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हिमाचल प्रदेश

Report of the Comptroller and Auditor General of India

For the Year ended 31 March 2010

Civil

(Report No. 2)

Government of Himachal Pradesh

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APPENDICES

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report contains findings on performance audit and audit of transactions in various departments including Public Works and Irrigation and Public Health Departments, audit of stores and stock, audit of autonomous bodies.

3. The Report containing audit observations on matter arising from examination of Finance Accounts and Appropriation Accounts, audit observations on Statutory Corporations, Boards and Government Companies and audit observations on Revenue Receipts are presented separately.

4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2009-2010 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2009-2010 have also been included wherever considered necessary.

5. The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains 24 paragraphs, two performance reviews, one thematic review and one integrated audit of a Department. The draft audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government with a request to furnish replies within eight weeks. However, in respect of performance reviews, thematic review, integrated audit and 20 paragraphs included in the Report, no replies were received from the State. The audit findings relating to the performance reviews and integrated audit were also discussed with the Secretaries to the State Government and the views of the Government were incorporated wherever appropriate. A synopsis of the important findings contained in the Report is presented in the overview.

PERFORMANCE REVIEWS

Upgradation and improvement of State Highways and Major District Roads

The Public Works Department of the State is required to provide good quality roads and connectivity between towns and cities by taking up improvement/upgradation and periodic maintenance of State highways and Major District Roads. A performance review of upgradation and improvement of State Highways (SHs) and Major District Roads (MDRs) revealed that the Department had not formulated a State Road Policy for future plans and actions for development of an efficient road network in the State. Allotment of funds for maintenance was made by the Department based on yard stick rates which remained unrevised since June 1997 overlooking the escalation in costs of labour and material; as a result, funds provided at the unrevised rates were insufficient to meet the expenditure on maintenance thereby affecting the quality of the roads. Audit also noticed instances of diversion of funds meant for SHs/MDRs to other works. Roads were executed without technical sanctions. Poor contract management and inadequate monitoring of works contributed to instances of sub-standard road works, delay in completion of works and damages to roads due to improper drainage system.

(Paragraph 1.1)

Implementation of Mahatma Gandhi National Rural Employment Guarantee Act

The State Government started implementation of the Mahatma Gandhi National Rural Employment Guarantee Act from the date it came into force viz. 2 February 2006. The basic objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days' of guaranteed employment, besides generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity among others.

Performance Review of the implementation of the Act in the State highlights the areas of concern and issues which need to be addressed for successful achievement of the objective set out for implementation of the Act. The review revealed that there were deficiencies in the planning process, particularly in the preparation of five year District Perspective Plans (DPPs). While Audit did not notice any case of denial of 100 days employment in a year to any household in the test-checked districts, there were instances of delay in payment of wages to the workers. Absence of DPPs and lack of inputs from the community at grass root level in the annual plans to ensure linkage between REGS works and long term employment development resulted in execution of developmental works in an unplanned manner. Implementing agencies ignored statutory priorities in execution of works which impacted upon non-strengthening of nature resource base of rural livelihood by not taking up works of highest priority such as water conservation, drought proofing, afforestation and minor irrigation to address the issue of poverty. Monitoring mechanism particularly at higher level was also found deficient.

(Paragraph 1.2)

Integrated Audit of Indian Systems of Medicines and Homeopathy Department

A separate Department of Indian Systems of Medicines and Homeopathy was created in the State in 1984 for according importance and to popularise the centuries old systems of drugs/treatment among the people. There are 1154 Ayurvedic health institutions including hospitals, dispensaries, health centres and clinics in the State but due to shortages in the cadres of Ayurvedic Medical Officers (AMOs) (14 *per cent*), paramedical staff (49 *per cent*) and supporting staff (40 *per cent*) coupled with non-provision of adequate infrastructure facilities like laboratories, operation theatres, separate male/female wards in hospitals, the quality of health care was adversely affected. Essential facilities like water and electricity were lacking in 189 Dispensaries. Indoor patient health care services were also not satisfactory as bed occupancy during 2005-10 remained low ranging between 36 and 40 *per cent* due to non-availability of staff, laboratories and operation theatre facilities. Besides, outdoor patient treatment in eight out of 25 hospitals also showed declining trend. Implementation of centrally sponsored schemes was tardy as substantial funds remained unspent. The Department failed to develop AYUSH institutions as Central assistance provided to start courses in B. Pharmacy, B.Sc. Nursing was not utilised. The goal of establishment of AYUSH institutions and mainstreaming them with Allopathic institutions under NRHM providing treatment under both systems of medicines also remained to be achieved.

(Paragraph 4.1)

THEMATIC REVIEW

Schemes involving Land Acquisition

Failure to ensure acquisition of Forest/Private land for execution of works as per provisions of Forest Conservation Act, 1980 and Land Acquisition Act, 1894 led to suspension of these works resulting in idle investment/infructuous expenditure of ₹15.21 crore.

(Paragraph 2.1)

AUDIT OF TRANSACTIONS

Excess/overpayment/wasteful/unfruitful/infructuous expenditure

Lack of Rain Water Harvesting Structures in the building for State Bio Control Laboratory at Mandi has rendered the expenditure of ₹45.40 lakh unfruitful due to non-clearance by Town and Country Planning Department.

(Paragraph 3.1)

Construction of Working Women Hostel at a cost of ₹1.33 crore by the Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishva Vidyalaya at Palampur without assessing requirement resulted in its non-usage for the intended purpose.

(Paragraph 3.3)

Inordinate delay by the Cooperation Department in appointing a consultancy firm for preparation of detailed project report and to raise finances for setting up of a Cold Storage resulted in wasteful expenditure of ₹16.18 lakh.

(Paragraph 3.4)

Failure of the Irrigation and Public Health Department to get the work of gravity main completed in time resulted in unfruitful expenditure of ₹4.48 crore on a Lift Water Supply Scheme from Behna *Khad* to Baragaon (Shimla district).

(Paragraph 3.6)

Failure of the Public Works Department to initiate action according to the various clauses of the contract agreement resulted in unfruitful expenditure of ₹69.49 lakh on a road from Wangtoo to Panvi and extension of undue benefit of ₹71.37 lakh to a contractor.

(Paragraph 3.7)

Construction of Gramin Himachal Bhandars in other than typical hill architecture as required at tourist places and on the sides of roads leading to tourist places and inability of the Department to motivate Self Help Groups/people of the area for marketing their products through them has rendered expenditure of ₹2.92 crore as largely unfruitful.

(Paragraph 3.9)

Undue favour to contractors/avoidable expenditure

Failure to finalise the lowest tender within validity period of first call resulted in award of work of sewerage scheme to Nadaun town (Hamirpur district) to the same contractor on the second call for an additional value of ₹29.85 lakh.

(Paragraph 3.10)

The Executive Engineer, Nirmand Division extended undue financial benefit of ₹1.05 crore to two contractors by way of non-recovery of Government dues.

(Paragraph 3.11)

Failure to ensure compliance of contractual provisions by the Executive Engineer, Sundernagar Division led to extension of undue financial benefit of ₹4.37 crore to a firm for construction of Government Engineering College (GEC) at Sundernagar (Mandi district).

(Paragraph 3.12)

Idle investment/blocking of funds/diversion of funds

Tardy execution of works by the Himachal Pradesh University had resulted in underutilisation of grant of ₹5 crore received by it from UGC for upgradation of infrastructure in the University and non-release of subsequent installments of ₹4 crore.

(Paragraph 3.14)

Delays in planning for setting up of trauma centre at Regional Hospital, Kullu for upgradation of emergency facilities resulted in blocking of ₹1.50 crore for the last four years besides denial of timely medical services to the accident victims.

(Paragraph 3.16)

CHAPTER-I

PERFORMANCE REVIEWS

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PERFORMANCE REVIEWS

Public Works Department

1.1 Upgradation and improvement of State Highways and Major District Roads

Improvement/upgradation and periodic maintenance of State Highways and Major District Roads is essential to provide good quality road connectivity between district headquarters/ important towns/cities within the State and National Highways or highways of neighbouring States. Besides, it is also vital for the success of various developmental schemes. Against targeted cumulative length of 25,075 kms for improvement/upgradation of SHs and MDRs, achievement was 17,720 kms (71 *per cent*) as of March 2010. Audit noticed that road works were executed without technical sanctions. Poor contract management and inadequate monitoring of works contributed to instances of sub-standard road works, delay in completion of works and damages to roads due to improper drainage system.

Significant points noticed are as under:

- ***The State has neither a State Road Policy nor prepared any detailed plan for prioritisation of improvement/upgradation of SHs and MDRs in a systematic manner.***

  (Paragraph 1.1.7)

- ***Out of funds of ₹386.14 crore released to the HPRIDC funds ranging between ₹49.08 crore and ₹104.81 crore remained unutilised with the HPRIDC due to less physical progress of works during 2007-10.***

  (Paragraph 1.1.8.1)

- ***Two divisions diverted ₹13.60 crore out of allotted funds of SHs and MDRs for execution of 19 rural roads and three bridge works.***

  (Paragraph 1.1.8.2(i))

- ***In four divisions six road works costing ₹19.89 crore were taken up for execution between 2001-02 and 2008-09 without obtaining technical sanctions.***

  (Paragraph 1.1.9.1)

- ***Due to poor contract management Government dues aggregating ₹1.44 crore remained unrecovered from the contractors as of June 2010.***

  (Paragraphs 1.1.10.1 (i) and 1.1.10.1 (ii))

1.1.1 Introduction

Himachal Pradesh with a total geographical area of 55,673 square kilometres (sq kms) had a road network of only 288 kms[1] when it was formed in 1948. This increased to 31,216 kms[2] as of March 2010. State Highways (SHs) are arterial routes which link district headquarters and important towns within the State and connect them with the National Highways or highways of neighbouring States. Major District Roads (MDRs) are important routes within a district serving areas of population and providing market connectivity with each other or with the main highways. The State has 19 SHs (length: 1,626 kms) and 45 MDRs (length: 1,753 kms) which is 11 *per cent* of the total road network.

The State Government through Public Works Department (PWD) is responsible for upgradation/ improvement[3] and maintenance[4] of SHs and MDRs. During 2007-08 the State Government has also obtained loan assistance of 220 million US$ (₹990 crore) from the World Bank through the GOI for the implementation of State Road Project (SRP) comprising upgradation of 10 SHs in a length of 434.830 kms and maintenance of 1536 kms long core road network[5] of SHs and MDRs. As per policy of GOI, 90 *per cent* proceeds of loan will be passed on to the State Government as grant and the remaining 10 *per cent* as loan. World Bank assistance is spread over a period of five years and six months (1 July 2007 to 31 December 2012). This project was assigned to Himachal Pradesh Roads and Other Infrastructure Development Corporation Limited (HPRIDC) in November 2006 in anticipation of approval of the Project. HPRIDC through its four[6] construction management units (CMUs) is executing the upgradation work of SHs whereas maintenance of core road network is got done by it through the 54 divisions of PWD.

The yearwise position of total expenditure incurred on upgradation and improvement of roads during 2005-10 by the Department is given as under:-

Table: 1.1.1

(₹ in crore)

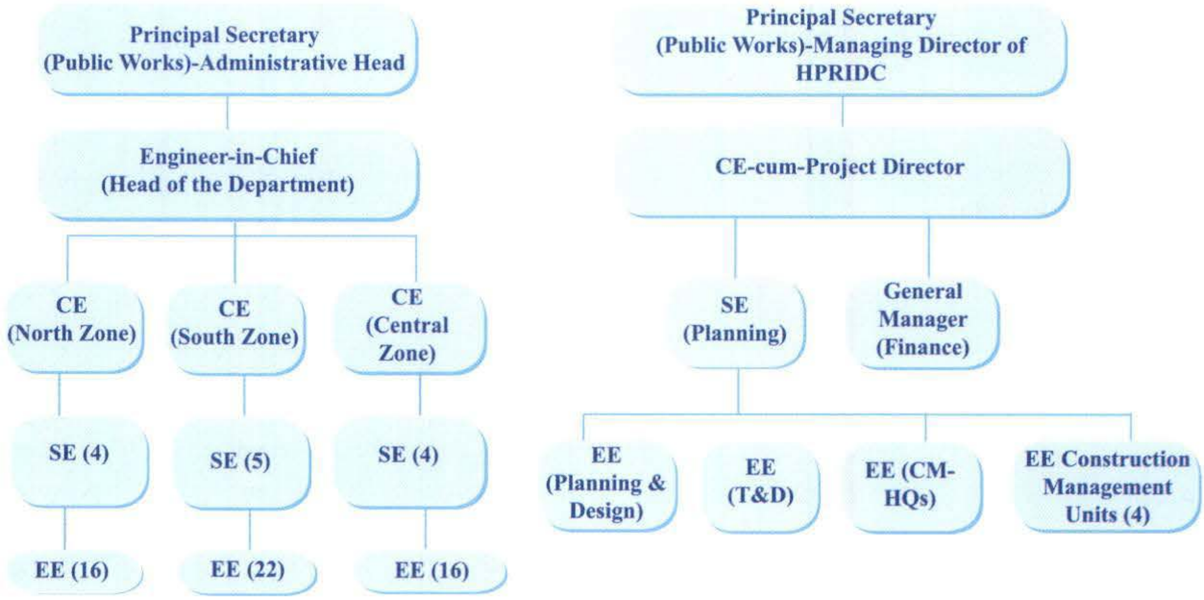
Year	Expenditure incurred		
	HPPWD	**HPRIDC**	**Total**
2005-06	249.49	Nil	249.49
2006-07	234.86	0.89	235.75
2007-08	292.04	78.00	370.04
2008-09	305.10	166.25	471.35
2009-10	337.68	141.00	478.68
Total	**1419.17**	**386.14**	**1805.31**

Source: Figures supplied by the Department. ₹386.14 crore released to HPRIDC for implementation of World Bank State Road Project has been depicted as expenditure in accounts.

1 This is exclusive of road network of area merged after reorganisation of erstwhile state of Punjab.
2 NHs: 1,471 kms; SHs: 1,626 kms; MDRs: 1,753 kms and other roads: 26,366 kms.
3 Upgradation/improvement: It means widening of formation, road alignment, pavements strengthening and new structures.
4 Periodic maintenance/maintenance: Overlays, reseals of roads, minor rehabilitations (i.e. replacement and addition of base material within the existing width) accidents black spot improvements for road users safety.
5 Core road network: A core network is identified out of the total existing roads and tracks to be maintained in good condition at all times.
6 Dharamshala, Hamirpur, Shimla and Una.

1.1.2 Organisational Set up

Principal Secretary (Public Works) is the administrative head and overall control of the Department rests with him. The Engineer-in-Chief (E-in-C) is the head of the Department and responsible for planning, execution and maintenance of roads (including SHs and MDRs). The organisational set up of the Public Works Department and HPRIDC are as under:



Note: CE: Chief Engineer; SE: Superintending Engineer; EE: Executive Engineer.

1.1.3 Scope of Audit

The implementation of the programme for the period 2005-10 was reviewed in audit during November 2009-May 2010 by a test-check of records of the E-in-C, HPRIDC and 14[7] out of 54 divisions responsible for improvement/ upgradation and maintenance of SHs and MDRs in a length of 1,075 kms (SHs: 528 kms, MDRs: 547 kms). Besides, records relating to SRP were examined in the office of the HPRIDC. The sample check was, thus 32 *per cent* of the total length of SHs and MDRs in the State covering ₹553.75 crore (31 *per cent)* of the total expenditure (₹1805.31 crore) incurred.

1.1.4 Audit Objectives

The audit objectives were to assess whether:

- planning in identifying the locations of improvement/ upgradation and periodic maintenance of roads was effective;
- the funds provided were utilised in an economical, efficient and effective manner;
- the objective of providing good quality roads was achieved;
- adherence to prescribed norms, technical standards and rules was ensured;
- contract management ensured execution and completion of work according to the prescribed time schedule; and
- there existed an effective mechanism of quality control and monitoring.

7 Bharmour, Bilaspur-II, Dehra, Dharampur (Mandi), Dharamshala, Fatehpur, Hamirpur, Jubbal, Kasauli, Kullu-II, Nalagarh, Palampur, Theog and Una.

1.1.5 Audit Criteria

The audit findings were benchmarked against the following criteria:

- PWD Account Code, Indian Road Congress (IRC) Standards, Departmental manual and instructions for planning, identification and prioritising the improvement/ maintenance of SHs and MDRs;
- Terms and conditions of contracts;
- Land Acquisition Act;
- Budget and fund allocation procedures; and
- System prescribed for internal control, quality control and monitoring of works.

1.1.6 Audit Methodology

Before commencing the audit, the scope of audit, audit objectives and criteria were first discussed (December 2009) with the E-in-C and thereafter with the Principal Secretary in an entry conference held in May 2010. The selection of divisions was done on the basis of Probability Proportionate to Size with Replacement (PPSWR) method. Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memoranda/ questionnaires and obtaining the response of the departmental functionaries. Audit findings were discussed (September 2010) with the Principal Secretary in the exit conference and views of the Department have been incorporated in the report at appropriate places.

Audit Findings

1.1.7 Planning

The State Public Works Department conducted a Strategic Option Study (SOS) in May 2005 and had identified about 1,675 kms of SHs and MDRs requiring improvement. Therefore, a long term policy and an integrated approach for improvement/upgrading of identified roads was essential for efficient utilisation of funds. The State Government has not evolved a State Road Policy for future plans and actions for development of an efficient road network in the State with the following main objectives:

- To progressively widen all the State highways to two lane width;
- Strengthen the pavements to carry heavier load and improve the geometrics to ensure better operating speeds;
- To prioritise improvement on those routes which provide linkage to industrial growth centre, agriculture produce market centres, heritage and tourist centres and Power generating centres, etc.,
- To enhance safety on roads by improving accidents prone stretches;
- To maintain the existing/improved State roads to acceptable standards; and
- To encourage private sector participation in road development.

In exit conference, the Principal Secretary stated (September 2010) that State Road Policy on SHs and MDRs is under finalisation.

1.1.7.1 Upgradation/improvement of roads in deviation of prescribed standards

As per Indian Road Congress (IRC) Standard the width of road land (also termed as right of way) for SHs and MDRs should conform to the following requirements:

Table: 1.1.2

(width in metres)

Description of Road	Open areas		Built up areas	
	Normal	Exceptional	Normal	Exceptional
SH	24	18	20	18
MDR	18	15	15	12

Except for two SHs, desirable road width was not available in any of the SHs and MDRs. The execution of improvement works of SHs and MDRs was not being planned keeping in view the above norms as road width in respect of SHs and MDRs was available between 3.75 to 15 metres both for open and built up areas. The Department had not taken any initiative to ensure improvement of SHs and MDRs in line with the above standards as of April 2010.

The EEs of test-checked divisions stated (March-April 2010) that due to hilly terrain of the State, planning for roads could not be done according to the IRC norms. The reply is not acceptable in view of the fact that Himachal Pradesh Development Report brought out by the Planning Commission of India envisaged that SHs should be capable of handling multimodel container vehicles.

Thus, lack of planning for improvement of roads, especially SHs to the prescribed standards, these were not capable to ensure safe movement of loaded long container trucks and to obviate the risk of any accidents due to non-availability of adequate road width.

The Principal Secretary stated (September 2010) that now upgradation works of SHs and MDRs are undertaken by the HPRIDC as per IRC standard. The fact, however, remains that upgradation/ improvement undertaken by the Department was not done according to IRC norms as admitted by the EEs of test-checked divisions.

1.1.8 Financial Management

For upgradation, improvement and maintenance of State Highways and Major District Roads, the State Government has been arranging funds from:

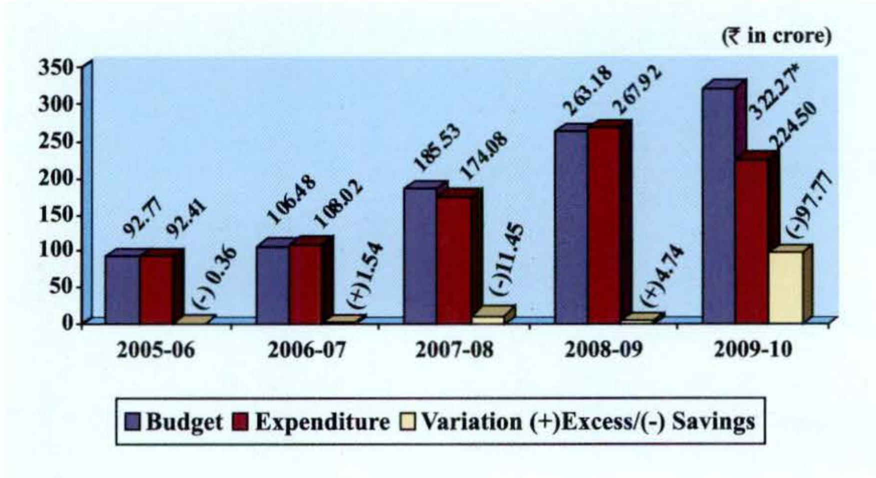
- State's own resources (State Plan);
- Loans from NABARD under Rural Infrastructure Development Fund;
- Central Road Fund from GOI; and
- Loan/credit from World Bank as per policy of the GOI.

1.1.8.1 Financial outlay and expenditure

Funding for the upgradation/improvement and management of roads is made through Departmental budgetary system. The position of funds allotted and expenditure incurred thereagainst in the State during 2005-10 is shown in charts 1.1.1 and 1.1.2.

Chart-1.1.1

Funds allocation and expenditure under Upgradation/Improvement of SHs/MDRs

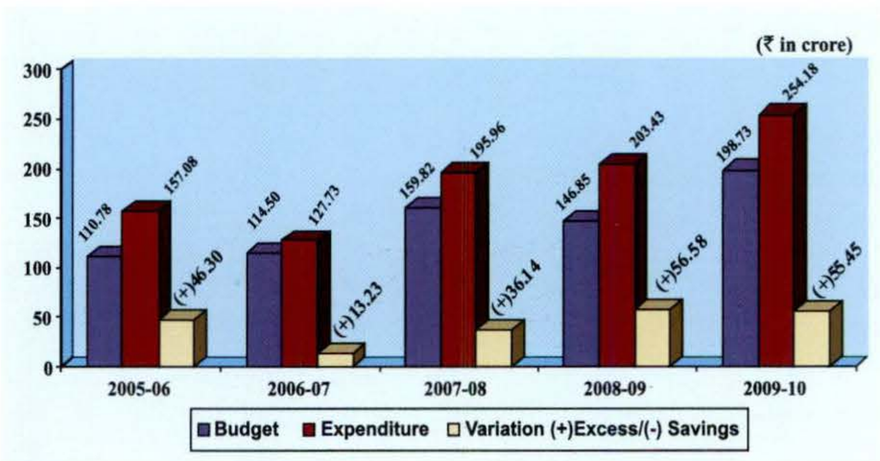


Source: Finance Accounts figures

* Includes provision of ₹100 crore for release of funds to HPRIDC under World Bank Road Project.

Chart-1.1.2

Funds allocation and expenditure under Maintenance of SHs/MDRs



Source: Finance Accounts figures

For implementation of the World Bank funded State Road Project, the State Government releases funds to HPRIDC through cheques from time to time. During 2006-10, funds amounting to ₹386.14 crore (21 *per cent* of total expenditure on improvement and maintenance of SHs/MDRs) were released to HPRIDC (Details in Table-1.1.3 below) whereas the remaining expenditure of ₹1419.17 crore (79 *per cent*) was incurred by the Department during 2005-10.

There was overall saving of ₹103.30 crore during 2005-10 over the budget provided for SHs/MDRs whereas expenditure on maintenance of SHs and MDRs had shown increasing trend over allotted funds during the aforesaid period. Audit noticed that allotment of funds for maintenance was made on yard stick rates circulated by the Department in June 1997. Due to escalation in costs of labour and material the Department had not taken any action to revise the rates and funds provided at the above rates were insufficient to meet the expenditure on maintenance. As a result SHs/MDRs were not maintained properly as can be seen from the following photographs:

Photograph-1.1.1

Chailla-Chopal road (km 12/810)

Photograph-1.1.2

Shimla-Kunihar-Ramsaher road

In exit conference, the Principal Secretary stated (September 2010) that savings over the budget provided for SHs and MDRs were mainly due to non-receipt of sanctions under Forest Conservation Act and litigation by private land owners where land was coming in the alignment of roads.

The break up of funds provided/released to HPRIDC and expenditure incurred thereagainst during 2006-10 is detailed below:

Table: 1.1.3

(₹in crore)

Year	Opening balance	Funds released	Total availability of funds	Funds utilised	Unspent balance at the close of year
2005-06	Nil	Nil	Nil	Nil	Nil
2006-07	Nil	0.89	0.89	3.64	(-) 2.75*
2007-08	(-) 2.75	78.00	75.25	26.17	49.08
2008-09	49.08	166.25	215.33	85.17	130.16
2009-10	130.16	141.00	271.16	166.35	104.81
Total		**386.14**		**281.33**	

Source: Information supplied by the HPRIDC

* Denotes excess expenditure of ₹2.75 crore which was met out of own resources by the HPRIDC and set off in the subsequent year against funds received from the State Government.

From the above table it can be seen that during 2007-10 out of total available funds, funds ranging between ₹49.08 crore (65 *per cent*) and ₹104.81 crore (39 *per cent*) were not utilised by the HPRIDC on works. The Principal Secretary, in exit conference attributed (September 2010) low utilisation of funds to non-availability of encumbrance free sites and less physical progress.

As per instructions of State Government issued in September 2008, any interest earned on investment of unutilised funds was to be credited into Government account. The HPRIDC from time to time kept the unutilised amount in Fixed Deposit Receipts and earned interest amounting to ₹7.80 crore during the aforesaid period. The amount was, however, not credited into Government account and remained blocked in its bank accounts as of June 2010. The Principal Secretary stated (September 2010) that the amount will be deposited into Government account as and when required by the Government. The reply is not acceptable as instructions in this regard were already clear.

During 2005-10 funds aggregating ₹166.80 crore were allotted by HPRIDC to the divisions selected for test-check for upgradation and maintenance of SHs and MDRs. Against this an expenditure of ₹167.61 crore was incurred by them as detailed in Appendix-I.

There were no major excesses or savings in the budget provided during 2005-10. The EEs while executing the works, however, committed irregularities as discussed in the succeeding paragraphs.

1.1.8.2 Diversion of funds

(i) Scrutiny of records of two test-checked divisions[8] revealed that during 2005-10 the EEs diverted ₹13.60 crore, out of allotted funds of SHs/MDRs for execution of 19 rural roads and three bridge works. This was irregular as funds were diverted for purposes other than for which these were sanctioned without approval of the Finance Department.

The EEs while confirming the facts stated (January-April 2010) that the expenditure was charged to SHs as per head of account conveyed by the higher authorities. The fact, however, remains that diversion of funds was made without getting approval of the Finance Department.

(ii) In Dehra Division, it was noticed that instead of surrendering the funds, an expenditure of ₹27 lakh pertaining to the annual repair and maintenance of two SHs/MDRs was debited (March 2009) to the original works of SHs/MDRs which was irregular. The EE stated (March 2010) that on allocation of additional fund expenditure had to be booked to avoid its surrender. The reply is not acceptable as it was contrary to the financial rules.

The Principal Secretary stated (September 2010) that funds were utilised as per Government directions. The reply is not acceptable as no documentary evidence in this regard was made available.

1.1.8.3 Irregular expenditure on annual repair and maintenance

(i) With a view to projecting requirement of funds for annual repair and maintenance of roads, the Engineer-in-Chief determined per km yardstick rates in June 1997. Before taking up the maintenance of roads, the concerned EEs are required to prepare estimates on the basis of prescribed yardstick rates and get them sanctioned from the competent authority before commencement of the financial year. Seven test-checked divisions[9] spent ₹13.74 crore for maintenance of 19 roads during 2005-10 without preparing the estimates and getting them technically sanctioned from the competent authority. The expenditure incurred on these works without obtaining requisite technical sanction was, thus, irregular. Moreover, yardstick rates were prescribed 13 years back and have become un-workable due to escalation in cost of labour and material. Thus, unrealistic rates could result in poor quality of repair and maintenance of roads.

In the exit conference, the Principal Secretary stated (September 2010) that yardstick rates have been revised by the E-in-C in 2010 and the estimates will be prepared/approved in future on the basis of these norms.

[8] Kullu-II and Theog.

[9] Bharmour, Dehra, Dharamshala, Jubbal, Kasauli, Palampur and Theog.

(ii) As per rules, expenditure on works incurred in excess of 10 *per cent* of the sanctioned amount should be got regularised by obtaining revised sanction of the competent authority.

In four test-checked divisions[10], against the sanctioned cost of ₹2.49 crore for maintenance of eight MDRs, an expenditure of ₹8.59 crore was incurred during 2005-10 without obtaining revised sanction of the competent authority. Thus, expenditure of ₹6.10 crore incurred in excess of sanctioned provision was irregular.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to all concerned for preparation of revised estimates and getting them approved from the competent authority.

(iii) Scrutiny of records of Dehra division revealed that on maintenance of SHs expenditure actually incurred during 2005-10 was ₹3.93 crore but in the accounts it was shown as ₹4.53 crore by charging an expenditure of ₹60 lakh on maintenance of rural roads during 2006-07 and 2008-10. Thus, expenditure of ₹60 lakh incurred on maintenance of rural roads out of allocation of SHs was irregular.

The EE stated (March 2010) that due to availability of funds under maintenance of SHs expenditure pertaining to maintenance of rural roads was charged to the SHs to avoid lapse of available budget.

In exit conference, the Principal Secretary assured (September 2010) to issue instructions for not repeating such instances.

1.1.8.4 Irregular drawal and utilisation of funds

Financial Rules stipulate that money should not be drawn from the treasury unless it is required for immediate disbursement.

On 26 March 2009 the Superintending Engineer 11th Circle, Rampur issued Letter of Credit for allotment of ₹5.39 crore to the Karchham division for improvement of SHs which was valid till the close of the financial year 2008-09. Against this, EE drew an amount of ₹4.65 crore on 31 March 2009 and showed it as final expenditure. The whole amount was, however, kept under Deposit head as unutilised. Thus, depiction of expenditure of ₹4.65 crore to the final head of account of SHs works in the financial year 2008-09 and its utilisation in the subsequent year was in contravention of rules. The action of the EE not only violated the prescribed financial system but also resulted in keeping the money outside the normal budgetary process.

The Principal Secretary admitted (September 2010) the facts.

1.1.8.5 Irregular stock adjustment

Financial Rules prohibit irregular stock adjustments such as debiting to a work, the cost of material not required or purchased in excess of actual requirements to avoid excess outlay over appropriation.

[10] Fatehpur, Hamirpur, Kullu-II and Nalagarh.

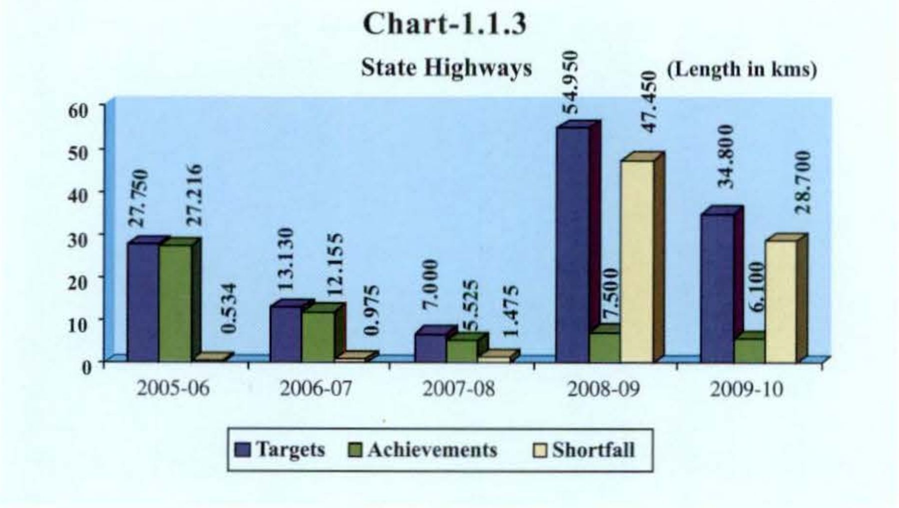
EEs of two test-checked divisions[11], booked material such as bitumen, cement, steel, etc., costing ₹1.17 crore against four SHs/MDRs between March 2005 and March 2009 which was written back to stock in the succeeding financial years between September 2005 and May 2009. The stock adjustments were carried out merely to avoid surrender of funds released by the Government at the end of the financial years, which is irregular and resulted in misrepresentation of utilisation of stock.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to avoid irregular stock adjustments.

