Audit Report-Civil (Report No.2) Himachal Pradesh 2010-11

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Report of the Comptroller and Auditor General of India

For the year ended 31 March 2011

Civil
(Report No. 2)

Himachal Pradesh Vidhan Sabha at Dharamshala

Government of Himachal Pradesh

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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 2010-2011 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 2010-2011 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 two performance reviews, 17 paragraphs and three thematic paragraphs. The draft audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government with a request to furnish replies within six weeks. However, in respect of one performance review, 17 paragraphs and three thematic paragraphs included in the Report, no reply was received from the State Government. The audit findings relating to the performance reviews 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

Public Distribution System

The State is responsible for identification of beneficiaries, issue of ration cards and distribution of foodgrains through the Targeted Public Distribution System. The performance audit of Public Distribution System (PDS) revealed that the State Government had covered 2.32 lakh BPL families in excess of the families identified in the survey of poor families conducted in the State during 2006-07. The State Government had not ensured periodical checking and weeding out of ineligible and bogus ration cards to prevent leakage of foodgrains to un-intended beneficiaries. On the distribution side, the State Government had also fixed a higher scale of issue of foodgrains than the GoI norms, resulting in excess distribution of foodgrains which resulted in an additional burden of ₹10.98 crore on GoI. There were also deficiencies in quality control system as a result of which 2066.47 MTs of sub-standard pulses and 1368.26 MTs of sub-standard foodgrains were supplied to the consumers. Vigilance committees required to be formed at block and FPS level had not been constituted in many of the blocks/FPSs for effective implementation and monitoring of the PDS. Working of monitoring mechanism of vigilance committees was also ineffective due to non-holding of meetings at required intervals to ensure timely delivery of proper quantity and quality of commodities to the beneficiaries.

(Paragraph 1.1)

Functioning of Sewerage Schemes

The State Government had not prepared/evolved any strategic plan to provide sewerage facilities in a time bound manner. Out of 40 towns, sewerage works in 25 towns (63 *per cent*) were still in progress. The Department had fixed target for completion of 16 schemes during 2006-11 so as to ensure coverage of 26 towns (including ten towns covered earlier) by March 2011. Against this, the Department could provide sewerage facilities only in 15 towns (38 *per cent)* resulting in non-providing of timely sewerage facilities to the concerned beneficiaries. In the case of completed schemes, house connectivity remained low and resulted in underutilisation of STPs to the extent of 61 *per cent*. There were cost and time overruns in several schemes mainly due to land disputes. Norms prescribed by the HPSPCB for ensuring prevention of environment pollution were not adhered to in some cases. Audit also noticed instances of undue financial benefits extended to the contractors.

(Paragraph 1.2)

AUDIT OF TRANSACTIONS

Excess/overpayment/wasteful/unfruitful/infructuous expenditure

Failure of the Public Works Department to synchronise construction of motorable road from Kutlahar to Talarah and railway over bridge on Jogindernagar-Pathankot Railway line resulted in unfruitful expenditure of ₹83.95 lakh.

(Paragraph 2.1)

Public Works Department's failure to synchronise construction of 4.675 kms long Shaheed Joginder Singh road from Hindora Gharat, Hatli Jamwalan, Bhanodu via Pachan in Kangra district and two bridges resulted in unfruitful expenditure of ₹78.73 lakh.

(Paragraph 2.2)

Failure of the Public Works Department to initiate timely action and properly plan execution of road to village Konthru in Shimla district resulted in unfruitful expenditure of ₹2.02 crore and extension of undue benefit of ₹34.42 lakh to a contractor.

(Paragraph 2.3)

Failure of the Public Works Department to ensure timely completion of Samej Sarpara road and upgradation of Jeori to Ganvi Road under *Pradhan Mantri Gram Sadak Yojana* lying in a suspended state led to unfruitful expenditure of ₹96.20 lakh and extension of undue financial benefit of ₹98.91 lakh to a contractor.

(Paragraph 2.4)

Despite incurring an expenditure of ₹1.18 crore on a link road from village Sitalpur to Nonowal (Solan district) by the Nalagarh division of Public Works Department, the objective of providing all weather road connectivity was not achieved for want of construction of bridge at take off point.

(Paragraph 2.5)

Expenditure of ₹86.33 lakh incurred by the Education Department on construction of hostel at Tabo (Lahaul and Spiti district) proved unfruitful, as the hostel remained unutilised due to lack of basic amenities.

(Paragraph 2.8)

Release of Grant-in-Aid to private schools for reimbursement of salary of staff in excess of approved norms and in contravention of GIA Rules resulted in additional burden of ₹1.72 crore to the State exchequer.

(Paragraph 2.9)

Undue favour to contractors/avoidable expenditure

Failure to ensure genuineness of Bank Guarantees by the Executive Engineer, Shillai Public Works Division led to extension of undue financial benefit of ₹1.94 crore to a contractor.

(Paragraph 2.10)

Idle investment/blocking of funds/diversion of funds

Failure of the Executive Engineer, Kaza division of Irrigation and Public Health Department to ensure construction of Water Supply Scheme according to the prescribed procedure led to non-completion of drinking water supply scheme to inhabitants of Dhankar and Sichling villages for about three years and idle investment of ₹28.87 lakh on the scheme.

(Paragraph 2.11)

Release of ₹2.50 crore under Member of Parliament Local Area Development Scheme for construction of an old age home at Shimla by Deputy Commissioner without ensuring encumbrance free site resulted in non-creation of the asset, depriving the intended benefits to the beneficiaries.

(Paragraph 2.13)

Lack of planning and inaction by the Planning Department and Himachal Pradesh Wakf Board for the construction of Hostel for labourers at Sanjauli had resulted in locking up of Sectoral Decentralised Planning funds of ₹20 lakh for over 13 years.

(Paragraph 2.14)

Lack of proper planning by the Tourism and Civil Aviation Department for execution of works/facilities for Integrated Development of Tourist Circuits in the State resulted in blocking of Central Financial Assistance of ₹14.57 crore.

(Paragraph 2.17)

THEMATIC PARAGRAPHS

Miscellaneous Works Advances

Miscellaneous Works Advances (MWA) is a transitory suspense head which is intended to record transactions relating to sales on credit, expenditure incurred on deposit works in excess of deposits received, losses, retrenchment error, etc., and other items of expenditure, the allocation of which can not be adjusted to the final head of account.

Audit review of MWA revealed that various items recorded temporarily by the Public Works and Irrigation and Public Health Departments were not cleared promptly by the divisions either by actual recovery or by transfer to relevant head of account under proper sanction of the competent authority. No attempt to analyse and conduct an in-depth study of old items had been made and with the result, the progress of clearance of older items was almost negligible. System of monitoring also remained ineffective as the reports submitted by the Executive Engineers merely indicated the increase and decrease in the balances under the MWA head.

(Paragraph 3.1)

Market Intervention Scheme

Market Intervention Scheme (MIS) was introduced in the State in 1990-91 in collaboration with GoI for the procurement of 'C' grade apples with the aim to ensure remunerative price for the quality apple produce of farmers in the markets and also to protect them from exploitation by the middlemen in the event of fall in prices below economical level.

Audit scrutiny of scheme for the period 2006-11 revealed that acceptance of claims below the assumed return without ascertaining the causes of lesser realisation put the Government to a loss of ₹15.29 crore during MIS 2006 to 2009. The scheme was marred by opening of unsuitable collection centres and excess payment of handling charges/overhead expenses to procurement agencies by the Horticulture Department. Release of subsidy without keeping in view the actual permissible claims of procurement agencies also resulted in huge losses to Government in implementation of scheme.

(Paragraph 3.2)

Illegal mining in Himachal Pradesh

Illegal mining of minor minerals not only causes revenue loss to the State exchequer but also poses threat to the environment. An audit review of mining activities in the State covering period 2006-11 revealed that the Government had neither made any assessment of the existence of total minor minerals in the State nor prepared any vision document/ comprehensive mining policy for its exploitation. As a result, mineral resources mostly existing in forest lands of the State remained untapped and stood exposed to illegal mining. Non-setting up of requisite check posts, lack of coordination amongst Departments authorised for inspection/raids at mining sites and shortages of staff in Mining Offices resulted in lack of control mechanism to check illegal mining activities. Transportation of materials on fictitious form (Form 'M') needs to be checked in order to eradicate menace of illegal mining in the State.

(Paragraph 3.3)

CHAPTER-I
PERFORMANCE REVIEWS

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PERFORMANCE REVIEWS

Food, Civil Supplies and Consumer Affairs Department

1.1 Public Distribution System

Public Distribution System (PDS) was evolved as a system of management of scarcity and distribution of foodgrains at affordable prices. In June 1997 Government of India (GoI) introduced the Targeted Public Distribution System (TPDS) with focus on the poor. Under TPDS, the States are required to formulate and implement foolproof arrangements for identifying the poor for delivery of foodgrains and its distribution in transparent and accountable manner at Fair Price Shop (FPS) level. A performance review of the implementation of PDS revealed that there are many areas of concern and issues requiring urgent attention of the State Government. Foremost amongst these is proper identification of beneficiaries.

Highlights

- ***Against 1.07 lakh Antyodaya families requiring coverage under Antyodaya Anna Yojna, 1.96 lakh families were covered on the basis of projected population estimates of GoI determined in March 2000 resulting in excess coverage of 0.89 lakh families.***

  (Paragraph 1.1.8.2)

- ***Excess distribution of foodgrains by the State Government against scale of issue of foodgrains fixed by the GoI in April 2002, led to additional burden of food subsidy of ₹10.98 crore on GoI.***

  (Paragraph 1.1.11.1)

- ***The benefit of having foodgrains at prescribed retail price was not extended to BPL families in the State during 2006-11, putting extra burden of ₹35.11 crore on them.***

  (Paragraph 1.1.11.2)

- ***Due to lack of quality control, 1167.26 MTs of sub-standard foodgrains and 2066.47 MTs of substandard pulses (valued at ₹6.54 crore) were supplied to the consumers during 2006-11 through the FPSs.***

  (Paragraphs 1.1.12.2 and 1.1.12.3)

> ➢ ***The State Government had not taken corrective measures to address the problem of Ghost Cards, and to plug the leakage of foodgrains as suggested in evaluation study of TPDS got conducted by the Planning Commission of India in March 2005.***
>
> ***(Paragraph 1.1.16)***

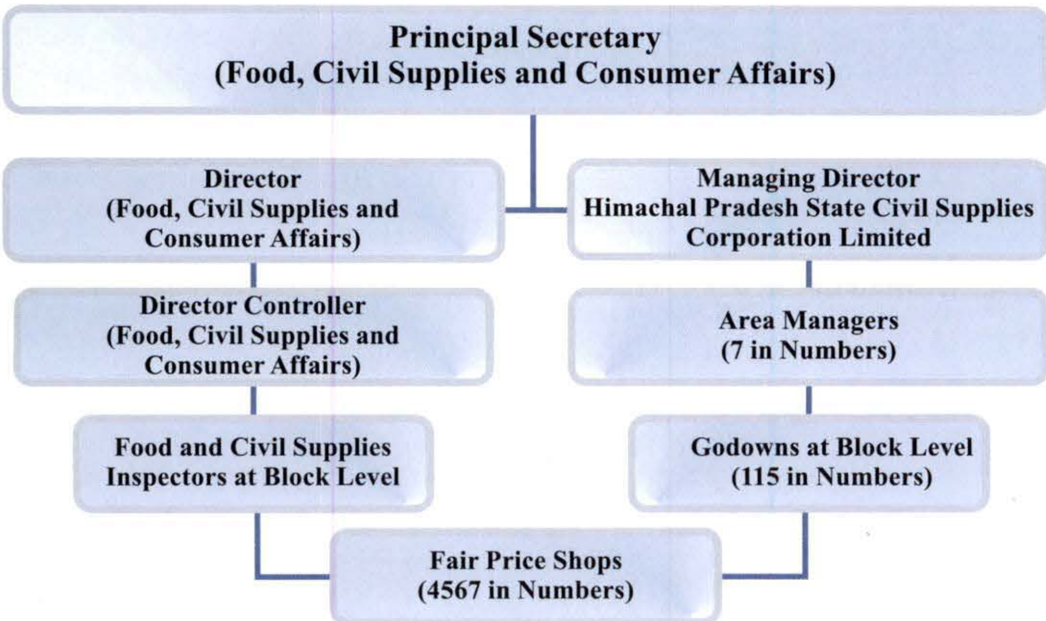
1.1.1 Introduction

Public Distribution System (PDS) is a major instrument of the Government's economic policy to ensure availability of foodgrains to the public at affordable prices as well as for enhancing food security to the poor. Government of India (GoI) launched (June 1997) Targeted PDS (TPDS) with focus on the poor under which 10 kilograms (kg) of foodgrains per month was to be issued at subsidised rates to the families living below the poverty line (BPL). GoI launched (April 2000) 'Annapurna Scheme' for distribution of 10 kg of foodgrains per month free of cost to those senior citizens who were not covered by the National Old Age Pension Scheme. In December 2000, GoI launched one more scheme viz., Antyodaya Anna Yojna (AAY) for the poorest of the poor in the country. The scheme envisaged distribution of 25 kg of foodgrains per month which was increased to 35 kg effective from 1 April 2002 at a highly subsidised rate of ₹ two per kg of wheat and ₹ three per kg of rice. Besides, the State Government has also launched (April 2007) specially subsidised scheme to provide pulses, edible oils and iodised salt at subsidised rate to all ration card holders in the State.

1.1.2 Organisational Set up

At the Government level, Principal Secretary, Food, Civil Supplies and Consumer Affairs (PS, FCS&CA) is responsible for the implementation of the scheme. He is assisted by Director, Food, Civil Supplies and Consumer Affairs (Director, FCS&CA) Department and Managing Director, Himachal Pradesh State Civil Supplies Corporation (HPSCSC) Limited. At the District level, the scheme is implemented by the respective District Controllers, FCS&CA with the assistance of the concerned Area Managers of HPSCSC Limited through a network of 4567 FPSs. The organisational setup for implementation of the scheme in the State is depicted in Chart-1.1.1:

Chart:-1.1.1



1.1.3 Audit Objectives

Main objectives of this performance audit were to assess whether:

- There was an effective system for identification of different categories of beneficiaries;
- Allocation, lifting and distribution of foodgrains by the Government was handled effectively;
- Ration cards were issued properly to all the targeted population;
- There existed convergence with other foodgrains based welfare schemes; and
- Internal control mechanism and monitoring system envisaged in the scheme was adequate and effective.

1.1.4 Audit Criteria

Audit findings were based on the following criteria:

- Guiding principles by the GoI relating to identification of beneficiaries and issue of ration cards;
- Provisions of PDS (Control) Order, 2001;
- Government instructions regarding quality of foodgrains;
- Scale of issue of foodgrains and price prescribed by the GoI; and
- Prescribed monitoring mechanism.

1.1.5 Scope of Audit

The implementation of Food Security, Subsidy and Management of Foodgrains covering PDS in the State was last commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 vide Paragraph 3.3. The review has not been taken up for discussion by the PAC as yet.

A performance review of implementation of PDS in the State during 2006-11 was conducted during May-October 2010 and April-May 2011 respectively. The review included a test-check of records in four[1] out of 12 districts (33 *per cent*), 12[2] out of 32 blocks (38 *per cent*) in the jurisdiction of districts selected and 96 out of 572 (17 *per cent*) FPSs in the selected blocks, supplemented by a scrutiny of records and information supplied by the Managing Director, HPSCSC Limited and its three[3] Area Managers located in the selected districts. Selection of districts, blocks and FPSs falling within the jurisdiction of selected blocks was done by using Simple Random Sampling Without Replacement (SRSWOR) method.

1.1.6 Audit Methodology

Before commencing audit, audit objectives were first discussed (May 2010) with the Director, FCS&CA and thereafter with the Principal Secretary at an entry conference held in October 2010.

Information relating to implementation of the scheme collected from the offices of the Director, Managing Director, HPSCSC Limited, District Controllers and the State Government and replies furnished by them to audit memoranda were analysed to arrive at audit conclusions. Photographic evidence and physical verification were also taken into consideration to substantiate audit observations. Besides, a beneficiaries' survey with the assistance of departmental officers was also conducted by audit to ascertain the beneficiaries' perceptions about the implementation of the PDS. Audit findings were discussed with the Principal Secretary at an exit conference held on 29 July 2011 and views of the Department have been incorporated in the report at appropriate places.

1.1.7 Financial Management

1.1.7.1 Allotment of funds and expenditure

Foodgrains meant for public distribution system are supplied/procured by the GoI and made available to the State Government at Central Issue Price (CIP) fixed separately for APL, BPL and AAY families. The foodgrains meant for AAY families are further subsidised and the subsidy amount and transportation cost is borne by the State Government.

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1 Kangra, Kinnaur, Shimla and Solan.

2 Chopal, Dharampur (Solan), Fatehpur, Kalpa, Kandaghat, Kunihar, Narkanda, Nichar, Nurpur, Pooh, Pragpur and Theog.

3 Dharamshala, Shimla and Solan.

Details of funds allotted and the expenditure incurred thereagainst during 2006-11 are given as under:

Table-1.1.1: Year-wise position of budget allotment and expenditure

(₹ in crore)

Major Head	Year	Budget allotment	Expenditure	Excess (+) Savings (-)
2408-Food Storage (Subsidy and transportation)	2006-07	4.78	4.62	(-) 0.16
	2007-08	63.80	63.62	(-) 0.18
	2008-09	141.07	140.74	(-) 0.33
	2009-10	116.48	116.14	(-) 0.34
	2010-11	87.67	81.22	(-)6.45
	Total	**413.80**	**406.34**	**(-)7.46**
2236-Nutrition (Annapurna Scheme)	2006-07	0.40	0.28	(-) 0.12
	2007-08	0.40	0.25	(-) 0.15
	2008-09	0.40	0.22	(-) 0.18
	2009-10	0.80	0.02	(-) 0.78
	2010-11	0.30	0.19	(-)0.11
	Total	**2.30**	**0.96**	**(-) 1.34**
3456-Direction and Administration (Staff cost and other Administrative expenses)	2006-07	6.53	6.63	(+) 0.10
	2007-08	7.00	6.68	(-) 0.32
	2008-09	8.94	6.68	(-) 2.26
	2009-10	9.86	6.99	(-) 2.87
	2010-11	11.74	8.14	(-)3.60
	Total	**44.07**	**35.12**	**(-) 8.95**
4408-Capital outlay on Food Storage	2006-07	0.10	0.08	(-) 0.02
	2007-08	10.45	10.44	(-) 0.01
	2008-09	0.29	0.27	(-) 0.02
	2009-10	0.02	0.02	---
	2010-11	0.02	0.02	---
	Total	**10.88**	**10.83**	**(-) 0.05**
	Grand total	**471.05**	**453.25**	**(-) 17.80**

Source: Figures supplied by the Department

Under the head Nutrition (Annapurna scheme), the Department could not utilise funds amounting to ₹1.34 crore during 2006-11 due to decrease in number of beneficiaries under Annapurna scheme.

In reply, the Government stated (August 2011) that GoI has fixed target of 7620 beneficiaries for the State but the actual number of beneficiaries keeps varying from year to year due to non-fulfillment of other conditions required for eligibility under the scheme. The reply does not explain as to why the GoI was not apprised from time to time of actual number of beneficiaries eligible to be covered under the scheme by the State Government.

While there were no major savings under capital head, there were persistent savings ranging between ₹0.16 crore and ₹ 6.45 crore noticed under the head-Subsidy and transportation. Also, there were huge savings of ₹ 2.26 crore, ₹2.87 crore and ₹3.60 crore during the years 2008-09, 2009-10 and 2010-11 respectively under Direction and Administration head. While admitting the facts, the Government stated

(August 2011) that savings under subsidy occurred due to decrease in commodities supplied to consumers and under direction and administration head, these were mainly due to non-filling of vacant posts.

1.1.8 Implementation of Public Distribution System

1.1.8.1 Identification of beneficiaries

Based on population projection (67.11 lakh persons and 12.57 lakh families) by the Registrar General of India in Himachal Pradesh as on 1 March 2000, the GoI estimated 5.14 lakh (41 *per cent*) BPL families for coverage under PDS in the State. To improve the methodology for identification of BPL households for the 10^{th} Five Year Plan period (2002-07), GoI, Ministry of Rural Development (MoRD) issued (September 2002) revised guidelines to the State Governments for identification of BPL households.

As per these guidelines, for the identification of BPL households, census was to be completed by June 2003. However, due to stay orders (5 May 2003) of the Supreme Court, the same was completed during 2006-07 by the State Government. In the survey on poor families conducted for the above plan period, 2.82 lakh BPL families were identified out of 11.83 lakh families in the State.

Accordingly, for the purpose of implementation of various schemes, the State Government had adopted 2.82 lakh BPL families, but for the implementation of TPDS the State Government adopted 5.14 lakh BPL families as estimated by the GoI in March 2000. Since there were only 2.82 lakh identified BPL families according to the survey conducted by the State Government in 2006-07, coverage of 2.32 lakh BPL families was in excess for coverage under PDS. Since BPL category of beneficiaries are provided foodgrains at highly subsidised rates, discrepancy in actual survey conducted by the State Government in 2006-07 and estimates of BPL determined by the GoI in March 2000 are likely to impact upon the system for deciding the allocations of foodgrains to the State, besides additional financial burden of subsidy to be borne by the GoI. No efforts were taken to delink the old methodology of poverty estimates in view of fresh survey to ensure supply of foodgrains to actual beneficiaries.

The Government admitted the facts and stated (August 2011) that allotment of foodgrains was being made on the basis of actual number of BPL families prior to 2006-07. It was further stated that the work of identification of BPL families was done by Rural Development and Urban Development Departments and FCS&CA Department had no role in identifying the beneficiaries. The fact, however, remains that Government continued to provide foodgrains at highly subsidised rates without any cognisance to incidence of actual poverty prevalent in the State as per survey got conducted by the State Government.

1.1.8.2 Unrealistic estimation of Antyodaya families

Un-realistic estimation of Antyodaya families was reported in paragraph 3.3.7.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh. Even after conducting (2006-07) survey on poor families, this issue has not been addressed and the State Government extended benefit under PDS to AAY families in excess of the prescribed limit as discussed below:

The State Government was required to cover 38 *per cent* of BPL families under AAY from April 2005. As discussed in the preceding paragraph, the identified BPL families in the State was only 2.82 lakh and 38 *per cent* of these worked out to 1.07 lakh for coverage under AAY. The State Government, however, extended benefit to 1.96 lakh families under AAY resulting in excess coverage of 0.89 lakh families. It indicated that there was prevalence of bogus ration cards/inclusion of ineligible beneficiaries, as discussed in the succeeding paragraph 1.1.9.1.

The Director, FCS&CA stated (March 2011) that the Department had taken the number of families on the basis of registration of ration cards with the FPSs. It was further stated that identification of these families was done by Rural and Urban Development Departments through Gram Panchayats, Nagar Panchayats and Nagar Nigam on the basis of targets given to them by Rural/Urban Development Departments. The reply is not acceptable as subsequent to the survey of 2006-07, the issue of excess ration cards to AAY families above the identified number of families should have been taken up with the concerned Department to prevent the prevalence of bogus ration cards/inclusion of ineligible beneficiaries.

In the exit conference, the Department stated (July 2011) that these aspects were being investigated.

1.1.9 Issue of Ration Cards

In paragraph 3.3.7.3 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh issue of excess ration cards was commented upon. It was noticed that this irregularity was still persisting as discussed below:

Population existing in the departmental record in respect of ration cards issued vis-a-vis projected population data published by the Economics and Statistics Department of the State during 2006-10 was as under:

Table-1.1.2: Projected population and population for which ration cards issued during 2006-10

(In lakh as on 1st March)

Year	Projected population	Population for which ration cards issued	Population shown excess
2006	64.62	68.04	3.42
2007	66.97	70.17	3.20
2008	68.06	71.28	3.22
2009	69.17	72.33	3.16
2010	70.29	73.22	2.93

Source: Director, FCS&CA and Statistical outline of Himachal Pradesh 2008-09

From the above details it would be seen that during 2006-10 ration cards were issued for population in excess of the projected population and it ranged between 2.93 lakh and 3.42 lakh. Thus, possibility of prevalence of ghost/bogus cards issued to ineligible beneficiaries in the system could not be ruled out. Besides, evaluation study of TPDS (March 2005) of Planning Commission had also pointed out inclusion error (inclusion of APL) and prevalence of ghost BPL cards in the State to the extent of 20.39 *per cent* which had serious implications on the performance of PDS and delivery cost of foodgrains. No corrective action based on the aforementioned evaluation study has been taken as yet (May 2011) by the Department to overcome the situation.

While admitting the facts, the Principal Secretary in the exit conference intimated (July 2011) that the Department had already cancelled about 9000 bogus cards. It was further stated that Inspectors of the Department through District Controller had been directed to check the Parivar Registers of Panchayats.

1.1.9.1 Annual Review of Ration Cards

As per provision of PDS (Control) Order, 2001, the State Government was required to conduct periodical checking of ration cards to weed out ineligible and bogus ration cards. This exercise was necessary to be continued to ensure that subsidised foodgrains are not distributed to unauthorised persons. The State Government also issued (February 2009) instructions that every Inspector of the Department should cover at least one Gram Panchayat (GP) every month and conduct 100 *per cent* inspection of FPS to identify the bogus ration cards.

