non-release of ULB share, non-release of balance GoI share due to non-completion within stipulated period.
7.	Bilaspur	02/2012 3 years	21.56 / 3.29 / 0.03	<i>Not started</i> (running delay: 48 months)	Delay ⁷³ (45 months) in preparation and approval of DPR; non-finalisation of site for STP even after 83 months due to identification of unsuitable land and delay in land transfer.

⁷³

An Environment Implementation Committee constituted by HPSPCB took serious note in respect of disposal of untreated effluent into Govind Sagar lake from old community based septic tank system and directed (May 2008) to propose a solution within one month.

8.	Paonta Sahib	10/1995, revised in 07/2009 Zone – III approved (12/2018) under NMCG ⁷⁴ 5 years (from 10/1995)	2.62, 11.43, & 11.57 / 20.76 / 15.03	Zone I: Completed – December 2010 Zone II: Completed – March 2016 Zone III: <i>Incomplete</i> – work of laying sewerage network in progress; work of STP not started (running delay: 220 months).	Zones I and II: Delay due to land disputes in laying sewerage network and obtaining clearances for road crossing. Zone III: Land dispute in laying sewerage network and STP; delay in release of funds by ULB to IPH Department; delay (43 months) in DPR preparation as per revised norms (June 2015).
9.	Solan	11/1995 4 years	4.55 / 33.71 / 25.82	<i>Incomplete</i> (running delay: 230 months)	Acquisition of excess land (46%) for STPs; land disputes at STP site and in laying of sewerage network; cost escalation due to Court order for enhancement of land compensation.
Schemes for providing sewerage systems in left-out areas of towns					
10.	Chamba	i) 07/2009 3 years	6.74 / 6.94 / 8.15	<i>Incomplete</i> (running delay: 78 months)	Delay in transfer of land (35 months); land disputes in laying of sewerage network. Lack of funds. Delay (18 months) in approval of DPR after preparation.
11.		ii) ⁷⁵ <i>Not started</i> – DPR prepared in 2017 and approved in October 2018.			
12.	Hamirpur	i) 06/2009 4 years	6.09 / 4.77 / 4.77	<i>Incomplete</i> (running delay: 67 months)	Land disputes in laying main sewer trunk line and sewerage network. Non-approval of DPR even after 25 months of preparation.
13.		ii) <i>Not started</i> – DPR prepared in 2016 but not yet approved.			
14.	Dharamshala	<i>Not started</i> – DPR prepared in 2016 but AA/ES awaited		Non-according of AA/ES even after 25 months of DPR approval.	
15.	Shimla	10/2015 3 years	26.00 / 19.42 / 0.00	<i>Not started</i> (running delay: 3 months)	Delay (38 months) in award of work due to non-responsive bids.
Rejuvenation Schemes					
16.	Kullu	2016-18 (under AMRUT) 2019-20	17.86 / 4.00 / 0.40	<i>Incomplete</i>	Delay (20 months) in approving DPR of up-gradation of STPs; non-finalisation of tendering process for laying sewer lines (9 months); delay (9 months) in tendering for setting up of modern laboratories.
17.	Mandi	<i>Not started</i> – capacity of existing system crossed in 07/2009; process for DPR initiated in 03/2016 but DPR for ₹ 51.45 crore not yet approved.			Delay (80 months since crossing of capacity) in starting of DPR preparation by IPH Department; non-finalisation/ approval of DPR even after 33 months.
18.	Shimla	i) 02/2009 (under JNNURM) 3 years	54.74 / 12.33 / 0.00	<i>Not started</i> and subsequently closed.	Non-finalisation of tendering process due to non-responsive bids; non-release of balance GoI funds; non-remission of GoI funds (₹ 9.70 crore) in violation of instructions. Work regarding up-gradation of STP was not started even after 10 months and other components were under progress.
19.		ii) 2015-18 (under AMRUT) 2019-20		85.30 / 56.30 / 18.86	
Schemes for household connectivity					
20.	Dharamshala	07/2016 One year	9.97 / 12.33 / 9.12	<i>Incomplete</i> (running delay: 18 months)	Land disputes for laying sewer lines.
21.	Hamirpur	02/2010 One year	4.16 / 6.12 / 2.82	<i>Incomplete</i> (running delay: 95 months)	Land disputes for laying sewer lines.

⁷⁴ National Mission for Clean Ganga.

⁷⁵ Scheme for Obri, Mai-ka-Bag, and Sultan Mohalla.

22.	Kullu Zone-I,	12/2011	1.88	<i>Incomplete</i> (running delay: 73 months, 66 months, & 26 months respectively)	Land disputes for laying sewer lines in Zones I, Zone II and Zone III.
23.	Zone-II,	07/2012	3.05		
24.	Zone-III	11/2015	2.25 /		
	One year each	5.93 / 5.25			
25.	Sundernagar	07/2013 6 months	5.13 / 4.59 / 4.25	<i>Incomplete</i> (running delay: 60 months)	Land disputes for laying sewer lines; lack of funds.

From the above table, it can be seen that out of total 25 schemes, only one scheme (Sundernagar – Sl. No. 5) was completed (delay: 205 months) while 13 schemes⁷⁶ were incomplete (running delay: 18 to 230 months) and 11 schemes⁷⁷ had not been started. The major causes of delay/ non-start of schemes were as follows:

- ***Lack of planning for land acquisition/ transfer***

Land may be required to be acquired/ transferred for construction of STP, laying of main trunk line, etc. However, it was observed that the DPRs for the schemes did not specify any details about the total area and location of land to be acquired/ transferred. Only a lump-sum provision of fund requirement for land acquisition/ transfer was made, which in the absence of any detailed assessment/ survey, was unrealistic. As a result, there were cases of land dispute, unsuitable site selection, excess land acquisition and litigation which led to running delays in three schemes as detailed below:

- ***Bilaspur*** (Sl. No. 7) – Details of land identified for STP construction was not specified in the DPR; BBMB⁷⁸ land was identified subsequently and transferred but later found to be submerged during site inspection; another site was identified and case for transfer of land pending with BBMB; scheme had already delayed by 48 months but work had not been started; and untreated sewage continued to flow into the Govind Sagar Lake.
- ***Hamirpur*** (Sl. No. 12) – Provision of ₹ 60 lakh in DPR was made for land acquisition without assessment/ specifying details of land to be acquired; execution was started without land acquisition; land disputes arose during laying of main trunk line; acquisition process was started subsequently but scheme had already been delayed by 67 months.
- ***Solan*** (Sl. No. 9)– Unrealistic lump-sum provision of ₹ 10 lakh for acquisition of land for STP was made; land acquired for ₹ 82 lakh; excess acquisition of land (46 *per cent*); land disputes for enhanced compensation emerged during scheme execution; Court orders for enhanced compensation led to payment of ₹ 17.82 crore till date.

- ***Lack of planning for encumbrance-free access for laying of sewerage network***

Encumbrance-free access is required for laying of sewerage network as sewer lines are to be laid in densely-constructed areas involving private land. Although

⁷⁶ Sl. No. 6, 8, 9, 10, 12, 16, 19, 20, 21, 22, 23, 24, and 25.

⁷⁷ Sl. No. 1, 2, 3, 4, 7, 11, 13, 14, 15, 17, and 18.

⁷⁸ Bhakra Beas Management Board.

it is mandatory to leave setbacks⁷⁹ on land during building construction, non-compliance by house-owners without action by ULBs results in non-availability of space for services such as laying of sewer lines. However, these issues were not considered at the time of DPR preparation and the DPRs did not contain any details of survey/ feasibility study for identifying and addressing such bottlenecks. No mechanism such as obtaining NOC/ affidavits from land-owners⁸⁰ to ensure encumbrance-free access to private land for laying of sewer lines was envisaged. The above shortcomings resulted in a large number of land disputes resulting in delay of 11 schemes⁸¹.

• ***Delay in preparation and approval of DPRs***

On the proposals submitted by ULBs, IPH Department prepares and submits DPRs to the UDD for approval of new sewerage schemes. For rejuvenation schemes IPH Department itself initiates the projects and prepares DPRs for funding through UDD. It was observed that the process of preparation and approval of DPRs was taking an inordinately long time:

- For two schemes (Sl. No. 2 and 4), DPRs had not been prepared even after 17 and 38 months from the date of proposal.
- DPRs for three sewerage schemes (Sl. No. 7, 11 and 16) were approved 18 to 45 months after preparation.
- DPRs for four sewerage schemes (Sl. No. 1, 3, 13, and 14) prepared between November 2016 and February 2018 were pending for approval even after 11 to 25 months (as of January 2019).
- The process of preparation of DPR in case of Mandi (Sl. No. 17) was initiated by IPH Department after 80 months since crossing of the capacity of connections.

In this context, it was observed that the Department had not stipulated any time-frame for preparation/ approval of DPRs, thereby contributing to delays.

• ***Lack of funds***

Three schemes (Sl. No. 5, 6, and 10) sanctioned between March 1992 and July 2014 remained incomplete/ delayed due to lack of funds. In Baddi, the State Government and ULB had not released their share while GoI had not released balance funds due to non-completion of scheme within stipulated period. IPH division Nalagarh had to incur expenditure of ₹ 1.17 crore from other heads of account. In Chamba, the IPH division had incurred excess expenditure of ₹ 1.46 crore from other heads while ₹ 0.25 crore was lying unutilised with the ULB. In Sundernagar, the IPH division had incurred excess expenditure of ₹ 0.16 crore from other heads while ₹ 0.50 crore was lying unutilised with the ULB (paragraph 2.2.6.1).

⁷⁹ 'Setback' is the minimum space/ distance required to be maintained (as per Municipal Corporation By-laws) between a building and the boundary of the plot on which the building is being constructed in order to ensure easy access to the building.

⁸⁰ State Government was adopting this mechanism for road construction schemes such as PMGSY.

⁸¹ Sl. No. 5, 8, 9, 10, 12, 20, 21, 22, 23, 24, and 25.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

Recommendation: *The State Government may ensure land acquisition/ transfer and availability of encumbrance-free land at the planning stage, stipulate a time-frame for preparation and approval of DPRs and provide adequate funding for schemes.*

2.2.8 Sewerage network connectivity

2.2.8.1 Low household connectivity with sewerage networks

Every household should connect to the sewerage network so that sewage is safely collected and treated and STP capacity does not remain underutilised. HP Municipal Act, 1994 provides that every household must take a sewerage connection, and the ULBs are empowered to deprive defaulting households of amenities such as water and electricity. This was reiterated⁸² by the Hon'ble High Court of Himachal Pradesh.

Scrutiny of records of the 10 test-checked ULBs having fully/ partially functional sewerage schemes showed that in five⁸³ ULBs the number of released connection ranged between 71 and 115 *per cent* (schemes completed between December 1997 and March 2009). However, in remaining five⁸⁴ ULBs the number of released connections ranged between only eight and 40 *per cent* even though these schemes had been completed between February 2009 and March 2016. The low percentage of released connections was attributable to the following:

- As per instructions issued (September 2000) by the State Government, sewer lines are to be laid up to six metres of each house. However, it was observed that sewer lines had not been laid up to six meters of houses in a large number of cases.

Audit conducted a survey (April-June 2018) of 596 households in the 10 ULBs, in which 183 households (31 per cent) reported that they were not connected to the sewerage network, of which 108 households⁸⁵ (59 per cent) reported the reason as distance of nearest sewer line being more (eight to 205 metres) than six metres from their houses.

This was a deficiency at the planning stage as the DPRs of these schemes did not contain any provision for laying sewer lines up to six metres of houses.

- In areas where sewerage systems did not exist, households would have already constructed domestic-level septic tank systems. Such households may not be

⁸² In the case of CWPIIL 28/2011 Abhishek Rai v/s State of HP and others (as circulated to all ULBs by the Director, UDD in November 2012). "In all Nagar Panchayats/ Municipal Councils/ Municipalities, each and every household must take sewerage connections, and if they do not take sewerage connections they shall be deprived of other amenities such as water and electricity facilities".

⁸³ Chamba: 99 *per cent*, Dharamshala: 86 *per cent*, Kullu: 71 *per cent*, Mandi: 115 *per cent* and Shimla: 92 *per cent*.

⁸⁴ Hamirpur: 40 *per cent*, Paonta Sahib: 37 *per cent*, Solan: 17 *per cent*, Sundarnagar: 38 *per cent* and Una: 8 *per cent*.

⁸⁵ Chamba: 23 out of 28; Dharamshala: 8 out of 20; Hamirpur: 16 out of 24; Kullu: 1 out of 4; Mandi: 17 out of 19; Paonta Sahib: 2 out of 29; Shimla: 3 out of 4; Solan: 2 out of 6; Sundarnagar: 16 out of 16 and Una: 20 out of 33 households not connected with sewerage network.

willing to bear the additional one-time cost and recurring cost/ user charges of connecting to sewerage networks. EEs of IPH divisions (Paonta Sahib and Una) stated that beneficiaries had their own septic tanks and were not ready to dismantle their finished floors or bear the additional cost.

- ULBs had not initiated action (such as imposing fines or depriving defaulting households of other amenities) to ensure that households would connect to the sewerage network. Notices had not been issued by any ULB/ division except MCs Kullu (1,980 notices) and Una (eight notices) and IPH divisions Paonta Sahib (574 notices) and Solan (238 notices). Even these ULBs/ divisions had not followed-up the notices with any subsequent action against defaulting households.

Thus, the low connectivity to sewerage networks was due to non-providing of sewer lines upto the required distance of six metres of houses, additional cost to households and non-initiation of penal action by the ULBs/ divisions concerned. The low percentage of released connections led to underutilisation of STP capacity, which in turn adversely impacted the effectiveness of sewage treatment (paragraph 2.2.9.1).

The Principal Secretary, IPH accepted the observations (March 2019) and stated that the stipulated condition of laying sewer lines upto six meters of houses was being followed for new projects. While the reply indicated that corrective action had been initiated by IPH Department, there was also a need to ensure action by ULBs against defaulting households.

2.2.8.2 Connecting of grey water pipes with sewerage network

As per the CPHEEO Manual, it is mandatory to connect grey water pipes with the sewerage network. DPRs of sewerage schemes provide for connecting of grey water pipes to the sewerage network.

In a survey conducted by Audit in 10 test-checked ULBs having sewerage systems, 227 (55 *per cent*) out of 413 households⁸⁶ reported that they had not connected grey water pipes with the sewerage network. This percentage was particularly high (over 80 *per cent*) in six ULBs⁸⁷. Except MCs Kullu (1,980 notices) and Shimla (11,403 notices), no other ULB had initiated any action against defaulting households.

Grey water pipes not connected with the sewerage network were flowing either into the storm-water drains or into the open. This also meant that the anticipated volume of sewage was not flowing into the sewerage network resulting in underutilisation of STPs, thereby adversely impacting the effectiveness of sewage treatment.

⁸⁶ Chamba: 21 out of 24; Dharamshala: 40 out of 45; Hamirpur: 13 out of 34; Kullu: 18 out of 50; Mandi: 24 out of 29; Paonta Sahib: 31 out of 33; Shimla: 29 out of 121; Solan: 7 out of 26; Sundernagar: 29 out of 36 and Una: 15 out of 15.

⁸⁷ Chamba: 88 *per cent*; Dharamshala: 89 *per cent*; Mandi: 83 *per cent*; Paonta Sahib: 94 *per cent*; Sundernagar: 81 *per cent* and Una: 100 *per cent*.



Grey water pipe being discharged from households into the storm water-drains in Sundernagar (14.05.2018)



Grey water pipe being discharged from a household into storm-water drains in Chamba (06.04.2018)

In the exit conference the Secretary, IPH directed the Department to improve connectivity of grey water pipes to sewerage network.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

Recommendation: *The State Government may ensure laying of sewer lines up to the required distance from houses and initiate action against defaulting households not connecting to sewerage networks in order to improve sewerage connectivity.*

2.2.9 Sewage Treatment and Disposal: Sewage Treatment Plants

In sewerage systems, the sewage is treated in an STP. An STP includes primary treatment to remove solid material, secondary treatment to digest dissolved and suspended organic material, and tertiary treatment for advanced cleaning of wastewater (effluent) to remove nutrients and suspended solids. The process of sewage treatment and disposal in an STP is shown in **Appendix-2.2**. Raw sewage is screened to remove floating materials and grit (sand, ash, clinker, etc.). Flow equalisation tank regulates the flow into subsequent components/ units. In the primary sedimentation tank/ clarifier suspended solids, organic and residual inorganic solids, free oil, grease, other floating material and chemical flocs⁸⁸ are settled and removed. In the aeration tank, soluble and suspended organic matter is removed by aerobic bacteria, thereby reducing the level of BOD⁸⁹ and suspended solids. The secondary sedimentation tank/ clarifier settles bio-flocculated solids. The settled material from the primary and secondary clarifiers (sludge) is channelled into the sludge digestion tank where it is broken down by anaerobic bacteria. The solid/ semi-solid sludge is then routed to sludge disposal facility for dewatering and converting into dried sludge cakes to be re-used as manure, etc. The treated effluent, before being discharged into surface waters, should be sent for tertiary treatment and disinfection for removal of nutrients (phosphorus and nitrogen) and water-borne pathogens. The treated effluent can be re-used for various purposes such as agriculture, farm forestry, industrial cooling, etc.

⁸⁸ Floc is a small, loosely aggregated mass of flocculent material suspended in or precipitated from a liquid.

⁸⁹ Biochemical Oxygen Demand is the amount of dissolved oxygen needed by aerobic biological organisms to break down organic material present in water at certain temperature over a specific time period.

The audit observations relating to the process of sewage treatment and disposal in STPs are discussed in the following paragraphs.

2.2.9.1 Capacity utilisation of STPs

According to an internal report of the Department⁹⁰, utilisation of STPs should be at least 80 *per cent* of the designed capacity and low percentage of sewage inflow may adversely affect design assumptions and render the treatment process inadequate.

Out of the 24 test-checked STPs in 10 ULBs, it was observed that 11 STPs in six ULBs were functioning at severely underutilised capacities (below 50 *per cent*), and three STPs in two ULBs were overstressed as detailed in the **Table-2.2.3** below:

Table-2.2.3: Details of 14 underutilised/ overstressed test-checked STPs
(in million litres per day or MLD)

ULB	STP	Installed capacity	Sewage received (per cent of capacity)
Underutilised STPs			
Dharamshala	Chellian	5.15	2.45 (48)
Hamirpur	Hathli	3.13	1.08 (35)
Mandi	Raghunath Ka Paddhar	3.83	1.05 (27)
	Khaliyar	0.47	0.09 (19)
Shimla	Lalpani	19.35	6.18 (32)
	Snowdown	1.35	0.30 (22)
	North Disposal	5.80	1.73 (30)
	Summer Hill	3.93	0.18 (05)
Solan	Shamti	2.90	0.50 (17)
Una	Chanderlok	0.65	0.03 (05)
	Rampur	2.53	0.17 (07)
Overstressed STPs			
Shimla	Dhalli	0.76	1.30 (171)
	Malyana	2.20	3.40 (155)
Hamirpur	Bajuri	0.68	1.02 (150)

Source: Departmental figures.

The capacity utilisation of STPs at Summer Hill (Shimla), Chanderlok and Rampur (Una) was less than 10 *per cent*. The primary reasons for the underutilised capacity of STPs included: large percentage of unreleased connections, non-connecting of grey water pipes to sewerage network, and slow progress to address issues of leakages within the sewerage network.

Excess sewage in the range of 50 to 71 *per cent* above installed capacity was being received in three STPs of two ULBs adversely impacting the treatment capability of these STPs. Samples of treated effluent collected by HPSPCB from these STPs during 2013-18 showed a high failure rate⁹¹. These STPs required immediate up-gradation which should have been planned well before the STPs reached full capacity. However, the DPR for upgrading the STP in Hamirpur had not been finalised by the IPH Department as of January 2019, while a scheme for upgrading the STPs in Shimla had been proposed and approved under AMRUT only in 2017-18 (tendering was under process as of January 2019).

⁹⁰ Report on design and process adequacy of STPs (IPH Department, December 2017).

⁹¹ Calculated as a percentage of the total number of failed samples (165) to the total number of samples lifted (299) by HPSPCB from these STPs during 2013-18 (53 *per cent* in Dhalli, 78 *per cent* in Malyana, and 31 *per cent* in Bajuri).

The divisions concerned had not demonstrated urgency to address the issue of underutilized and overstressed STPs which was adversely impacting the sewage treatment process resulting in the quality parameters of treated effluent being below prescribed standards.

In the exit conference the E-in-C, IPH accepted the facts and stated that lack of land availability was a constraint in upgradation of overstressed STPs.

2.2.9.2 Functioning of STP components

Joint physical inspection and scrutiny of records of 24 test-checked STPs revealed that various STP components were non-functional, as detailed in **Table-2.2.4** below:

Table-2.2.4: Details regarding non-functional STP components

Component	STP	Function	Audit finding
Up-flow Anaerobic Sludge Blanket (UASB) Reactor	Lalpani, Shimla	Sedimentation of flocculent/ granular sludge from incoming sewage, and anaerobic degradation of organic compounds to produce methane-rich biogas. Reduce BOD level in sewage by about 50-60 per cent in summer and about 10-20 per cent in winter.	Two USAB reactors (cost: ₹ 3.10 crore) were non-functional since February 2016 resulting in organic load being beyond design parameters by 20 to 50 per cent, and poor quality of effluent as evidenced by high (52 per cent) failure rate of effluent samples. E-in-C (IPH) accepted the facts and stated that reactors were filled with sludge due to low temperature. However, the Department should have adopted suitable technology for the same as also recommended (November 1998) by an expert (heating part of the feed by utilising gas generated in the UASB reactor to maintain temperature or possibility of a thicker wall to provide insulation).
Filter press	Seven STPs – Kullu (one) and Shimla (six)	Dewatering of sludge before disposal	Filter presses (cost: ₹ 59.26 lakh) were non-functional since installation. Sludge was not being dewatered adequately before disposal. Recommendation of expert for sludge drying beds or centrifuges was not adopted in the design. Subsequently, construction of sludge drying beds was started in September 2016 but not completed as of January 2019. In the exit conference E-in-C, IPH stated that provision for sludge drying beds was being made in schemes for upgradation of STPs.
Sludge drying beds	21 STPs in 10 ULBs ⁹² (uncovered), Chamba and Hamirpur (non-functional)	Dewatering of sludge so that sludge cakes can be used as manure	Sludge drying beds in 21 STPs were not covered; exposure to rain was hindering dewatering process and causing risk of airborne infection. Work of covering the beds had been started only in Kullu. Inadequately dried sludge cakes were being stacked in gunny bags/ open in STP premises without any mechanism for re-use. Sludge drying beds in two STPs in Chamba and Hamirpur were damaged and non-functional. Principal Secretary, IPH accepted the facts.

⁹² Chamba, Dharamshala, Hamirpur, Kullu, Mandi, Paonta Sahib, Shimla, Solan, Sundernagar, and Una.



Damaged / non-functional sludge drying beds at STP Bajuri, Hamirpur (8 June 2018)



Dried sludge stacked in premises of STP Devinagar, Paonta Sahib (21 May 2018)



Uncovered sludge drying beds inundated/ overflowing with water at STP, Shanti, Solan (05 June 2018)

STP components remaining non-functional meant that expenditure of about ₹ 3.69 crore was rendered unfruitful, sewage treatment process was adversely impacted leading to poor quality of treated effluent, and sludge was not being adequately dried rendering it unfit for re-use.

2.2.9.3 Deficiencies in STP design

Scrutiny of DPRs and joint physical inspection of 24 test-checked STPs revealed deficiencies in STP design as detailed in **Table-2.2.5** below:

Table-2.2.5: Details regarding deficiencies in STP design

Design component	Function	Audit finding
Flow equalisation tanks	When the peak flow of sewage exceeds the average flow by a wide margin, it is advisable to use flow equalisation tanks to equalise the sewage flow before feeding to other STP units (CPHEEO Manual). Flow equalisation tanks were also recommended (November 1998) by an expert appointed for reviewing DPRs of STPs in Shimla.	No provision of flow equalisation tanks in 21 ⁹³ out of 24 test-checked STPs. DPRs did not contain any analysis of variation between peak and average flow to assess whether flow equalisation tanks were required or not. Department itself had made assessment (November 2017) that flow equalisation tanks would have improved treatment efficiency. In the exit conference E-in-C, IPH stated that installation was not mandatory. However, the Department had not made any assessment to ascertain need for the same.
Primary clarifier	To separate suspended solids (SS) which can settle by gravity when the sewage is held in a tank, thus reducing the organic load on secondary treatment units. It is used to remove inorganic sand, grit (if any), organic and residual inorganic solids, free oil, grease and other floating material, and chemical flocs produced during chemical coagulation and flocculation.	No provision of primary clarifier in any of the 24 test-checked STPs. Departmental report made the assessment (November 2017) that absence of primary clarifier was resulting in flow of floating and settleable solids into the biological oxidation reactors, and consequently in higher organic loading of the biological oxidation processes leading to poor effluent quality. This indicated that non-provision of primary clarifiers had resulted in reduced efficiency of sewage treatment.

⁹³ Flow Equalisation Tanks had been provided only in the two STPs in Una (Chanderlok and Rampur) and one STP in Paonta Sahib (Devinagar).

Tertiary treatment/ effluent disinfection system	To control eutrophication ⁹⁴ in receiving waters and ensure water-borne pathogen removal. Disinfection of effluent is important as it may contain pathogenic organisms of faecal origin which can cause water-borne diseases. Tertiary treatment/ disinfection of effluent can be done through chemical precipitation (to remove phosphorous and control eutrophication in receiving waters) and chlorination.	No provision of tertiary treatment/ effluent disinfection in 22 ⁹⁵ out of 24 test-checked STPs. As these 22 STPs were discharging effluent into surface water bodies directly or indirectly, tertiary treatment/ effluent disinfection was strongly advisable. This was corroborated by an internal report (November 2017) of the Department which admitted that the lack of tertiary treatment was a major inadequacy and provision of the same was required to minimise risk in reuse of treated effluent.
--	---	---

In the exit conference the E-in-C, IPH accepted the observations and stated that initiatives were being taken to improve efficiency of sewage treatment.

The above design deficiencies in STPs resulted in reduced efficiency of the sewage treatment process and pathogen-associated risk to lower riparian areas where the treated effluent was being discharged (paragraph 2.2.9.4).

2.2.9.4 Adherence to norms for treated effluent

The objective of sewage treatment is to reduce polluting substances to the standards laid down by the Ministry of Environment and Forests (MoEF), HPSPCB, and National River Conservation Directorate (NRCD). HPSPCB had prescribed standards for treated effluent/ sewage from STPs on biochemical oxygen demand, suspended solids, chemical oxygen demand, oil and grease, and pH. The CPHEEO Manual recommends that a minimum of 20 *per cent* of treated effluent shall be re-used for agriculture, farm forestry, industrial cooling, etc. In the above context, the following were observed:

- (i) The treated effluent was not being re-used in any of 24 test-checked STPs and was instead being discharged into surface water bodies.
- (ii) HPSPCB had not prescribed any standards for faecal coliforms, dissolved phosphorus and total nitrogen, which was recommended by the CPHEEO Manual in case of effluent being discharged into surface water bodies. Thus, neither the risk of pathogenic disease-causing organisms of faecal origin, nor the risk of eutrophication in receiving waters due to dissolved phosphorus and nitrogen, was being assessed.
- (iii) Records of HPSPCB showed that out of the 1,449 samples collected from the 24 test-checked STPs during 2013-18, 393 samples (27 *per cent*) from 20 STPs⁹⁶ did not meet the prescribed standards. The failure rate was over 50 *per cent* in the case of three STPs: Malyana (78 *per cent*); Dhalli (53 *per cent*), and Lalpani (52 *per cent*).

⁹⁴ Eutrophication is the process by which a body of water becomes enriched in dissolved nutrients that stimulate the growth of aquatic plant life usually resulting in depletion of dissolved oxygen.

⁹⁵ Tertiary treatment had been provided in one STP in Hamirpur (Bajuri), and one STP in Paonta Sahib (Devinagar).

⁹⁶ Sitla Bridge: 30 *per cent*; Bhagot: 10 *per cent*; Barga: 31 *per cent*; Hathli: 1 *per cent*; Kakru: 38 *per cent*; Bajuri: 31 *per cent*; Bhoot Nath: 13 *per cent*; Badah: 5 *per cent*; Lankabaker: 10 *per cent*; Khaliar: 18 *per cent*; Ragunath Ka Paddhar: 27 *per cent*; Devinagar: 3 *per cent*; Malyana: 78 *per cent*; Dhalli: 53 *per cent*; North Disposal: 28 *per cent*; Snowdown: 20 *per cent*; Lalpani: 52 *per cent*; Summer Hill: 8 *per cent*; Shamti: 23 *per cent* and Chandpur at Bharjwanoo: 14 *per cent*.

This was attributable to STPs being over-stressed (Dhalli and Malyana) and non-functional components adversely impacting the treatment process (Lalpani).

The non-adherence to discharge standards in 20 STPs meant that the treated effluent/ sewage from these STPs was not safe for the surface water bodies into which it was being directly or indirectly discharged. This would not only have an adverse impact on the ecosystem but also on the health of populations residing and using such water in lower riparian areas. Although HPSPCB had served notices during 2013-18 to the divisions to take remedial measures, action liable to be taken under the respective laws had not been initiated.

In the exit conference the Secretary, IPH stated that a system of weekly review of effluent parameters had been put in place and efforts were being made to monitor and improve the quality of effluent from the STPs. In this context, Audit observed that proposals had been moved and DPRs had been prepared to upgrade 29 out of the 41 STPs in the State.

2.2.9.5 Non-enforcement of contract provisions

The IPH Department had tendered works of laying sewerage networks and operating and maintaining STPs to contractors as per agreements containing provisions on performance guarantee, executing works as per stipulated schedule, providing designated staff for operation and maintenance, testing of effluent quality parameters in STPs, etc. The following cases of non-enforcement of contract/ agreement provisions were observed:

- **Performance Guarantee –**
Performance guarantee of ₹ 24.54 lakh was not obtained by four divisions⁹⁷ from contractors of five works. Thus, these divisions had not adequately safeguarded against the risk of non-adherence to contract provisions by the contractor. All five works stipulated to be completed within 12 to 24 months were incomplete as of January 2019.
The Principal Secretary, IPH stated (March 2019) that performance guarantee would be obtained from contractors in future.
- **Penalty for delay in execution of works –**
In 11 test-checked ULBs, 41 works awarded to 29 contractors by five IPH divisions⁹⁸ were delayed by the contractors. However, the IPH divisions concerned had neither issued any notices to the contractors to expedite execution nor levied compensation of ₹ 72.66 lakh.
The Principal Secretary, IPH stated (March 2019) that notices would be issued to the contractors.
- **Penalty on STP operators –**
 - Penalty of ₹ 3.61 lakh recoverable from contractors operating 10 STPs in four divisions⁹⁹ for failure to meet the stipulated effluent quality parameters had not been imposed/ levied.

⁹⁷ Dharamshala: ₹ 5.30 lakh, Hamirpur: ₹ 14.83 lakh, Mandi: ₹ 2.35 lakh and Sundernagar: ₹ 2.06 lakh.

⁹⁸ Chamba: ₹ 29.18 lakh, Mandi: ₹ 2.07 lakh, Paonta Sahib: ₹ 7.80 lakh, Shimla: ₹ 30.07 lakh and Solan: ₹ 3.54 lakh.

⁹⁹ Hamirpur: ₹ 1.39 lakh, Kullu: ₹ 0.56 lakh, Shimla: ₹ 1.24 lakh and Sundernagar: ₹ 0.42 lakh.