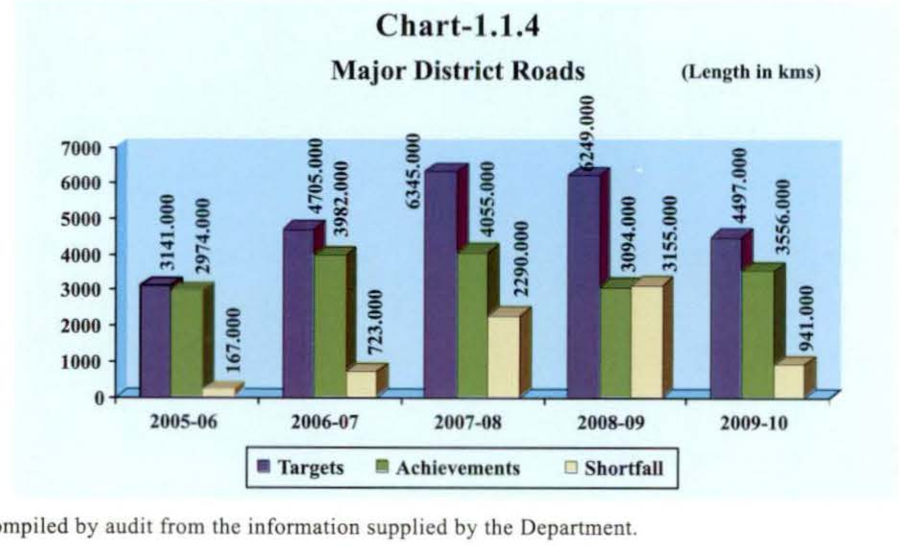
1.1.9 Programme Implementation

Execution of works

During 2005-10 against the target of improvement/upgradation of SHs and MDRs (including rural roads) in a cumulative length of 25,074.630 kms (SHs: 137.630 kms; MDRs: 24,937 kms) in the State, achievement thereagainst was 17,719.496 kms (SHs: 58.496 kms; MDRs: 17,661 kms) resulting in an overall shortfall of 7,355.134 kms (29 *per cent*) for SHs (79.134 kms) and MDRs (7,276 kms) respectively as shown in charts 1.1.3 and 1.1.4 below:



Source: Data compiled by audit from the information supplied by the Department.



Source: Data compiled by audit from the information supplied by the Department.

[11] Dehra and Palampur.

In the 14 test-checked divisions against the targeted length of 197.489 kms (SHs: 91.435 kms; MDRs: 106.054 kms), actual improvement/strengthening of roads was done in a length of only 148.073 kms (SHs: 66.020 kms; MDRs: 82.053 kms) during 2005-10 resulting in an overall shortfall of 49.416 kms (25 *per cent*). The percentage shortfall in component-wise[12] achievement of targets by these divisions during the above period ranged between four and 100 *per cent*.

The main reasons for non-achievement of targets in the relevant years were slow pace of execution of works by the contractors which is indicative of poor contract management.

The Principal Secretary stated (September 2010) that overall shortfall was also due to non-clearance of cases under Forest Conservation Act, hostile working conditions and non-availability of labour in certain months. The reply is not acceptable as target on realistic basis should have been fixed keeping in view the above factors.

1.1.9.1 Works executed without Technical Sanctions

As per rules, no work should be taken up for execution unless detailed estimate for the same is prepared and technically sanctioned. The technical sanction is an assurance that the proposal is structurally sound and that the estimate is calculated accurately based on adequate data. Test-check revealed that in four[13] divisions, six road works (including three spilled over works of 2001-05) estimated to cost ₹19.89 crore, were taken up for execution during 2001-09 on the basis of preliminary estimates (rough cost estimates) prepared for obtaining Administrative Approval and Expenditure Sanction (A/A and E/S). Subsequently, detailed estimates for obtaining technical sanction of the competent authority were not prepared. An expenditure of ₹17.90 crore was incurred irregularly on these works as of March 2010. Of this, an expenditure of ₹3.45 crore was incurred by allowing deviations in the scope of work of four roads. The EE Bharmour division stated (March 2010) that necessary technical sanctions will be obtained shortly whereas EEs of the three divisions intimated no reasons for not obtaining the requisite technical sanction. In the absence of technically sanctioned estimates there was possibility of non-adherence to required specifications, making subsequent changes/deviations in the scope of work and resulting in execution of sub-standard/poorer quality of works by the executing agencies.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to all concerned to prepare detailed estimates and to obtain technical sanctions for regularisation of expenditure.

1.1.9.2 Sub-standard execution

(i) Strengthening of road crust of Mubarikpur-Ranital-Kangra (SH-23) road in a length of 10.500 kms (kms 113/500 to 124/0) was awarded (April 2006) to a contractor for ₹2.71 crore with a stipulation to complete it by August 2007. The contractor, however, executed work for value of ₹1.89 crore upto December 2008 and stopped further execution without any reasons. The payment for above work against running account bill was made to him in April 2009 which

[12] Targets and achievements under MDRs include formation cutting, soling, wearing, tarring, CD, etc., separately for each item and is inclusive of rural roads also.

[13] Bharmour, Bilaspur-II, Dehra and Una.

included ₹1.74 crore for metalling and tarring work. The Chief Engineer (NZ) during inspection of the above road in January 2008 pointed out metalling and tarring work not conforming to the laid specification. He had recommended for re-execution of defective work and directed for non-acceptance of the work which was not conforming to specifications. The road crust got damaged due to developing of potholes and the contractor carried out rectification of road crust by doing patch work in place of re-execution. Evidently, the Department accepted sub-standard metalling and tarring which resulted in premature damage of roads as can be seen from the following photographs:

Photograph-1.1.3

Mubarikpur-Ranital-Kangra road (km 115/200)

Photograph-1.1.4

Mubarikpur-Ranital-Kangra road (km 117/635)

The EE, Dehra division stated (March 2010) that the whole work was not sub-standard and the potholes developed between km 113/500 and 118/300 had been rectified by the contractor. The reply is not acceptable as rectification of road crust was done only in patches and the entire stretch of road was not got repaired.

(ii) Improvement/strengthening of Jawalamukhi-Dehra-Nehranpukhar-Kaloha road in a length of 11 kms (kms 0/0 to 11/0) was approved (January 2004) for ₹5.29 crore. This also included extension of bridge over Naked *Khad* (km 6.504) from single lane to double lane at a cost of ₹93.90 lakh. The execution of the bridge except half RCC railing was got completed upto June 2009 at a cost of ₹60.33 lakh. Records revealed that expansion of single lane to double lane was designed by extending extra width to the masonary piers on upstream side with concrete mix of M-15 (Cement: Sand: Concrete: 1:2:4). The grip of the existing piers and filling thereof was also done by adopting the same design mix. Since it was a major bridge concrete mix of less than M-20 (Cement: 1: Sand: 1 and half and Concrete: 3) was not to be used as per latest IRC code for ensuring safe structures and superstructures of the bridges.

The CE (Quality and Design) during inspection in June 2005 had also pointed out that concrete mix design followed was old and not structurally safe to withstand the traffic density subjected to heavy loads. The EE, however, took no action to follow the appropriate mix design by taking up the matter with the Superintending Engineer and Chief Engineer (North Zone) in view of deficiency pointed out by the CE (Quality and Design) during inspection.

The execution of bridge was done in disregard to IRC code and views of the CE (Quality and Design) and was a sub-standard work.

The Principal Secretary in exit conference stated (September 2010) that sub-structure was executed in M-15 design mix by using material of good quality and cannot be termed as sub-standard. The reply is not acceptable as no action was taken on views expressed by the CE (Quality and Design) to follow the appropriate mix design for ensuring adequate safety to structure of the bridge.

1.1.9.3 Inadequate drainage system causing damage to the roads

To prevent early damage of the pavement due to excess water and also preventing saturation upto a depth of one metre below the top of road sub-grade, an adequate drainage system as per IRC specification is required for maintaining the structural and functional adequacy of a road.

Photograph-1.1.5

Dehra-Jawali Road (km 15/150)

Photograph-1.1.6

Dehra-Jawali road (km 16/405)

Scrutiny of records of three divisions[14] revealed that side drains in respect of SHs and MDRs in a length of 296.550 kms (SHs: 200.380 kms; MDRs: 96.170 kms) were inadequate and the Department while sanctioning improvement of these roads for an estimated cost of ₹24.80 crore between January 2004 and October 2008, made provision in the estimates of works only for construction of 72.353 kms (SH: 56.721 kms; MDR: 15.632 kms) which was 24 *per cent* of the total road length. Against this, construction of drainage in a length of 26.898 kms was done leaving side drains unexecuted in a length of 45.455 kms (63 *per cent*). The Department failed to ensure construction of side drains for the sanctioned stretches of roads as of May 2010. Besides, construction of drainage system for the remaining portions in a length of 224.197 kms was still to be planned. Meanwhile due to non-providing of adequate drainage and non-maintenance of partly executed drains the crust of these roads sustained damages estimated at ₹14.38 crore during 2005-10 as is evident from the above photographs.

The Principal Secretary stated (September 2010) that in DPRs now being prepared and got approved provision of construction of side drains is being made. The reply is not acceptable as

[14] Dehra, Jubbal and Theog.

execution of drainage works as per sanctioned estimates was also not done and indicated failure of the Department to provide adequate drainage system for structural safety of these roads and in reducing the maintenance costs.

1.1.9.4 Avoidable expenditure due to adoption of uneconomical specification

Mention was made in Paragraph 4.12 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2001 (Civil)- Government of Himachal Pradesh regarding avoidable expenditure on providing of renewal coat to roads owing to adoption of conventional method of Pre-mix Carpeting (PC) and seal coat (SC) separately instead of Mixed Seal Surfacing (MSS) or PC treatment of one time laid one layer. The Public Accounts Committee in its 148th Report (10th Vidhan Sabha) had recommended that the matter relating to laying of renewal coat on roads may be taken up with the Ministry of Road Transport and Highways for consideration. However, no action in this regard had been taken by the Department as of April 2010.

Scrutiny of records of five divisions[15] revealed (March-April 2010) that periodical maintenance/ annual surfacing/renewal coat/strengthening of road crust over an area of 7,53,519 sqms of road surface was executed in 24 cases between April 2006 and November 2009 with the conventional method of PC with SC at a cost of ₹8.23 crore. Had the periodical maintenance, etc., been executed with MSS, the same was to cost ₹6.75 crore. Failure to adopt proper specification in these cases had resulted in extra expenditure of ₹1.48 crore (₹8.23 crore minus ₹6.75 crore).

The Principal Secretary stated (September 2010) that according to topography of the area and high density of rain/snow fall, provision of PC with SC was made in the DPRs and the works were executed accordingly. The replies are not acceptable unless specifications are modified as per topography of different places in the State.

1.1.9.5 Uneconomical execution of works

According to the State Financial Rules, the powers delegated to accept tender/technical sanction was ₹15 lakh for EEs with more than three years experience and ₹five lakh for EEs with less than three years experience.

Scrutiny of records of eight divisions[16] revealed (February-March 2010) that the EEs had awarded (April 2005-March 2010) major portion of 17 works (estimated cost ₹3.55 crore) by splitting them up in 721 parts/agreements to 202 contractors at a cost of ₹5.33 crore. The tendered rates quoted by the contractors ranged between 95 *per cent* below and 676 *per cent* above the amount put to tender. Benefit of competitive rates was, thus, not derived by floating single tender for each work. Approval of the competent authority to split up the works had also not been obtained. The EEs confirmed the facts and stated (February-March 2010) that the works were split up in view of their exigency and sanctions were being obtained. The replies are not tenable as sanction should have

[15] Dehra, Dharampur, Jubbal, Nalagarh and Theog.

[16] Bharmour, Dharampur, Jubbal, Kasauli, Nalagarh, Palampur, Theog and Una.

been obtained from the competent authority before splitting and awarding the works to the contractors.

In exit conference, the Principal Secretary assured (September 2010) to issue instructions for obtaining sanctions of the competent authority for regularisation of expenditure.

1.1.9.6 Delay in completion of works

(i) Timeframe prescribed for completion of any work is the essence of a contract. The contractors are therefore required to adhere strictly to the time schedule. Besides, progress of the work should be commensurate with the time allotment.

Improvement work of Dharwala-Kharamukh road (MDR-52) in 3.600 kms long portion (kms 40/0 to 43/600) was awarded (October 2004) to a contractor at a tendered cost of ₹80.84 lakh. The contractor commenced the work in October 2004 and the work was stipulated to be completed by February 2006. Scrutiny of records of Bharmaur division revealed that the contractor had executed work for value of ₹49.95 lakh (62 *per cent*) and did not complete the remaining work as of July 2010. The completion of work had been delayed by 52 months. Thus, delay in completion of work has resulted in non-accrual of timely benefit of smooth and safe traffic facility to the road users despite incurring an expenditure of ₹49.95 lakh.

The Principal Secretary stated (September 2010) that the contractor had stopped the work for which penality of ₹4.44 lakh was levied. This will be recovered from him.

(ii) HPRIDC awarded (August 2008) strengthening of Una-Barsar-Jahu-Kalkhar-Nerchowk road (SH-16) from kms 93.440 to 108.830 to a contractor for ₹33.50 crore under World Bank funded State Road Project. The scope of work included widening of road to standard intermediate lane configuration in a length of 15.390 kms alongwith construction of 13 slab culverts, 33 pipe culverts and 20 box culverts. The work was divided into two milestones with 2.760 kms and 12.630 kms to be achieved in milestones one and two respectively. As per contract agreement both the milestones were stipulated to be completed by 10 February 2010. The contractor commenced the work on 8 August 2008 and it was still in progress as of May 2010.

Scrutiny of records in the office of the HPRIDC revealed that encumbrance free site to the contractor was made available in July 2009 due to non-completion of land acquisition process on time. Due to delay in handing over of site the contractor could execute work to the extent of ₹3.47 crore (10 *per cent* of contract price) till May 2010. The failure of the Department to complete the land acquisition process for ensuring timely availability of encumbrance free site delayed the completion of work. Since 90 *per cent* work is still to be executed, it is likely to result in considerable delay in providing quality road facility to the public. In exit conference, the Principal Secretary stated (September 2010) that though completion of the land acquisition, forest sanctions and shifting of utilities before award of work is an ideal condition but keeping in view the timeframe fixed for the project it was considered necessary to undertake these activities simultaneously. The reply is not acceptable as proper co-ordination amongst all the departments/ agencies involved in the process should have been ensured for completion of work within the prescribed timeframe.

1.1.10 Contract Management

1.1.10.1 Non-recovery of Government dues

Contract management includes negotiating the terms and conditions of contracts and ensuring compliance therewith as well as documenting and agreeing to any changes that may arise during its implementation. The cases of poor contract management by the Department are discussed below:

(i) Two divisions[17] entered into eight contracts with six contractors between August 2004 and December 2008 for improvement/widening of SHs/MDRs. As per estimates/agreements, the contractors were to stack 43,433 cum serviceable stone costing ₹73.84 lakh. On failure to do so, recovery for stone not stacked/ less stacked was to be made at prescribed rate from their running account bills. However, part recovery for 12,483 cum stone amounting to ₹21.22 lakh only was made leaving an unaffected recovery of ₹52.62 lakh for 30,950 cum stone from the contractors.

The Principal Secretary stated (September 2010) that the matter will be investigated and recoveries if not made earlier would be made from the contractors.

(ii) In case of delay in completion of work by a contractor, compensation upto 20 *per cent* of the tendered cost of the work was to be levied. In seven test-checked divisions[18], 51 jobs of road works awarded to 38 contractors between October 2004 and December 2009 for ₹8.51 crore were not completed within the stipulated time between May 2005 and February 2010. As such compensation of ₹91.66 lakh was leviable on them. Two divisions[19] had levied compensation of ₹56.85 lakh in respect of five cases only between January 2006 and June 2009 which had also not been recovered as of March 2010.

The Principal Secretary stated (September 2010) that the cases will be looked into and where the delay was on the part of contractors, compensation/liquidated damages will be levied. He further stated that action to recover the levied compensation/liquidated damages is being taken up by issuing instructions to the divisions concerned.

1.1.10.2 Payment to contractors without approval

As per standing orders of the State Government issued in October 2004, any deviation necessitated during execution of work, should have prior approval of the competent authority before executing such deviation and incurring any expenditure.

The bills of the contractors for deviated items of works should be finalised and the contracts closed within a period of six months of the dates of completion of the works after obtaining approval of the competent authority.

Scrutiny of records of three divisions[20] revealed that three contracts awarded between September 2004 and March 2006 at tendered cost of ₹7.72 crore were completed between March 2007 and April 2009. Against this, payments aggregating ₹9.05 crore were made to the

[17] Bharmour and Theog.
[18] Bharmour, Dehra, Dharampur, Hamirpur, Kasauli, Palampur and Theog.
[19] Bharmour and Dehra.
[20] Fatehpur, Kasauli and Kullu-II.

contractors. Thus, excess payments of ₹1.33 crore over the tendered amount were made to the contractors without getting the deviations approved from the competent authority. Though a period ranging between 13 months and 38 months had lapsed as of May 2010 since the completion of these contracts but the contracts had not been closed by finalising the bills due to non-approval of deviations.

In the exit conference, the Principal Secretary appreciated the audit in highlighting the point and assured that instructions will be issued to all concerned to avoid inordinate deviations without approval of the competent authority.

1.1.10.3 Undue benefit to a contractor

Mobilisation advances are paid to the contractors exclusively for the costs of mobilisation and against the new key construction equipment purchased for the work and brought to the site subject to a maximum of 10 *per cent* of contract price.

HPRIDC entered (April-May 2008) into two agreements with a Chinese company for widening of two SHs in a length of 125.504 kms at tendered cost of ₹354.76 crore. The time stipulated for completion of these works is 30 and 36 months respectively. Mobilisation advance of ₹17.73 crore (five *per cent* of tendered cost) was paid (June-July 2008) to the above company. The company completed work for value of ₹18.80 crore upto February 2010 against the prescribed financial milestone of ₹201.86 crore. No progress of works after February 2010 was available with HPRIDC.

Scrutiny of records revealed that against the value of work done (₹18.80 crore) ₹13.08 crore was paid to the company on 'Interim Payment' certificates finalised between March 2009 and April 2010 after deduction of ₹3.32 crore on account of mobilisation advance. Thus, mobilisation advance of ₹14.41 crore had not been recovered. Had the HPRIDC monitored the progress of work properly to get the financial milestones achieved, whole of the mobilisation advance could have been recovered from the firm till February 2010. The Board of Directors of HPRIDC while reviewing the status of State Road Projects in their meeting held in December 2009 had observed that the progress of Chinese company was extremely slow, quite behind schedule and required timely and appropriate action as per terms of the contract agreements. No action in this regard has been taken by HPRIDC as of May 2010.

Thus, undue favour of ₹18.33 crore was extended to the firm due to non-levy of delay damages (₹3.92 crore) as per clause 8.7 of the contract agreement and delay in recovery of mobilisation advance (₹14.41 crore) due to department's inability to make the Chinese company adhere to the prescribed milestones for timely completion of the work.

1.1.11 Monitoring

Norms and periodicity of inspection of works by the CEs, SEs and EEs had not been prescribed. However, in June 2007 the E-in-C at the instance of audit issued instructions for inspection of works by various inspecting officers without prescribing any time schedule/periodicity. In two test-checked-divisions[21] CE had conducted inspection on six occasions during 2005-10 while

[21] Dehra and Theog.

SEs and EEs had conducted inspections on 17 and 11 occasions during the same period for which inspection notes were issued by them. The EEs in the remaining cases stated (March-April 2010) that though inspections had been conducted from time to time, inspection notes could not be issued due to rush of work. The reply is not in consonance with the instructions issued by the E-in-C for carrying out inspections at regular intervals, issuing of inspection notes and to maintain the proper record thereof.

In the absence of inspection notes, entries in the site order books, inspection registers, quality control registers, etc., the quality control mechanism and monitoring of works was inadequate.

Further, after entrustment of SHs and MDRs works to HPRIDC the Operation Manual brought out by the Corporation in 2007-08 also provided for frequent inspection of works by officers from the Headquarters as essential for effective monitoring of the project. Accordingly, MD is required to inspect the project under his jurisdiction at least once in a quarter and CE-cum-PD or EE concerned at least once in a month. Inspection report/tour observations should invariably be issued within seven days of completion of inspection. During 2008-2010 against the required 148 and 444 inspections, the MD and CE-cum-PD had inspected the projects on 18 and 61 occasions respectively. No reasons for inadequate inspection of ongoing projects were advanced by the officers at HPRIDC headquarters.

The Principal Secretary stated (September 2010) that necessary instructions will be issued to fix the norms and periodicity of inspections by the officers of PWD, to issue inspection notes and for maintenance of site order books, inspection registers, etc.

1.1.12 Conclusion

- Though achievements against the targets in providing road connectivity are satisfactory, a strengthened road network is essential for socio-economic development of the State.
- To achieve the objective of good quality roads in a time bound manner there exist no State Road Policy for plans and action for improvement and upgradation of State Highways(SHs) and Major District Roads(MDRs).
- The work of upgradation/improvement of SHs and MDRs did not match the IRC standards. Since State Highways and Major District Roads are secondary roads, inadequate capacity, insufficient pavement and poor riding quality are likely to affect road user cost. There were cases of damages to roads due to improper drainage system and execution of works without technical sanctions.
- The works were delayed due to non-availability of land before awarding them to the contractors.
- Due to non-levy of liquidated damages (LDs) on the contractors for delay/non-completion of works and non-recovery on account of levied LDs and useful material, undue favour was extended to them.
- Poor contract management and inadequate monitoring of works contributed instances of sub-standard road works and unfruitful expenditure leading to denial of envisaged quality road facility to the public.

1.1.13 Recommendations

- The Government should formulate a long term master plan expeditiously with clear milestones and timelines for providing the facility of good quality roads to the public.

- Funds should be provided in a planned manner to avoid the need for their drawal at the fag end of the financial year besides giving rise to improper accounting practices.

- Norms for periodic maintenance of roads need to be ensured on realistic basis by revising yardstick rates so that roads are maintained properly.

- Execution of repair and maintenance of road works by the EEs should be taken up after preparing the estimates and obtaining necessary sanction of the competent authority wherever required.

- The Department should ensure availability of encumbrance free land after obtaining the necessary approvals and clearances for timely completion of road works.

- For effective contract management, the State Government should issue suitable directions/instructions to the agencies involved in the construction of roads to take prompt action against the contractors where the work is behind schedule, to ensure recovery of liquidated damages and payment of deviated quantities of works only after approval by the competent authority.

- An appropriate system needs to be evolved to ensure adequate inspection and monitoring of the ongoing works of improvement/strengthening and periodic maintenance of SHs/MDRs.

These findings were referred to the Government in August 2010; their reply had not been received (September 2010).

Rural Development Department

1.2 Implementation of Mahatma Gandhi National Rural Employment Guarantee Act

The State Government started implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) from the date it came into force viz. 2 February 2006. The basic objective of the Act is to provide 100 days of guaranteed employment in a financial year to every household whose adult members volunteer to do unskilled manual work at the minimum wage rate. Performance audit of the Act revealed that during 2005-10, the State Government generated 617.70 lakh persondays of employment by spending ₹1,039.63 crore and benefiting 4.97 lakh (cumulative number) rural households in the State. Though the employment provided to women was satisfactory, significant areas of deficiencies noticed by audit are as under:

- ***There were deficiencies in the planning process, particularly in the preparation of five year District Perspective Plans (DPPs).***

  (Paragraph 1.2.7.2)

- ***To reduce the risk of financial 'leakage' and to promote transparency and accuracy in fund management, the practice of monthly squaring of accounts was not introduced at any level to verify that all money released are accounted for under three heads viz. money held in bank accounts at various levels, advances to implementing or payment agencies and expenditure vouchers.***

  (Paragraph 1.2.8.1)

- ***Works were not taken up as per the priority list but rural connectivity which was at the bottom in the priority list was given top priority. This resulted in non-execution of adequate number of works such as drought proofing, afforestation and soil conservation for addressing the chronic cause of poverty and strengthening the natural resource base of rural livelihood. Besides, during 2007-10, nine out of 12 selected Blocks irregularly spent ₹19.19 crore on works not permissible under the Act or separately notified by the GOI.***

  (Paragraph 1.2.10.2)

- ***Wages of ₹ 97.45 lakh were paid to workers with delay ranging from 15 to 90 days after the prescribed period of a fortnight.***

  (Paragraph 1.2.11.2)

- ***Muster Rolls maintained by the 48 test-checked GPs did not bear unique identity numbers. Besides the signature of inspecting officer(s) in token of having the works inspected were also not found recorded on Muster Rolls in any of the test-checked GPs.***

  (Paragraph 1.2.11.4)

- ***The Status of inspection of works at State, District and Block levels was poor and the State Government had not designated any State and District Quality Monitors for ensuring quality audit of works as of June 2010. Besides, monitoring at higher level by the State Employment Guarantee Council was also found deficient.***

  (Paragraphs 1.2.13.1, 1.2.13.2 and 1.2.7.1)

1.2.1 Introduction

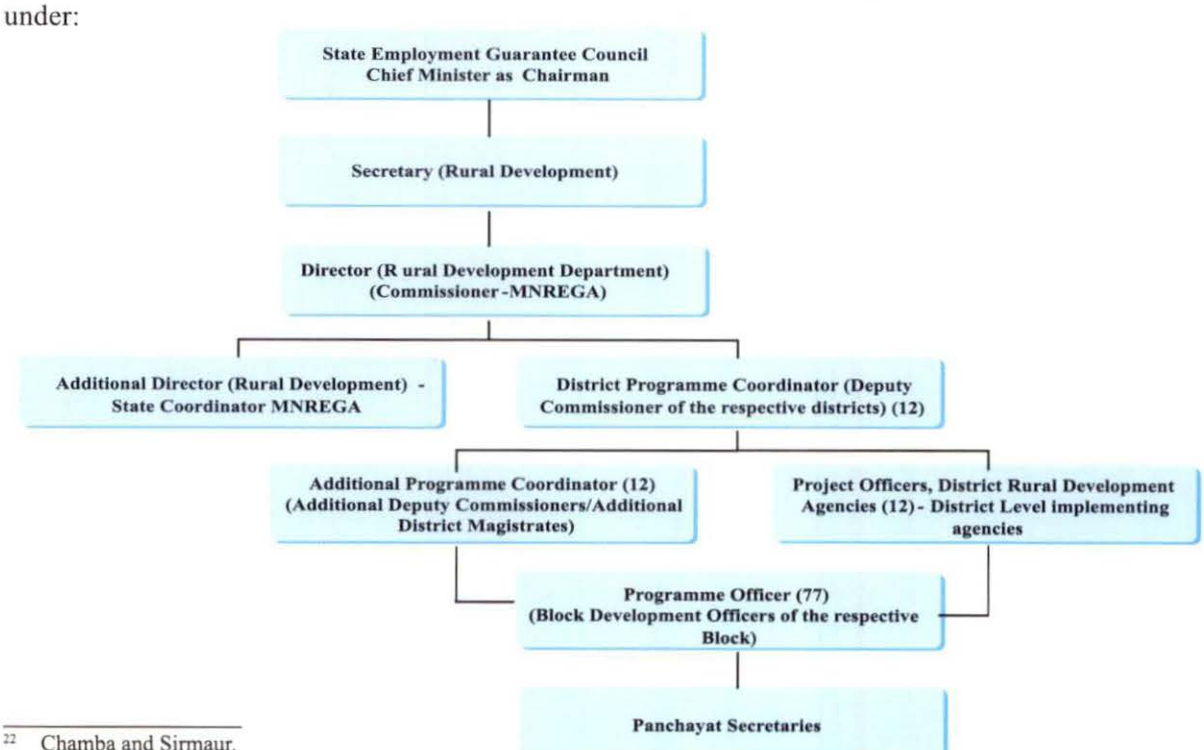
The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MNREGA) guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. The Act initially came into force with effect from 2 February 2006. Out of the 12 districts in the State, two[22] districts were notified in 2005-06, two[23] districts in 2007-08 and the remaining eight[24] districts in 2008-09. The basic objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days' of guaranteed employment, besides generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

The Act requires every State to formulate a State Rural Employment Guarantee Scheme (REGS) which should conform to the minimum features specified under the Act. According to the Act, rural households have a right to register themselves with the local *Gram Panchayat* (GP) and seek employment. Work is to be provided within 15 days of the date of demand failing which the State Government will have to pay unemployment allowance to the applicant at the stipulated rates. The Central Government will bear all costs other than the following which are to be borne by the State Government:

- 25 *per cent* of the cost of material and wages for semi-skilled/skilled workers;
- Unemployment allowance; and
- Administrative expenses of the State Employment Guarantee Council.

1.2.2 Organisational Set up

Rural Development Department (RDD) of the State is the nodal Department for implementation of the MNREGA. The organisational set up for implementation of the scheme in the State is as under:



22 Chamba and Sirmaur.
23 Kangra and Mandi.
24 Bilaspur, Hamirpur, Kinnaur, Kullu, Lahaul and Spiti, Shimla, Solan and Una.

1.2.3 Scope of Audit

The performance audit covered the period 2005-10 and was carried out during March-June 2010 through a sample check of records in the offices of the Director, Rural Development (Director), five[25] out of 12 District Programme Coordinators (DPCs) in the State, 12[26] out of 39 Blocks in the selected districts and 48 out of 598 GPs falling under the jurisdiction of the selected Blocks. The selection of districts and Blocks was based on Simple Random Sampling without Replacement (SRSWOR) method, and GPs were selected on the basis of Probability Proportionate to Size with Replacement (PPSWR) method.

1.2.4 Audit Objectives

The main audit objectives were to assess whether:

- effective steps were taken by the State Government for planning, implementation and monitoring/ evaluation of the MNREGA outcomes;
- the procedures of preparing perspective and annual plans at different levels for estimating the likely demand for work and preparing a shelf of projects were adequate and effective;
- there was an effective process in compliance with the Act and guidelines for registration of households, issue of job cards, planning and execution of works, payment of wages/ unemployment allowance, accounting and utilisation of funds;
- there was an adequate and effective mechanism for social audit and grievance redressal; and
- there was an adequate and effective mechanism at different levels for monitoring and evaluation of MNREGA outcomes.

1.2.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- The MNREGA, 2005 and notification issued thereunder;
- The MNREGA Operational Guidelines (2006) which were further revised in 2008; and
- Instructions and orders issued by GOI, Ministry of Rural Development/State Government from time to time.

1.2.6 Audit Methodology

The performance audit of implementation of the Act commenced with an entry conference (May 2010) with Secretary, RDD, wherein the audit objectives, audit criteria, scope of audit and methodology were discussed.

Audit conclusions were drawn after scrutiny of records in selected units, analysis of available data, issue of audit memoranda and examination of the responses of various functionaries. The report was finalised after taking into account the views put forth by the Government during an exit conference held in August 2010 with the Secretary (RDD).

[25] Chamba, Hamirpur, Kangra, Kullu and Sirmaur.

[26] Bamsan, Bhattiyat, Dehra, Fatehpur, Kullu, Lambagaon, Nadaun, Naggar, Panchrukhi, Rajgarh, Salooni and Shillai.

Audit Findings

1.2.7 Planning

1.2.7.1 Preparatory steps

The obligation to provide employment within 15 days, necessitates advance planning. The basic aim of the planning process is to ensure that the District is prepared to offer productive employment on demand. The following preparatory steps were required to be taken for planning and effective implementation of the Act:

❖ **Formulation of State Employment Guarantee Scheme**

In accordance with Section 4 (i) of the Act, every State Government was required to formulate and notify within a year from the date of commencement of the Act, a scheme for giving effect to the provision of Section 3 of the Act ensuring guarantee of employment to rural households. The State Government notified Himachal Pradesh Rural Employment Guarantee Scheme (HPREGS) in November 2006 to comply with above provisions within the prescribed timeframe. Further, the Act required the State Government to make rules to carry out the provisions of the Act and indicate grievances redressal mechanism. Formulation of such rules was crucial for the effective implementation of the Act.