Audit scrutiny revealed that in four selected districts, annual review of ration cards was conducted during 2009-11 in only 246 out of 1399 GPs (17.58 *per cent*) required to be checked. During this review, 643 ration cards were found to be bogus/ineligible and were cancelled by the inspectorate staff as detailed below:

Table-1.1.3: Annual review of ration cards conducted during 2009-11

(In numbers)

District	Total Panchayats	Panchayats to be covered	Panchayats actually covered	Shortfall	Bogus/ ineligible card found	Ration card cancelled
Kangra	760	760	76	684 (90)	408	408
Kinnaur	65	65	16	49 (75)	73	73
Solan	211	211	88	123 (58)	162	162
Shimla	363	363	66	297 (82)	--	--
Total	**1399**	**1399**	**246**		**643**	**643**

Source: Departmental figures; Parenthesis indicate percentage

There was also shortfall in inspection of FPSs by the District Controller, District Inspectors and Inspectors ranging between 24 and 66 *per cent* as brought out in succeeding paragraph 1.1.15.4.

Due to inadequate number of inspections, review of BPL and AAY families/ration cards was not carried out in 1153 GPs during 2009-11 in the above four selected districts. Thus, ineligible beneficiaries continued to get benefits over the years. Had the reviews been carried out every year, drawal of food commodities against ineligible/bogus cards from the FPSs could have been avoided.

1.1.10 Allotment, allocation and lifting of Foodgrains

The operational responsibility including allocation and distribution within the State rests with the State Government. The GoI supplies foodgrains to the States for distribution to the consumers at central issue price (CIP). The State Government further fix the issue price of the wholesale seller and FPSs considering the profit margins and handling charges.

It was noticed in audit that no periodical (monthly or quarterly) assessment of requirements had been made by the Department during 2006-11. The GoI, however, made allocation of foodgrains under PDS on the basis of ration card population conveyed by the State Government.

Yearwise position of allocations and lifting of foodgrains in the State during 2006-11 was as given below:

Table-1.1.4: Position of allocation and lifting of foodgrains

(Quantity in lakh MTs)

Year	Allocation by GoI			Lifting by State Government			Shortfall
	Wheat	Rice	Total	Wheat	Rice	Total	
2006-07	1.76	2.66	4.42	1.54	1.99	3.53	0.89
2007-08	2.26	2.51	4.77	2.09	2.40	4.49	0.28
2008-09	2.74	1.89	4.63	2.71	1.88	4.59	0.04
2009-10	2.97	1.78	4.75	2.91	1.73	4.64	0.11
2010-11	3.21	1.91	5.12	3.00	1.89	4.89	0.23
Total	**12.94**	**10.75**	**23.69**	**12.25**	**9.89**	**22.14**	**1.55**

Source: Data supplied by the Director, Food, Civil Supplies and Consumer Affairs Department

The overall shortfall in lifting of foodgrains during 2006-11 was 1.55 lakh MTs (six *per cent*). This included a quantity of 0.26 lakh MTs of foodgrains not supplied by the FCI within the prescribed validity period of two weeks.

The Government admitted the facts and stated (August 2011) that due to non-availability of stocks with FCI owing to certain reasons foodgrains allocated could not be lifted.

1.1.11 Distribution of foodgrains

GoI fixed (April 2002) the scale of issue of foodgrains to APL, BPL and AAY families at 35 kg (wheat 15 kg and rice 20 kg) per family per month with a view to enhance the food security and liquidating surplus stocks of foodgrains in the Central Pool. Irregularities noticed in the distribution of foodgrains are discussed in the succeeding paragraphs.

1.1.11.1 Additional subsidy due to excess distribution of foodgrains

Vide paragraph 3.3.7.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, excess distribution of foodgrains to BPL families involving unauthorised food subsidy was also commented upon. However, the State Government again ignored the prescribed scale of issue of foodgrains resulting in additional burden on account of subsidy due to excess distribution of foodgrains as discussed below:

As per PDS (Control) Order, 2001, Central Government shall make available foodgrains to the State Governments for distribution under the PDS to various categories of beneficiaries at such scale and price specified from time to time.

It was, however, noticed that the State Government ignored scale of issue fixed in April 2002 and distributed the foodgrains to the BPL families at the scale of 60 kg (Wheat: 25 kg and Rice: 35 kg) per family per month from April 2005 to June 2006 and thereafter restricted it to 35 kg. Besides above, the State Government on its own also allowed distribution of 16 kg foodgrains (wheat and rice eight kg each) per month per person from July 2008 to June 2009 and at the scale of 8 kg (either wheat or rice) per person per month from July 2009 onwards to the ration card holders of Tribal[4] and inaccessible[5] areas. This resulted in excess distribution of 45,775.09 MTs of foodgrains to the BPL families involving additional food subsidy of ₹10.98 crore to be borne by GoI as detailed below:

Table-1.1.5: Details showing excess distribution of foodgrains to the BPL families

(Quantity in MTs)

Period	Number of BPL families involved	Foodgrains required at prescribed scale[6] of GoI		Foodgrains actually distributed	Quantity of foodgrains in excess	Cost[7] of foodgrains per MT (In ₹)			Amount of subsidy involved (₹ in crore)	
						APL	BPL	Difference		
1st April 2005 to June 2006	1,45,297	Wheat	32608	48720	16112.00	7200	5250	1950	3.14	10.70
	1,43,450*	Rice	43478	72029	28551.00	9650	7000	2650	7.56	
July 2008 to March 2009	8,802**** 3,068****	Rice	1716.39	2398.90	682.51	9500	6850	2650	0.18	0.18
April 2009 to June 2009	10,480****	Wheat	736.32	984.60	248.28	7200	5250	1950	0.05	0.10
		Rice	188640	2067.70	181.30	9500	6850	2650	0.05	
Total					**45,775.09**					**10.98**

Source: Departmental figures

Note: *April-June 2006; **Bharmaur, Kinnaur and Pangi; ***Bharmaur only; ****Bharmaur, Kinnaur and Lahaul & Spiti area.

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4 Tribal Areas: Kinnaur and Lahaul Spiti districts, Pangi and Bharmaur sub-divisions of Chamba district.

5 Inaccessible Areas: Bara Bhangal area of Kangra district and Dodra Kwar sub-division of Shimla district.

6 Family scale per year: Number of BPL x Entitlement of Wheat/Rice x number of months upto June 2006.

7 CIP for BPL (per quintal): wheat ₹415 + ₹110 handling charges levied by the State Government and Rice: ₹565 + ₹135 handling charges levied by the State Government and ₹565 + ₹120 handling charges from April 2006.

Issue price for APL (per quintal) wheat ₹610 + ₹110 handling charges and rice ₹830 + ₹135 handling charges.

Since identification error (inclusion of APL and BPL) is high in the State according to the evaluation study (March 2005) of Planning Commission, it was, obvious that there was diversion of PDS benefits to un-intended beneficiaries due to excess distribution of foodgrains raising the subsidy burden of GoI by ₹10.98 crore.

In the exit conference, the Director FCS&CA stated (July 2011) that excess distribution of foodgrains was made as per decision of the State Government to liquidate the stock as many consumers in tribal areas could not purchase their monthly quota of foodgrains due to lack of enough money with them. It was further stated that distributed quantity was within the prescribed overall monthly quota to the consumers. The reply is not acceptable as foodgrains were supplied over and above the scale prescribed and permission from the GoI to distribute highly subsidised foodgrains in excess of prescribed scale was also not obtained.

1.1.11.2 Issue of foodgrains to BPL families at higher rates

Vide paragraph 3.3.7.5 of the Report of the Comptroller and Auditor General of India (March 2006), Government of Himachal Pradesh, issue of foodgrains at higher cost to BPL families was also pointed out. The State Government had not taken any action to address this issue and still continued to provide foodgrains at a higher end retail price as mentioned below:

According to the GoI instructions (February 1997) the State Government was required to fix the end retail price at FPS levels at not more than 50 paisa per kg over and above the CIP for BPL families. The GoI had fixed issue price of wheat and rice at ₹4.15 and ₹5.65 per kg respectively. Accordingly, end retail price at FPSs for BPL families was to be ensured as ₹4.65 and ₹6.15 per kg for wheat and rice respectively.

Audit scrutiny, however, revealed that the State Government distributed wheat and rice at ₹5.25 and ₹6.85 per kg during 2006-11 through FPSs putting extra burden of ₹35.11 crore on BPL families as detailed below:

Table-1.1.6: Details showing issue of foodgrains to BPL families at higher rates

Year	Type of food grains	Quantity distributed (In MTs)	Issue rate fixed by State Government (Per ₹MT)	Issue rate as per norms of GoI (Per ₹ MT)	Difference per MT (in ₹)	Amount charged in excess (₹ in crore)
2006-07	Wheat	18,915	5,250	4,650	600	1.13
	Rice	29,652	6,850	6,150	700	2.08
2007-08	Wheat	44,578	5,250	4,650	600	2.67
	Rice	69,233	6,850	6,150	700	4.85
2008-09	Wheat	61,061	5,250	4,650	600	3.66
	Rice	57,076	6,850	6,150	700	4.00
2009-10	Wheat	67,642	5,250	4,650	600	4.05
	Rice	53,322	6,850	6,150	700	3.73
2010-11	Wheat	78,810	5,250	4,650	600	4.73
	Rice	60,124	6,850	6,150	700	4.21
Total						**35.11**

Source: Departmental figures

In the exit conference, the Principal Secretary stated (July 2011) that this was due to higher transportation charges in hilly terrain which was not reimbursable by GoI. The fact, however, remains that the end retail price was more than the level prescribed by the GoI and the State Government did not bring it to the notice of GoI for taking remedial measures. Hence, the consumers were denied the intended benefits of having PDS items at a correct price as prescribed by the GoI.

1.1.12 Quality control of PDS commodities

1.1.12.1 Departmental Laboratory

The PDS (Control) Order, 2001, requires that State Government should ensure that the stocks of foodgrains intended to be issued to the consumers conformed to the quality standard are of fair average quality (FAQ).

To ensure this, samples of wheat/rice are drawn jointly by the godown in-charge of HPSCSC and FCI before taking delivery from the depot of FCI and every principal distribution centre for the purpose of quality control.

Inspectors of FCS&CA also draw samples of wheat, wheat atta, rice, levy sugar, pulses, etc., from the wholesale godown/sub-wholesale godown and FPSs to adjudge the quality of foodgrains. A foodgrains testing laboratory had been set up at the Directorate level where samples of rice and wheat are analysed and the samples of other commodities viz; wheat atta, edible oil and levy sugar are got analysed at Composite Testing Laboratory (CTL) of Health Department located at Kandaghat (Solan district).

Audit scrutiny revealed that there was acute shortage of staff in the Departmental laboratory. Against the sanctioned four posts of technical staff, three were lying vacant as of March 2011. There was no facility available for testing of iodised salt, levy sugar, refined oil and mustard oil in the Laboratory. As such, these samples were sent to the Combined Testing Laboratory (CTL) of Health Department at Kandaghat. Audit noticed that the analysis reports of the samples drawn were received back in the Department from the CTL in 35 to 45 days and in the meantime, foodgrains were issued to the beneficiaries without waiting for the analysis reports. Thus, due to delay in getting the analysis reports from the composite laboratory, the Department had failed in providing foodgrains of FAQ to the targeted beneficiaries as brought out in the succeeding paragraph.

1.1.12.2 Issue of foodgrains below specification

Issue of foodgrains below specification was commented upon in paragraph 3.3.7.9 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, but the Department had not still (August 2011) ensured supply of quality foodgrains as discussed below:

In compliance of PDS (Control) order 2001, the district level functionaries and Inspectors of the Department had drawn samples during 2006-11 in the State.

Table-1.1.7: Position of samples collected by the District Controllers and Inspectors during 2006-11 in the State

(In numbers)

Year	Samples actually collected							Shortfall in collection of samples			
	DC, FCS&CA		Food Supply Officer		Inspector		Total Ach.	DC, FCS&CA	FSO	Inspector	Total
	Tar.	Ach.	Tar.	Ach.	Tar.	Ach.					
2006-07	144	44	204	25	1140	261	330	100	179	879	1158 (78)
2007-08	144	64	204	57	1140	370	491	80	147	770	997 (67)
2008-09	144	99	204	81	1032	444	624	45	123	588	756 (55)
2009-10	144	90	204	143	1032	233	466	54	61	799	914 (66)
2010-11	144	138	204	149	996	433	720	6	55	563	624 (46)
Total	**720**	**435**	**1020**	**455**	**5340**	**1741**	**2631**	**285**	**565**	**3599**	**4449 (63)**

Source: Departmental figures; figures in parenthesis indicate percentage
Note: Tar.-Target; Ach.-Achievement.

Against the target of collection of 7080 samples during 2006-11, only 2631 samples of foodgrains were collected by the field staff in the State. Thus, the shortfall in collection of samples during the above period ranged between 46 and 78 *per cent.*

It was, further, noticed that out of 1993 samples got analysed by the inspectorate staff during 2006-11, 277 samples representing 1368.26 MTs of foodgrains were found below the prescribed specification after analysis in the Laboratory. Of the 1368.26 MT of substandard foodgrains, 201 MTs of foodgrains was replaced by the HPSCSC from the FCI and the balance 1167.26 MTs of foodgrains (including 44.73 MTs of four selected districts) were supplied to the beneficiaries without replacement through the network of PDS in the State as detailed below:

Table-1.1.8: Details showing quantity of substandard foodgrains distributed during 2006-11 through PDS in the State

(In MTs)

Year	Number of samples analysed	Number of samples found below specification	Quantity of samples found below specification	Quantity of foodgrains replaced by the HPSCSC	Quantity of sub-standard foodgrains distributed
2006-07	330	46	55.53	21.30	34.23
2007-08	398	51	545.10	28.99	516.11
2008-09	356	46	132.64	94.37	38.27
2009-10	405	62	340.35	18.95	321.40
2010-11	504	72	294.64	37.39	257.25
Total	**1993**	**277**	**1368.26**	**201.00**	**1167.26**

Source: Departmental figures

In the exit conference, the Principal Secretary admitted (July 2011) the facts. The Department should adopt a mechanism ensuring replacement of entire quantity of foodgrains before its distribution to the consumers under PDS.

1.1.12.3 Implementation of specially subsidised scheme of Pulses and Edible oils

The State Government extended additional benefits under PDS to the consumers in the State from 1st April 2007. Under these measures pulses, edible oils and iodised salt are supplied to all the ration card holders as per scale and at subsidised cost determined by the State Government from time to time. The procurement of pulses, edible oils and salt is being made through the HPSCSC Limited and these commodities are further supplied to FPSs for further distribution to the beneficiaries. Audit scrutiny of contracts for procurement of pulses revealed the following:

➢ **Supply of sub-standard pulses**

The contracts for supply of pulses provided that the HPSCSC Limited would ensure receipt of supplies as per the approved samples at the delivery destination. As per terms and conditions laid down in the contract, the suppliers were required to replace the quantity of pulses not found according to the approved samples at their own cost within a period of one week. Besides, to compensate this loss, 10 *per cent* penalty on the cost of sub-standard quantity of pulses supplied by the supplier was also leviable.

It was, however, noticed in audit that during 2007-11, 2066.47 MTs pulses valued at ₹6.54 crore were not supplied as per approved samples by the concerned suppliers and the HPSCSC Limited after receipt at their wholesale godowns further supplied to FPSs for distribution amongst the ration card holders without ensuring quality as per approved specification/samples. The HPSCSC Limited only levied a penalty of ₹68.78 lakh on the concerned suppliers and did not get the sub-standard quantity of pulses replaced from the suppliers as per contractual provision. This not only resulted in sub-standard/below specification issue of pulses to the consumers but also indicated failure of both the Department and the HPSCSC Limited to exercise adequate control over procurement and delivery of pulses. Besides, an amount of ₹68.78 lakh recovered as penalty by the HPSCSC Limited was also not deposited into Government account as of May 2011. The Government admitted the facts and stated (August 2011) that the procedure to draw the samples and to get the analysis reports from the laboratory takes 20-30 days and by then the consignment of particular sample is sold out by the godown incharges. The reply is not acceptable as to prevent supply of sub-standard pulses and to ensure timely supply of good quality pulses to the consumers, efforts should have been made to obtain analysis reports from laboratory in a time bound manner.

1.1.13 Convergence with other programme

1.1.13.1 Annapurna Scheme

The State Government also implements the Annapurna scheme launched by the GoI, MoRD from April 2000. Under the scheme, foodgrains at the scale of 10 kg per person per month are provided free of cost through the PDS to the indigent senior citizens of 65 years age and above who were eligible for pension under National Old Age Pension Scheme but are not receiving it. Originally, the GoI provided funds to the State as advance towards the cost of foodgrains payable to the FCI. The scheme was transferred to the State Plan from 2002-03 onwards and funds were thereafter released as Additional Central Assistance by the Ministry of Finance. The GoI had fixed a limit of 6373 beneficiaries in Himachal Pradesh. An audit appraisal of the implementation of the scheme revealed the following:

The State Government was to identify and display list of eligible persons after giving wide publicity. It was, however, noticed that in the beginning of year 2005-06, there were 5310 identified beneficiaries and the number of beneficiaries gradually decreased to 3447 as of March 2011.

Table-1.1.9: Year-wise position of allocation, lifting and distribution of foodgrains under Annapurna scheme during 2006-11

(Quantity in MTs)

Year	Allocation	Lifting	Distribution
2006-07	585.30	336.96	449.49
2007-08	756.60	398.90	288.61
2008-09	756.60	351.00	448.00
2009-10	748.60	--	278.20
2010-11	836.00	371.00	291.00
Total	**3683.10**	**1457.86**	**1755.30**

Source: Departmental figures

From the above table it would be seen that against allocation of 3683.10 MTs of foodgrains, the lifting was only 1457.86 MTs. The Department, however, showed distribution of 1755.30 MTs of foodgrains during 2006-11 i.e. 297.44 MT in excess of foodgrains actually lifted. Thus, there was mismatch between distribution of foodgrains and foodgrains actually lifted during 2006-11, which remained unreconciled by the Department.

Government stated (August 2011) that the beneficiaries prefer to receive the Old Age Pension, hence the target given under the scheme is not achieved. It was further stated that there was backlog quota of foodgrains during 2006-07. However, no record of availability of backlog quota was furnished to audit and, thus, distribution of foodgrains exceeding the lifting would require reconciliation by the Department.

1.1.14 Functioning of Fair Price Shops

As per PDS (Control) Order, 2001 the FPS owners were required to display the stock position, retail issue price of foodgrains, number of beneficiaries, scale of rations admissible to different categories of consumers, and sample of foodgrains on day to day basis.

Inspection of 96 FPSs in four selected districts by Audit in the presence of Departmental officers revealed the following:

- The essential information like, authority for redressal of grievances and Citizen's Charter were not displayed in any of the FPSs for the information of consumers.
- Position of stock received during the month was not found displayed in 53 FPSs.
- Samples of foodgrains supplied by the FCI to FPS through State agencies were not displayed by the dealers so that consumers may check the quality of foodgrains supplied to them.
- In 40 FPSs, other commodities including similar commodities of PDS apart from the rationed articles were also kept for sale in the shop premises which was in contravention of the instructions of Director, FCS&CA issued in June 1996.
- Timing of opening and closing of FPSs were not displayed in four FPSs.

Photograph-1.1.1

FPS in Kinnaur without display of requisite information (20 September 2010)

Thus, dealers of FPSs failed to provide the required information to the consumers of the areas concerned. Moreover, non-exhibition of monthly stock position of foodgrains by 53 out of 96 FPSs test-checked by Audit, indicates that there was possibility of leakage of foodgrains in the open market by showing fictitious sales in the sales register to ration card holders who had not received their ration in the relevant month.

The Government stated (August 2011) that show cause notices for not displaying the stock position have already been issued to the dealers of FPSs impressing upon them to follow the departmental instructions with regard to display of mandatory information by the FPSs in future.

1.1.14.1 Beneficiaries' awareness survey

An awareness survey was also conducted alongwith departmental officers by Audit to ascertain the perception of beneficiaries of the effectiveness and usefulness of the mechanism put in place for implementation of the PDS. In four selected districts, 1564 beneficiaries of BPL and AAY schemes were surveyed. The survey revealed the following:

- 34 *per cent* of the interviewed beneficiaries to whom foodgrains were issued under BPL/AAY, were ineligible beneficiaries, i.e. their income was above the prescribed limit of ₹ 2500 per month.
- 13 *per cent* of the surveyed beneficiaries intimated that quality of foodgrains issued was poor.
- 22 *per cent* of the surveyed beneficiaries complained of irregular supply of foodgrains and other commodities.
- 38 *per cent* of the surveyed beneficiaries reported about short-supply of levy sugar by the FPS owners.

The results of survey thus, confirm the fact of inclusion of ineligible beneficiaries/bogus cards as brought out in paragraphs 1.1.8.2 and 1.1.9; non-fulfilment of the objectives of supply of quality foodgrains to the consumers, besides, it also indicated failure of the Department to ensure timely supply of foodgrains and other commodities.

In the exit conference, the Principal Secretary appreciated the audit for carrying out beneficiary survey and assured to look into the matter for taking corrective action.

1.1.15 Monitoring and Supervision

The PDS (Control) Order, 2001 provides clear guidelines to the State Government for establishing and running of an effective monitoring mechanism for functioning of TPDS. This included regular inspection of FPSs by designated authorities, formation of vigilance committees at District, Block and FPS levels. Deficiencies in establishment and functioning of monitoring mechanism are discussed in the succeeding paragraphs.

1.1.15.1 Non-formation of Vigilance Committees

To ensure proper functioning of PDS in the State, the State Government issued notification for constitution of Vigilance Committees (VCs) as late as July 2006. While VCs in all the 12 districts of the State were formed, such committees in 17 out of 77 blocks and in 225 out of 4567 FPSs in the State were not constituted as of March 2011. These included 16 out of 33 blocks and 67 out of 1833 FPSs falling in the four selected districts. Thus, there was absence of effective control mechanism at block and FPS levels to the above extent.

The concerned District Controllers, FCS&CA, however, furnished no explanation for non-formation of VCs. The issue was discussed in the Exit Conference held in July 2011 and the Principal Secretary while agreeing to the audit findings assured that necessary action would be taken.

1.1.15.2 Functioning of Vigilance Committees

As per PDS (Control) Order, 2001, VCs at all levels were required to hold meetings at least once in a quarter to watch effective implementation of PDS. It was noticed in audit that the functioning of VCs wherever formed was ineffective, as required meetings at all the levels were not held to the prescribed extent during 2006-11. The position of meetings of VCs in the State and in the four test-checked districts is given in ***Appendices-I and II.*** From the details depicted in these appendices it would be seen that there was shortfall in holding of meetings in the State between 58 and 81 *per cent* at District level, 67 and 99 *per cent* at block level and 95 and 99 *per cent* at FPS level. In the test-checked districts shortfall ranged between five and 100 *per cent* at District level, 93 and 100 *per cent* at block level (except Kangra) and 94 to 99 *per cent* at FPS level.

On this being pointed out in audit the concerned District Controllers did not furnish any reasons in this regard.

1.1.15.3 Computerisation of FPSs

As per PDS (Control) Order, 2001, the State Government was also required to ensure monitoring of PDS at FPS level through a computerised network.

It was noticed that the Department had not done computerisation of FPSs.

The Director, FCS&CA stated (August 2011) that at present work of preparation of feedback reports was being got done at District level through NIC, but due to scarcity of staff, data feeding process is slow and they could feed data only upto March 2009. The fact, however, remains that online monitoring of FPSs as required under PDS (Control) Order, 2001 was not done to ensure proper check on the functioning of FPSs.

1.1.15.4 Inspections of FPSs

The PDS (Control) Order, 2001 specifies that State Government should ensure regular inspection of FPSs by the designated authority not less than once in six months. Accordingly, the State Government had prescribed the norms for conducting inspection of FPSs by various authorities viz. District Controller, District Inspector and Inspectors. The details of inspections required to be conducted and actually done thereagainst in the State during 2006-11 are given as under:

Table-1.1.10: Details of inspections required vis-a-vis actually conducted during 2006-11

(In numbers)

Year	Inspections required	Inspections actually conducted	Shortfall
2006-07	10920	6235	4685 (43)
2007-08	13368	5789	7579 (57)
2008-09	13512	5173	8339 (62)
2009-10	13512	4595	8917 (66)
2010-11	13152	9988	3164 (24)

Source: Departmental figures; figures in parenthesis indicate percentage

As could be seen from the table above, the shortfall in inspection by the District Controllers, District Inspectors and Inspectors during the above period ranged between 24 and 66 *per cent*. In three[8] out of four selected districts shortfall in conducting inspections during the above period was between 16 and 55 *per cent*.

This indicated poor monitoring and supervision and resultantly, quality of foodgrains supplied to the beneficiaries could not be ensured as discussed in the earlier paragraphs. The Director had not ensured that the inspection schedule fixed, was adhered to by the field staff.

In the exit conference, the Principal Secretary admitted the facts and stated (July 2011) that shortfall in carrying out inspections was mainly due to shortage of staff.

1.1.16 Evaluation of TPDS

The Planning Commission of India in March 2005 had conducted an evaluation study of TPDS in 18 states (including Himachal Pradesh) through Programme Evaluation Organisation (PEO) of GoI to ascertain the functioning of TPDS. The points raised in evaluation study in respect of Himachal Pradesh were as under:

(I) High identification error in BPL households resulting in inclusion of un-intended beneficiaries, prevalence of ghost BPL Cards to the extent of 20.39 *per cent*, rise in the cost of delivery and burden of budgetary food subsidies.

(ii) Leakage from the supply chain and diversion through this mode could be due to identification error and imperfect information and improper methodology of BPL census.

(iii) The estimated leakages and diversion of subsidised foodgrains as pointed out in the above study was 31.03 *per cent* through Ghost cards.