- Penalty of ₹ 2.92 lakh recoverable from contractors operating six STPs/ maintaining sewerage networks in three divisions¹⁰⁰ for failure to provide designated staff as stipulated in the contract had not been imposed/ levied. Important posts of Process Engineer and Pump Operator were vacant in these STPs which would have adversely impacted operations. Further, the penalty amount prescribed in the contract was very small and contractors would incur more expenditure on deployment of designated staff. Thus, revision of penalty amount prescribed in the contract may be considered.

The Principal Secretary, IPH stated (March 2019) that the matter would be looked into and recovery would be effected.

2.2.9.6 Infrastructure in STPs

The following shortcomings relating to infrastructure were noticed during joint physical inspection (March to June 2018) conducted by Audit in 24 test-checked STPs:

(i) CPHEEO Manual and directions of HPSPCB state that STPs should be equipped with generators. However, generators had not been installed in eight STPs¹⁰¹. Further, generators installed in five STPs¹⁰² were non-functional. Thus, there was no provision for maintaining uninterrupted power supply in these STPs.

(ii) Special Secretary, IPH directed (March 2016) that laboratories in STPs should be equipped with instruments to analyse parameters (BOD, COD, etc.) so that remedial measures such as re-circulation, more oxidation, etc. can be taken by STP operators.

Five¹⁰³ STPs had no laboratory for testing of samples. Further, in five¹⁰⁴ out of the remaining 19 STPs, laboratories were non-functional due to non-availability of required equipment. In Una, neither of the two STPs had functional laboratory and treated effluent was being discharged into surface water bodies without required tests, in contravention of Water (Prevention and Control of Pollution) Act, 1974.

The absence/ non-functioning of laboratories meant that STP operators did not have infrastructure to analyse effluent quality parameters and take remedial action.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

Recommendation: *The State Government may ensure optimum utilisation of STP capacity by upgrading capacity of over-stressed STPs and improving sewerage connectivity in the case of underutilised STPs; and address the issues of design deficiencies and non-functional components in order to improve the efficiency of sewage treatment.*

¹⁰⁰ Hamirpur: ₹ 0.79 lakh, Mandi: ₹ 0.22 lakh and Sundernagar: ₹ 1.91 lakh.

¹⁰¹ Chamba: Barga, Sitla Bridge and Bhagot; Dharamshala: Chellian; Hamirpur: Hathli, Kakru and Bajuri; and Una: Chanderlok.

¹⁰² Kullu: Badah; Paonta Sahib: Devinagar and Main Bazar; Solan: Shamti; and Una: Rampur.

¹⁰³ Shitla Bridge (Chamba), Kakru and Bajuri (Hamirpur), Lankabaker (Kullu) and Chanderlok (Una).

¹⁰⁴ Bhagote (Chamba), Badah (Kullu), Khaliar (Mandi), Main Bazaar (Paonta Sahib) and Rampur (Una).

2.2.10 Septic tank systems

This section deals with audit observations relating to community-level and domestic-level septic tank systems.

The responsibility of planning, constructing and maintaining community-level septic tank systems rests with IPH Department. The responsibility of constructing domestic-level septic tank systems rests with individual establishments and ULBs are responsible for exercising supervision in respect of their construction and cleaning.

2.2.10.1 Community-level septic tank systems

In community-level septic tank systems serving large communities, the effluent, although clarified to a large extent, still contains dissolved and suspended organic solids and pathogens requiring additional treatment. The accumulating sludge at the bottom of the tank should be de-sludged and treated at least once in two to three years as per CPHEEO Manual, 2012. The sludge has to undergo further treatment in an STP or a special sludge treatment facility before being suitable for application on land or disposal.

There were 29 community-level septic tank systems (March 2018) serving populations ranging between 300 and 2,000 in five out of 16 test-checked ULBs. The observations in respect of these 29 systems, after joint physical inspections and scrutiny of records, are discussed in **Table-2.2.6** below:

Table-2.2.6: Details regarding physically inspected 29 community-level septic tanks

ULB	No. of septic tanks	Construction	No. of users	Soak pits or effluent treatment system	Sludge treatment and disposal facilities
Bilaspur	12	Around 1960 and 1996	907 – 1,637	No soak pits or effluent treatment system available. Effluent discharged directly/indirectly into Govind Sagar lake.	None. Sludge disposed of in the open without treatment.
Chamba	1	1998	1,050	Septic tank unfenced and manhole covers missing. Soak pit system available. No additional effluent treatment facility available. Effluent being discharged into stream without additional treatment.	None. Septic tank de-sludged four times but no record of disposal made available. Sludge disposed of in the open without treatment despite having STP.
Dharam shala	2	2007-08	3,500 (1,500 and 2,000)	Soak pits available in both. No additional effluent treatment system available.	None. Septic tanks not de-sludged even once despite having STP.
Mandi	13	1997 - 2010	3,900 (300 each)	No soak pits in nine septic tanks. No effluent treatment system available in any septic tank. Effluent from seven septic tanks directly discharged into Suketi Khad.	None. One septic tank de-sludged. Sludge disposed of in the open without treatment despite having STP. Remaining 12 septic tanks not de-sludged even once.
Una	1	1999	1,140	No soak pits or effluent treatment system available. Septic tank unfenced, overflowing, and in disrepair.	None. Septic tank not de-sludged even once despite having STP.

Thus, in most cases the effluent was being discharged into water bodies without any treatment despite having STPs in four out of five ULBs (Ref. Table above). Fifteen out of 29 septic tanks had not been de-sludged since their commissioning (period ranging from eight to 22 years), adversely impacting the effectiveness of the treatment process, thereby causing greater pollution to water bodies. Where tanks were being de-sludged, the disposal of sludge in the open without any treatment would be polluting the soil/ land.



Overflowing septic tank at Una (Zone-C) (29.03.2018)



Leakage from Dholra Septic Tank, Bilaspur flowing into Govind Sagar (26.04.2018)



Sewage from septic tank at Suketi Khad flowing into river Beas (03.05.2018)

The Principal Secretary, IPH stated (March 2019) that efforts were being made to lift effluent to nearby STPs.

2.2.10.2 Domestic-level septic tank systems

ULBs are responsible for approving house maps and issuing completion certificates of every new construction within their jurisdiction. As per directions of HPSPCB, ULBs should ensure that every household/ waste generator should be connected with septic tank (of proper design and having adequate capacity) and soak pit.

Audit conducted (April-June 2018) joint physical inspection and survey in 16 test-checked ULBs of 557 households which were not connected with any sewerage systems and hence, should have had a domestic-level septic tank and soak pit system along with de-sludging/ cleaning of the septic tank once every one/ two years. The following were observed:

- 97 households (17 per cent) had not constructed any septic tank and were releasing sewage directly into drains/ nallahs.
- Of the 460 households that had constructed septic tanks, 351 households (76 per cent) had not constructed separate soak pits, thereby adversely impacting the effectiveness of effluent treatment.

It was observed that with the exception of three ULBs (Hamirpur, Mandi and Una), the remaining 13 ULBs were issuing certificates to households without certifying that the household site had been visited and that construction of septic tank was as per design, indicating that no such verification was being conducted.

- Of the 460 households with septic tanks, 259 households (56 per cent) reported that they had not cleaned their tanks. Of the other 201 households, 191 households (95 per cent) reported that they were disposing of sludge in the open/ nallahs/ fields, etc.

It was observed that with the exception of one ULB (Shimla), the remaining 15 ULBs were not providing any services for de-sludging/ cleaning of

domestic-level septic tanks. None of the 16 test-checked ULBs had devised any mechanism for treatment and disposal of the sludge collected from these tanks.

The Additional Director, UDD accepted the audit observation. The Principal Secretary, IPH confirmed (March 2019) the facts.

Non-construction of septic tanks and soak pits and disposal of sludge in the open by households was indicative of poor supervision of domestic-level septic tank systems by ULBs. Disposal of effluent and sludge without treatment was certain to affect the quality of ground water/ surface water/ land and posed the risk of contamination. This was also admitted in an internal report of the IPH Department, which, in the context of outbreaks of jaundice in Shimla during 2007-13, had reported that “There exist no scientific arrangements for disposal of sewage in domestic-level septic tanks constructed by house owners. Resultantly untreated sullage enters into watershed area of the source, and contaminates the water drawn from that source especially during heavy rains when people tend to clean their septic tanks”.



Sewage pipes being discharged into the open by households in Chamba (06 April 2018)



Sewage pipes being discharged into the open by households in Dharamsala (24 May 2018)

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

Recommendation: The State Government may ensure construction of septic tank systems as per norms. Further, ULBs should exercise supervision and control over domestic-level septic tank systems and provide services for treatment of effluent and sludge before discharge/ disposal either themselves or through outsourcing.

2.2.11 Monitoring

Monitoring of sewage management activities was to be done by ULBs, IPH Department and UDD. Audit observed deficiencies in monitoring as detailed below.

2.2.11.1 Monitoring mechanism

(i) A district-level monitoring committee under the chairmanship of Deputy Commissioner had been constituted (October 2015) by the State Government to monitor issues relating to sewage management. The committee was to meet once every quarter and send a report containing action(s) taken and actionable decision(s) to UDD. However, only four¹⁰⁵ out of 16 test-checked ULBs were able to provide

¹⁰⁵ Hamirpur, Kullu, Paonta Sahib and Una.

information on the functioning of such committees, and only seven out of the total 40 required meetings were held in these four ULBs between October 2015 and March 2018. Thus, the monitoring committee which would have addressed local issues such as land disputes, clearances from local authorities, etc., was not functioning as envisaged.

(ii) IPH Department was preparing quarterly progress reports for ongoing schemes, which were also being submitted to UDD for reviewing progress. However, except for two meetings¹⁰⁶, there was no record of any review or action on progress of schemes during 2013-18. There was also no record of any direction issued or action for resolving issues such as land disputes, etc. which were holding-up works. Thus, the mechanism of quarterly reports was not serving the intended purpose of providing direction from the senior management for corrective action.

2.2.11.2 Inspection of works

In order to ensure quality of works and their timely completion, the E-in-C, IPH had issued instructions in April 2000 stipulating inspection of major schemes by officials of the Department (EE, SE and CE). The Special Secretary, IPH issued a Standard Operating Procedure (SOP) in January 2016 for inspection of STPs by officials of the Department (AE, EE, SE, CE and E-in-C). The officials were required to submit inspection notes on each inspection. Scrutiny of records revealed the following:

(i) In 10 out of 12 test-checked divisions where works of sewerage schemes were in progress/ completed (two divisions: Bilaspur and Shimla had not maintained record of inspections conducted), shortfall in inspection of works during 2013-18 was 66, 62 and 36 *per cent* at the level of CEs, SEs and EEs respectively. No record of inspection notes on the works inspected by officers during the above period was found in any of these 10 test-checked divisions. The shortfall in inspections was indicative of inadequate monitoring, which would have contributed to the long delays in execution of works and lack of timely action.

(ii) In four out of 10 test-checked divisions where STPs existed (six¹⁰⁷ divisions had not maintained record of inspections conducted), shortfall in inspection of STPs during 2016-18 was 100, 56, 76, 34 and 25 *per cent* at the level of E-in-C, CEs, SEs, EEs, and AEs respectively. Further, only nine inspection notes had been submitted against a total of 475 inspections conducted. The shortfall in inspections was indicative of inadequate monitoring of STPs, thereby contributing to non-identification of problems in functioning of the STPs and lack of remedial action.

Thus the monitoring, reporting and inspection mechanisms for facilitating removal of bottlenecks at planning stage, timely completion of schemes, and exercising control over functioning of STPs were not functioning as envisaged, thereby contributing to the deficiencies highlighted in preceding paragraphs.

In the exit conference the E-in-C, IPH stated that Standard Operating Procedures for monitoring were not being fully followed but efforts would be made in this regard.

¹⁰⁶ February 2017 and August 2017.

¹⁰⁷ Hamirpur, Kullu, Paonta Sahib, Shimla, Solan, and Una.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

Recommendation: The State Government may take steps to strengthen the monitoring mechanism and ensure corrective action where required.

Conclusion

Sewage management in urban areas of the State was marked by absence of any macro-level strategy; inadequate funding, non-release and non-utilisation of available funds; long delays in execution of sewerage schemes due to non-ensuring of encumbrance-free land, land disputes, delay in preparation of DPRs, slow pace of scheme execution; lack of supervision and control over septic tank systems of sewage management; and inadequate monitoring.

A large proportion of urban areas had not been covered by sewerage systems. In areas covered by sewerage schemes, the efficiency of the sewage treatment process was not up to the required standard resulting in poor quality of effluent being released into surface water bodies. In the case of septic tank systems, the lack of supervision/ control meant that waste water was either being discharged into storm water drains/ open or not being adequately treated before seeping into the ground, while sludge was being disposed of in the open/ nallahs/ fields, etc., without treatment.

The discharge of untreated or poorly treated effluent into surface water bodies or land and the disposal of untreated sludge in the open would have adverse impacts on the environment and human health.

Chapter-III
Compliance Audit

CHAPTER-III COMPLIANCE AUDIT

Animal Husbandry Department

3.1 Unproductive expenditure on milk processing plant

Failure of the HP-Milkfed in making realistic assessment of available milk and non-formation/ functioning of envisaged Village Dairy Cooperative Societies resulted in underutilisation of milk processing plant rendering the investment of ₹ 63.35 lakh largely unproductive and leading to operational loss of ₹ 1.40 crore.

Two backward districts (Chamba and Sirmaur) of Himachal Pradesh are covered under the scheme Rashtriya Sam Vikas Yojana (RSVY) which aimed at focused development programmes for backward areas for reduction in imbalances and speeding up development. Under the scheme for providing market outlet to the milk producers' of the Sirmaur district, the HP-Milkfed¹ set up a milk processing plant at Kafota during 2006-07 at a cost of ₹ 63.35 lakh. For running the plant, the HP-Milkfed was to ensure procurement of an average of 5,000 litres of milk per day by forming 18 Village Dairy Cooperative Societies (VDCS) each consisting of 10 members in the villages of two blocks (Paonta Sahib and Shillai). Members of VDCS were to be provided training in dairy activities at National Dairy Research Institute, Karnal and they in turn were to encourage local farmers in taking up dairy activities for ensuring supply of milk to HP-Milkfed.

Prior to setting up of the Kafota Milk Processing Plant, the average daily procurement of milk during 2000-06 from Kafota area of Sirmour district being supplied to an existing nearby Milk Chilling Centre was between 453 and 919 litres per day. The HP-Milkfed conducted a survey in May 2005 in the area, in which only 2,017 litres per day milk was found surplus with milk producers which they were selling in open market. However, HP-Milkfed decided to set up the milk plant at Kafota with an average capacity of 5,000 litres per day, which was much higher than the estimated surplus milk available in the area.

Scrutiny of records (August 2017) of HP-Milkfed showed that procurement of milk for processing in the Plant ranged between only 40 and 403 litres per day during seven years (April 2007 to June 2014) of its operation. HP-Milkfed could ensure procurement of only 4.71 lakh litres of milk (four *per cent*) against the requirement of 1.32 crore litres² during this period. Audit noticed that against 18 VDCS required to be formed, only 14 VDCS were set up, out of which, only three were functional. Training to only 80 VDCS members (against 180 required) was provided by the HP-Milkfed. Required number of VDCS could not be formed due to less availability of milk owing to higher purchase prices of milk offered to the dairy farmers in neighbouring State (Punjab) and direct selling of milk by the farmers in the local market. This indicated that the HP-Milkfed failed to act by forming requisite number of VDCS functional to encourage farmers to take up dairy activities for procurement of adequate quantity of milk. The HP-Milkfed did not initiate any action for making the VDCS functional by fixing

¹ Himachal Pradesh State Co-operative Milk Producers' Federation Ltd.

² 2,648 days (April 2007 to June 2014) x 5,000 litres (capacity per day) = 1,32,40,000 litres.

competitive prices for procurement of milk, incentivising the VDCS or spreading awareness amongst milk producers.

The HP-Milkfed, incurred operational loss of ₹ 1.40 crore³ on maintenance and operation of milk plant during 2007-15 and decided (July 2014) to shift the plant to Mohal (Kullu district), the district not covered under RSVY being a non-backward district. Though, the operative life of the plant and machinery was only 12 years which was due to expire during 2018-19, the plant shifted to Mohal had not been commissioned as of February 2018 after the closure of the milk plant at Kafota in July 2014.

Evidently, failure of the HP-Milkfed in making realistic assessment of the available quantity of milk and non-formation/ functioning of envisaged VDCS resulted in under-utilisation of milk processing plant against installed capacity, thereby defeating the purpose of the scheme. This resulted in operational loss of ₹ 1.40 crore to HP-Milkfed besides investment of ₹ 63.35 lakh on installation of milk processing plant was rendered largely unproductive.

The State Government stated (September 2018) that the milk producers did not supply the milk as they did not find the procurement rates attractive as compared to neighbouring State and local market. The Managing Director, HP-Milkfed stated (October 2019) that the milk processing plant at Mohal had been made functional in March 2018. However the scheme sanctioned under RSVY was meant for backward districts Sirmour and Chamba only and shifting it to a non-backward district defeated the purpose of the scheme for reducing imbalances and speeding up development of backward areas.

The State Government may consider installation of milk processing plants with required capacity on the basis of realistic availability of milk to achieve envisaged objectives of the scheme.

Environment, Science and Technology Department

3.2 Infructuous expenditure on programme for Environment Protection and Carbon Neutrality

Shortcomings in the agreement signed with Programme Management Agency (PMA), failure of the Department to ensure compliance with the provisions of the agreement by the PMA, and lack of monitoring by the Department resulted in non-achievement of intended programme objectives of mobilising communities for environmental assessment, protection and carbon neutrality, and infructuous expenditure of ₹ 1.96 crore.

The State Government approved (May 2009) implementation of "Community Led Assessment, Awareness, Advocacy and Action Programme (CLAP) for Environment Protection and Carbon Neutrality" for ₹ 4.00 crore. The scope of work included screening and evaluation of Field Implementing Agencies (FIAs) viz Eco-clubs, *Mahila Mandals*, non-government organisations (NGOs), etc.; systematic assessment and

³ Salary: ₹ 41.33 lakh; transport charges: ₹ 19.30 lakh; electricity charges: ₹ 6.66 lakh; fuel charges: ₹ 1.05 lakh and expenditure on purchase of milk: ₹ 103.08 lakh minus income earned: ₹ 31.15 lakh.

documentation⁴ of existing environment quality and carbon footprint⁵ of *Panchayats*, Urban Local Bodies (ULBs), Blocks and Districts, mobilisation of communities and *Panchayats* to promote environmental advocacy for policy change at district and State level through FIAs; and facilitate undertaking of environment improvement actions at the local level to improve environment and reduce their carbon footprint.

The State Government appointed (May 2009) Society for Development Alternatives, New Delhi as Programme Management Agency (PMA) to implement the above activities through FIAs linked with *Panchayats* and ULBs. The Director, Environment, Science and Technology signed (August 2009) an agreement with the PMA for implementation of the Programme at a cost of ₹ 4.00 crore⁶. The programme was to be implemented in three phases: Phase I - Preparatory Phase (six months), Phase II - Development Phase (12 months), and Phase III - Consolidation and Expansion Phase: (18 months).

Scrutiny of records in the Directorate of Environment, Science and Technology revealed shortcomings in the agreement signed with the PMA, non-implementation of the provisions of the agreement by the PMA, lack of monitoring by the Department, and non-achievement of programme targets and deliverables as follows:

- The agreement provided for preparation of programme design, strategy and action plan by the PMA. The Director, Environment, Science and Technology failed to ensure the preparation of strategy or action plan by the PMA for implementation and monitoring of the programme activities/ deliverables with clear timelines. In the absence of any strategy or action plan, there was no instrument to guide implementation of the programme and to measure achievement of deliverables and outcomes. The PMA did not deploy professionally qualified/ experienced staff on a regular basis at Shimla and instead steered its work from Delhi.
- The agreement provided for periodic⁷ release of payments to the PMA on the basis of completion reports, but did not specify any deliverables/ targets that were to be achieved before release of payment. Despite non-implementation of provisions of the agreement by the PMA and non-achievement of programme deliverables, the Department had released payment of ₹ 1.96 crore⁸ to the PMA against claims of ₹ 2.20 crore during 2009-13 without verifying performance.
- The agreement did not prescribe any penalty for failure of PMA to implement activities or achieve targets within the stipulated period except obtaining of performance bank guarantee of ₹ 0.20 crore. The PMA did not complete implementation of the programme within the stipulated period even after grant of extension upto 31 December 2012, after which the PMA did not execute any

⁴ Documentation of existing environment quality includes recording of base line data regarding a particular individual/ community.

⁵ Carbon foot prints is the amount of green-house gas emitted as a result of the activities of a particular individual/ community

⁶ Programme management cost: ₹ 1.93 crore and programme implementation cost: ₹ 2.07 crore.

⁷ 2009-10 (six months): ₹ 0.80 crore; 2010-11 (12 months): ₹ 1.20 crore; 2011-12 (12 months): ₹ 1.20 crore; and 2012-13 (six months): ₹ 0.80 crore.

⁸ 2009-10: ₹ 0.40 crore; 2010-11: ₹ 0.22 crore; 2011-12: ₹ 0.82 crore and 2012-13: ₹ 0.52 crore.

further work and the bank guarantee of ₹ 0.20 crore was forfeited by the Department.

The detailed position regarding non-achievement/ short achievement of deliverables of the programme is discussed in **Appendix-3.1** and the following activities were stated to be done by the PMA:

(a) Under the 'Assessment' component, distribution of 78 *Jal Tara Kits* (for testing water quality), 12 *Pawan Tara Kits* (for testing air quality) and 500 Carbon Calculators⁹ against 36 *Jal Tara Kits*, 36 *Pawan Tara Kits* and 36,000 Carbon Calculators stipulated in the agreement but Coliform vials (7,200) for water testing were not distributed.

(b) Under 'Awareness/ Advocacy' component, distributed 1,500 English Resource Module and 400 wall hoardings for environmental awareness whereas Hindi Resource Module (1,500 sets) were not distributed.

(c) The coverage of *Panchayats* and ULBs under Assessment and Awareness/ Advocacy components was as below:

Table-3.2.1: Details of shortfall in coverage of *Panchayats* and ULBs under 'Assessment' and 'Awareness/ Advocacy' activities

Sl. No.	Activity/ deliverables	Area	Target *	Achievement	Shortfall
A. Assessment					
1.	Assessment of existing environmental quality of <i>Panchayats/ ULBs</i>	<i>Panchayats</i>	3,243	562	2,681 (83)
		ULBs	53	--	53 (100)
2.	Documentation of existing environmental quality and carbon footprint of <i>Panchayats/ ULBs</i>	<i>Panchayats</i>	3,243	374	2,869 (88)
		ULBs	53	--	53 (100)
B. Awareness/ Advocacy					
1.	Awareness generation in at least 30 per cent of <i>Panchayats/ ULBs</i>	<i>Panchayats</i>	973	274	699 (72)
		ULBs	16	--	16 (100)

Source: Departmental figures. Note: Figures in parenthesis denote percentage. *As per agreement.

In order to assess the implementation of the programme, Audit conducted survey of 12 *Panchayats*¹⁰ covered under the programme in three (out of 12) districts in January 2019, which revealed that none of the *Panchayats* was aware of any data collection exercise undertaken, distribution of *Jal Tara Kits*, *Pawan Tara Kits* and Carbon Calculators, English Resource Module and Wall Hoardings for environmental awareness by the FIAs for environment and carbon footprint assessment.

In addition to the above shortfall, it was also observed that thematic database of environment and carbon footprint was not prepared as the same was not possible without availability of full data in respect of all *Panchayats* and ULBs.

(d) The 'Action' component, which included activities such as rain water harvesting, water purification system, solid waste management, paper recycle plant and herbal garden, was not implemented.

⁹ Software through which carbon footprints can be calculated by feeding the data like solid wood used, waste recycling, fuels used in transportation, etc.

¹⁰ **Bilaspur:** Chhakoh, Namhol, Raghunathpura, Sai Kharsi and Suin Surhar; **Shimla:** Ghanahatti and Junga and **Solan:** Chail, Dharampur, Kasauli Garkhal, Satrol and Siri Nagar.

(e) Therefore, other outcome oriented deliverables such as assessment of verifiable improvement in environmental quality and reduction of carbon footprint, establishment of sustainable system after completion of the programme, monitoring and evaluation strategy of the programme and documentation and sharing of experience with the stakeholders, could not be undertaken.

The above findings indicated that the programme had not been able to bring about awareness regarding environmental quality, and sustainability of the programme had not been ensured.

The Government replied (January 2019) that the programme failed due to poor performance of the PMA. However, besides poor performance of the PMA, failure of the programme was also attributable to poor monitoring by the Director, Environment, Science and Technology and shortcomings in the agreement due to which the Department could not take any punitive action against the PMA for non-achievement of programme deliverables during currency of the agreement. Further, the release of ₹ 1.96 crore without verifying performance of the PMA was unjustified. There was however no change in the status of the project as of September 2019.

The Government may consider drafting of agreement by specifying targets, performance linked payments, etc. so as to safeguard interest of the Government; and strengthening monitoring mechanism in order to ensure timely achievement of programme objectives.

3.3 Tardy implementation of project for medicinal and aromatic plants for upliftment of rural poor

Improper planning and failure of the Department to expedite implementation of project in a timely manner defeated the purpose of improving socio-economic conditions of rural poor, resulted in unfruitful expenditure of ₹ 2.00 crore and blocking of ₹ 2.64 crore for more than one to 12 years besides depriving the State of Central assistance of ₹ 8.61 crore.

Government of India (GOI), Ministry of Rural Development approved (September 2006) a project “Cultivation, value addition and marketing of medicinal and aromatic plants for rural upliftment in Himachal Pradesh” under 'Swarnjayanti Gram Swarajgar Yojana' (SGSY) at a cost of ₹ 14.48 crore to be shared by the GOI (₹ 10.86 crore) and the State Government (₹ 3.62 crore) in the ratio of 75:25.

The project was to be implemented within five years by Society for Promotion of Bio-business and Bio-technology (SPBB) under the Department of Environment, Science and Technology (DEST). Expected outcome/ benefit to be derived under the project included raising the level of income of beneficiaries between ₹ 5,000 and ₹ 8,000 per month through medicinal and aromatic plant cultivation with coverage of 18,750 farmers (of which at least 80 per cent would be from BPL families) in 24 (out of 78) Blocks across 11 (out of 12) districts¹¹ of the State through self-employment. Monitoring and evaluation of the project was to be done periodically by two committees¹² at State and District level.

¹¹ Bilaspur: two, Chamba: three, Hamirpur: two, Kangra: three, Kinnaur: two, Kullu: two, Lahaul & Spiti: two, Shimla: three, Sirmaur: three, Solan: one and Una: one.

¹² State level: Committee headed by Secretary (Rural Development) and District level: Committee headed by Project Director, District Rural Development Agency.

Scrutiny of records (September 2015) of the Director, DEST and further information collected (June 2018) revealed that for implementation of the project, the GOI had released (September 2006) the first instalment of ₹ 2.25 crore to SPBB and the State Government had released (December 2007) its share of ₹ 0.75 crore. During 2006-11, the SPBB incurred expenditure of ₹ 1.23 crore (eight *per cent* of project outlay). Component-wise coverage of farmers against targets during above period was as below:

Table-3.3.1: Component-wise coverage of farmers against targets during 2006-11

Sl. No.	Particulars	Target		Achievement	
		BPL	Others	BPL	Others
1.	Registration (number of farmers)	15,000	3,750	4,660 (31)	3,991 (106)
2.	Infrastructure: Poly house (numbers)	15,000	3,750	2,203 (15)	Nil
3.	Planting material (number of plants)	45,00,000	11,25,000	8,62,000 (19)	2,20,000 (20)
4.	Subsidy to farmers (number)	15,000	Nil	1,477 (10)	Nil
5.	Training to farmers (number)	15,000	3,750	660 (04)	599 (16)

Source: Departmental figures. Note: Figures in parenthesis indicate percentage.

- Against projection, the percentage of actual coverage of BPL farmers was low: 15 *per cent* under infrastructure (poly/ shade houses), 19 *per cent* under planting material, 10 *per cent* under subsidy and four *per cent* under training.
- Against projected coverage of other farmers, the actual coverage remained 20 *per cent* under planting material and 16 *per cent* under training.
- Against requirement of 80 *per cent* of total farmers, the coverage of BPL farmers imparted training works out to 52 *per cent*.

The project had suffered severely and failed to achieve the desired objectives. The low coverage was attributed to non-availability of adequate staff¹³, insufficient quantity of planting material and adverse climatic conditions. As a result of non-utilisation of the first instalment in a timely manner, the GOI had also not released the balance central assistance of ₹ 8.61 crore to the State.

Ultimately, the GOI decided (November 2010) to foreclose the project asking the State Government to refund the unspent amount under the project. However, as per re-formulated project report submitted (March 2011) by the State Government, the GOI had again approved (August 2011) the project to be implemented in two phases. Intensive first phase with outlay of ₹ 9.69 crore¹⁴ (including expenditure of ₹ 1.23 crore already incurred upto 2010-11) was to be implemented during 2011-15 and the second phase of ₹ 5.25 crore was to be implemented during 2015-17 after successful completion of the first phase. The project cost was to be shared by the GOI and State Government in the ratio of 75:25. The details of difference of original and reformulated projects are depicted below:

¹³ Against 20 field officers 13 to 15 persons were deployed during 2008-10 who also kept on leaving the job intermittently due to low salary structure under the project.

¹⁴ Infrastructure (nursery and processing unit): ₹ 2.34 crore (Grants: ₹ 1.83 crore and equity/ loan: ₹ 0.51 crore); staff: ₹ 1.02 crore; working capital (planting materials): ₹ 3.21 crore; subsidy to beneficiaries: ₹ 0.15 crore; training: ₹ 2.37 crore; other administrative expenses: ₹ 0.19 crore and contingencies: ₹ 0.41 crore.

Table-3.3.2: Details of difference of original and reformulated project

Sl. No.	Particulars	Original Project	Re-formulated Project
1.	Number of Blocks and Districts	24 Blocks in 11 Districts	Eight Blocks in four Districts
2.	Number of plant species	Medicinal Plants: 27 Aromatic Plants: 11	Medicinal Plants: 5-7 Aromatic Plants: 4-5
3.	Number of BPL farmers to be covered	15,000	7,500 (1,477 already covered under original project)
4.	Number of plants to be distributed per farmer	300 plants (at the rate of ₹ 1 per plant) per farmer	2,000 plants per farmer
5.	Staff requirement	Deputy Project Coordinators (DPC): two, Field Officers (FO): 20 and Data Entry Operator (DEO): one	DPC: one, FO: eight, Field Facilitators: four and DEO: two
6.	Salary structure per month	DPC: ₹ 10,000, FO: ₹ 6,000 and DEO: ₹ 5,000	DPC: ₹ 14,000, FO: ₹ 8,000, Field Facilitator: ₹ 8,000 and DEO: ₹ 6,000

Source: Departmental figures.

The Department/ SPBB again could not complete the project within the stipulated period due to non-availability of sufficient planting material and adequate manpower¹⁵. The project was handed over (July 2013) to State Medicinal Plants Board (SMPB) under Ayurveda Department but the project had not been completed as scheduled. Funds of ₹ 0.77 crore only were spent by the SPBB during 2011-15 and no expenditure was incurred thereafter.