The State Government notified (December 2009) rules with regard to social audit and grievance redressal mechanism after delay of more than three years of formulation of HPREGS. It was noticed that grievance redressal mechanism was non-existent upto 2008-09 at State level as Complaint Register was maintained only from 2009-10. Due to non-formation of grievance redressal mechanism at State level, in two[27] out of five districts selected for test-check, 342 out of 391 public complaints pertaining to the period 2005-09 were not disposed of by the concerned DPCs and the complainants could not get their complaints resolved at the State level.

In exit conference, the Secretary accepted the facts and stated (August 2010) that complaints from the public were mostly resolved without delays. However, no documentary proof in support of above contention was furnished to audit.

❖ **State Employment Guarantee Council (SEGC)**

The Act stipulates that every State Government should set up a State Employment Guarantee Council (SEGC) which is responsible for advising the State Government on implementation, evaluation and monitoring of the scheme. The State Government constituted SEGC in July 2006 with the Chief Minister as Chairman, the Rural Development and Panchayati Raj Minister as Vice-Chairman, 14 official members and 15 non-official members. To oversee the implementation of the scheme, the SEGC was required to convene meetings twice a year.

It was noticed that the SEGC held only two meetings in December 2006 and January 2009 against the required number of seven.

Inadequate monitoring by the SEGC, resulted in non-exercising of any check over planning process, execution of works without technical estimates, preparation of shelf of works without

[27] Kangra and Sirmaur.

ensuring work priorities according to the provision of the Act as brought out in paragraphs 1.2.10.2 and 1.2.10.4.

Additional Director, RDD stated (June 2010) that due to busy schedule of the Chief Minister and other administrative reasons, the required meetings of SEGC could not be convened. The fact, however, remains that high level monitoring for implementation of the Act was inadequate.

1.2.7.2 District Perspective Plan

The MNREGA operational guidelines stipulate the preparation of a five year District Perspective Plan (DPP) to facilitate advance planning and provide a development perspective for the district. The aim is to identify the types of REGS works to be encouraged in the district and the potential linkage between these works and long term employment generation and sustainable development.

In three[28] out of five test-checked districts, DPPs were not prepared. In the remaining two[29] districts, DPPs were prepared but the same were not prepared as per guidelines and instructions of GOI issued in August 2006. In the DPPs of these two districts prioritisation of works as per Section 4 (3) of the Act was not done and works which were not permissible under the Act were included for execution. Also, these DPPs were not sent for approval of GOI uptill May 2010. In the absence of DPPs the types of works which should be executed in the districts to ensure long term employment generation and sustained development were not identified. This resulted in unplanned execution of works on adhoc basis. The Government stated (September 2010) that the preparation of DPP is an exhaustive process which requires expertise and resource mapping skill.

1.2.7.3 Annual Plans

The Annual Plan (AP) is a working plan that identifies the activities to be taken up on priority in a year. MNREGA guidelines envisaged that the process for approval of APs from different levels of PRIs viz., GPs, Intermediate Panchayats (IPs) and District Panchayats must be completed by December of the preceding year. For ensuring people's participation in the planning process, Gram Sabha should be convened in advance to estimate demand for labour and propose the number and priority of works to be taken up in the following year. The APs of GPs were to be forwarded to the Programme Officer who would scrutinise and consolidate them into a block plan. The block plan which also identifies works involving more than one GP, was to be then forwarded to the DPC for scrutiny and consolidation into a district plan. The DPC would examine and approve the district plan.

It was noticed in audit that documented annual plans as discussed above were not prepared during 2005-10 in any of the districts selected for test-check. In the absence of these plans there were no shelf of projects for timely approval, thus affecting the ability to meet demand for employment. Besides, in the absence of details of physical assets and enduring outcomes in the District Annual Plans, no meaningful comparison of actual achievements-vis-à-vis plan is possible.

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[28] Hamirpur, Kangra and Kullu.

[29] Chamba and Sirmaur.

The Government stated (September 2010) that instructions regarding preparation of Annual Action Plans have been reiterated and implementing agencies have been directed to prepare documented Annual Plans.

1.2.8 Financial Management

GOI released funds directly to districts upto March 2009 and thereafter to Director, Rural Development for implementation of the scheme. The release of funds was based on the State Government's labour budget appraisal containing the details of anticipated demand of households for employment and cost per personday. A separate bank account was required to be opened at district, Block and GP levels. Similarly, the State Government was also required to establish a State Employment Guarantee Fund (SEGF) from which State share was to be released directly to districts.

1.2.8.1 Financial Performance

The year-wise position of funds released by the GOI and the State Government for implementation of the scheme and utilisation thereagainst during 2005-10 is given as under:

Table: 1.2.1

(₹ in crore)

Year	Opening balance	Funds received from		Total funds released	Funds utilised	Unutilised fund at the close of year
		GOI	State Government (including interest and other receipt)			
2005-06	Nil	8.73	0.01	8.74	0.54	8.20
2006-07	8.20	45.23	7.84	53.07	32.08	29.19
2007-08	29.19	125.96	18.91	144.87	122.83	51.23
2008-09	51.23	410.11	40.81	450.92	325.60	176.55
2009-10	176.55	375.47	59.12	434.59	558.58	52.56
Total		**965.50**	**126.69**	**1092.19**	**1039.63**	

Source: Departmental figures

From the above table it can be seen that out of total financial assistance of ₹1092.19 crore provided by the GOI and the State Government during 2005-10, utilisation of funds on implementation of scheme was ₹1039.63 crore (95 *per cent*). In five test-checked districts, against total releases of ₹646.81 crore during the aforesaid period, utilisation of funds was ₹612.43 crore as detailed in Appendix-II. The percentage of utilisation of funds in these districts ranged between 16 and 98 *per cent*.

❖ **Delay in release of State share**

As per guidelines, State share of funds is required to be released within 15 days of the release of Central funds. It was, however, noticed that during 2005-10 State share amounting to ₹73.99 crore was not released within 15 days of the release of funds by the GOI. The delay in release of funds ranged between 15 and 169 days. Deputy Director (Statistics) Rural

Development Department stated (July 2010) that due to lengthy procedure of obtaining expenditure sanction delay occurred in release of State share on some occasions. The reply is not acceptable as initiation of timely action is necessary to ensure timely release of funds to the implementing agencies.

- **Establishment of State Employment Guarantee Fund**

According to the scheme guidelines, the State Government was required to establish a fund to be called the State Employment Guarantee Fund (SEGF). The fund was to be expended and administered as a revolving fund with rules that govern and ensure its utilisation according to the purpose of the Act. The SEGF was set up in the State in July 2008 but the State Government has not designed a complete Financial Management System as of June 2010. This was necessary to ensure transparency, efficiency and accountability and track the use of funds towards the final outcomes. The Government stated (September 2010) that framing of rules of SEGF is under process.

- **Monthly squaring of accounts**

To reduce the risk of financial 'leakage' and to promote transparency and accuracy in fund management, the practice of monthly squaring of accounts is required to be introduced to verify that all money released under MNREGA are accounted for under three heads viz. money held in bank accounts at various levels, advances to implementing or payment agencies and expenditure vouchers. It was noticed that monthly squaring of accounts was not done by any of the test-checked units viz. District, Block and GPs. In the absence of it accuracy of actual expenditure, advances paid and unspent amount lying in bank accounts could not be verified in audit.

The Government stated (September 2010) that instructions have been issued to the implementing agencies to ensure monthly squaring of accounts and reconciliation thereof.

1.2.9 Registration and issue of Job Cards

Before demanding employment under REGS, rural households have to register themselves and get a job card. The process for registration of households, issue of job cards, as per the MNREGA operational guidelines is as follows:

- Household may submit an application for registration or submit an oral request.
- A Gram Sabha shall be convened to mobilise applications for registration and conduct verification.
- A door-to-door survey may also be undertaken to identify persons willing to register under the Act.
- Job cards should be issued within a fortnight of the application for registration. Photograph of adult member applicants should be attached to the job cards, number assigned and entered in the Job Card Register.

Audit scrutiny revealed the following:

1.2.9.1 Discrepancies in registration at Panchayat level

In 40, out of 48 selected GPs covering 11,730 registered households, the following discrepancies were noticed in receipt of applications for registration and maintenance of job card registers:

- There were no signatures of 737 job card holders in Job Card Registers (JCRs).
- Joint photographs were not affixed in 657 cases.
- Verification in respect of 392 cases was not done by the Pradhans of concerned GPs.
- In 570 cases there were no signatures of registering authority (Pradhan) in the JCRs.
- In 274 cases date of registration was not entered in the JCRs.
- In GP Simbalkhola (Panchrukhi Block) 48 households applied for registration in November 2008, but they had not been registered as of March 2010.

In the exit conference, the Secretary assured (August 2010) to take corrective action on these matters.

1.2.9.2 Registration of Minor member of households

Operational guidelines of MNREGA provided for registration of only adult members who volunteer to do unskilled manual work.

Scrutiny of JCRs in the test-checked districts revealed that 419 minors of 308 households were registered in five GPs[30] of Salooni Block. In GP Sanooh, 16 minors were also engaged on 21 works (involving 35 muster rolls) between June 2006 and September 2007 and paid wages for 716 days at the rate of ₹75 per day which was applicable for an adult worker.

The Government stated (September 2010) that the matter has been taken up with the concerned implementing agency and strict departmental/penal action is contemplated against the defaulters.

1.2.10 Execution of works

According to the Act and MNREGA guidelines the following requirements for execution of works should be complied with:

- To avoid duplication, a unique identity number should be assigned to each work.
- Administrative approval and technical sanctions should be obtained for all works in advance, by December of the previous year.
- Worksite facilities viz. medical aid, drinking water, shelter and creche (if there are more than five children below the age of six years) are to be ensured by the implementing agency.
- Asset Registers for completed works is required to be maintained at GP and Block level.

[30] Bhandal: 169; Jakhota: 21; Ligga: 81; Rast: 16 and Sanooh: 132.

Scrutiny of the records of 48 GPs in five districts selected for test-checked revealed the following:

1.2.10.1 Unique identity number not assigned to works

No unique identity numbers were allotted to works in any of the Panchayats to ensure proper records of works and to avoid duplication in execution of works.

1.2.10.2 Execution of low priority/inadmissible works

As per operational guidelines read with Section 4 (3) and schedule-1 of MNREGA, the works be taken up in order of priority as laid down in the scheme. The works of water conservation and water harvesting works were the first priority and rural connectivity was the lowest in the priority list. Detail of expenditure incurred on different works during 2005-10 in the five test-checked districts in order of their priority are tabulated below:

Table: 1.2.2

(₹in crore)

Sr. No.	Category/priority of works	Number of Works	Expenditure incurred	Percentage to total works
1	Water conservation and harvesting	17,748	123.93	13
2	Drought proofing, afforestation and plantation	2,873	22.76	2
3	Irrigation canals and minor irrigation works	12,861	106.07	9
4	Provision of irrigation facilities to SC/ST etc.	3,805	24.62	3
5	Renovation of traditional water bodies	8,128	54.54	6
6	Land development	7,665	53.49	6
7	Flood control and protection work	15,312	136.00	11
8	Rural connectivity	63,856	471.56	47
9	Other works	3,694	15.90	3
	Total	**1,35,942**	**1008.87**	

Source: Departmental figures

From the above table it would be seen that implementing agencies ignored statutory priorities in execution of works and gave highest priority to rural connectivity which was the lowest in the priority list. Out of 1,35,942 works executed at a cost of ₹1008.87 crore during 2006-10, 63,856 works (47 *per cent*) costing ₹471.56 crore pertained to rural connectivity. Works such as water conservation and harvesting, drought proofing (including afforestation and plantation) irrigation and renovation of traditional water bodies were not taken up in order of their priorities as execution of such works was important to strengthen the natural resource base of rural livelihood and address the main cause of poverty. This indicated lack of planning at Block and district levels as the POs and DPCs did not scrutinise the appropriateness of proposals for execution of works as required under the guidelines.

Similarly, during 2007-10, an expenditure of ₹19.19 crore was incurred by nine out of 12 selected blocks on construction of 3298 works such as Shamshan Ghat, Rain shelters, Kuchha/Pacca paths, Kitchen sheds in primary schools, etc., which were not notified by the GOI.

Thus, execution of aforesaid works in violation of the provision of the Act was irregular.

Further, Asset Registers were not maintained in any of the test checked Blocks and GPs since the inception of the scheme. In the absence of Asset Register at Block and GP levels, current status and benefits derivable by the beneficiaries could not be ascertained in audit. Also, non-maintenance of asset register implied that there was no record of the durable assets created and it would not be possible to ensure their subsequent maintenance and retention of ownership.

The Government stated (September 2010) that instructions to the implementing agencies have been issued for taking up works as per the priority reiterating that rural connectivity may be given last priority and water conservation/harvesting works be given first priority as envisaged in the Act and to maintain Asset Registers.

In the exit conference the Secretary stated (August 2010) that as per scheme guidelines GPs had the liberty in selection of works and administration was not to issue any directions to them. The reply is not acceptable as focus of the scheme on the works in order of priority was already laid down in the Act.

1.2.10.3 Construction of roads contrary to specifications

As per guidelines rural connectivity was to be provided with all weather access within the village area. During 2006-10 in Dehra, Rajgarh and Shillai Blocks 172 works of Kutcha roads were executed at the cost of ₹2.24 crore without stabilisation of top surface and adequate provision for drainage and culverts. This occurred due to faulty preparation of estimates by the departmental technical staff posted at Block and GP levels. As a result, it was not possible to make these roads negotiable in all seasons particularly in the rainy season as is evident from the following photograph:

Photograph-1.2.1

Link road Naini-Dhar to Jhakando in Shillai Block.

The Government stated (September 2010) that instructions have been issued to all the implementing agencies to stabilise the roads with locally available aggregate and providing adequate drainage system to make them negotiable in all seasons of the year.

1.2.10.4 Execution of works without technical estimates

Technical sanction is an assurance that proposal is structurally sound and that the estimate is calculated accurately based on adequate data. It was noticed that during 2007-10 in Salooni Block, 6,932 works were executed through panchayats at a cost of ₹36.17 crore without preparing estimates or obtaining technical sanctions. The assessment of works was done after completion of work and measurements were recorded in the MBs in such a manner that the value of works executed equaled the sanctioned cost. As such, due to execution of works without preparation of detailed technical estimates, the quality of works could not be ensured.

The PO concerned admitted the facts and stated (May 2010) that technical estimates were not prepared due to shortage of technical staff and rush of work.

The Secretary in the exit conference assured (August 2010) that necessary directions to the implementing agencies would be issued.

1.2.10.5 Execution of works through agencies not specified in the Act

As per operational guidelines of MNREGA, the Gram Panchayat is the single most important agency for execution of works as the Act mandates earmarking a minimum of 50 *per cent* of the works in terms of costs to be executed by the Gram Panchayat. The other Implementing Agencies (IAs) can be intermediate Panchayats, line departments of the Government, Public Sector undertaking of the Central and State Governments Cooperative Societies with a majority shareholding by the Central and State Governments and reputed NGOs having a proven track record of performance. Besides, Self Help Groups (SHGs) can also be considered as IAs.

In Salooni Block of Chamba district, during 2006-10, the PO entrusted execution of 473 works to "local committees" of the villagers who had no proven track record of performance and technical expertise. Besides, these committee got registration under the Himachal Pradesh, Societies Registration Act, 2006 without any shareholding of State/Central Government. As such, these committees were not eligible implementing agencies. An expenditure of ₹5.54 crore was incurred on works during the aforesaid period through the committees. Scrutiny further revealed that no records relating to employment generated, expenditure incurred on wages and material was available with the PO concerned. The PO without obtaining the above details and getting the assets created accounted for in the record of concerned GPs, made payment to these committees. Moreover, the possibility of siphoning of funds by way of collusion among labourers and middleman (committees) to share inflated wages cannot be ruled out. Besides, periodical reports were sent to GOI without incorporating the factual position of persondays generated for the rural masses.

The Government stated (September 2010) that necessary instructions have been issued to the DPO Chamba and the PO (BDO) Salooni has been chargesheeted on this count.

1.2.10.6 Preparation of Project Completion Report

MNREGA guidelines stipulate that on completion of every project/work, a Project Completion Report (PCR) should be prepared as per the prescribed format in the work register and the details entered therein should be verified by a senior officer. A photograph of completed work should be taken as a record of work done and attached to PCR. PCR should be placed in the file pertaining to the work in the office of the implementing agency. This would serve as a record of verification of completion of work.

In five[31] out of 12 selected Blocks 9,313 works were got executed and shown as completed at a cost of ₹47.95 crore in the works register but the requisite PCR setting forth the above particulars were not prepared and kept on record. In the absence of any PCR duly verified by a responsible officer the authenticity of completed works could not be verified in audit.

The Government stated (September 2010) that implementing agencies have been directed to prepare Project Completion Report as per the prescribed format.

1.2.10.7 Wage-material ratio not maintained

In four[32] out of 12 selected Blocks, the requisite ratio was also not maintained to the prescribed extent as percentage of wage costs was between 50 and 58 *per cent* during the aforesaid period. In 48 GPs selected for test-check, 243 works were completed during 2006-10, it was noticed that in respect of 168 works the ratio of wage component was less than 60 *per cent* and it ranged between 12 and 58 *per cent* respectively. As the amount spent on material exceeded the prescribed limit of 40 *per cent,* the purpose of prescribing higher ratio for wage component was defeated resulting in availability of less funds for employment generation.

1.2.11 Employment and wages

1.2.11.1 District Schedule of Rates

The MNREGA operational guidelines stipulate that:

- District Schedule of Rates (DSR) should be prepared for each district and should be posted at worksite in the local language.
- The State Government should prepare exhaustive and detailed list of tasks required for undertaking works, in different geomorphological conditions and the productivity norms for DSR should be worked out for each locale in such a way that seven hours of normal work earns minimum wages on a piece rate basis.

It was noticed in audit that the requisite DSR was not prepared in any of the district selected for test-check. The labourers engaged on work were required to finish a fixed quantity of work as per the prevalent Schedule of Rates (SOR) applicable in the Public Works Department (PWD). Since the SOR of PWD were based on the work to be done by healthy and able bodied labourers not above the age of 65 years, non-preparation of the DSR was contrary to the objective of the scheme as any willing adult member including old aged and disabled would not be able to complete the works as per SOR of PWD.

While admitting the facts in the exit conference the Secretary stated (August 2010) that it was not possible to prepare the DSR due to non-availability of technical competence in the Department. He further stated that DSR would differ from one district to another owing to different geographical

[31] Bamson, Bhattiyat, Fatehpur, Nadaun and Salooni.

[32] Bhattiyat, Naggar, Panchrukhi and Shillai.

conditions. The reply is not acceptable in view of the fact that MNREGA guidelines required fixation of productivity norms for DSR in respect of each locale in such a way that seven hours of work earns minimum wages on a piece rate basis.

1.2.11.2 Payment of wages

As per guidelines the workers were to be paid wages on a weekly basis and in any case not beyond a fortnight of the date on which work was done. In the case of delay beyond a fortnight, workers were entitled to compensation as per the provisions of the payment of wages Act, 1936.

Audit noticed that in 37 out of 48 GPs selected for test-check, labourers engaged on 672 muster rolls during 2008-10 were not paid wages (₹97.45 lakh) on time i.e. within the prescribed period of a fortnight. The delay in payment of wages ranged between 15 and 90 days. No compensation was paid to labourers for delayed payment.

The Government stated (September 2010) that in some far flung/remote Gram Panchayats there are some instances of delayed payments. The fact, however, remains that delayed payment of wages is a violation of the Act and also affects the livelihood security of the labourers.

It was further noticed that in 13[33] test-checked GPs of Hamirpur (Six GPs) and Kangra (Seven GPs) districts, wages to the labourers for 5,652 persondays during 2008-10 were paid less than the minimum wages notified by the State Government from time to time resulting in short payment of wages amounting to ₹1.11 lakh. The concerned POs stated (April-May 2010) that wages were paid after the assessment of work executed. The reply is not acceptable as payment of minimum wages as notified by the State Government was to be ensured to the labourers.

1.2.11.3 Employment generation

The primary objective of MNREGA is to enhance livelihood security by providing at least 100 days of guaranteed employment in the year of demand. The position of mandays generated, expenditure incurred on implementation of the scheme and number of households to whom benefit of employment was provided in the State during 2006-10 is given below:

Table: 1.2.3

Year	Mandays generated (number in lakh)	Expenditure incurred on implementation of scheme (₹ in crore)	Number of households who availed the benefit of employment (In lakh)
2005-06[34]	Nil	0.54	Nil
2006-07	29.90	32.08	0.64
2007-08[35]	97.53	122.83	2.71
2008-09	205.29	325.60	4.44
2009-10	284.94	558.58	4.97
Total	**617.66**	**1039.63**	

Source: Data supplied by the Director Rural Development

[33] Hamirpur: Barara, Bharmoti Khurd, Booni, Chamboh, Dhanwan and Tapre. Kangra: Alampur, Bhol Khas, Jakhota, Dhanot, Matial, Papahan and Trehal.

[34] During 2005-06 GOI released funds in March 2006 after the Act came into force from 2 February 2006 in two districts (Chamba and Sirmaur) only. ₹0.54 crore were spent on works already in progress under Food for Work Programme submerged under MNREGA. Mandays generated were thus reflected in the progress of that programme.

[35] During 2005-06 and 2007-08 two more districts (Kangra and Mandi) were covered under the scheme and from 2008-09 onward remaining eight districts were also covered.

From the above table it would be seen that during 2006-10, 4.97 lakh households (cumulative number) availed the benefit of employment generation by incurring an expenditure of ₹1039.63 crore. Out of 4.97 lakh households, only 1.29 lakh households (26 *per cent*) availed the benefit of 100 days employment in a year.

The Additional Director RDD stated (June 2010) that it is a demand driven programme and in some cases households who demanded employment did not turn up for getting employment. He further stated that households who demanded 100 days employment were provided employment according to their demands. This was corroborated as audit did not detect any case where a household had made a demand but not given employment.

❖ **Employment to women**

MNREGA guidelines envisage that while providing employment, priority shall be given to women in such a way that at least one third of the beneficiaries who have registered and requested for work under the scheme are provided wage employment.

During 2006-10, total persondays generated under the scheme was 617.66 lakh, of which, employment for 244.43 lakh (40 *per cent*) persondays was given to women beneficiaries. Thus, overall position with regard to employment provided to women in the State was satisfactory, keeping in view the benchmark of coverage of one third of women beneficiaries under the Act.

1.2.11.4 Muster Rolls

According to the MNREGA guidelines, Muster Rolls (MRs) issued from the Block level, each with a unique identity number were to be maintained by the GPs, in a proforma suggested by the Ministry of Rural Development (MORD).

Audit scrutiny revealed the following:

- MRs maintained by 48 GPs in test-checked districts did not bear unique identity numbers.
- In two test-checked GPs, 18 MRs[36] used were not issued by the concerned Blocks and GPs maintained them in a proforma/format other than the prescribed one.
- In the case of 137 MRs test-checked in audit the signature of the person taking daily attendance of labourers was not found recorded.
- In respect of 52 MRs pass order/certificate of payment was not found recorded by the Pradhan of concerned GPs.
- The signature of Inspecting Officer, on MRs in token of having the works inspected were also not available in any of the GP test-checked in audit.

The Government stated (September 2010) that the matter has been taken up with the concerned implementing agencies for remedial action.

[36] Drug: 13 and Kotiutrao: five.

1.2.12 Record maintenance

Maintenance of records under MNREGA is critical to ensure verified compliance with the legal guarantee of 100 days employment on demand. As per the guidelines the following important records are required to be maintained at Block and GP levels:

- Application Registration Register-which records application/requests for registration of households;
- Job Card/Employment Register-which records (for each registered household) details of employment demanded, employment allotted and employment actually taken up;
- Muster Rolls-which is a record of attendance and payment of wages for individual workers;
- MR Issue/Receipt Register-which records issue and receipt of Muster Rolls (from the PO to GP); and
- Complaint Register-which records details of complaint made and action taken.
- Monthly allotment and Utilisation Certificate Watch Register-which contains date-wise information on allotment, expenditure, balance available with the implementing agency and the details regarding submission and pendency of utilisation certificate.

Scrutiny of records revealed that Monthly Allotment and Utilisation Certificate Watch Registers were not maintained in any of the test-checked Blocks and GPs since the inception of the scheme. Further, complaint registers were not maintained in Chamba district, four[37] out of 12 selected blocks and all the 48 test-checked GPs.

In the absence of monthly allotment and utilisation certificate watch register, check over expenditure, balance funds available with the implementing agencies and details regarding pendency of utilisation certificates was not possible.

The Government stated (September 2010) that necessary instructions in this regard have been issued to the implementing agencies.

1.2.13 Monitoring

MNREGA operational guidelines stipulate the following procedures for monitoring and reporting:

- State, district and Block level official shall inspect 2, 10 and 100 *per cent* of works respectively every year.
- Financial audit of all districts is mandatory.
- District Internal Audit Cells shall be constituted to scrutinise the reports of Gram Sabha.
- Verification and quality audit by external monitors must be taken up at State and district levels through State and District Quality Monitors to be designated by the State Government.
- Local Vigilance and Monitoring Committees (VMCs) consisting of members elected by the Gram Sabha should monitor the progress and quality of work while it is in progress.

[37] Bhattiyat, Fatehpur, Nadaun and Salooni.

Audit scrutiny revealed the following:

1.2.13.1 Inspection of works by State, District and Block level officials

As per the provision of the guidelines, state level officers were required to inspect two *per cent* of the works executed during the year. Similiarly, 10 *per cent* of the works were to be inspected by district level officers and 100 *per cent* by the block. The position of inspections conducted by various functionaries at State, District and Block during 2006-10 is given below:

Table: 1.2.4

(In numbers)

Level of functionaries	Works executed	Inspection required	Inspection conducted	Shortfall (%)
State	1,35,942	2,719	Nil	2,719 (100)
District*	81,587	8,159	5,576	2,583 (32)
Block*	30,079	30,079	15,474	14,605 (49)

Source: Figures supplied by the Department

* In selected districts and blocks

From the above table it can be seen that no work was inspected by the State level officers during 2006-10. In the selected districts and blocks there was shortfall of 32 and 49 *per cent* respectively in inspections conducted. Further, in support of inspection reported to be conducted by the district and block officials, no documented proof viz. inspection notes were available with them for remedial action, if any, required for proper execution of works.

While admitting the facts, the Secretary in the exit conference assured (August 2010) to look into these matters and to issue necessary directions to the implementing agencies.

1.2.13.2 Appointment of State and District Quality Monitors

The State Government was required to ensure monitoring of the implementation of the Act through the external monitors at State and district levels.

The State Government had not instituted the mechanism of State Quality Monitor (SQM) and District Quality Monitors (DQM) for verification and ensuring quality audit of works as of June 2010. In the absence of any designated SQM and DQM the monitoring mechanism remained to be adequately strengthened.

The Government stated (September 2010) that the matter regarding appointment of State/District quality monitors is under the consideration of the State Government.

In the exit conference, the Secretary assured (August 2010) to look into the matter and issue necessary directions.

1.2.13.3 Vigilance and Monitoring Committees

For every work sanctioned under the scheme there should be a local Vigilance and Monitoring Committee (VMC) comprising of member of the locality or village where the work is undertaken to monitor the progress and quality of work while it is in progress.

It was noticed that in all 48 test checked GPs, village specific VMCs were not formed. Instead the VMCs were formed wardwise consisting of three to 10 members. Besides, due representation was not ensured to 50 *per cent* MNREGA worker, SC/ST and women in these VMCs as was required in the guidelines. It was further noticed that these committees were also non-functional as completion certificates of the works duly supported by the final report of the committee were not placed in any of the meetings of Gram Sabha in the Panchayat where work has been executed.

1.2.13.4 Establishment of District Internal Audit Cell

No district level internal audit cells had been established to scrutinise the reports of Gram Sabha as of June 2010. The Government stated (September 2010) that necessary instructions in this regard have been issued to the implementing agencies.

1.2.14 Social Audit, Transparency and Grievance Redressal

MNREGA gives a central role to "social audits" as a means of continuous public vigilance. The guidelines indicate two types of social audit:

- Periodic assemblies in the Gram Sabha for scrutinising details of projects (which is referred to as " Social Audit Forum"); and
- Social audit as a continuous process of public vigilance involving potential beneficiaries and other stakeholders, which covers verification of 11 stages[38] of implementation right from registration of families to evaluation through the Social Audit Forum.
- Updated data on demand received, registration, number of job cards issued, list of people who demanded and had been given/not given employment, funds received and spent, works and details of expenditure on it, duration of work, persondays generated, reports of local committees and copies of muster rolls should be made available in a pre-designated format outside offices of all agencies involved in implementing REGS.
- Social Audit Forums must be held twice a year at the Gram Sabha level for all works done in the preceding year.

Scrutiny of records revealed that during 2006-10 out of 48 test-checked GPs, Social Audit Forums were not held in 27 GPs whereas in 9 GPs forums were held only on one occasion in four years. In the case of remaining 11 Panchayats forums were held at the prescribed intervals. Besides, updated data on demand received, registration, number of job cards issued, list of people who demanded work and been given/not given employment funds received and spent, payments made, works sanctioned and works started, cost of works, details of expenditure on works, duration of work, persondays generated, reports of local committees and copies of muster rolls were not made public in any of the test-checked GPs. Thus, the Central role to social audit as means of continuous public vigilance and ensuring transparency and accountability at GP level was inadequate.

The Secretary in the exit conference assured (August 2010) to issue necessary directions.

[38] Registration of families; Distribution of Job Cards; Receipt of works application and issue of dated receipts; Preparation of shelf of projects and selection of sites; Development and approval of technical estimates and issuance of work order; Allotment of work to applicants; Execution of works and maintenance of muster rolls; Payment of wages; Execution of work; Payment of unemployment allowance and mandatory social audit in the Gram Sabha.

1.2.14.1 Citizens' Charter

As per guidelines a model 'Citizens' Charter covering all aspects of the duties of Panchayats and officials under the Act, describing the specific steps involved in implementing the provisions of the Act, and laying down the minimum service level mandated by these provisions on Panchayats and the officers were not developed and displayed at district, Block and GP levels in the test-checked units to ensure proactive disclosure of information on MNREGA to the public.

The Secretary in the exit conference assured (August 2010) to issue necessary directions in this regard Appointment of State/District quality monitors is also under the consideration of the State Government.

1.2.15 Conclusion

- Absence of a District Perspective Plan to ensure linkages between REGS works, long term employment development and lack of inputs at the grass root level in the annual plans resulted in execution of works in an unplanned manner on adhoc basis.

- Implementing agencies ignored statutory priorities in execution of works. As a result, out of total expenditure of ₹1008.87 crore incurred on works, 471.56 crore (47 *per cent*) pertained to low priority works of road construction. This impacted upon non-strengthening of nature resource base of rural livelihood by not taking up works of highest priority such as water conservation, drought proofing, afforestation and minor irrigation to address the issue of poverty.

- There were instances of delay in payment of wages (₹97.45 lakh), less payment of wages (₹1.11 lakh), lacunae in preparation of job cards in 40 out of 48 selected GPs and execution of non-permissible works costing ₹19.19 crore in nine out of 12 selected blocks.

- An innovative feature of the Act was to ensure transparency through regular meeting of Gram Sabhas and conduct of Social Audits. The central role to social audit as a means of continuous public vigilance and ensuring transparency and accountability at GP levels was inadequate.

- The monitoring mechanism was also weak as status of inspection of works and formation of Vigilance Monitoring Committee was also not upto the mark. Besides, monitoring at high level by the SEGC was not being ensured as per provision of the Act for its effective implementation.