The suggestions and recommendations made in the evaluation study relating to identification of BPL households and leakages were as under:

- To delink BPL identification survey from the official methodology of poverty estimates and to re-design the scheme on the basis of fresh country wide survey to help identify food insecure households.
- To plug the leakages and for an efficient and effective delivery system, major overhaul of the delivery mechanism was necessary. The reform measures suggested were: (i) doorstep delivery to retail outlets to be done in a transparent manner i.e; in the presence of PRIs representative, (ii) quantity delivered and received at FPS level must be authenticated by the PRI; and (iii) consumers to be allowed to draw ration quota in weekly instalments.

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[8] Kangra, Kinnaur and Solan.

The State Government had not done evaluation of the implementation of the scheme on its own for effective monitoring. Also, no corrective measures were taken to address the problem of leakage of subsidised foodgrains through ghost ration cards in view of evaluation study got conducted by the Planning Commission.

In reply it was intimated (August 2011) that the Department of FCS&CA has no role in identification of BPL families, hence, the issue has been referred to Rural and Urban Development Departments for necessary compliance.

1.1.17 Conclusion

The State is responsible for identification of beneficiaries, issue of ration cards and distribution of foodgrains through the Targeted Public Distribution System. The performance audit revealed that the State Government had covered 2.32 lakh BPL families in excess of the families identified in the survey of poor families conducted in the State during 2006-07 resulting in unnecessary financial burden of food subsidy on GoI. The State Government had not ensured periodical checking and weeding of ineligible and bogus ration cards to prevent leakages of foodgrains to un-intended beneficiaries. On the distribution side, the State Government had also fixed a higher scale of issue than the GoI norms, resulting in excess distribution of foodgrains involving additional subsidy burden of ₹10.98 crore on GoI. There were also deficiencies in quality control system as a result of which 2066.47 MTs of sub-standard pulses and 1368.26 MTs of sub-standard foodgrains were supplied to the consumers. Vigilance committees required to be formed at block and FPS level had not been constituted in many of the blocks/FPSs for effective implementation and monitoring of the PDS. Working of monitoring mechanism of vigilance committees was also ineffective due to non-holding of meetings at required intervals to ensure timely delivery of proper quantity and quality of commodities to the beneficiaries.

1.1.18 Recommendations

- *The benefit of subsidy under the scheme should be extended to the actual number of BPL families identified in 2006-07 to avoid inclusion of ineligible families and leakages in the open market.*

- *The State Government should ensure distribution of foodgrains as per prescribed scale of issue to avoid unnecessary burden of food subsidy.*

- *To ensure availability of good quality foodgrains through FPSs, the Government should take immediate steps to provide adequate technical staff in the testing laboratory to get the analysis report of samples timely.*

- *To ensure effective implementation of PDS, Vigilance Committees should be set up at all blocks and FPSs level and regular inspections by various functionaries should be conducted to prevent substandard supply of PDS commodities to the consumers.*

Irrigation and Public Health and Urban Development Departments

1.2 Functioning of Sewerage Schemes

The State Government was required to provide hygienic sanitation facilities essential for a community's healthy living in 56 towns of the State through Sewerage Schemes. The Government had, however, not formulated any strategic/long term master plan to provide sewerage facilities in all the towns in a phased manner. There were abnormal delays in completion of sewerage schemes. Even though sewerage sector had been transferred to Urban Development Department (UDD) in April 2008, sewerage schemes were not handed over to UDD/Urban Local Bodies and remained with the Irrigation and Public Health Department (I&PH). Sewage treatment plants provided in the schemes were not being utilised fully mainly because of non-providing of connectivity to individual households and the untreated sewage was being discharged in open/adjoining nallahs causing unhygienic conditions and contamination of downstream water sources in the towns. Some significant audit findings are as under:

Highlights

➢ ***Entire funds of ₹12.33 crore (Centre: ₹9.70 crore and State: ₹2.63 crore) provided under centrally sponsored scheme (Jawahar Lal Nehru Urban Renewal Mission) during 2009-10 for rejuvenation of sewerage network of Shimla town remained unutilised with Municipal Corporation, Shimla as of September 2011 due to non-commencement of work.***

(Paragraph 1.2.9.1)

➢ ***Targets set for completion of 16 sewerage schemes during 2006-11 were not achieved and the shortfall was to the extent of 69 per cent.***

(Paragraph 1.2.10.1)

➢ ***Sewage treatment plants of 15 schemes constructed at a cost of ₹209.83 crore were not being utilised to the optimum capacity as average utilisation of these plants was only 32 per cent as of March 2011 due to lack of sewerage connectivity to individual houses.***

(Paragraph 1.2.10.3)

➢ ***In Shimla town, out of 34.41 MLD sewage generated, 3.66 MLD (11 per cent) could only be tapped and treated leaving approximately 30.75 MLD sewage untreated which was contaminating downstream nallahs and water sources.***

(Paragraph 1.2.10.4)

- ***Due to improper planning by I&PH Department, sewerage schemes to Kangra and Una towns were lagging behind schedule by three and 12 years respectively despite incurring an expenditure of ₹18.15 crore.***

  (Paragraphs 1.2.10.6 (a) and 1.2.10.6 (b))

- ***Defective planning of I&PH Department resulted in extra avoidable expenditure of ₹6.22 crore on acquisition of surplus land for construction of sewage treatment plants at Solan.***

  (Paragraph 1.2.10.7)

1.2.1 Introduction

Safe water supply and hygienic sanitation facilities are basic essential amenities required for the healthy living of a community. The sewerage programme assumes immense importance in Himachal Pradesh in view of the fact that most of the towns in the State serve as health resorts or pilgrim centres. About 80 *per cent* of sewage is due to water discharge from the houses, which unless properly collected, conveyed, treated and safely disposed off, may eventually pollute the rivers and other water bodies besides causing environment degradation. Hence, it is imperative for the State Government to set up efficient sewerage systems in all its urban areas.

The 56 towns[9] of Himachal Pradesh are classified into six categories on the basis of population. The Irrigation and Public Health (I&PH) Department has been entrusted with the job of providing efficient sewerage system in 40 towns as six towns[10] are under Cantonment Boards and one town (Parwanoo) is under the Housing Board and for the remaining nine towns sewerage schemes had not been approved. Although in April 2008 sewerage development work was transferred to Urban Development Department (UDD), the works are still being carried out by the I&PH Department as deposit work on receipt of funds from the UDD. Out of 40 towns, sewerage schemes in 15 towns[11] (including 10 towns covered prior to 2005-06) had been commissioned upto March 2011. In 25 towns sewerage works were still under execution. Of these, 18 works were taken up prior to 2005-06 and execution of seven works commenced during 2006-11. However, as per targets fixed for the completion of these schemes, 16 schemes were to be completed before March 2011.

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[9] Class-I: State Capital-1; Class-II: population between 50 thousand and one lakh-nil; Class-III: population between 20 and 50 thousand-6; Class-IV: population between 10 and 20 thousand-7; Class V: population between 5 and 10 thousand-16 and Class-VI: population less than 5 thousand-26.

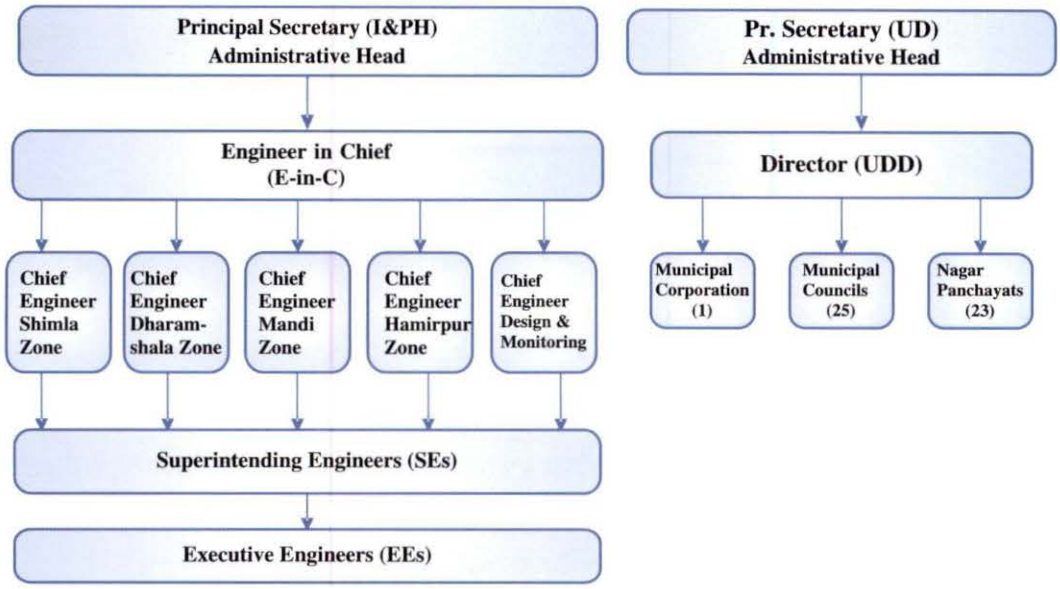
[10] Bakloh, Dagshai, Dalhousie, Kasauli, Subathu and Yol.

[11] Arki, Bilaspur, Chamba, Ghumarwin, Jawalamukhi, Jogindernagar, Jubbal, Kullu, Mandi, Manali, Palampur, Rampur, Rohru, Shimla and Shri Naina Deviji.

1.2.2 Organisational Set up

The Organisational set up for implementation of the scheme is given below:

Chart-1.2.1



1.2.3 Scope of Audit

Implementation of sewerage schemes in the State was last commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, Government of Himachal Pradesh. The report has not been taken up for discussion by the Public Accounts Committee as of September 2011.

Twenty eight divisions covering 40 towns under I&PH are engaged in the execution, operation and maintenance of sewerage schemes. The records pertaining to the selection and execution of sewerage schemes in eight[12] divisions covering 12[13] towns for the period 2006-2011 were test-checked during December 2010-April 2011. Besides, records of two[14] out of five Urban Local Bodies (ULBs) to whom funds were provided for construction of sewer lines were also test-checked in audit. This comprises a sample of 29 *per cent* of divisions and an expenditure of 27 *per cent* (₹177.16 crore). Audit also gathered information from the Engineer-in-Chief (I&PH) and the Director, UDD, Shimla to support its findings.

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12 Bilaspur, Dalhousie, Padhar, Rohru, Shahpur, Shimla-II, Solan and Una-I.

13 Bilaspur, Chowari, Dalhousie, Jogindernagar, Kangra, Mehatpur, Rohru, Santokhgarh, Shimla, Shri Naina Deviji, Solan and Una.

14 MC, Shimla and NP, Jogindernagar.

1.2.4 Audit Objectives

The audit objectives were to assess whether:

- The planning of various sewerage schemes was effective;
- The funds provided were utilised in an economical, efficient and effective manner;
- The sewerage systems laid in respect of commissioned schemes were functioning properly;
- The contract management ensured execution and completion of work according to the prescribed time schedule; and
- There existed effective internal control mechanism and monitoring system.

1.2.5 Audit Criteria

The following audit criteria were adopted for the performance audit:

- Selection criteria for providing sewerage schemes in accordance with the laid down policy of the Government.
- Targets fixed for providing sewerage schemes in classified towns.
- Arrangement of funds for providing, maintenance and operation of sewerage systems.
- Mechanism evolved to inspect and monitor the ongoing and completed schemes.

1.2.6 Audit Methodology

Before commencing audit, audit scope, objectives and criteria were discussed with the Principal Secretary, I&PH (December 2010) and Principal Secretary, UDD (February 2011) during the entry conferences. The selection of divisions for test-check was based on statistical sampling method of Probability Proportionate to Size With Replacement (PPSWR).

Audit conclusions were drawn after scrutiny of records, analysis of available data by issuing audit memos and questionnaire and obtaining response of departmental functionaries at various levels. Photographic evidences and physical verifications were also taken into consideration to substantiate audit observations. The audit findings were discussed with the Principal Secretary (I&PH) and the Additional Director (UDD) in the exit conference held on 5 October 2011. Views of the Government have been incorporated at appropriate places in the Report.

1.2.7 Acknowledgement

The Office of the Accountant General (Audit) Himachal Pradesh, acknowledges the co-operation and assistance extended by I&PH and UD Departments during the course of Audit.

Audit Findings

1.2.8 Planning

For execution of sewerage schemes, I&PH Department had not prepared its own manual. The Department, however, follows the procedure and guidelines for implementation of schemes prescribed in the manual on sewerage and sewage treatment brought out by GoI, Ministry of Urban Development (MoUD) in 1993. As per GoI's manual, planning for sewerage schemes is required at different levels i.e. State, regional and community. The Government/I&PH Department had not done the requisite planning at all levels as envisaged in the above manual. As per the policy adopted by the Department, the first priority for providing sewerage system was to be given to the district headquarters, followed by pilgrim and tourist centres and the remaining towns at the end. In paragraph 3.2.8.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, non-preparation of master plan for providing sewerage schemes in various towns was commented upon. Despite this, Government had not prepared the requisite master plan till date (September 2011). In the absence of proper planning for implementation of sewerage schemes, 11 out of 16 targeted schemes remained incomplete as of March 2011 as brought out in succeeding paragraph 1.2.10.1 depriving the beneficiaries of the intended facility of sewerage system.

In the exit conference, Principal Secretary accepted the facts and stated (October 2011) that Master Plan is to be prepared by the UD Department in consultation with I&PH Department.

1.2.9 Financial Management

1.2.9.1 Financial outlay and expenditure

Expenditure on sewerage schemes during 2006-11 was mainly met out of State funds provided to the I&PH and UD Departments. In addition, under the centrally sponsored scheme viz., Jawahar Lal Nehru National Urban Renewal Mission (JNNURM), ₹12.33 crore (Central share: ₹9.70 crore, State share: ₹2.63 crore) were also released during 2009-10. Table-1 gives the position of budget allotment/funds received and expenditure thereagainst.

Table-1.2.1: Details of budget allotment and expenditure incurred thereagainst during 2006-11 on sewerage schemes

(₹ in crore)

Year	State Sector					Centrally Sponsored Scheme (JNNURM)				
	Funds allotted		Expenditure		Variation	Funds released				
	I&PH	UDD	I&PH	UDD	Excess (+)/ savings (-)	Centre	State	Total	Expenditure	Unspent Balance
2006-07	38.38	---	38.18	---	(-) 0.20	---	---	---	---	---
2007-08	20.14	---	20.15	---	(+) 0.01	---	---	---	---	---
2008-09	11.00	22.50	11.00	22.50	---	---	---	---	---	---
2009-10	0	36.00	---	36.00	---	9.70	2.63	12.33	12.33	---
2010-11	0	37.00	---	37.00	---	---	---	---	----	---
Total	**69.52**	**95.50**	**69.33**	**95.50**	**(-) 0.19**	**9.70**	**2.63**	**12.33**	**12.33**	---

Source: Information supplied by I&PH and UD Departments

As seen from table-1.2.1, during 2008-11, UDD had drawn the allocated amount of ₹95.50 crore from the treasury in the respective years and released ₹88.49 crore[15] to the I&PH Department and ₹5.36 crore[16] to five ULBs respectively for execution of sewerage works. The balance ₹1.65 crore remained unutilised in the shape of bank draft with UDD. Besides, ₹12.91 crore also remained unspent with eight test-checked divisions in deposit-head and ₹3.93 crore with five ULBs as of March 2011.

In reply, the E-in-C stated (September 2011) that funds could not be fully utilised due to dispute at sites/court cases, delay in finalization of tenders, non-transfer of forest land, etc.

It was seen in audit that under JNNURM, the whole amount of ₹12.33 crore (Centre: ₹9.70 crore, State ₹2.63 crore) was drawn by the UDD from treasury in March 2010 to avoid lapse of the grant. However, it was released to Municipal Corporation (MC), Shimla in May 2010 only for rejuvenation of sewerage network in Shimla town. This amount also remained unutilised in the shape of FDRs due to non-finalisation of tender as of September 2011 with MC, Shimla. As a result, problem of worn-out sewerage network remained unresolved resulting in spread of unhygienic conditions in the town.

1.2.9.2 Incorrect depiction of utilisation of funds

(i) Material such as galvanised iron (GI) pipes and ductile iron (DI) pipes costing ₹2.46 crore and ₹2.47 crore respectively was booked by three[17] divisions between June 2006 and March 2010 under five schemes. Of this, material costing ₹1.41 crore (GI pipe: ₹1.15 crore; DI pipe: ₹0.26 crore) was written back to stock subsequently between January 2008 and August 2010 and the balance material costing ₹3.52 crore (GI pipe: ₹1.31 crore; DI pipe: ₹2.21 crore) was lying unutilised with the concerned divisions at sites of works as of March 2011. It was also noticed that cost of GI pipes was debited to schemes without any provision in their estimates.

Thus, it is revealed that debiting the cost of material to these schemes without immediate requirement and provision in the estimates, was merely done to show utilisation of the available funds in contravention of rules besides, falsification of accounts of the schemes.

(ii) In March 2010, EE Shimla division-II, paid an amount of ₹1.02 crore to EE, Water Supply and Sewerage division, New Shimla for payment of energy charges of sewerage scheme, Shimla. But the same was not utilised by the later and was returned in August 2010. Audit observed that this was done merely to avoid surrender of funds during the year 2009-10. The amount was subsequently utilised in the financial year 2010-11 in contravention of rules.

(iii) In Una-I division excess expenditure of ₹45 lakh incurred on sewerage scheme of Mehatpur town during 2006-07 was debited to sewerage scheme of Una town. Thus,

15 2008-09 (₹22 crore), 2009-10 (₹31.14 crore) and 2010-11 (₹35.35 crore).

16 2008-09 (MC Shimla: ₹0.50 crore); 2009-10 (MC Hamirpur: ₹2.45 crore, Jogindernagar: ₹1.01 crore, MC Kullu: ₹0.60 crore and MC Mandi: ₹0.80 crore).

17 Rohru, Solan and Una-I.

incorrect utilisation of funds resulted in depiction of inflated expenditure under sewerage scheme of Una town and consequent unauthorised excess expenditure under scheme of Mehatpur town.

In the exit conference, the Principal Secretary (I&PH) admitted (October 2011) the facts. However, Principal Secretary did not propose any remedial action to set right the lapse and to avoid such lapses in future.

1.2.9.3 Urban Development Department's failure to take over sewerage development work

As envisaged in Annual Plan for the year 2008-09, the sewerage development plan was to be administered by the UDD from April 2008. However, neither execution nor operation and maintenance of completed sewerage schemes were taken over by the UDD as of March 2011. On this being pointed out, the Director, UDD stated (May 2011) that due to shortage of funds and non-transfer of staff from I&PH Department, ULBs were not in a position to handle the schemes.

The reply is not acceptable as the issue should have been resolved by taking up the matter with the Government for ensuring timely completion of works as lack of co-ordination between I&PH and UD Departments resulted in 69 *per cent* shortfall in achievement of targets and non-utilisation of funds to the extent as brought out in paragraph 1.2.10.1 and 1.2.9.1 respectively.

The Principal Secretary (I&PH) in exit conference stated (October 2011) that this matter is still to be resolved by the Government.

1.2.9.4 Non-levy of sewerage charges

Under section 5 of the Himachal Pradesh Water Supply Act, 1968 the State Government notified (June 2005) the tariff structure for sewerage disposal effective from 1st June 2005. According to the Act, monthly sewerage charges at the rate of 50 *per cent* of water billing per month were recoverable from domestic and commercial consumers.

In the two test-checked towns[18], sewerage charges were not recovered from the consumers since the effective date as per notification of tariff. In these towns the number of domestic and commercial connections during 2006-11 were between 10341 and 11103. Audit noticed that there was lack of co-ordination between the UD and I&PH Departments in ensuring recovery of sewerage charges. Moreover, the issue of levy and recovery of sewerage charges was not resolved due to non-segregation of data relating to water bills raised in case of consumers having both water and sewerage connections either by the I&PH Department or by the ULBs. Due to non-availability of data on water bills, exact amount of sewerage charges recoverable as of March 2011 could not be ascertained in audit.

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[18] Shimla and Solan.

In the exit conference, Principal Secretary admitted (October 2011) that consumers must pay for sewerage facility and stated that appropriate action would be taken by the respective Municipal Committees to recover the sewerage charges.

1.2.10 Implementation of Schemes

1.2.10.1 Targets and Achievements

The Department had 25 (including one scheme for Baddi town being executed out of funds provided by Baddi, Barotiwala and Nalagarh Development Authority) ongoing schemes in hand as of March 2011 which included 18 schemes taken up for execution between 1991-1992 and 2005-2006. The remaining seven schemes were taken up for execution between 2006-2007 and 2010-2011. During 2006-11, 16 schemes were targeted for completion though their stipulated period was 4 to 5 years as per administrative approvals. The status of these schemes is given as under:

Table-1.2.2: Details of targeted schemes and actual completion during 2006-11

Targeted year of completion	Name of sewerage scheme/town targeted for completion	Year of start of work	Year of completion (percent of physical progress of scheme)	Remarks
2006-07	Rampur	1996-1997	2006-07	---
	Joginder Nagar	1999-2000	2007-08	Completed after delay of one year
	Arki	1998-1999	2006-07	---
	Dharamsala	1995-1996	In progress (98)	Not completed even after delay of over four years
	Hamirpur	1995-1996	In progress (98)	Not completed even after delay of over four years
	Kullu	1994-1995	2009-10	Completed after delay of three years
	Una	1995-1996	In progress (98)	Not completed even after delay of four years
2007-08	Paonta Sahib	1995-1996	In progress (73)	Not completed even after delay of over three years
	Nagrota	2003-2004	In progress (95)	Not completed even after delay of three years
	Jubbal	2004-2005	2009-2010	Completed after delay of two years
2008-09	Narkanda	2005-2006	In progress (53)	Delayed by two years
	Bhunter	1999-2000	In progress (81)	Delayed by two years
2009-10	Sunni	2006-2007	In progress (66)	Delayed by one year
	Kotkhai	2005-2006	In progress (58)	Delayed by one year
2010-11	Sujanpur	2004-2005	In progress (80)	Targeted period for completion already over in March 2011
	Sarkaghat	1995-1996	In progress (31)	-do-

Source: Information supplied by the Engineer-in-Chief, Irrigation and Public Health Department

As seen from table-1.2.2, only five (31 *per cent*) out of 16 schemes fixed for 2006-11 could be completed by the Departments. In the five completed schemes, sewage treatment plants installed remained underutilised due to inadequate provision of mandatory sewerage connections as pointed out in paragraph 1.2.10.3.

In reply, E-in-C attributed (April 2011) non-achievement of targets to topographical conditions of the State, heavy monsoon, acute winter seasons and non-availability of labour.

The reply is untenable because these conditions should have to be factored in the plan for completing the targeted schemes as any delay in completion leads to cost escalation as discussed in the succeeding paragraph.

In the exit conference the Principal Secretary (I&PH) admitted (October 2011) the facts and assured that schemes of Hamirpur and Bhunter towns will be completed in 2011-12 whereas other two schemes (Sarkaghat and Sunni) will also be completed in 2012-13. However, there was no proposal for the completion of remaining ongoing seven schemes from the Principal Secretary.

1.2.10.2 Time and cost overrun

In six[19] out of eight selected divisions, execution of nine[20] sewerage schemes for population of 2,14,043 persons was taken up between 1994-1995 and 2003-2004 at an estimated cost of ₹48.42 crore. The schemes were scheduled to be completed within four to five years from the dates of approval. These schemes after incurring an expenditure of ₹65.48 crore with physical progress ranging between 11 and 98 *per cent* were under implementation as of March 2011. There was a cost overrun of ₹27.84 crore in five schemes and time overrun in all cases ranged between three and 12 years. Percentage of cost overrun of five schemes was between 40 and 379 *per cent* as detailed in ***Appendix-III***. As ascertained in audit, cost and time overrun were mainly due to land disputes.

The Principal Secretary stated (October 2011) that revised estimates are being prepared for regularisation of excess expenditure. The fact, however, remains that encumbrance free land was not ensured by the Department before approval of schemes.

1.2.10.3 Underutilisation of sewage treatment plants

Underutilisation of sewage treatment plants (STPs) at Shimla was commented upon in Paragraph 3.2.8.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh. The Government had not taken any remedial action in this regard and underutilisation of STPs was still persisting in 15 cases as discussed below.

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[19] Dalhousie, Padhar, Rohru, Shahpur, Solan and Una-I.

[20] Chowari, Dalhousie, Jogindernagar, Kangra, Mehatpur, Rohru, Santokhgarh, Solan and Una.

The STPs of 10[21] schemes completed between 1997-98 and 2009-10 and five[22] partly commissioned schemes during 2006-10 at a cost of ₹209.83 crore were not being put to use to their optimal capacity. Against capacity of 69.60 MLD, average utilisation of these STPs was 32 *per cent* and in individual cases it was between two and 61 *per cent*. It was noticed in audit that of these, in 14 sewerage schemes against provision of 25,541 sewer connections, only 6,696 connections were released leaving 18,845 households unconnected as of March 2011. In respect of Shimla sewerage scheme the details of connections to be provided were not reflected in the estimate prepared for augmentation of the scheme in February 1999. However, 10,979 connections were released under this scheme upto March 2011. In the absence of data relating to households to be provided sewerage connectivity, the extent of households not covered in Shimla town could not be ascertained in audit.

In reply, E-in-C (I&PH) stated (April 2011) that the sewage treatment plants remained underutilised due to lack of provision of household connectivity in the original Detailed Project Reports (DPRs)/estimates and active community participation, resource constraints to lay sewerage network upto household boundaries and inadequate provision for mandatory sewerage connection. The reply is not tenable because except in Shimla, provision for house connections existed in the estimates. In case of Shimla town, it was revealed in audit that the Department failed to identify the house connectivity while preparing the DPR. Besides, other bottlenecks should have also been resolved prior to construction of the STPs.