Against the target of 7,500 BPL farmers to be covered during above period, 4,317 BPL farmers were registered and 1,770 BPL farmers (24 per cent) were imparted training. Similarly against 1.50 crore number of plants (2,000 per BPL farmer) were to be distributed, 12.41 lakh (eight per cent) plants were distributed to the BPL farmers and against 80 units of nursery infrastructure only five (six per cent) units were created and processing unit as envisaged in the revised detailed project report (DPR), was not developed/ installed. Besides, due to less rains/ non-availability of irrigation facilities and sometimes heavy rains survival rates of the plants was 10 to 20 per cent. Owing to these climatic conditions during active growing stages of the plants, the marketing volume of the produce could not be produced during the entire project period (2006-15). Resultantly, the project implementation had suffered severely and funds of ₹ 2.64 crore¹⁶ were lying unutilised with the SPBB for more than one to 12 years.

It was further noticed that the Department had not taken into account the availability of adequate staff, adverse climatic conditions for cultivation of the medicinal and aromatic plants and availability of sufficient planting material in the Research and Development Institutions in the State while framing the DPR. Moreover, higher cost of planting material (at the rate of ₹ 3 or more per plant as compared to ₹ 1 per plant envisaged in the DPR) was also not looked into which resulted in lowering the number of plants distributed. Due to low salary structure in the project for the project staff, a large number of field staff left the project in half way leading to slow progress. The Department had also taken more than two years in handing over the reformulated project to Ayurveda Department.

¹⁵ Non-vacation of stay granted (February 2012) by Hon'ble High Court to recruit field officers and field facilitators.

¹⁶ Grants: ₹ 1.00 crore and interest up to March 2017: ₹ 1.64 crore.

Evidently, improper planning and failure of the Department to expedite the implementation of the project within the scheduled period led to non-achievement of objectives of generating self-employment and improving socio-economic conditions of rural poor, resulted in unfruitful expenditure of ₹ two crore and blocking of ₹ 2.64 crore for more than one to 12 years besides depriving the State of the balance central assistance of ₹ 8.61 crore. The funds were neither spent nor refunded as advised (November 2010) by the GOI. The Department formulated another project (2011) to retain the funds but did not implement the same.

Government replied (January 2019) that had there been adequate field staff, the project would have been implemented to achieve its entire objectives in stipulated time. However, the Department should have taken into account the adequacy of staff, availability of sufficient planting materials with the approved nurseries and adverse climatic conditions in the State before conceptualisation of the project. Resultantly, expected outcome of raising the level of income of beneficiaries between ₹ 5,000 and ₹ 8,000 per month through medicinal and aromatic plants cultivation could not be achieved. There was however no change in the status of the project as of September 2019.

The Government may formulate project after ensuring assessment of its viability including availability of sufficient planting material, adequacy of staff and climatic conditions, so as to expedite its implementation in a time bound manner.

Fisheries Department

3.4 Unproductive investment on implementation of Fish Cage Culture project

Failure of the Department to ensure viability of the project led to non-achievement of target to the extent of ₹ 81.54 lakh on the investment of ₹ 3.34 crore, unproductive expenditure of ₹ 26.87 lakh on pilot study and loss of interest of ₹ 50.61 lakh.

The State Level Sanctioning Committee (SLSC) with the objective to increase fish production in reservoirs and to demonstrate the technology among fishers, approved (June 2013) a project 'Fish Cage Culture' under *Rashtriya Krishi Vikas Yojana* (RKVY) for implementation in two reservoirs (Pong and Govind Sagar) of the State for ₹ 3.34 crore. For implementation of the project¹⁷ the Fisheries Department transferred (January 2014) the entire amount of ₹ 3.34 crore to Central Inland Fisheries Research Institute (CIFRI), Barrackpur (Kolkatta) for completion within one year.

Scrutiny of records (May 2017) showed that the Director-cum-warden of Fisheries withdrew (December 2014) ₹ 26.87 lakh from United Fisheries Development Funds received from hydroelectric projects for installation of four cages for fish culture. The Department purchased eight (four each for Pong and Gobind Sagar reservoir) cages for fish culture and stocked 36,695 seeds of various species¹⁸ against which only 10,094 (28 *per cent*) number of seeds survived. In spite of recording high mortality rate

¹⁷ Cost of construction of two batteries of cages with storage shed: ₹ 80.00 lakh, Input cost of seed, feed etc., and other management cost: ₹ 144.00 lakh, Creation of infrastructure and marketing facilities (sale counter, ice-plant, cold store, etc.): ₹ 100.00 lakh and Project implementation cost: ₹ 10.00 lakh.

¹⁸ Amur Carp, Indian Major Carp and *Pangasius*.

(72 per cent), the Department did not conduct any study/ investigation to ascertain its reasons to assess viability of future projects.

The Department signed a memorandum of understanding (MoU) with CIFRI in November 2014 for implementation of the project after a period of more than nine months from the date of transfer of funds. CIFRI projected an annual fish production of two metric ton (MT) per cage and took up execution of the project from 2016-17. An investment of ₹ 1.33 crore was made upto June 2017 on purchase and installation of 48 cages in two reservoirs (₹ 74.85 lakh) and input cost on seed, feed, etc., (₹ 58.32 lakh). CIFRI also transferred funds of ₹ 1.00 crore (February 2016) to Central Institute of Fisheries Technology (CIFT), Kochi (₹ 60.00 lakh) and Fisheries Department (₹ 40.00 lakh) for creation of stock and marketing facilities (sale counter, ice plant, cold structure). The project period was extended (January 2017) by another one year upto March 2018 with the balance funds.

It was noticed that against 6.85 lakh seed stocked in the two reservoirs by the CIFRI during 2016-18, only 1.54 lakh fish could be harvested. The production of fish during the above period was 79 MT valuing ₹ 55.76 lakh only against the minimum expected level of 192 MT¹⁹ valuing ₹ 1.37 crore resulting in shortfall of 113 MT (59 per cent) in fish production of approximate value of ₹ 81.54 lakh. This shortfall was attributed by CIFRI to abrupt fall in temperature below tolerable limit for fish in the reservoirs from the month of November to February which was not assessed either in the project proposal or in the pilot study conducted by the Department in December 2014.

CIFRI submitted utilisation certificate of the entire amount (₹ 3.34 crore) to the Department of Fisheries in March 2018 and expressed its inability to extend the project beyond 2018. The Department took over the charge of the cages installed and thereafter, a proposal for raising fish seed fingerlings and fish in the cages of Govind Sagar reservoir and Pong Dam reservoir was approved by the State Government in September 2018.

Audit observed that the Department failed to take cognizance of the outcomes of the pilot study of December 2014 and implemented the project without conducting any study/ investigation with regard to high mortality rate of fish stocked in cages leading to non-achievement of target to the extent of ₹ 81.54 lakh. Moreover, the Department instead of releasing payments out of total funds received for the project as per actual requirement and keeping the balance amount in the interest bearing deposits, transferred the entire funds to CIFRI resulting in interest loss²⁰ of ₹ 50.61 lakh²¹ for the period from February 2014 to June 2017.

The Government replied (January 2019) that the Department is confident of the success of the project and would achieve fish production as envisaged and added that the fish production was low as species of fish reared in cages could not tolerate temperature below 22°C. However, study to ascertain feasibility of rearing fish in low temperature was not done resulting in shortfall in achievement of production of fish (59 per cent).

¹⁹ 48 cages (24 cages in each reservoir) x two years x two ton = 192 MT.

²⁰ Calculated at average rate of interest (7.85 per cent) on State Government borrowings.

²¹ ₹ 334 lakh for the period from February 2014 to October 2014: ₹ 334 lakh x 7.85 x 9 months/ 1200 = ₹ 19.66 lakh; November 2014 to January 2016: ₹ 201 lakh x 7.85 x 15 months/1200 = ₹ 19.72 lakh and February 2016 to June 2017: ₹ 101 lakh x 7.85 x 17 months/ 1200 = ₹ 11.23 lakh.

The Government may ensure assessment of pilot project and application of past experiences while conceptualizing new projects to obtain envisaged outcomes.

Food, Civil Supplies and Consumer Affairs Department

3.5 Follow-up Audit: Performance Audit of Public Distribution System

The State Government had made significant progress in digitisation of ration cards and computerisation of Fair Price Shops. However, there remained a number of areas in which there was either no/ insignificant progress or only partial progress. The work of construction of new godowns had not been completed. There was shortage of manpower in testing laboratories and the practice of distributing commodities without waiting for analysis reports rendered the quality control process ineffective, leading to distribution of substandard commodities. The problem of ineligible households/ persons being included as beneficiaries remained, indicating that the system of identification of beneficiaries at the Gram Sabha level was not robust. The Department had not complied with the Public Accounts Committee's recommendation to take necessary steps to ascertain the actual number of Below Poverty Line families. There was shortfall in inspections, non-constitution of Vigilance Committees (VCs), and shortfalls in holding of VC meetings.

3.5.1 Introduction

The Public Distribution System (PDS) is a system of supply and distribution of foodgrains and essential commodities at subsidised rates to eligible beneficiaries through a network of fair price shops (FPSs). The Government of India (GoI) enacted National Food Security Act (NFSA) in September 2013, providing for a revised scheme of eligible beneficiaries, foodgrains entitlements and rates, and making it a legal obligation for the State to ensure access to adequate quantity of quality food at affordable prices.

3.5.2 Follow-up Audit: Audit scope and methodology

A report on Performance Audit of "Public Distribution System" covering the period 2005-11 was included in the Audit Report (Civil) (Government of Himachal Pradesh) for year ended 31 March 2011. The audit report contained 21 accepted observations and four general recommendations. The report was placed before the State Legislative Assembly on 6th April 2012, and was discussed by the Public Accounts Committee (PAC) in February 2015. The PAC made 17 recommendations in respect of the audit observations contained in the report.

Follow-up audit of the above performance audit report was conducted between February and June 2018. The audit was limited to a review of the action taken by the State Government in respect of the audit observations and recommendations contained in the audit report and those made by the PAC. The audit covered the period from April 2015 to March 2018, and involved examination of records of the Director, Food, Civil Supplies and Consumers Affairs (FCS&CA); two District Controllers, FCS&CA (Kangra and Shimla); and six block²² level Inspectors, FCS&CA; 38 Fair Price Shops (FPSs); and 24 *Gram Panchayats* (GPs) in the two selected districts.

²² **Kangra district:** Fatehpur, Nurpur and Pragpur; **Shimla district:** Chopal, Narkanda and Theog.

3.5.3 Audit Findings

The status of implementation of the recommendations accepted by the Government have been arranged in three categories: insignificant or no progress, partial progress, and full/ substantial progress. The findings are detailed below:

A. Insignificant or no progress

Audit findings in previous report	Audit recommendations	PAC recommendations	Status as informed by Department to PAC	Current audit findings/ observations
<p>1. Allotment, Allocation and Lifting of Foodgrains (Paragraph 1.1.10)</p> <p>Audit had pointed out that there was shortfall in lifting of foodgrains by the State Government against GoI allocation every year totaling 1.55 lakh MTs (six per cent of total allocation) during 2006-11. The Government stated that the shortfall was due to non-availability of stock with Food Corporation of India (FCI).</p>	<p>No recommendation</p>	<p>At the time of discussion, the problem of deficient storage capacity was highlighted and the need for more storage capacity was pointed out. PAC directed that the actual status/ position of selection of land and construction of godowns may be furnished.</p>	<p>The Department had informed PAC about the existing storage capacity of godowns.</p>	<ul style="list-style-type: none"> Regarding compliance to PAC recommendations, it was observed that although the Department had informed the PAC about the existing storage capacity of godowns, it had not furnished any information to the PAC regarding status of construction of new godowns. The available godown capacity in the State as of May 2018 was 57,567 MTs against the required capacity of 60,000 MTs. Funds amounting to ₹ 9.99 crore had been sanctioned and released (during 2015-18) by the State Government to Himachal Pradesh State Civil Supplies Corporation (HPSCSC) for construction of 10 new godowns with capacity of 6,650 MTs. These godowns were to be completed within nine to 12 months. However, the work of nine of these godowns had not been completed as of January 2019 due to delay in identification of sites (five cases), land dispute (one case) and slow pace of construction (three cases). Possession of one completed godown at Nerwa had not been taken by HPSCSC as of January 2019. An expenditure of ₹ 1.70 crore had been incurred on construction of these godowns as of January 2019. The State Government stated (January 2019) that necessary directions to executing agencies to get the works completed had been issued.

<p>2. Quality Control - Departmental Laboratory, issuing of foodgrains/ pulses below specifications (Paragraph 1.1.12 (sub-paragraphs 1.1.12.1 to 1.1.12.3))</p> <p>Audit had highlighted the issue of inadequate staff and infrastructure in the departmental laboratory. Three out of four sanctioned technical posts were lying vacant as of March 2011.</p> <p>Further, the laboratory did not have any facility for testing of iodised salt, levy sugar, refined oil and mustard oil. Due to this, samples were being sent to Combined Testing Laboratory (CTL), Kandaghat but there were delays in receipt of test/ analysis reports. Regarding collection and testing of samples, it had been pointed that there was shortfall in collection of samples (ranging between 46 and 78 per cent during 2006-11), and the foodgrains had been issued to FPSs without waiting for the test/ analysis reports. Consequently, 1,167.26 MTs of below-prescribed-specification foodgrains (2006-11) and 2,066.47 MTs of below-prescribed specification pulses (2007-11) had been distributed to beneficiaries. Penalty of ₹ 68.78 lakh recovered from suppliers had not been deposited into the</p>	<p>To ensure availability of good quality foodgrains, immediate steps should be taken to provide adequate technical staff in the testing laboratory and to get analysis reports of samples in time.</p>	<p>Foodgrains under PDS should be analysed in accredited labs and testing should be done before distribution.</p>	<p>The State Government had informed PAC about the labs which had been empanelled for the purpose of testing.</p>	<p>The Department had not complied with the PAC recommendations on quality control, as discussed below:</p> <ul style="list-style-type: none"> • Although the departmental laboratory had been equipped with adequate facilities to test all types of samples, the problem of shortage of staff in the laboratory remained acute. Both the sanctioned technical posts, i.e. of Head Analyst and Technical Analyst were lying vacant as of January 2019. The State Government stated (January 2019) that the post of Head Analyst and Technical Analyst were to be filled by promotion. • Regarding collection of samples for testing, there was shortfall of 520 samples (16 per cent) in 2016-17 (2,792 samples collected against 3,312 samples required to be collected) and 1,490 samples (45 per cent) in 2017-18 (1,822 samples collected against 3,312 samples required to be collected). • It was seen that in some cases, test reports were being received with delays. Out of 1,148 test-checked samples, delay in receipt of test/ analysis reports from the departmental laboratory ranging between one and 48 days beyond the stipulated period was noticed in case of 81 samples (seven per cent). The State Government stated (January 2019) that in future, the problem of delay in issue of test/ analysis reports from the departmental laboratory would be reduced as two posts of Junior analyst had been filled. • Further, foodgrains were being issued without waiting for the test/ analysis reports. Consequently, 2,067.74 MTs (out of 14,64,659 MTs total foodgrains distributed) below-prescribed-specification foodgrains, 2,222.03 MTs (out of 1,28,330 MTs total pulses distributed) below-prescribed specification pulses, and 1.80 lakh litres (out of 1,020.59 lakh litres total edible oil distributed) below-prescribed-specification
---	---	---	---	--

Government account by HPSCSC as of May 2011.				<p>edible oil had been distributed amongst beneficiaries during 2015-18.</p> <ul style="list-style-type: none"> HPSCSC had not deposited the penalty amount of ₹ 3.00 crore, recovered from suppliers for supply of substandard items, into the Government account as of December 2018. <p>The previously imposed and recovered penalty amount of ₹ 68.78 lakh had, however, been deposited into the treasury. The State Government stated (January 2019) that HPSCSC had been directed to deposit the entire penalty amount into the treasury.</p>
<p>3. Functioning of Fair Price Shops (Paragraph 1.1.14)</p> <p>Audit had conducted test-check of 96 FPSs and highlighted various deficiencies. Same commodities as those being distributed under PDS were being kept for sale in addition to PDS items in 40 FPSs in contravention of departmental orders. Samples of foodgrains were not displayed in any FPS. Position of monthly stock was not displayed in 53 FPSs. Essential information such as citizens' charter and grievance redress mechanism was not displayed in any FPS. Time of opening and closing of FPSs was not displayed in four FPSs.</p>	No recommendation	No recommendation	--	<ul style="list-style-type: none"> No action had been taken by the Department against the dealers of the FPSs in respect of which shortcomings/ non-compliance to orders were highlighted in the previous audit report. For the current audit, 38 FPSs were test-checked and it was found that the same deficiencies as highlighted in the previous report were persisting: <ul style="list-style-type: none"> In 13 out of 38 test-checked FPSs, regular stock of items like wheat, rice, sugar and pulses were being kept for sale at market rates alongside the controlled PDS stocks of same items. Thus, there was a risk that FPSs could divert or substitute the controlled PDS stock into/ with the regular stock. None of the 38 test-checked FPSs had displayed samples of commodities available at their FPSs. The scale of issue during the month was not found displayed in 16 out of 38 test-checked FPSs. Citizens' charter was not displayed in 17 out of 38 test-checked FPSs. Opening and closing time was not displayed in 13 out of 38 test-checked FPSs. <p>The State Government stated (January 2019) that necessary instructions had been issued to the concerned field offices in this regard.</p>

B. Partial progress

Audit findings in previous report	Audit recommendations	PAC recommendations	Status as informed by Department to PAC	Current audit findings/ observations
<p>1. Allotment of Funds and Expenditure (Paragraph 1.1.7.1) Audit had pointed out the issue of non-utilisation of ₹ 17.80 crore (four <i>per cent</i>) out of the total budget allotment of ₹ 471.05 crore during 2006-11, with major savings under the heads Subsidy and Transportation (₹ 7.46 crore), <i>Annapurna</i> scheme (₹ 1.34 crore), and Staff Cost and Other Administrative Expenses (₹ 8.95 crore). The State Government had stated that savings under <i>Annapurna</i> scheme were due to variation between actual and target number of beneficiaries in the <i>Annapurna</i> scheme and decrease in commodities supplied, while the savings under Staff Cost and Other Administrative Expenses were due to non-filling of vacant posts.</p>	<p>No recommendation</p>	<p>1. The Department should inform GoI about the actual number of eligible beneficiaries under <i>Annapurna</i> scheme.</p> <p>2. Status of filling of vacant posts through Public Service Commission may be brought to the notice of PAC.</p>	<p>1. The State Government had informed GoI about the actual number (1,014 persons) of eligible beneficiaries under the <i>Annapurna</i> scheme as of March 2018, stating that the number of beneficiaries had decreased due to implementation of "Old Age Pension Scheme".</p> <p>2. It was also informed (July 2017) that 25 out of 35 vacant posts of inspectors had been filled in August 2016 through Public Service Commission, while recruitment for 19 posts of Junior Assistant was under process with HP Staff Selection Commission.</p>	<ul style="list-style-type: none"> • Audit observed that during 2015-18, ₹ 59.07 crore (nine <i>per cent</i>) out of the total budget allotment of ₹ 678.95 crore remained unutilised, with major savings under the heads Subsidy and Transportation (₹ 54.23 crore), <i>Annapurna</i> scheme (₹ 0.52 crore), and Staff Cost and Other Administrative Expenses (₹ 2.44 crore). • Savings under the head Subsidy and Transportation were due to non-receipt of claims under State Government's scheme for subsidised pulses, oils, etc., for the final quarter of 2017-18. The subsidy was being claimed by the HPSCSC on the basis of actual sales against estimated budget allotted by the State Government. However, HPSCSC had not submitted the claims to the Department. Reasons for the same were not on record. • In respect of the <i>Annapurna</i> scheme, it was observed that the State Government had informed GoI about the actual number of beneficiaries, and had been requesting GoI for allocation of foodgrains accordingly. However, GoI had not allocated any foodgrains under the scheme to the State Government since 2016-17, as a result of which the budget allocated by the State Government under this head could not be utilised. Reasons for non-allocation of foodgrains by GoI were not on record. Foodgrains to beneficiaries under <i>Annapurna</i> scheme were being distributed by the State Government from the stock allocated for APL/ tide-over-allocation, which had not been recouped/ adjusted as of December 2018.

				<ul style="list-style-type: none"> In respect of savings under the head Staff Cost and Other Administrative Expenses, the Director, FCS&CA replied that this was because of vacant posts and added that the unutilised budget was being automatically surrendered. Out of total sanctioned strength of 19 in the cadre of Junior Assistants, 18 posts had been filled²³ as of September 2018. Out of total sanctioned strength of 83 in the cadre of Inspectors, 11 were vacant as of December 2018. The State Government stated (January 2019) that some of the posts were to be filled through promotion but could not be filled due to non-availability of eligible candidates.
<p>2. Identification of beneficiaries and unrealistic estimation of Antyodaya families (Paragraphs 1.1.8.1 and 1.1.8.2)</p> <p>Audit had pointed out that the State Government had extended the benefit of PDS to 5.14 lakh Below Poverty Line (BPL) families (estimated by GoI in March 2000) instead of 2.82 lakh BPL families (identified as per survey conducted by the State Government in 2006-07 as per revised guidelines issued by GoI) resulting in distribution of foodgrains to an additional/ excess 2.32 lakh BPL families at subsidised rates. Further, the State</p>	<p>The identification of PDS beneficiaries/ AAY families, and providing of subsidy should have been done with reference to the actual number of BPL families identified in the survey conducted in 2006-07.</p>	<p>1. The Department should clarify as to why subsidised foodgrains were provided to additional/ excess 2.32 lakh BPL families.</p> <p>2. Effective steps should be taken to reconcile the BPL figures with the Rural/ Urban Development departments to ascertain the actual number of BPL families.</p>	<p>1. No clarification for distribution of subsidised foodgrains to additional/ excess 2.32 lakh BPL families was furnished to PAC.</p> <p>2. No reconciliation had been done to ascertain the actual number of BPL families.</p>	<ul style="list-style-type: none"> The National Food Security Act (NFSA), 2013 had introduced a revised scheme of beneficiaries and entitlements. Under NFSA, GoI had stipulated that the State Government should cover 36.82 lakh persons using a two-tier categorisation of Priority Households²⁴ (PHH) and <i>Antyodaya Anna Yojana</i> (AAY) households. It was observed that against these targets, the State Government had covered 31.61 lakh persons using a three-tier categorisation (BPL: 13.10 lakh persons, PHH: 9.33 lakh persons and AAY: 1.93 lakh households or 9.18 lakh persons). Section 32 of NFSA provides that the Act shall not preclude the State Government from continuing or formulating other food based welfare schemes. The State Government was thus also extending the benefit of

²³ Lying vacant since March 2015 and filled up in 09.10.2017, 10.10.2017, 11.10.2017, 13.10.2017, 16.10.2017 and 26.02.2018.

²⁴ Priority households includes: *Aikal Nari*, orphan child living in *ashram*, households headed by a widow, households headed by terminally ill person, Tibetan households who are verified by Tibetan Settlement Officer, person with any kind of disability etc. In addition to these, additional up to 10 per cent of population not covered so far under NFSA may be selected by giving priority to the poorest out of the uncovered persons provided that they should not possess more than five hectares of non-irrigated land or two hectares of irrigated land and their average monthly household income should be less than ₹ 12,000/- per month.

<p>Government, which was required to cover 38 per cent of BPL families under <i>Antyodaya Anna Yojana</i> (AAY), had covered 1.96 lakh families (38 per cent of 5.14 lakh) under AAY instead of 1.07 lakh families (38 per cent of 2.82 lakh) resulting in excess coverage of 0.89 lakh families. The State Government had stated that identification of BPL families was done by Rural Development and Urban Development departments and FCS&CA Department had no role in this regard.</p>				<p>PDS to Above Poverty Line (APL) persons numbering 45.64 lakh. The State Government stated (January 2019) that GoI had made allocations under tide-over category, which was being provided to APL consumers as per GoI norms, at a scale fixed by State Government as per availability of foodgrains.</p> <ul style="list-style-type: none"> • With regard to identification of beneficiaries, after the BPL survey conducted by the State Government in 2006-07 as per revised guidelines issued by GoI, the Rural Development Department had conducted periodic review of BPL households through Gram Sabha meetings in 2008, 2011, 2013, and 2018 with reference to prescribed inclusion/exclusion criteria. Records showed that during 2015-18, the Department had excluded 38,143 ineligible households and included 32,176 eligible households in the BPL list on the basis of complaints/ requests. Households excluded from the BPL list were considered for inclusion in APL list. However, audit scrutiny of records of 1,833 BPL families in 24 test-checked <i>Gram Panchayats</i> (GPs) in six selected blocks²⁵ showed that 133 ineligible families²⁶ (seven per cent) had been included in the BPL list. The inclusion errors observed during test-check indicated that the criteria prescribed in guidelines for identification of beneficiaries was not being properly adhered to by the Gram Sabhas, and that benefits of PDS were being extended to ineligible families. Although cases of eligible households being excluded could not be test-checked by
---	--	--	--	--

²⁵ Chopal (11 out of 461), Narkanda (14 out of 226), Theog (31 out of 389), Fatehpur (15 out of 184), Nurpur (22 out of 356) and Pragpur (40 out of 217).

²⁶ 48 families had four-wheeler vehicles, 71 families had income of more than ₹ 2,500, ten families had at least one member in a Government job, and four families had more than two hectares of land.

				<p>audit, there remained a possibility of such exclusion errors.</p> <p><i>It is recommended that the Department may continue to undertake periodic review of BPL households to minimise possibility of inclusion and exclusion errors.</i></p> <p>The State Government replied that the matter regarding inclusion of 133 ineligible beneficiaries in BPL list had been taken up (September 2018) with the Rural Development and Panchayati Raj departments.</p>
<p>3. Additional subsidy burden due to excess distribution of foodgrains (Paragraph 1.1.11.1)</p> <p>Audit had pointed out that the State Government had ignored the scale of issue fixed in April 2002 (35 kg of foodgrains per BPL family per month) and distributed foodgrains to BPL families at the scale of 60 kg per family per month from April 2005 to June 2009. This resulted in 45,775.09 MTs of excess foodgrains to BPL families involving additional subsidy burden of ₹ 10.98 crore to be borne by GoI.</p>	<p>The State Government should ensure distribution of foodgrains as per prescribed scale of issue.</p>	<p>1. Foodgrains should be distributed as per the scale of issue prescribed by GoI.</p> <p>2. The Department should obtain permission from GoI to regularise the excess distribution of foodgrains.</p>	<p>The State Government had written (May 2016) to GoI for regularisation of 45,775.09 MTs of excess foodgrains supplied during 2005-09.</p>	<ul style="list-style-type: none"> • Audit observed that GoI had refused (June 2016) to regularise the distribution of 45,775.09 MTs of excess foodgrains supplied during 2005-09. • Under NFSA, each member of a priority household was entitled to 5 kg of foodgrains at subsidised rates (wheat: ₹ 2 per kg and rice: ₹ 3 per kg) per month. However, there was a provision in NFSA which provided flexibility to State Governments to continue/ formulate food-based schemes providing for benefits higher than those provided under the Act. Scrutiny of records revealed that the State Government was providing foodgrains to BPL families as per the scale of issue fixed in April 2002, <i>i.e.</i> 35 kg of foodgrains per BPL family per month. The quantity of foodgrains over and above the stipulated entitlement of 5 kg per person per month (as per NFSA) was being issued to each BPL household at subsidised rates of ₹ 5.25/- per kg for wheat and ₹ 6.85/- per kg for rice. The State Government had borne subsidy of ₹ 42.75 crore during 2014-18 on account of the above. The State Government stated (January 2019) that foodgrains over and above the NFSA allocations in case of BPL families was

				being provided from tide-over allocation. The expenditure over and above the BPL rates was being borne from State subsidy scheme.
<p>4. Issue of foodgrains to BPL families at higher rates (Paragraph 1.1.11.2) It had been observed that during 2006-11 the State Government had distributed wheat and rice at rates which exceeded the maximum permissible end retail price by ₹ 0.60 per kg for wheat and ₹ 0.70 per kg for rice, putting extra burden of ₹ 35.11 crore on BPL families. The State Government had stated that this was due to higher transport charges in hilly terrain which were not reimbursable by GoI.</p>	The State Government should have taken up the matter of higher transport charges in hilly areas with GoI for remedial measures.	The matter regarding distribution of foodgrains at higher rates in hilly areas should be taken up with GoI to reimburse higher rate of transport charges.	The State Government had written (May 2016) to GoI for providing reimbursement of higher rate of transport charges in hilly areas.	<ul style="list-style-type: none"> • Audit observed that GoI had refused (June 2016) to accept the request of the State Government for providing reimbursement of higher rate of transport charges in hilly areas. • During 2015-18, foodgrains were distributed to beneficiaries at prescribed rates.
<p>5. Annapurna Scheme (Paragraph 1.1.13.1) Audit had observed that the number of <i>Annapurna</i> scheme beneficiaries had decreased from 5,310 to 3,447 during 2005-11, and that against the foodgrains allocation of 3,683.10 MTs during 2006-11, only 1,457.86 MTs was lifted. Audit had also pointed out that against the quantity of 1,457.86 MTs lifted, 1,755.30 MTs (<i>i.e.</i> excess of 297.44 MTs) had been shown as distributed, and that this mismatch had not been reconciled.</p>	No recommendation	The Department should ensure reconciliation of figures and furnish status in this regard.	The Department had not undertaken any reconciliation to clarify the position regarding mismatch between figures for foodgrains lifted and distributed under the <i>Annapurna</i> scheme between 2006 and 2011.	<ul style="list-style-type: none"> • No mismatch was observed in figures for foodgrains allocated, lifted, and distributed under the <i>Annapurna</i> scheme during 2015-18. • However, in this regard, it is highlighted that the number of beneficiaries under the <i>Annapurna</i> scheme had decreased to 1,014 as of March 2018, and no foodgrains allocation under <i>Annapurna</i> scheme had been received by the State Government from GoI since October 2015. The foodgrains entitlement to <i>Annapurna</i> scheme beneficiaries was being met from the APL foodgrains quota.
<p>6. Non-formation and Functioning of Vigilance Committees (Paragraphs 1.1.15.1 and 1.1.15.2) Audit had observed that although district-level vigilance committees</p>	VCs should be set up in all blocks and FPSs and regular inspections should be conducted to prevent	The Department should inform PAC about action taken for constitution and functioning of	The Department had notified constitution of block-level VCs (February 2016) and informed the	<ul style="list-style-type: none"> • Although district-level VCs had been constituted in all 12 districts of the State, VCs had not been constituted in 20 out of 77 blocks and in 677 out of 4,930 FPSs in the State as of March 2018. • There was shortfall in holding of VC meetings ranging

(VCs) had been formed in all 12 districts of the State, VCs had not been constituted in 17 out of 77 blocks and in 225 out of 4,567 FPSs in the State as of March 2011. Further, Audit had also pointed out shortfall in holding of VC meetings ranging between 58 and 81 <i>per cent</i> at district level, 67 and 99 <i>per cent</i> at block level and 95 and 99 <i>per cent</i> at FPS level.	supply of substandard commodities.	VCs to ensure prevention of supply of substandard foodgrains.	PAC regarding the same.	between 42 and 52 <i>per cent</i> at district level, 93 and 97 <i>per cent</i> at block level, and 77 and 98 <i>per cent</i> at FPS level. <ul style="list-style-type: none"> In view of the non-constitution of VCs and shortfall in holding of VC meetings at various levels, it is evident that the community-based control mechanism for monitoring, supervision, and grievance redress was not functioning as envisaged. The State Government stated (January 2019) that the matter regarding constitution of VCs at block and FPS level was under consideration.
7. Inspection of FPSs (Paragraph 1.1.15.4) Audit had pointed out shortfall in inspection by District Controllers, District Inspectors and Inspectors during 2006-11 ranging between 24 and 66 <i>per cent</i> . The State Government had attributed the shortfall to shortage of staff.	No recommendation	The matter regarding filling of vacancies should be pursued and position may be intimated to PAC.	Out of 35 vacant posts of Inspector, the Department had filled 25 posts in August 2016.	<ul style="list-style-type: none"> Audit observed that the shortfall in inspection by District Controllers, Food Supply Officers, and Inspectors during 2015-18 ranged²⁷ between 12 and 42 <i>per cent</i>. It was noticed that there was an increasing trend in the number of inspections carried out during 2015-18. This may be attributed to the filling of vacant posts: out of total sanctioned strength of 83 in the cadre of Inspectors, 11 were vacant as of December 2018. The State Government stated (January 2019) that shortfall in inspections was because the departmental staff was occupied with the work of digitisation of ration cards.