1.2.16 Recommendations

- For ensuring a long term shelf of projects, preparation of District Perspective Plan should be ensured. The districts must also be directed to ensure timely preparation of Annual Plans at the three levels viz. at GP, Block and district. To simplify the work at GP level, the Annual Plan at GP level could be limited to identifying works and estimating labour demand, with estimation of likely costs etc., to be worked out by the technical assistant at the Block level.

- The State Government should ensure timely release of its share to streamline the financial management and utilisation of funds for intended purpose. In order to guard against any manipulation, the State Government should also ensure that monthly squaring of accounts is regularly conducted.

- The State Government should ensure that works are taken up by the implementing agencies in the order of priority as envisaged in the Act.
- SEGC meetings should be held as per guidelines at prescribed intervals to ensure effective implementation of the Act at the highest level.

CHAPTER-II

THEMATIC REVIEW

CHAPTER-II
THEMATIC REVIEW

Public Works and Irrigation and Public Health Departments

2.1 Schemes involving Land Acquisition

2.1.1 Introduction

To achieve the objective of the management and to provide intended service to the public, implementation of the policies and procedure devised by the Government should be ensured in time.

Forest Conservation Act prohibits use of forest land for non-forestry purposes without prior approval of the Government of India (GOI). The GOI had also clarified in March 1982 that diversion of forest land for non-forestry activities in anticipation of the approval was not permissible and that request for ex-post-facto approval would not be entertained. Further, Land Acquisition Act, 1894 as amended in 1984 also provided that if any land was needed for a public purpose, a preliminary notification under Section 4 and declaration under Section 6 should be made to that effect.

2.1.2 Scope of Audit and Audit Objective

In course of test-checks during compliance audit from May 2009 to February 2010 involving construction of works such as roads and bridge, a lift irrigation scheme, a water supply scheme and a sewerage scheme undertaken by 12 divisions[1] of Public Works and Irrigation and Public Health Departments of the Government of Himachal Pradesh, audit noticed that these works/schemes were held up and remained incomplete due to land acquisition issues resulting in idle investment/ infructuous expenditure. A theme based review of these cases involving land acquisition has been attempted by Audit so as to highlight the failure of the departments/Government to address the issue so that the benefits of these works/schemes reach the intended beneficiaries.

2.1.3 Audit Methodology

Test-check of the records of two Departments of the State Government for the period 2009-10 for compliance audit was carried out and audit conclusions were drawn and incorporated in the Report. The audit findings were intimated to the Heads of the concerned Departments and their replies, wherever received, have been appropriately incorporated in the Report.

2.1.4 Audit Findings

Public Works Department

2.1.4.1 Idle investment on construction of bridge and road

In order to provide transport facility to three villages[2] of Lahaul and Spiti district the construction of a 110 metre span suspension bridge over river Chenab at Salpat was sanctioned in December 1999 and completed in October 2005 at a cost of ₹2.72 crore. To make use of the bridge administrative

[1] Baijnath, Bilaspur-I, Chamba, Chopal, Dharampur, Keylong, Kullu-I, Palampur, Rampur, Shillai, Udaipur and Una-II.

[2] Salpat I, II and Ratoli.

approvals and expenditure sanctions for the construction of two motorable link roads[3] (total length 4.965 kms) to these villages were accorded between October 2004 and August 2005 for ₹29.64 lakh and ₹29.02 lakh respectively. The road works stipulated to be completed in two years and one year respectively, were taken up for execution in October 2004 without obtaining technical sanction.

Scrutiny of records (September 2009) of Udaipur division revealed that upto December 2008 the Department constructed roads in a length of 1.685 kms only after incurring an expenditure of ₹64.08 lakh. The remaining work could not be taken up due to involvement of forest/private land falling in the alignment of the roads and had been lying suspended as of March 2010. This shows that the Department failed to ensure encumbrance free land before taking up the road works for execution as per provisions of Forest Conservation Act, 1980 and Land Acquisition Act, 1894.

The Executive Engineer admitted (June 2010) the facts and stated that the case for obtaining sanction for use of forest land was still at the preliminary stage and in respect of private land, the land owners have agreed verbally to donate their land. However, no firm commitment in writing had been taken from the villagers. He further stated that the bridge and constructed road portion of the road were yet to be passed by the Road Fitness Committee (RFC) but the people of the area were using them. The reply is not acceptable as even after a period of more than five years of taking up the execution of road, the Department did not take effective steps to obtain sanction for use of forest land. Besides, use of bridge and road for plying of vehicles without clearance by RFC was fraught with the risk of mishaps.

Thus, failure of the Department to initiate timely action for acquisition of encumbrance free forest/private land and to synchronise construction of roads with the construction of bridge had resulted in idle investment of ₹3.36 crore as motorable road connectivity still remained to be provided to the inhabitants of these villages.

2.1.4.2 Idle investment on incomplete road works under PMGSY

As per the *Pradhan Mantri Gram Sadak Yojna* (PMGSY) guidelines, it is the responsibility of the State Government/District *Panchayat* to ensure that land is available for taking up the proposed road works. A certificate that land is available must accompany the proposal for each road and the details of land should be reflected in the local land records to avoid disputes.

Scrutiny of records (May 2009-Febuary 2010) of nine divisions[4] revealed that 13 road works[5] taken up under PMGSY for construction between October 2004 and August 2008 were subsequently held up between March 2005 and March 2009 after incurring an expenditure of ₹9.45 crore. The construction in case of nine road works was held up due to dispute with the land owners and in four cases due to involvement of forest land falling in the alignment of the proposed roads. It was also noticed that the Executive Engineers (EEs) at the time of sending proposal had furnished the certificates of availability of land without actually ensuring the availability of land free from all encumbrances and entries in the local land records.

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3 1st Road: From kms 48/170 of Tandi Thirot Udaipur Killar road to Salpat I and II villages, length 2.665 kms (Starting point taken as km 0/0) and bridge at km 0/343.
2nd Road: From kms 1/075 of 1st road and upto Ratoli village, length 2.300 kms (Starting point taken as km 0/0).

4 Baijnath, Bilaspur-I, Chamba, Chopal, Dharampur, Kullu-I, Palampur, Rampur and Shillai.

5 (i) Sansai-Chobin road (ii) Piplughat to Sariun Khas road (iii) Jhajjakothi to Matiund road (iv) Antrawali to Paban road (v) Sarkoli to Kiari road (vi) Dhabas to Baghar road (vii) Neoty to Lakhwati road (viii) Manjholi to Chanjah road (ix) Sanaur to Fihar road (x) Link road to village Bhallan-II (xi) Chharambhu to Chowki road (xii) Nogli Power House to Devtan Kalan Tanseri Khakhrola Batuna road and (xiii) Kando to Chittli road.

The EEs concerned confirmed the facts (May 2009-February 2010).

Thus, the Department did not comply with the pre-requisite formalities before taking up the execution of works which resulted in idle investment of ₹9.45 crore, besides depriving the public of the intended road connectivity.

Irrigation and Public Health Department

2.1.4.3 Infructuous expenditure on Lift Irrigation Scheme

To provide irrigation facility to a cultivable command area (CCA) of 22 hectares in Koharchhan and Basantpura villages (Una district), a Lift Irrigation Scheme was administratively approved (September 2005) for ₹35.28 lakh. The scheme stipulated to be completed in four years was taken up for execution in December 2005 without obtaining technical sanction.

Scrutiny of records (February 2010) of, Una division No.II revealed that the work could not be completed due to objection from a land owner on construction of rising main and sump well on his land. Meanwhile ₹59.20 lakh was spent upto March 2007 and since then the work has been suspended due to filing of a suit (December 2005) by the land owner. The case was still to be decided by the Court (May 2010).

The Executive Engineer confirmed (February 2010) the facts and stated that the work was started after ensuring encumbrance free land but later on some local disputes had arisen forcing the Department to abandon the work. The reply is not acceptable in view of the fact that acquisition of land for public purpose was not ensured as per provisions of the Land Acquisition Act, 1894 and the land owner had filed the suit before the commencement of the scheme. As a result, the expenditure of ₹59.20 lakh has proved infructuous. Besides, people of the area were deprived of the facility of irrigation.

2.1.4.4 Unfruitful expenditure on revival of Water Supply Scheme

During 2004-05 the discharge at water source (Tubewell) of the existing Water Supply Scheme (WSS) to Amb town (Una district) decreased to three litres per second (LPS) against the requirement of 22.03 LPS resulting in inadequate supply of drinking water to the people of the town. To mitigate this problem, ₹30 lakh was allocated (February 2005) out of Calamity Relief Fund for revival of the scheme.

Scrutiny of the records (February 2010) of Una division No.II revealed that drilling and development of a new Tubewell was completed in December 2006 at a cost of ₹11.01 lakh. To connect the newly constructed water source, with the existing supply line, an estimate for construction of 880 metre long rising main, procurement and erection of pumping machinery at a cost of ₹17.53 lakh was technically sanctioned (December 2006) by the Superintending Engineer, Una with the condition that the EE will ensure availability of legal hindrance free land before taking up the work. Scrutiny further revealed that the work of laying of rising main entrusted (February 2007) to a contractor could not be completed by him within the stipulated period of three months due to dispute over involvement of private land falling in the initial stretch of 331 metre. The contractor, however, executed the work of rising main in remaining portion of 549 metre in February 2007 and since then the work has been suspended. Meanwhile, an expenditure of ₹19.38 lakh was incurred on partial construction of rising main, procurement of pumping machinery and arranging the power supply.

The failure of the EE to ensure dispute free land and to initiate land acquisition procedure in time was the main cause of delay. He initiated land acquisition process only in 2008-09, despite the fact that the technically sanctioned estimate included a condition for ensuring legal hindrance free land before taking up the work. As a result, an expenditure of ₹30.39 lakh incurred on the scheme proved infructuous as the dispute remained to be resolved as of May 2010. Besides, the people of the area continued to face the scarcity of potable water.

The Executive Engineer while admitting the facts stated (May 2010) that all out efforts made to resolve the dispute could not succeed and now the case for acquisition of private land has been sent to the Government. The reply is not acceptable as availability of hindrance free land should have been ensured by him before taking up the work.

2.1.4.5 Idle investment on incomplete sewerage scheme

In order to provide sanitation facility to Keylong town (Lahaul and Spiti district), the construction of sewerage scheme was administratively approved (August 2003) for ₹2.95 crore and technically sanctioned (July 2004) for ₹3.04 crore. The scheme stipulated to be completed in five years was taken up for execution in October 2003.

Scrutiny of records (August 2009) of Keylong division and further information collected (May 2010-July 2010) revealed that the work could not be completed due to objection from land owners over laying of pipe line over their land. ₹1.51 crore was spent upto July 2009 and the work is lying in a suspended state since November 2008. Records also revealed that in the sanctioned estimate provision of ₹6.50 lakh existed for the acquisition of private land to facilitate the completion of scheme. The Department did not resolve this issue expeditiously and acquisition of private land remained to be done as of July 2010.

It was also noticed that the Himachal Pradesh State Pollution Control Board while issuing (April 2005) No Objection Certificate for the construction of scheme had directed the Department to design sewage treatment plant (STP) in place of septic tanks/soak pits in view of large volume of sewage. The Department, however, took the decision to construct the Sewage Treatment Plant only in November 2008 which also delayed the execution of the scheme.

The Executive Engineer confirmed (August 2009) the facts and stated (May 2010) that the case for acquisition of land submitted to the Land Acquisition Officer, Keylong was received back with some observations. The fact remains that the Department failed to acquire private land for timely completion of the scheme and responsibility for delay in acquisition of land and finalisation of design of STP lay with the EE and SE respectively.

Thus, failure of the Department to acquire land coupled with delay in finalisation of design of sewage treatment plant resulted in idle investment of ₹1.51 crore on incomplete scheme, besides, depriving the public of intended sanitation facility.

The audit findings were referred to the Government in April-June 2010. Reply had not been received (September 2010).

2.1.5 Recommendation

Non-implementation of the provisions of the Forest Conservation and Land Acquisition Acts is a recurring problem in the state. The State Government should frame specific policy in this regard by adequately compensating the land owners to provide intended benefits to the public in time and the defaulters in this regard should be made accountable.

CHAPTER-III

AUDIT OF TRANSACTIONS

CHAPTER-III
AUDIT OF TRANSACTIONS

Excess/overpayment/wasteful/unfruitful/infructuous expenditure

Agriculture Department

3.1 Unfruitful expenditure on establishment of Laboratory

Lack of Rain Water Harvesting Structures in the building for State Bio Control Laboratory rendered the expenditure of ₹45.40 lakh unfruitful due to non-clearance by Town and Country Planning Department

To encourage the farming community to adopt bio-control measures and reduce consumption of chemical pesticides, GOI sanctioned (December 2004) ₹45 lakh for setting up of State Bio Control Laboratory (SBCL) at Mandi under the scheme "Strengthening and Modernisation of Pest Management Approach in India". Equipment and vehicle worth ₹25 lakh for SBCL were to be provided by the GOI. The SBCL was to provide mass produced bio-agents to the farmers for use against seed and soil borne diseases of crops.

Audit scrutiny (September 2009) of records of the Deputy Director of Agriculture (DDA), Mandi and further information received (May-July 2010) revealed that the DDA released (March-September 2005) ₹45 lakh[1] to the Executing Agency[2] (EA) for construction of building of SBCL at Mandi. The EA took up the construction and handed over the completed building to DDA in December 2006. However, till July 2010 the building could not be utilised for the intended purpose due to non issuance of 'No Objection Certificate' (NOC) by the Town and Country Planning (TCP) Department as the Rain Water Harvesting Structure (RWHS); a statutory requirement for the building, was neither planned[3] nor set up by the Department. Further, ₹4.06 lakh was deposited by the DDA with Himachal Pradesh State Electricity Board (HPSEB) for installation of a transformer for power supply. But in the absence of NOC, the building

Photograph-3.1.1

Building constructed for setting up of State Bio Control Laboratory at Mandi

1 March 2005: ₹15 lakh; September 2005: ₹30 lakh.
2 Estate Officer, Chaudhary Sarwan Kumar HP Krishi Vishvavidyalaya, Palampur.
3 Provision of RWHS was not even included in the estimates framed for the construction of the building.

was treated as unauthorised and power connection could not be obtained from HPSEB. Supply of machinery and equipment had not been completed by GOI as of July 2010; as against the sanctioned 43 items of equipment to be supplied by the GOI only 16 items had been supplied. Thus, envisaged benefits of bio-control measures expected to accrue from setting up of SBCL remained to be provided to the farming community.

The Director of Agriculture while confirming the facts stated (July 2010) that the building could not be put to use due to non-receipt of NOC from the TCP Department, non-installation of electricity transformer and non-receipt of the entire equipment for the laboratory. Further, the tank for water harvesting has now been completed at a cost of ₹0.40 lakh but is yet to be connected to the down pipes of the building.

Thus, due to non-provisioning of Rain Water Harvesting Structure in the initial estimates by the DDA, Mandi, the building was declared unauthorised which ultimately resulted in the non-commissioning of the SBCL at Mandi for the last more than three years. Besides, the machinery and equipment provided so far by GOI for the purpose has also remained idle. The expenditure of ₹45.40 lakh incurred on construction of SBCL has, thus, proved unfruitful so far.

The audit findings were referred to the Government in May 2010. Reply had not been received (September 2010).

3.2 Infructuous expenditure on idle staff

Failure of the Department to adjust/transfer idle technical staff/helpers of Deep Tubewell Irrigation works/schemes resulted in infructuous expenditure of ₹1.12 crore on pay and allowances

The Sub-Divisional Soil Conservation Officer (SDSCO), Nurpur at Jachh (Kangra district) with technical staff/helpers carried out the work of Deep Tubewell Irrigation works/schemes using three drilling machines in Nurpur area of Kangra district.

Scrutiny (February 2006) of records of the SDSCO, Nurpur and further information collected (February 2010) revealed that the technical staff/helpers[4] were rendered idle and surplus after the transfer of Deep Tubewell Irrigation works/schemes to Irrigation and Public Health (I&PH) Department in August 2002. An expenditure of ₹1.12 crore incurred by the Department on pay and allowances of idle staff from September 2002 to July 2009 remained infructuous as their services could not be gainfully utilised. Further scrutiny revealed that two out of three Rig machines were auctioned (December 2004) after approval of the Government in September 2004. The third Rig machine purchased in October 1996 for ₹24.51 lakh was declared to be in good condition during inspection in September 2009 by I&PH Department. However, the rig machine was neither auctioned nor transferred to any other unit or I&PH Department and remained idle since August 2002.

The SDSCO, Nurpur at Jachh stated (February-June 2006) that the matter had been taken up with the Director of Agriculture in July 2003 who informed (February-June 2010) that the Rig machine purchased in October 1996 was lying idle since August 2002 and at present (February 2010) there

[4] Cleaners: two; Compressor Operator: one; Driller: one; Mechanic: one; Helpers: 15 and Welder: two.

was only one cleaner working in that office and rest[5] of the staff have either retired or have been transferred to other offices. The reply is not convincing as timely action to transfer/adjust the staff could have avoided unnecessary expenditure of ₹1.12 crore on the pay and allowances of idle staff from September 2002 to July 2009. Hence the investment on the Rig machine (₹24.51 lakh) remained largely unfruitful and expenditure on idle staff (₹1.12 crore) had also been rendered infructuous without any accountability being established.

The audit findings were referred to the Government in May 2010. Reply had not been received (September 2010).

3.3 Unjustified expenditure on construction of Working Women Hostel

Construction of Working Women Hostel at a cost of ₹1.33 crore by the University at Palampur without assessing requirement resulted in its non-usage for the intended purpose

To provide affordable hostel facilities to working women living away from their homes for employment, the Government of India (GOI) started (1972-73) a scheme 'Assistance for the construction of Hostel Building for Working Women with a Day Care Centre'. The Scheme was adopted by the Chaudhary Sarwan Kumar Himachal Pradesh Krishi Vishva Vidyalaya, Palampur, Kangra district (University) in 1998-99. A proposal for construction of a Working Women Hostel (WWH) submitted (February 2000) by the University was approved by the GOI in March 2001 and its share of first instalment of ₹13.21 lakh and ₹5 lakh by the State Government, were sanctioned in March 2001 and November 2002 respectively. The construction of WWH which started in October 2001 was scheduled to be completed in 24 months from the date of release (March 2001) of first instalment by the GOI.

Mention regarding non-completion of WWH was also made in paragraph 6.2.22 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Civil)-Government of Himachal Pradesh. PAC in its recommendations (April 2007) had asked for the latest position on the efforts made.

A further scrutiny (December 2009) of records of the University revealed that the GOI and the State Government released subsequent instalments of ₹36.11 lakh[6] for the aforesaid work. After spending ₹54.32 lakh, the University on the directions of the Vice-Chancellor, increased (March 2006) the plinth area of the building by 319.77 sqm and revised the estimate of the work from ₹58.73 lakh to ₹1.37 crore without seeking approval from the GOI. By diverting ₹78.71 lakh[7] from other development funds, the University instead of completing the work within 24 months completed the WWH at a cost of ₹1.33 crore in March 2008 only. The University also deployed six employees at ₹0.36 lakh per month, for watch and ward of WWH from June 2008. Comptroller of the University stated (July 2010) that only a part of the funds received for routine renovation of hostels and strengthening of infrastructure were allotted for completion of hostel work and, as such, no adverse effect was caused to other work in the University. However, the fact remains that the routine renovation and strengthening of structure suffered to the extent of diversion.

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[5] Out of 22 employees, nine had retired between February 2006 and March 2009; one died (July 2007), 11 promoted/transferred (March 2003-August 2008) to other offices and one still working in the same office (June 2010).

[6] GOI: ₹13.22 lakh in December 2003 and ₹13.21 lakh in January 2005; State Government: ₹9.68 lakh in March 2004.

[7] Centre Development Assistance-Strengthening and development of State Agriculture Universities (March 2006: ₹33.26 lakh and March 2008: ₹13.58 lakh); Revolving Fund-Institutional Charges (March 2006: ₹11 lakh) and ICAR-Under Prime Minister Fund (March 2007: ₹8 lakh and December 2007: ₹12.87 lakh).

Photograph-3.3.1

Unutilised building of working women hostel (Ganesh Bhawan)

Audit scrutiny further revealed that till June 2010 no working woman opted to stay at the WWH (Ganesh Bhawan) as their home towns were in nearby areas and good transport facilities were available. Also, the building was utilised (August 2007) by the University to accommodate participants of various trainings/seminars even before completion of work (March 2008) without seeking approval of GOI.

The Executive Engineer (EE), of the University stated (December 2009) that without pre-assessing the requirement, the proposal for construction of WWH was sent to the GOI keeping in view the non-availability of such facility in the nearby town. The Director, Agriculture stated (May 2010) that as no response from working women were received, the hostel could not be utilised for the intended purpose. The reply is not acceptable as a feasibility study should have been conducted to assess the requirement.

This has resulted in non-use of WWH for the intended purpose constructed at ₹1.33 crore for more than three years. This has further resulted in creating a liability of ₹0.36 lakh per month by way of staff deployed.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

Cooperation Department

3.4 Wasteful expenditure on unviable project

Inordinate delay by the Department in appointing a consultancy firm for preparation of detailed project report and to raise finances for setting up of Cold Storage resulted in wasteful expenditure of ₹16.18 lakh

To facilitate the fruit growers of the State, Himachal Pradesh State Cooperative Marketing Consumers' Federation Limited (HIMFED) proposed to set up Controlled Atmosphere (CA) Cold Storage of 3,000 MT capacity at Rai, Sonepat District in Haryana. A plot[8] measuring 1,800 square metres was purchased by the HIMFED (January 2003) at a cost of ₹35.10 lakh from Haryana State

[8] Plot No. 508, Food Park, Rai Sonepat, Haryana.

Industrial Development Corporation (HSIDC). The possession of plot was taken from the HSIDC in November 2004; and the construction on the plot was to be started within one year viz. before November 2005 as per agreement, and the commercial activities were to be started within three years from the date of possession of the plot.

Audit scrutiny of records of the HIMFED revealed (February-April 2010) that a consultancy firm M/s Mariental India Pvt. Limited, New Delhi (firm) was appointed (2 August 2004) by HIMFED after a delay of 19 months from the purchase of plot for preparation of Techno Economic Feasibility Report (Report). The Report was stipulated to be submitted by 31 August 2004 for a latest technology CA Cold Storage[9] at ₹2.18 lakh. The firm, however, submitted the Report in December 2004 after a delay of more than three months. Extension to start the construction work was obtained twice[10] by HIMFED due to non-availability of funds and it could not start the construction work till 2008. HIMFED to tide over the shortage of funds got ₹11.49 crore sanctioned (February 2007) from National Cooperative Development Corporation (NCDC). The firm was again appointed (May 2007) by HIMFED for providing detailed engineering report (DER) including that for taking up of civil works, at a cost of ₹14 lakh but the firm as per DER (October 2007) revised the cost of project to ₹19.97 crore as against the original project cost of ₹12.77 crore; while the projected construction of infrastructure was reduced from four to two storied structure.

The Board of Directors in its meeting (October 2007) decided not to go ahead with the project due to its escalated revised cost and paucity of funds. The HSIDC also rejected the proposal of HIMFED for sale of plot and informed that the vacant plot can be surrendered to HSIDC only and in that event, the principle cost of the plot after deduction of 10 per cent shall be refunded to HIMFED as per terms of allotment.

An expenditure of ₹47.77 lakh representing cost of plot including interest and other expenses like extension fees, proceeding fee, consultancy fee for preparation of Report/DER, etc., had already been incurred by HIMFED.

The plot was handed over to the HSIDC in January 2009 and it refunded ₹31.59 lakh to HIMFED. The consultancy firm submitted (February 2008) a detailed claim of various outstanding dues under the contract alongwith interest, besides, the loss and damages suffered by them due to wrongful termination of contract for ₹19.06 lakh. This liability remained to be set off (March 2010).

HIMFED sustained a loss of ₹16.18 lakh (total expenditure including price of plot: ₹47.77 lakh minus amount received from HSIDC: ₹31.59 lakh) due to shelving of the Project.

The Managing Director, HIMFED stated (February 2010) that after the preparation of DER for construction of latest technology CA Cold Store by the consultancy firm; the HIMFED found it unfeasible to invest such a huge amount and its viability was found uncertain and, therefore, dropped the idea to execute the project. However, the fact remains that these factors should have been kept in mind before initiating the proposal. Thus, due to faulty planning and inordinate delay in appointing the consultancy firm, the Department had incurred wasteful expenditure of ₹16.18 lakh besides further committing a liability of ₹19.06 lakh, being the consultation fee of the consultancy firm.

The audit findings were referred to the Government in June 2010. Reply had not been received (September 2010).

[9] Estimated to be constructed at a cost of ₹12.77 crore as per feasibility report submitted by HIMCON in the year 2003

[10] First till November 2007 and then upto May 2008.

Horticulture Department

3.5 Irregularities in import of improved planting material and blocking of funds

Failure of the Department in timely import of planting material has not only resulted in loss of ₹16.74 lakh but also led to blocking of ₹2.79 crore in a bank account for more than two years

To provide improved varieties of imported fruit plants like apple, cherry, peach, plum, strawberry, etc., to the orchardists of the State, the Director of Horticulture (DH) submitted (September 2007) a proposal[11] to the State Government to import 68,050 plants of different varieties from a firm 'Van Well Nursery, USA' at a cost of ₹five crore. These plants were to be supplied to the orchardists at the subsidised rate between ₹150 and ₹750 per plant. The State Government sanctioned (January 2008) ₹5.00 crore for the import of 68,050 plants. Of these, 80 *per cent* of the plants were to be supplied to the orchardists after one year Post Entry Quarantine (PEQ) in departmental Progeny cum Demonstration Orchards (PCDOs)/Nurseries and balance 20 *per cent* were to be kept in PCDOs for multiplication purpose.

Audit scrutiny (December 2008) of records of the DH and further information collected (May 2009-March 2010) revealed the following:

(i) The DH, in anticipation (July 2007) of the Government sanction (January 2008) placed supply orders (July 2007) on the firm, for supply of 43,353 plants of different varieties, to be supplied before February/March 2008 and that of 1,36,200 plants before March 2009. Against the supply order, the Department received 39,100 plants at ₹2.11 crore in March 2008 and further supply was not received as of March 2010. The Department, however, took no action to get the supply of remaining plants.

(ii) The DH imported (March 2008) 39,100 plants for ₹2.11 crore from the firm without adopting the prescribed system of open competitive tender in violation of Financial Rules.

(iii) The DH drew (March 2008) ₹5 crore from treasury, of which only a sum of ₹2.21 crore (Cost of 39,100 plants: ₹2.11 crore and maintenance cost: ₹0.10 crore) could be utilised and the remaining amount of ₹2.79 crore was lying unutilised in bank as of March 2010. Evidently, the amount drawn in anticipation of receipt of supply of material or even before finalisation of tender was in contravention of Financial Rules.

(iv) Of the plants received, 2,962 plants perished (March 2008) during PEQ, due to different climatic conditions prevailing in India, causing a loss of ₹16.74 lakh[12] to the State exchequer as the supply of the plants stipulated to be received before February 2008 (January was considered the most appropriate month) was received in March 2008 when the temperature was considerably high.

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[11] Cost of fruit plants: ₹3.30 crore; Custom duty, quarantine fees and transportation: ₹0.32 crore; Maintenance and upkeep of the plants: ₹1.38 crore.

[12] Cost of one plant = $\frac{2,21,00,000}{39,100}$ = ₹565.22

Loss = ₹565.22 x 2,962 (plants perished) = ₹16.74 lakh

(v) As against the required distribution of 31,280 plants (80 *per cent*) to orchardists, the DH distributed 16,792 plants (43 *per cent*) and the balance plants were allotted to PCDOs and University of Horticulture and Forestry (UHF), Solan. This has resulted in less realisation of revenue to the extent of ₹20.47 lakh (14,488 x ₹141.31[13]) from the orchardists.

The DH stated (February-March 2010) that the decision to import the plants without competitive global tenders was taken by the High Level Committee. He further stated that 2,962 plants perished during PEQ due to adverse weather conditions, transportation, handling and belated arrival from the firm.

The reply is not acceptable (i) as the supplies were ordered without inviting global bids thereby denying the best competitive prices for the plants and (ii) without inserting a clause in the supply order for freight on receipt supplies to avoid transit losses.

On this being pointed out in audit (December 2008-May 2010) the Department deposited (May 2010) the remaining amount of ₹2.79 crore alongwith interest of ₹14.97 lakh in the treasury.

Thus, failure of the Department in timely import of planting material has not only resulted in loss of ₹16.74 lakh but also led to blocking of ₹2.79 crore in a bank account for more than two years. Besides, revenue of ₹20.47 lakh was less realised by the distribution of fewer plants to the beneficiaries.

The audit findings were referred to the Government in May 2010. Reply had not been received (September 2010).

Irrigation and Public Health Department

3.6 Unfruitful expenditure on Lift Water Supply Scheme

Failure of the Department to get the work of gravity main completed in time resulted in unfruitful expenditure of ₹4.48 crore on a Lift Water Supply Scheme

The State Government accorded (March 2006) administrative approval and expenditure sanction for the construction of Lift Water Supply Scheme from Behna *Khad* to Baragaon (Shimla district) for ₹2.84 crore. The scheme was designed to augment the existing 12 Water Supply Schemes of 17 villages having 82 habitations. The source of the scheme (Behna *Khad*) is situated on the right bank of river *Satluj* in Kullu district and villages to be served are situated on its left bank in Shimla district. It was proposed to lift water from the source by creating suitable infrastructure including gravity main in a length of 490 metres. The scheme was targeted for completion in March 2009. An expenditure of ₹4.48 crore had been incurred on the execution of the scheme as of October 2009.

Scrutiny of the records (January 2010) of Sunni division revealed that all the components of the scheme except laying of gravity main were completed upto March 2009. The gravity main included 116 metre length for laying of which a suspension foot bridge across *Satluj* river was

[13] Twenty five *per cent* (beneficiary share) of the average cost of one plant.

necessary. The work of suspension bridge was awarded (September 2007) to a contractor for ₹73.60 lakh for completion latest by March 2008. As the contractor had failed to complete the work within the stipulated time, the time of its completion was extended (July 2008) by the Department upto January 2009. Despite according an extension, the contractor failed to complete the work. Resultantly, the Department levied (March 2009) liquidated damages of ₹5.15 lakh and rescinded (April 2009) the contract by forfeiting the earnest money/security deposits to the Government. Thus, an amount of ₹9.50 lakh on account of advance payment made for deployment of manpower, infrastructure, machinery, excess payment and levy of liquidated damages was recoverable from the contractor. However, action to award the bridge work to another contractor and to recover the amount from the defaulting contractor by initiating legal proceedings had not been taken as of August 2010.

The Executive Engineer stated (August 2010) that without construction of suspension foot bridge, laying of gravity main is not possible and that tenders were under process to award the balance work. The reply is not acceptable as the Department had failed to monitor the work effectively.

Thus, due to failure of the Department to ensure timely completion of gravity main by re-awarding the bridge work to another contractor, the scheme remained incomplete and expenditure of ₹4.48 crore incurred on it largely remained unfruitful though the scheme was targeted for completion in March 2009. Besides, this also resulted in non-achievement of the objective of providing sufficient potable water to 82 habitations of Shimla district and by not effecting recovery of ₹9.50 lakh an undue favour was extended to the contractor.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

Public Works Department

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

Failure of the Department to initiate action according to the various clauses of the contract agreement resulted in unfruitful expenditure of ₹69.49 lakh on a road and extension of undue benefit of ₹71.37 lakh to a contractor

In order to provide transport facility to 921 persons of Panvi village of Kinnaur district, the State Technical Agency approved (March 2005) the construction of 12.080 kilometres (kms) long motorable road from Wangtoo to Panvi for ₹6.02 crore under *Pradhan Mantri Gram Sadak Yojna* (PMGSY). The Chief Engineer (South) awarded (April 2006) the construction of a portion of the road for a length of 5.525 kms to a contractor for ₹2.16 crore with a stipulation to complete it in one year.