On this being pointed out in audit, the Principal Secretary (I&PH) admitted (October 2011) the facts. Thus, the intended objective of providing hygienic and pollution-free environment to the people of these towns still remains to be achieved despite incurring an expenditure of ₹209.83 crore.

1.2.10.4 Unhygienic conditions in Shimla town due to discharge of untreated sewage into Nallahs

Shimla is a class-I city and capital of Himachal Pradesh. As per a study conducted by the Central Pollution Control Board (CPCB) in 2005, the quantum of sewage generated in the city was assessed at 177 litres per capita daily (LPCD). For a population of 1,94,420 in the year 2010, the level of sewage being generated in the town was 34.41 Million Litres Per Day (MLD). In October 2005, six STPs of 35.63 MLD capacity were commissioned at an expenditure of ₹ 74 crore. Besides, I&PH Department had also spent ₹2.93 crore on laying of missing links of sewer lines during 2007-10 and ₹14.12 crore on operation and maintenance of the scheme upto March 2011.

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21 Arki, Ghumarwin, Jawalamukhi, Jogindernagar, Jubbal, Kullu, Rampur, Rohru, Shimla and Shri Naina Deviji.

22 Bhunter, Dharamshala, Hamirpur, Solan and Sundernagar.

However, it was noticed that the utilisation of STPs during 2010-11 was only 3.66 MLD and about 30.75 MLD of sewage went untreated. As per survey conducted by the Department in 2006, the reasons for non-tapping of sewage generated and its short receipt at STPs were identified as missing/broken or untraceable lateral and sub-lateral laid in old sewer network at many places. The untreated sewage which remained untapped was discharged/flowing into adjoining Nallahs. During the course of audit, inspection of some of these spots alongwith departmental officials was conducted by the audit team. It was found that due to non-tapping of huge quantity of sewage, unhygienic conditions prevailed in many areas as can be seen from the following photographs.

Photograph-1.2.1

Missing link of sewer line between Vikasnagar-Panthaghati area (8 February 2011)

Photograph-1.2.2

Broken sewer line below IGMC & Hospital (8 February 2011)

Photograph-1.2.3

Missing link of sewer line adjoining IGMC & Hospital (8 February 2011)

Thus, the objective of providing pollution-free environment and the checking of contamination of water sources downstream of disposal points remained un-achieved despite incurring an expenditure of ₹91.05 crore.

The EE, Shimla-II division stated (February 2011) that the work of missing links, damaged/choking sewer lines has been completed and DPR for further rejuvenation of sewerage network in missing lines and left out areas/worn out sewerage network in various Zones of Shimla has been prepared (December 2010) by the MC, Shimla under JNNURM. The reply is not tenable as despite the completion of work of missing links/damaged sewer lines during 2006-11 at a cost of ₹2.93 crore, the problem of less receipt of sewage at STPs was not resolved.

In the exit conference, the Principal Secretary agreed with the audit findings and stated that under JNNURM, the problem will now be resolved by the MC, Shimla.

1.2.10.5 Improper functioning of sewerage scheme in New Bilaspur Town

The existing sewerage scheme of New Bilaspur Town (NBT) laid in 1960 for a population of 4000 was not sufficient to serve the present population of 16877 persons. The augmentation of the scheme was, therefore administratively approved (July 1994) for ₹27.80 lakh. The scheme based on septic tanks system was designed to last until 2025. The work taken up for execution in 1994-95 was completed in March 2000 after incurring an expenditure of ₹1.43 crore. An amount of ₹34.84 lakh was also spent on operation and maintenance of the scheme during 2006-11.

Scrutiny of the records of Bilaspur division revealed that septic tanks were constructed without the provision of soak pits. As a result, they could not withstand the flow of sewage and resulted in overflowing of sewage as can be seen from the following photographs:

Photograph-1.2.4

Photograph-1.2.5

Overflowing of sewage from Septic Tanks without soak pits in Bilaspur town (6 December 2011)

This not only necessitated frequent cleaning but also resulted in the spread of sewage thereby polluting the water bodies as the samples of effluent tests taken by Himachal Pradesh State Pollution Control Board (HPSPCB) in October 2010 were not found to be of prescribed standard and indicated contamination of water. Environment Implementation Committee constituted by HPSPCB for effective monitoring of pollution control legislation in its meeting of May 2008 took serious note of pollution in the town and directed the concerned departments to check entry of raw sewage/over flow of septic tanks into Govindsagar lake and asked the departments to work out the solution within a month. A DPR amounting to ₹21.29 crore for setting up of STPs prepared by EE, Bilaspur was submitted to SE, Bilaspur in December 2010. However, approval thereof was not received as yet (June 2011) and the problem continued to persist for more than three years.

Thus, failure of the I&PH and UD Departments to ensure augmentation of the sewerage system keeping in view the necessity for STP and consequently not taking any action to prevent leakage of untreated sewage in the open as well as into water bodies of the town had not only resulted in unhygienic environment but also expenditure of ₹1.78 crore on its augmentation (₹1.43 crore) and maintenance (₹0.35 crore) proved unfruitful as the objective of providing proper sanitation facility still remained to be achieved.

The EE while confirming the facts stated (December 2010) that STP was essential for Bilaspur town.

Further, the Principal Secretary (I&PH) stated (October 2011) that estimate for construction of STP is under finalisation. The reply is indicative of the fact that planning for augmentation of the scheme without provision of soak pits/STP was defective.

1.2.10.6 Avoidable delay in completion of sewerage schemes and unfruitful expenditure

(a) Sewerage system for Kangra town was administratively approved (August 2003) for ₹9.28 crore and was stipulated to be completed by August 2008. The town was divided into three zones. An expenditure of ₹7.57 crore had been incurred on the execution of various components of the scheme upto March 2011 but the scheme has not been commissioned till date (September 2011).

Scrutiny of records of Shahpur division revealed that three jobs of laying jointing (LJ) and testing of Ductile Iron (DI) pipes, etc. for Zone I and II were awarded to a contractor between April-December 2005 for ₹1.21 crore with the stipulation to complete the work within six months. The contractor executed the jobs for value of ₹98.70 lakh and suspended (April 2008) further execution. For this default, compensation of ₹12.07 lakh was levied on the contractor in June 2009. The contractor did not resume the work even after levy of compensation and the contract was rescinded (September 2009) by forfeiting security of ₹4.07 lakh. The balance works had not been awarded to another contractor and remained suspended for a period of more than three years as of September 2011. Besides, the Department had failed to recover the compensation levied and amount of forfeited security deposit was also not credited into Government account.

Scrutiny of records further revealed that 81 *per cent* work of laying and jointing of DI pipes of Zone-III also stood completed as of March 2011 but the work of construction of STP for Zone-III was not taken up due to non-finalisation of tenders.

Thus, due to lack of proper planning for execution of sewerage system, the scheme was lagging behind for about three years of the stipulated date of completion. As a result, the objective of providing sewerage facility to the targeted population of 36613 persons of the town and pollution-free environment remained to be achieved despite incurring an expenditure of ₹7.57 crore upto March 2011.

On this being pointed out, the EE admitted the facts and stated (September 2011) that the tender for STP called for in June 2009 and opened in July 2009 remained under process in the offices of SE and CE, Dharamsala and ultimately returned (June 2011) with direction to cancel and call fresh tenders as one of the participating contractor expired in May 2011. As per notice inviting tenders (NIT), validity for acceptance of a tender was 120 days from the date of opening. Therefore, failure on the part of SE and CE to finalise the tender within the validity period i.e. by November 2009 and its recall is likely to result in cost escalation, besides, non-completion of the schemes as per prescribed timeframe.

The Principal Secretary accepted (October 2011) the audit findings and stated that fresh tenders are being called for to ensure early completion of schemes.

(b) Sewerage scheme for Una town was administratively approved (June 1995) for ₹4.93 crore. The scheme has been designed for a period of 34 years (upto the year 2029) including four years for execution and completion. The town was divided into four zones viz. A, B, C and D. In Zones A, B and D construction of STPs was envisaged whereas in Zone C, only septic tank was to be constructed. The scheme stipulated to be completed by June 1999 was taken up for execution during the year 1994-95 without obtaining technical sanction. The work of Zone C was completed in August 1999 and the system was made functional in that zone. ₹10.58 crore had been spent on execution of works in Zones A, B and D upto March 2011.

Scrutiny of the records of division No-I, Una revealed that while work of Zone 'D' (except construction of inspection chambers and finishing of plant) was also completed before 2000, its commissioning was held up (December 2003) due to Court case filed by the land owners. The case of the land owners for restraining the Department from installation and commissioning of the STP during the pendency of the appeal was rejected (August 2009) by the Court but the balance work of construction of inspection chambers was yet (September 2011) to be completed.

Similarly, construction of 2.53 MLD STP for Zone 'A' and 'B' awarded to the contractor (October 2006) with the stipulation for completion by April 2007 was still (September 2011) incomplete.

Thus, improper planning and laxity on the part of I&PH and UD Departments had delayed the completion of the scheme for a period of over 12 years. This not only resulted in non-availability of intended sewerage facilities in Zones A, B and D of the town but also rendered investment of ₹10.58 crore idle.

The EE confirmed the facts and stated (January 2011) that due to Court case/delay by the contractors, STPs could not be completed. The reply is not acceptable as stay was vacated by the Court in August 2009 and the work of Zones A and B was also not completed by the contractors according to the time stipulated in the contract agreement.

1.2.10.7 Extra avoidable expenditure on acquisition of surplus land for STPs

Sewerage scheme, Solan was administratively approved (November 1995) for ₹4.55 crore. The stipulated period for the completion of the scheme was four years. Between 1996-97 and 2006-07, the I&PH Department had acquired 47,986.50 square metres (sqm) land for the construction of STPs in two zones, namely Zone 'A' (8962.50 sqm) and 'B' (39024 sqm) from private land owners after making payment of compensation for ₹13.43 crore. The possession of the land was, however, taken in November 1997 for Zone 'B' and in May 2001 for Zone 'A'. While the work of STP for Zone 'A' is yet to be taken up (September 2011) the work of STP for Zone 'B' was completed in March 2001.

Scrutiny of records of Solan division revealed (March 2011) that the Principal Secretary (I&PH) directed (July 2005) the E-in-C that the Department should acquire the land only upto the requirement keeping in view the proposal to replace drying beds with filter press and the land which has been acquired in excess of requirement may be returned to the owners by de-notifying the same. While the Department had preferred various appeals in the High Court against the payment of enhancement of land compensation, an additional appeal requesting to allow the Department to return 22,221 sqm surplus land (Zone A : 4437 sqm; Zone B: 17,784 sqm) to the land owners was also filed in the above Court in August 2005. However, the appeals filed against the enhancement of land compensation as well as return of the surplus land were dismissed (April-May 2010) by the High Court.

The EE while confirming the facts stated (September 2011) that surplus land was not being used for any purpose. Thus, land for STPs was acquired in excess of the requirements and entailed additional financial burden of ₹6.22 crore[23] (Proportionate

[23] $\frac{13.43 \text{ crore} \times 22{,}221}{47{,}986.50}$ = ₹6.22 crore.

value of surplus land) on the State exchequer. Had the Department assessed the requirement of land properly, the expenditure to above extent could have been avoided.

In the exit conference, the Principal Secretary (I&PH) stated that de-notification of land is not possible at this stage and presently the Department has no alternative plan to utilise the surplus land. Thus, acquisition of surplus land had resulted in avoidable expenditure of ₹6.22 crore to the State Government.

1.2.10.8 Non-commencement of construction of Sewage Treatment Plant at Solan

Scrutiny of records of Solan division revealed that I&PH Department after acquisition of 8962.50 sqm land for the construction of STP at Zone 'A' at a cost of ₹2.05 crore between 1996-97 and 2006-07 had not taken up the construction of STP as yet (March 2011).

The EE stated (March 2011) that the execution of work could not be taken up as the funds had been exhausted due to making payment towards land compensation. It was further stated that work will be undertaken after completion of work of Zone 'B' and availability of funds.

The reply is not acceptable as funds of ₹6.40 crore were made available during 2008-2011 by the UDD for the scheme against which only ₹1.72 crore was spent leaving ₹4.68 crore unspent as of March 2011. Evidently, due to improper planning resources were not utilised fully by taking up construction of STP for Zone 'A'.

1.2.10.9 Functioning of STPs not ensured as per pollution control norms

The HPSPCB through notification issued in February 2007 directed all the Regional Officers to conduct quarterly inspection of sewage treatment plants installed in the State. As per information supplied by the HPSPCB, during 2008-11, 289 inspections of STPs (2008-09: 101; 2009-10: 85 and 2010-11: 103) at different locations were conducted. Of these, 83 samples of sewage/trade effluent were not found to be of the prescribed standard. The Board served notices to I&PH Department between September 2008 and July 2010 to take remedial measures, but no action had been taken to prevent the pollution and to ensure functioning of STPs as per standards prescribed by the Board. Thus, running of STPs in such cases would be causing health hazard to the people of these areas as sewerage system did not provide proper sanitation and pollution free environment.

The Principal Secretary admitted (October 2011) the facts and assured to take corrective measures.

1.2.11 Operation and Maintenance

Operation and maintenance of sewerage schemes is handled by the I&PH Department and has not been handed over to the UDD/ULBs after transfer of sewerage sector to the UDD as brought out in paragraph 1.2.9.3.

The position of funds in six[24] out of eight selected divisions for operation and maintenance of schemes provided to them and expenditure incurred thereagainst during 2006-11 was as under:

Table-1.2.3: Details of budget allotment vis-a-vis expenditure incurred on operation and maintenance of schemes during 2006-11 by the six divisions

(₹ in crore)

Year	Budget allotment	Expenditure	Variation Excess (+)/ Saving (-)
2006-07	2.15	2.40	(+) 0.25
2007-08	1.40	3.12	(+) 1.72
2008-09	0.40	2.83	(+) 2.43
2009-10	0.25	2.74	(+) 2.49
2010-11	0.25	3.68	(+) 3.43
Total	**4.45**	**14.77**	**(+) 10.32**

Source: Figures supplied by the respective divisions

From the above details it would be seen that funds provided for operation and maintenance of schemes were not sufficient to meet the operation costs as there were persistent excesses during 2006-11. The I&PH Department spent ₹10.32 crore (232 *per cent*) in excess of the budget provision by diverting the funds out of allocation of Rural/Urban Water Supply schemes and amount deposited by the UDD for construction of sewerage schemes.

The E-in-C stated (August 2010) that the sewerage sector stood transferred to UDD and funds are not being provided by that Department for repair and maintenance of the schemes. The reply is not acceptable as the I&PH Department continued to incur expenditure by diverting funds from the water supply schemes and partly from construction of sewerage schemes as no funds are being provided by the Government for remedial action despite such demands made by I&PH Department repeatedly.

In the exit conference, the Principal Secretary assured to take necessary action.

1.2.12 Contract management

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 I&PH Department are discussed below:

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24 Bilaspur, Padhar, Rohru, Shimla-II, Solan and Una-I.

1.2.12.1 Undue financial favours to contractors

(i) The construction of STP of 1.735 MLD capacity for sewerage scheme for population of 23705 in Jogindernagar town was awarded (December 2000) to a contractor for a lump sum tendered cost of ₹58.60 lakh. The work was stipulated to be completed by June 2002.

Scrutiny of records of Padhar division revealed (April 2011) that the contractor started the work in February 2001. As the contractor failed to complete the work within the stipulated period and executed work for value of ₹38.85 lakh, compensation of ₹5.86 lakh under clause 2 of the agreement was incorrectly levied (November 2005) on him for delay in completion of the work as it should have been levied under clause 64 of the contract agreement. Despite levy of compensation, contractor failed to complete the work even after extended period i.e. by March 2006 and the contract was rescinded (October 2006) under clause 3 of the contract agreement instead of appropriate clause viz., 68.3(2) of the contract agreement.

Scrutiny of records in this regard further revealed that the EE consequently withdrew (November 2006) action ordered under clauses 2 and 3 and invoked provision of only clause 68.3(2) of the contract to get the balance work completed at the risk and cost of the contractor and did not invoke provision of clause 64 to levy penalty of compensation. The balance work was awarded to another contractor (February 2007) and got completed in December 2008 at a cost of ₹28.16 lakh.

Thus, failure on the part of EE to initiate action against the defaulting contractor under appropriate clauses of the agreement led to non recovery of compensation of ₹5.86 lakh from the contractor and incurring of extra cost of ₹8.41 lakh to get the balance work done.

On this being pointed out, the EE stated (April 2011) that action was being taken to effect recoveries. The reply is not acceptable as action against the contractor at the first instance was not initiated under appropriate clauses and no efforts were made to recover the amount for more than two years. Thus, improper action by the Department resulted in extension of undue financial favour to the contractor and non-recovery of Government dues of ₹14.27 lakh from the contractor.

(ii) In another cases as per the contractual provisions, the time allowed for carrying out the work was required to be strictly observed by the contractors. In case of delay in completion of work, compensation of amount equal to one *per cent* per day subject to maximum not exceeding 10 *per cent* of the tendered cost was leviable.

In six[25] test-checked divisions, 25 works awarded to 17 contractors between September 2001 and January 2010 at a tendered cost of ₹10.32 crore were stipulated

[25] Padhar, Rohru, Shahpur, Shimla-II, Solan and Una-I.

to be completed between one and 12 months. These works were lying incomplete as of March 2011. As the contractor failed to complete the work within the stipulated time, compensations of ₹91.42 lakh were leviable on them. Against this, only one division (Rohru) had levied compensation of ₹6.23 lakh in one case during June 2004 which had also not been recovered as of September 2011 and in the remaining cases compensation of ₹85.19 lakh was not levied for breach of contracts by the Department.

The EE Rohru stated (February 2011) that the compensation levied on the contractor will be recovered from the final bill of the contractor. As regards non-levy of compensation, the EEs concerned stated (January-April 2011) that the works could not be completed due to site dispute and department was not in a position to initiate action under Clause 2 of the agreement. The replies are not acceptable as specific locations where site dispute existed were not intimated to audit. Evidently, the contractors were allowed to execute the work in contravention of contractual provisions which resulted in non-recovery of Government dues of ₹91.42 lakh.

(iii) As per provisions contained in lump sum contract, the contractor for due performance of the contract is required to furnish Bank Guarantee equal to five *per cent* of tendered cost. It was noticed in audit that in two divisions (Padhar and Shahpur) construction of sewerage systems was entrusted to two contractors between 2006-07 and 2008-09 for tendered cost of ₹2.31 crore. However, performance guarantee of ₹11.54 lakh was not obtained to secure the interest of Government against breach of any contractual provision and led to extension of undue benefit to the contractors.

In the exit conference, the Principal Secretary assured that necessary action in this regard will be taken.

1.2.12.2 Payment to contractors without approval

In paragraph 3.2.9.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh, irregular payments to contractors on account of deviated/substituted items were commented upon. Despite this, it was noticed that irregularities of similar nature still persisted in the Department as mentioned below.

In three[26] divisions, 17 works relating to laying and jointing of cast iron (CI)/Ductile Iron (DI) pipes and maintenance of STPs were completed between October 2005 and April 2008. It was noticed that gross payment of ₹22.21 crore was made to the contractors against tendered cost of ₹17.02 crore. This included ₹5.19 crore on account of deviated/substituted items. Approval of the competent authority for

[26] Padhar, Shimla-II and Solan.

deviated/substituted items had not been obtained as of March 2011 as required under the rules.

On this being pointed out in audit, the EEs stated (February-April 2011) that deviations where not approved would be got approved from the competent authority. The replies are not acceptable as payment of deviated quantities should not have been made before obtaining approvals.

1.2.13 Material management

1.2.13.1 Non-rendition of accounts of procurement of pipes

As per system adopted in the I&PH Department tenders for the finalisation of procurement rates of GI and CI pipes are invited from the manufacturing firms by the E-in-C after obtaining requirement from the field units. The tenders are invited through the EE, division-I, Shimla and the rates are finalised in the office of the E-in-C after holding negotiations with the firms. According to the State Government policy, the pipes are procured through the Himachal Pradesh State Civil Supplies Corporation (HPSCSC) Ltd., Shimla.

As per information supplied by the EE, division-I, Shimla, ₹584.05 crore was advanced to HPSCSC Limited during 2006-11 including ₹73.52 crore advanced prior to 2006-07. Out of this, account of receipt and supply of pipe material valued at ₹121.88 crore was not rendered by the HPSCSC Ltd. as of May 2011. In the office of the E-in-C, no mechanism existed to watch timely receipt of supplies and in the absence of any check over procurement of pipes and consignee divisions confirmation with reference to supplies actually made against the advance payments, chances of malpractices in obtaining supplies cannot be ruled out.

1.2.14 Lack of internal control

1.2.14.1 Inadequate inspection of works

To ensure quality of works and their timely completion, E-in-C issued instructions in April 2000 for inspection of major and targeted schemes at least once in a month by the EE concerned, once in two months by the SE and once in three months by the CE. Issue regarding inadequate inspection was commented in paragraph 3.2.10.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil), Government of Himachal Pradesh. Despite this, no corrective measures to ensure effective supervision of works were taken and this irregularity was still persisting as discussed below:

A perusal of the records of eight test-checked divisions revealed that in respect of completed/ongoing sewerage schemes, 220, 330 and 660 inspections were required to be conducted during 2006-11 by the CE, SE and EEs respectively against which only 66, 155 and 446 inspections respectively were conducted. None of the test-checked divisions produced any inspection notes on the works inspected by the officers during the above period.

In the exit conference, the Principal Secretary (I&PH) assured that corrective measures will be taken where there were any failures. Thus, absence of any inspection note and non-conduct of inspections to the prescribed extent shows that works were not inspected adequately and led to non-completion of targeted works as per laid down time frame as discussed in paragraph 1.2.10.1.

1.2.14.2 Monitoring and evaluation

The execution/completion of works was required to be monitored effectively by the E-in-C to ensure that for each work, targets relating to time, cost, services, etc., were achieved. It was, however, noticed that in the monitoring cell, periodical progress reports (physical and financial) received from the field offices were neither scrutinised properly nor was effective follow up action taken. The reports did not indicate specific time frame for completion of schemes and efforts taken to resolve the held up works due to land disputes, etc. As a result, 11 sewerage schemes taken up for execution between 1995-96 and 2006-07 were not completed by targeted year of completion as brought out in paragraph 1.2.10.1. This shows that monitoring of work was not done vigorously resulting in unplanned execution of works as pointed out in various paragraphs.

Although implementation of the scheme was started in the State during 1985, no evaluation studies had been conducted as of (March 2011) to assess the level of achievement of its objectives.

1.2.15 Conclusion

The State Government had not prepared/evolved any strategic plan to provide sewerage facilities in a time bound manner. Out of 40 towns, sewerage works in 25 towns (63 *per cent*) were still in progress. The Department had fixed target for completion of 16 schemes during 2006-11 so as to ensure coverage of 26 towns (including ten towns earlier covered) by March 2011. Against this, the Department could provide sewerage facilities only in 15 towns (38 *per cent)* resulting in non-providing of timely sewerage facilities to the concerned beneficiaries. In the case of completed schemes, house connectivity remained quite low and resulted in underutilisation of STPs to the extent of 61 *per cent*. There were cost and time overruns in several schemes mainly due to land disputes. Norms prescribed by the HPSPCB for ensuring prevention of environment pollution were not adhered to in some cases. Audit also noticed instances of undue financial benefits extended to the contractors.

1.2.16 Recommendations

- *Government should have a long-term master plan for providing sewerage schemes to various towns within a specified time frame.*

- *Government should ensure that sewerage facilities provided through huge investments should not remain unutilised and the STPs are utilised to their optimal capacity. Urban Development Department in co-ordination with Municipal Committees should identify individual households and ensure their connection with the sewerage system.*

- *Government should ensure that sewage discharged from the final outlet of the STPs is treated in accordance with the quality norms prescribed by the HP State Pollution Control Board before disposal to provide pollution-free environment and to prevent contamination of water bodies.*

- *To ensure proper utilisation of surplus land at Solan, I&PH and UD Departments need to evolve some alternative plan.*

- *Since monitoring and evaluation of the sewerage schemes was not done as per norms, a system needs to be evolved to ensure adequate inspection and monitoring of completed/ongoing schemes by the Department.*

The audit findings were referred to the Government in July 2011. Reply had not been received (September 2011).

CHAPTER-II
AUDIT OF TRANSACTIONS

CHAPTER II

AUDIT OF TRANSACTIONS

Excess/overpayment/wasteful/unfruitful/infructuous expenditure

Public Works Department

2.1 Unfruitful expenditure

Failure of the Department to synchronise construction of road and railway over bridge resulted in unfruitful expenditure of ₹83.95 lakh.

In order to provide access to Talarah village in Kangra district, the State Technical Agency approved (October 2006) construction of 2.570 kilometres (kms) long motorable road from Kutlahar to Talarah for ₹1.48 crore under *Pradhan Mantri Gram Sadak Yojana* (PMGSY). Part of this project involved construction of a railway over bridge (ROB) on Jogindernagar-Pathankot Railway line. The estimate contained provision of ₹38.13 lakh for ROB to be constructed by the Railway authorities. The road work was awarded (February 2007) to a contractor for ₹1.09 crore with a stipulation to complete it in 18 months.

Scrutiny of records (September 2010) of Nurpur division revealed that the contractor took up the work in March 2007 and completed it in August 2009 at a cost of ₹83.95 lakh except 130 metres approaches. For the construction of ROB an estimate of ₹1.08 crore was submitted by the Railway authorities in January 2007. The Department took up the matter (between June and October 2007) with Railways to submit detailed estimate on the plea that the estimate of ₹1.08 crore was on the higher side. Instead of reducing the cost of proposed bridge, the Railways submitted (March 2010) revised detailed estimate for ₹2.24 crore. Neither was the estimate approved by the Engineer-in-Chief, Shimla nor was the amount deposited till March 2011.