C. Full / Substantial Progress

Audit findings in previous report	Audit recommendations	PAC recommendations	Status as informed by Department to PAC	Current audit findings/ observations
1. Issuing of Ration Cards (Paragraph 1.1.9) Audit had highlighted the possibility of ghost/ bogus ration cards being	The State Government should conduct periodic checking of	No recommendation	--	<ul style="list-style-type: none"> To minimise/ eliminate the possibility of bogus ration cards, the State Government had undertaken (since 2016-17) digitisation (issuing smart cards) and Aadhar linking of

²⁷ 2015-16: 4,585 inspections conducted against 7,944 required (shortfall: 3,359 or 42 *per cent*); 2016-17: 7,835 inspections conducted against 11,040 required (shortfall: 3,205 or 29 *per cent*); and 2017-18: 6,952 inspections conducted against 7,866 required (shortfall: 914 or 12 *per cent*).

<p>issued to ineligible beneficiaries, observing that the population for which ration cards had been issued during 2006-10 exceeded the projected population²⁸ by a range between 2.93 lakh and 3.42 lakh. Further, Audit had observed that 643 bogus/ ineligible ration cards had been cancelled by the Department following an annual review of ration cards in 246 (out of 1,399) GPs in the four test-checked districts during 2009-11. Audit had also pointed out shortfall in inspection of FPSs by the District Controller, District Inspectors and Inspectors to identify bogus ration cards.</p>	<p>ration cards to weed out ineligible and bogus ration cards and every Inspector of the Department should cover at least one Gram Panchayat (GP) every month and conduct 100 per cent inspection of FPSs to identify bogus ration cards.</p>			<p>ration cards. As of September 2018, all 18.34 lakh old, paper-based ration cards (APL households: 11.29 lakh, BPL households: 2.87 lakh, AAY households: 1.90 lakh, and Priority households: 2.28 lakh) in the State had been digitised. Aadhar linking had been completed for 70 lakh (97 per cent) out of 71.87 lakh beneficiaries registered on these ration cards. Director, FCS&CA stated (October 2018) that the work of Aadhar linking of ration cards was in progress.</p>
<p>2. Computerisation of FPSs (Paragraph 1.1.15.3) Audit had observed that FPSs in the State had not been computerised.</p>	<p>No recommendation</p>	<p>The Department should inform PAC about the status of computerisation of FPSs.</p>	<p>The Department had informed the PAC about the status of computerisation of FPSs.</p>	<ul style="list-style-type: none"> • Scrutiny of records showed that all 4,930 FPSs in the State had been computerised. • It was observed that Point-of-Sale (PoS) machines were installed in each of the 38 test-checked FPSs. The PoS machines were connected with computer systems in HPSCSC godowns and the Management Information System (MIS) database maintained by HPSCSC. Stock of foodgrains supplied to an FPS was entered on the computer system at the godown at the time of lifting of the stock from the godown by the FPS. At the time of distribution of foodgrains by an FPS to a beneficiary, the PoS machine at the FPS would read the beneficiary's smart card and automatically debit the quantity of foodgrains provided to the beneficiary both from the beneficiary's smart card and from the PoS machine's stock position. A

²⁸ Projected population data published by the Department of Economics and Statistics of the State Government.

				paper bill was also generated for each sale/ transaction. The PoS machines had the facility of battery backup, and the data on the PoS machines was being synchronised with the MIS database at regular intervals.
3. Beneficiary Survey (Paragraph 1.1.14.1) Audit had surveyed 1,564 BPL and AAY beneficiaries. Of the 1,564 surveyed beneficiaries, 34 <i>per cent</i> had been found to be ineligible, 13 <i>per cent</i> had reported the foodgrain quality as poor, 22 <i>per cent</i> had reported that supply was irregular, and 38 <i>per cent</i> had reported short supply of levy sugar.	No recommendation	No recommendation	--	<ul style="list-style-type: none"> Audit surveyed 186 beneficiaries in test-checked FPSs through a standardized questionnaire. The issues highlighted in the previous Audit Report were not reported by any of the beneficiaries surveyed. Further, there were no complaints regarding other aspects of functioning of FPSs.

The latest status, however called for (September 2019) was awaited.

Conclusion

Performance audit of 'Public Distribution System' contained 21 accepted observations and four general recommendations. Audit examined the extent of implementation of the accepted audit/ PAC observations by the Government and found that 33 *per cent* for these were not implemented, 50 *per cent* were partially implemented and only 17 *per cent* observations were fully implemented.

- The Department had not complied with the recommendations of the PAC in respect of quality control. There was shortage of manpower in testing laboratories and the practice of distributing commodities without waiting for analysis reports rendered the quality control process ineffective, leading to distribution of substandard commodities.
- System of identification of beneficiaries at the *Gram Sabha* level was not robust; the Department had not complied with the PAC's recommendation to take necessary steps to ascertain the actual number of BPL families.
- The shortfall in inspections, non-constitution of VCs, and shortfalls in holding of VC meetings indicated that control and monitoring mechanisms were not functioning as envisaged.
- Audit recommendations in respect of digitisation of ration cards and computerisation of FPSs were fully implemented. Positive results of beneficiary survey suggested that beneficiaries were satisfied with the services delivered to them by FPSs.

Health and Family Welfare Department

3.6 Procurement, Supply and Utilisation of Drugs & Consumables and Machinery & Equipment in Health Institutions under the Directorate of Health Services

Assessment of demand for procurement of drugs & consumables and their distribution was neither scientific nor systematic, leading to instances of non-procurement, delay in procurement and non-availability of drugs; and non-issuing, short-issuing, excess issuing of drugs to health institutions. Drugs were purchased irregularly and without requirement resulting in their expiry. Ineffective quality control resulted in distribution of substandard drugs to patients. Procurement of machinery & equipment was not systematic in the absence of any inventory management system leading to cases of non-procurement and procurement without requirement, which resulted in items remaining unutilised/ idle and non-functional. Items were also found to be lying unutilised owing to non-posting of technical staff.

3.6.1 Introduction

A scientific system of procurement and supply of drugs & consumables and machinery & equipment is essential for efficient public health services.

Up to March 2017, procurement of drugs & consumables and machinery & equipment was made as per the State Government policy, by the district Chief Medical Officers (CMOs) from authorised suppliers at rates finalised by the Himachal Pradesh State Civil Supply Corporation (HPSCSC) and Himachal Pradesh State Electronics Development Corporation (HPSEDC). The new purchase policy of March 2017 prescribed that State Procurement Cell (SPC), constituted in November 2016, was to place supply orders with approved suppliers on rate contracts finalised by the State Government as per demand received from CMOs. However, owing to SPC remaining non-functional, instructions were issued (October 2017) authorizing CMOs to undertake procurement directly from Central Public Sector Enterprises (CPSEs), *Jan Aushadhi* stores, other approved sources/ suppliers²⁹, and if not available at these sources then locally at their own level. As per notification (January 2016) of State Government, 66 essential drugs were to be provided free of cost in all health institutions; this was revised by notification (September 2017) of State Government which stipulated that between 43 and 330 drugs were to be provided free of cost in health institutions at different levels³⁰.

3.6.2 Audit scope and methodology

Audit of procurement, supply and utilisation of drugs & consumables and machinery & equipment in health institutions under the control of Director, Health Services (DHS) for the period 2015-18 involved scrutiny of records of the DHS, and Chief Medical Officers (CMOs) of four districts (Chamba, Kangra, Kullu, and Mandi) selected

²⁹ Suppliers with whom a rate contract had been signed by Employees' State Insurance Corporation (ESIC) or Indira Gandhi Medical College and Hospital (IGMCH), Shimla.

³⁰ 330, 216, 106 and 43 drugs & consumables to be provided free of cost at Zonal/ Regional Hospitals (ZHs/ RHs), Civil Hospitals/ Community Health Centers (CHs/ CHCs), Primary Health Centers (PHCs) and Health Sub-Centers (HSCs) levels respectively.

through stratified sampling using population and budget as criteria. During 2015-18, total expenditure in the State on drugs & consumables was ₹ 146.75 crore³¹ and on machinery & equipment was ₹ 67.87 crore³². Out of this, expenditure incurred by the DHS was ₹ 130.48 crore, and ₹ 29.76 crore respectively. In the four selected districts, expenditure was ₹ 58.80 crore³³ and ₹ 11.27 crore³⁴ respectively by health institutions under the control of the DHS during 2015-18. A total of 70 field units³⁵ (Zonal/ Regional hospitals, Civil hospitals/ Community Health Centres, Primary Health Centres and Health Sub-Centres) under the control of the four selected CMOs were test-checked (selected on the basis of expenditure and geographical diversity). Record of eight Block Medical Officers³⁶ (BMOs) out of 35 functioning as administrative head responsible for aggregation of demand from health institutes under his control was also test-checked. Audit examined issues relating to demand assessment, supply, and utilisation of drugs & consumables and machinery & equipment; availability of essential drugs and machinery & equipment; and quality control.

3.6.3 Audit Findings

Drugs & Consumables

Assessment of demand for drugs & consumables should be made on the basis of previous pattern of consumption, disease prevalence, region-specific requirements, etc. Budget provision should be made based on demand assessment so that desired benefits accrue to the intended beneficiaries. Procurement should be periodic/ continuous and time-bound to avoid non-availability/ non-utilisation/ expiry of drugs. System of quality control at the time of receipt of drugs should be in place to ensure distribution of quality drugs to patients.

3.6.3.1 Unscientific demand assessment of drugs & consumables

DHS had issued instructions (May 2015) that demand would be raised by various field units which would be aggregated at the block level by BMOs and subsequently consolidated at the district level. CMOs would place supply orders for all field units within their jurisdiction as per the assessed demand. For this system to work efficiently, it was important that the assessment of demand by field units was accurate, and submission of demand was done in a time-bound manner, so that the CMOs could consolidate the demand and place supply orders accordingly. This would have ensured availability and utilisation of drugs as per requirement at the local level. Scrutiny of records of four selected districts revealed the following:

- The assessment of demand at the field unit level was being done without any scientific basis, as there was nothing on record to show that factors such as previous pattern of consumption, disease prevalence, and region-specific requirements, etc. had been taken into consideration while raising demand.

³¹ DHS: ₹ 130.48 crore and Director, Medical Education and Research (DMER): ₹ 16.27 crore.

³² DHS: ₹ 29.76 crore and DMER: ₹ 38.11 crore.

³³ Chamba: ₹ 7.83 crore; Kangra: ₹ 23.36 crore; Kullu: ₹ 8.78 crore; and Mandi: ₹ 18.83 crore.

³⁴ Chamba: ₹ 1.45 crore; Kangra: ₹ 3.51 crore; Kullu: ₹ 1.63 crore; and Mandi: ₹ 4.68 crore.

³⁵ Four ZHs/ RHs out of four –under the administrative control of Medical Superintendent, eight CHs/ CHCs out of 74, 15 PHCs out of 242 and 43 HSCs out of 1,067 were selected on the basis of expenditure and geographical diversity.

³⁶ Bhawarna, Gangath, Jari, Kihar, Kotli, Naggar, Rohanda and Samote.

Scrutiny of records relating to demand raised by eight test-checked BMOs in respect of selected drugs³⁷ during 2015-18 showed that the demand raised for a particular year was less or higher than the average consumption (for the previous two years) and varied by huge margins³⁸. Thus, assessment of demand at field unit level was not accurate and did not reflect actual requirement.

- There was no system of inventory management or periodic reporting of stock, in the absence of which the stock position in field units could not be ascertained at block/ district level.

In view of this, CMOs and BMOs should have prescribed a schedule for submission of demand by field units. However, no such schedule had been prescribed by any of the test-checked CMOs/ BMOs resulting in receipt of demand at different times or non-receipt of demand. Aggregate/ periodic demand of drugs and consumables was not received in Chamba and Mandi districts during 2015-17 and in Kullu district during 2015-16 and 2017-18. CMOs were working-out the demand on an average basis for field units where demand had not been received. Thus, the demand assessment/ aggregation at the CMO level was neither accurate nor time-bound.

The lack of accuracy and timeliness in demand assessment found reflection in instances of non-procurement, delayed procurement, and excess or less issuing, resulting in non-availability, non-utilisation, and expiry of drugs & consumables (paragraphs 3.6.3.2 to 3.6.3.8).

The DHS accepted the facts and stated (August 2019) that the Drugs and Vaccine Distribution Management System (DVDMS) was being implemented and necessary measures would be taken to overcome the shortcomings in future.

Recommendation: *The State Government may consider devising a system of scientific assessment of demand using computerised reporting or inventory management, which would enable regular or real time monitoring of stock position.*

3.6.3.2 Delay in supply of drugs & consumables

After assessment of demand, supply orders would be placed by CMOs following which supply would be received at the district stores. CMOs were required to ensure quality and timeliness in receipt of supply from firms, and initiate penal action against firms in cases of default. DHS' instructions (May 2015) stipulate that the supplier should complete supply within 60 days from the date of issue of supply order, and provide for imposition of penalty/ liquidated damages for delayed supply.

³⁷ Different number of drugs, ranging between nine and 29 were selected for test-check in eight selected blocks based on available records.

³⁸ Between 97 and 798 *per cent*. For example: (1) Cetrizine (BMO, Rohanda, Mandi): Average consumption during 2015-17: 75,755; demand raised for 2017-18: 6,80,000 (variation: 798%); (2) Inj. Gentamycin (CHC Kihar, Chamba): Average consumption during 2015-17: 405; demand raised for 2017-18: 1,750 (variation: 332%); and (3) Tab. Domperidone (BMO Kotli, Mandi): Average consumption during 2015-17: 2,000; demand raised for 2017-18: 15,000 (variation: 650%).

Out of the total supply of ₹ 34.06 crore during 2015-18 in the four selected districts, supply worth ₹ 1.46 crore in respect of 97 out of 257 test-checked supply orders was received with delay of one to 32 weeks. It was further observed that the CMOs/ MSs (Medical Superintendents) concerned had not imposed penalty/ liquidated damages of ₹ 16.39 lakh on the firms concerned. The delays in supply combined with non-maintenance of buffer stock resulted in shortage/ non-availability of drugs & consumables.

The DHS stated (August 2019) that there was no penalty clause in CPSE rate contract and correspondence was being made with the respective firms. However, penalty clause was there in rate contract with the HPSCSC.

3.6.3.3 Non-procurement of essential drugs

The State Government notified (March 2017) that the State Procurement Cell (SPC), constituted in November 2016, shall place supply orders with approved suppliers on the basis of approved rate contracts. In September 2017, the State Government decided to terminate the existing rate contract finalised by HPSCSC.

The SPC could not be made functional due to non-posting of functionaries such as: Superintendent, Consultant (Procurement), Senior Assistant/ Assistant, Pharmacist, Data Entry Operators, etc. Department could not finalise the rate contracts for the 66 notified essential drugs & consumables, and instead expanded (September 2017) the list to between 43 and 330 in health institutions of different levels. Subsequently, instructions were issued (October 2017) by the DHS to the CMOs to procure essential drugs & consumables through CPSEs, *Jan Aushadhi* stores, firms with whom institutions like IGMCH/ Employees' State Insurance Corporation (ESIC) had finalised rate contract, or through open tendering in cases where items were not available with these sources.

Out of the 216 essential drugs & consumables required at the level of BMOs/ CHs/ CHCs, 68 (Chamba), 145 (Kangra), 112 (Kullu) and 137 (Mandi) drugs & consumables could not be procured by the respective CMOs. Out of the 330 essential drugs & consumables required at the level of ZH/ RH, 48 (Chamba), 196 (Kangra), 131 (Kullu) and 140 (Mandi) drugs & consumables could not be procured.

Thus, non-finalisation of rate contracts and non-availability of drugs & consumables with approved sources led to delay/ non-procurement of essential drugs & consumables, which resulted in their non-availability in various test-checked field units (paragraph 3.6.3.6).

The DHS stated (August 2019) that essential drugs could not be procured due to non-availability of these drugs with approved sources and time taken for completion of codal formalities.

Recommendation: *The State Government may address the issue of non-finalisation of rate contracts so that procurement of essential drugs is not delayed/ hampered.*

3.6.3.4 Non-issuing of drugs & consumables as per demand and indent

As per DHS' instructions (May 2015), supply orders would be placed at district level after considering and consolidating the demands received from field units. Following

the receipt of supply at the district store, drugs & consumables were to be issued to field units as per their indent.

Scrutiny of records in respect of test-checked drugs (Kangra: 35, Chamba: 20, Mandi: 20 and Kullu: 54) issued by district stores during 2016-18 to 24 field units (**Appendix-3.2**) revealed instances of short-issuing, excess issuing, and non-issuing of drugs with reference to demand as detailed below:

- In respect of one to 16 drugs, quantity of 14,16,819 had been issued to 21 field units against demanded quantity of 37,12,894 resulting in short issued quantity of 22,96,075 (62 *per cent*). The field-unit-wise short issued quantity ranged between 22 to 98 *per cent*.
- In respect of one to six drugs, it was observed that no quantity had been issued to nine field units against quantity of 6,42,080 demanded by these units.
- In respect of one to nine drugs, quantity of 13,33,034 had been issued to 15 field units against demanded quantity of 8,10,175 resulting in excess issued quantity of 5,22,859 (65 *per cent*). The field-unit-wise excess issued quantity ranged³⁹ between 10 to 669 *per cent*.
- In respect of one to three drugs, quantity of 96,430 had been issued to four field units without any demand.

Deficiencies in issue of drugs from district store to field units was attributable to unscientific assessment of demand by CMOs and field units, and non-finalisation of rate contracts (paragraphs 3.6.3.1 and 3.6.3.3).

Further, in the four test-checked districts, 33 indents (**Appendix-3.3**) were examined in which a total of 910 drugs were indented. It was observed that out of the 910 drugs indented, 346 drugs were not supplied to the field units. In respect of 62 drugs, there was short supply of 2,77,283 quantity of drugs (quantity of 1,82,937 was supplied against indented quantity of 4,60,220). In respect of 21 drugs, there was excess supply of 40,755 quantity of drugs (quantity of 1,14,295 was supplied against indented quantity of 73,540).

The practice of short-issuing and non-issuing of drugs against demand caused shortages or non-availability of drugs while the practice of excess-issuing and issuing of drugs without demand led to non-utilisation of drugs and their expiry (paragraphs 3.6.3.6 to 3.6.3.8).

The DHS stated (August 2019) that the drugs and consumables were issued to the field units as per demand and availability of the items in the district store. It was further stated that the drugs near expiry were being consumed on priority basis.

3.6.3.5 Discrepancies between issued and received quantities

Drugs & consumables issued to various field units by the district/ block stores are to be duly entered and recorded in the respective stock registers, with the officers-in-charge of the respective stores certifying that the items have been duly issued/ received.

Cross-verification of stock registers of district/ block stores in Kangra and Kullu districts with the stock registers of 29 test-checked field units⁴⁰ revealed the following:

³⁹ Deviation up to 10 *per cent* of demanded quantity only had not been commented upon.

⁴⁰ RH: 01; CH: 01; CHCs: 02; BMO: 01; PHCs: 05 and HSCs: 19.

- For 57 drugs & consumables, a quantity of 0.51 lakh (valuing ₹ 0.34 lakh) was shown as issued in the records of the issuing units, whereas no quantity was shown as received in the records of the 16 test-checked recipient units. This discrepancy was particularly high in case of two drugs (Capsule Doxycycline: 14,400 quantity valuing ₹ 0.10 lakh, and Tablet Acyclovir 800 mg: 5,000 quantity valuing ₹ 0.15 lakh).
- For 70 drugs & consumables, the quantity shown as received in the records of 25 test-checked recipient units was lesser than the quantity shown as issued in the records of the issuing units by 1.08 lakh (valuing ₹ 0.42 lakh).
- For 33 drugs & consumables, the quantity shown as received in the records of the 16 test-checked recipient units was greater than the quantity shown as issued in the records of the issuing units by 0.31 lakh (valuing ₹ 0.14 lakh).

Thus, there were discrepancies in quantity of drugs & consumables issued from district/ block level and received at field unit level, which was indicative of poor store/ stock management.

The DHS stated (August 2019) that the matter was being looked into and necessary measures would be taken accordingly. Further, directions to reconcile the discrepancies through inventory management in future had been issued.

3.6.3.6 Non-availability of essential drugs

As per State Government notification (January 2016) 66 essential drugs were to be provided free of cost in all health institutions; this was revised by notification (September 2017) which stipulated that between 43 and 330 drugs were to be provided free of cost in health institutions at different levels⁴¹. DHS had instructed (February 2016) that buffer stock of essential drugs should be maintained by all health institutions.

However, non-availability of essential drugs & consumables was noticed in various field units as detailed in **Table-3.6.1** below:

Table-3.6.1: Details of non-availability of essential drugs in test-checked units (2015-18)

Category of Institution		Required (as per 2016 notification)	Not Available	Required (as per 2017 notification)	Not Available
Administrative Head	Executive Head				
CMO	CMO	66	7-40 (11-61)	216	50-169 (23-78)
	MS, ZH/ RH	66	3-4 (5-6)	330	122-196 (37-59)
BMO	BMO	66	5-53 (8-80)	216	109-195 (50-90)
	SMO (CH)	66	6-8 (9-12)	216	85-183 (39-85)
	SMO (CHC)	66	9-47 (14-71)	216	78-139 (36-64)
	MO (PHC)	66	8-47 (12-71)	106	14-95 (13-90)
	HW (HSC)	66	9-58 (14-88)	43	9-36 (21-84)

Figures in parenthesis denote percentages.

SMO: Senior Medical Officer; MO: Medical Officer; HW: Health Worker.

It was observed that three to 58 drugs & consumables were not available for a period ranging between one to 27 months (with reference to notification of 2016); and nine to

⁴¹ 330, 216, 106 and 43 drugs & consumables to be provided free of cost at Zonal/ Regional Hospitals (ZHs/ RHs), Civil Hospitals/ Community Health Centers (CHs/ CHCs), Primary Health Centers (PHCs) and Health Sub-Centers (HSCs) levels respectively.

196 drugs & consumables were not available for one to six months (with reference to notification of 2017), in different health institutions.

It was further noticed that buffer stock had not been maintained in any of the four test-checked district stores, which had obviously rendered the district stores unable to replenish field unit stocks in case of demand being raised for out-of-stock drugs & consumables.

To examine the impact of non-availability of essential drugs on patients, a survey (April-May 2018) was conducted by Audit in 11 field units of the four selected districts. In the district-level units, i.e. ZHs in Kangra and Mandi, and RHs in Kullu and Chamba, 486 patients (34 per cent) out of 1,415 patients surveyed were not provided essential drugs. In the block and lower level units, i.e. CH, CHCs, PHCs and HSCs, 274 patients (37 per cent) out of 742 surveyed were not provided essential drugs.

The DHS stated (August 2019) that the rate contract with the HPSCSC was terminated in September 2017 and thereafter there was procedural delay in completing codal formalities for new rate contract.

3.6.3.7 Non-utilisation of drugs & consumables

The deficiencies in the system of demand assessment, and the practice of not issuing drugs & consumables as per indent/ demand resulted in large quantities of drugs & consumables remaining unutilized.

- In ZH Mandi, five drugs (Syrup Cough Expectorant, Inj. Sapof-T 1.125 mg, Susp. Albendazole, Duolin Respules and Fetal Doppler) with quantity of 40,765 were procured (October 2016–November 2017) locally without requirement during 2016-18 despite sufficient quantity (48,806) of these drugs being available in stock. A quantity of 62,365 of these drugs was distributed whereas a quantity of 27,206 remained unutilised as of April 2018. Further, six injections (quantity: 5,000) were lying unutilised since their procurement (February 2017–November 2017), indicating that these had been procured without requirement. The total cost of these unutilised drugs & consumables was ₹ 30.14 lakh.
- In three⁴² field units (Chamba district), eight drugs (Tab Cotrimazole, Tab Ceftriaxone, Inj. Xylocaine Adrenaline, Inj. Max P.T. 4.5 mg, Inj. Vitamin K, Inj. dextrose 5%, Inj. Avil and I/V N.S.) had been indented and received (quantity: 8,657) from the district store during 2016-18 despite sufficient stock (quantity: 3,587) of these drugs being available. A quantity of 3,675 of these drugs was distributed whereas quantity of 8,569 worth ₹ 1.61 lakh remained unutilised for four to 21 months as of May 2018. These drugs were to expire between September 2018 and November 2018. The field units concerned stated (April-May 2018) that drugs were issued by district store due to excess stock. CMO, Chamba stated (August 2018) that the stock position of the health institutions concerned was not available and they did not inform stock position to district store.

⁴² CH, Dalhousie; CHC, Kihar and PHC, Motla (District Chamba).

- In two districts (Chamba and Mandi), it was observed that a quantity of 34,600 drugs (Inj. Pantoprazole, Tab Misoprostol and Inj. Cefotaxime) was issued (March 2016 - July 2017) by the district stores to five field units⁴³ without any requirement/ indents having been sent. As a result, 22,400 drugs (65 per cent) worth ₹ 1.10 lakh remained unutilised in the field units for a period ranging between eight and 24 months.

The DHS stated (August 2019) that supply was issued as per past experience and outbreak of seasonal diseases and drugs had been returned back/ consumed. Further, now the demand is being obtained through DVDMS and buffer stock is being maintained.

3.6.3.8 Expiry of drugs & consumables

Although there is no conclusive evidence of drugs/ consumables being rendered unsafe for use beyond their expiry date, there is a risk that their potency may decrease. Thus, procurement should be made in such a manner so that the quantities purchased can be consumed before the date of expiry.

In three (Chamba, Kullu and Mandi) districts, it was noticed that 66 drugs & consumables (quantity: 20,79,877 including glucostrips) worth ₹ 13.43 lakh⁴⁴ remained unutilised in 18 field units for two to 36 months resulting in their expiry. This was indicative of the fact that these items had been procured/ received without requirement. It was further seen that 17 of these drugs & consumables (quantity: 13,071) worth ₹ 0.58 lakh were consumed after expiry in four⁴⁵ field units. 1,891 expired⁴⁶ glucostrips continued to be used after expiry for a period up to 20 months in district Kullu. Thus, drugs & consumables worth ₹ 13.43 lakh in 18 test-checked units remained unutilized for two to 36 months leading to their expiry.

The DHS stated (August 2019) that necessary precautions would be taken in future.

3.6.3.9 Irregularities in Procurement

(i) Procurement of non-generic drugs

The State Drug Policy (1999) and DHS' instructions (October 2016) stipulate the procurement of only generic drugs.

It was observed that ZH, Mandi had purchased non-generic drugs from local suppliers for ₹ 1.75 crore during 2016-18, in spite of having sufficient stock of the corresponding generic drugs and availability of drugs with approved sources. Drugs valuing ₹ 30.14 lakh were lying unutilised as of March 2018, of which drugs valuing ₹ 1.33 lakh had expired. Purchase of non-generic medicines also resulted in extra

⁴³ TB Hospital Chamba; CHC Salooni; CHC Choori; CH Sundernagar and BMO Kotli.

⁴⁴ RH, Kullu: ₹ 2.32 lakh (6,279); ZH, Mandi: ₹ 1.33 lakh (10,783); Leprosy Hospital, Chamba: ₹ 0.03 lakh (2,150); CH, Dalhousie: ₹ 0.20 lakh (1,672); BMO, Kihar: ₹ 3.69 lakh (3,08,397); BMO, Naggar: ₹ 4.97 lakh (17,24,500); CHC, Jari: ₹ 0.01 lakh (9,455); CHC, Kihar: ₹ 0.01 lakh (1,800); PHC, Bhuntar: ₹ 0.01 lakh (221); PHC, Garsha: ₹ 0.01 lakh (2,719); PHC, Diur: ₹ 0.17 lakh (1,076); PHC, Hunera: ₹ 0.03 lakh (230) and Glucostrips BMO, Jari: ₹ 0.35 lakh (6,100); HSC, Dhara: ₹ 0.09 lakh (1,502); HSC, Bradha: ₹ 0.08 lakh (555); HSC, Barshaini: ₹ 0.05 lakh (958); HSC, Mahish: ₹ 0.05 lakh (900) and HSC, Pirdi: ₹ 0.03 lakh (580).

⁴⁵ RH, Kullu: ₹ 0.57 lakh (5,613); CHC, Jari: ₹ 0.01 lakh (7,420); PHC, Bhunter: ₹ Nil (29) and PHC, Garsha: ₹ Nil (09) – District Kullu.

⁴⁶ HSC, Dhara: 292; HSC, Bradha: 79; HSC, Barshaini: 40; HSC, Mahish: 900 and HSC, Pirdi: 580.

expenditure of ₹ 12.78 lakh with reference to the cost of generic medicines, which could have been utilised on other required items.

MS, ZH, Mandi stated (May 2018) that the drugs were procured from local suppliers due to delay in supply from approved suppliers, prescription of non-generic drugs by specialist doctors, and as per demand of different wards.

(ii) Irregular purchase without tenders/ quotations

State Government guidelines for procurement by Rogi Kalyan Samitis (RKS) stipulate that goods valuing above ₹ 2,000/- cannot be procured without inviting quotations, and such total purchases shall not exceed ₹ 50,000/- in a year.

Scrutiny of records of RKSs of RH Chamba, RH Kullu, and ZH Dharamsala showed that these hospitals had purchased non-generic drugs & consumables worth ₹ 5.27 crore from local HPSCSC outlets during 2015-18 without inviting quotations or observing codal formalities. In this context, it was observed that the discount allowed by the HPSCSC outlets on the maximum retail price (MRP) was only up to 10 *per cent*, while discounts between 40 and 83 *per cent* on MRP had been obtained by CMO, Mandi after inviting quotations from local suppliers during the same period.

Thus, direct purchase of drugs without inviting quotations from HPSCSC outlets was not only in violation of instructions but also deprived the health institutions of the benefit of more competitive rates.

The DHS stated (August 2019) that the medicines were purchased as per prescription of the doctors and the practice of day to day purchase of medicines under various schemes would be deferred in future.

(iii) Excess payment above rate contract

Terms of the rate contract finalised by HPSCSC (May 2015) stipulated that the rates finalised for drugs are for doorstep delivery, inclusive of all taxes, and that no taxes or other charges will be paid over and above these rates.

Audit noticed that CMO, Kullu placed five supply orders in February-March 2016 for procurement of nine drugs at rates higher than those finalised by HPSCSC, resulting in excess payment of ₹ 12.46 lakh.

The DHS stated (August 2019) that to resolve the issue the matter had been taken up with the concerned firms.

3.6.3.10 Quality Control

An effective quality control system is vital to ensure that drugs of standard quality are provided to patients. The State Drug Policy (1999) envisages strengthening of quality control systems and distribution of quality drugs. Test-check, however, revealed following deficiencies:

(i) Non-selection of drug samples at the time of supply for subsequent testing

DHS' instructions (May 2015) prescribed that samples from each batch of supply are to be selected at the point of supply/ distribution/ storage, and sent to Government/ empanelled laboratories for testing.

Scrutiny of records of the four test-checked CMOs revealed that the prescribed system of testing of samples/ quality control was completely non-functional as the stores-in-

charge of respective district stores were not collecting samples at the time of supply for subsequent testing.

The Department was not exercising the stipulated checks to ensure that the drugs being distributed to patients conformed to quality standards.