Scrutiny of the records (December 2009) of Karchham division revealed that the contractor commenced the work in May 2006 and upto November 2007 executed formation cutting of the road for a length of 2.515 kms, in 11 patches. Thereafter, the contractor did not execute any work and left construction of road in the remaining stretches (length: 3.010 kms) on the plea that clearance for felling of trees from the Forest Department was involved in the alignment of road. However, as per records of the Division, encumbrance free land for road alignment of 4.965 kms was available before November 2007 and clearance of the Forest Department for felling of trees falling in the remaining stretch of 0.560 kms was also obtained in December 2008. In the meantime the contractor was paid ₹69.49 lakh for the work done upto 3rd running account bill passed in March 2008. This showed that the contractor had stopped the work deliberately and made himself liable for liquidated damages and termination of contract as per the agreement.

Audit scrutiny further revealed that despite the fact that the contractor had stopped execution of the work, only one *per cent* liquidated damages amounting to ₹2.16 lakh were levied (July 2007) instead of 10 *per cent* (₹21.60 lakh) of the tendered amount of ₹2.16 crore. Even the levied liquidated damages had not been recovered. However, in accordance with the provisions of Standard Bidding Document for PMGSY, advance payment of ₹32.40 lakh (Mobilisation advance: ₹10.80 lakh and Machinery advance: ₹21.60 lakh) had been made to contractor during May 2006 against Bank Guarantee (BG) of an equal amount issued by the Branch Manager, Himachal Pradesh State Co-operative Bank (HPSCB) Ltd., Taklech which was cancelled (March 2008) by the General Manager, HPSCB Ltd., Shimla on the ground that the then Branch Manager was not authorised to issue such Guarantee. Of the recoverable amount of ₹32.40 lakh, the recovery of ₹20.47 lakh was still outstanding against the contractor. The contractor also failed to furnish fresh BG despite repeated references made by the Executive Engineer (EE). Thus, the payment made to the contractor through 3rd running account bill in March 2008 without affecting recovery of the outstanding advance and securing appropriate BG was irregular.

Since the contractor had committed fundamental breach of contract due to non-resumption of the balance work, the contract should have been terminated in terms of clause 53.1 of the agreement by applying penalty of 20 *per cent* on the value of incomplete work which worked out to ₹29.30 lakh[14]. However, action to terminate the contract and levy the penalty had not been initiated.

The EE confirmed (December 2009) the facts and stated that action to levy liquidated damages at the rate of 10 *per cent* was being taken and action to terminate the contract and levy additional cost would be taken with the approval of the higher authorities. The reply is not acceptable as the Chief Engineer (South) had already issued (August 2007) instructions to initiate action against the defaulting contractor.

Thus, failure on the part of the Department had not only resulted in unfruitful expenditure of ₹69.49 lakh but also extended undue financial favour of ₹71.37 lakh[15] besides denying benefits of transport facility to the villagers.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

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[14]

Total tendered cost	= ₹215.97 lakh
Value of work executed	= ₹69.49 lakh
Value of incomplete work	= ₹146.48 lakh
Penalty	= 20 *per cent* of ₹146.48 lakh = ₹29.30 lakh

[15] Advances ₹20.47 lakh + Liquidated Damages ₹21.60 lakh + Penalty ₹29.30 lakh.

Rural Development Department

3.8 Unfruitful expenditure on Mushroom Cultivation Project

Setting up of Mushroom Cultivation Project at Chamba without proper planning and implementation by the Department rendered expenditure of ₹1.24 crore as largely unfruitful besides blocking of ₹1.05 crore

With the objective of generating self employment and improving the economic status of those below the poverty line, the Deputy Commissioner (DC) Chamba on a proposal from Project Officer (PO) District Rural Development Agency (DRDA) approved (January 2006) a 'Mushroom Cultivation Project' for ₹1.87 crore under Rashtriya Sam Vikas Yojna[16]. As per proposal the activities of the project, *inter alia*, involved setting up of 60 ton per month capacity Mushroom Compost Unit (Unit) at Udaipur in Chamba district for providing compost[17] and spawn[18], required for Mushroom cultivation to the farmers of six blocks of the district; training and demonstration for farmers, human resource development and training/refresher courses of project implementing staff, motor vehicle on contract for supply of compost, market surveys, publicity, etc. The unit was to be managed by an apex Self Help Group (SHG) comprising of elected members from 40 different SHGs with technical assistance from Horticulture Department.

Scrutiny (February 2010) of records of the PO, DRDA revealed that the DC released[19] ₹1.87 crore to PO DRDA, Chamba for setting up of the project. The DRDA completed the work in September 2008 at a cost of ₹1.24 crore and refunded (June 2008) ₹0.34 crore to DC Chamba while retaining ₹0.29 crore as unspent balance. Audit scrutiny revealed the following:

- The Department did not conduct any feasibility study on account of demand and supply which is a pre-requisite in such projects. The PO DRDA stated (July 2010) that on the basis of experience of trial production by procuring compost from outside the district, a large interest was shown by the beneficiaries by raising demand for compost and, as such, the need for conducting the feasibility study was not felt. The reply is not acceptable in view of requirement of such proposals.

- The progress of the project was not satisfactory as shortfalls in financial achievements under its major implementation components[20] ranged between 84 and 100 *per cent* even though achievement under the component 'publicity' was 100 *per cent*.

- The PO in disregard to the project guidelines invited tenders twice (September 2008 and May 2009) from Registered Societies/NGOs/SHGs/reputed firms, for operations of the Unit on lease for five years but none applied. Government stated (July 2010) that the DRDA

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16 Rashtriya Sam Vikas Yojna was launched in 2003-04 with a view to reducing regional imbalances and speed up development in the identified backward areas.

17 Compost is resultant product formed through the process of decomposition of raw medium by adding essential nutrients for growing a special edible fungus i.e. White Button Mushroom.

18 Spawn: Pasteurised straw filled in polythene bags (8-10 kg capacity) in layers and spawned at the rate of 20 *per cent* by weight of substrate.

19 January 2006: ₹0.28 crore; June 2006: ₹0.39 crore; November 2006: ₹0.17 crore and March 2007: ₹1.03 crore.

20 Training and demonstration for farmers (84 *per cent*), professional services (95 *per cent*), training/refresher courses of project implementing staff (100 *per cent*), motor vehicle on contract for supply of compost (100 *per cent*) and market surveys (100 *per cent*).

has started exercise for the organisation of an apex SHG to whom the Unit was ultimately to be handed over. The fact remains that non-imparting of training and demonstration to farmers/project implementation staff, non-setting up of apex SHG, non-providing of technical advice by Horticulture Department/University of Horticulture and Forestry, Solan/Indo-Dutch Project, Palampur as envisaged in the project proposal were the factors responsible for its failure which were not addressed by the PO DRDA in time.

- To have a trial run, the PO, purchased (December 2008 and March 2009) raw material worth ₹1.76 lakh from a firm[21] and issued it to the same firm for trial production for one month. The firm produced 2106 bags (50 kg each) of compost, which during testing was found to be infected with disease. However, infected substandard compost was sold to the farmers (21 SHGs) at ₹0.64 lakh. The compost prepared in the unit was, thus, of sub-standard quality. Facing technical incapability, PO DRDA took up (June-December 2009) the matter with other Departments/Universities to acquire the Unit in public interest. However, due to non-availability of trained staff the Departments/Universities expressed their inability to take over the Unit.
- Under the Green Gold Project[22], ₹0.53 crore were provided (November 2002) by Government of India (GOI) for giving subsidy on purchase of mushroom compost to farmers through SHGs of Chamba and Bhattiyat blocks. Of this, ₹0.42 crore, were lying unutilised with DRDA due to non-functioning of the Mushroom Cultivation Project.

The PO, DRDA stated (February 2010) that the apex SHG to whom the project was to be handed over, was not in a position to acquire this unit in the absence of technical assistance due to which the funds received for providing subsidy could not be utilised. The reply is not acceptable as the PO failed to tie up with University/Horticulture Department for technical assistance. Further, the Government attributed (May 2010) non-availability of technical expertise for non-operation of the compost unit. This also shows inadequate action by PO DRDA in providing training and arranging technical know how to the SHGs.

Thus, due to non-conducting of feasibility survey, non providing of adequate training to farmers/SHGs/ implementation staff, non-forming of apex SHG and non-providing of technical assistance to SHGs, the Mushroom Cultivation Plant set up at a cost of ₹1.24 crore could not be put to use besides blocking ₹1.05 crore[23]. Thus, the intended benefit of economic upliftment of farmers of six blocks of Chamba, could not be achieved.

3.9 Unfruitful expenditure on setting up of Gramin Himachal Bhandars

Construction of Gramin Himachal Bhandars in other than typical hill architecture as required at tourist places and on the sides of roads leading to tourist places and inability of the Department to motivate Self Help Groups/people of the area for marketing their products through them has rendered expenditure of ₹2.92 crore as largely unfruitful

Under the scheme Swaranjayanti Gramin Swarozgar Yojana (SGSY), Government of India (GOI) approved (May 2001) a special project titled 'Marketing of Rural Goods' for ₹7.70 crore for setting up a network of 50 mini markets named 'Gramin Himachal Bhandar' (GHB) in various tourist places and

[21] M/S BBN Foods Private Limited, Bilaspur.
[22] Swaranjayanti Gramin Swarozgar Yojana (SGSY) Special Projects Component on cultivation of Mushroom, etc.
[23] ₹0.29 crore with DRDA, ₹0.34 crore with DC and ₹0.42 crore received under Green Gold Project for providing subsidy.

on the sides of roads leading to tourist places with one Central GHB in the State. The cost of the project was to be shared between Centre and State Governments in the ratio of 75:25. It was aimed at providing market for rural goods, eliminating middle men and providing a forum to rural producers for marketing their own products. GHBs were to be managed and maintained by Self Help Groups (SHGs), local bodies like Gram Panchayats and Panchayat Samitis. The local bodies/SHGs requirement/willingness was to be taken into consideration before finalising the site for GHBs.

The project was to be implemented by the Project Officers (POs), District Rural Development Agencies (DRDAs) in the State and PO, DRDA Shimla was declared as the Nodal Agency for construction of all GHBs retaining the ownership of the GHB with respective DRDAs. The project was to be completed within two years from the date of sanction.

Scrutiny of records of 12 DRDAs[24] and information collected (November 2008- August 2010) revealed the following:

- DRDA Shimla being the nodal agency released ₹4.03 crore during August 2001 to January 2010, out of the funds received (₹3.85 crore plus interest earned ₹0.35 crore) to ten DRDAs for construction of 39 GHBs leaving an unspent balance of ₹0.17 crore with the nodal agency as of August 2010.

- As per GOI instructions the 2nd installment for the project was to be released by GOI after the receipt of utilisation of 60 *per cent* of the funds already released. The DRDA Shimla did not send the utilisation certificate (UC) due to which the 2nd installment was not released by GOI putting the completion of remaining GHBs in doldrums.

- The project was sanctioned in May 2001 and was required to be completed within two years (May 2003) but even after lapse of over seven years, UC for 60 *per cent* of the funds, already, released, was not sent to GOI.

- Twenty eight GHBs were completed by 10 DRDAs[25] (February 2003-May 2009) of which six[26] were allotted to SHGs/Swarojgaris and the remaining 22 GHBs on which ₹2.92 crore was incurred, could not be put to use because none of the SHGs/Swarojgaris came up for selling their products due to poor marketing viability as the GHBs were constructed far from roadside.

- Five GHBs[27] for which ₹0.45 crore were released (May 2003-February 2009), remained incomplete due to incurring of entire funds on leveling of site (one case), delayed availability of land (one case), non-availability of NOC from forest Department (two cases) and late receipt of funds (one case) resulting in blocking the funds with respective DRDAs.

- The work on six[28] GHBs could not be started due to non-availability of land/site (four cases) where GHBs were to be constructed and non-providing of funds (two cases).

[24] Bilaspur, Chamba, Hamirpur, Kangra at Dharamshala, Kinnaur at Reckong Peo, Kullu, Lahaul and Spiti at Keylong, Mandi, Shimla, Sirmaur at Nahan and Una.

[25] Bilaspur: three; Hamirpur: three; Kangra: seven; Kinnaur: one; Kullu: two; Mandi: three (+) one (Central GHB); Shimla: two; Sirmaur: two; Solan: two and Una: two.

[26] Kangra: one; Kinnaur: one; Kullu: two and Shimla: two.

[27] Kullu: two; Shimla: two and Solan one.

[28] Mandi: three; Hamirpur: two and Sirmaur: one.

- The places where the 12 GHBs[29] were to be constructed were changed (March 2004) by the Director-cum-Special Secretary (RD). The sites for construction of 12 GHBs had not been finalised as of July 2010 and funds for these GHBs were also not released.

Photograph: 3.9.1

Portion of GHB at Kandraur rented out to General Manager, District Industries Centre

Photograph: 3.9.2

Partially completed GHB at Swarghat, Bilaspur District

The concerned Project Officers attributed (November 2008- August 2010) the non-use of the GHBs to poor interest shown by SHGs, improper location and poor marketing feasibility of the GHBs. Government stated (May 2010) that the highly centralised system followed for construction of GHBs has delayed the operationalisation of these GHBs.

Thus, due to non-construction of GHBs in typical Himachali style on the sides of roads leading to tourist places and inability of the Department to motivate SHGs/people of the area to market their products through these GHBs resulted in non-running of GHBs, thus, rendering the expenditure of ₹2.92 crore as unfruitful. The intended purpose of the scheme was, thus, defeated and benefit of the scheme could not reach to the people of the area.

Undue favour to contractors/avoidable expenditure

Irrigation and Public Health Department

3.10 Avoidable extra liability due to non-finalisation of tender within validity period

Failure to finalise the lowest tender within validity period of first call resulted in award of work to the same contractor on the second call for an additional value of ₹29.85 lakh

Government accorded (November 2005) administrative approval and expenditure sanction for providing sewerage scheme to Nadaun town (Hamirpur district) at a cost of ₹6.50 crore. Working estimate for construction of a sewerage treatment plant (STP) of 1.69 MLD capacity and two septic tanks of 0.051 and 0.076 MLD capacity respectively alongwith soak pits was technically approved (July 2007) for ₹91.27 lakh by the Chief Engineer (CE). The Department invited tenders for the construction of above components of scheme on 1 January 2008 and were opened on 31 January 2008

[29] Chamba: four; Kangra: two; Kinnaur: one; Lahaul and Spiti: two; Shimla: two and Una: one.

with a validity period of 120 days. The Department held discussion on technical bids in May 2008. Accordingly, the bid of lowest tenderer amounting to ₹80 lakh was sent (November 2008) for approval of the CE by the Superintending Engineer (SE), Hamirpur after a delay of six months, by which time the validity period of tender had expired.

Scrutiny of the records (March 2010) of Hamirpur division revealed that instead of taking any action by the CE to consider the lowest bid, the departmental tender committee decided (January 2009) to cancel the tender on the plea that procedural lapse of not rejecting the tenders of those bidders who had not submitted the desired documents had occurred. It was also held that in the intervening period of one year, rates of labour and material had undergone considerable change. This decision was merely an excuse to hide departmental failure to finalise the tender within validity period. When the tenders were re-invited (May 2009) and opened (June 2009), the same contractor emerged as the lowest bidder for ₹109.85 lakh. Accordingly, the work was entrusted (December 2009) to him at an escalated cost of ₹29.85 lakh.

The Executive Engineer (EE) while confirming the facts (March 2010) stated that the case remained under process with the SE/CE due to which delay had occurred and validity expired. The reply is not acceptable as he himself took, about two and half month's time to forward the case to SE after discussion on technical bids. Thus, responsibility for delay in finalisation of tender within validity period of 120 days lay at all levels viz. EE, SE and CE which deprived the Department of the benefit of competitive rates. Further, there was no need of re-tendering had the case been processed at all levels in time.

Thus, non-finalisation of tenders in the first call within the validity period resulted in extra liability of ₹29.85 lakh to the State exchequer.

The audit findings were referred to the Government in August 2010. Reply had not been received (September 2010).

Public Works Department

3.11 Undue financial benefits to contractors

The Executive Engineer, Nirmand Division extended undue financial benefit of ₹1.05 crore to two contractors by way of non-recovery of Government dues

The Chief Engineer (South) awarded (January 2006 and September 2006) the construction of roads from (i) Anni to Basta via Jaban (Km 0/0 to 20/210) and (ii) Mangta to Kushwa (Km 0/0 to 9/270) in Kullu district to two Shimla based contractors at tendered cost of ₹2.81 crore and ₹3.15 crore respectively with the stipulation to complete the works by 16 January 2007 and 9 October 2007 respectively. Accordingly, the contractors took up the construction of roads in January and October 2006.

Scrutiny of the records (November 2009) of Nirmand division revealed that the contractors did not achieve the pace of the works as prescribed in contract agreements and failed to complete them by the stipulated dates of completion. After executing works for total value of ₹1.42 crore, they suspended the execution in May 2008 and September 2008 respectively without intimating any reasons. For committing breach of terms and conditions of the contracts the Department levied (₹5.96 lakh) liquidated damages equal to one *per cent* of the tendered cost under clause 44.1 instead of maximum of 10 *per cent* which worked out to ₹59.60 lakh. The Department ultimately terminated the contracts under clause 52.1 in November 2008.

It was further noticed that before terminating the contracts the Department did not levy the balance nine *per cent* (₹0.54 crore) liquidated damages on the contractors and finalised their bills in December 2008 and January 2009 respectively.

The final bills of the contractors showed an amount of ₹1.62 crore recoverable from them, on account of cost of material, mobilisation advance, machinery advances, levied liquidated damages, penalty for balance works and other miscellaneous taxes. Against the recoverable amount of ₹1.62 crore, ₹1.11 crore was available in shape of Fixed Deposits Receipts for effecting the recoveries but the same were not encashed and credited into Government account as of November 2009. This shows that even after finalising the bills the Department had not taken any concrete steps to ensure recoveries of balance dues of ₹0.51 crore from the defaulter contractors for more than one year and extended undue financial benefit of ₹1.05 crore including liquidated damages of ₹0.54 crore levied less.

The Executive Engineer admitted the facts (November 2009) and stated that initially one *per cent* of liquidated damages were imposed and the case was moved for obtaining approval of Chief Engineer (South), Shimla to terminate both the contracts due to which the balance nine *per cent* liquidated damages could not be levied. He further intimated (August 2010) that the final bills of the contractors have been passed and an Arbitrator has also been appointed to decide the issue of recovery of Government dues. The reply is not acceptable as the Department failed to conduct any investigation/enquiry prior to it to fix responsibility on the defaulter for non-realisation of Government dues. This was necessary to ensure that with the passage of time it may not become irrecoverable.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010)

3.12 Undue financial benefit to a firm

Failure to ensure compliance of contractual provisions by the Executive Engineer, Sundernagar Division led to extension of undue financial benefit of ₹4.37 crore to a firm

The State Government accorded (November 2006) administrative approval and expenditure sanction for construction of Government Engineering College (GEC) at Sundernagar (Mandi district) for ₹37.15 crore. The construction of Phase-I of GEC comprising Buildings, Water Supply, Sanitary and Electrical Installation works was awarded (December 2006) to a Delhi based firm[30] at tendered cost of ₹22.42 crore. The firm commenced the work on 4 January 2007 and was required to complete it by 3rd January 2008. As per the contract agreement, the firm was required to achieve different milestones at prescribed intervals. In case of failure to achieve the progress, compensation limited to maximum 10 *percent* of the tendered cost was leviable on the firm.

Scrutiny of records (January 2010) of Sundernagar division and further information collected (May 2010) revealed that the firm failed to ensure progress of the work as stipulated in the contract agreement and could not complete the work by the stipulated date viz. 3 January 2008. The Executive Engineer (EE) issued repeated notices to the firm to accelerate the pace of work and also granted

[30] M/S VYOM Infrastructure Pvt. Ltd., New Delhi.

unilateral time extension upto June 2008. The firm, however, again failed to perform well and executed work for value of ₹5.08 crore (23 *per cent*) only upto July 2008. The firm left the work in September 2008 and did not resume it thereafter. Therefore, the EE levied (December 2007) 10 *per cent* compensation of ₹2.24 crore on tendered cost and ultimately rescinded (February 2009) the contract by forfeiting security deposits of ₹14.13 lakh recovered from the firm's running bills. Audit also noticed that the Department did not ensure compliance of contract clauses and committed following omissions in regulating the payments:

(i) The agreement envisaged grant of Mobilisation Advance (MA) upto five *percent* of the contract value against Bank Guarantee(BG) which was recoverable fully on prorata basis till completion of 75 *per cent* work. The Department, however, paid (December 2006) ₹1.12 crore as MA to the firm without obtaining the requisite BG. The firm later on furnished three BGs of ₹0.90 crore (₹30 lakh each) in November 2007 which also expired between March 2008 and November 2008. In the intervening period MA amounting to ₹0.34 crore was recovered from the firm till September 2008 and the balance amount of ₹0.78 crore remained unrecovered as of May 2010. In addition, secured advance amounting to ₹23.08 lakh was also paid to the firm in February-May 2008 against material such as tor steel (₹8.99 lakh), aggregate (₹6.81 lakh) and sand (₹7.28 lakh) brought to the site of work. Payment of secured advance of ₹14.09 lakh for aggregate and sand being items of perishable nature was not permissible. The whole amount of advance remained to be recovered from the firm as of May 2010. This clearly shows that the Department made payment of MA and secured advance by flouting contractual provisions as BG was not obtained before release of full amount of MA and secured advance was also paid for perishable items, jeopardizing the public interest against loss. Moreover, the Department also failed to encash the available BG within the validity period to recover the Government dues.

(ii) Records also revealed that performance security in form of BG for ₹1.12 crore (equal to five *per cent* of the contract price) was obtained in December 2006 which was valid upto 17 May 2008. While the Department granted unilateral time extension upto June 2008, BG was not got revalidated for due performance of the contract.

Thus, providing mobilisation advance by flouting provisions of contract, non-obtaining appropriate bank guarantee of ₹1.12 crore for due performance of contract, non-recovery of secured advance and compensation on the firm resulted in extension of undue financial benefit of ₹4.37 crore[31]. Besides, due to non-completion of building the facility of modern Engineering College could not be provided timely to the students.

The EE confirmed the facts and stated (January-May 2010) that recoveries on account of compensation and MA could not be made due to non-finalisation of the bill. He further stated that the amount payable to the contractor cannot be worked out at this stage as approval of rates for deviated/extra items was yet to be cleared by the competent authority. The reply does not explain why the department failed to finalise the claim for such a long time and initiate appropriate action to recover the Government dues. Also forfeited amount of security deposits was not credited into Government account and remained

[31]

Moblisation advance =	₹0.78 crore
Secured advance=	₹0.23 crore
Performance Security (against BG)=	₹1.12 crore
Compensation=	₹2.24 crore
Total=	**₹4.37 crore**

with the Department as of May 2010. Besides, the responsibility for inaction in the Department had also not been fixed.

The audit findings were referred to the Government in May 2010. Reply had not been received (September 2010).

3.13 Incorrect computation and non-recovery of Government dues

The Department did not compute correctly Government dues of ₹17.76 lakh and failed to recover them for about two years after finalisation of contractor's bill in May 2008

In order to provide road connectivity to five villages of Una district, construction of Makrer to Bohru road (length: 7 kms) was approved during 2004-05 under *Pradhan Mantri Gram Sadak Yojna* for ₹1.22 crore. The work was awarded (May 2006) to a Mohali based contractor for ₹1.03 crore with a stipulation to complete it within a period of nine months viz. by February 2007.

Scrutiny of records (February 2010) of Bangana division revealed that the contractor started the work in May 2006 but could not achieve progress of work to the extent of 30 *per cent* of the value of work after half of the completion period as required under the agreement. The contractor executed work for value of ₹5.24 lakh (five *per cent*) upto March 2007 and thereafter stopped further execution without intimating any reason. Despite grant of provisional extension of time upto 15 September 2007, the contractor failed to resume the work. The contract was ultimately terminated in October 2007 by imposing penalty of ₹15.45 lakh[32].

Contractor's 2nd and final bill showed an amount of ₹8.51 lakh recoverable from him after adjustment of payment due to him.

In terms of the contract, compensation for additional cost should have not been less than 20 *per cent* of the balance work left as unexecuted. The Department, however, computed compensation of ₹10.30 lakh against the required amount of ₹19.55 lakh[33] resulting in loss of ₹9.25 lakh to the Government.

The Executive Engineer stated (February 2010) that less compensation for balance work was levied inadvertently for which action will be taken. The reply is not acceptable as notice for recoverable amount to the contractor was issued (February 2010) only for ₹8.51 lakh without blacklisting him and ensuring computation of compensation as per contract agreement. Besides, the Department did not take any appropriate legal action for timely realisation of Government dues from the defaulter contractor even after finalisation of the bill in May 2008.

Thus, laxity on the part of the Department to assess the Government dues of ₹17.76 lakh[34] correctly and timely led to non-recovery thereof for about two years after finalisation of the contractor's account which resulted in deliberate undue favour to him.

The audit findings were referred to the Government in June 2010. Reply had not been received (September 2010).

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[32]

Liquidated damages for delay in completion of work (five *per cent* of the tendered cost under Clause 44.1)	:	₹5.15 lakh
Compensation for additional cost under Clause 53.1 (10 *per cent* of the tendered cost)	:	₹10.30 lakh
Total	**:**	**₹15.45 lakh**

[33] 20 *per cent* of unexecuted work (₹1,02,97,509 – ₹5,23,749 = ₹97,73,760) i.e. ₹19,54,752 or say ₹19.55 lakh.

[34] i) Dues payable after adjustment of liquidated damages and compensation levied = ₹8.51 lakh
ii) Dues on account of compensation less levied = ₹9.25 lakh
Total (i)&(ii) = ₹17.76 lakh

Idle investment/blocking of funds/diversion of funds

Education Department

3.14 Underutilisation of funds under Prime Minister Special Package

Tardy execution of works by the University had resulted in underutilisation of grant of ₹5 crore received by it from UGC for upgradation of infrastructure in the University and non-release of subsequent installments of ₹4 crore

The Government of India (GOI) sanctioned ₹nine crore and released ₹five crore in December 2005 through the University Grants Commission (UGC) as first installment for upgradation of infrastructure in Himachal Pradesh University (University) under Prime Minister's Special Package (PMSP) for 10th Plan period (2002-07). The plan and estimates submitted (October 2006) by the University in respect of five works[35] to the UGC having an estimated cost of ₹4.70 crore, were approved in January 2007.

Scrutiny (December 2009) of records of the University and further information collected (July 2010) revealed that for meeting the expenditure of ₹2.02 crore[36] incurred on the works, the University released (May 2007 and May 2009) ₹1.75 crore to its own construction division from the grant and a sum of ₹26.74 lakh was irregularly diverted from the funds meant for deposit works under other schemes. The diversion of ₹26.74 lakh was done despite the fact that sufficient funds[37] were available with it from the grant itself. Out of five approved works, four works taken up for execution during November 2006 to March 2008 and required to be completed between May 2008 and August 2008, had not been completed as of December 2009. Further, the work of setting up of Steel Gate, Emblem, Statue, etc., could not be taken up (July 2010) for execution due to objections by the nearby villagers and the students.

As the University had failed to utilise the funds of ₹five crore, the UGC while granting extension of two years upto 31st March 2009 refused further extension on the ground that the 10th Plan period (2002-07) was already over. Thus, due to non-utilisation of the funds for approved works within the stipulated period, the University could not receive the remaining funds of ₹4 crore sanctioned under PMSP.

The UGC while sanctioning the funds had imposed a condition that the simple interest of 6 *per cent* per annum, on unutilised amount from the date of drawal to the date of refund would be charged. The University could release ₹1.75 crore upto 31 March 2009 for the works approved by UGC under PMSP and ₹3.25 crore remained unspent as of 31 March 2009, the date upto which the extension was granted. Thus, by not utilising the amount, the University has become liable to pay interest of ₹0.92 crore upto 31 March 2010 to the UGC.

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35 (i) Multi Faculty Building, Phase-II (ii) Gate and Roads, (Pedestrian Path) (iii) Examination Block Building, Phase-II (iv) UIIT Block and (v) Set up of Steel Gate, Emblem, Statue, etc.

36 (i) Multi Faculty Building, Phase-II: Approved Estimate (AE): ₹195.39 lakh and Expenditure Incurred (EI): ₹51.68 lakh; (ii) Gate and Roads, (Pedestrian Path): AE: ₹38.37 lakh and EI: ₹9.59 lakh; (iii) Examination Block Building, Phase-II: AE: ₹92.90 lakh and EI: ₹58.43 lakh; (iv) University Institute of Information Technology Block: AE: ₹139.42 lakh and EI ₹82.03 lakh and (v) Setting up of Steel Gate, Emblem, Statue, etc., AE: ₹3.62 lakh and EI: Nil as the work was yet to be awarded.

37 ₹5.00 crore (-) ₹1.75 crore = ₹3.25 crore.

The Finance Officer of the University stated (July 2010) that the delay in execution of the works was caused by existing infrastructure, stores of examinations and trees at the site of COE wing besides weather conditions i.e. heavy rains in monsoon season and snow in winter season which left the working season very short for execution purpose. The reply is not acceptable as these factors existed even before the proposals for execution of these works were made by the University.

Thus, non-utilisation of the grant (₹5 crore) under PMSP even within the extended period had not only resulted in depriving the University of the remaining grant of ₹four crore but also in creating a liability of ₹0.92 crore towards interest. Besides, intended benefits of the proposed infrastructure could not be made available to the students. Also, ₹26.74 lakh was irregularly diverted by the University from other deposit works to the works undertaken under PMSP.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

Agriculture Department

3.15 Blocking of funds

Absence of planning for execution of works by the Department had resulted in blocking of ₹54.70 lakh drawn from the treasury in anticipation of utilisation

The State financial rules provide that no money should be drawn from the treasury unless it is required for immediate disbursement and that it is not permissible to draw advances from the treasury for the execution of works the completion of which is likely to take a considerable time.

Audit scrutiny (March 2009) of records of the District Agriculture Officer (DAO), Kinnaur at Reckong Peo and further information received (June 2010) revealed that the DAO without ensuring suitable site for construction of office cum residential building and kisan Bhawan at Reckong Peo drew ₹24.50 lakh (May 1995-January 2003) to provide latest farming techniques to the farmers in the proposed Bhawan through seminars/workshop/camps. He transferred (June-November 2003) the funds to the Sub-Divisional Soil Conservation Officer (SDSCO), Kinnaur for execution of works.

The funds were taken back (December 2003) by DAO and deposited (January 2004) with the Executive Engineer (EE), HPPWD Reckong Peo. However, sufficient land for the construction of the complex was made available in February 2005 only.

Despite this being pointed out (September 2002; November 2004) in audit, the DAO again drew ₹30.20 lakh (May 2005-June 2008) from the treasury and deposited with EE, HPPWD Reckong Peo and requested (September 2008), Secretary, Special Area Development Authority (SADA), Reckong Peo for grant of permission for construction of the complex. Permission from SADA was, however, still awaited (June 2010).

The DAO Kinnaur stated (March 2009) that Kisan Bhawan was to be built on the land allotted by the DC in September 1996. Accordingly, on receipt of budget allotment the funds were drawn but the land was not found suitable. The Director Agriculture stated (July 2009) that the required permission from the Forest Department was still awaited due to existence of Neoza trees and seedlings on the re-allotted (November 2003) land. The replies confirm that the preparatory items of works had not been taken care of by the Department prior to drawal and transfer of funds to the executing agency.

Thus, absence of planning for execution of work and casual approach in handling of Government funds by the Department had resulted in blocking of ₹54.70 lakh as well as failure to start the work even after a lapse of several years since drawal of funds and in idling of Government money. Drawal of funds without a proper proposal by the officers had resulted in blocking of funds. Besides, the farmers of the area also remained deprived of the agriculture facilities and latest farming techniques through seminars/workshops planned to be held in the proposed Kisan Bhawan.

The audit findings were referred to the Government in May 2010. Reply had not been received (September 2010).