The Executive Engineer confirmed (September 2010) the facts and further stated (December 2010) that the ROB will be got constructed from the Railways after getting the estimate approved from the competent authority. The reply does not provide an assuarance as to how it can accomplish the task as the Department did not even accept the initial estimate of ROB for ₹1.08 crore submitted by the railway authorities. Hence, with no progress on the construction of ROB, the investment of ₹83.95 lakh on an incomplete road remained unfruitful for over two years as the beneficiaries could not be provided the intended benefits of road connectivity.

The audit findings were referred to the Government in March 2011. Reply had not been received (September 2011).

2.2 Unfruitful expenditure on construction of road

Failure of the Department to synchronise construction of road and two bridges resulted in unfruitful expenditure of ₹78.73 lakh.

In order to provide transport facility to 12 villages of Kangra district, construction of 4.675 kms long Shaheed Joginder Singh road from Hindora Gharat, Hatli Jamwalan, Bhanodu via Pachan was administratively approved (September 2006) under RIDF[1]-XII scheme of NABARD[2] for ₹97.38 lakh. The work was technically sanctioned (November 2006) by the Chief Engineer, North Zone, Dharamsala for ₹93.71 lakh and was stipulated to be completed by December 2007.

Scrutiny of records (September 2010) of Nurpur division revealed that the work was taken up for execution in November 2006 and 4.521 kms of road was constructed upto March 2010 after incurring an expenditure of ₹78.73 lakh. Construction of the remaining 0.154 km long portion of road was held up because two bridges of 90 and 50 metre span at kms 0/903 and 4/160 respectively became essential for construction for utilisation of the road for vehicular traffic. While preparing estimate for road work, the Department had made no provision for the construction of these bridges. However, the State Government separately approved (February 2010) construction of these two bridges on the above road alongwith metalling and tarring of road for ₹4.46 crore. The construction of the bridges has not been taken up as yet (April 2011).

Executive Engineer stated (January 2011) that scope of construction of two bridges alongwith metalling and tarring of road in the entire length has been got approved in the second phase for providing all weather connectivity. It was further intimated that the road constructed had been put to public use with fair weather connectivity and the process for approval and award of bridge and metalling tarring works to the contractor is underway. However, it was noticed in audit that the approval of the Road Fitness Committee[3] which is a pre-requisite for opening of a road for plying of vehicles was not obtained till date (September 2011).

The reply is not acceptable as no specific instructions/orders of the State Government relating to bonafide planning for all weather road and bridge works in a phased manner were made available though called for in audit (September 2010). Besides, opening an incomplete road for public without getting it passed from Road Fitness Committee involved risk of unsafe travelling.

Thus, failure of the Department to synchronise the road construction with the construction of bridges resulted in non-availability of all weather road connectivity to

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1 RIDF: Rural Infrastructure Development Fund.

2 NABARD: National Bank for Agriculture and Rural Development.

3 It comprises Sub-Divisional Officer (Civil) of the area, Executive Engineer of PWD, Representatives from Police Department and Regional Manager of Transport.

the 12 villages besides, rendering the expenditure of ₹78.73 lakh incurred on it unfruitful.

The audit findings were referred to the Government in May 2011. Reply had not been received (September 2011).

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

Failure of the Department to initiate timely action and properly plan execution of road resulted in unfruitful expenditure of ₹2.02 crore and extension of undue benefit of ₹34.42 lakh to a contractor.

In order to provide transport facility to Firnoo and Konthru villages of Shimla district, the State Technical Agency approved (January 2004) construction of five kilometres long link road to village Konthru for ₹1.94 crore under *Pradhan Mantri Gram Sadak Yojana* (PMGSY). The work was awarded (October 2004) to a contactor for ₹2.23 crore with a stipulation to complete it by November 2005.

Scrutiny of records (July 2009) of Kumarsain division and further information collected (March-June 2011) revealed that the contractor commenced the work in November 2004 and till June 2007 had executed work valued at ₹2.05 crore. Thereafter, the contractor stopped the work without assigning any reasons. ₹1.92 crore was paid for the work done upto 9th running account bill passed in July 2007. The Department ultimately terminated the contract under clause 52.1 in November 2008. The balance work though awarded (July 2010) to another contractor for ₹23.95 lakh was still incomplete and ₹9.55 lakh had been paid to second contractor upto May 2011.

After making adjustment of ₹12.48 lakh payable to him for the work done and security deposit of ₹8.15 lakh lying with the Department, the final bill of the first contractor prepared by the Department in September 2009 showed an amount of ₹34.42 lakh recoverable from him on account of machinery advances, mobilisation advance, cost of material, liquidated damages, penalty for left out work and other miscellaneous recoveries. However, it was seen in audit that even after preparation of final bill, the Department had not taken effective steps to ensure recovery of Government dues of ₹34.42 lakh from the defaulting contractor for over one and half year as of June 2011. Besides, the Department also took 19 months time to re-award the work.

In reply, the Executive Engineer stated (June 2011) that recoveries could not be effected due to non-finalisation of the final bill as the contractor has objected to it. It was further stated (September 2011) that the case for pending recovery was sent to Empowered Committee in March 2010 but the final decision was awaited. The fact, however, remains that the E-in-C after termination of the first contract (November 2008) took 16 months to refer the case to the Empowered Committee.

Further, in view of provision of clause 24.4 of Standard Bidding Document of PMGSY, Empowered Committee also failed to resolve the dispute within ninety days.

Thus, despite incurring an expenditure of ₹2.02 crore[4] intended benefit of transport facility to beneficiary villages remained unfulfilled.

The audit findings were referred to the Government in June 2011. Reply had not been received (September 2011).

2.4 Unfruitful expenditure on road works and undue benefit to a contractor

Failure of the Department to ensure timely completion of road works lying in a suspended state for the last 21 to 38 months led to unfruitful expenditure of ₹96.20 lakh and extension of undue financial benefit of ₹98.91 lakh to a contractor.

The Executive Engineer (EE), Rampur division awarded (January 2006 and March 2007) construction of (i) Samej Sarpara road (km 10/0 to 13/450) and (ii) upgradation of Jeori to Ganvi Road (km 0/0 to 11/0) under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) to a Rampur (Shimla district) based contractor at a tendered cost of ₹1.19 crore and ₹2.27 crore with stipulation to complete the works by 17 January 2007 and 4 April 2008 respectively. Accordingly, the contractor took up execution of works in January 2006 and April 2007 respectively.

Scrutiny of records (December 2010) of Rampur division revealed that the contractor did not achieve the pace of works as prescribed in the agreements and failed to complete them by the stipulated dates. After incurring an expenditure of ₹96.20 lakh, the contractor suspended the execution of the two works in August 2009 and March 2008 respectively without giving any reasons. The Department levied 10 *per cent* (₹34.67 lakh) liquidated damages of the tendered cost of works under clause 44.1 of the Contracts in May 2009 (₹22.76 lakh) and March 2010 (₹11.91 lakh) respectively. The Department, however, granted unilateral time extension in respect of Samej Sarpara road upto 31 March 2010 and Ganvi road works upto June 2009, but due to non-resumption of the works both the contracts were ultimately terminated in April 2010 under clause 52.1 of the contract agreement.

Audit scrutiny further revealed that in accordance with the provisions of Standard Bidding Document for PMGSY, advance payment of ₹45.26 lakh (Mobilisation advance: ₹11.38 lakh and Machinery Advance:₹33.88 lakh) had been made to the contractor during September 2006 and March 2007 against Bank Guarantees (BGs) of an equal amount issued by the Branch Manager, Himachal Pradesh State Co-operative Bank (HPSCB) Ltd., Taklech which were subsequently withdrawn and not confirmed

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[4]

Gross payment to 1st contractor	= ₹1.92 crore
Payment to 2nd contractor	= ₹9.55 lakh or say ₹0.10 crore
Total	**= ₹2.02 crore.**

(August 2007 and November 2008) by the Deputy General Manager of HPSCB Ltd., Shimla on the ground that the Branch Manager was not authorised to issue such Guarantees. Thereafter, the EE concerned did not take any action to obtain fresh BGs from the defaulting contractor despite the fact that the Chief Engineer (PMGSY) Shimla had reiterated (October 2007) the earlier instructions to ensure the authenticity of BGs from next higher authority of the issuing bank. The EE, therefore failed to secure genuine BGs subsequently to guard against recovery of advances paid to the contractor.

The final contractor's bills, performance security and security deposits lying with Department showed an amount of ₹98.91 lakh recoverable from him. The grant of unilateral time extension in favour of the contractor beyond the stipulated dates of completion of works without any valid reasons also lacked justification because road works undertaken in hilly areas under PMGSY are required to be completed within 18 months.

In reply, the EE stated (March 2011) that complete site was not handed over to the contractor for construction of Samej Sarpara road due to involvement of forest land. It was further stated that both cases are under arbitration. The reply is not acceptable as the Department failed to secure encumbrance free land as per para 6.12 of PMGSY guidelines and did not invoke provision of clause 24 of the agreement to resolve the dispute through Dispute Redressal system.

Thus, Department's inability to ensure timely completion of roads rendered the expenditure of ₹96.20 lakh on incomplete roads unfruitful for the last more than one year to three years. Also, undue financial benefits of ₹98.91 lakh were extended to the contractor by way of non-recovery of Government dues. Had BGs been secured afresh, Government dues to the extent of ₹45.26 lakh could have been set off by encashing the BGs by the Department.

The audit findings were referred to the Government in May 2011. Reply had not been received (September 2011).

2.5 Non-achievement of objectives

Despite incurring an expenditure of ₹1.18 crore on a link road, the objective of providing all weather road connectivity was not achieved for want of construction of bridge at take off point.

The primary objective of *Pradhan Mantri Gram Sadak Yojana* (PMGSY) is to provide good and all weather road connectivity in rural areas. To provide road connectivity to seven habitations the State Government approved (March 2004) construction of 18.400 km long link road from village Sitalpur to Nonowal (Solan district) under PMGSY for ₹1.19 crore. The construction of road was completed in September 2008 after incurring an expenditure of ₹1.18 crore.

Scrutiny of records (January 2009) of Executive Engineer (EE) Nalagarh division and further information collected (March-May 2011) revealed that road could not provide all weather connectivity for vehicles as of May 2011 due to non-construction of 135 metre span bridge over Sirsa Nallah at km 1/338. Audit observed that in the detailed project report (DPR) prepared by the Department for obtaining approval from GoI, Ministry of Rural Development (MoRD), the necessity of providing bridge for all weather connectivity was not incorporated.

The EE stated (May 2011) that construction of bridge was not included in the scope of work as, under PMGSY, construction of bridge of span longer than 25 metres requires joint inspection of site by State Technical Agency (STA) and Senior Engineers. It was further stated that fair weather connectivity has been provided to the concerned villages and case for declaration of fitness of road for vehicular traffic by the Road Fitness and Inspection Committee is under correspondence with the Sub-Divisional Magistrate. The reply does not explain as to why construction of bridge alongwith road could not be included in the planning in the first place and why the joint inspection could not be held prior to preparation of estimate. Moreover, this has resulted in submission of incomplete DPR without incorporating requirement of essential bridge on road to GoI, MoRD. Besides, after completion of road, the Department failed to get the same declared fit for plying of vehicles for more than two and half years.

Thus, department's poor planning resulted in unfruitful expenditure of ₹1.18 crore on road without construction of a bridge and the objective of providing all weather connectivity remained to be achieved besides depriving the people of the area of all weather transport facilities for a considerable time.

The audit findings were referred to the Government in July 2011. Reply had not been received (September 2011).

Irrigation and Public Health Department

2.6 Unfruitful expenditure

Failure of the Department to get prior permission for use of land in Wildlife Sanctuary area from the Supreme Court before taking up execution of augmentation of water supply scheme resulted in unfruitful expenditure of ₹9.81 crore.

As per instructions of the Engineer-in-Chief (E-in-C) issued in March 1995, execution of irrigation and water supply schemes should follow a proper sequence i.e., firstly the source of water should be developed, dependable discharge ascertained and other works including laying of distribution of lines should be taken up thereafter. Augmentation of water supply scheme (WSS) to drought affected areas of Padhar, Darang, Tandoo, Katindi and Kufri from Panjondi *Nallah* (district Mandi) source was administratively approved (May 2006) by the State Government under RIDF[5]-XII scheme of NABARD[6] for ₹13.62 crore. The scheme envisaged interlinking of existing 74 WSSs with the new source. The scheme stipulated to be completed in three years was to benefit the population of the drought affected area of Padhar, Darang, Tandoo, Katindi and Kufri villages. The source of the scheme from which the water was to be tapped was situated in Nargu Wildlife Sanctuary and was to be carried upto Water Treatment Plant through 20.500 kms long underground gravity main of mild steel electrically resistance welded (MSERW) pipe. Of this, initial stretch of 13 kms long gravity main was to be laid in the Sanctuary area. Since the above Sanctuary is protected under the Wildlife (Protection) Act, 1972, prior permission from the Central Empowered Committee (CEC) of the Supreme Court and approval under Forest (Conservation) Act, 1980 was to be obtained before taking up the execution of the scheme by the Department.

Scrutiny of records (May 2009) of Padhar division and further information collected (August 2010-April 2011) revealed that Department took up execution of scheme outside the Sanctuary area in 2006-07 in violation of instructions of E-in-C and incurred an expenditure of ₹9.81 crore on partial laying of gravity main (7.224 kms), construction of storage tanks, procurement of MSERW and GI pipes of various diameters as of March 2011. Since construction of intake weir and 13 kms long gravity main line for flow of water at the starting point of scheme fell within the Wildlife Sanctuary area, the Department should have considered the legal implications for getting the land transferred and sought prior approval of the CEC of the Supreme Court and clearance under the Forest (Conservation) Act, 1980 before making the investment on laying of gravity main line and other components of the work out side the sanctuary area.

The Department, however, took up the matter with the CEC of the Supreme Court only in April 2008 for obtaining the necessary approval. Though the CEC had recommended to the Supreme Court for grant of permission for use of land in the Sanctuary area in June 2009, the requisite permission therefor was still awaited (April 2011).

Thus, failure of the Department, to plan execution of head works i.e., intake weir and gravity main line by first ensuring encumbrance free land, impacted upon the pace of execution of scheme and resulted in time overrun of 23 months as of April 2011. Further, the expenditure of ₹9.81 crore incurred on partial execution of the scheme remained unfruitful as the intended objective of providing adequate potable water supply in the concerned drought affected area still remained to be achieved.

The audit findings were referred to the Government in May 2011. Reply had not been received (September 2011).

[5] RIDF: Rural Infrastructure Development Fund.

[6] NABARD: National Bank for Agriculture and Rural Development.

2.7 Infructuous expenditure on Flow Irrigation Scheme

Failure of the Department to ensure timely repair of damaged Flow Irrigation Scheme resulted in infructuous expenditure of ₹46.97 lakh.

To provide irrigation facility to 37 hectares of culturable command area (CCA) in Upmahal Neoldang village (Kinnaur district), construction of 3435 metre long flow irrigation scheme (FIS), Yulla was administratively approved (March 2002) for ₹52.87 lakh and was to be completed in three years. The scheme was taken up for execution in June 2002 without preparing detailed estimate and obtaining technical sanction and completed in November 2007 at a cost of ₹46.97 lakh.

Scrutiny of records (July 2010) of Reckong Peo division revealed that a portion of 1050 metre length FIS at various points (stretch between 60 and 3400 metres) was damaged due to snowfall in 2006-07 when the construction of FIS was in progress. The damage assessed by the Department and reported (May 2007) to Deputy Commissioner, Kinnaur was set at ₹25 lakh. However, the scheme was shown as completed in November 2007 without ensuring repair of damaged portion. The Department also made no effort to obtain funds for restoration of damages.

The Executive Engineer confirmed (December 2010-March 2011) the facts and stated that an estimate of ₹16.68 lakh had been got sanctioned (December 2010) from the Superintending Engineer, Reckong Peo for restoration of damaged portion and funds for the same had also been demanded from the Deputy Commissioner, Kinnaur.

Thus, delay on the part of the Department to prepare estimate for repair of scheme and in arranging funds for a period of three years after occurrence of damages resulted in denial of the intended benefits of irrigation facility. Besides, expenditure of ₹46.97 lakh incurred on FIS proved infructuous. In the absence of technical sanction, the quality of work on the FIS executed and completed in November 2007 could also not be ensured.

The audit findings were referred to the Government in March 2011. Reply had not been received (September 2011).

Education Department

2.8 Unfruitful expenditure on boys hostel

Expenditure of ₹86.33 lakh incurred by the Department on construction of hostel at Tabo (Lahaul and Spiti district) proved unfruitful, as the hostel remained unutilised due to lack of basic amenities.

To create hostel facility to 50 students of Government Senior Secondary School (GSSS), Tabo (Lahaul and Spiti district), Additional Deputy Commissioner (ADC), Spiti at Kaza gave (May 2002) expenditure sanction of ₹64.25 lakh based on a proposal from District Primary (Elementary) Education Officer (DEEO).

Scrutiny of records (January 2011) of the Principal, GSSS revealed that the hostel building was constructed by Himachal Pradesh Public Works Department Division

Kaza as a deposit work during May 2002 to July 2006 and was handed over to the Education Department (ED) in July 2006 after expending ₹86.33 lakh. The building had, however, not been put to use (March 2011) as neither the amenities such as wooden flooring/paneling etc., nor the requisite staff viz; cooks, chowkidar, etc., were provided. Funds for running the hostel were also not provided by the ED. Lack of hostel facility also restricted enrolment of boy students in GSSS which remained between 17 and 31 during 2006-11.

The Principal, GSSS admitted (January 2011) the facts and further stated (May 2011) that the funds for running the hostel were not demanded as the ED had stopped releasing the same for hostels functioning in Spiti valley since the year 2001.

Thus, lack of coordination between the three Government agencies; asset creator (ADC), asset maintainer (ED) and the asset user (Principal) left the building created five years ago incomplete and unused. There is also no prospect of it being put to use in future rendering the entire expenditure of ₹86.33 lakh unfruitful besides depriving students of the intended benefits.

The audit findings were referred to the Government in May 2011. Reply had not been received (September 2011).

2.9 Inadmissible payment of Grant-in-Aid to private Schools

Release of Grant-in-Aid (GIA) to private schools in excess of approved norms and in contravention of GIA Rules resulted in inadmissible payment of ₹1.72 crore.

The Himachal Pradesh (HP) Non-Government Institution GIA Rules, 1997[7] provide that maintenance grant can be released for meeting the deficit in the net approved expenditure on salary of approved staff of privately managed schools. These Rules were framed subsequent to the Supreme Court Judgement (May 1995) in a Civil Appeal of 1993 titled 'State of HP verses HP State recognised and aided Schools Management Committees and others'. GIA Rules, further stipulate that for reimbursement of salary, there shall only be seven lecturers for schools running only Humanities group provided the number of students is not less than 150 in plus 1 and plus 2 classes and additional three lecturers for science group, provided the number of students studying the science subjects is not less than 50 in both the classes.

Scrutiny of records (February 2011) of the Director, Higher Education (DHE) revealed that for the period 2004-09, against the admissible 10 lecturers, 18 lecturers were engaged in DAV Senior Secondary School (SSS), Una. The DHE in contravention of GIA Rules reimbursed (2006-09) salary of ₹70.90 lakh as GIA in respect of eight excess lecturers to DAV SSS, Una. All these lecturers were appointed[8] during September 1995 to July 2002 (i.e. appointed after May 1995- the

[7] Effective from 1st January 1997.

[8] DAV SSS Una: eight lecturers (September 1995: two; September 1996: two; November 1996: two; September 2000: one and July 2002: one).

date of Hon'ble Supreme Court's judgement). In Brij Bhushan Memorial (BBM), SSS, Haripur (Kangra district) the enrolment of students in both humanities and science groups remained below the norms of minimum 150 students for humanities and 50 students for science group prescribed in the GIA rules. As such, no grant was admissible to this school and the entire amount of ₹1.01 crore paid as GIA to this school during 2006-09 was inadmissible.

On this being pointed out in audit, DHE stated (February 2011) that the employees working in the privately managed aided institutions were the petitioners in the Civil Appeal No. 1233-34 of 1995 filed before the Supreme Court of India. The Hon'ble Supreme Court had granted relief to all the petitioners working in these schools who were covered under GIA in compliance of the judgement. The contention of the Director is not acceptable as the lecturers appointed after the judgement of the Hon'ble Supreme Court could not be the petitioners in the Civil Appeal as these lecturers were appointed subsequent to the judgement. As such, payment of GIA for reimbursement of salaries of excess/inadmissible staff was irregular.

Thus, sanctioning of GIA to private schools in excess of approved norms and in contravention of GIA Rules resulted in an additional burden of ₹1.72 crore to the State exchequer (DAV SSS, Una: ₹70.90 lakh and BBM SSS, Haripur: ₹1.01 crore) during 2006-09.

The audit findings were referred to the Government in June 2011. Reply had not been received (September 2011).

Undue favour to contractors/avoidable expenditure

Public Works Department

2.10 Undue favour to a contractor

Failure to ensure genuineness of Bank Guarantees by the Executive Engineer, Shillai Division led to extension of undue financial benefit of ₹1.94 crore to a contractor.

As per clause 45.1 of Standard Bidding Document of PMGSY, mobilisation advance upto five *per cent* of the contract price (excluding price for routine maintenance) can be paid to the contractor against an unconditional Bank Guarantee (BG). Non-recovery of Mobilisation and Machinery Advances to a contractor against fraudulent BGs in road works under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) was reported in Paragraph 2.9 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2009 (Civil), Government of Himachal Pradesh. This para is yet to be discussed by the Public Accounts Committee.

In a similar case, upgradation of Renuka-Sataun road (Sirmaur district) from kms 13/450 to 29/060 under PMGSY was approved (September 2006) for ₹4.66 crore by the State Technical Agency (STA), Hamirpur. The work was awarded (May 2007) to a contractor for ₹4.44 crore with a stipulation to complete it in one year.

Scrutiny of records (August 2009) of Shillai division and further information collected (January 2011) revealed that the contractor took up the work on 20 June 2007 but stopped it in July 2007 after executing eight *per cent* of the total work (value ₹37.23 lakh). Of this, ₹22.84 lakh had been paid to the contractor. The contractor did not resume the work thereafter, though liquidated damages of ₹44.41 lakh were levied on him during March 2008. The contract was ultimately rescinded in January 2009.

The contractor was paid an advance payment of ₹66.60 lakh (Machinery Advance : ₹44.40 lakh; Mobilisation Advance: ₹22.20 lakh) on 20 June 2007 against the BGs of ₹90.09 lakh issued by the Branch Manager, UCO Bank, Palampur. These BGs were subsequently found to be fake as the Zonal Manager of UCO Bank, Dharamshala intimated (June 2008) that no such BGs had been issued by Palampur Branch of the Bank.

The Chief Engineer (PMGSY) had reiterated (October 2007) departmental instructions regarding genuineness of BG to be confirmed from the next higher authority of the issuing branch of the Bank before accepting the same. In the instant case, the confirmation was got done after one year of the date of furnishing the BGs. Thus, the Executive Engineer concerned failed to ensure timely verification of authenticity of BGs resulting in an undue favour to the contractor. As per records of the division, an amount of ₹1.94 crore[9] was recoverable (January 2011) from the contractor after adjusting an amount of ₹14.39 lakh due to him for the work done. Thus, Government dues to the extent of ₹1.94 crore had been put at high risk in the absence of valid BGs.

The Executive Engineer confirmed (January 2011) the facts and stated that FIR against the contractor has been lodged and the matter is under investigation by the CBI. The Department has also filed case before the Arbitrator for recovery of dues.

The audit findings were referred to the Government in March 2011. Reply had not been received (September 2011).

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Outstanding Advance payment	=	₹60.45 lakh
Liquidated damages	=	₹44.41 lakh
Compensation @ 20 *per cent* on balance work	=	₹81.38 lakh
Performance security	=	₹22.21 lakh
Security (₹1.25 lakh- ₹1.22 lakh)	=	₹0.03 lakh
Total	=	**₹208.48 lakh**
Less value of work done by contractor yet to be paid	=	₹14.39 lakh
Amount recoverable	=	**₹194.09 lakh or say ₹1.94 crore.**

Idle investment/blocking of funds/diversion of funds

Irrigation and Public Health Department

2.11 Idle investment on augmentation of Water Supply Scheme

Failure of the Executive Engineer to ensure construction of Water Supply Scheme according to the prescribed procedure led to non-completion of work for about three years and idle investment of ₹28.87 lakh on the scheme.

As per instructions of the Engineer-in-Chief (E-in-C) issued in March 1995, execution of irrigation and water supply schemes should follow a proper sequence i.e., firstly the source of water should be developed, dependable discharge ascertained and other civil works including laying of distribution lines should be taken up thereafter.

To provide adequate supply of drinking water to inhabitants of Dhankar and Sichling villages, the Additional Deputy Commissioner (ADC), Kaza (Lahaul and Spiti district) administratively approved (October 2005) augmentation of existing Water Supply Scheme (WSS), Dhankar for ₹27.80 lakh. The scheme was also technically sanctioned (October 2005) for the same amount by the Executive Engineer (EE), Kaza division. The scope of work included construction of one intake tank at source of water, two storage tanks, one Back Pressure tank, laying of 14,300 metres High Density Polyethylene (HDPE) pipes and one public stand post.