The DHS stated (August 2019) that random sampling was being done by the Drug Inspectors and medicines were received with analysis test reports of the supplier. Further, empanelment of laboratories was under process.

(ii) Delay in receipt/ non-receipt of test reports and consumption of substandard drugs

Drug Inspectors were drawing samples on random basis on complaints, or after examination of analysis reports submitted by the suppliers. The samples were being sent to Composite Testing Laboratory (CTL), Kandaghat and to an empanelled laboratory in Chandigarh.

Audit noticed that no time period had been stipulated for receipt of test reports from laboratories and no instructions had been issued regarding suspending issue/distribution of drugs until receipt of test reports.

During 2013-18, 417 samples were drawn by Drug Inspectors for testing, out of which 15 samples (four *per cent*) were declared “not of standard quality”. Test reports of these samples were received after one to 39 months. Test reports for 116 samples (collected since more than one year) had not been received as of March 2018. The drugs had already been issued/ distributed in the above cases.

Similarly, after complaints in respect of four drugs procured between March 2016 and March 2017 by ZH, Mandi and RH, Chamba, samples of these drugs were drawn and sent for testing (August 2016 and January 2018). However, the test reports declaring the supplied drugs as substandard were received in 2017-18 with delay of two to four months, and in the meantime quantity of 0.84 lakh of these substandard drugs had been issued to patients.

The delay in testing of samples and reporting by laboratories, combined with the practice of issuing the drugs without waiting for test reports, meant that substandard drugs were being distributed to patients.

The DHS accepted (August 2019) the facts and stated that testing of samples as per instructions had yet not been adopted due to non-empaneling of laboratories for which the tender was under process.

Recommendation: *The Department may consider establishment of dedicated drug testing laboratory or empanelment of certified private drug testing laboratories in case of lack of capacity in the laboratories being currently used.*

(iii) Non-maintenance of stock at room temperature

Guidelines for “Storage of essential medicines and other health commodities” issued by WHO, state that the temperature requirements for drugs vary and most drugs need to be stored at room temperature (15-25⁰C). Thus, it is essential to ensure proper storage conditions for drugs in order to maintain quality.

During physical inspection of stores by Audit, it was found that in three out of the four test-checked district stores (i.e. except Kangra), supplies were stacked in general rooms

without any system of temperature or humidity control/ monitoring, in the absence of which, the storage of various drugs & consumables as per guidelines could not be ensured. Thus, there was a risk of drugs & consumables losing their potency, or breaking down due to unsuitable temperature/ humidity with potentially harmful effects.

The DHS stated (August 2019) that most of the drugs and consumable were kept in ambient temperature below 25⁰C whereas injectables and vaccines were kept in the defreezer as per instructions. However, Audit noticed instances of medicines stacked in general rooms without any system of temperature or humidity control.

3.6.3.11 Internal Control

(i) Non-maintenance of detailed information in stock register

Pharmacists in ZH/ RH, CH/ CHC, PHCs; and Health Workers in HSCs are responsible for stock keeping and maintenance of stock registers. Test-check of stock registers of 78 field units showed that in 28 field units⁴⁷, detailed information (batch number, date of manufacturing, date of expiry, rate, etc.) of drugs & consumables had not been entered/ maintained, in the absence of which it was difficult to ascertain expiry dates of different batches of items posing risk of their expiry. It was found that no stock register had been maintained in BMO Samote (Chamba district) during 2015-18. In this context, it was noticed that posts of Pharmacist were lying vacant in three (PHCs Chowk, Hunera and Naggar) out of these 28 field units resulting in deficiencies in stock keeping.

The DHS stated (August 2019) that necessary instructions to maintain the stock register properly had been issued to institutions concerned.

(ii) Non-conducting of physical verification of stock

Rule 140(2) of HPFR, 2009 stipulates that physical verification of all stores should be done at least once every year. Test-check of records showed that physical verification of stores/ stock had not been conducted in RH, Kullu (2017-18); BMO, Naggar (2015-18); CH, Manali (2015-18) and PHC, Garsha (2015-18). Thus, the system of periodic checks to ensure quantity as per stock registers was not functional in these units.

The DHS stated (August 2019) that required physical verification had been conducted in Kullu district and precautions would be taken in future.

The observations pointed out are based on the test check conducted by Audit. The Department/ Government may initiate action to examine similar cases and take necessary corrective action.

Machinery & Equipment

Indian Public Health Standards (IPHS) issued by the Ministry of Health & Family Welfare, GoI stipulate items of essential machinery & equipment to be made available in different levels of health institutions. There should be a system of reporting from field units to monitor availability, utilisation and functioning of machinery &

⁴⁷ BMO, Jari; BMO, Naggar; CH, Manali; PHC, Naggar; PHC, Bhunter; PHC, Garsha; HSC, Mahish; HSC, Seobagh; HSC, Thela; HSC, Hurla; HSC, Shia; HSC, Najan; HSC, Sachani; BMO, Bhawarna; CHC, Bhawarna; PHC, Sullah; PHC, Daroh; HSC, Paraur; HSC, Kural; CH, Dalhousie; CHC, Kihar; PHC, Hunera; HSC, Gulel; HSC, Bhing; HSC, Kahari; HSC, Hober; PHC, Dharanda and PHC, Chowk.

equipment. Adequate manpower should be provided to avoid non-utilisation or under-utilisation of machinery & equipment.

3.6.3.12 Deficiencies in system of demand assessment

According to State Government instructions (November 2010), machinery & equipment for all field units in a district were to be purchased by the CMO on the basis of demand submitted by the field units, while petty equipment could be purchased by respective MOs from RKS funds. In addition to the above, equipment were also being received in the district stores and field units directly from the DHS.

Audit noticed that the prescribed system was not functional in a majority of units: only 25 out of 78 test-checked units had raised/ submitted consolidated demand during 2015-18.

In view of non-submission of demand, CMOs should have devised an alternative system for demand assessment. There could had been a system of periodic reporting of available machinery & equipment, and demand could have been assessed on the basis of a gap-analysis exercise with reference to requirement as per IPHS norms.

It was observed that CMOs were placing supply orders either on their own or on the basis of discussions with BMOs during monthly meetings. However, this practice resulted in demand assessment being inaccurate, and audit observed instances of procurement without requirement, non-procurement and non-reporting of unserviceable/ idle items by field units as detailed in succeeding paragraphs.

Thus, the system of demand assessment of machinery & equipment was non-functional during 2015-18. Further, there was no system of periodic reporting of stock which led to inaccurate assessment.

The DHS stated (August 2019) that suitable mechanism would be set up for demand assessment and provide the equipment as per realistic demand/requirement.

3.6.3.13 Non-procurement of machinery & equipment demanded by field units

CMO Mandi did not initiate procurement process and instead surrendered budget of ₹ 56.16 lakh (out of total allocated funds of ₹ one crore) in March 2018 in spite of demand (January-February 2018) of 42 items from four⁴⁸ field units. Similarly, for demand of 96 items during 2016-17, CMO Kangra did not initiate procurement process and instead surrendered budget of ₹ 30.10 lakh (out of total allocated funds of ₹ one crore) in March 2017.

Thus, in Mandi and Kangra budget of ₹ 86.26 lakh was surrendered instead of utilising the same for procurement of machinery & equipment as per demand of the field units.

Surrender of budget at the end of financial year was attributable to non-availability of approved sources and non-obtaining of directions from higher authorities for procurement of machinery & equipment as State Procurement Cell remained to be made functional.

⁴⁸ BMO Kataula and CHs Sundernagar, Kotli and Gohar.

The DHS stated (August 2019) that tendering process for procurement of a few equipment were initiated by the HPSCSC however, the same was cancelled by the State Government due to introduction (March 2017) of new purchase policy.

3.6.3.14 Non-availability of essential machinery & equipment

Due to absence of any system of periodic reporting to CMOs regarding status of available machinery & equipment in field units, instances of non-availability of essential machinery & equipment were noticed.

Scrutiny of records of 78 test-checked field units showed that essential machinery & equipment (with reference to IPHS norms) were not available in 22 field units as of March 2018 as detailed in the **Table-3.6.2** below, resulting in deficient associated services/ facilities to patients.

Table-3.6.2: Details regarding non-availability of essential machinery & equipment as per IPHS norms in test-checked units

Sl. No.	Machinery/ Equipment	Level of institution	No. of institutions	Name of institutions
1.	Ultrasonography (USG)	CH	2	Dalhousie and Kihar
2.	Hysteroscope	RH	1	Kullu
3.	Colposcope	RH	1	Kullu
4.	Suction Appratus	CH	1	Manali
5.	OT Table	CH, PHC	5	Manali (CH); Diur, Sundla, Hunera and Motla (PHCs)
6.	Labour Table	PHC	4	Diur, Hunera, Motla and Daroh
7.	Binocular Microscope	PHC	4	Nanawan, Gokhra, Chowk and Dharnda
8.	Glucometer	PHC, HSC	6	Gokhra, Chowk and Dharnda (PHCs); Sain-Alathu, Saigloo and Ghumanu (HSCs)
9.	Autoclave	PHC	2	Chowk and Dharanda
10.	Mucus Sucker	HSC	3	Praur, Ghaneta and Saloh
11.	Stethoscope	HSC	1	Shamshi
12.	Weighing Machine	HSC	4	Praur, Ghaneta, Saigloo and Ghumanu
13.	BP Apparatus	HSC	2	Saigloo and Ghumanu
14.	HB Test Kit	HSC	5	Tandi, Sain-Alathu, Saigloo, Ghumanu and Kapahi

The DHS stated (August 2019) that equipment were provided on realistic need basis and availability of manpower. However, equipment should had been provided as per IPHS norms.

3.6.3.15 Idle machinery & equipment

Audit noticed the following instances of idle/ out-of-order/ unserviceable machinery and equipment in test-checked field units (**Appendix-3.4**):

(i) In the test-checked districts, 24 machinery & equipment worth ₹ 2.61 crore were lying idle due to lack of manpower. This included nine USG machines (out of 30 in the four districts) costing ₹ 78.35 lakh idle since one to three years due to non-posting of Radiologist; 12 X-ray machines (out of 70 in the four districts) costing ₹ 27.03 lakh idle since one to eight years due to non-posting of Radiographer; high care incubator (₹ 1.41 crore) and waterbath (₹ 14.09 lakh) at CH, Jaisinghpur; and phototherapy equipment (₹ 0.53 lakh) at CH, Thural idle since two to three years due to non-posting of technical staff.

(ii) In the test-checked districts, 11 machinery & equipment valuing ₹ 1.12 crore were lying idle due to being out-of-order for periods ranging between four to 48 months as of May 2018. This included two CT scan machines in ZH Dharmshala and RH Chamba, in respect of which it was observed that maintenance contracts were not renewed and CT scan services had been outsourced. In the case of Automated

Haematology Analyser at CH Sandhol, it was observed that the supply was defective but the item had not been replaced. It was further observed that no action for repair or replacement of these 11 out-of-order items had been taken by the respective health institutions. Non-functioning of these items resulted in denial of intended facilities to the patients.

(iii) Scrutiny of records showed that seven items⁴⁹ (total quantity: 53) of machinery & equipment costing ₹ 19.01 lakh remained unutilised since their purchase in the stores/ wards of various field units of three test-checked districts for a period ranging between eight months and three years as of March 2018 indicating non-requirement of these items. The possibility of obsolescence of these items could not be ruled out, rendering the expenditure of ₹ 19.01 lakh as infructuous.

(iv) Audit noticed that a New Born Sick Care (NBSC) and New Born Stabilisation Unit (NBSU) set up (August-December 2014) in CHC, Gangath (Kangra district) remained non-functional due to non-posting of staff resulting in machinery & equipment worth ₹ 4.82 lakh remaining unutilised/ idle for more than three years from date of installation as of March 2018.

(v) Out of the 181 laboratories in various health institutions in the four test-checked districts, 86⁵⁰ laboratories (48 *per cent*) were non-functional as of March 2018 due to non-posting of technicians. In the State, only 263 (30 *per cent*) Laboratory Technicians were in position against the sanctioned strength of 884. The post of Laboratory Technician had been lying vacant for a period of more than three years in 46 labs, more than two years in four labs and more than one year in 36 labs. The State Government may consider posting of Laboratory Technicians from nearby health institutions on day-basis.

(vi) Himachal Pradesh Financial Rules, 2009 stipulate that unserviceable items should be disposed of at the earliest. During test-check, it was noticed that in Chamba, Kullu and Mandi districts, unserviceable machinery & equipment worth ₹ 2.88 crore purchased during 1965-2016 had been lying since three months to 13 years without being disposed of. The officials concerned confirmed the facts and stated (April - May 2018) that efforts would be made to dispose of these items.

Thus, machinery and equipment costing ₹ 3.97 crore were lying out of order or unutilised owing to non-requirement and/ or non-posting of technical staff. There was shortage of technical staff in laboratories resulting in 48 *per cent* laboratories remaining non-functional.

The field level authorities stated that these equipment were either received without demand or were lying idle due to non-availability of manpower since installation/ non-availability of sanctioned post/ trained staff.

The DHS stated (August 2019) that recruitment of Laboratory Technicians was under process and tender for outsourcing of laboratories under Free Diagnostics Initiative Scheme was under process.

The cases pointed out are based on the test check conducted by Audit. The Department/ Government may initiate action to examine similar cases and take necessary corrective action.

⁴⁹ X-ray: one, mobile X-ray: one, X-ray unit dental: one, oxygen concentrator: five, labour table: one, dressing trolley: 28 and stretcher trolley: 16.

⁵⁰ Chamba: 25; Kangra: 24; Kullu: four and Mandi: 33.

Conclusion

The following inadequacies were noticed during test-check of system of procurement of drugs & consumables and machinery & equipment:

- The system of demand assessment and aggregation by various field units and CMOs was neither accurate nor time-bound; and system of issuing of drugs & consumables to field units by CMOs was not as per demand/ indent; leading to non-procurement, non-availability, short-issuing, non-issuing, excess issuing, non-utilisation, and expiry of drugs & consumables.
- Non-finalisation of rate contracts for supply of essential drugs & consumables resulted in delay and non-procurement of items.
- There were large discrepancies in quantity of drugs issued and received by different field units indicating either pilferage or poor stock management.
- The system of quality control was practically non-existent as drug samples were not being taken at the time of supply, and drugs were being issued without testing or waiting for test reports, resulting in distribution of substandard drugs.
- The system of demand assessment in respect of machinery & equipment was deficient resulting in non-procurement and non-availability of essential machinery & equipment.
- There was no reporting mechanism in respect of machinery & equipment in field units, resulting in a large number of items remaining idle/ unutilised on account of purchase without requirement, being out-of-order, and shortage of technical manpower.

***Recommendation:** The Department may ensure systematic assessment of requirement to avoid non-availability, non-utilisation, and expiry of drugs & consumables; and strengthen the quality control mechanism to ensure distribution of quality drugs. Similarly, a reporting mechanism may be devised in respect of machinery & equipment to avoid instances of non-availability or non-utilisation of items; and adequate technical manpower may be provided to ensure their optimum utilisation.*

The State Government stated (July 2019) that reply of the DHS was satisfactory, and information had been sought from concerned institutions and authorities for further consolidation.

Industries Department

3.7 Excess payment of agency charges on deposit works

Failure of the Department in restricting the payment of agency charges to the approved rates resulted in excess payment of ₹ 2.13 crore to the Corporation on total value of deposit work of ₹ 89.37 crore executed during 2015-18.

The Department of Industries executed various civil works through Himachal Pradesh State Industrial Development Corporation on deposit basis. The Corporation levy agency charges on percentage basis on total expenditure incurred on deposit works. The Corporation prepares estimates⁵¹ in respect of all deposit works assigned to them by

⁵¹ Estimates include the agency charges levied by the Corporation.

different departments and the estimates are sent to the concerned Department for allocation of funds and necessary administrative and expenditure sanction. The funds including agency charges are released by the departments in instalments and subsequent instalments are released after receipt of UC of previous instalment.

Consequent upon reduction (January 2012) in the rate of departmental charges to nine *per cent* by the State Government in respect of Himachal Pradesh Public Works Department for execution of deposit works, Board of Directors (including Director, Industries Department) of the Corporation decided (239th meeting on 29 March 2013) to reduce the rate of agency charges from the existing 12.5 *per cent* to nine *per cent*.

Audit noticed (April 2018) that the Corporation executed various civil works on behalf of the Industries Department valuing ₹ 99.54 crore during 2015-18 (up to December 2017) which included agency charges of ₹ 10.17 crore. The Corporation charged total agency charges of ₹ 10.17 crore at various rates ranging between 10.24 and 12.50 *per cent* as against applicable rate of nine *per cent*. It was noticed that the Deputy Directors of the Industries Department failed to notice this while approving estimates which included agency charges ranging between 10.24 and 12.50 *per cent* and also did not insist the details of expenditure while admitting the UCs. After completion of works the Department admitted the total expenditure on the basis of UCs without obtaining any head-wise details of the expenditure submitted by the Corporation.

Agency charges payable by the Department on execution of total works valuing ₹ 89.37 crore during 2015-18 at the approved rate of nine *per cent* works out to ₹ 8.04 crore as against actually paid amount of ₹ 10.17 crore. This had resulted in excess payment of agency charges of ₹ 2.13 crore to the Corporation indicating weak control mechanism.

Government replied (January 2019) that matter regarding refund of the excess payments had been taken up with the Corporation. The Director, Industries stated (September 2019) that recovery of excess payment from the Corporation out of payments due to be released. However, no progress in this regard had been made as of September 2019.

Thus, failure of the Department in restricting the payment of agency charges to the approved rates, resulted in excess payment of ₹ 2.13 crore.

The State Government may issue instructions to client departments as well as executing agencies for recovery of excess agency charges and review similar cases.

3.8 Loss due to non-renewal of Bank Guarantee

Failure of the Department to initiate timely action against Company for breach of Memorandum of Understanding due to non-renewal of Bank Guarantee resulted in non-recovery of ₹ 2.00 crore besides interest loss of ₹ 0.42 crore.

A Memorandum of Understanding (MoU) was executed (May 2006) between the State Government and M/s India Cement Limited (Company) for setting up of cement plant at Chopal (Shimla district). As per terms and conditions of the MoU, the Company was

to achieve various milestones⁵² set for commissioning the plant within five years from the date of signing of MoU. The Company was required to deposit ₹ 2.00 crore within 45 days from signing of the MoU as security amount in the shape of Fixed Deposit Receipt/ irrevocable Bank Guarantee (BG) in favour of the State Government. The security was to be kept valid by the Company during the operation of MoU and in case of breach of MoU or any part thereof, this security amount was liable to be forfeited alongwith interest. In case of failure, the BG was to be encashed on the last day of its validity to safeguard the interests of the State Government.

Scrutiny of records (May 2018) of the State Geologist, Industries Department showed that the Company furnished (June 2006) security of ₹ 2.00 crore in the shape of BG issued on 30 May 2006 in favour of the State Government. The BG was subsequently extended from time to time and last BG issued on 9th March 2009 was valid upto 31 March 2012. However, in contravention to terms and conditions of the MoU the monitoring/ inter-disciplinary committee⁵³ decided (24 February 2012) that the Company would provide demand draft of ₹ 2.00 crore in favour of the Director, Industries, in lieu of BG. The decision was intimated to the Company on 07 April 2012 by the Director, Industries after expiry of the BG.

The Company informed (19 April 2012) the Department that security amount in the shape of FDR/ irrevocable BG only was required as per MoU. However, the Company did not revalidate the BG beyond 31 March 2012. The Department failed to get the BG encashed on the last day of its validity and did not initiate any action against the Company. Further, scrutiny showed that the Department wrote (26 December 2012) to the State Government that the decision regarding extension of validity of MoU should only be taken after submission of security deposit of ₹ 2.00 crore by the Company. However, the State Government extended (March 2014) the operation of MoU upto 31 May 2014 without getting the BG revalidated from the Company. In the meantime, the works relating to selection of site, procurement of revenue papers, preparation of detailed project report, survey of power lines and road, environmental studies and mineral prospecting had been carried out by the Company upto May 2015. However, the Company failed to achieve other milestones viz. clearance from State Pollution Control Board and GoI, forest clearance, acquisition of private land and approval of mining plan from GoI. Resultantly, the plant could not be established within five years from the date of MoU as envisaged.

However, due to non-availability of security, the State Government failed to forfeit ₹ 2.00 crore and interest of ₹ 42.00 lakh⁵⁴ (from April 2012 to March 2018) from the defaulting Company for breach of the terms and conditions of the MoU after

⁵² **Within one year:** selection of site, procurement of revenue papers of plant and mining site, site clearance from State Level Site Appraisal Committee, Environmental Impact Assessment/ Environmental Management Plan and preparation of mining plan. **Within three years:** clearance from State Pollution Control Board and GoI, Forest clearance, acquisition of private land and approval of mining plan from GoI. **Within five years:** physical implementation of project.

⁵³ Committee constituted by the State Government under the Chairmanship of the Chief Secretary to review the status of various approvals and clearances required for implementation of the project and to suggest actions to be taken for expediting the approvals, clearances and implementation.

⁵⁴ Calculated at savings bank interest rate of 3.5 per cent.

March 2012. Ultimately, on recommendations (August 2015) of Inter Disciplinary Committee, the State Government cancelled (May 2017) the MoU signed in May 2006 for setting up of Cement Plant and decided to forfeit the amount of ₹ 1.67 crore deposited with HPPWD for widening and strengthening of road by the Company. Further, Audit observed that HPPWD had already utilised the amount for intended purpose as of December 2018.

Government replied (January 2019) that matter regarding forfeiture of amount deposited had been taken up with the HPPWD. The reply is not acceptable as the Department failed to initiate timely action for renewal of BG before its expiry or its encashment on the last day of validity. Further, the Department had also lost the opportunity to forfeit ₹ 1.67 crore as HPPWD had already utilised the amount. However, action in this regard had not been taken as of September 2019.

Thus, failure of the Department to initiate timely action against Company for breach of MoU due to non-renewal of Bank Guarantee resulted in non-recovery of ₹ 2.00 crore besides interest loss of ₹ 0.42 crore.

The Government may fix responsibility for contradictory decision of the Department and may issue necessary instructions for timely renewal or encashment of security deposit in order to safeguard financial interests of the State Government.

Irrigation and Public Health Department

3.9 Idle investment on irrigation project through rain water harvesting structures

Failure of the Department to secure prior forest clearance before award of works to contractors led to non-completion of a project for more than eight years defeating the purpose of providing irrigation facility to the beneficiaries and resulted in idle investment of ₹ 17.48 crore.

Under Forest Conservation Act, 1980 (FCA), for diversion of forest land for non-forestry uses, the Department was required to ensure prior forest clearance.

In order to provide irrigation facility to eight villages⁵⁵ covering a cultivable command area (CCA) of 570 hectare in Una district, the State Government accorded (November 2010) administrative approval and expenditure sanction of ₹ 19.10 crore for execution of a project approved (June 2010) under NABARD for ₹ 19.33 crore. However, the Department withdrew the project from NABARD and approved (February 2011) it under Accelerated Irrigation Benefit Programme (AIBP) for ₹ 15.61 crore. The project provided for construction of three rain water harvesting structures (RWHS)/ dams in Takoli *Khad* (RWHS-I and II) and Samoor *Khad* (RWHS-III) from where the water was to be tapped through lift irrigation schemes⁵⁶.

⁵⁵ Barota, Besenar, Bhalloun, Bharmad, Chowki Maniar Chatehar, Nandgran, Ramnagar and Takoli.

⁵⁶ Lift irrigation scheme from Takoli *Khad* (₹ 9.46 crore) and lift irrigation scheme from Samoor *khad* (₹ 6.15 crore) which included construction of open wells and three pump houses, laying of 11,020 rmt rising main, construction of six delivery tanks, laying of distributary main, pumping machinery and distribution structure.

Scrutiny of records (March 2018) of Una division-II revealed that the work for construction of the RWHS-I, II and III was awarded (October 2011) to a contractor viz. National India Construction Company, Pathankot at tendered cost of ₹ 9.56 crore to be completed by May 2013. The works relating to construction of pump houses, providing, laying, jointing and testing of rising main, supplying and installation of pumping machinery were awarded (September and October 2012) to two contractors for ₹ 6.35 crore⁵⁷ to be completed by September and October 2013. The works, however, were awarded to the contractors without securing prior forest clearance in violation of the provision of the FCA *ibid*. The works of rising main and distribution system were stopped (March 2014) due to involvement of forest land. The Department sought (December 2014) approval of Government of India for diversion of forest land (5.2879 hectare) for non-forestry use which had not been received as of January 2019. The construction of RWHS-I, II and III was completed by the company in July 2015 and providing and laying of rising main in about 9,802 rmt (out of 11,020 rmt) was carried out by the contractors upto March 2014. The remaining items of the works⁵⁸ were lying held up since March 2014 due to non-availability of forest clearance.

Further, in contracts for construction of pump houses, providing and laying of rising main, etc., against the secured advance of ₹ 2.65 crore released (between October 2012 and July 2013) to the contractors for material brought to site, material of ₹ 1.49 crore was consumed upto March 2014. Material valuing ₹ 1.16 crore was lying unused as of January 2019. As the works were lying held up since March 2014, non-use of material brought to site by the contractor for prolonged period was fraught with the risk of pilferage/ misutilisation/ deterioration.

In the meantime, the division had incurred expenditure of ₹ 17.48 crore on the project (AIBP: ₹ 15.61 crore and NABARD: ₹ 1.87 crore) upto June 2018. For further execution of the project, the Department had got the project sanctioned (December 2015) under NABARD (RIDF-XXI) and the State Government accorded (December 2015) administrative approval and expenditure sanction of ₹ 36.23 crore.

Thus, failure of the Department to secure prior forest clearance and ascertain technical and financial feasibility before award of the works to the contractors led to non-completion of the project for more than eight years. As a result, the purpose of providing irrigation facility to the beneficiaries concerned was defeated and the investment of ₹ 17.48 crore remained idle.

The State Government replied (January 2019) that the all formalities regarding forest clearance have been complete and the work has been restarted (January 2019) in anticipation of forest clearance. However, the Department had taken up the project for execution without securing prior forest clearance. Further as per information received (October 2019) from the division, the work was still lying held up.

⁵⁷ Contract under RWHS-I and II: ₹ 3.65 crore (October 2012) and contract under RWHS-III: ₹ 2.70 crore (September 2012).

⁵⁸ Providing and laying of rising main (1218 rmt) and distributor main, construction of open wells and pump houses (three), delivery tanks (six), distribution structure and outlet, installation of pumping machinery and supply of power, etc.

The Department should ensure forest clearance before taking up the works of irrigation schemes for execution so as to derive the intended irrigation facility to the beneficiaries on time.

3.10 Unfruitful expenditure on augmentation of water supply schemes

Improper planning and failure of the Department to obtain prior forest clearance and follow the prescribed sequence in execution resulted in non-completion of two water supply schemes for more than seven to nine years which defeated the purpose of providing adequate and safe drinking water to beneficiaries concerned and rendered expenditure of ₹ 15.42 crore as unfruitful.

Paragraph 3.1.1 of Manual of Central Public Health and Environmental Engineering Organisation (CPHEEO) provides for pre-investment planning and establishing need as well as feasibility of water supply project technically, financially, socially, etc. As per instructions (March 1995) of the Engineer-in-Chief of the Department, execution of water supply scheme should follow the prescribed sequence (i.e. firstly the source of water should be developed, dependable discharge ascertained and other works including laying of distribution lines should be taken thereafter). Further, as per Section 2 of Forest Conservation Act, 1980 (FCA), for diversion of forest land for non-forestry uses, the Department was required to ensure prior forest clearance.

Scrutiny of records of Anni (December 2017) and Sundernagar (November 2017) divisions revealed the following:

(a) In order to provide adequate and safe drinking water facility to about 10,789 persons of seven *Gram Panchayats*⁵⁹ affected by Rampur Hydro-electric Power Project of SJVN⁶⁰, the Deputy Commissioner, Kullu as Chairman of the Local Area Development Committee of the project accorded (September 2010) administrative approval and expenditure sanction of ₹ 7.48 crore for construction of a water supply scheme. The scheme was to be constructed by Anni division by tapping water from Nagerh and Mochka *Khads*. The Chief Engineer, Mandi zone had accorded (June 2009) technical approval of ₹ 7.94 crore for the scheme. The Department received ₹ 5.53 crore from the project authority (July 2009: ₹ 3.00 crore and May 2010: ₹ 1.00 crore) and Local Area Development Fund from DC, Kullu (₹ 1.53 crore in February 2015) for the purpose.

The work⁶¹ was awarded (February 2012) to a contractor for ₹ 5.76 crore to be completed by February 2014. The contractor had started the work in February 2012. The contractor, however, did not achieve the pace of the work within the stipulated

⁵⁹ Bahwa, Bari, Gadej, Kushwa, Kharga, Poshna and Tunan.

⁶⁰ Satluj Jal Vidyut Nigam Limited (SJVN) a joint venture of the Government of India and Government of Himachal Pradesh.

⁶¹ Construction of intake chamber (10), water treatment plant (0.84 MLD), delivery tank-cum-main storage tank (one), sedimentation tank (one), filter beds (one), pump house and office building (one), sub storage tanks (15), providing and laying of rising main (200 mm diameter: 825 rmt), laying and jointing of gravity main and distribution system (15 mm to 150 mm diameter: 89,160 rmt), pumping machinery (480 horse power: one), head weir (two), MS clamps (100), anchor block/ thrust block pedestals (128), pattra cutting (3,403 cubic metre), supply of power, inspection vehicle (one), accessories and vertical required for supply of power and post completion operation and maintenance for 60 months.

period and executed the work⁶² of the value of ₹ 4.55 crore up to June 2014. The remaining work could not be executed due to non-handing over of site by the Department and hindrances created by local residents for laying of pipes at certain places. The following major deficiencies were noticed in conceptualisation of the scheme and its implementation:

(i) In contravention of departmental instructions (March 1995) *ibid*, the division did not follow the prescribed sequence for execution of the scheme (i.e. developing source, ascertaining dependable discharge, laying of rising/ gravity main, distribution system, procurement of pumping machinery, etc.). The division had got executed the work of laying of rising/ gravity main, distribution system, procurement of pumping machinery, etc., whereas the water treatment plant (WTP), pump house and other associated structures had not been constructed as of September 2019.

(ii) As required under the provision of CPHEEO *ibid*, the Department had not checked feasibility of construction of WTP and associated structures. The proposed WTP site was about 200 metre away from PWD road and the path thereof was falling on private land. The Department had neither included the construction of approach road in the proposal/ estimates nor secured encumbrance free land for the same before taking up the scheme for execution.

(iii) The land where the WTP and other structures were to be constructed was forest land. Contrary to the provision of Forest Conservation Act *ibid*, the Executive Engineer awarded (February 2012) the construction of WTP, pump house and other associated structure to the contractor without ensuring encumbrance free site. The Department had initiated action for diversion of forest land for non-forestry use under Forest Conservation Act in October 2014, approval for which was received in August 2018.

(b) To provide adequate and safe drinking water to 17,095 persons of 72 habitations of Mandi district, the State Government accorded (June 2009) administrative approval and expenditure sanction of ₹ 10.98 crore for construction of a water supply scheme⁶³ to augment 16 existing water supply schemes constructed under Sundernagar division during 1983-99. Water under the scheme was to be collected at a single point at Barota which is 16.5 kms away from the source (Soul *khad*). The scheme was scheduled to be completed in four years. In technical approvals of working estimates (between September 2009 and November 2011) the Chief Engineer Mandi had stipulated that clear title of the land in the name of the Irrigation and Public Health Department should be ensured before start of the work.