Health and Family Welfare Department

3.16 Blocking of funds received for upgradation of emergency facilities at Regional Hospital, Kullu

Delays in planning for setting up of trauma centre at Regional Hospital, Kullu for upgradation of emergency facilities resulted in blocking of ₹1.50 crore for the last four years besides denial of timely medical services to the accident victims

For providing immediate emergency care to victims of accident on National Highways, the Government of India (GOI) sanctioned (March 2006) financial assistance of ₹1.50 crore for upgradation of emergency facilities and setting up of trauma centre in Regional Hospital (RH), Kullu. The plan involved construction of civil works (₹63 lakh), purchase of two ambulances (₹20 lakh), equipment (₹66 lakh) and setting up of communication system (₹1 lakh). Civil works for the project were to be executed by the HPPWD.

Scrutiny (January 2009) of records of the Chief Medical Officer (CMO), Kullu and further information received (February-July 2010) revealed that the funds were received by CMO Kullu for implementation of the project during April 2006. As the Department failed to find a suitable site, it was decided to establish trauma centre in the ground floor of the old hospital building. However, the space selected could not be vacated for three years as the new building of Regional Hospital was under construction and the earmarked place housed OPDs of the hospital.

Therefore, start of work was delayed and upto June 2010 a sum of ₹0.25 crore only could be utilised by CMO, Kullu under the component 'Civil Works' without any progress on other components of the plan. The balance amount of ₹1.25 crore and interest of Rs 0.19 crore (upto December 2009) on funds kept in savings bank account had, thus, remained unutilised. Resultantly, the intended upgradation of emergency facilities at RH Kullu could not be established for four years.

The CMO Kullu stated (February-July 2010) that the civil works of the project were in progress. The reply is indicative of the fact that the project implementation was slow which resulted in depriving the intended benefits for more than four years since the release (March 2006) of the funds by the GOI. Besides, due to delay in planning/implementation of the project, Government fund of ₹1.50 crore has remained blocked and immediate emergency medical services to the victims of accidents denied.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

Irrigation and Public Health Department

3.17 Unproductive investment on construction of a flow irrigation scheme

Poor planning and lackadaisical approach of the Department for construction of a flow irrigation scheme resulted in unproductive investment of ₹35.82 lakh

To provide irrigation facility to culturable command area (CCA) of 68.66 hectares in 11 villages, construction of a flow irrigation scheme (FIS) in *Gram Panchayat* Deothi (Shimla district) was, administratively approved (January 2004) for ₹59.77 lakh. The scheme, stipulated to be completed in three years, was proposed to be constructed in three phases, each having separate *Nallah* source for water.

Scrutiny of the records (December 2009) of Rampur division revealed that the work in all the phases was taken up for execution in March 2004 but subsequently had to be suspended in March 2007 after incurring an expenditure of ₹35.82 lakh due to land dispute at the sites of Phases-I and III and damages in Phase-II owing to construction of a road by the Public Works Department in that area. Scrutiny further revealed that the constructed portion of the scheme had created irrigation potential to CCA of 20 hectares (29 *per cent*) but no irrigation facilities were provided to the beneficiaries due to extensive damages caused to the FIS owing to heavy rains during 2005-08. An estimate for ₹11.85 lakh for restoration of rain damages and damages caused due to construction of a road was submitted (March 2008) to the Superintending Engineer, Reckong Peo for approval but returned by him in the same month as un-approved without recording any reason. Thereafter, the division had neither taken up the matter with the Superintending Engineer for repair of the damages caused in Phase-II of FIS nor were any efforts made to resolve the dispute at sites of Phases-I and III as of December 2009.

The Executive Engineer confirmed (December 2009) the facts and stated that no objection certificates (NOC) for use of private land were obtained from the *Panchayat Pradhans* before taking up the scheme for execution. The reply does not explain as to why the private land owners were not taken into confidence and written commitments obtained from them to obviate the chances of dispute at the later stage.

Thus, due to poor planning of the Department to ensure encumbrance free land and lackadaisical approach to restore damaged scheme, the investment of ₹35.82 lakh on the FIS had remained unproductive.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

3.18 Unjustified procurement of materials resulting in blocking of funds

Non-utilisation of procured materials for two sewerage schemes for a period ranging from one to seven years resulted in blocking of funds of ₹2.30 crore

State Financial Rules stipulate that stores should be purchased in accordance with definite requirements of public service taking care not to purchase them much in advance of actual requirements.

Scrutiny of the records (September 2009) of Dalhousie division revealed that the State Government administratively approved (March 1996) the construction of sewerage systems in Dalhousie and Chowari towns of Chamba district for ₹11.19 crore with a stipulation to complete them in four years. The execution of these schemes, however, could not be taken up as of April 2010 as the detailed estimates for according technical sanctions were submitted (October 2009) to the Chief Engineer (Dharamshala Zone) after a period of more than 13 years. The Chief Engineer, however, accorded technical sanctions to these estimates in February and March 2010 respectively. It was further noticed that procurement of material such as Cast Iron (CI), Ductile Iron (DI) and Galvanised Iron (GI) pipes and tor steel costing ₹2.55 crore[38] was done between March 2003 and March 2009 when there was no technical sanction. Also depiction of cost of material as final expenditure on these schemes without any physical progress during the aforesaid period was against the canons of financial propriety. Of the materials so procured, materials valued at ₹0.25 crore[39] were transferred between February 2006 and December 2008 to other works and the balance materials costing ₹2.30 crore remained unutilised at sites of these schemes as of April 2010.

The Chief Engineer (Dharamshala Zone) confirmed (January 2010) the facts and stated that material procured was required for bonafide use on the schemes as per the budget availability during respective years. The reply is not acceptable as Department went for purchase of material in a hasty manner without ensuring technical approval to estimates and detailed/time bound plan for implementation of the sewerage schemes, the actual execution of which is still to be taken up.

Procurement of materials in advance of actual requirements and keeping them unutilised for a period ranging from one to seven years at the sites of works had thus, resulted in blocking of funds of ₹2.30 crore. More importantly, the inhabitants of the above towns who had been sanctioned sewerage schemes way back in March 1996, continue to be deprived of the sewerage facility even after 14 years.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

3.19 Idle investment on Lift Water Supply Scheme

The Department did not ensure electricity connection for the Lift Water Supply Scheme Haraboi, resulting in idle investment of ₹79.80 lakh

After the completion of Koldam Hydro-electric Project (Bilaspur district) by the National Thermal Power Corporation (NTPC) Ltd., the source and pump house of the existing Lift Water Supply Scheme, Haraboi providing drinking water facilities to the inhabitants of Boi and Chalog villages of Mandi district would be submerged in water. Keeping in view the need of potable water for the inhabitants of above villages, the Project Manager NTPC Ltd., Barmana (Bilaspur district) sanctioned (July 2006) ₹79.44 lakh for the construction of this scheme from an alternate source. The NTPC Ltd., entrusted construction of the scheme to the Executive Engineer (EE) I&PH Division, Sundernagar and deposited the whole amount viz. ₹79.44 lakh in August 2006 with a stipulation to complete it within a period of two years.

[38] 2002-03: ₹0.06 crore; 2005-06: ₹0.28 crore; 2006-07: ₹0.94 crore and 2008-09: ₹1.27 crore.

[39] Chowari town: ₹0.09 crore and Dalhousie town: ₹0.16 crore.

Scrutiny of the records (January 2010) of the division revealed that the execution of scheme was taken up in November 2007 and civil works and electric power supply work were completed in May 2008 and September 2009 respectively at a cost of ₹79.80 lakh. Audit also noticed that the Department did not synchronise the work of electric power supply to the civil works of scheme properly and took a considerable period of 16 months to secure electricity supply connection for the scheme after the completion of civil works.

Even after getting the electric connection from the Himachal Pradesh State Electricity Board (HPSEB) the scheme could not be made functional due to the reasons that applied load for electric power supply was for 20 HP and 25 HP pumping machinery to be installed at two stages of the scheme whereas the Department had actually installed pumping sets of 40 HP and 70 HP respectively. The Department installed pumping machinery of higher specifications without intimating the facts to the HPSEB. Thus, excessive increase in load against the load actually obtained for operating the pumping machinery resulted in the scheme lying non-functional since the date of its completion viz. September 2009.

The EE confirmed (January 2010) the facts and stated that tenders for pumping sets were called as per designed specifications but due to their non-availability in the market, the firm had offered for the pumping sets of higher specifications, which were approved by the Superintending Engineer I&PH Circle, Sundernagar in October 2007. The reply does not explain why the electricity connection could not be obtained keeping in view the increased load requirement of the pumping sets by taking up the matter well in time with the HPSEB.

Failure of the Department to pursue the matter effectively for getting electricity connection for the installed pumping machinery to make the scheme operational not only resulted in an idle investment of ₹79.80 lakh but also deprived the beneficiaries of the intended benefits of drinking water facility even though execution of the scheme was taken up in 2007.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

Planning Department

3.20 Diversion of Sectoral Decentralised Planning funds

₹two crore meant for works under SDP were irregularly diverted by the Advisor Planning as Grant-in-aid to Dr. Yashwant Singh Parmar University of Horticulture and Forestry, of which, ₹1.40 crore remained parked in bank accounts in disregard of the programme guidelines

Under the scheme of Sectoral Decentralised Planning (SDP), five per cent funds are taken out of the approved plan outlays and placed at the disposal of districts for redressal of public grievances involving small financial implications. The aims and objectives of SDP funds are to (i) faster flow of benefits of developmental schemes to the people; (ii) execution of small developmental works viz. construction of Panchayat Bhawans, rain shelters, town halls and foot bridges, etc.; (iii) provision of basic infrastructural facilities viz. link roads, primary health centre buildings and school buildings, etc.

No funds under SDP are to be utilised as Grants-in-aid and it does not contain the element of 'discretion' and the utilisation of funds for any project/scheme out of SDP requires approval of District Planning, Development and Twenty Point Programme Review Committee (DPDTPPRC). The phasing of work and financial sanction for more than one financial year is not permissible.

Scrutiny (November 2009) of records of the Deputy Commissioner (DC) Solan revealed that the Advisor, Planning, sanctioned (March 2007) ₹two crore under SDP for construction of Auditorium[40] at Dr. Yashwant Singh Parmar University of Horticulture and Forestry (University), Nauni. The funds were sanctioned without any proposal from DC Solan and without obtaining approval of the DPDTPPRC Solan District. Besides, ₹two crore provided by the Advisor was the first installment released for the Project which tantamounts to phasing of the financial sanction. This further amounted to providing of undue Grant-in-aid (GIA) to the University as the same being an autonomous body was financed by the Government by way of GIA. The DC Solan drew (March 2007) the aforesaid amount and released (April 2007) to the Vice Chancellor (VC) of the University and thereafter the VC initiated the preparatory[41] work for construction of Auditorium. As a result, out of ₹two crore, the University could utilise only ₹0.60 crore as of June 2010 and remaining amount of ₹1.40 crore remained unutilised in bank accounts.

The DC while admitting the facts stated (November 2009) that the Advisor provided the funds at the fag end of the financial year and also without any proposal. He further stated that the amount was drawn from treasury (March 2007) to avoid lapse of the grant. The contention of the DC Solan is not acceptable as the sanction, release and utilisation of funds beyond one year under SDP was against the provisions of guidelines of the programme.

Thus, providing of ₹two crore earmarked for works under SDP as GIA to the University was irregular. The amount of ₹1.40 crore had also remained blocked with University for the last three years. This reflected irregular release of funds under SDP by the Planning Department meant for execution of small developmental works involving repair/renovation of public assets.

The audit findings were referred to the Government in March 2010. Reply had not been received (September 2010).

3.21 Diversion of Rashtriya Sam Vikas Yojna funds

Funds amounting to ₹1.48 crore under Rashtriya Sam Vikas Yojna were diverted in contravention of the provisions of the scheme

Rashtriya Sam Vikas Yojna (RSVY) was launched by GOI in 2003-04 for introducing programmes focusing on development of backward areas, which would help to reduce regional imbalances and speed up development. RSVY was introduced in Chamba district in September 2003. The Deputy Commissioner (DC), Chamba received grants of ₹ 45 crore from the GOI during 2004-07. The main objectives of the scheme were to address the problems of low agricultural productivity, unemployment and to fill up critical gaps in physical, health, education infrastructure, etc. The GOI added (February 2004) other services like technology based support including rural

[40] Administratively approved for ₹9.47 crore with stipulated date of completion of two years.

[41] Architectural and structural consultancy, preparation and approval of estimates, obtaining of technical sanction, etc.

technology and information technology as legitimate works under the scheme. However, the RSVY guidelines provided that the additionality should not be used for expenditure on construction/maintenance of administrative buildings and establishment costs.

Audit scrutiny of records of the DC, Chamba revealed (February-March 2010) that the DC released ₹97 lakh (March 2005) out of RSVY funds for setting up of Information Technology (IT) Society in Chamba district which included purchase of computer accessories (₹51.40 lakh), furniture (₹10.99 lakh), PVC flooring (₹2 lakh) for DC office, payment to contractor for upgradation of branches/office (₹19.81 lakh) and purchase of IT equipment (₹12.80 lakh) for Sub-Divisional Magistrate/Tehsildars in Chamba District. However, the release of funds for setting up of IT infrastructure for administrative office was not in conformity with the RSVY guidelines. The DC, Chamba also released (February-November 2009) ₹51.01 lakh for construction of second floor over District Revenue Office Building in the DC office and Electrification works (₹16.73 lakh) and construction of Red Cross Building in the DC office (₹34.28 lakh). Since the funds under RSVY were not admissible to be used for construction of administrative buildings and such other projects, release of ₹1.48 crore for inadmissible works was in contravention of guidelines of the scheme. Further, these works also did not find place in the approved proposals.

The DC, Chamba stated (March 2010) that this was done for smooth running of Government offices and that the empowered committee on RSVY in its meeting held in February 2004 had observed that the technology based support could be included in the scheme. The reply is not acceptable as the funds under RSVY were to be spent only to address the problems of low agriculture productivity, unemployment and to fill critical gaps in physical and social infrastructure, rural specific information technology and not on construction/maintenance of administrative buildings, purchase of furniture, computers and accessories for office purposes, etc., which should have been met out of the State budget.

Thus, the release of ₹1.48 crore towards inadmissible works under RSVY tantamounts to irregular diversion of funds depriving the general public of the benefits of developmental works as envisaged in the scheme.

The audit findings were referred to the Government in August 2010. Reply had not been received (September 2010).

Urban Development Department

3.22 Locking up of funds meant for a housing scheme for urban poor

The Department did not arrange suitable site for 'Ashiana' a housing scheme for Urban Poor resulting in locking up of funds of ₹1.98 crore with the HIMUDA

To ensure integrated development of Urban Poor, Government of India (GOI) introduced (December 2005) a scheme 'Basic Services to the Urban Poor (BSUP)'[42] for Shimla Town under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), with funding in the ratio of 80:10:10 between the GOI, State Government and the local municipality.

[42] Includes security of tenure at affordable prices, improved housing, water supply, sanitation and ensuring delivery through convergence of other already existing universal services of the Government for education, health and social security, securing effective linkages between asset creation and asset management, ensuring adequate investment of the funds to fulfill deficiencies in the BSUP and scaling up delivery of civic amenities and provision of utilities with emphasis on universal access to urban poor.

Scrutiny (October 2009) of records of the Director, Urban Development (UD) revealed that the Mission Director, JNNURM, GOI, sanctioned (March 2007) a project 'Ashiana', a housing scheme for the urban poor of Shimla town for ₹9.99 crore for establishing 252 number of dwelling units on 4387 sq. mtrs forest land identified by the Municipal Corporation (MC) at Totu, Shimla. The MC did not conduct any survey to identify encumbrance free land in Shimla. The Director, UD, on receipt of sanction (July 2007) released (August 2007) ₹1.98 crore[43] to the Chief Executive Officer-cum Secretary, Himachal Pradesh, Housing and Urban Development Authority (HIMUDA), Shimla, being the executing agency, towards the first installment under the project for construction of dwelling units without ensuring encumbrance free land for such units.

The work relating to the project could not be started as of January 2010 due to non-availability of suitable encumbrance free land as the site identified by the MC Shimla was forest land and was not approved by the Ministry of Environment and Forest, GOI. Resultantly, ₹1.98 crore released were lying unutilised with the HIMUDA since August 2007 and consequently the Department could also not receive next installments amounting to ₹8.01 crore (Central share: ₹5.29 crore and State share: ₹2.72 crore) under the project from the GOI/State Government. Besides, the release of funds to the executing agency without providing suitable site for construction of dwelling units has also resulted in loss of interest of ₹50.69 lakh[44] on the funds of ₹1.98 crore lying unutilised since August 2007.

The Government stated (July 2010) that the work could not start due to non-conversion of land use under Forest Conservation Act and the MC Shimla has now identified (January 2010) land at Dhalli near Shimla which is suitable for construction of DUs under the Project. It was further stated that for cost variations, the MC Shimla has requested HIMUDA to prepare a fresh Detailed Project Report (DPR) for approval from the GOI. The reply is not acceptable as before release of funds to the executing agency, the availability of suitable encumbrance free site should have been ensured to avoid blocking of funds and consequential loss of interest thereon.

Thus, the release of funds for the 'Ashiana' a housing scheme for urban poor by the Department without ensuring availability of suitable encumbrance free land had resulted not only in blocking of ₹1.98 crore with the executing agency since August 2007 alongwith loss of interest thereon of ₹50.69 lakh but the urban poor had also remained deprived of the intended benefits of the scheme. Also the State Government had been deprived of central grants of ₹5.29 crore for the scheme.

Regularity issues and other points

Education Department

3.23 Irregular charging of tuition fee from girl students

₹65.92 lakh charged by the Principal, St. Bede's College, Shimla as tuition fee from girl students during 1996-97 to 2009-10 was in contravention of the instructions of the State Government and deprived the beneficiary girl students of the intended benefits

Instructions (July 1996) of the State Government provide for exemption of tuition fee for the State domicile girl students at all levels of education who pursue their education through formal education.

[43] Central share: ₹1.76 crore and State share: ₹0.22 crore.

[44] Calculated at the rate of 9.09 *per cent* for the year 2007-08 and 9.19 *per cent* for the year 2008-10, being the rate of interest on Government borrowings.

Scrutiny (August 2009) of records of Principal, St. Bede's College (College), a Government aided College, financed by the State Government by way of Grant-in-Aid (GIA) to the extent of 95 *per cent* of the deficit of the estimated income[45] and expenditure[46], revealed that the college had charged tuition fee amounting to ₹65.92 lakh[47] from 9768 girl students during 1996-97 to 2009-10 in contravention of the instructions of the State Government.

On this being pointed out (February 2009) in audit the Principal of the College stated (February 2009) that the copy of the instructions was not endorsed to it by the Education Department and the tuition fee being a part of income for calculation of 95 *per cent* deficit in the GIA Rules, the benefits thereof had accrued to the Government instead of the College. While the Director, Higher Education (Director) stated (March 2010) that the College had contravened the provisions of the instructions/ policy of the Government and the matter had come to the notice of the Department through audit, the Principal of the college intimated (July 2010) that for the academic year 2010-11 tuition fee is not being charged from girl students belonging to Himachal Pradesh. The acceptance by the Director and the Principal indicates the Department's failure in monitoring the implementation of State Government orders.

Thus, charging of tuition fee of ₹65.92 lakh by the College in contravention to the instructions of the State Government and the Education Department's failure to enforce the Government orders deprived the beneficiary girl students of the intended benefits.

The audit findings were referred to the Government in April 2010. Reply had not been received (September 2010).

Planning Department

3.24 Irregular sanction of funds

Release of ₹36.53 lakh to Kamdhenu Hitkari Manch, Namhol by Deputy Commissioner Bilaspur was in disregard to guidelines for implementation of Vikas Mein Jan Sehyog scheme

The scheme 'Vikas Mein Jan Sahyog' (VMJS) is intended to provide financial assistance to individuals or self help institutions, etc., engaged in local developmental works/activities. The guidelines provide that where individuals or self help institutions have already been provided financial assistance from the Government funds under any other scheme, such individuals/self help institutions shall not be eligible for financial assistance under VMJS.

Scrutiny (November 2009) of records of the Deputy Commissioner (DC), Bilaspur revealed that notwithstanding the guidelines of VMJS scheme, financial assistance of ₹36.53 lakh was sanctioned (December 2008) by the State Government and released (January 2009) by the DC to M/S Kamdhenu Hitkari Manch (Manch), Namhol (Bilaspur district) a cooperative society registered under Societies Registration Act, 1860 under VMJS for construction of a building of the Manch. It was, however, noticed in audit that the Manch had already received financial assistance of ₹eight lakh in March 2007 from the Project Officer (PO), DRDA Bilaspur for purchase of infrastructure i.e. instant milk cooling system under 'Sampoorna Gramin Swarojgar Yojana' and was, thus, not eligible for further financial

[45] Tuition fee, admission fee and late admission fee.

[46] Basic Pay, Dearness Pay, Dearness Allowance, CA, HRA, IR, GPF, Arrears, if any and Gratuity.

[47] 1996-97 to 2006-07: ₹55.72 lakh from 8054 students; 2007-08: ₹4.04 lakh from 706 students; 2008-09: ₹3.36 lakh from 571 students and 2009-10: ₹2.80 lakh from 437 students.

assistance under VMJS. The BDO, Sadar (Bilaspur) stated (June 2010) that 65 *per cent* work was completed and the remaining work was at completion stage. An expenditure of ₹25 lakh had been incurred so far. Sanctioning of ₹36.53 lakh to the Manch under VMJS was incontravention to the guidelines of the scheme.

The DC, Bilaspur stated (November 2009) that under VMJS, the executing agency was Block Development Officer (BDO) Sadar and on the basis of certificate furnished by the BDO to the effect that no funds had been sanctioned to the Manch under any other programme, necessary sanction was issued. It was further stated that his office had no knowledge and record about funds provided under any other programme to the Manch. The reply is not justified as the DC, Bilaspur who is also the Chief Executive Officer of DRDA, Bilaspur should have verified the facts from the Project Officer, DRDA, Bilaspur who had sanctioned ₹eight lakh to the Manch under above programme.

Government stated (June 2010) that the financial assistance of ₹eight lakh would have remained unutilised if proper building to install equipment was not provided to the Manch.

The fact remains that the sanction of financial assistance of ₹36.53 lakh to the Manch under VMJS by the Government was in disregard to guidelines for implementation of Vikas Mein Jan Sehyog scheme.

CHAPTER-IV

INTEGRATED AUDIT

CHAPTER-IV
INTEGRATED AUDIT

Indian Systems of Medicines and Homeopathy Department

4.1 Integrated Audit of the Department

The State has a network of 1154 Ayurvedic health institutions including hospitals, Dispensaries, health centres and clinics but there were shortages of AMOs (14 *per cent*), paramedical staff (49 *per cent*) and other supporting staff such as Dais/ANMs and class IV (40 *per cent*). 233 Dispensaries were being run by a single employee/Class IV adversely affecting the health care services, especially in rural areas. Hospitals and dispensaries were not regularly inspected, manufacturing facilities of medicines were not modernised, quality control of medicines was not ensured and there were deficiencies in manpower management. The Department could not provide the expected level of health care services despite receiving substantial funds from GOI for implementation of Centrally Sponsored Schemes. Some significant audit findings are as under:

- ***Expenditure of the Department exceeded the budget allocations every year during 2005-09 thereby indicating non- preparation of budget estimates on realistic basis.***

  (Paragraph 4.1.7.1)

- ***Staff costs to total revenue expenditure of the Department increased from 81 to 90 per cent during 2005-10. Expenditure on purchase of medicines, etc., was decreasing year after year.***

  (Paragraph 4.1.7.4)

- ***Shortfall in achievement of targets of opening/upgradation of 90 Hospitals and Dispensaries during 2005-10 was 89 per cent and indicated failure of the Department to provide better health care services to the people of the State.***

  (Paragraph 4.1.8.1)

- ***In eight test-checked hospitals, bed occupancy during 2005-10 remained low ranging between 36 and 40 percent due to non-availability of trained staff, laboratories and operation theatre facilities.***

  (Paragraph 4.1.9.1)

- ***In 189 dispensaries out of 314 test checked dispensaries, essential facilities like electricity and water connection were not available and 191 Dispensaries were manned by single person. Besides, 42 dispensaries were manned by one ANM/Dai/Class-IV staff who were not even authorised to prescribe medicines to the needy patients.***

  (Paragraph 4.1.9.2)

- ***Against total receipt of ₹37.23 crore from GOI by the Society for the development of AYUSH institutions in Himachal Pradesh during 2007-10; the Society failed to spend ₹30.19 crore*** *during the said period. Besides, funds of ₹ 1.17 crore provided by GOI for implementation of NRHM were not utilised and unauthorisedly deposited into treasury as State receipt.*

(Paragraphs 4.1.10 and 4.1.9.1)

- *Despite receipt of sufficient funds from GOI, 70 specialised clinics and 10 AYUSH Speciality Treatment Centres were not opened in Allopathic hospitals thereby ignoring the intention of the GOI to provide health facilities to the people in both the streams under one roof.*

(Paragraph 4.1.10.1)

- *Due to non-receipt of approval from the Government, BSc Nursing and Pharmacy Colleges (Ayurveda) could not be started and Central assistance of ₹5.47 crore remained unutilised in the shape of FDR in a bank account.*

(Paragraph 4.1.10.2)

- *Monitoring of Dispensaries by District Ayurvedic Officers was deficient as shortfall in conducting inspection during 2005-10 ranged between 66 and 74 per cent.*

(Paragraph 4.1.16)

4.1.1 Introduction

Indian systems of Medicines and Homeopathy (ISM&H) plays a vital role in providing health care especially to the people in remote areas of the State. These systems are popular amongst the rural as well as urban population of the State for treatment of chronic diseases. As the State Government has been giving great importance to these traditional systems of medicines, a separate Department of Ayurveda was created in 1984 to popularise these centuries old systems of drugs/treatment among the people by setting up Ayurvedic hospitals, Dispensaries and Pharmacies in the State.

Ayurveda Department has a large network of institutions in the remote and most difficult areas in the State. There are 1154[1] Ayurvedic health institutions, three Ayurvedic pharmacies and four herbal gardens and one Drug Testing Laboratory (DTL) as of March, 2010. These three Ayurvedic Pharmacies[2] are responsible for manufacturing medicines to be supplied to the Ayurvedic health institutions. Drug Testing Laboratory (DTL) at Jogindernagar (Mandi district) checks the quality of medicines being manufactured by Departmental/private pharmacies. The four[3] herbal gardens in different agro-climatic zones of the State promote, cultivate and propagate varied medicinal plants. The Department also has one Government Post Graduate Ayurvedic College known as Rajiv Gandhi Post Graduate Ayurvedic College (RGPGAC) at Paprola in Kangra district. The activities of these institutions are being funded by both the Government of India (GOI) and the State Government.

In order to strengthen the medicinal plants related activities in the State, there is one State Medicinal Plants Board (SMPB) under the Chairmanship of the Hon'ble Chief Minister, H.P. with other

[1] Ayurvedic Hospitals: 27, Dispensaries: 1105, Unani Health Centres: three, Homeopathic Health Centres: 14, Nature Cure Centre: one and Amchi Clinics: four.

[2] Jogindernagar, Majra and Paprola.

[3] Dumrehra (Shimla district), Jogindernagar (Mandi district), Jungle Jhalera (Bilaspur district) and Neri (Hamirpur district).

ex-officio, technical and non-official members. The Department is implementing three[4] Centrally Sponsored Schemes (CSS).

4.1.2 Organisational Set up

Overall responsibility for implementation of programme and policies of the Department is vested in the Principal Secretary (Health and Ayurveda), who is assisted by the Director Ayurveda at the State level and by the District Ayurveda Officer (DAOs) at the district level. At Sub-Divisional/ Village level, there are hospitals and dispensaries manned by Medical Superintendents (MS), Sub-Divisional Ayurvedic Medical Officers (SDAMOs) and Ayurvedic Medical Officers (AMOs) respectively.

The Principal Secretary (Health and Ayurveda) is also the President of the Society for the development of Ayurveda, Yoga, Unani, Sidha and Homeopathy (AYUSH) (Society) and is assisted by the General Secretary (Director Ayurveda) at the State level and five other members of Ayurveda Department. The Society was established in July 2007 for implementation of Centrally Sponsored Schemes (CCS) in the State.

Director Ayurveda, being the head of the Department is responsible for budgetary control, direction and overall working of the Department. District Ayurvedic Officers are responsible for actual implementation of the schemes in the field through the staff subordinate to them.

4.1.3 Scope of Audit

The Integrated Audit of the Ayurveda Department was carried out during March-June 2010 and covered the period 2005-10. Records maintained in the offices of the Director Ayurveda (including State Medicinal Plant Board), five[5] out of a total of 12 District Ayurvedic Officers (DAOs) along with attached nine[6] out of 36 Sub-Divisional Ayurvedic Medical Officers (SDAMOs) with attached hospitals covering five out of 12 districts were scrutinised. Besides, the records pertaining to receipts and expenditure of the Society for development of AYUSH for the period 2007-10 were also test checked.

4.1.4 Audit Objectives

The Integrated Audit of the Ayurveda Department was carried out with the main objectives of assessing whether:

- efficient financial administration with reference to allocated priorities existed in the Department and resources were optimally utilised;
- effective programme management in terms of delivery of goals of the schemes/programmes existed;
- efficient management of human resources in terms of sanctioned, deployment and training personnel for skill upgradation existed; and
- adequate supervision and monitoring including internal control mechanism existed.

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4 Hospitals and Dispensary ; Drug Quality Control and Development of AYUSH Institutions Schemes.
5 Kangra, Kinnaur, Mandi, Shimla and Sirmaur.
6 Baijnath, Dehra, Joginder Nagar, Rajgarh, Rampur, Reckong Peo, Rohru, Sundernagar and Surajpur.

4.1.5 Audit Criteria

The Audit criteria used for benchmarking the audit findings were as under:

- State/Central Government's notifications and instructions issued from time to time for the implementation of State and Centrally Sponsored schemes;
- Departmental Manual/Policies/Rules and Regulations;
- State Financial Rules;
- Budget/Subsidiary Rules and;
- Procedures prescribed for monitoring and evaluation of schemes/programmes.

4.1.6 Audit Methodology

An entry conference was held (April 2010) with the Principal Secretary (Health and Ayurveda) wherein audit objectives, audit criteria, scope of audit and sampling methodology adopted for selection of units for test check were discussed. Capital district (Shimla), one Tribal district (Kinnaur) out of two and three[7] out of remaining nine districts were selected for detailed audit based on the Probability Proportionate to Size With Replacement (PPSWR) method of statistical sampling

Nine[8] SDAMOs, two Pharmacies[9], two Herbal Gardens[10] were selected on Simple Random Sampling Without Replacement (SRSWOR) method of statistical sampling. Records of Post Graduate Ayurvedic College, Paprola and two[11] Regional Hospitals were also test checked.

Audit findings, as discussed in the succeeding paragraphs, are based on an analysis of records, data, information and replies furnished to the audit memoranda by the above units. Exit conference was held (October 2010) with Principal Secretary (Health and Ayurveda) and the views of the Department, wherever received, have also been incorporated in the report at appropriate places.

Audit Findings

4.1.7 Financial Management

Funds are provided to the Department in the annual budget of the State Government through four[12] grants. GOI provided funds for implementation of the three[13] centrally sponsored schemes through budgetary process upto 2006-07 and from 2007-08 onwards funds for implementation of these schemes were directly remitted to the Society for development of AYUSH.

4.1.7.1 Financial outlay and expenditure

The year-wise position of budget allotment and expenditure incurred thereagainst by the Department during 2005-10 is given as under:

7 Kangra, Mandi and Sirmaur
8 Baijnath, Dehra, Joginder Nagar, Rajgarh, Rampur, Reckong Peo, Rohru, Sundernagar and Surajpur
9 Jogindernagar and Majra
10 Dumrehra and Jogindernagar
11 Shimla and Paprola.
12 Demand No. 9- Health and Family Welfare; Demand No. 15- Planning and backward Area Sub-Plan; Demand No. 31-Tribal Development and Demand No. 32- Scheduled Caste Sub-Plan.
13 Hospitals and Dispensary; Drug Quality Control and Development of AYUSH Institutions Schemes.