Scrutiny of records (October 2010) of Kaza division revealed that the work was taken up for execution in September 2006 and all components of the scheme except intake water tank at source were completed during 2007-08 by incurring an expenditure of ₹28.87 lakh (including liability of ₹4.70 lakh discharged in 2009-11). To make the WSS functional, the site development work for intake tank and construction remained suspended since June 2008 due to involvement of dispute over distribution of water from source. The dispute had not been resolved as of May 2011.

Despite a well designed sequence available to EE, the prescribed sequence was not followed for completion of the scheme which led to suspension of work midway and resulted in idle investment of ₹28.87 lakh for three years due to non-development of source and construction of intake tank essential for running the water supply scheme. Besides, objective of providing adequate drinking water supply also remained to be achieved. However, as per instructions of E-in-C, the work of intake tank which was essential for WSS should have been taken up at first stage itself, in which case the difficulties would not have arisen as the consent of villagers had been taken in the initial stage as stated by the EE.

The EE while confirming the facts (October 2010-May 2011) stated that at the initial stage no objection certificate was taken from the people of the area for tapping the water from source but at a later stage villagers of adjoining area claimed their right on the source and stopped the work at site. The fact, however, remains that had the intake work (development of source) which was essential for running of WSS been taken up at the first stage itself in view of E-in-C instructions (March 1995), the blocking of funds to the extent of ₹28.87 lakh would have been avoided.

The audit findings were referred to the Government in May 2011. Reply had not been received (September 2011).

Education Department

2.12 Drawal of funds in advance of requirement

Drawal of ₹25.07 crore without immediate requirement resulted in non-creation of infrastructure facilities in seven Government Colleges.

The Himachal Pradesh Financial Rules[10] stipulate that no money can be withdrawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw advances from the treasury if the execution of works is likely to take considerable time.

During 2004-10, the Director of Higher Education (DHE) withdrew ₹25.07 crore for execution of works in seven[11] Government colleges and deposited the amount with the Public Works Department (PWD). These works were stipulated to be completed within a period of two to three years from the date of sanction.

Scrutiny of records (September 2010) in the office of DHE, Shimla revealed that the works had not even been started as of March 2011 due to non-availability of land (three cases), non finalisation of drawings (two cases), permission awaited from Town and Country Planning Department (one case) and non-finalisation of tender process (one case).

On this being pointed out in audit, the DHE admitted the facts and stated (September 2010-March 2011) that the works had not been started due to non-availability of sites and other unavoidable reasons.

Thus, improper planning and monitoring by the Director left the intended beneficiary communities without the creation of long-awaited assets in seven Government Colleges besides, blocking of ₹25.07 crore for over six years with the PWD.

The audit findings were referred to the Government in April 2011. Reply had not been received (September 2011).

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[10] Rule 2.10 (b) (5).

[11] (i) Construction of Arts Block, Rajkiya Kanya Mahavidyalaya, Shimla: ₹3.94 crore (2004-05: ₹1.00 crore; 2007-08: ₹1.00 crore and 2008-09: ₹1.94 crore); (ii) Construction of Building of GC Nahan: ₹4.65 crore (2006-07: ₹2.00 crore: 2007-08: ₹2.00 crore and 2008-09: ₹0.65 crore); (iii) Construction of Administrative Block and Auditorium at GC Kullu: ₹1.42 crore (2008-09); (iv) Construction of Indoor Stadium, GC Hamirpur: ₹3.35 crore (2008-09: ₹1.85 crore and 2009-10: ₹1.50 crore); (v) Construction of Building at GC Jaisinghpur: ₹1.01 crore (2007-08: ₹1.00 crore and 2008-09: ₹0.01 crore); (vi) Construction of Building at GC Tissa: ₹5.00 crore (2006-07: ₹2.00 crore; 2007-08: ₹2.00 crore and 2008-09: ₹1.00 crore) and (vii) Construction of Building at GC Salooni: ₹5.70 crore (2006-07: ₹2.00 crore; 2007-08: ₹2.00 crore; 2008-09: ₹0.70 crore and 2009-10: ₹1.00 crore).

Planning Department

2.13 Blocking of Member of Parliament Local Area Development Scheme funds

Release of ₹2.50 crore for construction of an old age home without ensuring encumbrance free site resulted in non-creation of the asset, depriving the intended benefits to the beneficiaries.

In December 1993, GoI introduced Member of Parliament Local Area Development Scheme (MPLADS) to enable Members of Parliament (MPs) to identify small works of capital nature to meet local needs in their constituencies. The annual allotment per MP was set at ₹one crore initially, which was enhanced to ₹ two crore from 1998-99. The GoI releases funds in two equal instalments directly to District Commissioner (DC) under intimation to the State Nodal Department and to the MP concerned. The DC and the implementing agencies then deposit these funds in a nationalised bank with separate accounts opened for each MP. Funds released to the DC are non-lapsable and can be carried forward for utilisation in the subsequent years. The MPLADS, *inter-alia,* provides that in identifying and selecting works and giving administrative sanction, the advice of the MP should prevail unless it be for technical reasons such as land selected for work not being suitable for execution, etc. The guidelines further provide that release of funds will be made with reference to the actual progress achieved in expenditure and execution of works and that no excessive money should remain outside the Government treasury than is reasonably expected to be spent within a year.

Scrutiny of records of DC Shimla revealed that the DC sanctioned[12] ₹2.50 crore for construction of an old age home on the recommendation of a Rajya Sabha MP. Although the DC was required to ensure encumbrance free site for construction of the building, the money was released to Central Public Works Department (CPWD) without ensuring the conditions prescribed in the scheme guidelines. Coordination with other regulatory authorities such as Municipal Corporation (MC) for building plan clearance, Forest Department for forest clearance, etc., was also not in place. As a result, the funds stood released without the commencement of the work.

The DC's reply to audit that the funds were released on the recommendation of MP and the work could not start for want of approval of plan by MC and Forest Department clearance, was not acceptable as it contravenes the scheme guidelines.

Thus, despite instructions that the release of funds should commensurate with the physical and financial progress of the work, the DC released second and third instalments without linking physical and financial progress of work that too when he was fully aware that the encumbrance-free land was not available.

The audit findings were referred to the Government in March 2011. Reply had not been received (September 2011).

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12 January 2009: ₹0.50 crore; September 2009: ₹one crore and November 2009: ₹one crore.

2.14 Locking of funds due to non-construction of labour hostel

Lack of planning and inaction by the Department and Himachal Pradesh Wakf Board for the construction of Hostel for labourers had resulted in locking up of Sectoral Decentralised Planning funds of ₹20 lakh for over 13 years.

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 as "Untied Funds" for redressal of public grievances involving small financial implications. The Deputy Commissioner (DC) of the district is to accord Administrative Approval and Expenditure Sanction and monitor the works which are required to be completed within the same financial year or within one year from the date of sanction.

Scrutiny of records (April 2011) of DC Shimla revealed that the DC released (March 1998) ₹20.00 lakh to the Municipal Corporation (MC) Shimla for the construction of a hostel for labourers under SDP scheme at Sanjauli on the land owned by Himachal Pradesh Wakf Board (HPWB). Due to non-issuance of no objection certificate and refusal by HPWB for execution of work through MC, the work could not be started and MC had to return (January 2007) the funds to DC Shimla. Also, the Wakf board authorities did not verify that the land owned by them at Sanjauli for the proposed construction had been encroached upon by a certain community.

The DC again released (February 2007) ₹20.00 lakh to Sub-Divisional Officer (Civil) (SDO), Shimla (Urban) for execution of work through HPWB. The SDO released (March 2007) ₹ five lakh as first installment with the condition that the remaining amount would be released on receipt of utilisation certificate. However, HPWB had not commenced the hostel construction work as of July 2011 as the identified site was under encroachment. Thus, ₹ five lakh remained blocked with HPWB and ₹15 lakh with SDO Shimla (Urban). The DC failed to get the work executed and thus, deprived the beneficiaries of the intended benefits.

The District Planning Officer, Shimla stated (April 2011) that the special sanction was granted by the State Government in the larger public interest, but the work could not be started by HPWB due to non-availability of land. The Additional Deputy Commissioner further stated (August 2011) that the matter of land is sub-judice in the Court as the land has been encroached by a certain community. Further, HPWB have directed their Estate Officer to search some other Wakf land in Shimla for the same. The reply is evasive of the issue of the primary requirement of ensuring encumbrance free land before drawal of money from the treasury. Moreover, there was no coordination between DC, MC and HPWB for resolving the issue due to which construction of the proposed building has not even been commenced.

Thus, lack of coordination coupled with inaction on the part of HPWB not only resulted in non-execution of the work of the hostel for labourers but also in locking up of public funds of ₹20 lakh since March 1998 besides deprival of the intended benefits to the concerned beneficiaries.

The audit findings were referred to the Government in May 2011. Reply had not been received (September 2011).

2.15 Blocking of funds under Backward Area Sub Plan

Improper planning and identification of works under Backward Area Sub Plan (BASP) resulted in blocking of ₹60.71 lakh with the executing agencies for periods ranging between two and ten years.

With the objective of reducing regional disparities and for the development of Backward Areas, the Planning Department sanctioned ₹60.76 lakh during 2001-09 for execution of seven works relating to construction of school buildings, foot bridge, roads and health institutions under BASP and deposited[13] the amount with the Kullu and Nirmand divisions of Public Works Department (PWD). The works were stipulated to be completed within three to six months from the date of sanction.

Scrutiny of records (December 2010-March 2011) revealed that even though State Financial Rules prohibit drawal of funds for execution of works likely to take considerable time, the Deputy Commissioner (DC), Kullu drew ₹60.76 lakh during 2001-09 and deposited the funds with PWD divisions without ensuring encumbrance free sites (three works)[14], non-finalisation of tenders (one work)[15], and execution of works under the scheme Pradhan Mantri Gram Sadak Yojana instead of BASP (two works)[16]. Although the work relating to the construction of Veterinary Hospital, Dalash was started by Nirmand division of PWD in August 2010, yet only ₹0.05 lakh could be spent as of March 2011. Thus, the funds were released to PWD without ensuring encumbrance free land and proper planning. This resulted in blocking of funds with the PWD for periods ranging between two and ten years.

The DC stated (December 2010) that the executing agencies (EAs) had been instructed either to complete the works or return the amount. While Executive Engineer (EE) Kullu Division stated (March 2011) that the amount in respect of the works which had not been executed would be returned, EE Nirmand Division stated (March 2011) that the works had not been executed due to non-availability of land and non-finalisation of tenders. These replies confirm that the funds were transferred to the PWD to show utilisation of available funds without ascertaining the availability of sites and fulfilling other requirements, contrary to the provisions of the financial rules.

Thus, drawal of funds in advance without immediate requirement, non-execution of works under BASP despite availability of funds and unnecessary retention of funds not only contravened the provisions of State Financial Rules but also resulted in

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13 **Kullu:** Construction of (i) Government Middle School Building, Malana (2001-02: ₹11.61 lakh); (ii) Foot Bridge at Pathar Tilla 25 Mtrs. span (2002-03: ₹three lakh); (iii) Link road from Jungru Thana to Pilga (2003-04: ₹five lakh) and (iv) Jeepable road from main road to Thatibir to Badagran (2005-06: ₹three lakh).
Nirmand: Construction of (i) Veterinary Hospital, Dalash (2007-08: ₹11.45 lakh); (ii) Road from ladhogdal to Tikridal Namhog (2006-07: ₹0.78 lakh) and (iii) Primary Health Centre Building at Digerh (2008-09: ₹25.92 lakh).

14 Construction of (i) Government Middle School Building, Malana (ii) Jeepable road from main road to Thatibir to Badagran and (iii) Road from Ladhogdal to Tikridal Namhog.

15 Construction of Primary Health Centre Building at Digerh.

16 Construction of (i) Foot Bridge at Pathar Tilla 25 Mtrs. span and (ii) Link Road from Jungru Thana to Pilga.

blocking of funds of ₹60.71 lakh for the last two to ten years besides depriving the public of the intended benefits.

The audit findings were referred to the Government in May 2011. Reply had not been received (September 2011).

2.16 Diversion of Vidhayak Kshetriya Vikas Nidhi Yojana funds

Sanction of inadmissible works amounting to ₹44.28 lakh under Vidhayak Kshetriya Vikas Nidhi Yojana by two DCs.

The Vidhayak Kshetriya Vikas Nidhi Yojana (VKVNY) authorises Members of Legislative Assembly (MLAs) to recommend developmental works by way of creation of permanent assets to the rural as well as urban community. The scheme also lays down a list of inadmissible[17] works for which sanction and release of funds is strictly prohibited.

Test-check of records of Deputy Commissioners (DCs) Kullu and Solan revealed that the two DCs did not verify the admissibility of works recommended by the respective local MLAs and proceeded with sanction of inadmissible works totaling ₹44.28 lakh. These include 22 works benefiting religious institutions, two works for private clubs, 24 works on repairs and 14 works on construction of dining hall, etc., in DC's office.

In reply to the audit observation, the concerned DCs stated (February 2008/ December 2010) that these inadmissible works were recommended by the MLAs and sanctioned by DCs in the larger public interest.

The reply is violative of the objectives of the Yojana as the list of inadmissible works was clearly laid down in the State Government policy. Thus, these exceptions/violations made by the concerned DCs were far from serving any larger public interest as the works carried out were not covered under the scheme.

The audit findings were referred to the Government in March 2011. Reply had not been received (September 2011).

Tourism and Civil Aviation Department

2.17 Blocking of funds meant for Integrated Development of Tourist Circuits

Lack of proper planning by the Department for execution of works/facilities for Integrated Development of Tourist Circuits in the State resulted in blocking of Central Financial Assistance of ₹14.57 crore.

With the objective of boosting tourism in the State, the Government of India (GoI), Ministry of Tourism, sanctioned (December 2004-August 2008) a Central Financial

[17] Inadmissible works: Unmattled paths; schemes/projects which would benefit private institutions; schemes relating to maintenance of existing assets and aid to any religious body.

Assistance (CFA) of ₹20.09 crore for creation of 97[18] facilities like provision of public conveniences, construction of cement benches, landscaping, construction of tourist reception centres, etc; in different tourist circuits (TCs) under the scheme of 'Integrated Development of Tourist Circuits' (IDTCs). GoI released the first instalment of ₹14.57 crore to the State Tourism Department (STD) and the balance amount of ₹5.52 crore was to be released on receipt of utilisation certificates. Out of 97 works, 48 were required to be completed within 30 months and the remaining 49 were to be completed within six months from the date of sanction.

Scrutiny of records (February-March 2011) of the Commissioner, Tourism and Civil Aviation revealed that out of ₹14.57 crore released by GoI, STD released (July 2005-July 2010) ₹10.53 crore to various executing agencies (EAs) for execution of the works as detailed in the ***Appendix-IV***. However, none of the works could start due to non-availability of suitable sites, non-finalisation of tenders/preliminaries, etc., and the entire amount of ₹14.57 crore had been lying unutilised (STD: ₹4.04 crore and EAs: ₹10.53 crore). The delay in utilisation of the funds ranged between three to six years. Due to non-utilisation of the fund, GoI had also not released the second and final instalment of ₹5.52 crore to the State Government as of June 2011. The Department also failed to plan the works properly and thus, despite the availability of sufficient funds, the requisite tourist facilities could not be created (September 2011).

The Director, Tourism stated (February-March 2011) that the Department was making efforts to implement/complete the various projects/schemes. However, works could not be started due to non-availability of suitable sites, transfer of land process/obtaining of no objection certificates (NOCs), climatic conditions in tribal and hill track areas. The reply is not tenable as these issues should have been built in the project proposals and incorporated in the planning stage itself.

Thus, lack of proper planning for execution of works/facilities by the Department had not only resulted in blocking of CFA of ₹14.57 crore, but also led to non-creation of tourist facilities in the State depriving the public of the intended benefits. Besides, the State was also deprived of balance amount of CFA of ₹5.52 crore for creation of infrastructure for TCs.

The audit findings were referred to the Government in July 2011. Reply had not been received (September 2011).

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[18] TC: Shimla (December 2004: one: ₹0.10 crore); Kangra (December 2004 : one: ₹0.20 crore); Chamba (December 2005: one : ₹0.25 crore); Mandi-Bilaspur (December 2005: one : ₹1.50 crore); Rohru and Chanshal (November 2006: 11 : ₹1.33 crore); Sarahan-Shrikhand (December 2006: 16: ₹2.19 crore); Pilgrim Circuits Shimla, Una, Sirmaur, Hamirpur and Kangra (December 2006: 14: ₹2.10 crore); Tribal Circuit (Sepember 2007: three: ₹0.50 crore); Hamirpur (July 2008: seven: ₹3.75 crore); Jogindernagar-Bir-Billing (September 2008: 18: ₹2.22 crore); Una-Hamirpur-Bilaspur (September 2008: eight: ₹3.00 crore); Chail (September 2008: 10: ₹1.45 crore) and Naldehra (August 2008: six: ₹1.50 crore).

CHAPTER-III
THEMATIC PARAGRAPHS

CHAPTER III

THEMATIC PARAGRAPHS

Public Works and Irrigation and Public Health Departments

3.1 Miscellaneous Works Advances

3.1.1 Introduction

Miscellaneous Works Advances (MWA) is a transitory suspense head which is intended to record transactions relating to sales on credit, expenditure incurred on deposit works in excess of deposits received, losses, retrenchment error, etc. and other items of expenditure, the allocation of which can not be adjusted to the final head of account. Various items recorded temporarily by the Public Works (PW) and Irrigation and Public Health (IPH) Departments are required to be cleared promptly either by actual recovery or by transfer to relevant head of account under proper sanction of the competent authority. Items which may become irrecoverable should not be cleared unless ordered to be written off. Accumulation of heavy balances for a long time involve the risk of Government money not being realised as also indicative of hidden expenditure which has not been charged to concerned service heads over long periods and thus, conceals actual expenditure. Besides, instances of misclassifications and other losses, misappropriations and other irregularities may remain undetected.

3.1.2 Scope of Audit and Objective

In the course of test-checks during compliance audit in April-May 2011 in respect of outstanding balances under MWA in 21 divisions (PW: 12 divisions[1] and IPH: 9 divisions[2]), audit noticed that there was heavy accumulation of balances. A review of outstanding balances covering the period 2006-11 has been attempted to assess whether the Departments effectively monitored the suspense head to reduce the balances under MWA by pursuing the cases vigorously.

3.1.3 Audit Methodology

The position of outstanding balances in both the Departments was taken from respective year's Appropriation Accounts, prepared by A&E office and also obtained from the offices of the Engineer-in-Chief (E-in-C). Audit conclusions were drawn after scrutiny of records in divisions, audit analysis of available data, issue of audit memoranda and examination of the responses of various functionaries. The audit

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[1] Bilaspur-I, Bilaspur-II, Ghumarwin, Karsog, Mandi, Padhar, Palampur, Shimla-I, Shimla-II, Shimla-III, Sundernagar and Mechanical, Bilaspur.

[2] Bilaspur, Ghumarwin, Karsog, Mandi, Padhar, Palampur, Shimla-I, Shimla-II and Sundernagar.

findings were intimated to the Heads of the concerned Departments and their replies, wherever received, have been appropriately incorporated in the Report.

3.1.4 Audit Findings

3.1.4.1 Position of Outstanding Balances

Mention was made in paragraph 4.16 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Civil), Government of Himachal Pradesh regarding outstanding balances under MWA head in Public Works Department.

The Public Accounts Committee (PAC) in its 42[nd] Report (11[th] Vidhan Sabha) had expressed dissatisfaction on reply furnished by the PW Department relating to outstanding balances and directed the Department to furnish complete details alongwith reasons therefor. Action taken notes (ATNs) in compliance to observations of the PAC had not been submitted by the PW Department as of September 2011.

The year-wise position of overall outstanding balances lying under the head in respect of both the departments during 2006-11 is given below:

Table-3.1.1: Details of outstanding balances, additions vis-à-vis clearance under MWA

(₹ in crore)

		Public Works Department				Irrigation and Public Health Department			
Sr. No.	Year	Opening Balance	Additions	Clearance	Closing Balance	Opening Balance	Additions	Clearance	Closing Balance
1	2006-07	62.56	90.74	80.46	72.84	291.62	227.49	156.37	362.74
2	2007-08	72.84	94.10	71.31	95.63	362.74	221.96	194.98	389.72
3	2008-09	95.63	102.08	88.70	109.01	389.72	219.14	219.17	389.69
4	2009-10	109.01	157.46	95.35	171.12	389.69	136.65	140.86	385.48
5	2010-11	171.12	159.27	158.65	171.74	385.48	349.77	284.36	450.89

Source: Appropriation Accounts prepared by the A&E office

It can be seen from the above that in PW Department increase in outstanding balances was 175 *per cent* (31 March 2011) as compared to balances as on 1[st] April 2006 whereas in IPH Department increase in balances was 55 *per cent* during the corresponding period. It was noticed in audit that old cases had not been attended to vigorously by the Executive Engineers (EEs) of test-checked divisions in both the Departments as pointed out in succeeding paragraph 3.1.4.3.

3.1.4.2 Trend Analysis

Year-wise position of outstanding balances in 21 test-checked divisions for the period 2006-11 and category-wise break-up of these balances are depicted in the following tables:

Table-3.1.2: Year-wise breakup of outstanding balances in test-checked divisions

(₹in crore)

Period	PWD	IPH Department
Prior to 2005-06	3.95	292.52
2006-07	35.08	0.34
2007-08	1.17	1.00
2008-09	6.36	0.48
2009-10	42.80	131.63
2010-11	22.74	1.77
Total	**112.10**	**427.74**

Source: Figures supplied by the respective divisions

While in five[3] selected divisions audit noticed decreasing trend in balances, in the remaining 16 divisions[4], there was increase in balances during the preceding five years in PWD whereas in IPH Department there was increase in balances noticed during the years 2007-08 and 2010-11 over the corresponding previous years as detailed below:

Table-3.1.3: Balances under the head MWA in 16 test-checked divisions where increasing trend was noticed

(₹ in crore)

Year	PWD				IPH Department			
	Opening Balance	Additions during the year	Clearance during the year	Closing Balance	Opening Balance	Additions during the year	Clearance during the year	Closing Balance
2006-07	19.68	26.66	18.34	28.00	276.74	204.13	138.62	342.25
2007-08	28.00	31.88	15.31	44.57	342.25	195.12	175.88	361.49
2008-09	44.57	30.65	15.76	59.46	361.49	189.76	192.98	358.27
2009-10	59.46	72.99	26.66	105.79	358.27	120.36	121.66	356.97
2010-11	105.79	83.03	76.91	111.91	356.97	328.45	259.02	426.40

Source: Data compiled by audit from records of the test-checked divisions

It would be evident that the outstanding balance as on 31 March 2011 showed an increase of four and half times in PW Department and 54 *per cent* in IPH Department over the balances as on 1 April 2006. The clearance of outstanding balances were thus, not being pursued vigorously by the respective Departments.

Category-wise breakup of balances outstanding in 21 selected divisions is depicted in the following table:

[3] PW divisions: Bilaspur-I and Ghumarwin.
IPH divisions: Karsog, Palampur and Sundernagar.

[4] PW divisions: Bilaspur-II, Karsog, Mandi, Padhar, Palampur, Shimla-I, Shimla-II, Shimla-III, Sundernagar and Mechanical Bilaspur.
IPH divisions: Bilaspur, Ghumarwin, Mandi, Padhar, Shimla-I and Shimla-II.

Table-3.1.4: Category-wise breakup of outstanding balances

Sr. No.	Category	PWD		IPH	
		No. of cases	₹in crore	No. of cases	₹in crore
1.	Advance payments to firms/suppliers awaiting receipt of material or adjustment	672	108.19	229	295.67
2.	Recoveries from departmental officials on account of shortages/non-accounting of stores, etc.	426	1.19	161	0.19
3.	Recoveries against various divisions/departments	3	0.28	150	131.06
4.	Recoveries from various firms/suppliers/contractors on account of short supply of material, excess payments, etc.	195	0.76	66	0.22
5.	Recoveries from Assistant Engineers/Junior Engineers on account of un-authorised/irregular expenditure	---	---	3	0.003
6.	Amount recoverable on account of hire charges of vehicles/Machinery	547	1.25	194	0.28
7.	Amount recoverable on account of telephone trunk call charges and travelling allowance advance	203	0.05	96	0.009
8.	Miscellaneous items recoverable from different government/non-government agencies	185	0.38	107	0.31
	Total	**2231**	**112.10**	**1006**	**427.742**

Source: Figures supplied by the respective divisions

It was noticed in audit that in seven[5] divisions balances of ₹7.09 crore (as per MWA Register) did not tally with the total of ₹5.71 crore reported by these divisions through their quarterly progress reports for the quarter ended March 2011. Hence, EEs concerned were not reporting correct position through the quarterly progress reports to SEs/E-in-C. Besides, debits and credits were not found updated in the MWA registers. The concerned EEs stated (April-May 2011) that discrepancies were due to wrong carry forward of the figures which needs to be reconciled by the divisions.

3.1.4.3 Analysis of outstanding amounts

- **Non-recovery of long outstanding amounts**

In 11[6] divisions, 763 items amounting to ₹1.09 crore (PW-282 items of ₹0.76 crore; I&PH: 481 items of ₹0.33 crore) pertaining to the period upto March 2000 were outstanding due to non-recovery of amounts from the concerned firms/suppliers, contractors, departmental officers/officials on account of short supplies, excess payments made, shortage/non-accountal of material and other miscellaneous recoveries.

Of these, 400 items involving ₹31.72 lakh pertained to the period July 1952 to March 1990. Since, these are the oldest cases pending recovery/adjustment for more

[5] PW divisions: Bilaspur-I, Bilaspur-II, Mechanical Bilaspur, Padhar, Palampur, IPH divisions: Bilaspur and Padhar.