It was noticed that division had taken up the scheme for execution in December 2009 and executed the works of intake chamber, gravity main, rising main (first stage: 2,030

⁶² Delivery tank-cum-main storage tank (one), sub storage tanks (11), providing and laying of rising main (200 mm diameter: 600 rmt), laying and jointing of gravity main and distribution system (15 mm to 150 mm diameter: 79,580 rmt), pumping machinery (480 horse power: one), anchor block/ thrust block pedestals (55), pattra cutting (607 cubic metre), supply of power and inspection vehicle (one).

⁶³ Scope of work: Acquisition of land, intake chamber, gravity main (16,500 rmt), water treatment plant (1.57 million litre daily), main storage tank-cum-sump well, rising main (first stage: 2,900 rmt and second stage: 3,500 rmt), pump houses (two for first and second stages), pumping machinery (Stage-I: two and Stage-II: two), sub storage tanks (20), distribution system pipes (96,342 rmt) and supply of power.

rmt. and second stage: 3,325 rmt), pump houses (one for second stage), pumping machinery (first stage: two of 150 horse power each and second stage: two of 20 horse power each), sub storage tanks (20) and distribution system pipes (96,342 rmt) upto February 2018.

However, the rising main (first stage: 870 rmt and second stage: 175 rmt), water treatment plant (WTP), main storage tank-cum-sump well and pump house for rising main of first stage could not be executed due to absence of forest clearance. The Executive Engineer had taken up the work without ensuring prior forest clearance in violation of the provision of the FCA *ibid*. Approval for diversion of forest land for non-forestry use was sought by the Department from the GOI in November 2010 and approval in principle was received in December 2013 but the final approval was awaited as of January 2019. Besides, contrary to the departmental instructions (March 1995) *ibid*, the division failed to follow the prescribed sequence for execution of the scheme as the rising main, distribution system, etc., were executed before construction of WTP, main storage tank-cum-sump well and pump house. Resultantly, after incurring expenditure of ₹ 10.76 crore, the scheme was lying incomplete as of January 2019 lagging behind its scheduled date of completion by more than five years.

The construction of WTP and pump house for rising main of first stage was awarded (September 2011) to a contractor for ₹ 1.69 crore and to be completed in one year. The contractor did not complete the work due to delay in handing over of the site by the Department. The contractor did not achieve the pace of the work even after the site was handed over (April 2014). After executing the work of value of about ₹ 25.00 lakh upto March 2015, the contractor refused (April 2015) to execute the balance work with a plea to re-evaluate the cost of excavation by reviewing the classification of hard rocky soil strata and allow cost escalation due to increase in cost of labour and material. The Department did not agree to the plea as these items had already been considered while submitting the bid. Rather, compensation of ₹ 16.92 lakh (10 *per cent* of the contract value) for delay was levied (March 2017) on the contractor under Clause 64 of the contract. The contractor did not resume the work and ultimately, the Department rescinded (April 2017) the contract under Clause 68.3 (i) C of the contract. The work alongwith sump well-cum main storage tank re-awarded (June 2018) to another contractor for ₹ 1.48 crore had not been completed as of September 2019.

Further, pumping machinery procured by the divisions at a cost of ₹ 50.13 lakh (Anni: ₹ 36.48 lakh in July 2012 and Sundernagar: ₹ 13.65 lakh in March 2011 and March 2012) was lying idle as the same could not be installed as of September 2019 due to non-construction of the WTP and pump house.

The State Government stated (January 2019) that the work could not be completed in time due to involvement of forest land and hindrance created by the people. However, the Department failed to obtain prior forest clearance and follow prescribed sequence. Non-completion of the schemes for more than seven to nine years defeated the purpose of providing adequate and safe drinking water to the public and rendered the

expenditure of ₹ 15.42 crore (Anni: ₹ 4.66 crore and Sundernagar: ₹ 10.76 crore) unfruitful as the schemes were not commissioned as of September 2019.

The Department should comply with all checklists of feasibility and encumbrance free sites and follow the prescribed sequence for execution of water supply schemes right from source to distribution so as to ensure their completion in a timely manner.

3.11 Unfruitful expenditure and loss on augmentation of lift water supply scheme

Faulty planning and failure of the Department to design safer alignment of a lift water supply scheme led to damage of rising main of booster and first stage in flash floods resulting in loss of ₹ 0.60 crore besides rendering the expenditure of ₹ 1.45 crore as unfruitful.

Paragraph 3.1.1 of Manual of Central Public Health and Environmental Engineering Organisation (CPHEEO) provides for pre-investment planning and establishing feasibility of water supply project technically, financially, socially, etc. In order to provide adequate drinking water facility to 15,142 persons of Mandi district, the State Government accorded (March 2011) administrative approval and expenditure sanction of ₹ 14.26 crore for augmentation of Bid Patta Samoh lift water supply scheme under National Rural Drinking Water Programme. The water for the purpose was to be tapped from River Beas at Kandhapattan through different stages⁶⁴ of rising main. The Chief Engineer (Hamirpur zone) accorded (September 2011) technical approval of the scheme for ₹ 10.93 crore.

Scrutiny of records (December 2017) of Sarkaghat division revealed that the work⁶⁵ was awarded (March 2012) to a contractor for ₹ 9.59 crore and to be completed by April 2014. The contractor started the work in March 2012 and completed (March 2017) the work⁶⁶ of value of ₹ 9.61 crore including providing and laying of rising main of second and third stages. The rising main of the second and third stages was commissioned in March 2017. However, the rising main of booster and first stages could not be completed and commissioned as of September 2019 due to the following deficiencies:

In spite of the fact that Soan *khad*⁶⁷ remains over flooded in rainy seasons eroding cultivated land of both banks, the Department planned and designed the laying of rising main of booster and first stages through and along the *khad*. Moreover, due to heavy rains, sudden water with strong current could damage any structure placed/ constructed

⁶⁴ Booster stage, first stage, second stage and third stage.

⁶⁵ Site development, construction of percolation well (two), pump houses (three), sump well (two), sump well-cum-main storage tank (two), infiltration gallery as additional source of water from Soan *khad* for seven to eight months in a year for rising main of second and third stages , providing and laying of rising main (booster stage: 50 rmt, first stage: 10,620 rmt, second stage: 7,535 rmt and third stage: 4,515 rmt), distribution system/ gravity main (218 kms) and procurement and erection of pumping machinery (booster stage, first stage, second stage and third stage).

⁶⁶ Construction of percolation well (one), pump houses, sump well, sump well-cum-main storage tank, infiltration gallery, providing and laying of rising main (booster stage: 48.15 rmt, first stage: 11,373.28 rmt second stage: 7,535 rmt and third stage: 4,515 rmt), distribution system/ gravity main (218 kms) and procurement and erection of pumping machinery.

⁶⁷ Low lying area/ depression carved by fluvial erosion.

between the *khad* rivulet. This aspect was also not taken care of by the Chief Engineer (Hamirpur zone) while according technical sanction of the scheme. Resultantly, out of 11,421.43 rmt booster and first stages rising main of value of ₹ 2.05 crore constructed through and along the *khad*, 3,180 rmt rising main valuing ₹ 0.60 crore had been damaged/ washed away in flash floods in August 2015. Evidently, in contravention of the provision of the CPHEEO *ibid*, the Department failed to check technical feasibility for laying rising main through *khad* while conceptualising the scheme. The Department had not ensured its designing on safer and sustainable alignment along roads or away from the *khad* being prone to floods.

Government replied (January 2019) that efforts were being made to complete the balance work of the scheme. However, the damaged work had not been restored and the rising main had not been completed/ commissioned as of September 2019 defeating the purpose of providing adequate drinking water to the concerned beneficiaries in a timely manner.

Thus, faulty planning and failure of the Department to design safer and sustainable alignment of rising main of booster and first stages of the scheme resulted in loss of ₹ 0.60 crore besides rendering the expenditure of ₹ 1.45 crore as unfruitful.

The Government should ensure compliance of CPHEEO provisions for checking feasibility of laying rising main of water supply schemes before preparation of estimates and technical sanction.

3.12 Unproductive expenditure on non-functional lift irrigation scheme

A lift irrigation scheme was executed without obtaining technical sanction and without any evidence of survey regarding sustainability of water source or feasibility of the scheme. Meagre cultivable command area was utilised and the scheme became non-functional within two years of commissioning due to non-availability of water at the source. The Department failed to take immediate action for revival of the scheme leading to unproductive expenditure of ₹ 1.80 crore on the scheme for the last six years and depriving the beneficiaries of the intended irrigation facility. Additional funds of ₹ 2.78 crore were required for making the scheme functional, causing extra financial burden on the State Government.

As per provisions of Punjab Public Works Code (PPWC) being followed by the Department, an irrigation project/ scheme is to be conceptualised with comprehensive survey and investigation and no scheme should be taken up for execution unless detailed estimates are technically sanctioned so as to ensure their accuracy and feasibility of the scheme.

Scrutiny of records (December 2016) of I&PH division, Dehra, Kangra district revealed that a lift irrigation scheme in Kuthar and Tripal villages (under Gram *Panchayat* Tripal) had been lying non-functional since May 2012. Information available on record showed that the scheme had been administratively approved in June 1999 for ₹ 1.10 crore with the objective of creating cultivable command area (CCA) of 140.08 hectare. Financing for the scheme was arranged⁶⁸ in November 2002, and the scheme,

⁶⁸ From National Bank for Agriculture and Rural Development, under Rural Infrastructure Development Fund –VIII.

scheduled to be completed by November 2006, was completed⁶⁹ and commissioned only in April 2010 at a cost of ₹ 1.42 crore. It was observed that against 140.08 hectare of CCA created, meagre CCA was utilised⁷⁰ (only six to 11 *per cent* during 2010-11, and less than one *per cent* during 2011-12), and the scheme became defunct after May 2012. According to the information made available by the division / department, this was due to non-availability of water at the source along Baner *khad*⁷¹ caused by change in flow/ course of the *khad*. In 2016-17, a proposal to revive the scheme was included in the MLAs priority for funding under NABARD. DPR of ₹ 2.78 crore was submitted for approval and funding in January 2019.

Analysis of records and information made available by the division/ department showed the following:

- i. In the case of the original scheme, the Department took more than three years (from 1999 to November 2002) to secure funds, and the scheme was completed after a delay of 40 months (December 2006 to March 2010) and cost overrun of ₹ 0.32 crore. Further, the division had executed the scheme without obtaining technical sanction of the competent authority. Detailed project report (DPR) or survey and investigation reports in respect of sustainability of water source along Baner *khad* and feasibility of the scheme were not available on record; and there was no reference to any DPR in the administrative approval and expenditure sanction (June 1999).

The non-obtaining of technical sanction, non-availability of any survey and investigation reports with the division, and the very low percentage of CCA utilised when the scheme was functional, was suggestive of the possibility that the division/ department had not assessed the feasibility of the scheme or the sustainability of the water source before executing the scheme.

- ii. Prompt action to revive the scheme was not taken by the department as a proposal in this regard was initiated only four years (May 2012 to 2016-17) after the scheme became non-functional. Further, the department took over two years (2016-17 to January 2019) for processing the DPR, which had still not been approved as of January 2019, i.e. more than six years since the scheme became non-functional. In this context, the Government stated (January 2019) that the source for the scheme had been shifted to another side and the scheme had been made functional in the first week of January 2019. The EE also stated (February 2019) that the scheme had been made functional. However, Audit conducted (February 2019) physical/ spot verification and found that the scheme was still non-functional. This was confirmed (February 2019) by the Pradhan, Gram *Panchayat*, Tripal who stated that although the scheme had been made functional for a very short time in January 2019, it was lying completely non-functional. Further, since the DPR for revival of the scheme

⁶⁹ Works executed: construction of pump house-cum-chowkidar quarters (one), main delivery tank (one), machinery outlets (three), desilting tank (one), sump well (one), *pucca* field channel (3,685 rmt), rising main first stage (MSERW pipe 350 mm diameter: 195 rmt), rising main second stage (MSERW pipe 350 mm diameter: 720 rmt), distribution system (10,130 rmt), pumping machinery (75 horse power: two and 55 horse power: two) and supply of power.

⁷⁰ 2010-11: *Kharif* (14.89 hectare: 11 *per cent*) and *Rabi* (7.72 hectare: six *per cent*) and 2011-12: *Kharif* (0.65 hectare: less than one *per cent*) and *Rabi* (0.65 hectare: less than one *per cent*).

⁷¹ Low lying *areal* depression carved by fluvial (stream related processes) erosion.

had been submitted to the Planning Department for funding under NABARD only in January 2019, it was evident that the scheme could not have been made functional as of January 2019, as claimed by the Department.

The delay in action for reviving the scheme showed that the department was not committed to making the scheme functional for delivering benefits to the intended beneficiaries. Further, the misreporting of status of the scheme showed that the department had not conducted any assessment of the actual ground-level situation and was not sensitive to the seriousness of the issue.

The above deficiencies meant that ₹ 1.42 crore spent on execution of the original scheme remained unproductive for the last six years, and the intended beneficiaries were deprived of the envisaged benefits. The division also incurred unproductive expenditure of ₹ 0.38 crore during 2012-18 on the defunct scheme, ₹ 0.29 crore on payment of electricity charges to Himachal Pradesh State Electricity Board Limited and ₹ 0.09 crore on salary to staff for watch and ward of pumping machinery and pump house. Further, failure of the original scheme imposed extra financial burden on the State Government as additional funds of ₹ 2.78 crore (196 per cent of the original cost) were required to make the scheme functional. Status remained the same as of September 2019.

The Government should ensure proper assessment of sustainability of source and feasibility of scheme before execution so that beneficiaries can be provided with intended irrigation facilities in time. The Government should also consider strengthening internal controls in the Department to expedite scheme execution, and addressing deficiencies in the reporting systems to ensure that accurate information about scheme status is available.

Planning Department

3.13 Misutilisation of Sectoral Decentralised Planning funds

Funds amounting to ₹ 2.93 crore out of allocations under Sectoral Decentralised Planning (SDP) meant for addressing development needs were misutilised for construction and repair works in Government residential and office buildings and religious places in violation of scheme guidelines.

Sectoral Decentralised Planning (SDP) is a programme of the State Government wherein five per cent of approved plan outlays on specified development heads⁷² are pooled and placed at the disposal of districts. Funds allocated under SDP are to be utilised by the district authorities for development works/ schemes which lead to community benefit and pertain to the development heads specified in the programme guidelines. SDP guidelines (2004) prescribe that expenditure on works within premises of temples is not permissible. Prior approval of the 'District Planning, Development and Twenty-Point Programme Review Committee' is required before sanctioning development works/ schemes.

⁷² Social and Water Conservation; Integrated Rural Energy Programme; Community Development; Minor Irrigation; Flood Control; Cottage and Small Industries; Roads and Bridges; Primary Education; General Education; Allopathy; Ayurveda; Rural Water Supply; SCs/STs/OBCs Welfare and Social Welfare.

Scrutiny of works sanctioned (2014-18) from the SDP allocation in five districts showed that ₹ 2.07 crore⁷³ were sanctioned and released by the respective Deputy Commissioners (DCs) for execution of 81 works of construction/ repair/ renovation in Government residential and office buildings. These works had no relation with achievement of community benefit or development as envisaged in the programme guidelines. In addition to the above, it was observed that in three districts (Kangra, Kullu and Shimla), funds amounting to ₹ 85.93 lakh⁷⁴ were sanctioned and released for 78 works to be executed within premises of temples, in violation of programme guidelines. Thus, a total amount of ₹ 2.93 crore, meant for addressing development needs, was misutilised for 159 works pertaining to Government residential and office buildings and religious places. It was also observed that these works were sanctioned without following due procedure in three districts (Bilaspur, Kangra and Shimla) as prior approval of the District Planning, Development and Twenty Point Programme Review Committee was not obtained.

The State Government stated (January 2019) that these buildings were in need of maintenance to avoid further damage, and additional facilities were created in these buildings for the use of visitors. Further, Advisor (Planning) stated (September 2019) that instructions to sanction funds as per SDP guidelines were issued while allocating budget to the districts and works were sanctioned on the recommendations of the public representatives. However, the guidelines clearly prohibit expenditure on such works.

The cases pointed out are based on the test check conducted by Audit. The Department/ Government may initiate action to examine similar cases and take necessary corrective action.

The Government may ensure release of SDP funds strictly for works of developmental nature as envisaged in scheme guidelines.

3.14 Sanction of funds for inadmissible works under Member of Parliament Local Area Development Scheme and Vidhayak Kshetra Vikas Nidhi Yojana

Despite the violation having been highlighted previously by Audit, funds amounting to ₹ 1.93 crore were released by the Deputy Commissioners of five districts for execution of 170 works within places of religious worship in violation of scheme guidelines.

The objective of the Members of Parliament Local Area Development Scheme (MPLADS) and Vidhayak Kshetra Vikas Nidhi Yojana (VKVNY) is to enable Members of Parliament (MPs) and Members of Legislative Assembly (MLAs), respectively, to recommend works of developmental nature based on locally felt needs. These works are to be sanctioned and executed through the district authorities concerned. The guidelines of these schemes explicitly prohibit, *inter alia*, sanction of works within places of religious worship and on land belonging to/ owned by religious groups.

⁷³ Bilaspur: ₹ 10.32 lakh (07 works); Chamba: ₹ 36.22 lakh (14 works); Kangra: ₹ 135.80 lakh (43 works); Shimla: ₹ 16.75 lakh (12 works) and Una: ₹ 8.06 lakh (05 works).

⁷⁴ Kangra: ₹ 15.88 lakh (11 works); Kullu: ₹ 16.00 lakh (08 works) and Shimla: ₹ 54.05 lakh (59 works).

Violation of these guidelines was highlighted in previous Audit Reports⁷⁵ of the Comptroller and Auditor General of India. However, scrutiny of works sanctioned (December 2016 - March 2018) under MPLADS and VKVNY in five districts showed that ₹ 1.93 crore⁷⁶ had been sanctioned and released by the respective DCs for execution of 170 works within places of religious worship or on land belonging to/ owned by religious groups. In 61 works, the name of work in the sanction order itself showed that the works had been sanctioned within places of religious worship, indicating clear disregard for the guidelines. In the remaining 109 works⁷⁷, it was found that the word “near” had been prefixed before the places of religious worship to falsely portray them as landmarks; this was proved by cross examination of proposals from user groups and land records which showed that these 109 works were actually on lands belonging to/ owned by the same places of religious worship that were mentioned as landmarks in the sanction orders. The non-verification of the relevant land records by the district authorities in these cases was indicative of either negligence or an attempt to misrepresent facts in order to justify the sanction of inadmissible works.

The State Government stated (January 2019) that these works were sanctioned on the recommendation of the MPs and MLAs concerned for use by the general public. The replies should be seen in the light of the fact that sanction of works pertaining to places of religious worship has been explicitly prohibited under MPLADS and VKVNY guidelines.

Thus, despite the violation having been highlighted previously by Audit, funds amounting to ₹ 1.93 crore were released by the DCs of five districts for execution of 170 works within places of religious worship not permissible under MPLADS and VKVNY.

The State Government may review such cases in the remaining districts and ensure that these instances do not recur.

Public Works Department

3.15 Short realisation of dues for laying of optical fibre cable

Failure of the Department to apply correct rates for dues from telecom companies for laying of optical fibre cable along roads resulted in short realisation of ₹ 1.66 crore.

As per procedure, refilling of trenches after laying of optical fibre cable (OFC) along roads in the State is done by the telecom companies. As per departmental instructions (January 2001), damages caused to the roads are restored by the Public Works

⁷⁵ Para 2.16 of Audit Report (Civil) of 2010-11; para 3.6.2.3 of Audit Report (Social, General and Economic Sectors- Non-Public Sector Undertakings) of 2012-13 and para 3.17.3.1 of Audit Report (Social, General and Economic Sectors- Non Public Sector Undertakings) of 2014-15.

⁷⁶ Kullu: ₹ 34.50 lakh (20 works under VKVNY); Mandi: ₹ 58.25 lakh (57 works under VKVNY) and ₹ 24.50 lakh (22 works under MPLADS); Shimla: ₹ 39.75 lakh (46 works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS); Solan: ₹ 24.49 lakh (18 works under VKVNY); and Una: ₹ 7.51 lakh (five works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS).

⁷⁷ Kullu: ₹ 33.50 lakh (19 works under VKVNY); Mandi: ₹ 3.58 lakh (03 works under VKVNY) and ₹ 24.50 lakh (22 works under MPLADS); Shimla: ₹ 36.75 lakh (42 works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS); Solan: ₹ 23.99 lakh (17 works under VKVNY); and Una: ₹ 6.50 lakh (four works under VKVNY) and ₹ 2.00 lakh (one work under MPLADS).

Department out of deposit money received from telecom companies against estimates prepared by Executive Engineer (EE) of the concerned division as per rates fixed by the Department from time to time.

Scrutiny of records (December 2017 and January 2018) of Bilaspur-I, Mandi-II and Sundernagar divisions revealed that as per rates fixed (October 2014 and January 2016) by the Department for 2014-15 (*Katcha* road at the rate of ₹ 695 per running metre (rmt), metalled and tarred roads (MTRs) at the rate of ₹ 981 per rmt and MTRs with bitumen macadam (BM) at the rate of ₹ 1,470 per rmt) and 2015-16 (National Highways/ State Highways/ Major District Roads at the rate of ₹ 1,323 per rmt and Rural Roads at the rate of ₹ 905 per rmt), the Executive Engineers (EEs) were required to realise ₹ 7.21 crore from three telecom companies⁷⁸ for restoration of damages caused by digging of 72.300 kms long roads on account of laying of OFC during above period. However, while framing estimates (between November 2014 and November 2015) for the same, the EEs had applied incorrect rates⁷⁹ and demanded (between February 2015 and October 2015) ₹ 5.55 crore only (**Appendix-3.5**) resulting in short realisation of ₹ 1.66 crore from M/s Reliance Jio Infocomm Limited (₹ 0.32 crore), Idea Cellular Limited (₹ 0.67 crore) and Bharti Airtel Limited (₹ 0.67 crore).

The State Government stated (January 2019) that revised estimates had been sent to the telecom companies and efforts were being made to effect recovery of the balance amount. However, the recovery had not been effected as of September 2019.

The cases pointed out are based on the test check conducted by Audit. The Department/ Government may initiate action to examine similar cases and take necessary corrective action.

The Government may provide for suitable mechanism to ensure application of revised rates for realisation of dues from telecom companies with immediate effect.

3.16 Unfruitful expenditure due to non-completion of construction of road

Due to improper planning and repeated failure of the Department in preparation of estimates as per topography/ site conditions, the road could not be completed for more than 14 years depriving the beneficiaries of intended road connectivity and the expenditure of ₹ 17.98 crore remained unfruitful.

Operation Manual of Pradhan Mantri Gram Sadak Yojna (PMGSY) provides for topographical and ground survey comprising reconnaissance survey⁸⁰, preliminary survey (large-scale investigation of alternatives thrown up as a result of the

⁷⁸ Reliance Jio Infocomm Limited: ₹ 2.54 crore (2014-15: ₹ 1.44 crore and 2015-16: ₹ 1.10 crore); Idea Cellular Limited: ₹ 3.30 crore (2015-16) and Bharti Airtel Limited: ₹ 1.37 crore (2014-15).

⁷⁹ Sundernagar division for 2014-15: ₹ 392.95 per rmt for *Katcha* Road (4.5 kms) and ₹ 898.16 per rmt for MTRs (11.5 kms) and 2015-16: ₹ 898.16 per rmt for Rural Roads (8 kms) and ₹ 827.87 per rmt (0.800 km), ₹ 1,059.48 per rmt (0.300 km) and ₹ 1,189.50 per rmt (3.670 km) for National Highways/ State Highways/ Major District Roads; Bilaspur-I division for 2014-15: ₹ 505.23 per rmt for MTRs (14 kms) and Mandi-II division for 2015-16: ₹ 750.60 per rmt for Rural Roads (24.124 kms) and ₹ 1,059.48 per rmt for National Highways/ State Highways/ Major District Roads (5.406 kms).

⁸⁰ Field inspection by walking, riding on ponies (in hills) or driving in jeep.

reconnaissance survey and establishing a base-line traverse) and location survey⁸¹. Central Public Works Manual (CPWM) provides for obtaining of revised administrative approval in case the expenditure is in excess of 10 *per cent* of the original administrative approval, preparation of detailed estimates and drawings for execution of the work and obtaining of prior approval of the competent authority for deviation.

In order to provide road connectivity to remote villages (Kashapat *Gram Panchayat*) in Shimla district, construction of 8.475 kms long Dhandol to Kashapat road was accorded technical sanction⁸² by the State Technical Agency (in January 2004) and approved by GoI (March 2004) under PMGSY for ₹ 4.66 crore. The project was got approved on the basis of reconnaissance survey selecting the general route for alignment and preparing the estimate on visual basis. However later, as per actual site surveys and execution of the work during 2011-14, the road length increased from 8.475 kms to 11.180 kms (an increase of 2.705 kms). The Department had further prepared work estimates of ₹ 6.73 crore⁸³ for additional works during above period instead of ensuring technical sanction of the detailed estimates. For providing additional funds for the project, the State Government also accorded (June 2015) administrative approval of ₹ 2.82 crore under Scheduled Caste Sub Plan (SCSP).

Scrutiny of records (December 2017) of Rampur division revealed that in contravention of PMGSY Operation Manual, the work was taken up (April 2005) for execution without actual site survey/ large scale investigations which were required to be done after the reconnaissance survey. The Department had also not prepared detailed estimates of the road as per topography/ site conditions of the area. The following deficiencies were noticed:

(i) Initially, the work⁸⁴ was awarded (April 2005) to a contractor for ₹ 5.03 crore to be completed by July 2006. However, the work could not be completed due to the death of the contractor on 19 January 2008. The work was terminated by the Department in July 2011 after the legal heir of the contractor abandoned the work in December 2010. Till abandoning, formation cutting in 5.015 kms (59 *per cent*) of value of ₹ 3.96 crore had been completed.

(ii) Subsequently, as a result of actual site survey conducted in August 2011, the road length increased by 1.280 kms. The Department prepared work estimates of ₹ 4.34 crore (against initial/ first estimate of ₹ 0.70 crore) for the balance work. Thereafter, the work was awarded (December 2012) to another contractor for ₹ 4.19 crore for completion by May 2014. The contractor carried out formation cutting in 1.990 kms (42 *per cent*) for ₹ 5.95 crore (137 *per cent* of the estimated cost) upto

⁸¹ Determination of final alignment by fixing the centre-line of selected alignment in the field and collection of additional data for preparation of drawings.

⁸² Scope of work: formation cutting (5/7 metre wide), construction of hume pipe between kms 6.200 and 14.675 and RCC slab culvert at km 7.430.

⁸³ August 2014: ₹ 4.34 crore (formation cutting: 4.740 kms, cross drainage: 8.475 kms and soling: 2.500 kms) and 2014-15: ₹ 2.39 crore (formation cutting of 4.080 kms).

⁸⁴ Formation cutting: 8.475 kms, cross drainage: 8.475 kms and soling: 2.500 kms.

September 2015 leading to deviation of ₹ 1.76 crore (₹ 5.95 crore minus ₹ 4.19 crore). The contractor refused (September 2015) to execute the work further on the quoted/lower rates and demanded rates of ₹ 824.80 per cubic metre in place of contract rate of ₹ 266 per cubic metre due to inaccessible vertical cliff/ on the alignment of the road. The Department closed the contract in April 2016 and released payment of ₹ 5.95 crore to the contractor without approval of the deviation from the competent authority in contravention of the provision of CPWM.

(iii) Audit noticed that meanwhile during 2014-15, the Department had conducted another survey for 4.080 kms (road length got further increased by 1.425 kms) and prepared work estimates of ₹ 2.39 crore involving formation cutting. The work was awarded (September 2015) for completion by September 2017 for ₹ 5.35 crore to the same contractor who had refused to execute work in September 2015. The contractor carried out formation cutting in 1.270 kms (31 per cent) for ₹ 8.79 crore (368 per cent of the estimated cost) upto February 2018. Deviation in the work with overall financial implication of ₹ 10.31 crore (93 per cent) was approved by the competent authority in February 2018. However, Audit is of the view that this deviation vitiated the tendering process as detailed estimation at enhanced cost as per site conditions before award of the work would have attracted more bidders.

(iv) In addition to above, work of formation cutting in 1.815 kms stretch of the road was awarded (December 2016 and June 2017) to another contractor for ₹ 0.75 crore in three contracts⁸⁵. The contractor had carried out formation cutting in 1.725 kms with expenditure of ₹ 0.71 crore as of January 2019 and formation cutting of 0.090 kms was not executed.

The Department had incurred total expenditure of ₹ 17.98 crore⁸⁶ on the project during 2005-18. However, the road had not been completed as formation cutting in 8.275 kms (74 per cent of 11.180 kms) only could be executed as of January 2019 as also depicted in the photograph of a stretch of the incomplete road.



Dhandol to Kashapat road stretch from 11.300 kms to 11.375 kms

⁸⁵ Formation cutting of 0.605 kms: ₹ 0.24 crore (December 2016); formation cutting of 0.700 kms: ₹ 0.25 crore (December 2016) and formation cutting of 0.510 kms: ₹ 0.26 crore (June 2017).

⁸⁶ PMGSY: ₹ 8.74 crore (GOI: ₹ 5.75 crore and State Government: ₹ 2.99 crore) and State heads: ₹ 9.24 crore.

Sequence of events indicates that the cost estimations and execution were grossly under-estimated. The road length had increased by 2.705 kms⁸⁷ (32 per cent), whereas the expenditure had exceeded the approved project cost (PMGSY: ₹ 4.66 crore: and State head: ₹ 2.82 crore) by ₹ 10.50 crore (140 per cent). The excess expenditure of ₹ 10.50 crore incurred without obtaining revised administrative approval of the competent authority in contravention of the provision of the CPWM *ibid* was irregular. The Department had not conducted comprehensive site survey before taking up the work for execution as required under the provision of PMGSY guidelines *ibid*. The Department prepared only work estimates instead of detailed estimates as per site conditions as required under the provision of CPWM which led to huge payments for deviations in the contracts vitiating the tendering process as detailed estimation at increased cost as per site conditions could have attracted more bidders.

Thus, improper planning by the Department has resulted in non-completion of road for the last 14 years and the expenditure of ₹ 17.98 crore remaining unfruitful.

The State Government stated (January 2019) that the work could not be completed due to sudden demise of the first contractor, vertical cliffs and hard rocks. Due to scattered hard strata, half tunnelling proposed on the alignment was not possible and full height cutting had to be executed resulting in increase in height and thereby deviation in the work awarded. However, the Department failed to carry out comprehensive survey and prepare detailed estimates as per site conditions leading to huge deviations which vitiated the tendering process. Status remained the same as of September 2019.

The Department should ensure conducting of comprehensive site survey and preparation of detailed estimates of works as per site conditions so as to ensure their completion on time and avoid cost overrun.

Revenue Department

3.17 Diversion and misutilisation of money from State Disaster Response Fund (SDRF) for inadmissible works

The State Executive Committee was not discharging its duty of ensuring that money drawn from SDRF was being properly utilised, resulting in diversion and misutilisation of ₹ 2.19 crore from SDRF by Deputy Commissioners for repair and restoration of Government office and residential buildings not damaged by disaster/ calamity, while claims of ₹ 3.19 crore for immediate relief to victims of natural calamities remained pending, defeating the purpose of SDRF.