Table: 4.1.1

(₹ in crore)

Year	Budget Allotment			Expenditure			
	State	Centre	Total	State	Centre	Total	Excess (+) Savings (-)
2005-06	56.24	7.32	63.56	65.11	6.15	71.26	(+) 7.70 (12)
2006-07	64.13	3.99	68.12	83.63	3.64	87.27	(+) 19.15 (28)
2007-08	68.50	-	68.50	80.84	-	80.84	(+) 12.34 (18)
2008-09	88.43	-	88.43	94.77	-	94.77	(+) 6.34 (07)
2009-10	115.89	-	115.89	114.90	-	114.90	(-) 0.99 (--)
Total	**393.19**	**11.31**	**404.50**	**439.25**	**9.79**	**449.04**	**(+) 44.54 (11)**

Source: Departmental figures/Demand for grants.

Figures in parenthesis indicates percentage.

Note : From 2007-08 onwards, budget provisions were not kept under Central sector as GOI remitted funds directly to the Society for development of AYUSH.

As can be seen from the table above, the departmental expenditure had exceeded the budget allocation each year ranging between seven and 28 *per cent* during 2005-09. The Department attributed (June 2010) the excesses to revision of pay scales/wages of employees, payment of Interim Relief (IR) and Dearness Allowance (DA) from time to time. Besides, excess expenditure has also not yet been regularised.

4.1.7.2 Budgetary Control

The Director, Ayurveda is responsible for preparation and submission of budget estimates to the Finance Department through the Administrative Department.

The budget estimates for the period 2005-10 were sent after a delay ranging between 17 days (2007-08) and 84 days (2009-10) and the final Statement of excesses and surrenders were submitted late with delay ranging between 82 days (2005-06) and 97 days (2008-09) for above period.

These delays in sending of budget estimates and submission of final Statement of excesses and surrenders after the close of the financial year was also a futile exercise as the Departmental expenditure exceeded the budgetary allocation each year during 2005-09. This indicates failure of the Department to exercise effective budgetary control.

The Government admitted the facts and stated (October 2010) that the relevant provisions of the State budget manual and financial rules would be kept in view in future.

4.1.7.3 Expenditure Control

To regulate the expenditure in a phased manner, the Administrative Department is required to ensure that budget allocation are spent quarterly in a controlled manner. It was noticed that expenditure in the fourth quarter of each year was between 34 and 64 *per cent* against the prescribed percentage of 25.

The Department while admitting the fact stated (June-August 2010) that the expenditure over the prescribed percentage in the fourth quarter was due to purchase of medicines/equipment and expenditure on capital works and further stated that all the DDOs would again be directed to strictly observe the prescribed norms in future.

4.1.7.4 Establishment and other Administrative cost

The 12th Finance Commission (TFC) recommended that expenditure on salary and wages relative to revenue expenditure, net of interest payment and pension should not exceed 35 *per cent*.

The Department had not fixed any norms for expenditure on salary and wages and programme implementation.Staff costs and other administrative expenses were on higher side during 2005-10 resulting in thinning of resources for medicines and equipment. The ratio of staff costs, as compared to other costs on delivery of health services during 2005-10 is given in Appendix-III.

From the details given in the above appendix, it would be seen that administrative expense ranged between 81 and 90 *per cent* of the total expenditure. The expenditure on programme implementation remained abysmally low at an average of 14 *per cent* during 2005-10.

The Government stated (October 2010) that the TFC had not stipulated the ratio of expenditure and the same might not be applicable to the Department. The fact, however, remains that the Department had not laid down any norms for regulation of staff and administrative costs.

4.1.8 Planning

4.1.8.1 Preparation of Annual Action Plan

The office Manual of the State Government requires the Directorate to prepare an Annual Action Plan (AAP) for all Departmental programmes/schemes in advance in January every year with month-wise or quarter-wise breakup of targets in respect of each activity to be achieved during ensuing financial year.

Audit scrutiny revealed that during 2005-10, AAPs detailing the implementation strategy for various schemes/activities were not prepared by the Department. Since planning is critical to implementation of various activities of a Department, the efforts of the State Government for strengthening the network of Primary and Secondary level health institutions[14] were deficient as brought out in the succeeding paragraphs.

(i) Targets and Achievement

During 2005-10, the State Government set targets for opening/upgradation of 90 Ayurvedic/ Homeopathic dispensaries, Ayurvedic hospitals and Panchkarma treatment units in district Ayurvedic hospitals. Against this, only 10 Ayurvedic Institutions (five Ayurvedic dispensaries, four Panchkarma units and one hospital) were upgraded/opened, resulting in 89 *per cent* shortfall in achievement of targets. The Director stated (June 2010) that new institutions were opened by the Government on need basis. The reply is admission of the fact that there was lack of planning for opening/upgradation of health institutions to ensure better delivery of health care services to the people of the State.

[14] Primary and Secondary level health units are Dispensary and 10/20 bedded hospitals respectively.

(ii) Availability of Primary and Secondary Health Institutions

The Department has a large network of Primary and Secondary level health Institutions. As per norms, one Dispensary is required to cover a population of 3000 to 5000 and cater to outdoor patients only. Secondary health care unit is required to cover population of about 10000 to 20000. The district wise details of these institutions in the State viz-a-viz population served by them in these districts as of March 2010 is given in Appendix-IV.

A perusal of Appendix-IV reveals that the norms for opening of dispensaries and hospitals had not been strictly followed by the State Government. Out reach of dispensaries in eight[15] out of 12 districts in the State was not ensured according to the norms as population covered in these districts was above the maximum norm of 5000 and on an average ranged from 5244 (Bilaspur district) to 6674 (Solan district) persons.

Similarly, most of the districts had fewer numbers of hospitals than the norm. In some districts like Mandi and Sirmaur, there was only one hospital for population of above four lakh.

The Department stated that (July 2010) to avoid such consequences in future, fresh norms for opening of Ayurvedic Institutions were under consideration at Government level.

4.1.9 Programme Management

4.1.9.1 Working of Ayurvedic Hospitals

The secondary health care unit is Government Ayurvedic Hospital. As per norms, 10/20 bedded hospital was required to cover about 10 to 20 thousand population. As of March 2010, there were 27 hospitals with bed strength of 510 in the State. Out of 27 hospitals, 25 were functional and remaining two hospitals[16] opened (February 2009) were non-functional as building works of these hospitals were in progress as of June 2010.

Hospital-wise position of staff sanctioned, staff in position vis-à-vis vacant posts was not available at Directorate level. Year-wise and hospital-wise position of bed capacity, indoor and outdoor treatment of patients is, however, given in Appendix-V.

The deficiencies noticed in the working of hospitals are as under:

➢ **Infrastructure**

Out of 25 functional hospitals, 22 hospitals were housed in Government buildings and three did not have their own buildings. It was noticed in audit that these three 10 bedded hospitals located at Rohru (Shimla), Bharmour (Chamba) and Harsar (Kangra) are functioning in rented/ donated buildings without adequate accommodation. Further, in 16 hospitals[17], laboratories were non- functional, whereas in 14 hospitals[18], equipment/machinery required for treatment of indoor patients were also not available. Evidently, in the absence of complete infrastructure facilities, delivery of health care service was not upto the standard.

[15] Bilaspur, Hamirpur, Kangra, Kullu, Mandi, Sirmaur, Solan and Una.

[16] Solan and Kullu.

[17] Bharmour, Chamba, Dehra, Dharamshala, Haldarkona, Harsar, Ispur, Katrain, Mandi, Nalagarh, Oel (NCU), Rampur, Reckong Peo, Rohru, Sulyali and Una.

[18] Dehra, Dharamshala, Haldarkona, Harsar, Ispur, Katrain, Mandi, Nalagarh, Oel (NCU), Sulyali, Rampur, Reckong Peo, Rohru and Una.

- **Under utilisation of hospital services**

Position of utilisation of hospital services in eight[19] test checked hospitals, during the period 2005-10 is given in Appendix-VI.

From the details given in the Appendix, it would be seen that in these hospitals, bed strength of hospitals increased from 220 to 270 during 2005-10, the average daily bed occupancy during 2005-10 was between 36 and 40 *per cent* only. Audit noticed that poor bed occupancy in these hospitals was due to non-availability of facilities such as laboratory/operation theatre/water facilities and shortage of trained staff/specialists. Besides, outdoor patient treatment in eight test checked out of 25 hospitals also showed declining trend as number of patients treated (1,31,186) in 2005-06 came down to (97,016) in 2009-10. Thus, in spite of increase in bed strength, the Department failed to ensure proper functioning of hospitals due to non-providing of adequate facilities. The concerned Medical Superintendents (MS) of regional hospitals/DAOs/SDAMOs admitted the facts (April-June 2010).

- **Convergence with other on going programme**

The Mission Director National Rural Health Mission (NRHM), GOI conveyed (May 2008) approval of State Programme Implementation Plan (PIP) for 2008-09 to the State Mission Director (NRHM). As per approved PIP, 70 AMOs were to be appointed on contractual basis at a fixed remuneration of ₹16,000 per month for 70 specialised clinics of ISM&H to be established in Allopathic institutions such as Community Health Centres (CHCs) and Regional Hospitals (RHs) so that the patients could avail the benefits of both the systems under one roof. Accordingly, the State Mission Director (NRHM) released ₹1.34 crore (November 2008) to the Director, Ayurveda.

Scrutiny of records in the Directorate revealed that no appointments of AMOs for specialised clinics in CHCs/RHs were made as envisaged in the PIP of NRHM. The Department spent ₹17 lakh on salary of 35 AMOs who were working in health institutions not related to the functioning of NRHM and deposited (March 2009) the remaining amount of ₹1.17 crore in the Treasury. However, utilization certificate (UC) for the whole amount viz. ₹1.34 crore was incorrectly sent to the State Mission Director (NRHM). This resulted not only in diversion of NRHM funds but also hampered the convergence of Ayurvedic health care facilities with NRHM.

The Director Ayurveda stated (April 2010) that since it was decided by the State Government to deposit the balance amount of ₹1.17 crore in treasury, UC was accordingly furnished to State Mission Director (NRHM). However, no reply was furnished for spending of ₹17 lakh on salary of 35 AMOs who were not related to implementation of NRHM.

4.1.9.2 Working of Dispensaries

As of March 2010, 1105 dispensaries were working in the State to provide health care services to the people of rural and urban areas. The deficiencies noticed in the working of dispensaries were as under:

[19] DAOs: Mandi, Dharamshala and Reckong Peo; MS: RAH Paprola and Shimla and SDAMO Jogindernagar, Rampur and Rohru.

➢ **Shortage of Manpower**

As per norms fixed (May 1995) by the State Government, one AMO, one Pharmacist, one Auxiliary Nurse-cum-Midwife (ANM)/Dai and one class-IV were required to be posted in a dispensary.

Scrutiny of records revealed that there was acute shortage in all the categories of staff as of March 2010. There were 994 AMOs, 536 Pharmacists, 674 ANM/Dais and 669 Class-IV staff against 1105 posts in each category of staff. The percentage of shortage of AMOs and Pharmacists was 10 and 52 *per cent* whereas in respect of Dais and class-IV it was 39 *per cent* (in each category). In five test-checked districts, it was noticed that out of 314 dispensaries, 189 were lacking essential facilities like water (139) and electricity (50). In the absence of adequate staff and essential facilities, proper functioning of these dispensaries was not possible. Also 191 dispensaries located in rural areas were manned by only one person (171 by one AMO each and 20 by one Pharmacist each) and no supporting staff was provided in these dispensaries. Besides, 42 dispensaries were manned by one ANM/Dai and Class-IV staff who were not even authorised to prescribe medicines to the needy patients. The Director stated (June 2010) that due to ban imposed by the Government on recruitment of staff, vacant posts could not be filled up. The reply is not acceptable as operation of these dispensaries without adequate required staff did not serve the purpose of providing quality health care service to the needy patients.

Similarly, in SDAMO, Baijnath (Kangra district) it was noticed (May 2010) that only one class-IV employee was posted in Bara Bhangal Dispensary and no medicines were supplied to the said Dispensary after August 2006. Thus, the class IV posted there remained idle since September 2006. This had resulted in unfruitful expenditure of ₹3.59 lakh on pay and allowances of said employee from September 2006 to April 2010. SDAMO, Baijnath stated (May 2010) that the matter for posting of AMO in Bara Bhangal Dispensary had been taken up with the Government and action in this regard was to be taken at Government level.

➢ **Lack of Infrastructure**

As per norms, an area of 600 square feet for a Dispensary building has been approved. Audit scrutiny revealed that out of 1105 dispensaries, 379 were housed in Government buildings, 271 in private rented buildings and 455 in donated/ Panchayat buildings. The Department was not aware of the availability of the area of dispensaries run in private/donated/ Panchayat buildings. Thus, running of dispensaries especially in private/panchyats/donated buildings without adequate infrastructure was bound to affect the smooth functioning of these dispensaries.

➢ **Irrational deployment of staff**

In two[20] test-checked districts, it was noticed that 10 ANMs[21] and Dais[22] (five each) were posted in excess of the sanctioned strength. Thus, due to improper planning for posting of staff, some dispensaries remained under staffed as discussed in paragraph 4.1.9.2.

[20] Kinnaur and Mandi.

[21] Five Dais in District Ayurvidic Hospital, Kinnaur.

[22] Three ANMs in DAO Mandi: and two ANMs in SDAMO Sundernagar:

4.1.9.3 Working of Pharmacies

There are three[23] Government Ayurvedic Pharmacies located in the State. Of this, one pharmacy is attached with the Rajiv Gandhi Post Graduate Ayurvedic College, Paprola for carrying out research work and providing practical training to the students. At present these pharmacies are providing quality medicines to about 1105 Ayurvedic Dispensaries and 25 functional Hospitals in the State.

The deficiencies noticed in working of two selected pharmacies[24] are discussed as under:

➢ **Shortfall in achievement of targets for production of medicines by pharmacies**

The year-wise position of targets fixed and achievements thereagainst is given in Appendix-VII. From the details given in the Appendix, it can be seen that on an average there was shortfall in production ranging between 46 to 60 *per cent* during the aforesaid years. In these two pharmacies, against the sanctioned strength of 134 personnel of different categories, only 56 were in position. Thus, due to acute shortage of staff, machinery/equipment in both the pharmacies could not be utilised to their full capacity which affected the manufacturing of quality medicines and their supply to the Government hospitals and dispensaries.

The AMOs, Incharge of both pharmacies stated (May-June 2010) that the shortfall in achievement in production was due to shortage of technical staff and non posting of Manager/Assistant Manager and non availability of some ingredients/sufficient material and other items. The Department further stated (August 2010) that shortfall in achievement in production was also due to non installation of additional machinery. The reply is not acceptable in view of the fact that ingredients/material/ other items should have been arranged well in time besides providing adequate technical and other staff. Thus, the working of Pharmacies was not upto the desired level.

➢ **Stock position of Raw Herbs/packing material**

Stock position of raw herbs and packing material in the two selected pharmacies viz-a-viz consumption during 2005-10 is as under:

Table: 4.1.2

(Value ₹in lakh)

Year	Opening stock	Receipt during the year	Total	Consumption during the year	Closing stock
2005-06	19.98	25.24	45.22	11.75	33.47
2006-07	33.47	11.67	45.14	27.52	17.62
2007-08	17.62	35.59	53.21	24.10	29.11
2008-09	29.11	66.36	95.47	51.41	44.06
2009-10	44.06	33.26	77.32	34.32	43.00
Total		**172.12**		**149.10**	

Source: Figures supplied by Jogindernagar and Majra pharmacies.

It would be seen from the above table that there was an opening stock balance of raw herbs and packing material valuing ₹19.98 lakh on 1st April 2005. During 2005-10, raw herbs/packing material costing ₹1.72 crore were purchased. Of this, raw herbs/packing material costing

[23] Jogindernagar, Majra and Paprola.
[24] Jogindernagar and Majra.

₹1.49 crore were consumed during 2005-10 leaving a closing stock of raw herbs/packing material costing ₹23.02 lakh (₹172.12 lakh (–) ₹149.10 lakh) as on 31st March 2010. It was also noticed that the yearly closing stock of raw herbs and packing material during each year ranged between ₹17.62 lakh and ₹44.06 lakh, whereas the yearly actual consumption of the same during each year ranged between ₹11.75 lakh and ₹51.41 lakh. Thus, procurement of raw herbs and packing material by these two pharmacies was made without assessing the actual requirement resulting in unnecessary locking up of Government funds. Incharges of Jogindernagar and Majra pharmacies stated (May-June 2010) that due to non availability of some of the ingredients, raw material could not be utilised.

4.1.10 Implementation of Centrally Sponsored Schemes

During 2005-10, GOI provided funds of ₹43 crore (₹5.77 crore through State Government and ₹37.23 crore through Society for development of AYUSH) for the implementation of three centrally sponsored schemes namely Hospitals and Dispensaries Scheme, Development of AYUSH Institutions scheme and Drug Quality Control Scheme. ₹30.19 crore (including interest) remained unutilised with the said Society as of March 2010.

Scheme-wise position of implementation is given in the succeeding paragraphs:

4.1.10.1 Hospitals and Dispensaries Scheme

With a view to make available the benefits of Ayurveda, Yoga, Unani, Sidha, Naturopathy and Homeopathy to the public at large and also to improve drug supply position in rural dispensaries, GOI launched Hospitals and dispensaries scheme to encourage setting up of general and specialised treatment centres of ISM&H in the Allopathic Hospitals.

The objectives of the scheme are:

- to facilitate expansion of health care facilities of ISM&H and building up confidence of the practitioners of these systems while propagating them and establishing their strengths and potentials; and
- to provide facilities of specialized therapies like Panchakarama, Kshar-Sutra, Homeopathy, Yoga & Naturopathy practices and regimental therapy of Unani System of medicine for utilisation as an adjunct or better alternative to conventional medical treatment.

GOI provides 100 *per cent* funds for implementation of this scheme in the hospitals/polyclinics for alteration, partition/repair etc. in the existing buildings, equipment and furniture, special medicines, training of medical and paramedical staff and small contingent expenditure. During 2005-10, GOI provided funds of ₹34.68 crore for implementation of the Scheme against, which ₹10.89 crore were spent as of March 2010. Audit scrutiny revealed the following:

- **Setting up of Specialised Clinics and AYUSH Speciality Treatment Centres**

Under Hospitals and Dispensaries Schemes, GOI released (June 2008) grant-in-aid of ₹18.90 crore for establishment of 70 specialised clinics of ISM&H in Allopathic Community Health Centres (CHCs) and Rural Hospitals (RHs) and 10 Speciality Treatment Centres in Allopathic Hospitals. Funds were sanctioned for these institutions at the rate of ₹35 lakh per Speciality Treatment Centre and ₹22 lakh per Specialised Clinic.

Scrutiny of records of the Society for development of AYUSH revealed that out of ₹18.90 crore, an amount of ₹77 lakh was irregularly spent on liquidation of pending liabilities of the Department and ₹13.70 crore was released (March-August 2009) to the 70 Rogi Kalyan Samities for setting up of clinics/centres. It was noticed that establishment of these clinics/ centres was not done and the whole amount (₹13.70 crore) remained unutilised with the Rogi Kalyan Samities as of June 2010. The balance amount of ₹4.43 crore (excluding interest) also remained unutilised with the Society for development of AYUSH in the shape of fixed deposits in banks as of June 2010. Since the grant-in-aid was to be utilised by March 2010, the department failed to implement the scheme in the State within the specified time limit to provide speciality medical services to the people.

The Director stated (June 2010) that the Department had started to locate the space in the premises of nearby CHCs of Health Department. The reply is not acceptable since these centres should have been established on priority so as to provide specialised therapies like Panchkarama, Ksharsutra, Homoepathy, Yoga and Naturopathy to the people of the State.

➢ **Essential Drugs for AYUSH Dispensaries not procured**

GOI accorded (June 2009) administrative approval for expenditure of ₹5.56 crore for supply of essential drugs to AYUSH dispensaries in the State through the Society for development for AYUSH at the rate of ₹50000 per dispensary. Of this, ₹4.73 crore (85 *per cent*) was to be provided by GOI as grant-in-aid under Hospitals and Dispensaries Scheme and the remaining ₹0.83 crore (15 *per cent*) was to be borne by the State Government.

Scrutiny of records revealed that GOI released its share of ₹4.73 crore in July 2009 (₹2.89 crore) and December 2009 (₹1.84 crore) to the above Society but the State Government did not release its share of ₹0.83 crore to this Society as of June 2010. The whole amount of ₹4.73 crore remained unspent with the Society in the shape of fixed deposits in banks due to non-finalisation of modified Drug purchase policy by the Department. The Director stated (May 2010) that process for purchase of medicines is under way and the Himachal Pradesh State Civil Supplies Corporation Limited has been requested to prepare the tender documents for this purpose. He further stated that the matter was being taken up with the State Government for providing 15 *per cent* State share from 2010-11 onwards. The reply is not acceptable as the matter should have been resolved well in time to ensure availability of essential drugs in the dispensaries under the Scheme.

➢ **Diversion of funds for procurement of raw herbs**

During 2007-09, GOI released ₹5.56 crore (2007-08: ₹2.73 crore; 2008-09: ₹2.83 crore) for supply of essential drugs to dispensaries at the rate of ₹25,000 per dispensary under Hospitals and Dispensaries Scheme. Under the Scheme, essential drugs notified by the GOI were required to be purchased for these dispensaries.

Scrutiny of records revealed that out of funds of ₹5.56 crore, the Department purchased essential drugs of ₹3.93 crore and kept ₹49 lakh unutilised in a bank account as of April 2010. The remaining amount of ₹1.14 crore was diverted for purchase of raw herbs. These herbs were further supplied to the Departmental Ayurvedic Pharmacies for manufacturing of drugs, etc. Since the scheme guidelines did not permit procurement of raw herbs, the diversion of ₹1.14 crore for this purpose was irregular and not justified.

The Department stated (May 2010) that the aim to manufacture medicines in Government Ayurvedic Pharmacies had been achieved as the market cost of such drugs was higher. The reply is not acceptable as no documentary evidence in support of essential drugs as specified by the GOI, actually manufactured and supplied by Pharmacies to the dispensaries was made available. Moreover, the essential drugs notified by the GOI were not supplied.

➢ **Purchase of essential drugs from agencies not approved by the GOI**

For the purchase of essential drugs out of financial assistance provided under the Hospitals and Dispensaries Scheme, GOI issued (May 2007) instructions to the State Government to streamline the procurement system to obviate the risk of substandard medicines offered at lowest rate and to ensure good quality medicines. Accordingly the GOI directed the State Government to follow the rate contract finalised under Central Government Health Scheme (CGHS).

Scrutiny of record revealed that during 2007-09, the Department purchased drugs costing ₹2.10 crore from the local pharmacies instead of making procurement from the approved rate contract firms under CGHS. Thus, purchase of drugs made during the aforesaid period was not only in contravention of the GOI's instructions but also fraught with risk of substandard medicines offered at lower rate. Besides, no evidence of testing of drug samples of medicines procured from local pharmacies was available on record. Thus, the aspect of quality medicines in these cases could not be vouchsafed in audit.

The Government stated (October 2010) that small quantity of medicines was procured from local agencies and GOI order was also not very clear whether it was mandatory or only suggestive. The reply is not acceptable as GOI's instructions to streamline the procurement of essential drugs were already clear and the State Government was required to follow the rate contract finalised under CGHS.

4.1.10.2 Scheme for Development of AYUSH Institutions

For the development of AYUSH institutions, a Centrally Sponsored Scheme was launched by the GOI by the end of 9th Five Year Plan. Under this Scheme, 100 *per cent* financial assistance for strengthening and upgradation of Government/ Government aided institutions was provided. Deficiencies noticed in implementation of this Scheme were as under:

➢ **Strengthening of infrastructure in Ayurvedic Educational Institutions**

During 2005-06 and 2007-10, GOI released financial assistance of ₹7.14 crore for the construction of Girls Hostel, Ayurvedic Pharmacy College, BSc. Nursing College at Paprola and purchase of machinery and equipment, books, salary to staff, stipend to PG classes, etc. Out of this, expenditure of ₹1.67 crore (salary and stipend: ₹0.28 crore, books, additional teaching and technical staff: ₹0.55 crore and stipend to PG classes: ₹0.84 crore) was incurred by the Department and balance amount of ₹5.47 crore remained unutilised with the Department in the shape of FDRs in the bank due to non construction of Girls Hostel, Ayurvedic Pharmacy college and BSc. Nursing College and non-purchase of machinery and equipment. This resulted in non-accrual of intended benefits to the students.

The Director, Ayurveda stated (March 2010) that prior to start of the nursing course, affiliation and recognition aspects had to be completed for which GOI was approached (November 2009). The reply does not explain why timely action for availability of suitable land, mandatory approval for recognition of course from regulatory authorities, affiliation to University could not be initiated to fulfill the above formalities before taking up the matter with GOI.

➢ **Assistance for development of State Model College**

To develop RGPGAC, Paprola (Kangra district) as State Model College, GOI released (December 2007) financial assistance of ₹1.35 crore for construction works, equipment, books and additional staff. The Director Ayurveda, after retaining an amount of ₹40 lakh, released ₹95 lakh to the Principal of the college in December 2008 for incurring expenditure on capital works, equipment and books/journals for Library.

It was noticed that out of ₹95 lakh, the Principal spent only ₹48.66 lakh on purchase of machinery, equipment and books. The balance amount of ₹86.34 lakh (including amount of ₹40 lakh retained by the Director Ayurveda) remained unutilised in bank accounts as of May 2010. Thus, the objective of development of the College as State Model College still remained to be achieved in view of sizeable amount of funds lying unutilised with the Department.

The Principal stated (May 2010) that funds could not be utilised on capital works due to non-submission of estimates by the Public Works Department. The reply does not explain why requisite formalities relating to preparation of estimate by Public Works Department for timely utilisation of available funds for development of College could not be completed.

4.1.10.3 Drug Quality Control Scheme

In order to provide financial assistance to the States for strengthening their Ayurveda, Sidha, Unani and Homeopathy (ASU&H) drugs quality control and enforcement mechanism, GOI introduced this Scheme towards the end of 9th Five Year Plan. GOI provides 100 *percent* assistance for the following purposes:

➢ Strengthening of Enforcement mechanism for ASU&H Drugs;

➢ Strengthening of ASU&H Drug Testing Laboratories and Pharmacies subject to the State's filling up vacant posts and ensuring availability of trained personnel for their proper functioning.

➢ Assistance to ASU&H manufacturing units to establish inhouse quality control laboratories for batch to batch testing of raw material and finished products for ensuring quality of ASU&H medicines;

➢ Assistance to ASU&H units to upgrade their infrastructure to acquire World Health Organisation (WHO) food manufacturing practices/certification for export purposes.

The deficiencies noticed in implementation of the Scheme are discussed in succeeding paragraphs:

- **Misutilisation of funds provided for strengthening of Enforcement Mechanism for ASU&H Drugs**

With a view to encourage strengthening of enforcement mechanism for ASU&H drugs in the State, under Drug Quality Control Scheme, GOI contemplated to provide an annual financial assistance of ₹15 lakh per year for the duration of the 11th Five Year Plan (2007-12). Under the Scheme, expenditure incurred after 1st April 2007 on the following items was to be reimbursed by the GOI to the State Government:

- Purchase of vehicle for State AYUSH Drug Controller;
- Expenditure on computerisation of office of AYUSH Drug Controller/Licensing Authority;
- Expenditure on collection of statutory/ survey samples;
- Expenditure on training of technical staff at Pharmacopoeial Laboratory for Indian Medicines (PLIM) as per approved cost norms.

It was noticed that against receipt of ₹29 lakh in February 2008 and April 2009 for strengthening of enforcement machinery of ASU&H Drugs in the State, the Department spent ₹2.66 lakh for procurement of a vehicle and laptop for Drug Controller and utilised (March 2009 and January 2010) the balance amount of ₹26.34 lakh on procurement of unauthorised items such as new vehicles and computers, etc. at Directorate level. Thus, the very purpose of strengthening of drugs enforcement mechanism for ASU&H Drugs was not achieved as the State Government did not incur any expenditure on the collection of statutory/survey samples and imparting training to technical staff at prescribed training centres.

The Government stated (October 2010) that the funds were provided for the aforementioned components of which computerisation was the main component and accordingly funds were utilised besides training had also been provided to some personnel. The reply is not acceptable as only one vehicle was purchased for the Drug Controller and in the remaining cases; expenditure was incurred on new vehicles/computers for other departmental purposes.

- **Non-strengthening of Government Ayurvedic Pharmacy at Paprola**

For strengthening of Government Ayurvedic Pharmacy Paprola, GOI released grant-in-aid of ₹0.87 crore under Drug Quality Control Scheme in July 2007 in favour of Society for development of AYUSH institutions in Himachal Pradesh for renovation/expansion of pharmacy building (₹0.66 crore) and purchase of machinery (₹0.21 crore). As per condition laid down in the sanction order, the pharmacy was required to submit a progress report of work twice a year to the GOI. Scrutiny of records revealed that required renovation/expansion of Pharmacy building was not done as yet. Besides, out of ₹21 lakh provided for machinery, only ₹19 lakh was utilised. Thus, ₹68 lakh were not utilised for the intended purposes and remained unspent as of April 2010. Progress report of work was also not submitted to the GOI at the prescribed intervals.

The Director stated (April 2010) that construction work would be started immediately after finalisation of estimate. He, however, gave no reasons for non-utilisation of entire amount provided for purchase of machinery. This shows that Department did not take any effective steps for utilisation of funds for strengthening of infrastructure to upgrade the standard of this pharmacy.

4.1.10.4 Maintenance of accounts by the Society for development of AYUSH

Himachal Pradesh Cooperative Societies Registration Act/Rules provide that every registered Society shall maintain proper accounts and bank accounts/Cash Book, a transparent accounting procedure shall be followed and separate ledgers to be maintained by the Society. Every Society shall also send to the Registrar its Annual Accounts i.e Income and Expenditure and Balance Sheet along with details of financial activities etc. duly audited by Chartered Accountants (CAs) and the Audit Report of the CAs thereon.

It was noticed that no such records were being maintained by the Society for development of AYUSH since its inception in July 2007 to date (June 2010). Non maintenance of Cash Book/ Annual Accounts was a serious lapse on the part of the Society. The Department stated (June 2010) that the meeting of Governing Body of the Society had not been held as of June 2010 and the decision to appoint CAs and preparation of Annual Accounts of the Society would be taken as and when the Governing Body would meet in future. The reply is not acceptable in view of mandatory provisions of Cooperative Societies Registration Act and Rules made thereunder. Further, reply does not explain why meeting of Governing body of the Society could not be convened so far keeping in view the fact that the Society was formed three years back in July 2007.

4.1.11 Execution of building works for health institutions

The Department is getting construction of buildings for hospitals and dispensaries done through two agencies viz. Public Works Department (PWD) and Himachal Pradesh Urban Development Authority (HIMUDA). The Department had deposited ₹6.17 crore for execution of 43 works (Ayurvedic Hospitals: Two; Dispensaries: 41) with PWD (₹3.53 crore) and HIMUDA (₹2.64 crore) respectively. Of these, 16 works were sanctioned prior to 2005-06 and 27 works during 2005-10.

Scrutiny of records revealed that out of 43 works, construction of 16 works for which ₹1.36 crore were deposited with the executing agencies were not taken up as of June 2010. Reasons for non-taking up of these works were non-availability of land (two cases), land dispute (one case), non finalisation of drawing and tenders (six cases) and inadequate funds (seven cases). The remaining 27 works (including 10 works sanctioned prior to 2005-06) for which ₹4.81 crore was deposited were still in progress. It was also noticed that the Department had not maintained any work register indicating the name of work, funds placed at the disposal of executing agencies, stipulated time for completion and upto-date status of works. Besides, the Department was also not monitoring the progress of works by obtaining physical progress reports and financial achievements from the concerned executing agencies. Thus, due to non monitoring of the execution of works, necessary infrastructure facility could not be provided in the needy institutions. The Department stated (June 2010) that non completion of works has certainly affected health care facilities to the patients in the respective areas and assured that in future proper monitoring of works will be done both at Directorate and District level. He further stated that the executing agencies would be asked to furnish upto date details of expenditure on quarterly basis alongwith the status of work to keep necessary record at headquarter.