[6] PW divisions: Bilaspur-I, Bilaspur-II, Mechanical Bilaspur, Shimla-I, Shimla-II and Shimla-III.
IPH divisions: Bilaspur, Mandi, Palampur, Shimla-I and Shimla-II.

than 20 years, the chances of recovery of outstanding amounts from the concerned parties had, thus, become very remote and the whole amount *prime-facie* have become irrecoverable. No action had been taken by the concerned division to take up the matter with the E-in-C/ Government to get the amount written off.

While admitting the facts the concerned EEs stated (April-May 2011) that action to get the items written off would be taken by them.

- **Inter-departmental adjustments not done**

(i) Between September 2005 and November 2010 an advance payment of ₹169.81 crore on account of energy charges was made by IPH division-II, Shimla to HPSEB on behalf of all the IPH divisions of the State on the basis of Letter of Credit made available by the Government. The payment was debited to MWA against HPSEB. It was noticed in audit that the clearance of advance was not ensured thereafter by obtaining account of energy charges actually paid by the respective division and the whole amount remained outstanding as of May 2011. The EE, I&PH division-II Shimla stated that either the divisions had not issued the cheques as per budget allotment or adequate budget had not been provided to the various divisions to reduce the balance. The reply is not acceptable as budget for payment of energy charges of all the divisions was provided to the EE and clearance of debit under MWA should have been ensured by him after obtaining details of energy charges from the respective divisions.

(ii) Between August 2007 and September 2009, two divisions of PW Department paid ₹13.45 crore on behalf of other divisions/circle to Himachal Pradesh Gram Sadak Development Agency on account of refund of inadmissible expenses incurred under PMGSY works and charged it to MWA. The amount was subsequently not adjusted/cleared by making recoveries from the concerned divisions/circle and remained outstanding as of May 2011 under the suspense head (MWA).

- **Non-reconciliation of receipt of material**

In IPH division-I Shimla, an amount of ₹259.38 crore was advanced to HPSCSC Limited upto March 2011 for procurement of pipes on behalf of various divisions of the State. Out of this, pipes valuing ₹138.44 crore received upto December 2009 was reconciled and receipt of pipes valuing ₹120.94 crore was yet (May 2011) to be reconciled. On this being pointed out in audit, the Executive Engineer stated (May 2011) that reconciliation was being done to adjust the balance outstanding amount against the aforesaid Corporation.

In two divisions viz., Shimla-II and Shimla-III of PW Department, MWA register showed an amount of ₹85.91 crore outstanding as of May 2011 against four suppliers on account of non-supply of bitumen. These payments pertained to the period from February 2006 to March 2011, and requires urgent reconciliation.

- **Misclassification of expenditure**

(i) In Mechanical Division, Bilaspur, ₹1.22 crore on account of repair charges of vehicles/machinery of six PW divisions was pending for recovery. This amount had been charged to stock manufacture head instead of 'MWA' against concerned divisions by the PWD without ensuring the recovery of expenditure from concerned divisions.

(ii) In eight[7] divisions (Four each in PW and IPH Departments), advance payments totalling ₹19.67 crore was made between March 2007 and March 2011 to Himachal Pradesh Agro Industries Corporation (HPAIC) Limited (₹36.84 lakh) for procurement of bitumen, M/s Sood Steel Industries Private Limited, Kandrori, Bilaspur district (₹17.19 lakh) for supply of steel and Himachal Pradesh State Civil Supplies Corporation (HPSCSC) Limited (₹19.13 crore) for supply of cement and pipes. The cost of material was irregularly charged to various works instead of MWA pending receipt of material. In reply, the Executive Engineers stated that the advance was charged direct to work to utilise the budget available for the work. The reply is not acceptable as pending receipt of material, the amount should have been kept under suspense head.

(iii) In seven[8] divisions of IPH Department advance payment of ₹20.67 crore was made to Himachal Pradesh State Electricity Board (HPSEB) during March 2007 to March 2011 to execute works for supply of power to various water supply/irrigation schemes against the estimate furnished by the HPSEB. The amount advanced was charged to respective work instead of "MWA" pending execution of works thereby leaving no scope for control over the expenditure. The EEs concerned stated that the advance was charged direct to work to utilise the available funds under the work. The reply is not acceptable as depiction of expenditure in works accounts without actual execution of work showed incorrect preparation of works accounts, besides, concealment of expenditure.

- **Non-recovery of amount from daily wages/work charged staff on account of insurance premium**

On behalf of all the divisions of PW and IPH departments, PW division, Shimla-III and IPH division, Shimla-I, paid ₹6.49 crore and ₹50.84 lakh respectively to New India Assurance Company, Shimla on account of premium under Janta Personal

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[7] PW divisions: Ghumarwin, Karsog, Padhar and Shimla-I.
IPH divisions: Karsog, Padhar, Shimla-I and Sundernagar.

[8] Bilaspur, Ghumarwin, Karsog, Mandi, Padhar, Palampur and Sundernagar.

Accident Assurance scheme in respect of daily wages workers and work charged staff employed in various divisions of both the departments.

The payment of premium in PW Department pertained to the period 1995-96 to 2004-05 whereas in IPH Department it pertained to 2004-05. Of this, ₹5.30 crore was recovered from the workers/staff and subsequently cleared from MWA, leaving ₹1.70 crore (PWD: ₹1.19 crore; IPH: ₹0.51 crore) outstanding as of April 2011, which needs to be reconciled by the respective Departments.

- **Other deficiencies**

In Palampur PW division, ₹10.78 lakh in 20 cases relating to supply of petrol during August 2006 to February 2008 was shown recoverable from AE Mechanical Sub-division Dharamsala. The Executive Engineer stated (April 2011) that the petrol was received but had not been properly reconciled with reference to voucher, goods received sheets and log book. Non-reconciliation of above items since long resulted in unnecessary accumulation of balances under MWA.

Similarly, in Bilaspur-II PW division, two *per cent* Value Added Tax (VAT) deducted at source from various contractors between February 2004 and January 2009, was not deposited into Government account immediately and penalty of ₹4.04 lakh by way of interest for late deposit was imposed by the Assistant Excise and Taxation Commissioner, Bilaspur. The amount of penalty paid (March 2010) was charged to MWA. No investigation for delay in this regard and irregular debiting of the amount in March 2010 was done by the Department. Further, action to clear this item was awaited (September 2011).

3.1.4.4 Expenditure on deposit works in excess of deposits received

Expenditure incurred on 90 deposit works undertaken by 11 divisions (PWD: six; IPH: five) during the period from 1994-95 to 2010-11 amounting to ₹27.65 crore against deposits of ₹23.35 crore exceeded the deposits received. It was noticed in audit that expenditure incurred in excess of deposits (₹4.30 crore) received had neither been charged to MWA as required under the rules nor any efforts to recoup the excess expenditure was made by the concerned divisions.

3.1.4.5 Negative Balances

In eight divisions[9], 60 items amounting to ₹18.66 crore and pertaining to the period 1981-2009 represented negative balances. The negative balances were on account of non-linking of debits/credits, etc., and was indicative of improper maintenance of records by the divisions.

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[9] PW Divisions: Bilaspur-I, Bilaspur-II, Padhar and Shimla-II.
IPH Divisions: Bilaspur, Palampur, Shimla-I and Shimla-II.

3.1.4.6 Defects in maintenance of records

MWA registers had not been maintained properly in any of the divisions of PW and IPH Departments test-checked. Year-wise break up of outstanding items was not available and the registers had not been reviewed by the EE for taking effective steps to clear old outstanding items. Follow up action for the adjustment/recovery of items placed under MWA was lacking and thus, needs to be strictly followed up by the divisions concerned.

3.1.5 Monitoring

The position of outstanding balances under the head-MWA is reported by the divisions to the concerned Superintending Engineer through quarterly progress reports for onward transmission to the Engineer-in-Chief.

It was noticed that the system of monitoring did not prove to be effective as the reports submitted by the EE merely indicated the increase and decrease in balances. No attempt to analyse and conduct an in-depth study of old outstanding items to find out the constraints in settling the older items had been made and consequently, progress of clearance of older items was not satisfactory.

Government had not prescribed any system of monitoring the progress of clearance of outstanding balances. The absence of such a system also contributed to non-clearance of heavy balances and thus, a mechanism in this regard needs to be evolved.

3.1.6 Recommendations

- *Since heavy balances under suspense head are indicative of hidden expenditure, Government should consider evolving a time bound system of monitoring of balances and fix quarterly target for all the EEs for clearance of suspense account. Keeping huge amounts of nearly ₹600 crore in suspense account of these two Departments is not a healthy trend for a financially deficit State.*

- *Quarterly progress reports submitted by the EEs to Superintending Engineer and Engineer-in-Chief should also indicate efforts taken to reduce the balances and reasons for non-clearance of balances. In the event of inaction/ laxity on the part of EEs, responsibility should be fixed and appropriate action taken against them.*

The audit findings were referred to the Government in July 2011. Reply had not been received (September 2011).

Horticulture Department

3.2 Market Intervention Scheme

3.2.1 Introduction

In order to ensure remunerative price to apple growers and to protect them from exploitation by middlemen in the event of fall in prices below economical level, the State Government has been implementing Market Intervention Scheme (MIS) for the procurement of 'C' grade apples since 1990-91 in collaboration with GoI. The Department of Horticulture (Department) is the State administrative body responsible for ensuring its effective delivery. The Department submits the detailed proposals under the scheme for the approval of the State Government. Himachal Pradesh Horticultural Produce Marketing & Processing Corporation Limited (HPMC) and Himachal Pradesh State Cooperative Marketing and Consumers Federation Limited (HIMFED), are the designated procurement agencies (PAs) in the State. PAs procure apples from the growers and sell these in terminal markets, process certain quantity of apples in their own plants and get the deficit/loss, if any, reimbursed from the State Government. For quick and efficient implementation of MIS, GoI issued (July 2001) guidelines which, *inter alia,* stipulate that the:

- Market Intervention Price (MIP) should not exceed the cost of production;
- Stock will be purchased from Cooperative Societies, Farmers' organisations or directly from farmers; and
- Disposal price will be fixed by the implementing agency and monitored by the committee after considering the circumstances of each case.

3.2.2 Scope of Audit and objective

Test-check of records of Senior Marketing Officer (SMO), Department of Horticulture and its PAs viz., HPMC and HIMFED covering the five years period (2006-11) was conducted with the objective of assessing MIS implementation and to assess if the intended benefits of the MIS accrued to the farmers.

3.2.3 Financial Management

Total quantity of apples procured, their value and the loss reimbursed by the State Government and Central Government under MIS during 2006-11 are as follows:

Table-3.2.1: Total loss under the scheme during the period 2006-11

(₹ in crore)

Year	Quantity procured (In M.T.)	Value of procured fruit	Handling Charges	Total cost	Actual returns	Total loss	Percentage of loss against total cost
2006-07	9,569	4.07	1.38	5.45	2.95	2.50	46
2007-08	29,427	13.98	4.40	18.38	7.72	10.66	58
2008-09	45,741	24.01	6.23	30.24	4.86	25.38	84
2009-10	912	0.48	0.14	0.62	0.28	0.34	55
2010-11	1,11,154	58.36	16.26	74.62	6.91	67.71	91
Total	**1,96,803**	**100.90**	**28.41**	**129.31**	**22.72**	**106.59**	

Source: Departmental figures

As can be seen from the above table, under MIS during 2006-11 actual return was ₹22.72 crore against the total cost of ₹129.31 crore resulting in loss of ₹106.59 crore and the percentage of loss ranged from 46 to 91. There was an increasing trend in loss year after year except in the year 2009-10 and the PAs incurred huge losses during 2008-09 and 2010-11 respectively.

As per GoI's guidelines for apportionment of loss between Central and State Government in equal proportion, the amount of loss was required to be restricted to ₹32.34 crore i.e. 25 per cent of procurement cost (₹129.31 crore). Hence, the liability to reimburse the loss by Central and State Government was ₹16.17 crore each during 2006-11 as per details given below:

Table-3.2.2: Excess reimbursement of loss by the State Government

(₹ in crore)

Year	Total loss	Loss reimbursed by State Government	Loss reimbursed by Central Government	Actual 25 *per cent* of procurement cost to be reimbursed by GoI/State Government	State Govt. Share of loss to be reimbursed to PAs	Central Govt. share of loss to be reimbursed to the PAs through State Government	Excess payment of loss reimbursed by the State Government
2006-07	2.50	2.50	Nil	1.36	0.68	0.68	1.82
2007-08	10.66	8.76	1.90	4.60	2.30	2.30	6.46
2008-09	25.38	23.48	1.90	7.56	3.78	3.78	19.70
2009-10	0.34	0.34	Nil	0.16	0.08	0.08	0.26
2010-11	67.71	36.82[@]	Nil	18.66	9.33	9.33	27.49
Total	**106.59**	**71.90**	**3.80**	**32.34**	**16.17**	**16.17**	**55.73**

Source: Departmental figures
@ Advance amount only.

Audit found that while the State Government reimbursed ₹71.90 crore to the PAs against its due share of ₹16.17 crore, the Central Government had reimbursed only ₹3.80 crore during 2006-08 and reimbursement of remaining ₹12.37 crore for the years 2006-07 and 2009-11 was not made as of June 2011. Senior Marketing Officer (Horticulture) stated (July 2011) that the GoI did not sanction MIS for 2006-07 and 2009-10. It was further stated that during 2007-08, 2008-09 and 2010-11, the loss was on higher side because of increase in production of crop and heavy procurement.

The reply is not tenable as the Department should have taken steps to get the scheme approved for 2006-07 and 2009-10 from the GoI. Further, the contention that the increase in production and heavy procurement is also not valid as cost price should have come down due to heavy production/procurement.

- As shown in table 3.2.2, the Central Government did not release any amount under MIS during 2006-07, 2009-10 and 2010-11 because of the Department's failure to take timely action for getting the MIS approved by the GoI. As a result, the State Government had to bear the entire loss that occurred during these years.
- As per MIS guidelines, the loss, if any, under the MIS is to be shared on 50:50 basis between Central and State Government concerned. The Government shall, however, bear its share of loss incurred in the market intervention operations upto the extent of 25 *per cent* of the procurement cost which shall include the MIP paid to the farmers and overhead expenses. If there is any loss beyond this limit, the same shall be borne by the procuring agencies. At the same time, if there is any profit in the MIS operations, the same shall be retained by the procuring agencies.

As against the 50 *per cent* share of loss aggregating ₹16.17 crore to be reimbursed by the State Government during 2006-11 under the scheme, the State Government reimbursed ₹71.90 crore resulting in excess reimbursement of ₹55.73 crore which was actually to be borne by the PAs as required under MIS guidelines.

Against the loss of ₹67.71 crore sustained under MIS-2010 (July to October 2010), the State Government had released (between July 2010 and March 2011) ₹36.82 crore[10] to the PAs. Due to non-finalisation of claims by the State Government, the claim from the Central Government had also not been received as of May 2011. Resultantly, the farmers, being the ultimate beneficiaries, remained deprived of their dues since October 2010.

The Senior Marketing Officer (Horticulture) stated (July 2011) that the loss for the year 2010-11 would be sanctioned and released by GoI after vetting of accounts. The reply is not acceptable as the accounts should have been furnished in time to avoid delay in finalisation of claims of the beneficiaries.

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[10] July 2010: ₹8.00 crore; January 2011: ₹3.02 crore; February: ₹3.40 crore and March 2011: ₹22.40 crore.

3.2.4 Sale of apples at lesser price by Procurement Agencies

The designated PAs were to procure "Fair Average Quality" (FAQ) apples in their collection centres and were required to dispose off these apples in the open market at maximum realisable rates. Further, as per July 2001 guidelines and GoI's instructions (August 2007 and July 2010), the Department was required to ascertain current ruling rates and expected rates during MIS operations at terminal markets to keep a watch over market rates. The State Government was required to provide market intelligence to the PAs for disposal of the stock at maximum realisable rates so as to reduce the burden of losses to the Government. During 2004-05, a Committee consisting of a member from Department of Horticulture alongwith members from PAs was constituted to watch auction process at Parwanoo but thereafter such committees were constituted by PAs at their own level.

Scrutiny of the subsidy claims for MIS-2006 to 2010 revealed that PAs had realised the amount by way of sale/processing of apples at lesser prices than the return assumed by the Government which resulted in short realisation of ₹15.29 crore[11] during 2006-09. These PAs did not even inform the Government about the selling rates of grade 'C' apples (FAQ) during MIS operations and had not sought prior approval of the Government to sell the apples at lesser prices. However, the Government accorded (May 2007, June 2008 and July 2009) ex-post facto approval for sale of apples at lesser value.

The Department while confirming the facts stated that daily sales reports were not received from PAs. The reply is unacceptable as the Department should have called for the daily sales records about the ruling market prices during MIS operations. Besides, the Department did not deploy any of its departmental officers to keep a watch over the market trend/sale realisation after 2004-05. Thus, acceptance of claims below the assumed return without ascertaining the causes of short realisation put the Government to a loss of ₹15.29 crore during MIS 2006 to 2009. However, claims of PAs amounting to ₹67.71 crore for MIS-2010 had not yet (August 2011) been finalised.

3.2.5 Opening of unsuitable collection centres

As per directions (November 2008) of the State Government, a Committee consisting of three members viz., Marketing Officer HPMC, Manager Marketing HIMFED and Joint Director (Horticulture Department) was constituted (November 2008) by the Director, Horticulture to assess the losses and write off of the rotten apples at procurement centres. During visits to 50 collection centres in November 2008, the

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[11] 2006-07: ₹0.72 crore; 2007-08: ₹4.00 crore and 2008-09: ₹10.57 crore.

Committee found that 19 collection centres[12] were unsuitable as there was no space for grading/stacking of apple bags and the condition of road was also bad. The Committee recommended (November 2008) to minimise the number of centres in future and open centres only at places having proper infrastructure.

Scrutiny of records revealed that despite the committee's clear recommendations, 19 collection centres (HIMFED: 14 and HPMC: five) were again set up at the same places during MIS-2010. Consequently, there had been spoilage of 11,372.88 MTs of apples in these centres due to lack of proper space for grading/stacking and transportation facility, which created an avoidable liability on account of loss reimbursement of ₹5.97 crore for the State Government.

The Department, while confirming the facts, stated that the collection centres were opened with the approval of Government. The reply is not acceptable as these collection centres were opened in violation of the recommendations made by the Committee constituted during MIS-2008. Thus, opening of collection centres during MIS-2010, without ascertaining the feasibility resulted in avoidable liability of ₹5.97 crore to the Government as the final claims of PAs were yet (May 2011) to be adjusted.

3.2.6 Excess payment of handling charges

According to guidelines/instructions issued (July 2001 and October 2010) by GoI and further clarified (April 2011) by SMO that under the MIS, handling charges/overhead expenses (which include expenditure incurred on statutory taxes, i.e. the market/mandi sale/purchase tax, commission payable to the agents, grading, labour and packing charges, etc.) were permitted to be reimbursed to the PAs. However, handling charges/overhead expenses did not include TA-DA/salary of staff of PAs.

Scrutiny of records revealed that HPMC and HIMFED had been reimbursed ₹12.13 crore as handling charges/overhead expenses during 2006-09 by the State Government, which included ₹2.45 crore[13] on account of TA-DA/salary of staff engaged in the procurement of apples under MIS. Thus, inadmissible reimbursement of TA-DA/ Salary of staff as handling charges resulted in excess payment of ₹2.45 crore to the PAs. Further, these PAs had also claimed ₹21.67 crore (inclusive of TA-DA/ Salary) on account of handling charges during 2010-11 but the payment was yet (May 2011) to be released by the State Government.

The Department while confirming the facts, stated (April 2011) that the matter would be brought to the notice of HPMC/HIMFED as well as the State Government to adjust/recover the excess payment.

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12 Arhal, Bachhan Nalla, Bartoo, Bashla, Bindal Kainchi, Dalgaon, Giltari, Jachli, Jhagtan, Jharag, Mandal, Madot, Nakrari, Nalia, Nandpur, Pokta, Pujarli, Ramnagri and Shrontha.

13 2006-07: HPMC: ₹0.16 crore; HIMFED: ₹0.15 crore; 2007-08: HPMC: ₹0.49 crore; HIMFED: ₹0.42 crore; 2008-09: HPMC: ₹0.57 crore; HIMFED: ₹0.63 crore and 2009-10: HPMC: ₹0.02 crore; HIMFED: ₹0.01 crore.

3.2.7 Excess payment of subsidy

HPMC, Shimla had claimed (February 2009) subsidy of ₹12.15 crore on account of loss for MIS-2008, which was paid by the Director of Horticulture between July 2008 and June 2009. Later on (September 2009), ₹0.22 crore was disallowed on account of handling charges of spoiled fruit which was neither adjusted nor refunded to Government (May 2011). This resulted in excess payment of subsidy to the extent of ₹0.22 crore to HPMC.

Further, the State Government sanctioned (June 2009) ₹three crore in favour of HPMC to defray the pending liability of MIS-2008 and the amount was paid to HPMC (July 2009) which was over and above the claim of ₹11.93 crore (₹12.15 crore-₹0.22 crore) already paid to HPMC. Thus, ₹3.22 crore (₹0.22 crore + ₹3.00 crore) had been paid in excess to the HPMC for MIS-2008.

Thereafter, the State Government sanctioned (December 2009) ₹2.68 crore provided by the Planning Department under MIS to HPMC for clearing the pending liability of apple growers. The amount was paid to HPMC in December 2009. Audit scrutiny revealed that the Director of Horticulture did not intimate the factual position to the State Government that a sum of ₹3.22 crore had already been paid in excess to the HPMC against their claim for MIS-2008. Thus, against the claim of ₹11.93 crore, an amount of ₹17.83 crore[14] was paid to HPMC by the Director, Horticulture. This resulted in overall excess payment of ₹5.90 crore for MIS-2008.

The Department did not furnish any specific reasons for excess payment, but stated that in case, HPMC failed to deposit the said amount, the same would be adjusted in the final claims of MIS-2010.

3.2.8 Recommendations

The State Government may:

- *treat loss-reimbursement only a transitory phase towards achieving self-reliance in apple horticulture. The State Government should plan and evolve a time-bound scheme to promote self-reliance;*
- *evolve a system of ascertaining the actual amount of handling charges/overhead expenses payable to PAs;*
- *open viable collection centres at appropriate places for procurement of apples to reduce spoilage in the collection centres caused by lack of space, etc;*
- *release the amount of subsidy keeping in view the actual permissible claims of PAs; and*
- *devise an appropriate internal control and monitoring mechanism for effective, efficient and economical operation of MIS.*

The audit findings were referred to the Government in July 2011. Reply had not been received (September 2011).

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14 (₹12.15 crore + ₹3.00 crore + ₹2.68 crore).

Industries Department

3.3 Illegal mining in Himachal Pradesh

3.3.1 Introduction

To regulate exploitation of minerals in the State, minerals have been categorised as 'major' and 'minor' minerals. Building stone, gravel, ordinary clay, ordinary sand, boulder, limestone used for manufacture of lime, slates, shale, etc., used as building material fall under the category of minor minerals whereas gypsum, barytes, magnesite, dolomite, etc., are grouped under major minerals. Extraction of major minerals is governed by the Mines and Minerals (Development and Regulations) (MMDR) Act, 1957 and Mineral Concession Rules, 1960. The Himachal Pradesh Minor Minerals (Concession) Revised Rules (HPMMCRR) 1971, issued by the State Government under Section 15 of the Act ibid, govern the levy, assessment and collection of receipts from minor minerals which consist of royalty, dead/surface rent, fees and fines. Further, Rule 45, 53 and 57 of HPMMCRR, 1971 deal with penalty, unauthorised mining and illegal transportation of minerals.

Principal Secretary (Industries) is the administrative head while Director of Industries is the head of the Department assisted by State Geologist and eight Mining Officers (MOs) who are responsible for collection of mineral receipts and all other mining activities in the State.

3.3.2 Scope of Audit

Records maintained in the offices of the State Geologist, Shimla, five MOs[15] and four Executive Engineers (Ees)[16] of HPPWD for the period 2006-11 was reviewed in Audit during April-May 2011.

3.3.3 Audit Findings

3.3.3.1 Non-preparation of comprehensive mining policy

Audit scrutiny revealed that the Department had neither made any assessment of the existence of total minor minerals in the State nor any vision document/ comprehensive mining policy had been prepared for its exploitation. The Director stated (September 2011) that the Department had prepared survey documents of five[17] districts which depicted the details of mineral resources of various rivers/stream beds. It was further stated that study of other districts could not be taken up due to paucity of staff and implications of Forest Conservation Act (FCA), 1980. The survey documents for other districts are under preparation. The fact remains that the

15 Bilaspur, Kangra, Mandi, Shimla and Solan.
16 Bilaspur Div-I and Div-II, Solan and Theog.
17 Hamirpur, Kinnaur, Kullu, Solan and Una.

Department could not prepare a comprehensive inventory of minerals and a vision document for scientific exploitation of minerals in the State.

3.3.3.2 Non-auctioning of mining sites falling in the forest land

Minor minerals like sand, stone and bajri are abundantly available in the river beds/khuds/quarries, most of which fall in the forest land. Wastelands where the Government has proprietary rights was categorised as forest land in 1952 in all the districts in the State which attract the provisions of FCA, 1980. Since the FCA prohibits use of forest land for non-forestry purposes, mining activities have been confined to private land only. The demand for minor minerals increased due to its consumption in works of constructional departments/agencies like Himachal Pradesh Public Works Department (HPPWD), Housing Board, etc.