Government of India (GoI) guidelines of September 2010 (revised in July 2015) on administration of State Disaster Response Fund (SDRF) stipulate that SDRF is to be used only for providing immediate relief to victims of disasters/ calamities. The guidelines further stipulate that the State Executive Committee (SEC), chaired by the Chief Secretary of the State Government, shall ensure that the money drawn from the SDRF is actually utilised for the purposes for which the SDRF has been set up, expenditures are incurred only on specified items as per norms, and that funds are not

⁸⁷ From 8.475 kms to 11.180 kms.

diverted towards inadmissible expenditure. Funds from SDRF are allocated by the State Government to various Deputy Commissioners (DCs) and departments for utilisation with reference to GoI guidelines on items of expenditure and norms of assistance. These guidelines state that assistance for repair of State Government buildings, viz., office buildings, residential quarters, etc., is not covered under SDRF.

Scrutiny of works sanctioned from SDRF, however, showed that in five districts⁸⁸, funds of ₹ 2.19 crore were sanctioned and released (between January 2015 and August 2017) by the respective Deputy Commissioners (DCs) for 180 works of repair and renovation of Government offices and residential buildings, in violation of the aforementioned guidelines/ instructions. These cases of misutilisation from SDRF had no justification as no damage to the sanctioned works had been incurred due to disaster/ calamity. Out of the total inadmissible amount of ₹ 2.19 crore, ₹ 1.62 crore⁸⁹ had been sanctioned and released for 139 works during 2016-18 without any re-appropriation/ authorisation from the State Government; of which ₹ 88.19 lakh for 67 works had been booked under the minor head 'Assistance to Local bodies and other non-Government Bodies/ Institutions' (under the major head- Relief on Account of Natural Calamities- 02 Floods, Cyclones, etc.) which constituted misuse of budget earmarked for assistance to Local Bodies/ non-Government Bodies.

Test-check of relief claims under SDRF for the period 2015-18 in three sub-divisions of these districts showed that whereas ₹ 2.19 crore had been misutilised while 152 claims of gratuitous relief/ ex-gratia payment of ₹ 3.19 crore⁹⁰ to victims of calamities had remained pending during the same period due to non-availability of funds, defeating the purpose of SDRF.

The State Government was sending UCs to GoI merely on release basis. The SEC, which was required to ensure proper utilisation of SDRF had not prescribed any control/ reporting mechanism in respect of relief works sanctioned from SDRF resulting in misutilisation of the SDRF by the district authorities.

The State Government stated (July and September 2019) that district authorities and departments had been instructed from time to time to adhere to guidelines and in order to monitor/ regulate expenditure under SDRF it had been decided to monitor sanction of funds on real time basis through software.

⁸⁸ Bilaspur: ₹ 52.73 lakh for 37 works during 2014-17; Kangra: ₹ 44.42 lakh for 30 works during 2016-18; Kinnaur: ₹ 47.44 lakh for 20 works during 2015-17; Shimla: ₹ 29.19 lakh for 26 works during 2016-17 and Solan: ₹ 45.51 lakh for 67 works during 2016-18.

⁸⁹ Bilaspur: ₹ 20.66 lakh for 09 works during 2016-17; Kangra: ₹ 44.42 lakh for 30 works during 2016-18; Kinnaur: ₹ 22.44 lakh for 07 works during 2016-17; Shimla: ₹ 29.19 lakh for 26 works during 2016-17 and Solan: ₹ 45.51 lakh for 67 works during 2016-18.

⁹⁰ Bilaspur Sadar (Bilaspur district): 74 claims of ₹ 1.40 crore; Shimla Rural (Shimla district): 26 claims of ₹ 0.71 crore and Solan (Solan district): 52 claims of ₹ 1.08 crore.

The cases pointed out are based on the test check conducted by Audit. The Department/ Government may initiate action to examine similar cases and take necessary corrective action.

The Government may enforce provisions of the guidelines while sanctioning and approving expenditure under SDRF.

3.18 Short-realisation of contribution towards Local Area Development Fund (LADF) and misutilisation of LADF amount

Local Area Development Fund of ₹ 6.14 crore and interest thereupon of ₹ 2.72 crore were short-realised from developers of hydroelectric power projects although a period ranging between four months and ten years had elapsed since the date on which final instalment was due. Funds amounting to ₹ 2.05 crore were misutilised on items not pertaining to local area development.

The State Hydro Power Policy (2006) states that works for restoration of facilities and local area development (relating to rural development, health, education, public works, etc.) in areas affected by hydroelectric power projects (HPPs) are required to be undertaken by a district-level Local Area Development Committee (LADC) through a Local Area Development Fund (LADF). The hydroelectric power project developer is required to contribute an amount equal to 1.5 *per cent*⁹¹ of the final project cost into the LADF, payable during the period prior to commissioning of the project in such instalments as prescribed in the implementation agreement (IA). State Government guidelines (October 2011) for management of LADF stipulate that all LADCs for HPPs above 5 MW within a district shall function under the overall control of the DC. The DC is required to take up the matter with the respective developers for release of contribution in accordance with the prescribed schedule. In case of failure to release contribution, the project developer shall be liable to pay interest on the due amount of LADF at the rate of 12 *per cent* per annum. The guidelines also prescribe that interest earned on the funds deposited in LADF will become part of LADF and may be used to cover cost of organising LADC meetings, monitoring, office expenses, hiring services of experts for quality assurance, dispute resolution, etc., without imposing any obligation on the State Government.

- (A) Scrutiny of records of three DCs (Kangra, Kullu and Shimla) showed that there were 12 commissioned (between May 2008 and January 2018) HPPs in these districts for which IAs between the State Government and the respective project developers had been signed after the State Hydro Power Policy came into force (December 2006). As per the terms and conditions of the IAs, the developers were required to contribute an amount of ₹ 10.76 crore towards LADF in respect of these projects. Against this, the project developers had deposited only ₹ 4.62 crore as of May 2018. The balance amount of ₹ 6.14 crore, which should have been deposited during the construction period prior to commissioning of the

⁹¹ 1.5 *per cent* of the project cost for hydroelectric power projects above 5 MW and 1 *per cent* for HPPs up to 5 MW.

projects, had not been realised even though a period ranging between four months and ten years had elapsed since the date on which final instalment was due. An interest of ₹ 2.72 crore on overdue amount of LADF since the respective date(s) of commissioning had also become recoverable (**Appendix-3.6**).

Short-realisation of LADF contribution (57 per cent) indicated that the penal interest provision in the IAs was not sufficiently effective in ensuring timely remission of the due LADF contribution by the project developers.

It was also observed that out of the deposited amount of ₹ 4.62 crore, ₹ 3.69 crore (80 per cent) had already been sanctioned⁹² for proposed developmental works in the affected areas, from which it was evident that recovery of the total amount due was necessary to finance more works in the affected areas.

(B) Scrutiny of records of DC Kullu showed that ₹ 0.31 crore out of ₹ 2.05 crore from the LADF for various⁹³ items which did not pertain to restoration of facilities or local area development as envisaged in the guidelines. Reference is also invited to paragraph 3.23 of the Audit Report of the Comptroller and Auditor General on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017 in which similar observation on utilisation of LADF amount on items not relevant to local area development in respect of Chamba district had been highlighted. Repeated instances of such misutilisation of LADF were indicative of absence of effective control mechanism to serve as a check against misutilisation of LADF by LADCs.

In reply, the respective district level authorities⁹⁴ and the Chief Engineer, Directorate of Energy replied (April-May 2018) that correspondence regarding short deposit of LADF had been repeatedly undertaken with the project developers. The DC-cum-Chairman, LADC, Kullu stated that funds had been used genuinely and transparently as the guidelines provided for utilisation of 10 per cent and 15 per cent of the LADF in the project affected blocks and project affected districts. The replies validate the audit observation that the State Government did not have any effective mechanism to enforce the provision for realisation of LADF contribution. Further, the reply of the DC-cum-Chairman, LADC, Kullu is not tenable as the items on which expenditure was incurred were inadmissible and did not pertain to local area development. Status remained the same as of September 2019.

The cases pointed out are based on the test check conducted by Audit. The Department/ Government may initiate action to examine similar cases and take necessary corrective action.

⁹² Kangra: ₹ 0.32 crore; Kullu: ₹ 0.40 crore and Shimla: ₹ 2.97 crore.

⁹³ Repair and purchase of furniture, refrigerator, microwave in offices and residences of Deputy Commissioner, Divisional Commissioner, tehsil office, sub-divisional office, circuit house, etc.; renovation of meeting hall and installation of intercom in office of the Sub Divisional Magistrate

⁹⁴ Additional District Magistrate (Law and Order), Shimla; Credit Planning Officer, Kangra; and DC-cum-Chairman, LADC, Kullu.

The State Government may evolve an effective mechanism in order to recover the LADF amount due from the project developers so that adequate funds are available for undertaking development activities in the project affected areas.

The audit findings were referred to the Government in July 2018. Reply is awaited (September 2019)

Tourism and Civil Aviation Department

3.19 Avoidable payment of interest

Failure of the Department to release compensation of ₹ 2.02 crore to seven land owners for eight years resulted in avoidable interest payment of ₹ 1.76 crore.

The State Government issued (June 1998) notification under Section 4 of Land Acquisition Act, 1894 for acquisition of land measuring 65.01.16 bighas for expansion of Bhunter airport in Kullu district. The Land Acquisition Collector (LAC), Kullu assessed the value of land at the rate of ₹ 25,000 per *biswa*, as per award pronounced (19 July 2000) under Section 11 of the Act *ibid*.

The District Court Kullu in a decision (January 2003) on an appeal of seven land owners, enhanced the quantum of compensation from ₹ 25,000 to ₹ 50,000 per *biswa* with interest⁹⁵ on the entire amount from the date of acquisition of land to the date of release of amount. The Department filed an appeal (April 2003) with the High Court against the decision and against ₹ 5.12 crore due as per *ibid* decision of the District Court, deposited ₹ 3.10 crore in favour of land owners upto March 2006 (**Appendix-3.7**). The appeal was dismissed on 10 November 2008 and decision of the District Court for enhancement was upheld. The Department was to either appeal further against the decision or release payments as per orders.

The Department decided (December 2008) that the judgement of the High Court was not liable to be agitated further as per opinion of the Law Department on similar case. However, the Department also did not comply with the decision of the High Court and balance payment of ₹ 2.02 crore was not released to the beneficiaries. It was further noticed that, neither LAC, Kullu demanded funds for further disbursement after decision of the High Court nor the Director, Tourism and Civil Aviation made any correspondence with the LAC, Kullu. It was only after filing (May 2015) of an execution petition in District Court, Kullu by the land owners, the LAC, Kullu demanded funds from the Department for further disbursement. The Department asked for (November 2015) additional funds from the State Government which were provided in November 2016 and released ₹ 3.78 crore to the land owners on 3 November 2016 which included interest payments of ₹ 1.76 crore pertaining to the period from 11 November 2008 to 3 November 2016.

Evidently, due to failure of the Department to release balance compensation payment of ₹ 2.02 crore to seven land owners in time, the Department had to incur avoidable expenditure of ₹ 1.76 crore for payment of interest.

⁹⁵ At the rate of nine *per cent* per annum for the first year and at the rate of 15 *per cent* per annum for remaining period.

The Government replied (January 2019) that after dismissal of the appeal filed in the High Court, the Department was not interested to agitate further and the concerned land owners had not insisted for the payments. However, the Department should have released the payments in time as per decision of the High Court. In case of default, action should have taken but the same had not been initiated against the defaulters as of September 2019.

The Government may fix responsibility for non-payment of compensation in time and ensure timely release of compensation in future to avoid extra payments.

Transport Department (Himachal Pradesh City Transport and Bus Stands Management and Development Authority)

3.20 Avoidable loss on construction of bus stand on unsafe site

Imprudent decision of the Authority to construct a bus stand in flood prone area and failure of the Authority to adopt flood protection measures to reduce/mitigate the effects of floods resulted in avoidable loss of ₹ 5.25 crore and avoidable expenditure of ₹ 1.01 crore on restoration of damages.

Para 5.2.1 on site assessment prior to design, of National Building Code of India, 2005 approved by the Bureau of Indian Standards provides for site survey and soil investigation before conceptualising construction of building. Further, as per State Water Policy, 2013 while deciding the location of new structure it shall be ensured that these are preferably located beyond the flood zone. However, in case it is not possible to do so adequate flood protection measures shall be provided.

The Himachal Pradesh City Transport and Bus Stands Management and Development Authority (Authority) requested (May 2009) Himachal Pradesh Urban Development Authority (HIMUDA) for preparation of detailed estimates for construction of a new bus stand at Dharampur (Mandi district). Administrative approval for construction of the bus stand was accorded (October 2009) for ₹ 1.79 crore (revised to ₹ 2.98 crore in April 2012) on the basis of estimates received (September 2009) from HIMUDA. The HIMUDA started the construction of bus stand in January 2010 and completed it in September 2012 after incurring an expenditure of ₹ 2.69 crore.

Scrutiny of records (November 2017) of the Authority showed that bus stand was constructed on a land classified as *Gair Mumkin Khad* (area prone to floods) in the revenue records and the Authority had selected the site without ascertaining safety of the building to be constructed in the *khad*⁹⁶. Besides, the floods being natural phenomena, the Authority had also not adopted any flood protection measures including channelisation of the *khad* before construction of the bus stand in order to reduce/ mitigate the disaster likely to be caused by floods and necessary environment clearance before start of execution was not obtained. Resultantly, in a flash flood that occurred in the area in midnight of 07-08 August 2015, the bus stand building caused obstruction to natural flow of water in the *khad* and flood water entered the premises of the bus stand causing damage to the bus stand structure and 10 buses parked in the bus

⁹⁶ Low lying area/ depression carved by fluvial erosion.

stand premises. The restoration cost of the damaged structure was assessed to ₹ 3.25 crore including cost of channelisation of the *khad*. Besides, there was also loss of ₹ 2.00 crore to the Himachal Pradesh Road Transport Corporation (HRTC) on account of damage to 10 buses. The Authority had carried out immediate restoration of the damaged bus stand with an expenditure of ₹ 1.01 crore from State Disaster Response Fund. In spite of State Government's direction (February 2016) to initiate action against the defaulters and fix responsibility, no action was taken as of September 2019. This showed non-seriousness of the Authority as well as the Government towards flood protection measures.



Photograph showing damage caused to Dharampur bus stand and buses due to flash flood during intervening night of 7-8 August 2015 as a result of construction of bus stand amidst the *khad* without flood protection measures.

The Additional Commissioner, Transport stated (January 2019) that the site was selected by a committee⁹⁷ constituted for the purpose on demand of the general public. Further, there was no record of any major floods in last 20 years. The Government replied (January 2019) that action against the defaulters was not possible since it was collective failure from top to bottom.

Thus, imprudent decision of the Authority to construct a bus stand in flood prone area and failure of the Authority to adopt flood protection measures to reduce/ mitigate the effects of floods resulted in avoidable loss of ₹ 5.25 crore and avoidable expenditure of ₹ 1.01 crore on restoration of damages.

The State Government may ensure selection of suitable site and adoption of safety measures for creation of public infrastructure in order to avoid loss to public property.

3.21 Infructuous expenditure due to selection of unsuitable site for bus stand

Lack of planning on part of the Himachal Pradesh City Transport and Bus Stands Management and Development Authority in selecting suitable site coupled with failure to assess the requirement and finalise the design of proposed bus stand rendered the expenditure of ₹ 93.61 lakh on preparatory works infructuous.

With a view to construct a new bus stand complex at Hamirpur (capacity: 700 buses) consisting of taxi stand, parking area, shops, *yatri niwas*, workshop and other public conveniences the Himachal Pradesh City Transport and Bus Stands Management and Development Authority (Authority) diverted 1.2223 hectare of forest land with the

⁹⁷ Sub-Divisional Magistrate, Sarkaghat; District Forest Officer, Jogindernagar and Regional Manager HRTC, Sarkaghat.

approval (May 2009) of Ministry of Environment and Forests, GoI and paid (May 2009) ₹ 12.35 lakh towards compensatory afforestation (CA) and net present value (NPV).

Scrutiny of records (October 2017) of the Authority showed that committee constituted (July 2009) by the State Government under the chairmanship of DC Hamirpur visited the site (July 2009) and found the site unsuitable due to narrowness of link road and limited space for future expansion/ requirement. Therefore, the committee identified (April 2010) another site (forest land measuring 2.8303 hectare) adjacent to Hamirpur bye pass road which involved dismantling of crematorium structure, shifting of sewer line and approval of GoI for diversion of forest land.

The Authority further deposited ₹ 54.40 lakh with the Forest Department between January 2010 and February 2012 on account of CA/ NPV and paid ₹ 26.86 lakh (February 2012) to Irrigation and Public Health Department for shifting of sewer line. In the meantime, the State Government decided (July 2011) to construct the bus stand on Public Private Partnership (PPP) mode within a period of 18 months from the award of work on the identified site. Accordingly, the Authority, through open tenders, selected a firm⁹⁸ for construction of bus stand complex and issued (October 2011) notice of award to the firm. However, provision for entry and exit to the bus stand from two sides (Hamirpur city side and National Highway bye pass side) was not made in the initial project cost. The firm deposited (October 2011) project development fee of ₹ 67.00 lakh and performance guarantee of ₹ 3.35 crore with the Authority and signed (December 2011) agreement for a concession period of 30 years. The firm was to pay annual concession fees of ₹ 72.00 lakh with 10 *per cent* increase every two years.

It was, however, noticed that construction work of the bus stand was not started by the firm till June 2014 due to non-finalisation/ approval of drawings and designs by Drawing Approving Committee of the Authority, coupled with non-handing over the selected site free from all encumbrances as the crematorium structure was not dismantled. On recommendation of the Drawing Approving Committee, the authority had issued (September 2013) revised design parameters involving construction of entry and exit to the bus stand from two sides, though actually not provided for in the project cost. Resultantly, the firm objected (June 2014) to the revised design parameters on the plea that it may lead to huge escalation in cost of foundation of the structure since the site was situated in a valley area. In view of the above, the firm requested the Authority to terminate the agreement and returned the performance guarantee and project development fee. In September 2014, the Authority terminated the concession agreement and refunded the performance guarantee and project development fee. Evidently, the Authority failed to assess the requirement of facility to be created in the proposed bus stand and failure to select suitable site led to termination of concession agreement and refund of securities.

⁹⁸ M/s MEP Toll Roads Private Limited.

The Board of Directors of the Authority in September 2017 decided that the construction of bus stand at Hamirpur on earmarked land was not feasible due to huge developmental cost and authorised the Chief Executive Officer (CEO) of the Authority to initiate action for selecting another suitable land, besides exploring possibility for expansion of existing bus stand at Hamirpur. The action for selecting another site on the part of CEO was however, awaited as of September 2019.

The Government stated (January 2019) that the site free from all encumbrances could not be provided to the firm leading to termination of the agreement after approval of the Board of Directors.

Thus, lack of due diligence and planning by the Authority in selecting proper site coupled with failure to assess the requirement and finalise the design of proposed bus stand rendered the expenditure of ₹ 93.61 lakh on preparatory works infructuous. Further, this also deprived the public of intended benefits and annual revenue of ₹ 72.00 lakh which would have accrued from the concessionaire after commissioning of the bus stand.

Shimla
The 06 December 2019



(I.D.S. DHARIWAL)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 11 December 2019



(RAJIV MEHRISHI)
Comptroller and Auditor General of India

Appendices

Appendices

Appendix-1.1

(Refer paragraph: 1.8; page 4)

Year-wise break up of outstanding Inspection Reports/ Paragraphs as on 31 March 2018 of selected Drawing and Disbursing Officers

(₹ in crore)

Period	Social Justice and Empowerment Department		
	IRs	Paras	Amount
Upto March 2008	48	82	1.55
2008-09	1	2	0.21
2010-11	6	7	9.57
2011-12	9	15	4.06
2012-13	22	55	44.56
2013-14	16	25	2.15
2014-15	7	14	0.74
2015-16	20	54	121.90
2016-17	9	31	45.31
Total	138	285	230.05

Appendix-1.2

(Refer paragraph: 1.8; page 4)

Statement showing irregularities commented upon in the outstanding Inspection Reports and Paragraphs as on 31 March 2018

(₹ in crore)

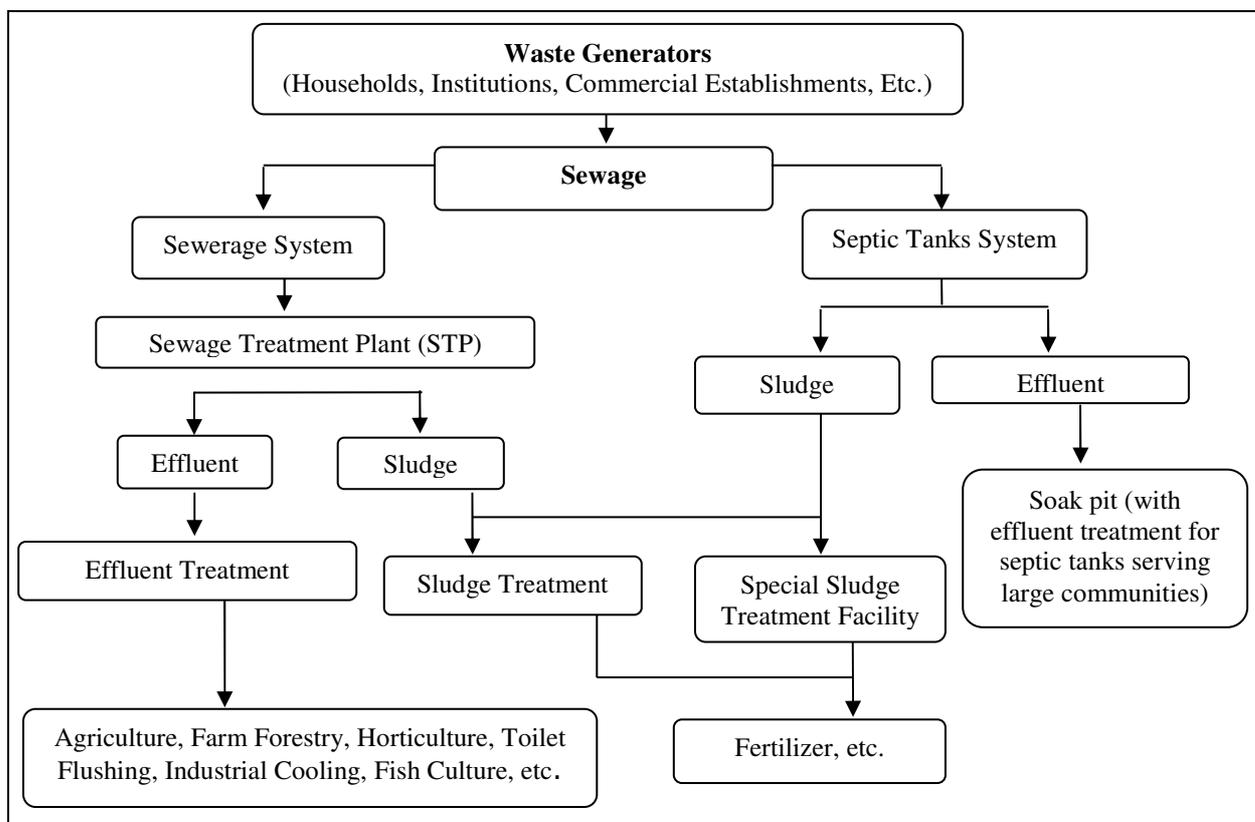
Sl. No.	Types of Irregularities	Social Justice and Empowerment Department	
		Para	Amount
1.	Drawal of funds in advance of requirements/ blocking of funds	74	79.23
2.	Non-adjustment of advances	06	69.29
3.	Excess/ unauthorised/ irregular expenditure for want of sanctions	45	19.02
4.	Wasteful/ in fructuous/ unfruitful expenditure	24	18.22
5.	Diversion of funds	02	0.14
6.	Overpayments, non-recovery of rent/ advances/ miscellaneous recoveries	35	0.12
7.	Non-production of actual payees receipts	02	0.00
8.	Outstanding loans	01	0.01
9.	Idle machinery/ equipment including vehicles	01	0.36
10.	Non-accountal/ shortage of stores	12	0.08
11.	Misappropriation of stores/ cash/ funds	08	0.21
12.	Incomplete abandoned works	12	11.87
13.	Loss/ theft/ embezzlement/ defalcations, avoidable expenditure, etc.	10	3.21
14.	Non-production of UCs	04	15.17
15.	Non-disposal of unserviceable articles of stores	05	0.17
16.	Non-reconciliation with treasuries/ banks	01	0.01
17.	Non-utilisation of grants-in-aid	05	1.37
18.	Non-deposits/ refund of interest/ unspent amounts in treasuries/ sanctioning authority	11	1.48
19.	Miscellaneous irregularities	27	10.09
Total		285	230.05

Appendix-2.1

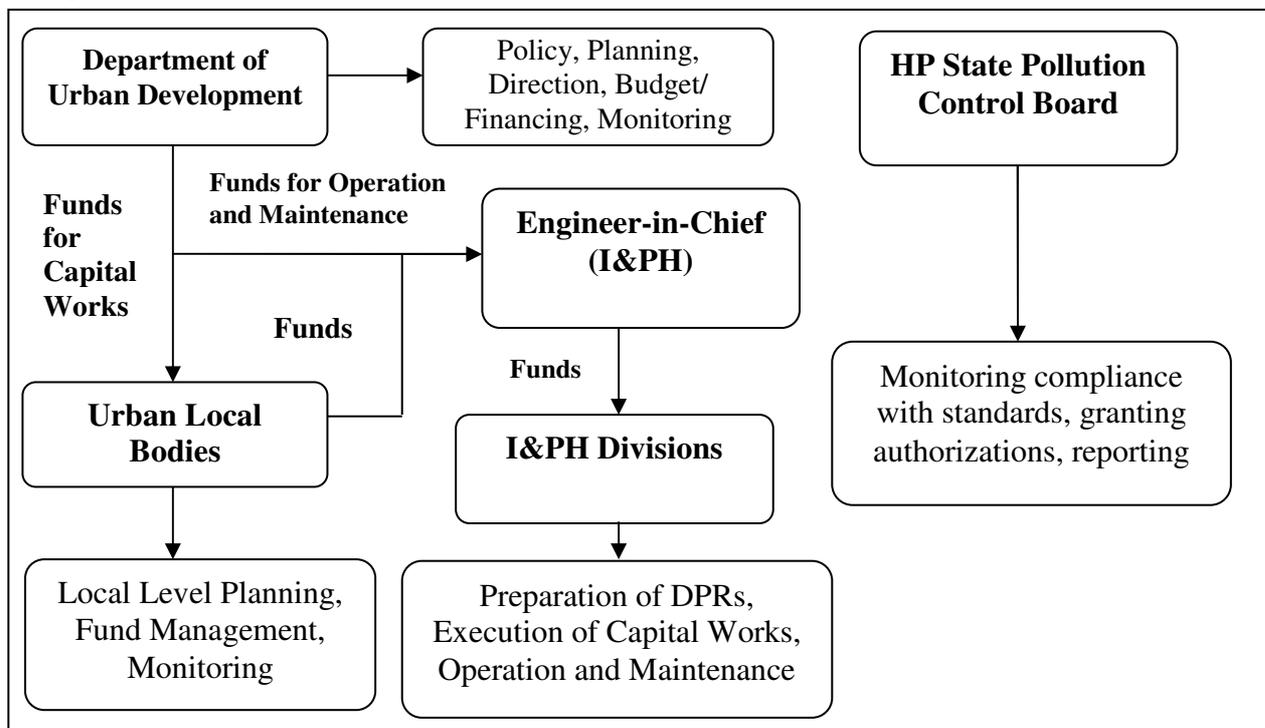
(Refer paragraph: 2.2.1; page 34)

Flow chart showing Sewage Management Process and responsibility framework

Sewage Management Process



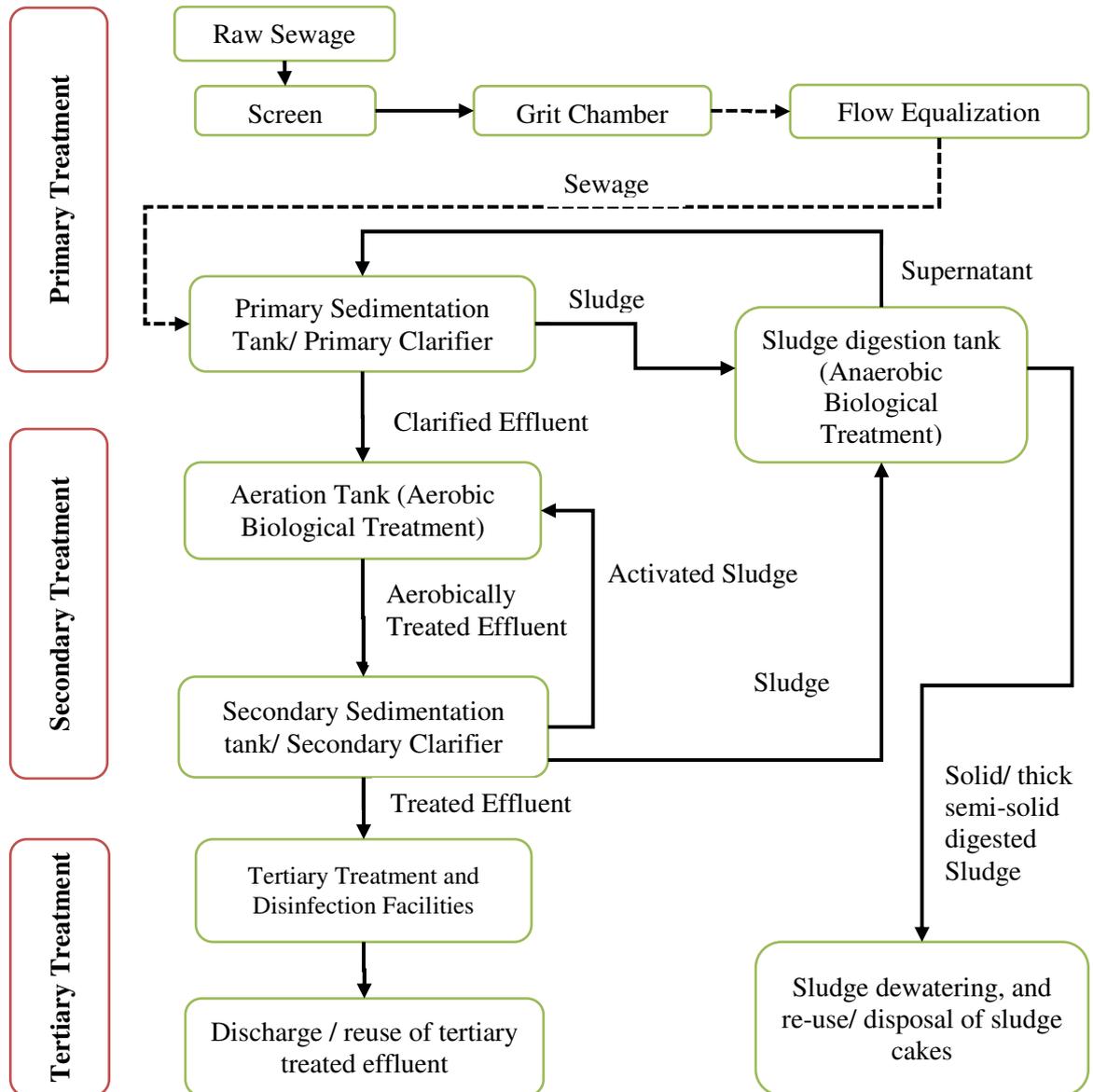
Responsibility Framework



Appendix-2.2

(Refer paragraph: 2.2.9; page 47)

Flow chart showing process of sewage treatment and disposal in STP



Appendix-3.1

(Refer paragraph: 3.2; page 62)

Shortfalls of deliverables under "Community Led Assessment, Awareness, Advocacy and Action Programme (CLAP)"

Sl. No.	Deliverables as recorded in MOU	Status/ shortfall
1.	Creation of design and finalisation of action plans for the programme.	This has not been done.
2.	Training and capacity building of 'Coordination Agencies' selected Field Implementation Agencies (FIAs) undertaken/ upgraded.	Screening of Eco-clubs, <i>Mahila Mandals</i> was not undertaken for training.
3.	Training tools/ kits for 'Coordination Agencies' selected Field Implementation Agencies (FIAs) developed and implemented.	Training of FIAs selected for programme implementation was undertaken. However, as stipulated in the MOU, 500 carbon calculators (against 36,000) were distributed and no coliform vials (against 7,200) were distributed.
4.	Assessment and documentation of the existing environmental quality and carbon foot prints of all the Panchayats, Urban Local Bodies, Blocks, and Districts through network of Eco-clubs, <i>Mahila Mandals</i> , NGOs etc.	Out of 3,243 Panchayats in the State assessment of existing environmental quality was made in 562 (17 <i>per cent</i>) Panchayats and documentation was completed in 374 (12 <i>per cent</i>) Panchayats and none of the ULBs was assessed and documented. However, verifiable evidence of the work done by the Programme Management Agency was not on records of the Department.
5.	Preparation of thematic data base on environment and carbon footprints documented and prepared.	Thematic data base of environment and carbon foot prints was not prepared as the same was not possible without full data in respect of all Panchayats and ULBs.
6.	Preparation of seasonal and annual environmental status maps and reports.	
7.	Awareness generation of at least 30 <i>per cent</i> of concerned stakeholders (Panchayats and ULBs).	
8.	Veritable improvements in the environmental quality and reduction in the carbon footprints of the Panchayats, Urban Local Bodies, Blocks, and Districts.	Not started. This could be undertaken only after substantial advancement of action component of the project.
9.	Establishment of sustainable systems and mechanism to sustain the endeavour even after the completion of project/ programme.	
10.	Ongoing capacity for the continuity of the programme is established.	
11.	Requisite audio visual publicity material developed/ generated and disseminated.	
12.	State and District level advocacy activities undertaken.	The PMA had disseminated three videos about the programme to FIAs in covered Panchayats. None of ULBs was covered.
13.	Development of monitoring and evaluation strategy for all the three phases of programme.	The advocacy activities undertaken have been limited to organisation of official meetings. A State level meet-cum-advocacy workshop was organised in October 2009. Two State Steering Committee meetings and one District Steering Committee meeting in each district was held.
14.	Documentation of experience and learning and its sharing with stakeholders undertaken.	Monitoring and evaluation strategy for each of the phases of the programme was not developed and shared with the Department.
		Not started as this could be undertaken after completion of substantive part of the project.