4.1.12 Functioning of State Medicinal Plant Board

The National Medicinal Plants Board (NMPB) was set up in November 2000. The objective of establishing the Board is to establish an agency which would be responsible for coordination of all matters relating to medicinal plants including drawing up policies and strategies for conservation, proper harvesting, cost effective cultivation, research and development, processing, marketing of raw material in order to protect, sustain and develop this sector. The NMPB provides financial assistance to State Medicinal Plants Board (SMPB) established in November 2001 under the Ayurveda Department and also to the Forest Department, Universities, Herbal Gardens and farmers for projects under promotional, commercial and contractual farming schemes. The financial assistance is provided only for the development of 32 species of medicinal plants prioritized and identified by the NMPB. Fifty percent financial assistance is released during on-set of the project and remaining 50 *per cent* is released on its completion. The beneficiaries under these schemes were required to submit the Utilisation Certificates (UCs) alongwith progress reports to the SMPB for submission to NMPB.

Scrutiny of records of SMPB revealed that during 2005-09, NMPB sanctioned 227 projects for ₹13.60 crore (24 promotional schemes for ₹8.06 crore and 203 contractual farming scheme for ₹5.54 crore). Against this, financial assistance of ₹6.92 crore (₹3.85 crore under promotional schemes and ₹3.07 crore under contractual farming schemes) was released to Forest Department, Universities, Herbal Gardens and farmers and the balance of ₹6.68 crore was yet to be released by the NMPB. It was further noticed that due to non-submission of utilisation certificates and progress reports of utilisation of ₹6.92 crore by the beneficiaries, NMPB did not release the balance amount so far (May 2010). In the absence of any evidence of propagation of medicinal plants by the concerned beneficiaries and verification thereof by SMPB, it could not be verified in audit as to whether beneficiaries had actually taken up the projects and utilised the grant. The Director stated (May 2010) that normally the projects were sanctioned for the period of three years and the 1st instalment of financial assistance was released in the 1st year during the on-set of the project. He further stated that subsequent instalments were not released by the funding agency due to delay in submission of UCs to it. The reply is not acceptable as the SMPB and the Department had not ascertained the status of utilisation of grant released by physically verifying medicinal plants farming, if any, done by the beneficiaries to obviate the chances of non-utilisation/misutilisation of financial assistance provided by the GOI.

4.1.12.1 Establishment of Herbal Gardens

In order to cultivate, propagate and conserve the herbal wealth, four herbal gardens have been established at Jogindernagar (Mandi district), Neri (Hamirpur district), Dhumreda (Shimla district) and Jungle Jhalera (Bilaspur district) by the Ayurveda Department during 1994-2007. The main aims and objectives of the establishment of these herbal gardens are as under:

- To raise the germaplasm of the identified genuine species of the medicinal plants of the respective agro-climatic zones.

- To develop the Agro techniques of the medicinal plants for taking up cultivation to supplement their income.
- To develop the pre and post harvesting methodology for maintaining the herbal drug efficiency for quality control.
- To generate awareness on the various aspects of medicinal plants among the people of the State.
- To provide practical demonstration to the students of Ayurvedic College Paprola for identification of the medicinal plants.

Scrutiny of records in the Directorate revealed that out of four herbal gardens, one established at Jungle Jhalera (Bilaspur district) was not functional due to non-availability of manpower. The acquired land/area of remaining three herbal gardens is 59 acres. It was noticed that only 38 acres of land (64 *per cent*) had been put under cultivation as of March 2010 though a period of more than one decade had elapsed since the establishment of the herbal gardens.

Audit scrutiny further revealed that a project titled "Production and utilisation of herbs in collaboration with herbal gardens and pharmacies of the ISM&H Department" was sanctioned (December 2006) by GOI for ₹24 lakh to be completed within three years. Under the said project, four herbal gardens in four different agro-climatic zones including nursery in three hectare area each were to be established. Against this, GOI released 1st instalment of ₹10 lakh in December 2006. As per terms and conditions of GIA, the funds were to be utilised on land development, vermi-compost pits, irrigation, M&E and operational expenses, etc.

Test check of records (May 2010) revealed that SMPB released ₹10 lakh (November 2007) to four herbal gardens (₹2.50 lakh each). Of this, an expenditure of ₹6.54 lakh[25] was incurred by these herbal gardens upto May 2010 leaving ₹3.46 lakh unutilized as of June 2010. The remaining instalments could not be claimed by the SMPB from the GOI due to non submission of UCs. The project had thus remained incomplete and intended benefits could not be derived as of June 2010.

4.1.13 Human Resource Management

4.1.13.1 Staff position and shortages

Category-wise sanctioned strength, men in position and shortages of staff as on 31 March 2010 is depicted in Appendix-VIII.

It would be seen from the Appendix that there was 39 *per cent* shortage of teaching staff and 33 *per cent* in paramedical staff in RGPGAC, Paprola. In the case of health institutions, shortage of Medical officers, paramedical staff and supporting staff was to the extent of 14, 49 and 40 *per cent* respectively. The shortage of teaching staff, medical staff and paramedical staff was bound to affect the quality of teaching and health care services respectively.

The Government stated (October 2010) that the sanctioned strength of manpower in the Ayurvedic college was on higher side as per GOI/University norms. The reply is not acceptable as no documentary evidence in support of it was made available to Audit.

[25] Dhumreda (Shimla district) ₹1.85 lakh; Jogindernagar (Mandi district) ₹2.01 lakh; Jungle Jhalera (Bilaspur district) ₹0.79 lakh and Neri (Hamirpur district) ₹1.89 lakh

4.1.14 Material Management

4.1.14.1 Procurement of Medicines/raw herbs

State Government decided (March 1993) to purchase and distribute medicine through Himachal Pradesh State Civil Supplies Corporation (HPSCSC). Quarterly demands of medicines were to be sent to the HPSCSC by the Director Ayurveda. The Government revised (February 2004) the purchase policy and created two Committees viz. State Level Purchase Committee (SLPC) under the chairmanship of Pr. Secretary (Ayurveda) to the Govt. of Himachal Pradesh and Technical Sub-Committee under the Chairmanship of Asstt. Director of Ayurveda Department. The technical sub committee made recommendations with choice of all categories of Ayurvedic Drugs to the SLPC who approve the purchases. These committees also work out the requirement of medicines keeping in view the budgetary provisions, inviting of applications from local manufacturers and enlist them.

Scrutiny of records revealed that against ₹20.02 crore advanced to HPSCSC by the Director of Ayurveda during 2005-10 for the purchase of medicines and raw herbs; ₹7.66 crore had not been adjusted as of June 2010 for want of receipt of vouchers (₹4.04 crore) and receipt of supplies (₹3.62 crore) for which orders were placed. The Department stated (June 2010) that efforts for adjustment of advances are being made.

4.1.15 Internal Audit

As per instructions issued (August 1987) by the Finance Department (FD), the services of Internal Audit staff should be utilised only for the purpose of conducting internal audit, checking of accounts, supervising the clearance of outstanding audit objections, physical verification of store and stock, etc. and their work should be supervised by the senior Departmental Officers. It was noticed that against two posts of Section Officers sanctioned for the above purpose, there was only one incumbent who was posted in the Directorate. Scrutiny of records further revealed that internal audit had not been conducted during 2007-10 though it was required to be conducted annually. The Section Officer of Internal Audit Section, posted at Directorate was carrying out the routine work at the Directorate and no work relating to internal audit was done. Thus, internal audit was completely non-existent in the Department.

4.1.16 Monitoring and evaluation

The Department had not evolved any system for monitoring the execution of various CSSs and programmes for evaluating their impact on the health care system in the State.

Director Ayurveda directed (May 2003) all the DAOs to inspect 25 *per cent* of Dispensaries under their control during each quarter every year to ensure 100 percentage coverage of Dispensaries in a year.

It was, however, noticed in five[26] test checked districts that the required inspections were not carried out by the DAOs. DAO-wise position of inspections conducted during 2005-10 is given in Appendix-IX.

The percentage shortfall in conducting inspections ranged between 66 and 74 *per cent* during 2005-10. Non conducting of inspections to the prescribed extent by the DAOs not only violated the instructions issued by the Director but also the field functionaries failed to exercise proper check over the functioning of the dispensaries under their jurisdiction. DAO Kangra

[26] Kangra, Kinnaur, Mandi, Shimla and Sirmaur.

stated (April 2010) that this district being the biggest district, required inspections could not be conducted. No reasons were, however, advanced by other DAOs for not conducting inspections to the prescribed extent.

4.1.17 Conclusion

- There are 1154 Ayurvedic health institutions including hospitals, dispensaries, health centres and clinics in the State but due to shortages in the cadres of AMOs (14 *per cent*), paramedical staff (49 *per cent*) and supporting staff (40 *per cent*) coupled with non-providing of adequate infrastructure facilities like laboratories, operation theatres, separate male/female wards in hospitals, the quality of health care was adversely affected.

- Essential facilities like water and electricity were lacking in 189 Dispensaries.

- Indoor patient health care services were also not satisfactory as bed occupancy during 2005-10 remained low ranging between 36 and 40 *per cent* due to non-availability of staff, laboratories and operation theatre facilities. Besides, outdoor patient treatment in eight out of 25 hospitals also showed declining trend as number of patients treated (1,31,186) in 2005-06 came down to (97,016) in 2009-10.

- Implementation of centrally sponsored schemes was tardy as substantial funds remained unspent in fixed deposits in the shape of FDRs.

- The Department failed to develop AYUSH institutions as Central assistance provided to start courses in B. Pharmacy, B.Sc. nursing and Girls hostel was not utilised due to lacunae such as affiliation to University and recognition of institutions from regulatory authorities.

- The State has only one Postgraduate Ayurvedic College and has shortage of teaching and paramedical staff. This was bound to affect the quality of teaching.

- The goal of establishment of AYUSH institutions and mainstreaming them with Allopathic institutions under NRHM providing treatment under both systems of medicines also remained to be achieved.

- District Ayurvedic Officers failed to conduct 100 *per cent* inspection of Dispensaries every year to exercise check on their smooth functioning. Shortfall in conducting inspection during 2005-10 was 66 to 74 *per cent.*

4.1.18 Recommendations

The following recommendations are made for the consideration of the Government:

- Since the Departmental expenditure exceeded the budget allocation every year during 2005-10, it should be ensured that preparation of budget estimates is done on realistic basis and after assessment of needs of health institutions.

- For implementation of Centrally Sponsored Schemes viz. Hospitals and dispensaries, drug Quality control and development of AYUSH institutions, huge amount remained unspent with the Department. The State Government should therefore take effective steps to ensure optimum utilisation of funds provided for implementation of centrally sponsored schemes for development of AYUSH institutions in a time bound manner.

APPENDIX-I

(Refer paragraph 1.1.8.1; page 8)

Statement showing the funds provided to selected divisions for upgradation and maintenance of SHs and MDRs

(₹ in crore)

Year	Budget allotment		Expenditure		Variation (+) Excess/(-) Savings	
	Improvement/ upgradation of SHs/MDRs	Maintenance	Improvement/ upgradation	Maintenance	Improvement/ upgradation	Maintenance
2005-06	13.45	6.53	13.16	6.66	(-) 0.29	(+) 0.13
2006-07	12.22	5.99	12.81	6.11	(+) 0.59	(+) 0.12
2007-08	27.87	4.50	28.67	4.51	(+) 0.80	(+) 0.01
2008-09	30.82	7.33	31.43	7.34	(+) 0.61	(+) 0.01
2009-10	47.07	11.02	45.87	11.05	(-) 1.20	(+) 0.03
Total	**131.43**	**35.37**	**131.94**	**35.67**	**(+) 0.51**	**(+) 0.30**

Source: Departmental figures

APPENDIX-II

(Refer paragraph 1.2.8.1; page 25)

Statement showing the details of funds released to test-checked districts during 2005-10

(₹ in crore)

Name of district	Year	Opening Balance	Funds received from		Total funds released	Funds utilised	Unutilised Funds
			GOI	State Government			
Chamba	2005-06	0	3.38	0	3.38	0.54 (16)	2.84
	2006-07	2.84	33.45	4.79	38.24	23.52 (57)	17.56
	2007-08	17.56	28.21	6.03	34.24	28.20 (54)	23.60
	2008-09	23.60	44.10	3.88	47.98	44.41 (62)	27.17
	2009-10	27.17	66.23	11.86	78.09	90.06 (86)	15.20
	Total	**71.17**	**175.37**	**26.56**	**201.93**	**186.73 (68)**	**86.37**
Hamirpur	2008-09	0	19.57	3.80	23.37	16.63 (71)	6.74
	2009-10	6.74	18.37	1.99	20.36	26.38 (97)	0.72
	Total	**6.74**	**37.94**	**5.79**	**43.73**	**43.01 (85)**	**7.46**
Kangra	2007-08	0	52.14	6.01	58.15	43.20 (74)	14.95
	2008-09	14.95	103.63	7.98	111.61	99.26 (78)	27.30
	2009-10	27.30	99.23	15.15	114.38	126.20 (89)	15.48
	Total	**42.25**	**255.00**	**29.14**	**284.14**	**268.66 (82)**	**57.73**
Kullu	2008-09	0	20.14	2.44	22.58	11.27 (50)	11.31
	2009-10	11.31	13.30	1.31	14.61	25.38 (98)	0.54
	Total	**11.31**	**33.44**	**3.75**	**37.19**	**36.65 (76)**	**11.85**
Sirmaur	2005-06	0	5.35	0	5.35	0 (0)	5.35
	2006-07	5.35	8.71	1.86	10.57	8.56 (54)	7.36
	2007-08	7.36	5.86	1.32	7.18	10.14 (70)	4.40
	2008-09	4.40	22.09	2.20	24.29	25.63 (89)	3.06
	2009-10	3.06	28.70	3.73	32.43	33.05 (93)	2.44
Total		**20.17**	**70.71**	**9.11**	**79.82**	**77.38 (77)**	**22.61**
Grand Total		**151.64**	**572.46**	**74.35**	**646.81**	**612.43**	

APPENDICES

APPENDIX-III

(Refer paragraph 4.1.7.4; page 76)

Statement showing the details of establishment and other administrative cost

(₹ in crore)

Year	Total Revenue expenditure	Expenditure on salary, wages and other administrative expenses	Expenditure on programme implementation
2005-06	66.47	53.68 (81)	12.79 (19)
2006-07	81.95	67.77 (83)	14.18 (17)
2007-08	77.69	68.29 (88)	09.40 (12)
2008-09	87.43	77.00 (88)	10.43 (12)
2009-10	108.21	97.12 (90)	11.09 (10)
Total	**421.75**	**363.86 (86)**	**57.89 (14)**

Source: Departmental figures/ Demand for grants

Note: Figures in parenthesis indicate percentage of expenditure

APPENDIX-IV

(Refer paragraph 4.1.8.1(ii); page 77)

Statement showing district-wise details of Ayurvedic Health Institutions as of March 2010

(₹in crore)

Name of the District	Population as per 2001 census	Dispensaries		Hospital (10/20 bedded)	
		Required	Actual	Required	Actual
Bilaspur	3,40,885	68	65 (96)	17	2 (12)
Chamba	4,60,887	92	102 (111)	23	2 (9)
Hamirpur	4,12,700	83	70 (84)	21	3 (14)
Kangra	13,39,030	268	227 (85)	67	6 (9)
Kinnaur	78,334	16	27 (169)	04	1(25)
Kullu	3,81,571	76	63 (83)	19	2 (11)
Lahaul & Spiti	33,224	07	21 (300)	02	1 (50)
Mandi	9,01,344	180	163 (91)	45	2 (4)
Shimla	7,22,502	144	145 (101)	36	3 (8)
Sirmour	4,58,593	92	78 (85)	23	1(4)
Solan	5,00,557	100	75 (75)	25	2 (8)
Una	4,48,273	90	69 (77)	22	2 (9)
Total	**60,77,900**	**1216**	**1105 (91)**	**304**	**27 (9)**

Source: Data from Economic & Statistic Department and Ayurveda Department

APPENDIX-V

(Refer paragraph 4.1.9.1; page 77)

Statement showing hospital-wise details of Outdoor Patient Department (OPD)/ Indoor Patient Department (IPD) patient during 2005-10

Name of district	Name of Hospital	Bedding capacity	2005-06		2006-07		2007-08		2008-09		2009-10	
			OPD	IPD	OPD	IPD	OPD	IPD	OPD	IPD	OPD	IPD
Shimla	RAH, Shimla	50	26738	5396	30115	6614	33612	8360	32808	7816	30727	7844
	AH, Rohru	10	13662	1728	13759	1669	81106	1907	13762	1177	16560	1585
	AH, Rampur	10	17765	286	20309	272	70471	490	19573	107	18508	166
Kangra	RAH, Paprola	150	46323	17776	45761	17013	44124	17922	56434	22087	68168	24335
	DAH, D/sala	20	33367	3762	33279	2527	25496	2408	23350	1410	21757	2201
	AH, Dehra	10	11559	2287	10288	2608	9619	1863	14512	3309	19870	3734
	AH, Hardarkona	10	4571	-	5185	-	4515	-	5136	-	3938	-
	AH, Harsar	10	9867	-	9346	-	9247	-	7842	-	6544	-
	AH, Sulyali	10	5675	-	4946	-	5602	-	8181	-	9922	-
Una	DAH, Una	10	24367	2938	26856	3284	28510	3153	29166	2937	30971	5300
	NCU, Oel	10	7452	458	7004	1004	6372	587	6302	269	5515	156
	AH, Ispur	10	33303	2789	31778	2811	30619	3248	35898	4874	28541	4307
Sirmaur	DAH, Nahan	20	25045	3024	31294	7285	34894	7523	37986	6743	32750	6633
Solan	AH, Solan	20	---	---	---	---	---	---	---	---	---	---
	AH, Nalagarh	10	18103	2740	14910	2543	15924	2745	18356	3532	18007	3107
Bilaspur	DAH, Bilaspur	10	18372	8010	18996	6487	18206	6904	14628	6197	12981	5220
	AH, Kandraur	10	24513	2686	29824	3598	33970	3338	31424	2384	28650	3152
Chamba	DAH, Chamba	10	19510	4403	15380	4425	15845	4587	14332	5142	14557	4380
	AH, Bharmaur	10	5508	48	6733	52	6809	64	8861	70	9982	84
Mandi	DAH, Mandi	10	3620	-	4320	32	5010	1015	9025	1576	8599	1700
	CAH, Jogindernagar	10	12789	1481	12291	1278	11556	939	13018	1170	16160	1034
Kullu	AH, Kullu	20	---	---	---	---	---	---	---	---	---	---
	AH, Katrain	10	23770	2315	54135	2270	54103	2427	48075	2107	46336	150
Hamirpur	DAH, Hamirpur	20	26825	2730	26925	2126	36314	2355	20693	2898	29897	2938
	AH, Kadiar	10	4744	-	4346	-	4253	-	4117	-	3181	-
	AH, Manvi	20	9405	1851	12741	1937	16396	2120	13880	2232	10705	2464
Kinnaur	DAH, Reckong Peo	10	6581	527	7157	1320	7274	1046	6651	785	8704	1167

APPENDIX-VI

(Refer paragraph 4.1.9.1; page 78)

Statement showing year-wise position of bed-occupancy in eight test-checked hospitals

(In numbers)

Name of Institution	2005-06		2006-07		2007-08		2008-09		2009-10	
	Yearly availability of beds	Indoor patients treated	Yearly availability of beds	Indoor patients treated	Yearly availability of beds	Indoor patients treated	Yearly availability of beds	Indoor patients treated	Yearly availability of beds	Indoor patients treated
RAH, Chhota Shimla (50 bedded)	18250	5396(30)	18250	6614(36)	18250	8360(46)	18250	7816(43)	18250	7844(43)
SDAMO, Rohru (10 bedded)	3650	1728(47)	3650	1669(46)	3650	1907(52)	3650	1177(32)	3650	1585(43)
DAH, Dharamsala (20 bedded)	7300	3762(52)	7300	2527(35)	7300	2408(33)	7300	1410 (19)	7300	2201(30)
RAH, Paprola (100/150[1] bedded)	36500	17776(49)	36500	17013(47)	36500	17922(49)	54750	22087(40)	54750	24335(44)
SDAMO, Rampur (10 bedded)	3650	286(8)	3650	272(7)	3650	490(13)	3650	107(3)	3650	166(5)
DAH, Mandi (10 bedded)	3650	Nil	3650	Nil	3650	46(1)	3650	1295(35)	3650	1700(47)
SDAMO, Jogindernagar (10 bedded)	3650	1479(41)	3650	1278(35)	3650	834(23)	3650	1170(32)	3650	1034(28)
DAH, Reckong Peo (10 bedded)	3650	527(14)	3650	1320(36)	3650	1046(29)	3650	785(22)	3650	1167(32)
Total	**80300**	**30954(39)**	**80300**	**30693(38)**	**80300**	**33013(41)**	**98550**	**35847(36)**	**98550**	**40032(41)**

Source: Departmental figures

Note: Figures in parenthesis show percentage

[1] Upgraded to 150 beded hospital since 2008-09.

APPENDIX-VII

(Refer paragraph 4.1.9.3; page 80)

Statement showing the details of production capacity, target fixed and achievement thereagainst during 2005-10

I JOGINDER NAGAR PHARMACY

Year	Production capacity of Pharmacy (in Kgs)	Target fixed		Target achieved		Shortfall Quantity (In Kgs)	Percentage	Reasons for shortfall
		Number of Medicines	Quantity (In Kgs)	Number of medicines	Quantity (in kgs)			
2005-06	30000	66	38103	40	10905	27198	71	Shortage of technical staff, non-posting of Manager/Assistant Manager and non-availability of some in gradients of raw herbs.
2006-07	30000	65	38300	38	16969	21331	56	
2007-08	30000	54	44200	25	9457	34743	79	
2008-09	30000	56	47900	24	16649	31251	65	
2009-10	30000	46	35901	37	27561	8340	23	
Total	**150000**	**287**	**204404**	**164**	**81541**	**122863**	**60**	

II MAJRA PHARMACY

Year	Production capacity of Pharmacy (in Kgs)	Target fixed		Target achieved		Shortfall Quantity (In Ltrs and Kgs)	Percentage	Reasons for shortfall
		Number of medicines	Quantity (In Ltrs and Kgs)	Number of medicines	Quantity (In Ltrs and Kgs)			
2005-06	23808 ltr 9100 Kg	21 22	23808 ltr 9100 Kg	10 13	11303 ltr 4343 Kg	12505 ltr 4757 Kg	53 52	Shortage of technical staff, non-posting of Manager/Assistant Manager and non-availability of some in gradients of raw herbs.
2006-07	32416 ltr 9250 Kg	21 24	32416 ltr 9250 Kg	16 21	19762 ltr 4609 Kg	12654 ltr 4641 Kg	39 50	
2007-08	39216 ltr 7325 Kg	20 19	39216 ltr 7325 Kg	13 17	15569 ltr 4265 Kg	23647 ltr 3060 Kg	60 42	
2008-09	33976 ltr 17325 Kg	33 24	33976 ltr 17325 Kg	27 18	21000 ltr 14486 Kg	12976 ltr 2839 Kg	38 16	
2009-10	31316 ltr 15900 Kg	17 13	31316 ltr 15900 Kg	17 9	19380 ltr 2600 Kg	11936 ltr 13300 Kg	38 84	
Total	**160732 ltr 58900 Kg**	**112 102**	**160732 ltr 58900 Kg**	**83 78**	**87014 ltr 30303 Kg**	**73718 ltr 28597 Kg**	**46 49**	

APPENDIX-VIII

(Refer paragraph 4.1.13.1; page 88)

Category-wise details of manpower sanctioned, in-position and shortages as on 31st March 2010

I Teaching Staff (Including College Hospital)

Sr. No.	Category	Sanctioned strength	Persons in position	Shortage
Teaching staff				
1	Principal	1	-	1
2	Professor	11	7	4
3	Reader	21	13	8
4	Sr. Lecturer	17	10	7
5	Lecturer	16	12	4
6	Physiotherapist	1	0	1
7	Anesthetist	1	0	1
8	Radiologist	1	0	1
	Total	**69**	**42**	**27 (39)**
Non-teaching staff				
1	Para Medical Staff	37	24	13
2	Nursing staff	14	10	4
	Total	**51**	**34**	**17 (33)**

II Staff for Health Institutions

Sr. No.	Category	Sanctioned strength	Persons in position	Shortage
Medical Officers				
1	District Ayurveda Officer	12	9	3
2	Medical Superintendent.	2	2	Nil
3	Managers Pharmacy	3	0	3
4	Ayurveda Medical Officer	1148	994	154
5	Homeo. Medical Officer	14	11	3
6	Unani Medical Officer	3	2	1
7	Amchi Medical Officer	4	1	3
	Total	**1186**	**1019**	**167 (14)**
Para medical staff				
1	Ayurveda Pharmacist	1171	536	635
2	Homeo. Compounder	14	13	1
3	Staff Nurse	54	32	22
4	ANM	190	154	36
	Total	1429	735	694 (49)
Supporting staff				
1	Dais/Midwife	894	520	374
2	Class-IV	1083	669	414
	Total	**1977**	**1189**	**788 (40)**

Note : Figures in parenthesis shows percentage

Source : Departmental figures

APPENDIX-IX

(Refer paragraph 4.1.16; page 89)

Statement showing the details of inspections conducted by DAOs during 2005-10

Sr. No	Name of unit	Total No. of Disp-ensaries	No. of inspections conducted during									
			2005-06		2006-07		2007-08		2008-09		2009-10	
			Reqd.	Actual	Reqd.	Actual	Reqd.	Actual	Reqd.	Actual	Reqd.	Actual
1	DAO, Kangra at Dharamsala	227	227	127	227	128	227	47	227	82	227	74
2	DAO, Kinnaur	27	27	-	27	-	27	-	27	-	27	-
3	DAO, Mandi	163	163	-	163	-	163	46	163	40	163	58
4	DAO, Shimla	145	145	21	145	46	145	45	145	76	145	34
5	DAO, Sirmaur	78	78	21	78	22	78	28	78	24	78	46
	Total	**640**	**640**	**169 (26)**	**640**	**196 (31)**	**640**	**166 (26)**	**640**	**222 (35)**	**640**	**212 (33)**

Source: Figures supplied by the DAOs of respective districts. Figures in parenthesis indicate percentage

APPENDIX-X

Glossary of abbreviations

Abbreviations	Expanded form
AA/ES	Administrative Approval/Expenditure Sanction
AAP	Annual Action Plan
AMO	Ayurvedic Medical Officer
ANM	Auxiliary Nursing Midwife
AYUSH	Ayurveda, Yoga, Unani, Sidha and Homeopathy
BDO	Block Development Officer
BG	Bank Guarantee
CA	Controlled Atmosphere
CA	Chartered Accountant
CCA	Cultivable Command Area
CE	Chief Engineer
CE-cum-PD	Chief Engineer cum Project Director
CGHS	Central Government Health Scheme
CHC	Community Health Centre
CI	Cast Iron
CMO	Chief Medical Officer
CSS	Centrally Sponsored Scheme
DAO	District Agriculture Officer
DC	Deputy Commissioner
DDA	Deputy Director of Agriculture
DDO	Drawing and Disbursing officer
DER	Detailed Engineering Report
DH	Director of Horticulture
DI	Ductile Iron
DPCs	District Programme Co-ordinators
DPDTPPRC	District Planning Development and Twenty Point Programme Review Committee
DPPs	District Perspective Plans
DPR	Detailed Project Report
DQM	District Quality Monitor
DRDA	District Rural Development Agency
DSR	District Schedule of Rates
DTL	Drug Testing Laboratory
EE	Executive Engineer
E-in-C	Engineer-in-chief
FD	Finance Department
FDR	Fixed Deposit Receipt
FIS	Flow Irrigation Scheme
GEC	Government Engineering College
GHB	Gramin Himachal Bhandar

GI	Galvanised Iron
GIA	Grant in Aid
GPs	Gram Panchayats
HIMFED	Himachal Pradesh State Co-operative Marketing Consumers' Federation Limited
HIMUDA	Himachal Pradesh Urban Development Department
HP	Horse Power
HPRIDC	Himachal Pradesh Roads and other Infrastructure Development Corporation
HPSCB	Himachal Pradesh State Co-operative Bank
HPSCSC	Himachal Pradesh State Civil Supplies Corporation
HPSEB	Himachal Pradesh State Electricity Board
HSIDC	Haryana State Industrial Development Corporation
IAs	Implementing Agencies
IP	Intermediate Panchayat
IPH	Irrigation and Public Health
IR/DA	Interim Relief/Dearness Allowance
IRC	Indian Road Congress
ISM&H	Indian Systems of Medicines and Homeopathy
JCR	Job Card Register
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
LDs	Liquidated damages
LPS	Litres per Second
MA	Mobilisation Advance
MD	Managing Director
MDR	Major District Road
MLD	Million Litres per day
MNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MRs	Muster Rolls
MS	Medical Superintendent
MSS	Mixed Seal Surfacing
NABARD	National Bank of Agricultural and Rural Development
NCDC	National Co-operative Development Corporation
NCH	Nature Cure Hospital
NGO	Non-Governmental Organisation
NMPB	National Medicinal Plants Board
NOC	No Objection Certificate
NRHM	National Rural Health Mission
NTPC	National Thermal Power Corporation
NZ	North Zone
OPD	Outdoor Patient Department
PAC	Public Accounts Committee
PC	Pre-mix Carpeting
PCDO	Progeny cum Demonstration Orchards
PCR	Project Completion Report

PEQ	Post Entry Quarantine
PMGSY	Pradhan Mantri Gram Sadak Yojana
PMSP	Prime Minister Special Package
PO	Programme Officer
PO	Project Officer
PPSWR	Probability Proportionate to size with Replacement
PWD	Public Works Department
RDD	Rural Development Department
REGS	Rural Employment Guarantee Scheme
RFC	Road Fitness Committee
RGPGAC	Rajiv Gandhi Post Graduate Ayurvedic College
RH	Regional Hospital
RSVY	Rashtriya SamVikas Yojana
RWHS	Rain Water Harvesting Structure
SADA	Special Area Development Authority
SBCL	State Bio Control Laboratory
SC	Seal Coat
SDAMO	Sub-Divisional Ayurvedic Medical Officer
SDP	Sectoral Decentralised Planning
SDSCO	Sub Divisional Soil Conservation Officer
SE	Superintending Engineer
SEGC	State Employment Guarantee Council
SEGF	State Employment Guarantee Fund
SGSY	Swaranjayanti Gram Swarozgar Yojana
SH	State Highway
SHG	Self Help Group
SMPB	State Medicinal Plants Board
SOR	Schedule of Rates
SOS	Strategic Option Study
SQM	State Quality Monitor
SRP	State Road Project
SRSWOR	Simple Random Sampling Without Replacement
STP	Sewerage Treatment Plant
TCP	Town and Country Planning
TFC	Twelfth Finance Commission
UC	Utilisation Certificate
UDD	Urban Development Department
UGC	University Grant Commission
UHF	University of Horticulture and Forestry
VC	Vice Chancellor
VMC	Vigilance Monitoring Committee
VMJS	Vikas Mein Jan Sahyog
WHO	World Health Organisation
WSS	Water Supply Scheme
WWH	Working Women Hostel

- Since Hospitals and Dispensaries had acute shortage of manpower and lack of infrastructure facilities, Department/Government should take effective steps to bridge these gaps for providing quality health care services in the State.

- The Internal Audit mechanism had remained non existent in the Department. The Department/ Government should ensure deployment of adequate staff for Internal Audit in order to exercise effective financial control and monitoring of implementation of programmes/ schemes.

- Monitoring by the District Ayurvedic Officers was deficient as they failed to conduct 100 *per cent* inspections of Dispensaries every year to exercise check on smooth functioning of dispensaries. Fresh instructions need to be issued to make them accountable for smooth functioning of dispensaries.

These findings were referred to the Government in August 2010; their reply had not been received (August 2010).

Rita Mitra

(Rita Mitra)
Principal Accountant General (Audit)
Himachal Pradesh

Shimla
The 15 फरवरी FEB 2011

Countersigned

(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
The 21 FEB 2011