The Industries Department was not in a position to auction mines falling in the forest land and thus, all the mineral resources in forest lands remained untapped and stood exposed to illegal mining. As per statistics based on minor minerals consumption, 70 *per cent* of minor mineral consumption is reported in departments/agencies like HPPWD, Housing Board, IPH Department, etc. These departments/agencies had an indirect control of mining activity by way of verification of raw material at source. However, they did not take adequate steps to check the menace of illegal mining. On this being pointed out, the Director stated (September 2011) that to exploit the mineral wealth available in the forest land, the State Government is required to pay Net Present Value (NPV) to the GoI and when the cases were sent to Forest Department, the NPV assessed was much higher than the expected mineral wealth and therefore, the possibilities of exploiting mineral wealth in forest area was not explored by the Department.

The Forest Department clarified (September 2010) that 1952 notification is not applicable to lands vested in the State Government under Himachal Pradesh Land Ceiling and Land Holdings Act 1972; and Himachal Pradesh Village Common Land (Vesting and Utilisation) Act 1974, if not clearly declared as forest and thus, open for mining activities.

The Industries (Mining) Department, however, did not take steps to identify minerals on lands specified in above Acts for the past 37-38 years since the passage of above Acts. The Director stated (September 2011) that District Mining Officers are being asked to identify such land. This is indicative of the lackadaisical approach of the Department towards stoppage of illegal mining in the State.

3.3.3.3 Detection of offence cases of illegal mining

(i) The MMDR Act, 1957 provides that no person shall undertake any reconnaissance, prospecting or mining operations in any area, except under and in accordance with the terms and conditions of a reconnaissance permit or of a prospecting license or, as the case may be, a mining lease, granted under this Act and the rules made thereunder. The MOs in the State conducted raids on illegal mining operations. The year wise position of raids conducted, cases of illegal mining detected and fine realised during 2006-11 are as follows:

Table-3.3.1: Illegal mining cases detected during the period 2006-11

Sr .No.	Year	Raids conducted (In numbers)	Illegal mining cases detected (In numbers)	Cases compounded by the department (In numbers)	Fine imposed by the department (₹in lakh)
1	2006-07	2681	1623	417	25.13
2	2007-08	3392	2100	530	22.29
3	2008-09	3043	1611	445	18.60
4	2009-10	3691	2508	903	36.29
5	2010-11	3077	2537	1385	61.92
Total		**15884**	**10379**	**3680**	**164.23**

Source: Figures supplied by the Department

As no periodicity to conduct inspection/raids at different levels as well as to submit periodical returns was prescribed, the Department had not been regular in conducting raids which varied from 2681 to 3691 during 2006-11. Further, out of 10379 cases of illegal mining detected, 3680 cases were compounded. The details of illegal mining cases where fine was imposed by the courts during the period 2006-11 are as under:

Table-3.3.2: Illegal mining cases where fine was imposed by Courts

Sr. No.	Year	Cases lodged in the Court (In numbers)	Cases decided by the Court including old cases (In numbers)	Fine imposed by the Court (₹in lakh)	Total fine imposed during the period by the Department and Court (₹in lakh)
1	2006-07	884	1155	8.86	33.99
2	2007-08	1152	865	11.26	33.55
3	2008-09	986	861	13.91	32.51
4	2009-10	947	489	6.17	42.46
5	2010-11	797	321	4.10	66.02
Total		**4766**	**3691**	**44.30**	**208.53**

Source: Figures supplied by the Department

Of the 10379 illegal mining cases detected during 2006-11, 4766 cases were lodged in the courts and 3680 cases were compounded by the Department. There was nothing on record to indicate the action taken in respect of remaining 1933 cases. On this being pointed out, the concerned MOs[18] stated (April 2011) that due to shortage of staff and non availability of vehicles sufficient raids could not be conducted.

(ii) The State Government had authorised (March 2008) the departmental officers, Police, HPPWD, Irrigation and Public Health (IPH), Forest and Block Development

[18] Bilaspur, Mandi and Solan.

Officers (BDOs) to detect and make complaints in writing in the Court of competent jurisdiction.

Scrutiny of records revealed that 920 cases of illegal mining were detected by the officers/officials of SDOs (Civil), Police and Forest Departments during 2010-11. No case was reported by HPPWD and IPH departments which were major consumers of minor minerals whereas only one case was reported by BDO, Hamirpur.

The State Geologist stated (April 2011) that the officers of other Departments to whom powers had been delegated were not exercising their powers and that efforts were being made to coordinate with the departments to take effective steps for checking illegal mining.

3.3.3.4 Non-imposition of penalty on contractors supplying minerals without Form 'M'

The State Government rules stipulate that no person shall carry within the State a minor mineral by a vehicle, animal or any other mode of transport without carrying a pass in Form 'M'. The Rules also provide that holder of a mining lease or mining permit or a person authorised by him on his behalf shall issue a pass in Form 'M' duly countersigned by the concerned Mining Officer/General Manager, District Industries Centre or any other officer authorised on his behalf to every person carrying a consignment of minor mineral by a vehicle, animal or any other mode of transport. Further, the State Geologist issued (March 2007) instructions to all MOs, which, *inter alia,* provided that if illegal extraction is detected by engaging trucks, a fine not less than ₹0.05 lakh plus royalty, etc., would be imposed on the offender. The State Geologist had also requested (March 2009) the Chief Engineers, HPPWD and IPH departments that in order to ensure the legality of the materials (minor minerals like sand, stone aggregate, stone, etc.) brought in by the contractors, all EEs under their control be instructed to check Form 'M' at the time of payment of bills of the contractors. Cases in which the contractor fails to produce Form 'M', not only royalty as per rules should be recovered but penalty should also be imposed and matter reported to the concerned MOs.

Scrutiny of records of MOs Bilaspur, Shimla and Solan, EEs HPPWD Divisions, Bilaspur, Solan and Theog revealed that EEs deducted (September 2006-July 2010) ₹34.32 lakh as royalty from the contractors on 85,814.18 cubic metres[19] (160472.51 metric tonnes) of sand, stone and gravel supplied by them without producing Form 'M'. But neither the penalty on account of illegal mining was imposed nor was the matter reported to concerned MOs, for taking action under MMDR Act, resulting in a loss of ₹8.02 crore[20] to the Government due to non-imposition of penalty.

[19] Rate of Royalty ₹40 per cubic metre, 1 cubic metre = 1.87 tonne (calculated on average weight of sand, stone and concrete).

[20] Penalty @ ₹0.05 lakh per truck load i.e. 85814.19 cubic metres equal to 16047.25 truck load (one truck load = 10 tonne), worked out to ₹8,02,36,250/- or say ₹8.02 crore.

Ees, HPPWD, Bilaspur, Solan and Theog accepted (May 2011) that the sources from where the material was supplied by the contractors were not known. However, the royalty was being recovered wherever required. The fact, however, remains that they had failed to impose the required penalty and reporting the matter to concerned MOs for legal action under the Act.

MO, Solan stated (May 2011) that it was obligatory on the part of HPPWD not to take supplies from illegal sources of mining. State Geologist in his reply stated (May 2011) that the minerals consumed in the HPPWD works were extracted from legal source and there was no point of illegal activity. The reply of State Geologist does not explain as to how the minerals procured from contractors were extracted from legal source in the absence of requisite Form 'M'.

Thus, the inaction on the part of both the departments to detect illegal mining resulted in non imposition of penalty and consequential loss of ₹8.02 crore to the Government.

3.3.3.5 Setting up of check posts

The Minor Mineral Rules provide that the State Government may establish a check post for any area included in any mining lease or permit and when a check post is so established, public notice shall be given of the fact by publication in the Gazette and in such other manner as may be considered suitable by the State Government.

Scrutiny of records revealed that except in Kangra district, no other check posts had been established by the Department owing to non-availability of staff. Non-setting up of check posts resulted in non-checking of Form 'M' on the spot with consequent increase in cases of illegal mining which cannot be ruled out in such a situation.

3.3.3.6 Manpower position in Mining Offices

The shortages of staff in Mining Offices ranged between 16 and 63 *per cent* in different cadres which adversely affected checking of illegal mining and illegal transportation of minerals. The shortage at the MOs and Mining Inspectors (MIs) level in the Department was 63 and 40 *per cent* respectively.

- For Hamirpur, Kinnaur and Lahaul and Spiti districts neither any posts of MOs/MIs had been sanctioned by the State Government nor these were filled-up from amongst the existing staff.
- For Kullu district, the post of MO had not been sanctioned.

On this being pointed out, the Director stated (September 2011) that the Government is making serious efforts to fill these vacancies. Increase in cases of clandestine mining and illegal transportation of minerals due to shortage of staff especially key posts cannot be ruled out.

These shortages at various key positions implied that there is no control mechanism in place to check illegal mining activity in the State.

The persistent vacancies in various cadres had an adverse impact on mining operations which needs to be addressed by the State Government.

3.3.3.7 Training to officers/officials of the departments

In the meeting of the State Geological Programming Board, the Principal Secretary (Industries) advised (July 2010) to chalk out a training programme, at each Sub-Division level, to impart training to officers/officials of the departments to whom the powers for checking illegal mining have been delegated, so that the incidence of unauthorised mining could be minimised. The State Geologist informed the Principal Secretary that MOs had been asked to conduct such trainings.

Audit scrutiny, however, revealed that no such training had been imparted to any official/officer of other departments as of April 2011 except one training session during 2010-11 held in Solan district for officers of Nalagarh Sub-Division.

In the absence of any training, the officials/officers of other departments to whom powers had been delegated were not well versed with the procedure to tackle the menace of illegal mining and therefore, training needs would require to be addressed properly by the Department.

3.3.3.8 Non-implementation of recommendation of State Level Committee

The State Government Minor Mineral rules provide that no person shall undertake any operation in any area, except in accordance with the terms and conditions of the mining lease, contract or permit and any contravention shall be punishable with fine which may extend upto ₹5000 per truck load. The State Level Committee (SLC) under the Chairmanship of Principal Secretary (Industries) was constituted (January 2004) by the State Government to review action taken against illegal mining. In its meeting held in February 2007, SLC recommended amount of compounding fee not less than ₹5000 per offence if the illegal extraction is detected by engaging trucks. Further, the Hon'ble High Court of Himachal Pradesh passed an order (May 2010) directing the State Geologist to charge penalty by way of compounding fee in terms of amount prescribed by the SLC.

Scrutiny of records revealed that though the State Geologist issued (March 2007) instructions to all MOs to comply with the directions of SLC, no steps were taken to notify the change for incorporation in Rules. However, as per orders (May 2010) passed by the High Court, the Department took action to levy the compounding fee as recommended by SLC. Consequently, the parties involved were issued notices to deposit the enhanced compounding fee of ₹24.03 crore (₹24.09 crore minus ₹0.06 crore already realised). Audit scrutiny further revealed that an amount of ₹one crore had been recovered and the balance amount of ₹23.03 crore remained unrecovered as of April 2011 as the concerned parties moved the Court.

Thus, inaction on the part of the Department/Government to immediately implement the recommendations of SLC/ directions of Hon'ble High Court and also carry out necessary amendment in Rules, resulted in non-realisation of compounding fee of ₹23.03 crore.

3.3.4 Recommendations

The State Government may consider to:

- *prepare comprehensive mining policy for the State;*
- *prepare category-wise inventory of mines in the State;*
- *setting up of check posts in the authorised mining area;*
- *put in place a system for conducting inspection/raids at all mining sites at regular intervals by officers of the Department at different levels to check illegal mining;*
- *amend the penalty provisions in the HPMMCRR, 1971 to have deterrent effect on the offenders;*
- *address manpower issues in the Department; and*
- *evolve an effective system for proper coordination with other departments viz; Revenue, Forests, I&PH, HPPWD, Police and BDOs for checking illegal mining/transportation of minerals.*

The audit findings were referred to the Government in July 2011. Reply had not been received (September 2011).

(J. Wilson)
Accountant General (Audit)
Himachal Pradesh

Shimla
The 6 FEB 2012

Countersigned

(Vinod Rai)
Comptroller and Auditor General of India

New Delhi 8 FEB 2012
The

APPENDICES

APPENDIX-I

(Refer paragraph 1.1.15.2; page 18)

Statement showing the details of Vigilance Committees formed/existing at District, Block and FPS level in the State vis-à-vis meetings held during 2006-11

(In numbers)

Year	District level				Block level				FPS level			
	VCs formed/ existing	Meetings required	Meetings held	Shortfall	VCs formed/ existing	Meetings required	Meetings held	Shortfall	VCs formed/ existing	Meetings required	Meetings held	Shortfall
2006-07	12	36	15	21(58)	3	9	3	6(67)	2999	8997	458	8539(95)
2007-08	12	48	9	39(81)	8	32	8	24(75)	4155	16620	356	16264(98)
2008-09	12	48	9	39(81)	16	64	16	48(75)	4155	16620	353	16267(98)
2009-10	12	48	10	38(79)	8	32	8	24(75)	4147	16588	348	16240(98)
2010-11	12	48	19	29(60)	60	240	03	237(99)	4342	17368	203	17165(99)

Source: Data supplied by the Director, Food, Civil Supplies & Consumer Affairs Department

Note: 1. Constitution of VCs was notified in July 2006. Hence first quarter of the year 2006-07 has not been taken into account for holding meetings.

2. Figures in parenthesis represent percentage.

APPENDIX-II

(Refer paragraph 1.1.15.2; page 18)

Statement showing the details of Vigilance Committees formed/existing vis-à-vis meetings actually held in the test-checked districts during 2006-11

Name of the District	Description/level of VC	No. of VC formed/existing	Meetings required	Meetings held	Shortfall
Kangra (2007-11)	District	1	16	Nil	16(100)
	Block	Nil	0	Nil	0
	FPS	912	14252	83	14169 (99)
Kinnaur	District	1	16	2	14(88)
	Block	3	48	0	48(100)
	FPS	53	919	29	890(97)
Shimla	District	1	19	8	11(58)
	Block	1	19	0	19(100)
	FPS	503	8994	254	8740(97)
Solan	District	1	19	18	1(5)
	Block	5	95	7	88(93)
	FPS	298	5347	301	5046(94)

Source: Data supplied by the District Controller, Food, Civil Supplies & Consumer Affairs, Kangra, Kinnaur, Shimla and Solan

Note: 1. Constitution of VCs was notified in July 2006. Hence first quarter of the year 2006-07 has not been taken into account for holding meetings.

2. Figures in parenthesis represent percentage.

APPENDIX-III

(Refer paragraph 1.2.10.2; page 29)

Scheme-wise details of time and cost overrun in respect of selected divisions

(₹in lakh)

Sr. No.	Name of Division/ Town for which sewerage scheme designed	Month/ year of approval of estimate	Year of commencement of work	Stipulated period of completion as per estimate (In years)	Month/ year in which the scheme was due for completion	Month and year of completion/ percentage of physical progress	Delay (In months)	Approved cost	Actual expenditure incurred upto March 2011	Excess over estimated cost / percentage
1	**Padhar**									
	Jogindernagar	November 1999	1999-2000	4	November 2003	In progress (98)	88	561.21	827.61	**266.40 (47)**
2	**Solan**									
	Solan	November 1995	1995-96	4	November 1999	In progress (31)	136	455.38	2182.92	**1727.54 (379)**
3	**Una-I**									
	(i) Una	June 1995	1995-96	4	June 1999	In progress (98)	141	492.52	1081.04	**588.52 (119)**
	(ii) Mehatpur	January 1995	1994-95	4	January 1999	In progress (21)	146	245.31	342.48	**97.17 (40)**
	(iii) Santokhgarh	February 1996	1995-96	4	February 2000	In progress (51)	133	225.07	329.13	**104.06 (46)**
	Total							**1979.49**	**4763.18**	**2783.69**
4	**Dalhousie**									
	(i) Chowari	March 1996	1996-97	4	March 2000	In progress (16)	132	266.71	123.35	---
	(ii) Dalhousie	March 1996	1996-97	4	March 2000	In progress (11)	132	851.85	145.06	---
5	**Rohru**									
	Rohru	December 1994	1994-95	5	December 1999	In progress (90)	135	815.69	768.55	---
6	**Shahpur**									
	Kangra	August 2003	2003-04	5	August 2008	In progress (60)	31	927.99	747.42	---
	Total							**4841.73**	**6547.56**	---

Actual expenditure incurred on five schemes : ₹47.63 crore
Estimated cost of five schemes : ₹19.79 crore
Cost overrun : **₹27.84 crore**
Note: Figures in brackets indicate the percentage of excess over estimated cost.

APPENDIX-IV

(Refer paragraph 2.17; page 60)

Statement showing details of tourism facilities sanctioned but the works have not been started

(₹in lakh)

Sr. No.	Name of circuit/ destination	Facilities sanctioned and funds released thereof by GoI					Amount yet to be released by GoI	Amount released to EA by Director Tourism		Stipulated months of completion from the date of sanction	Name of executing agency (EA)
		Nos	Date of sanction	Amount sanctioned	Amount released	Percentage		Month	Amount		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1.	Shimla	1	December 2004	10.00	8.00	80	2.00	June 2007	3.00	30	AIERDSO
2.	Kangra	1	December 2004	20.00	16.00	80	4.00	July 2005	13.00	30	DC Kangra
3.	Chamba	1	December 2005	25.00	20.00	80	5.00	November 2007	32.00	30	HPTDC
4	Mandi-Bilaspur	1	December 2005	150.00	45.00	30	105.00	June 2008	25.00	30	DC Bilaspur
5	Rohru and Chanshal	11	November 2006	133.00	106.40	80	26.60	January 2007	55.40	30	HPTDC and DFO Rohru
6.	Sarahan- Shrikhand	16	December 2006	219.00	175.20	80	43.80	January 2007	65.70	30	DFO Rampur and SDM Rampur
7.	Pilgrim Circuit (PC) Shimla	6	December 2006	85.00	55.50	80 & 30	29.50	July 2007- June 2008	25.50	30	DC Shimla
	PC Una	2	December 2006	35.00	10.50	30	24.50	July 2007	10.50	30	DC Una
	PC Sirmaur	2	December 2006	15.00	4.50	30	10.50	July 2007	4.50	30	SDM Nahan
	PC Hamirpur	2	December 2006	40.00	12.00	30	28.00	July 2007	12.00	30	DTDO Kangra
	PC Kangra	1	December 2006	20.00	6.00	30	14.00	June 2008	6.00	30	Executive Engineer HPPWD Dehra
	PC Kangra	1	December 2006	15.00	4.50	30	10.50	June 2008	4.50	30	SDM Baijnath

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
8.	Tribal Circuit	3	September 2007	50.00	40.00	80	10.00	April 2008	25.00	30	DC Kinnaur
9.	Hamirpur	3	July 2008	305.00	244.00	80	61.00	December 2008-July 2008	235.00	06	HPTDC
		1	July 2008	20.00	16.00	80	4.00	December 2008-July 2008	16.00	06	Executive Engineer, PWD, Hamirpur
		2	July 2008	40.00	32.00	80	8.00	December 2008-July 2008	32.00	06	DC Hamirpur
		1	July 2008	10.00	8.00	80	2.00	December 2008-July 2008	8.00	06	AIERDSO
10.	Jogindernagar Bir – Billing	1	September 2008	30.00	24.00	80	6.00	November 2008-January 2010	24.00	6	Executing Officer MC Jogindernagar
		1	September 2008	5.00	4.00	80	1.00	November 2008-January 2010	4.00	6	BDO Darang
		1	September 2008	20.00	16.00	80	4.00	November 2008-January 2010	16.00	6	DC Mandi
		2	September 2008	16.00	12.80	80	3.20	November 2008-January 2010	12.80	6	BDO Bhawarna
		2	September 2008	35.00	28.00	80	7.00	November 2008-January 2010	28.00	6	HPTDC
		3	September 2008	28.95	23.16	80	5.79	November 2008-January 2010	23.16	6	BDO Baijnath
		4	September 2008	46.00	36.80	80	9.20	November 2008-January 2010	36.80	6	AE, IPH Baijnath
		1	September 2008	10.00	8.00	80	2.00	November 2008-January 2010	8.00	6	DFO, Jogindernagar
		1	September 2008	20.00	16.00	80	4.00	November 2008-January 2010	16.00	6	Sulabh International Chandigarh.
		1	September 2008	10.00	8.00	80	2.00	November 2008-January 2010	8.00	6	DFO Hamirpur
		1	September 2008	1.00	0.80	80	0.20	November 2008-January 2010	0.80	6	BDO Kangra

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
11.	Una- Hamirpur-Bilaspur	3	September 2008	120.00	96.00	80	24.00	December 2008	60.00	6	DC Una
		4	September 2008	160.00	128.00	80	32.00	December 2008	80.00	6	SDM Amb
		1	September 2008	20.00	16.00	80	4.00	December 2008	10.00	6	DFO Una
12.	Chail	3	September 2008	45.00	36.00	80	9.00	November 2008	22.50	6	HPTDC
		1	September 2008	15.00	12.00	80	3.00	November 2008	7.50	6	AIERDSO
		2	September 2008	35.00	28.00	80	7.00	November 2008	17.50	6	DTDO/SDM Solan
		1	September 2008	10.00	8.00	80	2.00	November 2008	5.00	6	DTDO/DFO Solan
		3	September 2008	40.00	32.00	80	8.00	November 2008	20.00	6	DTDO/SDM Shimla
13	Naldehra	2	August 2008	45.00	36.00	80	9.00	November 2008	22.50	6	HPTDC
		3	August 2008	90.00	72.00	80	18.00	November 2008	50.00	6	DTDO/DC Shimla
		1	August 2008	15.00	12.00	80	3.00	November 2008	7.50	6	DTDO/HPPWD
Total:		**97**		**2008.95**	**1457.16**		**551.79**		**1053.16**		

APPENDIX-V

Glossary of abbreviations

Abbreviations	Expanded form
AAY	Antyodaya Anna Yojna
Ach	Achievement
ADC	Additional Deputy Commissioner
APL	Above Poverty Line
ATN	Action Taken Notes
BASP	Backward Area Sub Plan
BDO	Block Development Officer
BG	Bank Guarantee
BPL	Below Poverty Line
CE	Chief Engineer
CEC	Central Empowered Committee
CFA	Central Financial Assistance
CIP	Central Issue Price
CPCB	Central Pollution Control Board
CPWD	Central Public Works Department
CTL	Combined Testing Laboratory
DC	District Controller
DC	Deputy Commissioner
DEEO	District Elementary Education Officer
DHE	Director Higher Education
DI	Ductile Iron
DPR	Detailed Project Report
EA	Executing Agency
ED	Education Department
EE	Executive Engineer
E-in-C	Engineer-in-Chief
FAQ	Fair Average Quality
FCA	Forest Conservation Act
FCI	Food Corporation of India
FCS&CA	Food, Civil Supplies and Consumer Affairs
FDRs	Fixed Deposit Receipts
FIS	Flow Irrigation Scheme
FPS	Fair Price Shop
FSO	Food Supply Officer
GI	Galvanised Iron
GIA	Grant-in-Aid
GoI	Government of India
GSSS	Government Senior Secondary School
HIMFED	Himachal Pradesh State Co-operative Marketing and Consumers Federation Limited
HPAIC	Himachal Pradesh Agro Industries Corporation
HPMC	Himachal Pradesh Horticultural Produce Marketing & Processing Corporation Limited
HPMMCRR	Himachal Pradesh Minor Minerals (Concession) Revised Rules
HPSCB	Himachal Pradesh State Co-operative Bank
HPSCSC	Himachal Pradesh State Civil Supplies Corporation
HPSEB	Himachal Pradesh State Electricity Board
HPSPCB	Himachal Pradesh State Pollution Control Board
HPWB	Himachal Pradesh Wakf Board
I&PH	Irrigation and Public Health

IDTC	Integrated Development of Tourist Circuit
JNNURM	Jawahar Lal Nehru Urban Renewal Mission
LPCD	Litres Per Capita Daily
MC	Municipal Corporation
MI	Mining Inspectors
MIP	Market Intervention Price
MIS	Market Intervention Scheme
MLA	Member of Legislative Assembly
MLD	Million Litres per Day
MMDR	Mines and Minerals Development and Regulations
MO	Mining Officer
MoRD	Ministry of Rural Development
MoUD	Ministry of Urban Development
MP	Member of Parliament
MPLADS	Member of Parliament Local Area Development Scheme
MSERW	Mild Steel Electrically Resistance Welded
MT	Metric Ton
MWA	Miscellaneous Works Advances
NABARD	National Bank for Agriculture and Rural Development
NBT	New Bilaspur Town
NIT	Notice Inviting Tenders
NOC	No Objection Certificate
NPV	Net Present Value
PAC	Public Accounts Committee
PAs	Procurement Agencies
PDS	Public Distribution System
PEO	Programme Evaluation Organisation
PMGSY	Pradhan Mantri Gram Sadak Yojana
PPSWR	Probability Proportionate to Size With Replacement
PRI	Panchayati Raj Institution
PS	Principal Secretary
PWD	Public Works Department
RFC	Road Fitness Committee
RIDF	Rural Infrastructure Development Fund
ROB	Railway Over Bridge
SDO	Sub-Divisional Officer
SDP	Sectoral Decentralised Planning
SE	Superintending Engineer
SFR	State Financial Rule
SLC	State Level Committee
SMO	Senior Marketing Officer
SRSWoR	Simple Random Sampling Without Replacement
SSS	Senior Secondary School
STA	State Technical Agency
STD	State Tourism Department
STP	Sewage Treatment Plant
Tar	Target
TC	Tourist Circuit
TPDS	Targeted Public Distribution System
UDD	Urban Development Department
ULBs	Urban Local Bodies
VAT	Value Added Tax
VC	Vigilance Committee
VKVNY	Vidhayak Kshetriya Vikas Nidhi Yojana
WSS	Water Supply Scheme

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