Appendix-3.2

(Refer paragraph: 3.6.3.4; page 84)

Details regarding short/ non-supply/ excess supply/ supply without demand of medicines to test-checked health institutions during 2016-18

Details regarding short-supply of medicines against demand during 2016-18

Sl. No.	Name of Health Institution	Year	Sl. No.	Name of Medicine	Quantity demanded	Quantity received	Difference
1.	BMO Kotli, Mandi	2017-18	1.	Inj. Gentamycin	300	200	100
			2.	Inj. Ceftriaxone	2000	1860	140
			3.	Inj. Oxytocin	250	235	15
			4.	Inj. Pantoprazole	3000	155	2845
			5.	Tab. Domperidone	15000	4000	11000
			6.	Tab. Azithromycin	50000	10000	40000
			7.	Tab. B-Complex	80000	42000	38000
			8.	Tab. Albendazole	40000	12400	27600
			9.	Tab. Metronidazole	70000	30000	40000
			10.	Tab. Ranitidine	80000	58000	22000
			11.	Cough Syrup	15000	2000	13000
				355550	160850	194700 (55%)	
2.	BMO Rohanda, Mandi	2017-18	1.	Inj. Gentamycin	907	452	455
			2.	Inj. Ceftriaxone	870	400	470
			3.	Inj. Pantoprazole	19400	6330	13070
			4.	Tablet Folic Acid	118700	30000	88700
			5.	Tab. Diclomine	58900	29100	29800
			6.	Tab. Domperidone	21350	4500	16850
			7.	Tab. Azithromycin	73000	11300	61700
			8.	Tab. B-Complex	154500	13000	141500
			9.	Tab. Paracetamol	111000	104000	7000
			10.	Tab. Albendazole	36570	3900	32670
			11.	Tab. Cetirizine	680000	12245	667755
			12.	Tab. Clotrimazole	16320	10000	6320
			13.	Tab. Metronidazole	32400	18600	13800
			14.	Tab. Ranitidine	64340	18200	46140
			15.	Cough syrup	10290	2800	7490
			16.	Vitamin A	557	300	257
				1399104	265127	1133977 (81%)	
3.	BMO Kihar, Chamba	2017-18	1.	Inj. Gentamycin	1750	1660	90
			2.	Inj. Diazepam	380	350	30
			3.	Tab. B-Complex	200000	144800	55200
			4.	Tab. Paracetamol	25000	11690	13310
			5.	Tab. Albendazole	40000	26000	14000
			6.	Tab. Cetrizine	60000	57000	3000
			7.	Tab. Clotrimazole	20000	14000	6000
			8.	Tab. Metronidazole	50000	45000	5000
			9.	Tab. Ranitidine	50000	48300	1700
			10.	Cough Syrup	5000	2540	2460
				452130	351340	100790 (22%)	
4.	BMO Samote, Chamba	2017-18	1.	Inj. Gentamycin	10000	500	9500
			2.	Tab. Dicyclomine	50000	20000	30000
			3.	Tab. Domperidone	40000	20000	20000
			4.	Tab. Atenolol	80000	52920	27080
			5.	Tab. Metronidazole	60000	33600	26400
			6.	Cough Syrup	8000	4000	4000
				248000	131020	116980 (47%)	
5.	SDH Baijnath, Kangra	2016-17	1.	Tab. Atenolol 50 mg	10000	5000	5000
			2.	Tab. Zinc Sulphate 20mg	5000	3000	2000
			3.	Inj. Adrenaline	200	150	50
		2017-18	4.	Inj. ARV (Anti Rabies Vaccine)	1200	600	600
			5.	Povidone Iodine solution 5%	500	20	480
				16900	8770	8130 (48%)	
6.	SDH Nurpur, Kangra	2016-17	1.	Inj. Ringer Lactate	10000	1400	8600
			2.	Tab. Atonolol 50 mg	10000	7800	2200
					20000	9200	10800 (54%)

Audit Report- Social, General and Economic Sectors (Non-PSUs) for the year ended 31 March 2018

7.	CHC Shahpur, Kangra	2017-18	1.	Tab Vitamin B complex	222000	80000	142000
			2.	IV set adult	5000	1250	3750
			3.	Surgical suture 1/0	425	10	415
				227425	81260	146165 (64%)	
8.	CHC Indora, Kangra	2017-18	1.	Cap. Doxycycline 100 mg	210000	15000	195000
			2.	Inj. Antisnake venom	315	230	85
					210315	15230	195085 (93%)
9.	CHC Gangath, Kangra	2017-18	1.	Gamma Benzene Hexachloride	2000	720	1280
			2.	Syp. Paracetamol 60 ml	30000	13000	17000
					32000	13720	18280 (57%)
10.	CHC Bhawarna Kangra	2017-18	1.	Tab Atenolol 50 mg	150000	105840	44160 (29%)
11.	PHC Mahakal, Kangra	2016-17	1.	Ciprofloxacin eye drops	9000	3000	6000
			2.	IV set	3000	500	2500
		2017-18	3.	Tab Metronidazole 400 mg	54000	1000	53000
			4.	Adhesive Plaster 5X5	400	150	250
			5.	Inj. Metronidazole IV	1200	50	1150
		67600	4700	62900 (93%)			
12.	PHC Tiara, Kangra	2017-18	1.	Silver Sulphadiazine cream	800	40	760
			2.	Syp. Albendazole 10 ml	5000	1800	3200
					5800	1840	3960 (68%)
13.	CH Thural, Kangra	2016-17	1.	Tab Pentaprozol 40 mg	200000	155000	45000 (23%)
14.	CHC Jari, Kullu	2017-18	1.	Atenolol 50 mg	5000	4200	800
			2.	Phinarmine Maleate Inj.	400	100	300
			3.	Syp. Domperidon	500	400	100
			4.	Inj. Metaclopramide	1000	600	400
			5.	Inj. Etophylline	100	70	30
			6.	Povidone Iodine Solution	50	20	30
		7050	5390	1660 (24%)			
15.	BMO Naggar, Kullu	2016-17	1.	Metformin Tablet 500 mg	20000	1000	19000
			2.	Inj. Vitamin K	200	100	100
			3.	Tab Diclofenac Sodium	30000	20000	10000
			4.	Cap Doxycycline	25000	15000	10000
			5.	Tab Azithromycin 500 mg	15000	12000	3000
			6.	Tab Metronidazole 400 mg	25000	20000	5000
			7.	Cefixime	10000	2000	8000
			8.	Tab Albendazole 400 mg	5000	4800	200
			9.	Inj. Diazepam	3000	230	2770
		133200	75130	58070 (44%)			
16.	CH Manali, Kullu	2017-18	1.	Pantoprazole Inj.	200	100	100
			2.	Adrenaline Inj.	50	02	48
			3.	Hydrocortisone Inj.	200	80	120
			4.	Inj. Diclofenac Sodium	500	100	400
			5.	Inj. Etophylline + Theophylline	100	10	90
		1050	292	758 (72%)			
17.	BMO Anni, Kullu	2016-17	1.	Tab Atenolol 50 mg	75000	7000	68000 (91%)
18.	BMO Banjar, Kullu	2016-17	1.	Tab Atenolol 50 mg	14000	340	13660 (98%)
19.	CH Banjar, Kullu	2016-17	1.	Tab Glimipride 1 mg	15500	3000	12500
			2.	Tab Albendazole 400 mg	8000	4100	3900
					23500	7100	16400 (70%)
20.	CH Nirmand, Kullu	2016-17	1.	Tab Atenolol 50 mg	40000	2100	37900
			2.	Tab Albendazole 400 mg	10000	2000	8000
					50000	4100	45900 (92%)
21.	PHC Garsa, Kullu	2016-17	1.	Inj. Adrenaline	20	10	10
			2.	Syp. PCM	2000	100	1900
			3.	Tab Atenolol 500 mg	2000	1400	600
			4.	Inj. Fortwin	50	10	40
			5.	Inj. Diclofenac Sodium	5000	1000	4000
			6.	Syp. Albendazole	200	50	150
			7.	Tab Azithromycin 500 mg	5000	3000	2000
		2017-18	8.	Tab Cetrizine 10 mg	10000	8000	2000
		24270	13570	10700 (44%)			
Grand Total					3712894	1416819	2296075 (62%)

Details regarding non-supply of medicines against demand during 2016-18

Sl. No.	Name of Health Institution	Year	Sl. No.	Name of Medicine	Quantity demanded	Quantity received	Difference
1.	BMO Kotli, Mandi	2017-18	1.	Inj. Ampicillin	500	0	500
			2.	Inj. Diazepam	100	0	100
			3.	Tab Dicyclomine	40000	0	40000
			4.	Tab Atenolol	10000	0	10000
			5.	Tab Cetrizine	70000	0	70000
			6.	Vitamin A	500	0	500
					121100	0	121100 (100%)
2.	BMO Kihar, Chamba	2017-18	1.	Inj. Ampicillin	200	0	200 (100%)
3.	BMO Samote, Chamba	2017-18	1.	Inj. Oxytocin	1000	0	1000
			2.	Tab. Folic Acid	50000	0	50000
			3.	Tab. B-Complex	200000	0	200000
			4.	Tab. Paracetamol	150000	0	150000
			5.	Tab. Ranitidine	50000	0	50000
					451000	0	451000 (100%)
4.	SDH Nurpur, Kangra	2017-18	1.	Inj. Atropine Sulphate	1000	0	1000
			2.	Inj. Diazepam	1500	0	1500
					2500	0	2500 (100%)
5.	CH Fatehpur, Kangra	2017-18	1.	Vit. A solution 50 ml	500	0	500 (100%)
6.	CHC Jari, Kullu	2017-18	1.	Tab Ranitidine 150 mg	20000	0	20000
			2.	Lotion Gamma Benzene	500	0	500
			3.	Inj. Oxytocine 1 ml	200	0	200
			4.	Inj. Diazepam	100	0	100
			5.	Inj. Vitamin K	100	0	100
			6.	Inj. Metronidazole 100 ml	600	0	600
					21500	0	21500 (100%)
7.	BMO Naggar, Kullu	2016-17	1.	Lotion Gamma Benzene	3000	0	3000
			2.	Inj. Frusemide	500	0	500
			3.	Tab Phenotoin Sodium	2000	0	2000
			4.	Inj. Adrenaline	100	0	100
			5.	Tab Domperidone	4000	0	4000
			6.	Tab Vit. B Complex	30000	0	30000
					39600	0	39600 (100%)
8.	CH Manali, Kullu	2016-17	1.	Inj. Dopamine	10	0	10
			2.	Inj. Ethamsylate	10	0	10
			3.	Isolyte-P (IV Fluid)	50	0	50
			4.	Inj. Paracetamol	200	0	200
					270	0	270 (100%)
9.	PHC Garsa, Kullu	2016-17	1.	Inj. Oxytocin	10	0	10
		2017-18	2.	Inj. Dextrose 5%	150	0	150
			3.	IV Ringer Lactate	150	0	150
			4.	Tab Sodium Valporate	100	0	100
			5.	Tab Folic Acid	5000	0	5000
					5410		5410 (100%)
				Grand Total	642080	0	642080 (100%)

Details regarding excess supply of medicines against demand during 2016-18

Sl. No.	Name of Health Institution	Year	Sl. No.	Name of Medicine	Quantity demanded	Quantity received	Difference
1.	BMO Kotli, Mandi	2017-18	1.	Tab. Folic Acid	50000	102000	52000
			2.	Tab Paracetamol	200000	228000	28000
			3.	Tab Clotrimazole	1000	3000	2000
					251000	333000	82000 (33%)
2.	BMO Rohanda, Mandi	2017-18	1.	Inj. Ampycillin	70	400	330
			2.	Tab Atenonol	8100	18800	10700
					8170	19200	11030 (135%)

Audit Report- Social, General and Economic Sectors (Non-PSUs) for the year ended 31 March 2018

3.	BMO Samote, Chamba	2017-18	1.	Tab Azithromycin	10000	11200	1200
			2.	Tab Albendazole	20000	25200	5200
					30000	36400	6400 (21%)
4.	CHC Jari, Kullu	2017-18	1.	Inj. Frusimide	100	120	20 (20%)
5.	BMO Naggar, Kullu	2016-17	1.	Inj. Atropine	500	1500	1000
			2.	Inj. Gentamycin	1000	2000	1000
					1500	3500	2000 (133%)
6.	CH Manali, Kullu	2016-17	1.	IV Ringer Lactate	400	825	425
			2.	Inj. Pentoprazole	200	240	40
			3.	Tab Metornidazole 400 mg	2000	14000	12000
					2600	15065	12465 (479%)
7.	BMO Anni, Kullu	2016-17	1.	Tab Amlodipine 5 mg	30000	45000	15000 (50%)
8.	RH Kullu	2016-17	1.	Tab Amlodipine 5 mg	1300	10000	8700 (669%)
9.	CH Nirmand, Kullu	2016-17	1.	Tab Glimipride 1 mg	5000	6500	1500
			2.	Inj. Oxytocin 1 ml	400	500	100
					5400	7000	1600 (30%)
10.	PHC Garsa, Kullu	2016-17	1.	ARV solution	50	60	10
			2.	Tab Ofloxacin 200 mg	3000	5000	2000
			3.	Inj. Diazepam	10	50	40
			4.	Inj. Phenotoin Sodium	10	50	40
			5.	Tab Citrizine	5000	20000	15000
		2017-18	6.	Inj. Ceftriaxzone	100	400	300
			7.	Inj. Xylocaine 2%	10	29	19
			8.	Tab Amlodipine 5 mg	5000	8000	3000
			9.	Tab Domperidone	5000	7000	2000
		18180	40589	22409 (123%)			
11.	SDH Kangra	2016-17	1.	Tab Vitamin B complex	30000	80000	50000 (167%)
12.	SDH Nurpur, Kangra	2016-17	1.	Inj. Sodium Diclofenac	10000	24000	14000 (140%)
13.	CH Fatehpur, Kangra	2016-17	1.	Ciprofloxacin eye drops	1800	4200	2400 (133%)
14.	PHC Mahakal, Kangra	2016-17	1.	Tab Diclofenac Sodium	178000	290000	112000
			2.	Inj. Ceftriaxone 250 mg	125	500	375
			3.	Tab Paracetamol 500 mg	227000	405500	178500
					405125	696000	290875 (72%)
15.	PHC Tiara, Kangra	2017-18	1.	ORS (WHO formula)	15000	18960	3960 (26%)
Grand Total					810175	1333034	522859 (65%)

Details regarding supply of medicines without demand during 2016-17

Sl. No.	Name of Health Institution	Year	Sl. No.	Name of Medicine	Quantity demanded	Quantity received	Difference
1.	SDH Kangra	2016-17	1.	Tab Pantaprozole 40 mg	0	45000	45000
			2.	IV set	0	7400	7400
			3.	Disposable Syringe	0	17000	17000
					0	69400	69400 (100%)
2.	CH Fatehpur, Kangra	2016-17	1.	Tab Amoxicyline 250 mg	0	20000	20000 (100%)
3.	PHC Tiara, Kangra	2016-17	1.	Inj. Ante Snake Venom	0	20	20 (100%)
4.	CH Manali, Kullu	2016-17	1.	Inj. Ante Snake Venom	0	10	10
			2.	Tab Zinc Sulphate	0	7000	7000
					0	7010	7010 (100%)
Grand Total					0	96430	96430 (100%)

Appendix-3.3

(Refer paragraph; 3.6.3.4; page 84)

Details regarding short/ non-supply of medicines from district stores against the indents by the test-checked field units

Sl. No.	Name of the Institution	Date of indent	Number of medicines indented	Number of medicines not supplied	Percentage of medicines not supplied	Number of medicines short -supplied	Quantity indented	Quantity received	Short supplied	Number of medicines excess supplied	Quantity indented	Quantity received	Excess supplied
1.	BMO Kihar	26.03.18	37	15	41	0	0	0	0	2	4600	15260	10660
2.	PHC Hunera	03.10.17	49	15	31	15	114900	34620	80280	2	20010	21620	1610
		04.07.16	80	44	55	12	52420	9735	42685	2	2030	5075	3045
3.	CHC Kihar	03.08.17	10	8	80	0	0	0	0	0	0	0	0
		22.08.17	13	5	38	0	0	0	0	0	0	0	0
		08.09.17, 22.04.16, 02.02.18	79	15	19	12	74000	49210	24790	3	4500	5440	940
		30.06.17	22	0	0	4	20000	11000	9000	0	0	0	0
4.	CH Dalhausie	05.01.18	218	172	79	3	2200	1082	1118	4	18100	25880	7780
5.	PHC Sundla	23.11.17	55	19	35	7	99000	41600	57400	0	0	0	0
District Chamba			11	563	52	53	362520	147247	215273	13	49240	73275	24035
6.	CHC Gangath	22.11.16	15	2	13	0	0	0	0	0	0	0	0
		24.01.08	6	1	17	0	0	0	0	0	0	0	0
7.	PHC Kherian	09.12.16	21	1	05	0	0	0	0	0	0	0	0
8.	PHC Jassur	17.06.16	14	2	14	0	0	0	0	0	0	0	0
9.	CH Jawali	10.02.16	19	2	11	1	20	15	5	0	0	0	0
District Kangra			5	75	8	11	20	15	5	0	0	0	0
10.	CHC Jari	26/29.09.17	14	6	43	0	0	0	0	0	0	0	0
11.	RH Kullu	02.06.18, 07.03.18, 26.10.17, 06.09.17, 17.10.17, 23.02.18	14	10	71	0	0	0	0	0	0	0	0
District Kullu			8	28	16	57	0	0	0	0	0	0	0
12.	CHC Kotli	02.02.16	28	0	0	0	0	0	0	1	7000	8000	1000
		08.11.16	31	0	0	4	57500	9600	47900	0	0	0	0
		05.01.17	29	0	0	2	20080	10025	10055	1	11200	22400	11200
13.	PHC Nanawan	12.09.16	84	6	7	1	100	50	50	5	3100	7420	4320
14.	PHC Gokhra	14.12.16	19	15	79	0	0	0	0	0	0	0	0
15.	HSC Kalaud	15.06.17	28	3	11	0	0	0	0	0	0	0	0
16.	BMO Rohanda	01.07.16	14	3	21	1	20000	16000	4000	1	3000	3200	200
17.	HSC Upper Behli	25.05.16, 23.03.18	11	2	18	0	0	0	0	0	0	0	0
District Mandi			9	244	12	8	97680	35675	62005	8	24300	41020	16720
Grand Total			33	910	346	62	460220	182937	277283	21	73540	114295	40755

Appendix-3.4

(Refer paragraph: 3.6.3.15; page 92)

Details regarding idle machinery and equipment in four test-checked districts

Details regarding idle machinery and equipment due to lack of manpower

District	Name of METP	Name of Health Institutions	Amount (₹ in lakh)	Date since idle
Chamba	USG	CH Bharmour	4.07	April 2016
	USG	CH Chowari	6.41	April 2016
	USG	CH Killar	--	April 2016
Mandi	USG	CH Sunder Nagar	24.65	November 2015
	USG	CH Joginder Nagar	5.13	March 2017
	USG	CH Karsog	24.48	March 2016
Kangra	USG	CH Fatehpur	5.29	January 2017
	USG	CH Jai Singhpur	2.36	June 2015
	USG	CH Kangra	5.96	September 2017
	09		78.35	
Chamba	X-Ray	PHC Diur	2.00	January 2014
Mandi	X-Ray	CHC Nihri	8.10	July 2017
	X-Ray	CH Sandhol	8.10	November 2015
	X-Ray	CHC Kotli	1.47	November 2015
	X-ray	CHC Rohanda	4.12	Since six years
Kangra	X-Ray	PHC Tiara	--	March 2013
	X-Ray	PHC Lapiana	--	September 2014
	X-ray	CHC Indora	--	2009
	X-Ray	CHC Rehan	--	2013
	X-Ray	CHC Dadasiba	3.24	October 2014
	X-Ray	CHC Bir	--	2015
Kullu	X-Ray	CH Nirmand	--	October 2014
	12		27.03	
Kangra	Hi care Incubator	CH Jaisinghpur	140.55	September 2014
	Water bath HWB-20	-do-	14.09	September 2014
	Phototherapy	CH Thural	0.53	June 2016
	03		155.17	
Total	24		260.55	

Details regarding idle machinery and equipment due to being out of order

Name of institution	Sl. No.	Name of machinery/ quantity	Date since machinery is out of order	Period since lying idle	Amount (Amount in ₹)	Remarks
ZH Dharamshala, Kangra	1.	Electrolyte Analyzer	September 2016	20 months	84,000	--
	2.	CT Scan	2014	04 years	Not available	Services of CT scan had been outsourced. AMC not renewed.
CHC Bhawarna, Kangra	3.	Dental Chair	January 2017	16 months	1,36,000	--
CH Fatehpur, Kangra	4.	ECG Machine	Since last two years	02 years	41,731	--
	5.	X ray film processor	Since last two years	02 years	2,07,007	--
PHC Mahakal, Kangra	6.	Autoclave	25 December 2016	17 months	22,500	--
ZH Mandi	7.	Dental chair with accessories	Since last three years	03 years	1,50,536	--
	8.	Minor OT table	9 March 2018	04 months	2,60,049	--
	9.	Horizontal Sterliser	24 March 2018	14 months	3,59,100	--
CH Sandhol, Mandi	10.	Automated Haematology Analyser	April 2017	13 months	2,64,831	Defective supply not replaced.
RH Chamba	11.	CT Scan	26 December 2015	29 months	97,00,000	Services of CT Scan had been outsourced.
Total					1,12,25,754	

Details regarding unutilised machinery and equipment due to non-requirement

Sl. No.	Name of equipment	Quantity	Name of Health Institutions	Date of receiving/ purchasing	Amount (₹ in lakh)
1.	X-Ray Unit	1	CH Kihar, Chamba	20 August 2015	8.71
2.	Mobile X-Ray Unit	1	Zonal Hospital, Mandi (Ortho Ward)	May 2015	2.41
3.	X-Ray Unit (Dental)	1	Dental Section, RH Chamba	17 January 2017	0.32
4.	Nuvo Lite Oxygen Concentrator	5	TB, Hospital, Chamba	22 February 2015	3.90
5.	Labour Table	1	PHC, Samote, Chamba	19 September 2017	0.29
6.	Dressing Trolley	28	CMO, Kullu	9 August 2017	2.80
7.	Stretcher Trolley	16	CMO, Kullu	9 August 2017	0.58
Total		53			19.01

Appendix-3.5

(Refer paragraph: 3.15; page 108)

Details of short realisation of dues from telecom companies for laying of optical fibre cable

(₹ in lakh)

Sl. No.	Telecom company	Name of road	Funds due from company as per prescribed rates	Estimates sent to company		Funds actually received		Short receipt
				Month	Amount	Month	Amount	
Sundernagar Division								
1.	Reliance Jio Infocomm Limited	Saronitali link road to Haripur near Mahamaya temple: 16 km (<i>Katcha</i> road : 4.5 km and MTRs: 11.5 km)	144.09 (4500x695=3127500 and 11500x981=11281500)	February 2015	120.97 (4500x 392.95=1768275 and 11500x 898.16= 10328840)	March 2015	120.97	23.12
2.	Reliance Jio Infocomm Limited	Hamsafar Chowk to Mahamaya temple via Bari road: 8 km (Rural Road)	72.40 (8000x905)	April 2015	71.85 (8000x 898.16)	May 2015	71.85	0.55
3.	Reliance Jio Infocomm Limited	NH-21: 0.800 km	10.58 (800x1323)	September 2015	6.62 (800x827.87)	September 2015	6.62	3.96
4.	Reliance Jio Infocomm Limited	NH-21: 0.300 km	3.97 (300x1323)	October 2015	3.18 (300x1059.48)	October 2015	3.18	0.79
5.	Idea cellular Limited	NH-21: 2.600 km	34.40 (2600x1323)	October 2015	30.93 (2600x1189.50)	November 2015	30.93	3.47
6.	Idea Cellular Limited	NH-21 and Sundernagar circular road: 1.070 km	14.16 (1070x1323)	October 2015	12.73 (1070x1189.50)	November 2015	12.73	1.43
Total			279.60		246.28		246.28	33.32
Bilaspur Division No. I								
1.	Bharti Airtel Limited	Barmana to Kandraur and Kandraur to Dehar: 14 km (MTRs)	137.34 (14000x 981)	November 2014	70.73 (14000x505.23)	November 2014	70.73	66.61
Total			137.34		70.73		70.73	66.61
Mandi Division No. II								
1.	Idea Cellular Limited	Nerchowk to Sidhyani : 10 km (Rural Road)	90.50 (10000x905)	October 2015	81.24 (2000x 1059.48=2118960 and 8000x750.60=6004800)	November 2015	81.24	9.26
2.	Idea Cellular Limited	Rewalsar to Kalkhar and Kalkhar to Sidhayani: 8.830 km (NH/SH/ MDRs)	116.82 (8830x1323)	October 2015	71.73 (1766x1059.48 =1871042 and 7064x750.60= 5302238)	November 2015	71.73	45.09
3.	Idea Cellular Limited	Durgapur to Rewalsar road: 8.200 km (Rural Road)	74.21 (8200x905)	October 2015	66.61 (1640x1059.48 =1737547 and 6560x750.60= 4923936)	November 2015	66.61	7.60
4.	Reliance JioInfocomm Limited	Chakkar challah road: 2.5 km (Rural Road)	22.63 (2500x905)	November 2015	18.77 (2500x750.60 = 187650)	December 2015	18.77	3.86
Total			304.16		238.35		238.35	65.81
Grand Total			721.10		555.36		555.36	165.74

Appendix-3.6

(Refer paragraph: 3.18; page 114)

Details regarding amount of recovery due from 12 HPP developers

Sl. No.	Name of HPP	Capacity	Date of commission	Project cost (₹ in crore)	LADF contribution (₹ in crore)			Interest on short deposited LADF amount (₹ in crore)	Total recoverable amount (₹ in crore)
					Due	Deposited	Short deposited		
District Shimla (Six HPPs)									
1.	Sumej	14 MW	19.09.12	92.03	1.36	1.05	0.31	0.52	0.83
2.	Jogini	16 MW	28.03.14	88.13	1.30	0.30	1.00	0.52	1.52
3.	Nanti	14 MW	13.05.14	88.36	1.31	0.40	0.91	0.46	1.37
4.	Ghanvi-II	10 MW	30.04.14	99.08	1.50	1.37	0.13	0.11	0.24
5.	Kurmi	8 MW	25.03.14	68.49	1.01	0.30	0.71	0.37	1.08
6.	Upper Nanti	12 MW	26.10.17	114.50	1.69	0.25	1.44	0.10	1.54
District Kangra (Five HPPs)									
7.	Manjhi-II	5 MW	06.11.10	27.68	0.28	0	0.28	0.25	0.53
8.	Binwa Prai	5 MW	09.05.11	28.32	0.28	0.18	0.10	0.08	0.18
9.	Awa	4.50 MW	01.05.14	28.73	0.29	0.03	0.26	0.13	0.39
10.	Upper Awa	5 MW	23.05.08	29.13	0.29	0.25	0.04	0.06	0.10
11.	Neogal-II	4.50 MW	01.08.14	28.53	0.28	0.09	0.19	0.09	0.28
District Kullu (One HPP)									
12.	Balargha	9 MW	22.01.18	77.68	1.17	0.40	0.77	0.03	0.80
	Total				10.76	4.62	6.14	2.72	8.86

Source: Departmental figures.

Appendix-3.7

(Refer paragraph: 3.19; page 115)

Statement showing avoidable payment of interest paid to land owners

(Amount in ₹)

Sl. No.	Name of land owner S/Sh.	Area acquired (In Bigha)	Total amount due as on 27 March 2006	15 per cent interest payable from 29 March 2006 to 10 November 2008 (957 days)	Total	Amount deposited with High Court on 28 March 2006	Amount less deposited	Total amount paid on 3.11.2016	Avoidable interest payment
1	2	3	4	5	6 = (4 + 5)	7	8 = (6 - 7)	9	10
1.	Dawa Gaylong	00.05.00	3,24,684	40,727	3,65,411	2,21,130	1,44,281	2,69,652	1,25,371
2.	Prithvi Singh/ Ravinder Singh	09.16.00	1,27,27,587	15,96,469	1,43,24,056	86,68,296	56,55,760	1,05,70,283	49,14,523
3.	Tamding Angmo	01.12.00	20,77,974	2,60,648	23,38,622	14,15,232	9,23,390	17,25,762	8,02,372
4.	Kunti Bodh	21.02.06	2,76,82,504	34,72,321	3,11,54,825	1,88,53,544	1,23,01,281	2,29,90,370	1,06,89,089
5.	Prem Singh/ Veer Singh	01.11.00	20,13,037	2,52,503	22,65,540	13,71,006	8,94,534	16,71,831	7,77,297
6.	Babu Ram	00.05.00	3,24,684	40,727	3,65,411	2,21,130	1,44,281	2,69,652	1,25,371
7.	Suman Kumari	00.05.00	3,24,684	40,727	3,65,411	2,21,130	1,44,281	2,69,652	1,25,371
	Total		4,54,75,154	57,04,122	5,11,79,276	3,09,71,468	2,02,07,808	3,77,67,202	1,75,59,394

**© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
www.cag.gov.in**

www.aghp.cag.gov.in